

BUSINESS STUDIES

Chapter 5: INTRODUCTION MODES OF BUSINESS



Important Questions

Multiple Choice Questions-

Question 1. Selling electronic goods through Flipkart or eBay.com is a _____ type of e-business transaction.

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

Question 2. B2C variant of e-commerce enables a business to be in touch with its _____

- (a) Managers
- (b) Customers
- (c) Creditors
- (d) Employees

Question 3. Question Expand VPN

- (a) Virtual Public Network
- (b) Virtual Popular Network
- (c) Virtual Private Network
- (d) Virtual Personal Network

Question 4. The use of EDI (Electronic Data Interchange) technology to send and receive commercial documents like purchase order etc is an example of

- (a) B2B
- (b) C2C
- (c) B2C
- (d) Intra B

Question 5. _____ refers to contracting out some of its activities to a third party which was earlier performed by the organisation.

- (a) Outsourcing
- (b) BPO
- (c) E-Commerce

(d) E-Banking

Question 6. Factoring is _____ type of outsourcing service.

(a) Financing

(b) Advertising

(c) Courier service

(d) Customer support

Question 7. Both Sellers and buyers are business firms, under _____ type of e-commerce transaction.

(a) B2C Commerce

(b) C2B Commerce

(c) C2C Commerce

(d) B2B Commerce

Question 8. Which one of the following is NOT an example of transactional risk?

(a) Hacking

(b) Default on order taking

(c) Default on payment

(d) Default on delivery

Question 9. The annoyance in terms of some onscreen display

(a) Firms interaction with its customers

(b) Firms interaction with other business firms

(c) Firms interaction with its own departments

(d) None of the above

Question 10. An important C2C area of interactive commerce can be the formation of _____

(a) Consumers forum and pressure group

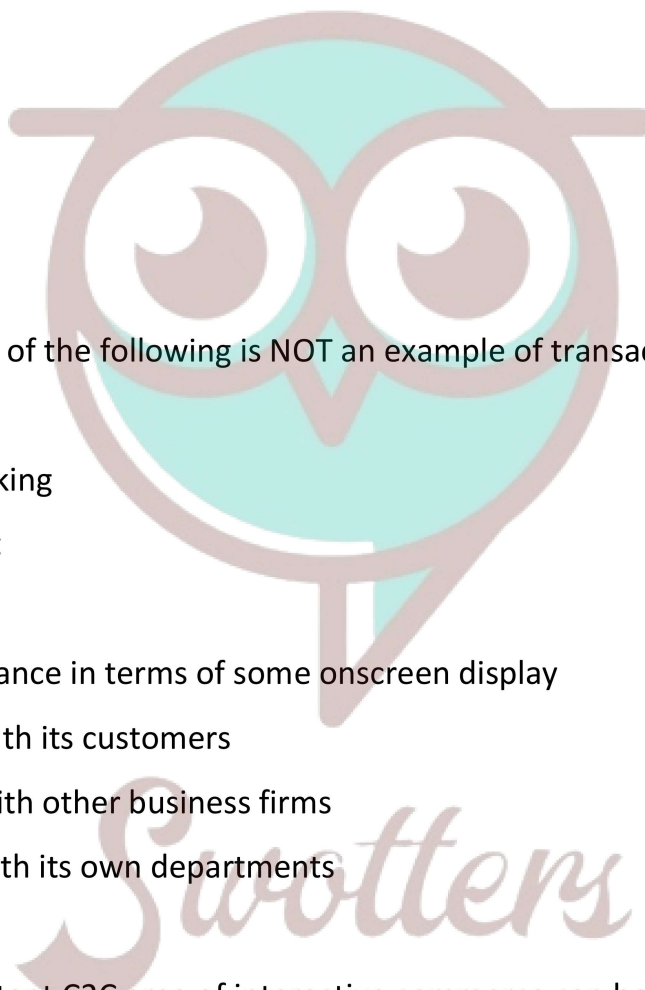
(b) B2B Commerce

(c) Banking

(d) Insurance

Question 11. Which of the following is a limitation of e-business?

