

TEST BANK

Electronic Commerce

A Managerial Perspective

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Chapter 2

E-Marketplaces: Structure, Mechanisms, Economics, and Impacts

True-False Questions

1. A central role of markets in an economy is to facilitate the exchange of information, goods, services, and payments.

Answer: T

Reference: E-Marketplaces

2. The process of doing business in the virtual world focuses on processing raw materials and distributing products rather than gathering, selecting, synthesizing, and distributing information in the real world.

Answer: F

Reference: E-Marketplaces

3. With digitized products, most of the costs are variable.

Answer: F

Reference: Marketspace Components

4. A marketplace provides numerous opportunities for the digitization of products and services.

Answer: F

Reference: Marketspace Components

5. Intermediaries are typically third parties that operate between buyers and sellers.

Answer: T

Reference: Marketspace Components

6. The seller's portal is the most important component of a marketspace infrastructure.

Answer: F

Reference: Marketspace Components

7. A regional electronic store primarily serves customers who live nearby.

Answer: T

Reference: Types of Stores and Malls

8. In a public e-marketplace, there are few sellers, but many buyers.

Answer: F

Reference: Public E-Marketplaces

9. A consortium serves many buyers and many sellers.

Answer: T

Reference: Public E-Marketplaces

10. In a sell-side e-marketplace, a company sells either standard or customized products to qualified companies.

Answer: T

Reference: Private E-Marketplaces

11. With publishing portals, there is relatively little content customization, but there is extensive search and interactive capabilities.

Answer: T

Reference: Information Portals

12. E-distributors aggregate the catalogs of many suppliers in one location.

Answer: T

Reference: E-Distributors in B2B

13. Intermediaries provide value-added activities and services to both buyers and sellers.

Answer: T

Reference: Intermediation and Syndication in E-Commerce

14. Disintermediation most often occurs with intermediaries that provide value-added services to buyers or sellers.

Answer: F

Reference: Disintermediation and Reintermediation

15. Electronic catalogs are the backbone of most e-commerce sites. They consist of a product database, a directory with search capabilities, and a presentation function.

Answer: T

Reference: Electronic Catalogs

16. A search engine should include order processing technology which allows customers to accumulate items they wish to buy while they continue shopping.

Answer: F

Reference: Search Engines and Intelligent Agents

17. The offer made by the seller in an auction includes the price for the product offered.

Answer: F

Reference: Dynamic Pricing and Types of Auctions

18. Reverse auctions involve one buyer and many potential sellers.

Answer: T

Reference: One Buyer, Many Potential Sellers

19. In a forward auction, a seller entertains bids from many buyers.

Answer: T

Reference: One Seller, Many Potential Buyers

20. In a double auction, there are many potential buyers and only one seller.

Answer: F

Reference: Many Sellers, Many Buyers

21. In the name-your-own-price model, buyers name the price they are willing to pay as well as other terms of the sale.

Answer: T

Reference: The Name-Your- Own- Price Model

22. One of the primary advantages of online auctions is the very low possibility of fraud among buyers and sellers.

Answer: F

Reference: Limitations of E-Auctions

23. By bringing together many potential buyers in a given location, online auctions provide the liquidity necessary to create a marketplace for unique items.

Answer: T

Reference: Impacts of E-Auctions

24. In bartering, goods and/or services exchange hands with no exchange of money.

Answer: T

Reference: Online Bartering

25. E-bartering improves the matching process by attracting more potential partners to the exchange.

Answer: T

Reference: Online Bartering

26. Static pricing is a characteristic of online negotiating.

Answer: F

Reference: Online Negotiating

27. Internet ecosystems are organized around the rules and regulations of e-commerce as determined by the FCC.

Answer: F

Reference: The Internet Ecosystem

28. The Internet ecosystem follows the hierarchical, command-and-control business model of the industrial economy.

Answer: F

Reference: The Internet Ecosystem

29. Unlike the traditional value chain, the Internet ecosystem is inclusive and has relatively low barriers to entry.

Answer: T

Reference: The Internet Ecosystem

30. The reduction in search costs afforded buyers by the Internet forces online retailers to reduce prices in order to compete.

Answer: T

Reference: Competitive Factors

31. Differentiation refers to the ability of an e-company to customize products and services to the exact specifications of customers.

