



# ROLE OF E-COMMERCE IN REDUCING OPERATIONAL COST

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## Abstract

After the gigantic advances that have happened in the space of exchange and traffic markets, organizations and things, various and different and the escalation of rivalry among these organizations to accomplish benefits arose online business for of present day exchange, which contributed basically to change the fate of business and contributed by working with the most common way of exchanging electronic in expanding the proficiency of organizations and fortify its serious position and contributed through its job in the promoting of electronic things association to work with admittance to the things and administrations by clients by then and beyond what many would consider possible and diminish the expense of the association's things to a base. So will include in this examination on electronic trade and its advantages and difficulties it faces and its part in lessening costs, which are experiencing the vast majority of organizations high whether exhausted or non-drained and even individuals who own capital are not many and have to enter the universe of business, has opened an online business field before them not simply the proprietors of tremendous cash so to speak. Accordingly, the colossal responsibility in lessening costs has turned into the guideline topic in this examination. Show The spread of the Internet is broadly utilized in the world simple a huge load of things and it appears to be the world has become little. Not restricted to correspondence and data trade, but past that where it seemed the indicated electronic business, which is the method involved with exchanging over the Internet and this is the limited feeling of the term, and has given a huge load of things, including the costs that have been torturing a huge load of organizations and was their greatest concern. Where it was workable for the proprietors of capital too little to even consider evening ponder entering the universe of trade easily and put away their cash.

**Keywords:** *E-Commerce, Reducing, Operational Cost*

## INTRODUCTION

E-Commerce is the process of leading business electronically among different entities to fulfill a hierarchical or individual objective. A key ingredient of E-Commerce, sometimes referred to as electronic exchanging, is the advertisement and procurement of labor and products over the Internet The success and volume of E-Commerce on the web has been widely reported. With success in establishing an environment wherein E-Commerce can develop and prosper, every computer can become a window open to every business, large and little, all over the planet.

The electronic medium we call the Internet can possibly reduce real exchange time, processing time and operational cost drastically, while at the same time making information available internationally. Internet-based E-Commerce has been embraced for of reducing operational cost and as a high potential means of generating

revenue The universality of the web and the accessibility of browsers across different stages provide a typical base whereupon E-Commerce applications can be fabricated, especially in the enterprise. This normal stage has reduced the significance of issues pertaining to software dissemination and software establishment, hence encouraging the expansion of E-Commerce by means of Intranets, Extranets and the Internet.

E-Commerce provides new channels for the worldwide marketing of tangible merchandise and presents opportunities to create new businesses giving information and other knowledge-based intangible items albeit most E-Commerce is currently at the inter-corporate and inter-authoritative level, services targeted at individual customers are evolving quickly. The Internet is the clearest example of this and is a significant impetus in the dispersion of E-Commerce, helping to foster a typical environment for electronic exchanges, everything being equal. E-Commerce encompasses all types of interactive business exchanges, which are facilitated by networks of computers. E-Commerce is expanding because of the greater number of businesses and people who are able to use these networks and the developing number of manners by which businesses can manage exchanges electronically with other associations and directly with consumers at a reduced cost At present, business-to-business E-Commerce seems still to be of greater volume than business-to-consumer E-Commerce with the essential motive of operational cost reduction, however this might change in the future.

These trends are vital to the worldwide economy and to the economy of individual countries because E-Commerce contributes to economic efficiency. E-Commerce contributes to economic efficiency in five significant ways. They includes contracting distances and timescale, lowering dissemination and operational costs, speeding item development, giving more information to buyers and sellers and enlarging customer choice and supplier reach (Turban et al, 2000). However, this study is focused on the role of E-Commerce in reducing operational cost in an association.

Furthermore, when offline stores calculate operational costs, they have to factor in countless business expenditures alongside the genuine number of exchanges. When there are fewer exchanges, the cost of per exchange is higher. On the flipside, exchanges showing up in high amount can overwhelm the personnel and merchants. In an E-Commerce business, the operational cost is the same in all cases, whether one order or thousands come in.

