Emerging Modes of Business

❖ **e-Business**

It refers to the computerised system of carrying out business, including industry, commerce and trade.

❖ **Traditional Business**

It refers to the system of trading goods and services, wherein both the buyer and the seller are present at the same place and at the same time when the transaction is made.

❖ **e-Business vs Traditional Business**

Basis of Difference	Traditional Business	e-Business
Ease of formation	Formation is relatively difficult, as it requires a proper physical set up.	Formation is relatively easier.
Internal communication	Follows a hierarchical communication structure (from top to bottom)	Follows a non-hierarchical communication structure (no defined structure)
Start-up cost	Heavy	Relatively low (as physical facilities are not required)
Market access	Restricted to the physical domain	Comparatively wide with no defined domain
Operating cost	High	Low
Contact	Indirect	Direct
Response time to customer requirement	Long	Negligible
Personal touch with customers	High	Less
Global access	Less	Comparatively more
Workforce	Professionally qualified	Skilled or semi-skilled
Transaction risks	Low	High
Government support	Declining	Increasing
Organisational structure	Vertical	Horizontal

❖ **Concept of e-commerce**

It refers to the trading of goods and services through computer systems and online networks.

e-Business versus e-Commerce

| Basis of Difference	e-Commerce	e-Business
Meaning	Refers to the use of internet specifically for trading of goods and services between customers and suppliers.	Refers to the use of internet for various business activities including trading of goods and services
Scope	Limited	Vast
Activities included	Includes only the interaction of buyers and sellers (online vendors) over the Internet	Includes e-commerce along with other business functions that are conducted electronically such as production and inventory management, product development and accounting

➢ **Resources Required to Set Up an e-Business**
The following resources are required to set up e-business.
a. *Computer hardware* with appropriate technology, which forms the prerequisite for e-business
b. *Proper telecommunication system* (internet connection, telephone line) to ensure effective communication between the seller and buyer.
c. *Efficient payment mechanism* with proper arrangements from commercial banks and credit card agencies.
d. *Qualified workforce* that are well verse with computer and internet and can appropriately handle queries, orders from the customers.
e. *Well-designed and comprehensive website* presenting information to customers regarding the types of products, price and other such relevant information.
f. *Support services* such as consulting and certification services.

➢ **Scope and Constituents of e-business**
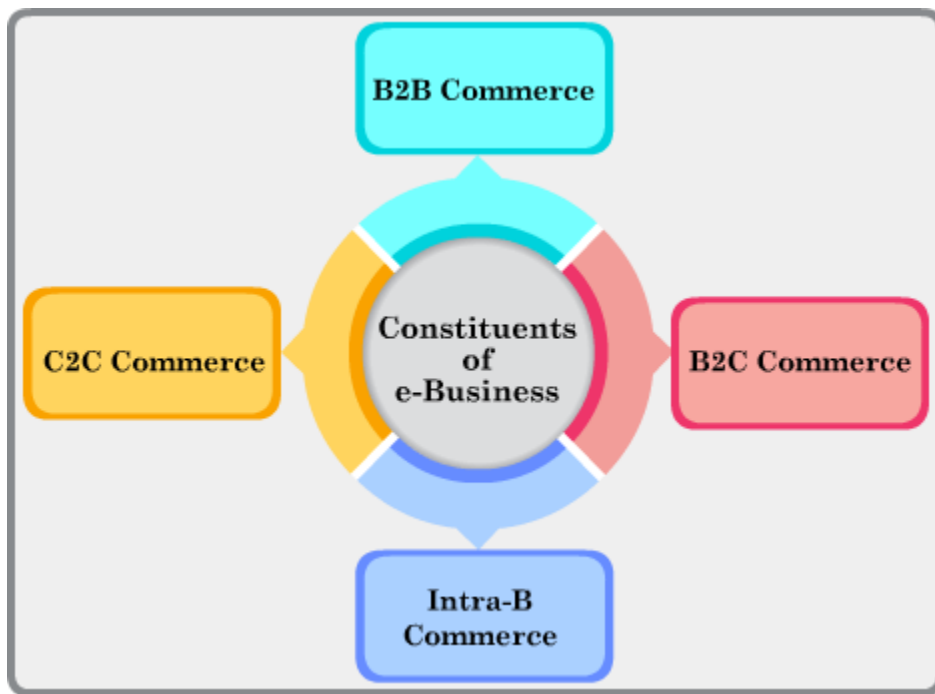
• B2B Commerce (*Business-to-Business Transactions*)
◦ Refers to the transactions or trade between one business and another. Enables strengthening of communication and distribution networks, facilitate transfer of information, exchange of technological know-how.
◦ Example: Distributing goods to distributors, inviting tenders from other business units.

