

UNIVERSITY OF SWAZILAND
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION PAPER
MAY, 2016

TITLE OF PAPER : ELECTRONIC COMMERCE

COURSE CODE : BA 431 FULL TIME

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS:**
- 1. THE NUMBER OF QUESTIONS IN THIS PAPER = FIVE (5)**
 - 2. SECTION A IS COMPULSORY.**
 - 3. ANSWER ANY THREE (3) QUESTIONS IN SECTION B**
 - 4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE INDICATED ALONGSIDE THE QUESTION.**

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH, AS WELL AS FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR USE OF RELEVANT EXAMPLE.

SPECIAL REQUIREMENTS: NONE

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A

What do the Citi Cash Card, the Wired MasterCard, and Visa Buxx (pronounced ‘bucks’) have in common? They are all prepaid reloadable cards. Money can be loaded onto them virtually anytime, anywhere from a credit card, debit card, or savings or checking account. These prepaid cards look like a regular plastic credit card, but the cardholder has no line of credit. Instead, the cardholder can only spend up to the amount loaded on the card. Some of the cards are set up by parents to provide funds for their children. The Citi Cash Card is designed for students between 13 and 16 years of age. This is the same market addressed by the Visa Buxx card, although its upper limit is 18 years of age. At age 18, an individual can apply for his or her own credit card. In each of these instances, the student’s name is printed on the card, and the card can be used at most locations that accepted. Both can be used at ATMs around the world. One advantage of these cards over cash is that lost or stolen cards can be replaced. Visa Buxx, for instance, is protected by Visa’s Zero Liability Policy. The Visa Buxx program was started in the fall of 1999 by WildCard Systems. WildCard created the system in order to tap into the teen market. In the United States, there are more than 30 million teens between 13 and 18 years of age, and they spend more than \$160 billion annually. Most of their spending involves cash provided by their parents. WildCard was looking for a way to provide a turnkey payment system that would meet the needs of both parents and teens by offering a card that would provide:

- A parent controlled reloadable payment card that would be accepted anywhere that Visa was accepted, including online and ATM cash machines.
- Stored-value functionality so that teens can only spend up to the amount established by their parents and loaded onto the card.
- A Web site where parents and teens could enrol for the card, add value through checking accounts, savings accounts, credit cards, or debit cards, set up recurring allowance schedules, shop online, and check balances and transaction history.
- Parental control features so parents could maintain control over the account through the Web site.
- An educational component on the Web site so that teens could learn about financial responsibility and budgeting.

WildCard licensed the Visa Buxx product to Visa. The system was launched in 2000 by five Visa card issuers, including Bank of America, Capital One, National City, U.S. Bank, and Wachovia Bank. Today, the card is offered by a wide range of banks throughout the United States. For issuing banks, the card helps build stronger relationships with existing customers (parents) and establish relationships with new customers (the teens).

1. What is the market for the Citi Cash card and Visa Buxx? 10 marks
2. What key characteristics underlie WildCard’s Visa Buxx system? 15 marks

SECTION B

Question2

Explain how an online merchant can use a card verification number (CVN) to reduce the risk of entering into a fraudulent credit card transaction with a customer. 25marks

Question3

Discuss the value chain in relation to web technology. 25 marks

Question 4

A The “name your own price” models is considered to be a reverse auction. However, there is no consecutive bidding, so why is it called an auction? Is it an auction at all? 15 marks

B Compare the “name your own price” and tendering (request for quote) approaches. Under what circumstances is each advantageous? 10 marks

Question 5

Discuss the different types of revenue models and give examples of each. 25marks