

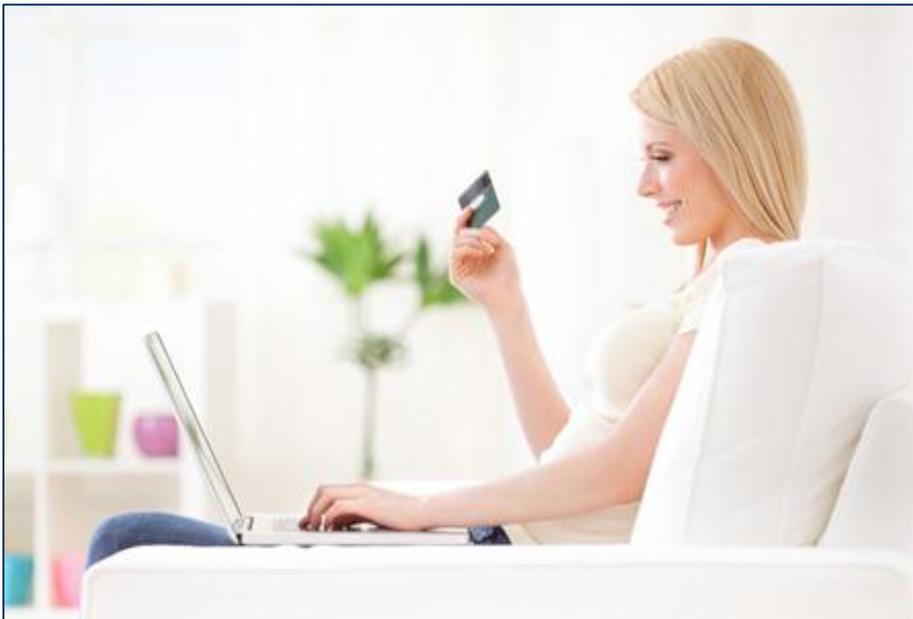


IB Business Management: www.BusinessManagementIB.com

4.8 E-COMMERCE: ASSESSMENT

Read the case study below and answer the questions that follow.

AMAZON.COM, INC



Amazon.com can sell over 400 items per second at busy times

The world saw a website selling books and assumed that Amazon was, and always would be, an online bookshop. Mr Bezos (Amazon's founding CEO), though, had bigger plans. Books were a good way into online retailing: once people learned to buy books online they would buy more and more other stuff, too. The website would be able to capture much more data about what they looked at and thus might want than any normal shop; if they reviewed things that would enrich the experience for other shoppers.

He saw a virtuous circle whereby low prices pulled in customers and merchants, which boosted volumes, which led to ever lower prices.

There is a lot of other stuff for them to buy. According to Internet Retailer, a magazine, Amazon now carries 230m items for sale in America – some 30 times the number sold by Walmart, the world's biggest retailer, which has its own fast-growing online business – and there is no sign of let-up. Amazon's total revenues were \$74.5 billion last year, but when one takes into account the merchandise that other companies sell through its "marketplace" service the sales volume is nearly double that. Though by far the biggest online retailer in America, it is still growing faster

4.8 E-commerce

than the 17% pace of e-commerce as a whole. It is the top online seller in Europe and Japan, too, and has designs on China's vast market. Last year Amazon was the world's ninth-biggest retailer ranked by sales; by 2018 it will be number two, predicts Kantar Retail, a research group.

Distribution. Amazon's original idea was to have few warehouses to achieve maximum economies of scale and to put them far away from population centres, thus avoiding the need to collect sales tax in the states with the most business. Now it is positioning infrastructure like siege equipment near big cities, speeding delivery and cutting its costs. In North America Amazon can offer same-day delivery to 23% of the population, says Helen Wulfraat of MWPVL International, a supply-chain consultancy. By 2015 it will be 28%. Spending on fulfilment centres in Europe and Asia as well as America tripled between 2012 and 2014. In Britain and parts of America Amazon has been experimenting with making last-mile deliveries itself, a practice that may expand along with its logistic network.

Source: www.BusinessManagementIB.com

20 MARKS, 40 MINUTES

1. Define e-commerce [2 marks]
2. Explain the effects of changing technology on the marketing mix [4 marks]
3. Distinguish between the following types of e-commerce:
 - i. Business to business (B2B)
 - ii. Business to consumer (B2C) [4 marks]
4. To what extent does e-commerce benefit firms **and** consumers? [10 marks]