

**THE OPEN UNIVERSITY OF SRI LANKA
COMMONWEALTH EXECUTIVE MASTER OF BUSINESS/PUBLIC
ADMINISTRATION
FINAL EXAMINATION – APRIL/MAY 2011
MCP 2601: ELECTRONIC COMMERCE**



DURATION: THREE (03) HOURS

Date: 14th May 2011

Time : 9.30 am – 12.30 pm

This paper consists of SIX (6) questions.

Question 1 is compulsory. Answer any Four (04) questions from others. (Total 5 questions)

Part A

Q1.

Amazon.com is one of the leading online bookshops, which contains an enormous number of books at any moment. It was believed that having a wide selection of books was important point to create a network economic effect. People would visit Amazon.com whenever they wanted to buy a book because it would be the mostly likely store to have a particular title. After becoming satisfied customers, people would return to Amazon.com to buy more books and would eventually stop looking elsewhere.

The structure of the supply side of the book business was equally important to Amazon.com's success. It was encouraged early customers to submit reviews of books, which he posted with the publishers information about the book and with reviews written by Amazon.com employees. This customer participation served as a substitute for the corner bookshop staff's friendly advice and recommendations. It was identified the power of the internet in reaching, highly focused market segments, but he realized that his comprehensive bookstore could not be all things to all people. Therefore a sale associated program was created in which Web sites devoted to a particular topic, such as model railroading, could provide links to Amazon.com books that related to that topic. In return, Amazon.com remits a percentage of the referred sales to the owner of the referring site.

Later on Amazon moved on to other product lines where opportunities for network economic effects and transaction cost reductions looked promising. In 1998 Amazon.com began selling music CDs and video tapes. With lot of hard work Amazon.com have become one of the first highly visible success stories in electronic commerce.

Toys R Us, is one of the first partnerships that Amazon.com build. Toys Amazon.com in 2000 that placed Toys R Us products on the Amazon.com web site. Amazon.com would accept the orders on its Web site and would ship products to customers for Toys R Us in exchange for a percentage of each sale. Amazon.com also agreed not to sell toys itself or on behalf of other

partners for whom it might provide online sales services in the future. For example, when Amazon agreed to sell Target products online, it could not sell Target's toy lines on its website.

Toys R Us sells more than \$300 million worth of toys each year through the Amazon.com site. Both Toy R Us and Amazon.com benefit from the network economic effect they obtain by having toys available for sale on Amazon.com's well known electronic commerce site. Many small retailers in the zShops program who sells toys also benefit because the shoppers visit the Amazon.com site looking for toys. When a site visitor searches for a toy, the zShops retailers' offerings are presented on the search results page along with results from Toys R Us, Amazon.com, and other companies for which Amazon.com provides online sales services.

In 2004, Toys R Us sued Amazon.com for violating terms of the agreement between the companies. Specifically Toys R Us object to Amazon.com's permitting toys to be sold on its zShops Web pages. Amazon.com responded by filling a countersuit.

- (i) Outline the advantages and disadvantages that Amazon.com would have considered before it made the agreement with Toys R Us to limit competing toy sales. (20 marks)
- (ii) Discuss specific recommendations to Amazon.com for negotiating a settlement with Toys R Us that would benefit both companies. (20 marks)

(Answer any four questions from the following.)

Q2.

- (i) Describe what Electronic Commerce is giving suitable examples.
- (ii) Describe 3 advantages of moving towards e-commerce over traditional commerce.
- (iii) Using a Sri Lankan case as an example, describe the challenges that have to be faced when moving to e-commerce.
- (iv) Describe primary revenue models in e commerce.

(15 marks)

Q3.

- (i) Briefly describe the main forces that led to the commercialization of the Internet.
- (ii) Write short notes on the following.
 - a. IP address
 - b. World Wide Web
 - c. Virtual private networks
- (iii) At present accessing the Internet is not a difficult task Compared to the past. Compare and contrast the methods available to connect to the Internet.

(15 marks)

Q4.

- (i) Describe two services offered for a fee in e-commerce sites. Your answer should contain a critical review on the present situation of those services along with limitations and possible improvements.
- (ii) "E commerce sites at present are moving towards developing customer centric web sites, yet it is very difficult to accomplish." Using an example critically analyze the above statement.
- (iii) Advertising on the web is very popular today. Compare and contrast online advertising with offline advertising.

(15 marks)

Q5.

- (i) "At present, many real estate agents have websites that list the properties they have for sale. These agents also advertise the properties in classified newspaper advertisements and sometimes in television advertisements. However most real estate agents would tell you that personal contact builds up their most important connections with clients, potential clients and client referral sources". Briefly explain what real estate agents can accomplish through (a) their websites (b) Mass media advertising (c) personal contacts.
- (ii) List down the available B2C business models and elaborate the most suitable model for the above real estate scenario in Part(i).
- (iii) Explain what the virtual face of an organization is and describe the features of this model using a suitable example.

(15 marks)

Q6.

- (i) Assume that you are going to setup an E-Commerce site to promote Ayurvedic medicine in Sri Lanka. Discuss the ethical challenges that you will face in setting up this site.
- (ii) A contract is an agreement between two parties accepting the offer made by one party. Critically discuss the issues related to digital contracts and the validity of such contracts.
- (iii) Briefly discuss three different protective techniques that can be used to secure data in e-commerce sites.

(15 marks)

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