CHAPTER - 5

EMERGING MODES OF BUSINESS

- ## Introduction

Few decades back one can't think of sitting in one's own drawing room and getting railway ticket/ Air Ticket booked but now it is very common:-

- Yes, You need not travel from your residence to railway station
- Yes, You need not bother about traffic, signals etc. on your way to railway station
- You need not wait for a long time in the long queue
- Above all, You need not waste your most precious time

Yes we are discussing about online booking. ….

Now let us think of…..how it will be…..if we are able to get our needs delivered at our doorstep.

- ## Concept Mapping

  - ➢ **e – Business**
  - ➢ **e – Business vs. e – Commerce**
  - ➢ **Scope of e – Business**
  - ➢ **Online Transactions**
  - ➢ **e – Business Risks**
  - ➢ **Resources required for successful e – Business implementation**
  - ➢ **Outsourcing – Meaning**
  - ➢ **Features of Outsourcing**
  - ➢ **Scope of Outsourcing**
  - ➢ **Need for Outsourcing**
  - ➢ **Concerns over Outsourcing**

Basic & Key Concepts Explanation Key Terms

e – Business

e – Business refers to the process of performing Business activities electronically through the means of internet.

Virus

Virus stands for **V**ital **I**nformation & **R**esources **U**nder **S**iege

e – Trading

e – Trading involves securities trading, i.e. online buying & selling of shares and other financial instruments.

Digital Cash

Digital Cash refers to electronic cash instead of actual money which exists only in cyberspace (also known as cyber currency)

Sweat Shopping

Firms that outsource seek to reduce their costs and get maximum benefit from the low –cost manpower. This is known as "Sweat Shopping".

e – Commerce

e – Commerce refers to a firm's interactions with its customers and suppliers over internet.

Secure Sockets Layer (SSL)

It is the technology used in encrypting and securing vital user information such as Credit/Debit card details etc. which are used in online transactions.

e – Procurement

It involves internet based – sales between business firms forming digital marketplaces facilitating online trading between multiple buyers and sellers.

Business Process Outsourcing (BPO)

The process of contracting out non-core business activities to 3rd parties in order to reduce costs and time involved.

Online Trading

The act of selling and buying anything online.

<u>e – Bidding</u>

Most shopping sites have "Quote your price" option whereby you can bid for goods and services. This refers to process of conducting auctions online.

<u>Call Centres</u>

Firms generally outsource their customer support to 3rd parties, which provide 24x7 Customer Support by the means of tele calling. The 3rd parties to whom this process is outsourced are called "Call Centres".

Captive BPO units
The outsourced - units over which the outsourcing firm has control.

Horizontals

The 3rd parties which undertake outsourcing contracts from many firms and doing a wide variety of jobs and processes are known as "Horizontals".

Verticals

The 3rd parties which undertake outsourcing contracts from other firms but are specialized to do only certain specific non-core to core activities.

B2B Commerce

Refers to electronically conducted business transactions between business to business.

B2C Commerce

Refers to electronically conducted Business transactions to Customers.

Intra-B Commerce

Refers to electronically conducted business transactions within a given business firm.

C2C Commerce

Refers to electronically conducted Business transactions between Consumer to Consumer.

e – Business vs. Traditional Business

Basis of distinction	Traditional Business	e - Business
Ease of formation	Difficult	Simple
Physical Presence	Required	Not Required
Location Requirements	Need to be near market or Raw Materials	None
Cost of Setting Up	High	Low
Operation Cost	High	Low
Nature of Contact with suppliers & Customers	Indirect – Through Intermediaries	Direct
Nature of Internal Communication	Hierarchical -From top level management	Direct to all levels
Response time for meeting requirements	Long	Instant
Shape of Organizational Structure	Vertical	Horizontal

Business Processes & Length of Cycle	Sequential	Simultaneous
Opportunity for Inter-Personal Touch	Much More	Less
Opportunity for Pre-Sampling of Products	Much More	Less
Ease of Going Global	Less	Much
Government Support	Reducing	Much & Increasing
Nature of Human Capital	Semi Skilled or Unskilled Manpower needed	Technically highly qualified professionals needed
Transaction Risk	Low	High

- **e – Business**

e – Business refers to all business transactions and functions conducted electronically.

