



## ASSIGNMENT MEMORANDUM

**SUBJECT** : **E-COMMERCE (EC)**  
**E-COMMERCE (EC001)**

**ASSIGNMENT** : **2<sup>ND</sup> SEMESTER 2011**

**Readers are cautioned that this memorandum provides only an indication of the marking allocation and key arguments that the questions require. The 4<sup>th</sup> year learner is expected to explain the answers in greater detail and ensure that the question is answered.**

### SECTION A – 50 MARKS

**QUESTION 1 [50]**

1.1 In the exposure stage the Internet is used as a brochure or bulletin board for the organisation. The website is used to publish information about the organisation. Interaction with the site is passive. In this stage the website does not contribute much to the trading or other business functions of the organisation. In the interaction stage the Internet is used to establish two way communications between the organisation and the consumer via the website. The Internet can become the primary communication channel between organisations and their customers. The website can be used for queries or to make applications for products such as insurance. The website is used for communication only and transactions will not be made on the site. In the e-commerce stage the Internet is part of the business operations. Consumers use the site for communication as well as to process transactions. The Internet is also used for business functions such as marketing and distribution. In the e-business stage the Internet is fully integrated into the business. The business may be redesigned according to the Internet or the Internet may be used to find new markets.

Up to four marks are awarded for a convincing argument that each site is in one stage. There may be more than one answer as it is sometimes difficult to

categorically classify a site and the difference between the e-commerce stage and the e-business stage is not always clear. Thus marks will be evaluated according to merit.

1.2 Consider the following sites:

**www.iafrica.com**

**www.bbc.co.uk**

**www.news24.com**

lafrica

There are RSS alerts which readers can subscribe to.

Email newsletters are sent.

Readers can follow stories on Facebook or Twitter and can make comments.

Readers can sign up to post comments in relation to news stories.

Email alerts can be sent.

Readers can email stories to friends.

Shopping and lotto numbers are available. (5)

BBC

BBC offers podcasts of its shows online.

RSS newsfeeds allow readers to see when new content is added to the site.

The latest headlines are communicated by RSS.

News is available for mobile phones and wireless devices.

News can be sent by emails.

There are widget alerts on igoogle.

Readers can follow stories on Facebook or Twitter and can make comments.

News can be sent by email. (5)

News 24

There are RSS alerts which readers can subscribe to.

News is available for mobile phones and wireless devices.

Email newsletters are sent.

Readers read blogs.

Readers can follow stories on Facebook or Twitter and can make comments.

Readers can sign up to post comments in relation to news stories.

Email alerts can be sent.

Readers can email stories to friends. (5)

1.3 **Visit the following website: www.ebay.com**

eBay is a C2C business because it enables consumers to trade directly with other consumers. For example you can offer you car for sale and potential buyers contact you directly without going through any middlemen.

Distance and time are less of an issue. Consumers can connect easily with other consumers who are far away or in other countries. Instantaneous service and response is possible so consumers can trade efficiently with each

other online or through email. Value is not determined just by scarcity; time and convenience offer new sources of value. Being able to trade directly with other consumers is a new source of value. Disintermediation results in new channels where many traditional intermediaries are no longer needed thus consumers can trade directly with one another. Buyers may have more power online. Supply is also enhanced leading to greater competition so consumers have a wide choice on eBay. **(10)**

<b>SECTION B (50 MARKS)</b>
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<b>QUESTION 2</b>
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<b>[20]</b>
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- 2.1 Some firms exaggerate or make other untrue claims about their offerings to attract customers. Such misrepresentation will work against the firm and customers will not engage in transactions with the firm again. Thus the potential for repeat buying and loyalty are lost. Honesty is very important online because consumers are not able to inspect products and they rely on information provided by the seller to make their decisions. The firm can get a reputation for being dishonest through word of mouth or through blogs and discussion fora online. Such negative publicity will deter potential customers.

Loyalty is important because repeat buying is cheaper and easier to encourage than to attract new customers. Given the concerns about security and reputability of the online firms, customers who have taken a risk and ordered products have overcome many of the fears that may inhibit buying online. Firms should ensure that customers have positive experiences so that they will continue to buy online.

- There are a number of strategies that firms can use to build loyalty among customers.
- Discounts or special offers can be extended to repeat customers.
- Personalised service based on what the firm knows about the customers' shopping habits based on information obtained from cookies or other devices which track customers as they surf the web.
- Cookies allow firms to determine consumer preferences and this knowledge is used to offer them personalised service.
- Trust is critical to building relationships with customers. Firms can build trust by providing consumers with support throughout the purchase process.
- It is essential that the logistics system is effective and that customers get the goods that they ordered on time and in good condition.

Additional marks are awarded for examples which demonstrate the above and other strategies for building loyalty.

2.2 Building a loyal customer base and brand recognition has helped google to dominate the search engine category. Consumers have learned to trust Google for its speed and ease of use. They use Google when they need to search for information or products. The popularity of Google encourages sites to list with Google and pay fees to enhance their chances of being selected by the search engine. Google would not be able to charge these fees if surfers did not return to Google when they need to do searches. Loyalty has helped Google become dominant.

### **QUESTION 3 [20]**

The Internet can be used to see if tickets are available online. Tickets can be compared in terms of position, date and price. The purchase of the ticket can be done online. Some sites may be able to email the ticket to the purchaser thus the whole process can be done online. Often the ticket can be collected at the cinema.

The purchase of a house can be facilitated by the Internet. The Internet can be used to identify different houses offered by estate agents, most of which advertise homes online. Different options can be compared in terms of specifications and prices and terms of purchase. The consumer can obtain information about the neighbourhood such as the crime rate from independent sources online. As this is a big ticket purchase consumers will want to see the houses that they are considering so physical inspections will be necessary. There is much legal paperwork and some of it cannot be done online. Consumers can apply for home loans online. Payments can be made online. The estate agency can use email to maintain post purchase communication with customers. Customers can share their experiences on community websites.

The Internet can be used to compare prices and availability of flights offered by different airlines. Travel agents may be emailed and asked to provide quotes. The customer can book and pay for the ticket online if he/she chooses to. The ticket can be emailed to the customer. The customer can use the Internet to confirm the flight, note any changes, check policies and can even check-in online. Satisfaction with the airline after the service can be posted on consumer forums. Thus the whole purchase process can be done online.

Consumers can go the site of the store or brand that they are interested in. They can compare different types of jeans, however, as jeans need to be physically tried on and examined most consumers may prefer to go to the store for physical contact. However if they have purchased the particular type of jeans before then they may be comfortable to order and pay for it online. The manufacturer may be able to maintain contact with online customers and email new product information to them.

### **PRESENTATION [10]**