

Chapter 3

Retailing in Electronic Commerce: Products and Services

Learning Objectives

Upon completion of this chapter, you will be able to:

1. Describe e-tailing and its characteristics.
2. Define and describe the primary business models of electronic retailing ("e-tailing").
3. Describe how online travel and tourism services operate and their industry impact.
4. Discuss the online employment market, including its participants, benefits, and limitations.
5. Describe online real estate transactions.
6. Discuss online stock trading services.
7. Discuss cyberbanking and online personal finance.
8. Describe on-demand delivery by e-grocers.
9. Describe the delivery of digital products and online entertainment.
10. Discuss various e-tail consumer aids, including comparison-shopping aids.
11. Identify the critical success factors and failure avoidance for direct online marketing and e-tailing.
12. Describe reintermediation, channel conflicts, and personalization in e-tailing.

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Amazon.com: The King of E-Tailing

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- 3.2 E-Tailing Business Models
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Managerial Issues

Real-World Case: Wal-Mart Goes Online

Answers to Pause/Break Section Review Questions

Section 3.1 Review Questions

1. *Describe the nature of B2C e-commerce.*

B2C e-commerce is concerned with businesses selling products to customers.

2. *What sells well in B2C?*

A variety of goods sell well online. These goods include: computers and electronics, sporting goods, office supplies, books and music, toys, health and beauty products, entertainment, apparel, services and cars.

3. *What are the characteristics of high-volume products and services?*

The characteristics of high-volume products and services include: high brand recognition, recognized guarantees, digitized formats, relatively inexpensive items, frequently purchased items, commodities with standard specifications and well-known, unopenable packaged items.

Section 3.2 Review Questions

1. *List the B2C distribution channel models.*

The B2C distribution channel models include: direct marketing, pure-play e-tailers and click-and-mortar retailers.

2. *Describe how mail-order houses are going online.*

Companies are attempting to leverage their existing infrastructures by using a new marketing system (online), in addition to their existing method (catalogs, etc.)

3. *Describe the direct marketing model used by manufacturers.*

The direct marketing model takes place without intermediaries between manufacturers and buyers.

4. *Describe virtual e-tailing.*

These firms sell to customers over the Internet while not maintaining any type of physical sales location.

5. *Describe the click-and-mortar approach.*

With this approach the firm sells to customers through the Internet and through physical sales locations.

6. *Describe electronic malls.*

Electronic malls are combinations of several online merchants in one location. Some malls are just an aggregation of merchants, while other malls provide integrated services (like a single checkout for many merchants).

Section 3.3 Review Questions

1. *What travel services are available online that are not available off-line?*

Some of the additional services provided include: travel tips, electronic travel magazines, fare comparisons, currency conversion calculators, fare tracking, worldwide place locators, a travel products store, expert opinions, travel news, driving maps, chat rooms, bulletin boards and frequent-flyer deals.

2. *List the benefits of online travel services to travelers and to service providers.*

Online travel services provide the benefits of large amounts of free information, 24/7 availability and the potential for significant reductions in price.

3. *What role do software (intelligent) agents have in travel services?*

Intelligent agents could provide a service to travel customers by providing buyer-seller negotiations.

Section 3.4 Review Questions

1. *What are the driving forces of the electronic job market?*

The electronic job market is driven by the volatile nature of the employment market itself and the constant change in available positions and applicants.

2. *What are the major advantages of the electronic job market to the candidate? To employers?*

A variety of advantages are described in exhibit 3.4.

3. *Describe the role of intelligent agents in the electronic job market.*

Intelligent agents can be used to search and retrieve suitable positions for candidates and suitable candidates for employer positions.

Section 3.5 Review Questions

1. *List the major online real estate applications.*

The major online real estate applications include: advice systems for customers who are buying and selling homes, directory and new sites, property listings, commercial property listings, residential property listings, links to realtors, maps, mortgage information, mortgage comparisons, mortgage brokers, online lenders, and sites for home sellers and buyers.

2. *What are the advantages of online stock trading?*

The major advantages of online stock trading are its ease-of-use, access to large amounts of information, convenience, and in many cases reduced costs.

3. *What investment information is available online?*

Several different types of information are available including financial news, bond prices, advice, evaluation tools, IPO information, and financial information.

4. *What are some of the risks of trading stocks online?*

In addition to risks of trading stocks in general, trading stocks online can have the risks of delayed information as well as the relative ease of trading (increasing the amount of trading overall).

