# **Chapter 1**

**Introduction to Electronic Commerce**

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| **At a Glance** |

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# **Introduction**

Electronic commerce began in the United States and was conducted primarily through English-language Web sites for many years. This has changed dramatically and since 2013, China has been the leader in online retail sales. More and more sales are being made on smartphones instead of computers.

China is the world’s largest potential online market due to their very active Internet users and overall upward trend in economic growth. Chinese buyers do use U.S. based sites such as Amazon, but also frequently use domestic sites with well-developed brand awareness such as JD.com and Tmall.

Chinese online buyers are highly influenced by and want to consult online reviews much more than shoppers elsewhere. They also like to discuss potential purchases online. This has led to the development of independent online review sites and sellers such as Nike becoming active participants in Chinese chat and messaging sites such as Sina Weibo and WeChat.

Sellers in China must account for regional differences within a diverse country. Distribution and delivery can be tricky in areas without well-developed roads and standardized shipping practices, which has led to some sellers creating their own distribution systems. This chapter addresses how online businesses have emerged and grown to accommodate various cultures and infrastructure challenges around the world.

# **Learning Objectives**

In this chapter, students will learn:

* What electronic commerce is and how it has evolved in three waves of development
* Why companies concentrate on revenue models and the analysis of business processes instead of business models when they undertake electronic commerce initiatives
* How to identify opportunities for and barriers to electronic commerce initiatives
* How economic forces have led to the development and continued growth of electronic commerce
* How businesses use value chains and SWOT analysis to identify electronic commerce opportunities
* How the international nature of electronic commerce affects its growth and development

# **Teaching Tips**

# **The Evolution of Electronic Commerce**

1. In this section, define electronic commerce and describe its evolution from a novelty to its current place as an important component of global business activity.

**Electronic Commerce and Electronic Business**

1. Introduce the terms **electronic commerce** (**e-commerce**), **electronic business** (**e-business**), and **dot-com/pure dot-com**.

# **Categories of Electronic Commerce**

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1. Discuss the five general electronic commerce categories: business-to-consumer (B2C), business-to-business (B2B), transactions and business processes, consumer-to-consumer (C2C), and business-to-government (B2G).
2. Introduce the terms **supply management**/**procurement** and **e-procurement**.

**Business Processes**

1. Introduce the terms **business activity**, **transaction**, **business processes** and **telecommuting** (**telework**).

**Relative Size of Electronic Commerce Elements**

1. Use Figure 1-1 to illustrate the three main elements of electronic commerce.
2. Describe two additional categories of electronic commerce: **consumer-to-consumer** (**C2C**) and **business-to-government** (**B2G**).
3. Use Figure 1-2 to summarize the five categories of electronic commerce.

#  **The Development and Growth of Electronic Commerce**

1. Note that the Internet has changed the way people buy, sell, hire, and organize business activities in more ways and more rapidly than any other technology in the history of business.

**Early Electronic Commerce**

1. Discuss the following topics:
* **Electronic Funds Transfers (EFTs)**: Explain that, for approximately 50 years, banks have been using **electronic funds transfers** (**EFTs**, also called **wire transfers**).
* **Electronic Data Interchange (EDI)**: Introduce the terms **trading partners** and **value-added network (VAN)**.

# **The First Wave of Electronic Commerce, 1995–2003**

1. Compare the evolution of electronic commerce to other historic changes in economic organization, e.g., the Industrial Revolution.
2. Explain whythe first wave of electronic commerce has often been characterized by rapid growth, often called a “boom,” followed by rapid contraction, often called a “bust.”
3. Discuss how the injection of financial investment into e-commerce businesses from 2000-2003 set the stage for significant growth in online business activities in subsequent years.
4. Refer to Figure 1-3 tosummarize the growth of actual and estimated global online sales for the B2C and B2B categories.

