

Electronic Commerce 2010 (Turban / Lee / King / Liang / Turban)
Chapter 1 Overview of Electronic Commerce

1.1 True/False

1) Radio frequency identification (RFID) chips were used to prevent counterfeit tickets and to ensure the safety of the athletes' food at the 2008 Olympics in Beijing.

Answer: TRUE

Diff: 2 Page Ref: 2

AACSB Standard: Use of Information Technology

2) Electronic commerce (EC) is the process of buying, selling, transferring, or exchanging products, services, and/or information via the Internet only.

Answer: FALSE

Diff: 2 Page Ref: 4

AACSB Standard: Use of Information Technology

3) EC can be conducted over the public Internet or privately-owned intranets.

Answer: TRUE

Diff: 1 Page Ref: 4

4) In the field, a sales representative writes notes with a mobile handwriting-recognition computer immediately after a sales call. This can be viewed as an business-to-business EC activity.

Answer: FALSE

Diff: 2 Page Ref: 5

AACSB Standard: Reflective Thinking

5) From a service perspective, EC allow governments, firms, consumers, and management to both cut service costs and improve the quality and speed of customer service.

Answer: TRUE

Diff: 2 Page Ref: 5

AACSB Standard: Use of Information Technology

6) An extranet is a network that uses private corporate networks to link together multiple intranets.

Answer: FALSE

Diff: 2 Page Ref: 7

7) An example of business-to-consumer (B2C) is when Dell provides customer service online by collaborating electronically with its partners.

Answer: FALSE

Diff: 2 Page Ref: 7

8) *eMarketer* estimated that retail e-commerce sales would decrease approximately 1.6 percent in 2009.

Answer: FALSE

Diff: 2 Page Ref: 7

9) Network infrastructures include cell phones and other electronic devices that are located in various locations by telecommunications networks, including wireless ones.

Answer: TRUE

Diff: 2 Page Ref: 8

AACSB Standard: Use of Information Technology

10) The final participants in B2B transactions are consumers.

Answer: FALSE

Diff: 1 Page Ref: 9

11) When RetroMedia Inc. purchases Godiva chocolates as gifts for its employees and has Godiva mail them directly to the recipient, RetroMedia is engaged in B2B2C.

Answer: TRUE

Diff: 2 Page Ref: 9, 10

12) Doing your banking on an iPhone is an example of m-commerce.

Answer: TRUE

Diff: 2 Page Ref: 11

AACSB Standard: Use of Information Technology

13) EC's future is now being shaped largely by the worldwide oil and financial crises.

Answer: FALSE

Diff: 3 Page Ref: 13

AACSB Standard: Reflective Thinking

14) Despite the failures of individual companies, the total volume of EC has been growing by 5 to 7 percent every year.

Answer: FALSE

Diff: 2 Page Ref: 13

15) E-commerce 2.0 is based primarily on blogs and corporate-sponsored collaboration.

Answer: FALSE

Diff: 1 Page Ref: 13

16) In effect, in a social network there are online and offline communities of people with similar interests.

Answer: FALSE

Diff: 2 Page Ref: 17

17) Enterprise-oriented networks are social networks whose primary objective is to facilitate business.

Answer: TRUE

Diff: 1 Page Ref: 17

18) Economic, legal, societal, and technological factors have created a highly competitive business environment in which customers are becoming less powerful.

Answer: FALSE

Diff: 2 Page Ref: 27

19) The financial/economic crisis of 2008-2009 has resulted in many companies going out of business or being acquired by other companies.

Answer: TRUE

Diff: 1 Page Ref: 27

20) Business models are a subset of a business plan or business case and refer to methods of doing business by which a company can generate revenue.

Answer: TRUE

Diff: 2 Page Ref: 30

21) A business model outlines how the organization or the EC project will generate revenue through sales, transaction fees, advertising fees, affiliate fees, or other revenue sources.

Answer: FALSE

Diff: 2 Page Ref: 30

22) A value proposition refers to the tangible and intangible benefits that a company can derive from using EC—making it an important part of the marketing plan.

Answer: TRUE

Diff: 2 Page Ref: 33

23) Affiliate marketing is an EC business model of word-of-mouth marketing in which customers promote a product or service to friends or other people.

Answer: FALSE

Diff: 2 Page Ref: 34

24) The Web site <http://chemconnect.com> for the chemical industry is an example of special interest vertical marketplaces that concentrate on one industry.