• B2C Commerce (*Business-to-Customers Transactions*)
◦ Refers to the transactions between a business firm and its customers
◦ Includes not only sale or purchase of goods and services but also other marketing activities through the online mode.
◦ Example: Selling of goods and services, after sale services.

• Intra-B Commerce
◦ Refers to the transactions between the different departments of the same business house
◦ Enables firms to improve efficiency and take care of the consumer requirements
◦ Example: Placing orders to suppliers, recruitment of employees, etc.

• C2C Commerce
◦ Refers to transactions between one consumer and another.
◦ Involves the trading of second-hand (used) goods
◦ Example: Sale and purchase of used furniture, exchange of information regarding the quality of products, etc.
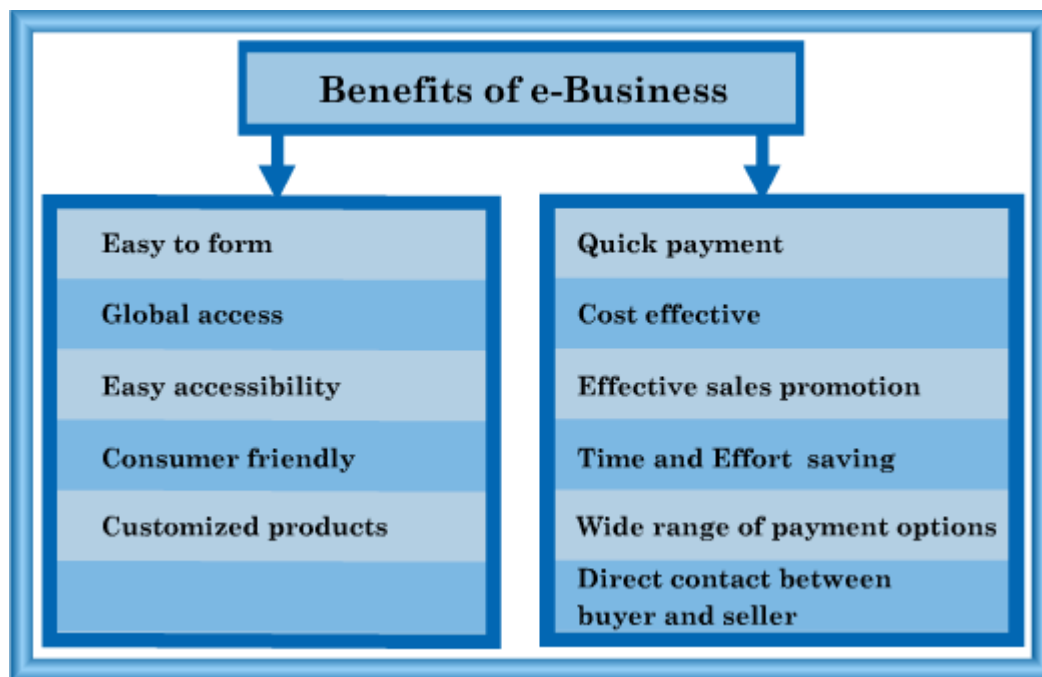
➢ **Applications of e-Business**

