



Institute of  
Management Technology  
Ghaziabad

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SEC. - C + F

EXAM Date: 22/12/2015

eBusiness

End Term Exam - PGDM Term VI (Dec 2015)

BATCH: 2014-16

OPEN BOOK/NOTES/LAPTOP BUT NO CELL PHONES ALLOWED

Max Marks: 40

Times: 1.5 hrs

- In case of any doubt, write your assumption and proceed.
- All questions are compulsory.
- All questions carry equal marks.
- To the point answer will be appreciated.
- All the best.

Q1. Read the case study given below and answer the questions at the Beginning of the case. You should make realistic assumptions about the context if necessary, to support your arguments.

- a. Based on Porter's Five forces Model, analyse the Industry profitability of the online book retailing sector.
- b. Why does Amazon, as an intermediary, exist at all? Explain from a theoretical perspective. Describe the value adding services of Amazon.
- c. What are the competitive advantages of Amazon? Discuss critically if they are economics of scale, economics of scope or network effects present. Explain
- d. What kind of problem do the buyer of amazon face in regards to asymmetric information of quality? How did Amazon mitigate these problems? Explain and give the example.



## About Amazon:

Amazon.com, Inc. is an American electronic commerce (e-commerce) company in Seattle, Washington. Amazon was one of the first major companies to sell goods by Internet, and was an iconic "stock in which to invest" of the late 1990s dot-com bubble. After the collapse, the public became sceptical about Amazon's business model, yet, it turned an annual profit in 2003.

Jeff Bezos founded Amazon.com, Inc. in 1994, and launched it online in 1995. Amazon.com started as an on-line bookstore, but soon diversified to product lines of VHS, DVD, music CDs, MP3 format, computer software, video games, electronics, apparel, furniture, food, toys, etc. Amazon has established separate websites in Canada, the United Kingdom, Germany, France, China, and Japan. It also provides global shipping to certain countries for some of its products.

The company began as an online bookstore named "Cadabra.com", a name quickly abandoned for sounding like "cadaver". While the largest brick-and-mortar bookstores and mail-order catalogs for books might offer 200,000 titles, an on-line bookstore could offer more. Bezos renamed the company "Amazon" after the world's biggest river.

Amazon's initial business plan was unusual: the company did not expect a profit for four to five years; the strategy was effective. Amazon grew steadily in the late 1990s while other Internet companies grew blindingly fast. Amazon's "slow" growth provoked stockholder complaints: that the company was not reaching profitability fast enough. When the dot-com bubble burst, and many e-companies went out of business, Amazon persevered, and, finally, turned its first profit in the fourth quarter of 2002: U.S. \$5 million, just 1¢ a share, on revenues of more than U.S. \$1 billion, but the profit was symbolically important.

## Merchant partnerships

The Web sites of Borders (borders.com, borders.co.uk), Waldenbooks (waldenbooks.com), Virgin Megastores (virginmega.com), and CDNOW (cdnow.com) are powered and hosted by Amazon. Until June 30, 2006, typing ToysRUs.com into a browser would similarly bring up Amazon.com's Toys & Games tab; however, this relationship was terminated as a result of a lawsuit.

Amazon.com powers and operates retail web sites for Target, the NBA (partnership terminated in 2007), Sears Canada, Sears UK, Benefit Cosmetics (US and UK), Bebe Stores, Timex Corporation, Marks & Spencer, Mothercare, Lacoste and Bombay Company (now defunct). For a growing number of enterprise clients, Amazon provides a unified multichannel platform from whence a customer can interchangeably interact with the retail website, standalone in-store terminals, and phone-based customer service agents. Amazon Web Services also powers AOL's Shop@AOL.

## Product lines

Amazon has steadily branched into retail sales of music CDs, videotapes and DVDs, software, consumer electronics, kitchen items, tools, lawn and garden items, toys & games, baby products, apparel, sporting goods, gourmet food, jewellery, watches, health and personal-care items, beauty products, musical instruments, industrial & scientific supplies, groceries, and more.

