

# As per CBSE Revised Syllabus for 2021 Exam



## Unit 5

### Emerging Modes of Business

# Revised CBSE Syllabus for 2021 Examination

- e-business: concept, scope and benefits
  - Give the meaning of e-business.
  - Discuss the scope of e-business.
  - Appreciate the benefits of e-business
  - Distinguish e-business from traditional business.

# **e-Business: Concept, Scope and Benefits**

# Concept

**e-Business (electronic business) means conducting industry, trade and business using the computer networks, i.e. the internet.**



*e-Business*

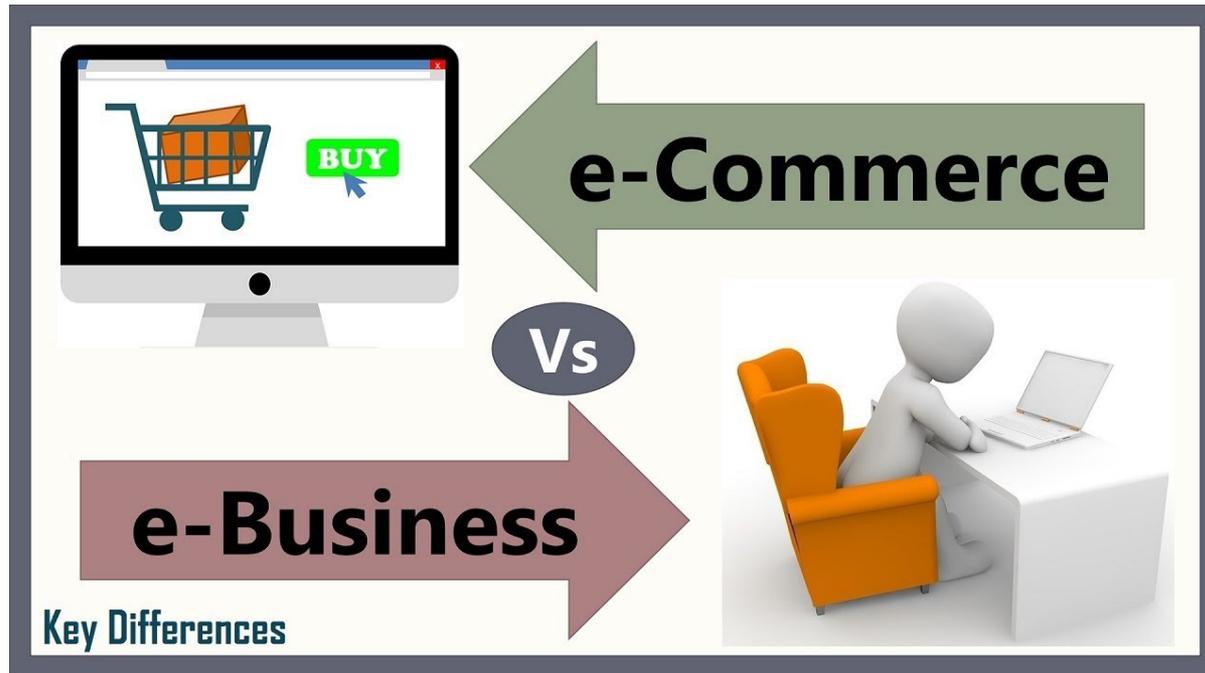
## **e-business versus e-commerce**

Though, many a times, the terms e-business and e-commerce are used interchangeably, yet more precise definitions would distinguish between the two. Just as the term 'business' is a broader term than 'commerce', e-business is a more elaborate term and comprises various business transactions and functions conducted electronically, including the more popular gamut of transactions called 'e-commerce.'

e-commerce covers a firm's interactions with its customers and suppliers over the internet. e-business includes not only e-commerce, but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance

and human resource management.

e-business is, therefore, clearly much more than buying and selling over the Internet, i.e., e-commerce.



# Scope of e-Business

The scope of e-business is quite vast. Almost all types of business functions such as production, finance, marketing and personnel administration as well as managerial activities like planning, organising and controlling can be carried out over computer networks.