Section 3.6 Review Questions

1. *List the capabilities of online banking. Which of these capabilities would be most beneficial to you?*

Student opinions on the usefulness of features will vary. The capabilities available include: current account balances, access to statements, pay bills online, download account transactions, transfer money between accounts, balance accounts, communicate with the bank, access information anytime and access information anywhere.

2. *Discuss some implementation issues of financial services.*

Some of the implementation issues of online financial services include: securing financial transactions, using the bank intranet, using imaging systems, differential pricing of online/off-line services and potential risks.

3. *List the major personal finance services available online.*

The major personal finance services available online include: bill paying, electronic check writing, tracking of accounts, portfolio management, investment tracking/monitoring, stock quotes, budget organization, cash flow/profit-loss analysis, tax services and retirement services.

4. *Explain online bill paying.*

In online bill paying, funds are taken from the user's accounts by an intermediary who then arranges payments with the user's debtor.

Section 3.7 Review Questions

1. *Explain on-demand delivery service.*

On-demand delivery service is express delivery that is made quickly after an online order is received.

2. *Describe e-grocers and how they operate.*

These firms will take orders online and provide deliveries to customers through a regularly scheduled delivery.

3. *Who are the typical e-grocery shoppers? (Would you shop online for groceries?)*

Typical e-grocery shoppers fall into one or more of the following groups: shopping avoiders, necessity users, new technologists, extremely busy consumers, consumers who enjoy online shopping and older individuals who enjoy shopping in any type of store.

Section 3.8 Review Questions

1. *Describe digital goods and their delivery.*

Digital goods are products that can be completely digitized and delivered over the Internet.

2. *Explain the Napster business model.*

The existing Napster business model is to provide users with access to music that is not copyright protected in a peer-to-peer environment in addition to offering users the ability to purchase music online.

3. *What are the benefits and the limitations of digital delivery?*

There are several advantages to the use of digital delivery including increased speed of delivery, low product cost and low distribution costs. The major disadvantage is that not all goods can be digitized.

Section 3.9 Review Questions

1. *Define shopping portals and provide two examples.*

Shopping portals are gateways to storefronts and malls that may be either comprehensive or niche-oriented. Examples would include gomez.com and aol.com/shopping.

2. *What are shopbots?*

A shopbot is a shopping robot that scouts the Web looking for goods and services that meet consumer's specified search criteria.

3. *Explain the role of business rating insight verification tools in the purchase decision process.*

These tools add to customers' feelings of security in making an online purchase. They allow the customer to evaluate the quality of the merchant, and not just the price of the good, before making a purchasing decision.

4. *Why are escrow services and electronic wallets useful for online purchases?*

The services are useful for online purchases because they can decrease the amount of contract risk for the customer during an online purchase.

Section 3.10 Review Questions

1. *What motivates a brick-and-mortar company to offer Web services?*

Traditional firms offer Web services to compete with new e-commerce entrants and to preserve market share. Additionally, traditional firms may see e-commerce as a way to expand their existing market share.

2. *What customer services are provided by Circuit City on its Web site?*

The Circuit City site provides the following customer service tools: product information, explanation of terms, product searches and flexible product comparisons.

3. *Describe the logic of the alliance between Amazon.com and ToysRUs.com.*

The alliance between these two firms allows Amazon.com to concentrate on its core competence of effective online logistics and customer relationship management, while ToysRUs.com can concentrate in their area of core competence—purchasing and marketing toys.

Section 3.11 Review Questions

1. *Why are virtual e-tailers usually not profitable?*

Most of these firms are not profitable because they are unable to quickly achieve the scale to make marginal profits on each marginal sale.

2. *Relate branding to profitability.*

Good branding has historically been tied to profitability in off-line retailers. Branding is an expensive process that can create financial difficulties for new firms.

3. *Why are technical performance and dynamic site content important?*

These features are important because they are what the market demands from electronic commerce sites.

Section 3.12 Review Questions

1. *Define disintermediation.*

The elimination of a component of the traditional value chain.

2. *Describe mediation issues, including disintermediation, reintermediation, cybermediation, hypermediation, and unbundling.*

The use of EC and IT can create changes in a traditional supply chain. These changes can remove existing players (disintermediation) and can bring them back with different roles and functions (reintermediation). Cybermediation uses intelligent agents while hypermediation uses intensive intermediation (both human and electronic) at all stages of the value chain.

3. *Describe channel and other conflicts that may appear in e-tailing.*

Channel conflict can occur when an upstream member of the value chain begins to sell directly to customers. Channel conflict can also occur when the online division of an existing company begins to compete with its off-line division.

