

Unit 5

One Mark Questions

1. State any one strongest trend shaping the present business.

Digitization

2. What is Digitization?

The conversion of text, sound, images, video, and other content into a series of ones and zeroes that can be transmitted electronically,

3. Name the Network that is most familiar to students or consumers.

The network you are most familiar with as a student or consumer is the internet.

4. What is 'e-Commerce'?

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.

5. What is B2B?

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

6. What is B2C?

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

7. What is Intra-B?

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

8. What is C2C?

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

9. What is B2E?

A firm's interactions with its employees, sometimes referred to as B2E commerce.

10. Expand BPO.

Business Process Outsourcing

11. Give an example of a business firm for C2C.

E-Bay

12. Give an example for B2C.

Amazon

13. State any one benefit of e-Business.

Ease of formation and lower investment requirements

14. State any one limitation of e-Business.

Low personal touch

15. State any one risk of e-Business.

Transaction risk

16. State any one way of payment in Online Transactions.

Net banking

17. What is Plastic Money?

Credit and debit cards are referred to as plastic money.

18. State any one resource required for the successful implementation of eBusiness.

Hardware

19. State any one threat to Outsourcing.

Outsourcing depends on sharing a lot of vital information and knowledge.

20. Give an example for captive BPO Unit working in India for its parent company and subsidiaries.

Deutsche Bank Global Solutions

21. Expand SSL.

Secure Sockets Layering

22. Expand VIRUS.

Vital Information Under Siege

23. State any one application of e-business.

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.

Multiple Choices One Mark Questions

1. e-Commerce does not include
 - a) A business's interactions with its suppliers
 - b) A business's interactions with its customers
 - c) Interactions among the various departments within the business**
 - d) Interactions among the geographically dispersed units of the business.

2. A Call Centre handles
 - a) Only in-bound voice-based business
 - b) Only out-bound voice-based business
 - c) Both voice based and non-voice-based business
 - d) Both customer facing and back-end business**

3. The payment mechanism most typical to e-business is
 - a) Cash on Delivery
 - b) Cheques
 - c) Credit and Debit Cards**
 - d) e-Cash

Two Marks Questions

1. Mention any two strongest trends shaping the present business.
 - (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, and,
 - (iii) Internationalisation and globalisation.

2. Distinguish between e-Business and 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'.

3. What is 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.

4. State any two differences between Traditional Business and e-Business.

Basis	Traditional Business	E-Business
Ease of formation	Difficult	Simple
Physical presence	Required	Not required

5. State any two benefits of e-Business.
 - a) Ease of formation and lower investment requirements: Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start. The benefits of internet technology accrue to big or small business alike.
 - b) Convenience: Internet offers the convenience of '24 hours × 7 days a week × 365 days' a year business that allows customers to go for shopping well after midnight. Such flexibility is available even to the organizational personnel whereby they can do work from wherever they are, and whenever they may want to do it.

6. State any two demerits of e-Business.

- a) Low personal touch: High-tech it may be, e-business, however, lacks warmth of interpersonal interactions. To this extent, it is relatively less suitable mode of business in respect of product categories requiring high personal touch such as garments, toiletries, etc.
- b) Incongruence between order taking/giving and order fulfilment speed: Information can flow at the click of a mouse, but the physical delivery of the product takes time. This incongruence may play on the patience of the customers. At times, due to technical reasons, web sites take unusually long time to open. This may further frustrate the user.

7. State any two risks of e-Business.

Transaction risks and data storage and transmission risks

8. What is Cryptography?

It refers to the art of protecting information by transforming it (encrypting it) into an unreadable format called 'cyphertext'. Only those who possess a secret key can decipher (or decrypt) the message into 'plaintext'.

9. Give the meaning of Cookies.

Cookies are very similar to the caller ID in telephones that provide telemarketers with such relevant information as: the consumer's name, address and previous purchase payment record.

