

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

Second Year Second Semester Examination in Bachelor of Business Administration  
and Bachelor of Commerce 2010/11 (Proper / Repeat / Re-Repeat) (June, 2013)

MGT 2063 Management Information System

Answer all questions

Time: 03 Hours

Q1. Read the Case study and answer the questions given below.

Can eBay Continue Growing?

eBay.com is an auction service whose business model is ideally suited to the web. eBay stores no inventory and ships no products. Instead, it derives its revenue from the movement of information, an ideal task for the internet. The company has been profitable, attracting more than 200 million users by 2006. eBay now employs more than 8,000 full-time workers and has operations in 32 countries. In 2005, eBay users listed 1.8 billion items for auction, resulting in \$40 billion worth of goods changing hands. The number of items listed in 2006 was surpass 2 billion.

eBay has mass appeal because its fully automated auction service helps buyers and sellers trade high-end articles, such as fine art, automobiles, and jewelry, as well as more mundane and practical items, such as clothing, consumer electronics, and house wares. Users can list their goods under more than 30 main categories and tens of thousands of subcategories.

The success of eBay relies on a unique formula. eBay derives the bulk of its revenue from fees and commissions associated with its trading services. This revenue, however, is only made possible by the hundreds of thousands of people who put time and efforts into selling goods on eBay but do not work for the company. Nearly half a million people rely on eBay auction as their main source of income. The sellers pays an insertion fee for listing goods that operates on a sliding scale.

A portion of eBay revenue also comes from direct advertising on the site, as well as end-to-end service providers whose services increase the ease and speed of eBay transactions. The acquisition of pay pal, whose service enables the exchange of money between individuals over the internet, brings additional transaction-based fee revenue.

eBay's growth strategy focuses on expansion in geography and scope and on

continuing innovation to enhance the variety and appeal of products on its sites.

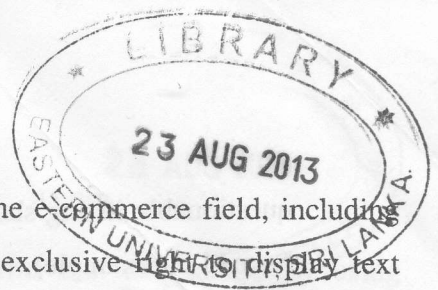
eBay has taken its model to numerous foreign markets and been successful, particularly in England, France, and Germany. It is also working hard to gain a foothold in the Chinese online auction in the United States and Germany by an increase in seller fees, but these losses have been covered by rapid growth in places such as France and Italy. Although eBay's domestic growth has slowed to about 20 to 30 percent annually, the company's international business is growing at 50 percent per year. By 2005, transactions completed on international Web sites accounted for approximately half of eBay's business.

In 2000, eBay implemented the "Buy It Now" feature, which enables sellers to name a price at which they would be willing to sell an item to any buyer. Buyers have the option to purchase the item instantly without waiting for an auction to end. Additionally, eBay acquired Half.Com, which offers person-to-person selling of goods such as books, CDs, videos, and games without the auction process. In 2001, the company launched eBay Stores.

In September of that year, eBay acquired VoIP service provider Skype technologies for \$2.6 billion. Skype provides a service for free or low-cost voice calls over the internet. Internet companies such as Google and Microsoft are now offering VoIP services, and VoIP may become a required capability for all major companies that do business online. However, some analysts report that many of eBay's top sellers aren't interested in adding voice calls to their sales models. They can barely keep up with the e-mail they receive on eBay and may like the simplicity and anonymity that eBay provided pre-Skype. VoIP could also motivate eBay "gray market," consisting of items sold outside the eBay structure to avoid seller fees.

eBay faces other challenges. Yahoo is trying to edge it out of the Asian market by setting up competing auction sites. eBay's growing international presence may make it difficult to monitor compliance with the variety of laws and regulations that apply in different jurisdictions. The law related to the liability of providers of online services for the activities of their users is unsettled. Even though eBay has taken steps to prohibit the listing of certain items, it may be liable if its members nonetheless manage to use it to sell unlawful goods, such as weapons, drugs, alcohol, adult material and cigarettes, or if its members defame or libel one another in eBay's Feedback Forum.

In response to growing domestic and international competition, eBay has entered into a



number of relationships with other major players in the e-commerce field, including competitors Yahoo! and Google. Google gained the exclusive rights to display text advertisements on eBay international auction sites despite having recently added shopping services that compete with eBay auctions. eBay was willing to look beyond its rivalry with Google to secure the potential revenue from Google's first-rate advertising technology. eBay is optimistic that its partnership with Google will also enable the auction house to generate more revenue from its acquisition of Skype. The strategy embraces the idea that some goods, such as mortgages, and homes, are now well-suited to the traditional eBay transaction model.

Meanwhile, eBay is competing directly with Google by introducing its adContext service. The service is similar to Google AdSense in that it runs online contextual ads based on keywords in WebPages.