Answer: TRUE

Diff: 1 Page Ref: 34

25) The branch of philosophy that deals with what is considered to be right and wrong is known as corporate governance.

Answer: FALSE

Diff: 1 Page Ref: 34

1.2 Multiple Choice

1) The 2008 Olympics in Beijing was the most digital Olympics to date for each of the following reasons except:

- A) Many of the tickets were purchased online by people worldwide, using *Beijing Gehue Ticketmaster*, in what is called business-to-business (B2B) e-commerce.
- B) The International Olympic Committee launched a YouTube channel to broadcast clips that were accessible in many developing countries.
- C) Millions watched the Olympics through online videos and Internet-enabled cell phones and other mobile devices.
- D) Global Positioning Systems (GPS) were used to track the position of sailing and rowing boats.

Answer: A

Diff: 3 Page Ref: 2

AACSB Standard: Use of Information Technology

2) RFID technology was used to support each of the following activities at the 2008 Beijing Olympics except:

- A) ensuring safety of athletes' food
- B) blogging on social networks
- C) preventing the sale of counterfeit tickets
- D) tracking marathon runners

Answer: B

Diff: 2 Page Ref: 2,3

AACSB Standard: Use of Information Technology

3) _____ refers to the buying and selling of goods and services; servicing of customers; collaborating with business partners; and conducting electronic transactions within an organization.

- A) E-commerce
- B) E-business
- C) Pure e-commerce
- D) Partial e-commerce

Answer: B

Diff: 1 Page Ref: 5

4) EC can take several forms depending on the degree of digitization of the following three dimensions:

- A) the product or service sold, the process, and the delivery method.
- B) the business process, the collaboration, and the transaction.
- C) the payment method, the delivery method, and the production method.
- D) the marketing channel, the agent, and the collaboration method.

Answer: A

Diff: 2 Page Ref: 5

5) Purely physical companies are referred to as _____ companies, whereas companies that are engaged only in EC are considered _____ companies.

- A) pure play; virtual
- B) brick-and-mortar; virtual
- C) click-and-mortar; click-and-brick
- D) virtual; pure play

Answer: B

Diff: 2 Page Ref: 5

6) What is a corporate or government network that uses Internet tools, such as Web browsers, and Internet protocols?

- A) social network
- B) extranet
- C) intranet
- D) e-market

Answer: C

Diff: 2 Page Ref: 7

7) The ways in which EC is done include:

- A) the Internet and extranets.
- B) the Internet and private networks.
- C) the Internet, extranets, and private networks.
- D) the Internet, intranets, extranets, and via cell phones.

Answer: D

Diff: 2 Page Ref: 8

AACSB Standard: Use of Information Technology

8) EC applications are supported by infrastructures and by each of the following support areas except:

- A) people
- B) public policy
- C) marketing and advertisement
- D) mobile devices

Answer: D

Diff: 2 Page Ref: 8

9) A business, such as Apple, doing online transactions with its trading partners is an example of _____.

- A) B2B
- B) B2C
- C) e-CRM
- D) EDI

Answer: A

Diff: 1 Page Ref: 9

AACSB Standard: Use of Information Technology

10) Intrabusiness EC is usually performed over intranets and/or _____.

- A) corporate portals
- B) mobile networks
- C) exchanges
- D) P2P networks

Answer: A

Diff: 2 Page Ref: 9

11) A job opening in the Sales Department is posted on the company's intranet by the Human Resources Department. This is an example of _____.

- A) E2C
- B) B2S
- C) B2B
- D) B2E

Answer: D

Diff: 2 Page Ref: 9

12) Boeing designing a product together with one of its business partners is an example of this type of interaction.

- A) collaborative commerce
- B) nonbusiness EC
- C) B2B2C
- D) B2B2C

Answer: A

Diff: 2 Page Ref: 10

13) _____ are systems where only routine transaction processing and information flow take place between two or more organizations using a standard protocol, such as electronic data interchange (EDI).

- A) E-CRM
- B) Interorganizational information systems
- C) Intrabusiness EC
- D) B2B

Answer: B

Diff: 3 Page Ref: 11

14) A corporation uses the Internal Revenue Service's Web site to learn how to pay its estimated quarterly income taxes. This is an example of _____.

- A) G2G
- B) G2B
- C) G2C
- D) E2E

Answer: B

Diff: 2 Page Ref: 11

15) A technology that is used to electronically transfer routine documents, such as invoices and purchase orders, and for financial transactions is _____.

