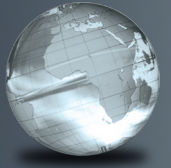


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E-commerce 2023–2024

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Kenneth C. Laudon
Carol Guercio Traver



Chapter-Opening Cases, Insight Cases, and Case Studies

Chapter 1: Introduction to E-commerce

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Insight on Technology: Will Apps Make the Web Irrelevant?

Insight on Business: Rocket Internet

Insight on Society: Facebook and the Age of Privacy

Case Study: Uber: Everything on Demand

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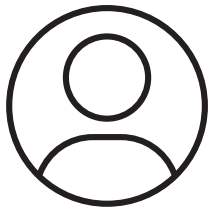
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P R E F A C E

NEW TO THIS EDITION

E-commerce 2023–2024: business. technology. society, Global Edition, 18th edition, provides a thoroughly updated, in-depth introduction to the field of e-commerce. We focus on the key concepts—and the latest empirical and financial data—that will help you understand and take advantage of the evolving world of opportunity offered by e-commerce, which is dramatically altering the way business is conducted and driving major shifts in the global economy. The Global Edition is aimed at students and professionals in the European Union, the Middle East, Asia-Pacific, Australia, and South Africa. Case studies reflect e-commerce firms in these regions, and figures and tables relate to these regional sources wherever possible.

Just as important as our global orientation, we have tried to create a book that is thought-provoking and current. The book features the latest developments in business, technology, and society that are impacting e-commerce. We use the most recent data available and focus on companies that you are likely to encounter on a daily basis in your everyday life, such as Meta’s Facebook and Instagram, Google, Amazon, Apple, TikTok, YouTube, Twitter, eBay, Uber, and many more that you will recognize, as well as some exciting startups that may be new to you. We also have up-to-date coverage of key topics in e-commerce today, from privacy and piracy to government surveillance, cybercrime, fintech, social-local-mobile marketing, intellectual property, and many more. You will find here the most up-to-date and comprehensive overview of e-commerce today.

The e-commerce concepts you learn in this book will make you valuable to potential employers. Many employers expect new employees to understand the basics of e-commerce, online marketing, and developing an e-commerce presence. Every industry today is touched in at least some way by e-commerce. The information and knowledge that you find in this book will be valuable throughout your career, and after you read this book, we expect that you will be able to participate in, and even lead, management discussions about e-commerce for your firm.

Enhanced Stand-Alone Pearson eTextbook

E-commerce 2023–2024: business. technology. society, Global Edition, 18th edition, is available as a stand-alone eTextbook, which extends the student learning experience anytime and anywhere: The mobile app lets students use their eTextbook on Android and iPhone mobile phones and tablets. The eTextbook engages students with compelling media: Videos and animations written and produced by the authors bring key concepts to life, helping students place what they are reading into context. Other features include highlights that allow educators to share information directly with students within the eTextbook and analytics that let educators gain insight into how students use their eTextbook, thus allowing educators to plan more effective instruction. Pearson’s eTextbook platform provides an affordable, simple-to-use mobile teaching and learning experience.

The following features are included in the eTextbook:

- **Interactive Tools**—Students can highlight, take notes, and review key vocabulary all in one place, even when they are offline. Seamlessly integrated videos enliven student learning and understanding of concepts.
- **Figure Videos**—Author Ken Laudon walks students through important concepts in each chapter using a contemporary animation platform (12 in total). Available only in the Pearson eTextbook.
- **New Videos**—A brand-new collection of videos (two per chapter, 24 in total) draws from Pearson’s extensive library of business and technology video clips. The videos are related to one or more key concepts or topics within the chapter. Videos are listed on the opening page of each chapter and on page 29 of the Preface. Further information about the videos as well as questions that can be used as an assignment or for class discussion are included in the Instructors Manual.

