RBL Academy

https://rblacademy.com/

Contact – 8920884581

Chapter 5. Emerging Modes of Business

Definition of E-Business:

E-business, short for electronic business, refers to the use of digital technology and the internet to conduct various business activities. It involves not only buying and selling of goods and services online (e-commerce) but also encompasses a broader range of activities, including electronic communication, collaboration and automation of internal business processes. It encompasses a wide range of processes, including buying and selling goods and services, customer relationship management, supply chain management, and other business operations, all conducted electronically.

E-Business vs. E-Commerce:

Aspect	E-Business	E-Commerce
Definition	Conducting various business activities electronically.	Focuses specifically on buying and selling goods/services.
Scope	Broader scope, includes internal and external processes.	Limited to transactions between businesses and consumers.
Examples	Online collaboration, CRM systems, supply chain management.	Online retail, online banking, electronic payments.
Goal	Streamlining overall business processes.	Facilitating online transactions.

Scope of E-Business:

E-business refers to the conduct of business activities on the internet. It involves various types of electronic transactions, interactions, and communications that take place between individuals, organizations, and customers. The scope of e-business can be categorized into different models:

1. **B2B Commerce (Business-to-Business):**
    - **Definition:** B2B e-commerce involves transactions between businesses. It includes the exchange of goods, services, or information between companies.
    - **Example:** Alibaba.com is a prominent B2B platform connecting manufacturers and wholesalers globally. Businesses can buy and sell products in bulk.

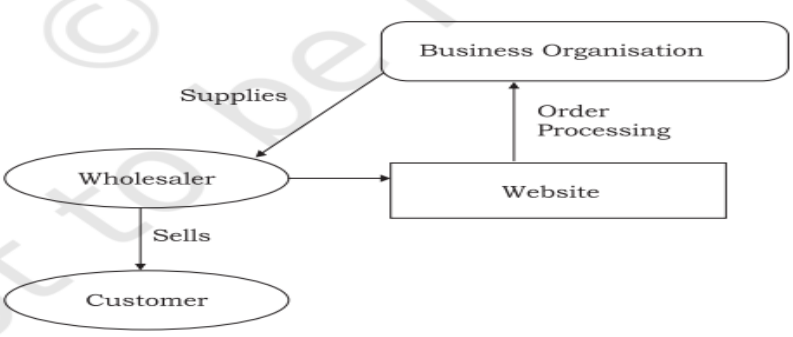

Figure 5.1 Business to Business e-Commerce

RBL Academy 8920884581
© not to be

2. **B2C Commerce (Business-to-Consumer):**
    - **Definition:** B2C e-commerce involves transactions between a business and individual consumer. It is the most common form of e-commerce, where businesses sell products or services directly to end-users.
    - **Example:** Amazon.com is a well-known B2C platform, where consumers can buy a wide range of products online.
3. **Intra-B Commerce (Business-to-Employee):**
    - **Definition:** Intra-B commerce involves transactions within an organization. It includes activities such as online training, internal communication, and the exchange of information among employees.
    - **Example:** An internal company portal for employees to access training materials, communicate with colleagues, and manage work-related tasks.
4. **C2C Commerce (Consumer-to-Consumer):**
    - **Definition:** C2C e-commerce involves transactions between individual consumers. It typically occurs through online marketplaces where individuals buy and sell directly to each other.
    - **Example:** eBay is a popular C2C platform where individuals can auction or sell items to other individuals.