4. *Describe price determination in e-tailing.*

Prices need to be competitive, while still providing an adequate margin. EC can allow companies to segment users into different price groups and test pricing more than was possible with only brick-and-mortar operations.

5. *Explain personalization and mass customization opportunities in e-tailing.*

Personalization is the ability to use technology to create goods that meet the exact specifications of the consumer. Mass customization is the ability to create personalized goods for a large number of customer goods based their exact specifications.

Answers to EC Application Case Questions

EC Application Case 3.1: Lands' End: How a Mail-Order Company Moved Online

1. *Discuss the advantage of Lands' End over other online stores like Gap.*

This firm has a distinct advantage because it can leverage its existing logistics system for its e-commerce effort. Other retailers may not have this existing capability and would have to create it for an e-commerce effort.

2. *Identify the factors that are critical to the company's success. (In business jargon, these are called critical success factors {CSF}.)*

The success factors include: efficient logistics system, brand recognition, customer service operations and online technologies.

3. *Enter **landsend.com** and configure your ideal outfit. Report on your experience.*

Student responses will vary. Students will comment on the technical features provided inside the site, including the ability to assemble outfits based on preferences.

EC Application Case 3.2: Matching Workers with Jobs in the Philippines

1. *What is the role of Internet kiosks in the Philippines' employment system?*

These kiosks provide users access to the system if they do not have their own access to the Internet.

2. *How are jobs matched with applicants?*

The system compares employees' abilities with employers' needs and matches the employee that best meets the stated needs.

EC Application Case 3.3: The Dangers of Online Trading

1. *Most online trading systems in the world accept an account number and a password as sufficient to conduct a trade. Therefore, a similar incident could have occurred elsewhere. How one can prevent this type of fraud? (See Chapters 12 and 13 for some ideas.)*

Student answers will vary, but could include the use of additional passwords based on trade size.

2. *In this case, the buyer's account was managed by Daewoo, therefore Daewoo will pay the damage. If the hacker had selected a "buyer" whose account was not managed by a brokerage firm, who would pay the damage? How would you feel if someone bought shares into your account, and then they plunged 12 percent in a day?*

Student answers will vary based on their location and the terms of their brokerage account.

EC Application Case 3.4: Online Security at Bank of America

1. *Why is security so important for the bank?*

Security is important for the bank because they are dealing with large sums of money and personal customer information.

2. *Why is there a need for two firewalls?*

The two firewalls provide redundancy of security. One firewall protects the security of the user, and the other firewall protects the security of the bank's application server.

3. *Who is protected by the bank's security system—the customer, the bank, or both? Elaborate.*

Both parties are protected by the security system. The system protects the customer by ensuring that their personal information and accounts cannot be easily tampered with. The system protects the bank by protecting the integrity of its transactions and the security of its information.

4. *What might be the limitations of such a system? (Hint: Refer to EC Application Case 3.3.)*

If passwords and account numbers are compromised, the system can still be compromised.

EC Application Case 3.5: Grocery Shopping in the Palm of Your Hand

1. *What are the benefits of Safeway's Easi-Order and Collect & Go programs for customers?*

Customers are able to select groceries without a trip to the store for selection (and they get a free PDA).

2. *Why is this an EC application?*

This is an EC application because it is using EC/IT technologies to directly create a sale of goods.

3. *What is the role of mobile devices?*

The mobile device is the system that allows for the selection of goods – it then communicates this list to the store.

4. *Compare order fulfillment done at stores versus home delivery.*

Customers can pick up groceries at a specified time, saving the time of selecting goods in the store. With delivery, customers also save the time involved in the pick-up.

Discussion Questions

*1. What are the success factors of **Amazon.com**? Is its decision not to limit its sales to books, music, and movies, but to offer a much broader selection of items, a good direct marketing strategy? With the broader selection, do you think the company will dilute its brand or extend the value proposition to its customers? (Read Bayers 2002; available online at **business2.com**.)*

Amazon.com has several success factors including their brand recognition and well-developed logistics capabilities. Student answers will vary on the firm's expansion into other goods. Students may argue that the firm is able to expand on its brand recognition and logistic capabilities by providing a wider sort of goods. Students may also argue that the sales of a large variety of goods dilute the firm's position in its traditional markets.

