

## Chapter 29: Exam practice question

### E-tailing on the increase

- 1 Define the following terms:
  - a e-commerce (2)  
This is the buying and selling of goods and services on the internet direct to final consumers, e.g. business to consumer (b2c) or business to business (b2b). It also includes advertising on the firm's own website or on the websites of other firms.
  - b market growth. (2)  
This is when the total number or value of items sold increases in an identified total market over a fixed period of time.

Apply **Resources table 3a** mark band descriptors.

- 2 Explain **two** factors that might have led to the rise in the number of consumers shopping online. (6)  
Factors may include:
  - buying behaviours are changing with the development of broadband
  - slowing of the economy may make consumers look for cheaper deals
  - fills a demand if stores close down: online selling has lower overheads
  - accessible to a wider global marketplace
  - more information can be given for the customer to study
  - customers leave data useful for marketing
  - success of different marketing strategies can be found from clicks or visits, so marketing strategies can be adapted more quickly
  - any other relevant point.

SL: apply **Resources table 1** mark band descriptors.

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is **not** required.

- 3 Analyse **two** ways in which a high-street retailer might be able to compete effectively with online retailers. (6)
  - personal contact may be appreciated by many customers
  - online is not best suited to all products
  - customers cannot touch/feel/smell products, so they may prefer a shop
  - it is easier to return a product if there is a problem
  - not all potential customers have internet
  - any other relevant point

Each point should to be identified, explained and linked to the case study. Positive **and** negative arguments need to be examined.

SL: apply **Resources table 1** mark band descriptors.

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is **not** required.

**4** Discuss the advantages and disadvantages to retailers of selling their products online. **(9)**

Advantages:

- can sell worldwide, so potential market is huge
- cuts the distribution chain, so products may be offered more cheaply and/or more profit may be made
- lowers fixed costs – just need a warehouse
- more information can be given for the customer to study
- customers leave data useful for marketing
- success of different marketing strategies can be found from clicks or visits

Disadvantages:

- price competition is high versus similar sites, so profit margins are low
- customers may be wary of buying online due to internet fraud
- lacks the personal contact appreciated by many customers
- not best suited to all products
- different promotion strategies needed
- customers cannot touch/feel/smell product, so this may put them off buying
- cost/reliability of postal services may not be good in all countries
- product returns may be high
- successful websites need to be updated regularly and so can be expensive to maintain
- internet is not globally available

SL: apply **Resources table 1** mark band descriptors.

(SL questions do not usually go up to 9 marks, so the HL table is best used for SL students.)

HL: apply **Resources table 2** mark band descriptors.

For 9-mark questions a conclusion is usually required.