

The Commercial Side of Electronic Commerce

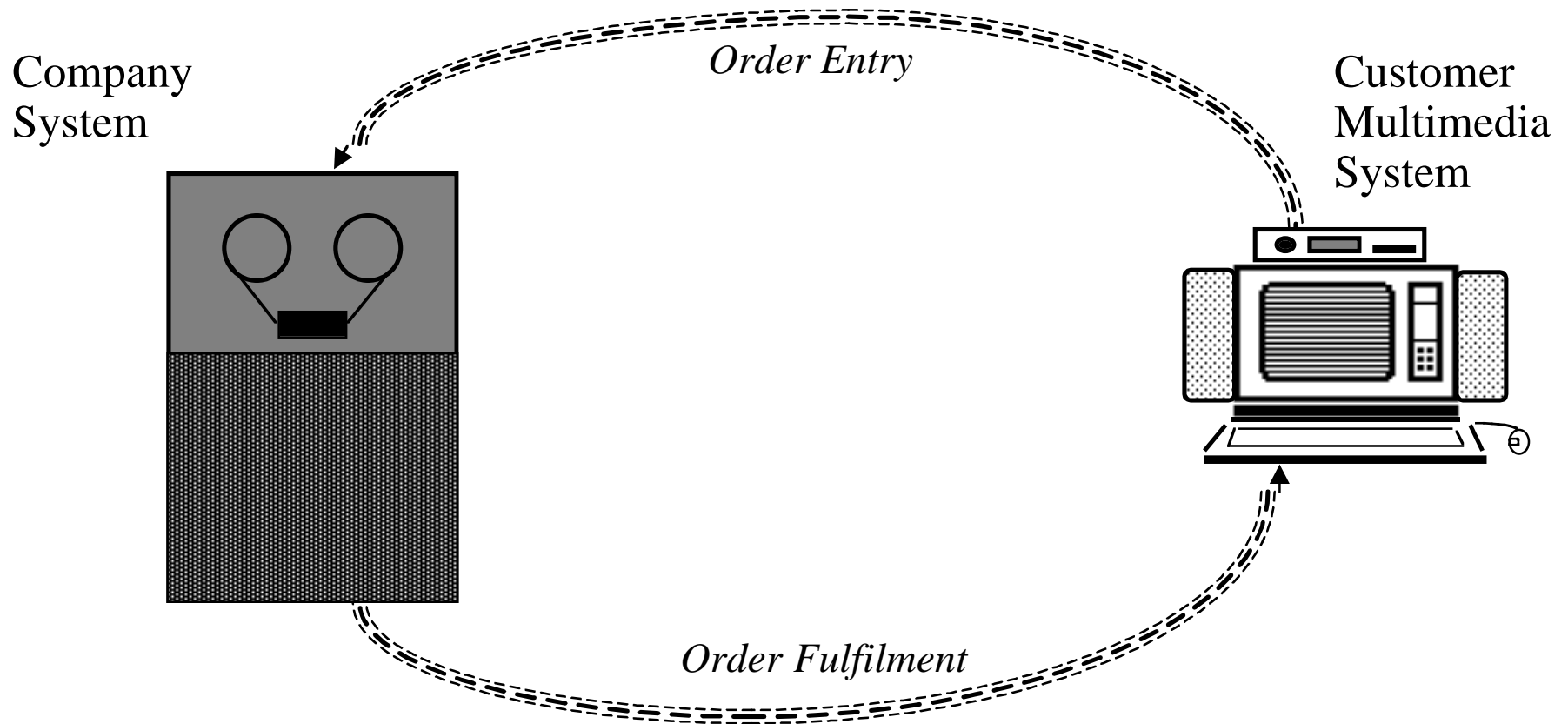
John L. King

Information and Computer Science
University of California, Irvine

A Few Quick Points

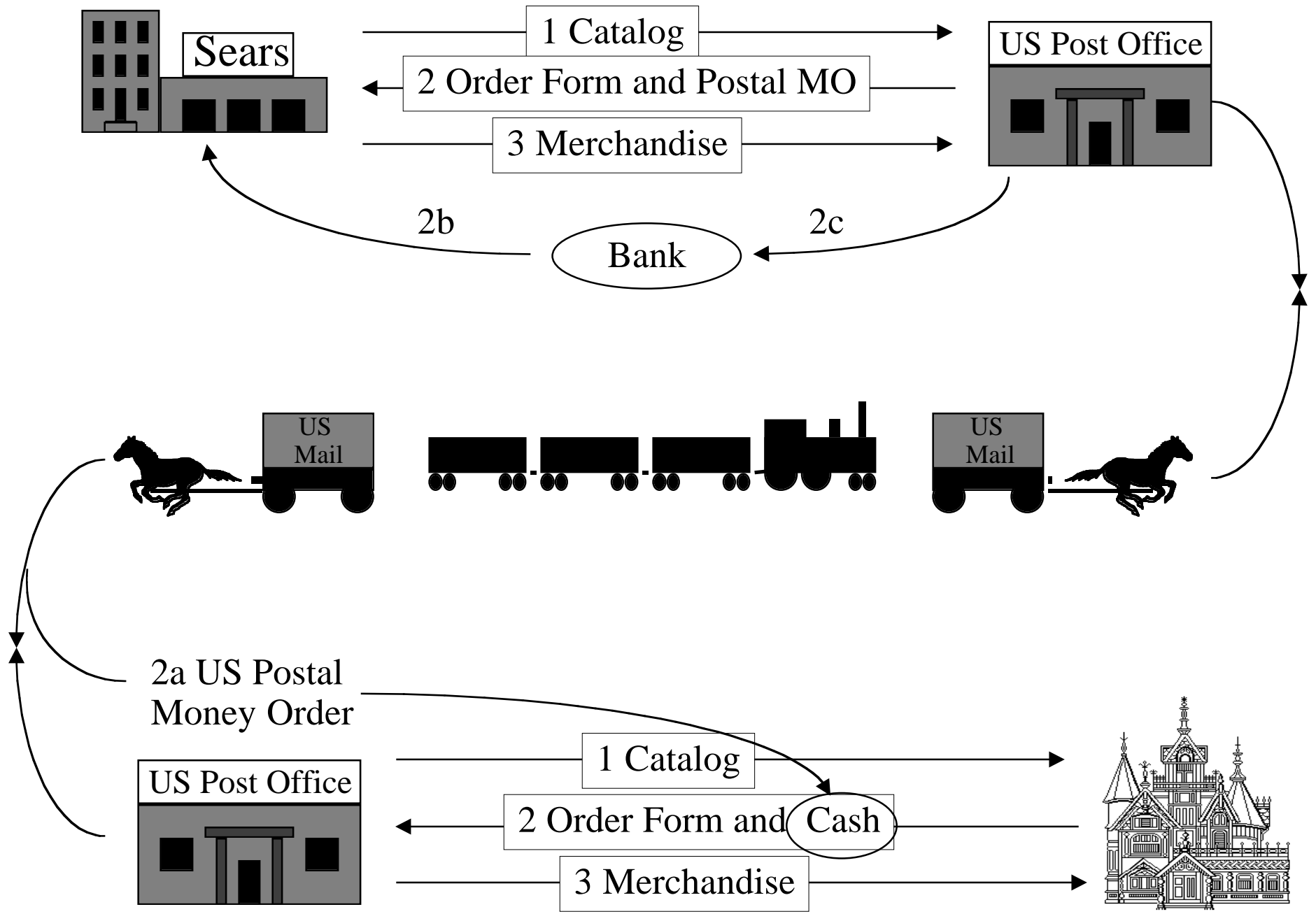
- Technology is part of it, but it isn't about technology
- The trick: understanding commerce well enough to know what difference the “E” makes
- Looking forward by looking back
- Key technological concern: supporting the conventions of exchange

