

1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 01 (Class XI, Part- 1)
Module Name/Title	Emerging Modes of Business – Part 1
Module Id	kebs_10501
Pre-requisites	Knowledge about Emerging Modes of Business
Objectives	<p>After going through this lesson, the learners will be able to understand the following:</p> <ul style="list-style-type: none">• Meaning of e-Business• Distinguish between e-Business and e-Commerce• Scope of e-Business• E-Business Applications• Distinguish between Traditional Business and e-Business
Keywords	e-business, e-Commerce, traditional business

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Introduction

The way business is done has undergone fundamental changes during the last decade or so. The manner of conducting business is referred to as the 'mode of business,' and, the prefix 'emerging' underlines the fact, that these changes are happening here and now, and, that these trends are likely to continue. In fact, if one were to list the three strongest trends that are shaping business, these would be:

- (i) Digitisation — the conversion of text, sound, images, video, and other content into a series of ones and zeroes that can be transmitted electronically.



- (ii) Outsourcing

- (iii) Inter- nationalisation and globalisation.



In this module, we will be familiarising with the digitisation (a term from electronics) of business — also referred to as electronic business (e-business).

The newer modes of business are not new business.

These are rather simply the new ways of doing business attributable to a number of factors. You are aware that

business as an activity is aimed at creating utilities or value in the form of goods and services which the household and industrial buyers purchase for meeting their needs and wants. In an effort to improve the business processes — be it purchase and production, marketing, finance or human resources business managers and business thinkers keep evolving newer and better ways of doing things. Business firms have to strengthen their capabilities of creating utilities and delivering value to successfully meet the competitive pressures and ever-growing demands of consumers for better quality, lower prices, speedier deliveries and better customer care. Besides, the quest for benefitting from emerging technologies means that business as an activity keeps evolving.

2. e-Business

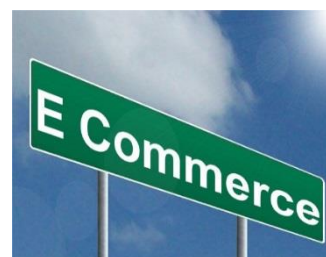


What is e-business?

If the term business is taken to mean a wide range of activities comprising industry, trade and commerce; e-business may be defined as the conduct of industry, trade and commerce using the computer networks. The network you are most familiar with as a student or consumer is the internet. Whereas internet is a public thorough way, firms use more private, and, hence more secure networks for more effective and efficient management of their internal functions.



Vs.



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

commerce covers a firm's interactions with its customers and suppliers over the internet.



e-business includes not only e-commerce, but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance and human resource management. e-business is, therefore, clearly much more than buying and selling over the internet, i.e., e-commerce.

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History of e-commerce

Year	Event
1984	EDI, or electronic data interchange, was standardised through ASC X12. This guaranteed that companies would be able to complete transactions with one

- another reliably.
- 1992 'CompuServe' offers online retail products to its customers. This gives people the first chance to buy things off their computer.
- 1994 Netscape arrived. Providing users, a simple browser to surf the internet and a safe online transaction technology called Secure Sockets Layer.
- 1995 Two of the biggest names in e-commerce are launched: Amazon.com and e-Bay.Com
- 1998 DSL, or Digital Subscriber Line, provides fast, always-on Internet service to subscribers across California. This prompts people to spend more time, and money, online.
- 1999 Retail spending over the Internet reaches \$20 billion, according to Business.com.
- 2002 eBay acquires PayPal for \$1.5 billion.
- 2003 Amazon.com posts first yearly profit.
- 2007 Business.com acquired by R.H. Donnelley for \$345 million.
- 2009 Zappos.com acquired by Amazon.com for \$928 million.
- 2014 Overstock.com processes over \$1 million in Bitcoin sales. India's e-commerce industry is estimated to have grown more than 30% from 2012 to \$12.6 billion in 2013. US ecommerce and Online Retail sales projected to reach \$294 billion, an increase of 12 percent over 2013 and 9% of all retail sales. Alibaba Group has the largest Initial public offering ever, worth \$25 billion.
- 2015 Amazon.com accounts for more than half of all ecommerce growth.



4. Scope of e-Business

Let us now discuss scope of e-Business

The scope of e-business is quite vast. Almost all types of business functions such as production, finance, marketing and personnel administration as well as managerial activities like planning, organising and controlling can be carried out over computer networks. The other way of looking at the scope of e-business is to examine it in terms of people or parties involved in electronic transactions. Viewed from this perspective, a firm's electronic

Let's discuss each constituents of e-business one by one:

B2B

- Here, both the parties involved in e-commerce transactions are business firms, and, hence the name B2B, i.e., business-to-business. Creation of utilities or delivering value requires a business to interact with a number of other business firms which may be suppliers or vendors of diverse inputs; or else they may be a part of the channel through which a firm distributes its products to the consumers.



