

Ebusiness: A Canadian Perspective for a Networked World, 4e
Chapter 2 – Internet Business Models and Strategies

- 1) Which of the following would be appropriate when defining a business model?
- A) the manner in which a business organizes itself so as to achieve its objectives
 - B) traditional business models have usually revolved around a number of products and/or services so as not to limit the business
 - C) the accounting standards which are used
 - D) a business model typically refers to the traditional “push system” of conducting business
 - E) all of the above

Answer: A

Diff: 3 Type: MC Page Ref: 23

Skill: A Objective: 1

- 2) Which of the following is one of the ebusiness models defined in the literature?
- A) distributor
 - B) franchise
 - C) infomediary
 - D) direct advertiser
 - E) all of the above

Answer: C

Diff: 2 Type: MC Page Ref: 30

Skill: A Objective: 4

- 3) There are a large number of brokerage sites that make money by charging a fee for transactions they enable on their site. Which of the following is a type of brokerage site?
- A) buyer aggregators
 - B) market makers
 - C) buy/sell fulfillment sites
 - D) booksellers
 - E) none of the above

Answer: C

Diff: 2 Type: MC Page Ref: 34

Skill: A Objective: 4

- 4) Priceline.com is an example of which of the following types of brokerage sites?
- A) buy/sell fulfillment site
 - B) market exchange
 - C) reverse auction
 - D) auction broker
 - E) search agent

Answer: C

Diff: 1 Type: MC Page Ref: 36

Skill: R Objective: 4

- 5) ChemConnect is a good example of which of the following?
- A) distributor

- B) buy/sell fulfillment site
- C) buyer aggregator
- D) business trading community
- E) market exchange

Answer: E

Diff: 2 Type: MC Page Ref: 35

Skill: R Objective: 4

6) RoboShopper is an example of which of the following?

- A) reverse auction
- B) search agent
- C) classified
- D) bounty broker
- E) auction broker

Answer: B

Diff: 2 Type: MC Page Ref: 37

Skill: R Objective: 4

7) Which of the following statements is true in regards to an infomediary?

- A) data collected from users are sold to companies who are charged a fee for having their ebusiness activity monitored
- B) sites that build on the economic value of information about people's purchasing habits
- C) may offer free internet access
- D) asks the users to fill out information about themselves and their buying habits
- E) all of the above

Answer: E

Diff: 2 Type: MC Page Ref: 31

Skill: A Objective: 4

8) The _____ model is a wholesaler or retailer of goods and services.

- A) manufacturer
- B) affiliate
- C) merchant
- D) community
- E) subscription

Answer: C

Diff: 1 Type: MC Page Ref: 30

Skill: R Objective: 4

9) If a business sells over the web and also has a bricks-and-mortar presence it is referred to as what type of operation?

- A) retailer
- B) pure-play
- C) bricks-and-clicks
- D) real-click

E) none of the above

Answer: C

Diff: 2 *Type: MC* *Page Ref: 28*

Skill: A *Objective: 3*

10) Which of the following statements holds true about the “direct sales by manufacturer” model?

- A) no matter who the manufacturer sells to, there are no variations of this model
- B) is the use of the web by product manufacturers to sell their products directly to customers
- C) this model does not result in channel conflict
- D) the manufacturer cannot compete through reintermediation
- E) all of the above

Answer: B

Diff: 1 *Type: MC* *Page Ref: 30*

Skill: A *Objective: 4*

11) An affiliate model can be described by which of the following statements?

- A) a good example of this model is a banner and ad exchange
- B) www.amazon.com is an example of this model
- C) affiliate programs can be joined through affiliate manager sites
- D) affiliate manager sites can offer a point of contact for all those interested in exchanging banners.
- E) all of the above

Answer: E

Diff: 2 *Type: MC* *Page Ref: 33*

Skill: A *Objective: 4*

12) Which of the following reflects the characteristics of a community model?

- A) depends on user loyalty and community identification for its viability
- B) can present an opportunity for businesses to advertise and to provide a convenient access point to their own site
- C) sites are usually built with volunteer labour and feature a variety of content from the community
- D) it is often difficult for community sites to remain current
- E) all of the above

Answer: E

Diff: 3 *Type: MC* *Page Ref: 33*

Skill: A *Objective: 4*

13) Which of the following statements most clearly defines the relationship between business models and business strategy?

