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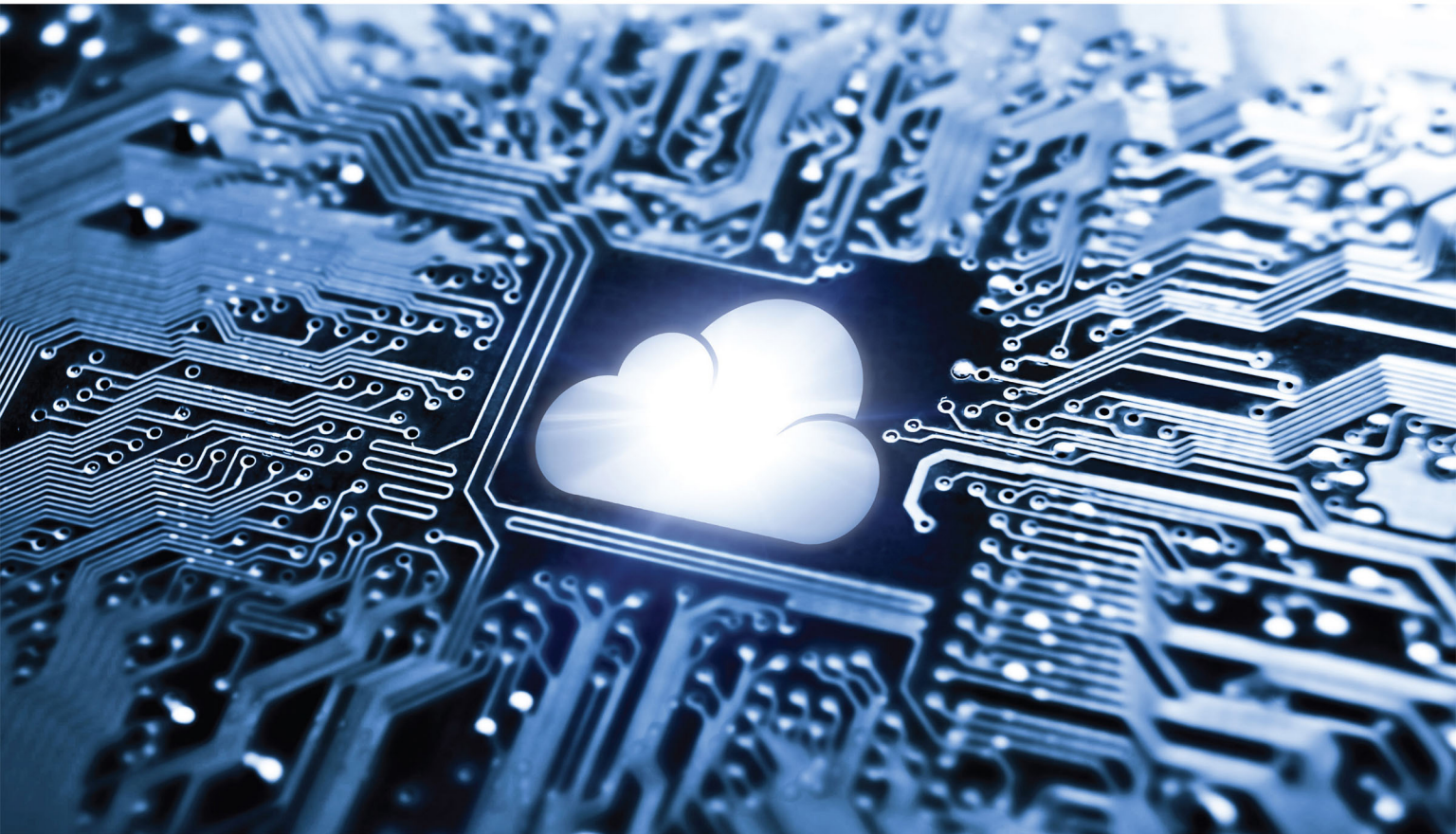


E-commerce 2016

business. technology. society.

TWELFTH EDITION

Kenneth C. Laudon • Carol Guercio Traver



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E-commerce



business. technology. society.

GLOBAL EDITION

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P R E F A C E

E-commerce. Business. Technology. Society. Global Edition 12E provides you with an in-depth introduction to the field of global e-commerce. We focus on 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. E-commerce is a global phenomenon affecting economic and social life throughout the world. 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. 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 Uber, Facebook, Google, Twitter, Amazon, YouTube, Pinterest, eBay, WhatsApp, Snapchat, and many more that you will recognize, as well as some exciting startups that may be new to you. Global Edition cases include Puma, *Financial Times*, Ace & Tate, InMobi, Just Falafel, Spotify, Deezer, Viadeo, Souq, Alibaba, and Rocket Internet, among others. We also have up-to-date coverage of the key topics in e-commerce today, from privacy and piracy, to government surveillance, cyberwar, social, local, and mobile marketing, Internet sales taxes, intellectual property, and 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. The e-commerce job market is expanding rapidly. Many employers expect new employees to understand the basics of e-commerce, social and mobile marketing, and how to develop an e-commerce presence. Every industry today is touched in at least some way by e-commerce. The information and knowledge you find in this book will be valuable throughout your career, and after reading this book, we expect that you will be able to participate in, and even lead, management discussions of e-commerce for your firm.

