

# BUSINESS STUDIES

## Chapter 5: EMERGING MODES OF BUSINESS



## EMERGING MODES OF BUSINESS

### Meaning:

In this age of internet, the world commerce has gradually started linking with it. This has brought a new concept of commerce called e-commerce/e-business. Now we are capable of reaching the users of Internet all over the world simply by opening a shop on the Internet. The Internet users can order for the goods, receive their delivery and make their payment while sitting at their home on the Internet.

### E-business:

Is one of the biggest examples of how the business world has evolved in modern times. The conduct of trade, commerce and industry via the computer network using the internet is called e-business or electronic business. It is a broad term that encapsulates all business functions and transactions that are conducted electronically, and not merely sales. From e-commerce to digitally conducted product development, production, inventory management, finance, human resource management, and accounting - all come under the purview of e-business.

#### ❖ Benefits of e-Business:

As mentioned in the chapter, students will also gain knowledge of the reasons why the e-business model has surfaced and achieved popularity. Here are some benefits of e-business:

- **Easy and Fast to Set Up:** Mostly, setting up an electronic business requires high-speed internet connectivity, computer devices, and advanced software system
- **Not Limited by Geographical Boundaries:** There are no geographical barriers in an e-business. Anyone can buy things from anywhere, provided the business has services in that region.
- **Government Subsidies:** To promote digitalization, the government often provides subsidies and other advantages to e-businesses.
- **The movement towards a paperless Society:** The use of the internet has significantly decreased reliance on paperwork.
- **Easy to launch new products:** Any firm may use e-business to bring a new product into the market. On the Internet, you may get detailed information on the product. As a result, consumers and other business people may learn about the new product while sitting at home.
- **Easy Distribution Process:** Through e-business, many different sorts of information and services may be obtained on a computer. This has streamlined and reduced the cost of the distribution system.
- **Lower Investment required:** Business owners and business people do not need a large showroom or a large investment to run an e-business. All you need is a computer and access to the Internet.

- **Elimination of Middlemen:** Wholesalers and merchants have been vanishing since the advent of e-Commerce. The majority of manufacturers have now begun to have direct contact with clients. As a consequence, consumers pay less for items.

#### ❖ Limitation of e-Business:

Despite being one of the fastest emerging modes of business, e-business has some drawbacks as well. The limitations of e-business according to emerging modes of business are:

- **Lack of Trust:** The disadvantage of e-business is it lacks direct communication between the seller and the buyer. The consumer is unable to touch and feel the product in real-time. This can result in distrust and apprehensions
- **Security Threats:** The personal and financial data of consumers are always on stake if the e-business does not have proper security measures. It is easier for scammers to lure online buyers into a lucrative deal and do fraud
- **Delivery Issues:** Longer delivery times than traditional business is another limitation of this model
- **Technology Capability and Competency of E-business Participants are Required:** E-business necessitates a high level of computer literacy among the parties involved. This obligation can also be blamed for the so-called digital divide. The term "digital divide" refers to the separation of society based on one's familiarity or lack thereof with digital technologies.
- **Ethical Fallouts:** Companies utilise an 'electronic eye' to keep track on your computer files, email account, and internet visits, among other things, so as to gain knowledge about your interests, preferences etc. It's unethical in a number of ways.

BASIS FOR COMPARISON	TRADITIONAL COMMERCE	E-COMMERCE
Meaning	Traditional commerce is a branch of business which focuses on the exchange of products and services, and includes all those activities which encourages exchange, in some way or the other.	e-Commerce means carrying out commercial transactions or exchange of information, electronically on the internet.
Processing of Transactions	Manual	Automatic
Accessibility	Limited Time	24 × 7 × 365
Physical inspection	Goods can be inspected physically before purchase.	Goods cannot be inspected physically before purchase.
Customer interaction	Face-to-face	Screen-to-face
Scope of	Limited to particular area.	Worldwide reach

business		
Information exchange	No uniform platform for exchange of information.	Provides a uniform platform for information exchange.
Resource focus	Supply side	Demand side
Business Relationship	Linear	End-to-end
Marketing	One way marketing	One-to-one marketing
Payment	Cash, cheque, credit card, etc.	Credit card, fund transfer etc.
Delivery of goods	Instantly	Takes time

#### ❖ Resources Required for Successful e-Business Implementation:

- **Computer system:** The presence of computer system is the first requirement of e-Business. The computer can be linked with Internet by just pressing its keys.
- **Internet connection:** Internet connection is very essential and now a days we can get this facility by sitting at home.
- **Preparing the web Page:** Web page has the greatest importance in the use of e-Business. It is also known as Home Page. Any product that is to be shown on Internet is displayed on web page.
- **Effective telecommunication system:** e-business requires an effective telecommunication system in the form of telephone lines etc.

#### ❖ Scope of e-Business:

It can be understood by the view point of the parties involved and making transactions:

- **B2B Commerce:** It is that business activity in which two firms or two business units make electronic transaction. For example- one can be producer firm and other a supplier firm.
- **B2C Commerce:** Business to customer. In this one party is a firm and other party is a customer. On one hand a customer can seek information through Internet about products, place orders, get some items and make payments and on the other hand the firm can make a survey any time to know who is buying and can also know the satisfaction level of customers. In modern times, call centers can provide this information.
- **Intra-B Commerce Within Business Commerce:** Under it, the parties involved in the electronic transaction are the two departments of same business. For Example, through internet it is possible for the marketing department to interact constantly with the production department and get the customized goods made as per the requirement of customers.
- **C2C Commerce:** Customer to Customer Commerce – Under it, both the parties involved in electronic transaction are customers. It is required for the buying and



selling of those goods for which there are no established markets. For example, selling old car through internet.