The company launched Amazon.com Auctions, its own Web auctions service, in March 1999. However it failed to chip away at industry pioneer eBay's juggernaut growth. Amazon Auctions was followed by the launch of a fixed-price marketplace business called zShops in September 1999, and a failed Sotheby's/Amazon partnership called sothebys.amazon.com in November.

Amazon no longer mentions either Auctions or zShops on its main pages and the help page for sellers now only mentions the Marketplace. Old links to zShop now simply redirect to the Amazon home page, while old links to Auctions take users to a transactions history page. New product listings are no longer possible for either service.



Although zShops failed to live up to its expectations, it laid the groundwork for the hugely successful Amazon Marketplace service launched in 2001 that let customers sell used books, CDs, DVDs, and other products alongside new items. Today, Amazon Marketplace's main rival is eBay's Half.com service.

## Review and Recommendation Feature

Amazon.com is known for its candid reviews and its capabilities for recommending products to its customers. The customer reviews are monitored for all negative or indecent comments that are directed at anything, or anyone, but the product itself. In regards to the reviews lacking relative restrictions, Robert Spector who is the author of the book Amazon.com, describes how "when publishers and authors asked Bezos why Amazon.com would publish negative reviews, he defended the practice by claiming that Amazon.com was 'taking a different approach...we want to make every book available - the good, the bad, and the ugly...to let truth loose'" (Spector 132).

## Website

The domain amazon.com attracted at least 615 million visitors annually by 2008 according to a Compete.com survey. A popular feature of Amazon is the ability for users to submit reviews to the web page of each product. As part of their review, users must rate the product on a rating scale from one to five stars. Such rating scales provide a basic idea of the popularity and dependability of a product.

The review feature is an important and highly influential function for customers and one of the main reasons for amazon.com's success at selling books. As with book reviews anywhere, the buyer must beware that all reviewers have bias. Under normal circumstances, reviews give the reader at least a modest basis for evaluating a given book.

Because it is an open forum, the reader can benefit from a variety of perspectives. However, the anonymity of web reviewers increases the chances of abuse in the form of self-praise, praise from friends, or malicious criticism. This situation was confirmed in 2004 when the origin of reviews was accidentally made public on an amazon site, and some authors openly confirmed their glowing reviews of their own books.

Search Inside the Book is a feature which allows customers to search for keywords in the full text of many books in the catalogue. The feature started with 120,000 titles (or 33 million pages of text) on October 23, 2003. There are currently about 250,000 books in the program. Amazon has cooperated with around 130 publishers to allow users to perform these searches.

To avoid copyright violations, Amazon.com does not return the computer-readable text of the book but rather a picture of the matching page, disables printing, and puts limits on the number of pages in a book a single user can access. One author observed that his entire book could be read online by searching a few words. Amazon is planning to launch Search Inside the Book internationally. Additionally, customers can purchase access to the entire book online via the Amazon Upgrade program, although the selection of books eligible for this service is currently limited.

According to information in Amazon.com discussion forums, Amazon derives about 40% of its sales from affiliates whom they call "Associates", and third party sellers who list and sell products on the Amazon website(s).

An Associate is an independent seller or business that receives a commission for referring customers to the Amazon.com site. Associates do this by placing links on their websites to the Amazon homepage or to specific products. If a referral results in a sale, the Associate receives a commission from Amazon. Worldwide, Amazon has "over 900,000 members" in its affiliate programs. Associates can access the Amazon catalogue directly on their websites by using the Amazon Web Services (AWS) XML service.

Amazon was one of the first online businesses to set up an affiliate marketing program. AStore is a new affiliate product that allows Associates to embed a subset of Amazon products within, or linked to/ from, another website.