WHAT'S NEW IN THE 12TH EDITION

Currency

The 12th Global Edition features new or updated opening, closing, and “Insight on” cases. The text, as well as all of the data, figures, and tables in the book, have been updated through October 2015 with the latest marketing and business intelligence available from eMarketer, Pew Research Center, Forrester Research, comScore, Gartner Research, and other industry and government sources.

In addition, we have added new, expanded, and/or updated material throughout the text on a number of e-commerce topics that have appeared in the headlines during 2015, including the following:

- On-demand service companies such as Uber, Airbnb, Instacart, and many others (Chapters 1, 5, and 11)
- Public, private, and hybrid clouds; Amazon Web Services; proposed changes in Internet governance; Internet access drones; the Internet of Things, wearable computing (Apple Watch), smart houses, and connected cars (Chapter 2)
- A/B and multivariate testing; open source Web and app development tools; mobile-first and responsive design (Chapter 3)
- New security threats (such as XcodeGhost; FREAK; Beebone botnet; Anthem, IRS, OPM, Sony hack, JPMorgan Chase, and other data breaches; IoT and connected car risks; Superfish adware); encryption; HTTPS; new chip cards; mobile wallets; Bitcoin; P2P (Venmo; Facebook Messenger) and mobile payment systems (Chapter 4)
- Elevator pitches; equity crowdfunding; subscription-based sales revenue models (Chapter 5)
- Ad blocking software; mobile supercookies and cross-device tracing methods; Google's new Mobilegeddon algorithm; changes to Facebook's Graph Search; IAB rich media Rising Star ad units; new IAB standards for video ads; IAB research on impact of interactive digital video; FTC position on native advertising; content marketing; rise in ad fraud; Google research on ad viewability and revised MRC guidelines; personalization and targeting in e-mail marketing; increase in retargeting ads; consumer reactions to personalized marketing messages; new Big Data tools such as Spark; online video and native advertising ad metrics; cross-platform attribution issues (Chapter 6)
- New social marketing and social e-commerce tools from Facebook, Twitter, Pinterest, Instagram; proximity marketing; BLE; and Apple iBeacons (Chapter 7)
- New Facebook privacy policies; Dirtboxes; measuring privacy policies; EU court invalidates U.S. data transfer safe harbor; new EU data protection law; new fair use and DMCA cases; impact of new gTLDs on trademarks; new FCC net neutrality regulations; online fantasy sports betting (Chapter 8)
- Digital-first newspapers and explosive growth of digital news sites; Facebook Instant Articles; online magazine resurgence; Apple News app; e-book revenues; Amazon-Hatchette e-book pricing issues; social TV; binge viewing; Apple Music and other streaming music services; e-Sports (Chapter 9)
- Social network monetization; social e-commerce becomes a reality; Facebook at Work; Google+ retreats; eBay goes it alone; Yahoo continues to struggle (Chapter 10)
- The rise of social e-commerce; Millennials' use of mobile and online financial services; consolidation in the online real estate and travel services markets; online recruitment industry trends in 2015; on-demand service companies (Chapter 11)

- Impact of B2C e-commerce on B2B e-commerce; supply chain visibility; cloud-based B2B; Amazon Business; mobile B2B (Chapter 12)

Themes

E-commerce has significantly evolved over the last decade. The iPhone was introduced in 2007. The iPad tablet was first introduced in 2010 and has already gone through several generations! Cloud services for storing and streaming content, and hosting thousands of apps, were not widely available until 2011. Smartphone and tablet devices have changed e-commerce into a social, local, and mobile experience. The 12th edition spotlights the following themes and content:

Headlines

- Social, Mobile, Local: We include an entire chapter describing social, mobile, and local marketing. Content about social networks, the mobile platform, and local e-commerce appears throughout the book.
 - » Social networks such as Facebook, Twitter, Pinterest, Instagram, and LinkedIn continue their rapid growth, laying the groundwork for a social network marketing platform
 - » The mobile platform composed of smartphones and tablet computers takes off and becomes a major factor in search, marketing, payment, retailing and services, and online content, as well as on-demand service companies. Mobile device use poses new security and privacy issues as well.
 - » Location-based services lead to explosive growth in local advertising and marketing.
- Online privacy continues to deteriorate, driven by a culture of self-revelation and powerful technologies for collecting personal information online without the knowledge or consent of users. A growing number of consumers adopt ad blockers.
- Internet security risks increase; cyberwarfare becomes a new way of conducting warfare among nation-states and a national security issue. A growing perception of online risk supports a growing lack of trust in e-commerce firms and transactions.

Business

- Global e-commerce revenues surge, despite slow economic growth.
- Internet advertising growth continues to outpace traditional advertising, including television.
- Social marketing grows faster than traditional online marketing like search and display advertising.
- E-books sales plateau but continue as a major channel for books. Consumers increasingly use smartphones and tablets as reader devices.
- Newspapers struggle to define a digital first news service.
- Streaming of popular TV shows and movies (Netflix, Amazon, YouTube, and Hulu.com) becomes a reality, as Internet distributors and Hollywood and TV producers strike deals for Web distribution that also protects intellectual property.

- “Free” and “freemium” business models compete to support digital content. Subscription services show unexpected strength.
- New mobile payment platforms emerge to challenge PayPal.
- B2B e-commerce exceeds pre-recession levels as firms become more comfortable with digital supply chains.

