

E-commerce and the Changing Terms of Competition: An Overview

François Bar
Department of Communication
Stanford University

September 26, 2000

“An agent is at hand to bring everything into harmonious cooperation, triumphing over space and time, to subdue prejudice and unite every part of our land in rapid and friendly communication...

and that great motive agent is steam.”

[Charles Fraser, 1880]

E-commerce promises: Structural change and efficiency

- Entry barriers shattered
- Small is powerful
- Disintermediation
- Frictionless economy

The story so far...

- Entering is easy, staying is difficult
- Large players dominate, consolidation
- New intermediaries emerge, old intermediaries adapt
- Stickiness gives traction, friction-free is slippery

Making sense of the transformation

- The many faces of E-commerce
- What is really new?
- What are the implications?

Mapping E-commerce

deliverable

**transaction
& payment**

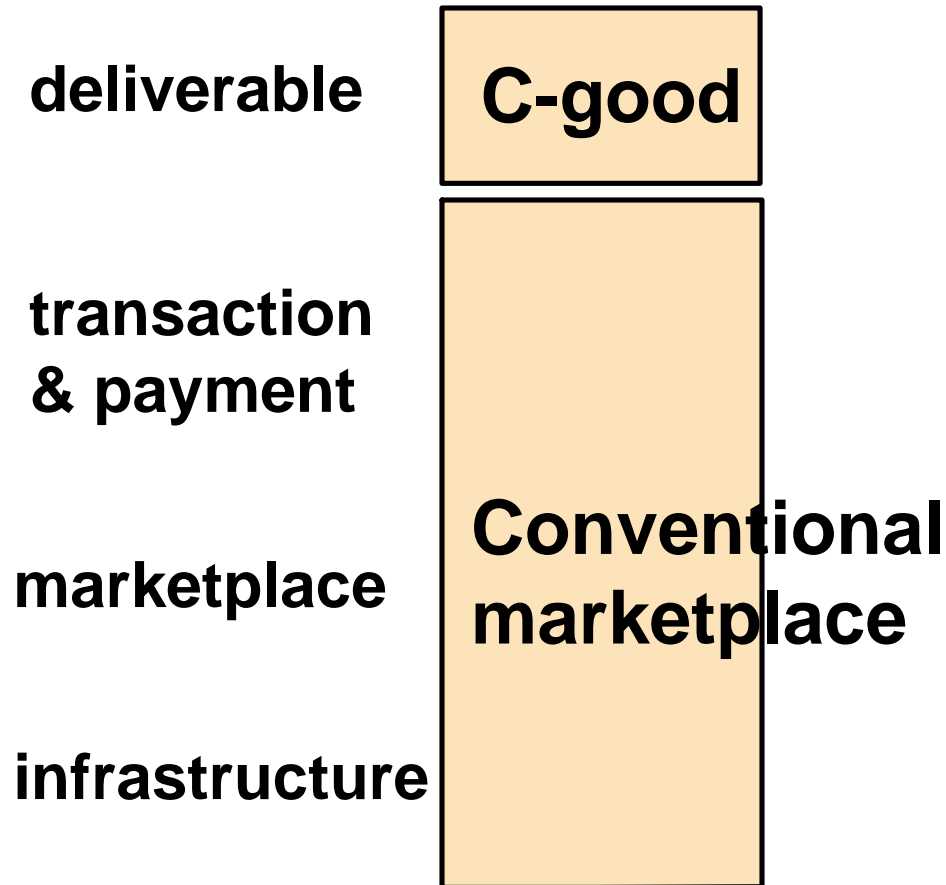
marketplace

