

Chapter 1: Introduction to Electronic Commerce

TRUE/FALSE

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

ANS: T PTS: 1 REF: 4

2. A transaction is an exchange of value.

ANS: T PTS: 1 REF: 6

3. A transaction always has one or more activities associated with it, and an activity will always be related to a transaction.

ANS: F PTS: 1 REF: 6

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

ANS: T PTS: 1 REF: 6

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

ANS: F PTS: 1 REF: 7

6. The U.S. government is one of the largest EDI trading partners in the world.

ANS: T PTS: 1 REF: 8

7. Firms such as Wal-Mart and General Electric have been pioneers in using EDI to improve their purchasing processes and their relationships with suppliers.

ANS: T PTS: 1 REF: 8

8. A value added network (VAN) is an independent firm that offers connection and transaction-forwarding services to buyers and sellers engaged in EDI.

ANS: T PTS: 1 REF: 8

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

ANS: T PTS: 1 REF: 11

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

ANS: T PTS: 1 REF: 15

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

ANS: F PTS: 1 REF: 25

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

ANS: T PTS: 1 REF: 32

25. Researchers estimate that about 20 percent of the content available on the Internet today is in English.

ANS: F PTS: 1 REF: 35

MULTIPLE CHOICE

1. Consumer shopping on the Web is often called ____.

- | | | |
|---------------|--------|----|
| B2G | c. B2B | a. |
| e-procurement | d. B2C | b. |

ANS: B PTS: 1 REF: 5

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

- | | | |
|----------------|--------------|----|
| logistics | c. services | a. |
| communications | d. processes | b. |

ANS: B PTS: 1 REF: 6

3. Some researchers define a fourth category of electronic commerce called ____, which includes individuals who buy and sell items among themselves.

- | | | |
|-----|--------|----|
| C2B | c. C2C | a. |
| B2C | d. B2B | b. |

ANS: A PTS: 1 REF: 7

4. Electronic funds transfers are also called ____.

- | | | |
|---------------------|-----------------------|----|
| money transfers | c. wire transfers | a. |
| telephone transfers | d. business transfers | b. |

ANS: A PTS: 1 REF: 8

5. Businesses that engage in EDI with each other are called ____.

- | | | |
|------------------|------------|----|
| suppliers | c. buyers | a. |
| trading partners | d. sellers | b. |

ANS: D PTS: 1 REF: 8

6. A(n) ____ is an independent firm that offers connection and transaction-forwarding services to buyers and sellers engaged in EDI.

- | | | |
|-----|--------|----|
| ERP | c. VAN | a. |
| LAN | d. EFT | b. |

ANS: A PTS: 1 REF: 8

7. The ____ began conducting several long-term research projects in 2000 to study the growth of the Internet and its effects on society.
- | | | |
|-----------------|---|----|
| Virtual project | c. Safeway project | a. |
| Tesco project | d. Pew Internet & American Life Project | b. |

ANS: B PTS: 1 REF: 9

8. ____ is a good example of a company that sells its products to other businesses rather than to consumers.
- | | | |
|------------|---------------|----|
| BuyUSA.com | c. Sohu.com | a. |
| Intel | d. Amazon.com | b. |

ANS: D PTS: 1 REF: 10

9. Which of the following statements is correct?
- | | |
|---|----|
| The first wave of electronic commerce was predominantly a U.S. phenomenon. | a. |
| In the second wave of electronic commerce, Internet technologies are being integrated into B2B transactions and internal business processes by using bar codes and scanners to track parts, assemblies, inventories, and production status. | b. |
| In the first wave of electronic commerce, radio-frequency devices and smart cards were combined with biometric technologies. | c. |
| The use of e-mail in the second wave was used as a tool for relatively unstructured communication. | d. |

ANS: A PTS: 1 REF: 11

10. A(n) ____ is a set of processes that combine to yield a profit.
- | | | |
|------------------|-------------------------|----|
| shipping profile | c. value system | a. |
| business model | d. industry value chain | b. |

ANS: D PTS: 1 REF: 14

11. A(n) ____ is a specific collection of business processes used to identify customers, market to those customers, and generate sales to those customers.
- | | | |
|---------------------|-------------------------|----|
| revenue model | c. industry value chain | a. |
| value-added network | d. strategic alliance | b. |

ANS: C PTS: 1 REF: 14

12. The combination of store design, layout, and product display knowledge is called ____.
- | | | |
|---------------|-------------------------|----|
| merchandising | c. business process | a. |
| service | d. business transaction | b. |

ANS: C PTS: 1 REF: 15

13. Businesses often calculate ____ numbers before committing to any new technology.
- | | | |
|-----------------|-------------------------|----|
| productivity | c. return-on-investment | a. |
| return-to-value | d. return-to-profit | b. |

ANS: A PTS: 1 REF: 20

14. ____ are the total of all costs that a buyer and a seller incur as they gather information and negotiate a purchase-and-sale transaction.
- | | | |
|-------------------|-------------------|----|
| Transaction costs | c. Purchase costs | a. |
| Hardware costs | d. Sale costs | b. |