Technology

- Smartphones, tablets, and e-book readers, along with associated cloud-based software applications, and coupled with 4G cellular network expansion, fuel rapid growth of the mobile platform.
- Investment in cloud computing increases, providing the computing infrastructure for a massive increase in online digital information content, and e-commerce.
- Cloud-based streaming services for music and video challenge sales of downloads and physical product.
- Software apps fuel growth in app sales, marketing, and advertising; transforming software production and distribution.
- The cost of developing sophisticated Web sites continues to drop due to declining software and hardware prices and open source software tools.
- Internet and cellular network capacity is challenged by the rapid expansion in digital traffic generated by mobile devices; the use of bandwidth caps tier-pricing expands.

Society

- The mobile, “always on” culture in business and family life continues to grow.
- European countries develop much stronger privacy policies, including Right to be Forgotten laws, and expand the rights of citizens viz-a-viz Internet data giants.
- U.S. state governments heat up the pursuit of taxes on Internet sales by e-commerce firms.
- Intellectual property issues remain a source of conflict with significant movement toward resolution in some areas, such as Google’s deals with Hollywood and the publishing industry, and Apple’s and Amazon’s deals with e-book and magazine publishers.
- Net neutrality regulations forbid Internet providers from discriminating against types of content, or providing differential service to large players
- P2P piracy traffic declines as paid streaming music and video gains ground, although digital piracy of online content remains a significant threat to Hollywood and the music industry.
- Governments around the world increase surveillance of Internet users and Web sites in response to national security threats; Google continues to tussle with China and other countries over censorship and security issues. Europe ends safe harbor protections for U.S. Internet firms.

- Venture capital investing in e-commerce explodes for social, mobile, and local software applications. Crowdfunding becomes a new source of funding for e-commerce start-ups.

WELCOME TO E-COMMERCE

Since it began in 1995, global e-commerce has grown from a standing start to €1.96 billion business-to-consumer and a €14.2 trillion business-to-business juggernaut, bringing about enormous change in business firms, markets, and consumer behavior. Economies and business firms around the globe are being similarly affected. During this relatively short time, e-commerce has itself been transformed from its origin as a mechanism for online retail sales into something much broader. Today, e-commerce has become the platform for media and new, unique services and capabilities that aren't found in the physical world. There is no physical world counterpart to Facebook, Twitter, Google search, or a host of other recent online innovations from Pinterest and iTunes to Tumblr. The Internet is about to replace television as the largest entertainment platform. Welcome to the new e-commerce!

E-commerce is projected to continue growing at double-digit rates over the next five years, remaining the fastest growing form of commerce. Just as automobiles, airplanes, and electronics defined the twentieth century, so will e-commerce of all kinds define business and society in the twenty-first century. The rapid movement toward an e-commerce economy and society is being led by both established business firms such as Tesco, Ford, IBM, Carrefours, and General Electric, and online firms such as Google, Amazon, Apple, Facebook, Yahoo, Twitter, and YouTube. Students of business and information technology need a thorough grounding in e-commerce in order to be effective and successful managers in the next decade.

While firms such as Facebook, Tumblr, YouTube, Twitter, Pinterest, and Uber have grown explosively in the last two years and grab our attention, the traditional forms of retail e-commerce and services also remain vital and have proven to be more resilient than traditional retail channels in facing the economic recession. The experience of these firms from 1995 to the present is also a focus of this book. The defining characteristic of these firms is that they are profitable, sustainable, efficient, and innovative, with powerful brand names. Many of these now-experienced retail and service firms, such as eBay, Amazon, E*Trade, Priceline, and Expedia, are survivors of the first era of e-commerce. These surviving firms have evolved their business models, integrated their online and offline operations, and changed their revenue models to become profitable. Understanding how these online businesses succeeded will help students to manage their own firms in the current omni-channel business environment.

It would be foolish to ignore the lessons learned in the early period of e-commerce. Like so many technology revolutions in the past—automobiles, electricity, telephones, television, and biotechnology—there was an explosion of entrepreneurial efforts, followed by consolidation. By 2005, the survivors of the early period were moving to establish profitable businesses while maintaining rapid growth in revenues. In 2015, e-commerce is in the midst of a new period of explosive entrepreneurial activity focusing on on-demand services, social networks and the mobile platform

created by smartphones and tablet computers. These technologies and social behaviors are bringing about extraordinary changes to our personal lives, markets, industries, individual businesses, and society as a whole. E-commerce is generating thousands of new jobs in all fields from marketing to management, entrepreneurial studies, and information systems. Today, e-commerce has moved into the mainstream life of established businesses that have the market brands and financial muscle required for the long-term deployment of e-commerce technologies and methods. If you are working in an established business, chances are the firm's e-commerce capabilities are important factors for its success. If you want to start a new business, chances are very good that the knowledge you learn in this book will be very helpful.

BUSINESS. TECHNOLOGY. SOCIETY.

We believe that in order for business and technology students to really understand e-commerce, they must understand the relationships among e-commerce business concerns, Internet technology, and the social and legal context of e-commerce. These three themes permeate all aspects of e-commerce, and therefore, in each chapter, we present material that explores the business, technological, and social aspects of that chapter's main topic.

