

**Management Information Systems: Managing the Digital Firm, 16e (Laudon)**  
**Chapter 10 E-Commerce: Digital Markets, Digital Goods**

1) What event marked the beginning of e-commerce?

- A) The first product sold online
- B) The first domain name registered
- C) The first e-mail sent
- D) The first paid advertisements placed on a website
- E) The first product advertised online

Answer: D

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

2) All of the following are examples of "on demand" companies *except*:

- A) Uber.
- B) Airbnb.
- C) Lyft.
- D) Sidecar.
- E) Instagram.

Answer: E

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

3) A marketplace extended beyond traditional boundaries and removed from a temporal and geographic location is called a(n):

- A) exchange.
- B) marketospace.
- C) online marketplace.
- D) e-hub.
- E) net marketplace.

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

4) When did e-commerce begin?

- A) 1965
- B) 1983
- C) 1995
- D) 1999
- E) 2000

Answer: C

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

5) What standards are referred to when discussing universal standards as a unique feature of e-commerce?

- A) Internet technology standards
- B) Common spoken and written languages
- C) Universal measuring standards
- D) Universal advertising and media format standards
- E) EDI standards

Answer: A

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

6) All of the following are unique features of e-commerce technology, *except*:

- A) personalization/customization.
- B) interactivity.
- C) price discrimination.
- D) richness.
- E) global reach.

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

7) Which of the following dimensions of e-commerce technology involves engaging consumers in a dialogue that dynamically adjusts the experience to the individual?

- A) Ubiquity
- B) Personalization/customization
- C) Richness
- D) Interactivity
- E) Information density

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

8) Which of the following dimensions of e-commerce technology involves the integration of video, audio, and text marketing messages into a single marketing message and consumer experience?

- A) Ubiquity
- B) Personalization/customization
- C) Richness
- D) Interactivity
- E) Social technology

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

9) Which of the following dimensions of e-commerce technology has the potential to raise the quality of information?

- A) Information density
- B) Richness
- C) Customization
- D) Interactivity
- E) Global reach

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

10) The effort required to locate a suitable product is called:

- A) price discrimination.
- B) search costs.
- C) menu costs.
- D) shopping costs.
- E) location costs.

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

11) Information density refers to the:

- A) richness—complexity and content—of a message.
- B) total amount and quantity of information delivered to consumers by merchants.
- C) total amount and quantity of information available to all market participants.
- D) amount of information available to reduce price transparency.
- E) amount of physical storage space needed to store data about a specific entity, such as a product or consumer.

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

12) Selling the same goods to different targeted groups at different prices is called:

- A) cost customization.
- B) cost optimization.
- C) price gouging.
- D) cost personalization.
- E) price discrimination.

Answer: E

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

13) Information \_\_\_\_\_ exists when one party in a transaction has more information that is important for the transaction than the other party.

- A) transparency
- B) asymmetry
- C) complexity
- D) discrimination
- E) competition

Answer: B

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

14) Changing the prices of products based on the level of demand characteristics of the customer is called \_\_\_\_\_ pricing.

- A) menu
- B) dynamic
- C) flexible
- D) asymmetric
- E) customized

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

15) Removing the business process layers in a distribution channel is called:

- A) disintermediation.
- B) BPR.
- C) market segmentation.
- D) network effects.
- E) market transparency.

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

16) In digital markets:

- A) search costs increase.
- B) menu costs decline.
- C) switching costs decline.
- D) network costs decline.
- E) information asymmetry increases.

Answer: B

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

17) Compared to traditional markets, digital markets have:

- A) lower search costs.
- B) weaker network effects.
- C) lower delayed gratification effects.
- D) greater asymmetry.
- E) higher transaction costs.

Answer: A

Difficulty: Challenging

AACSB: Analytical thinking

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

18) Compared to traditional goods, digital goods have:

- A) low marginal costs of production.
- B) higher delivery costs.
- C) lower initial production costs.
- D) higher inventory costs.
- E) higher marginal costs.

Answer: A

Difficulty: Challenging

AACSB: Analytical thinking

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

19) Compared to digital goods, traditional goods have:

- A) lower inventory costs.
- B) lower marginal costs per unit.
- C) lower copying costs.
- D) more variable pricing.
- E) higher costs of distribution.

Answer: E

Difficulty: Challenging

AACSB: Analytical thinking

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

20) What is the primary benefit to consumers of disintermediation?

