

Chapter 2

E-Commerce: Mechanisms, Infrastructure and Tools

Learning Objectives

Upon completion of this chapter, you will be able to:

1. Describe the major electronic commerce (EC) activities and processes and the mechanisms that support them.
2. Define e-marketplaces and list their components.
3. List the major types of e-marketplaces and describe their features.
4. Describe electronic catalogs, search engines, and shopping carts.
5. Describe the major types of auctions and list their characteristics.
6. Discuss the benefits and limitations of e-auctions.
7. Describe bartering and negotiating online.
8. Describe virtual communities.
9. List the major Web 2.0 tools and their use in EC.
10. Describe social networks as an EC mechanism.
11. Understand virtual worlds and their use in EC.
12. Describe Web 3.0 and define Web 4.0.

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Answers to Pause/Break Section Review Questions

Section 2.1 Review Questions

1. List the major EC activities.

These activities are detailed in Exhibit 2.1.

2. List the major EC mechanisms.

These mechanisms are detailed in Exhibit 2.1.

3. Describe the selling–buying process among a selling company, its suppliers, and customers (consult Exhibit 2.2).

The company purchases goods from its suppliers (B2B), then prepares them for external sales (Intrabusiness transactions), then sells them to end customers (B2C).

4. Describe the major steps in the buying process (consult Exhibit 2.3).

These activities are detailed in Exhibit 2.3.

Section 2.2 Review Questions

1. Define e-marketplace and describe its attributes.

An online market, usually B2B, in which buyers and sellers exchange goods or services; the three types of e-marketplaces are private, public, and consortia.

2. What is the difference between a physical marketplace and an e-marketplace (marketspace)?

A marketspace is an electronic marketplace. While traditional marketplaces are constrained by their physical locations, marketspaces use technology to eliminate this constraint (by being online).

3. List the components of a marketspace.

A marketspace consists of the following components: customers, sellers, goods, infrastructure, a front end, a back end, intermediaries/business partners and support services.

4. Define a digital product and provide five examples.

Digital products are goods that can be transformed to digital formats and delivered over the Internet. Examples of digital products would include e-books, software, graphics, video clips and electronic documentation.

5. Describe private versus public e-markets.

Private marketplaces are generally owned by a single firm, whereas public marketplaces are generally owned and managed by independent third parties. Public marketplaces are also known as exchanges.

Section 2.3 Review Questions

1. Describe electronic storefronts and e-malls.

An electronic storefront is a single company's Web site where products and services are sold. An electronic mall is an online shopping center where many stores are located.

2. List the various types of stores and e-malls.

There are several different types of stores and malls including: general stores/malls, specialized stores/malls, regional or global stores and pure online stores or click-and-mortar stores.

3. What are information portals? List the major types.

Information portals are single, personalized online points of access to business information inside an organization. They include: commercial, corporate, publishing, personal, mobile, and voice portals.

4. List the roles of intermediaries in e-markets.

Intermediaries can perform the following functions: reduce search costs, increase or create privacy, provide more complete information, reduce contract risk, and reduce pricing inefficiencies.

5. Describe e-distributors.

An online e-distributor is an intermediary that connects suppliers with buyers by aggregating multiple suppliers' product catalogs in a single location.

6. Describe the changing position and location of intermediaries in the supply chain.

Intermediaries are now more often found within hubs, as opposed to between manufactures and retailers.

Section 2.4 Review Questions

1. List and briefly describe the dimensions by which electronic catalogs can be classified.

Electronic catalogs can be classified by the dynamics of the information presented, the degree of customization and their integration with business processes.

2. List the benefits of electronic catalogs.

Online catalogs have several advantages as seen in Exhibit 2.7. Some of these advantages include: the ease of updating product information, improved search and comparison capabilities, ease of customization, and several other benefits.

3. Explain how customized catalogs are created and used.

Customized catalogs take information from existing print catalogs and product information and digitize it. This digitized information is then stored in a database. Once the information is in a database it is very easy to select products and groups of products to display to a potential customer. These products and groups of products are selected and presented to the customer through a custom printed catalog or through a personalized Web site.

4. Compare search engines with intelligent agents.

Search engines are used to query databases for specific information and provide results. Software agents perform routine tasks requiring more intelligence.

