

# IB Business Management – Marketing

## 4.8 E-Commerce: Exam Practice Question



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### 4.8 E-COMMERCE: EXAM PRACTICE QUESTION

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

#### E-TAILING ON THE INCREASE



Online retailing is becoming an increasingly important part of e-commerce. Online sales have increased by 32% in 2012 compared to high-street sales growth of just 0.4%, according to industry analyst Verdict Research.

E-tailing now accounts for almost 14% of total retail spending and this share could more than double to 30% by 2020. 74% of consumers surveyed by Verdict said the internet was better for cheaper goods and 67% agreed that it was better for comparing prices.

Typical of the move to e-tailing was the decision by Dixons, the electrical goods retailer, to:

- Close many of its high street stores
- Rebrand those remaining as Currys.digital
- Move the Dixon brand completely online

The strategy cost over £7 million, but was expected to increase sales as well as deliver administration cost savings of £3 million annually.

"I am very excited about the prospects for the Dixon brand as pure e-tailer," said Annabel Hammond, the chief executive of Dixons. "Consumer buying behaviors are developing with

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the market growth in broadband and we constantly innovate to support how our customers shop.”

E-tailing is now an indispensable part of the fashion industry too. Yoox.com is a virtual boutique that saw over 4 million visitors per month in 2014. When another site, Net-a-Porter, partnered with fashion label Halston, one dress sold out in 45 minutes of the launch of the site. There is also potential for young new designers keen to enter the industry to show off their styles to a huge online audience. However, when consumer spending fell in 2011, online traders reported lower ‘conversion rates’ (online shoppers actually buying) and there were signs of consumer resistance. Tesco withdrew its clothing ranges from Tesco Direct after its initial claim of “selling online will enable us to reach a greater number of customers eager to buy items from our collections” was not supported by sales figures.

There are familiar customer complaints about ‘difficult to use sites’, ‘delays in postal deliveries’ and ‘it was not as it seemed on the screen’, so perhaps high-street shops are not doomed after all. “The high street will not die,” said Sarah Barton, director of Viaduct Research. “Internet retailing is set to become more significant, but shopping as a tactile process and for many people it is a leisure activity. E-tailing does not really deliver these two things.”

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### QUESTIONS: 25 MARKS, 45 MINUTES

1. Define the term **e-commerce** **[2 marks]**
2. Explain two factors that might have led to the rise in the number of consumers shopping online **[6 marks]**
3. Analyse two ways in which a high street retailer may be able to compete effectively with online retailers. **[7 marks]**
4. Discuss the advantages and disadvantages to retailers of selling their products online. **[10 marks]**