- A) Faster service
- B) Lower costs
- C) Higher quality
- D) Greater choices
- E) None, because disintermediation primarily benefits manufacturers.

Answer: B

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

21) What is the difference between personalization and customization, as applied to e-commerce technologies?

A) Customization is any type of adjustment made to a product *by* the user; personalization refers to a business changing a product or service *for* the user.

B) Personalization is any type of adjustment made to a product *by* the user; customization refers to a business changing a product or service *for* the user.

C) Customization refers to adjusting marketing messages for a consumer; personalization refers to adjusting a product or service based on a user's preferences.

D) Personalization refers to adjusting marketing messages for a specific consumer; customization refers to adjusting a product or service based on a user's preferences.

E) There is no difference. Both terms refer to changing a product or communication for the consumer.

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

22) E-commerce refers to the use of the Internet and the web to transact business.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

23) Retail consumer e-commerce is growing at single-digit rates.

Answer: FALSE

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

24) The Internet increases information asymmetry.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

25) All previous mass media in modern history, including the printing press, use a broadcast model where content is created in a central location by experts.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

26) Disintermediation does not benefit the consumer.

Answer: FALSE

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

27) In general, for digital goods, the marginal cost of producing another unit is about zero.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

28) Traditional online marketing, such as display ads, have been replaced by video ads.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

29) Information asymmetry exists when there is more information about one product than there is about a similar product.

Answer: FALSE

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

30) Cost transparency refers to the ability of consumers to discover what merchants actually pay for products.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

31) Menu costs are the merchants' costs of changing prices.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

32) Behavioral targeting refers to targeting ad messages to a person's clickstream behavior.

Answer: TRUE

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

33) What is the most profound way in which e-commerce and the Internet have changed the relationship between companies and their customers? Support your answer.

Answer: Student answers will vary. A sample answer is: The most profound way in which e-commerce and the Internet have changed this relationship is in the shrinking of information asymmetry. An information asymmetry exists when one party in a transaction has more information that is important for the transaction than the other party. That information helps determine their relative bargaining power. In digital markets, consumers and suppliers can "see" the prices being charged for goods, and in that sense digital markets are said to be more "transparent" than traditional markets. For example, until auto retailing sites appeared on the web, there was a pronounced information asymmetry between auto dealers and customers. Only the auto dealers knew the manufacturers' prices, and it was difficult for consumers to shop around for the best price. Auto dealers' profit margins depended on this asymmetry of information. Today's consumers have access to a legion of websites providing competitive pricing information, and three-fourths of U.S. auto buyers use the Internet to shop around for the best deal. Thus, the web has reduced the information asymmetry surrounding an auto purchase. The Internet has also helped businesses seeking to purchase from other businesses reduce information asymmetries and locate better prices and terms.

Difficulty: Moderate

AACSB: Written and oral communication

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

34) "Knowledge increases exponentially" is a phrase with which we are all familiar. How does this concept apply to the emergence of the digital firm? Support your contentions.

Answer: Student answers will vary. A sample answer is: The exponential increases of knowledge refer to shared information. For example, once the concept of a wheel is established, inheritors of that knowledge do not have to "reinvent the wheel." The Internet is a tool similar to the wheel: it is based on shared standards and universal tools. The Internet and shared networking technologies are allowing new techniques for attracting customers and selling customers to be developed and adapted very quickly. For example, although early Internet retailers had difficulty setting up secure credit card transactions and payment systems, today there are many systems in place as vendors step in to create shared tools for doing this. The Internet is fostering shared knowledge and, as such, propagating ever greater increases in that knowledge.

Difficulty: Challenging

AACSB: Written and oral communication

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?



35) What are digital goods, and how does the Internet impact the market for digital goods?

Answer: Digital goods are goods that can be delivered over a digital network. Music tracks, video, Hollywood movies, software, newspapers, magazines, and books can all be expressed, stored, delivered, and sold as purely digital products. For the most part, digital goods are intellectual property, which is defined as "works of the mind." Intellectual property is protected from misappropriation by copyright, patent, and trade secret laws. Today, all these products are delivered as digital streams or downloads while their physical counterparts decline in sales. The impact of the Internet on the market for digital goods is nothing short of revolutionary. Businesses dependent on physical products for sales—such as bookstores, music stores, book publishers, music labels, and film studios—face the possibility of declining sales and even destruction of their businesses. In general, for digital goods, the marginal cost of producing another unit is about zero (it costs nothing to make a copy of a digital file such as a music file). However, the cost of producing the original first unit is relatively high—in fact, it is nearly the total cost of the product because there are few other costs of inventory and distribution. Costs of delivery over the Internet are very low, inventory costs are low, marketing costs often remain the same, and pricing can be highly variable. On the Internet, the merchant can change prices as often as desired because of low menu costs.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

36) What is dynamic pricing and how is it used in e-commerce?

