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MODERN MODES OF BUSINESS

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You know that normally, to buy goods and services we visit the nearby market, to book the train tickets we go to the rail reservation counters, to make deposits and withdrawals of money we visit banks personally, and so on. But, now-a-days all these facilities are available at our doorstep. The Information and Communication Technology (ICT) has made it a reality. It has brought about a formidable change in the mode of transacting the business activities. There is no need to stand in long queues in the banks and rail reservation counters. All these transactions are now being done with the help of Internet. We can visit the world market at any time just sitting at our home. We can avail of many facilities without visiting the shops or the market physically. All these developments are the result of the changes in the economic policies effected by the government. One of the major advantages that India gained due to globalisation has been our introduction to the world of technology. The Multinational Corporations (MNCs) got an opportunity to explode the Indian market with its modern science and technology. However, India took no time to adapt the changing technology and emerged as a successful player in the world market. In addition to the technological revolution, another concept successfully introduced in the Indian market has been the 'Outsourcing of Services' or 'Business Process Outsourcing' (BPO). It has helped the business firms to concentrate on their core competencies. In this lesson we shall learn in details about all these modern modes of business.



OBJECTIVES

After studying this lesson, you will be able to:

- explain the various mode of business;
- describe the facility of Internet and its uses;
- explain the concept of e-Commerce and e-Business;

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- outline the benefits and limitations of e-Commerce and e-Business;
- identify the stages involved in the trading process in on-line transactions;
- describe the precautions to be taken to ensure security in on-line transactions;
- explain the various applications of e-Commerce such as e-Banking, e-Ticketing, e-Advertising, e-Post; and
- explain the concept of outsourcing of services, its merits and limitations.

4.1 MODES OF BUSINESS

As stated earlier, to buy goods and services we usually go to a nearby market personally where buyers and sellers get together for transactions. The buyers check the quality and bargain the price. The sellers, on the other hand, try to persuade the prospective buyers and finalise the transaction. Sometimes, we contact the sellers over telephone or through correspondence to buy the specific goods. These are the common modes of business transactions. However, of late, the virtual market mode is gaining momentum. Through this mode, people get their desired goods and services sitting at their own place without actually visiting the market place. This has been made possible through introduction of information technology. The activities of production, marketing, selling, banking, insurance etc. are all carried on at a faster speed through the use of computers and Internet. When all these activities are carried on electronically it is commonly referred to as 'Electronic Business' or 'e-Business'. Since Internet plays an important role in all e-Business activities, let us first acquaint ourselves with Internet before we learn as to how it is helpful in carrying on business transactions.

4.2 INTERNET

The Internet, sometimes called simply the 'net', is a worldwide system of computer network through which the users at any computer can access the information from other computers. It provides information regarding science and technology, history, politics, sports, business, current events, music, entertainment, news and many more topics. It helps the users in the following ways:

- (a) Browse the information on any topic through the World Wide Web (www).
- (b) Read news available from leading newspapers and television channels.
- (c) Exchange messages using e-mail.
- (d) Search databases of government, individuals and private organisations.
- (e) Transfer files, pictures, animations etc.
- (f) Communicate with others by chatting or talking to them personally when both of them are connected to the Internet.

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- (g) Browse and search the catalogues of goods and services and purchase items on-line.
- (h) Set up a website with information about products and services of your organisation.

The Internet was conceived by the Advanced Research Projects Agency (ARPA) of U.S. Government in 1969 as a military project and was known as ARPANET. It developed as an academic and research network. Later on, it was opened for use by members of public and commercial use. In the year 1979, it was called Internet. It has now evolved into a global network.

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4.3 ELECTRONIC COMMERCE

You know that commerce involves buying and selling and support services like transport, insurance, banking, communication etc. When all these activities are undertaken using information and communication technologies, it is termed as Electronic Commerce or e-Commerce. In other words, e-Commerce refers to the process of conducting business with the help of electronic devices using the computer and interconnected telecommunication network. Here, offer for sale and its acceptance are made electronically through Internet. It does not require physical interaction between the parties concerned. It is also known as 'on-line trading', 'on-line shopping' and 'e-shopping'.

e-Commerce takes place between companies i.e., business to business (B2B), between companies and their customers (B2C), and customer to customer (C2C).

B2B refers to interactions between a manufacturer and a supplier of materials and services, or between a manufacturer and a wholesaler, or between a wholesaler and a retailer. A network of computers is used for making enquiries seeking or placing orders, communicating supply of goods, making payments, and so on.