Applications of e-Business
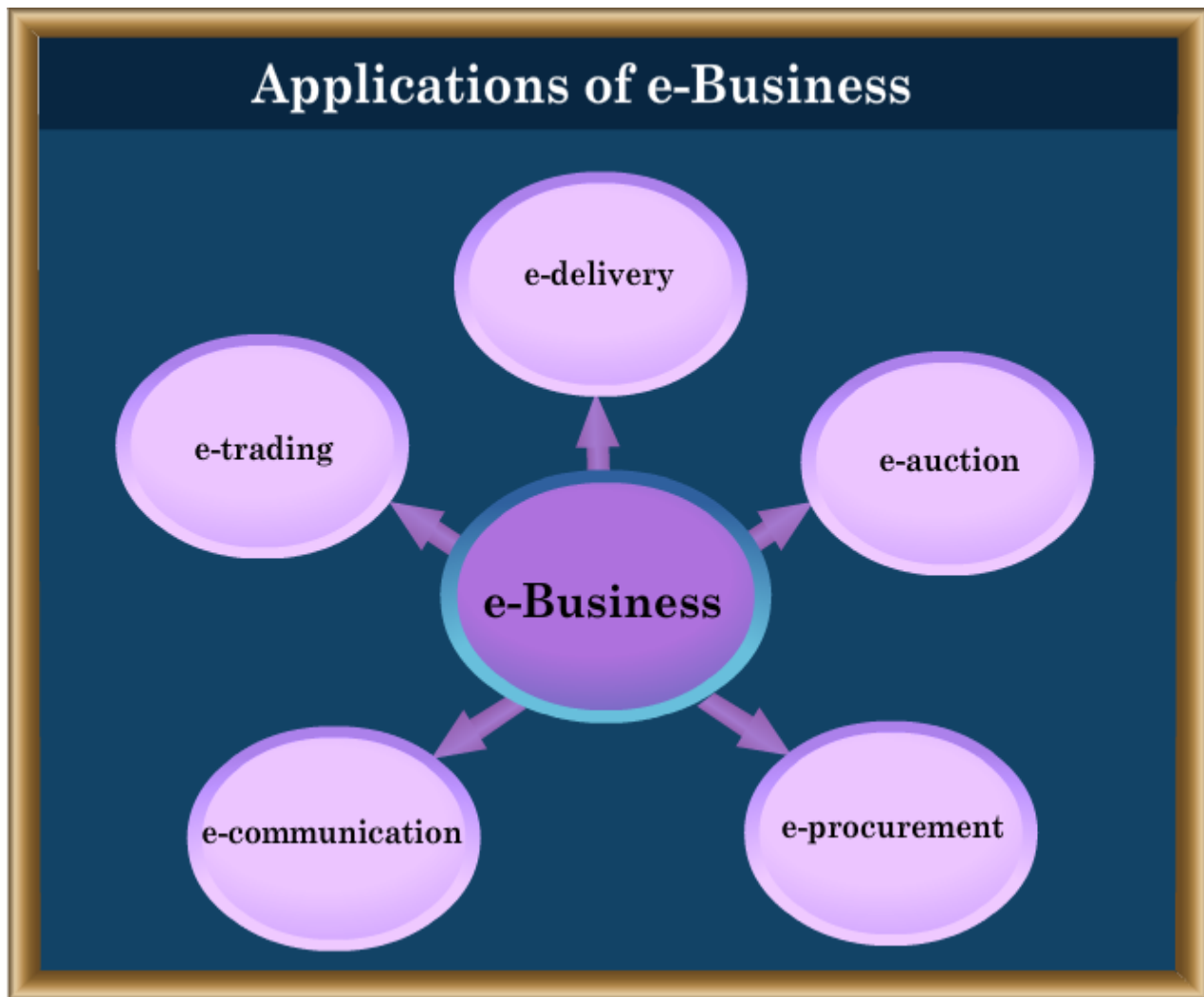
The following are some of the applications of e-business:

• **e-Procurement-** It refers to **procuring supplies** through the online trading between sellers and buyers. It involves **reverse auctions** facilitating trade between multiple sellers and a single purchaser.

