



## CHAPTER 5

### EMERGING MODES OF BUSINESS

**Mode of Business** :- The manner of conducting business is referred to as the "mode of Business."

The new modes of business are not new business. They are simply the new ways of doing business.

**E-Business** :- It may be defined as the conduct of industry trade and commerce using the computer networks. E-business mean electronic business.

#### E-Business and E-commerce

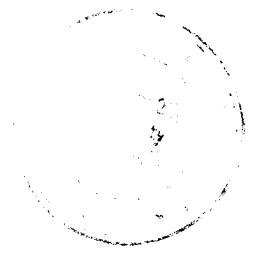
- \* E-business is a more boarder term than e-Commerce.
- \* E-Commerce course a firm's interactions with its customer's and supplies over the internet.
- \* E-Business includes not only e-commerce but also other electronically conducted business functions such as production , inventory management, product development accounting and finance and human resources management.

**VPN** :- Virtual Private Network Technology would mean than employees do not have to come to office. Instead in a way the office goes to them and they can work from where ever they are.

Name the essential sources required for e-business.
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#### 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.



### **Scope of e-Business**


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

1. **B2B Commerce** :- it is that business activity in which two firms or two business units make electronic transaction. For example one can be a producer firm and other a supplier firm. e.g. Maruti Udyog buying tyres, doors etc. from other firms.
2. **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 these information.
2. **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.
3. **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.
4. **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.
5. **B2E Commerce** :- Companies reporting to personnel recruitment, interview and selection and training etc via B2E Commerce.

### **Benefits of e-Business**

The major benefits of e-Business are as follows:

1. **World wide reach** :- Internet gives businessmen an extended market. New customers come in contact with them. This results in increase in sales.

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2. **Elimination of Middlemen** :- Ever since the e-Business came into existence, the wholesalers and retailers have started disappearing. Now, most of the producers have started having, direct contact with customers. As a result the consumer get goods on less price.
  3. **Easy Distribution Process** :- Many types of information and services be received on computer through e-business. This has simplified the system of distribution and has also made it less costly
  4. **Lower investment required** :- In this. you don't require any big showroom or huge investment. You need only computer and Internet.
  5. **Easy to launch new products** :- Any company can launch its new product in the market through the medium of E-Business. A complete information about the product is made available on Internet. In this way the consumer and other businessmen get information about the new product while sitting at home.
  6. **Movement towards a paper less Society** :- Use of internet has considerably reduced dependence on paper work.

#### **Limitation of E-business**

- i) Low personal Touch :- (Lacks personal touch with customer as it is conducted over the internet.)
- ii) Incongruence between Order taking/giving and order fulfillment speed. (fast in order taking but slow in order fulfillment)
- iii) Need for Technology Capability and competence of parties to e-business. (fairly high degree of families with computer working, internet facility required.)
- iv) Increased risk due to Anonymity and Non-traceability of Parties :- (Difficult to establish/check identity & location, someone else may transact in your name risk of leakage of confidential information such as credit card details.)
- v) People Resistance (People have a tendency to resist change due to insecurity).

Finally, to conclude, despite limitations, e-commerce is gaining importance as most of the limitations of e-business are in the process of being overcome.



- Q.1 In which type of e-business transaction, both buyers and sellers are customers ?
- Q.2 Identify and discuss the electronic transaction which is the part of e-business and not of e-commerce. [Hint : Intra B commerce]
- Q.3 Mention any one limitation of e-business.
- Q.4 Name the essential sources required for e-business.

