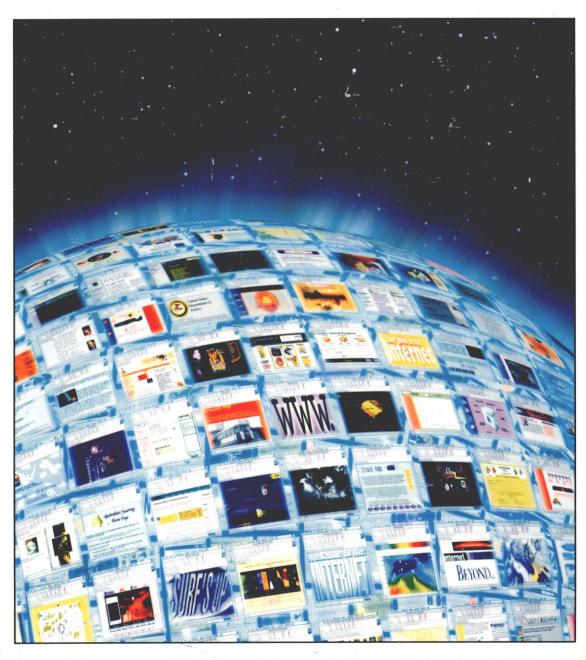
## ELECTRONIC COMMERCE

## FROM VISION TO FULFILLMENT

SECOND EDITION



ELIAS M. AWAD

# Electronic Commerce

# From Vision to Fulfillment

Elias M. Awad

McIntire School of Commerce University of Virginia



Upper Saddle River, New Jersey 07458

#### Library of Congress Cataloging-in-Publication Data

Awad, Elias M.

Electronic commerce/Elias Awad.—2nd ed.

p. cm.

Includes bibliographical references and index.

ISBN 0-13-140265-X

1. Electronic commerce—Handbooks, manuals, etc. I. Title.

HF5548.32.A93 2003

658.8'4-dc21

#### 2003047177

Executive Editor: David Alexander Project Manager (Editorial): Kyle Hannon Editorial Assistant: Robyn Goldenberg Publisher: Natalie E. Anderson Media Project Manager: Joan Waxman Senior Marketing Manager: Sharon Koch Marketing Assistant: Danielle Torio Managing Editor (Production): John Roberts Production Editor: Renata Butera

Production Assistant: Joe DeProspero Permissions Supervisor: Suzanne Grappi Manufacturing Buyer: Michelle Klein Cover Design: Javne Conte Cover Photo: Ian McKinnell/Getty Images, Inc. Manager, Print Production: Christy Mahon

Composition/Full-Service Project Management: BookMasters, Inc.

Printer/Binder: Phoenix

Credits and acknowledgments borrowed from other sources and reproduced, with permission, in this textbook appear on appropriate page within the text.

Microsoft® and Windows® are registered trademarks of the Microsoft Corporation in the U.S.A. and other countries. Screen shots and icons reprinted with permission from the Microsoft Corporation. This book is not sponsored or endorsed by or affiliated with the Microsoft Corporation.

#### Copyright © 2004, 2002 by Pearson Education, Inc., Upper Saddle River, New Jersey 07458.

Pearson Prentice Hall. All rights reserved. Printed in the United States of America. This publication is protected by Copyright and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. For information regarding permission(s), write to: Rights and Permissions Department.

**Pearson Prentice Hall™** is a trademark of Pearson Education, Inc. **Pearson**<sup>®</sup> is a registered trademark of Pearson plc Prentice Hall® is a registered trademark of Pearson Education, Inc.

Pearson Education LTD.

Pearson Education Singapore, Pte. Ltd

Pearson Education, Canada, Ltd

Pearson Education—Japan

Pearson Education Australia PTY, Limited

Pearson Education North Asia Ltd

Pearson Educación de Mexico, S.A. de C.V.

