

***E-Commerce 2014, 10e (Laudon/Traver)***  
**Chapter 1 The Revolution Continues**

1) Retail e-commerce is expected to continue growing at double-digit growth rates in 2013-2014.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

2) Over 50% of the world's population is now online.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

3) E-business involves commercial transactions involving an exchange of value across organizational boundaries.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

4) Ubiquity decreases cognitive energy outlays.

Answer: TRUE

Difficulty: Moderate

AACSB: Analytical thinking

5) The fact that e-commerce is conducted on the basis of universal standards decreases market entry costs for merchants.

Answer: TRUE

Difficulty: Difficult

AACSB: Application of knowledge

6) Price transparency refers to the ability of merchants to segment the market into groups willing to pay different prices.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

7) Cost transparency refers to the ability of consumers to discover the actual costs merchants pay for products.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

8) Customization involves changing a delivered product or service based upon a consumer's preferences or past purchasing behavior.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

9) Web 2.0 describes a set of applications and technologies that encourage and rely on user- and consumer-generated interactivity and content.

Answer: TRUE

Difficulty: Easy

AACSB: Information technology

10) Social e-commerce is the largest type of e-commerce.

Answer: FALSE

Difficulty: Easy

AACSB: Application of knowledge

11) E-commerce as we know it today would not exist without the Internet.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

12) The emergence of entrepreneurial social and local firms is one of the hallmarks of the Consolidation period of e-commerce.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

13) The Reinvention period of e-commerce is as much a sociological phenomenon as it is a technological or business phenomenon.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

14) As economists had envisioned, prices of products sold on the Web are consistently lower than elsewhere, and the online marketplace is characterized by decreasing price dispersion.

Answer: FALSE

Difficulty: Difficult

AACSB: Application of knowledge

15) The future of e-commerce will include an increase in regulatory activity both in the United States and worldwide.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

16) Which of the following statements about e-commerce in the United States in 2013 is *not* true?

- A) Mobile e-commerce generates more revenue than social e-commerce.
- B) Approximately 155 million Americans are expected to make at least one purchase online.
- C) The amount of data that the average American consumes continues to increase.
- D) Growth rates for B2C e-commerce are higher in the United States than in Europe.

Answer: D

Difficulty: Difficult

AACSB: Application of knowledge

17) In 2013, roughly \_\_\_\_\_ million people in the United States access the Internet via tablets.

- A) 23
- B) 43
- C) 123
- D) 143

Answer: C

Difficulty: Difficult

AACSB: Information technology

18) Which of the following is *not* a major business trend in e-commerce in 2013-2014?

- A) Social e-commerce continues to grow.
- B) Small businesses and entrepreneurs are hampered by the rising cost of market entry caused by increased presence of industry giants.
- C) Facebook grows to more than 1.1 billion users.
- D) Social and mobile advertising begins to challenge search engine marketing.

Answer: B

Difficulty: Difficult

AACSB: Application of knowledge

19) All of the following are major technology trends in e-commerce in 2013-2014 *except*:

- A) cloud computing enables the creation of "big data."
- B) apps create a new platform for online marketing and commerce.
- C) the mobile computing platform begins to rival the PC platform.
- D) real-time advertising becomes a reality with gains in computing power and speeds.

Answer: A

Difficulty: Moderate

AACSB: Information technology

20) E-commerce can be defined as:

- A) the use of the Internet, the Web, and mobile apps to transact business.
- B) the use of any Internet technologies in a firm's daily activities.
- C) the digital enablement of transactions and processes within an organization.
- D) any digitally enabled transactions among individuals and organizations.

Answer: A

Difficulty: Easy

AACSB: Application of knowledge

21) Which of the following is *not* a unique feature of e-commerce technology?

- A) interactivity
- B) social technology
- C) global broadcasting
- D) richness

Answer: C

Difficulty: Moderate

AACSB: Information technology

22) The integration of video, audio, and text marketing messages into a single marketing message and consuming experience is an example of which of the following?

- A) richness
- B) ubiquity
- C) information density
- D) personalization

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

23) Which of the following qualities is *least* likely to decrease a consumer's search costs?

- A) ubiquity
- B) global reach
- C) information density
- D) richness

Answer: D

Difficulty: Difficult

AACSB: Analytical thinking

24) Which of the following is the best definition of transaction cost?