Answer: In dynamic pricing, the price of a product varies depending on the demand characteristics of the customer or the supply situation of the seller. For instance, online retailers from Amazon to Walmart change prices on many products based on time of day, demand for the product, and users' prior visits to their sites. Using big data analytics, some online firms can adjust prices at the individual level based on behavioral targeting parameters such as whether the consumer is a price haggler (who will receive a lower price offer) versus a person who accepts offered prices and does not search for lower prices. Prices can also vary by zip code, with higher prices set for poor sections of a community. Uber, along with other ride services, uses surge pricing to adjust prices of a ride based on demand (which always rises during storms and major conventions).

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

37) Describe the use of personalization and customization in e-commerce. What business value do these techniques have?

Answer: In personalization, merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases. For example, Amazon.com greets each logged in user with their user name. With customization, merchants can change the delivered product or service based on a user's preferences or prior behavior. The *Wall Street Journal Online* allows you to select the type of news stories you want to see first and gives you the opportunity to be alerted when certain events happen. The ability of Internet technology to track customer behavior at websites, along with records of purchases and other behavior, allows merchants to create a detailed profile of a customer. These profiles can be used to create unique personalized web pages that display content or ads for products or services of special interest to each user, improving the customer's experience and creating additional value. The business value of personalization is reduced marketing costs, as you spend only the money to target customers that are more likely to be receptive and are more profitable, and improved sales results, from increased customer response to personalized sites that better serve their own purposes and shopping needs. Personalization can achieve some of the benefits of using individual salespeople for dramatically lower costs.

Difficulty: Moderate

AACSB: Written and oral communication

LO: 10-1: What are the unique features of e-commerce, digital markets, and digital goods?

38) Amazon.com is known primarily for its use of which of the following business models?

- A) Content provider
- B) Portal
- C) Market creator
- D) E-tailer
- E) Transaction broker

Answer: D

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

39) Craigslist is an example of:

- A) C2C e-commerce.
- B) B2B e-commerce.
- C) B2C e-commerce.
- D) M-commerce.
- E) P2P-commerce.

Answer: A

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

40) Which of the following types of e-commerce involves businesses selling goods and services directly to individuals via the Internet?

- A) B2C e-commerce
- B) B2B e-commerce
- C) C2C e-commerce
- D) M-commerce
- E) P2P e-commerce

Answer: A

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

41) As described in the opening case, what is the primary business model employed by YouTube?

- A) Portal
- B) E-tailer
- C) Content provider
- D) Transaction broker
- E) Market creator

Answer: C

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

42) Transaction brokers:

- A) generate revenue from advertising or from directing buyers to sellers.
- B) save users money and time by processing online sales transactions.
- C) provide a digital environment where buyers and sellers can establish prices for products.
- D) sell physical products directly to consumers or individual businesses.
- E) provide online meeting places where people with similar interests can communicate.

Answer: B

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

43) Which of the following Internet business models involves a merchant creating an online digital environment that enables people with like interests to share information?

- A) Community provider
- B) Service provider
- C) Market creator
- D) Transaction broker
- E) Portal

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

44) Market creators:

- A) save users money and time by processing online sales transactions.
- B) provide a digital environment where buyers and sellers can establish prices for products.
- C) create revenue by providing digital content over the web.
- D) sell physical products directly to consumers or individual businesses.
- E) generate revenue from advertising or from directing buyers to sellers.

Answer: B

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

45) Which of the following best illustrates the sales revenue model?

- A) eBay receives a small fee from a seller if a seller is successful in selling an item.
- B) Yelp receives a fee after steering a customer to a participating website where he or she makes a purchase.
- C) Pandora provides basic services for free, but charges a premium for advanced services.
- D) Apple accepts micropayments for single music track downloads.
- E) Netflix charges customers a monthly fee for access to its library of movies.

Answer: D

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

46) As described in the chapter case, Uber uses the \_\_\_\_\_ revenue model.