The other way of looking at the scope of e-business is to examine it in terms of people or parties involved in electronic transactions. Viewed from this perspective, a firm's electronic transactions and networks can be visualised as extending into three directions viz.,

- B2B which is a firm's interactions with other businesses,

- B2C i.e., a firm's interactions with its customers and
- intra-B or a firm's internal processes.

A brief discussion of various constituents of e-business and inter and intra-transactions among them is given as below:

# B2B Commerce

Here, both the parties involved in e-commerce transactions are business firms, and, hence the name B2B, i.e., business-to-business.



## B2B Commerce

Creation of utilities or delivering value requires a business to interact with a number of other business firms which may be suppliers or vendors of diverse inputs; or else they may be a part of the channel through which a firm distributes its products to the consumers.

*For example,* the manufacture of an automobile requires assembly of a large number of components which in turn are being manufactured elsewhere — within the vicinity of the automobile factory or even overseas. To reduce dependence on a single supplier, the automobile factory has to cultivate more than one vendor for each of the components. A network of computers is used for placing orders, monitoring production and delivery of components, and making payments.

Likewise, a firm may strengthen and improve its distribution system by exercising a real time control over its stock-in-transit as well as that with different middlemen in different locations. For example, each consignment of goods from a warehouse and the stock

-at-hand can be monitored and replenishments and reinforcements can be set in motion as and when needed. Or else, a customer's specifications may be routed through the dealers to the factory and fed into the manufacturing system for customised production. Use of e-commerce expedites the movement of the information and documents; and of late, money transfers as well.

Historically, the term e-commerce originally meant facilitation of B2B transactions using Electronic Data Interchange (EDI) technology to send and receive commercial documents like purchase orders or invoices.

# B2C Commerce

**B2C (business-to-customers) transactions have business firms at one end and its customers on the other end.**



**B2C Commerce**

Although, what comes to one's mind instantaneously is online shopping, it must be appreciated that 'selling' is the outcome of the marketing process. And, marketing begins well before a product is offered for sale and continues

even after the product has been sold. B2C commerce, therefore, entails a wide gamut of marketing activities such as identifying activities, promotion and sometimes even delivery of products (e.g., music or films) that are carried out online. e-Commerce permits conduct of these activities at a much lower cost but high speed.

For example, ATM speeds up withdrawal of money. Customers these days are becoming very choosy and desire individual attention to be given to them. Not only do they require the product features to be tailormade to suit their requirements, but also the convenience of delivery and payment at their pleasure. With the onset of e-commerce, all this has become a reality.

Further, B2C variant of e-commerce 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.



### Note

Many consumer organisations are also working towards this direction and helping consumers in redressal of their grievances. For example, they provide legal assistance to consumers by way of providing aid, legal advice, etc. in seeking legal remedy. They may also file complaints in appropriate consumer courts on behalf of the consumers.

## **Intra-B Commerce**

**Here, parties involved in the electronic transactions are from within a given business firm, hence, the name intra-B commerce.** It is largely due to use of intra-B commerce that today it has become possible for the firms to go in for flexible manufacturing. Use of computer networks makes it possible for the marketing department to interact constantly with the production department and get the customised products made as per the requirements of the individual customer.

Closer computer-based interactions among the other departments makes it possible for the firm to reap advantages of efficient inventory and cash management,

greater utilisation of plant and machinery, effective handling of customers' orders, and effective human resource management.

Just as intercom facilitated voice communication within the office, intranet facilitates multimedia and even 3-D graphic communication among organisational units for well-informed decisions, permitting better coordination, faster decisions and speedier work flows.



## Note

A firm's interactions with its employees, sometimes referred to as **B2E commerce**. Companies are resorting to personnel recruitment, interviewing and selection, training, development and education via e-commerce ('e-learning'). Employees can use electronic catalogues and ordering forms and access inventory information for better interaction with the customers. They can send field reports via e-mail and the management can have them on real time basis. In fact, Virtual Private Network (VPN) technology would mean that employees do not have to come to office. Instead, in a way the office goes to them and they can work from wherever they are, and at their own speed and time convenience. Meetings can be held online via tele/video conferencing.