### Difference between Traditional and E-Business

Basis	Traditional	E-Business
Ease of formation	Difficult	Simple
Physical Presence	Required	Not required
Location	Near the source of raw material or near the market of the product	Anywhere
Cost of setting up	High	Low
Operating cost	High as investment in procurement, storage production, marketing distribution facilities.	Low relies an ??? of relationship rather than ownership of resources.
Nature of contacts with the suppliers and the Customers	Indirect through intermediaries	Direct
Nature of internal communication	Hierarchical from top level mgt to middle level to lower level management to operatives	Direct
Response time for meeting customers.	Long	Instant
Shape of the organizational structure	Vertical/ tall due to hierarchy	Horizontal/flat due to directness of command.
Business process & length of the cycle.	Long Sequential precedence purchase-production-marketing-sales	Shorter simultaneous different processes
Opportunity for Interpersonal touch.	much more.	Less
Ease of going global	Less	Much
Govt. Patronage	Shrinking	Much as IT sector is priority
Nature of human capital	Semi-Skilled & even unskilled manpower	Technically qualified.
Transaction Risk	Low due to face to face contract	High due to distance and anonymity of the parties.



**Identify the types of business given below :-**

- i) Ram, a wholesaler sells bangles, accessories etc. in Chandni Chowk.
- ii) Mohan, a businessman sells his products e.g. purses, necklace etc. through [www.amazon.in](http://www.amazon.in)

**Resources Required for Successful e-Business Implementation**

The resources required for the e-Business are :

1. **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.
2. **Internet connection** - Internet connection is very essential and nowadays we can get this facility by sitting at home.
3. **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.
4. **Effective telecommunication system** - e-business requires an effective telecommunication system in the form of telephone lines etc.


**On Line Transactions**

On line transaction' means receiving information about goods, placing an order. receiving delivery and making payment through medium of internet. Under this system, the sale purchase of every type of thing, information and service is possible.

**Payment Mechanism**

Payment for the purchases through online shopping may be done in following ways .

1. **Cash on delivery (COD)** - Cash payment can be made at the time of physical delivery of goods.
2. **Net-banking transfer** - The customer can make electronic transfer of funds (EFT) to account of online vendor over the internet.

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3. **Credit or Debit cards** - The customer can make payment for online transaction through debit or credit card by giving the number and name of bank of card.

### **Security and Safety of e-Transactions**

The following methods can be used to ensure security and safety of online transactions.

1. **Confirming the details before the delivery of goods** - The customer is required to furnish the details such as credit card no., card issuer and card validity online.
2. **Anti Virus Programmes** - Installing and timely updating anti virus programmes provides protection to data files, folders and system from virus attacks.
3. **Cyber crime cells** - Govt. may setup special crime cells to look into the cases of hacking and take necessary action against the hackers.

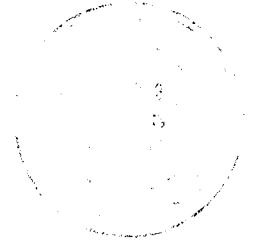
### **Risks associated with of e-transactions**

1. Transaction Risks.
2. Data storage and transmission risk.
3. Threat to intellectual property and privacy risks.

#### **1. Transaction Risks**

- a) Seller or Customer denies that order was placed- Default on Order placing/ giving.
- b) Goods are delivered at wrong address or good delivered are not as per specification - Default on delivery.
- c) Seller does not get payment whereas customer claims to have made the payment- Default on payment.

2. Data Storage :- Virus / hacking  
Data/information may be hacked.
3. Threat to intellectual property and privacy risks.



Data may be supplied to others who may start dumping a list of advertisement & promotional literature into your e-mail box.

**Identify the risks associated with e-business transactions given below :-**

- i) Ranjita ordered a badminton racket and received shuttles instead.
- ii) www.specialresearch.com's website was hacked and all the records were corrupted.

### **Some e-business application**

- e-procurement
- e-bidding/ a-cuction
- e-communication/ e-promotion
- e-delivery
- e-trading

### **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.

Q. how does out uring help a business firm.

1. It involves contracting out to a specialized agency.
2. Generally non-core activities are outsourced, so that company can focus on main activities.
3. Process may be outsourced to a capture unit or a third party. [Captive unit is a part of parent company. Third party operates independently.]



### Scope of out sources

1. Contract manufacturing
2. Contract Research
3. Contract sales
4. Informatics

All these activities can be outsourced to get excellence & economies.

