E-commerce 2013, 9e (**Laudon/Traver**)
Chapter 1   The Revolution Is Just Beginning

1) The growth of mobile e-commerce almost doubled from 2011 to 2012.
Answer: TRUE
Diff: 2   Page Ref: 8
AACSB: Reflective Thinking

2) Approximately 80% of adults in the United States use a social network on a daily basis.
Answer: FALSE
Diff: 2   Page Ref: 8
AACSB: Reflective Thinking

3) A company's online inventory control process is an example of e-business, as opposed to e-commerce.
Answer: TRUE
Diff: 2   Page Ref: 13
AACSB: Analytic Skills

4) Ubiquity increases cognitive energy outlays.
Answer: FALSE
Diff: 2   Page Ref: 16
AACSB: Analytic Skills

5) The fact that e-commerce is conducted on the basis of universal standards decreases market entry costs for merchants.
Answer: TRUE
Diff: 3   Page Ref: 17
AACSB: Reflective Thinking

6) Price transparency refers to the ability of merchants to segment the market into groups willing to pay different prices.
Answer: FALSE
Diff: 2   Page Ref: 18
AACSB: Reflective Thinking

7) Cost transparency refers to the ability of consumers to discover the actual costs merchants pay for products.
Answer: TRUE
Diff: 2   Page Ref: 18
AACSB: Reflective Thinking

8) Customization involves changing a delivered product or service based upon a consumer's preferences or past purchasing behavior.
Answer: TRUE
Diff: 2   Page Ref: 19
AACSB: Reflective Thinking

9) Web 2.0 describes a set of applications and technologies that encourage and rely on user- and consumer-generated interactivity and content.
Answer: TRUE
Diff: 1   Page Ref: 19
AACSB: Use of IT

10) Social e-commerce is the largest type of e-commerce.
Answer: FALSE
Diff: 1   Page Ref: 8
AACSB: Reflective Thinking

11) E-commerce as we know it today would not exist without the Internet.
Answer: TRUE
Diff: 1   Page Ref: 27
AACSB: Reflective Thinking

12) The growth of B2C e-commerce is limited by the fact that consumers need to possess a more sophisticated skill set than consumers who shop offline.
Answer: TRUE
Diff: 2   Page Ref: 29
AACSB: Reflective Thinking

13) In 2011, a new Internet investment bubble focused primarily on social networks emerged.
Answer: TRUE
Diff: 2   Page Ref: 37
AACSB: Reflective Thinking

14) As economists had envisioned, prices of products sold on the Web are consistently lower than elsewhere, and the online marketplace is characterized by decreasing price dispersion.
Answer: FALSE
Diff: 3   Page Ref: 36-38
AACSB: Reflective Thinking

15) The future of e-commerce will include an increase in regulatory activity both in the United States and worldwide.
Answer: TRUE
Diff: 1   Page Ref: 43
AACSB: Reflective Thinking

16) Which of the following statements about Internet use in the United States in 2012 is *not* true?
A) Social e-commerce generated more revenue than local e-commerce.
B) Approximately 150 million users made at least one purchase online.
C) Almost 50% of adult Internet users visited an online social network daily.
D) Growth rates for B2C e-commerce were higher in the United States than in Europe.
Answer: D
Diff: 3   Page Ref: 8
AACSB: Reflective Thinking

17) In 2012, roughly _____ million people in the United States accessed the Internet via mobile devices.
A) 30
B) 65
C) 80
D) 120
Answer: D
Diff: 3   Page Ref: 8
AACSB: Reflective Thinking

18) Which of the following is *not* a major business trend in e-commerce in 2012-2013?
A) Retail e-commerce continues double-digit growth.
B) Small businesses and entrepreneurs are hampered by the rising cost of market entry caused by increased presence of industry giants.
C) Facebook grows to more than 1 billion users.
D) Social and mobile advertising begins to challenge search engine marketing.
Answer: B
Diff: 2   Page Ref: 10
AACSB: Use of IT

