Chapter 15
E-Commerce Strategy and Global EC

True-False Questions

1. Strategies should include actions that will significantly change the current position of a company, thus shaping its future.

   Answer: T **Reference**: Organizational Strategy: Concepts and Overview

2. E-strategies are strategic plans for new companies that will do business exclusively online.

   Answer: F **Reference**: Organizational Strategy: Concepts and Overview

3. The process of developing a strategy is more important than the strategies developed.

   Answer: T **Reference**: The Strategic Planning Process

4. Strategy development can follow the same process no matter which industry is involved or what kind of strategy is needed.

   Answer: F **Reference**: The Strategic Planning Process

5. Resource allocation is the primary issue during the salary initiation process.

   Answer: F **Reference**: Strategy Initiation

6. Core competency is the unique combination of resources and experiences of a particular firm.

   Answer: T **Reference**: Strategy Initiation

7. Industry analysis involves a review of conditions in all industries within an economy at a given point in time.

   Answer: F **Reference:** Strategy Initiation

8. The company's value proposition is the list of benefits a company's products or services provide to customers or the consumer need that is being fulfilled.

   Answer: T **Reference:** Strategy Initiation

9. Competitor analysis is concerned exclusively with current competitors.

   Answer: F **Reference:** Strategy Initiation

10. Strategy formulation should be based on the results of strategy initiation.

    Answer: T **Reference:** Strategy Formulation

11. Cost-benefit analysis must include not only a review of costs and benefits to the company, but also how a proposed project fits in the current mission and strategies of the company.

    Answer: T **Reference:** Strategy Formulation

12. Cost-benefit analysis is concerned exclusively with financial costs and financial benefits.

    Answer: F **Reference:** Strategy Formulation

13. Resource allocation is concerned exclusively with how the firm uses its financial resources.

    Answer: F **Reference**: Strategy Implementation

14. The key question in strategy implementation shifts from "what should we do?" to "how should we do it?"

    Answer: T **Reference**: Strategy Implementation

15. Business planning deals with how to get from where we are today to where we want to be.

    Answer: T **Reference**: Strategy Implementation

16. As soon as strategy implementation is complete, strategy formation should begin.

    Answer: F **Reference**: Strategy Assessment

17. The results of strategy assessment should be used to start the planning process over again.

    Answer: T **Reference**: Strategy Assessment

18. SWOT analysis is concerned with the firm's strengths, weaknesses, organizational resources, and tools.

    Answer: F **Reference**: Strategic Planning Tools

19. In scenario analysis, planners sit with a blank sheet of paper and try to develop scenarios about how the future might look.

    Answer: F **Reference**: Strategic Planning Tools

20. Because ROI is a financial tool, all costs and benefits must be in terms of money.

    Answer: T **Reference**: Strategic Planning Tools

21. In traditional business, there was a direct trade-off between reach and richness.

    Answer: T **Reference**: The E-Difference

22. In e-business, the traditional trade-off between reach and richness is intensified.

    Answer: F **Reference**: The E-Difference

23. Amazon.com is an example of a move-to-the-Net company.

    Answer: F **Reference**: The Organizational Difference

24. E-history has proven that it is the first-mover who usually succeeds in e-commerce.

    Answer: F **Reference**: Issues in E-Strategy Initiation

25. Because companies have limited resources, the "let a thousand flowers bloom" approach to selecting opportunities is often not successful.

    Answer: T **Reference**: Selecting EC Opportunities

26. In a market-driven strategic approach, a company waits to see how competitors react to the market and react accordingly.

    Answer: T **Reference**: Selecting EC Opportunities

27. Classic portfolio strategy calls for balancing investments with different characteristics

    Answer: T **Reference**: Determining an Appropriate EC Portfolio

28. EC initiatives should enhance a company's ability to generate revenues and reduce costs, thereby increasing competitiveness and profits.

    Answer: T **Reference**: Making a Business Case

29. Due to the nature of e-commerce, EC projects should not be subjected to cost-benefit analysis.

    Answer: F **Reference**: Cost-Benefit Analysis

30. While most of the costs of an EC initiative can be identified or estimated, many of the benefits of EC are intangible.

    Answer: T **Reference**: Cost-Benefit Analysis

31. EC risk is the likelihood that a negative outcome will occur in the course of developing and operating an e-commerce strategy.