infrastructure

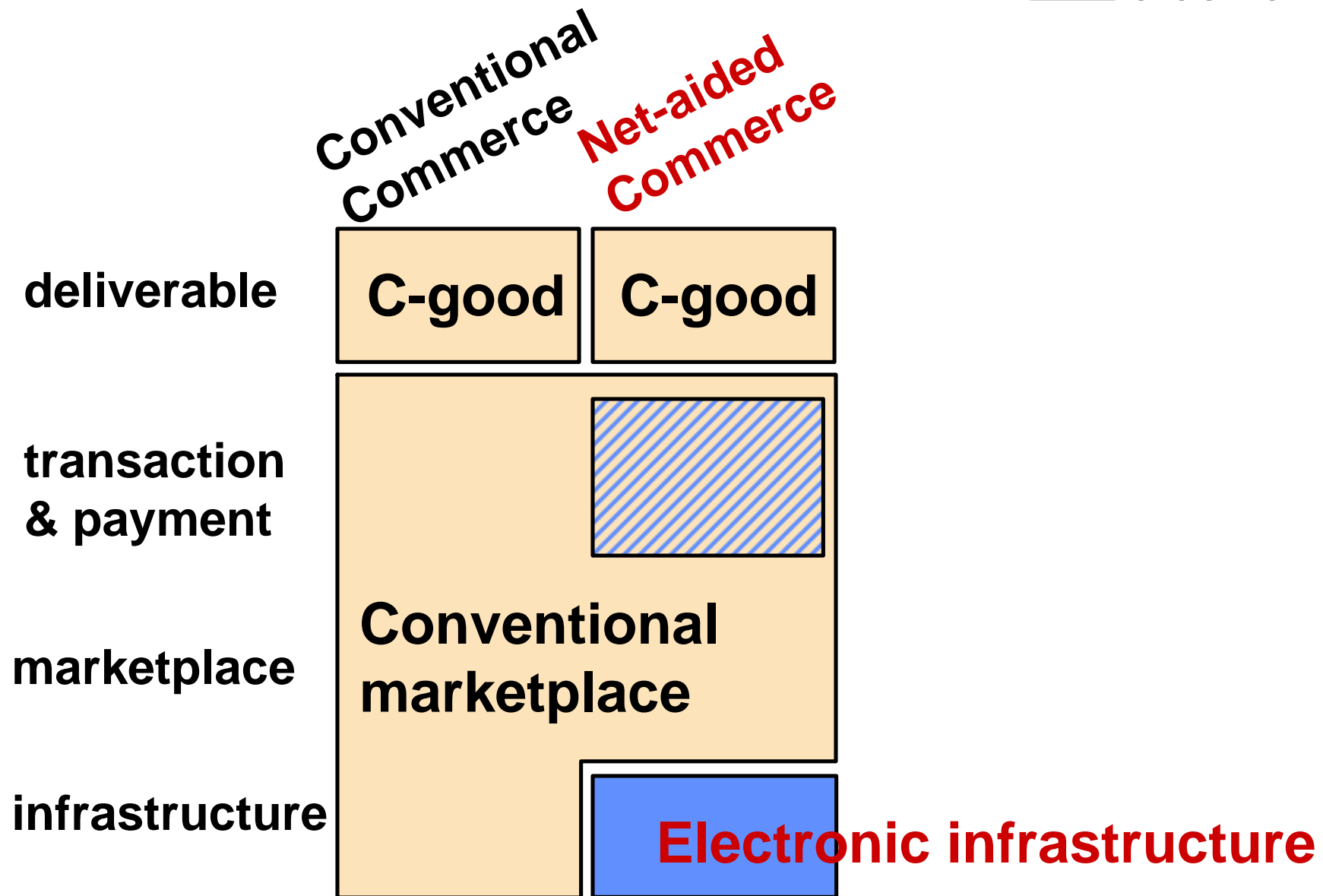
Mapping E-commerce

 conventional

*Conventional
Commerce*



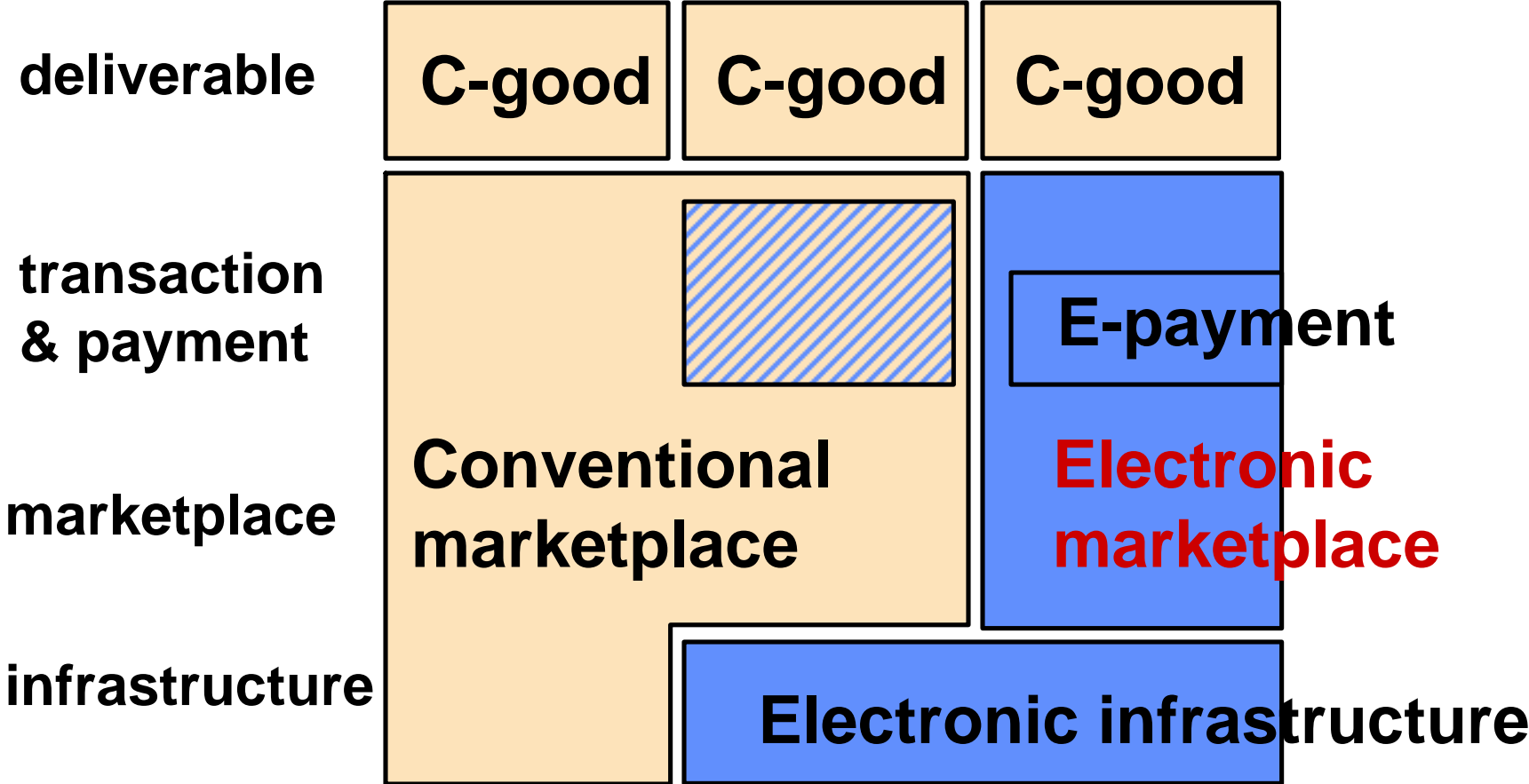
Mapping E-commerce



Mapping E-commerce

conventional
 electronic

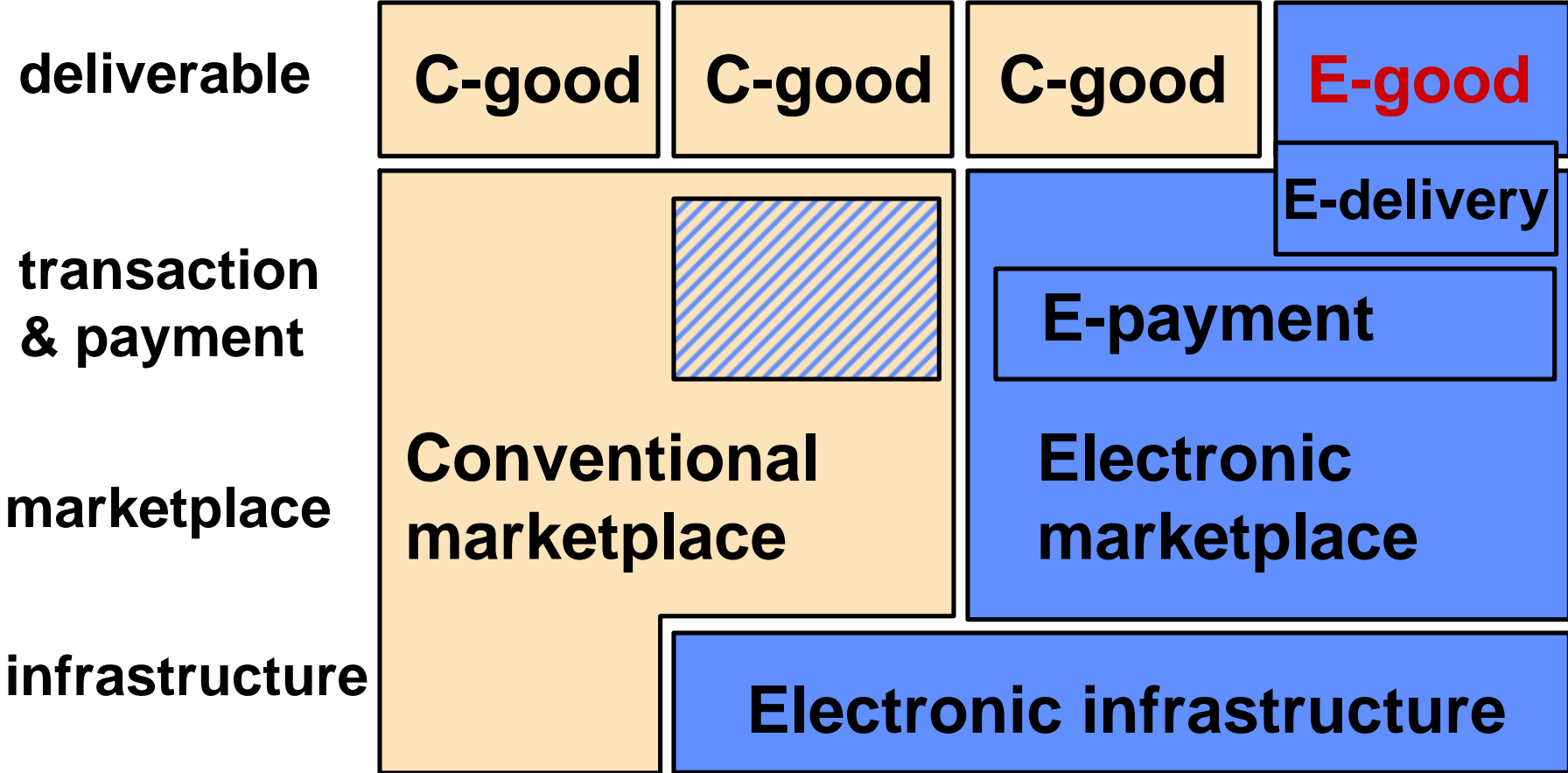
Conventional Commerce **Net-aided Commerce** **Indirect E-commerce**