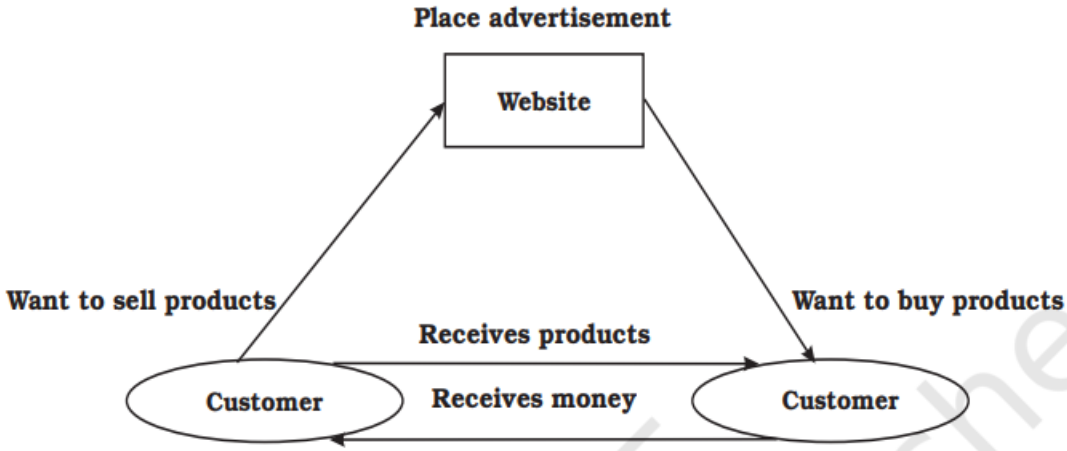

Figure 5.2 Consumer to Consumer e-Commerce (C_2C)

E-Business versus Traditional Business

Feature	E-Business	Traditional Business
1. **Mode of Operation**	Conducted online through the internet.	Operates offline through physical establishments.
2. **Global Reach**	Has the potential for a global customer base.	Typically serves a local or regional market.
3. **Operating Hours**	24/7 availability, no time restrictions.	Limited by traditional business hours.

8920884581

4. **Overhead Costs**	Generally lower as there's no need for physical storefronts.	Higher due to the cost of maintaining brick-and-mortar locations.
5. **Customer Interaction**	Primarily virtual, through websites and online communication.	In-person interactions at physical locations.
6. **Market Dynamics**	Rapid adaptation to market trends and changes.	Slower response to market changes.
7. **Flexibility**	Can quickly adapt to changes and implement updates.	Typically slower to adapt due to established processes.
8. **Cost of Entry**	Often lower as it may not require physical infrastructure.	Higher due to the need for physical space and resources.
9. **Transaction Speed**	Transactions can be instant and automated.	Transactions may take longer due to manual processes.
10. **Transaction Security**	Requires robust online security measures.	Relies on physical security measures for transactions.
11. **Examples**	Amazon, eBay, Google.	Local retail stores, restaurants, service providers.

Comparison between Traditional Business and e-Business

Basis of Distinction	**Traditional Business**	**e-Business**
1. **Ease of Formation**	Difficult	Simple
2. **Physical Presence**	Required	Not required
3. **Locational Requirements**	Proximity to the source of raw materials or the market for the products	None
4. **Cost of Setting Up**	High due to physical facilities	Low as no physical facilities are required
5. **Operating Cost**	High due to fixed charges associated with investment	Low due to reliance on relationships rather than ownership of resources
6. **Nature of Contact with Suppliers and Customers**	Indirect through intermediaries	Direct
7. **Nature of Internal Communication**	Hierarchical - top to bottom	Non-hierarchical - direct communication
8. **Response Time**	Long	Instantaneous
9. **Organizational Structure**	Vertical/tall due to hierarchy	Horizontal/flat due to directness of command and communication
10. **Business Processes and Cycle**	Sequential with longer cycle	Simultaneous with shorter cycle
11. **Opportunity for Interpersonal Touch**	Much more	Less
12. **Opportunity for Physical Pre-sampling**	Much more	Less, except for digitable products
13. **Ease of Going Global**	Less	Much, as cyber space is without boundaries
14. **Government Patronage**	Shrinking	Much, especially in the IT sector

RBL Academy 8920884581

15. **Nature of Human Capital**	Semi-skilled and unskilled manpower needed	Technically and professionally qualified personnel needed
16. **Transaction Risk**	Low due to face-to-face contact	High due to distance and anonymity

Benefits of e-Business:

(i) Ease of Formation and Lower Investment Requirements:

- E-business allows entrepreneurs to establish and operate a business with relatively lower costs compared to traditional brick-and-mortar establishments.
- Example: A small artisan can create an online store on platforms like Etsy to sell handmade crafts without the need for a physical storefront.