    Answer: T **Reference**: Risk Analysis and Management

32. Risk analysis includes developing a strategy to eliminate all risks to the success of the company.

    Answer: F **Reference**: Risk Analysis and Management

33. Data security is the greatest risk to the success of EC strategies.

    Answer: F **Reference**: Risk Analysis and Management

34. Risk management involves developing strategies that reduce the threats posed by a risk.

    Answer: T **Reference**: Risk Analysis and Management

35. Transition risk looks at the risk that customers will not move with you as you transition to e-commerce.

    Answer: T **Reference**: Risk Analysis and Management

36. Using the competitor model for pricing strategy involves looking at what competitors are charging for similar products in deciding what your price should be.

    Answer: T **Reference**: Pricing Strategy

37. Versioning is selling the same basic product in many different forms with only minor, cosmetic changes.

    Answer: F **Reference**: Pricing Strategy

38. In a virtual corporation, business partners share costs and resources in producing a product.

    Answer: T **Reference**: Virtual Corporations

39. Currently, differences in international laws and regulations in EC are major barriers to going global.

    Answer: T **Reference**: Administrative Issues

40. For SMEs, the most successful product strategies have been niche or specialty items.

    Answer: T **Reference**: Critical Success Factors for SMEs

Multiple Choice Questions

41. A broad-based formula for how a business is going to compete, what its goals should be, and what plans and policies will be needed to carry out those goals is called a:

    a. value proposition.
    b. transformation plan.
    c. core business plan.
    d. strategy.

    Answer: d **Reference**: Organizational Strategy: Concepts and Overview

42. Projections of the business technological, political, economic, and other environments are called:

    a. forecasts.
    b. strategy formulations.
    c. company analyses.
    d. strategic planning.

    Answer: a **Reference**: Strategy Initiation

43. The unique combination of resources and experiences within a particular firm is called:

    a. corporate strategy.
    b. core competencies.
    c. functional strategies.
    d. strategic innovation.

    Answer: b **Reference**: Strategy Initiation

44. All of the following are elements of a strategy **EXCEPT:**

    a. company analysis.
    b. competitor analysis.
    c. day-to-day operations.
    d. forecasts.

    Answer: c **Reference**: Strategy Initiation

45. The first phase in the development of an EC strategy is:

    a. strategy formulation.
    b. strategy implementation.
    c. strategy assessment.
    d. strategy initiation.

    Answer: d **Reference**: Strategy Initiation

46. The development of strategies to exploit opportunities and manage threats occurs in:

    a. strategy formulation.
    b. strategy implementation.
    c. strategy assessment.
    d. strategy initiation.

    Answer: a **Reference**: Strategy Formulation

47. A company moves from the question of "what to do" to "how to do it" in:

    a. strategy formulation.
    b. strategy implementation.
    c. strategy assessment.
    d. strategy initiation.

    Answer: b **Reference**: Strategy Implementation

48. Developing a plan to move a company from where it is to where it wants to go happens in:

    a. cost benefit analysis.
    b. resource allocation.
    c. business planning.
    d. project management.

    Answer: c **Reference**: Strategy Implementation

49. The continuous evaluation of progress toward an organization's goals is called:

    a. strategy formulation.
    b. strategy implementation.
    c. strategy assessment.
    d. strategy initiation.

    Answer: c **Reference**: Strategy Assessment

50. An analytical tool in which a company looks for points of differentiation between competitors and itself is called:

    a. SWOT analysis.
    b. scenario planning.
    c. strategy canvas.
    d. competitor analysis grid.

    Answer: d **Reference**: Exhibit 15.2: Strategic Planning Tools

51. An analytical tool in which a company plots a strategic profile based on competitive factors is called:

    a. SWOT analysis.
    b. scenario planning.
    c. strategy canvas.
    d. competitor analysis grid.

    Answer: c **Reference**: Exhibit 15.2: Strategic Planning Tools

52. A tool used to generate and prepare for alternative futures is called:

    a. SWOT analysis.
    b. scenario planning.
    c. strategy canvas.
    d. competitor analysis grid.

    Answer: b **Reference**: Exhibit 15.2: Strategic Planning Tools

53. A planning tool used to compare projects on potential market growth and market share to determine the best projects to adopt, sell, redesign, or abandon is called:

    a. SWOT analysis.
    b. scenario planning.
    c. a strategy canvas.
    d. the BCG growth-share matrix.

    Answer: d **Reference**: Exhibit 15.2: Strategic Planning Tools

54. A planned effort to accomplish a specific effort of defined scope, resources, and duration is called:

    a. project management.
    b. scenario planning.
    c. a strategy canvas.
    d. the BCG growth share matrix.