- **C2B Commerce:** C2B Commerce provides the Consumers with the freedom of shopping at will. Customer can make use of call centers to make toll free calls to make queries and lodge complaints.
- **B2E Commerce:** Companies reporting to personnel recruitment, interview and selection and training etc. via B2E Commerce.

## Process of Online Trading

Registration ⇒ Placing an order ⇒ Payment mechanism

### ❖ Step 1: Registration:

- When you register with an online retailer, you create an 'account', by filling up the registration form.
- A "password" must be entered among the numerous details since the areas relating to an individual's "account" and "shopping basket" are password protected.

### ❖ Step 2: Placing an Order:

- You can add products to the shopping cart by dragging and dropping them.
- A shopping cart is an online record of what an individual has added to his cart while visiting an online store.
- Once you've decided what you want to buy, you may 'checkout.'

### ❖ Step 3: Payment Mechanism:

Purchases through online shopping may be done in a number of ways.

- **Cash-on-Delivery:** Payment for things ordered online can be made in cash when the goods are delivered physically.
- **Cheque:** The online merchant may arrange for the customer's cheque to be picked up. After realization, product delivery may be attempted.
- **Net-banking Transfer:** Modern banks provide to their customers the facility of electronic transfer of funds over the Internet using Immediate Payment Service (IMPS), NEFT and RTGS.
- **Credit or Debit Cards:** The holders of credit cards can enjoy making purchases on credit. The amount owed by the cardholder to the online seller is assumed by the card issuing bank, which then transfers the transaction's amount to the seller's credit.
- A debit card permits the holder to make purchases up to the amount of money in the linked account. The moment a transaction is made, the amount due as payment is deducted electronically from the card.
- **Digital Cash:** This type of currency has no physical qualities, but it allows you to utilize real money in an electronic format, such as through e-wallets or PayTm.

### ❖ E-Business Risks:

- **Transaction Risks:**
  - Either the seller or the customer may refuse an order being made or placed. This might be cited as default on order taking/giving.
  - The supposed delivery doesn't take place, or is delivered at the incorrect address, or product apart from ordered is delivered. This can be thought of as "default on delivery."
  - The vendor doesn't get payment for the things provided, despite the fact that the customer states that payment was created. This might be cited as 'default on payment'.
  - As a result, order taking/ giving in e-business may pose a danger to the vendor or the client.
- **Data storage and Transmission Risks:**
  - Data in the systems and on the way is vulnerable to a variety of threats.
  - Important data may be stolen or altered for nefarious purposes or merely for fun/ adventure
  - Antivirus software's installed and updated on a regular basis prove useful in scanning files and discs, protecting data files, folders, and systems against virus attacks.
  - Data could be intercepted during transmission. Cryptography can be used for this. It refers to the process of encrypting data and transforming it to cyphertext, an unreadable format. Only those with a secret key may decipher (or decrypt) the message into 'plaintext.'
- **Risks of Threats to Intellectual Property and Privacy Include:**
  - Once the material is available on the internet, it is no longer considered private. It got more difficult to protect it from being copied after that.
  - Data provided during online transactions may be shared with others, who may begin flooding one's inbox with advertising and promotional materials.

## Outsourcing

Many activities have to be performed for the successful conduct of business-like productions, buying, selling, advertising etc. When the scale of business is small, the businessman used to perform these activities easily. However, with the enlargement of scale of business, this job has become tedious. Therefore, in order to overcome the difficulties connected with the performance of many activities and to get the benefit of specialization, these services are now obtained from outside the organization. This is called outsourcing of services or BPO.

### ❖ Advantages of Outsourcing

To understand better the concept of outsourcing, you must study in-depth the advantages of outsourcing as mentioned in the chapter.

- **Cost Advantage:** By outsourcing, companies can save their cost, time and effort in hiring and training a permanent in-house skill.
- **High-Quality Services:** Only a skilled expert with in-depth knowledge in the respective field is assigned the task to ensure improved quality and fewer errors
- **No Setup Cost:** In an offshore model, where the company outsources to an overseas agency, there is typically no cost involved in setting up the infrastructure or owning the latest software.
- **Reduced Labour Cost:** Companies outsource because the labour cost is cheaper in the outsourcing country.
- **Encourage Entrepreneurship, Employment, and Exports:** the concept of outsourcing promotes entrepreneurship, employment, and exports in the country where the outsourcing is performed.
- **Passage to High-Quality Services:** Only skilled individuals are assigned to specific tasks, resulting in better service and fewer mistakes.

#### ❖ Disadvantages of Outsourcing:

- **Poor Quality:** Not hiring the right outsourcing company can often result in inferior-quality services and extension of project delivery deadlines
- **Lack of Communication & Control:** In an offshore model, poor communication and lack of control over business operations are major impediments
- **Security Threats:** Business-critical data is often under the threat of security breaches
- **Less Customer-Centric:** Because an outsourced merchant serves numerous firms, they lack focus on the duties of a single company.
- **Ethical Issues:** Outsourcing provides jobs and wealth for another country rather than the founding country.

