Electronic Commerce 2012, 7e **(Turban)**
Chapter 1   Overview of Electronic Commerce

1.1   True/False

1) Electronic commerce is the process of buying, selling, or exchanging products, services, or information via computer.
Answer: TRUE
Diff: 1   Page Ref: 4

2) Buying an e-book from Amazon is an example of partial electronic commerce.
Answer: FALSE
Diff: 1   Page Ref: 4

3) A brick-and-mortar organization performs its primary business offline, selling physical products by means of physical agents.
Answer: TRUE
Diff: 1   Page Ref: 4

4) An extranet is a network that uses private corporate networks to link together multiple intranets.
Answer: FALSE
Diff: 2   Page Ref: 5
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5) Selling and buying electronically can be either business-to-consumer or business-to-business.
Answer: TRUE
Diff: 1   Page Ref: 6

6) Purchasing a computer from dell.com is an example of B2B commerce.
Answer: FALSE
Diff: 2   Page Ref: 6

7) Net-a-Porter buying merchandise from its designers is an example of B2B commerce.
Answer: TRUE
Diff: 2   Page Ref: 6

8) 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: 7
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9) Today, over 90 percent of EC volume is B2C.
Answer: FALSE
Diff: 2   Page Ref: 8

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10) If a company purchases Godiva chocolates as gifts for its employees and has Godiva mail them directly to the recipient, the company is engaged in B2B2C.
Answer: TRUE
Diff: 2   Page Ref: 8
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11) S-commerce refers to electronic commerce activities conducted on Facebook or influenced by the site.
Answer: FALSE
Diff: 2   Page Ref: 11

12) Despite the failures of individual companies and initiatives, the total volume of EC has been growing each year.
Answer: TRUE
Diff: 2   Page Ref: 11
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13) The first generation of EC involves social networks, virtual worlds, and online transactions.
Answer: FALSE
Diff: 1   Page Ref: 13

14) E-commerce 2.0 is based primarily on blogs and corporate-sponsored collaboration.
Answer: FALSE
Diff: 1   Page Ref: 13
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15) According to O'Reilly (2005), Web 2.0 Level 1 applications operate offline but gain features from going online.
Answer: TRUE
Diff: 3   Page Ref: 14

16) Social networking is the execution of any Web 2.0 activity, such as blogging and/or having a presence in a social network.
Answer: TRUE
Diff: 1   Page Ref: 15
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17) By definition, enterprise social networks are public.
Answer: FALSE
Diff: 2   Page Ref: 16

18) Booking tickets on Facebook without leaving the social network is an example of enterprise social commerce.
Answer: FALSE
Diff: 2   Page Ref: 16

19) Major characteristics of the digital economy include obsolescence, digitization, and wars.
Answer: TRUE
Diff: 2   Page Ref: 19

20) 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: 22
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21) The financial crisis of 2008-2010 resulted in many companies going out of business or being acquired by other companies.
Answer: TRUE
Diff: 1   Page Ref: 23
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22) Political and government is an example of a societal business pressure.
Answer: FALSE
Diff: 3   Page Ref: 24

23) Rapid technological obsolescence is an example of a technological business pressure.
Answer: TRUE
Diff: 1   Page Ref: 24

24) Responses to environmental pressures may include activities that exploit opportunities created by changing conditions.
Answer: TRUE
Diff: 2   Page Ref: 24

25) Efficient transactions, price comparisons for customers, and global reach are three major capabilities that contribute to the growth of EC.
Answer: TRUE
Diff: 1   Page Ref: 25

26) Business model refers to the series of value-adding activities that an organization performs to achieve its goals, such as making a profit, at various stages of the production process.
Answer: FALSE
Diff: 2   Page Ref: 26

27) A business model is a method of doing business by which a company can generate revenue to sustain itself.
Answer: TRUE
Diff: 2   Page Ref: 26
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28) Referencing the licensing fees revenue model, a company receives commissions for referring customers to others' websites.
Answer: FALSE
Diff: 2   Page Ref: 27

29) 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: 27

30) Value proposition refers to the benefits that a company can derive from using EC.
Answer: TRUE
Diff: 2   Page Ref: 28

31) According to Amit and Zott (2001), consolidation value involves bundling some goods and services together to provide more value than from offering them separately.
Answer: FALSE
Diff: 3   Page Ref: 28-29

