**Digital Marketing: Strategy & Tactics**

**Chapter 11: Evolving Business Models**

**MULTIPLE CHOICE**

1. The “Long Tail” refers to:

|  |  |
| --- | --- |
| a. | Animals at online pet stores |
| b. | The products carried by specialty stores |
| c. | The 80/20 rule |
| d. | The less popular products in any selection ordered by sales that collectively make up more than the popular products in absolute terms |

**ANS:** D

**Notes:** The “Long Tail” concept comes from the observation that Amazon sells more units of books not found in any bookstore than the ones that are popular.

1. The Internet removes which constraint of physical retail for online stores:

|  |  |
| --- | --- |
| a. | Limited hours—online stores are open 24/7/365. |
| b. | Geographic concentration—online stores can sell to customers anywhere, not just near the store. |
| c. | Limited selection—online stores can have more sizes and products because they don’t have to stock them all in expensive real estate like retail |
| d. | All of the above |

**ANS:** D

**Notes:** Online stores can do all these things, but they don’t have the immediacy, tangibility, and personal service of brick and mortar retail.

1. What is SaaS?

|  |  |
| --- | --- |
| a. | Selling and all Support |
| b. | Start and a Subscription |
| c. | Software as a Service |
| d. | Sales and a Special |

**ANS:** C

**Notes:** Software as a Service charges a monthly subscription fee, often per person for use of enterprise software, delivered from the Internet/Cloud, as opposed to a large multiyear contract. Examples include Salesforce, Hubspot, etc.

1. The aggregation model of online commerce is:

|  |  |
| --- | --- |
| a. | Selling all the products available on one site under one brand |
| b. | Selling different brands |
| c. | Selling a wide variety of your own brand to meet every need |
| d. | Owning a “niche” by specializing in the sale of one type of product but having every possible offering in the area |

**ANS:** D

**Notes:** Unlike regular retail where limited shelf space and real estate costs make selection limited by access, online retail makes comprehensive selection of a category a selling point—like having every hot sauce.

1. “Bricks and Clicks” is a strategy to:

|  |  |
| --- | --- |
| a. | Use the strengths of online and offline retail in a coordinated strategy |
| b. | Offset the weaknesses of online or offline by having both |
| c. | Having a computer that searches the Internet in a shopping mall |
| d. | Selling home improvement products online |

**ANS:** A and B

**Notes:** Uses the strengths of experiential physical retail and customer support to complement the always available and limitless selection of the online world.

1. How does an online competitor disintermediating an industry compete?

|  |  |
| --- | --- |
| a. | Better access to information by showing all options in a user-friendly way |
| b. | Better prices through scale |
| c. | Better branding and logo |
| d. | All of the above |

**ANS:** A

**Notes:** For most industries, it’s the control of information and alternatives that prevents consumers from making effective decisions. For example, two airlines flying the same route—the decision should be made on price and service, not on who’s giving the highest commission to the travel agent.

1. Crowdfunding sites are notable for:

|  |  |
| --- | --- |
| a. | Raising money for product ideas before anything has been sold |
| b. | Allowing customers to fund the manufacturing and development of new products |
| c. | Allowing product creators to bypass venture capital and find small but lucrative markets |
| d. | All of the above |

**ANS:** D

**Notes:** Crowdfunding allows new ideas that wouldn’t meet traditional funding source requirements of market size, etc. to find enthusiastic customers to support their vision.

**SHORT ANSWER**

1. What are the characteristics of industries where middlemen are being disintermediated?

**ANS:** Information asymmetry, infrequent purchase, high value purchase, high impact of wrong decision. Industries like real estate, job recruitment, travel, car sales.

**Notes:** Middlemen had more practice and experience (compared to a home buyer for example who may buy one home) and could exploit the difference.

1. How does subscription commerce change the economics of selling a product?

**ANS:** You collect money every month for shipping a product instead of one sale, so it’s all the shipments instead of a one-time payment. The Life Time Value (LTV) is much higher since you’re selling multiple shipments, not just one purchase.

**Notes:** This means marketers can spend more money to acquire a customer (CAC) since they will make back more profit.

1. What is a guide shop and how is it different from regular retail?

**ANS:** A guide shop is a store from a primarily online retailer. Guide shops usually allow you to see products and potentially try on sizes, but do not carry inventory; sales are online and delivered to you.

**Notes:** This allows the stores to have more square footage dedicated to sales, not holding stock for customers.