

IMPACT OF E-COMMERCE ON BUSINESS

To what extent are the business organisations being affected by the increasing reach of e-commerce?

Namit Chopra, Kashish Malhotra, Aayush Dalmia
Students, Christ (Deemed to be) University, Bangalore, Karnataka

Abstract : The following articles talks about how e-commerce has emerged in developing countries like India and what is the impact of e-commerce in business organisations and on their profitability. E-commerce in short refers to the buying and selling of goods and services online. While it has several advantages for the organisations and customers it also has to face some challenges. In countries like India where the penetration of internet is continuously increasing e-commerce has the potential of becoming the new model of shopping in the country. Based on such conclusions the research question arises: to what extent are the business organisations being affected by the increasing reach of e-commerce?

The required data for the research has been taken form journals, websites and other forms of secondary data. This data has been properly analyzed to reach to the results and conclusion of this research.

Index Terms – E-Commerce, Business, Goods and Services, Online

I. INTRODUCTION

In today's world, the thought of living without e-commerce is immeasurable and it can cause inconvenience to many as not only people but business organisations have started to rely upon e-commerce on a very large extent. The idea of e-commerce came only a few years ago i.e. roughly around 40 years ago and till this day innovations, new technologies continuously keep on developing the e-commerce industry. Every year thousands of new businesses are entering into this segment, and the user experience, safety and convenience of e-commerce has improved a lot since its establishment in in 1970. Some of the examples of e-commerce include online shopping, electronic payments, online auctions, internet banking and online ticketing.

E-Commerce (electronic commerce or EC) involves the buying and selling of goods and services, transmitting funds or data over an electronic network preferable the internet. However, this can't be considered as a complete definition of ecommerce. A complete definition is: e-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals. (Shahjee 2017) The introduction of e-commerce has had a major impact on the society and on how business is done. E-Commerce has had both positive as well as negative impacts on the business and on the consumers. Through this research paper an attempt has been made to assess the impact of e-commerce on the business organisations and their operations.

E-Commerce can be classified into three types bases on the participants in the transaction: Business to Business(B2B), Business to Consumer(B2C), Consumer to Consumer(C2C). In B2B both the parties are business organisations, in B2C one party is a business organisation and the other is the consumer and in C2C both the parties are consumers.

India is one of the fastest growing e-commerce markets in the world, with millions of new internet connections every year. In 2015, about 26% of the population was using internet which is about 10 times of 2005 and it is expected that it will reach about 37.36% of the total population by 2021. As of now the total users of internet amount to 635 million. (Statista 2018) With such a drastic increase in the number of internet users the question that arises is that **to what extent are the business organisations being affected by the increasing reach of e-commerce?**

ARTICLE REVIEW:

(Shahjee 2017) The article talks about the various benefits and barriers of the e-commerce industry. To the business it provides many benefits like an international marketplace to sell its products where earlier it was restricted because of geographical barriers. It has lead to a reduction in the operational costs like processing, distribution storing etc. E-commerce also facilitates customization and it has changed the way in which consumers buy their goods and services as the products and services can be customized according to the needs and wants of the customers. It also helps the organisations to provide around the clock services to its customers. Benefits for the consumers include 24/7 access, better choices to buy products and services, price comparisons, and improved delivery service. It also has some benefits towards the society as it helps people to connect with each other, enables more flexible working practices etc. At the same time the article also talks about the various barriers of e-commerce like lack of technological infrastructure, providing online security, lack of qualifies personnel and also the problem of commercial infrastructure. The article concludes that majority of the customers are from the rural areas and hence they don't have access to internet facilities and some of the urban customers don't have access to credit facilities as a result the only e-commerce is restricted only to the urban class.