- **e – Business vs. e – Commerce**

e – Business is more inclusive term than e – Commerce while e – Commerce refers to a firm's interactions with its customers and its supplier over the internet.e – Business, apart from e – Commerce includes all other electronically conducted business activities such as inventory management, production, product development, accounting, finance, etc.,
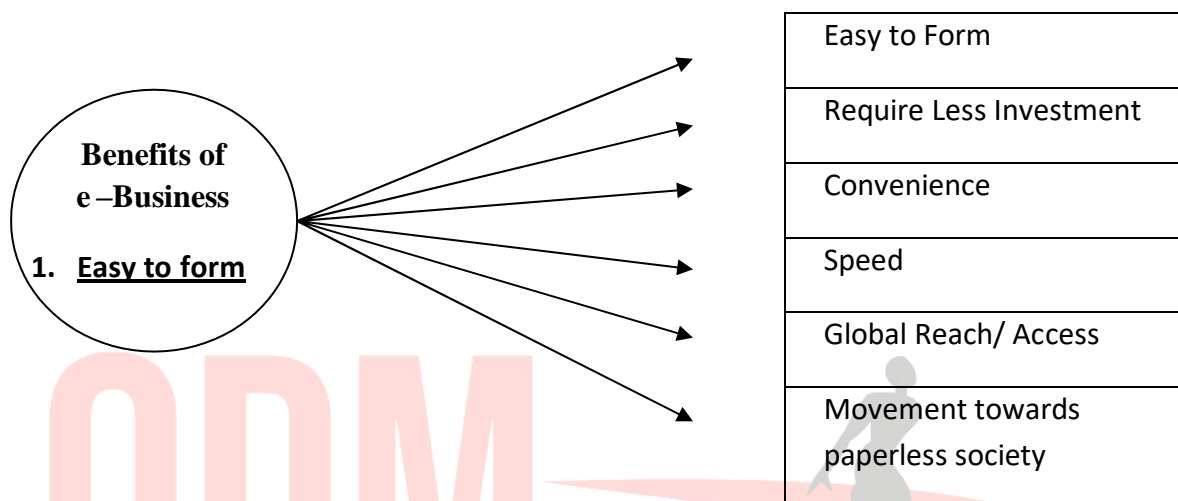
- **Scope of e – Business**

The scope of e – Business is quite vast, it includes the following :-

1. B2B Commerce :- Refers to electronically conducted business transactions between business to business.

2. B2C Commerce :- Refers to electronically conducted Business transactions to Customers.

3. Intra-B Commerce:- Refers to electronically conducted business transactions within a given business firm.

4. <u>C2C Commerce :-</u> Refers to electronically conducted Business transactions between Consumer to Consumer.

- ## **Benefits of e – Business**

Easy to Form
Require Less Investment
Convenience
Speed
Global Reach/ Access
Movement towards paperless society

1. **Easy to form**
Very easy to start e – business because host of procedures required for traditional business are not required for e – Business

2. **Requires Less Investment**
Both big and small business gets the benefits of internet equally. Thus even one start of small business with less investment can derive the benefit of e – Business.

3. **Convenience**
Internet offers the convenience of 24 hours X 7 days a week with a less investment – i.e. one can access anything, anywhere, any time.

4. **Speed**
Any business transaction can be made simply at the click of the mouse button,

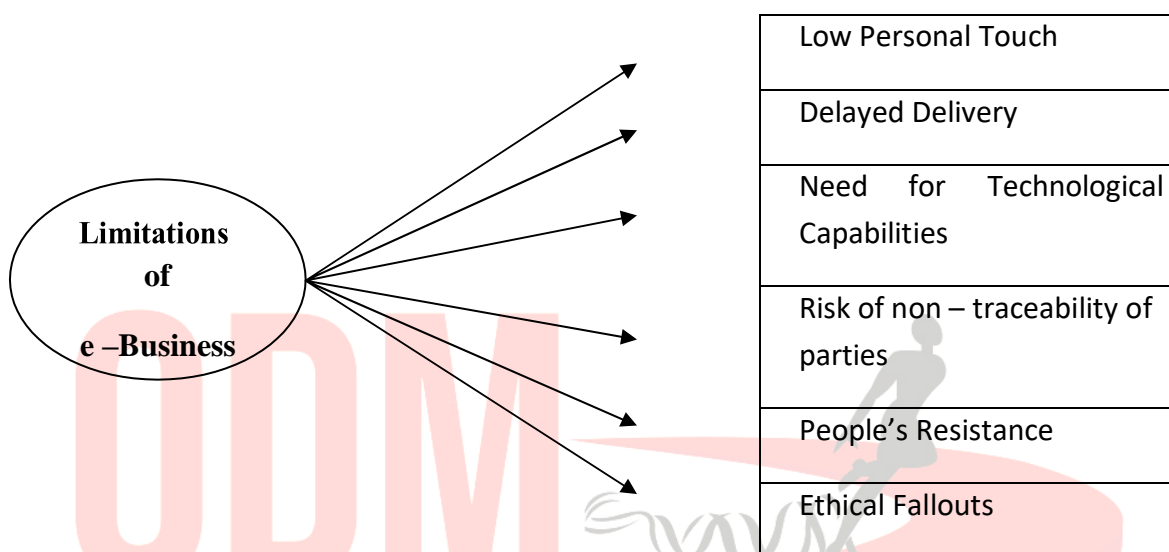for e.g. Electronic Funds Transfer takes place at the speed of light