#### ❖ Business Process Outsourcing:

As a company grows, the complexities and scope of its business also increase. As such, it becomes cumbersome and costly to manage diverse functions and operations efficiently. To overcome the challenges of the scale of business and leverage the potential of specialization, many companies choose Business Process Outsourcing (BPO). The scope of BPO is broad and can range from financial services to customer support, advertising, courier, software solutions, etc.

#### ❖ Need for BPO:

- **Obtaining Good Quality services:** If a company attempts to perform all the activities itself, there is every possibility of quality of services being affected adversely. In order to avoid this difficulty, the need for obtaining services from outside is felt.
- **Avoiding Fixed Investment in Services:** If a company attempts to get these services from within the organization itself, it has to establish different departments for this purpose which involves huge investment. Therefore, it appears justified to get these

services from outside the organization at a little cost.

- **Smooth running of business:** outsourcing of services is needed in order to run the business smoothly. The attention of businessman gets distracted from various small things and will be focused on the main activity.

#### ❖ **Scope of BPO:**

In modern business many outside services are used. Out of these services, the following are the important ones:

- **Financial Services:** These services mean those outside services which help the company in some way or other in the management of finance.
- **Advertising services:** Advertisement is very necessary for increasing sales. If this service is obtained from outside agency, it will cost less, and the quality of advertisement will also be good.
- **Courier services:** These services mean delivering goods, documents, parcels from company to customers and vice-versa.
- **Customer support service:** These services mean delivering goods to customers and to give after sale services also. Generally, the manufacturers of TV, Fridge, AC etc. use these services.

#### ❖ **KPO (Knowledge Process Outsourcing):**

KPO refers to obtaining high end knowledge from outside the organization in order to run the business successfully and in cost effective manner. Unlike conventional BPO where the focus is on process expertise, in KPO the focus is on knowledge expertise.

#### ❖ **Need of KPO:**

In today's competitive environment focus is to concentrate on core specialization areas and outsources the rest of activities. Many companies have come to realize that by outsourcing the non-core activities not only costs are minimized and efficiency improved but the total business improves because the focus shifts to key growth areas of business.

#### ❖ **Features of KPO:**

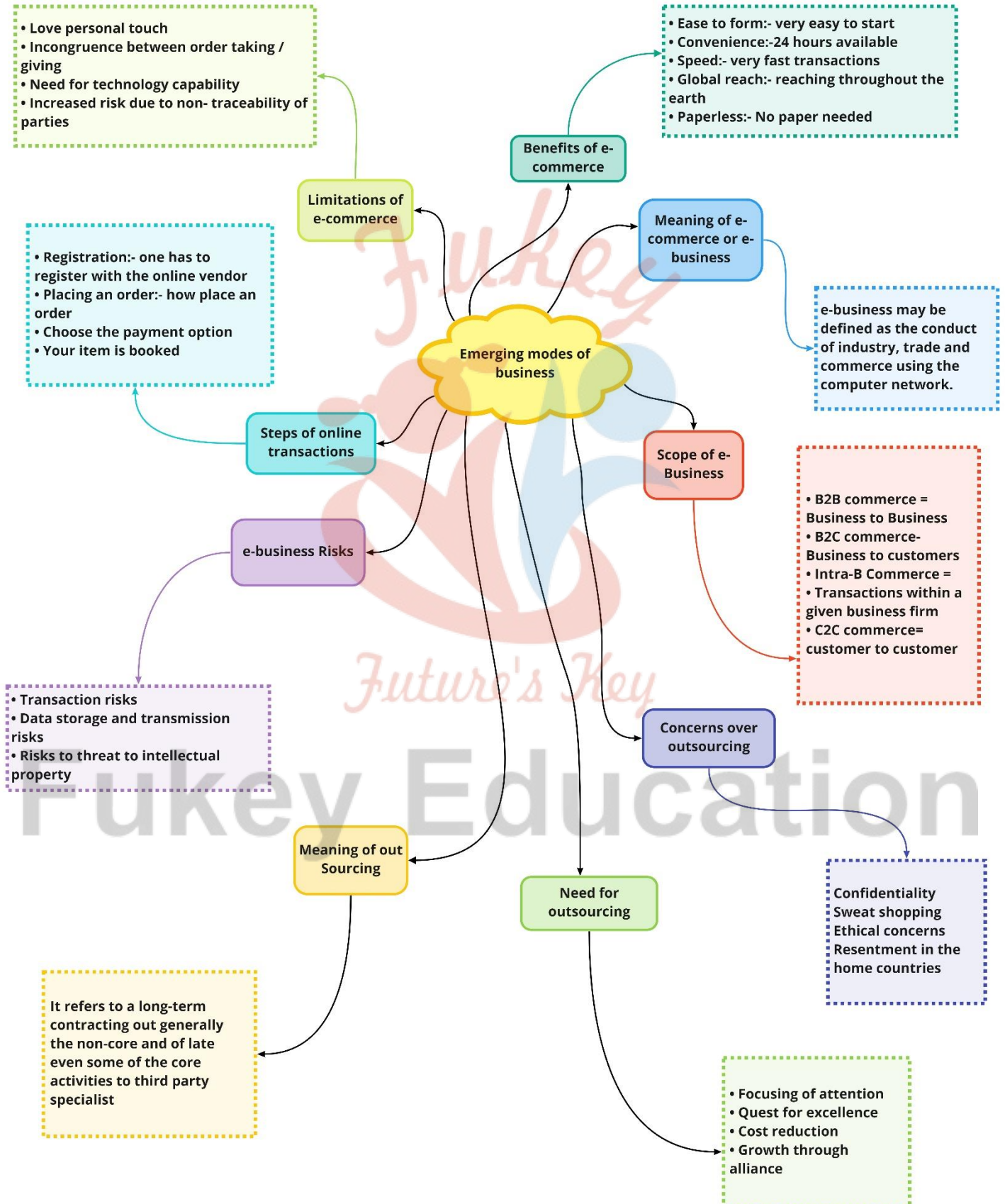
- It is the upward shift of BPO
- It focuses on knowledge expertise instead of process expertise.
- It provides all non-core activities.
- It has no pre-determined process to reach a conclusion.
- It offers an alternative career path for the educated.