- A) electronic funds transfer (EFT)
- B) exchange-to-exchange
- C) electronic data interchange (EDI)
- D) peer-to-peer

Answer: C

Diff: 2 Page Ref: 11

16) A large number of EC companies, especially e-tailing and B2B ones, failed from 1999 to 2005 for each of the following reasons except:

- A) The companies lacked financial skills.
- B) The companies failed to register with search engines, such as Google.
- C) The companies failed to ensure they had sufficient inventory and a distribution setup to meet initial demand.
- D) The companies had little marketing experience.

Answer: B

Diff: 2 Page Ref: 12

17) _____ refers to the second-generation of Internet services that let people collaborate and share information online in new ways, such as social networks and wikis.

- A) Virtual Web
- B) Media Web
- C) Web 2.0
- D) Social Web

Answer: C

Diff: 2 Page Ref: 13

18) Which of the following is not a characteristic of the Digital Revolution?

- A) many business processes expedited by up to 50 percent
- B) intelligent search agents to help manage information overload
- C) a high rate of obsolescence
- D) fraud and other cybercons carried out via the Internet

Answer: A

Diff: 3 Page Ref: 21

19) Many companies employ a(n) _____, which is a gateway for customers, employees, and partners to reach corporate information and to communicate with the company.

- A) corporate portal
- B) intranet
- C) extranet
- D) social network

Answer: A

Diff: 1 Page Ref: 21

20) The digital enterprise shifts the focus from managing individual information resources such as devices, applications, and data to _____ that define the business and ultimately deliver value to customers and end users.

- A) developing models
- B) orchestrating the services and workflows
- C) organizing supply chains
- D) transforming revenue models

Answer: B

Diff: 3 Page Ref: 21

21) Because the rate of change and the level of uncertainty in the marketplace are expected to accelerate, organizations are:

- A) unable to react quickly enough to threats and opportunities.
- B) operating under increasing pressures to produce more products, faster, and with fewer resources.
- C) making fewer decisions and/or decisions less frequently.
- D) considering less information when making decisions.

Answer: B

Diff: 2 Page Ref: 27

22) According to the Business Environment and Performance Impact Model, _____ provide support to organizations' activities and to actual performance, countering business pressures.

- A) EC and IT
- B) missions and strategies
- C) core competencies and critical response activities
- D) markets and government

Answer: A

Diff: 2 Page Ref: 28

AACSB Standard: Reflective Thinking

23) A _____ is a series of activities that a company performs to achieve its goals, such as making a profit, at various stages of the production process.

- A) marketing strategy
- B) business model
- C) value chain
- D) business plan

Answer: B

Diff: 1 Page Ref: 30

24) According to the _____ revenue model, customers pay a fixed amount, usually monthly, to receive some type of service.

- A) subscription fees
- B) transaction fees
- C) advertising fees
- D) affiliate fees

Answer: A

Diff: 2 Page Ref: 31

25) According to the _____ revenue model, companies receive commissions for referring customers to others' EC Web sites.

- A) advertising fees
- B) subscription fees
- C) affiliate fees
- D) transaction fees

Answer: C

Diff: 2 Page Ref: 31

26) Large private organizational buyers and government agencies make large-volume or large-value purchases through _____, also known as reverse auctions.

- A) electronic tendering systems
- B) online direct marketing
- C) name-your-own-price models
- D) viral marketing

Answer: A

Diff: 2 Page Ref: 33

27) According to the _____ model, an organization can increase brand awareness or even generate sales by Web-based word-of-mouth marketing or promoting a product or service to other people.

- A) electronic tendering systems
- B) online direct marketing
- C) name-your-own-price
- D) viral marketing

Answer: D

Diff: 2 Page Ref: 34

28) Major barriers to EC include all of the following except:

- A) cost
- B) lack of potential customers
- C) implementation difficulties
- D) lack of technology

Answer: D

Diff: 2 Page Ref: 34

29) Benefits of EC to organizations include each of the following except:

- A) cost reduction
- B) information security
- C) supply chain improvements
- D) efficient procurement

Answer: B

Diff: 2 Page Ref: 35

30) All of the following are benefits of EC to society except:

- A) more public services
- B) closing the digital divide
- C) fewer permits and less tax
- D) improve homeland security

Answer: C

Diff: 3 Page Ref: 35

AACSB Standard: Reflective Thinking

31) Which of the following is not one of the benefits that EC provides to consumers?