5. Describe an electronic shopping cart.

An electronic shopping cart is an order-processing technology that allows customers to accumulate items they wish to buy while they continue to shop.

6. Describe voice- and vision-related search engines.

These services provide an alternative to text-based search.

7. What is self configuration?

These systems allow the customer to configure a product on their own.

8. Compare and contrast Ask.com and Answers.com.

Both provide answers to questions, the difference is in the cost of the responses.

Section 2.5 Review Questions

1. Define auctions and describe how they work.

An auction is a market mechanism by which a seller places an offer to sell a product and buyers make bids sequentially and competitively until a final price is reached.

2. Describe the benefits of electronic auctions over traditional (off-line) auctions.

Electronic auctions are superior to traditional auctions because they do not suffer the same limitations. Traditional auctions are limited by the short duration of the auction itself and the physical location of the auction. Electronic auctions can occur over greater time periods and are not limited by location since they take place in electronic marketplaces.

3. List the four types of auctions.

They include: one buyer-one seller, many buyers-one seller, one buyer-many sellers and many buyers-many sellers.

4. Distinguish between forward and reverse auctions.

A forward auction occurs when sellers entertain bids from buyers. A reverse auction occurs when buyers indicate the good they wish to purchase, and sellers provide quotes for that good.

5. Describe the “name-your-own-price” auction model.

In this model, a would-be buyer specifies the price they are willing to pay to any seller that is willing to accept the terms.

6. Describe penny auctions.

A formal auction in which participants pay a nonrefundable small fee for each bid. Bid level changes by small increments.

7. List the major benefits of auctions to buyers, sellers, and auctioneers.

Auctions provide a wide variety of benefits to buyers, sellers and auctioneers. Auctions provide several advantages to buyers because they allow them to purchase goods from a wide variety of sellers without the constraint of time or place. The wide variety of different auction styles meets the needs of a wide variety of different purchasers. Auctions benefit sellers by allowing them to sell to a huge potential marketplace not constrained by time or place. Additionally, it allows them to sell goods that may only have a very small target market. Sellers are also able to sell their goods at the prevailing global market price. Auctioneers benefit from auctions because it provides a business model that allows their firms to stay in business. They are able to benefit from usage by both buyers and sellers.

8. What are the major limitations of auctions?

Limitations include lack of security, possibility of fraud, and limited participation.

9. List the major impacts of auctions on markets.

Auctions can have an impact by acting as a coordinating mechanism, acting as a social mechanism to determine a price, acting as a visible distribution mechanism, and acting as a portion of the EC system.

10. Define bartering and describe the advantages of e-bartering.

Bartering is an exchange of goods and services. E-bartering has the advantage over traditional bartering because it transcends its limitations of location and variety.

11. Explain the role of online negotiation in EC.

Online negotiation helps improve the bundling and customization of products and services.

Section 2.6 Review Questions

1. Define blogs and bloggers.

A blog is a weblog, a published personal or corporate Web site. A blogger is the author or editor of the blog.

2. Discuss the critical features that distinguish a blog from a user-produced regular Web page.

A blog is differentiated by its personal nature, unique content and frequency of updates.

3. Describe the potential advantages and risks of blogs.

Blogs are able to focus on niche areas and react quickly. The major risk is in this quick reaction, where posts may not be as well-thought-out or vetted as desired.

4. Discuss the commercial uses of blogs and wikis.

Corporate uses of blogs mirror some of the characteristics of personal blogs and can be used for informational or PR purposes. They can be updated regularly and may put a human face on a firm.

5. Define wikis.

A blog that allows everyone to participate as a peer; anyone may add, delete, or change content.

6. Define tags, folksonomy, and social bookmarking.

Tag – a nonhierarchical keyword or term assigned to a piece of information (such as an Internet bookmark, digital image, video clip, or any computer document)

Folksonomy – the practice and method of collaboratively creating, classifying, and managing tags to annotate and categorize content

Social Bookmarking –Web service for sharing Internet bookmarks; the sites are a popular way to store, classify, share, and search links through the practice of folksonomy techniques on the Internet and intranets

Section 2.7 Review Questions

1. Define virtual communities and describe their characteristics.

A group of people with similar interests who interact with one another using the Internet.

2. List the major types of virtual communities.

The major types are detailed in Exhibit 2.9.