• **e-Delivery-** This refers to the **electronic delivery of multimedia content** such as softwares, books, videos, games and movies, directly to the computer system of the customer. The payment for this is usually made online.

• **e-Auction-** This involves online bidding for various products and services.

• **e-Communication-** It involves the **promotion of goods and services** through online catalogues and images.

• **e-Trading-** It refers to the online **purchase and sale of financial instruments** such as shares, debentures and bonds.

➢ **Benefits of e-Business**

Benefits of e-Business

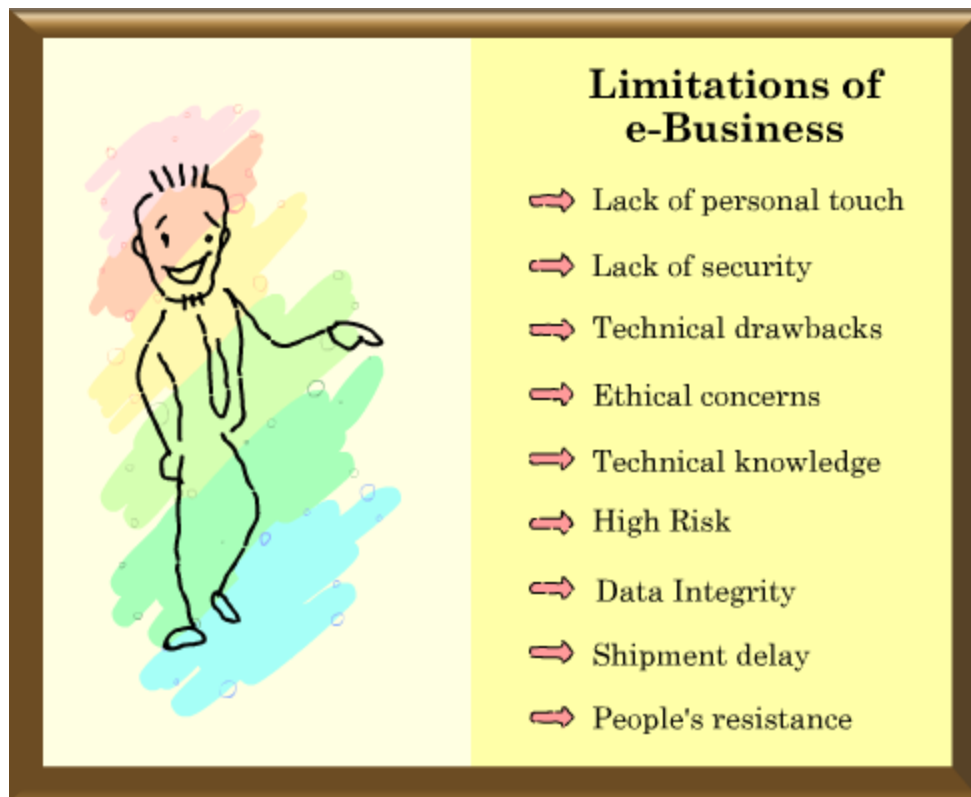| Easy to form | Quick payment |
Global access	Cost effective
Easy accessibility	Effective sales promotion
Consumer friendly	Time and Effort saving
Customized products	Wide range of payment options
	Direct contact between buyer and seller

The following are some of the benefits of e-Business:

i. It is *easy to form*, as the investment required to start up an e-Business is almost negligible.

ii. It *provides global access to both buyers and sellers*. The sellers can reach out to their customers beyond geographical boundaries with wider and better choices.

iii. Unlike traditional modes of business, e-business provides *easy accessibility* to the consumers from anywhere and at any time.