(a) Ethical fallouts



- (b) Risk
- (c) Low personal touch
- (d) All of the above

Question 12. It is not an application of e-business

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

Question 13. Formation of Consumers Forum and Pressure groups is an example of

- (a) C2C
- (b) B2B
- (c) B2C
- (d) Intra B

Question 14. Principle types of outsourcing services are:

- (a) Courier service
- (b) Advertising
- (c) Financing
- (d) All of the above

Question 15. ____ transactions have business firms at one end and its customers on the other end.

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

Very Short-

Question 1 What is 'e' in e-business?

Question 2 Define e-commerce.

Question 3 What is Intra B Commerce?

Question 4 State a significant feature of outsourcing.

Question 5 What is the scope of the business based on the business function?

Question 6 What is the scope of the business based on the parties involved in the electronic transaction?

Question 7 Expand B2B Commerce.

Question 8 Expand B2C Commerce.

Question 9 Expand C2C Commerce.

Question 10 What is Traditional Business?

Short Questions –

1. What is 'e' commerce?
2. Jyoti wanted to sell her mobile phone but did not get any buyer. On her friend's suggestion she posted the mobile on sale on www.olx.com and found a buyer within two days. Name the type of e-business.
3. Ram stays in a hostel in the USA and his parents stay in Mumbai. Ram's birthday is in five days and his parents wish to give him a pair of branded shoes. How can they give gifts?
4. What do you mean by Intra-B Commerce?
5. Briefly state the scope of e-business on the basis of business function?
6. Distinguish between e-commerce and e-business.
7. Explain briefly points in opposition with outsourcing?

OR

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

8. State three benefits of e-business?
9. State three limitations of e-business?
10. In detail explain the features of outsourcing?

Long Questions –

1. Elaborate the steps involved in online trading.
2. Explain Nature and the need for outsourcing services.
3. www.oLX.in, www.quicker.com etc are examples of websites used to conduct business. Dipti's sofa set got spoiled in the rain. Her friend suggested that she should change the fabric so that it looks new and put it for sale on www.olx.com Dipti followed her friend's advice and got her sofa repaired so that it looks better and uploaded nicely clicked pictures on www.olx.com in without disclosing the fact that it was damaged from inside. She found a customer and sold it for Rs.9,000. After one week the buyer found the real state of the sofa set and called Dipti but she did not answer any of the calls.

(i) Name the type of business in the above case.

(ii) Which values did Dipti ignore while selling her sofa set?

- (iii) Explain two advantages and disadvantages of e-commerce
- 4. Explain briefly the benefits of e-business.
- 5. Difference Between e-Business and Traditional Business.
- 6. Explain risks involved in e-business in detail?

Case Study Questions-

1. Direction: Read the following text and answer the questions that follow:

Mr. Mehra is working at the post of General Manager in AU Small Finance Rajasthan. He is transferred to Hyderabad. So he sold his old sofa, and bed through OLX. In Hyderabad, he bought a new sofa and small bed of his choice according to the space of the room placing online order to Godrej Furniture. On receiving the delivery of the items, he found colour defect in the sofa so he filed an online complaint with customer care cell of Godrej Furniture. The head of customer grievances cell forwarded this complaint mail to the Marketing manager and Production manager for further action. In enquiry, it was found that M/s Touchwood Furniture Dealers, distributor of Godrej Furniture in Hyderabad made the 'default on delivery' while taking online order from Godrej Furniture for making delivery to its online customers.

(i) 'So he sold his old sofa, and bed through OLX.'

Identify in the type of e-business model involved in the transaction mentioned here.

- a) Business to Customer
- b) Business to Business
- c) Customer to Customer
- d) Customer to Business

(ii) "M/s Touchwood Furniture Dealers, distributor of Godrej Furniture in Hyderabad made the 'default on delivery' while taking online order from Godrej furniture for making delivery to its online customers."

Identify the limitation of e-business stated here.

- a) Lack of personal touch
- b) Time-consuming
- c) Risk arising due to anonymity and no traceability of parties
- d) Fraudulent trading

(iii) '...he found colour defect in the sofa so he filed an online complaint with customer care cell of Godrej furniture.'

Identify the type of e-business model involved in transaction mentioned here.

- a) Business to Customer
- b) Business to Business
- c) Customer to Customer

d) Customer to Business

(iv) "The head of customer grievances cell forwarded this complaint mail to the Marketing manager and Production manager for further action."

