

Chapter 5: Emerging Modes of Business

NCERT · Class 11 · Business Studies

Textbook exercises

Question 1

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

Solution

Ans: The differences between e-business and traditional business are:

Basis of difference	Traditional business	e-Business
Ease in formation	The process of formation is complicated by the various requirements that must be completed.	It's a lot easier to get started.
Internal communication	Communication is structured in a hierarchical manner (from top to bottom)	Follows a communication framework that isn't hierarchical (no defined structure).
Start-up cost	High startup costs	Start-up costs are quite cheap (as physical facilities are not required).
Market access	The physical domain is the only domain that may be accessed.	Access is relatively broad and unrestricted.

Question 2

How does outsourcing represent a new mode of business?

Solution

Ans: Outsourcing has changed the way businesses were done traditionally, these are growing each day, and have a great future ahead as well. Outsourcing is an innovative concept which has raised the value of the businesses, facilitated more convenience, and added more efficiency in business activities such as procurement, production, marketing etc. This is why it is called an emerging mode of business.

The factors responsible for the growing importance of outsourcing are:

- Assist in making high-quality products more affordable
- Facilitate innovation and technology development
- Accelerate the business process
- Assist in making high-quality products more affordable

Question 3

Describe briefly any two applications of e- business.

Solution

Ans : The two applications of e-business are:

A. 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

B. 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.

Question 4

What are the ethical concerns involved in outsourcing?

Solution

Ans: Outsourcing has also raised some ethical concerns. The major ethical issue are:

- Employment: Taking away employment opportunities from one's own country, when the function is outsourced to a company from another country.
- Child labour: Children and women are employed in factories as a result of outsourcing, and working conditions are unsanitary and even dangerous. Due to strict regulations against the employment of child labour in industrialised nations, the corporations are unable to do so.
- Discrimination: Similarly there exists wage-discrimination on the basis of sex of the worker. Workers are exploited by giving less than minimum wages and hence women are paid lower wages.
- Confidentiality: Confidentiality issues are there, as 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.

Question 5

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

Solution

Ans: 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.'

Question 6

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.

Solution

Ans: E-business and outsourcing have changed the way businesses were done traditionally, these are growing each day, and have a great future ahead as well. E-businesses and outsourcing are innovative concepts which have raised the value of the businesses, facilitated more convenience, and added more efficiency in business activities such as procurement, production, marketing etc. This is why they are called as emerging modes of businesses:

The factors responsible for the growing importance of outsourcing and e business:

- They assist in making high-quality products more affordable: The demand for high-quality, custom-made products has risen, and e-commerce and outsourcing are playing an increasingly important role in supplying consumers with what they want at a fair price. E-business and outsourcing assist in achieving the goal of excellence by enabling the manufacture and supply of high-quality products.
- Facilitate innovation and technology development: Every firm needs to innovate and develop new ideas and products in order to stay competitive. E-business and outsourcing have emerged as a boon for producers in this setting, as they allow for the ongoing development of company strategies and new technology.

- They accelerate the business process: As customer demands expand, it has become important to facilitate trade from anywhere and at any time. E-commerce and outsourcing help to speed up the purchasing and selling procedure around the clock.
- They lay the path for efficient after-sales support: It is critical for any firm to cater to its clients' demands. Customers benefit from e-commerce and outsourcing because they can get rapid and effective post-sale services.

Question 7

Elaborate the steps involved in on-line trading.

Solution

Ans: The steps are:

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.

Question 8

Evaluate the need for outsourcing and discuss its limitations.

Solution

Ans: Outsourcing is the process of contracting some business functions to external agencies.

Need for outsourcing:

A. Delimiting the scope of business:

- 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 restricting the scope of their business, they may concentrate their attention and resources on a few key tasks, improving efficiency and effectiveness.

B. Quest of excellence:

- In two ways, 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.

C. 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.

D. Growth through Alliance:

- To the extent one can avail of the services of the others, the investment requirements are reduced.
- As a result, a company 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.