**The Second Wave of Electronic Commerce, 2004-2009**

1. Emphasize how the second wave was characterized by an expanding international scope, with sellers beginning to do business in other countries and languages.
2. Note that in the second wave, established companies began using their own internal funds to finance gradual expansion of electronic commerce opportunities.
3. Explain why the increase in broadband connections in homes was a key element in the B2C component of the second wave.
4. Highlight the fact that the use of electronic mail (or e-mail) in the first wave was a tool for relatively unstructured communication.
5. Note that in the second wave, sellers began using e-mail as an integral part of their marketing and customer contact strategies.
6. Briefly discuss how companies began the second wave with a renewed interest in making the Internet work as an effective advertising medium.
7. Note that the sale of digital products was fraught with difficulties during the first wave of electronic commerce. Use the music industry as an example.
8. Discuss how the second wave fulfilled the promise of available technology by supporting the legal distribution of music, video, and other digital products on the Web.
9. Describe the concept and examples of **Web 2.0**.
10. Introduce the terms **first-mover advantage** and **smart-follower strategy**.

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| ***Teaching Tip*** | Students can learn more about social networks using Social Networks using Web 2.0 Web 2.0 at <http://www.ibm.com/developerworks/webservices/library/ws-socialcollab/index.html?ca=dat>Social Networks using Web 2.0 Social Networks using Web 2.0 |

# **The Third Wave of Electronic Commerce, 2010-Present**

1. Review the following factors that came together to start a third wave in the development of electronic commerce.
* *Emergence of Mobile Commerce:* Discuss the rise of **mobile commerce** (**m-commerce**) and the increasing use of **smartphones** and tablet computers. Stress that an important change brought about by fully operational handheld devices is that the Internet becomes truly available everywhere. Define **mobile software applications (mobile apps)** and discuss their impact on mobile commerce.
* *Emergence of Global Electronic Commerce:* Briefly discuss how inexpensive devices such as mobile phones and tablets have made the Internet available everywhere and affected global online business in less developed countries with rapidly growing economies.
* *Widespread Social Networking:* Briefly explain how Web 2.0 technologies that enabled part of the growth in electronic commerce that occurred in the second wave will play a major role in the third wave. Describe **social commerce**.
* *Increased Participation by Small Businesses:* Briefly explain how the third wave of electronic commerce will include the participation of a significantly larger proportion of smaller businesses. Define the term **crowdsourcing**.
* *Sophisticated Analysis of Large Datasets:* Introduce the terms **big data** and **data** **analytics**. Note that companies that store large amounts of data about their customers’ behavior on their Web sites can combine that information with their existing data about customers’ past purchases to predict the kinds of products, services, or special offers in which each customer might be interested.
* *Integration of Tracking Technologies into B2B:* Briefly explain how Internet technologies are increasingly integrated with each other and with communication systems to allow companies to communicate with each other and share transaction, inventory level, and customer demand information effectively.

# **The “Boom and Bust” Myth**

1. In this section, discuss that the reported “bust” of electronic commerce between 2000 and 2002 was actually a minor slowdown and that growth continued through the 2008 – 2009 global recession. Refer to Figure 1-4 to summarize the growth of actual and estimated online sales.

**Quick Quiz 1**

1. A(n) \_\_\_\_ is an exchange of value, such as a purchase, a sale, or the conversion of raw materials into a finished product.

Answer: transaction

1. The group of logical, related, and sequential activities and transactions in which businesses engage are often collectively referred to as \_\_\_\_.

Answer: business processes

1. \_\_\_\_ occurs when one business transmits computer-readable data in a standard format to another business.

Answer: Electronic data interchange (EDI)

1. Businesses that engage in EDI with each other are called \_\_\_\_.

Answer: trading partners

1. \_\_\_\_ is the general term for a group of technologies have emerged and combined to make new businesses possible on the Web.

