Chapter 01 Introduction to Electronic Commerce

1. IBM defines electronic business as "the transformation of key business processes through the use of Internet technologies."

a. True
b. False

ANSWER: True

2. A transaction is an exchange of value, such as a purchase, a sale, or the conversion of raw materials into a finished product.

a. True
b. False

ANSWER: True

3. All the activities associated with a transaction result in measurable and recordable transactions.

a. True
b. False

ANSWER: False

4. Transferring funds, placing orders, sending invoices, and shipping goods to customers are all types of activities or transactions.

a. True
b. False

ANSWER: True

5. Business-to-business electronic commerce occurs when a person sells an item through a Web auction site to another person.

a. True
b. False

ANSWER: False

6. The U.S. government is one of the largest electronic data interchange (EDI) trading partners in the world.

a. True
b. False

ANSWER: True

7. A problem that EDI pioneers faced was the high cost of implementation.

a. True
b. False

ANSWER: True

8. Value-added networks are leased telephone lines that establish direct network connections to all trading partners of an organization.

a. True
b. False

ANSWER: False

9. The increase in broadband connections in homes is a key element in the B2C component of the second wave.

a. True

b. False

ANSWER: True

10. In some cases, business processes use traditional commerce activities very effectively, and technology cannot improve them.

a. True

b. False

ANSWER: True

11. Irrespective of the transferability of merchandising skills to the Web, products are difficult to sell on the Web.

a. True

b. False

ANSWER: False

12. A commodity item is a product or service that is hard to distinguish from the same product or service provided by other sellers.

a. True

b. False

ANSWER: True

13. A product's shipping profile is a collection of details about the shipper.

a. True

b. False

ANSWER: False

14. A DVD is an excellent example of an item with a high value-to-weight ratio.

a. True

b. False

ANSWER: True

15. A product that has a strong brand reputation is easier to sell over the Web than an unbranded item.

a. True

b. False

ANSWER: True

16. Electronic commerce provides buyers with an easy way to customize the level of detail in the information they obtain about a prospective purchase.

a. True

b. False

ANSWER: True

17. Electronic commerce reduces the speed and accuracy with which businesses can exchange information.

a. True
b. False

ANSWER: False

18. Electronic payment can be easier to audit and monitor than payment made by check.

a. True
b. False

ANSWER: True

19. The legal environment in which electronic commerce is conducted is full of clear and concise laws.

a. True
b. False

ANSWER: False

20. Economists use a formal definition of market that includes two conditions: first, the potential sellers of a good come into contact with potential buyers, and second, that a medium of exchange is available.

a. True
b. False

ANSWER: True

21. Most economists agree that markets are weak and ineffective mechanisms for allocating scarce resources.

a. True
b. False

ANSWER: False

22. Businesses and individuals can use electronic commerce to reduce transaction costs by improving the flow of information and increasing the coordination of actions.

a. True
b. False

ANSWER: True

23. Buyers and sellers in commodity markets experience significant transaction costs.

a. True
b. False

ANSWER: False

24. Using the value chain reinforces the idea that electronic commerce should be a business solution, not a technology implemented for its own sake.

a. True
b. False

ANSWER: True

25. A freight forwarder is a company that arranges shipping and insurance for international transactions.

a. True

b. False

ANSWER: True

26. Consumer shopping on the Web is often called _____.

a. B2B
b. B2C
c. brick and mortar retailing
d. e-procurement

ANSWER: b

27. The group of logical, related, and sequential activities and transactions in which businesses engage are often collectively referred to as _____.

a. business services
b. business processes
c. business logistics
d. business communications

ANSWER: b

28. Banks use _____, which are electronic transmissions of account exchange information over private communications' networks.

a. wire transfers
b. machine translations
c. data analytics
d. big data

ANSWER: a

29. Electronic funds transfers are also called _____.

a. wire transfers
b. business transfers
c. data transfers
d. strategic transfers

ANSWER: a

30. Businesses that engage in electronic data interchange with each other are called _____.

a. institutional partners
b. channel partners
c. commodity partners
d. trading partners

ANSWER: d

31. A(n) _____ is an independent firm that offers connection and transaction-forwarding services to buyers and sellers engaged in electronic data interchange.

a. value-added network
b. freight forwarder
c. business incubator
d. online retailer

ANSWER: a

32. _____ refers to technologies that include software that allows users of Web sites to participate in the creation, edition, and distribution of content on a Web site owned and operated by a third party.