iv. It is *consumer-friendly*, as it saves the time and effort of the consumers.

v. It *provides a wide range of payment options* like debit cards, credit cards, cash on delivery and EMI to its customers.

vi. It allows businesses to *customise products* according to the tastes and preferences of the consumers.

vii. It helps to maintain a *direct contact between buyers and sellers*.

viii. *Less manpower* is required to carry out an e-business; hence, it is *cost effective*.

ix. It saves *the time and efforts* of the customers, as it allows them to shop from anywhere and at any time. This reduces the time and cost of individually visiting a store and buying goods.

x. The *payment procedure is really quick,* as the transactions generally take place through the Internet.

xi. It enables effective sales promotion through interactive multimedia and animation.

➢ **Limitations of e-Business**

Limitations of e-Business

⇨ Lack of personal touch
⇨ Lack of security
⇨ Technical drawbacks
⇨ Ethical concerns
⇨ Technical knowledge
⇨ High Risk
⇨ Data Integrity
⇨ Shipment delay
⇨ People's resistance

The following are the major limitations of the e-business:

○ It **lacks personal touch,** as the consumers and the sellers are not physically present during the transaction.

○ Online trading and transactions are highly **prone to Internet risks and online threats.**

○ It **requires basic knowledge on computers and the Internet.** This often creates distress among the people who are not well versed with this technology.

○ It involves **ethical concerns,** as companies today keep an 'electronic eye' (track of email accounts, computer files) on the employees.

○ It **requires high degree of technical knowledge and capability.** Often, in the developing countries, there is a shortage of such skilled professionals.

○ It **involves high risk,** i.e., there is anonymity on part of the parties involved; this increases the risk of hacking, virus, etc.

○ In some cases, there might be a **delay in shipping the orders.** This can create a lot of problems for the buyers.

○ e-Business **fails to attract customers particularly in cases where a personal touch is needed to sell commodities.**

❖ **Online Transactions**

Online trading enables customers to trade from anywhere and at any time. Following are the various steps involved in online trading:

i. Step 1: Finding an appropriate and reliable shopping website and registering on it.

ii. *Step 2*: Browsing the products and selecting the desired ones with the place of delivery.
iii. *Step 3*: Proceeding to the payment window and choosing a suitable mode of payment.
Following are the different payment modes that are generally available to the users:
a. *Cash-on delivery* (*CoD*)- The payment is made in cash at the time of delivery.
b. *Cheque*- The payment is made through cheque and when the cheque is realised, goods are delivered by the seller.
c. *Net banking*- Electronic payment via internet is made to the bank account of the online vendor.
d. *Credit or Debit Cards*- These cards (also known as plastic money) can also be used to make the payment. The payment so made is linked to the bank account of the user.
e. *Digital cash or e-cash*- It refers to a system of purchasing cash in relatively small amounts and storing it in the computer system. The consumer can then spend the cash to make electronic purchases over the Internet.
f. *EFT*- It refers to the direct transfer of funds through any electronic terminal or Internet. It instructs a financial institution, normally banks, to make the payment.
g. *E-Cheque*- This is similar to the paper cheque but are comparatively quick as they are processed through Automated Clearing Houses.