10. State any two ways of payment in Online Transactions.

Credit and Debit cards and net banking

11. What is PayPal?

PayPal is a payment intermediary. Instead of purchasing items directly from an unknown, untrusted seller; the buyer can instead send the money to Pay Pal. 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.

12. State any two resources required for the successful implementation of e-Business.

For e-business, you require additional resources for developing, operating, maintaining and enhancing a website where 'site' means location and 'web' means world wide web (www). Simply speaking, a website is a firm's location on the world wide web.

13. Give the meaning of Outsourcing.

It refers to a long-term contracting out generally the non-core and of late even some of the core activities to captive or third party specialists with a view to benefitting from their experience, expertise, efficiency and, even investment.

14. What services are provided by Call Centres?

'Customer Care' accounts for the bulk of the call centre activities with 24 hrs × 7 days handling of in-bound (customer queries and grievances) and out-bound (customer surveys, payment follow-up and telemarketing) traffic.

15. Give the meaning Verticals in Outsourcing Terminology.

They may specialise in one or two industries and scale up to doing several processes from non-core to core. These are called 'verticals.' As the service providers mature, they move simultaneously horizontal and vertical.

16. Give the meaning Horizontals in Outsourcing Terminology.

The hired party service providers are the persons/firms which specialise in some processes such as Human Resource Management (HRM) and provide their services to a wide base of clients, cutting across industries. Such service providers are called 'horizontals'

Four Marks Questions

1. Bring out any four distinctions between Traditional Business and eBusiness.

Basis	Traditional Business	E-Business
Ease of formation	Difficult	Simple
Physical presence	Required	Not required
Locational requirements	Proximity to source of raw materials or market for products	None
Cost of establishment	High	Low due to requirement of physical facilities

2. Explain briefly the steps involved in Online Transactions.

An online transaction, also known as a PIN-debit transaction, is a password-protected payment method that authorizes a transfer of funds over an electronic funds transfer (EFT)

- I. Registration: Before online shopping, one must register with the online vendor by filling-up a registration form. Registration means that you have an 'account' with the online vendor.
- II. Placing an order: You can pick and drop the items in the shopping cart. Shopping cart is an online record of what you have picked up while browsing the online store.
- III. Payment mechanism: Payment for the purchases through online shopping may be done in several ways:
 - a) Cash-on Delivery (CoD): As is clear from the name, payment for the goods ordered online may be made in cash at the time of physical delivery of goods.
 - b) Cheque: Alternatively, the online vendor may arrange for the pickup of the cheque from the customer's end. Upon realization, the delivery of goods may be made.
 - c) Net-banking Transfer: Modern banks provide to their customers the facility of electronic transfer of funds over the net. In this case, therefore, the buyer may transfer the amount for the agreed price of the transaction to the account of the online vendor who may, then, proceed to arrange for the delivery of goods.
 - d) Credit or Debit Cards: Popularly referred to as 'plastic money,' these cards are the most widely used medium for online transactions. In fact, about 95 per cent of online consumer transactions are executed with a credit card. Credit card allows its holder to make purchase on credit. The amount due from the card holder to the online seller is assumed by the card issuing bank, who later transfers the amount involved in the transaction to the credit of the seller.
 - e) Digital Cash: This is a form of electronic currency that exists only in cyberspace. This type of currency has no real physical properties but offers the ability to use real currency in an electronic format.

3. Explain briefly the scope of e-Business
- a) B2B Commerce: 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.
 - b) B2C Commerce: As the name implies, 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. For example, the manufacture of an automobile requires assembly of many components which in turn are being manufactured elsewhere— within the vicinity of the automobile factory or even overseas. To reduce dependence on a single supplier, the automobile factory has to cultivate more than one vendor for each of the components. A network of computers is used for placing orders, monitoring production and delivery of components, and making payments.
 - c) 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 includes the use of intranet for managing interactions and dealings among various departments and persons within a firm.
 - d) C2C Commerce: Here, the business originates from the consumer and the ultimate destination is also consumers, thus the name C2C commerce. This type of commerce is best suited for dealing in goods for which there is no established market mechanism, for example, selling used books or clothes either on cash or barter basis. The vast space of the internet allows persons to globally search for potential buyers.