#### ❖ **Scope of KPO/ Services covered KPO:**

- Research and Technical analysis.
- Business and Technical analysis.
- Business and Market research.
- Animation and Design.



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## Important Questions

### Multiple Choice Questions-

Question 1. Selling electronic goods through Flipkart or eBay.com is a \_\_\_\_\_ type of e-business transaction.

- (a) B2B Activities
- (b) C2C Activities
- (c) C2B Activities
- (d) B2C Activities

Question 2. B2C variant of e-commerce enables a business to be in touch with its \_\_\_\_\_

- (a) Managers
- (b) Customers
- (c) Creditors
- (d) Employees

Question 3. Question Expand VPN

- (a) Virtual Public Network
- (b) Virtual Popular Network
- (c) Virtual Private Network
- (d) Virtual Personal Network

Question 4. The use of EDI (Electronic Data Interchange) technology to send and receive commercial documents like purchase order etc is an example of

- (a) B2B
- (b) C2C
- (c) B2C
- (d) Intra B

Question 5. \_\_\_\_\_ refers to contracting out some of its activities to a third party which was earlier performed by the organisation.

- (a) Outsourcing
- (b) BPO
- (c) E-Commerce

(d) E-Banking

Question 6. Factoring is \_\_\_\_\_ type of outsourcing service.

(a) Financing

(b) Advertising

(c) Courier service

(d) Customer support

Question 7. Both Sellers and buyers are business firms, under \_\_\_\_\_ type of e-commerce transaction.

(a) B2C Commerce

(b) C2B Commerce

(c) C2C Commerce

(d) B2B Commerce

Question 8. Which one of the following is NOT an example of transactional risk?

(a) Hacking

(b) Default on order taking

(c) Default on payment

(d) Default on delivery

Question 9. The annoyance in terms of some onscreen display

(a) Firms interaction with its customers

(b) Firms interaction with other business firms

(c) Firms interaction with its own departments

(d) None of the above

Question 10. An important C2C area of interactive commerce can be the formation of \_\_\_\_\_

(a) Consumers forum and pressure group

(b) B2B Commerce

(c) Banking

(d) Insurance

Question 11. Which of the following is a limitation of e-business?

(a) Ethical fallouts

- (b) Risk
- (c) Low personal touch
- (d) All of the above

Question 12. It is not an application of e-business

- (a) Online bidding
- (b) Online procurement
- (c) Online trading
- (d) Contract R&D

Question 13. Formation of Consumers Forum and Pressure groups is an example of

- (a) C2C
- (b) B2B
- (c) B2C
- (d) Intra B

Question 14. Principle types of outsourcing services are:

- (a) Courier service
- (b) Advertising
- (c) Financing
- (d) All of the above

Question 15. \_\_\_\_\_ transactions have business firms at one end and its customers on the other end.

- (a) C2C Commerce
- (b) B2B Commerce
- (c) B2C Commerce
- (d) C2B Commerce

### Very Short-

Question 1 What is 'e' in e-business?

Question 2 Define e-commerce.

Question 3 What is Intra B Commerce?

Question 4 State a significant feature of outsourcing.

Question 5 What is the scope of the business based on the business function?



Question 6 What is the scope of the business based on the parties involved in the electronic transaction?

Question 7 Expand B2B Commerce.

Question 8 Expand B2C Commerce.

Question 9 Expand C2C Commerce.

Question 10 What is Traditional Business?

### Short Questions –

1. What is 'e' commerce?
2. Jyoti wanted to sell her mobile phone but did not get any buyer. On her friend's suggestion she posted the mobile on sale on www.olx.com and found a buyer within two days. Name the type of e-business.
3. Ram stays in a hostel in the USA and his parents stay in Mumbai. Ram's birthday is in five days and his parents wish to give him a pair of branded shoes. How can they give gifts?
4. What do you mean by Intra-B Commerce?
5. Briefly state the scope of e-business on the basis of business function?
6. Distinguish between e-commerce and e-business.
7. Explain briefly points in opposition with outsourcing?

OR

Explain any four limitations of electronic mode of doing business. Are these limitations severe enough to restrict its scope? Give reasons for your answer.

8. State three benefits of e-business?
9. State three limitations of e-business?
10. In detail explain the features of outsourcing?