- A) the cost of changing prices
- B) the cost of participating in a market
- C) the cost of finding suitable products
- D) the cost merchants pay to bring their goods to market

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

25) In 2013, the world's online population was roughly:

- A) 250 million.
- B) 2.5 billion.
- C) 25 billion.
- D) 250 billion.

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

26) Which of the following is *not* one of the current major social trends in e-commerce in 2013-2014?

- A) Concerns about online privacy decline.
- B) Controversy over content regulation and controls continues.
- C) E-books gain wide acceptance.
- D) Internet security continues to decline.

Answer: A

Difficulty: Difficult

AACSB: Application of knowledge

27) Network externalities are related to which of the following features of e-commerce technology?

- A) richness
- B) interactivity
- C) universal standards
- D) information density

Answer: C

Difficulty: Difficult

AACSB: Application of knowledge

28) E-commerce technologies have changed the traditional tradeoff between the richness and reach of a marketing message. Prior to the development of the Web:

- A) marketing messages had little richness.
- B) the smaller the audience reached, the less rich the message.
- C) the larger the audience reached, the less rich the message.
- D) richness equaled reach.

Answer: C

Difficulty: Moderate

AACSB: Information technology

29) Which of the following is *not* an example of a social network?

- A) Wikipedia
- B) Twitter
- C) Pinterest
- D) Tumblr

Answer: A

Difficulty: Easy

AACSB: Application of knowledge

30) All of the following are major business trends in e-commerce in 2013-2014 *except* for:

- A) the growth of a new app-based online economy.
- B) the expansion of the localization of e-commerce.
- C) the emergence of a new social e-commerce platform.
- D) the eclipse of search engine marketing by the mobile advertising platform.

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

31) Which type of e-commerce is distinguished by the type of technology used in the transaction rather than by the nature of the market relationship?

- A) consumer-to-consumer (C2C)
- B) social e-commerce
- C) mobile e-commerce
- D) business-to-business (B2B)

Answer: C

Difficulty: Moderate

AACSB: Information technology

32) Which of the following is a mobile photo-sharing application?

- A) WordPress
- B) Tumblr
- C) Wikipedia
- D) Instagram

Answer: D

Difficulty: Easy

AACSB: Information technology

33) Which of the following describes the basic Web policy of large firms during the Invention period?

- A) Integrate social networking and mobile platform with Web site marketing.
- B) Use the Web to connect with suppliers.
- C) Include additional channels to market products.
- D) Maintain a basic, static Web site.

Answer: D

Difficulty: Moderate

AACSB: Analytical thinking

34) The size of the B2B market in 2013 is estimated to be around:

- A) \$470 million.
- B) \$4.7 billion.
- C) \$470 billion.
- D) \$4.7 trillion.

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

35) Interactivity in the context of e-commerce can be described as the:

- A) ability to physically touch and manipulate a product.
- B) complexity and content of a message.
- C) ability of consumers to create and distribute content.
- D) enabling of two-way communication between consumer and merchant.

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

36) Which of the following statements about the Web is *not* true?

- A) It is the technology upon which the Internet is based.
- B) It was developed in the early 1990s.
- C) It provides access to pages written in HTML.
- D) It provides access to Web pages that incorporate graphics, sound, and multimedia.

Answer: A

Difficulty: Difficult

AACSB: Application of knowledge

37) In 2013, there were an estimated \_\_\_\_\_ Internet hosts.

- A) 1 million
- B) 10 million
- C) 100 million
- D) 1 billion

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

38) All of the following can be considered a precursor to e-commerce *except*:

- A) DNS.
- B) Baxter Healthcare's remote order entry system.
- C) the French Minitel.
- D) Electronic Data Interchange.

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

39) In the B2C arena, \_\_\_\_\_ was the first truly large-scale digitally enabled transaction system.

- A) Telex
- B) the Baxter Healthcare system
- C) the French Minitel
- D) EDI

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

40) E-commerce can be said to have begun in:

- A) 1983.
- B) 1985.
- C) 1995.
- D) 2001.

Answer: C

Difficulty: Easy

AACSB: Application of knowledge

41) Business-to-consumer (B2C) e-commerce in the United States:

- A) has grown at double-digit rates between 2010 and 2013.
- B) is expected to account for about \$40 billion in total sales in 2013.
- C) constitutes over 30% of the overall U.S. retail market.
- D) is growing more slowly as it confronts its own fundamental limitations.

