

Chapter 1

Overview of Electronic Commerce

True-False Questions

1. From a communications perspective, transactions may only be classified as EC if computer networks are used in processing payments and information.

Answer: F

Reference: Defining EC

2. A members-only discussion board where book collectors exchange information about first edition fiction and occasionally offer books for sale is an example of an EC community.

Answer: T

Reference: Defining EC

3. EC substitutes information for physical business processes.

Answer: T

Reference: Defining EC

4. When a customer views an online cigar ad, places an online order, pays online by credit card, then receives the cigars through FedEx delivery, pure e-commerce has occurred.

Answer: F

Reference: Pure Versus Partial EC

5. A click-and-mortar organization conducts some of its business online, yet continues to conduct the majority of its business in the physical world.

Answer: T

Reference: Pure Versus Partial EC

6. While most EC is conducted via the Internet, EC can be conducted over local area networks.

Answer: T

Reference: Internet Versus Non-Internet EC

7. Due to the large number and diversity of products available internationally, the Internet has become the dominant element of the international economy.

Answer: T

Reference: The EC Framework, Classification, and Content

8. Interactions between a company and its suppliers, customers, and other partners make up the extended supply chain.

Answer: T

Reference: An EC Framework

9. B2C e-commerce occurs every time Amazon.com sells a best seller to a reader.

Answer: T

Reference: Classification of EC by the Nature of the Transactions or Interactions

10. The use of the Internet in providing training courses to employees is an example of a B2E e-commerce.

Answer: T

Reference: Classification of EC by the Nature of the Transactions or Interactions

11. Priceline.com is an example of the C2B model.

Answer: T

Reference: Classification of EC by the Nature of the Transactions or Interactions

12. Consumers are the final participants in B2B transactions.

Answer: F

Reference: Classification of EC by the Nature of the Transactions or Interactions

13. Carol lists the quilt she inherited from her grandmother on eBay. Jennifer buys it as a wedding gift for her sister. This is an example of a B2C transaction.

Answer: F

Reference: Classification of EC by the Nature of the Transactions or Interactions

14. When Omar uses his cell phone to place a stock order with his broker, he is participating in m-commerce.

Answer: T

Reference: Classification of EC by the Nature of the Transactions or Interactions

15. A company uses its intranet to announce its merger with a competitor. This is an example of a special kind of Organization EC called a B2E transaction.

Answer: T

Reference: Classification of EC by the Nature of the Transaction

16. EC applications date back to the early 1960s.

Answer: F

Reference: A Brief History of EC

17. The development of new protocols was a driving force in the expansion of the Internet in the 1990s.

Answer: T

Reference: A Brief History of EC

18. By the late 1990s, the emphasis in e-commerce had shifted from B2C to B2B.

Answer: T

Reference: A Brief History of EC

19. The large number of failures among EC companies in recent years provides proof that electronic commerce is a passing fad which will have little long-term impact on world business.

Answer: F

Reference: The Future of EC

20. According to current estimates, total online shopping in the United States will total \$3 to \$7 billion in 2004.

Answer: F

Reference: The Future of EC

21. A business model is a written document that identifies a specific business' goals and how it expects to accomplish them.

Answer: F

Reference: Business Plans and Business Cases

22. A business case is a written document that is used by managers to garner funding for one or more specific applications or projects.

Answer: T

Reference: Business Plans and Business Cases

23. A revenue model outlines how a business will generate profit.

Answer: F

Reference: Revenue Models

24. A company uses its business model to describe how it will earn revenue and its revenue model to describe the process it will use to generate revenue.

Answer: F

Reference: Revenue Models

25. The Environmental Protection Agency selects a supplier of a chemical reagent from bids submitted electronically by many suppliers. This is an example of an electronic tendering system.

Answer: T

Reference: Typical Business Models in EC

26. Business models work best when a company chooses a single model and invests all its time and efforts into making sure the model produces the expected financial results.

Answer: F

Reference: Typical Business Models in EC

27. Priceline is an example of the Find the Best Price business model.

Answer: F

Reference: Typical Business Models in EC

28. The business model in which a company seeks to increase brand awareness by inducing people to send messages about the product or Web site to other people is called viral marketing.

Answer: T

Reference: Typical Business Models in EC

29. For an annual fee, a new company allows small business members to register office supply needs. By aggregating orders from members, the company realizes quantity discounts on office supply orders, which it passes on to its members. This is an example of the group purchasing business model.

