

**TEST BANK**

# Electronic Commerce

*A Managerial Perspective*

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**Chapter 2 E-Marketplaces: Mechanisms, Tools, and Impacts of E-Commerce**

2.1 True/False

1) Eastern Mountain Sports used a successful multistep sales technique that included recommending special socks using the RSS feed.

Answer: TRUE

Diff: 2 Page Ref: 49

AACSB Standard: Use of Information Technology

2) E-procurement is the process of distributing materials and supplies.

Answer: FALSE

Diff: 1 Page Ref: 51

3) E-marketplaces have resulted in lower purchasing and transactions costs

Answer: TRUE

Diff: 1 Page Ref: 52

AACSB Standard: Reflective Thinking

4) Private, public, and consortia are three types of e-marketplaces.

Answer: TRUE

Diff: 1 Page Ref: 53

AACSB Standard: Use of Information Technology

5) Front end refers to the activities that support online order fulfillment, inventory management, purchasing from suppliers, payment processing, packaging, and delivery.

Answer: FALSE

Diff: 2 Page Ref: 54

6) In marketing, an intermediary is a third party that operates between sellers and buyers. Intermediaries of all kinds offer their services on the Web.

Answer: TRUE

Diff: 2 Page Ref: 54

7) Electronic storefronts, Internet malls, and exchanges are major B2B e-marketplaces.

Answer: FALSE

Diff: 1 Page Ref: 55

AACSB Standard: Reflective Thinking

8) A portal is an information gateway that attempts to address information overload by enabling people to search and access relevant information from disparate IT systems and the Internet, using advanced search and indexing techniques, such as Google's desktop.

Answer: TRUE

Diff: 2 Page Ref: 55

9) Intermediaries play an important role in EC by providing value-added services such as making payment arrangements to buyers and sellers.

Answer: TRUE

Diff: 2 Page Ref: 58

10) WebMD, which is the largest U.S. medical services company, is known mainly for its webmd.com consumer portal, but its core business is being an e-intermediary.

Answer: TRUE

Diff: 2 Page Ref: 59

AACSB Standard: Reflective Thinking

11) An electronic shopping cart is an order-processing technology that allows customers to accumulate items they wish to buy while they continue to shop.

Answer: TRUE

Diff: 1 Page Ref: 63

12) Search engines not only "search and match," but also have capabilities that can be used to perform routine tasks that require intelligence.

Answer: FALSE

Diff: 1 Page Ref: 63

AACSB Standard: Use of Information Technology

13) Shopping carts for B2B are fairly simple, but a shopping cart for B2C may be more complex.

Answer: FALSE

Diff: 2 Page Ref: 63

14) An auction is a market mechanism that uses a competitive process by which a seller solicits consecutive bids from buyers or a buyer solicits bids from sellers.

Answer: TRUE

Diff: 1 Page Ref: 64

15) Negotiation and bargaining are two types of auctions where prices are not fixed, but rather are allowed to fluctuate as market supply and demand change.

Answer: FALSE

Diff: 2 Page Ref: 66

16) Reverse auctions are bidding or tendering systems in which the buyer places an item for bid on a request for quote (RFQ) system; then potential suppliers bid on the job, with the price reducing sequentially, and the lowest bid wins.

Answer: TRUE

Diff: 3 Page Ref: 66

17) E-auctions are becoming less important selling and buying channels for companies and individuals.

Answer: FALSE

Diff: 1 Page Ref: 67

AACSB Standard: Reflective Thinking

18) The major limitations of e-auctions are insufficient security, risk of fraud, and a limited pool of participants.

Answer: TRUE

Diff: 2 Page Ref: 68

AACSB Standard: Reflective Thinking

19) A limitation of e-bartering for businesses is that excess capacity items such as office space, storage, factory space, idle facilities, and labor cannot be bartered.

Answer: FALSE

Diff: 2 Page Ref: 69

AACSB Standard: Reflective Thinking

20) Online negotiation can be facilitated by computer technology for the negotiation process and software agents for searches and comparisons.

Answer: TRUE

Diff: 1 Page Ref: 69

21) E-marketplaces, shopping carts, e-catalogs, and auctions are the major Web 2.0 mechanisms.

Answer: FALSE

Diff: 3 Page Ref: 70

22) Features that distinguish a blog from a regular Web page are trackbacks, blogrolls, pings, and RSS feeds.

Answer: TRUE

Diff: 1 Page Ref: 71

AACSB Standard: Reflective Thinking

23) Twitter is a free micro-blogging service that allows its users to send tweets up to 140 characters in length.