B2C, as the name implies, have business firms (manufacturer or retailers) at one end and its consumers on the other. It enables a business firm to be in touch with its customers on round the clock basis. It involves a wide range of marketing activities including promotion, seeking orders, intimating supply and so on.

C2C usually involves consumers at both ends dealing in goods for which there is no established market mechanism as is the case with used books and household equipments.



INTEXT QUESTIONS 4.1

1. Define the term Internet.
2. State the full form of the following.
 - (a) www
 - (b) B2B
 - (c) B2C
 - (d) C2C

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4.4 ELECTRONIC BUSINESS

Normally, one may use the terms 'e-Commerce' and 'e-Business' interchangeably. But, in practice, the term e-Business is used in a broader sense. The e-Business covers not only the interaction with its customers and suppliers but also interactions and dealings among various departments and persons within the firm. Thus, e-Business is a wider term which includes e-commerce and other electronically conducted business functions like production, accounting, finance, personnel, administration etc. In other words, e-Business includes not only B2B, B2C, and C2C but also **Intra-B Commerce** i.e., interaction and dealings among various departments and persons within the firm. For example, the marketing department may interact regularly with the production department and get the products made as per the requirements of the customers. Similarly, regular interaction among other departments helps in attaining efficient inventory handling, better cash management, proper utilisation of manufacturing capacity, timely and sufficient provision of customer services, and so on. Thus, e-Business implies use of Internet technologies to perform the key business processes.



4.5 BENEFITS OF E-COMMERCE/E-BUSINESS

The merits of e-Commerce/e-Business can be summarised as follows:

- (a) **Wider Accessibility :** With the help of a well-developed computerised networking system, the business units can operate at the national as well as the global level. The buyers and sellers from any part of the world can interact with each other. This helps in gaining exposure to new markets.
- (b) **Improved Customers Service :** E-Commerce enables a company to be open for business whenever a customer needs it. Up-to-date information about products can be offered on the web, making it easier and convenient for customers to select the best product. It also enables suppliers of goods and services to offer a wide range of services to the customers, before as well as after sale, and respond to customers' queries without any delay.

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- (c) **Shortened Transaction Time :** An e-Business transaction takes much less time as compared to the normal process of buying and selling because the producers are able to cut short the distribution channels and establish direct contact with the consumers. It also enables a company to introduce a new product into the market, gain customers' reaction quickly, implement the necessary changes without incurring heavy cost and loss of time.
- (d) **Cost Saving and Low Prices :** There is a substantial cost saving in business transactions through e-Commerce as there is hardly any display of goods involved and need for large stocks in godowns. The number of employees required is also limited. For example, as the orders are directly put into the system there is no need for any sales persons or order entry clerk. This helps in substantial savings in operational costs and offers products at lower prices to customers.
- (e) **Enlarge Business and Profits :** With e-Commerce, the companies are able to approach a larger number and variety of customers and gain exposure to new markets. This enables them to enlarge their business volume and earn more profits.
- (f) **Convenience to Customers :** The customers also stand to gain by e-Commerce in various ways. They have access to a large number of suppliers, enjoy a wider choice, and acquire quality products and services at competitive prices. They also receive prompt and efficient service and gain information about new products easily.

4.6 LIMITATIONS OF E-COMMERCE/E-BUSINESS

A few limitations of e-Business/e-Commerce are:

- (a) It lacks personal touch with customers, which makes it unsuitable for items such as clothes, jewellery, etc.
- (b) The web can provide a good picture, a detailed description of the product, but the customer cannot actually see, feel or try on the goods he/she is buying.
- (c) The transaction can be finalised quickly, but physical delivery of goods often takes long time and be delayed. This leads to a lot of inconvenience for the customers.
- (d) Return of faulty goods bought on-line may often be more problematic and a time consuming exercise.
- (e) Shopping through Internet is not the same experience as a shopping expedition with family or friends. It is not suitable for non-routine buying where one is usually guided by advice of friends and family members.
- (f) Online transactions are prone to a number of risks that can result into financial, reputational or psychological losses to the parties involved in a transaction. The

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risks relate to (i) the transaction (default in order taking, default in delivery, default in payment); (ii) data storage and transmission; and (iii) privacy. Moreover, the privacy of personal details and security of financial transactions are a concern for many users.

