



LECTURE LAUNCHER

While consumer e-commerce is growing worldwide, its growth in Asia is limited by several factors. For example, most Asians do not have credit cards and prefer to shop face-to-face. In fact, ActionAce.com a Hong Kong toy company has to process its orders in America because local banks would not handle the credit card orders. What is cybernomics?

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I. Business on the Internet

- A. The Internet is a network of computers allowing people to access and exchange information instantaneously.
- B. The World Wide Web is the most popular use of the Internet, and has grown both in the amount of information and the number of Web sites.
- C. E-commerce is a way of purchasing products and dealing with businesses more directly and quickly than before, via computer.
- D. The question for companies today is not whether they should go on-line but how they will market themselves on-line.

Discussion Question

What type of balance, if any, do you think will occur between traditional, hands-on shopping and shopping on-line? *(Answers may vary. Students should realize that there is still a place for seeing and touching the product that the Internet cannot replace. However, they may disagree as to what extent this market will continue to exist.)*

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II. The Customer Wins

- A. E-commerce shifts the balance of power to the customer.
- B. Comparison shopping becomes much simpler and cost effective.
- C. The distance between the consumer and producer is no longer an issue.
- D. Traditional middlemen: agents, dealers, and distributors are no longer necessary.
- E. New middlemen claim allegiance to the buyer, not the seller.



▣ Discussion Question

Do you think the new middlemen are really necessary in e-commerce? Why or why not? *(Possible responses: Yes, in some industries there is still a lot of information to be gathered and a middleman can save someone time and money by doing that research. No, computer programs can be written to accumulate data and sort it out. E-commerce thrives in part due to consumer autonomy, middleman defeat that purpose.)*

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III. A Marketing Revolution

- A. Companies can now track people's purchases with more detail (frequency marketing).
- B. They use this information to market exactly what people want, when they want it.
- C. Cybercommunities are groups of people who have common interests and needs and "meet" on the Internet.

▣ Discussion Question

Do you think cybercommunities will become a major social or business factor in the near future? Why or why not? *(Answers will vary. Student predictions should take into consideration the wide spread use of the Internet and computers over the last 20 years and if that number will grow or decrease and what that means for society.)*



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The Internet has brought many changes to American culture. Children can now write to Santa on-line via Santa.com. They also receive e-mail responses from Santa. To what extent do you expect technology to change the way you live and work?

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I. The Knowledge Economy

- A. "Knowledge economy" and "weightless economy" are new terms used to describe an environment in which ideas and information are at least as valuable as tangible goods.
- B. Knowledge products are not used up physically by consumers because they have no spatial boundaries or geographical distances; they consist of both the product and the idea behind the product.
- C. New economic rules and concepts may be necessary to handle this new era in world economy.

Discussion Question

Explain why ideas and information are so valuable today, especially as compared with past generations. *(In the past, the amount of information available was much more limited. Today, information is not only vast but it can bring power. Information helps determine the quality of a person's life.)*

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II. A Change or a Revolution?

- A. Many leading economists do not believe this "new" economy is revolutionary.
- B. Innovation affects economies in unpredictable ways.
- C. Economist Shumpeter said that in a healthy economy innovations disrupt the equilibrium between supply and demand.
- D. Economists face challenges in trying to predict future economic activity due to the major innovations occurring today.



▣ Discussion Question

Do you think the economy is experiencing a revolution or it is just a change? Why?
(Answers may vary. Students should support their answers with reasoning that demonstrates a clear understanding of a revolution.)



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As e-commerce becomes more competitive, mergers and acquisitions become more common. For example, CDnow Inc. and N2K Inc. merged so that they could effectively compete against Amazon.com in the on-line retail music business. Do we have a choice as to where the digital age will lead us? What are the most significant issues in cybernomics today?

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I. Ensuring Safe Internet Trade

- A. News travels quickly among Internet users, and companies that take advantage of customers may quickly be exposed.
- B. Electronic brokers (securities) are one of the fastest-growing forms of e-commerce.
- C. Day trading on-line is another form of e-commerce that encourages the clients to trade among themselves.

Discussion Question

What criteria might you use to be sure that you are not taken advantage of by an on-line company? *(In many ways, I would use the same criteria as I do with "live" companies. Pay attention to the news and other information about the company. Try to deal with companies that have been around on-line for some amount of time.)*

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II. Protecting Intellectual Property

- A. Copyright laws protect writers and other artists, but on-line services sometimes allow people to download copyrighted material without paying a licensing fee.
- B. Software companies are developing programs to help protect intellectual property rights.

Discussion Question

Do you think it is important to protect intellectual property rights on the Internet? Why or why not? *(Answers will vary, but students should consider both sides of the issue, including if the Internet is considered public domain, or if intellectual property rights should be upheld regardless.)*



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III. Protecting Consumer Privacy

- A. Advances in technology have enabled institutions to invade people's privacy.
- B. Consumer-credit laws give people the right to examine their credit records.
- C. Different countries have different laws and cultural standards about what is private.

Discussion Question

How difficult is it to truly protect your privacy in the information age? *(In many ways it is almost impossible because we don't even know who has what information. Companies sell information about their customers to each other, so that people we've never even dealt with know all about us.)*

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IV. Developing Nations

- A. Countries that have widespread communications and educated workforces may have a starting advantage over those that do not.
- B. Technology can enable some countries to leapfrog some of the stages of development, using more advanced stages to skip intermediary steps.

Discussion Question

Do more advanced countries have a responsibility to help developing countries become more technologically advanced? Why or why not? *(Answers may vary. Students should balance their reasons with both moral and ethical concerns as well as the realistic cost of helping/not helping the developing countries.)*