Identify the scope of e-business mentioned in this case.

- a) Customer to Customer
- b) Business to Business
- c) Intra B
- d) Customer to Business

2. Direction: Read the following text and answer the questions that follow:

Utsav Sharma, an entrepreneur is planning to enter into a new business of manufacturing laptop bags with an inbuilt lock facility and solar charger. Being highly complex and tedious, its manufacturing operations need to be well planned. He decides that the complete bag will be manufactured at his own factory but its advertisement campaign can be given to Vigyapan Agency so that he can focus on key functions.

(i) Identify the mode of business followed by Utsav to focus on key functions of business.

- a) Outsourcing
- b) e-business
- c) Agency
- d) Joint venture

(ii) Outsourcing of advertising services will come under the scope of _____.

- a) BPO
- b) KPO
- c) Both BPO and KPO
- d) Horizontal service provider

(iii) Vigyapan Agency is a:

- a) Captive service provider
- b) Vertical service provider
- c) Horizontal service provider
- d) All of the above

(iv) Which one of the following is not the need of outsourcing?

- a) Focusing of attention
- b) Quest for excellence
- c) Cost reduction
- d) Sharing of trade secrets

MCQ Answers-

1. Answer: (b) C2C Activities
2. Answer: (b) Customers
3. Answer: (c) Virtual Private Network
4. Answer: (a) B2B
5. Answer: (a) Outsourcing
6. Answer: (a) Financing
7. Answer: (d) B2B Commerce
8. Answer: (a) Hacking
9. Answer: (a) Firms interaction with its customers
10. Answer: (a) Consumers forum and pressure group
11. Answer: (d) All of the above
12. Answer: (d) Contract R&D
13. Answer: (a) C2C
14. Answer: (d) All of the above
15. Answer: (c) B2C Commerce

Very Short Answer-

1. Answer: 'e' stands for electronic in e-business.
2. Answer: E-commerce, also called as electronic commerce or internet commerce, refers to the purchasing and selling of commodities or services utilising the internet and the transfer of money and data to perform these transactions.
3. Answer: Intra B Commerce refers to transactions between the people who are a part of one enterprise only. This is broadly due to Intra B Commerce has become feasible for the firms to get into the flexible production of goods.
4. Answer: An important feature of outsourcing is:
The activities that are not indistinctive can be certainly outsourced; however, distinct pursuits cannot be outsourced
5. Answer: The scope of business based on the basis of function are – finance, marketing, manufacturing and personnel management as well as the managerial pursuits like – organising, planning, controlling.
6. Answer: Scope of the business based on the parties involved in the electronic transaction are B2B which is an enterprise's interactions with other businesses, B2C, i.e., an enterprise's interactions with its customers and Intra-B or a firm's internal processes.

7. Answer: B2B Commerce – Business to Business Commerce
8. Answer: B2C Commerce – Business to Consumers Commerce
9. Answer: C2C Commerce – Consumers to Consumers Commerce
10. Answer: Traditional business is a local shop which gives its services or goods to its local consumers. It is a set-up where consumers will have to visit the shop physically to purchase the goods.

Short Answers –

1. Ans: E-commerce refers to a company's online interactions with its customers and suppliers. Other electronically conducted company tasks such as production, inventory management, product development, accounting, finance, and human resource management are included in e-business.

E-commerce (electronic commerce) refers to the purchasing and selling of goods and services, as well as the transmission of payments and data, over an electronic network, most commonly the internet. Business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer, and consumer-to-business transactions are all a part of e-commerce. Examples of E-commerce are Amazon, Flipkart etc.

E-business is a more comprehensive phrase that encompasses a wide range of electronic business transactions and services, including 'e-commerce' operations.

2. Ans: It is a form of C2C commerce. Consumers are the source of the business, and consumers are the ultimate destination. This form of business is best for dealing with items for which no recognized market mechanism exists.

For example eBay, Quikr, etc where consumers sell their goods and services to other consumers are a form of C2C. The payment intermediary is another technology that has arisen to facilitate C2C activity.

3. Ans: They can use E-commerce for this situation. Companies like Amazon, Flipkart are examples of B2C type of E-commerce.

