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E-COMMERCE MOVES TO HEAD OF CLASS WITH NEW COURSES AT UNIVERSITY OF DAYTON

DAYTON, Ohio — Even with the out-of-stock woes and late-delivery bugaboos that frustrated some shoppers, online purchasing may have resulted in as much as $15 billion in sales over the Christmas ’99 season, according to various analysts.

It’s a trend that can only grow, say two University of Dayton professors who are teaching new e-commerce classes this semester. One focuses on business applications while the other looks at legal implications.

Business-to-business transactions — such as auto manufacturers buying parts online from suppliers — represent the biggest chunk of e-commerce’s untapped potential, said Jayesh Prasad, associate professor of management information systems and decision sciences in the School of Business Administration. Sales volume and profits in the business-to-business electronic arena will far outstrip the retail applications that have captured consumers’ imagination and made amazon.com and e-bay household words, he said.

Prasad’s senior-level and MBA students are studying the forces enabling the move to e-commerce and will recommend ways to improve business processes and take advantage of technology. Students will critique existing retail sites and may use their analyses to build their own small businesses on the Web. “They’ll have to figure out the underlying technology and what works and doesn’t work, from a business perspective,” Prasad said.

Students may also look to local e-commerce leaders such as Standard Register and Reynolds & Reynolds to research how they use technology to sell to other businesses. Real-world case studies are crucial because “there’s almost no textbook that’s current for technology,” Prasad said.

The course is offered on UD’s campus and is also available through distance learning to UD’s MBA students in Columbus, where professors have traditionally traveled from Dayton to teach. “For businesses, the attraction of e-commerce is in breaking space and time boundaries,”
Prasad said. By offering an e-commerce course electronically, "we're trying to practice what we preach."

While marketing, economics, management operations and finance all play a part in e-commerce, "technology is the key enabler," Prasad said. "It's difficult for most people to think abstractly about e-commerce business strategy unless it's grounded in their awareness of contemporary technology."

In UD's School of Law, the e-commerce focus is on the "peculiar risks" posed by the technological breakthrough.

If an online brokerage firm's system crashes and an investor, whose trade order isn't executed, loses money, who bears the risk? What happens if an online auction's system goes down in the last few hours of bidding? Who has the jurisdiction to set the rules for electronic commerce, which is interstate and international?

Those are some of the issues students are considering in the new course being piloted this term as part of the law and technology program. The survey class covers such topics as electronic contracts, digital signatures, authentication of electronic documents, online payments, digital cash, security for electronic payments, encryption and taxation of online commerce.

Much of commercial law revolves around allocating risks, said professor Charles Hallinan, adding that e-commerce poses peculiar risks. E-commerce also raises public policy questions, including the soon-to-expire Internet tax moratorium that precludes charging sales tax on out-of-state sales — revenue state governors would like to lay claim to.

The law course deals with marketing issues that relate to privacy, such as the regulation of "spam" — junk e-mail — and questions of jurisdiction. A Virginia statute, for example, prohibits some forms of spam, but as Hallinan points out, "it's impossible for junk e-mailers to know where the messages are going; they run the risk of violating the law."

Another issue is the use of electronic intelligent agents — programs that can search auction sites, place bids, control inventory and ship merchandise. "There's a risk that the agent will make a mistake, and you'll end up with 1,000 Ronco Reelamatics," Hallinan said.

But worse-case scenarios are "most of the time hypothetical," Hallinan said. "So few transactions go bad, other than short-term system crashes. There hasn't been a house of cards collapsing. E-commerce works, that's why people do it."

Back in the business school, Prasad contemplates the future possibilities.

Although he sees a few pioneers among e-commerce companies, "they're not yet making money. ... What is interesting is that no one is giving up on the technology. You just have to hang in there or make a strategic retreat and come back," he said, noting that Newton handheld

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computers similar to the currently popular PalmPilot were introduced several years ago, but did not succeed. "The time was not right."

Consumers' psychological concerns about security and payment for Web purchases are one constraint hampering the development of e-commerce, said Prasad, whose research focuses on how people react to technology. What if there were alternative payment schemes, such as "a parallel currency good only on the Internet?" he asks.

Concerns that e-commerce will drive out traditional retail stores are ungrounded, Prasad maintains, because "there is a social aspect to shopping that is largely absent in e-commerce. It was once feared that VCRs would kill the movie theater industry. That obviously didn't happen. Similarly, e-commerce and traditional retail operations will co-exist."

Another constraint is capacity. "It's frustrating," he said, wondering, "Is waiting for a slow modem any better than fighting mall traffic?"

Technological developments will make capacity less of a problem in coming years, Prasad believes. And while "it's too early to talk about success stories, by all accounts, use of e-commerce is far beyond what was predicted."

Did e-commerce save Prasad any holiday shopping time?

The professor hesitates.

"It's hard to say. My wife takes care of that."

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