New and Updated Topics

This edition features all new or updated opening, closing, and “Insight on” cases. The text, as well as data, figures, and tables in the book, have been updated through March 2023 with the latest information available from industry and government sources. In addition, we have added new, expanded, and/or updated material on a number of e-commerce topics that have appeared in the headlines during 2022, including the following:

- The continuing impact of the Covid-19 pandemic on the Internet and e-commerce (throughout the book and particularly in Chapters 3 and 12)
- Creators and the creator economy; influencers and influencer marketing (Chapters 1, 2, 7, and 10)
- The rise of TikTok (Chapters 1 and 7)
- The metaverse (Chapters 1, 3, 5, 7, and 8)
- Web3 (Chapters 1 and 3)
- Data privacy concerns; Apple’s and Google’s new privacy initiatives (Chapters 1, 2, 6, and 8)
- Artificial intelligence and big data in e-commerce and online advertising (Chapters 1, 6, and 9)
- Efforts to control Big Tech via litigation, regulation, and legislation (Chapters 1 and 8)
- The impact of the ESG (environmental, social, and governance) and sustainability movements (recommerce, circular economy) (Chapters 1, 2, 9, 11, and 12)
- Blockchain technologies (Chapters 1, 5, 12)
- The impact of the Internet of Things (IoT) on e-commerce, e-commerce business models, and supply chains (Chapters 2, 3, and 12)
- The QUIC protocol as a replacement for TCP (Chapter 3)
- New Internet access technologies, such as low earth orbit satellites and the arrival of 5G (Chapter 3)
- The growing importance of omnichannel retail strategies, including BOPIS/click-and-collect (Chapters 4 and 9)

- Major security issues, such as software supply chain attacks, ransomware, cybercurrency hacks, large-scale data breaches, and hacks related to software vulnerabilities (Chapter 5)
- New alternative payment services such as Buy Now Pay Later (BNPL) services and cryptocurrencies, including Bitcoin, Ethereum, and stablecoins (Chapter 5)
- Contextual advertising and first-party tracking as a replacement for behavioral targeting (Chapter 6)
- Social marketing using TikTok and Instagram (Chapter 7)
- Apple ITP and ATT and Google Privacy Sandbox (Chapter 8)
- Web scraping as a copyright issue; efforts to update the Digital Millennium Copyright Act (Chapter 8)
- State regulatory efforts with respect to privacy, Internet sales tax, net neutrality, and online gambling (Chapter 8)
- Carvana and other digitally native direct-to-consumer companies (Chapter 9)
- Fintechs including neobanks, robo-advisors, and insurtech (Chapter 9)
- New streaming services, Gen Z and media consumption, and online gaming (Chapter 10)
- LinkedIn, Facebook algorithms, eBay, Yahoo, and AOL (Chapter 11)
- Supply chain disruption, digital twins (Chapter 12)

SOLVING TEACHING AND LEARNING CHALLENGES

Currency Important new developments happen almost every day in e-commerce and the Internet. We try to capture as many of these important new developments as possible in each edition. You will not find a more current book for a course offered in the 2023–2024 academic year. Many other texts are already six months to a year out of date before they even reach the printer. This text, in contrast, reflects extensive research through March 2023.

Strong Conceptual Foundation: Business, Technology, Society The book emphasizes the three major driving forces that permeate all aspects of e-commerce: business development and strategy, technological innovations, and social and legal issues and impacts. In each chapter, we explore how these forces relate to the chapter's main topic, which provides students with a strong and coherent conceptual framework for understanding e-commerce.

Real-World Business Firm Focus and Cases From Amazon to Google, Microsoft, and Apple; to Facebook, Instagram, TikTok, Twitter, and LinkedIn; to Netflix, YouTube, and Zoom; to Uber, Instacart, and Grubhub; to Etsy, eBay, and Skyscanner; and so many more, this book contains hundreds of real-company examples and 60 extensive cases that place coverage in the context of actual e-commerce businesses. You'll find these examples in each chapter as well as in special features such as chapter-opening, chapter-closing, and "Insight on" cases. The book takes a realistic look at the world of e-commerce, describing what's working and what isn't rather than presenting a

rose-colored or purely “academic” viewpoint. We strive to maintain a critical perspective on e-commerce and avoid industry hyperbole.