Answer: A

Difficulty: Difficult

AACSB: Application of knowledge

42) Which of the following is *not* true about the use of apps?

- A) The average U.S. consumer spends about 2 hours a day using apps.
- B) Users spend more time using apps than they do using desktops or mobile Web sites.
- C) Apps are easier to control and monetize than Web sites.
- D) Google can use Web crawlers to index apps.

Answer: D

Difficulty: Difficult

AACSB: Application of knowledge

43) All of the following are issues facing Pinterest *except*:

- A) copyright infringement.
- B) inability to attract users.
- C) competition.
- D) spam.

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

44) Which of the following is a characteristic of e-commerce during the Invention period?

- A) mobile technology
- B) earnings and profit emphasis
- C) disintermediation
- D) extensive government surveillance

Answer: C

Difficulty: Difficult

AACSB: Application of knowledge

45) All of the following are characteristics of Web 2.0 sites and applications *except*:

- A) they are inherently highly interactive.
- B) they rely on mobile access to the Web.
- C) they tend to rely on user-generated content.
- D) they present marketers with extraordinary opportunities for targeted marketing and advertising.

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge



46) Which of the following is *not* a characteristic of a perfect competitive market?

- A) Price, cost, and quality information are equally distributed.
- B) A nearly infinite set of suppliers compete against one another.
- C) Customers have access to all relevant information worldwide.
- D) It is highly regulated.

Answer: D

Difficulty: Difficult

AACSB: Analytical thinking

47) All of the following were visions of e-commerce expressed during the early years of e-commerce *except*:

- A) a nearly perfect competitive market.
- B) friction-free commerce.
- C) disintermediation.
- D) fast follower advantage.

Answer: D

Difficulty: Difficult

AACSB: Analytical thinking

48) Unfair competitive advantages occur when:

- A) one competitor has an advantage others cannot purchase.
- B) market middlemen are displaced.
- C) information is equally distributed and transaction costs are low.
- D) firms are able to gather monopoly profits.

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

49) The early years of e-commerce were driven by all of the following factors *except*:

- A) an emphasis on exploiting traditional distribution channels.
- B) a huge infusion of venture capital funds.
- C) an emphasis on quickly achieving a very high market visibility.
- D) visions of profiting from new technology.

Answer: A

Difficulty: Difficult

AACSB: Analytical thinking

50) The early years of e-commerce are considered:

A) the most promising time in history for the successful implementation of first mover advantages.

B) an economist's dream come true, where for a brief time consumers had access to all relevant market information and transaction costs plummeted.

C) a stunning technological success as the Internet and the Web increased from a few thousand to billions of e-commerce transactions per year.

D) a dramatic business success as 85% of dot-coms formed since 1995 became flourishing businesses.

Answer: C

Difficulty: Difficult

AACSB: Analytical thinking

51) Which of the following best describes the early years of e-commerce?

A) They were a technological success but a mixed business success.

B) They were a technological success but a business failure.

C) They were a technological failure but a business success.

D) They were a mixed technological and business success.

Answer: A

Difficulty: Difficult

AACSB: Analytical thinking

52) The early years of e-commerce were driven by all of the following factors *except*:

A) an emphasis on exploiting traditional distribution channels.

B) a huge infusion of venture capital funds.

C) an emphasis on quickly achieving a very high market visibility.

D) visions of profiting from new technology.

Answer: A

Difficulty: Difficult

AACSB: Analytical thinking

53) Which of the following is a characteristic of the Reinvention phase of e-commerce?

A) massive proliferation of dot-com start-ups

B) widespread adoption of broadband networks

C) rapid growth of search engine advertising

D) widespread adoption of consumer mobile devices

Answer: D

Difficulty: Difficult

AACSB: Analytical thinking

54) Which of the following is a characteristic of the Consolidation phase of e-commerce?

A) predominance of pure online strategies

B) emphasis on revenue growth versus profits

C) first mover advantages

D) shift to a business-driven approach

Answer: D

Difficulty: Difficult

AACSB: Analytical thinking

- 55) Which of the following is *not* true regarding e-commerce today?
- A) Economists' visions of a friction-free market have not been realized.
  - B) Consumers are less price-sensitive than expected.
  - C) There remains considerable persistent price dispersion.
  - D) The market middlemen disappeared.

