**Chapter 3: Business Models and Strategies**

**MULTIPLE CHOICE**

1. \_\_\_\_\_\_\_\_ is an important element of any business model.

|  |  |
| --- | --- |
| a. | Value proposition |
| b. | Competitive analysis |
| c. | Financial forecasting |

ANS: A REF: p. 63

2. A business model is:

|  |  |
| --- | --- |
| a. | how a company makes money. |
| b. | how a not-for-profit achieves its revenue goals. |
| c. | both the above. |

ANS: C REF: p. 61

3. Music file sharing is an example of which Internet business model?

|  |  |
| --- | --- |
| a. | Brokerage |
| b. | Peer-to-peer |
| c. | Community |

ANS: C REF: pp. 64, 75

4. \_\_\_\_\_\_\_\_ is making recommendations to visitors based on preferences generated by the purchases of similar visitors.

|  |  |
| --- | --- |
| a. | Collaborative filtering |
| b. | Collaboration |
| c. | Co-creation |

ANS: A REF: p. 73

5. Disintermediation means:

|  |  |
| --- | --- |
| a. | Syndication |
| b. | Eliminate the middleman |
| c. | Direct Selling |

ANS: B REF: p. 74

6. \_\_\_\_\_\_\_\_ is the business model used to describe a site that resells large amounts of content on the web.

|  |  |
| --- | --- |
| a. | Portal |
| b. | Machine-to-Machine |
| c. | Infomediary |

ANS: C REF: p. 71

7. Among the functions filled by business models are:

|  |  |
| --- | --- |
| a. | to conduct a detailed SWOT analysis. |
| b. | to describe the value proposition. |
| c. | to provide detailed *pro forma* financial statements. |

ANS: B REF: p. 62

8. Which of the following is **not** an element to be considered when preparing an Internet business model?

|  |  |
| --- | --- |
| a. | How value will be created for customers. |
| b. | How customers will use the product or service. |
| c. | The importance of multiple revenue streams. |

ANS: B REF: p. 63

9. Elements of a value proposition do **not** include:

|  |  |
| --- | --- |
| a. | a description of the capabilities of the business. |
| b. | a description of customer service strategy. |
| c. | a description of the target customer. |

ANS: B REF: p. 63

10. Revenue models for online businesses include:

|  |  |
| --- | --- |
| a. | Bringing buyers and sellers together. |
| b. | Reaching buyers directly. |
| c. | both of the above. |

ANS: C REF: p. 64

11. Which of the following is a true statement about Internet business models?

|  |  |
| --- | --- |
| a. | The business models for B2C and B2B markets are different. |
| b. | The best business models are supported by advertising. |
| c. | Nonprofit organizations and governmental agencies make use of a variety of business models. |

ANS: C REF: p. 64

12. Examples of the infomediary business model include:

|  |  |
| --- | --- |
| a. | Amazon. |
| b. | Yahoo!. |
| c. | Wall Street Journal Online. |

ANS: C REF: p. 64

13. \_\_\_\_\_\_\_\_ is making recommendations to visitors based on preferences provided by similar visitors.

|  |  |
| --- | --- |
| a. | Co-creation |
| b. | Collaboration |
| c. | Collaborative filtering |

ANS: C REF: p. 73

14. Companies share information within the organization on:

|  |  |
| --- | --- |
| a. | extranets. |
| b. | intranets. |
| c. | open source networks. |

ANS: B REF: p. 76

15. The \_\_\_\_\_\_\_\_ manages and distributes data on the Internet.

|  |  |
| --- | --- |
| a. | portal |
| b. | disintermediator |
| c. | infomediary |

ANS: C REF: p. 71

16. One of the most famous examples of the brokerage model:

|  |  |
| --- | --- |
| a. | Dell. |
| b. | Yahoo!. |
| c. | eBay. |

ANS: C REF: p. 66

17. Which of the following is a type of business marketplace?

|  |  |
| --- | --- |
| a. | Consortium |
| b. | Private exchange |
| c. | Both the above |

ANS: C REF: p. 67

18. Which of the following is an example of the utility model?

|  |  |
| --- | --- |
| a. | Skype |
| b. | Slashdot |
| c. | Both of the above |

ANS: C REF: p. 77

19. Possible applications of the Community model include:

|  |  |
| --- | --- |
| a. | fundraising. |
| b. | open collaboration. |
| c. | both of the above. |