❖ **e-Business Risks**
The following are the various types of risks associated with e-business/online trading:
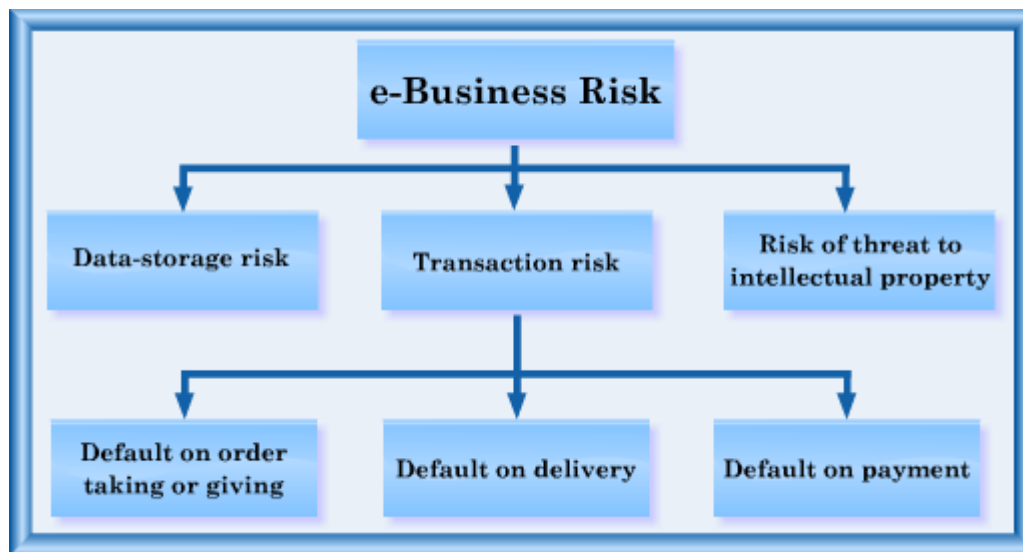
• *Data storage risk-* Data stored in a system is prone to misuse by hackers and fraudsters.
Transaction risk- The following are some of the transaction risks.
1. *Default on order taking or giving-* Either the seller denies that receipt of order or the customer denies the placement of order.
2. *Default on delivery-* In this case, either wrong goods are delivered or the goods are delivered at the wrong place. It can also happen that the goods are not delivered at all.
3. *Default on payment-* The seller denies the receipt of any payment, while the customer claims to have made the payment.

• *Risk of threat to intellectual property and privacy*- Information uploaded on the Internet is prone to leakage and getting copied.

❖ **Safety Measures during Online Transactions**
The following measures can be taken to ensure safety in online transactions:
i. *Verification of cookies*: Information provided by customers can be verified using cookies.

ii. *Confirmation of the order*: The online vendor should confirm all the details like credit card number, card issuer and validity provided by the customers before the delivery of the goods.

iii. *Anti-virus software*: To guard against any form of virus, anti-virus software must be installed and regularly updated.
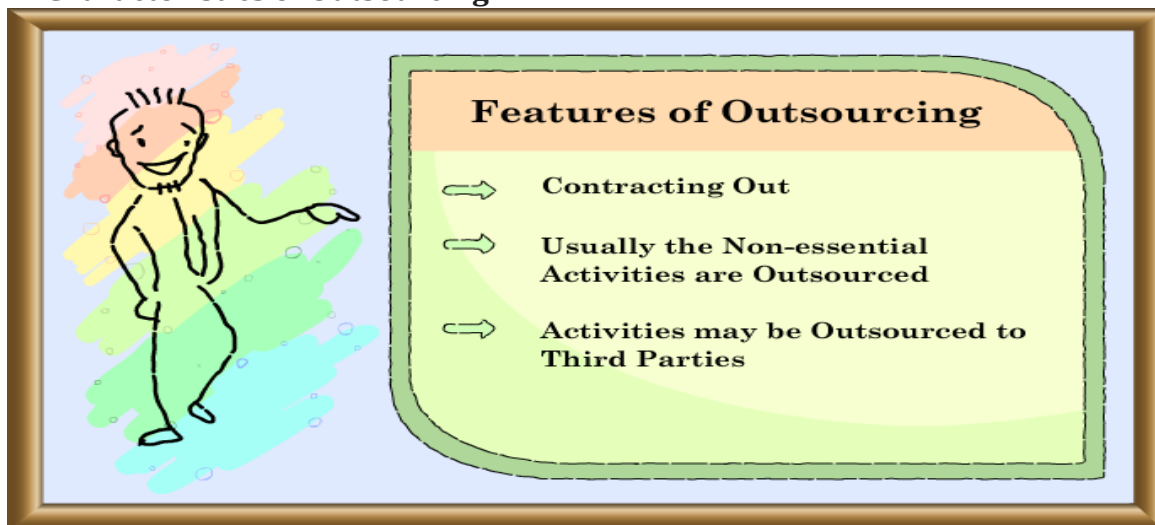
iv. *Cryptography/encryption technology*: Cryptography protects the information by transforming it into an unreadable format. Only those with a code can access the information.