Answer: T

Reference: Typical Business Models in EC

30. In EC, cycle time reduction refers to moving more data more quickly over the Internet.

Answer: F

Reference: Organizational Responses

31. Providing superior customer service is an example of a critical response activity.

Answer: T

Reference: The Environment-Response-Support Model

32. Critical Response Activities are limited to actions to existing pressures experienced by an organization.

Answer: F

Reference: The Environment-Response-Support Model

33. Francis' employer allows her to make small adjustment in the prices she offers to customers based on data she receives regarding competitor prices. This is an example of the strategy called employee empowerment.

Answer: T

Reference: Organizational Responses

34. With its advanced tracking system, FedEx created a strategic system which will insure the company's leadership position in its industry for the foreseeable future.

Answer: F

Reference: Organizational Responses

35. General Motors, Ford, and other companies in the automobile industry have created an e-marketplace. This cooperation among competitors is an example of a business alliance.

Answer: T

Reference: Organizational Responses

36. The time it takes in transforming an idea into a viable product for sale in the market is called cycle time.

Answer: F

Reference: Organizational Responses

37. Reducing time to market is important because the first company to introduce a successful product or innovation typically derives a distinct competitive advantage.

Answer: T

Reference: Organizational Responses

38. Reducing cycle time is important in increasing productivity and competitiveness.

Answer: T

Reference: Reductions in Cycle Time and Time to Market

Multiple Choice Questions

39. The flow of materials, information, and services from raw material suppliers through factories to the end customer is called:

- a. work flow.
- b. the supply chain.
- c. an extranet.
- d. a portal.

Answer: b

Reference: Marks & Spencer: A New Way to Compete

40. Electronic commerce is the process of:

- a. buying, selling, or exchanging products and services via computer networks including the Internet.
- b. organizing a market for electronic devices to enhance marketing.
- c. using electronic devices.
- d. sales force automation.

Answer: a

Reference: Electronic Commerce: Definitions and Concepts

41. While WalMart has a Web site from which it sells its products, the majority of the company's business is conducted in its retail stores. This is an example of:

- a. pure ecommerce.
- b. a brick-and-mortar operation.
- c. a click-and-mortar operation.
- d. a value added network.

Answer: c

Reference: Pure Versus Partial EC

42. In pure e-commerce,:

- a. all dimensions in the exchange are physical.
- b. at least two dimensions in the exchange are physical.
- c. all dimensions in the exchange are virtual.
- d. at least two dimensions in the exchange are virtual.

Answer: c

Reference: Pure Versus Partial EC

43. Which of the following is **not** a major pillar supporting electronic commerce applications?
- a. Public policy
 - b. Automation of mechanical processes
 - c. Business partnerships
 - d. People

Answer: b

Reference: An EC Framework

44. Which of the following cases represents pure e-commerce?
- a. A book is chosen from an online catalog, ordered online, and delivered by mail.
 - b. Software is downloaded onto a personal computer, after the buyer calls in to a toll free number with his/her credit card information.
 - c. A toy is bought by clicking on a special offer banner ad, credit information is given electronically, and the toy is delivered the following morning by Fed Ex.
 - d. A song is selected from an online play list, purchased online by credit card, and downloaded to a personal computer where it is copied onto a CD-R.

Answer: d

Reference: Pure Versus Partial EC

45. Juanita contacts the Web site of an online grocer and uses her cell phone to order the ingredients she needs for dinner tonight. This is an example of:
- a. a Peer-to-Peer application.
 - b. an intrabusiness transaction.
 - c. c-commerce.
 - d. m-commerce.

Answer: d

Reference: Classification of EC by the Nature of the Transactions and Interactions

46. An opera fan purchases her favorite aria by downloading it from an online music retailer. This is an example of:
- a. B2C.
 - b. B2B.
 - c. B2E.
 - d. C2E.

Answer: a

Reference: Classification of EC by the Nature of the Transactions and Interactions

47. The Human Resources Department posts a job opening in the Marketing Department on the company's intranet. This is an example of:
- a. B2C.
 - b. B2B.
 - c. B2E.
 - d. E2C.

Answer: c

Reference: Classification of EC by the Nature of the Transactions and Interactions

48. An employee in the Travel Department at a large corporation makes an online reservation for a business trip through the Web site of a major airline. This is an example of:
- a. B2S.
 - b. B2B.
 - c. B2E.
 - d. B2C.

Answer: b

Reference: Classification of EC by the Nature of the Transactions and Interactions

49. The Internal Revenue Service provides pages on its Web site instructing corporations how to pay estimated income taxes each quarter. This is an example of:
- a. G2C.
 - b. G2B.
 - c. G2G.
 - d. E2E.

Answer: b

Reference: Classification of EC by the Nature of the Transactions and Interactions

50. Two individuals use the Internet to exchange pictures from their vacation. The framework that best describes this interaction is called:
- a. B2C.
 - b. B2B.
 - c. P2P.
 - d. C2B.