(Ziaul Hoq 2005) The article talks about the various impacts e-commerce has on a business and how it helps in reducing several costs for any business organisation. Due to the development of e-commerce the price of various electronic equipment's and communication systems has fallen. Since e-commerce requires technological based hardware and software, the fall in the prices helps in th development of e-commerce. At the same time, e-commerce has helped the organisations to significantly reduce their costs. E-commerce has helped in reducing the cost of attracting new customers. In organisations offering knowledge-based products and services, e-commerce has facilitated to move most of the services online which has reduced the costs. E-commerce has also helped significantly to reduce the number of employees required thus helping in savings costs as most of the work is done online. Not only selling costs, e-commerce has had an impact on reducing the buying costs as well. Since a proper e-commerce system leads to proper delivery channels it has reduced the need for

keeping large inventories thus further reducing costs. E-commerce also reduces the number of intermediaries required in the buying and selling process thus reducing the costs in the value-added chain. Last but not the least, e-commerce facilitates business organisations to transfer many costs to the customers in the form of self-service for example taking delivery charges which further reduces the cost of the firms. Thus, it can be said that e-commerce has huge impact on the cost structure of business organisations.

(Dahiya 2017) The article talks about how the recent development in e-commerce has had an impact on the retailers and market in India. It has many impacts on the markets which include promotion of products which has reduced the cost of offline advertising, providing customer service online, helping corporates to build their brand image in a very small span of time, making advertisement a two way process through which customers can compare the prices of various products and make a smart choice, providing the option of customization to the customers and it has also helped in simplifying the order making process in terms of time and cost. E-commerce also has an impact on the retailers. It has helped in increasing their turnovers and profit margins by providing a 24/7 access and also through discounts. Online stores offer a wide variety of stock and provide better customer services as compared to the offline stores. E-commerce also leads to window shopping at the physical stores as online stores provide goods at a lower price. The article shows that in a country like India which is very price sensitive, e-commerce has a very vast scope and has helped in the development of markets and retailers in the country.

(Gefen, D., & Straub, D. W. ,2004) The researchers followed a theory-building, qualitative research design in order to find the changes in dynamics of supply chain relationship management after the introduction and implementation of e-commerce. The authors studied 8 companies who were engaged in B2B businesses. A cumulative of 24 employees were engaged in in-depth interviews. Emergent themes specific to the nature of conducting business electronically were speed, connectivity, information visibility, market structure, and uncertainty. E-commerce has helped to improve the speed of communication and has also improved the ease of communicating with other businesses. Increased speed helps in increasing the pace of decision making but also increases the rate of change making the business environment more dynamic and volatile. With the introduction of e-commerce one can respond to the needs of the business partners more efficiently and effectively as communication speed has improved and information visibility has also improved. Apart from such positive impacts there are few other impacts such as increased volatility in the market and it was noted that market structure have begun changing from the traditional structures and have become highly dynamic. A business' customers and its competitors keep on changing, making market study and operations highly difficult to conduct. The authors focused highly on the two aspects of speed and connectivity and established how important it is to maintain relationships. The companies are focusing highly on relationship management to reduce uncertainties by providing stability in the relationships and procuring needed resources.

(Sim, L. L., & Koi, S. M. ,2002) Consumers try to prevent themselves from getting exploited. The one sided and highly impersonal nature of e-commerce has influenced the trust and various other social aspects that influence a customer's decision. Customer is the backbone of every business and in this era huge focus is made on the customers of a business. The study was conducted by collecting data by questionnaires which had the basic questions like whether the consumers entrust giving credit card details to e-commerce websites. Trust has many aspects , namely integrity, benevolence, ability, predictability, intended purchase, trusting disposition and familiarity. The study was conducted in two phases. Firstly, the study was conducted with respect to e-products and further in the second phase the study was diversified to the field of e-services. The study found that 34-37% of the variations in the purchase decisions of the customers was due to the various trust factors studied during the research. The dimensions of integrity and predictability played a major role in the decision making process while the dimension of benevolence had very little significance. Trust plays an important role in buying decisions. If a customer entrusts an e-commerce business, the purchase will be definitely made by the potential customer. Thus it has become highly important for the business houses to portray that engaging in transactions with them is highly safe and a good image of the company must be formed.