Pearson Education Malaysia, Pte. Ltd

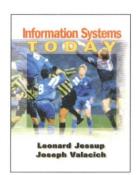


# MANAGEMENT INFORMATION SYSTEMS

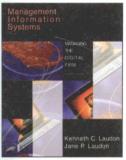
### MIS:

Alter, Information Systems: The Foundation of E-Business 4/e

**Jessup & Valacich,** Information Systems Today



**Laudon & Laudon,** Essentials of Management Information Systems 5/e



Laudon & Laudon, Management Information Systems 8/e

**Luftman et al.,** *Managing the IT Resource* 

Martin et al., Managing IT: What Managers Need to Know 4/e

**McLeod & Schell**, Management Information Systems 9/e

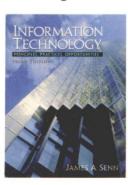
**McNurlin & Sprague,** Information Systems Management In Practice 6/e

Miller, MIS: Decision Making with

Application Software (Cases)

Nickerson, Business Information Systems 2/e

**Senn,** Information Technology 3/e



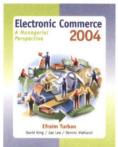
# Electronic Commerce:

**Awad,** Electronic Commerce 2/e

**Oz,** Foundations of Electronic Commerce

**Turban,** Electronic Commerce 2004, A Managerial Perspective

**Turban,** *Introduction to E–Commerce* 



## Database Management:

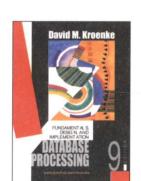
Bordoloi & Bock, Oracle SQL

Bordoloi & Bock, SQL for SQL Server

**Hoffer, Prescott, McFadden,** *Modern Database Management 6/e* 

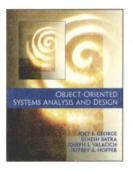


Kroenke, Database Concepts



**Kroenke,**Database Processing:
Fundamentals, Design,
and Implementation 9/e

# Systems Analysis and Design:



**George/Batra/Valacich/ Hoffer,** Object-Oriented
Systems Analysis
and Design

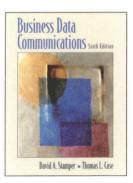
Hoffer/George/Valacich, Modern Systems Analysis and Design 3/e

**Kendall & Kendall,** Systems Analysis and Design 5/e

Valacich/George/Hoffer, Essentials of Systems Analysis and Design 2/e



## Telecommunications, Networking and Business Data Communications:



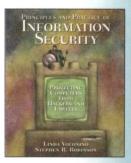
**Stamper & Case,** Business Data Communications 6/e

**Panko,** Business Data Networks and Telecommunications 4/e

## Security:

**Panko**, Corporate Computer and Network Security

Volonino & Robinson, Principles and Practice of Information Security



### Other Titles:

Awad & Ghaziri, Knowledge Management

**Becerra-Fernandez et al.,** Knowledge Management

**Crews,** Programming Right from the Start with VB .Net

George, Computers in Society

Marakas, Decision Support Systems in the 21st Century 2/e

Marakas, Modern Data Warehousing, Mining, and Visualization: Core Concepts

**Turban & Aronson,** Decision Support Systems and Intelligent Systems 6/e

For more information on these titles and the rest of Prentice Hall's best-selling Management Information Systems list, please visit www.prenhall.com/mis.

To Bill Beville, whose professionalism and support are hallmarks of a first-class publisher

### **PREFACE**

Welcome to the world of the Internet, the World Wide Web, e-commerce, mobile-commerce, and e-business. The Internet has rapidly become the primary commerce and communications medium for virtually every industry, large or small. Global competition, laws, ethics, security, privacy, and consumer preferences are among the issues being impacted by e-commerce. It is predicted that by the year 2010, one will think about the Internet in the same way one thinks about electricity today. This superhighway continues to improve and expedite e-traffic, e-commerce, and e-business. Today, we enjoy the growing success of business-to-consumer, business-to-business, and business-to-government interfaces. Each interface requires effective Web sites, regular maintenance and upgrades, and bandwidth and ISPs that will accommodate the growing volume of business with minimum delay.

One unique thing about e-commerce is doing business over the Internet around the clock, 365 days a year. An e-business can reach potential customers around the world. As a result, some companies are being bypassed by the Internet revolution as more companies that create goods and services interact directly with the consumer without the help of intermediaries.

The latest explosion in the use of the World Wide Web as a vehicle for e-commerce assumes a direction for continued growth and prosperity. The impact of the Web on business is far-reaching and unique. The process requires redefining business models, changing corporate culture, reinventing business processes, and establishing reliable customer service. The goal of this edition is to inform students of business and practitioners of the concepts, strategies, and techniques used in building e-commerce applications and the changes that have taken place since the first edition came out in 2002.

