TIM 50 - Business Information Systems

Lecture 9

Instructor: Terry Allen
UC Santa Cruz
10/26/2011

Outline

- Announcements
- Review: ERP
- Student Presentation
- E-commerce (cont'd)
- Student Presentation
- Information Technology
Announcements

- Key for Homework 2 will be on web site

- MIDTERM next Wednesday, November 2

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Announcements

- Reading for next class
  - Messerschmitt Ch 5 (139-154)
  - Sun-N Tier Case (145-164 + figs)
    - SUGGESTION: Start with Messerchmitt
  - This material will NOT be included in the midterm
    - Midterm only through concepts in Chapter 4
Announcements

Forthcoming presentations

- 10/28
  - ?? (news story)
  - ?? (Case: Sun-N Tier)
- 10/31
  - ?? (news story)
  - ?? (news story)

- Send me your slides the night before
- All presentations will be posted
  - Open the presentation list and follow the links

Review: ERP applications

- ERP applications support different business processes that are standardized across organizations
  - Accounting, sales, HRM, material management, CRM, supply chain management, project management, etc...

- Key features:
  - Multi-functional
  - Integrated
  - Modular
The application suite

PLM: product lifecycle management
SRM: supplier relationship management

SAP ERP Solution Map

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Student Presentations

- 10/26
  - ?? (case: Alibris)
  - ?? (news story)
  - ?? (news story)

Review: E-Commerce

- **Major Categories**
  - Consumer (B2C)
  - Inter-consumer (C2C)
  - Inter-enterprise (B2B)
B2C Examples

Consumer e-commerce (B2C)

- What are the advantages and disadvantages compared to a retail store or direct mail catalog?
Some Advantages

- For the Consumer
  - Check prices at many vendors with minimal effort
  - Anonymity
  - Mass customization
  - Order tracking
  - Recommendations

- For the Business
  - Global reach
  - Automate order taking (cost savings)
  - Price Discrimination

Recommender Systems

How do they work?
C2C Examples

Inter-Enterprise E-Commerce (B2B)

- **Procurement**
  - One enterprise purchases goods or services from another

- **Direct Procurement**
  - Ongoing, consistent, and scheduled procurement

- The relationship between firms involved in direct procurement often called a **Supply Chain**
Supply Chain Management (SCM)

SCM is the set of activities associated with managing a supply chain.

SCM (supply chain management)

- Need to manage the procurement of parts
  - Don’t run out of any one
  - Don’t order too many
  - Order far enough in advance

- Ideally
  - Know in advance
    - # cars
    - features
SCM - Mass customization

- Thousands of orders per day, each with different requirements!
- Adjusting orders from suppliers constantly according to demand
- Minimal inventories
  - Cut costs
  - Much more sensitive to errors or disruptions
- **Mass customization** requires sophisticated SCM

Networked Computing in direct procurement

- **Electronic Data Interchange (EDI)**
  - Exchange order information between firms involved in direct procurement
  - Existed since 70's
  - Usually large firms who could afford proprietary communication links
  - Initially order and invoice

- **Financial EDI (FEDI)** later added EFT payment capability
Networked Computing in direct procurement

- XML (Extensible Markup Language) is another data interchange format making an impact on inter-enterprise commerce

Indirect Procurement

- Sporadic purchase of goods and services to support organizational objectives
  - Example: Office Furniture, office supplies, etc.
The Founding of Alibris

- In the rare, used, and out-of-print book business.
- Started as a small business named Interloc.
- Interloc’s website
  - just a bulletin board service, or BBS, which only connected book buyers with various locally based suppliers from all over the country.
- Interloc made money by charging dealers a fee for listing their books on Interloc’s servers.
- Consisted of 1,300 dealers and 5 million books

Alibris Goal

- World wide place order with Alibris, first send from dealer,
- Fast Search (used by Amazon)
- Then controlled shipping/customer service
  - Sparks facility
- Increase their order fill rate and only do business with dealers with over 1,000 books in stock
- Collect 20% of sales and increase the sale price of the books.
Solution - results

- Thunderstone solved the crisis
  - “great uncertainty” that a small company could do it
  - Thunderstone could handle their software needs
- An investor offered $200,000 to keep the company afloat - demanded control over the company and the firing of most of the IT staff.

- This case shows(?) that a start-up can't be run by consultants.
- Alibris now has over 60 million used, new, and out of print books

Alibris

- Why did Interloc succeed so early on?
Alibris

- If Interloc is so successful, why change it?
- What will change as Interloc becomes Alibris?

Alibris

- Why did Manley feel they needed the Sparks facility?
Alibris

- Should Alibris actually buy books and fill up the Sparks facility?

Alibris

- Why is Alibris having so much trouble setting up simple e-commerce capabilities?

- Is this really that hard??

- Is it rare for a new software product from an established, reputable vendor not to work properly (who’s that laughing out there?!!)?
Alibris

- Should Alibris stick with Oracle? Or switch back to Thunderstone?

Alibris

- Should Manley take the “white knight’s” offer and fire the whole IT staff??!
Alibris

- Rejects “white knight” offer
- Manley secures another bridge loan
- Goes Live in 1998
- Thunderstone’s software works “well enough”
  - (What? You want it to work better than that?)
- 1 million books at Sparks warehouse by 2000
  - Originally all on consignment from dealers
  - Later, purchased books ‘on spec’
- 2002 - Revenue $31 million, loss $7.2 million
- 2003 - Revenue $45.5 million, loss $4.8 million
- March 2004 files for “auction based” IPO
  - May 2004, withdraws IPO (initial public offering) after price too low
  - Relying on Private Financing (venture capital) until 2006 when it was purchased by a private equity firm

Data and information

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Key concept

- The key commodity manipulated by information technology is information.
- In order to be manipulated in a computing/networking environment, information must be represented by data.