In the above case, Ram's parents can order the shoes for him, and in the address column, they can fill in the details of Ram's USA address. For payment, Ecommerce sites provide various payment options such as online payment, cash on delivery etc. So in this case, as the shoes are a gift from Ram's parents to him, they can make the online payment, and add Ram's address in the address column. E-commerce websites provide diverse varieties of goods, and ordering from them is much faster, convenient and easier as against traditional methods of buying.

Though his parents could also courier the gift, but due to time limitations, practicing this option is not possible.

4. Ans: Intra-B Commerce refers to the type of e-commerce, where parties involved in the electronic transactions are from within a given business firm. It is partly owing to the usage of intra-B commerce that today's businesses are able to engage in flexible manufacturing. The use of computer networks allows the marketing department to communicate with the

production department on a continuous basis, allowing for the creation of personalized products according to the needs of each unique customer.

For example Virtual Private Network (VPN) technology would mean that employees do not have to come to the office. Instead, the office comes to them, and they can work from anywhere they want, at their own pace and on their own schedule. Meetings can be held online via tele/ video conferencing.

5. Ans: E-business has a wide scope.

Scope on the basis of business Function:

In this, the scope includes the electronic execution of the following activities, but is not only limited to:

- Management Functions such as
 - Planning,
 - Organizing,
 - Staffing,
 - Directing
 - Controlling
- Production,
- Marketing and Sales,
- Inventory Management,
- Product Development,
- Human Resource Management,
- Accounting And Finance,
- Procurement,
- Research And Development,
- Customer Relationship Management,
- Business Intelligence.
- Information System
- Training And Development

6. Ans: The Differences between E-business and E-commerce are:

Basis	E-business	E-commerce
Meaning	E-Business is described as the use of computer networks to	E-commerce refers to a company's online interactions

	conduct business, trade, and commerce.	with its customers and suppliers.
Scope	E-business is a more comprehensive phrase that encompasses a wide range of electronic business transactions and services, including the more well-known 'e-commerce' operations.	E-business encompasses not just e-commerce, but also production, inventory management, product creation, accounting and finance, and human resource management.
Concept	It is a superset of ecommerce.	It is a subset of e-business.
Type of transactions	Business transactions take place under this.	Commercial transactions take place under this.
Use of Internet	Internet, intranet, extranet, all are used.	It involves compulsory use of the internet.

7. Ans: The limitations of outsourcing are given below:

(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 competitive firms getting started.

(b) Sweat shopping:

- in order to save money the outsourcing companies seek help of low cost, low quality manpower in order to reap the maximum benefits.
- Hence instead of developing thinking skills to perform a work on its own, the firm prefers the doing skills, that is making the other firm do the task for them.

(c) Ethical concerns:

- In order to cut the cost of outsourcing the work to some other country where the work is done in an unethical way.
- For example work is accomplished by doing child labor.

(d) Resentment in the home countries:

- Employment or jobs are ultimately contracted out when manufacturing, marketing, research and development, or IT-based services are contracted out.
- This may cause resentment back in the home country if the home country suffers from the problem of unemployment.

8. Ans: The three benefits of e-business are as follows:

- No geographical boundaries: Anyone, from anywhere, can order anything at any time. On the one hand, it allows the seller access to the global market, while on the other hand, it gives the buyer the option to select products from virtually any area of the globe.
- Flexible Business Hours: Because the internet is constantly available, you may set your own business hours. The time limitations that location-based firms face are broken down by e-business.
- Speed And Efficiency: Online ordering systems can process payments and orders in real-time, usually faster, more accurately and cheaper than human workers.

9. Ans: The three limitations of e-business are:

(a) Online security concerns: Many scammers prey on those who conduct business online. Additionally, hackers have an easier time obtaining someone's financial information. It has a few concerns with security and integrity. This creates skepticism among potential clients.

(b) Product delivery time: Product delivery takes time. This lag time often discourages customers. Though efforts are made by the companies to lessen the delivery time. For example, Amazon now assures one-day delivery.

(c) Lack of Personal Touch: As a person cannot touch or feel the product, there are always doubts regarding the quality, size, design, etc. Hence, the sense of humanity and trustworthiness is absent from an e-business paradigm.

10. Ans: Features of Outsourcing are:

Interchangeable Activities: Common or undifferentiated activities can be outsourced whereas unique and distinct activities cannot be outsourced as it needs personal efforts and touch of the management.