# C2C Commerce

Here, the business originates from the consumer and the ultimate destination is also consumers, thus the name C2C commerce. This type of commerce is best suited for dealing in goods for which there is no established market mechanism, for example, selling used books or clothes either on cash or barter basis. The vast space of the internet allows persons to globally search for potential buyers.



**C2C Commerce**

An excellent example of this is found at e-Bay where consumers sell their goods and services to other consumers. Firstly, e-Bay allows all the sellers and buyers to rate one another. In this manner, future prospective purchasers may see that a particular seller has sold to more than 2,000 customers — all of whom rate the seller as excellent. In another example, a prospective purchaser may see a seller who has previously sold only four times and all four rate the seller poorly. This type of information is helpful.

Another technology that has emerged to support C2C activities is that of the payment intermediary. Pay Pal is a good example of this kind. Instead of purchasing items directly from an unknown, untrusted seller; the

buyer can instead send the money to Pay Pal. From there, Pay Pal notifies the seller that they will hold the money for them until the goods have been shipped and accepted by the buyer.

An important C2C area of interactive commerce can be the formation of consumers' forum and pressure groups (e.g. Yahoo groups). Like a vehicle owner in a traffic jam can alert others via message on radio (FM) about the traffic situation of the area he is stuck in; an aggrieved customer can share his experience with a product/service/ vendor and warn others by writing just a message and making it known to the entire group.

## Extra Shots

### **Some e-Business Applications**

**e-Procurement:** It involves internet-based sales transactions between business firms, including both, "reverse auctions" that facilitate online trade between a single business purchaser and many sellers, and, digital marketplaces that facilitate online trading between multiple buyers and sellers.

**e-Bidding/e-Auction:** Most shopping sites have 'Quote your price' whereby you can bid for the goods and services (such as airline tickets!). It also includes e-tendering whereby one may submit tender quotations online.

**e-Communication/e-Promotion:** Right from e-mail, it includes publication of online catalogues displaying images of goods, advertisement through banners, pop-ups, opinion poles and customer surveys, etc. Meetings and conferences may be held by the means of video conferencing.

**e-Delivery:** It includes electronic delivery of computer software, photographs, videos, books (e-books) and journals (ejournals) and other multimedia content to the user's computer. It also includes rendering of legal, accounting, medical, and other consulting services electronically. In fact, internet provides the firms with the opportunities for outsourcing of a host of Information Technology Enabled Services (ITES) that we will be discussing under business process outsourcing. Now, you can even print the airlines and railway tickets at home!

**e-Trading:** It involves securities trading, that is online buying and selling of shares and other financial instruments. For example, [sharekhan.com](http://sharekhan.com) is India's largest online trading firm.

# Benefits of e-Business



# **1. Ease of formation and lower investment requirements**

Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start. Business firms can get quick order supplies from the vendors. They need not maintain huge stocks and block up their capital.

## 2. Convenience

Internet offers the convenience of '24 hours a day × 7 days a week × 365 days' a year business that allows a customer to go for shopping well after midnight. e-business offers the advantage of accessing anything, anywhere, anytime.

### 3. Speed

Much of the buying or selling involves exchange of information that internet allows at the click of a mouse. This benefit becomes all the more attractive in the case of information-intensive products such as softwares, movies, music, e-books and journals that can even be delivered online. Cycle time, i.e., the time taken to complete a cycle from the origin of demand to its fulfilment, is substantially reduced due to transformation of the business processes from being sequential to becoming parallel or simultaneous.

#### **4. Global reach/access**

Internet is truly without boundaries. e-business enables business firms to reach out to customers all over the world who have access to internet. Similarly, buyers have wider choice because the whole world has become a shop for them. They have complete freedom to choose products from almost any part of the world.

## **5. Movement towards a paperless society**

Use of internet has considerably reduced dependence on paperwork and the attendant 'red tape.' Maruti Udyog does bulk of its sourcing of supplies of materials and components in a paper less fashion. Even the government departments and regulatory authorities are increasingly moving in this direction whereby they allow electronic filing of returns and reports. In fact, e-commerce tools are effecting the administrative reforms aimed at speeding up the process of granting permissions, approvals and licences. In this respect, the provisions of Information Technology Act 2000 are quite noteworthy.