- A) service provider
- B) market creator
- C) community provider
- D) portal
- E) transaction broker

Answer: B

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

47) Which of the following best illustrates the transaction fee revenue model?

- A) eBay receives a small fee from a seller if a seller is successful in selling an item.
- B) Yelp receives a fee after steering a customer to a participating website where he or she makes a purchase.
- C) Pandora provides basic services for free, but charges a premium for advanced services.
- D) Apple accepts micropayments for single music track downloads.
- E) Netflix charges customers a monthly fee for access to its library of movies.

Answer: A

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

48) In the \_\_\_\_\_ revenue models, a firm offers some services for free but charges a subscription fee for premium services.

- A) free/freemium
- B) subscription
- C) transaction fee
- D) affiliate
- E) sales

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

49) Content providers use \_\_\_\_\_ systems to process large amounts of very small monetary transactions cost-effectively.

- A) subscription
- B) mobile payment
- C) transaction fee
- D) micropayment
- E) affiliate revenue

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

50) Which of the following best illustrates the advertising revenue model?

- A) eBay receives a small fee from a seller if a seller is successful in selling an item.
- B) Yelp receives a fee after steering a customer to a participating website where he or she makes a purchase.
- C) Facebook provides a social network for free, but shows sponsored content in users' News Feeds.
- D) Apple accepts micropayments for single music track downloads.
- E) Netflix charges customers a monthly fee for access to its library of movies.

Answer: C

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

51) Which of the following companies uses the subscription revenue model?

- A) Expedia
- B) ETrade
- C) Facebook
- D) Netflix
- E) Google Search

Answer: D

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

52) As described in the opening case, what is YouTube's revenue model?

- A) Advertising
- B) Transaction fee
- C) Subscription
- D) Freemium
- E) Affiliate

Answer: A

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

53) YouTube does not use dynamic pricing.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

54) eBay is an example of the market creator business model.

Answer: TRUE

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

55) Yahoo is an example of the portal business model.

Answer: TRUE

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

56) Podcasting allows subscribers to listen to live, streaming radio and other audio content.

Answer: TRUE

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-2: What are the principal e-commerce business and revenue models?

57) In the affiliate revenue model, firms derive revenue by referring consumers to other firms selling online.

Answer: TRUE

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-2: What are the principal e-commerce business and revenue models?

58) List and describe at least five different Internet business models. Which of these models do you think would be the riskiest for a startup business today? Support your answer.

Answer: Internet business models include: e-tailer, transaction broker, market creator, content provider, community provider, portal and service. The choice of riskiest model will depend on the individual student. A sample answer is: Today the riskiest model would be a content-provider, because most, if not all, of the major offline entertainment and content producers such as television networks and newspapers are online. They would be your competitors, and already have the means for content creation and distribution in place. All of the other business models do not have the risk of creating brand new content.

Difficulty: Easy

AACSB: Written and oral communication

LO: 10-2: What are the principal e-commerce business and revenue models?

59) List and describe the three main categories of e-commerce. Which do you think is ultimately the most valuable to the individual consumer? Support your answer.

Answer: Business-to-consumer, business-to-business, and consumer-to-consumer. All three are valuable to the consumer, but in the long run, business-to-business may be the most valuable to the individual consumer because it will reduce prices and increase both goods and services.

(Other opinions, of course, are supportable.)

Difficulty: Moderate

AACSB: Written and oral communication

LO: 10-2: What are the principal e-commerce business and revenue models?

60) What methods could a portal use to generate revenue? Which do you think might be most successful, and why?

Answer: Advertising, subscriptions, selling collected marketing information, and directing buyers to sellers could all generate revenue. Student evaluations will vary. A sample answer is: I would think the most successful method would be through collecting marketing information, because as a portal that links to large amounts of external information and attracts repeat customers, the portal would have the opportunity to gather a lot of information about each user.

Difficulty: Moderate

AACSB: Written and oral communication

LO: 10-2: What are the principal e-commerce business and revenue models?

61) You are consulting for Lucky's, a chain of gas stations. What types of e-commerce opportunities, if any, are relevant to Lucky's? Could Lucky's make use of any Internet business models for this opportunity?