(ii) Convenience:

- Customers can access goods and services from the comfort of their homes, making the shopping process more convenient.
- Example: Amazon and other e-commerce platforms enable customers to browse and purchase products with just a few clicks, eliminating the need to visit physical stores.

(iii) Speed:

- Transactions and processes in e-business are often faster than traditional methods, leading to quicker service delivery.
- Example: Online banking allows users to transfer funds, pay bills, and manage accounts in real-time without visiting a bank branch.

(iv) Global Reach/Access:

- E-business transcends geographical boundaries, providing businesses with the opportunity to reach a global audience.
- Example: An online clothing store can attract customers from different countries, expanding its market beyond local boundaries.

(v) Movement Towards a Paperless Society:

- E-business reduces the reliance on paper documentation, contributing to environmental sustainability and efficiency.
- Example: Digital invoices and electronic receipts eliminate the need for physical paperwork in financial transactions.

Limitations of e-Business:

(i) Low Personal Touch:

- Lack of face-to-face interaction can result in reduced personalization and customer engagement.
- Example: Online customer support may lack the personal touch of in-person assistance, leading to customer dissatisfaction.

RBL Academy 8920884581

(ii) Incongruence Between Order Taking/Giving and Order Fulfilment Speed:

- The speed of order processing and product delivery may vary, causing discrepancies in customer expectations.
- Example: A customer might expect same-day delivery, but logistical challenges may cause delays, impacting customer satisfaction.

(iii) Need for Technology Capability and Competence:

- Successful participation in e-business requires technical skills and infrastructure, which may pose challenges for some businesses.
- Example: A small local business may struggle to adopt e-commerce due to a lack of technological expertise and resources.

(iv) Increased Risk Due to Anonymity and Non-Traceability:

- The anonymity of online transactions can lead to increased fraud and security risks.
- Example: Cybercriminals may exploit online platforms for identity theft and financial fraud.

(v) People Resistance:

- Some individuals may resist the shift to e-business due to unfamiliarity or distrust of online transactions.
- Example: Older generations may prefer traditional shopping methods and resist adopting online shopping practices.

(vi) Ethical Fallouts:

- E-business may face ethical challenges, such as privacy concerns and issues related to data security.
- Example: Unauthorized use of customer data by an online platform can result in ethical dilemmas and damage the company's reputation.