Answer: D

Difficulty: Difficult

AACSB: Analytical thinking

- 56) Which of the following statements is *not* true?
- A) Information asymmetries are continually being introduced by merchants and marketers.
  - B) Intermediaries have not disappeared.
  - C) Overall transaction costs have dropped dramatically.
  - D) Brands remain very important in e-commerce.

Answer: C

Difficulty: Difficult

AACSB: Analytical thinking

- 57) Which of the following types of merchants has the highest share of retail online sales?
- A) virtual (Web only)
  - B) catalog/call center
  - C) retail chain
  - D) consumer brand manufacturer

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

- 58) Retail chains account for around \_\_\_\_\_ % of online retail firm revenues.
- A) 15
  - B) 35
  - C) 75
  - D) 95

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

- 59) One of the predictions for the future of e-commerce is that:
- A) overall revenues from e-commerce will grow at an annualized rate of about 14% a year through 2017.
  - B) the first movers from the early years of e-commerce will retain or increase their market share as they continue to exploit economies of scale and switching costs.
  - C) prices will lower enough to encourage more consumers to engage in online shopping.
  - D) the number of online shoppers will continue to grow at double-digit rates.

Answer: A

Difficulty: Difficult

AACSB: Application of knowledge

60) Which of the following is the top-selling online retail category?

- A) apparel/accessories
- B) computers/electronics
- C) mass merchant/department stores
- D) office supplies

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

61) Which of the following is the top online retailer ranked by online sales?

- A) Apple
- B) Amazon
- C) Staples
- D) Walmart

Answer: B

Difficulty: Easy

AACSB: Application of knowledge

62) Above all, e-commerce is a \_\_\_\_\_ phenomenon.

- A) technology-driven
- B) finance-driven
- C) sociological
- D) government-driven

Answer: A

Difficulty: Moderate

AACSB: Information technology

63) Which business application is associated with the technological development of local area networks and client/server computing?

- A) transaction automation (e.g., payroll)
- B) desktop automation (e.g., word processing)
- C) industrial system automation (e.g., supply chain management)
- D) workgroup automation (e.g., document sharing)

Answer: D

Difficulty: Difficult

AACSB: Information technology

64) Which of the following is one of the three primary societal issues related to e-commerce?

- A) liability
- B) anonymity
- C) equity
- D) individual privacy

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

65) Which of the following statements is *not* true?

- A) No one academic perspective dominates research about e-commerce.
- B) Information systems researchers take a purely technical approach to e-commerce.
- C) There are two primary approaches to e-commerce: behavioral and technical.
- D) Management scientists are interested in e-commerce as an opportunity to study how business firms can exploit the Internet to achieve more efficient business operations.

Answer: B

Difficulty: Difficult

AACSB: Analytical thinking

66) The costs incurred by merchants in having to change product prices (such as the costs of reentering prices into computer systems) are referred to as \_\_\_\_\_ costs.

Answer: menu

Difficulty: Moderate

AACSB: Application of knowledge

67) \_\_\_\_\_ refers to any disparity in relevant market information among parties in a transaction.

Answer: Information asymmetry

Difficulty: Moderate

AACSB: Reflective thinking

68) A(n) \_\_\_\_\_ extends the marketplace beyond traditional boundaries.

Answer: marketplace

Difficulty: Easy

AACSB: Application of knowledge

69) The total number of users or customers an e-commerce business can obtain is a measure of its \_\_\_\_\_.

Answer: reach

Difficulty: Moderate

AACSB: Application of knowledge

70) \_\_\_\_\_ refers to the complexity and content of a message.

Answer: Richness

Difficulty: Moderate

AACSB: Application of knowledge

71) The targeting of marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases is called \_\_\_\_\_.

Answer: personalization

Difficulty: Moderate

AACSB: Application of knowledge

72) The \_\_\_\_\_ was the original "killer app" that made the Internet commercially interesting and extraordinarily serviceable.

Answer: World Wide Web, Web

Difficulty: Moderate

AACSB: Application of knowledge

73) E-commerce is available just about everywhere and anytime. This is known as \_\_\_\_\_.

Answer: ubiquity

Difficulty: Moderate

AACSB: Application of knowledge

74) \_\_\_\_\_ refers to the displacement of market middlemen.

