

Chapter 3: Emerging Modes of Business

Question: 1

Select the proper option from the options given below and rewrite the completed sentence:

In e-business payments have to be made _____.

Options

- in cash
- on credit
- online

Solution

In e-business, payments have to be made **online**.

Explanation:

Electronic business or e-business refers to the trading of goods and services through computer systems and online networks. In this type of business, there is no exchange of cash across the counter, as payment is made online through the web with the help of payment gateways.

Question: 2

Select the proper option from the options given below and rewrite the completed sentence:

The term "e-business" is derived from the terms _____ and e-commerce.

Options

- e-mail
- e-pay
- cash

Solution

The term "e-business" is derived from the terms **e-mail** and e-commerce.

Explanation:

The word e-business is derived from the terms "e-mail" and "e-commerce". This is because it uses electronic medium (internet) not only for conducting online transactions and mails but also for carrying out other business functions such as production, inventory management, product development and accounting.

Question: 3

Select the proper option from the options given below and rewrite the completed sentence:

The transactions under _____ are between business firms and consumers

Options

- C to C
- B to C
- B to B

Solution

The transactions under **B to C** are between business firms and consumers.

Explanation:

B to C, i.e., business to consumer, refers to commercial transactions between business firms and consumers. Other types of transactions include, C to C, i.e., consumer to consumer, which refers to commercial transactions that take place between consumers. B to B, i.e., business to business, refers to business transactions that take place between two business firms.

Question: 4

Select the proper option from the options given below and rewrite the completed sentence:

The process of contracting a business function to someone else is called as _____.

Options

- e-business
- outsourcing
- trading

Solution

The process of contracting a business function to someone else is called as **outsourcing**.

Explanation:

Outsourcing is the process of contracting out less important (i.e., non-core) business activities to external agencies. These external agencies are highly specialised and enjoy expertise in specific business activities, such as advertisement and promotion of products and post-sale services. By outsourcing less important business activities, firms can focus on important (i.e., core) activities.

Question: 5

Select the proper option from the options given below and rewrite the completed sentence:

For online transaction, _____ is required.

Options

- trading

- registration
- business

Solution

For any online transaction, **registration** is required.

Explanation:

Registration is required for making an online transaction. If someone wants to buy goods from a particular website, then he/she needs to register with the online vendor by filling up a registration form. While registering, the buyer is required to key in details such as his or her name, address, unique user name and secret password.

Question: 6

Select the proper option from the options given below and rewrite the completed sentence:

The online shopper can pick and drop the things in the _____.

Options

- shopping mall
- shopping cart
- shopping bag

Solution

The online shopper can pick and drop the things in the **shopping cart**.

Explanation:

After making an account on the website, an online shopper can select the products that he/she wishes to purchase and add them to the shopping cart. A shopping cart basically keeps an online record of what a customer wants to buy. It displays the products shortlisted by the customer so that the customer can take the final decision of purchasing or not purchasing the products.

Question: 7

Select the proper option from the options given below and rewrite the completed sentence:

An electronic facility of transferring funds through the internet is _____ transfer

Options

- cash
- net banking
- credit

Solution

An electronic facility of transferring funds through the internet is **net banking** transfer.

Explanation:

Net banking permits the customers to carry banking transactions on the internet. Under net banking, there is no physical movement; instead, money is transferred from one account to another through the internet.

Question: 8

Select the proper option from the options given below and rewrite the completed sentence:

Credit or debit cards are popularly known as _____ money.

Options

- paper
- plastic
- polymer

Solution

Credit or debit cards are popularly known as **plastic** money.

Explanation:

Credit or debit cards are known as plastic money because of the following reasons:

- 1) They are made up of plastic.
- 2) They act as money; i.e., they can be used to make payments.

Question: 9

Select the proper option from the options given below and rewrite the completed sentence:

In bigger shops situated in shopping malls or branded stores, there is a _____ terminal

Options

- SSL
- POS
- HTTP

Solution

Shops in shopping malls and branded stores usually have **POS** terminals.