Answer: c

Reference: Classification of EC by the Nature of the Transactions and Interactions

51. Using the Internet instead of the mail to file federal income taxes is an example of the framework called:
- a. B2C.
 - b. E-Government.
 - c. P2P.
 - d. C2B.

Answer: b

Reference: Classification of EC by the Nature of the Transactions and Interactions

52. A written document that identifies the business goals and outlines how a specific company expects to achieve them is called a:
- a. business plan.
 - b. business model.
 - c. business case.
 - d. value proposition.

Answer: a

Reference: Business Plans and Business Cases

53. The revenue model in which a company receives commission based on the volume of transactions made is called the _____ model.
- a. transaction fee
 - b. subscription fee
 - c. sales
 - d. affiliate fee

Answer: a

Reference: The Structure of Business Models

54. The revenue model in which a company receives commission for referring customers to other Web sites is called the _____ model.
- a. transaction fee
 - b. subscription fee
 - c. sales
 - d. affiliate fee

Answer: d

Reference: The Structure of Business Models

55. Priceline.com is an example of which EC business model?
- a. Group purchasing
 - b. Electronic tendering
 - c. Dynamic brokering
 - d. Name your own price

Answer: d

Reference: Typical Business Models in EC

56. A sugar refinery in Puerto Rico answers an automatic invitation from a supermarket to tender with the lowest bid within the tender specifications, and is awarded the contract. This is an example of:
- a. IEC.
 - b. B2C.
 - c. a reverse auction.
 - d. M2S.

Answer: c

Reference: Typical Business Models in EC

57. The EC revenue model which best describes an online science fiction book club which generates revenue by allowing Amazon.com to place a banner ad on its site so that readers can easily buy the books being discussed at the site is:
- a. affiliate marketing.
 - b. the advertising fee model.
 - c. dynamic brokering.
 - d. supply chain improver.

Answer: b

Reference: Revenue Models

58. Hotwire.com matches specified customer needs against a database to find a suitable product at the lowest price. This is an example of the:
- a. reverse auction.
 - b. electronic tendering model.
 - c. name-your-price model.
 - d. find-the-best-price model.

Answer: d

Reference: Typical Business Models in EC

59. The NASDAQ stock exchange is an example of which EC business model?
- a. Affiliate marketing
 - b. Group purchasing
 - c. Electronic marketplace
 - d. Name your price

Answer: c

Reference: Typical Business Models in EC

60. Dell Computers allows its customers to design computers which meet specific needs. This is an example of the _____ EC business model.
- a. find the best price
 - b. group purchasing
 - c. affiliate marketing
 - d. product and service customization

Answer: d

Reference: Typical Business Models in EC

61. An office supply broker combines orders from fifteen small offices into a single paper order, which results in a much lower price for each of the small offices due to volume discounts. This is an example of the _____ EC model.

- a. dynamic brokering
- b. group purchasing
- c. electronic tendering
- d. customization and personalization

Answer: b

Reference: Typical Business Models in EC

62. Large organizational customers often make their purchases through a tendering system also known as:

- a. viral marketing.
- b. affiliate marketing.
- c. direct marketing.
- d. a reverse auction.

Answer: d

Reference: Typical Business Models in EC

63. Which of the following is **not** a benefit of EC to a company?

- a. Increases the time between the outlay of capital and the receipt of products.
- b. Increases the customer base with minimal cost.
- c. Decreases the cost of creating, processing, distributing, and retrieving information.
- d. Reduces physical inventories.

Answer: a

Reference: The Benefits of EC

64. All of the following are benefits to consumers from EC **except**:

- a. EC allows customers to shop year round.
- b. EC reduces face-to-face social interactions.
- c. EC allows for quick delivery, especially with digitized products.
- d. EC facilitates competition, which results in lower prices.

Answer: b

Reference: The Benefits of EC

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65. All of the following are benefits to society from EC **except**:

- a. individual privacy is protected with EC.
- b. since more individuals work at home, there is less traveling and so less energy consumed.
- c. since EC drives down costs, prices tend to be lower which allows less affluent people to buy products.
- d. through EC, people in rural areas gain access to products which have not historically been available to them.

Answer: a

Reference: The Benefits of EC

66. All of the following are technological limitations to EC **except**:

- a. system security is still evolving.
- b. bandwidth is insufficient in many areas.
- c. many legal issues are unresolved.
- d. compatibility issues between some hardware and software remain.

Answer: c

Reference: The Limitations and Barriers of EC

67. “Digital Economy” refers to

- a. the convergence of computing and communications technologies and the resulting flow of information and technology.
- b. the use of advanced analytical techniques to analyze numbers.
- c. the conversion of traditional products into digital products.
- d. the development of financial instruments which are easily divisible.

