

Instructor's Manual: Chapter 1

Introduction to E-Commerce

Teaching Objectives

- Define e-commerce and describe how it differs from e-business.
- Identify and describe the unique features of e-commerce technology and discuss their business significance.
- Describe the major types of e-commerce.
- Understand the evolution of e-commerce from its early years to today.
- Describe the major themes underlying the study of e-commerce.
- Identify the major academic disciplines contributing to e-commerce.

Key Terms

e-commerce, p. 50

e-business, p. 51

information asymmetry, p. 52

marketplace, p. 53

ubiquity, p. 53

marketspace, p. 53

reach, p. 54

universal standards, p. 54

richness, p. 54

interactivity, p. 55

information density, p. 55

personalization, p. 56

customization, p. 56

business-to-consumer (B2C) e-commerce, p. 57

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consumer-to-consumer (C2C) e-commerce, p. 58

mobile e-commerce (m-commerce), p. 59

social e-commerce, p. 59

local e-commerce, p. 60

Internet, p. 61

World Wide Web (the Web), p. 62

mobile platform, p. 62

disintermediation, p. 69

friction-free commerce, p. 69

first mover, p. 69

network effect, p. 69

Web 2.0, p. 71

Brief Chapter Outline

Opening Case: The Uber-ization of Everything

1.1 E-commerce: The Revolution Is Just Beginning

The First 30 Seconds

- What Is E-commerce?
- The Difference between E-commerce and E-business
- Why Study E-commerce?
- Eight Unique Features of E-commerce Technology
 - Types of E-commerce
- Growth of the Internet, Web, and Mobile Platform
 - Insight on Technology: Will Apps Make the Web Irrelevant?*
- Origins and Growth of E-commerce
- 1.2 E-commerce: A Brief History
 - E-commerce 1995–2000: Invention
 - E-commerce 2001–2006: Consolidation
 - E-commerce 2007–Present: Reinvention
 - Insight on Business: Rocket Internet*
 - Assessing E-commerce: Successes, Surprises, and Failures
- 1.3 Understanding E-commerce: Organizing Themes
 - Technology: Infrastructure
 - Business: Basic Concepts
 - Society: Taming the Juggernaut
 - Insight on Society: Facebook and the Age of Privacy*
 - Academic Disciplines Concerned with E-commerce
- 1.4 Case Study: *Puma Goes Omni*
- 1.5 Review
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Table 1.3 Major Types of E-commerce, p. 58

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Teaching Suggestions

One of the biggest challenges that instructors face in teaching a course on e-commerce is helping students make sense out of what is really a very complex phenomenon that involves considerations of markets, firms, consumer behavior, and technology, among others. E-commerce is continually evolving and has become a thriving marketplace not only for products but also for services and content, such as social networks, user-generated content (video, photos, and blogs), and of course, entertainment such as movies, TV, video, music, and games. E-commerce is as much a sociological phenomenon as it is a business and technological phenomenon. In addition to the social aspect of e-commerce, two major themes in the text are the full emergence of the mobile platform, and the increasing emphasis on local e-commerce. We weave social, mobile, and local topics throughout the text into all chapters, because they are increasingly impacting all aspects of e-commerce.

The opening case, *The Uber-ization of Everything*, captures some of these changes in the foundations of e-commerce. Uber is at the forefront of a new on-demand service business model that is increasingly being used in many different arenas, from transportation, to lodging, to personal services. The case illustrates many of the trends that will be impacting e-commerce over the next few years, including the use of smartphones and tablets for purchasing goods and services, the growth of contract employment, and the disruption of traditional business models. You can also use the case as an introduction to some of the social, legal, and ethical issues facing e-commerce companies, such as the question of whether people who work for a technology platform like Uber are really employees; whether local governments should regulate on-demand service providers in order to ensure public safety; and the implications of the on-demand business model spreading throughout the economy and labor force. As you discuss the case with your students, you could also pose the following questions to them:

- Have you used Uber or any other on-demand service companies?
- What is the appeal of these companies for users and providers?
- Are there any negative consequences to the use of on-demand services like Uber and Airbnb?
- Would they like to be a contract worker for some part, or all, of their careers?