### Long Questions –

1. Elaborate the steps involved in online trading.
2. Explain Nature and the need for outsourcing services.
3. Wwww.oLX.in, www.quicker.com etc are examples of websites used to conduct business. Dipti's sofa set got spoiled in the rain. Her friend suggested that she should change the fabric so that it looks new and put it for sale on www.olx.com Dipti followed her friend's advice and got her sofa repaired so that it looks better and uploaded nicely clicked pictures on www.olx.com in without disclosing the fact that it was damaged from inside. She found a customer and sold it for Rs.9,000. After one week the buyer found the real state of the sofa set and called Dipti but she did not answer any of the calls.
  - (i) Name the type of business in the above case.
  - (ii) Which values did Dipti ignore while selling her sofa set?

- (iii) Explain two advantages and disadvantages of e-commerce
4. Explain briefly the benefits of e-business.
  5. Difference Between e-Business and Traditional Business.
  6. Explain risks involved in e-business in detail?

### Case Study Questions-

1. Direction: Read the following text and answer the questions that follow:

Mr. Mehra is working at the post of General Manager in AU Small Finance Rajasthan. He is transferred to Hyderabad. So he sold his old sofa, and bed through OLX. In Hyderabad, he bought a new sofa and small bed of his choice according to the space of the room placing online order to Godrej Furniture. On receiving the delivery of the items, he found colour defect in the sofa so he filed an online complaint with customer care cell of Godrej Furniture. The head of customer grievances cell forwarded this complaint mail to the Marketing manager and Production manager for further action. In enquiry, it was found that M/s Touchwood Furniture Dealers, distributor of Godrej Furniture in Hyderabad made the 'default on delivery' while taking online order from Godrej Furniture for making delivery to its online customers.

- (i) 'So he sold his old sofa, and bed through OLX.'

Identify in the type of e-business model involved in the transaction mentioned here.

- a) Business to Customer
- b) Business to Business
- c) Customer to Customer
- d) Customer to Business

- (ii) "M/s Touchwood Furniture Dealers, distributor of Godrej Furniture in Hyderabad made the 'default on delivery' while taking online order from Godrej furniture for making delivery to its online customers."

Identify the limitation of e-business stated here.

- a) Lack of personal touch
- b) Time-consuming
- c) Risk arising due to anonymity and no traceability of parties
- d) Fraudulent trading

- (iii) '...he found colour defect in the sofa so he filed an online complaint with customer care cell of Godrej furniture.'

Identify the type of e-business model involved in transaction mentioned here.

- a) Business to Customer
- b) Business to Business
- c) Customer to Customer

d) Customer to Business

(iv) "The head of customer grievances cell forwarded this complaint mail to the Marketing manager and Production manager for further action."

Identify the scope of e-business mentioned in this case.

- a) Customer to Customer
- b) Business to Business
- c) Intra B
- d) Customer to Business

2. Direction: Read the following text and answer the questions that follow:

Utsav Sharma, an entrepreneur is planning to enter into a new business of manufacturing laptop bags with an inbuilt lock facility and solar charger. Being highly complex and tedious, its manufacturing operations need to be well planned. He decides that the complete bag will be manufactured at his own factory but its advertisement campaign can be given to Vigyapan Agency so that he can focus on key functions.

(i) Identify the mode of business followed by Utsav to focus on key functions of business.

- a) Outsourcing
- b) e-business
- c) Agency
- d) Joint venture

(ii) Outsourcing of advertising services will come under the scope of \_\_\_\_\_.

- a) BPO
- b) KPO
- c) Both BPO and KPO
- d) Horizontal service provider

(iii) Vigyapan Agency is a:

- a) Captive service provider
- b) Vertical service provider
- c) Horizontal service provider
- d) All of the above

(iv) Which one of the following is not the need of outsourcing?

- a) Focusing of attention
- b) Quest for excellence
- c) Cost reduction
- d) Sharing of trade secrets

### MCQ Answers-

1. Answer: (b) C2C Activities
2. Answer: (b) Customers
3. Answer: (c) Virtual Private Network
4. Answer: (a) B2B
5. Answer: (a) Outsourcing
6. Answer: (a) Financing
7. Answer: (d) B2B Commerce
8. Answer: (a) Hacking
9. Answer: (a) Firms interaction with its customers
10. Answer: (a) Consumers forum and pressure group
11. Answer: (d) All of the above
12. Answer: (d) Contract R&D
13. Answer: (a) C2C
14. Answer: (d) All of the above
15. Answer: (c) B2C Commerce

### Very Short Answer-

1. Answer: 'e' stands for electronic in e-business.
2. Answer: E-commerce, also called as electronic commerce or internet commerce, refers to the purchasing and selling of commodities or services utilising the internet and the transfer of money and data to perform these transactions.
3. Answer: Intra B Commerce refers to transactions between the people who are a part of one enterprise only. This is broadly due to Intra B Commerce has become feasible for the firms to get into the flexible production of goods.
4. Answer: An important feature of outsourcing is:  
The activities that are not indistinctive can be certainly outsourced; however, distinct pursuits cannot be outsourced
5. Answer: The scope of business based on the basis of function are – finance, marketing, manufacturing and personnel management as well as the managerial pursuits like – organising, planning, controlling.
6. Answer: Scope of the business based on the parties involved in the electronic transaction are B2B which is an enterprise's interactions with other businesses, B2C, i.e., an enterprise's interactions with its customers and Intra-B or a firm's internal processes.



7. Answer: B2B Commerce – Business to Business Commerce

8. Answer: B2C Commerce – Business to Consumers Commerce

9. Answer: C2C Commerce – Consumers to Consumers Commerce

10. Answer: Traditional business is a local shop which gives its services or goods to its local consumers. It is a set-up where consumers will have to visit the shop physically to purchase the goods.