19) All of the following are major technology trends in e-commerce in 2012-2013 *except*:
A) Cloud computing enables the creation of "big data."
B) Apps create a new platform for online marketing and commerce.
C) The mobile computing platform begins to rival the PC platform.
D) Real-time advertising becomes a reality with gains in computing power and speeds.
Answer: A
Diff: 2   Page Ref: 10-11
AACSB: Reflective Thinking

20) E-commerce can be defined as:
A) the use of the Internet and the Web to transact business.
B) the use of any Internet technologies in a firm's daily activities.
C) the digital enablement of transactions and processes within an organization.
D) any digitally enabled transactions among individuals and organizations.
Answer: A
Diff: 1   Page Ref: 12
AACSB: Reflective Thinking

21) Which of the following is *not* a unique feature of e-commerce technology?
A) interactivity
B) social technology
C) global broadcasting
D) richness
Answer: C
Diff: 2   Page Ref: 15
AACSB: Use of IT

22) The integration of video, audio, and text marketing messages into a single marketing message and consuming experience is an example of:
A) richness.
B) ubiquity.
C) information density.
D) personalization.
Answer: A
Diff: 2   Page Ref: 15
AACSB: Reflective Thinking

23) Which of the following qualities is *least* likely to decrease a consumer's search costs?
A) ubiquity
B) global reach
C) information density
D) richness
Answer: D
Diff: 3   Page Ref: 14-19
AACSB: Analytic Skills

24) Which of the following is the best definition of transaction cost?
A) the cost of changing prices
B) the cost of participating in a market
C) the cost of finding suitable products
D) the cost merchants pay to bring their goods to market
Answer: B
Diff: 2   Page Ref: 16
AACSB: Reflective Thinking

25) In 2012, the world's online population was roughly:
A) 230 million.
B) 2.3 billion.
C) 23 billion.
D) 230 billion.
Answer: B
Diff: 2   Page Ref: 8
AACSB: Reflective Thinking

26) Which of the following is *not* one of the current major social trends in e-commerce in 2012-2013?
A) Spam declines as a significant problem.
B) Controversy over content regulation and controls continues.
C) E-books gain wide acceptance.
D) Internet security continues to decline.
Answer: A
Diff: 2   Page Ref: 11
AACSB: Reflective Thinking

27) Network externalities are related to which of the following features of e-commerce technology?
A) richness
B) interactivity
C) universal standards
D) information density
Answer: C
Diff: 3   Page Ref: 17
AACSB: Reflective Thinking

28) E-commerce technologies have changed the traditional tradeoff between the richness and reach of a marketing message. Prior to the development of the Web:
A) marketing messages had little richness.
B) the smaller the audience reached, the less rich the message.
C) the larger the audience reached, the less rich the message.
D) richness equaled reach.
Answer: C
Diff: 2   Page Ref: 17
AACSB: Use of IT

29) Which of the following is *not* an example of a social network?
A) Wikipedia
B) Twitter
C) Pinterest
D) Facebook
Answer: A
Diff: 1   Page Ref: 7, 19-20
AACSB: Reflective Thinking

30) All of the following are major business trends in e-commerce in 2012-2013 *except* for:
A) the growth of a new app-based online economy.
B) the expansion of the localization of e-commerce.
C) the emergence of a new social e-commerce platform.
D) the eclipse of search engine marketing by the mobile advertising platform.
Answer: D
Diff: 2   Page Ref: 10
AACSB: Reflective Thinking

31) Which type of e-commerce is distinguished by the type of technology used in the transaction rather than by the nature of the market relationship?
A) Consumer-to-consumer (C2C)
B) Social e-commerce
C) Mobile e-commerce
D) Business-to-business (B2B)
Answer: C
Diff: 2   Page Ref: 21, 23
AACSB: Use of IT

32) Which of the following allows you to rate, categorize, and share the content you find online?
A) WordPress
B) StumbleUpon
C) Wikipedia
D) Instagram
Answer: B
Diff: 1   Page Ref: 20
AACSB: Reflective Thinking