It may be noted that most of the above limitations are applicable to B2C commerce. As for the business buying i.e., B2B e-Commerce, these limitations have little relevance as both the parties are sufficiently knowledgeable, resourceful and well informed, and transact regularly with each other. No supplier therefore, can afford mishandling of any transaction with its business customers. However, there are some challenges, which will have to be overcome. These are: (i) lack of adequate Internet infrastructure; (ii) delivery and payment related issues; and (iii) absence of cyber laws.



INTEXT QUESTIONS 4.2

1. What is meant by Intra-B Commerce?
2. Enumerate the limitations of B2C e-Commerce.
3. Identify the merits and limitations of e-business from the following statements.
 - (a) It lacks personal touch in business transactions.
 - (b) It takes less time to give order for desired goods and services.
 - (c) The customers have access to a large number of suppliers and they enjoy a wider choice.
 - (d) It helps the business houses to expand the business and earn more profit.
 - (e) The privacy of personal details and security of financial transactions are a concern for many users.

4.7 THE TRANSACTION PROCESS

As with any trading processes, the on-line transactions involve the following stages:

- (a) **Search** : For making a purchase, the prospective customer has to find an appropriate vendor by using various web sites, either directly or through a search engine.
- (b) **Order** : Once the vendor has been found and goods are identified, the customer makes contact and negotiates the terms. When satisfied, the customer proceeds to the checkout that involves filling up a registration form to have an account with a password. Thereafter, he can place the order for the items put by him in his virtual shopping cart, an on-line record of what has been picked up while browsing the on-line store.

- (c) **Payment :** The normal way for paying on-line purchases is by the credit card. The customer enters the credit card numbers, expiry date and billing address on the order form, and the vendor can verify the details. Debit cards, or store's value cards can also be used for the purpose. Alternatively, payments can be made by cheques sent by post.
- (d) **Delivery :** Once the payment is made or is assured, the vendor arranges for delivery of goods as per instructions of the buyer.
- (e) **After Sales Service :** In any transaction, there can be problems like damaged or faulty goods. For items such as machinery or consumer durables, there can be a provision of warranty or maintenance. The e-Vendors have to make the necessary arrangements for attending to such complaints and services.



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4.8 PRECAUTIONS FOR SECURITY

There are numerous threats to the security of e-Commerce from the customer's side as well as the vendor's side. The following steps are usually taken to ensure security in on-line transactions.

- (a) **Passwords :** In on-line shopping, one has to register with the on-line vendor to have an account with him. This provides for a password to avoid login by an unauthorised person.
- (b) **Authentication :** Sender of the message must be identified precisely using the off-line validation, if necessary. This avoids any possibility of fraud or misuse of the password.
- (c) **Encryption :** It refers to the conversion of data into a code so that it cannot be read by other users. The data is converted into the code by the sender and then decoded by the receiver. For this purpose, they use an encryption algorithm and binary numbers. The other alternative is the private (secret) key system.
- (d) **Digital Signatures :** A digital signature may be used to authenticate the sender of the message and check the integrity of the message so that no alteration takes place in transit. In terms of transmission, authentication and integrity, the digital signature is considered very secure provided it is created in a manner or by using a means under the exclusive control of the person using it.
- (e) **Trusted Third Parties :** Another way to ensure security is to transmit a copy of the transaction to a third party trusted by both sides and where the record of the transaction could be used to settle any dispute.

However, the provision of encryption, digital signatures and trusted third parties cannot provide full proof security against the use of stolen credit cards or the setting up of fraudulent web site by a bogus trader. Hence, the parties have to be highly vigilant and take all possible precautions to ensure security in e-Commerce dealings, whatever may be the cost.



INTEXT QUESTIONS 4.3

1. Mention the various ways of making payment in on-line transactions.
2. Arrange the following stages of on-line transactions in proper sequence.
 - (a) Order
 - (b) Delivery
 - (c) Payment
 - (d) Search
 - (e) After sales services



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4.9 APPLICATIONS OF E-COMMERCE

The impact of e-Commerce has already begun to appear in all areas of business ranging from customer service to new product design. It has facilitated new types of information based interaction with customers, Internet bookshops, on-line super market, electronic newspapers, on-line trading on stock exchanges (e-Trading), on-line advertising (e-Advertising), on-line taxation (e-Taxation), online ticketing (e-ticketing), online banking (e-Banking), computerisation in postal communication (e-Post) and so on. We shall take up some of these e-Commerce services to have an idea of how it has transformed the functioning in these sectors.

