
Examiners' commentary

2018–2019

CO3323 Electronic commerce – Zone B

General remarks

Overall, the performance on this examination was satisfactory. However, candidates are reminded to pay attention to the presentation of their work. Please remember to write legibly and to structure your answers in a way that shows the logic of your thinking. Make use of underlining and clear paragraphs. Make appropriate use of headings. Please start each question or sub-part of a question on a new page.

Ensure that you read each question carefully and focus your answer on what is being required of you.

There were five questions on this paper. Candidates were required to answer three. Only the first three questions that appeared in a candidate's answer booklet were marked.

Comments on specific questions

Question 1

- a. Good answers provided a description of the concept of impact sourcing, explaining how this innovative and worthy strategy takes a charitable approach to business activities. This question specifically asked candidates to consider its impact in developing countries. Candidates described a wide range of impacts, all of which, in the main, were appropriate for answering this question.
- b. This was a demanding question. It specifically required that candidates not only describe outsourcing, offshoring and business process offshoring but also the differences between them. Many experienced difficulty in identifying the differences. A wide range of reasons as to why smaller companies might wish to outsource elements of their business support activities, such as human resources, retirement plans and payroll functions were proposed.
- c. This was a straightforward question and was generally answered very well. It only asked that the disadvantages of outsourcing be discussed, such as hidden costs, security risks, quality control, etc. Many candidates placed too much emphasis on just discussing security risks and did not provide a full list of **five** disadvantages as requested in the question.

Question 2

- a. This was a very popular question, which many candidates chose to answer. It required a clear description of the Yankee and Dutch auctions, which most candidates were able to do in quite some depth. However, answers to which type of auction is beneficial to sellers were less well thought through. Candidates needed to demonstrate that they really understood each auction and its relation to business in order to be able to answer this part of the question successfully.
- b. Good answers to this question pointed out that a reverse auction is also known as a seller-bid auction, and then described how this type of auction works. Candidates pointed out that most reverse auctions involve

businesses as buyers and sellers. In many business reverse auctions, the buyer acts as auctioneer and screens sellers before they can participate.

- c. In order to answer this question, candidates needed to understand what is meant by escrow. Some did not know what this meant and hence lost marks in answering this question. Once the concept had been defined, candidates went on to discuss the many benefits of escrow, such as the ability to track items to ensure they are delivered in time and in accordance with the agreement previously set up.
- d. This question was perhaps more difficult than it first appeared. In general, candidates provided a good definition of what is meant by the term 'lock in' and were able to elaborate on the meaning of the term. However, where candidates lost marks was where they failed to expand sufficiently on the reasons why 'lock in' to their auction site would prevent the success of alternative consumer sites. For example, some good answers to this question discussed the risk that a customer who goes to an alternative site might incur 'switching costs'.

Question 3

- a. In answering this question, many candidates failed to understand that transaction costs are the total of all costs that a buyer and a seller incur as they gather information and negotiate a purchase-sale transaction. This understanding was needed in order to answer the remainder of the question that required candidates to identify examples of five such costs.
- b. An appropriate way to address this question was to start by providing an explanation of what is meant by a virtual community. Answers thereafter were very broad and a wide range of answers was acceptable. Excellent answers pointed out that a virtual community exists only online and has no physical presence. Many candidates highlighted benefits such as creating 'stickiness' and an opportunity for information gathering and sharing.

Question 4

- a. This question was based on a case study. The question was specific in asking for **five** concerns that a customer might experience. The most common reason for candidates losing marks on this question was that they failed to provide **five** concerns and simply highlighted just two or three. In order to score full marks it was necessary to identify clearly **five** valid concerns.
- b. This was a straightforward question. Good answers identified what is meant by a customer-centric approach and provided **six** guidelines for Spartan designers to follow. It was important that these guidelines reflected what was contained in the case study.

Question 5

- a. Not many candidates chose this question. Those who did choose it appropriately pointed out that companies find that having several marketing channels lets them reach more customers at less cost. They then expanded on these benefits in the context of Artworks UK. Some of the ways in which Artworks UK could combine their website and printed catalogue could include offering a wider variety of products on the website than in the physical store.
- b. This was an interesting question and a variety of interesting examples was given as to how a competitive advantage could be achieved. It was important in answering the question that candidates understood what was meant by a competitive advantage and that they defined it. They were then in a position to be able to discuss how a returns policy could support the organisation in achieving this. Some candidates scored very well on this question by giving real world examples of organisations that have returns policies that are very beneficial to their customers.

- c. Candidates appeared to find this question difficult. This was possibly because they were unsure of what was meant by the terms 'channel conflict' and 'cannibalisation'. Good answers explained these terms from the outset and then went on to explain three ways in which Artworks UK could prevent it happening between their physical store, website, and paper catalogue marketing channels, such as to avoid direct price competition among the channels.