- A) the various models are all mutually exclusive of one another
- B) the specific model or combination of models that a business uses helps to define its internet or ebusiness strategy

- C) models provide a menu for a business strategist to consider when addressing questions that will directly impact the particular business
- D) business models and business strategy are closely linked to each other
- E) none of the above

Answer: B

Diff: 2 Type: MC Page Ref: 39

Skill: A Objective: 6

14) Which of the following are major activities normally included in ebusiness planning?

- A) developing a business model
- B) installing application architecture
- C) creating a mission
- D) designing technology architecture
- E) defining a tactical plan

Answer: E

Diff: 2 Type: MC Page Ref: 41

Skill: R Objective: 7

15) An ebusiness model is:

- A) a flow chart that shows how products are delivered.
- B) a method by which a bricks company converts to a clicks company.
- C) an information technology process for ecommerce efficiency.
- D) a means by which an ebusiness can earn a profit.
- E) an advertising mechanism for online sales.

Answer: D

Diff: 2 Type: MC Page Ref: 23

Skill: A Objective: 1

16) A brokerage business model earns profits through:

- A) advertising revenue.
- B) selling low cost goods at high markups.
- C) charging a commission on each transaction.
- D) getting reimbursed for a portion of its overhead costs by members.
- E) working exclusively for large distributors.

Answer: C

Diff: 3 Type: MC Page Ref: 34

Skill: A Objective: 4

17) Advertising is a major area of online revenues and expenses for many companies.

Which of the following are issues of concern for advertising?

- A) paying for banner ads can be a waste of money
- B) affiliate programs only work for certain products
- C) click through counts are not necessarily good payment systems
- D) email campaigns can have negative effects on image
- E) all of the above

Answer: E

Diff: 2 *Type: MC* *Page Ref: 32*
Skill: A *Objective: 4*

- 18) It is important for long-standing enterprises that wish to embrace ebusiness to:
- A) go all out and design a great website.
 - B) sell different products online to avoid cannibalism.
 - C) hire a number of internet experts to launch the strategy.
 - D) evaluate the corporate strategy and ebusiness strategy prior to proceeding.
 - E) all of the above

Answer: D

Diff: 2 *Type: MC* *Page Ref: 38*
Skill: A *Objective: 6*

- 19) The development of a strategic plan for an ebusiness strategy should:
- A) be outsourced.
 - B) not be done because documenting strategy is a waste of time.
 - C) be done after the website is designed.
 - D) establish online objectives which align with offline.
 - E) be based upon existing offline business knowledge.

Answer: D

Diff: 2 *Type: MC* *Page Ref: 38*
Skill: A *Objective: 7*

- 20) In the affiliate model for online business:
- A) companies share profits equally amongst all affiliates.
 - B) websites lend credibility to each other through PR but share no revenues.
 - C) no advertising costs are paid unless a customer buys a product.
 - D) the customer pays a fee directly to the affiliate business.
 - E) none of the above

Answer: D

Diff: 2 *Type: MC* *Page Ref: 33*
Skill: A *Objective: 4*

- 21) Which model represents a higher proportion of ebusiness activity conducted in the economy than B2C models?
- A) B2E
 - B) B2B
 - C) C2G
 - D) B2G
 - E) C2C

Answer: B

Diff: 1 *Type: MC* *Page Ref: 26*
Skill: A *Objective: 2*

- 22) What label is used to distinguish the degree to which core business processes depend on the internet?

- A) net versus wire
- B) bricks versus networks
- C) bricks versus clicks
- D) wireless versus posts
- E) networks versus hotspots

Answer: C

Diff: 2 *Type: MC* *Page Ref: 27*

Skill: R *Objective: 3*

23) Web storefronts in the continuum of internet business models represent one step up from what model?

- A) clicks
- B) internet-based sales channels
- C) bricks
- D) merchant
- E) affiliate

Answer: C

Diff: 3 *Type: MC* *Page Ref: 28*

Skill: R *Objective: 3*

24) Which model has business dealings that often involve long term arrangements that are documented in legal contracts?

