

COMP 3410 – I.T. in Electronic Commerce

eTrading 1. Conceptual Foundations

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ETIntro.html, OhdsET1.ppt

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eTrading

The transfer of tradable items
from entities that have them
to entities that want them
with the support of telecomms-based tools

Market

A mechanism for the transfer of tradable items,
from entities that have them, to entities that want them

Marketplace

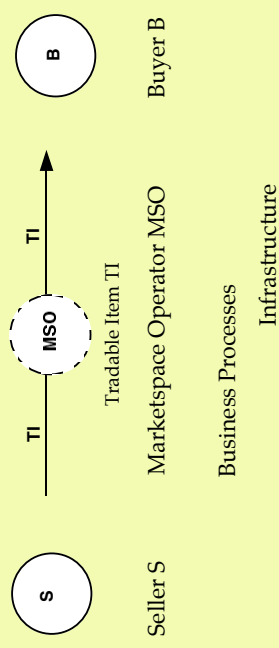
A physical location and associated processes

Marketspace

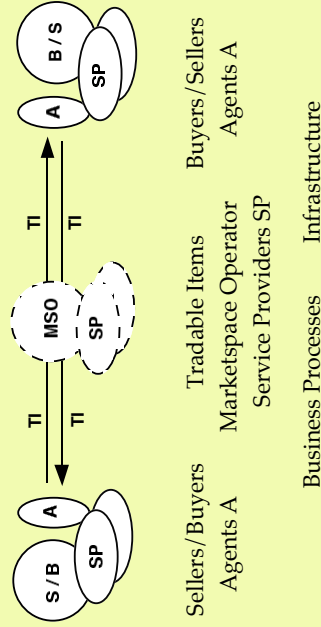
The virtual context in which entities

discover one another and **transact** business

Market Participants



Market Participants



Market Phases

- **Discovery**
 - Tradable Item
 - Other Party
- **Negotiation**
 - Price
 - Terms
- **Contract Formation**
- **Delivery / Performance / Settlement**

Market Phases

- Pre-Qualification
 - **Discovery**
 - Tradable Item
 - Other Party
 - **Negotiation**
 - Price
 - Terms
 - **Contract Formation**
 - **Delivery / Performance / Settlement**
- Accounting for Successive Usages
- Enforcement and Recourse

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Categories of Tradable Items

- **Goods cf. Services** Deliver cf. Perform

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Categories of Tradable Items

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- **Physical cf. Digital** Atoms cf. Bits

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- **Degree of Production**
 - Custom-Built Architect-Designed, Tailor-Made
 - Commodified Shares, Anthracite, Carbon Credits

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 - Custom-Built Architect-Designed, Tailor-Made
 - Customised Installed Package Software
 - Productised Car Parts and Accessories
 - Commodified Shares, Anthracite, Carbon Credits

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Price-Setting Mechanisms

- **Price Pre-Set by the Seller:**
 - Shop Point-of-Sale
 - Catalogue-Sale

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Price-Setting Mechanisms

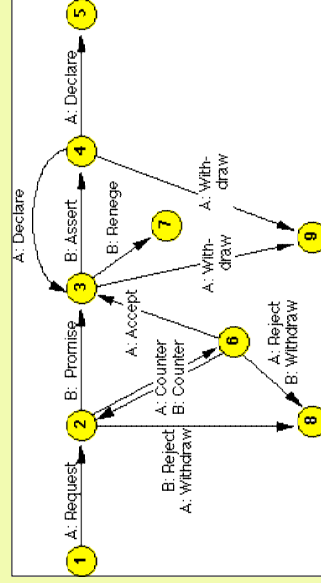
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- **Balanced Negotiation Process**

Negotiation

e.g. Speech Acts Theory



What Marketplace Operators Offer

- **Mutual Discovery** of opportunities
- **'Fungibility'** exchangeability of traded items
- **Market Depth** numbers of buyers, and of sellers
- **Market Reach** geographical extent of participation

Risks in Marketspaces

- **Default** by:
 - Seller
 - Buyer
 - Agent
 - Service-Provider
 - Marketospace Operator
- **Quality** of:
 - Tradable Item
 - Fulfilment

Categories of Buyer-Seller Relationships

- **B2C:** sale by a Business to a 'Consumer'
- **C2C:** sale by a 'Consumer' to a 'Consumer'