4.9.1 e-Banking

Imagine the days when one had to go to the bank during a particular time of the day and on particular days of a week to deposit or withdraw money or to get a demand draft made. Long queues and waiting were the normal phenomena. But, the scenario in banks now-a-days is very different. One can withdraw and deposit money at his/her own convenience. Having account in one place in India, one can transact in any part of the country. Some of the new trends in banking sector are as follows:

- (a) **Telebanking** : A customer is given a password number (known as T-PIN i.e., Telephonic personal identification number) through which he can have access to his/her account over telephone and give instruction regarding withdrawal, issue of demand draft etc. The customer can also access his account and give instructions by using the mobile phone. Similarly, the bank can also keep on informing the customer regarding the various schemes, opportunities, last dates, etc. and attend to balance enquiries by the customers.
- (b) **Internet Banking** : This is another way a customer can have access to his account and give instructions. It makes the task of the customer easy as he can access his account anywhere, any time and any number of times. The customer simply uses a password number and gets the details of transactions sitting at home.

- (c) **ATM :** ATM, the acronym for Automated Teller Machine, is increasingly becoming popular in banking industry. ATM is a computerised machine used for most of the routine jobs of a bank. It is operated by a magnetic plastic card popularly known as ATM card. By inserting the ATM card in the machine and entering the PIN (Personal Identification Number) the customer can use it for withdrawals and deposits of money. The customer can also get the information about the balance available in his/her account, get the mini-statement of last 5/10 transactions from the ATM.

Earlier the customers only had the option to access the ATM of the bank in which they had an account. But now-a-days some banks have tied-up with other banks for use of their ATM by the customers. So customers can use the ATM facility even of a bank they do not have an account in, but with whom their bank has a tie-up.

- (d) **Debit Card :** A debit card is an electronic card that can be used conveniently while making payments. This card is issued to the customers of the bank having current or savings deposit account. The holder of this card can use this card at several outlets for purchase of goods and services. This card allows the holder to spend upto the balance available in his/her bank account. It can also be used at ATMs just like ATM cards.
- (e) **Credit Card :** Some banks issue credit cards to individuals who may or may not have an account with them. The cards are issued to individuals after verifying their credit worthiness. The individual can use those cards at various outlets to make payments. The issuing bank fixes a credit limit upto which the cardholder can purchase goods and services. The bank issues a statement of transactions periodically and the individuals have to pay back the amount to the bank by a due date. Thus, the customers get a credit period ranging from 10 to 55 days which varies from bank to bank and the nature of transactions made. No interest is charged if the payment is made within the due date. If the customers fails to pay back by due date, the bank charges interest at a high rate on the amount due. Most banks give bonus points for transactions and insurance coverage for the products purchased through credit card as well as to the cardholders. The cardholder can also use his/her card to withdraw cash from ATMs.



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INTEXT QUESTIONS 4.4

1. Mention the benefits of ATM for the customers of the bank.
2. Identify the following in e-banking transactions.
 - (a) A card that allows the holder to spend money without having any balance in his/her deposit account.

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- (b) A machine using which we can withdraw money from our deposit accounts at our convenience.
- (c) A system that allows the account holder to avail the banking facility over telephone.
- (d) A convenient way of accessing the account anytime, anywhere and any number of times.

4.9.2 e-Ticketing

Purchasing tickets has become so easy now that you can make railway reservations while sitting at home or even while you are on the move. If you have access to Internet you can have all the details of railway information and accordingly you can book a ticket. You have to make payment through credit cards/debit cards for on-line booking of tickets. You can also buy air tickets through similar methods. Recently, with private sector entry in aviation sector, the competition has increased and bidding of air tickets through Internet has started. The highest bidder avails the opportunity of travelling at a rate much lower than the original price. The e-Ticketing service is also available through mobile phones.

4.9.3 e-Advertising

Internet advertising has revolutionised marketing strategies. Unlike the print and television media where all advertisements are stacked together, the viewer has the choice either to view it or ignore them. Where as in the net-world the surfer will only click on the advertisement of his/her choice. He may select advertisements of his own interest. E-Advertising is still in its infancy stage and covers only a small portion of the advertising market.

