Chapter 3
Retailing in Electronic Commerce: Products and Services

As you read the textbook and go through this lesson, think about the following questions:

What sells well on the Internet?

- Travel
- Computer Hardware and Software
- Consumer Electronics
- Office Supplies
- Sport and Fitness Goods
- Books and Music
- Toys
- Health and Beauty
- Entertainment
- Apparel and Clothing
- Jewelry
- Cars
- Services
- Pet Supplies
- Digital Products

What are the distribution channels that we commonly use to classify e-tailing business models?

- direct marketing by mail-order retailers that go online
- direct marketing by manufacturers
- pure-play e-tailers
- click-and-mortar retailers
- Internet malls.

What issues do the following businesses face in e-tailing and online services?

- real estate
- insurance
- stock trading
- banking
- personal finances

Learning Objectives

Upon completion of this chapter, you will be able to:
1. Describe electronic retailing (e-tailing) and its characteristics.
2. Define and describe the primary e-tailing business models.
3. Describe how online travel and tourism services operate and their impact on the industry.
4. Discuss the online employment market, including its participants, benefits, and limitations.
5. Describe online real estate services.
6. Discuss online stock-trading services.
7. Discuss cyberbanking and online personal finance.
8. Describe on-demand delivery by e-grocers.
9. Describe the delivery of digital products and online entertainment.
10. Discuss various e-tail consumer aids, including comparison-shopping aids.
11. Identify the critical success factors and failure avoidance for direct online marketing and e-tailing.
12. Describe reintermediation, channel conflict, and personalization in e-tailing.

Answers to Pause/Break Section Review s

Section 3.1 Review s

1. **Describe the nature of B2C EC.**

B2C e-commerce is concerned with businesses selling products to customers.

2. **What sells well in B2C?**

A variety of goods sell well online. These goods include: computers and electronics, sporting goods, office supplies, books and music, toys, health and beauty products, entertainment, apparel, services and cars.

3. **What are the characteristics of high-volume products and services?**

The characteristics of high-volume products and services include: high brand recognition, recognized guarantees, digitized formats, relatively inexpensive items, frequently purchased items, commodities with standard specifications and well-known, unopenable packaged items.

4. **Describe the major trends in B2C.**

Some trends include:
- More reliance on research
- Internet effects on retail sales
- Increased incentives for cross-channel sales
- Increased rich media

Section 3.2 Review s

1. **List the B2C distribution channel models.**

The B2C distribution channel models include: direct marketing, pure-play e-tailers and click-and-mortar retailers.

2. **Describe how mail-order houses are going online.**

Companies are attempting to leverage their existing infrastructures by using a new marketing system (online), in addition to their existing method (catalogs, etc.)

3. **Describe the direct marketing model used by manufacturers.**

The direct marketing model takes place without intermediaries between manufacturers and buyers.

4. **Describe virtual e-tailing.**

These firms sell to customers over the Internet while not maintaining any type of physical sales location.
5. **Describe the click-and-mortar approach.**

With this approach the firm sells to customers through the Internet and through physical sales locations.

6. **Describe e-malls.**

Electronic malls (e-malls) are combinations of several online merchants in one location. Some malls are just an aggregation of merchants, while other malls provide integrated services (like a single checkout for many merchants).

6. **Describe online wedding and gift services.**

These services provide the ability to create “want” lists that can be accessed and purchased by others for the recipient.

**Section 3.3 Review s**

1. **What travel services are available online that are not available off-line?**

Some of the additional services provided include: travel tips, electronic travel magazines, fare comparisons, currency conversion calculators, fare tracking, worldwide place locators, a travel products store, expert opinions, travel news, driving maps, chat rooms, bulletin boards and frequent-flyer deals.

2. **List the benefits of online travel services to travelers and to service providers.**

Online travel services provide the benefits of large amounts of free information, 24/7 availability and the potential for significant reductions in price.

3. **What role do software (intelligent) agents have in travel services? What future applications may be possible?**

Intelligent agents could provide a service to travel customers by providing buyer-seller negotiations. Future applications would allow greater information flow for better pricing and decision making.

**Section 3.4 Review s**

1. **What are the driving forces of the electronic job market?**

The electronic job market is driven by the volatile nature of the employment market itself and the constant change in available positions and applicants.

2. **What are the major advantages of the electronic job market to the candidate? To employers?**

A variety of advantages are described in exhibit 3.6.

3. **Describe the role of intelligent agents in the electronic job market.**

Intelligent agents can be used to search and retrieve suitable positions for candidates and suitable candidates for employer positions.

**Section 3.5 Review s**
1. **List the major online real estate applications.**

The major online real estate applications include: advice systems for customers who are buying and selling homes, directory and new sites, property listings, commercial property listings, residential property listings, links to realtors, maps, mortgage information, mortgage comparisons, mortgage brokers, online lenders, and sites for home sellers and buyers.

2. **What are the advantages of online stock tracking?**

The major advantages of online stock tracking are its ease-of-use, access to large amounts of information, convenience, and in many cases reduced costs.

3. **What investment information is available online?**

Several different types of information are available including financial news, bond prices, advice, evaluation tools, IPO information, and financial information.

4. **What are some of the risks of trading stocks online?**

In addition to risks of trading stocks in general, trading stocks online can have the risks of delayed information as well as the relative ease of trading (increasing the amount of trading overall).