ANS: C REF: p. 76

20. The main function of a portal is to:

|  |  |
| --- | --- |
| a. | provide a huge amount of content. |
| b. | provide access to the Internet. |
| c. | provide free services. |

ANS: B REF: p. 69

21. A statistical technique to identify underlying patterns in data:

|  |  |
| --- | --- |
| a. | provide a huge amount of content. |
| b. | predictive modeling. |
| c. | aggregation. |

ANS: B REF: p. 73

22. A company selling shoes online to consumers is following which business model?

|  |  |
| --- | --- |
| a. | Merchant |
| b. | Brokerage |
| c. | Aggregation |

ANS: A REF: p. 72

23. Selling software-based services on the Internet is an example of which type of model?

|  |  |
| --- | --- |
| a. | Merchant |
| b. | Brokerage |
| c. | Manufacturer |

ANS: C REF: p. 74

24. RSS feeds are:

|  |  |
| --- | --- |
| a. | a method of generating revenue from website content. |
| b. | a method of syndicating content. |
| c. | used by large corporations to transmit information over the Internet. |

ANS: B REF: p. 76

25. The advertising model is an extension of which traditional model?

|  |  |
| --- | --- |
| a. | Media Broadcast |
| b. | Banner Advertising |
| c. | Marketplace |

ANS: A REF: p. 67

26. eToys illustrates the following concept:

|  |  |
| --- | --- |
| a. | Internet firms often have large initial investments in technology and order fulfillment facilities. |
| b. | the importance of various cost elements does not vary greatly from offline to online businesses. |
| c. | for the customer, costs of switching from one supplier to another are high. |

ANS: A REF: p. 62

27. The key function of the affiliate model is to:

|  |  |
| --- | --- |
| a. | manage and distribute software-based services and solutions. |
| b. | provide financial incentives to partners. |
| c. | share revenue through banner ads. |

ANS: B REF: p. 71

**TRUE/FALSE**

1. The value proposition concept only applies to online banking.

ANS: F REF: p. 63

2. A business model describes how the enterprise creates value for customers and generates revenue.

ANS: T REF: p. 61

3. Business model and business plan are synonymous terms.

ANS: F REF: p. 63

4. A value proposition describes the value created for all customers who purchase this type of product.

ANS: F REF: p. 65

5. When creating their business model Internet marketers must choose a single, specific revenue model.

ANS: F REF: p. 68

6. Business models in the B2C space are entirely different from business models in the B2B space.

ANS: F REF: p. 65, 67

7. Advertising is the only feasible revenue stream for most Internet businesses.

ANS: F REF: p. 68

8. Affiliate programs are worthwhile but expensive for marketers to operate.

ANS: F REF: p. 75

9. Application Service Providers (ASPs) provide software applications and services to small companies.

ANS: F REF: p. 77

10. Infomediaries are present only in the B2C marketspace.

ANS: F REF: p. 64

11. With the demise of Napster the Peer-to-Peer application is no longer viable.

ANS: F REF: p. 75

12. The advertising model is an excellent way for a new business to consider making money.

ANS: F REF: p. 68

13. Ecommerce is not applicable to nonprofit markets:

ANS: F REF: p. 61

14. The subscription model is not applicable to nonprofit markets:

ANS: F REF: p. 77

15. A proprietary system is usually not sold or licensed.

ANS: F REF: p. 74

**ESSAY**

1. In your own words describe the functions of a business model and explain why the concept is important.

ANS:

The functions include specifying the value proposition, the target market segment, the value chain and the firm's position in it, the cost structure and profit potential, and its basic competitive strategy.

The conceptual importance of the business model is to help us understand the key elements of an existing or prospective business. The practical importance is that a business plan is an essential part of obtaining start-up capital for a new business. A business model can refer to both online and offline businesses.

REF: pp. 62-63

2. The text discussed several business models that are important in the B2C space. Choose one of the models. Describe in detail the characteristics of that model and provide an example of it, preferably an example different from those used in the text. Be sure to explain how and why your example illustrates that particular business model.

ANS:

Table 3.1 lists the business models and gives examples of each. This question can focus on B2B or the nonprofit space, depending on the emphasis in your coverage.

REF: p. 64

3. The value proposition is an important marketing concept. Explain the concept and give an example of how an Internet business creates value for customers.

ANS:

The value proposition describes the needs that drive customer purchases and the capabilities the business has that can be used to meet those needs.

The description of Amazon's many features is one good example of creating customer value. Restaurant.com continues to add functionalities and services that provide value and thereby attract visitors.

REF: p. 63