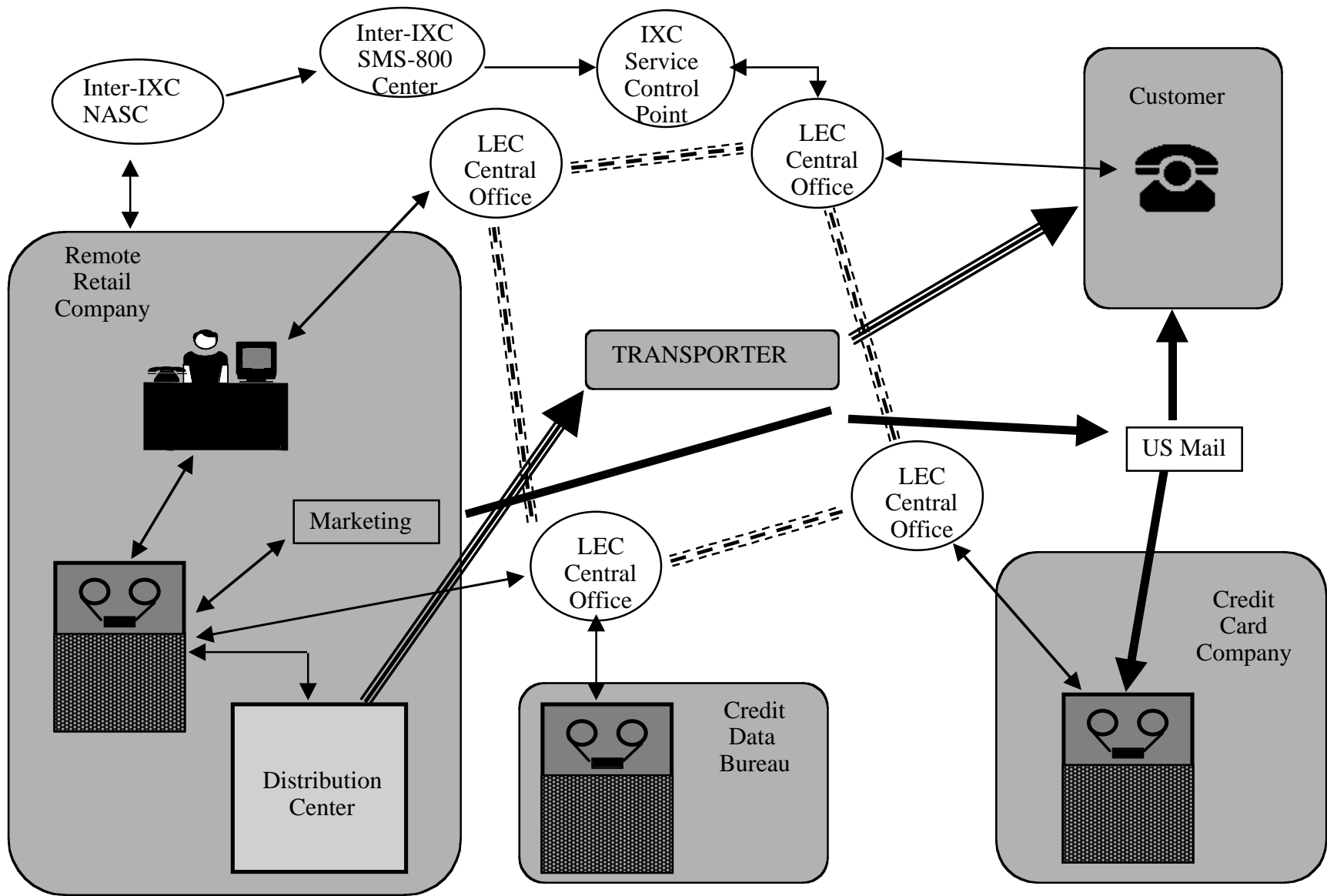
A Popular Notion

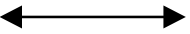




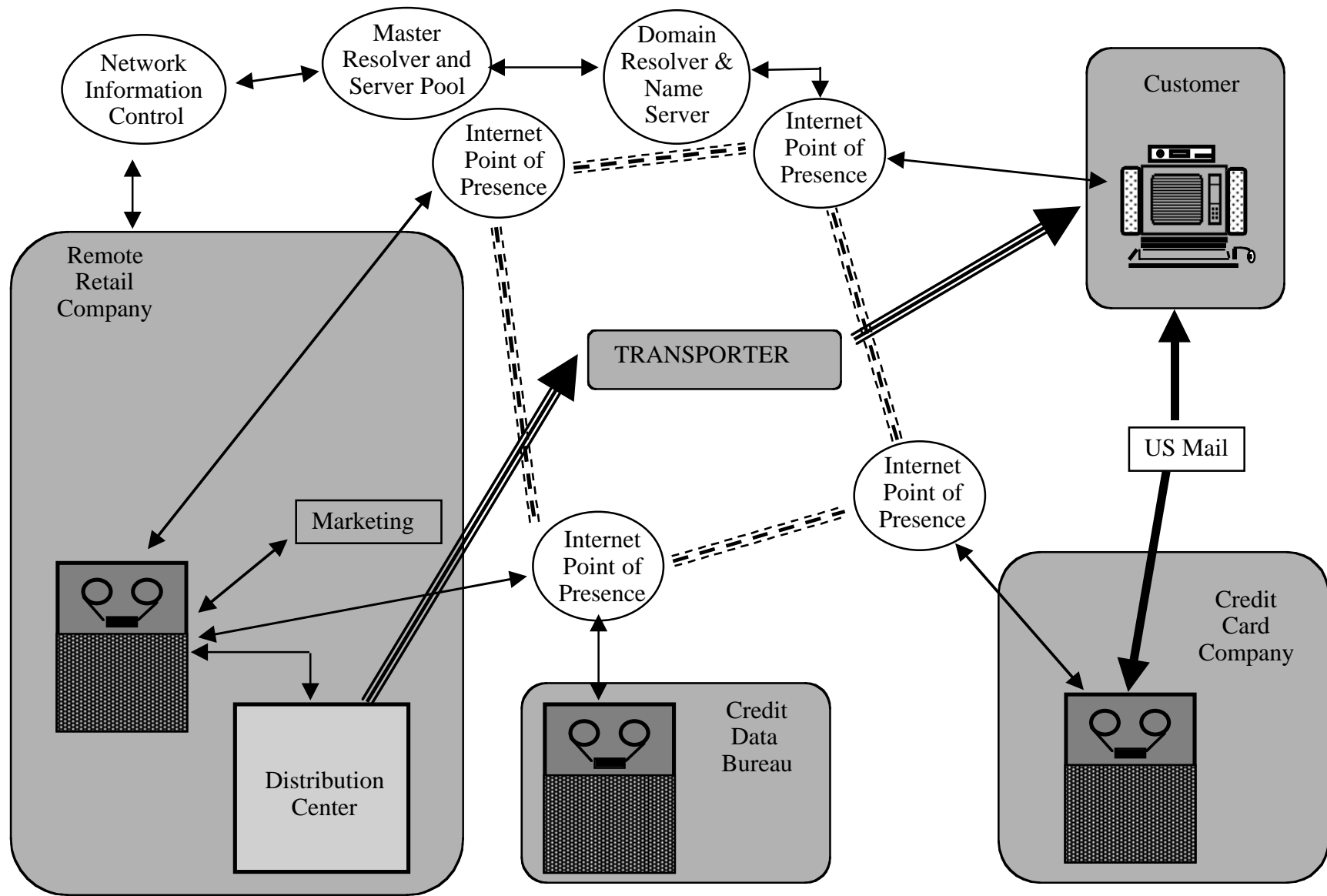
Disintermediation: cycle speedup, convenience, lower prices... Consumer and/or Producer Surplus. Is this a fundamental change in the way we do things. No!

This is an extension “mail order,” a complex production system depending on communication, transportation, and conventions of exchange. Modern mail order is based on toll-free telephone order-entry, integrated transport infrastructure, and credit cards.