4.9.4 e-Trading at Stock Exchanges

On line trading started with the establishment of OTCEI. Now the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have also completely switched over to on-line trading to which most stock-brokers have access through internet. It is also taking off among small investors and traders in stock and shares. Internet makes available to them up-to-the-minute information which, until recently, had only been available to financial institutions. The use of on-line brokerage services automates the process of buying and selling. This allows reduction in brokerage charges, makes trading transparent as they can access the information on market prices on-line, and the investor is able to deal at a price viewed immediately. The transfer of ownership of stocks and shares can also be recorded electronically in investor's Demat accounts thereby avoiding the need for physical delivery. This has also made it possible to have rolling settlement and reduce the settlement period to just 2 days.

4.9.5 Computerisation of Mail Transmission and Processing

As a part of modernisation programme, computerisation of the registration and sorting work has been done in a large number of post offices in India. To cut down the transmission time for sending money order across the country, money orders are now transmitted through VSAT satellite networks which has resulted in faster delivery of money order to the customers. New policy for Voice mail/Audio fax services was announced in July 2001 by incorporating a new service known as Unified Message Service (UMS), a system by which voice message, mails, fax and e-mail can be received from one mail box using telephone instrument, fax machines, mobile phones, internet browsers, etc.

4.9.6 e-Post

You know about e-mail which is the fastest means of communication. To send and receive any information through e-mail, we need to have a computer with Internet connectivity and the e-mail account of the sender and receiver. However, this technology has not yet reached the rural and other remote areas of our country. To bridge this gap and extend the benefit of the e-mail facility to the people of rural India, the Department of Post has introduced e-Post facility. It enables people to send and receive e-mail at the post offices.

e-Post is a service under which printed or even handwritten messages are transmitted as email on internet. At the destination post offices, these messages are printed, enveloped and delivered through the postman like other letters. For this purpose, e-Post centres have been set up in the post offices in all districts and major towns. The post offices where this facility is not available can receive the e-Post message from the customers and forward the same to the nearest e-Post centre for despatch. Similarly e-Post messages received for areas beyond the delivery jurisdiction are printed and sent to concerned post office for delivery. Besides availing e-Post services through post office it can also be accessed from a customer's house or office or from any other places if he has Internet access. The customer can make payment through a prepaid card that is available in the head post office and other outlets. The customer has to register as a user and access the service at the e-Post portal <http://indiapost.nic.in>. The present tariff for sending the message in A4 size page is Rs.10 per addressee.

4.9.7 Resources Required for Successful E-business Implementation

Following resources are required for successful e-business implementation :

1. **A Website :** A business must develop a website to effectively communicate with its customers. Detailed information of the enterprise should be provided on the website. Necessary pictures should also be posted on the website.



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2. **Technically Qualified Workforce :** E-business can be successful only with a well trained workforce. The workers should be capable to handle easily the new trends in computers. Sales Department staff should be trained to handle sales inquiries, processing orders and ensuring prompt delivery.
3. **Adequate Computer :** The business enterprise must own computers with adequate speed and memory to handle the expected volume of business. Business concerns must have the necessary Internet Service Provider (ISP) and Application Service Provider (ASP), Server and Portals, and e-mail facilities.
4. **Effective Telecommunication System :** Good telephone lines with high quality voice calls must be there to make e-business effective. Business firms will be badly affected if the telephone lines get disconnected frequently.
5. **Payment Mechanism :** Adequate information must be provided on the website so that customers will have idea of the exact amount to be paid. If extra amount is received, inbuilt systems should be created to refund the extra money received. Business concerns must make arrangements with banks and credit card agencies to enable electronic receipts and payments of money.

4.9.8 Payment Mechanism of Online Transactions

1. **Finding the Seller :** Buyer will go through the website of the seller. Online shopping buyer has to register with online seller by filling up a registration form. Registration means buyer will create an 'account' with online seller by providing a 'password'.
2. **Selection of Products :** Buyer selects the products after comparing prices and quality offered by other sellers.
3. **Placing an Order :** While browsing the website, the buyer drop the items selected in his shopping cart. Shopping cart is an online record of the items picked up by the buyer while browsing the website.
4. **Payment Mechanism :** Payment for the purchases through online shopping may be done in any of the following ways :
 - a) **Cash on Delivery (COD) :** The payment for goods ordered online may be made in cash at the time of physical delivery of goods.
 - b) **Cheque :** The buyer may send a cheque to the online vendor. The delivery of goods are made upon the realisation of cheque.
 - c) **Net-banking transfer :** Buyer may transfer the amount for the agreed price of the transaction to the account of the on-line vendor.
 - d) **Credit/Debit Card :** In case of Credit Card, the buyer can make purchases on credit. Issuing bank transfers the amount involved in the transaction to the credit of the seller and debit the buyer's account.