Current and Future Technology Coverage Internet and related information technologies continue to change rapidly. The most important changes for e-commerce include dramatic price reductions in e-commerce infrastructure (making it much less expensive to develop a sophisticated e-commerce presence), the explosive growth in the mobile platform, and expansion in the development of social technologies, which are the foundation of online social networks. Although we thoroughly discuss the current Internet environment, we also devote considerable attention to describing emerging technologies and applications such as the metaverse, Web3, the Internet of Things (IoT), blockchain, big data, artificial intelligence, augmented and virtual reality, low earth orbit satellite Internet systems, 5G and Wi-Fi 6, among many others.

Special Attention to the Social and Legal Aspects of E-commerce We have paid special attention throughout the book to the social and legal context of e-commerce. Chapter 8 is devoted to a thorough exploration of ethical dimensions of e-commerce, including information privacy, intellectual property, governance, and protecting safety and public welfare on the Internet.

In-depth Coverage of Marketing and Advertising The text includes two chapters on marketing and advertising, both traditional online marketing and social, mobile, and local marketing. Marketing concepts, including market segmentation, personalization, clickstream analysis, bundling of digital goods, long tail marketing, and dynamic pricing, are discussed throughout the text.

In-depth Coverage of B2B E-commerce We devote an entire chapter to an examination of B2B e-commerce. In writing this chapter, we developed a unique and easily understood classification schema to help students understand this complex arena of e-commerce. This chapter covers e-commerce supply chains, e-distributors, e-procurement companies, exchanges, and industry consortia, as well as the development of private B2B networks and collaborative commerce.

Up-to-Date Coverage of the Research Literature This text is well grounded in the e-commerce research literature. We have sought to include, where appropriate, references to and analysis of the latest e-commerce research findings, as well as many classic articles, in all of our chapters. We have drawn especially on the disciplines of economics, marketing, and information systems and technologies as well as on law journals and broader social science research journals that cover disciplines such as sociology and psychology. Figures and tables sourced to “authors’ estimates” reflect analysis of data from the U.S. Department of Commerce, estimates from various research firms, historical trends, revenues of major online retailers, consumer online buying trends, and economic conditions.

Writing That’s Fun to Read Unlike some textbooks, we’ve been told by many students that this book is actually fun to read and easy to understand. This is not a book written by committee—you won’t find a dozen different people listed as authors, co-authors, and

contributors on the title page. Instead, we have a consistent voice and perspective that carries through the entire text, and we believe the book is the better for it.

OVERVIEW OF THE BOOK

The book is organized into four parts.

Part 1, “Introduction to E-commerce,” provides an introduction to the major themes of the book. Chapter 1 defines e-commerce, distinguishes between e-commerce and e-business, and defines the different types of e-commerce. Chapter 2 introduces and defines the concepts of business model and revenue model, describes the major e-commerce business and revenue models for both B2C and B2B firms, and introduces the basic business concepts, including industry structure, value chains, and firm strategy, necessary for a thorough understanding of e-commerce firms. Chapter 2 also includes a section on the important topics of e-commerce technology and business model disruption.

Part 2, “Technology Infrastructure for E-commerce,” focuses on the technology infrastructure that forms the foundation of all e-commerce. Chapter 3 traces the historical development of the Internet and thoroughly describes how the Internet, Web, and mobile platform work. Chapter 4 focuses on the steps that managers need to follow in order to build an e-commerce presence. This chapter also covers the process that should be followed in building an e-commerce presence; the major decisions regarding outsourcing site development and/or hosting; how to choose software, hardware, and other tools that can improve website performance; and issues involved in developing a mobile website and mobile applications. Chapter 5 focuses on e-commerce security and payments, building on the e-commerce infrastructure discussion of the previous chapter by describing the ways in which security can be provided over the Internet. This chapter defines digital information security, describes the major threats to security, and then discusses both the technology and the policy solutions available to business managers seeking to secure their firm’s sites. This chapter concludes with a section on e-commerce payment systems. We identify the various types of online payment systems and discuss the development of alternative payment systems such as Apple Pay, Venmo, Zelle, Buy Now Pay Later (BNBP) services, as well as cryptocurrencies and blockchain, the technology underlying cryptocurrencies.