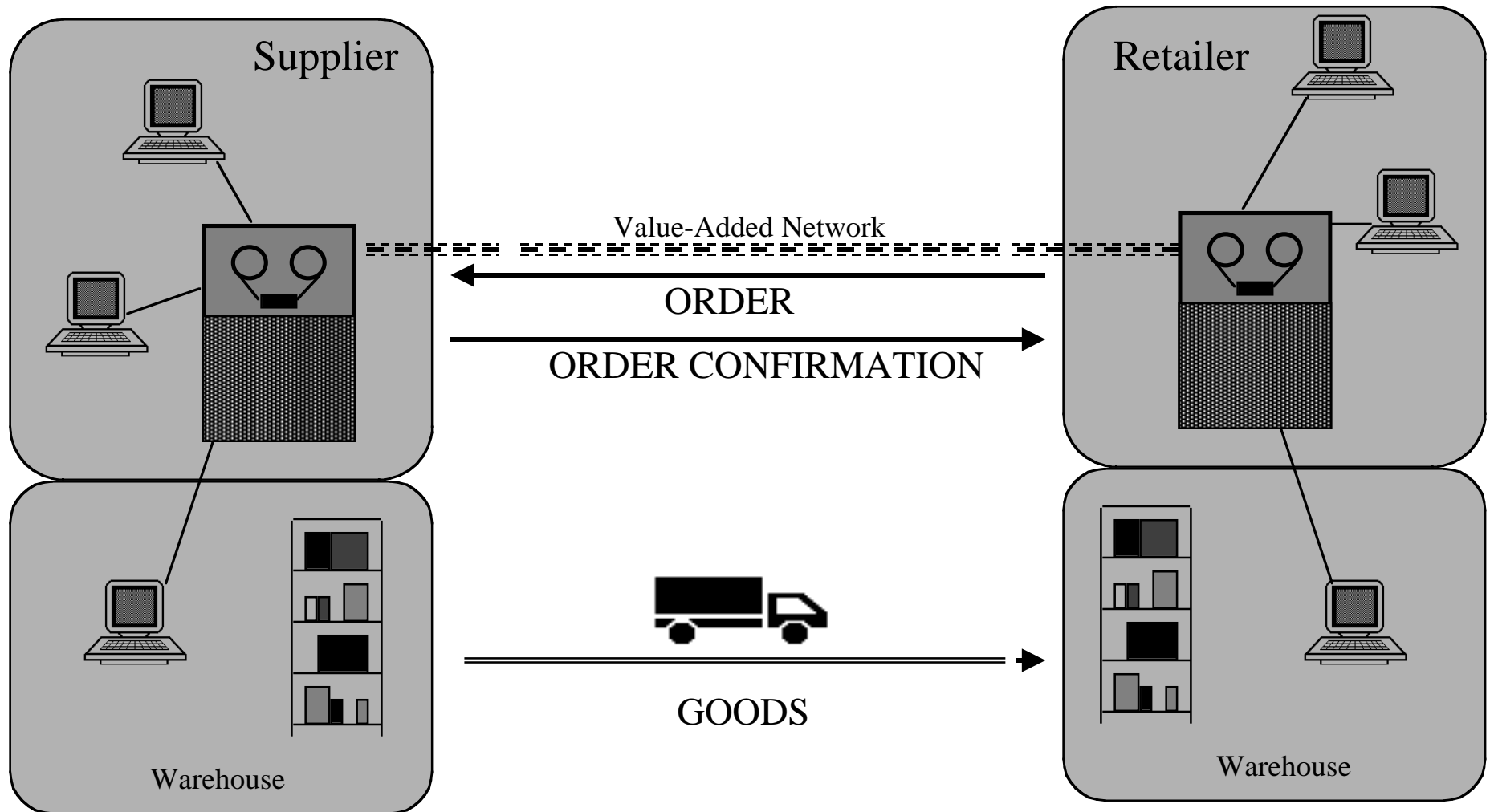
-  Wire communications (telephone/data)
-  Mail communications (bulk broadcast and interactive)
-  Physical goods transport (usually intermodal)