a. Big data
b. Web 1.0
c. Pure dot-com
d. Web 2.0

ANSWER: d

33. _____ is the use of interpersonal connections online to promote or sell goods and services.

a. Social integration
b. Social commerce

c. M-commerce
d. Vertical integration

ANSWER: b

34. A(n) _____ is a set of processes that combine to achieve a company's primary goal, which is typically to yield a profit.

a. value system
b. industry value chain
c. strategic business unit
d. business model

ANSWER: d

35. A(n) _____ is a specific collection of business processes used to identify customers, market to those customers, and generate sales to those customers.

a. industry value chain
b. strategic alliance
c. revenue model
d. value-added network

ANSWER: c

36. The combination of store design, layout, and product display knowledge to create store environments that help convince customers to buy is called _____.

a. merchandising
b. crowdsourcing
c. outsourcing
d. departmentalizing

ANSWER: a

37. _____ can be a better way to sell items that rely on personal selling skills.

a. M-commerce
b. Social commerce
c. Traditional commerce
d. E-commerce

ANSWER: c

38. A barrier to the predictability of costs and revenues of electronic commerce projects is _____.

a. the rapid changes in underlying technologies
b. the need for a critical mass willing to buy through the Internet
c. the cultural obstacles in conducting electronic commerce
d. the legal environment in which electronic commerce is conducted

ANSWER: a

39. _____ are the total of all costs that a buyer and a seller incur as they gather information and negotiate a purchase-and-sale transaction.

a. Opportunity costs
b. Operating costs
c. Transaction costs
d. Historical costs

ANSWER: c

40. One significant component of _____ can be the investment a seller makes in equipment or in the hiring of skilled employees to supply the product or service to the buyer.

a. economic costs
b. transaction costs
c. opportunity costs
d. retention costs

ANSWER: b

41. The practice of an existing firm replacing one or more of its supplier markets with its own hierarchical structure for

creating the supplied product is called _____.

a. merchandising
b. crowdsourcing
c. vertical integration
d. horizontal integration

ANSWER: c

42. In a(n)_____, companies coordinate their strategies, resources, and skill sets by forming long-term, stable relationships with other companies and individuals based on shared purposes.

a. market economic structure
b. informal economic structure
c. hierarchical economic structure
d. network economic structure

ANSWER: d

43. Strategic partnerships occurring between or among companies operating on the Internet are called _____.

a. network alliances
b. virtual integration
c. virtual companies
d. value-added partnerships

ANSWER: c

44. As more people participate in a network, the value of the network to each participant increases. This increase in value is called a _____.

a. telework model
b. network effect
c. network model
d. transactional effect

ANSWER: b

45. A _____ is a way of organizing the activities that each strategic business unit undertakes to design, produce, promote, market, deliver, and support the products or services it sells.

a. business activity
b. SWOT analysis
c. value chain
d. strategic alliance

ANSWER: c

46. _____ is a primary activity undertaken by an organization's strategic business unit.

a. Identifying customers
b. Training employees
c. Research and development
d. Borrowing funds

ANSWER: a

47. According to Porter, _____ describes the larger stream of activities into which a particular business unit's value chain is embedded.

a. business strategy
b. value system
c. business integration
d. value-added network

ANSWER: b

48. SWOT is the acronym for _____.

a. supply, wealth, occupations, and threats
b. supply, weaknesses, opportunities, and testing
c. strengths, weaknesses, opportunities, and threats
d. strengths, wealth, occupations, and testing

ANSWER: c

49. In SWOT analysis, the question "Are industry trends moving upward?" involves identifying the _____ of an organization.

a. strengths
b. weaknesses
c. opportunities
d. threats

ANSWER: c

50. An infrastructure issue that a company faces when it conducts international commerce includes _____.

a. communication costs
b. language differences
c. trusting relationships
d. inhospitable cultures

ANSWER: a

51. Departments devoted to negotiating purchase transactions with suppliers are called _____.

ANSWER: procurement
supply management

52. A(n) _____ is a task performed by a worker in the course of doing his or her job.

ANSWER: business activity

53. Business-to-business (B2B) electronic commerce is sometimes called _____.

ANSWER: e-procurement
e procurement

54. In _____ or telework, an employee logs in to the company network through the Internet instead of traveling to an office.

ANSWER: telecommuting

55. _____ is a category of electronic commerce that includes individuals who buy and sell items among themselves.

ANSWER: Customer-to-customer
C2C
Customer-to-customer (C2C)

56. _____ occurs when one business transmits computer-readable data in a standard format to another business.