**Section 3.6 Review s**

1. **List the capabilities of online banking. Which of these capabilities would be most beneficial to you?**

   Student opinions on the usefulness of features will vary. The capabilities available include: current account balances, access to statements, pay bills online, download account transactions, transfer money between accounts, balance accounts, communicate with the bank, access information anytime and access information anywhere.

2. **Discuss some implementation issues of financial services.**

   Some of the implementation issues of online financial services include: securing financial transactions, using the bank intranet, using imaging systems, differential pricing of online/off-line services and potential risks.

3. **List the major personal finance services available online.**

   The major personal finance services available online include: bill paying, electronic check writing, tracking of accounts, portfolio management, investment tracking/monitoring, stock quotes, budget organization, cash flow/profit-loss analysis, tax services and retirement services.

4. **Explain online bill paying.**

   In online bill paying, funds are taken from the user's accounts by an intermediary who then arranges payments with the user's debtor.

**Section 3.7 Review s**

1. **Explain on-demand delivery service.**
On-demand delivery service is express delivery that is made quickly after an online order is received.

2. Describe e-grocers and how they operate.

These firms will take orders online and provide deliveries to customers through a regularly scheduled delivery.

3. Who are the typical e-grocery shoppers? What services do they require?

Typical e-grocery shoppers fall into one or more of the following groups: shopping avoiders, necessity users, new technologists, extremely busy consumers, consumers who enjoy online shopping and older individuals who enjoy shopping in any type of store.

4. What are the difficulties in shopping online for groceries?

Customers may be frustrated shopping for groceries online because they cannot physically examine the goods before purchase.

Section 3.8 Review

1. Describe digital goods and their delivery.

Digital goods are products that can be completely digitized and delivered over the Internet.

2. What are the benefits and the limitations of digital delivery?

There are several advantages to the use of digital delivery including increased speed of delivery, low product cost and low distribution costs. The major disadvantage is that not all goods can be digitized.

3. What are the major forms of online entertainment? Do you think people of different age groups and social classes might be attracted to different types of online entertainment?

Student opinions on media attractiveness will vary. The major types of online entertainment include web browsing, gaming, sports games, etc. A full list can be seen on page 130.

Section 3.9 Review

1. Define shopping portals and provide two examples.

Shopping portals are gateways to storefronts and malls that may be either comprehensive or niche-oriented. Examples would include gomez.com and aol.com/shopping.

2. What are shopbots? A shopbot is a shopping robot that scouts the Web looking for goods and services that meet consumer’s specified search criteria.

3. Explain the role of business rating and Web site verification tools in the purchase-decision process.
These tools add to customers’ feelings of security in making an online purchase. They allow the customer to evaluate the quality of the merchant, and not just the price of the good, before making a purchasing decision.

4. **Why are escrow services and electronic wallets useful for online purchases?**

The services are useful for online purchases because they can decrease the amount of contract risk for the customer during an online purchase.

5. **Describe the role of search agents to support shopping.**

These agents are able to aggregate information from several sources as well as maintaining information about personal preferences to enhance the shopping experience.

**Section 3.10 Review s**

1. **Why are virtual e-tailers usually not profitable?**

Most of these firms are not profitable because they are unable to quickly achieve the scale to make marginal profits on each marginal sale.

2. **Relate branding to profitability.**

Good branding has historically been tied to profitability in off-line retailers. Branding is an expensive process that can create financial difficulties for new firms.

3. **Why are technical performance and dynamic site content important?**

These features are important because they are what the market demands from electronic commerce sites.

4. **What motivates a brick-and-mortar company to sell online?**

Traditional firms sell online to compete with new e-commerce entrants and to preserve market share. Additionally, traditional firms may see e-commerce as a way to expand their existing market share.

5. **Read Online File W 3.9. What customer services are provided by Circuit City on its Web site?**

The Circuit City site provides the following customer service tools: product information, explanation of terms, product searches and flexible product comparisons.

**Section 3.11 Review s**

1. **Define disintermediation.**

The elimination of a component of the traditional value chain.

2. **Describe mediation issues, including disintermediation, reintermediation, cybermediation, hypermediation, and unbundling.**

The use of EC and IT can create changes in a traditional supply chain. These changes can remove existing players (disintermediation) and can bring them back with different roles and functions (reintermediation). Cybermediation uses intelligent agents while hypermediation uses intensive intermediation (both human and electronic) at all stages of the value chain.
3. **Describe channel and other conflicts that may appear in e-tailing.**
Channel conflict can occur when an upstream member of the value chain begins to sell directly to customers. Channel conflict can also occur when the online division of an existing company begins to compete with its off-line division.

4. **Describe price determination in e-tailing.**
Prices need to be competitive, while still providing an adequate margin. EC can allow companies to segment users into different price groups and test pricing more than was possible with only brick-and-mortar operations.

5. **Explain personalization and mass customization opportunities in e-tailing.**
Personalization is the ability to use technology to create goods that meet the exact specifications of the consumer. Mass customization is the ability to create personalized goods for a large number of customer goods based their exact specifications.

**Answers to EC Application Cases**

**EC Application Case 3.1: Lands’ Littlewoods Shop Direct Group: From Mail-Order Catalogue to High Street to the Web**

1. **Discuss In rolling back from department store outlets and relying on catalogue and online shopping, Littlewoods is adopting a different strategy from other leading direct mail companies, such as Land’s End. Discuss the advantages and disadvantages of Littlewood’s approach.**

   Student opinions will vary, but will focus on the advantages of the company’s online focus compared to the disadvantage of limiting its distribution options.