RBL Academy 8920884581

Information Technology Act 2000 and its Impact on Paperless Transactions

I. Introduction

A. Information Technology Act 2000

1. Enacted to facilitate electronic transactions

2. Paving the way for a paperless society

II. Provisions Promoting Paperless Dealings

A. Legal Recognition of Electronic Records (Section 4)

1. Overcoming traditional requirements of writing and printing

2. Deemed satisfaction of requirements in electronic form

3. Accessibility for subsequent reference

B. Legal Recognition of Digital Signatures (Section 5)

1. Authentication of information through digital signatures

2. Override of traditional signature requirements

3. Compliance with prescribed methods by the Central Government

C. Use of Electronic Records and Digital Signatures in Government (Section 6-1)

1. Applicability to forms, applications, and documents

2. Filing, issue, grant, receipt, or payment in a prescribed electronic form

3. Overrides other laws for compliance with electronic methods

D. Retention of Electronic Records (Section 7-1)

1. Compliance with specific retention period requirements

2. Deemed satisfaction through electronic form retention

3. Adaptation to electronic storage for legal compliance

III. Implications for Business and Government Transactions

A. Business World

1. Simplified documentation processes

2. Increased efficiency and speed in transactions

3. Enhanced accessibility and ease of record retrieval

B. Government Domain

1. Streamlined filing and approval procedures

2. Reduced paperwork and associated costs

3. Improved transparency and accountability

Conclusion

A. Information Technology Act 2000 as a catalyst for paperless transactions

B. Transformative impact on business and government dealings

C. Continued relevance in the digital age for a streamlined and efficient society.

Benefits of e-Commerce

1. Business Organization:

- **Expands the Marketplace:** Allows businesses to reach national and international markets, breaking geographical barriers.
- **Cost Reduction:** Gradual decline in operational costs, as digital transactions often eliminate the need for physical infrastructure.

RBL Academy 8920884581

- **Pull Supply Chain Management:** Facilitates 'pull' supply chain, optimizing inventory and reducing the likelihood of overstocking.
- **Competitive Advantage:** Provides a competitive edge over traditional competitors through efficient online operations.
- **Time Management:** Enables proper time management, streamlining business processes for increased efficiency.
- **Coexistence of Firms:** Allows small firms to coexist with larger counterparts, creating a mutually beneficial environment.

2. Benefits to Consumers and Society:

- **Flexibility:** Offers flexibility in terms of shopping anytime and anywhere, providing convenience to consumers.
- **Competitive Pricing:** Consumers benefit from competitive prices, discounts, and occasional waive-offs in the online marketplace.
- **More Options and Choices:** Provides consumers with a wide array of options and choices, allowing for a personalized shopping experience.
- **Customized Products:** Enables the creation of customized products based on individual preferences and needs.
- **Quick and Timely Delivery:** Particularly for digitized products, e-commerce ensures quick and timely delivery, enhancing customer satisfaction.
- **Employment Potential:** Generates employment opportunities in areas such as logistics, digital marketing, and customer support.
- **Facilitates e-Auctions and e-Tenders:** E-commerce platforms facilitate electronic auctions and tenders, streamlining procurement processes.
- **Interaction with Consumers:** Enables direct interaction between businesses and consumers, fostering better communication and understanding.
- **Wider Outreach:** Provides a platform for businesses to reach a broader audience, expanding market reach beyond traditional boundaries.

RBL Academy 9920884581

e-Business Applications

1. **e-Procurement:**
    - *Description:* Involves internet-based sales transactions between business firms.
    - *Features:*
        - **Reverse Auctions:** Facilitate online trade between a single business purchaser and multiple sellers.
        - **Digital Marketplaces:** Facilitate online trading between multiple buyers and sellers.

2. **e-Bidding/e-Auction:**
    - *Description:* Allows users to bid for goods and services online, including features like 'Quote your price.'
    - *Features:*
        - **Online Tenders:** Submission of tender quotations online for goods and services.
3. **e-Communication/e-Promotion:**
    - *Description:* Encompasses various forms of online communication and promotion.
    - *Features:*
        - **E-mail:** Communication through electronic mail.
        - **Online Catalogues:** Displaying images of goods for promotion.
        - **Advertising:** Through banners, pop-ups, opinion polls, and customer surveys.
        - **Virtual Meetings:** Conducting meetings and conferences through video conferencing.
4. **e-Delivery:**
    - *Description:* Involves electronic delivery of various content and services.
    - *Features:*
        - **Multimedia Content:** Delivery of computer software, photographs, videos, e-books, and e-journals.
        - **Consulting Services:** Rendering legal, accounting, medical, and other consulting services electronically.
        - **Outsourcing Opportunities:** Opportunities for outsourcing IT Enabled Services (ITES).
5. **e-Trading:**
    - *Description:* Involves online buying and selling of securities and financial instruments.
    - *Features:*
        - **Securities Trading:** Online trading of shares and other financial instruments.
        - **Online Trading Firms:** Platforms like Sharekhan.com, facilitating online trading.