Explanation:

A point of sale (POS) terminal is an electronic device used to record a sales transaction. It scans the bar code printed on the product and records important details regarding the product on the computer, for example, the product code and the product price. Thus, it helps in maintaining a systematic record of the sales made.

Question: 10

Select the proper option from the options given below and rewrite the completed sentence:

Wedding planning is an example of _____.

Options

- corporate organisation
- outsourcing
- buying and selling of goods

Solution

Wedding planning is an example of **outsourcing**.

Explanation:

Wedding planning is an example of outsourcing, as the wedding planner outsources services such as decoration, lighting and catering to external agencies. These agencies are highly specialised in their respective areas of activity.

Question: 11

Match the pairs:

	Group A		Group B
a.	e-business	1.	cost reduction
b.	B to C	2.	Hyper Transfer Text Protocol
c.	ATM	3.	encryption
d.	Payment gateway	4.	electronic business
e.	HTTP	5.	point of sale
		6.	Business to Consumer
		7.	Business to Business
		8.	authorizes payment made online
		9.	outsourcing
		10.	Automatic Teller Machine

Solution

	Group A		Group B
a.	e-business	1.	electronic business
b.	B to C	2.	Business to Consumer
c.	ATM	3.	Automatic Teller Machine
d.	Payment gateway	4.	authorizes payment made online
e.	HTTP	5.	Hyper Transfer Text Protocol

Explanation:

a. E-business (i.e., electronic business) is derived from the terms "e-mail" and "e-commerce". It refers to the trading of goods and services through computer systems and online networks. There is no exchange of cash or money across the counter and the payment is made online with the help of payment gateways.

b. B to C stands for business to consumer. It refers to commercial transactions between business firms and consumers. In this type of e-business transaction, firms give information about their products on their websites along with information about the delivery services they provide.

c. The expanded form of ATM is automated teller machine. ATM is an electronic machine that offers convenience to customers, as they can deposit or withdraw money from their accounts anytime, without having the need to visit the branch of the bank.

d. A payment gateway is an e-commerce application service provider. Retailers, manufacturers, dealers and sellers of goods can make payments online in a secure manner with the help of this application.

e. HTTP stands for Hyper Text Transfer Protocol. It is a standard protocol between the client and the server which is approved by the Internet Engineering Task Force. The primary function of this protocol is to provide security in transmitting confidential information and messages.

Question: 12

Write the word or phrase or term which can substitute the following:

The term derived from the terms email and e-commerce.

Solution

The term derived from the terms email and e-commerce : **E-business**

Explanation:

E-business is derived from the terms "e-mail" and "e-commerce". It basically refers to the use of internet to carry out online transactions and mails. Alongside, it is also used to perform various other business functions such as production, inventory management, product development and accounting.

Question: 13

Write the word or phrase or term which can substitute the following:

Name the term which is used by even common man effectively while collecting the needed information quickly.

Solution

Name the term which is used by even common man effectively while collecting the needed information quickly: **Internet**

Explanation:

Internet is a very simple tool which is easy to understand and use in our daily lives. As no technical course is required to surf on the internet, even a layman can use it effectively to collect information about anything. Thus, we can say that it is user-friendly.

Question: 14

Write the word or phrase or term which can substitute the following:

Name the electronic facility of transferring funds through the internet.

Solution

Name the electronic facility of transferring funds through the internet: **Net banking**

Explanation:

Net banking permits the customers to undertake banking transactions on the internet. Through internet banking, the customers can transfer funds electronically from one account to another.

Question: 15

Write the word or phrase or term which can substitute the following:

Name the form of electronic currency that exists only in cyberspace.

Solution

Name the form of electronic currency that exists only in cyberspace: **Digital cash**

Explanation:

Digital cash has no physical existence; it exists in cyberspace. It is a system of purchasing cash in relatively small amounts and storing it in the computer system. The consumer can spend the cash later when making electronic purchases over the internet.

Question: 16

Write the word or phrase or term which can substitute the following:

Name the service provider which is used for payments through web.