2. Compare the major e-tail business models.

The major e-tailing business models as described in the text include: direct marketing, pure-play electronic retailers and click-and-mortar retailers. Each of these different models has several advantages and disadvantages that are very specific to the industry in which they are in. Overall, direct marketing has the advantage of the possible lack of several intermediaries, creating a larger possible revenue share, while having the disadvantage of the value-added services provided by a supply chain. Pure-play electronic retailers have the advantage of being able to fully use and employ the benefits of EC, while not having the stability of the physical location. Click-and-mortar retailers have the benefits of mixing a physical location with an online presence, but they may not be able to fully utilize the benefits of EC because of the mixed model.

3. Will direct marketing of automobiles be a successful strategy? How should the dealers' inventory and the automakers' inventory and manufacturing scheduling be coordinated to meet a specific order with a quick due date?

Student answers will vary on the success of the strategy. Dealers' and manufacturers' inventory and scheduling should be tightly integrated to ensure that products are delivered just in time. This integration would be possible using the EC systems.

4. Discuss the advantages of established click-and-mortar companies such as Wal-Mart over pure-play e-tailors such as Amazon.com. What are the disadvantages of click-and-brick retailers as compared with pure-play e-tailors?

Click-and-mortar companies have advantages over pure-play businesses because they have established distribution channels, name recognition, a diversity of income streams (financial stability), as well as greater experience in the market. These companies have the disadvantage of attempting to make existing processes, attitudes and systems work in an online environment.

5. *Discuss the advantages of an online partnership such as that of Amazon.com and Toys R Us. Are there any disadvantages?*

There are many advantages in this relationship. Primarily, the advantage is that both organizations can leverage their core competencies. For Amazon, this competence is the ability to sell and ship items online successfully. For Toys R Us, this competence is the ability to purchase sought after toys at favorable prices. A disadvantage of this relationship is that neither company can sell toys independently of the other if they so decided.

6. *Discuss the advantages of shopping aids to the consumer. Should a vendor provide a comparison tool on its site that will show that a competitor is cheaper? Why or why not?*

Shopping aides provide a variety of advantages to the customer. The greatest advantage is the ability to find a variety of products quickly and easily, compare their attributes and prices. Student answers will vary on whether or not vendors should provide comparison tools on their site. Comparison tools would make vendors more competitive if others in the market are already doing so, but by placing comparison tools on their site they are creating an environment where cost may be the primary decision criteria.

7. *Discuss the advantages of specialized e-tailor, such as **dogtoys.com**. Can such a store survive in the physical world? Why or why not?*

Stores such as this have several advantages, specifically that they are able to target a very specific niche and service that niche very well. Student answers will vary on the ability of such stores to survive in the real world. One argument would be that a store such as this could not survive in any particular physical market because the number of potential clients is so small. The Internet is needed in order to create a critical mass of potential clients.

8. *Discuss the benefits of build-to-order to buyers and sellers. Are there any disadvantages?*

Build-to-order provides the customer with the advantage of being able to select the exact good that they desire. Merchants are able to meet their customers' exact needs and may not need to carry any inventory. The possible disadvantages would include: increased time to delivery due to manufacturing time, possible necessity to carry a wide variety of components for manufacture, and possible higher prices for customized goods.

9. *Why are online travel services such a popular Internet application? Why do so many Web sites provide free travel information?*

Online travel services are very popular because they allow customers to perform a function traditionally performed by an intermediary, while generating a cost savings. Many of the services are relatively easy to provide and easy for the customer to use. Many Web sites provide this information as an added benefit and incentive for users to visit their Web sites.

10. *Compare the advantages and disadvantages of online stock trading with off-line trading.*

Online stock trading provides the advantage of being able to quickly and easily trade securities and view your accounts any time of the day from any location. Much of this is at a lower cost than traditional services. The advantage offered by off-online trading is the ability to interact directly with a broker who can provide recommendations and information on trades.

11. *It is said that the service **Zuji.com** provides to travel agents will lead to their reintermediation. Discuss.*

The system provides a large amount of information on travel and can help you interactively plan a trip. This system may decrease the need for a travel agent.

12. *Intelligent agents read resumes and forward them to potential employers without the knowledge of the candidates. What are the benefits of this use of intelligent agents? Do they violate the privacy of job seekers?*

The benefit of intelligent agents is that it speeds up the review process for potential employers. Student answers will vary on whether or not this violates the privacy of job seekers. It could be argued that job seekers are interested in employers reviewing their resumes, and therefore the use of agents is actually a service to job seekers.

13. *Online employment services make it easy to change jobs; therefore, turnover rates may increase. This could result in total higher costs for employers because of increased costs for recruiting and training new employees and the need to pay higher salaries and wages to attract or keep employees. What can companies do to ease this problem?*

Student answers will vary.

