Case Study for Information Management

資訊管理個案

E-commerce: Digital Markets, Digital Goods: Zagat (Chap. 10)

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Chap. 10
E-commerce: Digital Markets, Digital Goods: Zagat
To Pay or Not to Pay: Zagat’s Dilemma

1. Evaluate Zagat using the competitive forces and value chain models.
2. Compare Zagat’s and Yelp’s e-commerce business models. How have those models affected each company's Web strategy?
3. Why was Zagat’s content well suited for the Web and for the mobile digital platform?
4. Do you think Zagat’s decision to use a pay wall for its Web site was a mistake? Why or why not?
5. Will Zagat’s acquisition by Google make it more competitive? Explain your answer.

The Growth of E-Commerce

8 Unique Features of E-commerce

1. Ubiquity
2. Global reach
3. Universal standards
4. Richness
5. Interactivity
6. Information density
7. Personalization/Customization
8. Social technology

Ubiquity

- Internet/Web technology available everywhere: work, home, and so on, anytime.
- Effect:
  - Marketplace removed from temporal, geographic locations to become “marketspace”
  - Enhanced customer convenience and reduced shopping costs
- Reduces transaction costs
  - Costs of participating in market

Global reach

• The technology reaches across national boundaries, around Earth

• Effect:
  – Commerce enabled across cultural and national boundaries seamlessly and without modification.
  – Marketspace includes, potentially, billions of consumers and millions of businesses worldwide.

Universal standards

• One set of technology standards: Internet standards

• Effect:
  – Disparate computer systems easily communicate with one another
  – Lower market entry costs—costs merchants must pay to bring goods to market
  – Lower consumers’ search costs—effort required to find suitable products

Richness

• Supports video, audio, and text messages

• Effect:
  – Possible to deliver rich messages with text, audio, and video simultaneously to large numbers of people.
  – Video, audio, and text marketing messages can be integrated into single marketing message and consumer experience.

Interactivity

• The technology works through interaction with the user.

• Effect:
  – Consumers engaged in dialog that dynamically adjusts experience to the individual.
  – Consumer becomes co-participant in process of delivering goods to market.

Information density

• Large increases in information density—the total amount and quality of information available to all market participants

• Effect:
  – Greater price transparency
  – Greater cost transparency
  – Enables merchants to engage in price discrimination

Personalization/Customization

- Technology permits modification of messages, goods
- Effect:
  - Personalized messages can be sent to individuals as well as groups.
  - Products and services can be customized to individual preferences.

Social technology

• The technology promotes user content generation and social networking

• Effect:
  – New Internet social and business models enable user content creation and distribution, support social networks
  – Many-to-many model

Effect of the Internet on the marketplace

• Reduces information asymmetry
• Offers greater flexibility and efficiency because of:
  – Reduced search costs and transaction costs
  – Lower menu costs
  – Greater price discrimination
  – Dynamic pricing
• May reduce or increase switching costs
• May delay gratification: effects dependent on product
• Increased market segmentation
• Stronger network effects
• More disintermediation

The Benefits of Disintermediation to the Consumer

Digital goods

• Goods that can be delivered over a digital network
  – For example: music tracks, video, software, newspapers, books
• Cost of producing first unit is almost entire cost of product
• Costs of delivery over the Internet very low
• Marketing costs remain the same; pricing highly variable
• Industries with digital goods are undergoing revolutionary changes (publishers, record labels, etc.)

Types of E-Commerce

• Three major types of e-commerce
  – Business-to-Consumer (B2C)
    • Example: BarnesandNoble.com
  – Business-to-Business (B2B)
    • Example: ChemConnect
  – Consumer-to-Consumer (C2C)
    • Example: eBay

• E-commerce can be categorized by platform
  – Mobile Commerce (m-commerce)

E-commerce

Business Models

1. E-tailer
2. Transaction broker
3. Market creator
4. Content provider
5. Community provider
6. Portal
7. Service provider

E-commerce

Revenue Models

1. Advertising
2. Sales
3. Subscription
4. Free/Freemium
5. Transaction Fee
6. Affiliate

Understanding Business Model

• Business Model
• Revenue Model

• Business Strategy
• Business Strategy and Information System Alignment
Business Model
Value
Definition of Business Model

A business model describes the rationale of how an organization creates, delivers, and captures value.

Definition of Business Strategy

A business strategy is a long term plan of action designed to achieve a particular goal or set of goals or objectives.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business

• “the activity of providing goods and services involving financial, commercial and industrial aspects.” (WordNet 2.0)

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Model

• “a simplified description and representation of a complex entity or process.” (WordNet 2.0)
Business Model

• A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm.

• Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
### Occurrences of the Term "Business Model" in Scholarly Reviewed Journals

<table>
<thead>
<tr>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model Concept Hierarchy

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Evolution of the Business Model Concept

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model vs. Business Process Model

• Business Model
  – a view of the firm's logic for creating and commercializing value

• Business process model
  – how a business case is implemented in processes

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model vs. Strategy

• Business Models
  – a system that shows how the pieces of a business fit together.
  – an abstraction of a firm's strategy

• Strategy
  – includes competition

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Implementing Business Models

Design Business Model
Management defines and designs a business concept that responds to market circumstances.

Finance Business Model
Management works out a financial structure for the business model (e.g. internal funding, venture capital, stock).

Implement Business Model
The business model is implemented into business structure, business processes and

Source: (Ostenwalder, Pigneur and Tucci, 2005)
The Business Model's Place in the Firm

Source: (Ostenwalder, Pigneur and Tucci, 2005)
## Nine Business Model Building Blocks

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<th>Business Model Building Block</th>
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<td><strong>Product</strong></td>
<td>Value Proposition</td>
<td>Gives an overall view of a company's bundle of products and services.</td>
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<td><strong>Customer Interface</strong></td>
<td>Target Customer</td>
<td>Describes the segments of customers a company wants to offer value to.</td>
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<td></td>
<td>Distribution Channel</td>
<td>Describes the various means of the company to get in touch with its customers.</td>
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<td></td>
<td>Relationship</td>
<td>Explains the kind of links a company establishes between itself and its different customer segments.</td>
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<td><strong>Infrastructure Management</strong></td>
<td>Value Configuration</td>
<td>Describes the arrangement of activities and resources.</td>
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<td></td>
<td>Core Competency</td>
<td>Outlines the competencies necessary to execute the company's business model.</td>
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<td></td>
<td>Partner Network</td>
<td>Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.</td>
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<td><strong>Financial Aspects</strong></td>
<td>Cost Structure</td>
<td>Sums up the monetary consequences of the means employed in the business model.</td>
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<td></td>
<td>Revenue Model</td>
<td>Describes the way a company makes money through a variety of revenue flows.</td>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
## Domains Addressed in Business Models

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<td>Architecture</td>
<td>Production Mode</td>
<td>e3-value configuration</td>
<td>connected activities, value configuration</td>
<td>b-webs</td>
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<td>commerce process model</td>
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<td>Core competencies, CSF</td>
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<td>Partnership</td>
<td>Architecture</td>
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<td>Value exchange</td>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
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<td><strong>Value Proposition</strong></td>
<td>Product/market scope</td>
<td>Value stream</td>
<td>Value proposition</td>
<td>What does the customer value?</td>
<td>Transaction component</td>
<td>Product and Services offered</td>
<td>Value proposition, assumed value</td>
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<td><strong>Target Customer</strong></td>
<td>Market scope</td>
<td>Market segment</td>
<td>Who is the customer?</td>
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<td><strong>Distribution Channel</strong></td>
<td>Fulfillment &amp; support, info &amp; insight</td>
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<td>How can we deliver value at an appropriate cost?</td>
<td>Marketing/sales model</td>
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<td><strong>Customer Relationship</strong></td>
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<td>Position in the value chain</td>
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<td>Transaction component</td>
<td>Partners</td>
<td>Companies involved in creating value</td>
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<td><strong>Revenue Model</strong></td>
<td>pricing structure</td>
<td>Revenue stream</td>
<td>How do we make money in this business</td>
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<td>Benefits to firm and stakeholders</td>
<td>Revenue Model</td>
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Source: (Ostenwalder, Pigneur and Tucci, 2005)
Planning, Changing and Implementing Business Models

The management analyzes the current business model's adequacy to environmental pressures and designs a new business model. The new business model becomes a goal to achieve and guides planning, change and implementation.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Strategy and Information Systems Alignment

Managers are aware of the use of Information Systems to realize goals, exploit opportunities and obtain competitive advantage.

Information Systems support the company's business model and are targeted on areas that are critical to successful business performance.