(O'Leary, D. E. ,2000) The study aims to examine the various demographic and psychographic characteristics of internet shoppers and their attitudes towards online shopping and their impact on traditional shopping patterns. The study found that internet buyers and non-internet buyers have distinct demographic and psychographic characteristics. Such factors have a great impact on the marketing decisions of the business houses. Studies in the past have showed that online shoppers tend to be more educated and have higher incomes as compared to traditional shoppers. 200 questionnaires were distributed to a highly diverse sample to get the most accurate results. In the study it was found that internet shoppers had positive attitudes towards the internet and had higher household incomes than traditional shoppers. One other aspect that was found was that majority of the internet shoppers had debit and credit cards. 93.7% of the respondents had surfed the Internet before. However, only 19% had actually bought from Internet. This meant that while the majority of the respondents are familiar with the Internet, they are still not used to e-commerce. The impersonal nature and lack of physical contact with the goods was another factor that prevented many of the respondents from not purchasing online. Approximately 5% of the respondents had issues with respect to the process of internet purchasing. The findings still pointed that majority of the consumers still prefer real life shopping and thus e-commerce has no significant impact on the traditional shopping patterns of the customers.

(Lee, C. 2001) No business model can sustain for a long time. E-commerce has emerged as an evolution in the traditional business models. The article establishes e-commerce as a disruptive innovation. The various facts that have impacted the businesses are mainly factors related to communications and operating costs. E-commerce has simplified the overall processes of conducting business that operating in traditional environment seems like wasting resources. Earlier value for goods and services was created in the industrial sector, but now the situation has changed. Value gets created on the online platforms now. The business models under digital economies have highly changed. The traditional business model can be summarised as - manufacture, transport, inspect and store. The new business model under e-commerce can be stated as gather, organise, select, synthesize and package. Management earlier used to focus on the transformation process from raw materials to finished goods while now they have to focus on the distribution process and procuring customer data. The various steps to ensure e-commerce success include, redefining competitive advantage and communicating the same to the potential customers, re-examining traditional revenue models and incorporating e-commerce to further make the models more effective, re-engineering corporate website and incorporating customer data collection in the websites and not only focusing on distribution of goods and finally reinventing customer service by including the customers in the product development processes.

(Irimia R, Gottschling M 2016) To create an e-commerce solution, it mainly involves creating one e-commerce site and this can be done through four models i.e. B2B, B2C, C2B, C2C. B2B is said to be the fastest growing as the volume of transaction is much higher in this and

all the orders and transactions are in bulk. It involves electronic as the medium for purchases, orders etc. These also involves business between two virtual companies and in these there is no physical existence of any of the side. B2C involves transactions between any business with the customers through internet. These also includes many kind of services which are coming up on a daily basis but this model is not very widely accepted specially in countries like India due to lack of security and is prone to leaking of information about the consumers. C2C involves transaction from one customer to another customer through online portals. This could involve auctions and sale, purchase of second hand/used goods. The website in this case acts as a medium or a source of advertisement. Some of the examples are Ebay, Olx etc. In some cases the website might charge some commission from both the sides. C2B is similar to B2C in the sense that the transaction takes place between a consumer and a business organizations. The difference is that in this case the consumer is the seller and the business is the buyer and the consumer decides the price of the particular product rather than the producer. Also, there are some models which involve government and these are called e-governance. These are G2G, G2C, C2G, G2B, B2G. The electronic commerce impacts business from various fronts and also benefits them.

(Ann L. Fruhling 2000) E-Commerce technologies are at a very rapid rate has not only changed but also improved the way organisations creates value both internally and externally. This has led to increased and improved communications. The businesses in today's world are using e-commerce for various purposes i.e. mass customization strategies, production at large scale etc. It also helps in innovation of existing products which can attract more customers because everyone gets attracted towards customized products. It also reduces the cost of distribution through a reduction in overhead.

The ease and efficient purchasing through internet is progress to the increased market penetration. The e-commerce websites have made it really easy for the buyers and the businesses to increase the volume of business. Everything is now just a touch away and can be reached easily. It has reduced the effort, time and money of the consumer as one can simply order any product and even service from home. The consumers now also have access to greater markets and not just the local ones. The e-commerce is growing in each and every industry and not just a single one.

