CHAPTER 2

E-Marketplaces: Structures, Mechanisms, Economics, and Impacts

MISA 210 - NOTES
Chapter 2
E-Marketplaces: Structures, Mechanisms, Economics, and Impacts

- **E-Marketplaces**: 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.

<table>
<thead>
<tr>
<th>Matching of Buyers and Sellers</th>
<th>Facilitation of Transactions</th>
<th>Institutional Infrastructure</th>
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<tbody>
<tr>
<td>• Determination of product offerings</td>
<td>• Logistics</td>
<td>• Legal</td>
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<td>• Product features offered by sellers</td>
<td>• Delivery of information, goods,</td>
<td>Commercial code, contract law,</td>
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<td>• Aggregation of different products</td>
<td>• services to buyers</td>
<td>dispute resolution, intellectual</td>
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<td>• Search (of buyers for sellers and of</td>
<td>• Settlement</td>
<td>property protection, Export and import law</td>
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<td>sellers for buyers)</td>
<td>• Transfer of payments to sellers</td>
<td>• Regulatory</td>
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<td>• Price and product information</td>
<td>• Trust</td>
<td>• Rules and regulations, monitoring,</td>
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<td>• Organizing bids and bartering</td>
<td>• Credit system, reputations, rating</td>
<td>enforcement</td>
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<td>• Matching seller offerings with</td>
<td>agencies such as consumer Reports</td>
<td>• Discovery</td>
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<td>• buyer preferences</td>
<td>and the BBB, special escrow and</td>
<td>• Provides market information</td>
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<td>• Price discovery</td>
<td>• online trust agencies</td>
<td>(e.g., about competition,</td>
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<td>• Process and outcome in</td>
<td>• Communication</td>
<td>government regulations</td>
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<td>• determination of prices</td>
<td>• Posting buyers’ requests</td>
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<td>• Enabling price comparisons</td>
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<td>• Others</td>
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<td>• Providing sales leads</td>
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- **Marketspace**: A marketplace in which sellers and buyers exchange goods and services for money (or for other goods and services) but do so electronically.

**E-Marketplace Components and Participants**

1. Customers
2. Sellers
3. Products and services
   - **digital products**: Goods that can be transformed to digital format and delivered over the Internet
4. Infrastructure: Includes electronic networks, hardware, software and more.
5. Front end: The portion of an e-seller’s business processes through which customers interact, including the seller’s portal, electronic catalogs, a shopping cart, a search engine, and a payment gateway.
6. Back end: The activities that support online order fulfillment, inventory management, purchasing from suppliers, payment processing, packaging, and delivery.
7. Intermediaries: Third parties that operate between sellers and buyers.
8. Other business partners: Several types of partners such as shippers use the internet to collaborate, mostly along the supply chain.
9. Support services: Services ranging from certification to content providers.

**Types of E-Marketplaces**

- Electronic Storefronts
  - **storefront**: A single company’s Web site where products or services are sold.
- e-mail (online mall): An online shopping center where many online stores are located.

**Types of Stores and Malls**
1. General stores/malls
2. Specialized stores/malls
3. Regional versus global stores
4. Pure online organizations versus click-and-mortar stores

**e-marketplace**
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

1. **Private E-Marketplaces**: *Online markets owned by a single company; may be either sell-side and/or buy-side e-marketplaces*
   1. **Sell-side e-marketplace**: *A private e-marketplace in which one company sells either standard and/or customized products to qualified companies*
   2. **Buy-side e-marketplace**: *A private e-marketplace in which one company makes purchases from invited suppliers*

2. **Public E-Marketplace**: *B2B marketplaces, usually owned and/or managed by an independent third party, that include many sellers and many buyers; also known as exchanges*

● **information portal**
A single point of access through a Web browser to business information inside and/or outside an organization

● **Types of Portals**
   1. Commercial (public)
   2. Corporate
   3. Publishing
   4. Personal
   5. Mobile
   6. Voice
   7. Knowledge