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business and IT/IS Alignment

Source: (Ostenwalder, Pigneur and Tucci, 2005)
Business Model Canvas

https://www.youtube.com/watch?v=QoAOzMTLP5s
Business Model Canvas Explained

Source: http://www.youtube.com/watch?v=QoAOzMTLP5s
The 9 Building Blocks of Business Model

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<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
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<table>
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<th>Channels</th>
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<th>3</th>
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</table>

| Cost Structure | Revenue Streams | 9               | 5                      |

The 9 Building Blocks of Business Model

1. Customer Segments

Defines the different groups of people or organizations an enterprise aims to reach and serve

2. Value Propositions

Describes the bundle of products and services that create value for a specific Customer Segment

3. Channels

Describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition

4. **Customer Relationships**

Describes the types of relationships a company establishes with specific Customer Segments

5. Revenue Streams

Represents the cash a company generates from each Customer Segment (costs must be subtracted from revenues to create earnings)

6. Key Resources

Describes the most important assets required to make a business model work

7. Key Activities

Describes the most important things a company must do to make its business model work

8. Key Partnerships

Describes the network of suppliers and partners that make the business model work

9. Cost Structure

Describes all costs incurred to operate a business model

The 9 Building Blocks of Business Model

1. Customer Segments
   – An organization serves one or several Customer Segments.

2. Value Propositions
   – It seeks to solve customer problems and satisfy customer needs with value propositions.

3. Channels
   – Value propositions are delivered to customers through communication, distribution, and sales Channels.

4. Customer Relationships
   – Customer relationships are established and maintained with each Customer Segment.

5. Revenue Streams
   – Revenue streams result from value propositions successfully offered to customers.

6. Key Resources
   – Key resources are the assets required to offer and deliver the previously described elements...

7. Key Activities
   – ...by performing a number of Key Activities.

8. Key Partnerships
   – Some activities are outsourced and some resources are acquired outside the enterprise.

9. Cost Structure
   – The business model elements result in the cost structure.

Business Model

Key Activities
Key Resources
Value Proposition
Customer Relationships
Channels
Customer Segments
Revenue Streams
Cost Structure

Business Model Generation

Business Model Generation

THE CANVAS OF BUSINESS MODEL GENERATION

Reach
A mix of direct and indirect Channels and a phased approach optimizes reach and margins. The story of the book lends itself well to viral marketing and word-of-mouth promotion.

Revenues
The book was financed through advanced sales and fees paid by co-creators. Additional revenues come from customized versions for companies and their clients.

### Facebook – World’s leading Social Networking Site (SNS)

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Relationships</th>
<th>Customer Segments</th>
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<tr>
<td>Content Partners</td>
<td>Platform Development</td>
<td>Connect with your friends, Discover &amp;</td>
<td>Same-side Network Effects</td>
<td>Internet Users</td>
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<td>(TV Shows, Movies,</td>
<td>Data Center Operations</td>
<td>Learn, Express yourself</td>
<td>Cross-side Network Effects</td>
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<td>Music, News Articles)</td>
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#### Key Resources
- Facebook Platform
- Technology Infrastructure

#### Channels
- Website, Mobile Apps
- Facebook Ads, Facebook Pages
- Developer Tools and APIs

#### Cost Structure
- Data center costs
- Marketing and Sales
- Research and Development
- General and Administrative

#### Revenue Streams
- Free
- Ad Revenues
- Payment Revenues

Twitter Business Model

**Key Partners**
- Search Vendors
- Device Vendors
- Media companies
- Mobile Operators

**Key Activities**
- Platform Development

**Value Propositions**
- Stay connected
- News/Events
- Targeted Marketing
- Twitter Apps

**Channels**
- Website
- Desktop Apps
- Mobile Apps
- SMS
- Twitter API

**Relationships**
- Enterprises
- Developers
- Users

**Cost Structure**
- Employees
- Servers

**Revenue Streams**
- Licensing Data Streams
- Promoted Accounts
- Promoted Tweets
- Promoted Trends
- Analytics

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<td>Channel Costs</td>
<td>Fee Income</td>
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VISA – Leader in Global Payments Industry

Key Partners
- Technology Alliances
- Commercial Partners

Key Resources
- Payment Products Platform
- VISA Brand

Key Activities
- Payments Network Management
- Transaction Processing
- Value-added Services

Value Propositions
- Payment Product Platforms for card programs and cashless payments
- Convenience, Security, Rewards associated with card payments
- Improved Sales, Customer Convenience

Relationships
- Channels
  - Sponsorships (FIFA World cup, Olympics)
  - TV ads, Tradeshows, Conferences

Customer Segments
- Financial Institutions (Issuers)
- Financial Institutions (Acquirers)
- Card Holders
- Merchants

Cost Structure
- Personnel
- Network, EDP, & Communications
- Brand Promotion
- Litigations Provision

Revenue Streams
- Services Revenues
- Data Processing Revenues
- International Revenues

Source: http://bmimatters.com/tag/business-model-canvas-examples/
How Airbnb Works?
Insights into Business Model & Revenue Model