- A) B2E
- B) C2G
- C) B2B
- D) B2G
- E) C2C

Answer: C

Diff: 2 *Type: MC* *Page Ref: 29*

Skill: A *Objective: 2*

25) The following are examples of ebusiness revenue models:

- A) licensing models, brokerage models, and utility models
- B) bricks models, clicks models, and pure-play models
- C) B2B models, B2C models, and B2G models
- D) virtual malls, auction brokers, and metamediaries
- E) search agents, classifieds, and market exchanges

Answer: A

Diff: 2 *Type: MC* *Page Ref: 29,30*

Skill: A *Objective: 4*

26) Workopolis.com is an example of what kind of brokerage model?

- A) buy/sell fulfillment sites
- B) search agents
- C) reverse auctions
- D) metamediaries

E) classifieds

Answer: E

Diff: 2 *Type: MC* *Page Ref: 35*

Skill: A *Objective: 4*

27) Michael E. Porter cautions against a strategy based on price competition. Instead, Porter recommends competing on quality, features, and _____.

- A) cost
- B) brand
- C) profit
- D) service
- E) value

Answer: D

Diff: 2 *Type: MC* *Page Ref: 23*

Skill: R *Objective: 1*

28) An internet business model involves the use of the internet as a _____ tool for generating profits and achieving other business objectives.

- A) strategic
- B) business
- C) support
- D) operational
- E) new

Answer: A

Diff: 1 *Type: MC* *Page Ref: 24*

Skill: A *Objective: 1*

29) Clickthrough counts do not necessarily result in an accurate count of individual users who use an online banner advertisement because:

- A) privacy laws prevent advertisers from tracking users under age 16.
- B) users can change the settings on their computer to prevent tracking.
- C) software on the website cannot delineate between individual users.
- D) there is no reliable way to tabulate clicks on web advertisements.
- E) a single user could click on a particular banner ad several times.

Answer: E

Diff: 2 *Type: MC* *Page Ref: 32*

Skill: A *Objective: 4*

30) Intermediaries that gather and coordinate the products and services offered by other intermediaries that specialize in specific areas are called _____.

- A) metamediaries
- B) search agents
- C) transaction brokers
- D) auction brokers
- E) intelligent software agents

Answer: A

Diff: 2 *Type: MC* *Page Ref: 37*
Skill: A *Objective: 4*

31) A market exchange provides a vehicle for suppliers to connect with customers.

- A) True
- B) False

Answer: True

Diff: 2 *Type: TF* *Page Ref: 35*
Skill: A *Objective: 4*

32) The advertising model can remain viable, even when there is a moderate volume of traffic on the site.

- A) True
- B) False

Answer: False

Diff: 2 *Type: TF* *Page Ref: 32*
Skill: R *Objective: 4*

33) The utility model is a user-pay site, offering specific services for a fee.

- A) True
- B) False

Answer: True

Diff: 1 *Type: TF* *Page Ref: 31*
Skill: R *Objective: 4*

34) Despite analysts' predictions that customers will use websites primarily to research their purchases but will continue to make their purchases in physical stores, statistics on online shopping behaviour contradict this view and instead show a continuing expansion of ecommerce activity.

- A) True
- B) False

Answer: True

Diff: 1 *Type: TF* *Page Ref: 29*
Skill: R *Objective: 3*

35) Ebusiness planning must be done in conjunction with an entity's IT strategy but not necessarily with its corporate strategy.

- A) True
- B) False

Answer: False

Diff: 2 *Type: TF* *Page Ref: 40*
Skill: A *Objective: 6*

36) Strategic management process is the process by which resources are acquired, developed, and allocated to the core business activities.

- A) True

B) False

Answer: False

Diff: 3

Type: TF Page Ref: 37

Skill: R

Objective: 7

37) Traditional business models have usually revolved around a central product or service.

A) True

B) False

Answer: True

Diff: 2

Type: TF Page Ref: 23

Skill: A

Objective: 1

38) Travel reservations (using Expedia) is an example of a C2C model.

A) True

B) False

Answer: False

Diff: 1

Type: TF Page Ref: 26

Skill: A

Objective: 2

39) One business can be involved in B2C, B2B, and B2E at the same time.