4. Explain briefly any four benefits of e-Business.
- a) Ease of formation and lower investment requirements: Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start. The benefits of internet technology accrue to big or small business alike.
 - b) Convenience: Internet offers the convenience of '24 hours × 7 days a week × 365 days' a year business that allows customers to go for shopping well after midnight. Such flexibility is available even to the organizational personnel whereby they can do work from wherever they are, and whenever they may want to do it.
 - c) Speed: As already noted, much of the buying or selling involves exchange of information that internet allows at the click of a mouse. This benefit becomes all the more attractive in the case of information-intensive products such as software, movies, music, e-books and journals that can even be delivered online.
 - d) Global reach/access: Internet is truly without boundaries. On the one hand, it allows the seller an access to the global market; on the other hand, it affords to the buyer a freedom to choose products from almost any part of the world. It would not be an exaggeration to say that in the absence of internet, globalization would have been considerably restricted in scope and speed.
5. Explain briefly any four limitations of e-Business.
- a) Low personal touch: High-tech it may be, e-business, however, lacks warmth of interpersonal interactions. To this extent, it is relatively less suitable mode of business in respect of product categories requiring high personal touch such as garments, toiletries, etc.
 - b) Incongruence between order taking/giving and order fulfilment speed: Information can flow at the click of a mouse, but the physical delivery of the product takes time. This incongruence may play on the patience of the customers. At times, due to technical reasons, web sites take unusually long time to open. This may further frustrate the user.
 - c) Need for technology capability and competence of parties to e-business: e-business requires a high degree of familiarity of the parties with the world of computers. And, this requirement is responsible for what is known as digital divide, that is the division of society based on familiarity and non-familiarity with digital technology.
 - d) Increased risk due to anonymity and non-traceability of parties: Internet transactions occur between cyber personalities. As such, it becomes difficult to establish the identity of the parties.

6. Explain briefly the ways of payment in Online Transactions.
- a) Cash-on Delivery (CoD): As is clear from the name, payment for the goods ordered online may be made in cash at the time of physical delivery of goods.
 - b) Cheque: Alternatively, the online vendor may arrange for the pickup of the cheque from the customer's end. Upon realisation, the delivery of goods may be made.
 - c) Net-banking Transfer: Modern banks provide to their customers the facility of electronic transfer of funds over the net. In this case, therefore, the buyer may transfer the amount for the agreed price of the transaction to the account of the online vendor who may, then, proceed to arrange for the delivery of goods.
 - d) Credit or Debit Cards: Popularly referred to as 'plastic money,' these cards are the most widely used medium for online transactions. In fact, about 95 per cent of online consumer transactions are executed with a credit card. Credit card allows its holder to make purchase on credit. The amount due from the card holder to the online seller is assumed by the card issuing bank, who later transfers the amount involved in the transaction to the credit of the seller. Buyer's account is debited, who often enjoys the freedom to deposit the amount in instalments and at his convenience. Debit card allows its holder to make purchases through it to the extent of the amount lying in the corresponding account. The moment any transaction is made, the amount due as payment is deducted electronically from the card.
7. Explain briefly the risks involved in e-Business Transactions.
- (i) Transaction risks: Online transactions are vulnerable to the following types of transaction risks:
 - a. Seller denies that the customer ever placed the order or the customer denies that he ever placed the order. This may be referred to as 'default on order taking/giving.'
 - b. The intended delivery does not take place, goods are delivered at wrong address, or goods other than ordered may be delivered. This may be regarded as 'default on delivery'.
 - c. Seller does not get the payment for the goods supplied whereas the customer claims that the payment was made. This may be referred to as 'default on payment'.
 - (ii) Data storage and transmission risks: Information is power indeed. But think for a moment if the power goes into the wrong hands. Data stored in the systems and en-route is exposed to several risks. Vital information may be stolen or modified to pursue some selfish motives or simply for fun/ adventure. Data may be intercepted in the course of transmission. For this, one may use cryptography. It refers to the art of protecting information by transforming it (encrypting it) into an unreadable format called 'cyphertext'.
 - (iii) Risks of threat to intellectual property and privacy: Internet is an open space. Once the information is available over the internet, it moves out of the private domain. It then becomes difficult to protect it from being copied.

