

E-Marketplaces, Portals

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Learning Objectives

- Define e-marketplaces and list their components.
- List the major types of e-marketplaces and describe their features.
- Describe the various types of EC intermediaries and their roles.
- Describe electronic catalogs, shopping carts, and search engines.
- Describe the major types of auctions and list their characteristics.

E-marketplaces

Marketplaces

Markets play a central role in the economy, facilitating the exchange of information, good, services, and payments (Bakos 1998).

The Emerging Role of Electronic Marketplaces on the Internet

Yannis Bakos*

Communications of the ACM, August 1998

Internet-based electronic marketplaces leverage information technology to match buyers and sellers with increased effectiveness and lower transaction costs, leading to more efficient, “friction-free” markets.

1. Functions of a Market

Markets play a central role in the economy, facilitating the exchange of information, goods, services and payments. In the process, they create economic value for buyers, sellers, market intermediaries and for society at large. Recent years have seen a dramatic increase in the role of information technology in markets, both in traditional markets, and in the emergence of electronic marketplaces, such as the multitude of Internet-based online auctions.

Markets (electronic or otherwise) have three main functions, summarized in Table 1: (a) matching buyers and sellers; (b) facilitating the exchange of information, goods, services and payments associated with market transactions; and (c) providing an institutional infrastructure, such as a legal and regulatory framework, that enables the efficient functioning of the market. In a modern economy, the first two functions are provided by intermediaries, while the institutional infrastructure is typically the province of governments. Internet-based electronic marketplaces leverage information technology to perform the above functions with increased effectiveness and reduced transaction costs, resulting in more efficient, “friction-free” markets.

* Stern School of Business, New York University.
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Marketplace

- In business in general we have the concept of exchange
- Buyers and sellers find value in location
- Business have clustered themselves over time to specific locations
 - Moda a Milano
 - Stock Exchange

Marketplaces in Internet

- Move a physical phenomenon online
- Remove variables like time and location sensitivity
- A place where buyers and sellers come together
 - exchange information
 - exchange services
 - exchange good

Marketplaces - II

- Three functions for markets (both real and electronic):
 - matching buyers and sellers
 - facilitating the exchange of information, goods, services, and payments associated with market transactions
 - providing an institutional infrastructure, such as a legal and regulatory framework, that enables the efficient functioning of the market


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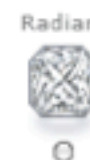
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Case of Study

Blue Nile

- To sell the same amount of jewelry a regular business needs:
 - 300 stores
 - 3000 employees
 - 5 intermediaries
- BlueNile
 - 1 warehouse
 - 190 employees
 - direct marketing

Benefits

- Technology has the potential of improving market efficiency
- Technology increases the speed of transactions
- Greater information richness
- Lower search costs for buyers
- Less information asymmetry
- Buyers and sellers can be in different locations

Functions of a Market

- In later years markets have seen a dramatic increase of IT and EC use

EXHIBIT 2.1 Functions of a Market		
Matching of Buyers and Sellers	Facilitation of Transactions	Institutional Infrastructure
<ul style="list-style-type: none">• Determination of product offerings<ul style="list-style-type: none">Product features offered by sellersAggregation of different products• Search (of buyers for sellers and of sellers for buyers)<ul style="list-style-type: none">Price and product informationOrganizing bids and barteringMatching seller offerings with buyer preferences• Price discovery<ul style="list-style-type: none">Process and outcome in determination of pricesEnabling price comparisons• Others<ul style="list-style-type: none">Providing sales leads	<ul style="list-style-type: none">• Logistics<ul style="list-style-type: none">Delivery of information, goods, or services to buyers• Settlement<ul style="list-style-type: none">Transfer of payments to sellers• Trust<ul style="list-style-type: none">Credit system, reputations, rating agencies such as <i>Consumer Reports</i> and the BBB, special escrow and online trust agencies• Communication<ul style="list-style-type: none">Posting buyers' requests	<ul style="list-style-type: none">• Legal<ul style="list-style-type: none">Commercial code, contract law, dispute resolution, intellectual property protectionExport and import law• Regulatory<ul style="list-style-type: none">Rules and regulations, monitoring, enforcement• Discovery<ul style="list-style-type: none">Provides market information (e.g., about competition, government regulations)

Types of Marketplaces

- Private Marketplace: operated by a single company that also participate the exchange (BP)
- Public Marketplace: an actor sets up the marketplace, but they don't participate (CISCO)
- Consortium Marketplace: a group of actors that runs the marketplace together

B2B

- Marketplaces is where most of the B2B e-commerce is done
- Large companies participate
- Example: shipping company and gas

Components of a Marketplace

- Major components of a marketplace:
 - Customers
 - Sellers
 - Products
 - Infrastructure

Components of a Marketplace

- Front-end
- Back-end
- Intermediaries
- Support services
- Retailers
- Manufacturers
- Tracking companies
- ...

