

**PGDM (Insurance Business) - 2014-16**

**Sub: Business Environment**

**(INS-101)**

**Trimester – 1, End – Term Examination: September 2014**

[Time Allowed: 2.30 Hours]

[Max Marks: 50]

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write their Roll No. on the question paper. Writing anything except the Roll No. will be treated as **unfair means**. For rough work, please use answer sheet.

**Note:** - *Please be brief and relevant in your answers.*  
- *Section C is compulsory.*

**Section-A**

*[There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks.]*

*[3x5=15 Marks]*

[A1] Discuss briefly the operation of business cycle in an economy and its implications.

[A2] In brief state how does insurance (a) foster a more efficient capital allocation and (b) the costs of insurance to society.

[A3] Discuss briefly the concepts of (a) risk free cost of capital (b) the cost of transaction and (c) fungibility.

[A4] What do you understand by the terms (a) MFN and (b) TRIPS agreement?

[A5] Discuss briefly (a) the concept of Demographic Window and (b) the operation of Demographic Window in India-Vs- China context.

**P. T. O.**

Roll. No. \_\_\_\_\_

**Section-B**

**[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 marks]**

**[2x10=20 Marks]**

**[B1]** What are the major determinants of the demand for insurance in an economy like India?

**[B2]** In 2000, IMF identified four aspects of globalization (a) economic (b) political (c) cultural and (d) ecological. Briefly discuss the above with special reference to the Indian economy.

**[B3]** Discuss (a) the salient features of Pradhan Mantry Jan Dhan Yojana and (b) what in your view are the factors that will ensure its success & the limiting factors?

**Section-C**

**Case Study**

**[Marks - 15]**

- ❖ This section is compulsory.
- ❖ Read the annexed case study and answer the questions given at the end.

## Case Study: JUST Google it!

With its company slogan of 'Don't be Evil' Google has rapidly become a global business giant. Google was founded by two self-confessed 'geeks', Sergei Brin and Larry Page. They can be seen as examples of true genius who have reaped vast personal fortunes from their idea of meeting consumer demands for a highly effective and efficient search engine with which to navigate the billions of available web pages. Google did not invent search engines but recognized the value to a Web user of having the pages ranked in terms of their importance to each individual user and the need to deliver these to the user as quickly as possible. Its first innovation was the development of what came to be called PageRank (after Larry Page) which according to its own company website

*reflects our view of the importance of web pages by considering more than 500 million variables and 2 billion terms. Pages that we believe are important pages receive a higher PageRank and are more likely to appear at the top of the search results.*

*PageRank also considers the importance of each page that casts a vote, as votes from some pages are considered to have greater value, thus giving the linked page greater value. We have always taken a pragmatic approach to help improve search quality and create useful products, and our technology uses the collective intelligence of the web to determine a page's importance.*

(<http://www.google.com/corporate/tech.html>)

There have been a number of recent books charting aspects of the rise of Google (Auletta 2010; Batelle 2006; and Vise and Malseed 2008). Page and Brin met as graduate computer engineering students at Stanford University and both had a formidable grasp and recognition of the potential power of using algorithms when organizing searches.

The initial development of the company owed much to the lessons that they learned as graduate students of the need for the consumer to come first in the application of Information Technology and their ability to use the IT infrastructure of Stanford which was needed to process the growing number of searches that they were seeking to handle. They drew heavily on the pool of talented graduates from Stanford and other US universities. The business culture of Google has been well documented with staff being encouraged to dress casually, being provided with free healthy meals, massages, and regular time off to think 'blue sky' thoughts.

It is also apparent that initially, these computer nerds had no real idea of how to 'monetize' their unique approach to organizing web searches. Page and Brin were, from the outset, determined that they would not allow page selections to be determined by how much money advertisers would be prepared to pay. Other search engines placed search results in a ranking order dependent on advertising income offered for these sites. Their overriding ambition was to put the consumer first in the belief that this would produce the most effective searches.

Auletta charts how the founders only very slowly and with all sorts of reservations about being infected by the values of traditional money making business models, began to recognize that there was a need for strategic business expertise to work together with the creative engineering driving force of Google. Brin and Page were convinced that the more searches that they were able to generate the more successful their business would be. These were no idealistic dreamers in the sense that they did think that earnings profits was important but they did not know how to turn these searches into money and were determined to ensure that all searches were free and would not be influenced by advertisers.

### Question 2

[P. 7.0]

Write to answer 2 out of the 3 Questions below. Each Question carries 10 marks and the maximum possible mark is 20.

1. Describe the business model of Google and what are its key? How is assignment done?

2. Discuss the source of funds, capital and the corporate structure of Google.

3. Explain the 3 tier system for processing customer demands. Explain how

it is implemented.

4. How is the cost of capital required by Google in respect of its business is kept?

Google

Ironically, in the end the development of their two major income earners 'AdSense' and 'AdWords' have meant that Google has now become a dominant force in commanding huge revenues from advertising revenue and a huge competitive threat to the existing advertising media companies. Unlike previous methods of advertising on the Web whereby advertisers simply paid for the placement of an advert on a particular site and had no real idea if users were actually clicking on the link to view content, Google introduced three innovations. With AdWords firstly, Google introduced the technology to measure how many times a particular link was clicked on and advertisers can access this information directly. Secondly, advertisers would bid for the right to have their ads placed on the search results generated by particular key words. Rankings on the list of adverts that appear depend on the bids. Finally, Brin and Page, using advice gleaned from the newspaper industry, decided that the adverts that appeared on result pages would be grouped together away from the results of the searches themselves. AdSense operates as an effective partnership between website designers, advertisers and Google. Using Google as an intermediary Web designers can conduct auctions between advertisers to carry links on their sites and they then share the revenue generated with Google. Google's increasing dominance in the advertising revenue generated by the Web was reinforced by its acquisition of DoubleClick, up until then the leading digital marketing company, in 2007.

Initially as Google developed, it was not clear to the existing media industry what a huge business it would become. In March 2010, Google's total revenues were over \$23 billion and it was valued at almost \$179 billion (<http://finance.yahoo.com/q/ks?s=Goog>). This has to be put in the context of the company only going public in 2004.

In an interview with Auletta in 2008 Brin said that every four hours Google indexed the equivalent of the entire

Library of Congress and in total its index contained 1 trillion web pages. According to Auletta, by 2008 Google's advertising revenues matched the combined total of the leading five US broadcast networks.

With the maturing of the so-called 'MySpace' generation it is argued that the use of the Internet is not only likely to keep rising exponentially but the way in which this generation uses the Web presents enormous opportunities for new products and innovations.

Google has since diversified into providing a range of other Web based products such as Google Earth, G-mail, and Google Books. Recently Google has begun to diversify its range of products acquiring YouTube in 2006 and developing operating systems for mobile phones (its Android system) and its own operating Web browser Google Chrome.

### Questions

1. To what extent can it be argued that Google represents an example of a company which has grown through inventing and developing new technologies?
2. What have been the main technological developments that have enabled Google to grow so dramatically?
3. What features within the external environment have been necessary to enable Google to develop in the way in which it has?
4. What criticisms have been voiced about some aspects of the activities of Google?

Sources: Auletta (2010), [www.google.com/corporate/business.html](http://www.google.com/corporate/business.html), Batelle (2006), and Vise and Malseed (2008) <http://www.google.com/corporate/tech.html>