Key Points

Students are very interested in knowing what the future holds for e-commerce. E-commerce is the fastest growing retail, service, and entertainment channel. Although e-commerce revenues were relatively flat in 2008-2009 during the recession, growth resumed in 2010, and has continued at double-digit rates since then, outpacing traditional retail by a factor of two or three. There are thousands of job opportunities in e-commerce as traditional firms move onto the Web. You should let students know that the e-commerce revolution is still in the beginning phases. They may have missed the very early tumultuous years, but there are many powerful, commercial, and technological

forces that will push e-commerce along in the next decades. To emphasize this, you can highlight the bullet points noted in Table 1.1.

Much of the first chapter is aimed at getting some basic definitions straight. The e-commerce field is filled with language that some students might find confusing. We distinguish between e-commerce and e-business to set the focus clearly on commercial transactions over the Internet. It's also important for students to understand the differences between the various types of e-commerce, such as B2C and B2B. A short preview of this topic is covered on pages 56 to 60. Figure 1.5 graphically illustrates the relative size of different types of e-commerce, to help drive home the point that while B2C, and social-mobile-local e-commerce may be the types students are most familiar with, or hear about the most, they are all dwarfed by B2B.

Many students (and some of our colleagues) may ask, "Why study e-commerce?" when we generally do not have courses on other types of commerce, like sales over the television. Here's a good opportunity to show students just how different Internet technology is from previous technologies. Pages 52 to 56 cover this topic. We use a variation of Table 1.2 throughout the text in various contexts, so it's a good idea to familiarize students with it. Ask students if they think some dimension is missing from the table, or to compare these features with, say, television.

Pages 61 to 62 briefly discuss the growth of the Internet, Web, and mobile platform. This is a good time to introduce changes in client platforms, operating systems, and particularly, mobile devices as technologies that are spurring access to the Internet. Figure 1.6 highlights the growing use of mobile devices to access the Internet. The top part of the graphic shows the increase in the number of people using mobile phones and tablets to do so, the middle part shows the percentage of the U.S. population using mobile phones and tablets, and the bottom part shows the total U.S. mobile connections – in 2015, an average of 1.10 per person.

The *Insight on Technology: Will Apps Make the Web Irrelevant* case looks at the rise in importance of apps as compared to the Web in the e-commerce landscape. Class discussion questions for this case might include:

- What are the advantages and disadvantages of apps, compared with Web sites, for mobile users?
- What are the benefits of apps for content owners and creators?
- Will apps eventually make the Web irrelevant? Why or why not?

An important distinction in Chapter 1 is the contrast between the early years of e-commerce and e-commerce today. We discuss e-commerce in the context of three stages: an early period of invention, a period of consolidation, and then today's e-commerce, which we refer to as a period of "reinvention." Figure 1.8 places these periods along a timeline, while Table 1.4 describes the key dimensions of each of these periods.

The discussion of the early years of e-commerce and its initial promise allows you to introduce some key terms such as *disintermediation*, *first movers* versus *fast followers*,

network effects, and “*friction free*” commerce. These terms appear again and again in later chapters.

The case *Insight on Business: Rocket Internet* provides an interesting look at Rocket Internet, a start-up incubator headquartered in Berlin, Germany. Students might be inspired by some of the companies that have participated in Rocket Internet’s boot camp and are significant successes, such as Jabong and Zalando. Class discussion questions for this case might include the following:

- What are the benefits of investing in a company that Rocket Internet has launched?
- Is an incubator the best solution for start-ups to find funding? Why or why not?
- Why is Rocket Internet controversial?