What is information?

Information

- From a user (human) perspective...
  ....recognizable patterns that influence you in some way
  (perspective, understanding, behavior...)

- In the computing infrastructure, information has a somewhat different connotation as structure and interpretation added to data.
Data

- **Binary digit**
  - A bit is "0" or "1" — the atom of the information economy

- **Data** is a collection of bits, like
  - "0101110111010110"
  - "0000011"
  - "1101110101101011011011010"

- Note: the terms data and information are not always used consistently!

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Data -> Information

- Data itself does not represent anything meaningful
  - E.g. "101111"

- Should also know:
  - Structure
  - Interpretation mechanism

- This representation is necessary in order to recover the information
  - It is not unique!
Example

- **Bits:** 0, 1
- **Data:** A sequence of bits
  - 10111
- **Interpretation, Structure:**
  - Base-2 number (least significant bit is on the right)
- Represents a number
  - 101111 \( \rightarrow 2^5 + 2^3 + 2^2 + 2^1 + 2^0 = 47 \)
- On a higher level this number may represent something else
  - e.g. The amount of $$ in my bank account :(

Data Representation

- Takes the place of the original
- Equivalent to, in the sense that the original can be reconstructed from its representation
- Often the original can only be approximately reconstructed, although it may be indistinguishable to the user
  - e.g. audio or video
### ASCII

**American Standard Code for Information Interchange**

<table>
<thead>
<tr>
<th>Alphabet</th>
<th>Hex</th>
<th>Binary</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤</td>
<td>/x37</td>
<td>00110111</td>
</tr>
<tr>
<td>≥</td>
<td>/x38</td>
<td>00111000</td>
</tr>
<tr>
<td>&lt;</td>
<td>/x39</td>
<td>00111001</td>
</tr>
<tr>
<td>&gt;</td>
<td>/x3A</td>
<td>00111010</td>
</tr>
<tr>
<td>:</td>
<td>/x3B</td>
<td>00111011</td>
</tr>
<tr>
<td>;</td>
<td>/x3C</td>
<td>00111100</td>
</tr>
<tr>
<td>=</td>
<td>/x3D</td>
<td>00111101</td>
</tr>
<tr>
<td></td>
<td>/x3E</td>
<td>00111110</td>
</tr>
<tr>
<td></td>
<td>/x3F</td>
<td>00111111</td>
</tr>
<tr>
<td></td>
<td>/x40</td>
<td>01000000</td>
</tr>
<tr>
<td></td>
<td>/x41</td>
<td>01000001</td>
</tr>
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<td></td>
<td>/x42</td>
<td>01000010</td>
</tr>
<tr>
<td></td>
<td>/x43</td>
<td>01000011</td>
</tr>
<tr>
<td></td>
<td>/x44</td>
<td>01000100</td>
</tr>
</tbody>
</table>

- Character encoding
  - (128 characters = $2^7$)

- Note that this representation is not unique...

  ....this one happens to be a standard
  
  (ANSI X3.110-1983)

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### A picture

This picture conveys information

This information is represented in this computer, but how?
Representation of picture: image

Expanding a small portion of the picture, we see that it is represented by square pixels....

....300 tall by 200 wide....

....with a range of 256 intensities per pixel

300 \times 200 \times 8 \text{ bits} = 480,000 \text{ bits} \quad \text{(but it can be compressed)}

Color picture

A color picture can be represented by three monochrome images...

\text{RGB}

...at the expense of three times as many bits
**Terminology**

- **Information**
  - Representation
  - Communicate data to another user or organization
  - Data

- **Data processing**
  - Data

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**Representation needs to be standardized**

- **Information**
  - If the representation is not standardized, the information is garbled!
  - Communicate data to another user or organization
  - Data

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Regeneration

- Make a precise copy of the data (copy bit by bit)
- If you know the representation, this is equivalent to making a precise copy of the information
- Each such precise copy is called a generation
- The process is called regeneration

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Replication of information

Anything that can be regenerated can be replicated any number of times

This is a blessing and a curse
Analog information cannot be regenerated

Analog information can be copied, but not perfectly reconstructed

We may never know exactly what the original of this Rembrandt looks like (or exactly what this Rembrandt looked like originally).

Discrete information can be regenerated

Regeneration can preserve data (but not its original physical form)

Regeneration is possible for information represented digitally (which is tolerant of physical deterioration)

\[ 0 + \text{noise} \not\equiv 0 \]
\[ 1 + \text{noise} \not\equiv 1 \]
Replication of information requires knowledge of representation

Replication of information also presumes knowledge of its representation.

Replication preserves the integrity of the data, but that is not sufficient.

Implications

- Digitally represented information can be preserved over time or distance in its precise original form by occasional regeneration
  - digital library
  - digital telephony

- Replication of data is easy and cheap
Implications (con’t)

- Replication of information requires knowledge of the structure and interpretation
  - Standardization or some other means

- You can give away or sell and still retain
- Unauthorized replication or piracy relatively easy

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