These e-business applications demonstrate the diverse ways in which electronic technologies are employed to conduct business, from procurement and bidding to communication and trading in the digital marketplace.

Online Transactions: Operational Stages and Processes

RBL Academy 8920884581

Operationally, online transactions involve three stages:

1. **Pre-Purchase/Sale Stage:**
    - *Activities:*
        - Advertising and Information-Seeking.
    - *Observation:*
        - Information flow is crucial in this stage, involving the exchange of information between buyers and sellers.
2. **Purchase/Sale Stage:**
    - *Activities:*
        - Price negotiation, closing of purchase/sale deal, and payment.
    - *Observation:*
        - Apart from the delivery stage, this stage primarily involves the flow of information.

Note:

- Information exchange remains central in these stages.
- Face-to-face interactions in traditional business involve travel, time, and cost constraints.
- Internet serves as a more efficient channel for information exchange, reducing time and cost constraints.
- Except for the delivery stage, all stages involve the flow of information.

3. **Delivery Stage:**
    - *Activities:*
        - Physical delivery of products.
        - Particularly relevant for information-intensive products like software and music.
        - Delivery of these products can occur online.
    - *Observation:*
        - In the case of information-intensive products like software and music, even the delivery stage can occur online.

Comparison with Traditional Business Modes:

- **Information Flow in Traditional Business:** In traditional face-to-face interactions, information exchange is constrained by time and cost factors.
- **Advantages of Internet:** The internet serves as a fourth channel, free from the constraints faced in traditional modes, offering solutions to time and cost issues.

Customer's Perspective in Online Trading:

- *Process Overview:*

RBL Academy 8920884581

1. **Registration:**
    - Users register with the online vendor, creating an account with a password for security.
    - Fill a registration form to create an account with the online vendor.
    - Password protection for account and shopping cart sections to ensure security.
    -
2. **Placing an Order:**
    - Users add items to the online shopping cart, similar to physical stores.
    - The shopping cart keeps a record of selected items.
    - Users can review and adjust the cart before checking out.
    - After finalizing selections, users can proceed to checkout and choose payment options.
3. **Payment Mechanism:**

- Cash-on-Delivery (CoD): Payment in cash at the time of physical delivery.
- Cheque: Online vendor arranges for cheque pickup, and upon realization, delivers goods.
- Net-banking Transfer: Electronic transfer of funds using IMPS, NEFT, and RTGS.
- Credit or Debit Cards: Widely used for online transactions, allowing purchases on credit or within account balance.
- Digital Cash: Electronic currency existing in cyberspace, allowing digital funds for online purchases.

Security measures such as SSL Certificates ensure the secure collection of credit card information.

Note:

- Credit cards are a popular choice, with about 95% of online consumer transactions using them.
- Secure means, such as SSL Certificates, are required to collect credit card information.
- Digital cash, existing only in cyberspace, allows users to make purchases over the web.

Conclusion:

- Internet-based transactions offer convenience, ease, and security to customers.
- The process involves stages of information flow, culminating in the physical or online delivery of products or services.