32) According to Amit and Zott (2001), novelty creates value through innovative ways for structuring transactions, connecting partners, and fostering new markets.
Answer: TRUE
Diff: 2   Page Ref: 28-29

33) According to the affiliate marketing EC business model, people use e-mail and social networks for spreading word-of-mouth advertising.
Answer: FALSE
Diff: 2   Page Ref: 29
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34) Corporate governance is the branch of philosophy that deals with what is considered to be right and wrong.
Answer: FALSE
Diff: 1   Page Ref: 32
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35) External barriers to EC include security, lack of technical knowledge, and lack of time and resources.
Answer: FALSE
Diff: 2   Page Ref: 32

1.2   Multiple Choice

1) A key success factor for Net-A-Porter is the ability to
A) buy what customers want from designers.
B) provide services at a lower cost.
C) provide products to a niche market.
D) use IT for competitive advantage.
Answer: A
Diff: 3   Page Ref: 2

2) Net-A-Porter's online store is an example of
A) business-to-employees EC.
B) business-to-consumer EC.
C) business-to-business EC.
D) consumer-to-consumer EC.
Answer: B
Diff: 1   Page Ref: 3

3) A broader definition of EC 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 best defines
A) e-commerce.
B) e-business.
C) e-government.
D) e-tailing.
Answer: B
Diff: 1   Page Ref: 4
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4) Depending on the degree of digitization, EC can take several forms including
A) the ordering system, processing, and shipping 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: 3   Page Ref: 4
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5) Organizations that conduct their business activities solely online are
A) click-and-mortar organizations.
B) pure-play organizations.
C) brick-and-mortar organizations.
D) unrestricted commerce organizations.
Answer: B
Diff: 2   Page Ref: 5

6) Organizations that conduct some e-commerce activities, usually as an additional marketing channel, are
A) brick-and-mortar organizations.
B) value-added organizations.
C) pure-play organizations.
D) click-and-mortar organizations.
Answer: D
Diff: 3   Page Ref: 5

7) A corporate or government network that uses Internet tools, such as Web browsers, and Internet protocols best defines
A) social network.
B) extranet.
C) intranet.
D) e-market.
Answer: C
Diff: 2   Page Ref: 5
AACSB: Reflective thinking

8) An online marketplace where buyers and sellers meet to exchange goods, services, money, or information best defines
A) electronic marketplace.
B) farmers market.
C) digital marketplace.
D) webinar.
Answer: A
Diff: 1   Page Ref: 5

9) Referencing the Electronic Commerce Framework, marketing and advertisement is in the category of
A) electronic commerce applications.
B) infrastructure.
C) value chain.
D) support services.
Answer: D
Diff: 2   Page Ref: 7
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10) According to the Electronic Commerce Framework, direct marketing, search jobs, and online banking are
A) electronic commerce applications.
B) support services.
C) part of the EC infrastructure.
D) supply chain management activities.
Answer: A
Diff: 2   Page Ref: 7

11) When Apple conducts online transactions with its trading partners, this is an example of
A) B2B.
B) B2C.
C) e-CRM.
D) EDI.
Answer: A
Diff: 1   Page Ref: 8

12) An e-commerce model in which all the participants are businesses or other organizations describes
A) business-to-consumer.
B) business-to-business.
C) business-to-business-to-consumer.
D) consumer-to-business.
Answer: B
Diff: 2   Page Ref: 8

13) EC classifications include
A) business-to-business.
B) business-to-consumer.
C) consumer-to-business.
D) all of the above.
Answer: D
Diff: 1   Page Ref: 8

14) A business that provides some product or service to a client business that maintains its own customers best describes the E-commerce model of
A) consumer-to-business.
B) intrabusiness EC.
C) business-to-business-to-consumer.
D) business-to-business.
Answer: C
Diff: 1   Page Ref: 8

15) Selling corporate products to one's employees is an example of
A) business-to-consumer.
B) intrabusiness EC.
C) business-to-business-to-consumer.
D) collaborative commerce.
Answer: B
Diff: 3   Page Ref: 8