F. Economic development:

- Outsourcing, more offshore outsourcing stimulates entrepreneurship, employment and exports in the host counties (i.e., the countries from where outsourcing is done).

Limitations of Outsourcing Are:

A. 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.

B. 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.

C. 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.

D. 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.

Question 9

Discuss the salient aspects of B2C commerce.

Solution

Ans: The transactions under 'B2C commerce' are between a business firm and its customers.

The salient aspects of B2C commerce are:

- Includes: It includes promotion, product information, reviews about the product / services and delivery of the product at the doorstep.
- Cost of product: The cost of product and services is kept low through this method and the speed of transaction is also faster.
- Customisation: It has enabled businesses to produce products with customised characteristics to meet the needs of their customers. It also offers clients the ease of delivery and payment.
- Customer Feedback: The B2C e-commerce model allows a company to stay in contact with its consumers by conducting online demand surveys.
- Customer service: Customers can also utilise call centres set up by businesses to make toll-free calls to ask questions or file complaints 24 hours a day, 7 days a week, at no cost to them. B2C

companies include Amazon, Walmart, and others.

Question 10

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

Solution

Ans: The various limitations of electronic mode of business are:

I. 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.

II. 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.

III. 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.

IV. 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.

V. Ethical fallouts:

- Companies utilise an 'electronic eye' to keep track of 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

Despite the limitations, the scope of e- business is quite vast which helps in overcoming the limitations. In India, nowadays many businesses are becoming aware of the advantage of e-business and are incorporating this into their strategies. Almost all types of business functions such as production, finance and marketing as well as managerial activities like planning, organizing can be carried out over computer network. Various business and payments apps popularly used in E-business transactions. Hence, despite the limitations, the scope of e-business cannot be restricted.

Projects/Assignments

Question 11

Compare and contrast the products and their prices available on the internet and in retail shops. Is quality, customer satisfaction, and other factors the same?

Solution

Ans: The contrast between the prices of few products are:

Product	Retail price	Online price
Patanjali aloe vera gel	90	84
Dabur Rosewater	75	72
Nivea cream	95	87

No, the factors are not same in online and traditional shopping, because of differences in:

- Price: The price of products online are less than that of retail. Hence, buying products online is a better option in terms of pricing requirements.

- **Quality:** For products other than daily use, such as clothes, shoes etc, their quality could not be checked while making a purchase online, and there are chances that the product delivered does not match the quality expected. Also, chances are there that your order reebok shoes, and the product delivered is of company reebok.
- **Return policy:** Most of the online sites offer easy return and exchange policies, whereas return and exchange is not much possible in traditional purchasing.
- **Time and cost saving:** In this fast paced, busy world, Online shopping is more convenient, time and cost saving, as we do not need to roam here and there looking for a certain product.
- **Delivery:** During traditional shopping, the delivery of the product is made at the same time of purchase, however in case of online shopping, delivery can be delayed due to several reasons.
- **Customer satisfaction:** This is a subjective aspect, people who have wide knowledge of online shopping can make the best use of it, and get maximum customer satisfaction. While people with less knowledge may prefer retail shopping, and have better customer satisfaction shopping traditionally.

Question 12

Study any business unit/company which is using e-commerce, e-business as a way of doing business. Interview some people working there and find out the advantages in practical business in terms of its costs also.

Solution

Ans: Assuming a business unit named XYZ that runs the business of electronics products using e-commerce. After interviewing some people, the following are the advantages of running an e-business.

- Communication is faster and easier.
- Expanded marketing reach and capabilities.
- Extended operating hours (a website provides 24 hour 7 day information to existing and potential customers)
- Research provides access to more information
- Lowering transaction costs and boosting efficient payment methods, such as using online banking and decreasing stationery and postage expenses, to reduce the cost of conducting business.

- The potential for new business models to emerge, as well as the development of customised customer assistance.
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