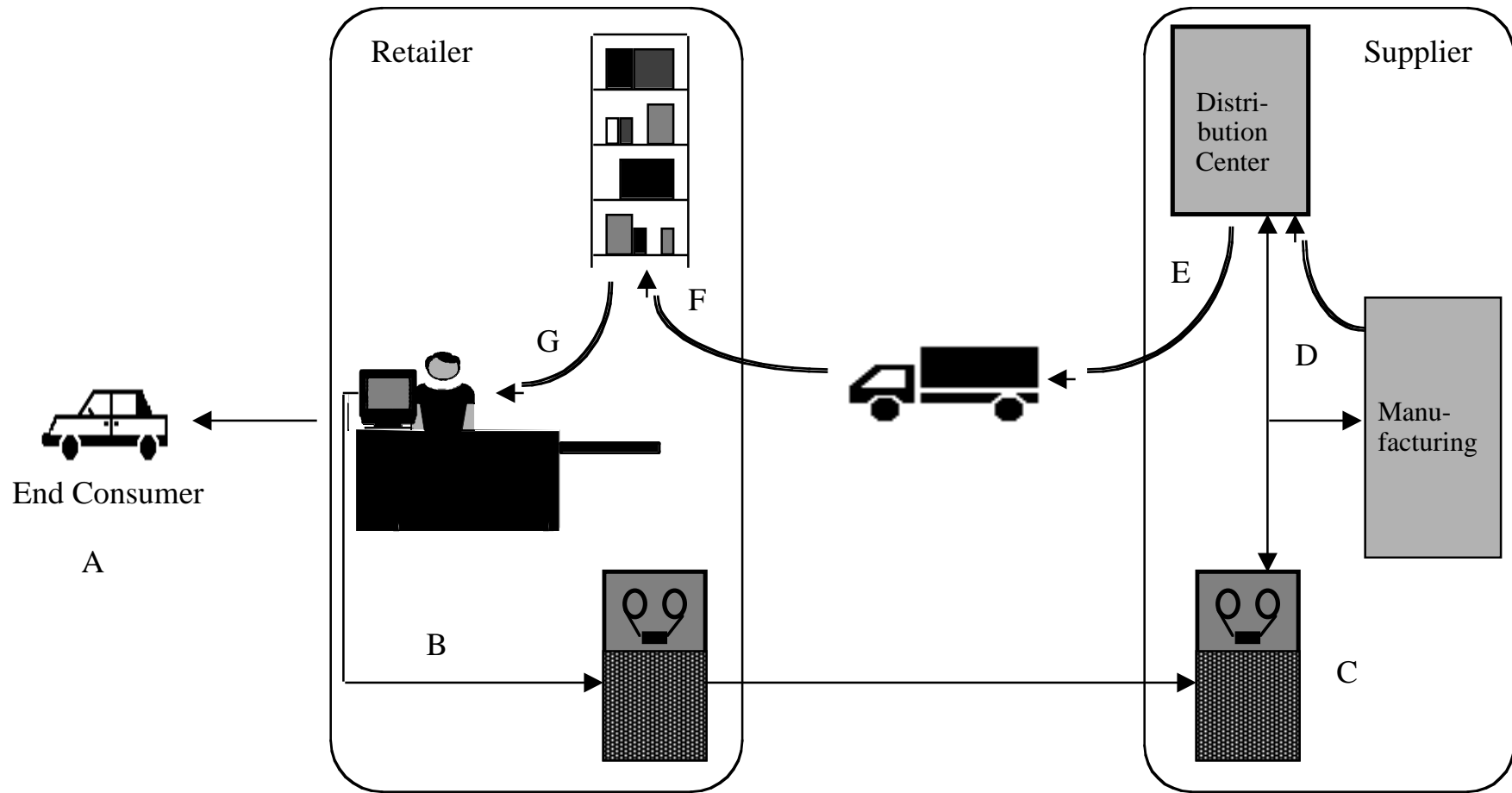


The Internet runs on the telephone network right now; in time the two networks will be indistinguishable. The same problems of addressing, network management and so on will remain. The fundamental order delivery and conventions of exchange will remain the same.

Wholesale Electronic Commerce

The Traditional EDI Model





- A Customer drives away with purchased good
- B Data from POS terminal transferred to retailer computer for retailer processing, and forwarded to manufacturer
- C Manufacturer computer receives POS information, updates records, and forwards to manufacturing and distribution.
- D Manufacturing and distribution use data to update MRP and distribution planning

- E Distribution uses updated information to dispatch restock shipment to retailer
 - F Distributor places goods on shelf in retailer
 - G Customer selects good and buys through POS
- ▶ Information flow
 = = = = =▶ Goods flow

The Tightly-Coupled Supply Chain Model

Observations

- Retail electronic commerce depends on:
 - Effective conventions of exchange
 - Some form of credit card system -- itself a networked technological system
 - Order fulfillment capacity
 - Integrated logistics and supply-chain management
- Business-to-consumer Electronic Commerce is Business-to-Business Electronic Commerce