

Revision Notes

Class – 11 Business Studies

Chapter 5 - Emerging Mode of Business

E-Commerce and E-Business

- E-Business is described as the use of computer networks to conduct business, trade, and commerce.
- 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-commerce refers to a company's online interactions with its customers and suppliers.
- E-business encompasses not just e-commerce, but also production, inventory management, product creation, accounting and finance, and human resource management.
- Also, the scope of E-business is said to be wider and broader than that of e-commerce.
- Examples of E-commerce and E-business are Amazon, Flipkart, eBay.

Scope of e-business

Scope of business on the basis of business:

- Over computer networks, functions like production, finance, marketing, and personnel administration, as well as management operations such as planning, organising, and controlling, can be performed.

Scope of business on the basis of parties :

- B2B, which is an abbreviation for business-to-business refers to a company's interactions with other companies.

- B2C, or business-to-consumer, refers to a company's interactions with its customers.
- Intra-B, which refers to a company's internal operations.

B2B Commerce

- Because both parties involved in e-commerce transactions are businesses, the term B2B (business-to-business) was coined.
- A business must engage with a number of other businesses in order to create utility or deliver value. These businesses may be suppliers or vendors of various inputs, or they may be part of the distribution channel through which a company distributes its items to clients.
- Example Turtle.com

B2C Commerce

- Business-to-customer (B2C) interactions involve business organizations on one hand and their customers on the other.
- It encompasses a wide range of internet marketing operations such as identifying activities, promoting them, and occasionally even delivering items.
- It enables a business to be in touch with its customers on round-the-clock basis which helps in knowing the customer satisfaction level.
- Few examples are Amazon, Walmart etc.

Intra-B Commerce

- The parties participating in electronic transactions are all from the same company.
- Today's businesses are able to engage in flexible manufacturing in great part due to the use of intra-B commerce. The use of computer networks allows the

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

C2C Commerce

- The consumer is the source of the business, and consumers are the ultimate destination.
- This form of business is best for dealing with items for which no recognised market mechanism exists.
- Few examples are Quickr, Olx etc.

Difference Between e-Business and Traditional Business.

Basis	Traditional Business	E-business
Ease Of Formation	Difficult	Simple
Physical Presence	Required	Not required
Cost Of Setting Up	Yes, in terms of finding a location which is nearer to the source of raw materials or the market for the products.	None
Operating Cost	High, because various costs has to be incurred in terms of rent payment etc.	Low as no requirement of physical facilities.
Nature Of Contact With The	High due to fixed charges associated with investment in procurement and storage,	Low as a result of reliance on a network of

Suppliers And The Customers	production, marketing and distribution facilities.	relationships rather than ownership of resources.
Nature Of Internal Communication	Indirect through intermediaries	Direct
Response Time For Meeting Customers /Internal	Hierarchical From top level management to middle level management, and then to lower level management to operatives.	Non-hierarchical. Allowing direct vertical, horizontal and diagnostic communication instantaneously.
Shape Of The Organisational Structure	Vertical/ tall due to hierarchy or chain of command.	Because of the directness of the order and communication, it is horizontal/flat.
Business Processes And Length Of Cycle	Sequential procedure i.e Purchase-production/operation-marketing-sales. The business processes cycle is therefore longer.	Simultaneous (concurrence) different processes take place at a time. Business process cycle is therefore shorter.
Opportunity For Interpersonal Touch	More, because of higher personal contact.	Less
Opportunity For Physical Pre	More	Less. However, for digital products such an opportunity is tremendous.

Sampling Of The Products		One can presample books, journals etc
Ease Of Going Global	Less, because a lot of legal formalities have to be done.	Much, as cyberspace is truly without boundaries.
Govt. Patronage	Shrinking with time.	Much as IT sector is among the topmost priorities of the government.
Nature Of Human Capital	Semi-skilled and even semi skilled manpower needed.	Technically and professionally qualified personnel needed.
Transaction Risk	Low due to arm's length transaction and face to face contact.	high due to the distance and anonymity of the parties.

Benefits of E-Business

1. Easy to set up:

If we have the necessary software, a device, and access to the internet, we can start an online business from the comfort of our own homes.

2. Cheaper than traditional business:

The cost taken to set up any business is cheaper. In addition, the transaction costs are effectively lower.

3. No geographical boundaries:

Anyone from anywhere can order anything at any time. On the one hand it allows the seller and access to the global market, on the other hand It offers the buyer freedom to choose products from almost any part of the world.

The internet is available at all times. The time barrier that location-based firms face is broken by e-business.

5. Speed and efficiency:

Online ordering systems scans process payment and orders in real-time, usually faster, more accurately and cheaper than human workers.

6. Movement towards up paperless society:

Use of the internet has considerably reduced dependence on paperwork. In fact, administrative reforms are attracting E-Commerce solutions to speed up the process of giving rights, approvals, and licences.

Limitation of E-Business

1. Lack of personal touch:

- Unlike traditional business, you cannot touch and feel the product. So it is difficult for the consumers to check the quality of the product, until the order has been delivered.
- Traditional businesses have contact with the salesperson in the traditional way, and there is a sense of humanity and trustworthiness as a result of this. It also fosters customer confidence. Such characteristics will always be absent from an e-business paradigm.

2. Delivery time:

- The delivery of the products takes time in e-business. This lag time often discourages customers.
- However, these days, e-businesses are trying to resolve such issues by promising very limited time. For example Amazon now guarantees delivery within one day.

3. Security issues:

- Many people are capable of conducting online business. Additionally, hackers have an easier time obtaining one's financial information. It has a few

concerns with security and integrity. This creates scepticism among potential clients.

4. 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.

5. 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

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 realisation, 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 utilise real money in an electronic format, such as through e-wallets or PayTm.