A major theme in the book is that e-commerce affects and is affected by many societal forces. On the one hand, the Internet and e-commerce are changing our conception of shopping and entertainment. It is also true that social attitudes and values, as well as new legislation, are shaping the Internet and e-commerce. Students are introduced to the technology of privacy invasion and privacy protection in *Insight on Society: Facebook and the Age of Privacy*. Here, students are introduced to some of the societal themes that recur throughout the book. Do consumers in a public marketplace have a legitimate expectation of privacy? Is there anything consumers can do to protect their privacy? Can the Web be designed to better protect privacy? You might point out to students that government and business surveillance of their online behavior is now commonplace. Although some students might say, “So what,” you might take this opportunity to ask students if there is any personal information that they would not like anyone to know. If this fails, ask them to close their eyes and think about something they have done that they would not want their parents to know about. Just about everyone has at least one of these memories. Other class discussion questions might include the following:

- Why are social network sites interested in collecting user information?
- What types of privacy invasion are described in the case? Which is the most privacy-invading, and why?
- Is e-commerce any different from traditional markets with respect to privacy? Don’t merchants always want to know their customers?
- How do you protect your privacy on the Web?

The closing case study, *Puma Goes Omni*, captures some of the changes in the foundations of e-commerce. The case illustrates many of the trends that will be impacting e-commerce over the new few years. These trends include the growing use of social media to sell goods (social e-commerce) as well as the growing importance of the mobile platform, leading to what has come to be known as omni-channel retailing. The case also touches on the issues involved with retailing on a global basis, and the importance of localization and geo-targeting marketing efforts. As you discuss the case with your students, you could also pose the following questions to them:

- How effective do you think Puma’s Web site is as a retail e-commerce site?

- How does Puma use social media to support its business? How does what it does on its Facebook page differ from what it does on its Twitter page and YouTube channel, and vice versa?

Visit other Puma Web sites optimized for various countries (by opening the Regions link at the bottom of the home page). How do the various sites differ from one another?

Case Study Questions

1. *What is the purpose of Puma's content management system?*

The purpose of Puma's content management system (CMS) is to ensure consistent branding and navigation are maintained across sub-sites and pages. It allows Puma to roll out local, regional, or global campaigns with ease. The CMS is also integrated with Storefinder, Puma's product inventory manager, and a language translation tool.

2. *Why did Puma build a single centralized Web site rather than continue with multiple Web sites serving different countries and regions?*

Puma developed a single, centralized Web site in order to bring all the separate sites into alignment to develop a single branding message across the globe and give managers the tools they need to concentrate their efforts. Centralizing the Web sites also allows Puma to better collect customer data, permitting greater customization of their products.

3. *What social media sites does Puma use and what do they contribute to Puma's marketing effort?*

Puma maintains an extensive presence on Facebook, Twitter, Instagram, Pinterest, and YouTube and closely integrates its social strategy with its other marketing channels with an eye to drive the conversation and deepen its engagement with consumers. It uses social media in part to better understand the different regional and sub-brand audiences within more than 120 countries in which it operates. Not all content is suitable for every one of its 14+ million global Facebook fans. Dedicated sport, country, region, and product category pages were created for each social network. For several years, Puma took a trial-and-error approach, focusing on building its follower base. Today, Puma uses a data-driven approach, geo-targeting posts at the appropriate times of day to maximize fan engagement and generate the right mix of online content to best drive sales. This integration of channels into a cohesive customer acquisition strategy is, in fact, a key element of the emerging world of omni-channel retailing.

End of Chapter Questions

1. *What does omni-channel mean in terms of e-commerce presence?*

The term omni-channel signals the evolution of multi-channel or cross-channel retailing to encompass all digital and social technologies. The idea is that customers can examine, access, purchase, and return goods from any channel, and even change channels during the process, and at each step along the way and in each channel, receive timely and relevant product information.