33) Which of the following describes the basic Web policy of large firms during the period of invention?
A) integrate social networking and mobile platform with Web site marketing
B) use Web to connect with suppliers
C) include additional channels to market products
D) maintain a basic, static Web site
Answer: D
Diff: 2   Page Ref: 32
AACSB: Analytic Skills

34) The size of the global C2C market in 2012 was around:
A) $800 million.
B) $8 billion.
C) $80 billion.
D) $800 billion.
Answer: C
Diff: 2   Page Ref: 22
AACSB: Reflective Thinking

35) Interactivity in the context of e-commerce can be described as:
A) the ability to physically touch and manipulate a product.
B) the complexity and content of a message.
C) the ability of consumers to create and distribute content.
D) the enabling of two-way communication between consumer and merchant.
Answer: D
Diff: 2   Page Ref: 17
AACSB: Reflective Thinking

36) Which of the following statements about the Web is *not* true?
A) It is the technology upon which the Internet is based.
B) It was developed in the early 1990s.
C) It provides access to pages written in HTML.
D) It provides access to Web pages that incorporate graphics, sound, and multimedia.
Answer: A
Diff: 2   Page Ref: 24
AACSB: Reflective Thinking

37) In 2012, there were an estimated _____ Internet hosts.
A) 8 million
B) 88 million
C) 888 million
D) 8.88 billion
Answer: C
Diff: 2   Page Ref: 23
AACSB: Reflective Thinking

38) All of the following can be considered a precursor to e-commerce *except*:
A) DNS.
B) Baxter Healthcare's remote order entry system.
C) the French Minitel.
D) Electronic Data Interchange.
Answer: A
Diff: 2   Page Ref: 24, 27
AACSB: Reflective Thinking

39) In the B2C arena, _____ was the first truly large-scale digitally enabled transaction system.
A) Telex
B) the Baxter Healthcare system
C) the French Minitel
D) EDI
Answer: C
Diff: 2   Page Ref: 27
AACSB: Reflective Thinking

40) E-commerce can be said to have begun in:
A) 1983.
B) 1985.
C) 1995.
D) 2001.
Answer: C
Diff: 2   Page Ref: 27
AACSB: Reflective Thinking

41) Business-to-consumer (B2C) e-commerce:
A) has grown at double-digit rates in 2011 and 2012.
B) is growing at a slower rate than the traditional retail market.
C) is a major part (over 30 percent) of the overall retail market.
D) growth is slowing as it confronts its own fundamental limitations.
Answer: A
Diff: 2   Page Ref: 27
AACSB: Reflective Thinking

42) In the "bow-tie" analogy of the structure of the Web, "tendrils" are:
A) pages that link to the center, but which are not linked to from the center.
B) pages that neither link to nor are linked from the center.
C) pages that do not link to the center, but are linked to from the center.
D) pages that link to one another without passing through the center.
Answer: B
Diff: 3   Page Ref: 25
AACSB: Analytic Skills

43) Which of the following is *not* a limitation on the growth of B2C e-commerce?
A) the sophisticated skill set required to use the Internet and e-commerce systems
B) the persistent global inequality limiting access to telephone service, PCs, and cell phones
C) saturation and ceiling effects
D) the retrenchment and consolidation of e-commerce into the hands of large established firms
Answer: D
Diff: 2   Page Ref: 29
AACSB: Analytic Skills

44) By what year is the United States Internet household penetration rate likely to reach the current level of cable television penetration?
A) 2015
B) 2018
C) 2022
D) It has already reached the level of cable television penetration.
Answer: A
Diff: 2   Page Ref: 30
AACSB: Reflective Thinking

45) Around what percentage of Internet users in the United States access the Internet through mobile devices?
A) 30
B) 50
C) 70
D) 90
Answer: B
Diff: 3   Page Ref: 30
AACSB: Use of IT

46) Which of the following is *not* a characteristic of a perfect competitive market?
A) Price, cost, and quality information are equally distributed.
B) A nearly infinite set of suppliers compete against one another.
C) Customers have access to all relevant information worldwide.
D) It is highly regulated.
Answer: D
Diff: 3   Page Ref: 32
AACSB: Analytic Skills