5. **Global reach/access**
In e – Business both businessmen and consumers have no national boundaries because internet is without such boundaries. In absence of such internet, globalization may be restricted in scope and speed.

6. Movement towards paperless society

Cutting thousands and thousands of trees to make paper adversely affects the environment but internet has considerably reduced the dependence on paper.

- ## Limitations of e – Business

Limitations of e –Business	Low Personal Touch
	Delayed Delivery
	Need for Technological Capabilities
	Risk of non – traceability of parties
	People's Resistance
	Ethical Fallouts

1. Low Personal Touch
Interpersonal touch between businessmen and the consumer is very important. e

– Business may be high tech but the lacking interpersonal interaction is truly one of its shortcomings.

2. Delayed Delivery
Sometimes order may be placed at once through internet but delivery may be delayed, which may disturb the customers.

3. Need for technological capability and competence of parties
If any one party – either buyer or seller is not familiar with digital technology, e – Business becomes difficult.

4. Risk of Non-Traceability of parties
Cyber personalities participate in e – Business, when any one is in remote area – Traceability may be one the biggest problem.

5. People's Resistance

In general, people resist changes and halt will be more if any organization prefers to go fully online.

6. Ethical Fallout

In e – Business, unless until you have high degree of protection, any one can keep an electronic eye on your transaction, even intrude into your privacy – which is ethically incorrect.

- ### Despite limitations, e – Commerce is the way

Yes, it is absolutely true, because when you wish to buy something especially from other countries or from distant seller, problems faced by you in traditional business is more than e – Commerce – thinking in terms of travelling – carrying money – time required – speed involved – mode of payment etc.

Therefore, despite limitations e – Commerce is the way.

- ### Online Transactions

Involves three stages:-

- ➢ **Pre-Purchase/ Sale Stage** – Including advertising and information seeking.
- ➢ **Purchase / Sale Stage** – Comprising of price negotiation, closing deal & payment.
- ➢ **Delivery Stage** – Involves physical delivery of goods.

The first two steps – involves only interaction and thus can be effectively done online.

- ### Steps involved in online purchase

I. Registration

Register yourself with online vendor by filling up registration form – i.e. now you have an account with the online vendor and you receive your account's password and an online shopping cart.

II. Placing an Order

You can pick and drop the items of your choice in the online 'shopping cart' (Just an online record) – choose check out and payment option.

III. Payment Options

- ➢ **Cash on Delivery(COD)** Pay cash at the time of physical delivery of goods

- ➢ **Cheque** Vendor arranges the pick up of the buyer's cheque(s) – Upon realization the delivery is made

Net-Banking Transfer

Electronic transfer of funds from the buyer to the seller, after which the seller makes the delivery

Credit/Debit Cards

These are also called 'Plastic Money', the buyer enters the respective card's details and the transaction is made. Credit cards allow the buyer to make purchases on credit, whereas Debit cards make use of the buyer's existing money.

Digital Cash

This form of currency exists only in cyberspace. The buyer deposits money into the Digital Cash account and this money are utilized for making purchases online.

E-BUSINESS RISK

There are three types of possible risks as listed below:

Transactions Risks

Seller may deny that customer ever placed the order or the customer may deny that he ever placed the order. It is called "Default on Order taking/ Giving".

Goods may be delivered at wrong address or wrong goods may be delivered which is referred as "Default on Delivery".

Seller may claim/complain that he didn't receive payment while customer may claim that payment was over. This is referred as "Default on Payment".

Data Storage and Transmission Risk

VIRUS – Virus can create annoyance, disrupt functioning, damage target data even may cause complete destruction of the system.

Interception – Data maybe intercepted in the course of transmission by others. If it goes in the wrong hands it may be detrimental to the business.

Threat to intellectual property & Privacy

Once the information is made available over the internet, it moves out of the private domain. So any secret formulae or research findings, improved/ new method of production and other such intellectual properties may be stolen by others.

When data furnished goes in the hands of others they may start dumping with lot of advertising & promotional literature into our e-mail box.