Lecture 1

Introduction to E-commerce I

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Adapted from
E-commerce 2021–2022: business. technology. society

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Objectives

- **Define e-commerce, understand how e-commerce differs from e-business.**

- **Discuss the primary technological building blocks underlying e-commerce and recognize major current themes in e-commerce.**

- **Why Study E-commerce?**

- **Difference between E-Commerce and Traditional Commerce**

What Is E-commerce?

❖ <u>E-commerce</u> is the use of Internet, Web and mobile apps to digitally enabled <u>commercial transactions</u> between and among <u>organizations</u> and <u>individuals</u>

❖ Commercial transactions include the exchange of **money** across organizational boundary, in exchange for **<u>goods</u>**, and **<u>services</u>**

What Is E-commerce?

❖ **E-commerce (EC)** is where business transactions take place via telecommunications networks, especially the internet.

❖ **E-commerce (EC)** describes the buying and selling of products, services, and information via computer networks including the Internet.

❖ **E-commerce (EC)** is about doing business electronically.

❖ **E-commerce (EC)** is defined as the conduct of a financial transaction by electronic means.

E-commerce vs. E-business

■ **E-business:**

❖ E-business: Digital enabling of transactions and processes within a firm, involving information systems under firm's control
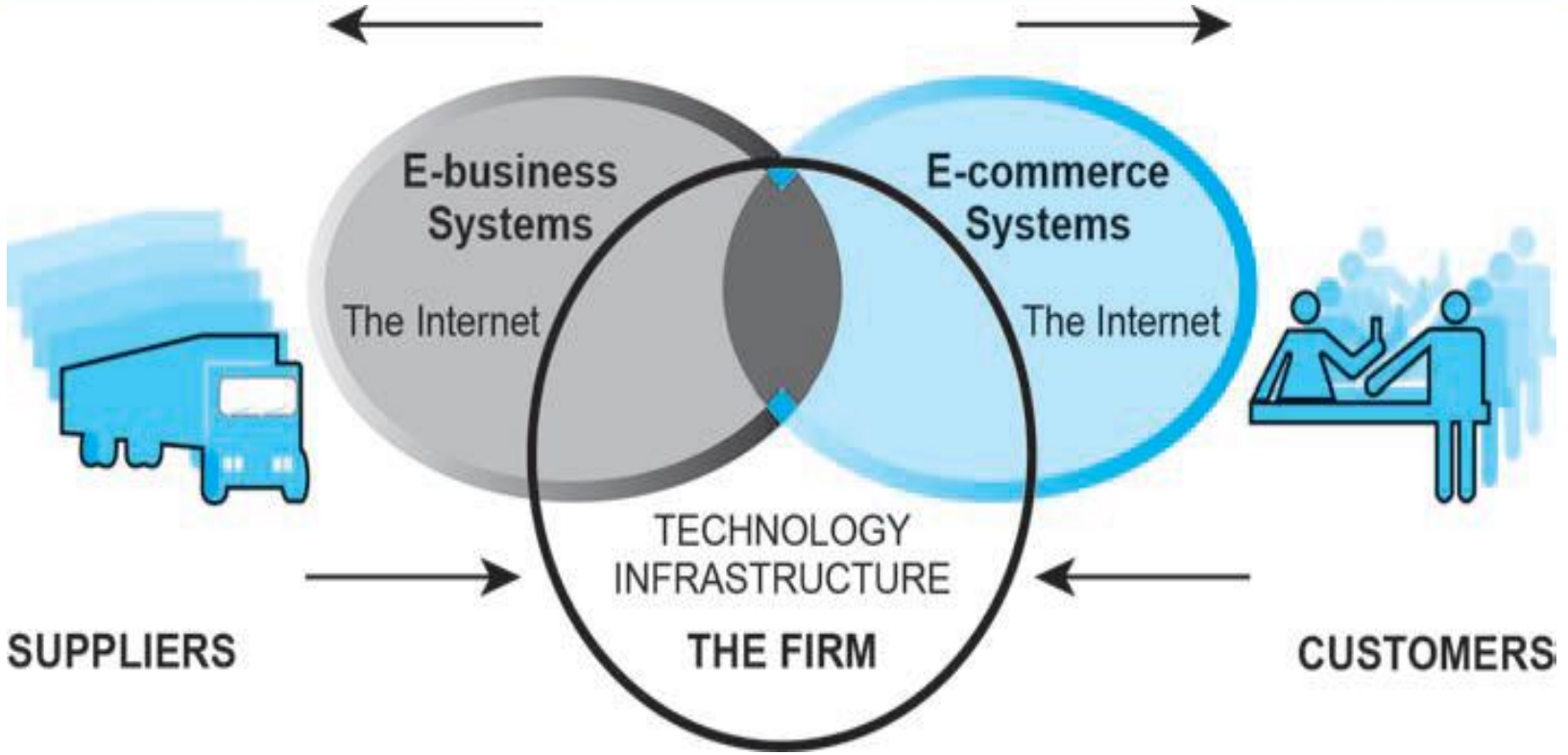
■ E.g., Online inventory control

Fig1. The Difference Between E-commerce and e-business

E-commerce primarily involves transactions that cross firm boundaries.

