Electronic Commerce

Chapter 2: Environment & revenue models

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Objectives

• E-commerce legal environment
• Intellectual property
• Online crime, terrorism, warfare
• Ethical issues
• Revenue models
Legal environment

• All businesses must comply to laws

• Borders and Jurisdiction
  • Physical world: territorial borders mark range of culture and applicable laws
  • Jurisdiction: the ability to control a person or corporation of the government
Legal environment

- Geographic & legal boundaries
  - Power
  - Effect
  - Legitimacy
  - Notice
Legal environment

- Jurisdiction on the Internet
  - Much more difficult
  - Use contract: promises between 2 or more legal entities for exchanging values
  - Violation of contract: filed in courts with jurisdiction

- Conflict of laws
  - Online businesses: look to federal laws for guidance
  - How about international issues?
Legal environment

- Contract in e-commerce
  - Offer
  - Acceptance
  - Consideration
- Implied contract
  - Act as if contract exists
  - Even with no written and signed contract
- Contract on the Internet
  - Email exchange, fill web form, end-user license agreements (EULAs), etc.
- Warranties on the Web
  - Implied warranties
  - Warranty disclaimer
Intellectual property

- Intellectual property
  - Products of human mind
  - Protected by copyright, patent, trademark, and service mark
- Copyright
  - Exclusive right granted to creators of literary or artistic works (print, publish, sell)
  - For a limited time (e.g. life of authors + 70 years)
  - Idea cannot be copyrighted
  - Web pages are protected by copyright
  - Fair use: news report, teaching, research, etc.
Intellectual property

• Copyright infringement
  • Difficult to apply
  • Napster peer-to-peer file sharing
  • Case-by-case basis

• Patent
  • Exclusive right granted to an individual to make, use, and sell an invention
  • Limited time (20 years)
  • Invention: must be genuine, novel, useful, and not obvious given current technology state
  • Business process patent: controversial
Intellectual property

- Trademark and service mark
  - Trademark: distinctive mark, device, motto, implement company affixes to goods it produces for identification purpose
  - Service mark: similar to trademark, but for service identification
  - Must register to be protected
- Web site designers must not use any trademarked name, logo, other identifying mark without express permission of trademark owner
Intellectual property

- Domain name issues
  - Cybersquatting
  - Name changing (typosquatting)
  - Name stealing
- Protecting intellectual property
  - Digital watermark
  - Copy control
  - Digimarc
Online crime, terrorism, warfare

• Online crime
  • Online version of physical crimes: theft, stalking, pornography distribution, gambling
  • New online crime: using computers to attack other computers, cyberbullying, stealing or destroying important data
  • Difficult to enforce laws due to jurisdiction issues

• Advantages of the Internet
  • Track perpetrators of online crimes
    • Criminals brag on social networking sites
    • Criminals leave clues in online profiles
Online crime, terrorism, warfare

- New age of terrorism and warfare carried out or coordinated through the Internet
- Web sites
  - Openly support or are operated by hate groups and terrorist organizations [cuu duong than cong . com](https://cuu-duong-than-cong.com)
  - Contain detailed instructions for creating biological weapons, other poisons
  - Contain discussion boards (help terrorist groups recruit new members online)
  - Offer downloadable terrorist training films [cuu duong than cong . com](https://cuu-duong-than-cong.com)

[CuuDuongThanCong.com](https://cuu-duong-than-cong.com)  https://fb.com/tailieudientucntt
Online crime, terrorism, warfare

- Online warfare
  - Actions by a nation-state to penetrate another nation's computers or networks for the purposes of causing damage or disruption
- Espionage
- Sabotage
Ethical issues

• Companies using Web sites to conduct electronic commerce should adhere to the same ethical standards that other businesses follow
  • Advertising or promotion should include only true statements and should omit any information that could mislead potential customers
  • Even true statements have been held to be misleading when the ad omits important related facts.
  • Any comparisons to other products should be supported by verifiable information
Ethical issues
Ethical issues

• Violation of ethical standards
  • Damaged reputation
  • Long-term loss of trust

• Important ethical issue organizations face
  • Limiting use of collected e-mail addresses, related information
  • Lack of government regulation: most organizations state their policy

• Privacy rights
  • Laws have not kept pace with the growth of the Internet and the Web
  • Companies lose control of the data they collect on their customers
Ethical issues

• Privacy policies
  • Opt-out approach
    • Assumes customer does not object to company’s use of information
    • Unless customer specifically denies permission
  • Opt-in approach
    • Company collecting information does not use it for any other purpose
    • Unless customer specifically chooses to allow use

• Communication with children
  • Children less capable of evaluating information sharing and transaction risks
Ethical issues

- Electronic commerce Web sites
  - Be conservative in customer data collection and use
  - Use four principles for handling customer data
    - Use data collected for improved customer service
    - Do not share customer data with others outside your company without customer’s permission
    - Tell customers what data you are collecting and what you are doing with it
    - Give customers the right to have you delete any data collected about them
  - Keep data secure
Revenue models

- Revenue model: how businesses generate revenue?
  - Web catalog
  - Digital content
  - Advertising-supported
  - Advertising-subscription mixed
  - Fee-for-transaction
  - Fee-for-service
- These models are not exclusive and can combine together
- Work for both B2B and B2C categories
Revenue models

- Web catalog
  - Adapted from traditional catalog-based model
    - Seller established brand image
    - Sold through printed information mailed to prospective buyers
  - Web sites expand traditional model
    - Replace or supplement print catalogs
    - Offer flexibility
      - Order through Web site or telephone
      - Payment through Web site, telephone, or mail
  - Creates additional sales outlet
  - Suitable for: computers and consumer electronics, books, music, videos, luxury goods, clothing retailers, etc.
Revenue models

• Digital content
  • Sell subscriptions for access to the information
  • Most of these digital content providers specialize in legal, academic research, business, or technical material

• Advertising-Supported
  • Free content with advertising messages
  • Stickiness
    • Keeping visitors at site and attracting repeat visitors
    • Exposed to more advertising in sticky site
  • Large visitors vs. targeted visitors (demographic information)
  • Web portal: Yahoo!
Revenue models

- Advertising-subscription mixed
  - Used for many years by traditional print newspapers and magazines: subscribers pay a fee, but also accept some level of advertising
  - Subscribers: typically less advertising
  - Suitable for: newspapers and magazines sites
  - Variations: different levels of accesses

- Fee-for-transaction
  - Service fee based on transaction number or size
  - Removal of an intermediary: disintermediation
  - New intermediary: reintermediation
  - Used in: travel, automobile sales, event tickets, online banking, music, video, books, etc.
Revenue models

• Fee-for-service
  • Fee based on service value
  • Used in: online games, professional services

• Revenue Strategy Issues
  • Channel conflict and cannibalization
    • Company Web site sales activities interfere with existing sales outlets
  • Strategic alliances
    • Two or more companies join forces undertake activity over long time period
End of chapter 2