Customers

- Millions of people surfing the web
 - search for detailed information
 - compare
 - place bid, buy (digital) objects

Sellers

- Millions of storefronts are on the Web
- Huge variety of products and services
- Sellers can sell directly on their website or from e-marketplaces

Products and Services

- In marketplaces it is possible to commerce both physical and digital products
- Marketplaces can sell digital products, that can be delivered over the Internet
- With digital products most of the costs are fixed, and variable costs are very low
- Profit increase very rapidly as sales volume increase

1. Information and entertainment products:

- ▶ Paper-based documents: Books, newspapers, magazine journals, store coupons, marketing brochures, newsletters, research papers, and training materials
- ▶ Product information: Product specifications, catalogs, user manuals, and sales training manuals
- ▶ Graphics: Photographs, postcards, calendars, maps, posters, and x-rays
- ▶ Audio: Music recordings, speeches, and lectures
- ▶ Video: Movies, television programs, and video clips
- ▶ Software: Programs, games, and development tools

2. Symbols, tokens, and concepts:

- ▶ Tickets and reservations: Airlines, hotels, concerts, sports events, and transportation
- ▶ Financial instruments: Checks, electronic currencies, credit cards, securities, and letters of credit

3. Processes and services:

- ▶ Government services: Forms, benefits, welfare payments, and licenses
- ▶ Electronic messaging: Letters, faxes, and telephone calls
- ▶ Business-value-creation processes: Ordering, bookkeeping, inventorying, and contracting
- ▶ Auctions, bidding, and bartering
- ▶ Remote education, telemedicine, and other interactive services
- ▶ Cybercafes, interactive entertainment, and virtual communities

Examples of digital
products

in 2006!

Infrastructure

- The marketspace infrastructure includes electronic networks, hardware, software, etc

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

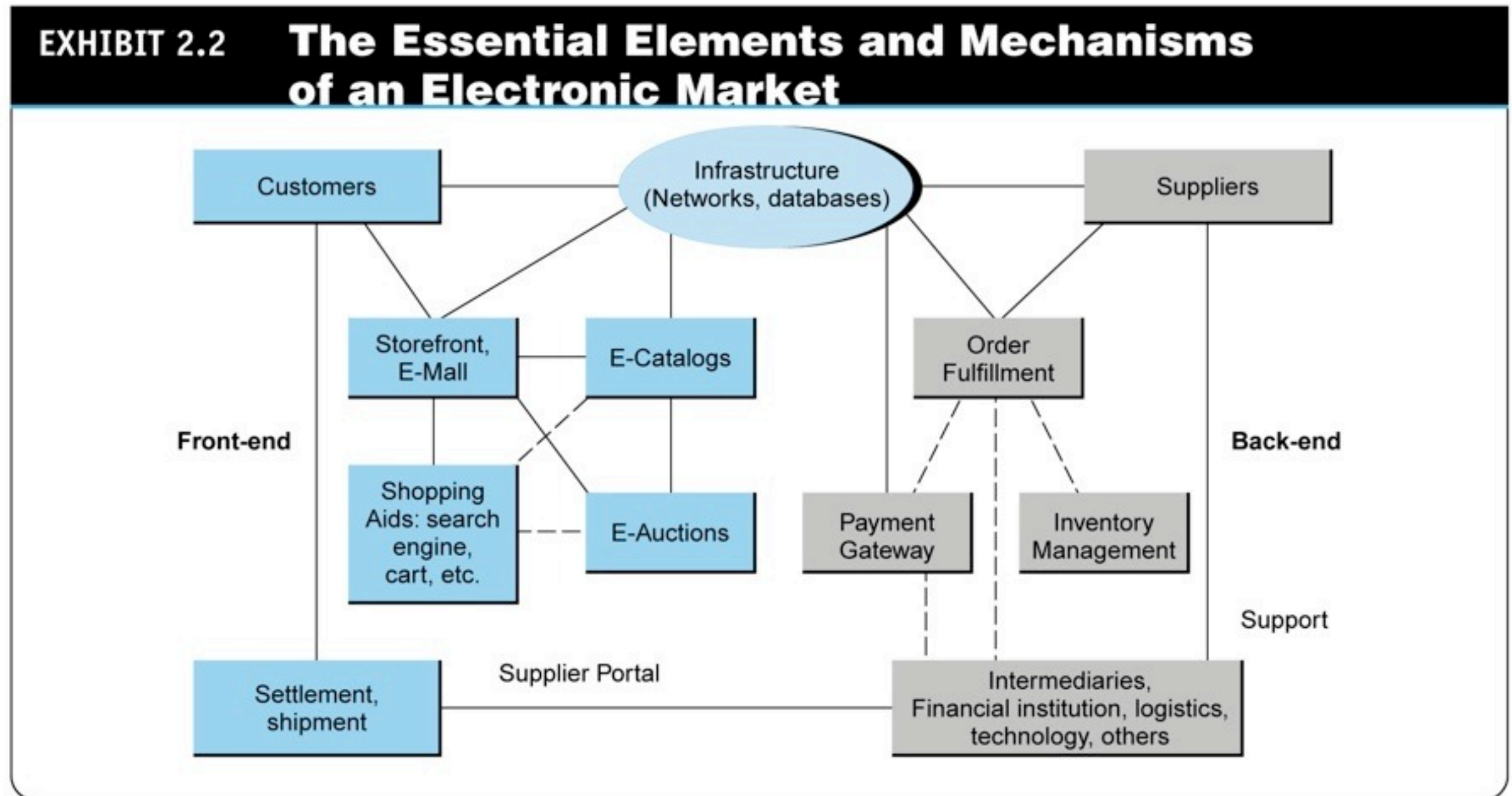
Back-End

- Back end: The activities that support online order-taking. It includes fulfillment, inventory management, payment processing, packaging, and delivery

Intermediary

- A third party that operates between sellers and buyers
- Online intermediaries create and manage the online market.
- They help match buyers and sellers, provide some infrastructure services, and help customers and/or sellers to institute and complete transactions

Essential Elements



Discussion