Answer: TRUE

Diff: 3 Page Ref: 72

AACSB Standard: Use of Information Technology

24) A new service known as Pownce integrates micro-blogging with file sharing and event invitations.

Answer: TRUE

Diff: 2 Page Ref: 72

AACSB Standard: Reflective Thinking

25) Travelers using airline Web sites to book their flights directly without the use of travel agents is resulting in the reintermediation of travel agents.

Answer: FALSE

Diff: 3 Page Ref: 85

AACSB Standard: Reflective Thinking

## 2.2 Multiple Choice

1) Eastern Mountain Sports introduced \_\_\_\_\_ tools in order to increase collaboration, information sharing, and communication among stores and their employees, suppliers, and customers.

- A) business intelligence
- B) B2B
- C) B2C
- D) Web 2.0

Answer: D

Diff: 2 Page Ref: 48

AACSB Standard: Use of Information Technology

2) Traditional and electronic markets have three main functions, which include each of the following except:

- A) matching buyers and sellers
- B) facilitating the exchange, purchase or transfer of information, goods, services, and payments associated with transactions
- C) financing the transformation of raw materials into finished products
- D) providing an institutional infrastructure, such as a legal and regulatory framework that enables the efficient functioning of the market

Answer: C

Diff: 1 Page Ref: 51

AACSB Standard: Reflective Thinking

3) The cost curves of digital products differ from the cost curves of physical products because in digitization:

- A) most costs are variable and fixed costs are low.
- B) most costs are fixed and variable costs are very low.
- C) most costs are fixed, but variable costs are high.
- D) all costs are variable.

Answer: B

Diff: 3 Page Ref: 52

AACSB Standard: Analytic Skills

- 4) Because of their cost curve, digital products profits will:
- A) remain constant regardless of volume, once the variable costs are paid.
  - B) decrease as volume increases, once labor costs are paid.
  - C) increase very rapidly as volume increases, once the fixed costs are paid.
  - D) increase rapidly as volume increases, once the fixed costs are paid.

Answer: C

Diff: 3 Page Ref: 52

AACSB Standard: Analytic Skills

5) The portion of an e-seller's business through which customers interact, including the seller's portal, electronic catalogs, shopping cart, and payment gateway, is referred to as the \_\_\_\_\_ of the business.

- A) front end
- B) back end
- C) infrastructure
- D) intermediary

Answer: A

Diff: 2 Page Ref: 54

6) Activities related to order fulfillment, inventory management, purchasing from suppliers, accounting and finance, packaging, and delivery are done in what is termed the \_\_\_\_\_ of the business.

- A) front end
- B) back end
- C) infrastructure
- D) intermediary

Answer: B

Diff: 2 Page Ref: 54

7) The major \_\_\_\_\_ e-marketplaces are storefronts and Internet malls.

- A) B2B
- B) C2B
- C) B2B2C
- D) B2C

Answer: D

Diff: 1 Page Ref: 55

8) An electronic storefront includes several mechanisms to help sales and sales transactions. The most common mechanisms include all of the following except:

- A) electronic catalog
- B) search engine
- C) supply chain
- D) payment gateway

Answer: C

Diff: 1 Page Ref: 55

9) Online markets that are owned and operated by a single company and that are either sell-side or buy-side are known as \_\_\_\_\_.

- A) private e-marketplaces
- B) commercial portals
- C) e-malls
- D) B2B marketplaces

Answer: A

Diff: 2 Page Ref: 55

10) Insurance companies and hotels sell services through storefronts called \_\_\_\_\_.

- A) RSS
- B) browsers
- C) portals
- D) wikis

Answer: C

Diff: 2 Page Ref: 55

11) Employees may waste time trying to find relevant and accurate information if they have to access multiple information systems. The best solution to this problem is the use of \_\_\_\_\_.

- A) Web portals
- B) intermediaries
- C) browsers
- D) intranets

Answer: A

Diff: 2 Page Ref: 57

12) A type of broker that helps consumers compare different stores is a \_\_\_\_\_.

- A) remediator
- B) search engine
- C) shopping facilitator
- D) virtual mall

Answer: C

Diff: 1 Page Ref: 58

AACSB Standard: Use of Information Technology

13) Human or electronic intermediaries attempt to reduce each of the following limitations of direct interaction except:

- A) search costs
- B) lack of privacy
- C) contract risk
- D) product distribution

Answer: D

Diff: 3 Page Ref: 58

14) Customized catalogs are especially useful in B2B e-commerce for each of the following reasons except:

- A) E-catalogs can be designed to show only the items that the employees in a specific organization are allowed to purchase.
- B) Intranets, in particular, can deliver customized catalogs to different business customers.
- C) E-catalogs can show the buyer's ID number for the item, model, or SKU number rather than the seller's ID numbers.
- D) E-catalogs can be customized to show the same item to different customers at different prices, reflecting discounts or purchase-contract agreements.