v. *Cyber crime cells*: Cyber crime cells are specially set up to keep a check on cyber crimes.

❖ **Outsourcing**
➢ **Definition**- It refers to the process of contracting out less important (i.e., non-core) business activities to external agencies that are highly specialised in those business activities.

➢ **Characteristics of Outsourcing**

Features of Outsourcing

⇨ Contracting Out

⇨ Usually the Non-essential Activities are Outsourced

⇨ Activities may be Outsourced to Third Parties

The following are its main characteristics:
○ In outsourcing, companies *contract out certain activities* to other firms that specialise in them.

○ Generally, ***non-essential activities that are contracted out.***
○ ***Activities may be outsourced to a third party.***

➢ **Need/Benefits of Outsourcing**

The following are some of the benefits of outsourcing:
i. By contracting out non-essential activities, companies can easily ***focus on the core activities.***

ii. The external agencies to which the tasks are contracted out are ***highly specialised*** in those activities. This contributes to the overall efficiency of the company.

iii. Outsourcing ***reduces the operating costs*** of the company.

iv. Through contracting out services, outsourcing ***helps in generating employment opportunities*** in most of the countries.

v. Outsourcing the non-core activities to other firms help an organisation to ***carry out its core operations smoothly.***
vi. By facilitating the production and supply of quality products, outsoucing helps in ***attaining the objective of excellence.***
vii. It helps to ***lessen the labour problems,*** as the staff of the outsourcing agencies are not the responsibility of the firm.

➢ **Concerns over Outsourcing**

The following are the limitations of outsourcing:
i. *Confidentiality***:** It might happen that the outsourcing firm shares the vital information supplied by one firm with its business rival that has also outsourced tasks to it.
ii. *Quality concerns***:** It can happen that the outsourcing firm might not actually adhere to the quality standards as required.
iii. *Resentment in home country***:** If the home countries of these enterprises that outsource activities are facing unemployment, then this may lead to resentment and disturbance.
iv. *Ethical fallouts***:** The outsourcing countries might take undue advantage of the weak labour rules and policies, especially in the underdeveloped countries.

❖ **Concept of BPO**
Business Process Outsourcing refers to the process of outsourcing non-core activities of a business, particularly customer-oriented services, to any other firm that specialises in them.

➢ **Scope of** *BPO*
Some of the services provided by BPOs are telemarketing, customer service, customer relation management and administrative services.

❖ **Concept of KPO**
It refers to the outsourcing of information or knowledge-based activities that forms an integral part of any business.
➢ **Scope of KPO**
➢ The following services are provided by KPOs:
a. Research services
b. Data analysis
c. Patent research
d. Legal research
e. Investment research

❖ **KPO vs BPO**

Basis of Difference	KPO	BPO
Domain of activities	Knowledge and information oriented	Process oriented
Personnel required	Highly qualified and skilled	Semi-skilled
Expertise	Analytical thinking and technical skills	Standardised processes
Salaries drawn	Higher than those in BPOs	Comparatively low

❖ **Factors Responsible for the Growing Importance of e-Business and Outsourcing**

❖ The following are the factors that are responsible for the growing importance of e-business and outsourcing:

i. They ***speed up business processes*** by enabling round the clock trading of goods and services.

ii. They ***facilitate innovation and technological development.***

iii. They ***facilitate the availability of quality products at lower costs.***

iv. They ***pave the way to effective post-sale services.***