2. *What is information asymmetry?*

Information asymmetry refers to any disparity in relevant market information among the parties involved in a transaction. It generally applies to information about price, cost, and hidden fees.

3. *What are some of the unique features of e-commerce technology?*

The unique features of e-commerce technology include:

- Ubiquity: It is available just about everywhere and at all times.
- Global reach: The potential market size is roughly equal to the size of the online population of the world.
- Universal standards: The technical standards of the Internet and therefore of conducting e-commerce are shared by all of the nations in the world.
- Richness: Information that is complex and content-rich can be delivered without sacrificing reach.
- Interactivity: E-commerce technologies allow two-way communication between the merchant and the consumer.
- Information density: The total amount and quality of information available to all market participants is vastly increased and is cheaper to deliver.
- Personalization/Customization: E-commerce technologies enable merchants to target their marketing messages to a person's name, interests, and past purchases. They allow a merchant to change the product or service to suit the purchasing behavior and preferences of a consumer.
- Social technology: User content generation and social network technologies

4. *What are some of the factors driving the growth of social e-commerce?*

The growth of social e-commerce is being driven by a number of factors, including the increasing popularity of social sign-on (signing onto Web sites using your Facebook or other social network ID), network notification (the sharing of approval or disapproval of products, services, and content via Facebook's Like button or Twitter tweets), online collaborative shopping tools, and social search (recommendations from online trusted friends).

5. *What are three benefits of universal standards?*

- Reduced search costs for consumers
- Becomes simpler, faster, with more accurate price discovery

- Lower market entry costs for merchants

6. *How does the ubiquity of e-commerce impact consumers?*

From a consumer point of view, ubiquity reduces *transaction costs*—the costs of participating in a market. To transact, it is no longer necessary that you spend time and money traveling to a market. At a broader level, the ubiquity of e-commerce lowers the cognitive energy or the mental effort required to transact in a marketplace.

7. *Name three of the business consequences that can result from growth in information density.*

Growth in information density can result in:

- Greater price transparency: Consumers can easily find out the variety of prices in a market.
- Greater cost transparency: Consumers can discover the actual costs merchants pay for products.
- Greater opportunities for marketers to practice price discrimination: Because marketers are able to gather much more information about their customers, they can segment the market into groups based on willingness to pay different prices for the same or nearly the same goods.

8. *What difficulties are presented in trying to measure the number of Web pages in existence?*

There are difficulties present in trying to measure the precise number of Web pages in existence because today's search engines index only a portion of the known universe of Web pages. In addition to the "surface" or "visible" Web, there is also the so-called deep Web that is reportedly 500 to 1,000 times greater than the surface Web. The deep Web contains databases and other content that is not routinely indexed by search engines such as Google. Although the total size of the Web is not known, what is indisputable is that Web content has grown exponentially since 1993.

9. *Give examples of B2C, B2B, C2C, and social, mobile, and local e-commerce besides those listed in the chapter materials.*

The answers to this question will vary. Possible examples include:

- B2C: E-tailers:
Bluefly
Uncommon Goods
- B2C: Service Providers:
Expedia
Travelocity
- B2C: Portals:
Yahoo

MSN

- B2C: Content Providers:
 - WSJ online
 - Consumer Reports
- B2B:
 - Grainger
 - Ariba
 - Amazon Business
- C2C:
 - Craigslist
 - Etsy
- Social e-commerce:
 - Buy buttons on Pinterest, Facebook and Twitter
- Mobile e-commerce
 - Mobile retail Web sites and apps
 - Mobile banking Web sites and apps
 - Mobile travel services Web sites and apps
 - Mobile advertising
 - Mobile content
 - Mobile payment services
- Local e-commerce
 - Living Social
 - Amazon Local
 - On-demand service companies

10. How are e-commerce technologies similar to or different from other technologies that have changed commerce in the past?