Answer: Student answers will vary. A sample answer is: In terms of B2B e-commerce, Lucky's might be able to procure goods over the Internet, use a private industrial network to coordinate their supply chain with suppliers and manage inventory. Depending on the structure of the gasoline retail business, industry net marketplaces and exchanges might be of use. In terms of B2C e-commerce, there are not many opportunities, as it is inefficient to sell gasoline over the Internet. Lucky's could make sure that its stations are listed in popular location-based mobile services that help drivers find nearby gas stations.

Difficulty: Challenging

AACSB: Written and oral communication

LO: 10-2: What are the principal e-commerce business and revenue models?

62) Ikea asked for the help of its customers in designing new furniture. This is an example of:

- A) prediction markets.
- B) behavioral targeting.
- C) long-tail marketing.
- D) social shopping.
- E) crowdsourcing.

Answer: E

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

63) Exposing an individual to ads that are chosen based on the choices of their friends is an example of:

- A) clickstream advertising.
- B) behavioral targeting.
- C) online profiling.
- D) social marketing.
- E) crowdsourcing.

Answer: D

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

64) Which of the following best describes the digital social graph?

- A) A person's direct and indirect relationships
- B) All of a person's closest digital relationships
- C) A collection of millions of personal social graphs
- D) All of the online and offline relationships a person has
- E) All of the relationships in an online community

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

65) Which of the following marketing formats is sales-oriented, rather than branding-oriented or a mix?

- A) Lead generation
- B) Search engine
- C) Rich media
- D) Display ads
- E) Video

Answer: B

Difficulty: Challenging

AACSB: Analytical thinking

LO: 10-3: How has e-commerce transformed marketing?



66) Facebook's Like button is an example of which of the following?

- A) Social sign-on
- B) Collaborative shopping
- C) Network notification
- D) Social search
- E) Newsfeed

Answer: C

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

67) An environment where consumers can share their shopping experiences with one another by viewing products, chatting, or texting about brands, products, and services is an example of:

- A) network notification.
- B) web personal marketing.
- C) collaborative shopping.
- D) social search.
- E) social sign-on.

Answer: C

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

68) \_\_\_\_\_ involves placing ads in social network newsfeeds or within traditional editorial content, such as a newspaper article.

- A) Behavioral targeting
- B) Crowdsourcing
- C) Native advertising
- D) Demand prediction software
- E) Lead generation marketing

Answer: C

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

69) Rich media advertisements are used to sell products and services online.

Answer: FALSE

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-3: How has e-commerce transformed marketing?

70) Behavioral targeting occurs at individual websites and within apps.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

71) Advertising networks track a user's behavior at thousands of websites.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

72) Viral marketing is like traditional word-of-mouth marketing except that it is spread via online communities.

Answer: TRUE

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

73) Search engine marketing is the largest form of web marketing.

Answer: FALSE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-3: How has e-commerce transformed marketing?

74) List and describe the top four methods of online marketing and advertising formats, in terms of estimated 2018 revenue.

Answer: The top five methods of online advertising are: display ads, which are banner ads with interactive features that increasingly are behaviorally targeted to individual web activity (an estimated \$67.1 billion); search engine marketing, which employs text ads targeted at precisely what the customer is looking for at the moment of shopping and purchase (an estimated \$53.3 billion); video ads, which are the fastest-growing format, and use engaging, entertaining, interactive video that are also often behaviorally targeted (an estimated \$21.2 billion); and rich media ads, which use interactive, targeted, entertaining animations, games and/or puzzles (an estimated \$18.3 billion).

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 10-3: How has e-commerce transformed marketing?

75) You have been hired as a marketing consultant by a law firm in Los Angeles that specializes in juvenile justice. What ways can you use the Internet as a marketing tool and to advertise the firm's services?

Answer: Student answers will vary. A sample answer is: For marketing research, you could advertise on search engines. You could pay for marketing research at relevant portals. You could also collect customer information from the company's website. You could monitor relevant blogs to see what issues are of concern in juvenile justice, so as to address these concerns in your advertising campaigns. To advertise, you could advertise on search engine results and at relevant portals or legal information content providers. If it were feasible, you could create a juvenile justice portal and blog for the company in order to attract users from whom you could gather market research as well as promote your services. You might also want to investigate social network marketing—assuming that your clients might be the best leads for other clients.

Difficulty: Challenging

AACSB: Written and oral communication

LO: 10-3: How has e-commerce transformed marketing?

76) Website tracking software can log the path a customer took through the website, the time spent on the site, and what geographic area, in general, the customer is from, all of which can help in customer analysis. It can also log the customer's operating system and which browser the customer is using. How could these last two data items be of interest to a company? Give examples.