Explicit, formal, and codifiable knowledge is required: Although an IT programmer's job can be outsourced, a CEO's position requires management, technical, and human relations skills.

Measurable Activity: You can't outsource something you can't quantify.

Activity is not interconnected to other jobs: A fungible, specialized, and measurable job may not be outsourced if it is linked to other key operations within the company.

Long Answers -

1. Ans: The process of online trading is explained below:

Step 1 - Registration:

- When you register with an online retailer, you create an 'account.'
- A "password" must be entered among the numerous details since the areas relating to one'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 one 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:

Online purchases can be made in a variety of ways.

- Cash-on Delivery: Payment for the goods ordered online may be made in cash at the time of physical delivery of goods.
- Cheque: The online vendor may arrange for the customer's cheque to be picked up. The delivery of products may be undertaken after realization of the amount paid.
- Net-banking Transfer: The funds can be transferred electronically through facilities such as NEFT, RTGS etc.
- Credit or Debit Cards: Credit cards allow its holder to make 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 utilize real money in an electronic format, such as through e-wallets or PayTm.

2. Ans: The nature of outsourcing is:

- Activities that are interchangeable or fungible: They can be outsourced, whereas activities that are unique cannot be outsourced.
- Explicit, formal, and codifiable knowledge is required: Although an IT programmer's job can be outsourced, a CEO's position requires management, technical, and human relations skills.
- Measurable Activity: You can't outsource something you can't quantify.
- Activity is not interconnected to other jobs: If a fungible, specialized, and measurable position is linked to other key operations within the organization, it cannot be outsourced.

Need for outsourcing:

(a) Delimiting the scope of business:

- Business firms are realizing 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.
- Delimiting the scope of business enables them to focus their attention and resources on select activities for better 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.

(e) Economic development:

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

3. Ans: (i) C2C business.

(ii) Dipti gave false information about the product. Due to a lack of personal touch, one cannot feel the product before buying. Hence values of honesty and transparency was ignored by Dipti.

(iii) The advantages and disadvantages are :

Advantages of e-commerce

- **No geographical boundaries:** Anyone, at any moment, can order anything from anywhere. On the one hand, it provides access to the worldwide market for the seller, while on the other side, it allows the buyer to select products from nearly any area of the globe.
- **Workable business hours:** Since the internet is always available. E-business eliminates the time constraints that local enterprises face.

Disadvantages of e-commerce

- **Online security concerns:** There are many scammers who prey on those who conduct business online. Additionally, hackers have an easier time obtaining a person's financial information. It has a few concerns with security and integrity. This instills skepticism in the minds of certain potential clients.

- **Product delivery time:** Product delivery takes time. This lag time often discourages customers. On the other hand, businesses are attempting to address these difficulties by offering extremely short delivery times.

4. Ans: The benefits of e-business are:

- **Easy to set up:** We can set up an online business even by sitting at home if we have the required software, a device, and the internet.
- **Cheaper than traditional business:** It is less expensive to start an e-company than it is to start a traditional firm. Furthermore, transaction expenses are significantly reduced.
- **There are no geographical limitations:** Anyone can order anything from anywhere at any time. On the one hand, it provides access to the worldwide market for the seller, while on the other side, it allows the buyer to select products from nearly any area of the globe.
- **Workable business hours:** Since the internet is always available. E-business eliminates the time constraints that local enterprises face.
- **Speed and Efficiency:** Online ordering systems can process payments and orders in real-time, usually faster, more accurately, and cheaper than human workers.
- **Transition to a paperless society:** The internet has significantly reduced reliance on paperwork. Administrative reforms aimed at speeding up the process of giving permissions, approvals, and licenses are being implemented using e-commerce platforms.

5. Ans: The differences Between e-Business and Traditional Business:

Basis	Traditional Business	E-Business
Ease of formation	Difficult	Simple
Physical presence	Required	Not required
Location requirements	Proximity to a raw material source or a market for the products.	None
Cost of setting up	High	Low as no requirement of physical facilities.