    Answer: a **Reference**: Exhibit 15.2: Strategic Planning Tools

55. The redesign of an enterprise's processes to accommodate a new application is called:

    a. project management.
    b. scenario planning.
    c. business process reengineering.
    d. the BCG growth share matrix.

    Answer: c **Reference**: Exhibit 15.2: Strategic Planning Tools

56. In e-commerce, the relationship between reach and richness is:

    a. either reach or richness is possible.
    b. e-commerce lends itself to increased reach only.
    c. both reach and richness are possible.
    d. e-commerce lends itself to increased richness only.

    Answer: c **Reference**: The E-Difference

57. In the strategy initiation phase, a company prepares information about all of the following **EXCEPT:**

    a. the company itself.
    b. competitors.
    c. strategic options.
    d. the environment.

    Answer: c **Reference**: E-Strategy Initiation

58. All of the following are liabilities for born-on-the-Net companies **EXCEPT:**

    a. executives tend to be focused on short-term results.
    b. first movers tend to fail and only followers succeed.
    c. customers have quality questions because there is no company history.
    d. knowledge and partnerships must be built from scratch.

    Answer: a **Reference**: Exhibit 15.3

59. In e-commerce, the first mover vs. follower strategy has shown:

    a. only first movers tend to be successful.
    b. first movers tend to fail and only followers succeed.
    c. neither first movers nor followers succeed.
    d. both strategies have been successful in individual situations.

    Answer: d **Reference**: Issues in E-Strategy Initiation

60. The strategy of developing a separate online company for implementing EC strategy makes sense in all of the following situations **EXCEPT:**

    a. the volume anticipated for the e-business is large.
    b. existing products will be sold to the same customer base using EC as a separate marketing strategy.
    c. a subsidiary can be created without depending on existing current operations and legacy systems.
    d. a new business model is needed.

    Answer: b **Reference**: Have a Separate Online Company?

61. The company follows the crowd toward the next "big thing" is selecting EC opportunities based on:

    a. trend surfing.
    b. ROI.
    c. long-term market potential.
    d. competitor analysis.

    Answer: a Reference: Selecting EC Opportunities

62. BCG's portfolio analysis tool is based upon:

    a. market size and market penetration.
    b. ROI and business potential.
    c. market potential and ROI.
    d. market growth and market size.

    Answer: d **Reference**: Determining an Appropriate EC Application Portfolio

63. The Internet Portfolio Map looks at:

    a. viability and company fit.
    b. ROI and business potential.
    c. technology requirements and market size.
    d. market growth and market size.

    Answer: a **Reference**: Exhibit 15.4

64. The likelihood that a negative outcome will occur in the course of developing and operating an e-commerce strategy is called:

    a. business risk.
    b. environmental risk.
    c. EC risk.
    d. IT risk.

    Answer: c **Reference**: Risk Analysis and Management

65. The risk that a strategy intended to introduce competitive advantage have negative, unanticipated consequences is considered a:

a. competitive risk.
b. transition risk.
c. customer-induced risk.
d. business partner risk.

Answer: a **Reference**: Risk Analysis and Management

66. The risk that an EC strategy will negatively impact existing customers or business processes is considered a:

a. competitive risk.
b. transition risk.
c. customer-induced risk.
d. business partner risk.

Answer: b **Reference**: Risk Analysis and Management

67. Risks associated with customer relationship management in e-commerce is considered a:

a. competitive risk.
b. transition risk.
c. customer-induced risk.
d. business partner risk.

Answer: c **Reference**: Risk Analysis and Management

68. Risks associated with increasing dependence on partnerships is considered a:

a. competitive risk.
b. transition risk.
c. customer-induced risk.
d. business partner risk.

Answer: d **Reference**: Risk Analysis and Management

69. The goal of risk management is:

a. the elimination of all risks.
b. the elimination of all threats.
c. the reduction of threats from risks.
d. the reduction of risks from threats.

Answer: c **Reference**: Risk Analysis and Management

70. Online pricing strategies are impacted by all of the following factors **EXCEPT:**

a. costs are higher online.
b. price comparison is easy.
c. online and off-line products are priced differently.
d. differentiated pricing is possible.

Answer: a **Reference**: Pricing Strategy

71. Determining the highest price that has little or no impact of purchase behavior is the pricing strategy known as:

a. price differentiation.
b. precision.
c. adaptability.
d. segmentation.

