

## IMT- 77

### E - BUSINESS

#### Notes:

- Write answers in your own words as far as possible and refrain from copying from the text books/handouts.
- Answers of I<sup>st</sup> Set (Part-A), II<sup>nd</sup> Set (Part-B), III<sup>rd</sup> Set (Part – C) and Set-IV<sup>th</sup> (Case Study) must be sent together.
- Submit the assignments in IMT CDL H.O. along with the assignments Question Papers for evaluation .
- Only hand written assignments shall be accepted.

**A. First Set of Assignments**

5 Questions, each question carries 1.5 marks.

**B. Second Set of Assignments**

5 Questions, each question carries 1.5 marks.

**C. Third Set of Assignments**

5 Questions, each question carries 1.5 marks. Confine your answers to 150 to 200 Words.

**D. Forth Set of Assignments**

Two Case Studies : 7.5 Marks. Each case study carries 3.75 marks.

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#### SECTION - A

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- Explain the reasons for the increasing popularity of e-business.
- What do you mean by I-way? Discuss the various components of I-Way.
- Explain the framework of e-business.
- Discuss the need of intelligence website.
- Discuss the web development tools required for designing a website.

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#### SECTION - B

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- Difference between B2B and B2C e-business models.
- Why do you think that new business model is necessary for new startup?
- Define SSL and how does it become functional?
- What is the digital signature? How does it work?
- Explain the details of how e-cheques and e-cash work.

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#### SECTION - C

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- What is the online credit card based systems in online transactions?
- What are search engines? Explain the technology on which they work.
- What is internet marketing? Illustrate with suitable examples.
- Explain the process of formulating ebusiness strategies.
- What is mobile commerce? Illustrate with examples.

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## CASE STUDY - 1

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**Flipkart** started in 2007 by Sachin Bansal and Binny Bansal, the Bangalore-based firm ships close to 30,000 items per day Or, in other words, 20 products per minute. The daily sales is clocking to Rs 2.5 crore (\$5 million). The growth rate has been 100 per cent quarter on quarter. The interesting part is that around 60 per cent of Flipkart's orders are cash or card on delivery. Both Sachin and Binny are from the Indian Institute of Technology, Delhi and have prior experience in Amazon. According to an Associated Chambers of Commerce and Industry of India (Assocham) survey, the online retail market in India may grow to Rs 70 billion (over \$1.30 billion) by 2015 from Rs 20 billion in 2011 as internet access improves. Flipkart will have tough competition ahead. already, there are players like Infibeam, amazon.in and ebay.in in the market .

### Question

1. What would be the future of Flipkart?
2. How Flipkart is different from Amazon.com?
3. What are growth strategies of Flipkart?

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## CASE STUDY - 2

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**Napster** was initially created between 1998 and 1999 by a 19 year old called Shawn Fanning while he attended Boston's Northeastern University. He wrote the programme initially as a way of solving a problem for a friend who wanted to find music downloads more easily online. The name Napster came from Fanning's nickname.

The system was known as Peer to Peer since it enabled music tracks stored on other Internet users hard disks in MP3 format to be searched and shared with other Internet users. Strictly speaking, the service was not a pure P2P since central services indexed the tracks available and their locations in a similar way to which instant messaging (IM) works.

The capability to try a range of tracks proved irresistible and Napster use peaked with 26.4 million users worldwide in February 2001.

It was not long before several major recording companies backed by the RIAA (Recording Industry Association of America) launched a lawsuit. Of course, such action also gave Napster tremendous PR and millions of users used the service. Some individual bands also responded with lawsuits. Rock band Metallica found that a demo of their song 'I disappear' began circulating on the Napster network and was eventually played on the radio. Other well-known artists who vented their ire on Napster included Madonna and Eminem. However, not all artists felt the service was negative for them. UK band Radiohead pre-released some tracks of their album Kid A on to Napster and subsequently became Number 1 in the US despite failing to achieve this previously.

