

UNIVERSITY OF ESWATINI

DEPARTMENT OF BUSINESS ADMINISTRATION

RE-SIT / SUPPLEMENTARY EXAMINATION PAPER

JULY, 2019

TITLE OF PAPER : ELECTRONIC COMMERCE

COURSE CODE : BUS 426 FULLTIME / IDE

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 EXAMPLES.

SPECIAL REQUIREMENTS: NONE

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

EASTMAN CHEMICAL MAKES PROCUREMENT A STRATEGIC ADVANTAGE

Eastman Chemical (ECM), a multibillion-dollar, Multinational Corporation, operates in an extremely competitive environment (*eastman.com*). In response to competitive pressures, management decided to improve on the procurement of MRO items. In its effort to do so, the company embarked on two interrelated activities: integrating the supply chain and introducing e-procurement. The objectives of the project, which was implemented in 2001, were:

- To increase compliance with purchasing policies (reduce maverick buying)
- To support frontline employees while maintaining existing rules
- To reduce procurement transaction costs via elimination of non-value-added and redundant processes
- To leverage corporate spending to negotiate favourable trading terms with channel supply partners

Before the system was installed, the company purchased over \$900 million in MROs from over 3,500 suppliers. The company used an SAP R/3 ERP systems, part of the legacy system that interfaced with the e-procurement application. The system provided good control, but at a cost of \$115 per order when a purchasing card was used. The ERP system helped to reduce the workload on accounts payable and procurement personnel; however, purchasing from noncontracted suppliers increased (the card made such purchasing easy). These maverick buying reduced purchase volumes with primary suppliers, thus reducing the company's negotiating power and increasing costs.

As part of its initiative to improve the MRO procurement process, Eastman Chemical established channel partnership relationships with its largest MRO suppliers.

This increased the company's buying leverage and reduced costs and delays. Inventories and service levels were improved. In addition, the company introduced two new EC applications to its procurement system: Commerce One Buy e-procurement software for dealing with the suppliers and Commerce One Conductor for transaction management, Partner Relationship Management (PRM), and value-added services. Using the Buy software, Eastman Chemical has created an internal catalogue of all MRO products located in Eastman's storerooms. The software checks availability and prevents redundant purchases. The software also supplies catalogue-management features that ensure that all vendors' changes and updates are entered into the internal catalogue.

The Conductor application supported the creation of a portal that enables:

- Use of a common Web browser by all of Eastman Chemical's 16,000 employees
- Different types of employees to use the system without need for additional training
- The ability to integrate the SAP R/3 with EC and the procurement card
- An effective and efficient catalogue management strategy
- Maintenance of the existing systems infrastructure
- Simplification of business processes

- Flexibility and empowerment of frontline employees

The overall effect of the new portal is to reduce costs and to increase profitability and competitiveness. By 2004, the system was used by over 6,000 users in 83 countries in procuring over \$2 billion worth of goods. The system delivers significant cost savings, improved productivity, and error reduction. A 2004/2005 initiative is automating the RFQ process and special request purchases, using the Commerce One Conductor platform that is designed to connect and compose business processes between systems and partners.

Eastman Chemical has a large sell-side marketplace as well. Customers order plastics, resins, and fibre's online and track their purchases and transaction history, even down to the level of a part of a shipment. Eastman Chemical also auctions its surplus materials in the marketplace.

Overall, Eastman Chemical's e-business logged 11 per cent of the company's revenue in 2001.

Questions

1. In detail explain why did Eastman Chemical start first with e-procurement rather than with the sell-side? [20 marks]
2. Give a detailed account of the problems cited in this case can be solved by EC applications? [20 marks]

SECTION B

Question 1

How do companies eliminate the potential limitations and risks associated with Web-based EDI?

[20 marks]

Question 2

What would you tell an executive officer of a bank about the critical success factors for increasing loyalty of banking customers by using the internet?

[20 marks]

Question 3

Discuss the hazards of e-auction fraud and countermeasures available for an organisation

[20 marks]

Question 4

Online employment services make it easy to change jobs: therefore, turnover rates may increase. This could result in total higher costs for employers because of increased costs for recruiting and training new employees and the need to pay higher salaries and wages to attract or keep employees. What can companies do to ease this problem?

[20 marks]