A) True

B) False

Answer: True

Diff: 1

Type: TF Page Ref: 26, 27

Skill: A

Objective: 2

40) Business models that are solely or predominantly based on the internet are also called “pure plays.”

A) True

B) False

Answer: True

Diff: 1

Type: TF Page Ref: 28

Skill: A

Objective: 3

41) In a pure-play situation, where the only business is ebusiness, the corporate strategic plan will be the same as the business plan.

A) True

B) False

Answer: True

Diff: 2

Type: TF Page Ref: 40

Skill: A

Objective: 7

42) An approach to industry analysis that is widely used is the Porter Five Forces analysis.

A) True

B) False

Answer: True

Diff: 1 *Type: TF* *Page Ref: 41*

Skill: R *Objective: 7*

43) Describe 3 ways in which business-to-employee (B2E) internet models support the ebusiness activities of an organization.

Answer:

B2E is used in websites that enable employees to register for benefits, monitor the status of their benefits, update personal information as necessary, and provide employees with training and procedural guidance.

Diff: 2 *Type: ES* *Page Ref: 26*

Skill: A *Objective: 2*

44) Why are brokers often referred to as market makers?

Answer:

Because they bring buyers and sellers together and facilitate transactions between them.

Diff: 2 *Type: ES* *Page Ref: 34*

Skill: A *Objective: 4*

45) Give 3 examples of government to consumer (G2C) ebusiness activities.

Answer:

Online tax filings (Canada Revenue Agency), driver's license renewal kiosks, and information dissemination over the web (provincial and federal governments).

Diff: 1 *Type: ES* *Page Ref: 26*

Skill: A *Objective: 2*

46) Name any 3 key elements of an internet business model and describe them.

Answer:

a. External forces – political, economic, social, and technological factors, pressures, and forces from

outside the entity that create opportunities for the entity or threaten its business objectives.

b. Market formats – the domains in which the entity may choose to operate, and the design and location of the facilities.

c. Customers – the individuals and organizations that purchase the entity's output.

d. Core business processes – the processes used to develop, produce, market, and distribute an entity's products and services.

e. Core products and services – the commodities that the entity brings to the market.

f. Alliances – the relationships established by an entity to attain business objectives, expand business opportunities and reduce or transfer business risk.

g. Resource management processes – the processes by which resources are acquired, developed, and allocated to the core business activities.

h. Strategic management process – the process by which the entity's mission is developed, its business objectives are defined, business risks that threaten attainment

Ebusiness: A Canadian Perspective for a Networked World, 4e
Chapter 2 – Internet Business Models and Strategies

of the business objectives are identified, business risk management processes are established, and progress toward meeting business objectives is monitored.

Diff: 3 Type: ES Page Ref: 23

Skill: A Objective: 1

47) What does the term “SWOT” stand for and where is it used?

Answer:

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is used to identify technology, competency, and resource limitations as well as opportunities.

Diff: 2 Type: ES Page Ref: 41

Skill: R Objective: 7

48) List the 5 elements of the Porter Five Forces analysis.

Answer:

- (1) the barriers to entry in the industry
- (2) the threats posed by substitute products or services
- (3) the bargaining power of suppliers
- (4) the bargaining power of buyers
- (5) the rivalry among existing competitors

Diff: 3 Type: ES Page Ref: 41

Skill: R Objective: 7

49) PayPal is a popular third-party transaction broker that operates on the internet to facilitate settlements for purchases. Explain how PayPal works.

Answer:

Paypal facilitates settlements for purchases for a small fee per transaction. PayPal provides a plug-in “shopping cart” that sellers can easily add to their websites. A buyer purchases items by depositing funds into the seller’s PayPal account. The seller then retrieves the funds from its PayPal account.

Diff: 3 Type: ES Page Ref: 37

Skill: R Objective: 4

50) Name 3 terms used to describe an etailer that also has a traditional brick-and-mortar presence.

Answer:

“bricks and clicks” retail operation, “clicks and mortar” operation, “surf-and-turf” site

Diff: 2 Type: ES Page Ref: 30

Skill: R Objective: 3