- A) global reach
- B) instant delivery
- C) enable telecommuting
- D) ubiquity

Answer: A

Diff: 2 Page Ref: 35

32) Which of the following is a technological limitation of EC?

- A) security and privacy concerns that deter customers from buying
- B) difficulty obtaining venture capital
- C) order fulfillment requirements of large-scale B2C
- D) unresolved taxation, public policy, and legal issues

Answer: C

Diff: 3 Page Ref: 36

33) All of the following are non-technological limitations of EC except:

- A) Software development tools are still evolving.
- B) Lack of trust in EC and in unknown sellers hinders buying.
- C) People do not yet sufficiently trust paperless, faceless transactions.
- D) Online fraud is increasing.

Answer: A

Diff: 3 Page Ref: 36

34) Which is not one of the EC trends?

- A) EC topics have been integrated into all functional fields.
- B) EC is penetrating more and more business areas, services, and governments.
- C) EC applications frequently cross departmental and organizational boundaries.
- D) National and international government regulations of EC have been resolved.

Answer: D

Diff: 2 Page Ref: 36

35) The success of the entrepreneurial company JetPens was due to keeping costs low by each of the following methods except:

- A) using open source free software
- B) advertising via e-mail
- C) giving away free samples via social networks
- D) using smart key words to rank high with search engines

Answer: C

Diff: 3 Page Ref: 37

AACSB Standard: Use of Information Technology

1.3 Fill in the Blank

1) _____ is the process of buying, selling, or exchanging products, services, or information via computer networks.

Answer: Electronic commerce

Diff: 1 Page Ref: 4

2) _____ refers to a broad range of business activities that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization.

Answer: E-business

Diff: 1 Page Ref: 5

3) _____ are organizations that conduct their business activities solely online.

Answer: Virtual (pure-play) organizations

Diff: 2 Page Ref: 6

4) _____ are organizations that conduct some EC activities, usually as an additional marketing channel.

Answer: Click-and-mortar (or click-and-brick) organizations

Diff: 1 Page Ref: 6

5) EC can be conducted in a(n) _____ where buyers and sellers meet online to exchange goods, services, money, or information.

Answer: electronic market (e-marketplace)

Diff: 2 Page Ref: 6

6) A(n) _____ is a corporate or government network that uses Internet tools, such as Web browsers, and Internet protocols.

Answer: intranet

Diff: 2 Page Ref: 7

7) A(n) _____ is a network that uses the Internet to link multiple intranets.

Answer: extranet

Diff: 2 Page Ref: 7

8) An EC model in which all of the participants are either businesses or other organizations is _____ e-commerce.

Answer: business-to-business (B2B)

Diff: 1 Page Ref: 8

9) _____ is an EC model in which businesses sell to individual shoppers.

Answer: Business-to-consumer (B2C)

Diff: 1 Page Ref: 9

10) _____ is an EC model in which a business provides some product or service to a client business that maintains its own customers.

Answer: Business-to-business-to-consumer (B2B2C)

Diff: 2 Page Ref: 9

11) _____ is an e-commerce category that includes all internal organizational activities that involve the exchange of goods, services, or information among various units and individuals in an organization.

Answer: Intrabusiness EC

Diff: 2 Page Ref: 9

12) _____ is an EC model in which individuals or groups communicate online.

Answer: Collaborative commerce (C-commerce)

Diff: 2 Page Ref: 10

13) With _____, funds are routed electronically from one organization to another.

Answer: EFT (electronic funds transfer)

Diff: 2 Page Ref: 11

14) _____ is an EC model in which EC transactions and activities are conducted in a wireless environment.

Answer: Mobile commerce (M-commerce)

Diff: 1 Page Ref: 11

15) Since 2001, no other company has had more of an impact on EC than _____.

Answer: Google

Diff: 2 Page Ref: 12

16) The term _____ was coined by O'Reilly Media in 2004 to refer to a supposed second generation of Internet-based services that let people collaborate and share information online in new ways, such as social networking and wikis.

Answer: Web 2.0

Diff: 2 Page Ref: 13

17) A _____ is a gateway through which employees, business partners, and the public can enter a corporate Web site.

Answer: corporate portal

Diff: 2 Page Ref: 21

18) _____ chips are tiny tags that can be implanted into humans or attached to products for tracking and identification purposes.