### Need for Outsourcing

1. **Focusing of Attention** :- Provides opportunities to the organization to concentrate on main business activity.
2. **Quit of excellence** :- Excellence is achieved as organization is concentration on core business.
3. **Cost reduction** :- Due to Economies of large scale, the company to whom work is outsourced provides quality work at less cost of organization doesn't have to invest in related fields.
4. **Growth through alliance** :- Money saved through outsourcing can be utilized for expansion of business.
5. **Fillip/Boost to economic development** :- outsourcing promotes entrepreneurship employment and exports in the countries form where out securing is done.

### Concerns over outsourcing

1. **Confidentiality** :- Outsourcing involves sharing of vital information & knowledge
2. **Sweat Shopping** :- The firm which out source their work tries to get benefit of low cost manpower host countries.
3. **Ethical Concern** :- It is unethical to out-source the work because to cheap labour (child labour) due to weak laws.
4. **Resentment in the home countries** :- Outsourcing indirectly shifts employment opportunities to other countries, so local population objects.

### B. P.O. (Business Process Out-sourcing)

BPO is a subject of outsourcing that involves the controlling of specific business task to a third party .





If Reliance Industries Ltd. wants to advertise its 'Vimal' brand of clothing, it may appoint Anmol Advertising Co. to design, prepare and release advertisements on its behalf.

### **Need for BPO**

BPO is essential for following reasons:

1. **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.
2. **Avoiding Fixed Investment in Services** - If a company attempts to get these services from within the organisation 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 organisation at a little cost.
3. **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 :

1. **Financial Services** - These services means those outside services which help the company in some way or other in the management of finance.
2. **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.
3. **Courier service** - These services means delivering goods, documents, parcels from company to customers and vice-versa.
4. **Customer support service** - These services means 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 KPA**

In today's competitive environment focus is to concentrate on core specialization areas and out-sources the rest of activities. Many companies have come to realize that by outsourcing the non case 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**

1. It is the up ward shift of BPO
2. It focuses on knowledge expertise instead of process expertise.
3. It provides all non case activities.
4. It has no pre-determined process to reach a conclusion.
5. It offers an alternative career path for the educated.

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

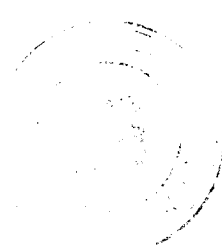
1. Research and Technical analysis.
2. Business and Technical analysis.
3. Business and Market research.
4. Animation and Design.

### **Smart Card And ATM's (Automated Teller Machine)**

**Meaning :-** Smart card is a pocket sized card that contains an embedded computer chip, that stores and transacts data.

#### **Utility :-**

1. Smart Cards can store and process lots of data.
2. They provide security as can be used by using unique pin numbers only.

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3. Smart card maintain data integrity i.e. information stored in a card can not be erased or removed accidentally.
  4. For banking & retail (for withdrawal making payments.)
  5. Can replace paper notes as payment can be done using smart cards.

### **ATM - Meaning and Utility**

ATM is a computerized machine that provides the customers of banks the facility of accessing their accounts with a magnetically encoded plastic card a card number.

- \* To use an ATM, a customer uses that card, inserts/swipe it in the ATM and used the password.
- \* A customer can perform many function on ATM's like withdrawal of money, making payments/ bills get accounts information etc.

### **Utility**

- \* Works 24x 7 so transactions can be done anytime, anywhere.
- \* Convenient location -ATM's are located at convenient places. So customer need not go to bank.
- \* Reduces workload of bank staff.
- \* Useful while traveling go not need to carry cash while travelling.

- Q.1 Shreya is busy housewife. She has many tasks like depositing, withdrawing money, payments, mobile recharge, balance inquiry etc. She want to get the work done at one place. Suggests her the best alternative.
- Q.2 Ramu goes to withdraw money form ATM. He Swaps his card and payment is debited from his account by he doesn't get the payment. What can he do now ?

### **VERY SHORT ANSWER QUESTIONS (1 MARKS)**


- Q.1 What does e stand for in e-business
- Q.2 What is 'e' commerce?
- Q.3 Jyoti Wanted to set her Mobile phone but does not get any buyer.