2. **If Littlewoods is to remain a successful catalogue and online retailer, what factors do you believe will be essential to its success? What will Littlewoods have to do to survive and prosper in this competitive market space?**

   Student opinions will vary, but will focus on the factors of ease of use, combination with the print catalog, distribution and richness of the online experience.

3. **Use the Littlewoods site to select a gift purchase and some garments for yourself. Try the same thing with other online retailers. Compare the experience.**

   Student responses will vary. Students will comment on the technical features provided inside the site, including the ability to assemble outfits based on preferences.

**EC Application Case 3.2: Using Intelligent Software and Social Networking to Improve Recruiting Processes**

1. **What are some of the challenges of online recruiting?**

   One of the major challenges is the huge number of potential applicants and the difficulty in sorting through them.

2. **How can intelligent recruitment software and Internet technologies support and improve an organization’s search for new talent?**
Software systems can help automatically select the best candidates for a position.

3. **What role can social networking approaches to recruitment play? Are there any disadvantages or risks involved in such approaches?**

Social sites can help suggest possible applicants across a large group of individuals. It is possible that job-seekers could attempt to game the system.

**EC Application Case 3.3: ING Direct: An Online Banking Success Story**

1. **What factors have contributed to ING Direct’s success to date?**
   ING Direct has been successful due to aggressive expansion, a focus on a few desired services, ease of use and desirable financial terms.

2. **Visit ingdirect.com. How easy is it to establish a new savings account? Do you feel confident that your funds would be safely managed?**

   Student answers will vary.

3. **Visit ING Direct relies on customers maintaining ATM accounts with traditional banks and having its customers transfer money regularly from their ING Direct savings accounts to their ATM accounts. How convenient do you think this would be? Would it inhibit your willingness to bank with ING? How would you assess higher interest rates with ING Direct versus this slight inconvenience?**

   Student answers will vary.

**EC Application Case 3.4: Online Security at a Bank**

1. **Why is security so important for a bank?**

   Security is important for a bank because they are dealing with large sums of money and personal customer information.

2. **Why is there a need for two firewalls?**

   The two firewalls provide redundancy of security. One firewall protects the security of the user, and the other firewall protects the security of the bank’s application server.

3. **Who is protected by the bank’s security system—the customer, the bank, or both? Elaborate.**

   Both parties are protected by the security system. The system protects the customer by ensuring that their personal information and accounts cannot be easily tampered with. The system protects the bank by protecting the integrity of its transactions and the security of its information.

4. **What might be the limitations of such a system?**

   If passwords and account numbers are compromised, the system can still be compromised.

**EC Application Case 3.5: CompUSA Increases Online Sales with Shopping Aids**
1. Describe YouTube’s business model. Is it a sustainable model?
YouTube allows individuals to upload videos and other users to watch the videos while being exposed to advertising. Student responses on sustainability will vary, but may focus on copyright issues.

2. What complementary capabilities do Google and YouTube offer to one another? Could this acquisition prove successful for Google?
Google provides the ability to search media, while YouTube provides an audience for Google’s advertising. Student responses on the success of the acquisition will vary.

3. What legal and ethical issues might YouTube and Google need to be aware of in offering a video sharing website?
Both companies would be concerned about copyright issues and the legality of some user-uploaded content.

Discussion

1. When electronic retailing began in the 1990s, everything was an innovation and, by definition, everything was new and exciting. Now, there is more consolidation and less innovation. Discuss the proposition.
Student opinions and responses will vary.

2. Comment on the proposition that the earlier analyses and predictions regarding e-tailing by academics, journalists, and other commentators were both hyped and exaggerated, and further, neglected the psychological and social factors involved in accepting and embracing a new and innovative way of doing business.
Student opinions and responses will vary.

3. Comment on the proposition that e-tailing, with a few exceptions, will simply become part of every retail business operation, thus becoming an ordinary part of retail business rather than a specialist venture of “virtual” firms.
Student opinions and responses will vary.

4. What are Amazon.com’s critical success factors? Is its decision not to limit its sales to books, music, and movies, but to offer a much broader selection of items, a good marketing strategy? With the broader selection, do you think the company will dilute its brand or extend the value proposition to its customers?

Amazon.com has several success factors including their brand recognition and well-developed logistics capabilities. Student answers will vary on the firm's expansion into other goods. Students may argue that the firm is able to expand on its brand recognition and logistic capabilities by providing a wider sort of goods. Students may also argue that the sales of a large variety of goods dilute the firm's position in its traditional markets.

5. Compare the major e-tail business models.

The major e-tailing business models as described in the text include: direct marketing, pure-play electronic retailers and click-and-mortar retailers. Each of these different models has several advantages and disadvantages that are very specific to the industry in which they are in. Overall, direct marketing has the advantage of the possible lack of several intermediaries, creating a larger possible revenue share,
while having the disadvantage of the value-added services provided by a supply chain. Pure-play electronic retailers have the advantage of being able to fully use and employ the benefits of EC, while not having the stability of the physical location. Click-and-mortar retailers have the benefits of mixing a physical location with an online presence, but they may not be able to fully utilize the benefits of EC because of the mixed model.