Clearly, the largest threat to eBay is the honesty and integrity of its auctions, over which it has some-but not total-control. As eBay ventured into the realm of higher-priced antiques and collectibles, it opened itself up to lawsuits from buyers claiming to have been defrauded by online sellers. Some buyers have alleged that eBay does not do enough to prevent unscrupulous sellers from collecting inflated fees for goods that are not legitimate, worse, do not exist.

eBay users have also been the victims of identify theft scams that resulted in the unauthorized use of their accounts- and hundreds of thousand of dollars worth of fraudulent sales. With online crime becoming more and more sophisticated, the onus is on eBay to provide its users with a secure trade environment. Some users, and former users, believe that the company has not adequately addressed the issue of fraud. The growing scale of eBay insists that the percentage of listing on its site that are fraudulent is tiny and that the success of the marketplace bears that out.

Another area in which the sheer size of eBay may be a barrier is customer service. The company understandably struggles with the task of satisfying two types of "Customers": online buyers and online sellers. eBay does make an effort to remain in touch with its community of users. A program called Voices brings buyers and sellers together 10 times a year at corporate headquarters. The users engage in two full days of given-and-take with company officials about the best and worst aspects of eBay services. eBay also monitors every transaction and users statistics in real time, enabling timely troubleshooting. A Rules, trust, and Safety committee judges whether

questionable listing should be permitted on the site. (Human organizations have been banned for example).

Indeed, the sustained growth of eBay may, rely on the continued enhancement of the technology available to the eBay community rather than on major acquisitions. Recent partnership with JotSpot and Kaboodle seek to improve the overall value of the eBay experience for membership of the community JotSpot is a provider of Wiki applications and, with eBay, is developing the eBay community Wiki. The wiki services as an information source that buyers and sellers can update and edit with entries on best practices and tips and tricks for effective auctioning. Kaboodle is teaming with eBay to create an online "Social Collecting" destination named My Collectibles where users can promote and share information about the items they collect and trade.

Keeping the community happy is of utmost importance to the future of eBay. A loyal user base may be the company's most valuable asset, and one which competitors will be challenged to replicate. While investors and analysts mostly maintain their confidence in the company's management, cries for change have gone up from the merchant population. Sellers are concerned about the declining number of transactions and a coinciding drop in sales prices. eBay must find a way to secure the confidence of its merchant population or it will risk losing business to other online marketplaces

**Questions:**

i) What is eBay's business model and business strategy? How successful has it been?

**(Total 06 Marks)**

ii) What are the problems that eBay is currently facing?

**(Total 06 Marks)**

iii) How is eBay trying to solve these problems? Are these good solutions? Are there any other solutions that eBay should consider?

**(Total 08 Marks)**

iv) Will eBay be successful in the long run? Why or why not?

**(Total 08 Marks)**

**(Total 28 Marks)**

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**Q2. i)** “As managers, most of them will work for firms that are intensively using information systems and making large investments in information technology”. Briefly explain what are the roles that played by information system in today’s world.

**(06 Marks)**

**ii)** “To fully understand the information systems, we must understand the broader dimensions of the systems”. Identify and describe the three dimensions of information systems.

**(06 Marks)**

**iii)** “Information systems are all about improving business processes which lie at the very heart of a business”. Briefly state what business process is and how information technology enhances business processes: efficiency and transformation.

**(06 Marks)**

**(Total 18 Marks)**

**Q3. i)** “From a historical perspective, functional systems were the first kinds of systems developed by business firms”. Describe any two systems from Functional Perspective with suitable examples.

**(06 Marks)**

**ii)** List out and briefly describe the systems used by the middle level managers under Constituency Perspective.

**(06 Marks)**

**iii)** “Enterprise systems, also known as enterprise resource planning (ERP) Systems, solve problem by collecting data from various key business processes”. Explain how enterprise applications promote business performance and what are the challenges faced by an organisation in implementing the enterprise system.

**(06 Marks)**

**(Total 18 Marks)**

**Q4. i)** Briefly explain what is Porter's competitive force model and four generic strategies, each of which often is enabled by using information technology and systems.

**(08Marks)**

**ii)** Describe the major economic theories that help explain how information systems affect organisations in variety of ways.

**(06 Marks)**

**iii)** "Information systems can improve the overall performance of these business units by promoting synergies and core competencies". Briefly state how information systems promote synergies and core competencies.

**(04 Marks)**

**(Total 18 Marks)**

**Q5. i)** Briefly explain what is "Value Web" and how does it help to achieve the competitive advantage at the industry level.

**(06Marks)**

**ii)** "Ethical issues in information systems have been given new urgency by the rise of the internet and electronic commerce". Briefly state the key technological trends responsible for ethical stresses.

**(06 Marks)**

**iii)** "The negative social costs of introducing information technologies and systems are beginning to mount along with the power of the technology". Briefly describe any three (03) negative social consequences of systems.

**(06 Marks)**

**(Total 18 Marks)**