### Short Answers –

1. Ans: E-commerce refers to a company's online interactions with its customers and suppliers. Other electronically conducted company tasks such as production, inventory management, product development, accounting, finance, and human resource management are included in e-business.

E-commerce (electronic commerce) refers to the purchasing and selling of goods and services, as well as the transmission of payments and data, over an electronic network, most commonly the internet. Business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer, and consumer-to-business transactions are all a part of e-commerce. Examples of E-commerce are Amazon, Flipkart etc.

E-business is a more comprehensive phrase that encompasses a wide range of electronic business transactions and services, including 'e-commerce' operations.

2. Ans: It is a form of C2C commerce. Consumers are the source of the business, and consumers are the ultimate destination. This form of business is best for dealing with items for which no recognized market mechanism exists.

For example eBay, Quikr, etc where consumers sell their goods and services to other consumers are a form of C2C. The payment intermediary is another technology that has arisen to facilitate C2C activity.

3. Ans: They can use E-commerce for this situation. Companies like Amazon, Flipkart are examples of B2C type of E-commerce.

In the above case, Ram's parents can order the shoes for him, and in the address column, they can fill in the details of Ram's USA address. For payment, Ecommerce sites provide various payment options such as online payment, cash on delivery etc. So in this case, as the shoes are a gift from Ram's parents to him, they can make the online payment, and add Ram's address in the address column. E-commerce websites provide diverse varieties of goods, and ordering from them is much faster, convenient and easier as against traditional methods of buying.

Though his parents could also courier the gift, but due to time limitations, practicing this option is not possible.

4. Ans: Intra-B Commerce refers to the type of e-commerce, where parties involved in the electronic transactions are from within a given business firm. It is partly owing to the usage of intra-B commerce that today's businesses are able to engage in flexible manufacturing. The use of computer networks allows the marketing department to communicate with the

production department on a continuous basis, allowing for the creation of personalized products according to the needs of each unique customer.

For example Virtual Private Network (VPN) technology would mean that employees do not have to come to the office. Instead, the office comes to them, and they can work from anywhere they want, at their own pace and on their own schedule. Meetings can be held online via tele/ video conferencing.

5. Ans: E-business has a wide scope.

Scope on the basis of business Function:

In this, the scope includes the electronic execution of the following activities, but is not only limited to:

- Management Functions such as
  - Planning,
  - Organizing,
  - Staffing,
  - Directing
  - Controlling
- Production,
- Marketing and Sales,
- Inventory Management,
- Product Development,
- Human Resource Management,
- Accounting And Finance,
- Procurement,
- Research And Development,
- Customer Relationship Management,
- Business Intelligence.
- Information System
- Training And Development

6. Ans: The Differences between E-business and E-commerce are:

Basis	E-business	E-commerce
Meaning	E-Business is described as the use of computer networks to	E-commerce refers to a company's online interactions

	conduct business, trade, and commerce.	with its customers and suppliers.
<b>Scope</b>	E-business is a more comprehensive phrase that encompasses a wide range of electronic business transactions and services, including the more well-known 'e-commerce' operations.	E-business encompasses not just e-commerce, but also production, inventory management, product creation, accounting and finance, and human resource management.
<b>Concept</b>	It is a superset of ecommerce.	It is a subset of e-business.
<b>Type of transactions</b>	Business transactions take place under this.	Commercial transactions take place under this.
<b>Use of Internet</b>	Internet, intranet, extranet, all are used.	It involves compulsory use of the internet.

7. Ans: The limitations of outsourcing are given below:

(a) Confidentiality:

- Outsourcing necessitates the exchange of a great deal of critical information and knowledge.
- It can harm the interest of the party that outsources its processes and even has a risk of competitive firms getting started.

(b) Sweat shopping:

- in order to save money the outsourcing companies seek help of low cost, low quality manpower in order to reap the maximum benefits.
- Hence instead of developing thinking skills to perform a work on its own, the firm prefers the doing skills, that is making the other firm do the task for them.

(c) Ethical concerns:

- In order to cut the cost of outsourcing the work to some other country where the work is done in an unethical way.
- For example work is accomplished by doing child labor.

(d) Resentment in the home countries:

- Employment or jobs are ultimately contracted out when manufacturing, marketing, research and development, or IT-based services are contracted out.
- This may cause resentment back in the home country if the home country suffers from the problem of unemployment.

8. Ans: The three benefits of e-business are as follows:

- No geographical boundaries: Anyone, from anywhere, can order anything at any time. On the one hand, it allows the seller access to the global market, while on the other hand, it gives the buyer the option to select products from virtually any area of the globe.
- Flexible Business Hours: Because the internet is constantly available, you may set your own business hours. The time limitations that location-based firms face are broken down by e-business.
- Speed And Efficiency: Online ordering systems can process payments and orders in real-time, usually faster, more accurately and cheaper than human workers.

9. Ans: The three limitations of e-business are:

(a) Online security concerns: Many scammers prey on those who conduct business online. Additionally, hackers have an easier time obtaining someone's financial information. It has a few concerns with security and integrity. This creates skepticism among potential clients.

(b) Product delivery time: Product delivery takes time. This lag time often discourages customers. Though efforts are made by the companies to lessen the delivery time. For example, Amazon now assures one-day delivery.