6. **Will direct marketing of automobiles be a successful strategy? How should the dealers’ inventory and the automakers’ inventory and manufacturing scheduling be coordinated to meet a specific order with a quick due date?**

Student answers will vary on the success of the strategy. Dealers’ and manufacturers’ inventory and scheduling should be tightly integrated to ensure that products are delivered just in time. This integration would be possible using the EC systems.

7. **Discuss the advantages of established click-and-mortar companies such as Wal-Mart over pure-play e-tailers such as Amazon.com. What are the disadvantages of click-and-brick retailers as compared with pure-play e-tailers?**

Click-and-mortar companies have advantages over pure-play businesses because they have established distribution channels, name recognition, a diversity of income streams (financial stability), as well as greater experience in the market. These companies have the disadvantage of attempting to make existing processes, attitudes and systems work in an online environment.

8. **Discuss the advantages of an online partnership such as that of Amazon.com and Toys ‘R’ Us. Are there any disadvantages?**

There are many advantages in this relationship. Primarily, the advantage is that both organizations can leverage their core competencies. For Amazon, this competence is the ability to sell and ship items online successfully. For Toys R Us, this competence is the ability to purchase sought after toys at favorable prices. A disadvantage of this relationship is that neither company can sell toys independently of the other if they so decided.

9. **Discuss the advantages of shopping aids to the consumer. Should a vendor provide a comparison tool on its site that will show that a competitor is cheaper? Why or why not?**

Shopping aides provide a variety of advantages to the customer. The greatest advantage is the ability to find a variety of products quickly and easily, compare their attributes and prices. Student answers will vary on whether or not vendors should provide comparison tools on their site. Comparison tools would make vendors more competitive if others in the market are already doing so, but by placing comparison tools on their site they are creating an environment where cost may be the primary decision criteria.

10. **Discuss the advantages of specialized e-tailor, such as dogtoys.com. Can such a store survive in the physical world? Why or why not?**

Stores such as this have several advantages specifically that they are able to target a very specific niche and service that niche very well. Student answers will vary on the ability of such stores to survive in the real world. One argument would be that a store such as this could not survive in any particular physical market because the number of potential clients is so small. The Internet is needed in order to create a critical mass of potential clients.

11. **Do you agree with the proposition that P2P financial services activities need a regulatory framework for them to become a successful commercial phenomenon? Explain your point of view.**
12. Discuss the benefits of build-to-order to buyers and sellers. Are there any disadvantages?

Build-to-order provides the customer with the advantage of being able to select the exact good that they desire. Merchants are able to meet their customers’ exact needs and may not need to carry any inventory. The possible disadvantages would include: increased time to delivery due to manufacturing time, possible necessity to carry a wide variety of components for manufacture, and possible higher prices for customized goods.

13. Why are online travel services such a popular Internet application? Why do so many Web sites provide free travel information?

Online travel services are very popular because they allow customers to perform a function traditionally performed by an intermediary, while generating a cost savings. Many of the services are relatively easy to provide and easy for the customer to use. Many Web sites provide this information as an added benefit and incentive for users to visit their Web sites.

14. Compare the advantages and disadvantages of online stock trading with offline trading.

Online stock trading provides the advantage of being able to quickly and easily trade securities and view your accounts any time of the day from any location. Much of this is at a lower cost than traditional services. The advantage offered by offline trading is the ability to interact directly with a broker who can provide recommendations and information on trades.

15. It is said that the service Zuji.com provides to travel agents will lead to their reintermediation. Discuss.

The system provides a large amount of information on travel and can help you interactively plan a trip. This system may decrease the need for a travel agent.

16. Intelligent agents read resumes that are posted online and forward them to potential employers without the knowledge of the candidates. What are the benefits of this use of intelligent agents? Do they violate the privacy of job seekers?

The benefit of intelligent agents is that it speeds up the review process for potential employers. Student answers will vary on whether or not this violates the privacy of job seekers. It could be argued that job seekers are interested in employers reviewing their resumes, and therefore the use of agents is actually a service to job seekers.

17. Online employment services make it easy to change jobs; therefore, turnover rates may increase. This could result in total higher costs for employers because of increased costs for recruiting and training new employees and the need to pay higher salaries and wages to attract or keep employees. What can companies do to ease this problem?

Student answers will vary.

18. How can brokerage houses offer very low commissions for online stock purchases (as low as $4 per trade, with some even offering no commission for certain trades)? Why would they choose to offer such
low commissions? Over the long run, do you expect commissions to increase or continue to decrease? Why?

Companies are able to offer very low commissions because of the efficiencies provided by electronic systems, and the desire to attract new customers with low prices. One of the major points of differentiation for online stock trading firms is the low cost of their commissions. Student answers will vary concerning increases or decreases in commission prices in the future.

19. Explain what is meant by the statement, "Intermediaries will become knowledge providers rather than transaction providers."

The use of PC systems is automating and streamlining the processes that used to be provided by intermediaries. Intermediaries also provided value-added services, specifically knowledge of products and their uses. In order for these intermediaries to survive, they must concentrate on this service (providing knowledge), because their traditional transactional roles are being disintermediated.

20. YouTube allows the upload of personal videos. Already some of the videos have caused considerable comment. Some have violent and sexual content that offends some viewers. Others involve content that may compromise the legal rights of the persons involved, such as the recent situation of a video of what seems to be an overly violent arrest. Comment on the legal and social issues involved, including the issue regarding the responsibilities of the Web site management.

Student opinions and responses will vary.