Answer: Radio frequency identification (RFID)

Diff: 3 Page Ref: 24

19) _____ is the rapid production of customized products or services at a reasonable cost for a large number of customers.

Answer: Mass customization

Diff: 2 Page Ref: 29

20) A(n) _____ is a method of doing business by which a company can generate revenue to sustain itself.

Answer: business model

Diff: 2 Page Ref: 30

21) A(n) _____ is a description of how a company or an EC project will generate revenue.

Answer: revenue model

Diff: 1 Page Ref: 31

22) A(n) _____ refers to the benefits, including the intangible, nonquantitative ones, that a company can derive from using EC.

Answer: value proposition

Diff: 3 Page Ref: 31

23) Companies receive commissions called _____ for referring customers to others' Web sites.

Answer: affiliate fees

Diff: 3 Page Ref: 31

24) A way to create value is through _____, which involve bundling some goods and services together to provide more value than from offering them separately.

Answer: complementarities

Diff: 3 Page Ref: 33

25) The branch of philosophy that deals with what is considered to be right and wrong is called _____.

Answer: Ethics

Diff: 1 Page Ref: 34

1.4 Essay

1) List and briefly explain three of the five ES support EC areas.

Answer:

People. Sellers, buyers, intermediaries, information systems specialists, other employees, and any other participants comprise an important support area.

Public policy. Legal and other policy and regulatory issues, such as privacy protection and taxation, technical standards, and compliance with the regulations.

Marketing and advertisement. These are important in B2C online transactions because the buyers and sellers usually do not know each other.

Support services. Many services are needed including content creation, payment methods, customer service, and order fulfillment.

Business partnerships. Joint ventures, exchanges, and business partnerships of various types are needed for success in EC.

Diff: 3 Page Ref: 7

2) List and briefly discuss three of the five common classifications of EC by the nature of the transaction.

Answer:

Business-to-Business (B2B). All of the participants in B2B are either businesses or other organizations.

Business-to-Consumer (B2C). B2C includes retail transactions of products or services from businesses to individual shoppers.

Business-to-Business-to-Consumer (B2B2C). In B2B2C, a business provides some product or service to a client business. The client business maintains its own customers.

Consumer-to-Business (C2B). In C2B, individuals use the Internet to sell products or services to organizations and individuals who seek sellers to bid on products or services.

Intrabusiness EC. All internal EC organizational activities that involve the exchange of goods, services, or information among various units and individuals in that organization.

Diff: 2 Page Ref: 9

3) Define enterprise social networks. How can companies use Web 2.0 tools to offer customers more ways to engage and interact on their Web sites?

Answer: Enterprise social networks are social networks that facilitate business.

Using Web 2.0 tools, a company can:

- Encourage consumers to rate and comment on products.
 - Allow consumers to create their own topic areas and build communities (forums) around shared interests possibly related to company's products.
 - Hire bloggers or staff editors who can lead more company-formatted essays and discussions that allow, but are not driven by, customer comments.
 - Provide incentives such as sweepstakes and contests for customers to get involved in new product (service) design and marketing campaigns.
 - Encourage user-made videos about products/services and offer prizes for video ads.
- Provide interesting stories in e-newsletters.

Diff: 3 Page Ref: 18

4) Identify two of the three categories of major business pressures and two main type of business pressures in each category.

Answer:

Market and economic pressures: Strong competition, global economy, regional trade agreements, very low labor costs in other countries, increased power of consumers.

Societal pressures: Changing nature of the workforce; government deregulation, compliance, shrinking government subsidiaries; increased ethical, social, and legal responsibilities.

Technological pressures: Emerging innovations and new technologies; rapid technological obsolescence; information overload; rapid decline in technology costs to labor costs.

Diff: 2 Page Ref: 29

5) Define revenue model and identify four major revenue models.

Answer: A revenue model describes how the organization or the EC project will generate revenue.

Major revenue models are:

- Sales. Companies generate revenue from selling merchandise or services over their Web sites.
- Transaction fees. A company receives a commission based on the volume of transactions made, or transaction fees can be levied per transaction.
- Subscription fees. Customers pay a fixed amount, usually monthly, to get some type of service.
- Advertising fees. Companies charge others for allowing them to place a banner on their sites.
- Affiliate fees. Companies receive commissions for referring customers to others' Web sites.

Diff: 3 Page Ref: 31