3. Define social network.

A special structure made of individuals (or organizations). It includes the ways in which individuals are connected through various social familiarities.

4. List some major social network sites.

Examples are listed on pages 80 and 81.

5. Describe the global nature of social networks.

Networks can be accessed globally, allowing users to interact with participants around the world. Social networks are used all over the world.

6. Define social network analysis.

Social network analysis – the mapping and measuring of relationships and flows between people, groups, organizations, animals, computers or other information or knowledge processing entities. The nodes in the network are the people and groups, whereas the links show relationships or flows between the nodes. SNA provides both a visual and a mathematical analysis of relationships.

7. Describe social networking.

Networks that are used mostly for creating contacts, providing requirements, and enlisting members' support for problem solving and knowledge sharing.

Section 2.8 Review Questions

1. Define virtual worlds.

A user-defined world in which people can interact, play, and do business. The most publicized virtual world is Second Life.

2. Describe avatars. Why do we use them?

Avatars are animated computer characters that exhibit humanlike movements and behaviors that individuals use to portray themselves in virtual worlds.

3. List some business activities in virtual worlds. Categorize them by type.

Some categories include creating and managing virtual businesses, conducting business activities and providing services.

4. Describe virtual shopping.

Selecting products and e-commerce within a virtual world.

Section 2.9 Review Questions

1. What is Web 3.0, and how will it differ from Web 2.0?

Web 3.0 will be the convergence of Web 2.0 and business applications.

2. Define Semantic Web.

An evolving extension of the Web in which Web content can be expressed not only in natural language, but also in a form that can be understood, interpreted, and used by intelligent computer software agents, permitting them to find, share, and integrate information more easily.

3. List the major potential inhibitors of e-commerce and Web 2.0.

Inhibitors could include:

- Security concerns
- Lack of Net Neutrality
- Copyright issues
- Connectivity issues

4. What is Web 4.0?

The Web generation after Web 3.0. It is still an unknown entity. However, it is envisioned as being based on islands of intelligence and as being ubiquitous.

5. What are the major computing and IT trends?

Examples include increasing speed, visualization, pervasive computing and others predicted by McKinsey and Carr.

Answers to EC Application Case Questions

EC Application Case 2.2: HOW BLUE NILE, INC. IS CHANGING THE JEWELRY INDUSTRY

Questions

1. Using the classifications of EC (Section 1.2, Chapter 1), what can you say about Blue Nile?

The company is a pure-play, B2C company.

2. In what ways is the company changing its industry?

The site provides a variety and openness on pricing that was not available.

3. What are the critical success factors of the company?

Important aspects of the firm include information, selection, pricing and guarantee.

4. Research Blue Nile's affiliate marketing program via Linkshare. How does this program help Blue Nile?

This allows for cross-exposure to related (but not competing) sites.

5. Competition between Blue Nile and Amazon.com will continue to increase. In your opinion, which one will win? (Visit their Web sites and see how they sell jewelry.)

Student opinions on the merits of each will vary.

6. Compare the following three sites: diamond.com, ice.com, and bluenile.com.

All three of the sites sell jewelry. Student perceptions will vary, but bluenile.com appears to be the most professional looking.

7. Follow the performance of Blue Nile's stock since 2003 (symbol: NILE, go to money.cnn.com). Compare it to the performance of the market average. What is your conclusion?

Student research will vary based on the time of research. In late 2011, it appears that the company is doing well. Quotes can be found at:

<https://www.google.com/finance?client=ob&q=NASDAQ:NILE>

8. Find all the ways you can pay at Blue Nile when you shop.

The site provides a variety of methods including standard credit cards and PayPal.

EC Application Case 2.2: WebMD

Questions

1. Visit webmd.com to learn more about the types of intermediation it provides. Write a report based on your findings.

Student reports will vary. The site provides information as well links into more in-depth information from groups, agencies and sponsors.

2. How do the types in question 1 differ from traditional intermediation services?

In most cases the services are more easily and quickly accessed.

3. Enter wiserwiki.com and compare its offering to that of WebMD. Which site do you trust more? Why?

Student perceptions may vary, but WebMD's position as an expert (as opposed to community) driven site may give it the edge.

4. What kind of reintermediation do you foresee for the company?

Student answers will vary. It is possible that customers may develop their own internal systems or the complexities of HIPPA may continue to benefit WebMD.