Given the continued growth and diffusion of e-commerce, all students—regardless of their major discipline—must also understand the basic economic and business forces driving e-commerce. E-commerce has created new digital markets where prices are more transparent, markets are global, and trading is highly efficient, though not perfect. E-commerce has a direct impact on a firm's relationship with suppliers, customers, competitors, and partners, as well as how firms market products, advertise, and use brands. Whether you are interested in marketing and sales, design, production, finance, information systems, or logistics, you will need to know how e-commerce technologies can be used to reduce supply chain costs, increase production efficiency, and tighten the relationship with customers. This text is written to help you understand the fundamental business issues in e-commerce.

We spend a considerable amount of effort analyzing the business models and strategies of both online companies and established businesses now employing “bricks-and-clicks” business models. We explore why e-commerce firms fail and the strategic, financial, marketing, and organizational challenges they face. We also discuss how e-commerce firms learned from the mistakes of early firms, and how established firms are using e-commerce to succeed. Above all, we attempt to bring a strong sense of business realism and sensitivity to the often exaggerated descriptions of e-commerce.

The Web and mobile platform have caused a major revolution in marketing and advertising in the United States. We spend two chapters discussing online marketing and advertising. Chapter 6 discusses “traditional” online marketing formats like search engine marketing, display advertising, and e-mail, as well as various Internet marketing technologies underlying those efforts, and metrics for measuring marketing success. Chapter 7 provides an in-depth examination of social, mobile, and local marketing, which relies on mobile devices and social networks.

E-commerce is driven by Internet technology. Internet technology, and information technology in general, is perhaps the star of the show. Without the Internet, e-commerce would be virtually nonexistent. Accordingly, we provide three chapters specifically on the Internet and e-commerce technology, and in every chapter we provide continuing coverage by illustrating how the topic of the chapter is being shaped by new information technologies. For instance, Internet technology drives developments in security and payment systems, marketing strategies and advertising, financial applications, media distribution, business-to-business trade, and retail e-commerce. We discuss the rapid growth of the mobile platform, the emergence of cloud computing, new open source software tools and applications, and new types of Internet-based information systems that support digital business-to-business markets.

E-commerce is not only about business and technology, however. The third part of the equation for understanding e-commerce is society. E-commerce and Internet technologies have important social consequences that business leaders can ignore only at their peril. E-commerce has challenged our concepts of privacy, intellectual property, and even our ideas about national sovereignty and governance. Google, Facebook, Amazon, and assorted advertising networks maintain profiles on millions of shoppers and consumers worldwide. The proliferation of illegally copied music, videos, and books on the Internet, and the growth of social network sites often based on displaying copyrighted materials without permission, are challenging the intellectual property rights of record labels, Hollywood studios, artists, and writers. And many countries—including the United States—are demanding to control the content of Web sites displayed within their borders for political and social reasons. Tax authorities in the United States and Europe are demanding that e-commerce sites pay sales taxes just like ordinary brick and mortar stores on Main Street. As a result of these challenges to existing institutions, e-commerce and the Internet are the subject of increasing investigation, litigation, and legislation. Business leaders need to understand these societal developments, and they cannot afford to assume any longer that the Internet is borderless, beyond social control and regulation, or a place where market efficiency is the only consideration. In addition to an entire chapter devoted to the social and legal implications of e-commerce, each chapter contains material highlighting the social implications of e-commerce.

FEATURES AND COVERAGE

Strong Conceptual Foundation The book emphasizes the three major driving forces behind e-commerce: business development and strategy, technological innovations, and social controversies and impacts. Each of these driving forces is represented in every chapter, and together they provide a strong and coherent conceptual framework for understanding e-commerce. We analyze e-commerce, digital markets, and e-business firms just as we would ordinary businesses and markets using concepts from economics, marketing, finance, sociology, philosophy, and information systems. We strive to maintain a critical perspective on e-commerce and avoid industry hyperbole.

Some of the important concepts from economics and marketing that we use to explore e-commerce are transaction cost, network externalities, information asymmetry, social networks, perfect digital markets, segmentation, price dispersion, targeting, and positioning. Important concepts from the study of information systems and technologies play an important role in the book, including Internet standards and protocols, client/server computing, cloud computing, mobile platform and wireless technologies, and public key encryption, among many others. From the literature on ethics and society, we use important concepts such as intellectual property, privacy, information rights and rights management, governance, public health, and welfare.

From the literature on business, we use concepts such as business process design, return on investment, strategic advantage, industry competitive environment, oligopoly, and monopoly. We also provide a basic understanding of finance and accounting issues, and extend this through an “E-commerce in Action” case that critically examines the financial statements of Amazon. One of the witticisms that emerged from the early years of e-commerce and that still seems apt is the notion that e-commerce changes everything except the rules of business. Businesses still need to make a profit in order to survive in the long term.

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 annual edition. You will not find a more current book for a course offered for the 2016 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 October 2015, just weeks before the book hits the press.

Real-World Global Business Firm Focus and Cases From Akamai Technologies to Google, Microsoft, Apple, and Amazon, to Facebook, Twitter, and Tumblr, to Netflix, Pandora, and Elemica, this book contains hundreds of real-company examples and over 60 more 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.

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 used 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-distributors, e-procurement companies, exchanges,

and industry consortia, as well as the development of private industrial networks and collaborative commerce.