Amazon reported over 1.3 million sellers sold products through Amazon's worldwide web sites in 2007. Selling on Amazon has become more popular as Amazon expanded into a variety of categories beyond media, and built a variety of features to support volume selling. Unlike eBay/Paypal, Amazon sellers do not have to maintain separate payment accounts - all payments and payment security are handled by Amazon itself.

According to the Internet audience measurement website Compete.com, Amazon attracts approximately 50 million U.S. consumers to its website on a monthly basis.<sup>1</sup>



**E-Business End Term Exam – VI, Batch: 2014-16**  
**Open book, Open notes, Open laptop (no network allowed)**  
**(Drs. Khurana and Routray)**

**Section: A + B + D**

**Max Marks: 40**

**Exam Date : 22.12.2015**  
**minutes**

**Max Time: 90**

**Free Basics**

Mark Zuckerberg today through a Facebook post announced that all Reliance subscribers across India can now access free Internet, for limited basic services, via Facebook's Free Basics.

In October last year, Facebook had launched Internet.org to provide basic Internet services for free of cost to Reliance customers in six Indian states- Tamil Nadu, Maharashtra, Andhra Pradesh, Gujarat, Kerala, and Telangana. With this announcement from Zuckerberg, all Reliance subscribers across India can now have similar access. Facebook's global Internet project called Internet.org was recently renamed as Free Basics by Facebook. Free Basics is a program by Facebook initiative Internet.org to provide basic Internet services, like search, Wikipedia, health information, and weather updates, for free to all users. While it sounds altruistic, Free Basics has the potential to drive reams of traffic to sites from certain providers (including Facebook) at the expense of others, which violates the principles of net neutrality. The TRAI plans to hold a hearing on net neutrality next month.

The ambitious free Internet project took plenty of flak on social media after experts questioned the intentions of Facebook on grounds of net neutrality. Free Basics by Facebook app is available on all Android phones.

**Q1: What impact will Facebook's Free Basics availability for Reliance subscribers have on e-commerce industry in India? How will it affect the e-commerce companies in India? 12 marks**

**Amazon's Prime Air**

Amazon's Prime Air — a future delivery system from Amazon designed to safely get packages to customers in 30 minutes or less using small unmanned aerial vehicles, also called drones. Prime Air has great potential to enhance Amazon's services by providing rapid parcel delivery that will also increase the overall safety and efficiency of the transportation system. Putting Prime Air into service will take some time, but we will deploy when we have the regulatory support needed to realize our vision.

Amazon Prime Air is a future service that will deliver packages up to five pounds in 30 minutes or less using small drones. Flying under 400 feet and weighing less than 55 pounds,



Prime Air vehicles will take advantage of sophisticated “sense and avoid” technology, as well as a high degree of automation, to safely operate beyond the line of sight to distances of 10 miles or more.

**Q-1:** This festive season in India has seen a decline in the deep discounts offered by the three major e-commerce companies in India – Flipkart, Amazon and Snapdeal. With the competition moving from price wars to innovative and efficient services, will Amazon’s Prime Air tilt the competition in favour of Amazon. Highlight your strategy for Flipkart to remain ahead in the competition.

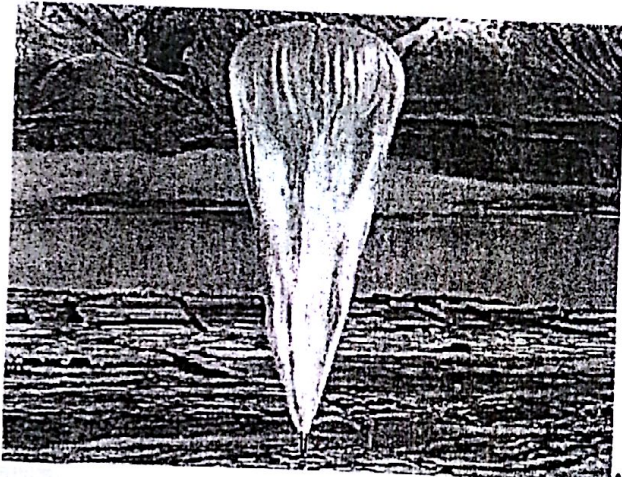
13 marks

## Government gives in principle nod to pilot Google’s Project Loon

By Surabhi Agarwal, ET Bureau | 17 Dec, 2015, 05.07AM IST

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After meeting Pichai in New Delhi on Wednesday, Prasad said he had also proposed a partnership with state run BSNL for Project Loon.