Answer: F **Reference:** Competitive Factors

32. In perfect competition, large buyers and sellers determine prices by their actions in the marketplace.

Answer: F **Reference:** Competitive Factors

33. Price cutting in differentiated markets has minimal impact on market share.

Answer: T **Reference:** Competitive Factors

34. Differentiation increases the substitutability between competing products.

Answer: F **Reference:** Competitive Factors

35. In the world of EC, competition is between business models.

Answer: T **Reference:** Competitive Factors

36. Due to the high cost of technology, barriers to entry are higher for online businesses than for traditional brick and mortar operations.

Answer: F **Reference:** Competitive Factors

37. In the online world, competition between entire networks is replacing competition between individual companies.

Answer: F **Reference:** Competitive Factors

38. A primary impact of e-commerce is a decline in direct marketing.

Answer: F **Reference:** Improving Direct Marketing

39. E-commerce reduces cycle time in international trade by as much as 90%.

Answer: T **Reference:** Improving Direct Marketing

40. In virtual manufacturing, a company runs multiple, dispersed, manufacturing plants as though they were all at the same location.

Answer: T **Reference:** Impacts on Manufacturing

Multiple Choice Questions

41. All of the following are functions of markets EXCEPT:

- a. providing an institutional infrastructure.
- b. building effective goods and services.
- c. facilitating the exchange of information, goods, services, and payments.
- d. matching buyers and sellers.

Answer: b

Reference: E-Marketplaces

42. In a marketpace, the party with the most control is the:

- a. manufacturer.
- b. retailer.
- c. customer.
- d. Internet service provider.

Answer: c

Reference: Marketpace Components

43. A store selling only a few types of products is called:

- a. a general store.
- b. a global store.
- c. a click-and-mortar store.
- d. a specialized store.

Answer: d

Reference: Types of Stores and Malls

44. A B2B marketplace owned by neither the buyer nor seller and includes many buyers and sellers is called:

- a. a public e-marketplace.
- b. a consortium.
- c. a private e-marketplace.
- d. an information portal.

Answer: a

Reference: Public E-Marketplaces

45. Commercial portals:

- a. always include audio interfaces.
- b. must be accessible by mobile devices.
- c. offer content for diverse communities and are the most popular portals on the Internet.
- d. coordinate rich content within the relatively narrow corporate and partners' communities.

Answer: c

Reference: Information Portals

46. Intermediaries address all of the following limitations of direct interactions EXCEPT:
- high search costs.
 - inadequate quality.
 - lack of privacy for buyers.
 - pricing inefficiencies.

Answer: b

Reference: The Roles and Value of Intermediaries in E-Markets

47. The primary function of e-distributors is to:
- aggregate the catalogs of many suppliers.
 - provide product comparisons across many different suppliers.
 - conduct online reverse auctions.
 - distribute information for a particular supplier.
48. Which of the following intermediaries would be the best candidate for elimination?
- An intermediary that provides customer financing for large orders.
 - An intermediary that provides customized product installation based on the specific needs of the customer.
 - An intermediary that provides search capabilities by price and product specification across many manufacturers.
 - An intermediary that brings buyers and sellers together by listing prices and providing pictures of products.

Answer: d

Reference: Disintermediation and Reintermediation

49. Reintermediation occurs when:
- the power of existing intermediaries increases.
 - direct interactions between buyers and sellers are replacing the role of intermediaries.
 - new uses are discovered for mature products.
 - new kinds of intermediaries emerge.

Answer: d

Reference: Disintermediation and Reintermediation

50. Rather than selling its computers through office supply and electronics retailers, Dell sells directly to its customers through its Web site. This is an example of:
- disintermediation.
 - intermediation.
 - reintermediation.
 - digitalization.

Answer: a

Reference: Disintermediation and Reintermediation

51. Amazon.com displays different books and products for each customer based on previous purchases at their site. This is an example of:
- a. a standard catalog.
 - b. disintermediation.
 - c. reintermediation.
 - d. a customized catalog.

Answer: d

Reference: Electronic Catalogs

52. A program that can access a database of Internet resources, search for specific information, and report the results is called a(n):
- a. intelligent agent.
 - b. e-catalog.
 - c. search engine.
 - d. shopping cart.

Answer: c

Reference: Search Engines and Intelligent Agents

53. All of the following are limitations of traditional off-line auctions **EXCEPT**:
- a. sellers are guaranteed the highest possible price for their products.
 - b. they last only a few minutes for each item sold.
 - c. buyers sometimes decide not to bid because the pace is too fast for careful analysis.
 - d. sellers may have trouble getting their products to the auction site.