8. What is Outsourcing? Briefly explain its salient features.

Outsourcing is yet another trend that is radically reshaping business. It refers to a long-term contracting out generally the non-core and of late even some of the core activities to captive or third-party specialists with a view to benefitting from their experience, expertise, efficiency and, even investment.

- a) Outsourcing involves contracting out: Literally, outsourcing means to source from outside what you have hitherto been doing in-house. For example, most companies have so far appointed their own sanitation staff for maintaining neatness, cleanliness, and overall housekeeping of their premises
- b) Generally non-core business activities are outsourced: Sanitation and housekeeping functions are noncore for most organizations. Of course, for municipalities and sanitations services providers, these activities comprise the core of their business activity. Housekeeping is a core activity for a hotel. In other words, depending upon what business a company is in, there will be some activities that are central and critical to its basic business purpose.
- c) Processes may be outsourced to a captive unit or a third party: Think of a large multinational corporation that deals in diverse products and markets them to many countries. Many processes such as recruitment, selection, training, record, and payroll (Human Resources), management of accounts receivable and accounts payable (accounting and finance), customer support/grievance handling /troubleshooting (marketing) are common to all its subsidiaries operating in different countries.

9. Explain briefly any four reasons to justify the need for Outsourcing.

- a) Housekeeping is a core activity: for a hotel. In other words, depending upon what business a company is in, there will be some activities that are central and critical to its basic business purpose.
- b) Quest for excellence: You are aware of the benefits of division of labour and specialization. Outsourcing enables the firms to pursue excellence in two ways. One, they excel themselves in the activities that they can do the best by limited focus.
- c) Cost reduction: Global competitiveness necessitates not only global quality, but also global competitive pricing. As the prices turn southwards due to competitive pressures, the only way to survival and profitability is cost reduction. Division of labour and specialization, besides improving quality, reduces cost too.
- d) Growth through alliance: To the extent you can avail of the services of others, your investment requirements are reduced, others have invested in those activities for you.

10. Explain briefly the concerns over Outsourcing.

- a) Confidentiality: Outsourcing depends on sharing a lot of vital information and knowledge. If the outsourcing partner does not preserve the confidentiality, and, say, for example, passes it on to competitors, it can harm the interest of the party that outsources its processes.
- b) Sweat-shopping: As the firms that outsource seek to lower their costs, they try to get maximum benefit from the low-cost manpower of the host countries. Moreover, it is observed that whether in the manufacturing sector or the IT-sector, what is outsourced is the kind of components or work that does not much build the competency and capability of the outsourcing partner beyond the skills needed to comply with a rigidly prescribed procedure/ method
- c) Ethical concerns: Think of a shoe company that, to cut costs, outsources manufacturing to a developing country where they use child labour/women in the factories. Back home, the company cannot do so due to stringent laws forbidding use of child labour. Is cost cutting by using child labour in countries where it is not outlawed or where the laws are 'weak', ethical?
- d) Resentment in the home countries: During contracting out manufacturing, marketing, Research and Development or IT-based services, what is ultimately contracted out is 'employment' or jobs. This may cause resentment back in the home country (i.e., the country from which the job is being sourced out) particularly if the home country is suffering from the problem of unemployment.