The debit card allows purchases up to the specified amount that is Buying in his account. (available balance)

- e) **Digital Cash :** This is a form of electronic currency that exists in cyber space. In favour of the customer the bank issues digital cash for the amount he paid. Bank will supply a special software that will allow the customer to draw digital cash from his account. Digital cash is used for purchases over the web.

5. **Delivery :** The product is given to the buyer after receiving the payment.

4.9.9 Security and Safety of e-transaction : e-business Risks

Risks are involved in online transactions. There can be financial, reputational or physiological losses to the parties in online transactions. Various types of e-business risks are:

1. **Transaction Risks :** Transaction risks can be of the following types :
 - a) **Default on order giving/taking :** Seller denies that the order was placed or customer denies that he ever placed the order.
 - b) **Default on delivery :** The intended delivery does not take place; goods are delivered at wrong address or goods other than ordered may be delivered.
 - c) **Default on payment :** The customer claims that the payment was made and the seller does not receive the payment of the goods supplied.

To avoid the above defaults, following measures can be used :

- i. The identity and location of the customer may be verified at the time of registration.
 - ii. Seller can verify the 'cookies' to confirm whether the customer has correctly entered his details in the registration form. Cookies are like caller ID in Telephones that provide important information about customers to the telemarketers.
 - iii. Customers must shop from well established shopping sites.
2. **Data Storage and Transmission Risk :** People may steal/distort the data for selfish motives/for fun. VIRUS (Vital Information Under Siege) and Hacking are the methods used for distorting data. Antivirus programmes should be installed from time to time. Cryptography is used to prevent interception of data in the course of transmission. Cryptography is the act of protecting information by transforming into an unreadable format called 'hyper text'. Only those who possess a secret key can decipher the message into 'plain text'.



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3. **Risks to Intellectual Property and Privacy** : Anyone can copy the data available in the internet and supply it to others. **Junk materials formed** as a result of dumping advertisement materials can be a great problem.



INTEXT QUESTIONS 4.5

1. What is meant by e-Post?
2. Identify the linkage of the following terms in different e-Commerce applications.
 - (a) Demat Account
 - (b) Unified Message Service
 - (c) Getting e-mail facility without direct access to Internet.
 - (d) On-line booking of air ticket.

4.10 OUTSOURCING OF SERVICES

Another important trend in business, of late, has been ‘outsourcing’ of some of its activities i.e., use of outside sources to perform activities traditionally handled by internal staff and resources. For example, most companies have so far had their own staff for cleaning and security activities in their organisations. But, of late many companies have started entrusting these tasks to outside agencies on contractual basis. Infact, outsourcing is a management strategy by which an organisation contracts out its major non-core functions to specialised service providers with a view to benefit from their expertise, efficiency and cost effectiveness, and allow managers to concentrate on their core activities. The Information Technology (IT) is one area in which this approach is growing fast, and in recent years, outsourcing the operation of IT systems has been supplemented by a move to outsourcing the whole business processes such as payroll processing, cheque processing, etc. This is known as BPO (Business Process Outsourcing). It may be noted that Indian IT-BPO sector, both in domestic business and exports, has registered a growth of 28% in 2006-07 and revenues have exceeded \$ 48 billion, nearly 10 fold increase over the aggregate revenue in 1998.

Need for BPO

1. Improvement in productivity.
2. Reduction in cost.
3. Opportunity to focus on core business.
4. Updation of technology.
5. Stimulates entrepreneurship, employment and export.

4.10.1 Features of Outsourcing of Services

The basic features of outsourcing of services are:

- (a) It involves contracting out an activity to an outside specialised agency which takes complete responsibility to handle it effectively using its own manpower.
- (b) Normally outsourcing is done in case of non-core activities such as housekeeping, security, etc. But, of late, it has been extended even to some of the core activities. For example, a school may engage a Computer Training Institute to handle computer education to its students or a bank may outsource its cheque processing.
- (c) There are two main forms of outsourcing the business processes;
 - (i) outsourcing to a third party, and
 - (ii) outsourcing to its own subsidiary company specially formed to handle a specific activity.



