

## Chapter 16

### Launching a Successful Online Business

#### True-False Questions

1. The first step in starting any kind of business is usually identifying an unmet consumer or business need.

**Answer:** T

**Reference:** Business Formation

2. Successful business plans should address both strategic and operational issues.

**Answer:** T

**Reference:** E-Business Planning

3. Due to the unique characteristics of doing business online, e-business plans must be totally different from plans for traditional businesses.

**Answer:** F

**Reference:** E-Business Planning

4. The primary difference between e-business plans and traditional business plans is that the entrepreneur must recognize the uniqueness of the Internet as a sales channel.

**Answer:** T

**Reference:** E-Business Planning

5. An existing brick-and-mortar business seeking to move online needs to develop a brand new business plan.

**Answer:** F

**Reference:** E-Business Planning

6. Venture capitalists usually want to invest only after a company has shown that an idea has merit and the only success factor missing is financing.

**Answer:** T

**Reference:** Funding the Online Business

7. Venture capitalists are only interested in investing in companies that will continue in existence in their present form for the foreseeable future.

**Answer:** F

**Reference:** Funding the Online Business

8. In dealing with venture capitalists, the founder of a business gives up some control of the business in exchange for the funds needed to run the business.

**Answer:** T

**Reference:** Funding the Online Business

9. A start-up e-business should build its Web site before it begins writing a business plan or lining up investors.

**Answer:** F

**Reference:** Building the Web Site

10. Self-hosting means the e-business has decided to create a stand-alone Web site.

**Answer:** T

**Reference:** Web Site Hosting

11. Speed, ease of creation, and low cost are the primary advantages of using a storebuilder service.

**Answer:** T

**Reference:** Web Hosting Options

12. Part of the standard contract with an ISP hosting service includes the development of the site.

**Answer:** F

**Reference:** Web Hosting Options

13. The primary advantage of co-hosting is it moves content development from the start-up company to a professional staff hired and maintained by the co-host.

**Answer:** F

**Reference:** Web Hosting Options

14. The principal disadvantage to self-hosting is the cost.

**Answer:** T

**Reference:** Web Hosting Options

15. Domain name assignment is under the authority of ICANN.

**Answer:** T

**Reference:** Registering a Domain Name

16. It isn't possible to register a domain name until the Web site is ready to be loaded.

**Answer:** F

**Reference:** Registering a Domain Name

17. Commodity content aggregators add value based on bringing together the content in one place rather than on the content itself.

**Answer:** T

**Reference:** Content Creation and Management

18. Content creation should begin with a careful cost benefit analysis.

**Answer:** F

**Reference:** Content Creation and Management

19. Creating effective content means not only designing content to meet business goals but also designing content which fulfills the information needs and experiential expectations of the visitor.

**Answer:** T

**Reference:** Content Creation and Management

20. Content acquired from external sources should be primary content not secondary content.

**Answer:** F

**Reference:** Buying Content

21. The content of an e-newsletter must be premium content created specifically for the newsletter.

**Answer:** F

**Reference:** Delivering Content by E-Newsletters

22. No matter how good the content was when it was written, over time, material becomes dated, irrelevant, or incorrect.

**Answer:** T

**Reference:** Content Management

23. In wide and shallow architecture, the Web page is usually wider than the browser window, but will not require the user to scroll down.

**Answer:** F

**Reference:** Information Architecture

24. The purpose of the homepage is not to sell products or the business, but to sell the Web site

**Answer:** T

**Reference:** Information Architecture

25. Although deep linking through a browser may bring surfers to a page within the site, sites should be designed to make it easy for a surfer to find the homepage.

**Answer:** T

**Reference:** Information Architecture

26. Either a single large and complex graphic or a series of small graphics can cause Web sites to load slowly.

**Answer:** T

**Reference:** Performance

27. Look and feel are the physical characteristics that distinguish one Web site from another.

**Answer:** T

**Reference:** Consistency

28. "E-mail Us" is more effective than writing out a complete e-mail address on contact pages.

**Answer:** F

**Reference:** Consistency

29. If customers have to wait longer than 12 seconds for a Web site to load, they are likely to leave the site.

**Answer:** T

**Reference:** Performance

30. The four-second rule says a Web site should finish loading in a customer's browser in four seconds or the customer will probably leave the site.