(c) Lack of Personal Touch: As a person cannot touch or feel the product, there are always doubts regarding the quality, size, design, etc. Hence, the sense of humanity and trustworthiness is absent from an e-business paradigm.

10. Ans: Features of Outsourcing are:

Interchangeable Activities: Common or undifferentiated activities can be outsourced whereas unique and distinct activities cannot be outsourced as it needs personal efforts and touch of the management.

Explicit, formal, and codifiable knowledge is required: Although an IT programmer's job can be outsourced, a CEO's position requires management, technical, and human relations skills.

Measurable Activity: You can't outsource something you can't quantify.

Activity is not interconnected to other jobs: A fungible, specialized, and measurable job may not be outsourced if it is linked to other key operations within the company.

### Long Answers -

1. Ans: The process of online trading is explained below:

Step 1 - Registration:

- When you register with an online retailer, you create an 'account.'
- A "password" must be entered among the numerous details since the areas relating to one's "account" and "shopping basket" are password protected.

Step 2 - Placing an order:

- You can add products to the shopping cart by dragging and dropping them.



- A shopping cart is an online record of what one has added to his cart while visiting an online store.
- Once you've decided what you want to buy, you may 'checkout.'

### Step 3 - Payment Mechanism:

Online purchases can be made in a variety of ways.

- **Cash-on Delivery:** Payment for the goods ordered online may be made in cash at the time of physical delivery of goods.
- **Cheque:** The online vendor may arrange for the customer's cheque to be picked up. The delivery of products may be undertaken after realization of the amount paid.
- **Net-banking Transfer:** The funds can be transferred electronically through facilities such as NEFT, RTGS etc.
- **Credit or Debit Cards:** Credit cards allow its holder to make purchases on credit. The amount owed by the cardholder to the online seller is assumed by the card-issuing bank, which then transfers the transaction's amount to the seller's credit. A debit card permits the holder to make purchases up to the amount of money in the linked account. The moment a transaction is made, the amount due as payment is deducted electronically from the card.
- **Digital Cash:** This type of currency has no physical qualities, but it allows you to utilize real money in an electronic format, such as through e-wallets or PayTm.

### 2. Ans: The nature of outsourcing is:

- **Activities that are interchangeable or fungible:** They can be outsourced, whereas activities that are unique cannot be outsourced.
- **Explicit, formal, and codifiable knowledge is required:** Although an IT programmer's job can be outsourced, a CEO's position requires management, technical, and human relations skills.
- **Measurable Activity:** You can't outsource something you can't quantify.
- **Activity is not interconnected to other jobs:** If a fungible, specialized, and measurable position is linked to other key operations within the organization, it cannot be outsourced.

### Need for outsourcing:

#### (a) Delimiting the scope of business:

- Business firms are realizing the usefulness of focusing on just a few areas where they have distinct capabilities or core competence, and contracting out the rest of the activities to their outsourcing partners.
- Delimiting the scope of business enables them to focus their attention and resources on select activities for better efficiency and effectiveness.

#### (b) Quest of excellence:

- In two ways, outsourcing allows the company to strive for excellence. One, due to their narrow focus, individuals excel in the activities that they can do best.
- They also succeed by increasing their capabilities by outsourcing out the remaining tasks to people who excel at them.

(c) Cost reduction:

- Division of labour and specialisation improve quality while also lowering costs.
- This occurs when outsourcing partners benefit from economies of scale by providing the same service to multiple organisations.
- Cost reduction is also aided by differences in the prices of various production inputs across countries.

(d) Growth through Alliance:

- To the extent one can avail of the services of the others, the investment requirements are reduced.
- As a result, a company can grow quickly because the same quantity of investible funds creates a big number of firms.
- Inter-organizational information sharing and collaborative learning are facilitated by outsourcing.

(e) Economic development:

- Outsourcing, more offshore outsourcing stimulates entrepreneurship, employment and exports in the host counties (i.e., the countries from where outsourcing is done).

3. Ans: (i) C2C business.

(ii) Dipti gave false information about the product. Due to a lack of personal touch, one cannot feel the product before buying. Hence values of honesty and transparency was ignored by Dipti.

(iii) The advantages and disadvantages are :

Advantages of e-commerce

- No geographical boundaries: Anyone, at any moment, can order anything from anywhere. On the one hand, it provides access to the worldwide market for the seller, while on the other side, it allows the buyer to select products from nearly any area of the globe.
- Workable business hours: Since the internet is always available. E-business eliminates the time constraints that local enterprises face.

Disadvantages of e-commerce

- Online security concerns: There are many scammers who prey on those who conduct business online. Additionally, hackers have an easier time obtaining a person's financial information. It has a few concerns with security and integrity. This instills skepticism in the minds of certain potential clients.

- Product delivery time: Product delivery takes time. This lag time often discourages customers. On the other hand, businesses are attempting to address these difficulties by offering extremely short delivery times.