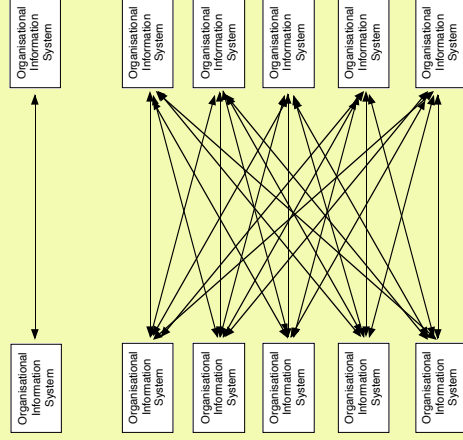
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- **B2C:** sale by a Business to a 'Consumer'
 - **C2C:** sale by a 'Consumer' to a 'Consumer'
 - **B2B:** sale by a Business to another Business
 - for consumption
 - as a factor of production
 - as capital goods / fixed asset
- Business Enterprise Categories:
- **B2G:** sale by a Business to a Government agency

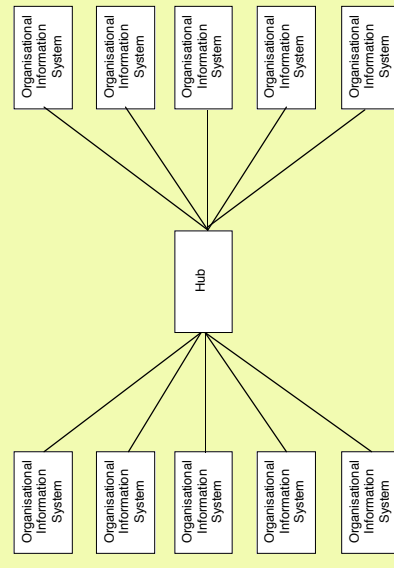
Categories of Buyer-Seller Topology

- **Inter-Organisational Systems** (1-to-1)
- **Multi-Organisational Systems:**
 - networking (m-to-n) systems
 - hub-and-spoke (1-to-n) systems
 - cascading (1-to-1-to-1) systems
- **Extra-Organisational Systems**
- **Brokered Systems** ((1-to-1)-to-(1-to-1))

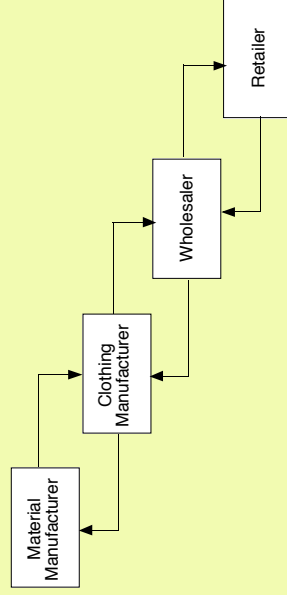
Inter- and Multi-Organisational Systems



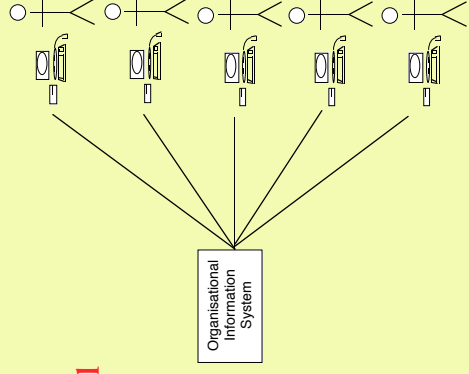
Hub and Spoke Systems



Cascading Systems



Extra-Organisational Systems



Categories of Commercial Arrangements Alternative Motivations for the Transfer

- **Sale** – tradable item exchanged for money
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- **Lending** – money for the promise of money
- **Sponsor-funded** ads, public services, vanity press, freeware

Direct Exchange Markets

- **Exchange of Value Direct** 'horse-trading'
Immediate Reciprocal

Common Categories of Auction

- **English Auction** (price runs up, last bid wins, excitement is built in to help the organiser, may be subject to a 'reserve price')
- **Dutch Auction** (price runs down, first bid wins, forces a motivated buyer to bid early and high)
- **Sealed Bid Auction** (bids non-visible, time-limited, competition helps the organiser)
- **Clearinghouse Auction / Exchange** (both sellers and buyers submit offers, offers are 'matched', may be continuous or periodic)

Clearinghouse Auction / Exchange Special Challenges

- **Trading Volumes** can be substantial e.g. shares, derivatives, forex
- **Volatile Prices**, which attracts 'day traders' and 'arbitrage dealers', which increases 'market depth', but also further increases volatility
- **Matching** needs to be performed fairly, e.g. priority based on price, then time of receipt
- **Price-Based Matching is not enough** because offers to buy and to sell whose prices match may not be for quantities that match

E-Trading Conceptual Foundations

Agenda

1. e-Trading, Markets, Marketspaces
2. Tradable Items
3. Trading Partner Relationships
4. Trading Partner Topologies
5. Processes
 - Deliberative Procurement
 - Spontaneous Purchasing
6. Auctions