Solution

Name the service provider which is used for payments through web: **Payment gateway**

Explanation:

A payment gateway is an e-commerce application service provider that is used for making payments through the web. It provides a secured zone through which retailers, manufacturers, dealers, buyers and sellers of goods can make payments online.

Question: 17

Write the word or phrase or term which can substitute each the following:

Name the modern process of contracting a business function to someone else.

Solution

Name the modern process of contracting a business function to someone else: **Outsourcing**

Explanation:

Nowadays, firms focus on core activities and contract out non-core activities to some external agencies. For example, activities like security, canteen, cleaning, sanitation,

etc are generally outsourced to a third party. This process is known as outsourcing. Firms outsource those activities that are not so essential for them.

Question: 18

Distinguish between traditional business and e-business.

Solution

Basis of Difference	Traditional Business	E-Business
1. Ease in formation	Formation is relatively difficult, as there are numerous formalities required to be fulfilled.	It is relatively easier to start.
2. Internal communication	It follows a hierarchical communication structure (from top to bottom).	It follows a nonhierarchical communication structure (no defined structure).
3. Start-up cost	It has a heavy start-up cost.	It has a relatively low start-up cost, as physical facilities are not required.
4. Market access	Access is restricted to the physical domain.	Access is comparatively wide and unlimited.

Question: 19

Write short note on the following:

E-business

Solution

E-business refers to the business activities that take place online or through the web. It is primarily derived from the terms 'email' and 'e-commerce'; however, it is a broader concept compared to e-commerce, as e-commerce deals with only the trading aspect of online business.

E-business, on the other hand, includes various other business activities such as manufacturing, buying, selling and management of the whole business through the internet. Moreover, e-business offers many other advantages over traditional business like low set-up cost, easy formation and wider reach in the market.

Question: 20

Write short note on the following:

Business to Consumer (B to C)

Solution

B to C or business to consumer refers to transactions that take place between a business firm and the customers. In other words, B to C includes transactions where a business firm sells to consumers, the goods and services fit for final consumption.

B to C e-commerce transactions include not only activities such as sale or purchase of goods and services but also marketing activities that can be conducted online, for example, pre-sale activities (such as promoting products through advertisements), pre-sale services (such as providing product information and cash-on-delivery services) and post-sale services (such as customer care services).

Question: 21

Write short note on the following:

Online transactions

Solution

Online transactions enable customers to conduct trade from anywhere in the world and at anytime through the mode of internet. The following are the various steps involved in online trading:

Step 1: Find an appropriate and reliable shopping website and register with it so as to be able to conduct the trade activities.

Step 2: Browse through the various products available with the site, select the desired ones and place the final order.

Step 3: Proceed to the payment window and choose a suitable mode of payment out of the various options available such as cash on delivery, cheque, net banking, credit or debit cards and digital cash.

Question: 22

Write short note on the following:

Payment Mechanism

Solution

Payment Mechanism:

1. Generally, in e-business transactions, payments are made online.
2. There is no physical exchange of cash across a counter, as possible in retail outlets or stores.
3. The procedures and steps involved while making an online payment is known as 'Payment Mechanism'.
4. Payments are made with the help of an e-commerce application service provider called 'Payment Gateway'.
5. Payments can be made through debit cards, credit cards or by direct transfers from bank accounts through the net banking facility.
6. These options for payment are offered by most payment gateways.
7. A payment gateway authorizes payments made online by the buyer.
8. A payment gateway is the virtual equivalent of a physical point of sale terminal located in outlets.

Working of a Payment Gateway:

Any buyer who uses the payment gateway goes through the following steps:

1. **Place an Order:** After selecting the desired goods, the customer confirms the order by clicking on the 'Submit' button on the merchant's website.