**Transactions, Intermediation, and Process in E-Commerce**

![EC Activities Diagram]

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*Page | 3*
Electronic Catalogs and Other Market Mechanisms

- **electronic catalogs**
  The presentation of product information in an electronic form; the backbone of most e-selling sites

- Three dimensions of electronic catalogs:
  1. The dynamics of the information presentation
  2. The degree of customization
  3. Integration with business processes

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<thead>
<tr>
<th>EXHIBIT 2.6 Comparison of Online Catalogs with Paper Catalogs</th>
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<tbody>
<tr>
<td><strong>Type</strong></td>
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<td>Paper catalogs</td>
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<td>Online catalogs</td>
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- **search engine**
  A computer program that can access databases of Internet resources, search for specific information or keywords, and report the results

- **software (intelligent) agent**
  Software that can perform routine tasks that require intelligence

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

Auctions as EC Market Mechanisms

- **auction**
  A competitive process in which a seller solicits consecutive bids from buyers (forward auctions) or a buyer solicits bids from sellers (backward auctions). Prices are determined dynamically by the bids

Bartering and Negotiating Online

- **bartering**: The exchange of goods or services
- **e-bartering (electronic bartering)**: Bartering conducted online, usually in a bartering exchange
- **bartering exchange**: A marketplace in which an intermediary arranges barter transactions
- **Online Negotiating**
  1. Negotiated pricing commonly is used for expensive or specialized products
  2. Negotiated prices also are popular when large quantities are purchased
3. Much like auctions, negotiated prices result from interactions and bargaining among sellers and buyers

- **Online negotiating**—Three factors may facilitate online negotiation:
  1. The products and services that are bundled and customized
  2. The computer technology that facilitates the negotiation process
  3. The software (intelligent) agents that perform searches and comparisons, thereby providing quality customer service and a base from which prices can be negotiated

**E-Commerce in the Wireless Environment**

- **mobile computing**: Use of portable devices, including smart cell phones, usually in a wireless environment. It permits real-time access to information, applications, and tools that, until recently, were accessible only from a desktop computer
- **mobile commerce (m-commerce)**: E-commerce conducted via wireless devices
- **m-business**: The broadest definition of m-commerce, in which e-business is conducted in a wireless environment

**Competition in the Digital Economy and Its Impact on Industries**

1. Lower search costs for buyers
2. Speedy comparisons
3. Differentiation and personalization
   a. **Differentiation**: Providing a product or service that is unique
   b. **Personalization**: The ability to tailor a product, service, or Web content to specific user preferences
4. Lower prices
5. Customer service
6. Barriers to entry are reduced
7. Virtual partnerships multiply
8. Market niches abound

**Impacts of EC on Business Processes and Organizations**

1. **Improving Direct Marketing**
   a. Product promotion
   b. New sales channel
   c. Direct savings
   d. Reduced cycle time
   e. Improved customer service
   f. Brand or corporate image
2. **Other Impacts on Direct Marketing**
   a. Customization
   b. Advertising
   c. Ordering systems
   d. Market operations
3. **Transforming Organizations**
   a. Technology and organizational learning:
i. Corporate change must be planned and managed
ii. Organizations may have to struggle with different experiments and learn from their mistakes

b. The changing nature of work
   i. Firms are reducing the number of employees down to a core of essential staff and outsourcing whatever work they can to countries where wages are significantly lower

4. Redefining Organizations
   a. New and improved product capabilities
   b. New business models
   c. Improving the supply chain
   d. Impacts on Manufacturing
      i. **build-to-order (pull system):** A manufacturing process that starts with an order (usually customized). Once the order is paid for, the vendor starts to fulfill it
      ii. Real-time demand-driven manufacturing
      iii. Virtual manufacturing
      iv. Assembly lines
   e. Impacts on Finance and Accounting
   f. Impact on Human Resources Management and Training