Operating cost	Fixed costs connected with procurement, storage, production, marketing, and distribution facilities are high.	Low because of reliance on a network of relationships rather than resource ownership.
Nature of contact with suppliers and the customers	Indirect through intermediaries.	Direct
Nature of internal communication	Hierarchical; From top level Management to middle level Management to lower level Management to operatives	Non-hierarchical, Allowing direct vertical, horizontal and diagnostic communication.
Response time for meeting customers/internal requirement	Long	Instantaneous
Shape of organizational structure	Vertical/tall due to hierarchy or chain of command	Because of the directness of the order and communication, it is horizontal/flat.
Business processes and length of the cycle	Sequential precedence succession Relationship i.e. Purchase-production/operation-marketing- sales. The, business processes cycle is therefore, longer	Simultaneous (concurrency) different processes. Business cycle is therefore shorter.
Opportunity for interpersonal touch	Much more	Less
Opportunity for physical pre- sampling of the product	Much more	Less

Ease of going global	Less	Much cyberspace is truly without boundaries
Government patronage	Shrinking	Much as IT Sector is among the top most priorities of the government
Nature of human capital	Semi skilled and even unskilled manpower needed	Technically and professionally qualified personnel needed
Transaction risk	Low due to arm's length transaction and face-to-face contact	High due to distance and and anonymity of the parties

6. Ans: There are various types of risks involved in e-business:

A. Transaction Risks:

- Either the seller or the buyer refuses to have taken or placed the order. This is also known as 'default on order taking/giving.'
- It is possible that the planned delivery does not occur, that items are delivered to the incorrect address, or that goods other than those requested are delivered. This could be referred to as "default on delivery."
- The seller does not get payment for the items provided, despite the fact that the consumer states that payment was made. This may be referred to as 'default on payment'.
- As a result, in e-business, the seller or the buyer may be exposed to risk as a result of order taking/giving failure.

B. Data storage and transmission risks:

- Data in the systems and on the way is vulnerable to a variety of threats. For nefarious motives or simply for fun/adventure, important data may be stolen or manipulated.
- Antivirus software installed and updated on a regular basis, scans files and discs, and proves helpful in protecting data files, folders, and systems against virus attacks.
- During transmission, data could be intercepted. For this, one may use cryptography. Data in the systems and on the way is vulnerable to a variety of threats.
- For nefarious motives or simply for fun/adventure, important data may be stolen or manipulated. The communication can only be deciphered (or decrypted) into 'plaintext' by those who have a secret key.

C. Risks of Threats to intellectual property and privacy include:

- Once the material is available on the internet, it is no longer considered private. It got more difficult to protect it from being copied after that.
- Data provided during online transactions may be shared with others, who may begin flooding one's inbox with advertising and promotional materials.

Case Study Answers-

1.

(i) c) Customer to Customer

Solution: Customer to customer (C2C) is a business model that enables customers to trade with each other, frequently in an online environment. C2C businesses are a type of business model that emerged with e-commerce technology and the sharing economy.

In the transaction mentioned here, a customer to customer e-business model is shown.

(ii) c) Risk arising due to anonymity and no traceability of parties

Solution: Risk arising due to anonymity and no traceability of parties.

(iii) d) Customer to Business

Solution: Consumer-to-business (C2B) is a business model in which consumers (individuals) create value and businesses consume that value. In the above transaction, this type of e-business is shown.

(iv) c) Intra B

Solution: Intra B- this refers to transactions between the parties or persons who are the part of one firm only.

2.

(i) a) Outsourcing

Solution:

Outsourcing is the business practice of hiring a party outside a company to perform services or create goods that were traditionally performed in-house by the company's own employees and staff. Outsourcing is a practice usually undertaken by companies as a cost-cutting measure.

(ii) a) BPO

Solution:

Outsourcing of advertising services will come under the scope of BPO. Business process outsourcing (BPO) is a business practice in which an organization contracts with an external service provider to perform an essential business task. Processes that are performed the same or similarly from company to company, such as payroll or accounting, are candidates for BPO.

(iii) c) Horizontal service provider

Solution: Vigyapan Agency is a Horizontal service provider.

(iv) d) Sharing of trade secrets

Solution: Outsourcing is the business practice of hiring a party outside a company to perform services or create goods that were traditionally performed in-house by the company's own employees and staff. Outsourcing is a practice usually undertaken by companies as a cost-cutting measure.

Sharing of trade secrets is not the need of outsourcing.