Answer: a

Reference: Auctions as EC Market Mechanisms

54. Auction prices are considered to be dynamic because:
- a. they are typically higher than prices in traditional marketplaces.
 - b. they are typically lower than prices in traditional marketplaces.
 - c. they change quickly based on supply and demand.
 - d. the bargaining power of the seller results in a solid price that will not change even with negotiations.

Answer: c

Reference: Dynamic Pricing and Types of Auctions

55. In a forward auction,
- a. prices are set by negotiations between a single buyer and a single seller.
 - b. a seller entertains bids from many potential buyers.
 - c. one buyer accepts bids from many potential sellers.
 - d. there are many buyers and many sellers. Buyers and the quantities they seek are matched with sellers and the quantities they are offering for sale.

Answer: b

Reference: Many Buyers and Many Sellers

56. Reverse auctions are effective when:

- a. there is a single seller and many buyers.
- b. there is a single buyer and many potential sellers.
- c. the buyer and seller are from different industries.
- d. there is one buyer and one seller.

Answer: b

Reference: One Buyer, Many Potential Sellers

57. In the name-your-own-price model,

- a. there is one seller and many potential buyers.
- b. sellers specify the price and buyers make a buy/no-buy
- c. sellers offer a standard product and buyers tell how much they are willing to pay.
- d. potential buyers tell sellers the product attributes they are seeking and how much they are willing to pay for the desired set of product characteristics.

Answer: d

Reference: One Buyer, Many Potential Sellers

58. All of the following are potential limitations of e-auctions EXCEPT:

- a. perceived lack of security.
- b. a possibility of fraud.
- c. bidders have very little time to make bids.
- d. limited bidding participation.

Answer: c

Reference: Limitations of E-Auctions

59. A CPA offers to complete an audit for an auto supplier in exchange for a new set of tires. This is an example of:

- a. bartering.
- b. a reverse auction.
- c. a name-your-own-price exchange.
- d. an auction acting as a coordination mechanism.

Answer: a

Reference: Online Bartering

60. In online negotiating, discussions between buyer and seller may include:

- a. quantity, but price is static.
- b. price only.
- c. quantity and price only.
- d. price, quantity, and all other components of the exchange.

Answer: d

Reference: Online Negotiating

61. Telecom Trends International estimates the number of mobile devices will approach _____ by 2008.
- a. 167 million
 - b. 1.67 billion
 - c. 167 billion
 - d. one trillion

Answer: b

Reference: E-Commerce in the Wireless Environment: M-Commerce

62. In the Internet ecosystem,:
- a. larger companies tend to dominate due to cost advantages attributable to size.
 - b. market intermediaries tend to dominate through the exercise of marketspace control.
 - c. the government dominates through excessive regulation.
 - d. size is no longer a significant competitive advantage.

Answer: d

Reference: The Internet Ecosystem

63. In the Internet economy,
- a. growth has been significantly slower than expected due to low barriers of entry.
 - b. high barriers of entry have made it difficult for new companies to expand onto the Internet.
 - c. low barriers to entry have made rapid growth possible.
 - d. the lack of infrastructure has stifled growth.

Answer: c

Reference: The Internet Ecosystem

64. The primary impact of lower search costs in e-markets is:
- a. lower prices because shoppers can compare prices from many different sources before choosing where to buy.
 - b. search engine sights have no chance of survival.
 - c. quality will fall as companies seek to reduce prices.
 - d. higher prices because customers will not value search engines and so will quit using them.

Answer: a

Reference: Competitive Factors

65. Providing a product or service that is not available elsewhere is called:
- a. product development.
 - b. differentiation.
 - c. personalization.
 - d. intermediation.

Answer: b

Reference: Competitive Factors

66. Tailoring a product or service to meet the particular needs of an individual customer is called:
- product development.
 - differentiation.
 - personalization.
 - intermediation.

Answer: c

Reference: Competitive Factors

67. In EC, the size of a company:
- is crucial because larger companies charge lower prices.
 - is not as important a competitive advantage as in the past.
 - is the single most important factor in success.
 - is a predictor of the technological sophistication of the company.