14. *How can brokerage houses offer very low commissions for online stock purchases (as low as \$4 per trade, with some even offering no commission for certain trades)? Why would they choose to offer such low commissions? Over the long run, do you expect commissions to increase or continue to decrease?*

Companies are able to offer very low commissions because of the efficiencies provided by electronic systems, and the desire to attract new customers with low prices. One of the major points of differentiation for online stock trading firms is the low cost of their commissions. Student answers will vary concerning increases or decreases in commission prices in the future.

15. *Explain what is meant by the statement, "Intermediaries will become knowledge providers rather than transaction providers."*

The use of PC systems is automating and streamlining the processes that used to be provided by intermediaries. Intermediaries also provided value-added services, specifically knowledge of products and their uses. In order for these intermediaries to survive, they must concentrate on

this service (providing knowledge), because their traditional transactional roles are being disintermediated.

16. Compare the advantages and disadvantages of distributing digitizable products electronically versus physically.

Student answers will vary. Some disadvantages include: ability to package as a selling tool, greater ability to control the product after purchase (copying, etc.) and ability to use existing sales channels. Some advantages include: decreased cost per item, decrease in distribution cost and decrease in sales cost (from an existing sales channel).

Internet Exercises

(Note: URLs may change over time; please check the Internet Exercises on the Turban Web site for possible updates: www.prenhall.com/turban.)

*1. Visit both **peapod.com** (now at stopandshop.com) and **netgrocer.com**. Compare the products and services offered by the two companies and evaluate their chances for success. Why do you think "unattended delivery" e-grocers like **shoplink.com** failed?*

Both firms appear to offer a wide variety of groceries and other products through an online store. Peapod focuses on local delivery in large cities, while netgrocer.com focuses on non-perishable products with a wider selection of non-food items. Student responses on the failure of shoplink.com will vary, but could include customer's lack of comfort with that type of system.

2. Many consumer portals offer advice and ratings of products or e-tailers. Identify and examine two separate general-consumer portals that look at other sites and compare prices or other purchase criteria. Try to find and compare prices for a digital camera, a microwave oven, and an MP3 player. Summarize your experience. Comment on the strong and weak points of such shopping tools.

Student answers will vary. Possible options include Gomez.com and consumernow.com.

*3. Design a trip to Kerala, India (use **stayfinder.com**). Find accommodations, restaurants, health clubs, festival information, and art. Arrange a tour for two people for 7 days. How much will it cost?*

Student answers will vary.

*4. Almost all car manufacturers allow consumers to configure their car online. Visit a major automaker's Web site and configure a car of your choice (e.g., **jaguar.com**). Also visit one electronic intermediary (e.g., **autobytel.com**). After you decide what car you want, examine the payment options and monthly payments. Print your results. How does this process compare to visiting an auto dealer? Do you think you found a better price online? Would you consider buying a car this way?*

Student answers will vary.

5. Visit **amazon.com** and identify at least three specific elements of its personalization and customization features. Browse specific books on one particular subject, leave the site, and then go back and revisit the site. What do you see? Are these features likely to encourage you to purchase more books in the future from Amazon.com? List the features and discuss how they may lead to increased sales. Now visit Amazon zShop (go to **amazon.com**, and click on zShops) to identify and compare three sellers of food and beverages. Can you find items not normally available in your local grocery store?

Student answers will vary. Some examples of personalization at Amazon.com include remembering customer names, creating recommendations based on preferences and storing recently viewed items.

6. Use a statistics source (e.g., **jmm.com**, **emarketer.com**, or **cyberatlas.com**) and look for recent statistics about the growth of Internet-based consumer-oriented EC in your country and in three other countries. Where is the greatest growth occurring? Which countries have the largest total e-tail sales? Which countries have the highest per-capita participation (the "penetration rate")? What are the forecasts for continued growth in the coming years?

Student answers will vary. Emarketer.com provides a wide variety of information about trends and the successful use of the Internet in marketing. Information can be very specific and vary across countries and customer demographics.

7. Visit **landsend.com** and prepare a customized order for a piece of clothing. Describe the process. Do you think this will result in better-fitting clothing? Do you think this personalization feature will lead to greater sales volume for Lands' End?

Student answers will vary.

8. Make your resume accessible to millions of people. Consult **asktheheadhunter.com** for help in rewriting your resume. See **jobweb.com** for ideas about planning your career. Get prepared for a job interview (**hotjobs.com**). Also, use **wageweb.com** to figure what salary you can get in the city of your choice in the United States.

