

**Chapter 5**  
**Emerging Modes of Business**  
**Multiple Choice Questions**

Q. 1 e-commerce does not include

- A. A business's interactions with its suppliers
- B. A business's interactions with its customers
- C. Interactions among the various departments within the business
- D. Interactions among the geographically dispersed units of the business

Answer:

Interactions among the various departments within the business

Q. 2 Outsourcing

- A. Restricts only to the contracting out of Information Technology Enabled Services (ITES)
- B. Restricts only to the contracting out of non-core business processes
- C. Includes contracting out of manufacturing and R&D as well as service processes — both core and non-core — but restricts only to domestic territory
- D. Includes off-shoring

Answer:

Out sourcing a process of contracting out manufacturing or RnD and services to third party, which can be domestic or based in other country.

Q. 3 The payment mechanism typical to e-business

- A. Cash on Delivery (CoD)
- B. Cheques



C. Credit and Debit Cards

D. e-Cash

Answer:

d. e – cash

Q. 4 A Call Centre handles

A. Only in-bound voice based business

B. Only out-bound voice based business

C. Both voice based and non-voice based business

D. Both customer facing and back-end business

Answer:

in- bound voice based business, they help in resolving customer queries and complains.

Q. 5 It is not an application of e-business

A. Online bidding

B. Online procurement

C. Online trading

D. Contract R&D

Answer:

Contract R & D is an outsourcing activity, which can be outsourced to domestic or foreign partner.

### **Short Answer**

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

Answer:



e—Business and traditional business have many differences, some of them are mentioned below.

Basic of distinction	Traditional business	e – Business
Ease of formation	Difficult to form	Simple to form
Physical presence	Physical presence like a shop or office or manufacturing place is required.	Not required can be done from any place i.e. home
Cost of setting up	Cost of setting up is high as it required physical presence, staff etc.	It is low

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

Answer:

Outsourcing is contracting out of activities to other companies or service provides, for both core and non-core activities. It represents a new model of business because by outsourcing to other companies, you can take benefit of their expertise and experience to increase your organizational efficiency and improve organization performance. It helps the organization in becoming competitive in the market. Non-core activities are outsourced so that you can focus on your core activities and core skills your organization have.

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

Answer:

E-Procurement - It is an internet-based sales transaction where one firm wants to purchase and there any many sellers, also a digital market place where you have many sellers selling the same or different online and many buyers.



E- Delivery: It is for electronic delivery of goods, books, journals, photographs videos, computer software etc. can be delivered online by email and other forms of digital communication. It also includes providing medical, legal accounting services etc., For example, you can buy pdf of book online, or you can consult a doctor online.

Q. 4 What are the ethical concerns involved in outsourcing?

Answer:

Companies in developed nations outsource their production and manufacturing to developing or underdeveloped countries where labour is cheap, in these countries, child labour is also used, and working condition is not hygienic, also in some of the countries is there is gender-based wages discrimination. The ethical is this sort of cost-cutting by using child labour, unhygienic work condition and wages discrimination in other countries.

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

Answer:

There is a lot of risk in data storage and transmission. Stored data can be hacked by other people for their gain, can also be damaged by the virus, which can disrupt or delete the vital informational. In transmission also there is a risk of hacking for personal benefit by hackers.

### **Long Answer**

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

Answer:

How business is conducted is called the manner of business.

Outsourcing is referred to as the new model of business as it has brought



changes the way business is conducted and it is referred as an emerging mode of business, it is different from traditional thinking of business where firms were self-sufficient and do most of the work in-house, now companies can outsource their work to third parties to gain from their expertise, experience, efficiency and even investment, and focus on their core work where they are good at. Generally, non-core activities were outsourced, but now companies also outsource core activities like sales, accounting, human resource management etc.

Factors responsible for the growing importance of this trend-

- Improved business process – as companies can outsource activities in which other partners have a specialization, have better experience and expertise, it improves the efficiency of the firm.
- As the consumer demands are growing, e-business facilitate meeting the demand of customers from a larger geographical area, with e-business and outsourcing of delivery, it can be achieved
- With the increasing competition among the firms in a rapidly changing environment, innovation in product and process is key for sustainable business, outsourcing facilitate continuous development of new business strategies and new product.
- To remain competitive, cost-cutting is important, many companies outsource their manufacturing to the developing and underdeveloped where labour is available cheap to cut down the production cost.