# Difference between Traditional Business and e-Business

BASIS	TRADITIONAL BUSINESS	e-BUSINESS
1. Ease of formation	Difficult	Simple
2. Physical presence	Required	Not required
3. Locational requirements	Proximity to the source of raw materials or the market for the products	None
4. Cost of setting up	High	Low as no requirement of physical facilities
5. Operating cost	High due to fixed charges associated with investment in procurement and storage, production, marketing and distribution facilities	Low as a result of reliance on network of relationships rather than ownership of resources

<b>6. Nature of contact with the suppliers and customers</b>	Indirect through intermediaries	Direct
<b>7. Nature of internal communication</b>	Hierarchical—from top level management to middle level management to lower level management to operatives	Non-hierarchical, allowing direct vertical, horizontal and diagonal communication
<b>8. Response time for meeting customers'/ internal requirements</b>	Long	Instantaneous
<b>9. Shape of the organisational structure</b>	Vertical/tall, due to hierarchy or chain of command	Horizontal/flat due to directness of command and communication

<b>10. Business processes and length of the cycle</b>	Sequential precedence succession relationship, i.e., purchase, production/operation, marketing, sales. The business process cycle is, therefore, longer	Simultaneous (concurrency) different processes. Business process cycle is, therefore, shorter
<b>11. Opportunity for physical pre-sampling of the products</b>	Much more	Less. However, for digitable products such an opportunity is tremendous. You can pre-sample music, books, journals software, videos, etc.
<b>12. Opportunity for interpersonal touch</b>	Much more	Less
<b>13. Ease of going global</b>	Less	Much, as cyber space is truly without boundaries

<b>14. Government patronage</b>	Shrinking	Much, as IT sector is among the topmost priorities of the government
<b>15. Nature of human capital</b>	Semi-skilled and even unskilled manpower needed	Technically and professionally qualified personnel needed
<b>16. Transaction risk</b>	Low, due to arm's length transactions and face-to-face contact	High due to the distance and anonymity of the parties

# Objective Type Questions

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## Question 1

e-commerce does not include:

*(Choose the correct alternative)*

- (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 1

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



## Question 2

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A Call Centre handles

*(Choose the correct alternative)*

- (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 2

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



## Question 3

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It is not an application of e-business:

*(Choose the correct alternative)*

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



# Answer 3

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(d) Contract R&D



## Question 4

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Use of ATM to withdraw money is an example of:

*(Choose the correct alternative)*

- (a) B2B commerce
- (b) B2C commerce
- (c) C2C commerce
- (d) C2B commerce



# Answer 4

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(b) B2C commerce



## Question 5

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Formation of consumers' forum and pressure groups (e.g., Yahoo group) is an example of:

*(Choose the correct alternative)*

- (a) B2B commerce
- (b) B2C commerce
- (c) C2C commerce
- (d) C2B commerce



# Answer 5

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(c) C2C commerce



## Question 6

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This is not a benefit of e-Business:

*(Choose the correct alternative)*

- (a) Convenience
- (b) Low personal touch
- (c) Global reach
- (d) Customer satisfaction



# Answer 6

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(b) Low personal touch



# Question 7

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Match the columns:

Column I	Column II
(i) Withdrawal of money from ATM.	(a) B2B commerce
(ii) Employees send their daily report through e-mail.	(b) C2C commerce
(iii) Sale of used books through eBay.com.	(c) Intra-B commerce
(iv) Purchase of security lock system by Hyundai from Autocops.	(d) B2C commerce

# Answer 7

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(i) - (d), (ii) - (c), (iii) - (b), (iv) - (a)



## Question 8

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e-Business only includes buying and selling products and services over the internet.

*True/False? Give reason.*



## Answer 8

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**False:** e-Business includes not only buying and selling products and services over the internet (i.e., e-commerce) but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance and HRM.



## Question 9

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Intra-B commerce involves a firm's interactions with its employees.