5. WebMD Health does not bring in much profit despite its hefty increase in ad revenue. Should the company be closed? Why or why not? (Check the financial reports at money.cnn.com for WebMD (stock symbol WBMD) or business.yahoo.com).

The division is probably meant to generate goodwill for the other sections of the firm and should be retained.

EC Application Case 2.3: Stormhoek Winery

Questions

1. What was the corporate blog used for?

The blog was used to publicize events and activities to create interest in the community.

2. What were the hosts' blogs used for?

These detailed specific events and happenings.

3. *What capabilities were introduced by the mashups?*

They allowed for the use of other technologies such as mapping, reservations and sharing pictures.

4. *How did the wiki help in communication and collaboration?*

It allowed for information sharing by all involved.

5. *Why do you think the Web 2.0 technologies were successful in increasing sales?*

It appears that they were successful and provided a benefit to the winery. This may be because they involved the customers and made them champions for the business.

6. *What is blog spam and why is it a problem?*

Reposting of blog content, without any value being added.

7. *How did viral marketing work here?*

It allowed users to inform their friends directly, without the company marketing to them.

EC Application Case 2.4: Craigslist Questions

1. *Identify the business model used by Craigslist.*

The site generates income based on the sale of specific classified ads. This corresponds to the Advertising model.

2. *Visit craigslist.org and identify the social network and business network elements.*

The site contains a huge number of social discussion forums.

3. *What do you like about the site? What do you dislike about it?*

Student responses will vary.

4. *Why is Craigslist considered a site that “changes the world”?*

Student’s answers will vary but may focus on the huge reach of the site and its ability to bring users together.

5. *What are some of the risks and limitations of using this site?*

Student responses will vary. In general, some risk and limitations are the same as in society in general. You cannot be sure of the identity and honesty of the people you are dealing with, and should take appropriate precautions.

Answers to Discussion Questions

1. Compare marketplaces with marketspaces. What are the advantages and limitations of each?

Marketplaces are defined by their physical location. Marketspaces are located online, and have no physical location. In some cases, the physical location of the marketplace may be to its advantage. In most cases, the requirements of the physical location are to the disadvantage of a marketplace. In contrast, a marketspace does not have this limitation and can serve a much wider audience. Because a marketspace is located online, its potential audience is limited to those who are comfortable with online services.

2. Discuss the competitive advantage of Craigslist in classifieds.

Student opinions will vary. The low cost (often free) and detailed nature of ads create a heavy competitive burden on traditional classifieds.

3. Discuss the value of a virtual world as an EC environment. Why does it attract users? Why does it attract companies?

Student opinions will vary. The focus will be on the benefit of the dynamic environment versus the difficulty in creating a presence.

4. Discuss how wikis, blogs, and virtual worlds can be used for collaboration.

Student experiences will vary. All provide numerous methods.

5. Discuss the reasons why Twitter is becoming so popular.

Student opinions will vary, but the desire for individuals to communicate and interact easily with each other will be a focus.

6. Discuss the potential risks of using Web 2.0 tools.

Student opinions will vary. Some examples will include their public nature, their lack of a track record and technical issues.

7. Discuss the need for portals in EC.

Because of the diverse types of information, services and products available, portals are needed to provide a unified and summarized view.

8. *How do business-oriented networks differ from regular social networks such as MySpace?*

The difference is in their focus, based on a business area or specific company and their openness.

9. *What are the major characteristics of Web 2.0? What are some of the advantages of Web 2.0 applications?*

Web 2.0 allows for greater interactivity through enhanced tools, as well as the ability to effectively serve niche markets.

10. *Why are social marketplaces considered to be a Web 2.0 application?*

Because they rely on the technologies used to create social networks.

11. *Discuss the following statement: “Technically, you can put together a portal in a weekend, but culturally there are a slew of things to consider; therefore it takes much longer.”*

The main driver of portals is community participation, not technical features.

12. *Discuss the pros and cons of selling cars via auctions. Why does GM auction only via its dealers on eBay?*

Benefits may include guaranteed sales and higher prices for unique items. Cons may include lower prices if bidders are uninterested. GM uses dealers because of their physical presence, as well as the ability to shape demand and price over time.