47) All of the following were visions of e-commerce expressed during the early years of e-commerce *except*:
A) a nearly perfect competitive market.
B) friction-free commerce.
C) disintermediation.
D) fast follower advantage.
Answer: D
Diff: 3   Page Ref: 32-33
AACSB: Analytic Skills

48) Unfair competitive advantages occur when:
A) one competitor has an advantage others cannot purchase.
B) market middlemen are displaced.
C) information is equally distributed and transaction costs are low.
D) firms are able to gather monopoly profits.
Answer: A
Diff: 2   Page Ref: 33
AACSB: Reflective Thinking

49) The early years of e-commerce were driven by all of the following factors *except*:
A) an emphasis on exploiting traditional distribution channels.
B) a huge infusion of venture capital funds.
C) an emphasis on quickly achieving a very high market visibility.
D) visions of profiting from new technology.
Answer: A
Diff: 3   Page Ref: 34
AACSB: Analytic Skills

50) The early years of e-commerce are considered:
A) the most promising time in history for the successful implementation of first mover advantages.
B) an economist's dream come true, where for a brief time consumers had access to all relevant market information and transaction costs plummeted.
C) a stunning technological success as the Internet and the Web increased from a few thousand to billions of e-commerce transactions per year.
D) a dramatic business success as 85% of dot-coms formed since 1995 became flourishing businesses.
Answer: C
Diff: 2   Page Ref: 34
AACSB: Reflective Thinking

51) Which of the following best describes the early years of e-commerce?
A) They were a technological success but a mixed business success.
B) They were a technological success but a business failure.
C) They were a technological failure but a business success.
D) They were a mixed technological and business success.
Answer: A
Diff: 2   Page Ref: 34
AACSB: Reflective Thinking

52) Approximately what percentage of dot-com companies formed since 1995 survived as independent companies in 2012?
A) 10
B) 20
C) 30
D) 40
Answer: A
Diff: 2   Page Ref: 34
AACSB: Reflective Thinking

53) Which of the following is a characteristic of the reinvention phase of e-commerce?
A) massive proliferation of dot-com start-ups
B) widespread adoption of broadband networks
C) rapid growth of search engine advertising
D) widespread adoption of consumer mobile devices
Answer: D
Diff: 3   Page Ref: 31-35
AACSB: Analytic Skills

54) Which of the following is a characteristic of the consolidation phase of e-commerce?
A) predominance of pure online strategies
B) emphasis on revenue growth versus profits
C) first mover advantages
D) shift to a business-driven approach
Answer: D
Diff: 3   Page Ref: 35
AACSB: Reflective Thinking

55) Which of the following is *not* true regarding e-commerce today?
A) Economists' visions of a friction-free market have not been realized.
B) Consumers are less price-sensitive than expected.
C) There remains considerable persistent price dispersion.
D) The market middlemen disappeared.
Answer: D
Diff: 2   Page Ref: 36-39
AACSB: Reflective Thinking

56) Which of the following statements is *not* true?
A) Information asymmetries are continually being introduced by merchants and marketers.
B) Intermediaries have not disappeared.
C) Overall transaction costs have dropped dramatically.
D) Brands remain very important in e-commerce.
Answer: C
Diff: 2   Page Ref: 36-40
AACSB: Reflective Thinking

57) Which of the following types of merchants has the highest share of retail online sales?
A) virtual (Web only)
B) catalog/call center
C) retail chain
D) consumer brand manufacturer
Answer: A
Diff: 2   Page Ref: 39
AACSB: Reflective Thinking

58) Retail chains account for around _____ percent of online retail firm revenues.
A) 15
B) 35
C) 75
D) 95
Answer: B
Diff: 2   Page Ref: 39
AACSB: Reflective Thinking