On her friends suggestion she posted the mobile on sale on www.olx.com and found a buyer within two days. Name the type of e-business.

- Q.4 Give the full form of COD
- Q.5 What is outsourcing?
- Q.6 Ram stays in a hostel in USA and his parents stay in Mumbai Ram birthday is in five days and his parents wish to gift him a pair of branded shoes. How can they gift?
- Q.7 Which programme imitates itself on other computers systems and can damage the data and can even lead to complete destruction of the system.
- Q.8 Why is India a preferred destination for BPO ?
- Q.9 Out of e-business and traditional business, which one enjoys ease of going global ?
- Q.10 Which method of payment is mostly used for making online transactions.
- Q.11 Name two services that can be outsourced.
- Q.12 Name some things whose possessions can be taken via computer.
- Q.13 Can the possession of a car be taken by computer transaction?
- Q.14 A person orders pizza online and makes the payments also but he doesn't get the delivery. What type of risk is being referred here?

**Short Answer Questions 3/4 Marks**

- Q.15 Distinguish between e-commerce and e-business.
- Q.16 What do you mean by:-
- |                        |                  |
|------------------------|------------------|
| i) B2B Commerce        | ii) B2C Commerce |
| iii) Intra B- Commerce | iv) C2C Commerce |
- Q.17 Justify the need for business process outsourcing by giving any three points ?
- Q.18 Why are e-business and outsourcing referred to as the emerging modes of business ? Discuss the facts responsible for the growing importance of these trends ?

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- Q.19 Briefly discuss the various modes of payment for goods purchased through online shopping.
- Q.20 www.xyz.com an e-business portal sells clothes and accessories. Nisha buys some clothes from them and makes e-payment for it. But when the clothes arrive, they are found to be defective. The e-business portal takes the clothes and refunds her payment. What values according to you are being presented by the portal ?
- Q.21 A shoe co. in order to cut costs, out sources manufacturers to developing countries where they use child labour in the factories. By Outsourcing its work is the company ethically right ? What values are being neglected by him ?
- Q.22 A Firm uses services of another firm for advertising courier service, factoring services and customer support service for its firm. Identify the emerging mode of business used.
- Where as another firm uses another firm's services for Research and development. Are both the modes used of same category. If no identify the modes used and explain.
- Q.22 Mr. Supriyo who is from West Bengal wants to send some books to his brother in Delhi. Which mode will he use ? Why are these services getting popular? Explain any 3 points.

**LONG ANSWER QUESTION (5/6 MARKS)**

- Q 23. Elaborate the steps involved in online trading?
- Q24. Explain Nature and need for outsourcing service?
- Q.25 www.olx.in, www.quicker.com etc are examples of websites used to conduct business. Dipti's sofa set got spoiled in 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 sofa set and called Dipti but she did not answer any of the call.
- (i) Name the type of business in above case.



- (ii) Which values did Dipti ignore while selling her sofa set?
  - (iii) Explain two advantages and disadvantages of e-commerce
- Q.26 What do you understand by e-business. Explain briefly any four benefits of e-business.
- Q.27 Explain any four limitations of electronic mode of doing business. Are these limitations severe enough to restrict its scope? Give reasons for your answer.
- Q.28 Discuss the various points of difference between e-business and traditional business.
- Q.29 Ravi, the manufacturer of watches, hands over the promotional job to some advertising agency after manufacturing it to avoid time wastage and concentrate on core activities of business.
- a) What is being done here by handing over the job to some other agency?
  - b) Which work is being outsourced here? Why?
  - c) What are the values needed to make this job successful?
- Q.30 Which type of e-business transaction is depicted below :-
- i) Selling of old clothes on e-bay.
  - ii) Managing stock and cash accounts of an organization.
  - iii) Maruti Udyog buying security lock system from Autocops.
  - iv) Withdraws money form ATM.
  - v) Collecting daily report of employees on e-mail.
  - vi) Registering complants online in company's call centre.