Answer: Web 2.0

# **Business Models, Revenue Models, and Business Processes**

1. Introduce the terms **business model** and **revenue model**.

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| ***Teaching Tip*** | Students can learn more about business models by reading the following article: <http://timkastelle.org/blog/2012/01/eight-models-of-business-models-why-theyre-important> |

# **Focus on Specific Business Processes**

1. Emphasize that although much of this book is devoted to explaining technologies, the book’s focus is on the business of electronic commerce; the technologies only enable the business processes.

# **Role of Merchandising**

1. Define **merchandising**.
2. Note that the skills of merchandising and personal selling can be difficult to practice remotely. However, companies must be able to transfer their merchandising skills to the Web for their Web sites to be successful.

# **Product/Process Suitability to Electronic Commerce**

1. Refer to Figure 1-5 to illustrate examples of business processes categorized by suitability for electronic commerce and traditional commerce.
2. Introduce the terms **commodity item** and **shipping** **profile**.
3. Explain that a product that has a strong brand reputation is easier to sell on the Web than an unbranded item, because the brand’s reputation reduces the buyer’s concerns about quality when buying that item sight unseen.
4. Point out that traditional commerce, rather than electronic commerce, can be a better way to sell items that rely on personal selling skills.
5. Note that a combination of electronic and traditional commerce strategies works best when the business process includes both commodity and personal inspection elements.

**Electronic Commerce: Opportunities, Cautions, and Concerns**

1. Emphasize that not every business process is suitable for electronic commerce.

# **Opportunities for Electronic Commerce**

1. Introduce the terms **virtual community** and **social networking sites**.

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| ***Teaching Tip*** | Ask students to discuss virtual communities in which they participate. |

1. Students should be able to identify the benefits of electronic commerce, such as its ability to increase the speed and accuracy with which businesses can exchange information, reducing costs on both sides of transactions.
2. Students should also appreciate the ability to consider a wide variety of products and services 24 hours a day, every day, and that they can have digital products delivered through the Internet.
3. Note also that the benefits of electronic commerce extend to the general welfare of society. Electronic payments of tax refunds, public retirement, and welfare support cost less to issue and arrive securely and quickly when transmitted over the Internet.

# **Electronic Commerce: Current Barriers**

1. Point out that some business processes might never lend themselves to electronic commerce. Use the examples of perishable foods and high-cost, unique items such as custom-designed jewelry.
2. Discuss four issues that currently act as barriers to electronic commerce.
* *The Need for a Critical Mass:* Provide examples of products and services that require a critical mass of potential buyers be equipped and willing to buy through the Internet. Use online grocers such as Peapod as an example.
* *Predictability of Costs and Revenues:* Briefly describe the challenge for businesses surrounding return-on-investment calculations and employee recruitment and retention.
* *Technology Integration Issues:* Highlight the difficulty of integrating existing databases and transaction-processing software designed for traditional commerce into the software that enables electronic commerce.
* *Cultural and Legal Concerns:* Outline aspects of cultural and legal obstacles to conducting all types of electronic commerce.

**Quick Quiz 2**

1. A(n) \_\_\_\_ is a set of processes that combine to achieve a company’s goal, which is to yield a profit.

Answer: business model

1. A(n) \_\_\_\_ is a specific collection of business processes used to identify customers, market to those customers, and generate sales to those customers.

Answer: revenue model

1. A(n) \_\_\_\_ is a product or service that is hard to distinguish from the same products or services provided by other sellers; its features have become standardized and well known.

Answer: commodity item

1. A product’s \_\_\_\_ is the collection of attributes that affect how easily that product can be packaged and delivered.

Answer: shipping profile

1. \_\_\_\_ sites are Web sites that individuals and businesses use to conduct social interactions online.

Answer: Social networking

#  **Economic Forces and Electronic Commerce**

1. Introduce the formal definition of **market** and the term **hierarchical business organizations**, which economists generally refer to as **firms** or **companies.**

#  **Transaction Costs**

1. Define the term **transaction** **costs**. Be sure to mention that a significant component of transaction costs can be the investment a seller makes in equipment or in the hiring of skilled employees to supply the product or service to the buyer.
2. Use Figure 1-6 to illustrate a market form of economic organization for a sweater dealer.