**ET SPECIAL:** Love visual aspect of news? Enjoy this exclusive slideshows treat!

**NEW DELHI:** In his first visit to the country, Google’s newly-appointed chief SundarPichai managed to secure support for the company’s ambitious Loon project in the government. Union minister for telecom and IT Ravi Shankar Prasad said that the government was in principle agreeable to pilots of Google’s Project Loon.

After meeting Pichai in New Delhi on Wednesday, Prasad said he had also proposed a partnership with state run BSNL for Project Loon. Under the project Loon, Google has proposed to provide internet connectivity in hard to access areas of the country from balloons floating at a height of 20 km using LTE or 4G technology.

ET had reported earlier the project has run into some rough weather in the country, with at least three central ministries — defence, home and civil aviation — and the Department of Telecommunications (DoT) having raised technical and security concerns over the project. One of the primary concerns with the proposal is that the spectrum band required for the transmission — a band between 700 to 900 MHz — is occupied by telecom service providers and is currently unavailable. The other concerns are related to security.

Prasad also said that the telecom ministry would help Google in obtaining clearances from civil aviation and the defence ministries for approvals. Earlier in the day, Pichai said that Google has been testing Loon in other countries such as Indonesia. "We always work with (telecom) carriers, we have tonnes of data to show that it doesn't cause interference."




Marian Croak, vice-president of Access Strategy & Emerging Markets added that one of the biggest concerns around the project has to do with impedance, whether or not it will interfere with spectrum.

"That's a discussion we've had with telcos around the world and we believe we have an answer to that around spectrum sharing and that we've solved that issue, in terms of sharing spectrum so that it doesn't create impedance," Croak said.

Google had announced a project to connect 400 Railway stations in the country through Wi-Fi along with Indian Railways technology arm RailTel. Pichai said that the project is on track and the first 100 stations will be connected by the end of 2016.

A pilot project at the Mumbai Central Station is set to go live by January 2016. Google has tied up with the Tata Trusts for an initiative, "Internet Saathi", which helps women get online by providing 1,000 bicycles equipped with internet devices. Pichai hopes to scale the programme which is in operation in 1,000 villages to 3 lakh villages.

Prasad has also asked Pichai to partner with rural BPOs under the Project Sarathi.

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**Q1. What are threats to Google Loon in the Indian landscape. Also how will it impact the Indian Railways, what opportunities and threats will it create? 7.5+7.5 marks**

INSTITUTE OF MANAGEMENT TECHNOLOGY, GHAZIABAD

PGDM (SECTION E), Batch: 2014-16 End TERM Exam – VI Prof. Parijat Upadhyay

E-Business

FULL MARKS :50

Exam Date: 22.12.2015

TIME : 90 MIN.

OPEN NOTES/BOOKS BUT NO DIGITAL MEDIUM ( INCLUDING CELL PHONES) ALLOWED.

SECTION A IS COMPULSORY. ANSWER ANY THREE QUESTION FROM SECTION B.

Section A : Read the following article and answer the questions that follow.