Answer: Student answers will vary, but should include an understanding that customer OS and browser interact technologically with a website and might be relevant in data analysis. An example is: Customer OSs and browsers could help a company determine what technical functionalities could be used in the site. For example, if it found out that a significant percentage of its users are using mobile browsers, they might want to make sure that the website is easily used by various mobile devices. Secondly, this data might be relevant in data mining or other analysis. For example, a retail clothing company might find that a significant portion of their most valued customers use an Apple operating system, and from other data analysis know that Apple users are more likely to purchase cashmere sweaters. Then the company may want to place a greater emphasis on selling the cashmere sweaters.

Difficulty: Moderate

AACSB: Written and oral communication

LO: 10-3: How has e-commerce transformed marketing?

77) Which of the following statements about EDI is *not* true?

- A) Each major industry in the United States has EDI standards.
- B) Today, EDI is only used for document automation.
- C) Many organizations still use private networks for EDI.
- D) EDI systems are increasingly web-enabled.
- E) About 80 percent of online B2B e-commerce is still based on EDI.

Answer: B

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

78) The process of sourcing goods and materials, negotiating with suppliers, paying for goods, and making delivery arrangements is called:

- A) e-procurement.
- B) SCM.
- C) procurement.
- D) distribution
- E) production.

Answer: C

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

79) A secure website that links a large firm to its suppliers and other key business partners is called a(n):

- A) e-hub.
- B) marketspace.
- C) exchange.
- D) private industrial network.
- E) net marketplace.

Answer: D

Difficulty: Moderate

AACSB: Information technology

LO: 10-4: How has e-commerce affected business-to-business transactions?

80) Which of the following statements about Net marketplaces is *not* true?

- A) Some Net marketplaces sell direct goods.
- B) Some Net marketplaces serve vertical markets.
- C) Some Net marketplaces sell indirect goods.
- D) Some Net marketplaces support contractual purchases based on long-term relationships.
- E) Some Net marketplaces are owned by a single firm and used to link solely to the firm's suppliers and key business partners.

Answer: E

Difficulty: Challenging

AACSB: Analytical thinking

LO: 10-4: How has e-commerce affected business-to-business transactions?

81) Which of the following statements about exchanges is *not* true?

- A) Exchanges are independently owned third-party Net marketplaces.
- B) Some exchanges provide vertical markets.
- C) Exchanges are the most successful form of B2B commerce.
- D) Some exchanges enable a spot market.
- E) Go2Paper is an example of an exchange.

Answer: C

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

82) Which of the following is an example of a direct good in the automobile industry?

- A) Computer equipment
- B) Paper
- C) Office furniture
- D) Roofing shingles
- E) Sheet steel

Answer: E

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

83) Which of the following is an example of a private industrial network?

- A) Exostar
- B) Go2Paper
- C) Elemica
- D) Expedia
- E) VW Group Supply

Answer: E

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

84) Procurement involves all of the following *except*:

- A) negotiating with suppliers.
- B) paying for goods.
- C) making delivery arrangements.
- D) sourcing.
- E) production scheduling.

Answer: E

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

85) EDI standards that take advantage of network communications have yet to be fully implemented at the industry level.

Answer: FALSE

Difficulty: Moderate

AACSB: Information technology

LO: 10-4: How has e-commerce affected business-to-business transactions?

86) Net marketplaces may either support contractual purchasing based on long-term relationships with designated suppliers or short-term spot purchasing.

Answer: TRUE

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

87) Exchanges have become one of the most popular types of Net marketplace because they encourage competitive bidding that drives prices down.

Answer: FALSE

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

88) Indirect goods are not involved firsthand in the production process.

Answer: TRUE

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-4: How has e-commerce affected business-to-business transactions?

89) Which of the following is the largest mobile advertising platform?

A) Google

B) Yahoo

C) Facebook

D) Microsoft

E) Twitter

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

90) A new social mobile app you are developing allows users to find friends who are logged in and within a 10-mile radius. This would be categorized as a \_\_\_\_\_ service.

A) geosocial

B) geoinformation

C) geoadvertising

D) geomapping

E) geolocating

Answer: A

Difficulty: Easy

AACSB: Analytical thinking

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

91) Geoadvertising sends ads to users based on their:

- A) GPS locations.
- B) home addresses.
- C) shopping preferences.
- D) website behaviors.
- E) Google Maps settings.