21. Compare the advantages and disadvantages of distributing digitizable products electronically versus physically.

Student answers will vary. Some disadvantages include: ability to package as a selling tool, greater ability to control the product after purchase (copying, etc.) and ability to use existing sales channels. Some advantages include: decreased cost per item, decrease in distribution cost and decrease in sales cost (from an existing sales channel).

22. How can a sports-related merchant target fantasy game players.

Student answers will vary. One potential option is to advertise on a Web site frequented by that demographic.
**Internet Exercises**
(Note: URLs may change over time; please check the Internet Exercises on the Turban Web site for possible updates: www.prenhall.com/turban.)

1. Visit the following e-grocers: stopandshop.com, freshdirect.com, Albertsons.com and netgrocer.com. Compare the products and services offered by the two companies and evaluate their chances for success. Why do you think "unattended delivery" e-grocers like Shoplink.com failed?

All firms appear to offer a wide variety of groceries and other products through an online store. Stop and Shop focuses on local delivery in large cities, while netgrocer.com focuses on non-perishable products with a wider selection of non-food items. Student responses on the failure of shoplink.com will vary, but could include customer’s lack of comfort with that type of system.

2. Many consumer portals offer advice and ratings of products or e-tailers. Identify and examine two separate general-consumer portals that look at other sites and compare prices or other purchase criteria. Try to find and compare prices for a digital camera, a microwave oven, and an MP3 player. Summarize your experience. Comment on the strong and weak points of such shopping tools.

Student answers will vary. Possible options include Gomez.com and consumernow.com.

3. Design a trip to Kerala, India (use stayfinder.com to start). Find accommodations, restaurants, health clubs, festival information, and art. Arrange a tour for two people for 7 days. How much will it cost?

Student answers will vary.

4. Almost all car manufacturers allow consumers to configure their car online. Visit a major automaker’s Web site and configure a car of your choice (e.g., jaguar.com). Also visit one electronic intermediary (e.g., autobytel.com). After you decide what car you want, examine the payment options and monthly payments. Print your results. How does this process compare to visiting an auto dealer? Do you think you found a better price online? Would you consider buying a car this way?

Student answers will vary.

5. Visit amazon.com and identify at least three specific elements of its personalization and customization features. Browse specific books on one particular subject, leave the site, and then go back and revisit the site. What do you see? Are these features likely to encourage you to purchase more books in the future from Amazon.com? List the features and discuss how they may lead to increased sales. Now visit Amazon zShop (go to amazon.com, and click on zShops) to identify and compare three sellers of food and beverages. Can you find items not normally available in your local grocery store?

Student answers will vary. Some examples of personalization at Amazon.com include remembering customer names, creating recommendations based on preferences and storing recently viewed items.

6. Use a statistics source (e.g., shop.org, emarketer.com, or clickz.com/stats/) and look for recent statistics about the growth of Internet-based consumer-oriented EC in your country and in three other countries. Where is the greatest growth occurring? Which countries have the largest total e-tail sales? Which countries have the highest per-capita participation (i.e., "penetration rate")? What are the forecasts for continued growth in the coming years?
Student answers will vary. Emarketer.com provides a wide variety of information about trends and the successful use of the Internet in marketing. Information can be very specific and vary across countries and customer demographics.

7. Visit landsend.com and prepare a customized order for a piece of clothing. Describe the process. Do you think this will result in better-fitting clothing? Do you think this personalization feature will lead to greater sales volume for Lands’ End?

Student answers will vary.

8. Make your resume accessible to millions of people. Consult asktheheadhunter.com or careerbuilder.com for help in rewriting your resume. See jobweb.com for ideas about planning your career. Get prepared for a job interview. Also, use the Web to determine what salary you can get in the city of your choice in the United States.

Student answers will vary.

9. Visit homeowner.com, decisionaide.com or a similar site and compute the mortgage payment on a 30-year loan at 7.5 percent fixed interest. Also check current interest rates. Estimate your closing costs on a $200,000 loan. Compare the monthly payments of the fixed rate with that of an adjustable rate for the first year. Finally, compute your total payments if you take the loan for 15 years at the going rate. Compare it to a 30-year mortgage. Comment on the difference.

Student answers will vary.

10. Access the Virtual Trader game at citycomment.co.uk and register for the Internet stock game. You will be bankrolled with £100,000 in a trading account every month. You can also play investment games at investorsleague.com, fantasystockmarket.com, and etrade.com.

Student answers will vary.

11. Enter etrade.com and boom.com and find out how you can trade stocks in countries other than the one you live in. Prepare a report based on your findings.

Student answers will vary.

12. Examine the consolidated billing process. Start with e-billingonline.com, and intuit.com. Identify other consolidators in the field. What standard capabilities do they all offer? What capabilities are unique to certain sites?

Student answers will vary.


Student answers will vary.

14. Enter dice.com and see how it can assist technically oriented job seekers and employers. Compare the services offered with those at monster.com.
Dice provides a more specific service over that provided at monster.com. By focusing on IT, it can narrow the field of candidates and provide more specific search criteria and fields.

15. Enter xing.com and identify its job-related offerings. Prepare a list of support activities offered.

Student responses will vary, but will include support services on job-hunting, career decisions, salary expectations, and resume creation.

16. Compare the “build-your-own” at Nike (nike.com) with Timberland’s Boot Studio.

Student answers may vary. Both services provide a variety of customizations for shoes. Students will differ on the importance of the interface in each option and the needed selection of possible selections.

