

Ch 5 Emerging Modes of Business

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Multiple Choice Questions

Tick mark (✓) the most appropriate answer to the following questions

1. e-commerce does not include

- (a) A business's interaction 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.

► (c) Interactions among the various departments within the business

2. Outsourcing

- (a) restricts only to the contracting out of Information Technology.
- (b) restricts only to the contracting out of non-core business.
- (c) includes contracting out of manufacturing and R&D as service processes-both core and non-core-but restricts only to domestic territory
- (d) includes off-shoring.

► (b) restricts only to the contracting out of non-core business.

3. The payment mechanism typical to e-business

- (a) cash on delivery (CoD)
- (b) cheques

- (c) credit and debit cards
- (d) e-cash

▶ (d) e-cash

4. A call center handles

- (a) Only in-bound voice based business
- (b) Only out-based voice based business.
- (c) Both voice based and non-voice based business.
- (d) Both customer facing and back-end business.

▶ (c) Both voice based and non-voice based business.

5. It is not an application of e-business

- (a) Online bidding
- (b) Online procurement
- (c) Online trading
- (d) Contract R&D

▶ (d) Contract R&D

Short Answer Questions (50 Words)

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

Answer

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

→ The formation of e-business is easy while formation of traditional business is relatively difficult.

→ The startup and operating cost is low in e-business as assets are normally not purchased but business is done through network of relationships while in traditional business high expense incurred on startup and its operation.

→ Physical presence of seller or salesperson is not required in e-business while this is required in traditional business.

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

Answer

Outsourcing is become emerging mode of business as it allows a company to focus on its core functions while leaving less important activities to specialised agencies. This has made industries focus on research and development for the continuous innovation of sophisticated products, increasing their need to outsource less important functions. Research has led to the development of better products for consumers, along with round-the-clock customer care services.

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

Answer

The two applications of e-business are:

→ B2B: Business 2 Business commerce involves business transactions between business organizations. All business firms buy (or sell) raw materials, machines and other inputs and services to carry out their business processes. In doing so, firms have to maintain a good relationship with their distributors, suppliers and vendors. In this context, B2B e-commerce enables businesspersons to strengthen their communication and distribution networks, facilitating the smooth transfer of information, technological know-how and money.

→ B2C: Business-to-Customers involves transactions between a business firm and its customers. B2C e-commerce transactions not only include activities such as sale or purchase of goods and services but also other

marketing activities through the online mode. It basically involves pre-sale activities (such as promoting products through advertisements) and pre-sale services (such as providing product information and cash-on-delivery services) besides post-sale services (such as customer care services). E-commerce enables business firms to conduct these activities faster and at much lower costs.

4. What are the ethical concerns involved in outsourcing?

Answer

Outsourcing has also raised some ethical concerns. For reducing the overall cost of production, the industries of developed countries outsource their production activities to less developed and developing countries where labour is abundant and available at lower rates. The labour force in these countries are child or women and working conditions are unhygienic and even unsafe. The companies cannot do so in their developed home countries due to stringent laws forbidding use of child labour.

This raises the ethical concern whether this sort of cost cutting by using child labour justified. Similarly there is a concern over the ethical aspect of outsourcing the work to countries where gender based wage-discrimination is done and hence women are paid lower wages.

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

Answer

→ Data storage risk: Data stored in a system is subject to various kinds of risks, especially during business transactions. If data get into the

wrong hands, they may be used by individuals to fulfill their own purposes. In addition, because of malicious and pirated computer software, the data stored may get corrupted by virus attacks.

→ Transaction risk: Online transactions are highly prone to the following risks.

- Default on order taking or giving: Such a situation arises when either the seller denies that the buyer has placed an order, or the buyer denies that he or she has placed an order.
- Default on delivery: This refers to the situation where the wrong goods are delivered at the right place, or the right goods are delivered at the wrong place, or the goods are not delivered.
- Default on payment: This refers to the situation in which the seller does not receive payment, while the buyer claims that he or she has made payment.

Long Answer Questions

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

The rapid globalisation and continuous innovations of products made changes in the modes of business. e-business and outsourcing are latest trends and more likely to continue. Hence, these are referred to as the emerging modes of business.

The factors responsible for the growing importance of these trends are:

→ They speed up the business process: The demands of consumers are growing, and it has become necessary to facilitate trade from anywhere and also round the clock. E-business and outsourcing help speed up the process of buying and selling around the clock.

→ They facilitate innovation and technology development: To sustain in the market, every business needs to innovate and develop new ideas and products. In this scenario, e-business and outsourcing have emerged as a boon for producers as they facilitate continuous development of business strategies and new technologies.

→ They help make available quality products at lower costs: The demand for high quality and customized products has increased, and e-business and outsourcing play a major role in providing consumers with

the required products at a reasonable cost. By facilitating the production and supply of quality products, e-business and outsourcing help attain the objective of excellence.

