The effects of information technology are pervasive in organizations. They are visible in the way firms interact with each of their stakeholders: customers, suppliers, employees, and shareholders. With rapid change in information systems technology have come new strategies for marketing, and asset and investment management.

The first two papers in the first session of this minitrack exemplify these strategies. Bhargava and Sundaresan analyze a strategy in which firms publish a very detailed schedule of quality-contingent prices to facilitate e-commerce when the quality of the underlying good is uncertain. The technology makes the market more efficient and a firm that employs this technology before others gains an advantage. An alternative to offering a schedule of prices is to offer a large variety of products. Clemons, Gu and Spitler analyze how “hyper-differentiation” delivers value and profits for the firm. Information technology has significantly increased the information available to both consumers and to firms. This increases competitive pressures among products that are largely equivalent, reducing profits on commodity offerings. At the same time, however, it enables firms to design hyper-differentiated products that do not compete head-to-head and increases consumers’ awareness of these products. This increases consumers’ willingness to pay, profits of firms, and consumer surplus.

Competition in a different arena -- between a producer of base software (such as operating systems) and a producer of add-ins -- is examined by Dewan and Freimer. Base software producers often bundle add-ins in new versions of their software. Such bundling has come under increased scrutiny by regulators in the U.S. and Europe. The authors construct a model of the add-in market to show it is possible for consumers to benefit from bundling of add-ins and base software as the price of the bundled software is often much less than the sum of prices of the base software and add-ins. This result is validated with empirical data.

Managers often have to make a decision about technology adoption and investments before key information is available. Timing such decisions requires a delicate balance between the cost of making a decision that is shown ex post to be wrong and the value of options that are open earlier and become unavailable later. Clemons and Gu model this tradeoff and develop a methodology that a decisionmaker may use in dealing with such situations. They develop a methodology for valuing real options that are distinguished by greater uncertainty and lack of historical data that would be needed for more traditional valuation methods. They model the value of strategic options and exhibit their numerical evaluation. Au and Kauffman examine a similar problem related to evaluating information technology investments and adoption problem. They examine the problem from a “rational expectations hypothesis” perspective, which emphasizes the importance of the process by which a market consensus forms yielding observable adoption and investment equilibria. They illustrate the theory with a number of examples drawn from information systems and technology cases in terms of such aspects of the analysis as: variance of future value flows, firm information processing capabilities, competing adopters’ and investors’ risk profiles, and firm ability to foresee equilibrium outcomes.

Valuation of e-commerce investments often today depends on whether firms survive the challenges of a tough economy. Kauffman and Wang construct a multi-method survival model and test it empirically to examine the survival of e-commerce firms. They focus on the impact of sector-, firm- and e-commerce-specific factors on an Internet firm’s duration after its IPO. They find that failures of B2B, B2C, and B2B2C firms occur at different times. Further, they find that the impact of the sector-, firm- and e-commerce-specific factors are different for different “default” types, such as bankruptcy, merger and acquisition.