Answer: b

Reference: Competitive Factors

68. All of the following are characteristics of perfect competition **EXCEPT**:
- buyers and sellers must be able to enter the market at little or no entry cost.
 - buyers and sellers must have comprehensive information about the products offered.
 - product quality must be very high.
 - large buyers or sellers are not able to individually influence the market.

Answer: c

Reference: Competitive Factors

69. Each of the following are forces in Porter's five forces model **EXCEPT**:
- barriers to entry.
 - threat of substitutes
 - market penetration.
 - rivalry between existing competitors.

Answer: c

Reference: Porter's Competitive Analysis in an Industry

70. Porter's competitive analysis predicts that competition:
- will be less intense as companies shift toward doing more business online.
 - will be more intense as companies shift toward doing more business online.
 - will decrease because online shoppers can search for exactly the product needed.
 - will not be impacted by shifts to EC.

Answer: b

Reference: Porter's Competitive Analysis in an Industry

71. In the Internet economy, customers:

- a. are active coproducers of the products they purchase.
- b. are passive participants in all exchanges.
- c. are forced to pay high, static prices.
- d. find it much more difficult to gather relevant information than in the past.

Answer: a

Reference: Improving Direct Marketing

72. The biggest change in manufacturing resulting from a shift to e-commerce will be:

- a. lower prices for raw materials.
- b. a shift to build-to-order systems.
- c. fewer but much larger orders.
- d. longer and more complex supply chains.

Answer: b

Reference: Impacts on Manufacturing

73. The ability to run multiple manufacturing plants as though they were at one location is known as:

- a. a pull system.
- b. demand-driven manufacturing.
- c. virtual manufacturing.
- d. green manufacturing.

Answer: c

Reference: Impacts on Manufacturing

74. All of the following are examples of back-office operations **EXCEPT**:

- a. buyer credit checks.
- b. sales presentations at the office of a potential customer.
- c. product availability checks.
- d. order confirmation.

Answer: b

Reference: Impacts on Finance and Accounting

75. In human resources, all of the following are impacted by e-markets **EXCEPT**:

- a. pay levels.
- b. recruiting.
- c. training.
- d. evaluation.

Answer: a

Reference: Impact on Human Resource Management and Training

Essay Questions

76. List the three main functions of markets (electronic and otherwise).

Answer:

1. Matching buyers and sellers.
2. Facilitating the exchange of goods, services, information, and payments.
3. Providing an institutional infrastructure.

Reference: E-Marketplaces

77. Explain how e-commerce is driving both disintermediation and reintermediation.

Answer:

Inefficient intermediaries that do not add value to exchanges in the marketplace are being eliminated (disintermediation). In many markets, the departure of inefficient intermediaries is creating opportunities for new value-added intermediaries (reintermediation).

Reference: Disintermediation and Reintermediation

78. List four advantages of electronic catalogs compared with paper catalogs.

Four of the following:

- 1) Easy to update.
- 2) Able to integrate with the purchasing process.
- 3) Good search and comparison capabilities.
- 4) Provision of a broad range of product information.
- 5) Able to provide timely, up-to-date product information.
- 6) Able to add voice and animation to catalog information.
- 7) Easy to customize.
- 8) Long-term cost savings.

Reference: Exhibit 2.4

79. EC competition tends to be very intense. Explain the factors in online transactions that increase competition.

Answers should address most of the following:

- 1) Very low search costs allow shoppers to search for the lowest possible price available worldwide rather than the lowest price available in a given area.
- 2) Comparisons can be made quickly.
- 3) Opportunities for differentiation abound.
- 4) Personalization allows customers to design the exact product or service they need.
- 5) Sellers can use the Internet to provide superior customer service.
- 6) Barriers to entry are much lower online, allowing new competitors to enter markets quickly and cheaply.
- 7) Improved communication opens the door for partnerships.
- 8) The Internet makes it easier to find and exploit market niches.

Reference: Competitive Factors

80. Explain how e-markets are redefining organizations.

Answers should include the following points:

- 1) Manufacturers have the ability to customize products and to rapidly change standard products. This flexibility could result in changes in strategies and the mission statement.
- 2) The wide availability of information and its direct distribution to customers will lead to new business models.
- 3) The focus of manufacturing is shifted from mass production to demand-driven, just-in-time manufacturing.
- 4) Back office integration is changing the way the finance and accounting functions are performed.
- 5) Improved communications via the Internet is impacting the recruiting of new personnel, the evaluation of existing personnel, and the training of all personnel.

Reference: Redefining Organizations