Answer: B

Diff: 3 Page Ref: 61

15) E-catalogs have several common characteristics. Which of the following is not a characteristic of e-catalogs?

- A) easy to create without advanced information technology
- B) easy to update product information
- C) easy to customize
- D) good search and comparison capabilities

Answer: A

Diff: 2 Page Ref: 62

AACSB Standard: Reflective Thinking

16) The major challenge faced by \_\_\_\_\_ is the need to index documents from a variety of sources, such as file systems, intranets, document management systems, e-mail, and databases, and then present a consolidated list of relevance-ranked documents.

- A) mobile portals
- B) intelligent engines
- C) enterprise searches
- D) knowledge portals

Answer: C

Diff: 3 Page Ref: 62

17) Which is not a popular search engine?

- A) Google
- B) Linux
- C) AltaVista
- D) Lycos

Answer: B

Diff: 1 Page Ref: 63



18) A(n) \_\_\_\_\_ is an order-processing technology that allows customers to accumulate items they wish to buy while they continue to shop

- A) intelligent agent
- B) e-fulfillment agent
- C) electronic shopping cart
- D) mobile portal

Answer: C

Diff: 2 Page Ref: 63

19) When prices are negotiated or discounted, as in auctions or stock markets, that pricing mode is called \_\_\_\_\_.

- A) dynamic pricing
- B) commodity pricing
- C) pre-shopping
- D) negotiation

Answer: A

Diff: 2 Page Ref: 66

20) The most common and traditional form of auctions in which one seller entertains bids from many buyers is referred to as \_\_\_\_\_.

- A) forward auctions
- B) reverse auctions
- C) bidding auction system
- D) tendering system

Answer: A

Diff: 2 Page Ref: 66

21) An auction in which there is one buyer and many potential sellers or in which a buyer places an item for bid on an RFQ system and the lowest bid wins is referred to as all of the following except:

- A) forward auctions
- B) reverse auctions
- C) bidding auction system
- D) tendering system

Answer: B

Diff: 3 Page Ref: 66

22) What is a benefit of e-auctions to the sellers?

- A) anonymity
- B) convenience of bidding anywhere and any time
- C) lack of differentiation
- D) optimal price determined by the market

Answer: D

Diff: 2 Page Ref: 67

AACSB Standard: Reflective Thinking

23) All of the following are benefits of e-auctions to buyers except:

- A) can liquidate large quantities quickly
- B) convenience of bidding anywhere and any time
- C) opportunity to bargain
- D) opportunities to find unique items

Answer: A

Diff: 2 Page Ref: 67

24) Which of the following statements does not describe bartering?

- A) It is the oldest method of trade.
- B) It is primarily done between private parties.
- C) The problem with bartering is that it is difficult to find trading partners.
- D) Intermediaries can be helpful, but they are expensive and very slow.

Answer: B

Diff: 3 Page Ref: 68

25) Which of the following is a Web 2.0 application?

- A) auctions
- B) blogs
- C) shopping carts
- D) e-catalogs

Answer: B

Diff: 2 Page Ref: 70

26) Which is not one of the seven principles for building effective blogs?

- A) Set up the blog so that each post gets its own permanent URL.
- B) Blog frequently and create at least half a dozen posts every weekday.
- C) Focus on a broad topic to appeal to a large audience.
- D) Make friends with other bloggers, online and off.

Answer: C

Diff: 2 Page Ref: 71

27) \_\_\_\_\_ are audio files that enable companies to deliver audio-specific content, including music, speeches, radio-style presentations, and more.

- A) Blogs
- B) Mashups
- C) Podcasts
- D) Wikis

Answer: C

Diff: 2 Page Ref: 71

28) Commercial uses of blogs include all of the following except:

- A) to allow everyone to participate as a peer
- B) to communicate with customers and other third parties
- C) to enhance employee communication with one another
- D) to supplement corporate public relations and press releases with personal *from the heart* talk

Answer: A

Diff: 3 Page Ref: 72

29) The elimination of various types of agents that mediate between buyers and sellers, such as travel and insurance agents, is referred to as \_\_\_\_\_.

