

THIS PAPER IS NOT TO BE REMOVED FROM THE EXAMINATION HALL



**UNIVERSITY
OF LONDON**

CO3323 ZB

BSc EXAMINATION

**COMPUTING AND INFORMATION SYSTEMS, CREATIVE COMPUTING
and COMBINED DEGREE SCHEME**

Electronic Commerce

Thursday 2 May 2019: 14.30 – 16.45

Time allowed: 2 hours and 15 minutes

DO NOT TURN OVER UNTIL TOLD TO BEGIN

There are **FIVE** questions on this paper. Candidates should answer **THREE** questions. All questions carry equal marks, and full marks can be obtained for complete answers to a total of **THREE** questions. The marks for each part of a question are indicated at the end of the part in [.] brackets.

Only your first **THREE** answers, in the order that they appear in your answer book, will be marked.

There are 75 marks available on this paper.

Calculators are not permitted in this examination.

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Question 1 Business strategies

- (a) Throughout the developing world, electronic commerce businesses are conducting impact sourcing to help communities and provide opportunities. Define **impact sourcing** and describe **THREE** benefits of impact sourcing for developing countries.

[5]

- (b) Describe the differences between the business process activities of **outsourcing**, **offshoring**, and **business process offshoring**. Next, provide **TWO** reasons why smaller companies might wish to outsource elements of their business support activities such as human resources, retirement plan and payroll functions, *etc.*

Up to 2 marks will be awarded for defining each of the business process activities and up to a further 2 marks for each reason why smaller companies might wish to outsource support activities.

[10]

- (c) Although many electronic commerce businesses see outsourcing as a way of reducing costs, it is often the case that outsourcing has serious disadvantages. Describe **FIVE** potential disadvantages of outsourcing for an electronic commerce business.

Up to 2 marks will be awarded for each disadvantage described.

[10]

Question 2 Electronic commerce auctions

- (a) Businesses often use online auctions as a way of selling goods and disposing of assets. Explain the operation of a **Dutch auction** and a **Yankee auction**. Identify which auction is better for sellers, and explain why.

Up to 4 marks will be awarded for explaining each type of auction operation and up to a further 2 marks for explaining which auction is better for sellers and why.

[10]

- (b) Describe the operation of a **reverse auction** and explain why it is most likely to be used in business-to-business electronic commerce settings.

Up to 3 marks will be awarded for describing the operation of a reverse auction and up to a further 2 marks for explaining why it is most likely to be used in business-to-business e-commerce settings.

[5]

- (c) Describe the operation of an escrow service and explain its advantages for both buyers and sellers.

Up to 3 marks will be awarded for describing the operation of an escrow service and a further 2 marks for explaining its advantages to buyers and sellers.

[5]

- (d) eBay has been the leading consumer online auction site for many years. It has benefited from what economists refer to as the **lock-in effect**. Define the term “lock-in effect” and explain how this may have prevented alternative consumer online auction sites from becoming as successful.

Up to 3 marks will be awarded for defining the term “lock-in effect” and up to a further 2 marks for explaining how it may have prevented alternative consumer online auction sites from becoming as successful.

[5]

Question 3 Transaction costs and virtual communities

- (a) A key reason for creating a business online is the potential to have very low transaction costs when supplying products or services to customers. Describe **FIVE** transaction cost savings a business could make by creating an online shop instead of a traditional shop on a High Street.

Up to 2 marks will be awarded for each transaction cost discussed.

[10]

- (b) Describe **FIVE** different ways in which a virtual community can be used to obtain valuable information about future products to sell.

Up to 3 marks will be awarded for each way described.

[15]

Question 4 Scenario: Spartan bank

Spartan Asset Management is a financial services company that manages the wealth and financial assets of high net worth individuals – people with more than 5 million pounds in liquid assets – who wish to invest this capital. It has always prided itself on its personalised service which is provided face-to-face, from its offices in central London. Generally, Spartan's customers from around the world have been happy to travel to London to discuss their investment affairs with a personal investment team. Due to its relatively small customer base, face-to-face, resource heavy meetings have always been possible, and the business has grown from strength to strength.

At a recent management meeting, a proposal was put forward to create a new business called Spartan Bank. Spartan Bank would be a commercial bank offering investment services and asset management to individuals who, although not in the category of high net worth individuals, still had substantial sums to invest. The idea is to create an online-only bank to provide investment services supported by asset management information provided on a private intranet website. This new business would allow Spartan to reach many more customers and increase the range of services offered.

However, at the meeting several members of the management team argued that an online-only bank was not a good idea, raising concerns that they thought customers might have when considering whether to do business with an online-only bank. Furthermore, it was generally understood that Spartan Bank would need a web presence that would be both highly secure and customer-centric in design.

You have been hired as an electronic commerce consultant to write two reports detailing how Spartan Asset Management could create a web presence that not only addresses the potential concerns of new customers to online-only banking but also how it could design a web presence that was truly customer-centric in its design.

- (a) Using the scenario above describe **FIVE** concerns a potential customer might have when considering whether to do business with the Spartan online-only bank. For each concern you identify, describe a mitigating action to address this concern.

Up to 2 marks will be awarded for each concern identified with a mitigating action.

[10]

- (b) Define what is meant by a customer-centric approach to designing a web presence and describe **SIX** guidelines which should be followed by designers of the Spartan Bank.

Up to 3 marks will be awarded for defining a customer-centric approach and up to a further 2 marks for each guideline described.

[15]

Question 5 Scenario: Artworks UK

Artworks UK is a retailer of fine art based in London. Since 1972, they have sold art to the general public from their physical store on Oxford Street. This single channel for sales has meant that the company is restricted to those customers who can actually visit the store.

Artworks UK specialises in providing advice and background information on the artworks they sell. Staff are highly trained, and each has a postgraduate degree in an art-related subject. Often when customers visit the store, they are taken on a personal tour to view the art by one of the staff, and may spend a considerable amount of time before deciding whether to make a purchase.

Artworks UK believe that there is potential to expand their business through increasing their number of sales channels, for example, using both website and printed catalogues containing high quality images and detailed information about the art for sale. However, they are concerned that this might lead to what is termed **channel conflict** or **cannibalisation**. A further issue for internet sales is dealing with items that are returned. At present, all returns are made at the store; customers value the excellent returns policy, and have commented it gives them confidence to purchase from Artworks UK.

Using information provided in the scenario above answer the following questions related to Artworks UK's wish to expand.

- (a) Describe **TWO** ways in which Artworks UK could benefit from increasing the number of marketing channels through which they sell. Following this, propose **THREE** ways in which Artworks UK could combine their website and printed catalogue marketing channels to increase potential sales and reach more customers.

Up to 2 marks will be awarded for each benefit described and up to a further 2 marks for each proposal to combine marketing channels.

[10]

- (b) Explain how Artworks UK could use its returns policy experience to provide a service to customers online that maintains its good reputation and to gain a competitive advantage. Propose **TWO** offers that Artworks UK could make to customers to assure them that no risks would be incurred should they wish to return items purchased online.

Up to 3 marks will be awarded for the explanation of how the return policy could provide a competitive advantage. Up to 1 mark will be awarded for each offer proposed.

[5]

- (c) Define either **channel conflict** or **cannibalisation** in the context of e-commerce. Describe **THREE** ways in which Artworks UK could prevent it happening between their physical store, website, and paper catalogue marketing channels.

Up to 4 marks for will be awarded for the definition, and up to a further 2 marks for each way described to prevent it occurring.

[10]

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