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4.10.2 Merits of Outsourcing of Services

- (a) It provides an opportunity to the organisation to concentrate on areas in which it has core competency or strength. It keeps the organisation free from repetitive and mundane functions.
- (b) It helps better utilisation of its resources as the management can focus its attention on selected activities and attain higher efficiency.
- (c) It helps the organisation to get an expert and specialised service at competitive prices leading to provision of improved service and reduction in costs. The BPO organisations have considerable strength and adapt best practices to provide the service more efficiently.
- (d) It enables expansion of business as resources saved from outsourcing can be used for expanding the production capacity and the product line and seek new markets.
- (e) Apart from financial returns, it facilitates inter-organisational knowledge sharing and collaborative learning.

4.10.3 Limitations of Outsourcing of Services

- (a) It may be opposed by labour unions who feel threatened by possible reduction in their strength and prospects.
- (b) It reduces confidentiality as outsourcing involves sharing a lot of information with others. This implies a possibility of its communication to the competitors by such persons.



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- (c) Globalised outsourcing at times causes resentment in the manpower of the home countries who feel threatened by increased competition.
- (d) The organisation hiring others may face the problem of loss of managerial control because it is more difficult to manage outside service providers than managing one's own employees. Not only that, it may also lead to decrease or total loss of in-house expertise and the organisation becomes partially or totally dependent on the service provider.

In view of the above limitations of outsourcing, it becomes necessary for the outsourcing company to take the necessary preventive steps, remain in constant touch with the service provider, and maintain control of the outsourced operations.

4.10.4 Knowledge Process Outsourcing (KPO)

KPO means outsourcing services that require expertise of a higher order. i.e. high end Knowledge Work is done by an outside organisation. KPO is mainly done to improve the efficiency and quality and to reduce costs of doing business. KPO requires professional with right skills, attitude and experience.

Distinction between BPO and KPO

BPO	KPO
1. Repeatable processes	1. Non repeatable process.
2. Quick learning is needed	2. Need regular learning process.
3. Large number of workers.	3. Smaller work force.
4. Comparatively less experts	4. Specialists/experts
5. Predetermined way to solve problem	5. No pre-determined way to solve problem.



INTEXT QUESTIONS 4.6

1. Define the term 'Outsourcing of services'.
2. Identify the merits and limitations of Outsourcing of Services.
 - (a) It facilitates inter-organisational knowledge sharing and collaborative learning.
 - (b) It reduces confidentiality of information.
 - (c) It helps in concentrating on the core competency of the organisation.
 - (d) The management finds it difficult to handle the outside staff.

Modern Modes of Business

(e) It provides expert and specialised service at competitive prices.

3. Multiple Choice Questions :

- i. Name the act of protecting information by transforming into an unreadable format.
 - a) VIRUS
 - b) Hacking
 - c) Cryptography
 - d) None of the above
- ii. In online buying the buyer drops the items selected in a _____.
 - a) Shopping cart
 - b) Shopping box
 - c) Net card
 - d) None of the above
- iii. Plastic Card is the popular name for
 - a) Debit/Credit card
 - b) Cheque
 - c) Digital Cash
 - d) None of the above



Notes



WHAT YOU HAVE LEARNT

- To buy goods and services we normally visit the nearby market. But, virtual market mode facilitates the transactions of purchase and sale without actually visiting the real market. This has been made possible through introduction of information technology.
- The Internet is a worldwide system of computer network through which the users at any computer can access the information from any other computer. It helps the users to browse information on any topic, read the newspaper, exchange messages using e-mail, chatting, search the catalogues of goods and services and purchase items on-line and so on.
- e-Commerce refers to the process of conducting business with the help of electronic devices using the computer and interconnected telecommunication network. Here, offer for sale and its acceptance are made electronically through Internet. It is also known as 'on-line trading', 'on-line shopping' and 'e-shopping'. e-Commerce takes place between companies i.e., business to business (B2B), between companies and their customers (B2C), and customer to customer (C2C).
- e-Business covers not only the interaction with its customers and suppliers but also interactions and dealings among various departments and persons within the firm. e-Business includes not only B2B, B2C, and C2C but also Intra-B Commerce i.e., interaction and dealings among various departments and persons within the firm.