Source: http://nextjuggernaut.com/blog/airbnb-business-model-canvas-how-airbnb-works-revenue-insights/
Airbnb Business Model Canvas

Key Partners
- Hosts (People who rent their space)
- Guests (People who book spaces)
- Photographers (Freelance)
- Investors
- Payment Processors

Key Activities
- Product Development & Management
- Building Host network and Managing hosts
- Building travelers network and managing guests

Value Propositions
Hosts
- Hosts can earn money by renting their space.
- Airbnb offers insurance to house owners.
- Free photo shoots for property listings through photographers.
Guests
- Guests can book a homestay instead of hotel.
- Prices are often less as compared to hotels.

Customer Relationships
- Customer Service
- Social Media
- Promotional Offers
- Home Insurance

Customer Segments
Hosts
- People who own a house and want to earn extra money.
- People who want to meet new people.
Guests
- People who love to travel.
- People who want to stay comfortably at a cheap price.

Channels
- Website
- Mobile App for Android
- Mobile App for iOS

Cost Structure
- Technological Set up & running costs
- Salaries to permanent employees
- Payments to freelance photographers

Revenue Streams
- Commission from Hosts upon every booking
- Commission from Guests upon every booking

Customer Value
Marketing

“Meeting needs profitably”

Value
the sum of the tangible and intangible benefits and costs

Value

Customer Value Triad

Quality, Service, and Price (qsp)

Value and Satisfaction

• Marketing
  – identification, creation, communication, delivery, and monitoring of customer value.

• Satisfaction
  – a person’s judgment of a product’s perceived performance in relationship to expectations

Building Customer Value, Satisfaction, and Loyalty

Customer Perceived Value

Product benefit
Services benefit
Personnel benefit
Image benefit

Total customer benefit

Monetary cost
Time cost
Energy cost
Psychological cost

Total customer cost

Customer perceived value

Satisfaction

“a person’s feelings of pleasure or disappointment that result from comparing a product’s perceived performance (or outcome) to expectations”

Loyalty

“a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior.”

Customer Perceived Value, Customer Satisfaction, and Loyalty

CEO CIO CFO

CEO
Strategy and Sales (Leading)

CIO
Enterprise Technology Integration

CFO-COO
Finance and Operations (Lagging)

Source: http://www.r3now.com/what-is-the-proper-relationship-for-the-cio-ceo-and-cfo/
CEO
Strategy and Sales (Leading)

CIO
Enterprise Technology Integration

CMO
Marketing Communication

Adapted from: http://www.r3now.com/what-is-the-proper-relationship-for-the-cio-ceo-and-cfo/
# CEO CIO CMO

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Adapted from: [http://www.argowiki.com/index.php?title=The_Relationship_Between_the_CEO_and_CIO](http://www.argowiki.com/index.php?title=The_Relationship_Between_the_CEO_and_CIO)
Nothing is so practical as a good theory

Social Networking and the Wisdom of Crowds

• Most popular Web 2.0 service: social networking
  – Social shopping sites: Swap shopping ideas with friends

• Wisdom of crowds

• Crowdsourcing
  – Large numbers of people can make better decisions about topics and products than a single person.

• Prediction markets
  – Peer-to-peer betting markets on specific outcomes (elections, sales figures, designs for new products)

E-commerce Marketing

• Internet provides new ways to identify and communicate with customers.

• Long tail marketing:
  – Ability to reach a large audience inexpensively

• Behavioral targeting:
  – Tracking online behavior of individuals on thousands of Web sites

• Internet advertising formats
  – Search engine marketing, display ads, rich media, e-mail, and so on

Web Site Personalization

Based on your portfolio and recent market trends, here are some recommendations.

Welcome back, Steve P. Munson. Check out these recommended titles:
- One Minute Manager
- Leading Change
- Results-Based Leadership

Sarah,
Here are the items you want to bid on:
- Halogen reading lamp
- Portable reading lamp
- LED book reading lamp

How an Advertising Network Works

Social E-commerce

• Social e-commerce:
  – Based on digital social graph
    • Mapping of all significant online relationships
• Four features of social e-commerce driving its growth
  – Social sign-on
  – Collaborative shopping
  – Network notification
  – Social search (recommendations)

Social Media Marketing

• Social media:
  – Fastest growing media for branding and marketing

• Social network marketing:
  – Seeks to leverage individuals influence over others in social graph
  – Target is a social network of people sharing interests and advice
  – Facebook’s “Like button”
  – Social networks have huge audiences
  – Facebook: 150 million U.S. visitors monthly