*True/False? Give reason.*



## Answer 9

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**False:** In Intra-B commerce, parties involved are from within a given business firm, e.g., interaction between production department and marketing department.



## Question 10

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C2C commerce is best suited for dealing in goods for which there is no established market.

*True/False? Give reason.*



## Answer 10

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**True:** For example, C2C commerce can be used to sell used books over the internet.



## Question 11

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e-Business provides customers' wider choice.

*True/False? Give reason.*



## Answer 11

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**True:** Because of internet (e-Business), the whole world has become a shop for the customers. They have complete freedom to choose products from almost any part of the world.



## Question 12

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By what name digitisation of business is known?



# Answer 12

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e-Business



## Question 13

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What is the relationship between e-business and e-commerce?



## Answer 13

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e-Business includes not only e-commerce, but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance and human resource management.



# Case Studies

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## Question 1

Home Foods Pvt. Ltd. deals in grocery items of daily domestic usage. Its business is spread throughout Delhi. The company's 20 stores are providing their services to the residents of Delhi. All the business activities of this company are done through internet. Its main activities are obtaining information about goods, receiving orders of goods, making payments, receiving payments, inventory management, product development, etc. The use of internet in the business activities has resulted into

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reduced costs of business transactions. The customer also can shop sitting at home or office. They can access the internet to buy goods and services. The use of internet has considerably reduced dependance on paper work for the company.

- (a) Which system of business is being followed by Home Foods Pvt. Ltd.?
- (b) State any three benefits of the system of business identified in (a) by quoting the lines from the above para.

(4 marks)

# Answer 1

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(a) The company is following e-Business since it conducts all business activities using the computer networks, i.e., through internet.

(b) Benefits of e-Business:

(i) Reduced costs

*“The use of internet in the business activities has resulted into reduced costs of business transactions.”*

e-Business can help reduce advertising cost, exchange of information cost, delivery cost, etc.

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(ii) Customer convenience and satisfaction

*“The customer also can shop sitting at home or office. They can access the internet to buy goods and services.”*

Customers need not stand in a queue to talk to salesman or to read catalogue and price-lists. They can access the internet to buy goods and services. Payments can also be made online. e-Business allows quick response and redressal to customer complaints. This helps to increase customer satisfaction.

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(iii) Movement towards a paperless society

*“The use of internet has considerably reduced dependence on paper work for the company.”*

Even the government departments and taxation authorities are increasingly following electronic filing of returns and reports.

## Question 2

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Unique enterprise is dealing in auto spare parts. With the expansion in business the enterprise found that the decisions are delayed and level of coordination is coming down. The CEO of the company called for a meeting of all the managers. Ayush, a newly appointed manager suggested that company should have its own internet so that all the employees can interact and pass important information to each other through internet. Even short meeting of different departments can be conducted through Video conferencing to take fast action. The CEO liked the idea and installed an internet connection for

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connecting all the employees on line.

Which type of e-commerce is suggested by Mr Ayush?  
Explain.

(3 marks)



## Answer 2

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### **Intra-B Commerce**

Here, parties involved in the electronic transactions are from within a given business firm; hence, the name intra-B commerce.

Intra-B commerce makes it possible for the marketing department to interact constantly with the production department to get information about customer requirements.

Intra-B commerce makes it possible for the firm to reap advantages of efficient inventory and cash management,

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greater utilisation of plant and machinery, effective handling of customers' orders and effective human resource management.



## Question 3

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Mr. Mohan wants to buy a new sofa set for his house, but he did not have enough space to keep it. He planned to sell the old sofa through OLX, so that he could get some surplus money and space for new sofa set. He got a very good response and out of many buyers, he chose the buyer who gave him the best price.

Identify and explain the type of e-commerce referred to in the above case.

(3 marks)



# Answer 3

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## **C2C Commerce**

Here, the business originates from the consumer and the ultimate destination is also consumer.

This type of commerce is best suited for dealing in goods for which there is no established market, e.g., selling used books over the internet.

Another important C2C area of application is the formation of consumers' forum and pressure groups (e.g., Yahoo groups). An aggrieved customer can share his experience with a product/service/vendor and warn others by just writing a message.