**Answer:** F

**Reference:** Performance

31. The ALT tag allows Web content designers to create alternative views of a Web page based on the specific viewing desires of a customer.

**Answer:** T

**Reference:** Colors and Graphics

32. Quality assurance in Web site design is a highly technical function that should be left to technical specialists.

**Answer:** F

**Reference:** Quality Assurance

33. In contracting for Web site construction, it is better to use an hourly contract because the requirements and expectations for a Web site often change as the project progresses.

**Answer:** F

**Reference:** Managing Web Site Construction

34. Internal Web site promotion involves making sure your Web site becomes an important resource to users which they will return to often.

**Answer:** T

**Reference:** Internal Web Site Promotion

35. Using meta tags is a form of spam.

**Answer:** F

**Reference:** Search Engine Optimization

36. Online businesses should seek to optimize reciprocal linking by entering into reciprocal link arrangements with every company that will enter such an arrangement.

**Answer:** F

**Reference:** Search Engine Optimization

37. Link farms provide a valuable source of leads for reciprocal link arrangements.

**Answer:** F

**Reference:** Search Engine Optimization

38. Even though the major search engines would eventually find your site, you should go ahead and register so that their spiders will visit your site more quickly.

**Answer:** T

**Reference:** Search Engine Optimization

39. CRM seeks to create long-term and sustainable customer relationships.

**Answer:** T

**Reference:** Customer Relationship Management

40. Customer service representatives should always look for new questions to add to the FAQ page.

**Answer:** T

**Reference:** Customer Self-Service through a FAQ Page

## Multiple Choice Questions

41. The principle reason for writing a business plan is:

- a. to provide strategic direction to employees.
- b. to provide an operational framework for the business.
- c. to acquire funding.
- d. to help the founders remember what they are trying to accomplish.

**Answer:** c

**Reference:** E-business Planning

42. The most important difference between an e-business plan and a traditional business plan is the entrepreneur must:

- a. understand that traditional rules do not apply when doing business on the Internet.
- b. understand that the Internet is a unique sales channel.
- c. understand all aspects of the technology required to implement the plan.
- d. develop a plan that spans at least twenty years.

**Answer:** b

**Reference:** E-Business Planning

43. Money invested in a business by an individual or a group of individuals in exchange for equity in the business is called:

- a. operating capital.
- b. venture capital.
- c. advance funding.
- d. start-up funding.

**Answer:** b

**Reference:** Funding the Online Business

44. A wealthy individual who invests funds and expertise in a new business at the very beginning is called a(n):

- a. venture capitalist.
- b. banker.
- c. angel investor.
- d. financial marketer.

**Answer:** c

**Reference:** Funding the Online Business

45. A Web site that does little more than provide information about the business and its products and services is called a(n):
- a. interactive site.
  - b. transactional site.
  - c. attractor.
  - d. informational site.

**Answer:** d

**Reference:** Classification of Web Sites

46. A Web site that provides opportunities for the customers and the business to communicate and share information is called a(n):
- a. interactive site.
  - b. transactional site.
  - c. attractor.
  - d. informational site.

**Answer:** a

**Reference:** Classification of Web Sites

47. A Web site that provides features that attract and interact with site visitors such as games, puzzles, and giveaways is called a(n):
- a. interactive site.
  - b. transactional site.
  - c. attractor.
  - d. informational site.

**Answer:** c

**Reference:** Classification of Web Sites

48. A Web site that sells products or services is called a(n):
- a. interactive site.
  - b. transactional site.
  - c. attractor.
  - d. informational site.

**Answer:** b

**Reference:** Classification of Web Sites

49. Deciding where a Web site will be located on the Internet is part of the selection of:
- a. a Web host.
  - b. a domain name.
  - c. content.
  - d. a Web design format.

**Answer:** a

**Reference:** Building the Web Site

50. Web content may include any or all of the following **EXCEPT**:

- a. video.
- b. text.
- c. audio.
- d. the domain name.