Topics for Class Discussion and Debates

1. *Compare and contrast competition in traditional markets with that in digital markets.*

Student answers will vary. The focus will be on the intensity of competition – with argument that either is more intense.

2. *Explain why sell-side and buy-side marketplaces in the same company are usually separated, whereas in B2B exchanges they are combined.*

Since the functions and incentives are different, the operations are separate. In exchanges, the incentives are the same.

3. *Discuss the advantages of dynamic pricing strategy over fixed pricing. What are the potential disadvantages of dynamic pricing?*

Student answers will vary. Dynamic pricing may better meet demand, but may be off-putting because customers cannot count on a specific price.

4. *Discuss the opportunities that the faltering economy provides to social networking in assisting enterprises.*

Student answers will vary. Some students may argue that it allows businesses ways to better understand and connect with customers.

5. *What is the advantage of a business using eBay instead of conducting auctions from its own site? Distinguish between C2C and B2B cases.*

Student answers will vary. Some advantages may include the lack of overhead and a perception of openness.

6. *Should companies build in-house social networks for external activities or use existing public social networks (e.g., see Roberts 2008)?*

Student answers will vary. Existing networks benefit from existing userbases, but private networks have better control.

7. *Debate: Blogs and wikis are going to eliminate e-mail.*

Student answers will vary. Both technologies allow for information exchange, but are public.

8. *Debate: Should Craigslist and YouTube monitor and control what users publish there? Who will pay the cost?*

Student answers will vary. This is a question of responsibility and who owns the content uploaded.

9. *Debate: Social network services, such as Visible Path, can provide social networking services for entire enterprises that are fairly secure. However, security may limit users' creativity and disrupt the business. Should a company use this service?*

Student answers will vary. The core issue is what is more important, features/freedom or control/security?

10. *Debate: Some research suggests that the use of public social networks by employees can be good for a business because employees develop relationships and share information, which increases productivity and innovation. Others say it is a waste of time and ban the use of Facebook, YouTube, and other such sites.*

Student answers will vary. Debate will focus on if the benefits outweigh the disadvantages.

11. *Debate the business value of social networking. As a start, read Tom Davenport's "Where's the Working in Social Networks" (blogs.harvardbusiness.org/davenport/2007/10/wheres_the_working_in_social_n.html) and Brett*

Bonfield's "Should Your Organization Use Social Networking Sites" (techsoup.org/learningcenter/internet/page7935.cfm).

Student answers will vary. Debate will focus on if the benefits outweigh the disadvantages.

12. Debate: Facebook and Twitter compete for advertiser's money. Who has a better chance to get more ad money and why? (Consult Mangalindan 2010.)

Student answers will vary. Students will be arguing the relevant benefits of each company's business model.

Internet Exercises

(Note: URLs may change over time; please check the Internet Exercises on the Turban Web site for possible updates: www.pearsonhighered.com/turban.)

1. Enter etsy.com and find all the EC mechanisms used. Prepare a report.

Student reports will vary. Examples include direct sales, auctions and commissioning.

2. Examine how bartering is conducted online at tradeaway.com, buyersbag.com, u-exchange.com and intagio.com. Compare the functionalities and ease of use of these sites.

All of the sites provide users with the ability to exchange existing goods for goods owned by others.

3. Enter blogger.com and find its capabilities. Then enter blogsearch.google.com and find what this site helps you to do. Write a report.

Student reports will vary. Students will discuss and evaluate the features available.

4. Enter mfgquote.com and review the process by which buyers can send RFQs to merchants of their choice. Evaluate all of the online services provided by the company. Write a report based on your findings.

With this service, individuals fill out forms to indicate the products or services that they are interested in purchasing. These RFQs are then viewed and responded to by merchants. Customers can then choose the merchant with whom they would like to do business. This firm provides services in a variety of areas including marketing, staffing and travel.

5. Enter respond.com and send a request for a product or a service. Once you receive replies, select the best deal. You have no obligation to buy. Write a short report on your experience.

The system is intended to allow customers to indicate particular types of items that they are interested in and allow sellers that are members of the network to reply with suggested prices and specifications that meet the buyer's initial query. Sellers have the opportunity to interact with a

wide range of buyers, while buyers have the ability to work with a number of sellers, each of which is trying to earn their business.