# **Markets and Hierarchies**

1. Introduce the terms **vertical integration**. Use Figure 1-7 to illustrate a hierarchal form of economic organization for a sweater dealer.
2. Introduce the term **strategic business unit (SBU)/business unit**.

# **Using Electronic Commerce to Reduce Transaction Costs**

1. Mention that businesses and individuals can use electronic commerce to reduce transaction costs by improving the flow of information and increasing the coordination of actions.
2. Use the example of an employment transaction, emphasizing how the use of telecommuting and mobile technologies reduce transaction costs.

# **Network Economic Structures**

1. Introduce the terms **network economic structure**, **strategic alliances/strategic partnerships**, **virtual companies**, and **strategic partners**.
2. Explain why network organizations are particularly well suited to technology industries that are information intensive. Reference Figure 1-8 to illustrate a network organization.
3. Note electronic commerce can make networks, which rely extensively on information sharing, much easier to construct and maintain. Some researchers believe these network forms of organizing commerce will become predominant in the near future.

# **Network Effects**

1. Introduce the terms **law of diminishing returns** and **network effect**.
2. Point out that regardless of how businesses in a particular industry organize themselves – as markets, hierarchies, or networks – your students will need a way to identify business processes and evaluate whether electronic commerce is suitable for each process.

**Quick Quiz 3**

1. \_\_\_\_ are the total of all costs that a buyer and seller incur as they gather information and negotiate a purchase-and-sale transaction.

Answer: Transaction costs

1. The practice of an existing firm replacing one or more of its supplier markets with its own hierarchical structure for creating the supplied product is called \_\_\_\_.

Answer: vertical integration

1. A(n) \_\_\_\_ is one particular combination of product, distribution channel, and customer type.

Answer: strategic business unit, business unit

1. Entities that come together as a team for a specific project or activity are called \_\_\_\_.

Answer: strategic partners

1. As more people or organizations participate in a network, the value of the network to each participant increases. This increase in value is called a(n) \_\_\_\_.

Answer: network effect

# **Identifying Electronic Commerce Opportunities**

1. Explain that one way for students to focus on specific business processes as candidates for electronic commerce is to break the business down into a series of value-adding activities that combine to generate profits and meet other goals of the firm.
2. Define the term **industry**.

# **Strategic Business Unit Value Chains**

1. Introduce the terms **value chain**, **primary activities**, and **supporting activities**.
2. Illustrate a value chain for a strategic business unit, including both primary and supporting activities using Figure 1-9. These value chain activities will occur in some form in any strategic business unit.
3. Review the primary activities each strategic business unit conducts using Figure 1-9: design, identify customers, purchase materials and supplies, manufacture product or create service, market and sell, deliver, and provide after-sale service and support.
4. Review the primary support activities the central corporate organization typically supplies using Figure 1-9: finance and administration activities, human resource activities, and technology development activities.

# **Industry Value Chains**

1. Define the terms **value system** and **industry value chain**.
2. Note that, by becoming aware of how other business units in the industry value chain conduct their activities, managers can identify new opportunities for cost reduction, product improvement, or channel reconfiguration.
3. Illustrate an industry value chain for a wooden chair from its inception as trees in a forest to its grave in a landfill or at a sawdust recycler using Figure 1-10.
4. Point out that many managers have found ways to use electronic commerce technologies to reduce costs, improve product quality, reach new customers or suppliers, or create new ways of selling existing products.
5. Explain that, when firms are considering electronic commerce, the value chain can be an excellent way to organize the examination of business processes within their business units and in other parts of the product’s life cycle.