B2B E-commerce

• U.S. B2B trade in 2012 is $16 trillion
• U.S. B2B e-commerce in 2012 is $4.1 trillion
• Procurement requires significant overhead costs, which Internet and networking helps automate
• Variety of Internet-enabled technologies used in B2B
  – Electronic data interchange (EDI)
  – Private industrial networks (private exchanges)
  – Net marketplaces
  – Exchanges

Electronic Data Interchange (EDI)

A Private Industrial Network

Net Marketplaces (e-hubs)

• Single market for many buyers and sellers
• Industry-owned or owned by independent intermediary
• Generate revenue from transaction fees, other services
• Use prices established through negotiation, auction, RFQs, or fixed prices
• May focus on direct or indirect goods
• May be vertical or horizontal marketplaces

A Net Marketplace

- Catalogs
- Sourcing
- Automated purchasing
- Processing and fulfillment

Exchanges

• Independently owned third-party Net marketplaces
• Connect thousands of suppliers and buyers for spot purchasing
• Typically provide vertical markets for direct goods for single industry (food, electronics)
• Proliferated during early years of e-commerce; many have failed
  – Competitive bidding drove prices down and did not offer long-term relationships with buyers or services to make lowering prices worthwhile.

The Mobile Digital Platform and Mobile E-commerce
M-commerce

• In 2012 is 10% of all e-commerce
• Fastest growing form of e-commerce
  – Some areas growing at 50%
• Four billion mobile phone users worldwide
• Main areas of growth
  – Retail sales at top Mobile 400 (Amazon, eBay, etc.)
  – Sales of digital content (music, TV, etc.)
  – Local search for restaurants, museums, stores

Consolidated Mobile Commerce Revenues

Location-based services

- Used by 74% of smartphone owners
- Based on GPS map services

Types
- Geosocial services
  - Where friends are
- Geoadvertising
  - What shops are nearby
- Geoinformation services
  - Price of house you are passing

Other Mobile Commerce Services

• Banks, credit card companies provide account management apps
• Mobile display advertising
  – iAd, AdMob, Facebook
• Games and entertainment
  – Downloadable and streamable services
  – Games
  – Video, short films, movies, TV shows
  – Music and ring tones

Building an E-commerce Web Site

• Pieces of the site-building puzzle
• Assembling a team with the skills required to make decisions about:
  – Technology
  – Site design
  – Social and information policies
  – Hardware, software, and telecommunications infrastructure
• Customer’s demands should drive the site’s technology and design.

Building an E-commerce Web Site

• Business objectives
  – The capabilities the site should have
    • Business decisions should drive technology
  – Example: execute a transaction payment

• System functionality
  – Technology needed to achieve objective
  – Example: a shopping cart or other payment system

• Information requirement
  – Specific data and processes needed
  – Example: secure credit card clearing, multiple payment options

Building an E-commerce Web Site

• Alternatives in building the Web site:
  – Completely in-house
  – Mixed responsibility
  – Completely outsourced
    • Co-location

• Web site budgets
  – Several thousand to millions per year
  – 50% of budget is system maintenance and content creation

Choices in Building and Hosting Web Sites

BUILDING THE SITE

In-house

MIXED RESPONSIBILITY
Build: In
Host: In

MIXED RESPONSIBILITY
Build: In
Host: Out

Outsource

MIXED RESPONSIBILITY
Build: Out
Host: In

COMpletely OUTsourced
Build: Out
Host: Out

Components of a Web Site Budget

- Design: 30%
- Marketing: 20%
- Hardware: 10%
- Content development: 15%
- Software: 10%
- Hosting service: 10%
- Telecommunications: 5%

Case Study:
Enhancing Decision Making: Zynga (Chap. 12) (pp. 512-514)
Zynga Wins with Business Intelligence

1. It has been said that Zynga is “an analytics company masquerading as a games company.” Discuss the implications of this statement.

2. What role does business intelligence play in Zynga’s business model?

3. Give examples of three kinds of decisions supported by business intelligence at Zynga.


5. What problems can business intelligence solve for Zynga? What problems can't it solve?

資訊管理個案
(Case Study for Information Management)

1. 請同學於資訊管理個案討論前應詳細研讀個案，並思考個案研究問題。

2. 請同學於上課前複習相關資訊管理相關理論，以作為個案分析及擬定管理對策的依據。

3. 請同學於上課前先繳交個案研究問題書面報告。
References


– Kenneth C. Laudon & Jane P. Laudon原著，游張松主編，陳文生翻譯 (2014)，資訊管理系統，第13版，滄海