MODULE - 1

Business Around Us



Notes

Modern Modes of Business

- Benefits of e-Commerce/e-Business:

(a) Wider Accessibility	(b) Improved Customers Service
(c) Shortened Transaction Time	(d) Cost Saving and Low Prices
(e) Enlarge Business and Profits	(f) Convenience to Customers
- Limitations of e-Commerce/e-Business:
 - (a) It lacks personal touch with customers
 - (b) The customer cannot actually see, feel or try on the goods he/she is buying.
 - (c) The physical delivery of goods often takes long time.
 - (d) Return of faulty goods bought on-line may often be more problematic and a time consuming exercise.
 - (e) Shopping through Internet is not the same experience as a shopping expedition with family or friends.
 - (f) Online transactions are prone to a number of risks that can result into financial, reputational or psychological losses to the parties involved in a transaction.
- **The Transaction Process**


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graph LR
    A((Search)) --> B((Order))
    B --> C((Payment))
    C --> D((Delivery))
    D --> E((After Sales Services))
      
```
- **Precautions for Security**
 - (a) Protected by Passwords
 - (b) Off-line Authentication
 - (c) Encryption, which refers to the conversion of data into a code so that it cannot be read by other users.
 - (d) Use of digital signatures to authenticate the sender of the message
 - (e) Copy of the transaction may be forwarded to a trusted third party.
- Applications of e-Commerce

(a) e-Banking	(b) e-ticketing	(c) e-Advertising
(d) e-Trading	(e) e-Post	
- Outsourcing is a management strategy by which an organisation contracts out its major non-core functions to specialised service providers with a view to benefit from their expertise, efficiency and cost effectiveness, and allow managers to concentrate on their core activities.

Modern Modes of Business

- E-business requires a website, technically qualified workforce, computer and effective telecommunication system.
- Before performing online buying, customer must find the seller, select the product and place an order.
- Payment in online shopping can be through COD, Cheque, Net banking transfer, Credit/debit card, Digital Cash etc.
- Scope for BPO are productivity improvement, cost reduction, focus on core business technology upgradation and stimulation of entrepreneurship.
- KPO means outsourcing services that require expertise of a higher order.



KEY TERMS

ATM	e-Business	Internet
Business Process Outsourcing	e-Commerce	Internet Banking
Credit Card	e-Post	Mobile Banking
Debit Card	e-Ticketing	Telebanking
e-Banking	e-Trading	



TERMINAL EXERCISE

Very Short Answer Type Questions

1. Define the term 'e-commerce'.
2. State any two precautions one should take while making on-line transactions.
3. Mention any two advantages of outsourcing of services.
4. What is meant by 'Internet banking'?
5. Give the meaning of 'B2C e-commerce'.
6. Give the full form of the BPO and KPO.
7. Name the electronic currency that exists in cyberspace.

Short Answer Type Questions

8. State any four uses of Internet in our daily life.
9. Distinguish between 'e-Business' and 'e-Commerce'.

MODULE - 1

Business Around Us



Notes

MODULE - 1*Business Around Us***Notes****Modern Modes of Business**

Satish : Okay, grandpa. But, where are you going so early? I find you in a great hurry!

A. Reddy : I have a lot of work to do today that may take the whole day. First, I have to book the train ticket for Mumbai, as I have planned to visit my brother. Thereafter I have to go to the bank to withdraw Rs.10,000. Then, I have to go to the Post Office to send money order to my sister who is at Vellore. You see, I have to perform so many activities today.

Satish : Oh! now I understand why you are so worried.

A. Reddy : You know that there are long queues for tickets at rail booking counters. It may take atleast two hours. There will be little time left for other things to do.

Satish : Grandpa! You are still living in your olden days. Things have drastically changed now. Haven't you heard about e-Ticketing and e-Banking?

A. Reddy : What? e-Banking and e-Ticketing?

Satish : Yes, grandpa. These are new modes of business transactions. You don't have to sweat in the long queue for tickets now and run the risk of carrying money.

(Satish explains each of these modes to his grandfather. Assume a role for you-self and the other for your friend and carry on the conversation between Satish and his grandfather).

2. Sonam a girl of 15 years of age once got an opportunity to visit the branch of a Bank along with her mother. Due to failure of server, her mother could not perform the transactions she wanted to perform. Now Sanam is curious to know the role of server in Banking activities. Her mother took her to the Bank manager.

Sonam : Good morning Sir, today I came to Bank with my mother for some work, but we came to know that server is down.

Manager : Good morning, Yes, today the server is not working for which I am extremely sorry for the inconvenience caused to you.

Sonam : No need to feel sorry sir, I just want to be know something more about the role of internet in Banking services.

Manager : Sure.

Please continue the discussion of Sonam & Bank Manager about the e-banking & various services provided by bank to general public through internet.