Part 3, “Business Concepts and Social Issues,” focuses directly on the business concepts and social-legal issues that surround the development of e-commerce. Chapter 6 focuses on e-commerce consumer behavior and the Internet audience and introduces the student to the basics of online marketing and branding, including traditional online marketing technologies and marketing strategies. Topics include the website as a marketing platform, search engine marketing and advertising, display ad marketing, e-mail campaigns, affiliate and lead generation marketing programs, multichannel marketing, and various customer retention strategies such as personalization (including interest-based advertising, also known as behavioral targeting) and customer service tools. The chapter also covers other marketing strategies such as pricing and long tail marketing. Internet marketing technologies (web transaction logs, tracking files, data mining, and big data) and marketing automation and CRM systems are also explored. The chapter concludes with a section on understanding the costs and benefits of various types of

online marketing, including a section on marketing analytics software. Chapter 7 is devoted to an in-depth analysis of social, mobile, and local marketing. Topics include Facebook, Instagram, TikTok, Twitter, Pinterest, and other social media marketing platforms such as Snapchat and LinkedIn; the evolution of mobile marketing; and the growing use of geo-aware technologies to support proximity marketing. Chapter 8 provides a thorough introduction to the social and legal environment of e-commerce. Here, you will find a description of the ethical and legal dimensions of e-commerce, including a thorough discussion of the latest developments in personal information privacy, intellectual property, Internet governance, questions surrounding Big Tech and competition, jurisdiction, and public health and welfare issues such as pornography, gambling, and health.

Part 4, “E-commerce in Action,” focuses on real-world e-commerce experiences in online retail and services, online content and media, social networks, auctions, portals, and business-to-business e-commerce. These chapters take a sector approach rather than the conceptual approach used in the earlier chapters. E-commerce is different in each of these sectors. Chapter 9 takes a close look at the experience of firms in the retail marketplace for both goods and services, as well as on-demand service companies such as Uber and Airbnb. Chapter 9 also includes an “E-commerce in Action” case that provides a detailed analysis of the business strategies and financial operating results of Amazon, which can be used as a model to analyze other e-commerce firms. Chapter 10 explores the world of online content and digital media and examines the enormous changes in online publishing and entertainment industries that have occurred over the last two years, including online newspapers and magazines, e-books, streaming home entertainment, movies, music, and online games and e-sports. Chapter 11 explores the online world of social networks, auctions, and portals. Chapter 12 concentrates on the world of B2B e-commerce, describing e-commerce supply chains and various types of B2B business models, including different types of B2B e-commerce marketplaces as well as the less heralded but still very large arena of private B2B networks and the movement toward collaborative commerce.

CHAPTER ORGANIZATION

The book’s pedagogy emphasizes student cognitive awareness and the ability to analyze, synthesize, and evaluate e-commerce businesses. Although there is a strong data and conceptual foundation to the book, we seek to engage student interest with lively writing about e-commerce businesses and the transformation of business models at traditional firms.

Each chapter contains a number of elements designed to make learning easy as well as interesting.

Learning Objectives A list of learning objectives that highlights the key concepts in the chapter guides student study.

Chapter-Opening Cases Each chapter opens with a case that features a leading e-commerce company or topic that relates the key objectives of the chapter to a real-life e-commerce business venture or issue. Companies featured include TikTok, Canva, Scratch, InMobi, Pinterest, Spotify, and Alibaba, among others. Sources provide a list of the references that enable students to delve deeper into the topic of the case.

Australia's Canva

Grows from Startup to Super Unicorn

Creating your own business is a daunting proposition, but a host of companies seek to make it easier for budding entrepreneurs. Australian-based Canva is one such company, focusing on graphic design. The user base for Canva's drag-and-drop online graphic design tools has grown like wildfire as people without any graphic design experience discover that they, too, can make professional-looking designs of every type. Canva's latest efforts, aimed at larger businesses, are also attracting attention.