4. Ans: The benefits of e-business are:

- Easy to set up: We can set up an online business even by sitting at home if we have the required software, a device, and the internet.
- Cheaper than traditional business: It is less expensive to start an e-company than it is to start a traditional firm. Furthermore, transaction expenses are significantly reduced.
- There are no geographical limitations: Anyone can order anything from anywhere at any time. On the one hand, it provides access to the worldwide market for the seller, while on the other side, it allows the buyer to select products from nearly any area of the globe.
- Workable business hours: Since the internet is always available. E-business eliminates the time constraints that local enterprises face.
- Speed and Efficiency: Online ordering systems can process payments and orders in real-time, usually faster, more accurately, and cheaper than human workers.
- Transition to a paperless society: The internet has significantly reduced reliance on paperwork. Administrative reforms aimed at speeding up the process of giving permissions, approvals, and licenses are being implemented using e-commerce platforms.

5. Ans: The differences Between e-Business and Traditional Business:

Basis	Traditional Business	E-Business
Ease of formation	Difficult	Simple
Physical presence	Required	Not required
Location requirements	Proximity to a raw material source or a market for the products.	None
Cost of setting up	High	Low as no requirement of physical facilities.

<b>Operating cost</b>	Fixed costs connected with procurement, storage, production, marketing, and distribution facilities are high.	Low because of reliance on a network of relationships rather than resource ownership.
<b>Nature of contact with suppliers and the customers</b>	Indirect through intermediaries.	Direct
<b>Nature of internal communication</b>	Hierarchical; From top level Management to middle level Management to lower level Management to operatives	Non-hierarchical, Allowing direct vertical, horizontal and diagnostic communication.
<b>Response time for meeting customers/internal requirement</b>	Long	Instantaneous
<b>Shape of organizational structure</b>	Vertical/tall due to hierarchy or chain of command	Because of the directness of the order and communication, it is horizontal/flat.
<b>Business processes and length of the cycle</b>	Sequential precedence succession Relationship i.e. Purchase-production/operation-marketing- sales. The, business processes cycle is therefore, longer	Simultaneous (concurrence) different processes. Business cycle is therefore shorter.
<b>Opportunity for interpersonal touch</b>	Much more	Less
<b>Opportunity for physical pre- sampling of the product</b>	Much more	Less



<b>Ease of going global</b>	Less	Much cyberspace is truly without boundaries
<b>Government patronage</b>	Shrinking	Much as IT Sector is among the top most priorities of the government
<b>Nature of human capital</b>	Semi skilled and even unskilled manpower needed	Technically and professionally qualified personnel needed
<b>Transaction risk</b>	Low due to arm's length transaction and face-to-face contact	High due to distance and and anonymity of the parties

6. Ans: There are various types of risks involved in e-business:

A. Transaction Risks:

- Either the seller or the buyer refuses to have taken or placed the order. This is also known as 'default on order taking/giving.'
- It is possible that the planned delivery does not occur, that items are delivered to the incorrect address, or that goods other than those requested are delivered. This could be referred to as "default on delivery."
- The seller does not get payment for the items provided, despite the fact that the consumer states that payment was made. This may be referred to as 'default on payment'.
- As a result, in e-business, the seller or the buyer may be exposed to risk as a result of order taking/giving failure.

B. Data storage and transmission risks:

- Data in the systems and on the way is vulnerable to a variety of threats. For nefarious motives or simply for fun/adventure, important data may be stolen or manipulated.
- Antivirus software installed and updated on a regular basis, scans files and discs, and proves helpful in protecting data files, folders, and systems against virus attacks.
- During transmission, data could be intercepted. For this, one may use cryptography. Data in the systems and on the way is vulnerable to a variety of threats.
- For nefarious motives or simply for fun/adventure, important data may be stolen or manipulated. The communication can only be deciphered (or decrypted) into 'plaintext' by those who have a secret key.

C. Risks of Threats to intellectual property and privacy include:

- Once the material is available on the internet, it is no longer considered private. It got more difficult to protect it from being copied after that.
- Data provided during online transactions may be shared with others, who may begin flooding one's inbox with advertising and promotional materials.

## Case Study Answers-

1.

(i) c) Customer to Customer

Solution: Customer to customer (C2C) is a business model that enables customers to trade with each other, frequently in an online environment. C2C businesses are a type of business model that emerged with e-commerce technology and the sharing economy.

In the transaction mentioned here, a customer to customer e-business model is shown.

(ii) c) Risk arising due to anonymity and no traceability of parties

Solution: Risk arising due to anonymity and no traceability of parties.

(iii) d) Customer to Business

Solution: Consumer-to-business (C2B) is a business model in which consumers (individuals) create value and businesses consume that value. In the above transaction, this type of e-business is shown.

(iv) c) Intra B

Solution: Intra B- this refers to transactions between the parties or persons who are the part of one firm only.

2.

(i) a) Outsourcing

Solution:

Outsourcing is the business practice of hiring a party outside a company to perform services or create goods that were traditionally performed in-house by the company's own employees and staff. Outsourcing is a practice usually undertaken by companies as a cost-cutting measure.

(ii) a) BPO

Solution:

Outsourcing of advertising services will come under the scope of BPO. Business process outsourcing (BPO) is a business practice in which an organization contracts with an external service provider to perform an essential business task. Processes that are performed the same or similarly from company to company, such as payroll or accounting, are candidates for BPO.

(iii) c) Horizontal service provider

Solution: Vigyapan Agency is a Horizontal service provider.

(iv) d) Sharing of trade secrets

Solution: Outsourcing is the business practice of hiring a party outside a company to perform services or create goods that were traditionally performed in-house by the company's own employees and staff. Outsourcing is a practice usually undertaken by companies as a cost-cutting measure.

Sharing of trade secrets is not the need of outsourcing.



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