17. Enter scene7.com and review their on-demand rich media offerings.

Student responses will vary, but will include information on the various media streaming and presentation solutions available.

**Answers to End-of-Chapter Real-World Case s: Wal-Mart Goes Online**

1. Compare walmart.com with amazon.com. What features do the sites have in common? Which are unique to Wal-Mart.com? To Amazon.com?

Student answers will vary. Both stores have a wide variety of products available and span several different categories. Both sites have a variety of customer service and shopping features.

2. Will Wal-Mart.com become the dominant e-tailer in the world, replacing Amazon.com, or will Amazon.com dominate Wal-Mart online? What factors would contribute to Wal-Mart’s success in the online marketplace? What factors would detract from its ability to dominate online sales the way it has been able to dominate physical retail sales in many markets?

Student answers will vary. The dominant factor that will help Wal-Mart is their ability to purchase in bulk and their understanding of purchase-side logistics. Amazon.com has the benefit of understanding online sales and order fulfillment online.

3. Check the shopping aids offered at walmart.com. Compare them with those at Amazon.com.

Student answers will vary. Both sites provide a variety of robust aids.

4. What online services can be purchased at walmart.com?

Student answers will vary. Examples include: B2C sales, photos, gift cards and other services.

5. Compare buying a song from walmart.com versus buying it from Apple’s iTunes.

Student answers will vary.

6. Walmart.com sells movies online for a monthly fee. How do similar sellers compare?

Student answers will vary. This model is quite similar to netflix.com and blockbuster.com.
7. Visit *walmart.com*, *target.com*, *marksandspencer.com*, and *sears.com*. Identify the common features of their online marketing and at least one unique feature evident at each site. Do these sites have to distinguish themselves primarily in terms of price, product selection, or Web site features?

Student answers will vary.

A. *Investigate the options for international customers on the Wal-Mart Web site.*

Student answers will vary.
Practice Quiz

1) The amount and percentage of goods and services sold on the Internet is increasing rapidly, despite the failure of many dot-com companies.

Answer: TRUE

2) When comparing retailing to e-tailing, e-tailing has a lower cognitive shopping overhead due to easy-to-establish mutual trust.

Answer: FALSE

3) Commodities with standard specifications (e.g., books, CDs, airline tickets) are expected to facilitate higher sales volumes.

Answer: TRUE

4) A business model is a description of how an organization intends to generate revenue through its business operations.

Answer: TRUE

5) Marketing done online between any seller and buyer is indirect marketing.

Answer: FALSE

6) Direct marketers are firms that sell directly to consumers over the Internet without maintaining a physical sales channel.

Answer: FALSE

7) A click-and-mortar retailer is a combination of both the brick-and-mortar retailer and an online transactional Web site.

Answer: TRUE

8) Competition among online travel e-tailers is fierce, with low margins, little customer loyalty, and increasing commoditization of products and services.

Answer: TRUE

9) The electronic job market can create high turnover costs for employers by accelerating employees' movement to other jobs.

Answer: TRUE

10) When compared to the traditional job market, an advantage of the online job market is its long life cycle.

Answer: TRUE
11) An advantage of the electronic job market for job seekers is that they can assess their market value.

Answer: TRUE

12) Many insurance companies use a dual strategy, keeping human agents but also selling online.

Answer: TRUE

13) The major risk of online trading is security.

Answer: TRUE

14) Both online banks and click-and-mortar banks carry some risks and problems, especially in international banking, including hackers and liquidity risk.

Answer: TRUE

15) A major problem in B2C is the increasing rate of online fraud.

Answer: TRUE

3.2 Multiple Choice

1) Each of the following describes retailing except:

A) A retailer is a sales intermediary.

B) Many manufacturers sell directly to consumers and through wholesalers and retailers.

C) E-tailing makes it easier for a manufacturer to sell directly to customers by cutting out the intermediary.

D) Companies that produce a larger number of products, such as Proctor & Gamble, do not need retailers for efficient distribution.

Answer: D

2) Retailers who sell over the Internet are called

A) cyber marketers.

B) e-tailers.

C) B2B commerce marketers.

D) brick-and-mortar operations.

Answer: B

3) What is the primary advantage of catalog sales?
A) Catalogs eliminate the constraints of space and time.

B) Customers prefer catalog shopping to e-tailing.

C) Catalogs increase interest in products that are then bought online.

D) Products and services can both be sold via catalogs.

Answer: A

4) With all else being equal in the online environment, goods with any of the following product characteristics are expected to facilitate greater online sales except:

A) relatively expensive items.

B) high brand recognition.

C) digitized format.

D) frequently purchased items.

Answer: A

5) Dell’s distribution strategy is best described as

A) a brick-and-mortar strategy.

B) a shared service mall strategy.

C) a click-and-mortar strategy.

D) direct marketing from a manufacturer.

Answer: D

6) A marketer that uses e-mail to advertise to potential customers is called a

A) market maker.

B) transaction broker.

C) content disseminator.

D) viral marketer.