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 such as iPhones, iPads, and tablet computers, and expansion in the development of social technologies, which are the foundation of online social networks. What was once a shortage of telecommunications capacity has now turned into a surplus, PC prices have continued to fall, smartphone and tablet sales have soared, Internet high-speed broadband connections are now typical and are continuing to show double-digit growth, and wireless technologies such as Wi-Fi and cellular broadband are transforming how, when, and where people access the Internet. While we thoroughly discuss the current Internet environment, we devote considerable attention to describing emerging technologies and applications such as the Internet of Things, advanced network infrastructure, fiber optics, wireless Web and 4G technologies, Wi-Fi, IP multicasting, and future guaranteed service levels.

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 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 law journals and broader social science research journals including sociology and psychology.

We do not use references to Wikipedia in this text, for a variety of reasons. Most colleges do not consider Wikipedia a legitimate or acceptable source for academic research and instruct their students not to cite it. Material found on Wikipedia may be out of date, lack coverage, lack critical perspective, and cannot necessarily be trusted. Our references are to respected academic journals; industry sources such as eMarketer, comScore, Hitwise, Nielsen, and Gartner; newspapers such as the *New York Times* and *Wall Street Journal*; and industry publications such as *Computerworld* and *InformationWeek*, among others. 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.

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 four ethical dimensions of e-commerce: information privacy, intellectual property, governance, and protecting public welfare on the Internet. We have included an analysis of the latest Federal Trade Commission and other regulatory and nonprofit research reports, and their likely impact on the e-commerce environment.

A major theme throughout this chapter, and the remainder of the book, is the impact of social, mobile, and local commerce on how consumers use the Internet.

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. 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 begins with an introductory chapter that 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 traces the historical development of the Internet and thoroughly describes how today's Internet works. A major focus of this chapter is mobile technology, new software applications, and the near-term future Internet that is now under development and will shape the future of e-commerce. Chapter 3 builds on the Internet chapter by focusing on the steps managers need to follow in order to build an e-commerce presence. This e-commerce infrastructure chapter 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 Web site performance, and issues involved in developing a mobile Web site and mobile applications. Chapter 4 focuses on e-commerce security and payments, building on the e-commerce infrastructure discussion of the previous chapter by describing the ways 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 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 (credit cards, stored value payment systems such as PayPal, digital wallets such as Google Wallet, and others), and the development of mobile and social payment systems such as Apple Pay, Venmo, and Facebook Messenger.

The next four chapters focus directly on the business concepts and social-legal issues that surround the development of e-commerce. Chapter 5 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 required throughout the text for understanding e-commerce firms including industry structure, value chains, and firm strategy. Chapter 6 focuses on e-commerce consumer behavior, 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 Web site 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 new section on Web analytics software. Chapter 7 is devoted to an in-depth analysis of social, mobile, and local marketing. Topics include Facebook, Twitter, and Pinterest marketing platforms, 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, jurisdiction, and public health and welfare issues such as pornography, gambling, and health information.

The final four chapters focus on real-world e-commerce experiences in retail and services, online media, auctions, portals, and social networks, 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 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 streaming movies, e-books, and online newspapers and magazines. Chapter 10 explores the online world of social networks, auctions, and portals. Chapter 11 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 11 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 12 concentrates on the world of B2B e-commerce, describing both Net marketplaces and the less-heralded, but very large arena of private industrial networks and the movement toward collaborative commerce.

PEDAGOGY AND CHAPTER OUTLINE

The book’s pedagogy emphasizes student cognitive awareness and the ability to analyze, synthesize, and evaluate e-commerce businesses. While 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 story about a leading e-commerce company that relates the key objectives of the chapter to a real-life e-commerce business venture. The cases focus specifically on global aspects of e-commerce and companies with a presence in Europe, the Middle East, Africa, Asia and/or Australia.

Europol

Takes on Cybercrime with EC3

From the earliest of days, humans have warred against and stolen from each other, with the tools evolving over time from sticks and stones, to arrows and spears, to guns and bombs. Physical weaponry is familiar and readily recognizable. But today, algorithms and computer code have moved to the forefront. Cyberspace has become a new battlefield, one that often involves targets such as financial systems and communications networks.

In 2013, the European Cybercrime Center (EC3) was created at Europol, the European law enforcement agency in The Hague, to combat the rise of cybercrime and cyberattacks throughout Europe and the rest of the world. More than half of the EU's population is now online, meaning that an organization like the EC3 is needed in Europe now more than ever before.

A major challenge in fighting cybercrime is to even concretely define it and measure the amount of cybercrime taking place. Estimates of how much cybercrime costs companies and individuals vary widely, but a 2015 study by the Center for Strategic and International Studies estimates that the economic impact of cybercrime and cyberspying worldwide is in a range of between €345 billion and €530 billion, and that both the cost and frequency of attacks are on the rise. Cybercrime is a global problem, and countries have attempted many different strategies to fight it. However, sharing information about cybercrime is critical for success in apprehending cybercriminals, making Europol the ideal vehicle to combat multi-national criminal operations. The EC3 will help to standardize approaches to better counteract European cybercrime, and will help set guidelines regarding what incidents constitute cybercrime.