59) One of the predictions for the future of e-commerce is that:
A) overall revenues from e-commerce will grow at an annualized rate of about 10 percent a year through 2016.
B) the first movers from the early years of e-commerce will retain or increase their market share as they continue to exploit economies of scale and switching costs.
C) prices will lower enough to encourage more consumers to engage in online shopping.
D) the number of online shoppers will continue to grow at double-digit rates.
Answer: A
Diff: 2   Page Ref: 40
AACSB: Reflective Thinking

60) Which of the following is the top-selling online retail category?
A) apparel/accessories
B) computers/electronics
C) mass merchant/department stores
D) office supplies
Answer: C
Diff: 2   Page Ref: 41
AACSB: Reflective Thinking

61) Which of the following is the top online retailer ranked by online sales?
A) Apple
B) Amazon
C) Staples
D) Walmart
Answer: B
Diff: 2   Page Ref: 42
AACSB: Reflective Thinking

62) Above all, e-commerce is a _____ phenomenon.
                         A) technology-driven12

B) finance-driven
C) sociological
D) government-driven
Answer: A
Diff: 2   Page Ref: 44
AACSB: Use of IT

63) Which business application is associated with the technological development of local area networks and client/server computing?
A) transaction automation (e.g., payroll)
B) desktop automation (e.g., word processing)
C) industrial system automation (e.g., supply chain management)
D) workgroup automation (e.g., document sharing)
Answer: D
Diff: 3   Page Ref: 45
AACSB: Use of IT

64) Which of the following is one of the three primary societal issues related to e-commerce?
A) liability
B) anonymity
C) equity
D) individual privacy
Answer: D
Diff: 2   Page Ref: 46
AACSB: Reflective Thinking

65) Which of the following statements is *not* true?
A) No one academic perspective dominates research about e-commerce.
B) Information systems researchers take a purely technical approach to e-commerce.
C) There are two primary approaches to e-commerce: behavioral and technical.
D) Management scientists are interested in e-commerce as an opportunity to study how business firms can exploit the Internet to achieve more efficient business operations.
Answer: B
Diff: 2   Page Ref: 50

66) The costs incurred by merchants in having to change product prices (such as the costs of reentering prices into computer systems) are referred to as _____ costs.
Answer: menu
Diff: 3   Page Ref: 14
AACSB: Reflective Thinking

67) _____ refers to any disparity in relevant market information among parties in a transaction.
Answer: Information asymmetry
Diff: 2   Page Ref: 14
AACSB: Reflective Thinking

68) A(n) _____ extends the marketplace beyond traditional boundaries.
Answer: marketspace
Diff: 1   Page Ref: 16
AACSB: Reflective Thinking

69) The total number of users or customers an e-commerce business can obtain is a measure of its _____.
Answer: reach
Diff: 2   Page Ref: 16
AACSB: Reflective Thinking

70) _____ refers to the complexity and content of a message.
Answer: Richness
Diff: 2   Page Ref: 17
AACSB: Reflective Thinking

71) The targeting of marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases is called _____.
Answer: personalization
Diff: 2   Page Ref: 18
AACSB: Reflective Thinking

72) The most popular service that runs on the Internet infrastructure is the _____.
Answer: World Wide Web, Web
Diff: 2   Page Ref: 24
AACSB: Reflective Thinking

73) Internet/Web technology is available just about everywhere and anytime. This is known as _____.
Answer: ubiquity
Diff: 2   Page Ref: 16
AACSB: Reflective Thinking

74) _____ refers to the displacement of market middlemen.
Answer: Disintermediation
Diff: 2   Page Ref: 32
AACSB: Reflective Thinking

75) In _____ commerce, information is equally distributed, transaction costs are low, prices can be dynamically adjusted to reflect actual demand, intermediaries decline, and unfair competitive advantages are eliminated.
Answer: friction-free
Diff: 3   Page Ref: 33
AACSB: Reflective Thinking

76) A(n) _____ occurs when everyone in a group receives value because all participants use the same tool or product.
Answer: network effect
Diff: 2   Page Ref: 33
AACSB: Reflective Thinking

77) A firm that is first to market in a particular area and that moves quickly to gather market share is referred to as a(n) _____.
Answer: first mover
Diff: 2   Page Ref: 33
AACSB: Reflective Thinking