16) 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
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17) Boeing designing a product together with one of its business partners is an example of
A) collaborative commerce.
B) business-to-business commerce.
C) consumer-to-business commerce.
D) business-to-employees commerce.
Answer: A
Diff: 2   Page Ref: 9
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18) G2B occurs when
A) a government entity buys or provides goods, services, or information from or to individual citizens.
B) a government entity buys or provides goods, services, or information from or to businesses.
C) a government entity buys or provides goods, services, or information from or to other governments.
D) a government entity buys or provides goods, services, or information from or to nonprofit organizations.
Answer: B
Diff: 2   Page Ref: 9

19) A technology used to electronically transfer routine documents, such as invoices and purchase orders, and for financial transactions is
A) electronic funds transfer.
B) exchange-to-exchange.
C) electronic data interchange.
D) global document transfer.
Answer: C
Diff: 2   Page Ref: 10
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20) Commercial activities conducted on Facebook best describes
A) social commerce.
B) c-commerce.
C) business-to-consumer commerce.
D) f-commerce.
Answer: D
Diff: 2   Page Ref: 10

21) Reasons EC companies fail include
A) lack of financial skills.
B) little experience with marketing.
C) not ensuring they have the inventory and distribution setup to meet the fluctuating and increasing demand for their products.
D) all of the above.
Answer: D
Diff: 2   Page Ref: 11
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22) The second generation of Internet-based services that lets people collaborate and share information online in new ways, such as social networks, wikis, communication tools, and folksonomies, best describes
A) Virtual Web.
B) Media Web.
C) Web 2.0.
D) Social Web.
Answer: C
Diff: 2   Page Ref: 14
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23) According to O'Reilly (2005), which Web 2.0 level's applications exist only on the Internet, deriving their effectiveness from interhuman connections and from the network effects that Web 2.0 makes possible and growing in effectiveness as people make more use of them?
A) Level 0
B) Level 3
C) Level 1
D) Level 2
Answer: B
Diff: 3   Page Ref: 14

24) According to O'Reilly (2005), which Web 2.0 level's applications work as well offline as online?
A) Level 0
B) Level 3
C) Level 1
D) Level 2
Answer: A
Diff: 3   Page Ref: 14

25) A category of Internet applications that help connect friends, business partners, or individuals with specific interests by providing free services such as photo presentation, e-mail, blogging, and so on using a variety of tools best defines
A) social networking.
B) enterprise networks.
C) community networks.
D) intranets.
Answer: A
Diff: 2   Page Ref: 15

26) The e-commerce activities conducted in social networks and/or by using social software best describes
A) virtual commerce.
B) social commerce.
C) consumer commerce.
D) enterprise commerce.
Answer: B
Diff: 2   Page Ref: 16

27) A major gateway through which employees, business partners, and the public can enter a corporate website best defines
A) corporate portal.
B) intranet.
C) extranet.
D) social network.
Answer: A
Diff: 1   Page Ref: 20
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28) Because the pace of change and 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: 22-23
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29) According to the Business Environment and Performance Model, drivers for organizations include
A) the organization's mission.
B) problems from the business environment.
C) the organization's strategy.
D) all of the above.
Answer: D
Diff: 2   Page Ref: 23

30) Societal business pressure examples include
A) increased power of the consumer.
B) global economy.
C) compliance.
D) rapid technological obsolescence.
Answer: C
Diff: 3   Page Ref: 24

31) According to the Business Environment and Performance Impact Model, _____ provide support to organizations' activities and to the resultant 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: 24
AACSB: Reflective thinking

32) Each of the following is an essential capability that helps drive EC **except**
A) providing efficient and effective business transactions.
B) facilitating company consolidations.
C) customizing products and personalizing services.
D) sharing information and knowledge.
Answer: B
Diff: 3   Page Ref: 25-26

33) A method of doing business by which a company can generate revenue to sustain itself best defines
A) marketing strategy.
B) business model.
C) value chain.
D) business plan.
Answer: B
Diff: 1   Page Ref: 26
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34) 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: 27
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35) According to the _____ revenue model, companies receive commissions for referring customers to others' EC websites.
A) advertising fees
B) subscription fees
C) affiliate fees
D) transaction fees
Answer: C
Diff: 2   Page Ref: 27
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36) As identified by Amit and Zott (2001) which of the following **is not** one of the four sets of values that are created by e-business?
A) financial efficiency
B) search and transaction cost efficiency
C) complementarities
D) novelty
Answer: A
Diff: 3   Page Ref: 28-29