Answer: Disintermediation

Difficulty: Moderate

AACSB: Application of knowledge

75) In \_\_\_\_\_ commerce, information is equally distributed, transaction costs are low, prices can be dynamically adjusted to reflect actual demand, intermediaries decline, and unfair competitive advantages are eliminated.

Answer: friction-free

Difficulty: Difficult

AACSB: Application of knowledge

76) A(n) \_\_\_\_\_ occurs when everyone in a group receives value because all participants use the same tool or product.

Answer: network effect

Difficulty: Moderate

AACSB: Application of knowledge

77) A firm that is first to market in a particular area and that moves quickly to gather market share is referred to as a(n) \_\_\_\_\_.

Answer: first mover

Difficulty: Moderate

AACSB: Application of knowledge

78) The first evolutionary phase of e-commerce, from 1995 to 2000, characterized as technology-driven and ungoverned, was a period of \_\_\_\_\_.

Answer: innovation, invention

Difficulty: Moderate

AACSB: Application of knowledge

79) An economist is most likely to be interested in a(n) \_\_\_\_\_, rather than technical, approach to studying e-commerce.

Answer: behavioral

Difficulty: Moderate

AACSB: Application of knowledge

80) \_\_\_\_\_ is the world's largest online consumer-generated video posting site.

Answer: YouTube, YouTube.com

Difficulty: Easy

AACSB: Application of knowledge

81) Define the terms *e-business* and *e-commerce* and explain the difference. What is the key factor in determining if a transaction is "commerce"?

Answer: E-business refers primarily to digitally enabled transactions within a firm, involving information systems under the control of the firm. E-business does not include commercial transactions in which an exchange of value across organizational boundaries takes place. E-commerce, on the other hand, is a revenue-generating operation. The key factor in determining if a transaction is commerce, therefore, is "exchange of value." In order to be e-commerce, a transaction must include the direct production of revenue.

Difficulty: Easy

AACSB: Analytical thinking; Written and oral communication

82) Identify the eight unique features of e-commerce technology and explain how these features set e-commerce apart from more traditional ways of conducting commercial transactions.

Answer: The eight unique features of e-commerce technology are ubiquity, global reach, universal standards, richness, interactivity, information density, personalization/customization, and social technology. The fact that e-commerce is available nearly everywhere, at any time, (ubiquity) extends the marketplace beyond traditional boundaries and removes it from a temporal and geographic location. A marketspace is created in which shopping can take place anywhere, enhancing consumer convenience and reducing shopping costs, whereas in traditional commerce the marketplace is a physical place you must visit in order to transact. The global reach of e-commerce means that commerce is enabled across national and cultural boundaries as never before, with potentially billions of consumers and millions of businesses worldwide included in the marketspace. Traditional commerce, by contrast, is local or regional involving local merchants or national merchants with local outlets. Universal standards (one set of technical media standards) also allow for the seamless enablement of global commerce. In contrast, most traditional commerce technologies differ from one nation to the next. In traditional markets, national sales forces and small retail stores can provide a complex and content-rich message. However, there is generally a trade-off between the richness of the message and the number of consumers who can be reached with the marketing message. In e-commerce the trade-off is no longer necessary. An information rich environment is extended globally. Unlike any other commercial technology of the twentieth century, except perhaps the telephone, e-commerce technologies are interactive, allowing for two-way communication between the seller and the consumer. E-commerce technologies reduce information collection, storage, processing, and communication costs, thereby greatly increasing the prevalence, accuracy, and timeliness of information. This information density (information that is more plentiful, cheaper, and of higher quality) sets e-commerce apart from all other traditional methods of conducting transactions. E-commerce technologies also permit the personalization and customization of marketing messages on a level that was impossible with previous commerce technologies. Marketing messages can be targeted to specific individuals based on their interests and past purchasing behavior, and the product or service can be altered to suit a customer's preferences and prior behavior. Social technology allows users to easily generate and share content and permits a many-to-many model of mass communications that is different from previous technologies. This supports the creation of new business models and products that support social network services.

Difficulty: Difficult

AACSB: Analytical thinking; Information technology; Written and oral communication



83) Has e-commerce changed the marketing of goods? If so, how?