2. **Mode of Payment:** The customer is then asked to select the mode of payment i.e. either debit/credit card or Net Banking.
 - The customer is then required to enter his credit/debit or Net Banking details, as he proceeds for payment.
 - Once the details are entered, the customer's web browser encrypts the information.
3. **Information sent to the Payment Gateway:**
 - The merchant, or the e-business website, then forwards the transaction details to their payment gateway.
 - At this point, again information is coded.
4. **Information sent to the Payment Processor:**
 - The payment gateway forwards the transaction information to the payment processor used by the credit card issuing bank.
 - On the payment processor, the customer is required to enter a PIN or password.
5. **Information sent to the Card Association:**
 - The payment processor forwards the transaction information to the card association.
(e.g.: Visa/MasterCard/American Express)
6. **Information sent to the Card Issuing Bank:**
 - The card association forwards the information to the card-issuing bank.
7. **Authorization of the Payment:**
 - The card issuing bank authorizes the payment and sends the authorization back to the merchant's website (via the same process).
 - Once the authorization is received, the sale is approved.
8. **Duration:**
 - The entire process does not take more than 2-3 minutes, depending upon the speed of the internet connection.
9. **Internet Connectivity Issues:**
 - If the internet connection fails at any step of the process, then the appropriate procedure is adopted.
 - In other words, if the connection fails after payment but before the order is finalized, then the payment is credited back to the card account within a stipulated time.

Question: 23

Write short note on the following:

Secure Socket Layer (SSL)

Solution

Secure Socket Layer (SSL) is a method used for encrypting important and sensitive data such that it is protected from any kind of misuse. It was developed by the 'Netscape' company with the primary aim of transmitting confidential documents over

the web. It is a protocol that uses logical reasoning and ensures security of transactions on the internet, thus creating a secured connection between the client and the server. For instance, sensitive user information on credit card numbers and social security numbers is obtained by the SSL protocol.

Question: 24

Write short note on the following:

Outsourcing

Solution

Introduction: -In many big establishments, shops, markets or bazaars you will find security guards who are monitoring the parking around the place. These guards are not an employee of the establishments but have been recruited through an agent. This agent provides the establishments with the services of the guards. In other words, the establishment has outsourced the security services.

Outsourcing is the process of contracting a business function to specialized agencies. In doing so, the company benefits in two ways:

1. It reduces its own cost.
2. It uses the expertise of the firm which specializes in a particular kind of service.

Generally, companies outsource their non-core areas. E.g. in many corporate organizations, hospitals, etc. the canteen and sanitation services are usually outsourced to contractors. The contractors enter into an agreement with the company for providing the service. The waiters at the canteen or sanitation workers are not employees of the company but work directly under the contractor. The company makes payments to a contractor who in turn pays his employees.

Another example of outsourcing is seen in weddings. The wedding planner outsources all services like decoration, catering, band, etc, to providers who are experts in these areas.

Nowadays many municipal corporations and municipalities have outsourced collection of household waste to private companies.

• **Need for Outsourcing**

Today services all over the world are becoming highly specialized. Most services require finely tuned skills. With increasing global competition, most companies are focusing on showcasing their products or improving the quality of their goods. This has forced companies to concentrate on their place in the world market. Therefore, companies are taking a fresh look at their business processes. Due to this, many non-core areas are being outsourced to firms who have an especially skilled work force. The concept of outsourcing has emerged as a result of this thinking.

• **Advantages of Outsourcing**

1. It leads to better efficiency and effectiveness.
2. The companies are able to focus their attention on improving the quality of their product.
3. Outsourcing leads to cost reduction for the company. The cost of outsourcing services is much less than keeping such a large work force on the rolls of the company.

4. Manpower through outsourcing is available at a lower cost.
5. Investment requirements of the company are reduced.
6. Outsourcing helps in knowledge sharing between organizations.
7. It stimulates entrepreneurship, employment and exports in the country from where outsourcing is done.

• **Disadvantages of Outsourcing**

1. There is always a danger of the misuse of company information by the contractor.
2. **Many** companies compromise on the quality of outsourcing in order to cut costs. This is especially seen in the IT sector where companies try to get cheap manpower from the other countries.
3. **In some** cases, companies ignore ethical issues related to outsourcing.
4. **The quality** of the outsourced service is sometimes not up to the mark.

Question: 25

State with reasons whether the following statement true or false.

The term "e-business" is derived from the terms "e-mail" and "e-commerce".