Answer: D
7) Each of the following is a revenue model for online independent travel agents except
A) direct competition revenues.
B) direct revenues from commissions.
C) subscription or membership fees.
D) revenue sharing fees.
Answer: A

8) Compared to the traditional job market, the online job market
A) has a shorter life cycle.
B) is usually specialized and local in scope.
C) tends to be less reliable.
D) tends to be much less expensive.
Answer: D

9) Which of the following parties use the Internet job market?
A) employers seeking employees
B) classified ads
C) job agencies
D) all of the above
Answer: D

10) Advantages of the electronic job market for employers include each of the following except
A) charging online processing fees.
B) providing greater equal opportunity for job seekers.
C) learning how to use their voice effectively in an interview.
D) conducting interviews online.
Answer: A
11) **Advantages of the electronic market for job seekers include each of the following except**

A) assessing their market value.
B) competing with less qualified applicants.
C) marketing themselves directly to potential employers.
D) communicating quickly with potential employers.

Answer: B

12) **E-banking**

A) saves time and money.
B) is more expensive for banks.
C) is primarily done using wireless devices.
D) is done by less than 40 percent of U.S. adult Internet users.

Answer: A

13) **Which of the following is not an online banking application category?**

A) informational
B) delivery
C) administrative
D) transactional

Answer: B

14) **Gateways to storefronts and e-malls are**

A) shopping portals.
B) shopbots.
C) shopping browsers.
D) intelligent search engines.

Answer: A
15) Tools that scout the Web on behalf of consumers who specify search criteria are

A) shopping portals.
B) shopbots.
C) shopping browsers.
D) intelligent search engines.

Answer: B

3.3 Fill in the Blank

1) Broadly, marketing that takes place without intermediaries between manufacturers and buyers describes ________.

Answer: direct marketing

2) ________ are firms that sell directly to consumers over the Internet without maintaining a physical sales channel.

Answer: Virtual (pure-play) e-tailers

3) ________ are brick-and-mortar retailers that offer a transactional Web site from which to conduct business.

Answer: Click-and-mortar retailers

4) The ________ is the online B2C business model where a manufacturer sells to a business, but delivers to individual customers.

Answer: B2B2C

5) ________ is the online B2C business model where manufacturers customize their products and services via online orders.

Answer: Make (build)-to-order

6) Various banking activities conducted from home or the road using an Internet connection describes ________.

Answer: electronic banking

7) Gateways to e-storefronts and e-malls describes ________.

Answer: shopping portals

8) Tools that scout the Web on behalf of consumers who specify search criteria describes ________.

Answer: shopping robots
9) The process whereby intermediaries take on new intermediary roles describes _______.

Answer: reintermediation

10) _______ is the situation in which an online marketing channel upsets the traditional channels due to real or perceived damage from competition.

Answer: Channel conflict

3.4 Essay

1) List five business models by distribution channel.

Answer: The five business models are direct marketing by mail-order retailers that go online, direct marketing by manufacturers, pure-play e-tailers, click-and-mortar retailers, and Internet malls.

2) What are virtual (pure-play) e-tailers? Give an example. List one advantage and one disadvantage of this model.

Answer: Virtual (pure-play) e-tailers are firms that sell directly to consumers over the Internet without maintaining a physical sales channel. Amazon.com is a prime example of this type of e-tailer. Virtual e-tailers have the advantage of low overhead costs and streamlined processes. One disadvantage is a lack of established infrastructure or back office to support the online front-office activities.
Chapter Test

1. The TRUSTe seal is an example of:
   A. a trustmark.
   B. an intermediary.
   C. a business rating.
   D. a B2B exchange.

2. Each of the following is a characteristic of WAYN except:
   A. It enables its users to create a personal profile and upload and store photos.
   B. It is not aimed at any particular age group.
   C. When it introduced fees for its premier travel membership service, it lost most of its new subscriptions.
   D. It is a popular social networking Web site.

3. A marketer that uses e-mail to advertise to potential customers is called a:
   A. content disseminator.
   B. market maker.
   C. transaction broker.
   D. viral marketer.

4. Which of the following is not an online banking application category?
   A. delivery
   B. administrative
   C. informational
   D. transactional

5. Competitive advantages of a "pull" vehicle distribution process include
   A. improved customer satisfaction and pricing.
   B. large cost savings in finished vehicle inventory carrying costs.
   C. virtually real-time market feedback.
   D. all of the above.

6. Conducting e-commerce where the online channel of a business is integrated with the physical retail business as opposed to being a separate channel best defines:
   A. referral economy.
   B. click-and-mortar retailers.
   C. considered commerce.
   D. direct marketing.

7. Retailers who sell over the Internet are called:
   A. cyber marketers.
   B. e-tailers.
   C. brick-and-mortar operations.
   D. B2B commerce marketers.

8. Both online banks and click-and-mortar banks carry some risks and problems, especially in international banking, including hackers and liquidity risk.
   A. True
   B. False
9. Business rating sites can aid consumer purchase decisions.
   A. **True**
   B. False

10. A click-and-mortar retailer is a combination of both the brick-and-mortar retailer and an online transactional Web site.
   A. **True**
   B. False

11. Advantages of the electronic job market for employers include each of the following except
   A. conducting interviews online.
   B. learning how to use their voice effectively in an interview.
   C. **charging online processing fees.**
   D. providing greater equal opportunity for job seekers.

12. Compared to the traditional job market, the online job market
   A. tends to be much less expensive.
   B. has a shorter life cycle.
   C. tends to be less reliable.
   D. is usually specialized and local in scope.

13. Gateways to storefronts and e-malls are
   A. **shopping portals.**
   B. intelligent search engines.
   C. shopping browsers.
   D. shopbots.