India's rapidly expanding ecommerce companies are lobbying the government to keep aggregators that run marketplaces out of the proposed goods and services tax (GST) net. As the administration tries to persuade the Opposition to reach a consensus over the proposed levy, online retailers are pressing the point that companies running platforms that allow vendors and customers to transact shouldn't be subject to GST. By the same logic, they also want these companies -such as Flipkart, Amazon India and Snapdeal -to be viewed as "service providers" to the vendors, liable to pay GST only on service income. Vendors would be liable to pay GST on the goods sold through their portals, they said in a representation on the matter. The online retail industry, facing multiple taxation issues, is keen that their core concerns are addressed before GST is rolled out on April 1, as per the government's schedule. "The concept of India becoming 'one country, one tax rate' for the first time post-Independence is very promising for ecommerce," said Pramod Jain, head of taxation at Flipkart, which supports the recommendations. "It will widen the choices for consumers as they will enjoy full freedom for the first time to buy from any state or seller." The detailed representation to the government is aimed at ensuring a friendly GST regime designed around global practices. A joint working group of both central and state government officials is looking at the GST design architecture for ecommerce. (Industry expects reduced paperwork, seamless state borders and unambiguous rules under GST to realise its potential) said Siddharth Mehta, indirect tax partner, KPMG in India. "It is critical that they are recognised as service providers, under the marketplace model, and liable to pay GST only on their service fees. As GST will accrue to the state where the consumer is located, the current dispute as to which state is competent to levy value-added tax will hopefully be addressed." Mehta said. The GST law that's currently being drafted addresses the matter of geography -where goods are sold and where services are delivered. State governments have taken an aggressive stance on taxation of the ecommerce sector. Karnataka has even proposed tax deducted at source on all payments made by ecommerce firms based in the state.

The ecommerce industry wants complete clarity under GST, which seeks to replace all central and state levies on goods and services. \* The term 'agent' should be clearly defined to exclude marketplace ecommerce companies who are facilitating sale by vendors to customers through their web portals," said the representation made by the industry to the government. "Various services (such as warehousing, cash collection, delivery etc.) provided by ecommerce companies to vendors should be viewed as a composite service for the purpose of ascertaining taxability or place of supply and should not be segregated into individual service components." It has sought guidance on the fulfilment model. The need for physical demarcation of goods belonging to various vendors at fulfilment centres should be abolished, it said. Aggregators had been brought under the service tax net in the February budget in the wake of the controversy related to taxi hailing app Uber.

\* "The concept of aggregators should be applied where most of the participants in a trade or business are unregistered for tax purposes -for example, app-based cab booking services or hotel room bookings -who would typically be below the threshold limit for tax registration or where the compliance rate is likely to be very low," said Jain. In ecommerce, sellers are already



registered with the VAT authorities as they sell through multiple channels and also have to avail input tax credits. Thus, the concept of aggregator cannot work and should not be included, said Jain of Flipkart. Some experts concurred with this. "The concept of aggregator in service tax leads to fixing the liability on a person who is neither a service provider nor a service recipient," said Bipin Sapra, partner, EY. "This is specially flawed where the state levies a tax on the same service, for example the luxury tax in case of hotel industry. No procedures also exist to allow such a concept to be successful in the present law. "The government has reached out to the Opposition in a bid to get GST-related legislation passed in the Upper House, where the ruling coalition lacks a majority. The levy is aimed at creating a common market and has been described as one of the most significant taxation reforms ever undertaken in India.

Q1. What in your opinion could be proper approach in dealing with issues like GST from the perspective of E-Commerce companies. (10 Marks)

Q2. Provide an illustrative example as to how E-Commerce companies can stand to benefit and/or lose by the roll-out of GST. (10 Marks)

### SECTION B (ANSWER ANY 3 x 10 Marks Each)

1. Compare and contrast between Zara's and H&M's e-business strategy. How important is for a firm to focus on business process innovation. Explain with proper example.

2. How important is the sustainability issues when formulating a e-business strategy? Cite atleast 2 examples where an organisation has failed for ignoring this factor.

3. What are the constituents of an E-business reference model? Discuss atleast 3 metrics that are used in this context.

4. What are the various macro-environment factors affecting E-Businesses? Cite proper examples from Indian context.

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① HMV's  
② Metal junction.  
③ Timmy  
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