Options

- True
- False

Solution

The term "e-business" is derived from the terms "e-mail" and "e-commerce" : **True**

Explanation:

The above statement is correct. The term "e-business" is derived from the terms "e-mail" and "e-commerce". It refers to the use of the internet to not only conduct online transactions and emails but also to carry out other business functions such as production and inventory management, product development and accounting, which are conducted electronically.

Question: 26

State with reasons whether the following statement true or false.

Credit cards are used for cash payments.

Options

- True
- False

Solution

Credit cards are used for cash payments: **False**

Explanation:

The statement is false. Credit cards are used for making payments on credit. When a person uses a credit card to purchase goods and services, there is no physical

exchange of money. However, the amount is paid to the seller by the card-issuing bank; that is, the seller's account is credited and the cardholder's account is debited.

Question: 27

State with reasons whether the following statement true or false.

In online transactions, account and shopping cart are password protected.

Options

- True
- False

Solution

In online transactions, account and shopping cart are password protected : **True**

Explanation:

Yes, it is correct. Both the account and shopping cart are password protected because if the information goes into wrong hands, it can be misused. Thus, to protect sensitive information from getting misused, the information is encrypted through various methods such as SSL.

Question: 28

State with reasons whether the following statement true or false.

It is easy to set up e-business as compared to traditional business.

Options

- True
- False

Solution

It is easy to set up e-business as compared to traditional business : **True**

Explanation:

Yes, the statement is correct. E-business is easy to set up compared to traditional business because of the following reasons:

- 1) E-business is easy to start, as physical facilities are not required. For setting up e-business, all you need is one computer with the internet facility.
- 2) It does not require a host of procedures for the formation and working that are usually required in traditional forms of business.

Question: 29

State with reasons whether the following statement true or false.

E-business allows you to work across the globe in any field.

Options

- True
- False

Solution

E-business allows you to work across the globe in any field : **True**

Explanation:

The reach of e-business surpasses international boundaries, as it is conducted through the internet. Thus, it facilitates trade beyond national boundaries.

Question: 30

Write short answers for the following question:

What is e-business?

Solution

E-business refers to the business activities that take place online or through the web. This enables the buyers and sellers to carry out trade anytime throughout the year. It saves time as well as efforts of the consumers as the trade can be conducted anywhere and anytime.

It also eliminates the cost and time involved in reaching out to the seller. E-business is primarily derived from the terms 'email' and 'e-commerce'; however, it is a broader concept compared to e-commerce, as e-commerce deals with only the trading aspect of online business.

E-business, on the other hand, includes various other business activities such as manufacturing, buying, selling and management of the whole business through the internet. Moreover, e-business offers many other advantages over traditional business like low set-up cost, easy formation and wider reach in the market.

Question: 31

Write short answers for the following question:

What are the advantages of e-business?

Solution

The advantages of e-business are as follows:

i. Ease of Formation - The investment required to start up e-business is almost negligible as it does not require much capital or resources for the physical establishment of the business. Thus, it becomes a comparatively easier mode of trading than the traditional one.

ii. Global Access - E-business provides a worldwide access to the business. Businessmen are able to extend their sale of products to a large number of consumers across the world. Similarly, the consumers also get to choose from a variety of goods. Thus, it can be said that e-business provides a global access.

iii. Ease of Access - Unlike traditional modes of business, e-business provides easy accessibility to the consumers, as they can access products from anywhere and order them anytime.

iv. Consumer-Friendly - E-commerce saves time and effort of the consumers by providing a wide range of payment options to its customers such as debit cards, credit cards, cash on delivery and EMIs. All these options are quite safe and secure.

Question: 32

Write short answers for the following question:

What is a payment gateway?

Solution

A payment gateway is an e-commerce application that provides services which allows a direct connection between a website and a bank. In e-business, there is no exchange of cash or money over the counter; rather the payment is made through the web with the help of payment gateways.

These gateways authorises the online payments made by the retailers, manufacturers, sellers or buyers and generally provide the option of making e-payments through credit card or debit card or through direct transfer from banks (through net banking).