EC3 began operations out of The Hague on January 1, 2013, with a focus on three areas of cybercrime: crime committed by organized groups or rings, crime that causes harm to a victim, like child pornography, and cyberattacks on European Union infrastructure, such as government Web sites, databases, and storage centers. In the wake of the terrorist attacks in Paris, France, EC3 received a boost in financial backing and powers, including the ability to coordinate police units to counter emerging threats and the capacity to directly force sites like Facebook and Twitter to remove Web pages containing terrorist



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“Insight on” Cases Each chapter contains three real-world cases illustrating the themes of technology, business, and 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 Web sites for accessibility, the challenges faced by luxury marketers in online marketing, and smartphone security.



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, well over 100 pertinent examples are used throughout the text to illustrate concepts.





Chapter-Closing Case Studies Each chapter concludes with a robust case study based on a real-world organization. These cases help students synthesize chapter concepts and apply this knowledge to concrete problems and scenarios such as evaluating Pandora's freemium business model, ExchangeHunterJumper's efforts to build a brand, and the evolution of eBay.

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 make use of the Internet and require students to present their findings in an oral or electronic presentation or written report. For instance, students are asked to evaluate publicly available information about a company's financials at the U.S Securities and Exchange

Commission Web site, assess payment system options for companies across international boundaries, or search for the top 10 cookies on their own computer and the sites they are from.

Web Resources Web resources that can extend students' knowledge of each chapter with projects, exercises, and additional content are available at www.azimuth-interactive.com/e-commerce12e. The Web site contains the following content provided by the authors:

- Additional projects, exercises, and tutorials
- Information on how to build a business plan and revenue models
- Essays on careers in e-commerce



INSTRUCTOR RESOURCES

At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources 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 <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen® Computerized Test Bank**
- **PowerPoint Presentation**
- **Learning Tracks** These additional essays, created by the authors, provide instructors and students with more in-depth content on selected topics in e-commerce.

Chapter 1

- 1.1 Global E-commerce Europe
- 1.2 Global E-commerce Latin America
- 1.3 Global E-commerce China

Chapter 6

- 6.1 Basic Marketing Concepts
- 6.2 Consumer Behavior: Cultural, Social, and Psychological Background Factors
- 6.3 Social Media Marketing—Blogging

Chapter 7

- Social Media Marketing: Facebook
- Social Media Marketing: Twitter

- **Video Cases** The authors have created a collection of video case studies that integrate short videos, supporting case study material, and case study questions. Video cases can be used in class to promote discussion or as written assignments.

Chapter 1

- 1.1 The Importance of the Internet for E-commerce
- 1.2 The Future of E-commerce

Chapter 2

- 2.1 How Freshdesk Uses Amazon Web Services
- 2.2 Google Data Center Efficiency Best Practices
- 2.3 NBA: Competing on Global Delivery

Chapter 3

- 3.1 WL Gore Expands Using Demandware
- 3.2 ESPN Goes to eXtreme Scale

Chapter 4

- 4.1 Cyberespionage: The Chinese Threat

4.2 Stuxnet and Cyberwarfare

4.3 Apple Pay vs. Google Wallet vs. PayPal

Chapter 5

5.1 Twitter for Business

5.2 Angel Investing

5.3 Deals Galore at Groupon

Chapter 6

6.1 Nielsen Online Campaign Ratings

6.2 Pandora's Recommendation System

Chapter 7

7.1 The Power of Like

7.2 Pinterest Users Engage with Sephora

Chapter 8

8.1 The Right to Be Forgotten

8.2 Facebook Privacy

8.3 What Net Neutrality Means for You

Chapter 9

9.1 YouTube's 7th Birthday

9.2 Vox Media

Chapter 10

10.1 Facebook Graph Search

10.2 Mint Returns for Goodwill's eBay Auctions of Thrift-Store Finds

Chapter 11

11.1 Etsy: A Marketplace and a Community

11.2 Amazon Echo

Chapter 12

12.1 Flextronics Uses Elementum's Cloud-based Mobile Supply Chain Apps

12.2 Walmart Retail Link

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Brief Contents

1	INTRODUCTION TO E-COMMERCE	42
2	E-COMMERCE INFRASTRUCTURE	92
3	BUILDING AN E-COMMERCE PRESENCE	172
4	E-COMMERCE SECURITY AND PAYMENT SYSTEMS	236
5	E-COMMERCE BUSINESS STRATEGIES	318
6	E-COMMERCE MARKETING AND ADVERTISING	372
7	SOCIAL, MOBILE, AND LOCAL MARKETING	460
8	ETHICS, LAW, AND E-COMMERCE	530
9	ONLINE MEDIA	612
10	ONLINE COMMUNITIES	684
11	E-COMMERCE RETAILING AND SERVICES	726
12	B2B E-COMMERCE	790