Answer: A

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

92) What percent of online retailers now have m-commerce websites?

- A) 15 percent
- B) 25 percent
- C) 55 percent
- D) 75 percent
- E) 85 percent

Answer: C

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

93) Which of the following is *not* an example of location-based services?

- A) Foursquare
- B) Google Maps
- C) Waze
- D) Uber
- E) Netflix

Answer: E

Difficulty: Moderate

AACSB: Application of knowledge

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

94) Define location-based services and describe the main categories of these services. Which of the categories do you feel has the most potential in terms of e-commerce revenues, and why?

Answer: Location-based services are services that use GPS mapping services available on smartphones to deliver value-added services. They include geosocial services, geoadvertising, and geoinformation services. A geosocial service can tell you where your friends are meeting. Geoadvertising services can tell you where to find the nearest Italian restaurant, and geoinformation services can tell you the price of a house you are looking at, or about special exhibits at a museum you are passing. Student answers as to the most valuable of these services will vary; an example is: I feel that geoadvertising services have the most potential for profit, as it is based on a profit-making mechanism: advertising. Geosocial services and geoinformation services, by themselves, are more content- and communication-oriented.

Difficulty: Moderate

AACSB: Written and oral communication

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

95) What are geosocial services and how are they being used?

Answer: Geosocial services help you find friends, or your friends to find you, by checking in to the service, announcing your presence in a restaurant or other place. Your friends are instantly notified. About 20 percent of smartphone owners use geosocial services. One example of a firm using geosocial services is Foursquare. Foursquare provides a location-based social networking service to 60 million registered individual users, who may connect with friends, update their location, and provide reviews and tips for enjoying a location. Points are awarded for checking in at designated venues. Users choose to post their check-ins on their accounts on Twitter, Facebook, or both. Users also earn badges by checking in at locations with certain tags, for check-in frequency, or for the time of check-in.

Difficulty: Easy

AACSB: Application of knowledge; Written and oral communication

LO: 10-5: What is the role of m-commerce in business, and what are the most important m-commerce applications?

96) Which of the following is a milestone for the Phase 1: Planning phase of developing an e-commerce presence?

- A) Website plan
- B) Web mission statement
- C) Functional website
- D) Social media plan
- E) Mobile media plan

Answer: B

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-6: What issues must be addressed when building an e-commerce presence?



97) Which of the following is a milestone for the website development phase of building an e-commerce presence?

- A) Web mission statement
- B) Social media plan
- C) Website plan
- D) Web presence map
- E) Functional website

Answer: C

Difficulty: Challenging

AACSB: Application of knowledge

LO: 10-6: What issues must be addressed when building an e-commerce presence?

98) In planning a robust e-commerce presence, you will want to consider the blog platform as part of your \_\_\_\_\_ presence.

- A) social media
- B) e-mail
- C) community
- D) website
- E) offline media

Answer: A

Difficulty: Moderate

AACSB: Analytical thinking

LO: 10-6: What issues must be addressed when building an e-commerce presence?

99) Which of the following is *not* one of four types of presence to be considered when building an e-commerce presence?

- A) Offline media
- B) Websites
- C) Social media
- D) Corporate
- E) E-mail

Answer: D

Difficulty: Easy

AACSB: Application of knowledge

LO: 10-6: What issues must be addressed when building an e-commerce presence?

100) What are the steps involved in developing an e-commerce presence for a start-up company?  
Answer: A one-year timeline for developing an e-commerce presence for a start-up company would involve the following:

Phase 1: Planning, which involves envisioning the company's web presence and determining personnel, and producing a web mission statement; Phase 2: Website development, which involves acquiring content, developing a website design, arranging for hosting a website, and producing a website plan; Phase 3: Web implementation, which involves developing keywords and metatags, focusing on search engine optimization, identifying potential sponsors, and producing a functional website; Phase 4: Social media plan, which involves identifying appropriate social platforms and content for the company's products and services, and producing a social media plan; Phase 5: Social media implementation, which involves developing Facebook, Twitter and Pinterest presences, and results in a functioning social media presence; and Phase 6: Mobile plan, which involves developing a mobile media plan and considering options for porting the website.

Difficulty: Challenging

AACSB: Application of knowledge; Written and oral communication

LO: 10-6: What issues must be addressed when building an e-commerce presence?