# **SWOT Analysis: Evaluating Business Unit Opportunities**

1. Point out that most electronic commerce initiatives add value by either reducing transaction costs, creating some type of network effect, or a combination of both.
2. Explain the importance of **SWOT analysis** (**strengths**, **weaknesses**, **opportunities** and **threats**).
3. Refer to Figure 1-11 to illustrate questions that an analyst would ask in conducting a SWOT analysis for any company or strategic business unit.
4. Refer to Figure 1-12 to explain the results of Dell Computer’s SWOT analysis.

#  **International Nature of Electronic Commerce**

1. Note the rapidly increasing proportion of online business activity based outside the U.S.
2. Refer to Figure 1-13 to illustrate the proportion of online B2C sales that arise in the main geographic regions of the world.
3. Introduce the key issues that any company faces when it conducts international commerce: trust, culture, language, government, and infrastructure.

#  **Trust Issues on the Web**

1. Explain that companies with established reputations in the physical world often create trust by ensuring that customers know who they are.
2. Discuss the rationale for the following statement: For businesses to succeed on the Web, they must find ways to quickly generate the trust that traditional businesses take years to develop.

#  **Language Issues**

1. Explain the phrase, “think globally, act locally.”
2. Point out that the first step that a Web business usually takes to reach potential customers in other countries, and thus in other cultures, is to provide local language versions of its Web site. Note that this may mean translating the Web site into another language or regional dialect.
3. Introduce **machine translation** and **localization**.

# **Cultural Issues**

1. Emphasize the following two points:
* An important element of business trust is anticipating how the other party to a transaction will act in specific circumstances.
* A company’s brand conveys expectations about how the company will behave; therefore, companies with established brands can build online businesses more quickly and easily than a new company without a reputation.
1. Define the term **culture**.
2. Provide examples of errors stemming from subtle language and cultural standards.
3. Discuss why designers of Web sites for international commerce must be very careful when they choose icons to represent common actions.

# **Culture and Government**

1. Note that the censorship of Internet content and communications restricts electronic commerce because it prevents certain types of products and services from being sold or advertised. Further, it reduces the interest level of many potential participants in online activities.
2. Discuss how countries, such as the People’s Republic of China and Singapore, are wrestling with the issues presented by the growth of the Internet as a vehicle for doing business.
3. Point out that some countries, although they do not ban electronic commerce entirely, have strong cultural requirements that have found their way into the legal codes that govern business conduct.

# **Infrastructure Issues**

1. Point out that businesses that successfully meet the challenges posed by trust, language, and culture issues still face the challenges posed by variations and inadequacies in the infrastructure that supports the Internet throughout the world.
2. Introduce the terms **freight forwarder**, **customs broker**, and **bonded warehouse**.
3. Illustrate multiple flows of information and transfer of physical objects that occur in a typical international trade transaction using Figure 1-14.

**Quick Quiz 4**

1. A(n) \_\_\_\_ is a way of organizing the activities that each strategic business unit undertakes to design, produce, promote, market, deliver, and support the products or services it sells.

Answer: value chain

1. \_\_\_\_ means a translation that considers multiple elements of the local environment, such as business and cultural practices, in addition to local dialect variations in the language.

Answer: Localization

1. A(n) \_\_\_\_ is a company that arranges shipping and insurance for international transactions.

Answer: freight forwarder

1. A(n) \_\_\_\_ is a secure location where incoming international shipments can be held until customs requirements are satisfied or until payment arrangements are completed.

Answer: bonded warehouse

# **Class Discussion Topics**

1. How does the international nature of e-commerce affect its infrastructure?
2. What steps should be taken to overcome the cultural issues of electronic commerce?
3. Describe the changes in the types of businesses participating in electronic commerce as technology advances have occurred through the first, second, and third wave.