Contents

1

INTRODUCTION TO E-COMMERCE

42

Learning Objectives 42

The Uber-ization of Everything

1.1	<i>E-commerce: The Revolution Is Just Beginning</i>	47
	The First 30 Seconds	49
	What Is E-commerce?	50
	The Difference Between E-commerce and E-business	50
	Why Study E-commerce?	51
	Eight Unique Features of E-commerce Technology	52
	Ubiquity	53
	Global Reach	54
	Universal Standards	54
	Richness	54
	Interactivity	55
	Information Density	55
	Personalization/Customization	56
	Social Technology: User-Generated Content and Social Networks	56
	Types of E-commerce	56
	Business-to-Consumer (B2C) E-commerce	57
	Business-to-Business (B2B) E-commerce	58
	Consumer-to-Consumer (C2C) E-commerce	58
	Mobile E-commerce (M-commerce)	59
	Social E-commerce	59
	Local E-commerce	60
	Growth of the Internet, Web, and Mobile Platform	61
	<i>Insight on Technology: Will Apps Make the Web Irrelevant?</i>	64
	Origins and Growth of E-commerce	66
1.2	<i>E-commerce: A Brief History</i>	66
	E-commerce 1995–2000: Invention	67
	E-commerce 2001–2006: Consolidation	70

	E-commerce 2007–Present: Reinvention	71
	<i>Insight on Business: Rocket Internet</i>	72
	Assessing E-commerce: Successes, Surprises, and Failures	74
1.3	<i>Understanding E-commerce: Organizing Themes</i>	77
	Technology: Infrastructure	77
	Business: Basic Concepts	78
	Society: Taming the Juggernaut	78
	Academic Disciplines Concerned with E-commerce	80
	Technical Approaches	80
	Behavioral Approaches	80
	<i>Insight on Society: Facebook and the Age of Privacy</i>	81
1.4	<i>Case Study: Puma Goes Omni</i>	84
1.5	<i>Review</i>	87
	Key Concepts	87
	Questions	89
	Projects	89
	References	90

2

E-COMMERCE INFRASTRUCTURE

92

	Learning Objectives	92
	<i>Wikitude, Layar, and Blippar: Augment My Reality</i>	93
2.1	<i>The Internet: Technology Background</i>	96
	The Evolution of the Internet: 1961—The Present	97
	The Internet: Key Technology Concepts	99
	Packet Switching	99
	Transmission Control Protocol/Internet Protocol (TCP/IP)	104
	IP Addresses	104
	Domain Names, DNS, and URLs	106
	Client/Server Computing	107
	The New Client: The Mobile Platform	109
	The Internet “Cloud Computing” Model: Hardware and Software as a Service	109
	Other Internet Protocols and Utility Programs	114
2.2	<i>The Internet Today</i>	116
	The Internet Backbone	118
	Internet Exchange Points	119
	Campus Area Networks	121

Internet Service Providers	121
Intranets	123
Who Governs the Internet?	123
2.3 The Future Internet Infrastructure	125
Limitations of the Current Internet	125
<i>Insight on Society: Government Regulation and Surveillance of the Internet</i>	126
The Internet2® Project	129
The First Mile and the Last Mile	130
Fiber Optics and the Bandwidth Explosion in the First Mile	131
The Last Mile: Mobile Internet Access	131
Telephone-based versus Computer Network-based Wireless Internet Access	132
Internet Access Drones	136
The Future Internet	136
Latency Solutions	137
Guaranteed Service Levels and Lower Error Rates	137
Declining Costs	137
The Internet of Things	137
2.4 The Web	139
Hypertext	141
Markup Languages	143
HyperText Markup Language (HTML)	143
eXtensible Markup Language (XML)	144
<i>Insight on Technology: The Rise of HTML5</i>	145
Web Servers and Clients	147
Web Browsers	149
2.5 The Internet and the Web: Features and Services	149
E-mail	149
Instant Messaging	150
Search Engines	150
Online Forums	153
Streaming Media	153
Cookies	154
Web 2.0 Features and Services	154
Online Social Networks	154
Blogs	155
Really Simple Syndication (RSS)	155
Podcasting	156
Wikis	156
Music and Video Services	156

	Internet Telephony	157
	Video Conferencing, Video Chatting, and Telepresence	158
	Intelligent Personal Assistants	158
2.6	<i>Mobile Apps: The Next Big Thing Is Here</i>	159
	Platforms for Mobile Application Development	160
	App Marketplaces	160
	<i>Insight on Business: Apps for Everything: The App Ecosystem</i>	161
2.7	<i>Case Study: Akamai Technologies: Attempting to Keep Supply Ahead of Demand</i>	163
2.8	<i>Review</i>	167
	Key Concepts	167
	Questions	168
	Projects	169
	References	169

3**BUILDING AN E-COMMERCE PRESENCE****172**

	Learning Objectives	172
	<i>The Financial Times: A Remodel for 21st Century Publishing Profitability</i>	173
3.1	<i>Imagine Your E-commerce Presence</i>	176
	What's the Idea? (The Visioning Process)	176
	Where's the Money: Business and Revenue Model	176
	Who and Where Is the Target Audience	177
	What Is the Ballpark? Characterize the Marketplace	177
	Where's the Content Coming From?	178
	Know Yourself: Conduct a SWOT Analysis	179
	Develop an E-commerce Presence Map	180
	Develop a Timeline: Milestones	181
	How Much Will This Cost?	181
3.2	<i>Building an E-commerce Presence: A Systematic Approach</i>	182
	Planning: The Systems Development Life Cycle	184
	Systems Analysis/Planning: Identify Business Objectives, System Functionality, and Information Requirements	184
	System Design: Hardware and Software Platforms	186
	Building the System: In-house Versus Outsourcing	186
	Build Your Own versus Outsourcing	186
	Host Your Own versus Outsourcing	190