78) The first evolutionary phase of e-commerce, from 1995 to 2000, characterized as technology-driven and ungoverned, was a period of _____.
Answer: innovation, invention
Diff: 3   Page Ref: 31
AACSB: Reflective Thinking

79) An economist is most likely to be interested in a(n) _____, rather than technical, approach to studying e-commerce.
Answer: behavioral
Diff: 2   Page Ref: 50
AACSB: Reflective Thinking

80) Tangible works of the mind such as music, books, and videos are called _____.
Answer: intellectual property
Diff: 2   Page Ref: 46
AACSB: Reflective Thinking

81) Define the terms *e-business* and *e-commerce* and explain the difference. What is the key factor in determining if a transaction is "commerce"?
Answer: E-business refers primarily to digitally enabled transactions within a firm, involving information systems under the control of the firm. E-business does not include commercial transactions in which an exchange of value across organizational boundaries takes place. E-commerce, on the other hand, is a revenue-generating operation. The key factor in determining if a transaction is commerce therefore is "exchange of value." In order to be e-commerce, a transaction must include the direct production of revenue.
Diff: 1   Page Ref: 13
AACSB: Analytic Skills

82) Identify the eight unique features of e-commerce technology and explain how these features set e-commerce apart from more traditional ways of conducting commercial transactions.
Answer: The eight unique features of e-commerce technology are ubiquity, global reach, universal standards, richness, interactivity, information density, personalization/customization, and social technology. The fact that e-commerce is available nearly everywhere, at any time, (ubiquity) extends the marketplace beyond traditional boundaries and removes it from a temporal and geographic location. A marketspace is created in which shopping can take place anywhere, enhancing consumer convenience and reducing shopping costs, whereas in traditional commerce the marketplace is a physical place you must visit in order to transact. The global reach of e-commerce means that commerce is enabled across national and cultural boundaries as never before, with potentially billions of consumers and millions of businesses worldwide included in the marketspace. Traditional commerce, by contrast, is local or regional involving local merchants or national merchants with local outlets. Universal standards (one set of technical media standards) also allow for the seamless enablement of global commerce. In contrast, most traditional commerce technologies differ from one nation to the next. In traditional markets, national sales forces and small retail stores can provide a complex and content-rich message. However, there is generally a trade-off between the richness of the message and the number of consumers who can be reached with the marketing message. In e-commerce the trade-off is no longer necessary. An information rich environment is extended globally. Unlike any other commercial technology of the twentieth century, except perhaps the telephone, e-commerce technologies are interactive, allowing for two-way communication between the seller and the consumer. E-commerce technologies reduce information collection, storage, processing, and communication costs thereby greatly increasing the prevalence, accuracy, and timeliness of information. This information density (information that is more plentiful, cheaper, and of higher quality) sets e-commerce apart from all other traditional methods of conducting transactions. E-commerce technologies also permit the personalization and customization of marketing messages on a level that was impossible with previous commerce technologies. Marketing messages can be targeted to specific individuals based on their interests and past purchasing behavior, and the product or service can be altered to suit a customer's preferences and prior behavior. Social technology allows users to easily generate and share content and permits a many-to-many model of mass communications that is different from previous technologies. This supports the creation of new business models and products that support social network services.
Diff: 2   Page Ref: 14-19
AACSB: Analytic Skills

83) Has e-commerce changed the marketing of goods? If so, how?
Answer: E-commerce has greatly changed the marketing of goods. Before e-commerce was developed, the marketing and sale of goods was a mass-marketing and sales force-driven process. Marketers viewed consumers as passive targets of advertising campaigns. E-commerce has brought many new possibilities for marketing. The Internet and Web can deliver, to an audience of millions, rich marketing messages with text, video, and audio in a way not possible with traditional commerce technologies such as radio, television, or magazines. Merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases. In addition, much information about the consumer can be gathered from the Web site the consumer visits. With the increase in information density, a great deal of information about the consumer's past purchases and behavior can be stored and used by online merchants. The result is a level of personalization and customization unthinkable with existing commerce technologies.
Diff: 2   Page Ref: 14-19
AACSB: Analytic Skills