6. Enter *Web 2.0 Journal* at *web2.sys-con.com* and find recent material on wikis and blogs. Write a report.

Student reports will vary. Content changes frequently.

7. Enter *dtsearch.com* and find its capabilities. What type(s) of search it conducts (e.g., desktop, enterprise, general)?

Student reports will vary. The product provides an innovative search tool.

8. Enter *cars.com*. List all services available to sellers and to buyers of cars. Compare it to *carsdirect.com*. Also, identify the revenue sources of the sites.

Student reports will vary. Both sites provide a range of services that drive traffic and commerce.

9. Enter *ups.com*.

- a. Find out what information is available to customers before they send a package.
- b. Find out about the "package tracking" system; be specific.
- c. Compute the cost of delivering a 10" × 20" × 15" box, weighing 40 pounds, from your hometown to Long Beach, California. Compare the fastest delivery against the lowest cost.
- d. Prepare a spreadsheet for two different types of calculations available on the site. Enter data for two different calculators. Use Excel.

Student reports and research will vary.

10. Register at *Second Life*, and enter the site.

- a. Find what IBM and Coca-Cola are doing on the site.
- b. Find out what three universities that you are familiar with are doing on the site.
- c. Write a report.

Student reports will vary. Content changes frequently.

11. Create an avatar in *Second Life*. Let your avatar interact with avatars of some companies. Why do we consider an avatar a mechanism for EC? Write a report.

Student experiences will vary based on their interactions.

12. Enter *ca.com/us/products.aspx* and register. Take the *Clever Path Portal Test Drive*. (Flash Player from Macromedia is required.) Then enter *ibm.com* and *oracle.com/bea*. Prepare a list of the major products available for building corporate portals.

Student reports will vary. Features change over time, and content will be driven by what aspects are investigated.

13. Enter sap.com and find the key capabilities of its enterprise portals. List the benefits of using five of the capabilities portals.

Student reports will vary. Features change over time, and content will be driven by what portals are selected.

14. Enter networksolutions.com. View the shopping cart demo. What features impress you the most and why? What related services does it provide? Compare it to storefront.net and nexternal.com.

Student reports will vary. Reports will be based on features selected for review.

15. Compare the shopping malls of Yahoo!, amazon.com, and internetmall.net. Write a report.

Student reports will vary. Each site provides a unique set of features and user experience.

16. Enter the Web site of a social network service (e.g., myspace.com or facebook.com). Build a homepage. Add a chat room and a message board to your site using the free tools provided. Describe the other capabilities available. Make at least five new friends.

Student reports will vary based on the site selected and tools used.

17. Enter vivapets.com and dogster.com and compare their offerings.

Student reports will vary. Each site provides a unique set of features and user experience.

18. Enter smartmobs.com. Go to blogroll. Find three blogs related to Web 2.0 and summarize their major features.

Student reports will vary. Content changes frequently.

19. Access Hof's "My Virtual Life" (2008) at businessweek.com/print/magazine/content/06_18/b3982001.htm?chang=g1 and meet the seven residents in the slideshow. Prepare a table that shows the manner in which they make money, the required skills, and the reason they do it in Second Life.

Student reports will vary.

20. Enter secondlife.com and find the commercial activities of the following avatars: Fizik Baskerville, Craig Altman, Shaun Altman, FlipperPA Peregrine, and Anshe Chung. Describe briefly what they represent.

Student reports will vary. Content changes frequently.

21. Enter *global.dubli.com* and find how it works. Watch the video on the site. Compare the process to the one on eBay and to a penny auction.

Student reports will vary. These provide different auction operations and models.

22. Enter *zippy.com* and find the “13 Link Building Tactics for E-Commerce.” Write a brief summary.

Student reports will vary.

Team Assignments and Role Playing

1. Assignment for the Opening Case

Read the opening case and answer the following questions.

a. *Why not just have meetings and send e-mails rather than use blogs, wikis, and RSS feeds?*

It was more efficient, and allowed for greater collaboration.

b. *What are the benefits to EMS of combining its BI system with the Web 2.0 tools?*

It allowed the BI System to leverage the power of the Web 2.0 tools. Specifically, the company could use data in the BI system within the tools for both customer-facing and internal information. Additionally, customer-facing tools could be used to collect information that could be added back into the BI system.

c. *In what ways is corporate performance bolstered?*

It created better communication and collaboration.

d. *How can customers of the retail stores utilize the Web 2.0 tools?*

The company uses some of this information to increase customer awareness and drive sales. Tools are accessed in kiosks, and allow interaction with information on products.

e. *Can the company use any other Web 2.0 technologies? What and how?*

Student opinions will vary.