E-Business Risks

a. 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.

b. 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 softwares 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.'

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.

Outsourcing

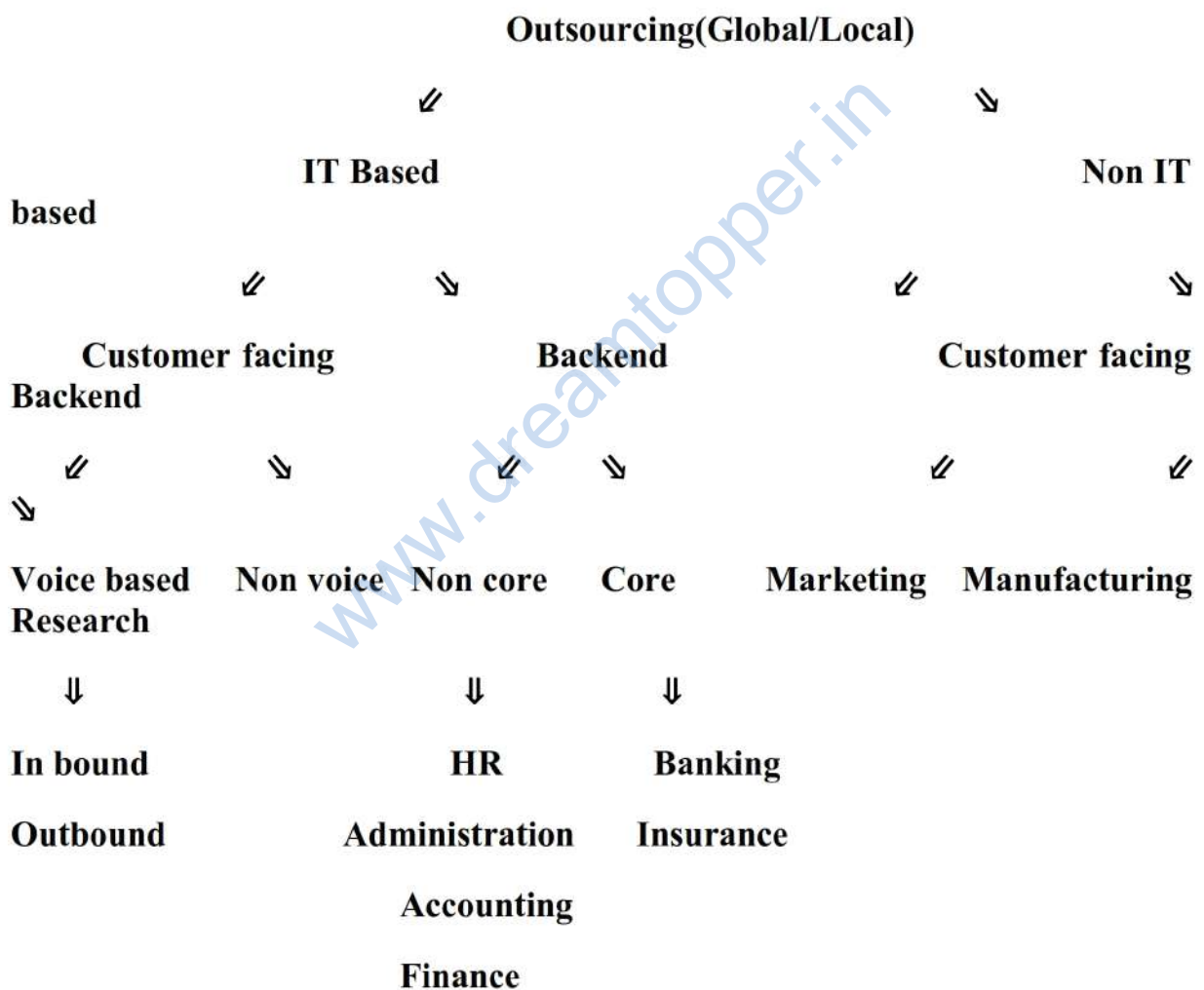
It refers to the long-term outsourcing of non-essential and, more recently, key functions to captive or third-party specialists in order to take advantage of their expertise, efficiency, and, in certain situations, investment.

Feature of Outsourcing

- **Activities that are interchangeable or fungible:** Activities that are not distinguishable can be outsourced, whereas unique activities cannot.

- **Requiring Explicit knowledge which is Formal and Codifiable:** Although an IT programmer's job can be outsourced to a third party, 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, specialised, and measurable position is linked to other key operations within the organization, it cannot be outsourced.

Scope of outsourcing



Need of outsourcing:

- Business firms are realising 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.
- By limiting the scope of their business, they may concentrate their attention and resources on a few key operations, improving efficiency and effectiveness.

1. Quest of excellence

- 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.

2. 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.

3. Growth through Alliance

- Your investment requirements are minimised to the extent that you can utilise the services of others; others have already invested in such activities for you.
- As a result, you 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.

4. Fillip to economic development

- Outsourcing, particularly offshore outsourcing, encourages entrepreneurship, job creation, and exports in the host countries (i.e., the countries from where outsourcing is done).

Concern over outsourcing

1. 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 competitor firms getting information about that company.

2. Sweat shopping

- Outsourcing aims to reduce expenses by maximising the use of low-cost labour.
- So, the firms that go in for outsourcing look for the 'doing' skills rather than development of the 'thinking' skills.

3. Ethical concerns

- In order to cut the cost, the companies outsource the work to some other country where the work is done in an unethical way.
- For example work is accomplished by doing child labour.

4. Resentment in the home countries

- In the course of contracting out manufacturing, marketing, research and development or IT based services, what is ultimately contracted out is 'employment' or jobs from one country to another.
- This may cause resentment back in the home country if the home country is suffering from the problem of unemployment.