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example, the manufacture of an automobile requires assembly of a large number of components which in turn are being manufactured elsewhere — near the automobile factory or even overseas to reduce dependence on a single supplier, the automobile factory has to cultivate more than one vendor for each of the components.



A network of computers is used for placing orders, monitoring production and delivery of components, and making payments. Likewise, a firm may strengthen and improve its distribution system by exercising a real time (as it happens) control over its stock-in-transit as well as that with different middlemen in different locations. For example, each consignment of goods from a warehouse and the stock-at-hand can be monitored and replenishments and reinforcements can be set in motion as and when needed. Or else, a customer's specifications may be routed through the dealers to the factory and fed into the manufacturing system for customised production. Use of e-commerce expedites the movement of the information and documents; and of late, money transfers as well.

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

(ii) B2C Commerce:

As the name implies, B2C (business-to-customers) transactions have business firms at one end and its customers on the other end.

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B2C (business-to-customers) transactions have business firms at one end and its customers on the other end. Although, what comes to one's mind instantaneously is online shopping, it must be appreciated that 'selling' is the outcome of the marketing process. And, marketing begins well before a product is offered for sale and continues even after the product has been sold. B2C commerce, therefore, entails a wide gamut of marketing activities such as identifying activities, promotion and sometimes even delivery of products (e.g., music or films) that are carried out online. e-commerce permits conduct of these activities at a much lower cost but high speed.



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Further, B2C variant of e-commerce enables a business to be in touch with its customers on round-the-clock basis.



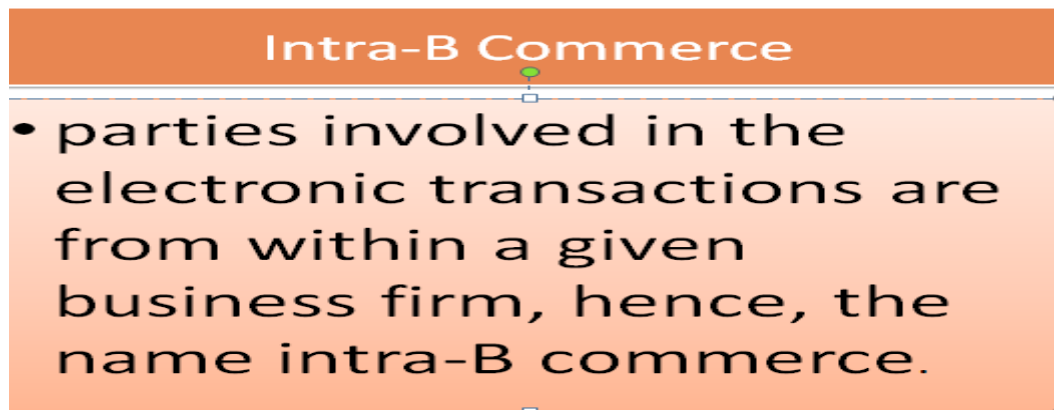
Companies can conduct online surveys to ascertain as to who is buying what and what the customer satisfaction level is.

By now, you might have formed the opinion that B2C is a one-way traffic, i.e., from business-to-customers. As a consequence of this C2B commerce is very much a reality which provides the

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

(iii) Intra-B Commerce:

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



As noted earlier too, one critical difference between e-commerce and e-business is that, e-commerce comprises a business firm's interaction with its suppliers, and distributors/other business firms (hence, the name B2B) and customers (B2C) over the internet. While e-business is a much wider term and also includes the use of intranet for managing interactions and dealings among various departments and persons within a firm. It is largely due to use of intra-B commerce that today it has become possible for the firms to go in for flexible manufacturing. **Use of computer networks makes it possible for the marketing department to interact constantly with the production department and get the customised products made as per their requirements of the individual customer. Closer computer-based interactions among the other departments makes it possible for the firm to reap advantages of efficient inventory and cash management, greater utilisation of plant and machinery, effective handling of customers' orders, and effective human resource management.**

Just as intercom facilitated voice communication within the office, intranet facilitates multimedia and even 3-D graphic communication among organizational units for well-informed decisions, permitting better coordination, faster decisions and speedier workflows. Take for example, a firm's interactions with its employees, sometimes referred to as B2E commerce. Companies are resorting to personnel recruitment, interviewing and selection, training, development and education via e-commerce. Employees can use electronic catalogues and ordering forms and access inventory information for better interaction with the customers. They can send field reports via e-mail and the management can have them on real time basis. In fact, Virtual Private Network (VPN) technology would mean that employees do not have to come to office. Instead, in a way the office goes to them and they can work from wherever they are, and at their own speed and time convenience. Meetings can be held

online via tele/ video conferencing.