RBL Academy 8920884581

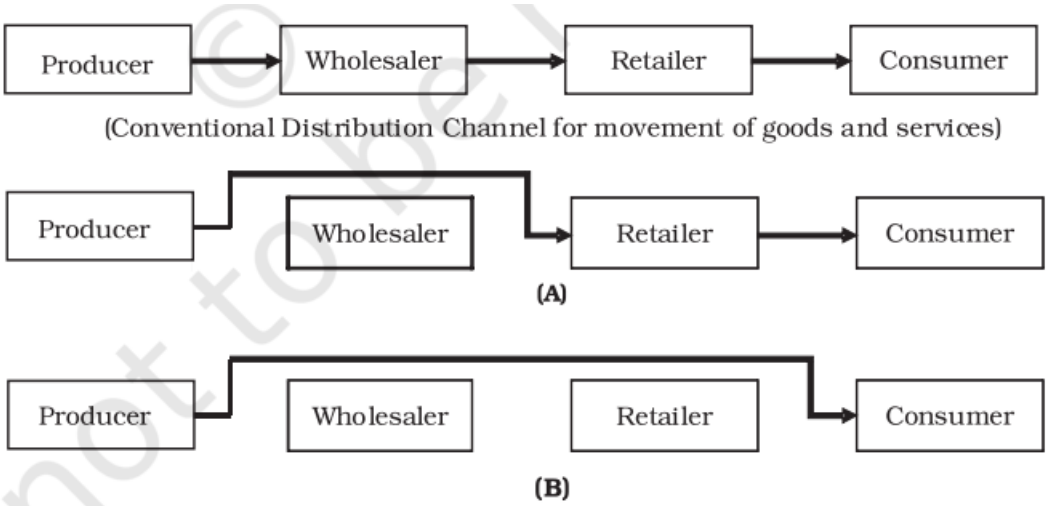

Figure 5.3 (A) and (B) : Distribution channel gets shortened by e-Business

Security and Safety of e-Transactions: e-Business Risks

Online transactions, integral to e-business, introduce various risks, primarily categorized into three types:

1. Transaction Risks:

- ***Types of Risks:***
  - Default on Order Taking/Giving: Seller or customer denies placing the order.
  - Default on Delivery: Issues related to incorrect delivery, non-delivery, or delivery of wrong items.
  - Default on Payment: Seller claims non-receipt of payment while the customer asserts payment was made.
- ***Preventive Measures:***
  - Identity and location verification during registration.
  - Authorization for order confirmation and payment realization.
  - Use of cookies for customer information verification.
  - Shopping from well-established and reputable online sites.
  - Online rating systems for sellers (e.g., eBay) and reimbursement policies.

2. Data Storage and Transmission Risks:

- ***Challenges:***
  - Information stored and transmitted is vulnerable to unauthorized access.
  - Risks associated with data falling into the wrong hands.
- ***Preventive Measures:***

RBL Academy 8920884

- Use of encryption technologies like SSL (Secure Sockets Layer) for protecting credit card details.
- Implementation of offline or online processing of credit card information.
- Utilization of encryption or cryptography for safeguarding against data transmission risks.

3. Threat to Intellectual Property and Privacy Risks:

- ***Concerns:***
  - Internet's openness poses a threat to the protection of information from being copied.
  - Privacy invasion with the possibility of personal data being supplied to third parties.
  - Risk of receiving unwanted advertising and promotional material (junk mails).
- ***Preventive Measures:***
  - Understanding the limitations of privacy in the online domain.
  - Implementing encryption and protection measures against data misuse.
  - Awareness of potential risks and making informed choices while engaging in online transactions.

Resources Required for Successful e-business Implementation:

1. **Development, Operation, and Maintenance:**
   - Website Development: Creating an online platform for the firm (website) on the World Wide Web.
   - Operation: Ongoing management and functioning of the website.
   - Maintenance: Regular updates, bug fixes, and improvements to the website.
2. **Security Measures:**
   - Anti-Virus Software: Installation and regular updating to protect against computer viruses.
   - Cryptography: Use of encryption technologies to secure data during transmission.
   - Awareness: Understanding the risks and taking informed measures to protect against potential threats.
3. **Human Resources:**
   - Skilled Personnel: Trained individuals to manage and oversee e-business operations.
   - Security Experts: Professionals to implement and monitor security measures.
4. **Financial Resources:**
   - Investment: Adequate funds for setting up and maintaining the online infrastructure.

RBL Academy 8920884581

- Payment Systems: Integration of secure payment mechanisms.

Understanding and addressing these risks, along with the allocation of necessary resources, is crucial for the successful implementation and sustained operation of e-business ventures.

RBL Academy 8920884581