2. *Assign each group to a large e-tailer (e.g., Amazon.com, Walmart.com, Target.com, Dell.com, Apple.com, and HP.com). Trace the purchasing process. Look at the catalogs, search engines, shopping carts, and any other mechanism that improves e-shopping. Make a presentation that will include recommendations for improving the existing process.*

Student presentations will vary.

3. Enter en.wikipedia.org/wiki/Businesses_and_organizations_in_Second_Life and view the list of businesses. Identify some virtual companies and explore several in depth. Find what product (service) they offer and how much they charge if they sell their product (service). Then, identify several companies that are related to real-world businesses. (e.g., SL Bay auctions allow you to purchase real-world items with Linden dollars).

Student reports will vary. Content changes frequently.

4. Build your own business in Second Life (SL). This can be each member or each group. Using the company cited in question 3, determine what business you want to build. Then obtain a copy of Terdiman's book (2008) or a similar guide. Register at SL and go to work. In your project do the following:

- a. Select a business category and develop a business strategy.
- b. Develop a business plan and model (see the Online Tutorial) for your virtual enterprise.
- c. Choose where to set up your business.
- d. Conduct a budget and cash flow analysis (see Appendix B in Terdiman 2008).
- e. Buy virtual land and other virtual properties.
- f. Develop marketing and advertising plans (examine the competition)!
- g. Look for any possible revenues; make a pricing decision.
- h. Examine the possibility of running your business in "Teen SL."
- i. Plan all support business using the SL tools.
- j. Watch for legal issues and other risks.
- k. Build the business (using the SL tools).
- l. Build a supporting blog. How would you use it for viral marketing?

Student reports will vary. Based on student decisions and interactions, perceptions and results will vary.

5. Watch the video "Online Communities: The Tribalization of Business" (Part 1 = 6:15 minutes, Parts 2 and 3 are optional) at youtube.com/watch?v=qQJvKyytMXU and answer the following questions:

- a. Why is the term tribalization used?

The idea is that users can connect and build community with each other.

- b. What are virtual communities?

Groups that have a shared passion or goal.

- c. How can traditional business benefit from online communities?

It allows for users to help other users, and creates loyalty.

- d. What is the value of communities for the customers?

They get the social benefits as well as support from others.

e. Compare social vs. marketing frameworks.

Marketing talks to users, social talks with them.

f. How are virtual communities aligned with the business?

They help in many areas including support, product development and word-of-mouth.

g. Discuss the issues of measurements, metrics, and CSFs.

The difficulty is how to measure success, if it is a direct measurement, it may be difficult to evaluate the actual effect.

Optional: View Parts 2 and 3 (6 and 10 minutes), and summarize the major topics discussed.

Student opinions will vary. This is an interesting video, and students will react differently to its premise.

6. Watch the video “Auction, Work from Home, Home Business, Home Business Home, Auctions, Business Opportunity, shopping” 10 minutes at youtube.com/watch?v=rTLOKR_JCAc and answer the following questions:

- a. What is the business model of Dubli (esy.dubli.com)?*
- b. Why do they concentrate on top brands?*
- c. How does the system work?*
- d. Relate the system to penny auctions and reverse auctions.*
- e. What is Dubli’s revenue model?*

As of late 2011, this video has been removed.

Closing Case 2.3: SECOND LIFE Questions

1. Enter the Second Life site (secondlife.com) and identify EC activities there. (You need to register for free and create an avatar.)

Student experiences will vary. Content changes often, student activities will be largely driven by choices made.

2. Which types of transactions are observable at the site?

Student experiences will vary. Some include the sale for access, the sale of goods, services and tools to use in the world.

3. Which business models are observable at the site?

Student experiences will vary. B2C is often cited.

4. If you were a travel agent, how would you utilize the site?

Student opinions will vary. Agents could use the site to dramatically demonstrate the locations to which you could travel.

5. Have your avatar communicate with five others. Write a report on your experience.

Student reports will vary.