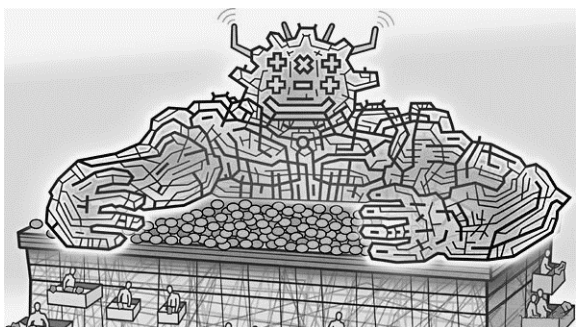


The click and the dead



(1) FOR as long as anyone can recall, chess enthusiasts in Cambridge, Massachusetts, have played on large streetside chessboards in the shadows of the stately buildings of Harvard Yard. But even in a place that seems impervious to the passage of time, there is change. One example is an empty space where a much-loved local institution, an independent bookshop called WordsWorth, stood for 30 years. Like small-business owners in other industries, its proprietors held the internet, of which the student-heavy populace of Cambridge were early adopters, responsible for having to shut up shop in 2004.

(2) Everywhere people bemoan the replacement of the local and the quaint by outposts of big, homogeneous chains. But how true is the notion that the internet in particular has hastened the demise of some retailers, and that those it hurt were overwhelmingly small? A new study on this subject by four economists at the University of Chicago looks at three industries — bookshops, travel agencies and new-car dealerships — for answers. They find much truth in the conventional wisdom, but also some solace for those who believe small is beautiful.

(3) In the past economists have paid most attention to the effects of the

internet on prices. These fit snugly into a standard economic model of competition. The internet acts mainly as a mechanism that reduces consumers' costs of acquiring information about products and prices. Before the online age, someone looking to buy a fridge, say, might have gone into one or two local shops, and perhaps rung a few more, to compare prices. The web, however, made it easy to gather more information. Theory suggested that as more and more retailers and customers went online, customers would become pickier. It would become more difficult for a retailer to continue to sell overpriced goods because people would have more knowledge about other options.

(4) 12, e-commerce ought to lead to intensified price competition and through it to lower variation, or "dispersion", in prices. A large scholarly literature has found that this is true. For a real-world example of the effect of lower search costs, think of today's e-reader price wars. On June 21st Barnes & Noble, a bookseller, dropped the price of its Nook e-reader to \$199 in America. Within hours, Amazon cut the price of its Kindle product to \$189.

(5) The new study tests another expected consequence of e-commerce. Intensifying competition should lead not just to price convergence but also to a round of creative destruction.

Companies that are unable to cope with the demands of consumers in the internet age should be wiped out. Those who can, ought to thrive.

Efficient firms should enter the market. Using data on internet usage from a representative survey of Americans, as

well as data on the size of firms in each of the three industries in each county in the continental United States, the Chicago economists are able to tease out the impact of the internet on firms in the ten years to 2004, when online shopping first gained a foothold in American life. They can also see whether the effects were larger where more people went online, as one might expect if internet use were the main driver of change.

(6) In all three cases the growth of internet traffic and online shopping affected the structure of the industry, not just prices. In general, larger firms grew at the expense of smaller ones. Much as the owners of WordsWorth had surmised, the effect was greatest 15. The shakeout in travel agencies was particularly vicious. After years of holding steady, the total number of agencies fell precipitously, almost exactly mirroring the growth of online shopping. Within the industry large agencies gained at the expense of smaller ones. In the ten years to 2003 the number of travel agencies that employed more than 100 people grew by 60%, from 109 to 174, and the number of tiny ones fell by a third, from 18,186 to 12,865.

(7) What of the effect on jobs? Officially overall employment in the travel-agency and bookshop industries fell as a result of e-commerce. In fact, some of the slack will have been made up by the growth of online-only companies such as Amazon and Orbitz. But it is impossible to tell how much of the employment growth at these kinds of firms relates to a particular industry. The cardealership industry, where

online-only retailing was prohibited by law, did not lose jobs. Evidence from other studies suggests that customers gathered more quotes than before and got lower prices, but did not buy fewer cars. The same is probably true of books and airline tickets.

(8) Big firms are not predestined to Hoover up all the benefits from e-commerce. The theory suggests that as people become better informed thanks to the web, the businesses that cater most to their desires will thrive. If people want lower prices, then bigger shops and chains, with their economies of scale, may be the ones that do best. But it is equally possible that a small shop meeting a particular need might see its market share expand because more people who want what it provides (cult records or fan fiction, for instance) learn of its existence.

(9) The study finds evidence for this, too. Among booksellers, all the smaller categories withered in the internet age – save one. The lone exception was the very smallest, shops with between one and four employees. These appeared to have weathered the storm unscathed: in Harvard Square itself, Curious George, a children's bookshop run by the same people who owned WordsWorth, flourishes to this day. The internet allows customers to see businesses' true colours. The adjustment that follows may be wrenching. But the net effect is one that conforms to what consumers want, whether they admit it to themselves or not.

The Economist, 2010

Tekst 5 The click and the dead

- 1p 9 Which of the following is true of paragraph 1?
- A It explains the growing number of vacant retail premises in shopping centres.
 - B It illustrates the awkward position of independent bookshops in university cities.
 - C It presents the internet as the possible cause of the disappearance of small businesses.
 - D It states that like chess, the internet is an intrinsic part of Cambridge university life.
- “the conventional wisdom” (laatste zin van alinea 2)
- 1p 10 Wat houdt deze gangbare mening in?
- 1p 11 Which of the following is in line with the contents of paragraph 3?
- A Cost-conscious buyers can efficiently compare data on goods on the internet.
 - B It has become increasingly difficult for retailers to find a market for expensive products.
 - C Online shopping may result in people buying cheaper, but spending more.
 - D Overhead costs make it impossible for local shops to compete with online shops.
- 1p 12 Which of the following fits the gap in paragraph 4?
- A Besides
 - B Instead
 - C Therefore
- 1p 13 Which hypothesis is discussed in paragraph 5?
- A Creative firms will lose out in the fight over the efficient internet customer.
 - B Flexible pricing will become a prerequisite for companies to survive on the internet.
 - C The liquidation of local companies will lead to an increase in online shopping.
 - D Those businesses that live up to the customers' expectations will flourish.

“all three cases” (eerste regel alinea 6)

1p **14** In welke alinea worden deze bedrijfstakken voor het eerst genoemd?
Noteer het nummer van deze alinea.

1p **15** Which of the following fits the gap in paragraph 6?

A for the specialized bookshops

B in times of economic uncertainty

C where online shopping became most popular

2p **16** Geef van elk van de volgende beweringen aan of deze wel of niet overeenkomt met de inhoud van alinea 8.

1 E-commerce leads to less product diversification.

2 Larger businesses are most likely to offer inexpensive goods.

3 Small-scale firms have difficulty meeting customers' demands.

4 Small shops might do well by targeting a narrowly defined group of customers.

Noteer het nummer van elke bewering, gevolgd door “wel” of “niet”.

Bronvermelding

Een opsomming van de in dit examen gebruikte bronnen, zoals teksten en afbeeldingen, is te vinden in het bij dit examen behorende correctievoorschrift, dat na afloop van het examen wordt gepubliceerd.