84) Identify a Web 2.0 application or site, describing the qualities that make it a Web 2.0 application or site. Does the site you selected have any business value? What is it?
Answer: Student answers will vary. An example is:
YouTube can be considered an example of a Web 2.0 site because its content is generated by users rather than created by the site owners. Other qualities that make this a Web 2.0 site include the interactivity among users that is allowed, such as comments and video replies, sharing play lists, e-mailing links to videos, and more. YouTube has tremendous business value because it has so many visitors—it is one of the most popular destination sites on the Internet with over 158 million unique visitors in April 2012.
Diff: 2   Page Ref: 19
AACSB: Analytic Skills

85) List and briefly explain the main types of e-commerce.
Answer: The main types of e-commerce are Business-to-Consumer (B2C), in which online businesses attempt to reach individual consumers; Business-to-Business (B2B), in which businesses focus on selling to other businesses; Consumer to Consumer (C2C), which provides a market in which consumers can sell goods to each other; mobile e-commerce (m-commerce), which refers to the use of wireless digital devices to enable Web transactions, social e-commerce, which is commerce enabled by social networks and online social relationships; and local e-commerce, which is e-commerce that is focused on engaging the customer based on his or her geographical location.
Diff: 2   Page Ref: 21-23
AACSB: Analytic Skills

86) Describe the visions and forces during the early days of e-commerce in terms of what the various interest groups hoped for: the computer science and information technology people; the economists; and the entrepreneurs, venture capitalists and marketers. Explain whether what each group envisioned came to fruition and why or why not.

Answer: The computer scientists and information technologists' vision was of a universal communications and computing environment that everyone could access with inexpensive computers. Their interest was in creating a vast worldwide information collection from libraries, universities, governments, and scientific institutions that was ungoverned by any nation and free to all. They believed that the Internet, and by extension, the e-commerce that operated within the infrastructure, should be self-governed and self-regulated.

The economists envisioned a near-perfect competitive market where price, cost, and quality information are equally distributed. The marketspace would include a nearly infinite number of suppliers with equal access to hundreds of millions of customers, but where those consumers in turn would have access to all relevant market information—a hypercompetitive market. Market middlemen would disappear, resulting in lowered costs to consumers. This intensely competitive, disintermediated environment with lowered transaction costs would eliminate product brands as well as the possibility of monopoly profits based on brands, geography, or special access factors. Unfair competitive advantages and the ability to reap returns on capital that far extended a fair market rate of return would be eliminated. Their vision was called friction-free commerce.

The entrepreneurs, venture capitalists, and marketers in turn saw e-commerce as an opportunity to earn great returns on invested capital. They saw the e-commerce marketspace and technologies as a powerful method of increasing their ability to even more precisely segment the market into groups with different price sensitivities. They believed that huge profits could be garnered by firms that quickly achieved high market visibility and that these successful first movers would become the new intermediaries of e-commerce, displacing the traditional retail merchants and content suppliers.

The computer scientists' vision of an ungoverned Internet has not come to fruition as governments have increasingly sought to regulate and control the technology to ensure that positive social benefits result. The economists' vision has also for the most part not materialized for a variety of reasons. Consumers have proven to be less price sensitive than expected and the importance of brand names to consumers' perceptions of quality and service has been extended rather than decreased or eliminated. Entrepreneurs have discovered new methods for differentiating products and services. New information asymmetries are continually being introduced by marketers. Disintermediation has also not occurred as new middlemen emerged. The visions of the entrepreneurs, venture capitalists, and marketers have also largely not come to fruition as the first movers from the early years of e-commerce only rarely succeeded. The fast follower large traditional firms with the resources needed to develop mature markets are displacing most of the venture capitalist backed entrepreneurs.

Diff: 2   Page Ref: 32-40
AACSB: Analytic Skills

Visit TestBankDeal.com to get complete for all chapters