# Lecture 5 of MIS

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## Objectives

1. Analyze how Internet technology has changed value propositions and business models.
2. Define electronic commerce and how it has changed consumer retailing and business-to-business transactions.
3. Compare the principal payment systems for electronic commerce.
4. Evaluate the role of Internet technology in facilitating management and coordination of internal and interorganizational business processes.

## Chapter Outline

   - Internet Technology and the Digital Firm
   - New Business Models and Value Propositions

4.2. Electronic Commerce
   - Categories of Electronic Commerce
   - Customer-Centered Retailing
   - Business-to-Business Electronic Commerce
   - Electronic Commerce Payment Systems

## Key Terms

- Business-to-business (B2B), Business-to-consumer (B2C), Call center
- Collaborative commerce, Consumer-to-consumer (C2C), Digital cash
- Digital wallet, Digital checking, Digital credit card payment systems
- Disintermediation, Exchanges, Electronic billing, Electronic payment systems
- Electronic data interchange (EDI), Mobile commerce (m-commerce)
- Private industrial networks, Reintermediation, Web personalization

## Section 4.1: Electronic Business, Electronic Commerce, and the Emerging Digital Firm

Section 4.1 discusses the benefits of using Internet technology to enable the digital firm. Discussing the many benefits, including lower transaction and agency costs, bypassing intermediaries, the ability of trading partners to directly communicate with each other, the ability to connect disparate systems, reduced delivery time for goods and services, 24-hour availability, and replacing the existing distribution channels.

1. Internet Technology and the Digital Firm
   - Rapidly becoming infrastructure of choice
   - Universal, easy-to-use set of technologies and standards
   - Web sites available 24/7
   - Extended distribution channels
   - Reduced transaction costs, network and coordination costs

2. New Business Models and Value Propositions
   - Virtual storefront: Sells goods or services online (Amazon.com)
   - Information broker: Provides information on products or services (Edmunds.com)
• Transaction broker: Provides online transaction facility (Expedia.com)
• Online marketplace: Provides a trading platform for individuals & firms (eBay.com)
• Content provider: Creates revenue by providing content (TheStreet.com)
• Online service provider: Provides online services, including search service. (Google.com, Xdrive.com)
• Virtual community: Provides an online community for focused groups (Friendster.com, iVillage.com)
• Portal: Provides initial point of entry to Web, specialized content, services (Yahoo.com, MSN.com)

Section 4.2: Electronic Commerce

Here students are introduced to electronic commerce categories, related terminology, and types of electronic payment systems. The discussion of mobile commerce is of particular interest in this section.

(1) Categories of Electronic Commerce

Business-to-customer (B2C): Retailing of products and services directly to individual customers (Wal-Mart.com)

Business-to-business (B2B): Sales of goods and services to other businesses (Grainger.com, Alibaba.com)

Consumer-to-consumer (C2C): Individuals using the Web for private sales or exchange (Taobao.com)

(2) Customer-Centered Retailing

Collection of customer information using Web site auditing tools less expensive than surveys and focus groups

Web personalization technology customizes content on Web site to individual’s profile and purchase history

Customer self-service: The use of Web sites to provide customers with access to information and answers to questions

(3) Advantages of E-commerce:

Customer-centered retailing: Closer and more personalized relationship with customers is possible

Disintermediation: The elimination of organizations or business process layers responsible for certain intermediary steps in a value chain, reducing costs to the consumer

(4) Business-to-Business Electronic Commerce

Electronic Data Interchange (EDI): Enables computer-to-computer exchange between two organizations of standardized transactions. Currently 80% of B2B
e-commerce uses this system. EDI is being replaced by Web-based alternatives.

(5) Private Industrial Network
The largest Web-based form of B2B commerce. Private B2B extranets that focus on continuous business process coordination between a small group of companies for collaboration and supply chain management. Wal-Mart uses its own private network to coordinate more than 15,000 suppliers to its stores.

(6) Electronic Commerce Payment Systems
- Digital credit card payment systems: Secure credit card payment over Web
- Digital wallet: Stores credit card and owner identification, shipping information, to facilitate payment process
- Digital cash: Digital currency that can be used for micropayments or larger purchases
- Digital checking: Electronic check with secure digital signature
- Electronic billing presentation and payment system: Supports electronic payment for online and physical store purchases after purchase has taken place

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