→ They pave the way for effective post-sale services: It is important for any business to cater to the needs of its customers. E-business and outsourcing play an important role here by providing quick and effective post-sale services to customers.

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

Answer

The steps involved in on-line trading are:

→ Registration: Before online shopping, one has to register with the online vendor by filling-up a registration form. For doing so, the buyer is required to key in details such as his or her name, address, unique user name and secret password.

→ Placing an order: After opening an account, the buyer can start browsing through the products listed, go through other customers' reviews and compare products. The buyer may select various items according to his or her preferences and put them in a 'cart'. The buyer can place an order and proceed towards the payment window.

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

- Cash on delivery (CoD): Payment is made in cash at the time of delivery of a product.

- Cheque: the online: The vendor may arrange for the pickup of the cheque from the customer's end. Upon realisation, the delivery of goods may be made.
- Net banking: The user makes an electronic payment to the bank account of the online vendor through the Internet.
- Credit or debit card: The user can also use a credit or debit card to make an online payment. The payment so made is linked to the bank account of the user.
- Digital cash or e-cash: This type of currency has no physical existence. It is a system of purchasing cash in relatively small amounts and storing it in the computer system. The consumer can spend the cash when making electronic purchases over the Internet.

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

Answer

Outsourcing refers to the process of contracting out less important business activities to external agencies.

The need for outsourcing can be understood by:

→ Focusing of attention: Outsourcing allows a business enterprise to focus on the activities that are more important to it. This helps it to come up with more sophisticated and superior products, which builds goodwill for it in the market.

→ Quest for excellence: This enables the firms to pursue excellence by excelling themselves in the activities that they can do the best by virtue of limited focus and by extending their capabilities through contracting out the remaining activities to those who excel in performing them.

→ Cost reduction: This helps the firm in minimising their cost. This happens due to the economies of large scale accruing to the outsourcing partners as they deliver the same service to a number of organisations.

→ Growth through alliance: Investment requirements are reduced when some activities are outsourced. Outsourcing also facilitates inter organizational knowledge sharing and collaborative learning.

→ Fillip to economic development: It also stimulates entrepreneurship, employment and exports in the the countries from where outsourcing is done.

Limitations of outsourcing are:

→ Confidentiality: Outsourcing depends on sharing a lot of vital information and knowledge. If the

outsourcing partner does not preserve the confidentiality and passes it on to competitors, it can harm the interest of the party that outsources its processes.

→ Sweat-shopping: Outsourcing firms seek to lower their costs by utilizing the low-cost manpower of the host countries. Moreover, the work that is outsourced is not of the type which may build the competency and capability of the outsourcing partner.

→ Ethical concerns: In order to reduce the manufacturing costs manufacturing processes are being outsourced to developing countries where they use child labour/women in the factories and working conditions are unhygienic and even unsafe.

→ Resentment in the home countries: Global enterprises outsource their activities to firms located in countries where labour costs are much less. However, if the home countries of these enterprises are facing unemployment, then this may lead to resentment and disturbances.

4. Discuss the salient aspects of B2C commerce.

Answer

The 'B2C commerce' refers to the transactions between a business firm and its customers. The salient aspects of B2C commerce are:

→ It enables businesspersons to extend their trade to a large number of consumers by providing them online global access to their products.

→ It includes a wide gamut of marketing activities such as promotion and sometimes even delivery of products (e.g., music or e-books) that are carried out online at a much lower cost but high speed.

→ It has made possible for firms to manufacture the product according to the requirements of the customers and also to provide the convenience of delivery and payment to the customers.

→ It also enables a business to be in touch with its customers on round-the-clock basis. Companies can conduct online surveys to ascertain as to who is buying what and what the customer satisfaction level is.

→ Customers can also make use of call centres set up by companies to make toll free calls to make queries and lodge complaints round the clock at no extra cost to them.

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

The various limitations of electronic mode of business are:

→ Low personal touch: The e-business lacks personal touch compared to traditional business. Thus, it is relatively less suitable mode of business in respect of product categories requiring high personal touch such as garments etc.

→ Incongruence between order taking/giving and order fulfilment 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.

→ Need for technology capability and competence of parties to e-business: e-business requires basic knowledge of computers and Internet familiarity. This limits the use of e-business in few hands.

→ 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 and their location. Therefore, it is risky to transact through internet. e-business is riskier also in the sense that there are additional hazards of impersonation and leakage of confidential information such as credit card details.

→ 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.

→ Ethical Fallout: Companies use an 'electronic eye' to keep track of the computer files, e-mail account and the websites visited by their

employees or others who use their network systems which is not considered right on ethical grounds.

Despite the limitations, the scope of e-business remains wide, mainly owing to the continuous implementation of new technology and new updates that help in overcoming the limitations. Websites are becoming more and more interactive to overcome the problem of 'low touch.' Communication technology is continually evolving to increase the speed and quality of communication through internet. Efforts are on to overcome the digital divide, for example, by resorting to such strategies as setting up of community telecentres in villages and rural areas in India,