**Answer:** d

**Reference:** Building the Web Site

51. An exact duplicate of the original Web site physically located on a Web server on another continent:

- a. is called a mirror site.
- b. is a standard service of ISP hosting companies.
- c. is a standard service of storebuilder service companies.
- d. is a standard component of self-hosting.

**Answer:** a

**Reference:** Web Hosting Options

52. The Web hosting option under which the business acquires the hardware, software, staff, and dedicated telecommunications services needed to host a Web site is called:

- a. using a storebuilder.
- b. ISP hosting.
- c. self-hosting.
- d. mirror hosting.

**Answer:** c

**Reference:** Web Hosting Options

53. The name-based address that identifies an Internet-connected server is called the:

- a. domain name.
- b. ISP address.
- c. URL name.
- d. host name.

**Answer:** a

**Reference:** Registering a Domain Name

54. Information that is widely available and generally free to access on the Web is called:

- a. premium content.
- b. local content.
- c. commodity content.
- d. free content.

**Answer:** c

**Reference:** Content Creation and Management

55. Content not available anywhere else on the Web is called:

- a. premium content.
- b. local content.
- c. commodity content.
- d. free content.

**Answer:** a

**Reference:** Content Creation and Management

56. Using secondary content to similar or related products or services is called:

- a. promotion.
- b. cross selling.
- c. up selling.
- d. comment.

**Answer:** b

**Reference:** Content Creation and Management

57. Creating content which offers upgraded or more expensive versions of the product is called:

- a. promotion.
- b. cross selling.
- c. up selling.
- d. comment.

**Answer:** c

**Reference:** Content Creation and Management

58. Secondary content which offers a coupon, rebate, or special service is called:

- a. promotion.
- b. cross selling.
- c. up selling.
- d. comment.

**Answer:** a

**Reference:** Content Creation and Management

59. Reviews, testimonials, expert advice, or further explanation about the product are called:

- a. promotion.
- b. cross selling.
- c. up selling.
- d. comment.

**Answer:** d

**Reference:** Content Creation and Management



60. How a site and its Web pages are organized, labeled, and navigated to support browsing and searching is called:

- a. the Web template.
- b. the Web format.
- c. information architecture.
- d. Web design.

Answer: c

Reference: Information Architecture

61. The width of a Web site is based upon:

- a. the number of columns that will fit on a Web page.
- b. the number of links at the second level of the Web site.
- c. the number of links from the home page to the lowest level in the Web site.
- d. the number of people who will view the home page in a twenty-four hour period.

Answer: b

Reference: Information Architecture

62. The page that welcomes a visitor and introduces the site is called the:

- a. homepage.
- b. transaction page.
- c. help page.
- d. content page.

Answer: a

Reference: Information Architecture

63. A page that assists visitors in using or navigating through the site is called a:

- a. homepage.
- b. transaction page.
- c. help page.
- d. content page.

Answer: c

Reference: Information Architecture

64. A page that leads customers through the purchase process is called a:

- a. homepage.
- b. transaction page.
- c. help page.
- d. content page.

Answer: b

Reference: Information Architecture

65. Pages that deliver information about products and services at all stages of the purchase process, from information search to post-purchase service and evaluation are called:
- a. homepages.
  - b. transaction pages.
  - c. help pages.
  - d. content pages.

**Answer:** d

**Reference:** Information Architecture

66. Studies show that a customer should be able to reach the homepage from anywhere in the site:
- a. with no more than three clicks.
  - b. in ten minutes or less.
  - c. with a single click.
  - d. without clicking.

**Answer:** c

**Reference:** Information Architecture

67. Visitors should be able to find what they are looking for in a Web site:
- a. with no more than three clicks from the homepage.
  - b. in ten minutes or less.
  - c. with a single click from the homepage.
  - d. without clicking.

**Answer:** a

**Reference:** Information Architecture

68. The concept of consistency in Web site design includes:
- a. making sure all visitors consistently find what they are looking for.
  - b. making sure Web pages look the same no matter which browser a customer is using.
  - c. making sure customers are treated consistently when they contact customer service.
  - d. making sure the messages sent to customers who contact the company are consistent.