37) Large organizational buyers 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: 29
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38) 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: 29
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39) Major barriers to EC include each of the following **except**
A) competition.
B) lack of potential customers.
C) implementation difficulties.
D) lack of technology skills.
Answer: A
Diff: 3   Page Ref: 32
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40) Benefits of EC to organizations include each of the following **except**
A) cost reduction.
B) closing the digital divide.
C) supply chain improvements.
D) efficient procurement.
Answer: B
Diff: 3   Page Ref: 33

41) 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: 3   Page Ref: 33

42) Each of the following is a benefit of EC to society **except**
A) more public services.
B) closing the digital divide.
C) fewer permits and less tax.
D) improving homeland security.
Answer: C
Diff: 3   Page Ref: 33

43) 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: 34
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44) Each of the following is a non-technological limitation 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: 34

45) 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: 35

1.3   Essay

1) List and briefly discuss three of the five common classifications of EC by the nature of the
transaction.
Answer: Business-to-business, business-to-consumer, business-to-business-to-consumer,
consumer-to-business, and intrabusiness EC are the five common classifications. In the
Business-to-Business (B2B) model, all the participants in B2B are either businesses or other
organizations. The business-to-consumer (B2C) model is the model where businesses sell to
individual shoppers. In the business-to-business-to-consumer (B2B2C) model, a business
provides some product or service to a client business. The client business maintains its own
customers. In the consumer-to-business model (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 includes all internal EC organizational activities that involve the
exchange of goods, services, or information among various units and individuals in that
organization.
Diff: 3   Page Ref: 8

2) Briefly describe the three elements of the digital world.
Answer: Digital economy, digital enterprise, and digital society are the three elements of the digital world. A digital economy is an economy that is based on digital technologies, including digital communication networks, computers, software, and other related information technologies. The digital enterprise is a new business model that uses IT in a fundamental way to accomplish one or more of three basic objectives: reach and engage customers more effectively, boost employee productivity, and improve operating efficiency. As a digital society, digital applications enable people to work, shop, play, and receive medical care online.
Diff: 3   Page Ref: 18

3) Identify the three major business pressures categories. For each category, identify two main types of business pressures.
Answer: Market and economic pressures, societal pressures, and technological pressures are the three major business pressure categories. Market and economic pressure examples include strong competition; global economy; regional trade agreements; extremely low labor costs in other countries; frequent and significant changes in markets; political and government; and increased power of consumers. Examples of societal pressures include the changing nature of the workforce, government deregulation, compliance, shrinking government subsidiaries, increased importance of ethical and legal issues, increased social responsibility of organizations, rapid political changes, and terrorism. Examples of technological pressures include increasing innovations and new technologies, rapid technological obsolescence, increased information overload, and rapid decline in technology cost versus labor cost.
Diff: 3   Page Ref: 24

4) What is a revenue model? Identify four major revenue models.
Answer: A revenue model describes how the organization or the EC project will generate revenue. Major revenue models include sales, transaction fees, subscription fees, advertising fees, affiliate fees, licensing fees, and other revenue sources. The sales revenue model occurs when companies generate revenue from selling merchandise or services over their Web sites. The transaction fee revenue model occurs when the company receives a commission based on the volume of transactions made, or transaction fees can be levied per transaction. With the subscription fee revenue model, customers pay a fixed amount, usually monthly, to get some type of service. With the advertising fees model, companies charge others for allowing them to place a banner on their sites. With the affiliate fees model, companies receive commissions for referring customers to others' Web sites. The licensing fees model assesses an annual fee or a per usage fee. Other revenue sources include charging people to play games or watch sports events.
Diff: 3   Page Ref: 27

5) Identify and briefly describe five typical EC business models.
Answer: Online direct marketing, electronic tendering systems, electronic marketplaces and exchanges, viral marketing, and group purchasing are five typical EC business models. With online direct marketing, products and services are sold directly to the consumer, such as when a manufacturer sells a computer directly to the consumer. With electronic tendering systems, large organizational buyers usually make large-volume or large-value purchases through a tendering system. Electronic marketplaces enable buyers and sellers to meet and exchange goods, services, money, or information. Viral marketing occurs when people use e-mail and social networks to spread word-of-mouth advertising. Group purchasing allows individuals to come together and take advantage of large-quantity discounts.
Diff: 3   Page Ref: 29 - 30