### WHY THIS BOOK?

During the past 18 months, I have been clipping e-commerce reports and articles about events and ongoing technical activities from a number of different sources. I also have been consulting in this field in various industries in the United States and abroad. This edition makes use of practitioner, academic, and field work completed since 2002. The overall conclusion is that e-commerce is a fast-moving target, surpassing even the most optimistic expectations. Forecasters are constantly moving their projections in an upward direction.

Clearly, we are witnessing exciting events. Businesses are fast building Web sites for presence as well as for online business, reaching potential customers and markets in ways that were never before possible. College programs are adding e-commerce as the course to complement required MIS or IT courses at the undergraduate and graduate levels. With today's lack of guidelines in terms of e-commerce content and process, this book sets standards based on the author's four decades of teaching, publishing, and IT consulting experience.

This edition is unique in terms of coverage, approach, lucidity, and overall treatment of the key life cycle phases of e-commerce. It is an exciting opportunity to know how to strategize, design, and evaluate Web sites; how to launch an e-business from scratch; how mobile-commerce is thriving on wireless technology; what technology is needed for

doing e-business on the Web; how to market products; what ethical and legal factors to consider in e-commerce; and how to ensure security and integrity of data traffic through encryption, firewalls, and other electronic devices and software. Managerial and organizational implications are cited at the end of each chapter to note the important relationships between a business and the technology that runs a business on the Internet.

The second edition gives a highly readable treatment of the topic. It approaches building an e-business from a systems analysis and design viewpoint, which includes feasibility analysis, design issues, security considerations, implementation procedures, and organizational implications. A career box is included in various chapters to address the human and occupational areas of e-commerce.

#### WHO SHOULD READ THIS BOOK?

This edition can be an ideal choice for undergraduate students majoring in MIS, IT, management, finance, marketing, accounting, or e-commerce. Students majoring in computer science or systems engineering also will find the approach, content, and treatment of e-commerce principles and procedures an appropriate addition to their field of specialization. First-year MBA students, especially those with a concentration in information technology, will benefit from the technology and practical orientation presented in the text.

Professionals, general managers, and practitioners can use this text as a reference or as a way to learn e-commerce as a unique way of doing business. Examples of such occupations are Webmasters, ISP managers, CIOs, system designers, project managers and planners, e-commerce sales staff, and e-commerce consultants.

#### **BOOK ORGANIZATION**

This text is organized into five parts. Each part represents a critical component of the e-commerce process. Terminology and an index are provided at the end of the text.

Each chapter begins with "In a Nutshell," which tells the reader what to expect in the chapter. Chapter content includes boxes, easy-to-read figures, and tables designed to help summarize the essence of the material. Definitions of key terms are available in the margin where first cited. Each chapter ends with a comprehensive summary, terms to learn, review (Test Your Understanding) questions, discussion questions, Web exercises, and a list of references for further research.

#### I. Foundations of Electronic Commerce

Chapter 1 is an updated overview of e-commerce—justification for starting an e-commerce business; the pros and cons of this unique approach to doing business; the roles of strategy and the value chain in e-commerce; and how e-commerce may integrate within Intranet, business-to-business, business-within-business, business-to-government, and mobile-commerce. Managerial implications are cited at the end of the chapter.

Chapter 2 is a review of the history and uses of the Internet, its limitations, how to search online, the role of URLs and HTTPs in helping you navigate on the Internet, and the language of the Internet. A distinction between the Internet and the World Wide Web also is made throughout the text.

Chapter 3 presents comprehensive coverage of Internet architecture. It begins with a description of a network and how information is transferred via standards and protocols from the browser to the Web server and back. The chapter also talks about video and movie standards. A summary of the necessary network hardware, cable types, and network components (hubs, switches, routers, and gateways) is included toward the end of the chapter. A section on the key steps in designing a network and how to manage the corporate network also is included.

#### II. The Technology of E-Commerce

The focus of Chapter 4 is on the distinctive features of Intranets and Extranets. Specifically, the chapter covers the technical infrastructure, how to plan for an Intranet installation, and the role of e-mail in data communication. Key considerations in Extranets also are covered.

Chapter 5 is a new chapter, addressing Web management tools and portals. Portals and search engines are explained in detail. Other areas of importance include enterprise portal technologies, market potential of portals, content management, intelligent agents, and Web services via portals.

The focus of Chapter 6 is on the Internet service provider and how to host a Web site. Specifically, it covers the actual work of the ISP, how to start one, how to choose one, and how to choose and register one's domain name.