23. Porter uses the term ____ to describe the larger stream of activities into which a particular business unit's value chain is embedded.
- | | | |
|----------------------|----------------------|----|
| business integration | c. business strategy | a. |
| collaboration | d. value system | b. |
- ANS: B PTS: 1 REF: 30
24. SWOT is the acronym for ____.
- | | |
|---|----|
| supply, wealth, occupations, and threats | a. |
| supply, weaknesses, opportunities, and testing | b. |
| strengths, weaknesses, opportunities, and threats | c. |
| strengths, wealth, occupations, and testing | d. |
- ANS: C PTS: 1 REF: 32
25. In the mid-1990s, ____ used a SWOT analysis to create a business strategy that helped it become a strong competitor in its industry value chain.
- | | | |
|---------------|------------------|----|
| Dell Computer | c. HP Computer | a. |
| NEC Computer | d. Acer Computer | b. |
- ANS: C PTS: 1 REF: 33

COMPLETION

1. Businesses often have a(n) _____ department devoted to the function of negotiating purchase transactions with their suppliers.
- ANS:
procurement
supply management
- PTS: 1 REF: 5
2. B2B electronic commerce is sometimes called _____.
- ANS: e-procurement
- PTS: 1 REF: 5
3. In _____ or telework, an employee logs in to the company network through the Internet instead of traveling to an office.
- ANS: telecommuting
- PTS: 1 REF: 7
4. For more than 30 years, banks have been using _____ which are electronic transmissions of account exchange information over private communications' networks.
- ANS:
wire transfers
electronic funds transfers
EFTs (electronic funds transfers)
electronic funds transfers (EFTs)

EFTs

PTS: 1 REF: 8

5. Before the Internet came into existence as we know it today, _____ provided the connections between most trading partners and were responsible for ensuring the security of the data transmitted.

ANS:

value-added networks
value-added networks (VANs)
value added networks
value added networks (VANs)
VANs
VANs (value added networks)
VANs (value-added networks)

PTS: 1 REF: 8

6. In the first wave of electronic commerce, _____ was the dominant language used on most Web sites.

ANS:

English
english

PTS: 1 REF: 11

7. The term _____ refers to the theft of musical artists' intellectual property.

ANS: digital piracy

PTS: 1 REF: 12

8. A combination of _____ and traditional commerce strategies works best when the business process includes both commodity and personal inspection elements.

ANS: electronic

PTS: 1 REF: 17

9. A(n) _____ is a gathering of people who share a common interest, which takes place on the Internet.

ANS: virtual community

PTS: 1 REF: 17

10. _____ learning makes it possible for people to learn skills and earn degrees no matter where they live or which hours they have available for study.

ANS: Distance

PTS: 1 REF: 18

11. Economists refer to large, hierarchical business organizations as _____.

ANS:
firms
companies

PTS: 1 REF: 21

12. A(n) _____ organization always has a pyramid-shaped structure.

ANS: hierarchical

PTS: 1 REF: 21

13. 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.

ANS:
strategic business
business

PTS: 1 REF: 25

14. The law of _____ returns says that most activities yield less value as the amount of consumption increases.

ANS: diminishing

PTS: 1 REF: 27

15. Your e-mail account, which gives you access to a network of other people with e-mail accounts, is an example of a(n) _____ effect.

ANS: network

PTS: 1 REF: 28

16. Human resource management and purchasing, in the value chain model, are known as _____ activities.

ANS: supporting

PTS: 1 REF: 28

17. Internet e-mail accounts are far more valuable than single-organization e-mail accounts because of the _____.

ANS: network effect

PTS: 1 REF: 28

18. Companies with established reputations in the physical world often create _____ by ensuring that customers know who they are.

ANS: trust

PTS: 1 REF: 34

19. Software translation is also referred to as _____ translation.

ANS: machine

PTS: 1 REF: 36

20. The term _____ refers to a translation that considers multiple elements of the local environment, such as business and cultural practices, in addition to local dialect variations in the language.

ANS: localization

PTS: 1 REF: 36

21. An important element of business _____ is anticipating how the other party to a transaction will act in specific circumstances.

ANS: trust

PTS: 1 REF: 36

22. The combination of language and customs is often called _____.

ANS: culture

PTS: 1 REF: 36

23. Internet _____ includes the computers and software connected to the Internet and the communications networks over which the message packets travel.

ANS: infrastructure

PTS: 1 REF: 40

24. _____ transactions usually include only the seller, the buyer, their respective banks, and one freight carrier.

ANS: Domestic

PTS: 1 REF: 41

25. _____ transactions usually require the coordinated efforts of customs brokers and freight forwarding agencies because the regulations and procedures governing them are so complex.

ANS: International

PTS: 1 REF: 41

ESSAY

1. Describe the three categories of electronic commerce that are most commonly used.

ANS:

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)

Transactions and business processes that companies, governments, and other organizations undertake on the Internet to support selling and purchasing activities.

PTS: 1

REF: 5

2. What types of business processes are well suited to electronic commerce?

ANS:

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.

PTS: 1

REF: 16

3. Discuss the importance of transaction costs.

ANS:

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

PTS: 1

REF: 22

4. List the primary and support activities that are implemented in strategic business unit value chains.

ANS:

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.

PTS: 1

REF: 29-30

5. When conducting SWOT analysis, what are some of the questions that one should ask to identify strengths and weaknesses?

ANS:

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?

PTS: 1

REF: 32