COMMERCE

GRADE XII – Mumbai Board

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ORGANISATION OF COMMERCE AND MANAGEMENT

5

Emerging Modes of Business

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Important points to learn:

1) E-Business – Meaning, Scope, Benefits and Limitations
2) On-Line Transactions – Meaning and Procedure
3) Outsourcing
   (a) Meaning and Concept
   (b) Need of Outsourcing
   (c) Advantages and Disadvantages of Outsourcing
   (d) Understanding BPO / KPO / LPO
4) Comparative Study / Distinguish

5 EMERGING MODES OF BUSINESS

INTRODUCTION

The new mantra of the day is growth, globalization, speed and competitiveness.

The term **'E- business'** stands for electronic business. E-business means using the internet to connect people and processes. Electronic business refers to the use of the Web, Internet, intranets, extranets or some combination there of to conduct business. E- Business is not a technical change. It is a fundamental change in the way of business be done. This is nothing but business on internet.

Meaning – E-Business

The term 'E-business' i.e. electronic business is derived form the terms e-mail and e-commerce.

E- business or electronic business, is the administration of conducting business via the internet. This would include the buying and selling of goods or services, along with providing technical or customer support through the internet.

5 EMERGING MODES OF BUSINESS

SCOPE of E-BUSINESS

Scope

The scope of E-business is quite vast. The scope of e-business is not restricted to only online shopping, it also includes online stock, transactions and the use of software.

Almost all types of business functions such as production, finance, marketing and personnel administration as well as managerial activities like planning, organizing and controlling can be carried out over computer networks.

Various Businesses can be classified into the following types:

1) Business-to-Business (B2B)	- Buyer and Seller are both business entities.
2) Business-to-Consumer (B2C)	- Transaction between business firms and consumers.
3) Consumer-to-Business (C2B)	- Transaction between consumers and business firms.
4) Consumer-to-Consumer (C2C)	- Transaction between consumers and consumers.
5) Business-to-Administration (B2A)	- Transaction between businesses and administration.
6) Consumer-to-Administration (C2A)	- Transaction between consumers and administration.

BENEFITS of E-BUSINESS

The main advantage of e-business is people get product information online and order the product online through cash on delivery or pre payment. In this way seller and buyer both get advantage of internet platform.

Benefits / Advantages:

1) Ease of formation
2) Lower Investment requirements
3) Convenience
4) Speed
5) Global access
6) Easy payment
7) Government Support
8) Paperless Society

LIMITATIONS of E-BUSINESS

E-business does have certain disadvantages when compared to the traditional way of doing business.

Limitations / Disadvantages:

1) Lack of Personal Touch
2) Delivery Time
3) Security Issues
4) Government Interference
5) High Risk

ONLINE TRANSACTIONS

Online transaction is done with the help of the internet. It can't take place without a proper internet connection. Online transactions occur when a process of buying and selling takes place through the internet. When a consumer purchases a product or a service online, he/she pays for it through online transaction.

Procedure of online Transaction:

1) Registration - It is the first step in the Online transaction. one has to register with the online vendor by filling up a registration form.
2) Placing an Order - When a customer likes a product or service he/she puts the product in the shopping cart
3) Payment - It is the last step. The buyer has to select the payment option.

Some Payment Options are:

a) Cash on Delivery
b) Cheque
c) Net Banking
d) Plastic Money (Debit or Credit Cards)
e) Digital Cash

OUTSOURCING

Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies mostly the non-core (less important) areas.

The agency can send the required manpower to the company. The agency charges the company for their services. With the help of outsourcing, company can focus on their core (important) areas.

Meaning

Outsourcing is the process of contracting some business functions to specialised agencies. The company benefits in two ways.

a) It reduces its own cost.
b) It uses the expertise of the firm which specialises in a particular kind of service.

Examples of Outsourcing

Facilities like canteen, sanitation, security, etc. In the same way arrangements for wedding, anniversary, birthday celebration can also be outsourced.

NEED FOR OUTSOURCING

Today services all over the world are becoming highly specialized. Most services require finely tuned skills. The increasing global competition has forced the companies to concentrate on their hard core activities. Due to this, many non-core areas are being outsourced to firms who have an especially skilled work force.

Benefits / Advantages of Outsourcing:

1) Reduction in Costs
2) Lower Manpower Cost
3) Expert, Professional and High Quality Services
4) Reduction in Cost of Investment
5) More time for Core Activities of the Business
6) Increase in Efficiency and Productivity

Limitations / Disadvantages of Outsourcing:

1) Lack of Customer Focus
2) Threat to Security and Confidentiality
3) Dissatisfactory Services
4) Ethical Issues
5) Lack of Communication
6) Poor Quality and Delayed Services

FORMS OF OUTSOURCING

BUSINESS PROCESS OUTSOURCING (BPO)

BPO is basically the outsourcing of work to some third party service provider in order to save money.

Business process outsourcing or BPO, is a business practice in which one organization hires another company to perform a task (process) that the hiring organization requires to operate its own business successfully.

It involves the contracting of the operations and responsibilities of specific business process to a third party service provider.

Key Terms of BPO

1) **Off Shore BPO -** BPO that is contracted outside a company's own country.
2) **On Shore BPO -** BPO that is contracted with the company's own country.
3) **Near Shore BPO -** BPO that is contracted to a company's neighbouring country.

FORMS OF OUTSOURCING

KNOWLEDGE PROCESS OUTSOURCING (KPO)

KPO is described as the high-level functions related to knowledge and information outsourced to third party service providers.

KPO is the sub segment of BPO, in which the outsource service provider is hired not only for its capacity to perform particular business process or function but also to provide expertise around it.

KPO requires advanced analytical and technical skills as well as a high degree of specialist expertise. KPO allows both core and non core activities.

LEGAL PROCESS OUTSOURCING (LPO)

LPO is a type of KPO that is specific to legal services, ranging from drafting legal documents, performing legal research to offering advice.

LPO refers to the practice of law firm or corporation obtaining legal support services from an outside law firm or a law company.

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