The payment gateways are also said to be the virtual equivalent of the physical Point of Sale as they allow transfer of payments through internet.

Question: 33

Write short answers for the following question:

What is net-banking transfer?

Solution

Net banking can be defined as the facility of transferring funds electronically. It is a mode of online payment that enables direct transfer of funds from one bank account to another. Using this facility, a user can make an electronic payment to the bank account of the online vendor through the internet. In the whole process, the buyer first transfers the whole amount to the seller's account through internet and later, it is only after the seller receives the agreed amount, he delivers the goods to the buyer.

Question: 34

Write short answers for the following question:

What is outsourcing? Illustrate with one example.

Solution

Outsourcing refers to the process of contracting out less important (i.e., non-core) business activities to external agencies. These external agencies are highly specialised and enjoy expertise in specific business activities such as advertisement and promotion of products and post-sale services.

The basic rationale behind outsourcing is that it allows a company to focus on its core functions, leaving less important activities to specialised agencies. Thus, we can say that outsourcing increases a company's efficiency in its important or core activities and reduces its overall cost of production.

Example: A company may outsource a number of activities such as customer services

and the task of recruitment and training of employees to other companies in underdeveloped or developing countries.

Question: 35

Answer the following.

What is e-business? How did the concept originate?

Solution

E-business refers to the business activities that take place online or through the web. This enables the buyers and sellers to carry out trade anytime throughout the year. E-business not only includes the trading aspect of online business, but also, includes various other business activities such as manufacturing, buying, selling and management of the whole business through the internet. The term "e-business" was primarily derived from the terms "e-mail" and "e-commerce".

The term originated in the late 1990s and was first used by IBM. The basic purpose of e-business was to provide a common platform to the buyers and sellers to conduct trade through web or internet. However, gradually with the growth of electronic commerce and e-business over the time, they became a global phenomenon and came out as a successful basis of trade for the people.

Question: 36

Answer the following.

Explain in brief the steps involved in online transactions.

Solution

Three Stages in online transactions:

- **Pre-purchase/sale....Purchase/sale...Delivery stage**

Pre-purchase/sale: -It is based on advertising and information about the product.

Purchase/sale: -It includes the price of the product, price negotiation, actual purchase or sale, and payment.

Delivery stage: -After completing the sale-purchase stage, this is the final stage.

The following are the various steps involved in online transactions:

i. Registration - The purchaser first needs to create an account on the shopping website. The account can be created by filling in required details like name, e-mail id, and contact number. The process is known as registration.

ii. Placing an Order - After opening an account, the buyer can start browsing through the listed products, go through other customers' reviews and compare products. The buyer may scan various items according to his or her preferences and put them in the shopping cart. The buyer can then place the final order and proceed towards the payment window.

iii. Payment Mechanism - In this step, the buyer chooses his/her preferred mode of payment. The following are the different payment modes generally available on a

trading website:

a. Cash on Delivery (CoD) - Here, the payment is made in cash at the time of the delivery of the product.

b. Cheque - The user makes the payment through a cheque. When the cheque is realized, the goods selected are delivered by the seller.

c. Net Banking - The user makes an electronic payment to the bank account of the online vendor through the internet.

d. Credit or Debit Card - The user can also use a credit or debit card (also known as plastic money) to make an online payment. The payment so made is linked to the bank account of the user.

e. 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 cash when making electronic purchases over the internet.

Question: 37

Answer the following.

What are the resources required for successful e-business implementation

Solution

The following resources are required for the successful implementation of e-business:

- i. Computer hardware with appropriate technology
- ii. Proper telecommunication system (internet connection and telephone line) to ensure effective communication between the seller and the buyer
- iii. Efficient payment mechanism with proper arrangements from commercial banks and credit card agencies
- iv. Qualified workforce that is well versed with computer and internet and that can efficiently handle queries and orders from the customers
- v. A well-designed, comprehensive website providing information to the customers regarding the types of products and their prices
- vi. Support services such as consulting and certification services

Question: 38

Answer the following.

Why should business transactions be secured?