# **Additional Projects**

1. Look at the following Web site: [http://www.jpeterman.com/!LDpstjukHvlflHaogITYkA!/](http://www.jpeterman.com/%21LDpstjukHvlflHaogITYkA%21/). Use SWOT analysis to evaluate the business strategy.
2. Create a diagram (similar to the diagram in Figure 1-9) that describes the industry value chain for an industry that holds special interest for you. (Also, refer to Decision Support Tools: Porter's Value Chain at <http://www.ifm.eng.cam.ac.uk/research/dstools/value-chain-/>)

# **Additional Resources**

1. SWOT Analysis: <http://www.netmba.com/strategy/swot>
2. Business Models on the Web: <http://www.digitalenterprise.org/models/models.html>
3. The Case and the Plan for the Virtual Company:
<http://www.inc.com/magazine/20100401/the-case-and-the-plan-for-the-virtual-company.html>

1. Three Trends Shaping B2B Marketing:

<http://www.inc.com/articles/201101/3-trends-shaping-b2b-marketing.html>

1. Cultural Impact On E-Commerce: A Comparative Study:

<http://iacis.org/iis/2013/241_iis_2013_431-440.pdf>

**Key Terms**

* **Big data**: the term used in business to describe very large stores of information such as that collected by online sellers about their customers.
* **Bonded warehouse:** a secure location where incoming international shipments can be held until customs requirements are satisfied or until payment arrangements are completed.
* **Business activity:** a task performed by a worker in the course of doing his or her job.
* **Business model**: a set of processes that combine to achieve a company’s goal, which is to yield a profit.
* **Business processes**: the group of logical, related, and sequential activities and transactions in which businesses engage.
* **Business unit**: a unit within a company that is organized around a specific combination of product, distribution channel, and customer type. Synonymous with strategic business unit.
* **Business-to-business (B2B)**: transactions conducted between businesses on the Web.
* **Business-to-consumer (B2C)**: transactions conducted between shoppers and businesses on the Web.
* **Business-to-government (B2G)**: a category of electronic commerce that includes business transactions with government agencies, such as paying taxes and filing required reports.
* **Commodity item**: a product or service that has become so standardized and well known that buyers cannot detect a difference in the offerings of various sellers; buyers usually base their purchase decisions for such products and services solely on price.
* **Consumer-to-consumer (C2C)**: a category of electronic commerce that includes individuals who buy and sell items among themselves.
* **Crowdsourcing**: Web sites used to gather multiple small investors together for specific business funding activities.
* **Culture**: the combination of language and customs that are unique to a particular population.
* **Customs broker**: a company that arranges the payment of tariffs and compliance with customs laws for international shipments.
* **Data analytics**: the highly sophisticated tools for investigating patterns and knowledge contained in big data.
* **Dot-com**: a company that operates only online.
* **E-procurement**: synonymous with business-to-business (B2B).
* **Electronic business (e-business)**: another term for electronic commerce; sometimes used as a broader term for electronic commerce that includes all business processes, as distinguished from a narrow definition of electronic commerce that includes sales and purchase transactions only.
* **Electronic commerce (e-commerce)**: business activities conducted using electronic data transmission over the Internet and the World Wide Web.
* **Electronic data interchange (EDI)**: exchange between businesses of computer-readable data in a standard format.
* **Electronic funds transfer (EFT)**: electronic transfer of account exchange information over secure private communications networks.
* **Firms or companies**: the terms economists generally use to refer to hierarchical business organizations.
* **First-mover advantage**: the benefit a company can gain by introducing a product or service before its competitors.
* **Freight forwarder**: a company that arranges shipping and insurance for international transactions.
* **Hierarchical business organization**: firms that include a number of levels with cumulative responsibility. A top-level president or officer typically heads these organizations. A number of vice presidents report to the president. A larger number of middle managers report to the vice presidents.
* **Industry**: multiple firms selling similar products to similar customers.
* **Industry value chain**: the larger stream of activities in which a particular business unit’s value chain is embedded.
* **Law of diminishing returns**: the characteristic of most activities to yield less value as the amount of consumption increases.
* **Localization**: a type of language translation that considers multiple elements of the local environment, such as business and cultural practices, in addition to local dialect variations in the language.