**Answer:** b

**Reference:** Consistency

69. All of the following are advantages of building Web sites internally **EXCEPT**:
- a. it allows the company to protect proprietary technology.
  - b. it allows the company to exert greater control on the process and the resulting site.
  - c. it allows the company to use in-house expertise.
  - d. it provides the fastest speed to market.

**Answer:** d

**Reference:** Who Builds the Web Site?

70. Banks are more selective about who gets an account for accepting credit cards online because:

- a. CNP transactions are less secure.
- b. fees are higher for online processing.
- c. dot com failures have made banks less willing to work with online companies.
- d. online transactions do not produce much revenue for banks.

**Answer:** a

**Reference:** Accepting Credit Cards

71. In addition to providing an easy mechanism for buying books, the Amazon.com Web site is easily searchable by book title and author. It also has book reviews and suggests titles based on previous purchase activity. These enhancements make the Amazon site a favorite for readers. This is an example of:

- a. internal Web site promotion.
- b. search engine optimization.
- c. using a meta tag.
- d. CNP.

**Answer:** a

**Reference:** Web Site Promotion

72. An HTML element that describes the content of a Web page is called a(n):

- a. page title.
- b. meta tag.
- c. ALT tag.
- d. keyword.

**Answer:** b

**Reference:** Search Engine Optimization

73. All of the following are important strategies for search engine optimization **EXCEPT**:

- a. use specific phrases, not general keywords.
- b. use meta tags.
- c. spam the search engines.
- d. include keywords in ALT tags.

**Answer:** c

**Reference:** Search Engine Optimization

74. A group of people who share a common interest and who communicate with each other via e-mail messages managed by e-mail list software is called a(n):

- a. chat group.
- b. electronic discussion forum.
- c. e-mail discussion list.
- d. community list.

**Answer:** c

**Reference:** Listening to Customers

75. A portion of the Web site where visitors can post questions, comments, and answers is called a(n):
- a. chat group.
  - b. electronic discussion forum.
  - c. e-mail discussion list.
  - d. community list.

**Answer:** b

**Reference:** Listening to Customers

76. A portion of the Web site where visitors can communicate synchronously is called a(n):
- a. chat group.
  - b. electronic discussion forum.
  - c. e-mail discussion list.
  - d. community list.

**Answer:** a

**Reference:** Listening to Customers

77. All of the following are effective FAQ page characteristics **EXCEPT**:
- a. they should be updated as the company becomes aware of new customer questions.
  - b. they should load quickly.
  - c. answers should be self-contained so there is no need to contact the company.
  - d. they should be easy to find.

**Answer:** c

**Reference:** Customer Self-Service through a FAQ Page

### Essay Questions

78. What are the three generic steps in forming a business?

**Answer:**

1. Find an unmet consumer or business need.
2. Evaluate the opportunity presented.
3. Determine the business owner's ability to meet the need.

**Reference:** Business Formation

79. What are the upsides and downsides of venture capital from the perspective of the start-up company and the venture capitalist?

**Answer:** From the perspective of the start-up company, venture capital offers the opportunity to set up and run the business as the founders intended. The downside is venture capitalists demand some control in exchange for funds. From the perspective of the venture capitalist, a successful venture will produce substantial returns when it is sold or merged into a larger firm. The downside is that many new businesses never produce the returns needed for sell off or merger.

**Reference:** Funding the Online Business

80. List the six steps in the process of building a Web site.

**Answer:**

1. Select a Web host.
2. Register a domain name.
3. Create and manage content.
4. Design the site.
5. Construct and test the site.
6. Market and promote the site.

**Reference:** Building the Web Site

81. Explain the components of content management.

**Answer:** Content management is the process of collecting, publishing, revising, and removing content from a Web site to keep content fresh, accurate, compelling, and credible. The first step is to test content regularly to make sure it is working properly. No matter how good content might be, it will eventually become obsolete. This is why content removal is crucial to maintaining a good site.

**Reference:** Content Management

82. List four suggestions for Web site design which will support browsing and searching.

**Answer:** Four of the following:

1. Obey the three-click rule.
2. Put the most important information near the top of the page.
3. Keep pages short.
4. Keep the layout simple.
5. Do not create barriers.
6. Follow design principles from the printed page.
7. Make primary content easy to find.
8. Show the product in many ways.

**Reference:** Information Architecture