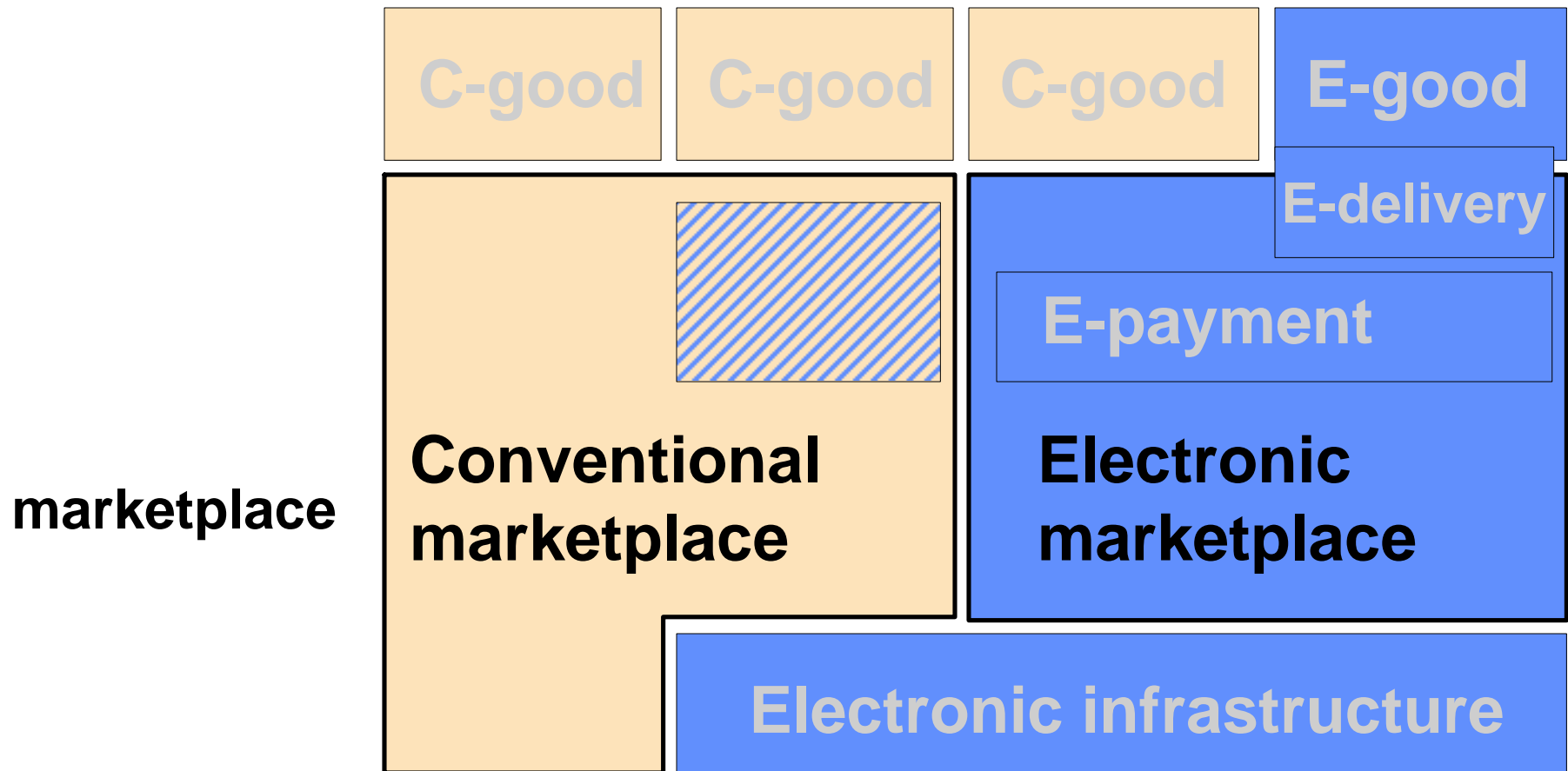
Mapping E-commerce

conventional
 electronic

Conventional Commerce **Net-aided Commerce** **Indirect E-commerce** **Direct E-Commerce**



Mapping E-commerce Creating new Marketplaces



Not so new:

Network-aided commerce

- Enhance the flow of market-related information
- Inform price changes and relay them ("more dynamic pricing")
- Fast, cost-effective demand and supply matching
- Speed up transactions
- Reach new customers
- Lower sales and marketing costs
- Lower procurement costs

Really new:

The network is the marketplace

The network has become the place where fundamental market processes take place:

- discovery
- matching
- negotiation
- transaction
- (sometimes) delivery

Network configuration determines Marketplace architecture

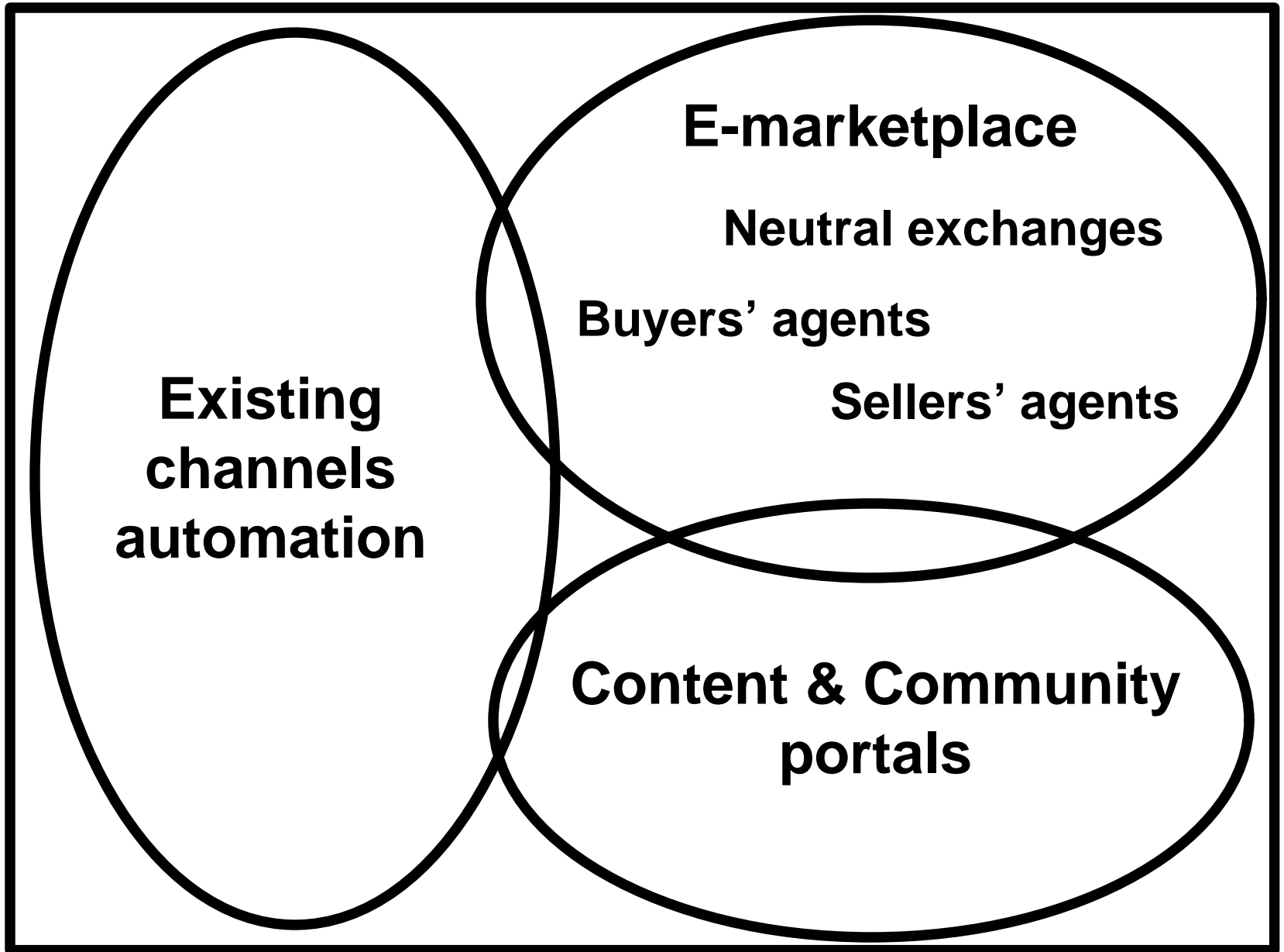
- Who can play?
 - Buyers, sellers, third parties
 - Equal or differential access
- By what rules?
 - Exchange (bid/ask), auctions, catalog, brokerage,...
 - level or biased

⇒ **network control yields market control**

Multiple marketplaces

- Consolidate existing market relationships and market power (e.g. auto, Dell)
- New trading and distribution spaces (e.g. Napster, content syndication)
- Aggregate buyer power (e.g. procurement)
- Walled gardens (e.g. broadband cable, I-mode, WAP)

- execution / fulfillment +



-

Discovery

+

Policy implications

- Traditional competition policy
- E-commerce enablers
 - electronic payments, signatures
 - encryption, authentication, privacy
 - taxation, liability
- Network access, network control