- A) automation
- B) disintermediation
- C) remediation
- D) e-distribution

Answer: B

Diff: 2 Page Ref: 86

30) \_\_\_\_\_ provides customers with exactly what they want, when and where they want it. Effective communication between the supply chain and the factory floor is needed to make it happen.

- A) Build-to-order manufacturing
- B) Demand-driven manufacturing
- C) Real-time manufacturing
- D) Virtual manufacturing

Answer: B

Diff: 3 Page Ref: 87

AACSB Standard: Use of Information Technology

### 2.3 Fill in the Blank

1) A(n)\_\_\_\_\_ is a virtual marketplace in which sellers and buyers meet and conduct different types of transactions.

Answer: e-marketplace

Diff: 1 Page Ref: 53

2) All of the activities related to order fulfillment, inventory management, payment processing, packaging, and delivery are done in what is called the \_\_\_\_\_ of the business.

Answer: back end

Diff: 2 Page Ref: 54

3) In a(n) \_\_\_\_\_ e-marketplace, a company purchases from many suppliers. This type of purchasing arrangement is considered to be many-to-one.

Answer: buy-side

Diff: 3 Page Ref: 55

4) An online shopping center where many online stores are located is called a(n) \_\_\_\_\_.

Answer: e-mall (online mall)

Diff: 1 Page Ref: 56

5) A(n) \_\_\_\_\_ is a single point of access through a Web browser to critical business information located inside and outside of an organization.

Answer: information portal

Diff: 2 Page Ref: 57

6) \_\_\_\_\_ are electronic intermediaries that provide and/or control information flow in cyberspace, often bundling information and then selling it to others.

Answer: Infomediaries

Diff: 2 Page Ref: 58

7) In a(n) \_\_\_\_\_ catalog, information is presented in motion pictures or animation and information can be presented or changed in real-time, as with stock prices.

Answer: dynamic

Diff: 2 Page Ref: 61

8) The major challenge faced by enterprise search is the need to \_\_\_\_\_ documents from a variety of sources, such as file systems, intranets, document management systems, and e-mail.

Answer: index

Diff: 1 Page Ref: 57

AACSB Standard: Use of Information Technology

9) WebMD is the largest medical information services company in the United States. Although the company is known mainly for its consumer portal, webmd.com, its core business is being an electronic \_\_\_\_\_.

Answer: intermediary

Diff: 2 Page Ref: 59

AACSB Standard: Use of Information Technology

10) \_\_\_\_\_ refers to prices that are not fixed, but that are allowed to fluctuate as supply and demand in a market exchange.

Answer: Dynamic pricing

Diff: 3 Page Ref: 66

11) An auction in which a seller takes bids from buyers is called a(n) \_\_\_\_\_ auction.

Answer: forward

Diff: 2 Page Ref: 66

12) Priceline.com pioneered the \_\_\_\_\_ model. In this model, a potential buyer specifies the price that he or she is willing to pay to any seller who will sell at that price.

Answer: name-your-own price

Diff: 2 Page Ref: 67

13) \_\_\_\_\_ tools are social networking tools used by organizations.

Answer: Enterprise 2.0

Diff: 2 Page Ref: 70

14) Trackbacks, pings, and RSS feeds are some of the features that distinguish \_\_\_\_\_ from regular Web pages.

Answer: blogs

Diff: 2 Page Ref: 71

15) \_\_\_\_\_ is a free micro-blogging service that allows its users to send and read other users' short text messages, which are up to 140 characters in length.

Answer: Twitter

Diff: 2 Page Ref: 72

16) Blogs and wikis are \_\_\_\_\_ applications.

Answer: Web 2.0

Diff: 1 Page Ref: 72

17) \_\_\_\_\_ have become more and more active in politics.

Answer: Bloggers

Diff: 3 Page Ref: 73

18) A(n) \_\_\_\_\_ is a type of social network that allows everyone to participate as a peer enabling anyone to add, delete, or change content.

Answer: wiki

Diff: 2 Page Ref: 75

AACSB Standard: Use of Information Technology

19) \_\_\_\_\_ are animated computer representations of humanlike movements and behaviors in a computer-generated 3-dimensional world.

Answer: Avatars

Diff: 2 Page Ref: 75

AACSB Standard: Use of Information Technology

20) Companies are using Second Life, which is an example of a(n) \_\_\_\_\_, to bolster their physical businesses.

Answer: virtual world

Diff: 2 Page Ref: 76

AACSB Standard: Use of Information Technology

21) The Internet economy has \_\_\_\_\_ barriers to entry.