Solution

Business transactions should be secured because online transactions face a number of risks. Following are the type of risks involved in e-business:

i. Data Storage Risk - Data stored in a system is prone to misuse by hackers and fraudsters.

ii. Transaction Risk - The following are some of the transaction risks:

a) **Default on order taking or giving:** Either the seller denies that receipt of the order or the customer denies the placement of the order.

b) Default on delivery - In this case, either wrong goods are delivered or the goods are delivered at the wrong place. It can also happen that the goods are not delivered at all.

c) Default on payment - In this case, the seller denies the receipt of any payment, while the customer claims to have made the payment.

iii. Risk of Threat to Intellectual Property and Privacy - Information uploaded on the internet is prone to the risk of getting leaked and copied, as business transactions are highly prone to internet risks and online threats. Other examples include the leakage of credit/debit card details to the third parties, virus attacks and hacking and phishing activities. Thus, business transactions should be secured.

Question: 39

Answer the following.

What are the advantages and disadvantages of outsourcing?

Solution

Outsourcing refers to the process of contracting out less important (i.e., non-core) business activities to other agencies, while focusing on the more important areas. The advantages of outsourcing are:

The following are the benefits or advantages of outsourcing.

i. Focus on core activities: 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.

ii. Specialisation: The external agencies to which tasks are contracted out are highly specialised in their areas of activity and have expertise in performing the assigned tasks. This contributes to the overall efficiency and excellence of the company which is outsourcing work.

iii. Cost efficient: The larger the company, the higher are its constraints in minimising the cost of its back-office operations.

In view of this, outsourcing enables companies, especially large-scale organisations, to perform these operations at reasonable costs (compared with the costs that they would have incurred by performing the operations themselves). Thus, outsourcing is regarded as cost efficient.

Disadvantage of Outsourcing

The following are the limitations or disadvantages of outsourcing.

i. Confidentiality: Outsourcing involves sharing vital information and technological knowledge with the firms to which tasks are outsourced. As a result, there is always a risk that these firms might share vital information with the business rivals of the companies which have outsourced tasks to them. This lack of confidentiality can pose a serious threat to companies which rely on outsourcing.

ii. Quality concerns: Once the contract is given and the rates are fixed, it may happen that the firm to which tasks have been outsourced starts using cheap and inferior inputs in order to reduce their own costs and increase their profits. This adversely affects the quality of products and services of the companies outsourcing tasks.

iii. Resentment in home country: 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.

Question: 40

Answer the following.

What are the advantages and disadvantages of e-business?

Solution

The advantages of e-business are:

i. Ease of Formation - The investment required to start up e-business is almost negligible. This is because it does not require much capital or resources for the physical establishment of the business. Thus, it becomes a comparatively easier mode of trading than the traditional mode of business.

ii. Global Access - E-business provides a worldwide access to the business. Businessmen are able to extend their sale of products to a large number of consumers. Similarly, the consumers also get to choose from a variety of goods. Thus, it can be said that e-business has shrunk the whole world where international boundaries do not matter anymore.

iii. Consumer-Friendly - E-commerce saves the time and efforts of the consumers. It provides a wide range of payment options to its customers such as debit cards, credit cards, cash on delivery and EMIs. All these options are quite safe and secure.

The disadvantages of e-business are:

i. Lack of Personal Touch - Unlike traditional business methods, e-commerce lacks a personal touch, as both the consumer and the seller are not physically present when the deal is made. As a result, direct trading is preferred over ecommerce for products such as clothes, shoes and jewellery.

ii. Lack of Security - Online trading and transactions are highly prone to internet risks and online threats. The possible threats could be leakage of credit/debit card details to the third parties, anonymity of the trading people, virus attacks and hacking and phishing.

iii. Technical Drawbacks - Online trading requires basic computer knowledge and internet familiarity. This often creates distress for the people who do not know how to operate computer. Furthermore, this often divides the society (termed as 'digital divide') into computer literates and computer illiterates. Besides, sometimes due to technical problems or server downtime, websites stop functioning; this may add to the frustration of the consumers and may even discourage them to revisit the website.