

CHAPTER 5

Emerging Modes of Business

VERY SHORT ANSWER TYPE QUESTIONS :

1. State any three differences between e-business and traditional business.

Solution: Here are the major three differences between traditional and e-Business:

Basis of Comparison	Traditional Business	E-Business
Ease of formation	Difficult to form as there are many formalities for setting up such a business	Relatively easy to setup
Setup cost	Very high-cost upfront	Minimal setup cost
Market reach	It is restricted only to the area in which it is established.	Nationwide reach as people are connected on the web

2. How does outsourcing represent a new mode of business?

Solution: Outsourcing refers to the activity of handing over non-core activities of the organisation to an external organisation which are specialised in providing such services. It helps the organisation to concentrate more on their core business and develop innovative solutions that make its product more useful for consumers. So, outsourcing has become a new form of business in the current age.

3. Describe briefly any two applications of e-business ?.

Solution: E-business has the following applications:

- a) e-procurement: This involves transactions that take place on the web between business firms who are either buyers or sellers. The transactions also involve reverse auctions that involve multiple sellers looking to sell their products to one buyer. In a digital marketplace, there exist many players in the form of multiple buyers and sellers or a single seller.
- b) e-delivery: This process involves the electronic transfer of movies, games or software, which is delivered directly to the system of the consumer using high-speed data services. Payments are processed over the internet.

4. What are the ethical concerns involved in outsourcing ?

Solution: Ethical concerns involved in outsourcing are as follows:

1. To cut the cost of production, the industries present in developed countries shift their production house to economically weak countries, where labour is cheap, and children and women are exploited. Such steps raise ethical concerns about outsourcing.
2. There exists gender-based discrimination in wages among men and women in developing countries, and hence the women get less amount of money for working as labour. This business also raises questions and is a matter of concern for outsourcing services.

5. Describe the data storage and transmission risks in e-business briefly?

Solution: Data is exposed to a number of risks while it is stored or being transacted. It can result in important information being stolen or intentionally modified with the help of hacking or virus. The data may get corrupted due to such attacks. Online transaction also poses significant risks in transmission. The following types of risks can happen when data is transmitted online.

1. If a seller denies that an order was placed by the buyer or vice-versa.
2. Goods may be delivered to the wrong address, or the goods may not get delivered at all.
3. In some cases, the seller denies receiving the payment while being debited from the receiver.

LONG ANSWER TYPE QUESTIONS :

1. Why are e-business and outsourcing referred to as emerging modes of business? Discuss the factors responsible for the growing importance of these trends ?

Solution: The business has gone through numerous changes in the last decade and has evolved. The manner in which business is conducted is known as the mode of business. E-business and outsourcing are known as the emerging mode of business as they have brought a revolution in the way business is conducted. E-business deals with conducting business using the internet. It deals with customers and suppliers over the web. All other modes of electronically conducted business can be found, like inventory management, warehousing, software development etc.

Outsourcing is the process of handing over non-core functions of an organisation to some other organisation that has expertise in such areas. It reduces the company budget for maintaining such manpower in-house. An organisation is benefitted from the experience, and efficiency of the enhanced calibre of the employees.

Here are some factors which are responsible for the increasing importance of such trends:

1. New ideas for doing work, along with some innovation, have brought about improvement in business processes.
2. Consumers are more aware, and the demand for higher quality, lower prices and better customer care has increased.
3. Businesses need to evolve with new technologies in order to be more presentable.

2. Elaborate on the steps involved in online trading ?

Solution: Online trading involves the following steps:

- a) Register for online shopping and set up passwords to ensure the safety of the account.
- b) Place and order items.
- c) Payment is done through online purchase mechanisms such as cash on delivery, funds transfer, credit or debit card, cheque, and net banking.

3. Evaluate the need for outsourcing and discuss its limitations ?

Solution: Outsourcing refers to the process where the non-core business activities are given on contract to agencies specialised in such work. This helps the business concentrate more on areas which are of more importance. It has the following advantages:

1. It helps an organisation to shift focus on core areas that helps them come up with more innovation in the market
2. The work that is outsourced to a specialist organisation helps in increasing the efficiency of the organisation
3. A large-scale organisation will find it difficult to cut down costs in back office operations if the office is located in their native country; the same work will be more economical if it is outsourced.

However, there are certain limitations of outsourcing, and they are as follows:

1. Information leak can occur if the organisation that is performing the function choose to share information with rival organisations.
2. Quality may suffer as the organisation to which the contract is given starts looking to earn more profit.

3. Countries in which work is outsourced may have social unrest, which can lead to disturbances.

4. Discuss the salient aspects of B2C commerce.

Solution: Here are some of the salient aspects of B2C Commerce:

1. It provides consumers with access round the clock with the help of regional and global support centres.
2. Products can be promoted across geographies, and as a result, more consumers can be reached.
3. Cost of advertising is less as it can be done using online promotional tools such as social media, websites etc.
4. The consumers are able to pay using many of the available options, such as debit card, credit card, net banking or cash on delivery and also attractive EMI options are also provided.
5. Customers can get products customised to their tastes and preference.

5. Discuss the limitations of the electronic mode of doing business. Are these limitations severe enough to restrict its scope? Give reasons for your answer ?

Solution: Some limitations of the electronic mode of doing business are listed below:

1. Security is one of the areas where the electronic mode of business is prone to get threats in the form of phishing, unknown sellers, virus attacks, and leakage of card details.
2. There is a lack of personal touch in e-commerce, unlike traditional businesses, as buyers and sellers are not physically present at the time of purchasing the product. In some areas, people still prefer the traditional method of doing business.
3. Online businesses require knowledge of computers or smartphones, and hence are quite confusing for people who are not much into technology. Also, the issue of server crashing and internet connectivity is also a turnoff for most consumers.

Despite all these, e-commerce is gaining popularity as many changes are made both on the technology front and in educating the public about internet-enabled technologies. Websites are more user-friendly nowadays, which makes up for the lack of personal touch. The penetration of mobile broadband across the length and breadth of India will help the expansion of e-commerce and also encourage people to make purchases.