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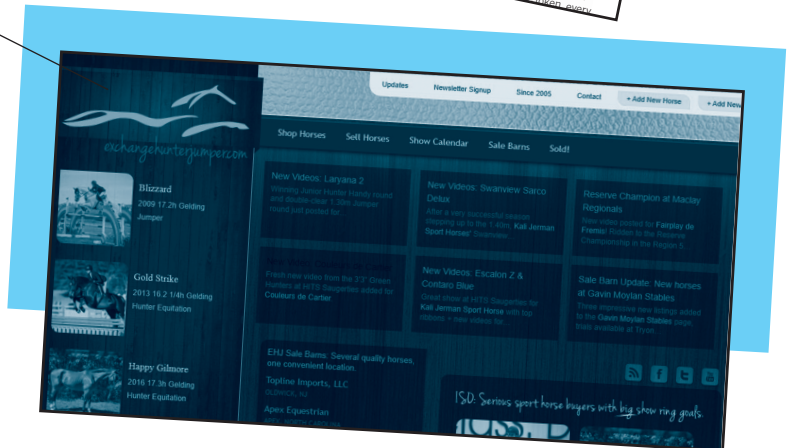
In 2007, Canva's founders, Melanie Perkins and her now-husband Cliff Obrecht, began their journey with the launch of Fusion Books, a company specifically focused on high school yearbooks in their native Australia. Headquartered in Perth, Fusion was a web-based platform that allowed schools to design yearbooks online. Perkins had been an instructor at the University of Western Australia, teaching students how to use software like Adobe InDesign and Photoshop, when she realized that there had to be a better way. She began working on the idea of a web-based design platform from her family home, and eventually she and Obrecht took out a loan to hire technical help to build it. Soon, over 400 Australian schools began to use Fusion Books to create their yearbook market. However, Book's success, Perkins had a bigger vision than just the yearbook market. Despite Fusion acquiring venture capital as an Australian tech startup nowhere near Silicon Valley proved difficult. Perkins' pitches to attract capital were rejected hundreds of times until she and Obrecht finally found a willing investor in Rick Backer of Australia's Blackbird Ventures. Blackbird's investment of \$1.3 million in seed capital, together with a matching grant from the Australian government in 2012, was enough to get the new company, which they named Canva, up and running.

Fast forward to the present day. Canva is now the most valuable startup founded and led by a woman in the world, and according to some estimates, it is Australia's second most valuable brand, just behind the Commonwealth Bank of Australia. Canva has raised more than \$580 million from industry giants such as Sequoia China, General Catalyst, and Bessemer Venture Partners, among others, and is valued at \$26 billion as of March 2023.

“Insight on” Cases Each chapter contains three real-world cases illustrating the themes of technology, business, or society. These cases take an in-depth look at relevant topics to help describe and analyze the full breadth of the field of e-commerce. The cases probe such issues as the ability of governments to regulate Internet content, how to design websites for accessibility, the challenges faced by luxury marketers in online marketing, and biometric security. Companies featured include Facebook, Rocket Internet, OpenRice, Etsy, SpaceX, OVHcloud, Klook, AccuraCast, ASOS, Revolut, Careem, MailOnline, and TE-Food, among others. Sources provide a list of the references that enable students to delve deeper into the topic of the case.

Margin Glossary Throughout the text, key terms and their definitions appear in the text margin where they are first introduced.

Real-Company Examples Drawn from actual e-commerce ventures, hundreds of pertinent examples are used throughout the text to illustrate concepts.



Careers in E-commerce At the end of every chapter, we feature a section on careers in e-commerce that examines a job posting, based on a real-world job opening, by an e-commerce company for an entry-level position. Examples include job openings for an e-commerce retail category specialist, a user experience (UX) designer, a cybersecurity threat management team trainee, a digital marketing assistant, an e-commerce privacy research associate, a digital audience development associate, a social marketing specialist, and a junior supply chain analyst, among others. We provide a brief overview of the field and the company, some details about the position, a list of the qualifications and skills that are typically required, and some tips about how to prepare for an interview, and then show how the concepts learned in each chapter can help students answer some possible interview questions.

Chapter-Closing Case Studies Each chapter concludes with a robust case study based on real-world organizations. These cases help students synthesize chapter concepts and apply their knowledge to concrete problems and scenarios. Companies featured include Uber, Twitter, Akamai, Skyscanner, Alipay, WeChat Pay, OpenTable, Netflix, eBay, and Elemica, among others. Sources provide a list of references that enable students to delve deeper into the topic of each case.