(iii) C2C Commerce:

Here, the business originates from the consumer and the ultimate destination is also consumers, thus the name C2C commerce.

C2C COMMERCE

- Here, the business originates from the customer and the ultimate destination is also consumers, thus the name C2C Commerce. This type of commerce is best suited for dealing in goods for which there is no established market mechanism.

This type of commerce is best suited for dealing in goods for which there is no established market mechanism, for example, selling used books or clothes either on cash or barter basis. The vast space of the internet allows persons to

globally search for potential buyers. Additionally, e-commerce technology provides market system security to such transactions which otherwise would have been missing if the buyers and sellers were to interact in anonymity of one-to-one transactions? An excellent example of this is found at eBay where consumers sell their goods and services to other consumers. To make this activity more secure and robust, several technologies have emerged. Firstly, eBay allows all the sellers and buyers to rate one another. In this manner, future prospective purchasers may see that a particular seller has sold to more than 2,000 customers — all of whom rate the seller as excellent. In another example, a prospective purchaser may see a seller who has previously sold only four times and all four rate the seller poorly. This type of information is helpful. Another technology that has emerged to support C2C activities is that of the payment intermediary. PayPal is a good example of this kind.

Instead of purchasing items directly from an unknown, untrusted seller; the buyer can instead send the money to PayPal. From there, PayPal notifies the seller that they will hold the money for them until the goods have been shipped and accepted by the buyer.

An important C2C area of interactive commerce can be the formation of consumers' forum and pressure groups. You might have heard of Yahoo groups. Like a vehicle owner in a traffic jam can alert others via message on radio (you must have heard traffic alerts on FM) about the traffic situation of the area he is stuck in; an aggrieved customer can share his experience with a product/service/ vendor and warn others by writing just a message and making it known to the entire group. And, it is quite possible that the group pressure might result in a solution of this problem. From the foregoing discussion concerning scope of e-business, it is clear that e-business applications are varied and many.

Some E Business Applications

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

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

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

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

e-Trading: It involves securities trading, that is online buying and selling of shares and other financial instruments. For example, sharekhan.com is India’s largest online trading firm.

e-Business versus Traditional Business

By now, you must have formed an idea as to how e-enabling has radically transformed the mode of doing business. The following table provides a feature on comparison between traditional business and e-business.

Difference between Traditional and e-Business

Basis of distinction	Traditional business	e-business
Ease of formation	Difficult	Simple
Physical presence	Required	Not required
Locational requirements	Proximity to the source of	None

	raw materials or the market for the products	
Cost of setting up	High	Low as no requirement of physical facilities
Operating cost	High due to fixed charges associated with investment in procurement and storage, production, marketing and distribution facilities	Low as a result of reliance on network of relationships rather than ownership of resources
Nature of contact with the 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 diagonal communication
Response time for meeting customers'/internal requirements	Long	Instantaneous
Shape of the organisational structure	Vertical/tall, due to hierarchy or chain of command	Horizontal/flat due to directness of command and communication.
Business processes and length of the cycle	Sequential precedence-succession relationship, i.e., purchase - production/operation - marketing - sales. The, business process cycle is, therefore, longer	Simultaneous (concurrence) different processes. Business process cycle is, therefore, shorter
Opportunity for inter-personal touch	Much more	Less
Opportunity for physical pre-sampling of the products	Much more	Less. However, for digit able products such an opportunity is tremendous. You can pre-sample music, books,

		journals, software, videos, etc.
Ease of going global	Less	Much, as cyber space is truly without boundaries

Government patronage	Shrinking	Much, as IT sector is among the topmost 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 transactions and face-to-face contact.	High due to the distance and anonymity of the parties

Summary

The world of business is changing. e-business and outsourcing are the two most obvious expressions of this change. The trigger for the change is due to both internal and external forces. Internally, it is the business firm's own quest for improvement and efficiency that has propelled it into e-business and outsourcing. Externally, the ever mounting competitive pressures and ever demanding customers have been the force behind the change.