14. E-banking
   A. is done by less than 40 percent of U.S. adult Internet users.
   B. is primarily done using wireless devices.
   C. is more expensive for banks.
   D. saves time and money.

15. Tools that scout the Web on behalf of consumers who specify search criteria are
   A. shopping browsers.
   B. **shopbots.**
   C. intelligent search engines.
   D. shopping portals.

16. Amazon.com experienced each of the following except
   A. maintaining its position as the number one e-tailer in 2008.
   B. attracting at least 615 million visitors in 2009.
   C. establishing a grocery delivery service called AmazonConnect.

17. Each of the following is a characteristic of WAYN except:
   A. It enables its users to create a personal profile and upload and store photos.
   B. It is not aimed at any particular age group.
   C. When it introduced fees for its premier travel membership service, it lost most of its new subscriptions.
   D. It is a popular social networking Web site.
18. An advantage of the electronic job market for job seekers is that they can assess their market value.
   A. True
   B. False

19. The major risk of online trading is security.
   A. True
   B. False

20. The top 500 e-tailers accounted for 65 percent of all online sales in 2009.
   A. True
   B. False

21. When comparing retailing to e-tailing, e-tailing has a lower cognitive shopping overhead due to easy-to-establish mutual trust.
   A. True
   B. False

22. Direct marketers are firms that sell directly to consumers over the Internet without maintaining a physical sales channel.
   A. True
   B. False

23. Commodities with standard specifications (e.g., books, CDs, airline tickets) are expected to facilitate higher sales volumes.
   A. True
   B. False

24. The Sears marketing strategy is best described as
   A. a shared service mall strategy.
   B. a brick-and-mortar strategy.
   C. a click-and-mortar strategy.
   D. direct marketing by a manufacturer.

25. Advantages of the electronic market for job seekers include each of the following except
   A. assessing their market value.
   B. marketing themselves directly to potential employers.
   C. communicating quickly with potential employers.
   D. competing with less qualified applicants.

26. A type of online mall that is basically a directory organized by product type best describes
   A. brick-and-mortar retailer.
   B. mall with shared services.
   C. referring directory.
   D. cyber directory.

27. A company that creates and manages many-to-many markets is called a
   A. viral marketer.
   B. transaction broker.
   C. content disseminator.
28. An online seller of travel services that generates revenue by charging fees for its services is an example of a
   A. content disseminator.
   B. transaction broker.
   C. viral marketer.
   D. market maker.

29. Which of the following parties use the Internet job market?
   A. job agencies
   B. employers seeking employees
   C. classified ads
   D. all of the above

30. Compared to the traditional job market, the online job market
   A. tends to be much less expensive.
   B. has a shorter life cycle.
   C. tends to be less reliable.
   D. is usually specialized and local in scope.

31. Which of the following is not a characteristic of e-banking?
   A. saves users time and money
   B. is more expensive for banks
   C. is becoming an enabling feature of business growth in the developing world
   D. is increasing peer-to-peer (P2P) online lending

32. A members-only shopping club, where members can buy goods at large discounts describes
   A. specialty club.
   B. membership-based club.
   C. exclusive club.
   D. private shopping club.

33. A search engine whose mission is to help people find local qualified services ranging from mechanics to restaurants to hairstylists describes:
   A. Freddy's List.
   B. Pricescan.com.
   C. Yelp.
   D. Local.com.

34. The removal of organizations or business process layers responsible for certain intermediary steps in a given supply chain describes:
   A. reintermediation.
   B. extraction.
   C. relocation.
   D. disintermediation.

35. A business model where a company sells in multiple marketing channels simultaneously best defines:
   A. multichannel business model.
   B. concurrent business model.
C. direct marketing.
D. revenue enhancement.

36. Which of the following is not a social shopping model?
   A. personalized event shopping
   B. location-based e-commerce
   C. private shopping clubs
   D. private auctions

37. Major advantages of e-commerce to buyers include:
   A. finding products and services that are not available in local stores.
   B. buying in groups.
   C. shopping globally.
   D. all of the above.

38. A traditional brick-and-mortar store with a mature website that uses a successful click-and-mortar strategy is able to:
   A. give customers the opportunity to perform various functions interactively at any time.
   B. link all of its back-end systems to create an integrated customer experience.
   C. leverage its marketing channels by offering the advantages of each marketing channel to customers from all channels.
   D. do all of the above.

39. Security for online bank transactions includes each of the following except:
   A. firewalls.
   B. SSL encryption.
   C. virtual biometrics.
   D. digital certificates.

40. Types of online banking applications include each of the following except:
   A. informational.
   B. administrative.
   C. directional.
   D. portal.

41. A B2C model in which sales are done to meet the needs of special events describes:
   A. anniversary shopping.
   B. time-based shopping.
   C. event shopping.
   D. choreographed shopping.

42. The competitive advantages of a "pull" vehicle distribution process include each of the following except:
   A. improved customer satisfaction and better pricing.
   B. large cost savings in finished vehicle inventory carrying costs.
   C. better cash flow to the manufacturers.
   D. creating a build-to-stock environment.

43. A method of doing business by which a company generates revenue to sustain itself and achieve its goals best describes:
   A. strategic plan.
   B. mission statement.
C. business model.
D. marketing plan.

44. Many-to-many e-marketplaces, usually owned and run by a third party or a consortium, in which many buyers and many sellers meet electronically to trade with each other best describes:
   A. exchanges.
   B. public market.
   C. company-centric EC.
   D. spot purchases.