Eventually as a result of legal action an injunction was issued on March 5th 2001 ordering Napster to cease trading of copyrighted material. Napster complied with this injunction, but tried to reach a deal with the record companies to pay past copyright fees and to turn the service into a legal subscription service. In the following year, a deal was agreed with German media company Bertelsmann AG to purchase Napster's assets for \$8 million as part of agreement when Napster filed for Chapter 11 bankruptcy in the United States. This sale was blocked and the web site closed. Eventually, the Napster brand was purchased by Roxio, Inc who used the brand to rebrand their PressPlay service.

Since this time, other P2P services such as Gnutella, Grokster and Kazaa prospered which have been more difficult for the copyright owners to pursue in court, however, many individuals have now been sued in the US and Europe and the associations of these services with spyware and adware has damaged these services, which has reduced the popularity of these services.

Fast Forward to 2008 and Napster now has around 830,000 subscribers in the United States, Canada and United Kingdom who pay up to £14.95 each month to gain access to about 1.5 million songs. The company is seeking to launch in other countries such as Japan through partnerships.

Revenue for financial year 2008 is expected to exceed \$125 million, representing growth of 17%.

The online music download environment has also changed with legal music downloading propelled through increasing adoption of broadband, the success of Apple iTunes and its portable music player, the iPod which by 2005 had achieved around half a billion sales.

Napster gains its main revenues from online subscriptions and permanent music downloads. The Napster service offers subscribers on-demand access to over 1 million tracks that can be streamed or downloaded as well as the ability to purchase individual tracks or albums on an a la carte basis. Subscription and permanent download fees are paid by end user customers in advance either via credit card, online payment systems or redemption of pre-paid cards, gift certificates or promotional codes. Napster also periodically licenses merchandising rights and resells hardware that its end users use to store and replay their music.

BBC (2005) estimated that the global music market is now worth \$33 billion (£18.3 billion) a year while the online music market accounted for around 5% of all sales in the first half of 2005. Napster (2005), quoting Forrester Research estimates that United States purchases of downloadable digital music will exceed \$1.9 billion by 2007 and that revenues from online music subscription services such as Napster will exceed \$800 million by 2007.

BBC (2005) reports Brad Duea, president of Napster as saying: 'The number one brand attribute at the time Napster was shut down was innovation. The second highest characteristic was actually free. The difference now is that the number one attribute is still innovation. Free is now way down on the list. People are able to search for more music than was ever possible at retail, even in the largest megastore.'

Napster subscribers can listen to as many tracks as they wish which are contained within the catalogue of over 1 million tracks (the service is sometimes described as 'all you can eat' rather than 'a la carte'). Napster users can listen to tracks on any compatible device that includes Windows Digital Rights Management software, this includes MP3 players, computers, PDAs and mobile phones. Duea describes Napster as an "experience" rather than a retailer. He says this because of features available such as:

- Napster recommendations
- Napster radio based around songs by particular artists
- Napster radio playlists based on the songs you have downloaded
- Swapping playlists and recommendations with other users

iTunes and Napster are probably the two highest profile services, but they have a quite different model of operating. There are no subscribers to iTunes, where users purchase songs either on a per track basis or in the form of albums. By mid 2005, over half a billion tracks had been purchased on Napster. Some feel that iTunes locks people into purchasing Apple hardware, as one would expect Duea of Napster says that Steve Jobs of Apple "has tricked people into buying a hardware trap". But Napster's subscription model has also been criticised since it is service where subscribers do not 'own' the music unless they purchase it at additional cost, for example to burn it to CD. The music is theirs to play either on a PC or on a portable player, but for only as long as they continue to subscribe to Napster. So it could be argued that Napster achieves lock-in in another form and requires a different approach to music ownership than some of its competitors.

#### **Question:**

Q.1: What social and ethical issues did Napster's operations raise?

Q.2: Into which category or categories of ecommerce does Napster fall?

Q.3: Identify the elements of the Napster's Case study that are indicative of the E-Commerce I and E-Commerce II eras, respectively.

Q.4: What is your learning and conclusion from Napster Case study?