Chapter 7, also new, is a comprehensive treatment of mobile-commerce. The chapter begins with justification for wireless technology and the critical success factors that favor the use of this emerging technology. The chapter also covers how wireless technology is employed, citing Bluetooth, satellite technology, 2G digital cellular technology, palm pilot, and cellular phones. Wireless LAN design and wireless application protocol (WAP) are covered in detail.

#### III. E-Strategies and Tactics

Chapter 8 addresses Web site design. Specifically, it begins with the justification for a Web site, the life cycle of site building, how to build Web sites, design criteria, and what to look for in hiring a Web designer. This is a critical chapter that sets the tone for the user-merchant interface.

The focus of Chapter 9 is on how to evaluate Web sites and manage Web traffic. It begins with an anatomy of a Web site, uses and limitations of cookies, and the criteria that make a Web site usable. Web site content and traffic management also are discussed. At the end of the chapter, the role of the Web site administrator is explained in detail.

Chapter 10 is about the skills and techniques that are unique to e-marketing. It begins with the pros and cons of online shopping, followed by Internet marketing techniques. The e-cycle of Internet marketing is covered in detail. The latter part of the chapter focuses on how to market presence, how to attract customers to the site, and how to keep track of customers. The principles of customer service also are included in the chapter.

Chapter 11 is a comprehensive coverage of Web-based business-to-business e-commerce. The focus is on B2B models (buyer- and supplier-oriented B2B, electronic auctions, and intermediary-oriented B2B), B2B building blocks, and tools. A separate section that looks beyond B2B and addresses the role of leadership also is included.

Chapter 12 addresses ethical, legal, and international issues related to e-commerce. In the ethical issues section, we cover major threats to ethics, a code of ethics, the privacy factor, and the role of the professional ethicist. The legal issues section discusses liability, copyrights, trademarks and trade names, warranties, and the taxation issue on the Internet. Web linking, domain name disputes, and encryption laws also are covered.

#### IV. Security Threats and Payment Systems

Chapter 13 devotes full attention to the concept and serious nature of e-security. The critical components include security in cyberspace, how to design for security, how much risk a company can afford, the privacy factor, how to protect against various types of viruses, and how to recover from security failure.

Following the security chapter is Chapter 14, which addresses the main principles and procedures of encryption. Essentially, it addresses cryptographic algorithm, authentication and trust, digital signatures, major attacks on cryptosystems, digital certificates, key management, Internet security protocols and standards, and government regulations that relate to encryption. The role of biometrics security is a new section in this chapter.

Chapter 15 is about e-payments or how the e-merchant gets the money resulting from the sale of goods and services on the Internet. The chapter explains money properties; Internet-based systems requirements; and electronic payment media such as credit cards, debit cards, smart cards, digital cash, e-cash, and the e-wallet. Electronic funds transfer and Automated Clearinghouse also are covered.

### V. Managerial and Customer-Related Issues

Chapter 16 focuses on the procedure and mechanics of launching a new business on the Internet. It begins with strategizing reality (planning), followed by considering the necessary hardware, software, security, and setup phase. The next step is the actual design phase, which focuses on Web site design, the Web storefront, and whether the work should be done in the company's IT department or outsourced to professionals. The last three steps are marketing, fulfillment, and maintenance. Each step is covered in some detail at the end of the chapter.

#### **ACKNOWLEDGMENTS**

My heartfelt thanks to the reviewers of both the current and previous editions of the text who helped to shape and mold the final product: David Ambrosini, Cabrillo College; Hilton Barrett, Cumberland University; Dave Croasdell, Washington State University; Sasa Dekleva, DePaul University; Joseph L. Fowler, Florida Community College at Jacksonville; Saiid Ganjalizadeh, The Catholic University of America; Babita Gupta, California State University, Monterey Bay; Faith M. Heikkila, Davenport University; Bunny Howard, St. Johns River Community College–St. Augustine Campus; Paul J. Hu, University of Southern Florida; Jeff Johnson, Utah State University; Marios Koufaris, Baruch College; Laura Lally, Hofstra University; Claudia Loebbecke, University of Cologne; Jane Mackay, Texas Christian University; Michael E. McLeod, East Carolina University; Rick Mull, Fort Lewis College; Graham Peace, Duquesne University; Tom Seymour, Minot State University; James Shaw, San Francisco State University; Joe Teng, Barry University; Linda Volonino, Canisius College; Barbara Warner, Hillsborough Community College–Brandon Campus; and Stephanie Y. Zedler, Keiser College.