* **Machine translation**: language translation that is done by software; such translation can reach speeds of 400,000 words per hour.
* **Market**: a real or virtual space in which potential buyers and sellers come into contact with each other and agree on a medium of exchange (such as currency or barter).
* **Merchandising**: the combination of store design, layout, and product display intended to create an environment that encourages customers to buy.
* **Mobile commerce (m-commerce**): resources accessed using devices that have wireless connections, such as stock quotes, directions, weather forecasts, and airline flight schedules.
* **Mobile software applications (mobile apps**): apps issued by sellers to make shopping at their stores easier and more convenient that accounted for 42% of all B2C mobile sales in 2014.
* **Network economic structure**: a business structure wherein firms coordinate their strategies, resources, and skill sets by forming a long-term, stable relationship based on a shared purpose.
* **Network effect**: an increase in the value of a network to its participants, which occurs as more people or organizations participate in the network.
* **Primary activities**: activities that are required to do business: design, production, promotion, marketing, delivery, and support of products or services.
* **Procurement**: the business activity that includes all purchasing activities plus the monitoring of all elements of purchase transactions.
* **Pure dot-com**: a company that operates only online; also called dot-com.
* **Revenue model**: the combination of strategies and techniques that a company uses to generate cash flow into the business from customers.
* **Shipping profile**: the collection of attributes, including weight and size that affect how easily a product can be packaged and delivered.
* **Smart-follower strategy**: an approach in which a business observes first-mover failures and enters a business later, when large investments are no longer required and business processes have been tested.
* **Smartphones**: mobile phones that include a Web browser, a full keyboard, and an identifiable operating system that allows users to run various software packages.
* **Social commerce**: the use of interpersonal connections online to promote or sell goods and services.
* **Social networking site**: Web sites used by individuals and businesses to conduct social interactions online.
* **Strategic alliance**: the coordination of strategies, resources, and skill sets by companies into long-term, stable relationships with other companies and individuals based on shared purpose.
* **Strategic business unit (SBU)**: a unit within a company that is organized around a specific combination of product, distribution channel, and customer.
* **Strategic partners**: the entities taking part in a strategic alliance.
* **Strategic partnerships**: synonymous with strategic alliance.
* **Supply management**: synonymous with procurement, which is the business activity that includes all purchasing activities plus the monitoring of all elements of purchase transactions.
* **Supporting activities**: secondary activities that back up primary business activities. These include human resource management, purchasing, and technology development.
* **SWOT analysis**: evaluation of the strengths and weaknesses of a business unit, and identification of the opportunities presented by the markets of the business unit and threats posed by competitors of the business unit.
* **Telecommuting**: an employment arrangement in which the employee logs in to the company computer from an off-site location through the Internet instead of traveling to an office.
* **Telework**: synonymous with telecommuting.
* **Trading partners**: businesses that engage in EDI with one another.
* **Transaction**: an exchange of value, such as a purchase, a sale, or the conversion of raw materials into a finished product.
* **Transaction costs**: the total of all costs incurred by a buyer and seller as they gather information and negotiate a transaction.
* **Value-added network (VAN**): an independent company that provides connection and EDI transaction forwarding services to businesses engaged in EDI.
* **Value chain**: a way of organizing the activities that each strategic business unit undertakes to design, produce, promote, market, deliver, and support the products or services it sells.
* **Value system**: synonymous with industry value chain.
* **Vertical integration**: the practice of an existing firm replacing one of its suppliers with its own strategic business unit that creates the supplied product.
* **Virtual community**: an electronic gathering place for people with common interests.
* **Virtual companies**: a strategic alliance occurring between or among companies that operate on the Internet.
* **Web 2.0**: technologies that include software that allow users of Web sites to participate in the creation, editing, and distribution of content on a Web site owned and operated by a third party.
* **Wire transfer**: synonymous with electronic funds transfer, which is the electronic transfer of account exchange information over secure private communications networks.