Answer: low

Diff: 2 Page Ref: 77

AACSB Standard: Reflective Thinking

22) \_\_\_\_\_ tools are used to tailor a product, service, or Web content to specific user preferences.

Answer: Personalization

Diff: 2 Page Ref: 79

AACSB Standard: Use of Information Technology

23) Porter divided the impacts of the Internet into either positive or negative impacts for the industry. According to his model, most of the impacts are \_\_\_\_\_.

Answer: negative

Diff: 2 Page Ref: 80

24) \_\_\_\_\_ is a method that enables manufacturers to create specific products for each customer based on the customer's exact needs.

Answer: Mass customization

Diff: 3 Page Ref: 86

AACSB Standard: Use of Information Technology

25) One of the major changes in the supply chain of e-markets is to transfer some activities to customers and/or employees through \_\_\_\_\_.

Answer: self-service

Diff: 2 Page Ref: 87

## 2.4 Essay

1) List and briefly describe three ways in which electronic marketplaces have changed the processes used in trading and supply chains.

Answer:

Greater information richness of the transactional and relational environment.

Lower information search costs for buyers.

Diminished information asymmetry between sellers and buyers.

Less time between purchase and time of possession of physical products purchased in the e-marketplace.

Greater temporal proximity between time of purchase and time of possession of digital products purchased in the e-marketplace.

The ability of buyers, sellers, and virtual markets to be in different locations.

The ability for EC to leverage capabilities with increased effectiveness and lower transaction and distribution costs, leading to more efficient friction-free markets.

Diff: 2 Page Ref: 53

AACSB Standard: Use of Information Technology

2) Identify and briefly discuss the roles and value of intermediaries in e-marketplaces.

Answer: Intermediaries (brokers) play an important role in commerce by providing value-added activities and services to buyers and sellers. Web sites that gather and organize large amounts of data and act as intermediaries between those who want the information and those who supply the information are one type of infomediary. One type offers consumers a place to gather information about specific products and companies before they make purchasing decisions. It is a third-party provider of unbiased information; it does not promote or try to sell specific products in preference over other products or act on behalf of any vendors

There are many types of intermediaries. In cyberspace, there are intermediaries that provide and/or control information flow. These electronic intermediaries are known as infomediaries. The information flows to and from buyers and sellers via infomediaries. Frequently, intermediaries aggregate information and sell it to others. Online intermediaries are companies that facilitate transactions between buyers and sellers and receive a percentage of the transaction's value.

Diff: 3 Page Ref: 58

3) Describe the major characteristic of dynamic pricing in electronic auctions (e-auctions).

Identify a benefit and a limitation of e-auctions to sellers involved in B2B.

Answer: With dynamic pricing, prices change based on the supply and demand relationships at any given time.

Benefits of e-auctions to B2B sellers are:

- Sellers can liquidate large quantities of products quickly.
- Can improve customer relationship and loyalty.
- Can sell globally.
- Can gain more customer dollars by offering items directly to business customers.

Limitation of e-auctions to B2B sellers are:

- Minimal security
- Possibility of fraud.

Diff: 2 Page Ref: 67

4) Describe the commercial uses of blogs. Identify the potential risks of blogs. Describe blog management methods to reduce those risks.

Answer: Many organizations have deployed blogs to promote collaboration, advertise products and services, and obtain feedback from customers. External, or facing out, blogs are used to communicate with customers and other third parties, build trust-based relationships, polish corporate reputations, promote social causes, and support CRM.

Blogs can supplement corporate public relations, press releases, and brochures with more personal communication.

Two potential risks are revealing trade secrets (in corporate-related blogs) and making statements that are or that could be construed as libel or defamation.

Blog management methods to reduce risk are:

- Establish comprehensive, written rules and policies -- and make sure that employees understand that they apply regardless of whether employees are blogging at the office or from home.
- Educate employees about blog-related risks, rules, and regulations.
- Enforce blog policy with disciplinary action and technology.
- Have corporate lawyers review the contents of blogs to verify that they don't put the company at risk.

Diff: 3 Page Ref: 71, 74

AACSB Standard: Ethical Reasoning

5) Explain competition in the Internet ecosystems. Explain how lower search costs for buyers has intensified EC competition.

Answer: The Internet economy has low barriers to entry and a worldwide market, which has significantly increased competition.

E-markets reduce the cost of searching for product information (e.g., sellers, models, prices), frequently close to zero. This can significantly impact competition, enabling customers to find less expensive (or better) products and forcing sellers, in turn, to reduce prices or improve customer service. Sellers who provide information to buyers can exploit the Internet to gain a larger market share.

Diff: 3 Page Ref: 77