### **ABOUT THE AUTHOR**

Dr. Elias M. Awad is the Virginia Bankers Association Professor of Bank Management at the University of Virginia. Dr. Awad has more than 40 years of IT experience in the academic, publishing, and consulting areas. He is one of the world's leading IT instructors and seminar presenters in the banking industry here and abroad. He is also the CEO of International Technology Group, Ltd., an IT consulting group with offices in Chicago, New York, Beirut, and Charlottesville, Virginia. Dr. Awad's consulting work has taken him to 26 countries, including Russia, Korea, Hong Kong, Cambodia, Canada, Mexico, Kazikhstan, Moldova, Uzbekistan, Armenia, Ukraine, Slovak Republic, Saudi Arabia, Lebanon, Jordan, and Egypt.

*E-Commerce* is one of Dr. Awad's most recent books. He has been writing since the early 1960s and has authored several best-sellers across the IT discipline about such topics as systems analysis and design, database man-



agement, knowledge management, management information systems, human resources management, building knowledge automation systems, and building expert systems. His publications have been translated into German, Spanish, Portuguese, Chinese, Arabic, Russian, and Braille. They have earned international recognition for lucidity, logical flow, and presentation of material based on experience in the field.

Dr. Awad may be reached at the University of Virginia, Monroe Hall, Charlottesville, Virginia 22903; e-mail: ema3z@virginia.edu; voice: (434) 924-3423; private: (434) 984-AWAD.

Elias M. Awad, Ph.D. University of Virginia

## **C**ONTENTS

PART I: FOUNDATIONS OF ELECTRONIC
COMMERCE 1
CHAPTER 1: In the Beginning 1
In a Nutshell 1
What Is E-Commerce? 2 E-Commerce Drivers 6 E-Commerce Myths 8
Advantages and Limitations of E-Commerce 10  Advantages 12  Limitations 16
The Role of Strategy in E-Commerce 19
Value Chains in E-Commerce 20
Integrating E-Commerce 22  Business-to-Consumer (Internet) 23  Business-to-Business (Internet and Extranet) 23  Business-Within-Business (Intranet) 26  Business-to-Government (B2G) 28  Mobil Commerce (M-Commerce) 29
Managerial Implications 29
Summary 30
Key Terms 31
Test Your Understanding 31
Discussion Questions 31
Web Exercises 32
CHAPTER 2: The Internet and the World Wide Web 34
In a Nutshell 34
The Internet Today 35
In the Beginning 38 <i>Understanding the World Wide Web</i> 39
How to Search the Web 41
Internet Service Providers 48 Stability and Reliability of the Web 48

Preface

xvii

49 Unique Benefits of the Internet 53 Limitations Bulletin Board Systems (BBS) and Pay Services 58 Some Web Fundamentals 58 **URLs** and HTTPs Security Protocols 59 The Language of the Internet 60 Managerial Implications 62 Summary 63 **Key Terms** 64 Test Your Understanding 65 **Discussion Questions** 65 Web Exercises 66 **CHAPTER 3: Internet Architecture** 67 In a Nutshell 68 What Is a Network? 69 Peer-to-Peer Networks 69 Client/Server Networks 70 IP Address 71 Networks and Numbers 73 Networks and Sizes 74 Zones and Domain Names 75 Information Transfer 75 Packets and Protocols 77 Internet Protocols: The OSI Reference Model 77 Summing Up 81 Other Networks 83 Video and Movie Standards 83 Network Hardware 85 Cable Types Key Components of a Network 87 Designing a Network Step 1: Factors to Consider 92 92 Step2: Selecting Network Architecture Successful Installation 93 Managing a Network Large-Scale E-Commerce Issues 96 Managerial Implications 97 Summary 100 **Key Terms** 100 Test Your Understanding 101

**Discussion Questions** 102

Web Exercises 102

PART II: THE TECHNOLOGY OF E-COMMERCE 103

**CHAPTER 4: Intranets and Extranets** 103

> 104 In a Nutshell

**Intranets: The Basics** 105

What Is an Intranet? 105

Benefits 106

**Applications** 107

Why Does a Company Need an Intranet? 111

The Technical Infrastructure 111

Client/Server Basics

Types of Client/Server Architecture 112

Basic Intranet Enabling Technologies 114

Using Firewalls 115

Planning an Intranet 116

Plan Ahead 116

Provide Justification and Management Support 117 117

Build an Intranet In-House or Outsource It?