Q. 2 Elaborate the steps involved in on-line trading.

Answer:

The steps involved in online trading are following

1) Registration: before going for online shopping, you need to register yourself on their website, it is also called as account creating and you need to provide some information like email id, phone number etc for creating an account.

2) Placing an order- once you have created an account, you can search for products on their website and place the order online, for that you to add product in your shopping cart.

3) Payment mechanism – In online purchase you can make payment in several ways

a. Cash on delivery - you need to make payment in cash while collecting the order.

b. Cheque- Online vendor can also arrange for pickup of the cheque form the customer place.

c. Net banking: You can make an electronic payment to the bank account of the online vendor through the Internet banking website of your bank.

d. Credit and debit cards- most of the transaction are done by these, payment is debited from your account linked with this card.

e. E-cash – This is a kind of currency which have no physical resistance, it stays in cyberspace in your computer, and it will require special software

4) Delivery – Supplier needs to ship the material to customer address.

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

Answer:

- The need for outsourcing can be understood by the following points

o Focus on core activities – Outsourcing allows companies to focus on core activities that are core to the companies and important for the company, rest all the activities can be outsourced to other third-party service providers

o Cost reduction - To remain competitive, cost-cutting is important, many companies outsource their manufacturing to the developing and underdeveloped where labour is available cheap to cut down the production cost.

o Growth through alliances- Companies outsource some of the activities of other organizations and use their expertise and alliance, by this company also don't need to make any investment and get access to their knowledge and skills.

o Stimulate economic development – Outsourcing provides an opportunity for entrepreneurs to start a new business which boosts the economy and provide employment to other people.

- Limitations of the outsourcing are mentioned below

o Confidentiality – You need to share a lot of vital and important information to the service providers and they have information about your business process. If the outsourcing partner does not preserve the information properly, it can be outsourced to the other business partner and can harm business.

o Ethical concern – for cost-cutting companies outsource the production and manufacturing to developing or underdeveloped countries, where child labour are used, work condition are good and gender-based wages discrimination, which is not ethical as indirectly companies are using child labour for cost-cutting.

o Resentment in the country – when one company outsource its activity of another country from where they can get these services cheaper, it causes resentment in the home country as the job of home country people are outsourced to the other country.

Q. 4 Discuss the salient aspects of B<sub>2</sub>C commerce.

Answer:



B<sub>2</sub>C commerce refers to the business to customer commerce, it involves a business transaction between a business firm and its customers.

Silent features of B<sub>2</sub>C commerce are mentioned below-

- It is selling of the product online to the customers who are registered on your website from different geographic locations where ever you can extend your service
- With B2C Commerce companies can provide their products to a larger base of customers as it is easy to reach online.
- In B2C commerce it is easy to provide a product with customized features to suit the requirement of customer.
- The customer has a wide variety of options to make a payment, like cash on delivery, internet banking or debit cards.
- In B2C commerce it is easy to get feedback from customers to meet their demand and improve business information, meanwhile, also other buyers have access to this feedback which enables them to get a review of the product before buying
- Companies provide a wide variety of options to resolve customer complains, i.e. call centers to make a query or raise any complaint.

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

Answer:

Electronic mode of business has gained a lot of popularity over the year as it is easy to do business and requires less expenditure, however, it has certain limitations over traditional mode of business

- In e-business, customer have firm is located at different places and so it lacks the personal touch between buyer and product, in some of the product customers may want to see or touch or try the product



- E-business is suitable only when a customer knows the use of internet and electronic devices, so the digital divide has created a restriction for some customers.
- In E-business, there is always concern about data security where it is stored and during a transaction, as e-business requires a financial transaction and if the security can be compromised by hacking or virus attack, it can cause damage to both firm and its customers.
- People resistance – As it is a new technology, people need to be comfortable with it which causes stress and insecurity among people
- Ethical – companies can use an electronic eye to trace the activities of the customer, which is not ethical
- Electronic transaction only involves selection of product, placing an order and making the payment, goods need to be physically delivered by business to the customer, which also cause limitation in certain product categories and remote geographic where it is difficult to deliver the product