E-commerce technologies are similar to other technologies that have changed commerce in the past in that each new technological innovation spawns explosive growth characterized by thousands of start-up companies. Many of these fail in the period of retrenchment and consolidation that follows. As with other technological revolutions, eventually it is the large, already established firms who have the resources to exploit the new technology. The growth of the Internet, when compared to other technologies such as radio and television, has been much more rapid: The Internet and Web achieved a 53% share of U.S households in only 10 years. In comparison, it took 38 years for radio and 17 years for television to achieve a 30% share.

11. Describe the three different stages in the evolution of e-commerce.

The three stages in the evolution of e-commerce are innovation, consolidation, and reinvention. Invention took place from 1995–2000 and was characterized by excitement and idealistic visions of markets in which quality information was equally available to both buyers and merchants. E-commerce did not fulfill these visions during its early years, however. After 2000, e-commerce entered its second stage of

development—consolidation. In this stage, more traditional firms began to use the Web to enhance their existing businesses. Less emphasis was placed on creating new brands. In 2006, though, e-commerce entered its current stage—reinvention—as social networking and Web 2.0 applications reinvigorated e-commerce and encouraged the development of new business models.

12. Define disintermediation and explain the benefits to Internet users of such a phenomenon. How does disintermediation impact friction-free commerce?

Disintermediation means the removal of the market middlemen—the distributors, wholesalers, and other intermediaries—between producers and consumers. The predicted benefits to Internet users include the decline of prices for products and services as manufacturers and content originators develop a direct relationship with their customers, and the elimination of payments to these middlemen.

Disintermediation of markets would create intense competition. This, along with lowered transaction costs, would eliminate product brands, eventually resulting in the elimination of unfair competitive advantages and extraordinary returns on capital—the vision of friction-free commerce.

13. What are some of the major advantages and disadvantages of being a first mover?

The major advantages of being a first mover are the ability to build a brand name early on and establish a large customer base before followers enter the market, and the ability to build switching costs into the technology or services offered so that customers will find it discomfiting to change to a late entering competitor. The major disadvantage is that historically, many first movers have not succeeded and are instead replaced by the fast follower, larger firms with the financial, marketing, legal, and production assets necessary to develop mature markets. Generally, only a handful of first mover firms become successful long-term businesses as the start-up costs and time it takes to build a profitable business are often underestimated.

14. What is a network effect, and why is it valuable?

A network effect occurs where all participants receive value from the fact that everyone else uses the same tool or product (for example, a common operating system, telephone system, or software application such as a proprietary instant messaging standard or an operating system such as Windows), all of which increase in value as more people adopt them. The network effect is quantified by Metcalfe's Law, which argues that the value of a network grows by the square of the number of participants.

15. Discuss the ways in which the early years of e-commerce can be considered both a success and a failure.

The early years of e-commerce can be considered a success because of the technological success that occurred as Web-enabled transactions grew from

thousands to billions. The digital infrastructure proved to be a solid foundation on which to build a viable marketing channel. From a business perspective, the early years of e-commerce were a mixed success with just a tiny percentage of dot.com companies surviving. However, the survivors have benefited from the continued growth in B2C revenues. The early years of e-commerce can also be considered a success in that the transfer of information has been a huge accomplishment as consumers learned to use the Web to procure information about products they wanted to purchase (Internet-influenced commerce).

16. What are five of the major differences between the early years of e-commerce and today's e-commerce?

The major differences between the early years of e-commerce (the Invention stage), the period between 2001 and 2006 (the Consolidation stage), and today's e-commerce (the Reinvention stage) are as follows:

- During the Invention stage, e-commerce was primarily technology-driven. During the Consolidation stage, it was primarily business-driven. Today's e-commerce, although still business-driven, is also audience, customer, and community-driven.
- During the Invention stage, firms placed an emphasis on revenue growth, quickly achieving high market visibility/market share. During the Consolidation stage, the emphasis was on building profitable firms. Today, audience and social network growth are being emphasized.
- Start-ups during the Invention stage were financed by venture capitalists, while those in the Consolidation stage were primarily financed by traditional methods. Today, startups are once again being financed by venture capitalists, albeit with smaller investments. In addition, many large online firms are now entering the market, and acquiring early stage firms via buy-outs.
- During the Invention phase, e-commerce was, for the most part, ungoverned. In the Consolidation stage, there was a rise in the amount of regulation and governmental controls by governments worldwide. Today, there is extensive government regulation and surveillance.
- The Invention stage of e-commerce was characterized by the young entrepreneurial spirit. During the Consolidation stage, e-commerce was primarily dominated by the retail giants. Today, large purely Web-based firms are playing a major role.
- The Invention phase was characterized by an emphasis on deconstructing traditional distribution channels and disintermediating existing channels. During the Consolidation stage, intermediaries strengthened. Today, there is a proliferation of small online intermediaries that are renting the business processes of larger firms.
- "Perfect markets" in which direct market relationships with consumers, the decline of intermediaries, and lower transaction costs resulted in intense competition and the elimination of brands, are being replaced by imperfect markets. Imperfect markets are characterized by a strengthening of brand

name importance, increasing information asymmetries, price discrimination, and network effects.

- The early years of e-commerce saw an infusion of pure online businesses that thought they could achieve unassailable first mover advantages. During the Consolidation period, successful firms used a mixed “bricks-and-clicks” strategy, combining traditional sales channels such as physical stores and printed catalogs with online efforts. Today, there is a return of pure online strategies in new markets, as well as continuing extension of the “bricks and clicks” strategy in traditional retail markets.
- The early years of e-commerce were dominated by the first movers. In the Consolidation stage, e-commerce was dominated by the well-endowed and experienced Fortune 500 and other traditional firms. Today, first-mover advantages are returning in new markets as traditional Web players catch up. Facebook is an excellent example of not-quite-a-first mover, but close enough to build a huge online audience.

17. Why is a multidisciplinary approach necessary if one hopes to understand e-commerce?

A multidisciplinary approach is necessary in order to understand e-commerce because no single academic discipline covers all facets of the e-commerce phenomenon. E-commerce is primarily a technologically driven occurrence, including information technologies developed over the past fifty years, with the Internet and the Web at the core. However, beyond the infrastructure are the business purposes that drive the phenomenon: the changing business models and strategies that will transform old companies and spawn new ones. To understand e-commerce, one must understand some basic business concepts such as: industry structures, business models, firm and industry value chains, and consumer behavior. They must also comprehend the nature of electronic markets and information goods. Finally, the impact on society must be considered: global e-commerce can have consequences for individuals concerning their intellectual property and privacy rights. Public policy issues such as equal access, equity, content control, and taxation will need to be addressed.

18. Why is the term “sharing economy” a misnomer?

The term “sharing economy” is a misnomer because the parties involved in a “sharing economy” business are not sharing anything. For example, Uber drivers are selling their services as drivers and the temporary use of their car. Uber is not in the sharing business either; it charges a hefty fee for every transaction on its platform. Uber is not an example of “peer-to-peer” e-commerce because Uber transactions involve an online intermediary; a third party that takes a cut of all transactions and arranges for the marketplace to exist in the first place.