(Yaqi Guo 2014) The influence of the technologies on the traditional ways of doing business in the time when the resources are increasing is huge. The exchange of information has a direct impact on the businesses. This can be seen through the years. All this will only result in the change of traditional business model. The customers have the advantage to control the prices in different areas and thus, this leads to better customer's bargaining power. Due to the demand and supply theory the reduction in cost by the consumers will lead to promotion of the enterprise to develop better products to maintain and increase the profitability. Internet has also changed people's thinking process, their life and has become more important. The impact of e-commerce might be in different directions but it leads to the change in traditional business model only.

From Economics point of view, the costs and benefits, the earnings that comes from fees, the royalties etc. Thus, e-commerce has led to new business models which are more efficient but the point to be noted is that, it has only been built up on the base of traditional business models.

II. FINDINGS:

Based on the articles reviewed above, it is clear that e-commerce has an impact on both the business as well as the customers. The following results can be drawn from the research done-

- **Global business and consumer markets:** E-commerce facilitates the business to go global and expand its reach throughout the world. It helps in increasing its customer base as there is a demand for their products and services in other countries as well. E-commerce helps business organisations in improving the distribution of goods and services in other countries as the entrepreneurs of those countries might sign up with the company to become the distributors.
- **Challenge of new technology:** E-commerce establishment comes along with a challenge of developing the IT infrastructure which is needed to provide good quality service to the customers. Businesses which enter the e-commerce segment have to incur these heavy costs and come up with a dedicated technological team.
- **Creating new distribution channels:** When a business develops its e-commerce model it also has to come up with new distribution channels so that the products and services are available to the people at the right time and at the right place. Proper distribution networks are a must for the success of e-commerce model.
- **More competition:** E-commerce model opens up the business to new competitors across the world. So it has to be made sure that the products and services are of good quality and a cheap price. If the needs of the customers are fulfilled by the competitors in a better way then it means that the business is not able to retain its customers.
- **Cost reductions:** One of the biggest advantage of adopting an e-commerce model is that it provided a lot of cost reductions to business in terms of selling and distribution, procurement and overhead costs. This cost reduction helps the business in increasing its profit margins.
- **Greater choice:** A company that has an e-commerce model is able to provide more goods and services to the customers. Also, the customers are able to compare the products at different e-commerce sites and then make a decision.
- **Discounts:** E-commerce helps the business to provide discounts to the customers. As a result, they cost less than the goods and services which are available in the physical stores. This leads to window shopping in the physical stores and encourages the customers to buy the goods online.
- **Customer tastes and preferences:** Whenever a customer makes a purchase online his e-mail id and mobile number are taken and recorded in the database. This helps the business organisations to make the customers aware about the new products and services that are available and are related to their previous purchases. It helps in advertising the new product to the potential customers.
- **Security issues:** One of the major impact of e-commerce is to provide security to the customers when they are online in terms of keeping their personal details safe and also ensuring the safety of the transactions of the customers.

III. CONCLUSION:

Analysis of the secondary research reveals that there is a lot of scope for the development of e-commerce in countries like India and it does offer the business organisations and customers a lot of advantages in terms of cost reduction, discounts, wider choice, increased demand etc. But the major problem that the development of e-commerce faces in countries like India is the lack of infrastructure and the literacy rate in the country. Research shows that there is a constant increase in the number of people using smartphones and having internet access in the country which is having an impact on the business organisations. To answer the research question, e-commerce has a huge impact on the business organisations. Research shows that e-commerce in India will go up to \$200 billion increasing by around 1200% by 2026 up from \$15 billion in 2016. (India 2017). All the business organisations have to do is to constantly keep investing in the e-commerce sector and develop a proper infrastructure because the tradition shopping model will soon cease to exist.

The possible limitation to the research is that, the secondary information online could not be a representative of the entire population due to the volume of data that would have to be collected and analyzed. Also, the documents can lack authenticity.

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