	<i>Insight on Business: Weebly Makes Creating Web Sites Easy</i>	191
	Testing the System	193
	Implementation and Maintenance	194
	Factors in Optimizing Web Site Performance	195
3.3	<i>Choosing Software</i>	196
	Simple Versus Multi-Tiered Web Site Architecture	196
	Web Server Software	197
	Site Management Tools	198
	Dynamic Page Generation Tools	199
	Application Servers	201
	E-commerce Merchant Server Software Functionality	202
	Online Catalog	202
	Shopping Cart	203
	Credit Card Processing	203
	Merchant Server Software Packages (E-commerce Software Platforms)	203
	Choosing an E-commerce Software Platform	205
3.4	<i>Choosing Hardware</i>	206
	Right-sizing Your Hardware Platform: The Demand Side	206
	Right-sizing Your Hardware Platform: The Supply Side	207
3.5	<i>Other E-commerce Site Tools</i>	210
	Web Site Design: Basic Business Considerations	211
	Tools for Search Engine Optimization	211
	Tools for Interactivity and Active Content	213
	Common Gateway Interface (CGI)	213
	Active Server Pages (ASP) and ASP.NET	214
	Java, Java Server Pages (JSP), and JavaScript	214
	ActiveX and VBScript	215
	ColdFusion	215
	PHP, Ruby on Rails (RoR), and Django	216
	Other Design Elements	216
	Personalization Tools	217
	The Information Policy Set	217
3.6	<i>Developing a Mobile Web Site and Building Mobile Applications</i>	218
	<i>Insight on Society: Designing for Accessibility</i>	219
	Planning and Building a Mobile Presence	221
	Mobile Presence: Design Considerations	222
	Cross-platform Mobile App Development Tools	224
	Mobile Presence: Performance and Cost Considerations	224
	<i>Insight on Technology: Building a Mobile Presence</i>	226

3.7	<i>Case Study: Orbitz Worldwide Charts Its Mobile Trajectory</i>	228
3.8	<i>Review</i>	232
	Key Concepts	232
	Questions	234
	Projects	234
	References	235

4

E-COMMERCE SECURITY AND PAYMENT SYSTEMS

236

	Learning Objectives	236
	<i>Europol: Takes on Cybercrime with EC3</i>	237
4.1	<i>The E-commerce Security Environment</i>	240
	The Scope of the Problem	241
	The Underground Economy Marketplace: The Value of Stolen Information	242
	What Is Good E-commerce Security?	244
	Dimensions of E-commerce Security	245
	The Tension Between Security and Other Values	246
	Ease of Use	246
	Public Safety and the Criminal Uses of the Internet	247
4.2	<i>Security Threats in the E-commerce Environment</i>	248
	Malicious Code	249
	Potentially Unwanted Programs (PUPs)	254
	Phishing	254
	Hacking, Cybervandalism, and Hacktivism	256
	<i>Insight on Society: The Ashley Madison Data Breach</i>	257
	Data Breaches	259
	Credit Card Fraud/Theft	259
	Identity Fraud	261
	Spoofing, Pharming, and Spam (Junk) Web Sites	261
	Sniffing and Man-in-the-Middle Attacks	262
	Denial of Service (DOS) and Distributed Denial of Service (DDOS) Attacks	263
	Insider Attacks	264
	Poorly Designed Software	264
	Social Network Security Issues	265
	Mobile Platform Security Issues	266
	Cloud Security Issues	267
	<i>Insight on Technology: Think Your Smartphone Is Secure?</i>	268
	Internet of Things Security Issues	270

4.3	<i>Technology Solutions</i>	271
	Protecting Internet Communications	271
	Encryption	271
	Symmetric Key Cryptography	273
	Public Key Cryptography	274
	Public Key Cryptography Using Digital Signatures and Hash Digests	274
	Digital Envelopes	277
	Digital Certificates and Public Key Infrastructure (PKI)	278
	Limitations of PKI	280
	Securing Channels of Communication	281
	Secure Sockets Layer (SSL) and Transport Layer Security (TLS)	281
	Virtual Private Networks (VPNs)	283
	Wireless (Wi-Fi) Networks	283
	Protecting Networks	283
	Firewalls	283
	Proxy Servers	284
	Intrusion Detection and Prevention Systems	285
	Protecting Servers and Clients	286
	Operating System Security Enhancements	286
	Anti-Virus Software	286
4.4	<i>Management Policies, Business Procedures, and Public Laws</i>	286
	A Security Plan: Management Policies	287
	The Role of Laws and Public Policy	289
	Private and Private-Public Cooperation Efforts	291
	Government Policies and Controls on Encryption Software	292
4.5	<i>E-commerce Payment Systems</i>	292
	Online Credit Card Transactions	294
	Credit Card E-commerce Enablers	295
	PCI-DSS Compliance	296
	Limitations of Online Credit Card Payment Systems	296
	Alternative Online Payment Systems	297
	Mobile Payment Systems: Your Smartphone Wallet	298
	Social/Mobile Peer-to-Peer Payment Systems	299
	Digital Cash and Virtual Currencies	300
4.6	<i>Electronic Billing Presentment and Payment</i>	300
	<i>Insight on Business: Bitcoin</i>	301
	Market Size and Growth	303
	EBPP Business Models	303
4.7	<i>Case Study: The Mobile Payment Marketplace: Goat Rodeo</i>	305