Answer: a

Reference: The Digital Revolution

68. Information overload is an example of a business pressure from the _____ category.

- a. market
- b. society
- c. technology
- d. economic

Answer: c

Reference: Exhibit 1.6

69. Increased consumer power is an example of a business pressure from the _____ category.

- a. market
- b. society
- c. technology
- d. economic

Answer: a

Reference: Exhibit 1.6

70. FedEx's tracking system is an example of:

- a. business process reengineering.
- b. a strategic system.
- c. a business alliance.
- d. continuous improvement efforts.

Answer: b

Reference: Organizational Responses

71. A corporate portal is used to support:

- a. collaborative customer relationship management.
- b. operational customer relationship management
- c. analytical customer relationship management.
- d. reductions in time-to-market.

Answer: a

Reference: Organizational Responses

72. Ford, General Motors, and other firms in the automotive industry have jointly created an e-marketplace. This is an example of:

- a. business process reengineering.
- b. a strategic system.
- c. a business alliance.
- d. continuous improvement efforts.

Answer: c

Reference: Organizational Responses

Essay Questions

73. Define Electronic Commerce from the following perspectives:

- a) From a communications perspective.
- b) From a business process perspective.
- c) From a service perspective.
- d) From an online perspective.

Answer:

- a) EC is the delivery of goods, services, information, or payments over computer networks or by other electronic means.
- b) EC is the application of technology toward the automation of business transactions and work flow.
- c) EC is a tool that addresses the desire of firms, consumers, and management to cut service costs while improving the quality of customer service and increasing the speed of service delivery.
- d) EC provides the capability of buying and selling products and information on the Internet and other online services.

Reference: Electronic Commerce Definitions and Concepts

74. Give an example, either real or created, of pure e-commerce.

Answer:

Answers will vary. In all correct answers, the product, its delivery, payment, and transfer must all be digital.

Reference: Pure Versus Partial EC

75. List and describe four EC business models.

Answer:

Four from the following list:

1. Name Your Price – Customer sets the price he/she is willing to pay. EC company seeks a company that is willing to sell the product or service at this price.
2. Find the Best Price – Customer specifies needs, then an EC intermediary matches the needs against a database, locates the lowest price, and submits the information to the customer.
3. Affiliate Marketing – An arrangement whereby a marketing partner refers consumers to the selling company's Web site for a fee.
4. Group Purchasing – EC company aggregates orders from small to moderate sized companies in order to exploit quantity purchasing discounts.
5. Electronic Tendering – Large organizational buyers issue needs via a reverse auction hosted by an EC intermediary, which then solicits bids from potential suppliers.
6. Online Auctions – Online shoppers make consecutive bids through an EC intermediary and the intermediary awards the product to the highest bidder.
7. Product and Service Customization – EC intermediaries create a product or service matching the specifications of each buyer.
8. Electronic Marketplace or Exchange – EC intermediaries bring together potential buyers and sellers via the Internet.
9. Supply Chain Improvers – EC intermediaries who improve the speed and efficiency of existing supply chain relationships.
10. Online Direct Marketing – A manufacturer or retailer sells directly to consumers via the Internet.
11. Viral Marketing – Online marketers use the Internet to spread word-of-mouth information about products or services.

Reference: Typical Business Models in EC

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76. List three benefits of EC to society, individuals, and organizations.

Answer:

Three of the following:

1. More individuals work and shop at home, thus reducing traffic and gasoline consumption.
2. Some merchandise can be sold at lower prices, allowing less affluent customers to buy.
3. Public service prices are reduced and quality is improved.
4. EC expands marketplaces beyond geographic boundaries.
5. EC promotes interactivity between companies, customers, and business partners.
6. EC increases the number of product choices for consumers.
7. Consumers have access to more information before making purchases.
8. EC increases competition, which results in lower prices for consumers.
9. Customized products and services increase consumer satisfaction.

Reference: Benefits and Limitations of EC

77. List four nontechnological limitations of EC.

Answer:

Four of the following:

1. Consumers are more concerned about security and privacy issues.
2. Consumers do not trust a merchant they can't see or speak with.
3. Consumers like to touch products before buying.
4. Government regulations and standards interfere with some aspects of electronic commerce.
5. EC doesn't have enough critical mass to succeed in some industries.
6. Many legal issues in online business remain unresolved.
7. It is difficult to measure the benefits of EC, and so there is a lack of mature methodology.
8. Consumers do not fully trust paperless transactions.

Reference: Exhibit 1.5 – Limitations of Electronic Commerce

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