Answer: E-commerce has greatly changed the marketing of goods. Before e-commerce was developed, the marketing and sale of goods was a mass-marketing and sales force-driven process. Marketers viewed consumers as passive targets of advertising campaigns. E-commerce has brought many new possibilities for marketing. The Internet and Web can deliver, to an audience of millions, rich marketing messages with text, video, and audio in a way not possible with traditional commerce technologies such as radio, television, or magazines. Merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases. In addition, much information about the consumer can be gathered from the Web site the consumer visits. With the increase in information density, a great deal of information about the consumer's past purchases and behavior can be stored and used by online merchants. The result is a level of personalization and customization unthinkable with existing commerce technologies.

Difficulty: Moderate

AACSB: Analytical thinking; Written and oral communication

84) What is a first mover? Why was being a first mover considered to be important during the early years of e-commerce?

Answer: First movers are firms who are first to market in a particular area and who move quickly to gather market share. First movers hoped to establish a large customer base quickly, build brand name recognition early, and inhibit competitors by building in switching costs for their customers through proprietary interface designs and features. The thinking was that once customers became accustomed to using a company's unique Web interface and feature set, they could not easily be switched to competitors. In the best case, the entrepreneurial firm would invent proprietary technologies and techniques that almost everyone adopted, creating a network effect, which occurs where all participants receive value from the fact that everyone else uses the same tool or product.

Difficulty: Moderate

AACSB: Analytical thinking; Written and oral communication

85) List and briefly explain the main types of e-commerce.

Answer: The main types of e-commerce are Business-to-Consumer (B2C), in which online businesses attempt to reach individual consumers; Business-to-Business (B2B), in which businesses focus on selling to other businesses; Consumer-to-Consumer (C2C), which provides a market in which consumers can sell goods to each other; mobile e-commerce (m-commerce), which refers to the use of wireless digital devices to enable Web transactions; social e-commerce, which is commerce enabled by social networks and online social relationships; and local e-commerce, which is e-commerce that is focused on engaging the customer based on his or her geographical location.

Difficulty: Moderate

AACSB: Analytical thinking; Written and oral communication

86) Describe the visions and forces during the early days of e-commerce in terms of what the various interest groups hoped for: the computer science and information technology people; the economists; and the entrepreneurs, venture capitalists and marketers. Explain whether what each group envisioned came to fruition and why or why not.

Answer: The computer scientists and information technologists' vision was of a universal communications and computing environment that everyone could access with inexpensive computers. Their interest was in creating a vast worldwide information collection from libraries, universities, governments, and scientific institutions that was ungoverned by any nation and free to all. They believed that the Internet, and by extension, the e-commerce that operated within the infrastructure, should be self-governed and self-regulated.

The economists envisioned a near-perfect competitive market where price, cost, and quality information are equally distributed. The marketplace would include a nearly infinite number of suppliers with equal access to hundreds of millions of customers, but where those consumers in turn would have access to all relevant market information—a hypercompetitive market. Market middlemen would disappear, resulting in lowered costs to consumers. This intensely competitive, disintermediated environment with lowered transaction costs would eliminate product brands as well as the possibility of monopoly profits based on brands, geography, or special access factors. Unfair competitive advantages and the ability to reap returns on capital that far extended a fair market rate of return would be eliminated. Their vision was called friction-free commerce.

The entrepreneurs, venture capitalists, and marketers in turn saw e-commerce as an opportunity to earn great returns on invested capital. They saw the e-commerce marketplace and technologies as a powerful method of increasing their ability to even more precisely segment the market into groups with different price sensitivities. They believed that huge profits could be garnered by firms that quickly achieved high market visibility and that these successful first movers would become the new intermediaries of e-commerce, displacing the traditional retail merchants and content suppliers.

The computer scientists' vision of an ungoverned Internet has not come to fruition as governments have increasingly sought to regulate and control the technology to ensure that positive social benefits result. The economists' vision has also for the most part not materialized for a variety of reasons. Consumers have proven to be less price sensitive than expected and the importance of brand names to consumers' perceptions of quality and service has been extended rather than decreased or eliminated. Entrepreneurs have discovered new methods for differentiating products and services. New information asymmetries are continually being introduced by marketers. Disintermediation has also not occurred as new middlemen emerged. The visions of the entrepreneurs, venture capitalists, and marketers have also largely not come to fruition as the first movers from the early years of e-commerce only rarely succeeded. The fast follower large traditional firms with the resources needed to develop mature markets are displacing most of the venture capitalist backed entrepreneurs.

Difficulty: Difficult

AACSB: Analytical thinking; Written and oral communication