INSTRUCTIONS

1. This is a supervised open-book examination. Study guide, textbook and self-made notes may be taken into the exam.

2. You are allowed to use electronic devices for the purpose of referring to digital course materials and notes only. These devices must not be connected to the internet, Wi-Fi must be disabled and tablets must be in flight mode. They must not be used to type your exam responses.

3. Your reading time before the examination is 10 minutes. No writing may be undertaken during this period.

4. The examination paper contains five (5) questions. Please answer FOUR (4) questions only. All questions are of equal value.

5. Answers must be in blue or black ink, however pencil may be used for drawing, sketching or graphical work.

6. Please begin the answer to each question on a new page in the exam booklet provided and identify the question number you are answering when you do so.

7. Please ensure that you have written your name and student number on every exam booklet used and any other documentation submitted.

8. This exam paper must be returned with your answer booklets. No materials are to be retained at the conclusion of the examination.

9. The exam contributes 40% towards your final grading in this course.
Questions 1 to 5 relate to the following case:

McDepartment is a large Australian organisation employing 10,000 permanent and 20,000 casual staff across its 100 department stores in all major cities in Australia and New Zealand. While the actual stock carried may vary between stores to cater for local demographic needs, most stores have a range of men’s, women’s and children’s clothing, homewares, soft furnishings, furniture, electrical goods, books and luggage.

To date, McDepartment’s only online presence has been an information website that lists the types of goods carried (e.g. electrical – TVs, DVD recorders, etc.) without indicating specific brands, models, etc.

The previous CEO of McDepartment has just retired. Unfortunately, McDepartment’s share price has halved in the last 12 months due to declining sales in its stores. While part of this decline may be attributed to consumer concerns about spending post Global Financial Crisis, the decline in spending in McDepartment’s stores has been double that of its main competitors. The former CEO correctly identified that the rise in online sales might be having an impact on consumers being prepared to purchase goods in McDepartment’s department stores. However, he was not interested in McDepartment implementing an online sales strategy. His approach was to lobby government to impose a tax on online sales to reduce their attractiveness to consumers. The new CEO has a different approach. He is firmly of the view that McDepartment must actively embrace e-business to survive.

The current computing configuration is a 20-year-old mainframe computer which is currently not connected to the internet, plus a stand-alone UNIX computer that provides McDepartment’s website. Security has not been a concern with the Unix computer as it only provides basic information on McDepartment stores to the public. The two computers are not interconnected.

**QUESTION 1 (25 marks)**

The CEO of McDepartment has suggested that the organisation should consider getting into the financial services arena, building on its existing customer base. (Note: this would be in addition to McDepartment’s existing department store business.)

Please identify and describe TWO (2) potential e-business applications that satisfy this requirement and analyse their viability for McDepartment using a framework such as Porter and/or Weill and Vitale.

**QUESTION 2 (25 marks)**

Propose and justify the infrastructure required by McDepartment if it were to implement an e-business website selling its traditional department-store goods direct to the public via an e-commerce site. Please remember to consider issues such as performance, security, trust, confidentiality, privacy to McDepartment’s data and systems as well as the customers’ information (including credit-card details) when answering this question.
QUESTION 3 (25 marks)
The CEO is keen that McDepartment be seen as “moving with the times” and that it should implement a number of social-networking initiatives. Please discuss two distinctly different initiatives involving social networking that would potentially add value to McDepartment. For both initiatives, remember to justify the initiative. In addition, identify and assess any risks that might arise. For each risk identified, please recommend management strategies aimed at minimising the risk.

QUESTION 4 (25 marks)
Discuss the differences between a “bricks and mortar” business and an e-business. Do these differences highlight problems and issues with legal requirements and government policy compliance for McDepartment looking to participate in an e-business environment? Explain your answer in detail.

QUESTION 5 (25 marks)
Customer loyalty is the degree of commitment a customer feels towards a specific vendor or product. Please discuss the factors that affect customer loyalty for McDepartment and recommend techniques for improving customer loyalty for its customers in B2C electronic commerce.

END OF EXAM