19. What are those who take a behavioral approach to studying e-commerce interested in?

Disciplines that take a behavioral approach to studying e-commerce include information systems researchers, economists, the marketing profession, management scholars, economists, finance and accounting scholars, sociologists, psychologists, and legal scholars. Information systems researchers are primarily interested in e-commerce because of its implications for firm and industry value chains, industry structure, and corporate strategy. Economists have focused on online consumer behavior, pricing of digital goods, and on the unique features of digital electronic markets. The marketing profession is interested in marketing, brand development and Extension, online consumer behavior, and the ability of e-commerce technologies to segment and target consumer groups, and differentiate products. Economists share an interest with marketing scholars who have focused on e-commerce consumer response to marketing and advertising campaigns, and the ability of firms to brand, segment markets, target audiences, and position products to achieve above-normal returns on investment. Management scholars have focused on entrepreneurial behavior and the challenges faced by young firms who are required to develop organizational structures in short time spans. Finance and accounting scholars have focused on e-commerce firm valuation and accounting practices. Sociologists—and to a lesser extent, psychologists—have focused on general population studies of Internet usage, the role of social inequality in skewing Internet benefits, and the use of the Web as a social network and group communications tool. Legal scholars are interested in issues such as preserving intellectual property, privacy, and content regulation.

20. *Why has Rocket Internet been criticized, and how do the Samwer brothers respond to that criticism?*

Critics of Rocket Internet claim that the company is less concerned with innovation than it is with launching clones of successful United States-based businesses in other markets. Investors are also concerned about the profitability of Rocket's portfolio. Many of Rocket's companies have market leader status in their respective areas, but nearly all of them are not currently profitable, including Zalora and Jabong. Oliver Samwer counters talk of site clones by noting that for the majority of these types of businesses, truly disruptive innovation is rare, and the business succeeds or does not succeed based on the efficiency of its business processes. Marc Samwer adds that Rocket Internet takes the best ideas and improves on them by localizing them to better fit specific areas. With respect to profitability, Rocket contends that by focusing on growth in emerging markets first, profits will come in time.

Projects

1. *Choose an e-commerce Web site and assess it in terms of the eight unique features of e-commerce technology described in Table 1.2. Which of the features does the site implement well, and which features poorly, in your opinion? Prepare a short memo to the president of the company you have chosen, detailing your findings and any suggestions for improvement you may have.*

The purpose of this exercise is for students to begin looking at the Web sites they visit from a critical perspective and to begin analyzing the information they can find at those sites. Presentations/reports submitted for this project will differ depending on the example selected by students.

In assessing a Web site in terms of the eight unique features of e-commerce technology, a student might focus on the following:

- Ubiquity: What kinds of m-commerce applications, if any, does the site offer? (Such applications increase ubiquity by making e-commerce available from a wider range of devices.)
- Global reach: Does the Web site try to reach consumers outside of its host country? If so, how well is this implemented?
- Universal standards: There should not be much variance between Web sites with respect to this feature of e-commerce technology.
- Richness: Does the Web site use animated graphics, Flash animations, online video, or streaming media to deliver marketing messages? If so, how effective does the student find these features? Do they aid the consumer's experience, or hinder it?
- Interactivity: In what ways is the Web site interactive?
- Information density: Students should note what, if any, information (via registration or through other means) a Web site overtly collects from visitors or users.
- Personalization/Customization: In what ways does the Web site personalize its marketing messages? For instance, is the user greeted by name? Can products and services be customized?
- Social technology: Does the Web site offer ways for consumers to share opinions and preferences. Is there any capacity for content generated by users?

2. *Search the Web for an example of each of the five major types of e-commerce described in Section 1.1. Create an electronic slide presentation or written report describing each Web site (take a screenshot of each, if possible) and explain why it fits into one of the five types of e-commerce.*

The purpose of this project is for students to begin looking at the Web sites they visit from a critical perspective and begin analyzing the information they can find at those sites. Presentations/reports submitted for this project will differ depending on the examples selected by students. Examples might include the following:

- B2C: Any one of a number of B2C companies such as e-tailers, service providers, portals, content providers, and community providers might be selected.
- B2B: Any one of a number of B2B companies such as Elemica (consortia), Grainger (e-distributor), and Inventory Locator Service (ILS) (exchange) could be selected.
- C2C: Leading examples of C2C e-commerce companies include eBay, Craigslist, Etsy, and others that act as an intermediary between consumers seeking to make transactions.
- Social e-commerce: Pinterest, Facebook, and Twitter are at the center of social e-commerce.
- M-commerce: Almost all large e-commerce companies now have significant mobile commerce capabilities. Some possibilities students may choose include Amazon, eBay, Orbitz, or any one of a number of others.
- Local e-commerce: Companies that are involved with local e-commerce include Groupon, Living Social, and Amazon Local, Uber, Airbnb, and a host of others.