Answer: b **Reference**: Exhibit 15.5: Three Strategies for Smarter Pricing on the Internet

72. Changing prices frequently in response to market conditions, inventory levels, or competitor pricing is the pricing strategy known as:

a. price differentiation.
b. precision.
c. adaptability.
d. segmentation.

Answer: c **Reference**: Exhibit 15.5: Three Strategies for Smarter Pricing on the Internet

73. Dividing customers into different categories and offering different prices based on customer segments is the pricing strategy known as:

a. competitive pricing.
b. precision.
c. adaptability.
d. segmentation.

Answer: d **Reference**: Exhibit 15.5: Three Strategies for Smarter Pricing on the Internet

74. The person who ensures that an EC project gets the time, attention, and resources required, as well as defends the project from detractors at all times is the:

a. president.
b. Web master.
c. VP of IT.
d. project champion.

Answer: d **Reference**: Creating a Web Team

75. An outsourcer that sells access to software applications is called a(n):

a. Web sourcer.
b. content developer.
c. application service provider.
d. Internet Service Provider.

Answer: c **Reference**: Partners' Strategy

76. The highest level of business partnering in strategy implementation is the formation of a(n):

a. subsidiary.
b. virtual corporation.
c. SBU.
d. e-partnership.

Answer: b **Reference**: Virtual Corporations

77. The critical success factor for VCs is the need for superb:

a. collaboration.
b. financing.
c. marketing.
d. technology.

Answer: a **Reference**: Virtual Corporations

78. All of the following are objectives for strategic assessment **EXCEPT:**

a. Measure the extent to which the EC strategy and ensuing projects are delivering what they were supposed to deliver.
b. Determine if the EC strategy and projects are still viable in the current environment.
c. Determine what new strategies should be implemented to address the current environment.
d. Reassess the initial strategy in order to learn from mistakes and improve future planning.

Answer: c **Reference**: The Objectives of Assessment

79. Studies have shown the top three factors for successful B2B e-commerce include all of the following EXCEPT:

    a. the readiness of trading partners.
    b. the success of the online marketing program.
    c. information integration inside the company and in the supply chain.
    d. the completeness of the application.

    Answer: a **Reference**: Reasons for Success

80. All of the following are critical success factors in e-commerce for SMEs **EXCEPT:**

    a. product.
    b. payment systems must be flexible.
    c. the company must be a first-mover.
    d. inventory control.

    Answer: c **Reference**: Critical Success Factors for SMEs

Essay Questions

81. List and define the steps in the strategic planning process.

Answer:
1. Strategy Initiation – The company looks at itself and its environment.
2. Strategy Formulation – Develop strategies to exploit opportunities and manage risk.
3. Strategy Implementation – Develop short-term plans to make the strategies happen.
4. Strategy Assessment – Continuous evaluation process.

Reference: The Strategic Planning Process

82. What are four areas an e-strategy must take into account compared with traditional strategies?

Answer:
1. Both reach and richness are possible.
2. Barriers to entry are reduced.
3. Virtual partnerships are easily accomplished.
4. There are many market niches available.

Reference: The E-Difference

83. List two assets and two liabilities of move-to-the-Net companies.

Answer: Two of the following assets:
1. A customer base and much customer knowledge is available.
2. Years of market knowledge are available within the company.
3. An established brand and reputation already exist.
4. Financial resources are already in place.

Two of the following liabilities:
1. Executives tend to be focused on short-term returns.
2. Layers of management make quick responses difficult.
3. Legacy information systems can make changes difficult.
4. The company may be rigid and satisfied with the way things are.

Reference: Exhibit 15.3

84. List three factors that determine whether a first-mover strategy will fail or succeed.

Answer:
1. The company must be big enough for the opportunity, and the opportunity must be big enough for the company.
2. The product should be simple enough that online vs. off-line offerings are hard to distinguish.
3. The first-mover must fight to remain the best.

Reference: Be a First Mover or a Follower?

85. List four barriers to global EC.

Answer: Four of the following:
1. Government regulations vary from country to country.
2. Some nations lack the necessary EC infrastructure, which limits market access.
3. Pricing is difficult across national boundaries, made more complex by currency exchange issues.
4. International companies must be able to conduct business in several languages.
5. Content may have different meanings in different countries, driving localization.
6. Cultural implications are often difficult to understand.

Reference: Barriers to Global EC