Chapter-Ending Pedagogy Each chapter contains extensive end-of-chapter materials designed to reinforce the learning objectives of the chapter:

- **Key Concepts** Keyed to the learning objectives, Key Concepts present the key points of the chapter to aid student study.
- **Review Questions** Thought-provoking questions prompt students to demonstrate their comprehension and apply chapter concepts to management problem solving.
- **Projects** At the end of each chapter are a number of projects that encourage students to apply chapter concepts and to use higher-level evaluation skills. Many projects make use of the Internet and require students to present their findings in an oral presentation or a written report. For instance, students are asked to evaluate publicly available information about a company's financials at the SEC website, assess payment system options for companies that function across international



boundaries, or search for the top 10 cookies on their own computer and the sites the cookies are from.

- **References** At the end of each chapter, a list of references enables students to find more information about the content and topics discussed in the chapter.
- **Videos** The Pearson eTextbook contains two videos per chapter that are related to key concepts or topics discussed in the chapter. There are 24 videos in total, all new to this edition:

Chapter 1

Video Case 1.1: Shopify and the Future of E-commerce

Video Case 1.2: YouTube and the Creator Economy

Chapter 2

Video Case 2.1: NFT Startup Magic Eden

Video Case 2.2: Venture Capital Firm Neo

Chapter 3

Video Case 3.1: Meter's Internet Infrastructure Vision

Video Case 3.2: Informatica and the Evolution of Cloud Technology

Chapter 4

Video Case 4.1: Bolt: One-Click Checkout for Small- and Medium-Sized Businesses

Video Case 4.2: Figma: A Collaborative Web Application for UI Design

Chapter 5

Video Case 5.1: CrowdStrike and Cybersecurity

Video Case 5.2: Klarna and Buy Now Pay Later (BNPL)

Chapter 6

Video Case 6.1: Google and the Digital Ad Market

Video Case 6.2: Mutiny Uses AI and No-Code to Improve AdTech

Chapter 7

Video Case 7.1: Snap and Augmented Reality Marketing

Video Case 7.2: AppLovin's Mobile Marketing Platform

Chapter 8

Video Case 8.1: Is TikTok a Surveillance Tool?

Video Case 8.2: NFT and Trademarks: Hermès Sues Over Birkin Bag NFTs

Chapter 9

Video Case 9.1: DoorDash Partners with BJ's Wholesale

Video Case 9.2: SoFi and Fintech

Chapter 10

Video Case 10.1: Substack: An Alternative News Delivery Platform

Video Case 10.2: Roblox and Online Gaming

Chapter 11

Video Case 11.1: Nextdoor and Local Social Networks

Video Case 11.2: Zigazoo: A Social Network for Kids

Chapter 12

Video Case 12.1: Apple and Supply Chain Disruption

Video Case 12.2: Ramp Helps Businesses with Procurement Processes

INSTRUCTOR RESOURCES

At www.pearson.com/en-gb.html, educators can easily register to gain access to a variety of instructor resources that are available with this text in downloadable format. If

assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit support.pearson.com/getsupport for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Manual** written by the authors. Provides chapter-by-chapter teaching outlines, teaching suggestions and key points, and answers to all questions and projects included in the textbook. Also includes further information about the videos included with the eTextbook as well as questions that can be used as an assignment or for class discussion.
- **Test Bank** created by the authors. Includes a variety of multiple-choice, true/false, and essay questions. Includes questions on chapter content but also includes questions that require higher-level cognitive skills, such as analysis, synthesis, evaluation, and written communication skills.
- **TestGen Computerized Test Bank** allows instructors to customize, save, and generate classroom tests; edit, add, or delete questions from the Test Item Files; analyze test results; and organize a database of tests and student results.
- **PowerPoints** created by the authors. Summarize key concepts and figures in an easy-to-present format. PowerPoints meet accessibility standards for students with disabilities. Features include keyboard and screen reader access, alternative text for images, and a high-color contrast between background and foreground colors.
- **Image Library**

ABOUT THE AUTHORS

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