ANSWER: EDI
Electronic data interchange
Electronic data interchange (EDI)

57. The term _____ refers to the theft of intellectual property from the Web.

ANSWER: digital piracy

58. The _____ refers to a strategy adopted by many companies and investors who believed that by being the first Web site to offer a particular type of product or service, they would be given opportunities to be successful.

ANSWER: first-mover advantage

59. _____ are mobile phones that include a Web browser, a full keyboard, and an identifiable operating system that allows users to run various software packages.

ANSWER: Smartphones
Smartphone

60. The highly sophisticated tools for investigating patterns and knowledge contained in big data are called _____.
ANSWER: data analytics

61. Seller's issue__________ to make shopping at their stores easier and more convenient.
ANSWER: mobile apps
mobile software applications

62. The term _____ is used in business to describe very large stores of information such as that collected by online sellers about their customers.
ANSWER: big data

63. The only difference a buyer perceives when shopping for a commodity item is its _____.
ANSWER: price

64. A product's _____ is the collection of attributes that affect how easily that product can be packaged and delivered.
ANSWER: shipping profile

65. A(n) _____ is a gathering of people who share a common interest, and this gathering takes place on the Internet.
ANSWER: virtual community

66. Economists generally refer to large _____ as firms, or companies.
ANSWER: hierarchical business organizations

67. A(n) _____ unit is an autonomous part of a company that is large enough to manage itself but small enough to respond quickly to changes in its business environment.
ANSWER: strategic business
business

68. The law of _____ says that most activities yield less value as the amount of consumption increases.
ANSWER: diminishing returns

69. Multiple firms that sell similar products to similar customers make up a(n) _____.
ANSWER: industry

70. Human resource management and purchasing activities, which are part of a value chain model, are known as _____.
ANSWER: supporting activities

71. The _____ refer to the activities that each strategic business unit undertakes to design, produce, promote, market, deliver, and support the products or services it sells.
ANSWER: primary activities

72. Software translation is also referred to as _____ translation.
ANSWER: machine

Chapter 01 Introduction to Electronic Commerce

73. The combination of language and customs is often called _____.
ANSWER: culture

74. The term _____ refers to a translation that considers multiple elements of an environment, such as business and cultural practices, in addition to dialect variations in the language.
ANSWER: localization

75. A(n) _____ is a secure location where incoming international shipments can be held until customs requirements are satisfied or until payment arrangements are completed.
ANSWER: bonded warehouse

76. A(n) _____ is a company that arranges the payment of tariffs and compliance with customs laws for international shipments.
ANSWER: customs broker

77. List the three categories of electronic commerce that are most commonly used.
ANSWER: The three categories that are most commonly used are:

- Consumer shopping on the Web, often called business-to-consumer (or B2C)
- Transactions conducted between businesses on the Web, often called business-to-business (or B2B)
- Business processes in which companies, governments, and other organizations use Internet technologies to support selling and purchasing activities

78. What types of business processes are well suited to electronic commerce?
ANSWER: The following business processes are well suited to electronic commerce:
Sale/purchase of books and CDs, sale/purchase of goods that have strong brand reputations, online delivery of software and digital content, sale/purchase of travel services, online shipment tracking, and sale/purchase of investment and insurance products.

79. What are transaction costs?
ANSWER: Transaction costs are the total of all costs that a buyer and a seller incur as they gather information and negotiate a purchase-and-sale transaction. Although brokerage fees and sales commissions can be a part of transaction costs, the cost of information search and acquisition is often far larger. Another significant component of transaction costs can be the investment a seller makes in equipment or in the hiring of skilled employees to supply the product or service to the buyer.

80. List the primary and supporting activities organized by a value chain for a strategic business unit.
ANSWER: For each business unit, the primary activities are as follows: 1) identify customers, 2) design, 3) purchase materials and supplies, 4) manufacture product or create service, 5) market and sell, 6) deliver, and 7) provide after-sale service and support. The support activities include: 1) finance and administration, 2) human resources, and 3) technology development.

81. What are the SWOT analysis questions that an analyst should be asking to identify an organization's strengths and weaknesses?
ANSWER: An analyst conducting a SWOT analysis should ask the following questions.

Strengths

What does the company do well?
Is the company strong in its market?
Does the company have a strong sense of purpose and the culture to support that purpose?

Weaknesses

What does the company do poorly?
What problems could be avoided?
Does the company have serious financial liabilities?