E-business primarily involves the application of digital technologies to business processes within the firm.

TECHNOLOGICAL BUILDING BLOCKS UNDERLYING E-COMMERCE: THE INTERNET, WEB, AND MOBILE PLATFORM

The Internet

- **The Internet: Worldwide network of computer networks built on common standards**

- **Services include the Web, e-mail, file transfers, and so on**

- **The Internet Can measure growth by number of Internet hosts with domain names**

The Web

- **The <u>World Wide Web (the Web)</u> is one of the most popular services that runs on the Internet infrastructure.**

- **The <u>World Wide Web (the Web)</u> Provides access to Web pages**

  - **<u>Web pages</u>** are created in a language called <u>HTML</u> <u>(HyperText Markup Language)</u>. <u>HTML pages</u> can contain text, graphics, animations, music, videos, and other objects.

Web 2.0

- **User-centered applications and social media technologies**
  - ❖ User-generated content and communication
  - ❖ Highly interactive, social communities
  - ❖ Large audiences

    - Examples: Twitter, YouTube, Instagram, Wikipedia,

The Mobile Platform

- **The Mobile Platform is the most recent development in Internet infrastructure**

- **The Mobile Platform enables access to the Internet via wireless networks or cell-phone service**

- **Mobile devices include**

  - Tablets
  - Smartphones

Why Study E-commerce?

- **E-commerce technology is different, more powerful than previous technologies**

- **E-commerce brings fundamental changes to commerce**

List ten factors that can be used to differentiate between E-commerce and Traditional Commerce.

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1. Cost Effective	6. Profit
2. Time Saving	7. Physical Inspection
3. Convenience	8. Time Accessibility
4. Geographical Accessibility	9. Customer Interaction
5. Introduction of New Products	10. Fraud

List ten factors that can be used to differentiate between E-Commerce and Traditional Commerce.

■ 1. Cost Effective

E-commerce is very cost effective when compared to traditional commerce. In traditional commerce, cost has to be incurred for the role of middlemen to sell the company's product. The cost incurred on middlemen is eliminated in e-commerce as there is a direct link between the business and the customer.

List ten factors that can be used to differentiate between E-Commerce and Traditional Commerce.

■ **2. Time Saving**

It takes a lot of time to complete a transaction in traditional commerce. E-commerce saves a lot of valuable time for both the consumers and business. A product can be ordered and the transaction can be completed in few minutes through internet.

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■ **3. Convenience**

E-commerce provides convenience to both the customers and the business. Customers can browse through a whole directories of catalogues, compare prices between products and choose a desired product anytime and anywhere in the world without any necessity to move away from their home or work place

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- **4. Geographical Accessibility**

In traditional commerce, it may be not easy to expand the size of the market from regional to national level. Business organizations have to incur a lot of expenses on investment to enter international market.

In e-commerce it is easy to expand the size of the market from regional to international level. By hosting a website, by placing advertisements on the internet and satisfying certain legal norms, a business can penetrate into global market.

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- **5. Introduction of New Products**

In traditional commerce, it takes a lot of time and money to introduce a new product and analyze the response of the customers. Initially, cost has to be incurred to carry out pilot surveys to understand the taste of the customers.

In e-commerce, it is easy to introduce a product on the website and get the immediate feedback of the customers. Based on the response, the products can be redefined and modified for a successful launch.

■ 6. Profit

E-commerce helps to increase the sales of the organization. It helps the organization to enjoy greater profits by increasing sales, cutting cost and streamlining operating processes.

The cost incurred on the middlemen, overhead, inventory and limited sales pulls down the profit of the organization in traditional commerce.

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■ **7. Physical Inspection**

E-commerce does not allow physical inspection of goods. In purchasing goods in e- commerce, customers have to rely on electronic images whereas in traditional commerce, it is possible to physically inspect the goods before the purchase.

List ten factors that can be used to differentiate between E-Commerce and Traditional Commerce.

■ **8. Time Accessibility**

Business is open only for a limited time in traditional commerce. Round the clock (24 x 7) service is available in e-commerce.

List ten factors that can be used to differentiate between E-Commerce and Traditional Commerce.

■ **9. Customer Interaction**

In traditional commerce, the interaction between the business and the consumer is a "face-to- face".

In electronic commerce, the interaction between the business and the consumer is "screen-to-face". Since there is no personal touch in e-business, companies need to have intimate relationship with customers to win over their loyalty.

List ten factors that can be used to differentiate between E-Commerce and Traditional Commerce.

■ **10. Fraud**

Lots of cyber frauds take place in electronic commerce transactions. People generally fear to give credit card information. Lack of physical presence in markets and unclear legal issues give loopholes for frauds to take place in e-business transactions.

Fraud in traditional commerce is comparatively less as there is personal interaction between the buyer and the seller.

Review Questions

- **Q1: Define e-commerce and describe how it differs from e-business.**

- **Q2: Draw a figure that illustrates the difference between e-commerce and e-business.**

- **Q3: List ten factors that can be used to differentiate between e-commerce and traditional commerce.**

- **Q4: List ten factors that can be used to differentiate between e-commerce and traditional commerce, then explain two of these factors in detail.**