Student answers will vary.

9. Visit **homeowner.com**, **decisionaide.com** or a similar site and compute the mortgage payment on a 30-year loan at 7.5 percent fixed interest. Also check current interest rates. Estimate your closing costs on a \$200,000 loan. Compare the monthly payments of the fixed rate with that of an adjustable rate for the first year. Finally, compute your total payments if you take the loan for 15 years at the going rate. Compare it to a 30-year mortgage. Comment on the difference.

Student answers will vary.

10. Access the Virtual Trader game at citycomment.co.uk and register for the Internet stock game. You will be bankrolled with £100,000 in a trading account every month. You can also play investment games at investorsleague.com, fantasystockmarket.com, and etrade.com.

Student answers will vary.

11. Enter etrade.com and boom.com and find out how you can trade stocks in countries other than the one you live in. Prepare a report based on your findings.

Student answers will vary.

12. Enter wellsfargo.com and examine its global and B2B services. For each service that is being offered, comment on the advantages of conducting it online versus off-line options.

Student answers will vary. Reference areas include: <http://www.wellsfargo.com/inatl/inatl.jhtml> and <http://www.wellsfargo.com/biz/products/>.

13. Examine the consolidated billing process. Start with e-billingonline.com, and intuit.com. Identify other contenders in the field. What standard capabilities do they all offer? What capabilities are unique to certain sites?

Student answers will vary.

14. Compare the price of a Sony digital camera at dealtime.com, mysimon.com, bottomdollar.com, and pricescan.com. Which site offers you the best deal?

Student answers will vary.

15. Enter spyonit.com and create three “spies” for areas of your interest. Also, use two of the existing spies. Prepare a report on your experience. Then create a Yahoo alert. Compare the two services.

Team Assignments and Role Playing

1. Each team is to investigate the services of online car selling in the following list. When teams have finished, they should bring their research together and discuss their findings.

a. Buying new cars through intermediary (autobytel.com, carsdirect.com, autoweb.com, or amazon.com)

b. Buying used cars (autotrader.com)

c. Buying used cars for auto dealers (manhiem.com)

d. Automobile rating sites (carsdirect.com, autoinvoices.com, and feuleconomy.gov)

e. Car-buying portals (thecarportal.com and cars.com)

f. Sites where antique cars can be purchased (classiccars.com and antique-cars.com)

Student answers will vary.

2. Each team will represent a broker-based area (e.g., real estate, insurance, stocks, job finding). Each team will find a new development that has occurred in the assigned area over the most recent months. Look for the site vendor's announcement and search for more information on that development with **google.com** or another search engine. Examine the business news at **bloomberg.com**. After completing your research, as a team, prepare a report on disintermediation in your assigned area.

Student answers will vary.

3. Airline sites (e.g., **aa.com**) and consortia (e.g., **orbitz.com**) are competing with Travelocity, Expedia, and other online travel agents. Research several of these sites (each team will examine one) and analyze the competitive advantage of the airlines over the online agents. Prepare a report based on your findings. Make a presentation that will predict a winner from among the following: airline sites, travel agencies, consortia, or online sites such as Expedia.

Student answers will vary.

Answers to End-of-Chapter Real-World Case Questions: Wal-Mart Goes Online

1. Compare **walmart.com** with **amazon.com**. What features do the sites have in common? Which are unique to Wal-Mart.com? To Amazon.com?

Student answers will vary. Both stores have a wide variety of products available and span several different categories. Both sites have a variety of customer service and shopping features.

2. Will Wal-Mart.com become the dominant e-tailer in the world, replacing Amazon.com? What factors would contribute to its success in the online marketplace? What factors would detract from its ability to dominate online sales the way it has been able to dominate physical retail sales in many markets?

Student answers will vary. The dominant factor that will help Wal-Mart is their ability to purchase in bulk and their understanding of purchase-side logistics. Amazon.com has the benefit of understanding online sales and order fulfillment online.

3. Perform a strategic analysis of **walmart.com**. Who are its competitors, customers, and suppliers? What is its relative strength or power in each of these relationships? What is its distinctive competence? How much of its strength is borrowed from its knowledge of physical stores?

Student answers will vary.

4. Visit **walmart.com**, **target.com**, **marksandspencer.com**, and **sears.com**. Identify the common features of their online marketing and at least one unique feature evident at each site. Do these sites have to distinguish themselves primarily in terms of price, product selection, or Web site features?

Student answers will vary.