For each example chosen, the student should describe the features of the company that indicate which particular category of e-commerce it falls into. For example, if Barnes & Noble is chosen as a representative of B2C e-commerce, the student might describe the features he or she sees available on the home page. They should note that Barnesandnoble.com focuses primarily on the sale of books, music, software, magazines, prints, posters, and related products to individual consumers.

3. *Given the development and history of e-commerce in the years from 1995–2015, what do you predict we will see during the next five years of e-commerce? Describe some of the technological, business, and societal shifts that may occur as the Internet continues to grow and expand. Prepare a brief PowerPoint slide presentation or written report to explain your vision of what e-commerce will look like in 2019.*

Although each student's answer may differ depending on their personal perspective on e-commerce, here are some possible predictions:

- Technological shifts: The Internet will continue to grow, but at a slower pace. Internet usage, however, will become more focused, targeted, and intense. New client platforms will continue to emerge. Mobile devices such as smartphones and tablets will become much more predominant than traditional desktop computers.
- Business shifts: Larger traditional firms will come to dominate e-commerce. There will be a greater emphasis on profitability for online ventures. Alternatively, as the costs of creating and running an e-commerce presence

decline, more innovative small firms will enter the marketplace and challenge the leaders in e-commerce.

- Societal shifts: There will be a greater emphasis on regulation and control over the Internet and e-commerce in areas such as taxation, content, and entertainment.

4. *Prepare a brief report or presentation on how companies are using Instagram or another company of your choosing as a social e-commerce platform.*

Student answers will vary depending on the company they choose as the subject of their report or presentation. For example, if a student chooses Instagram, they might note that while currently, users cannot yet click and buy directly from Instagram, there are a number of tools that enable companies to use it for social commerce, such as LIKEtoKNOW.IT, which integrates Instagram with traditional e-mail marketing, Soldsie, which is a social commerce app that allows businesses to sell products on Instagram, and Curalate's Like2Buy and HavetoHave It. Companies such as IKEA, Sephora, Nespresso, Nordstrom, and many retail and fashion brands regularly use Instagram to encourage customers to share photos and videos. As a result, research by Shopify shows that Instagram has the third-highest social commerce average order value, worldwide, at \$59 per order.

5. *Follow up on events at Uber since October 2015 (when the opening case was prepared). Prepare a short report on your findings.*

Given the large number of press reports on Uber, students should be able to find a plethora of information by using the Web to search for articles. For example, Uber cars are not required to be handicap accessible while yellow cabs are; Uber is not required to follow any labor laws for its drivers because it has no employee drivers, just contractors; and in some cities such as Seattle, Uber and Lyft drivers are forming a union of contract workers, even though they may not be considered employees.

Companion Web Site, Learning Tracks, and Video Cases

You can also direct your students to the Companion Web Site for the book, located at www.pearsonglobaleditions.com/laudon. There they will find a collection of additional projects and exercises for each chapter; links to various technology tutorials; information on how to build a business plan and revenue models; information on careers in e-commerce, and more. Learning Tracks that provide additional coverage of various topics and a collection of video cases that integrate short videos, supporting case study material, and case study questions are also available for download from the books' Online Instructor Resource Center at www.pearsonglobaleditions.com/laudon. Learning Tracks and Video Cases for this chapter include:

- Learning Track 1.1 Global E-commerce Europe
- Learning Track 1.2 Global E-commerce China
- Learning Track 1.3 Global E-commerce Latin America
- Video Case 1.1 The Importance of the Internet for E-commerce
- Video Case 1.2 The Future of E-commerce