Form an Intranet Team 118

Build and Test a Prototype 118

Ensure Effective Maintenance 118

E-Mail and the Intranet 119

Spamming and Appropriate E-Mail Use 119

E-Mail Etiquette 122

Extranets 123

> Key Considerations 124 126

Role of the Champion

Management Implications 127

Summary

128

**Key Terms** 129

Test Your Understanding 129

**Discussion Ouestions** 129

Web Exercises 130

CHAPTER 5: Web Management Tools and Web Portals

In a Nutshell 132

The Basics 132

> What Are Portals? 132

**Evolution of Portals** 134

Key Characteristics 136

vii

131

	Search Engines 137
	The Business Challenge 140  Portals and Business Transformation 140  Market Potential 141
	Enterprise Portal Technologies 142  Key Functionalities 142  Collaboration 146  Content Management 148  Intelligent Agents 149
	Portals and Web Services 151
	Implications for Management 153 Who Is Building Enterprise Portals? 153 Who Sponsors Enterprise Portals? 153 Implementation Issues 153 Bandwidth 153 Portal Product Selection 154
	Summary 156
	Key Terms 156
	Test Your Understanding 156
	Discussion Questions 157
	Web Exercises 157
CHA	APTER 6: Internet Service Providers—Hosting Your Web Site 162
	In a Nutshell 163
	How ISPs Really Work 164  The Infrastructure 165  Types of Service Providers 165  Types of Web Hosting Services 166  Packets, Routers, and Lines 167  The Connection 168
	Becoming an ISP 170 Target Market 170
	Services 171 Technical Requirements 172

186 Registering a Domain Name Three FAQs 187 187 Application Service Provider (ASP) How Do ASPs Work? 188 ASP Benefits 188 Shaking Hands Is Not Enough 188 190 Summary 191 **Key Terms** 191 Test Your Understanding **Discussion Questions** 192 Web Exercises 193 CHAPTER 7: Mobile (M) Commerce—The Business of Time In a Nutshell 194 195 What Is M-Commerce? Why Wireless? 198 Key Benefits 198 Wi-Fi Is the Key 202 204 Key Limitations Critical Success Factors 205 How Wireless Technology Is Employed 206  $Bluetooth^{TM}$ 206 Satellite Technology 213 2G Digital Cellular Technology 214 Palm Pilot 214 Cellular Phones 216 Wireless LAN 218 Factors to Consider 218 220 Wireless Application Protocol (WAP) How WAP Works 221 WAP Benefits 223 WAP Limitations 224 225 Security Issues 226 Legal Issues 226 Managerial Issues Trust issues 227 Implications for Management 228 Summary 229 231 **Key Terms** Test Your Understanding 231 Discussion Questions 232

Web Exercises

232

#### **PART III: E-STRATEGIES AND TACTICS** 233

#### CHAPTER 8: Designing Web Sites 233 In a Nutshell 234 What Does a Web Site Do? 235 236 The Life Cycle of Site Building—From Page to Stage Planning the Site 236 Define the Audience and the Competition 236 **Build Site Content** Define the Site Structure 238 Visual Design Design Languages 242 How to Build a Web Site 244 244 Storefront Building Service The ISP (Web-Hosting) Service 244 245 Do It Yourself Web Navigation Design 246 Creating User Profiles 247 Using Scenarios 248 What About Cultural Differences? 248 User-Friendly Site 249 249 Design Guidelines 249 Design Criteria 249 Appearance and Quality Design 250 Public Exposure 251 Viewability and Resolution Consistency 251 Scalability 252 Security 252 Performance 252 Navigation and Interactivity 252 253 Hiring a Web Designer The Budget 254 What to Look for in a Site Developer 254 Filling Web Positions 257 Summary 257 **Key Terms** Test Your Understanding 257 **Discussion Ouestions** 258

#### CHAPTER 9: Web Site Evaluation and Usability Testing 260

261

In a Nutshell 261 Anatomy of a Site

Web Exercises

Color and Its Psychological Effects 261

258

Site Evaluation Criteria 264