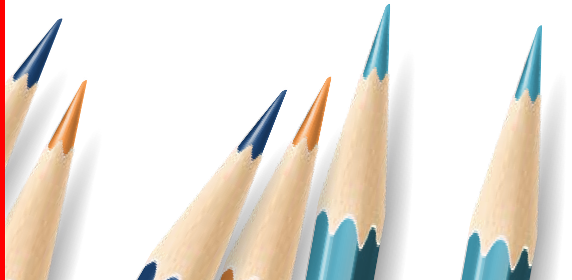
BUSINESS STUDIES

Class-11th

Chapter - 05

EMERGING MODES OF BUSINESS

INTRODUCTION



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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.

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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 producer firm and other a supplier firm.**

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2. B2C Commerce :

- 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

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3. 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.**

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4. C2C 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.**

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5. 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.**

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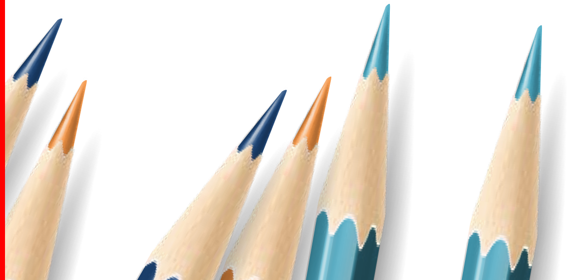
BENEFITS OF E - BUSINESS



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The major benefits of e-Business are as follows:

1. Worldwide 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.

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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.**

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4. Lower Investment required

- **In this, you don't require any big showroom or huge investment.**
- **You need only computer and Internet.**

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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.**

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6. Movement towards a paperless Society :

- **Use of internet has considerably reduced dependence on paper work.**

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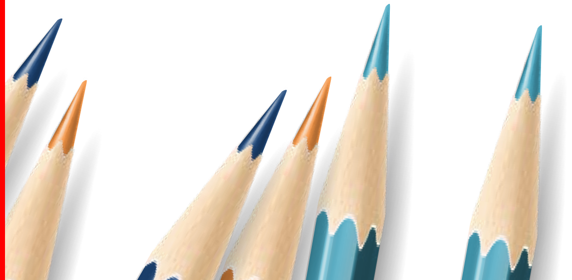
LIMITATIONS OF E-BUSINESS



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E-business is not all that rosy. Doing business in the electronic mode suffers from certain limitations.

1. Low personal touch:

- High-tech it may be, e-business, however, lacks warmth of interpersonal interactions.
- To this extent, it is relatively less suitable mode of business in respect of product categories requiring high personal touch such as garments, toiletries, etc.

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2.Incongruence between order taking / giving and order fulfillment speed

- Information can flow at the click of a mouse, but the physical delivery of the product takes time.
- This incongruence may play on the patience of the customers.
- At times, due to technical reasons, web sites take unusually long time to open. This may further frustrate the user.

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3. **Need for technology capability and competence of parties to e-business :**

- **E-business requires a fairly high degree of familiarity of the parties with the world of computers.**
- **And, this requirement is responsible for what is known as digital divide, that is the division of society on the basis of familiarity and non-familiarity with digital technology.**

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4. Increased risk due to anonymity and non-traceability of parties

- Internet transactions occur between cyber personalities.
- As such, it becomes difficult to establish the identity of the parties.
- e-business is riskier also in the sense that there are additional hazards of impersonation (someone else may transact in your name) and leakage of confidential information such as credit card details.

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5. People resistance

- **The process of adjustment to new technology and new way of doing things causes stress and a sense of insecurity.**
- **As a result, people may resist an organisation’s plans of entry into e-business.**

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ONLINE TRANSACTIONS

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- Online 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.

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1. Registration:

- Before online shopping, one has to register with the online vendor by filling-up a registration form. Registration means that you have an ‘account’ with the online vendor.
- Among various details that need to be filled in is a ‘password’ as the sections relating to your ‘account’, and ‘shopping cart’ are password protected.
- Otherwise, anyone can login using your name and shop in your name. This can put you in trouble.

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2. Placing an order:

- Shopping cart is an online record of what you have picked up while browsing the online store. Just as in a physical store you can put in and take items out of your cart, likewise, you can do so even while shopping online.
- After being sure of what you want to buy, you can ‘checkout’ and choose your payment options.

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3. Payment mechanism:

Payment for the purchases through online shopping may be done in a number of ways:

i. Cash on delivery (COD) :

- Cash payment can be made at the time of physical delivery of goods.

ii. Net-banking transfer :

- The customer can make electronic transfer of funds(EFT) to account of online vendor over the internet.

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iii. 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.

iv. Digital Cash:

- This is a form of electronic currency that exists only in cyberspace.
- This type of currency has no real physical properties, but offers the ability to use real currency in an electronic format.

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- First you need to pay to a bank (vide cheque, draft, etc.) an amount equivalent to the digital cash that you want to get issued in your favour.
- Then the bank dealing in e-cash will send you a special software (you can download on your hard disk) that will allow you to draw digital cash from your account with the bank.
- You may then use the digital funds to make purchases over the web.

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SECURITY AND SAFETY OF E-TRANSACTIONS

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- Online transactions, unlike arm's length transactions in physical exchange, are prone to a number of risks.
- Risk refers to the probability of any mishappening that can result into financial, reputational or psychological losses to the parties involved in a transaction.

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i. Transaction risks:

Online transactions are vulnerable to the following types of transaction risks:

- Seller denies that the customer ever placed the order or the customer denies that he ever placed the order. This may be referred to as 'default on order taking/giving.'

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- The intended delivery does not take place, goods are delivered at wrong address, or goods other than ordered may be delivered. This may be regarded as ‘default on delivery’.
- Seller does not get the payment for the goods supplied whereas the customer claims that the payment was made. This may be referred to as ‘default on payment’.

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ii. Data storage and transmission risks:

- Information is power indeed.
- Data stored in the systems and en-route is exposed to a number of risks. Vital information may be stolen or modified to pursue some selfish motives or simply for fun/adventure.
- Data may be intercepted in the course of transmission. For this, one may use cryptography.

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- It refers to the art of protecting information by transforming it (encrypting it) into an unreadable format called ‘cyphertext’.
- Only those who possess a secret key can decipher (or decrypt) the message into ‘plaintext’.

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iii. Risks of threat to intellectual property and privacy:

- Internet is an open space. Once the information is available over the internet, it moves out of the private domain.
- It then becomes difficult to protect it from being copied.

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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.

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2. Anti Virus Programmes :

- Installing and timely updating antivirus programmes provides protection to data files, folders and system from virus attacks.

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3. Cyber crime cells :

- Govt. may setup special crime cells to look into the cases of hacking and take necessary action against the hackers.

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RESOURCES FOR SUCCESSFUL E-BUSINESS IMPLEMENTATION

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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.

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2. Internet connection :

- Internet connection is very essential and now a days 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.

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4. Effective telecommunication system :

- E-business requires an effective telecommunication system in the form of telephone lines etc.

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Business Process Outsourcing

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Business Process 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.

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- 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.

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Example:

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.

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Need of BPO

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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.**

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

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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.**

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Scope of BPO

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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.

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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.**

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3. Courier services:

These services means delivering goods, documents, parcels from company to customers and vice-versa.

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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.**

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Knowledge Process Outsourcing

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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.**

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Need of KPO:

- In today’s competitive environment focus is to concentrate on core specialization areas and outsources the rest of activities.
- Many companies have come to realise 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.

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Features of KPO:

1. It is the upward 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.

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Scope of KPO:

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