Dealdey.com was launched in March 2011 and they features an every day deal on the best activities, see, eat, and purchase in . Deal Dey is attempting to create an easy and fun method for getting fabulous deals on great experiences. DealDey.com upholds neighborhood businesses and in return they support consumers with great investment funds. They are attempting to create a "Shared benefit" scenario each and every day for nearby merchants who need to draw in new customers, and consumers who need to save money and take advantage great services and activities in their own city.

## **OBJECTIVES OF THE STUDY**

1. To examine the role of E-commerce in reducing operational cost in an organization.
1. To identify other benefits accruable from E-commerce in India.

## **Definition of e-commerce**

The increasing number of the distributions recent years leads to greater variety of the definitions of e-commerce the primary definitions were simple - e-commerce has been defined as a process of trading of merchandise over the Internet. The term was developed later and it was added "exchange of information" as well as "trading of merchandise" Rainer and Cegielski define e-commerce as a "process of purchasing, selling, transferring, or exchanging of items, services, or potentially information by means of computer networks, including the Internet". Moreover, this supposes persistent progression of information, before and after the process of sales. that the process of exchange is technology mediated and that it is based on inter and intra hierarchical activities for working with such exchange. In this context, Chaffey (2007, pp.8) considers e-commerce as "all electronically mediated exchanges between an association and any outsider". Summing up, e-commerce isn't restricted to trading, and it has become a more open term than before. Therefore the accompanying description of e-commerce based on the literature will be used:

E-commerce is a process of integration of every one of organization's processes, activities and services toward trading of items and exchange of information and assets with the organization's partners through computer networks and electronic technologies.

The term e-commerce and e-business are interchangeable. Many people use e-business or even e-marketing, discussing e-commerce in a broader sphere (Schneider 2011, pp.4). Great outline of the closeness between the two terms can be found in the IBM definition of e-business: "the change of key business process using internet technologies".

## **10 Ways to reduce your eCommerce Operating Costs**

Reducing your e-Commerce operating costs is beneficial as it helps you keep a healthy, self-regulating, and developing business, without the fear that you may lose your customers to the competition or that you may be forced to close down.

Here are the tips to keep your operating costs under control:

### **Lower product returns**

When customers return defective items or items that don't meet their requirements, you remain to lose a great deal because you will have already incurred transporting costs and work, and you could in any case be required to repair the damaged items.

It is even harder to sell the returned item as new, yet, there is plausible that the customer probably won't return to make another purchase from your store.

Assuming you can reduce the rate of item returns, you would save a ton in operating costs. To do as such, start by giving adequate information on your item pages, including images from different angles, to provide customers with more reliable and accurate ideas concerning what they are purchasing.

For instance, you can distribute photographs with models of different shapes and sizes wearing or utilizing the items.

You can likewise distribute item videos to give customers a better idea of how the item looks when being used. In the event that you are selling measurable items like furniture or apparel, ensure to provide a scale or estimating diagram with a guide on the measurements.

Amazon uses a size diagram for different items, including clothes, shoes, rings, necklaces, and bangles, among others:

Another method for reducing item returns is by increasing the return period. As indicated by the endowment effect, customers tend to frame a stronger attachment to an item, the longer they "own" it.

Albeit a longer return strategy might be counterproductive, numerous customers may feel less pressure to return products as quickly as time permits, giving them allowance to change their psyches.

You can likewise lower item returns by taking a gander at your sales information to determine the customer segments with the highest rate of returns, and disengaging them in your marketing efforts and reach.

You can use a device like Zapier to retrieve information on all item returns through PayPal and Stripe. The information can be spooled through a spreadsheet or your preferred application, after which you can sort it to isolate customers with the highest rates of returns.

For instance, you may notice that a greater part of the returns are for items sold through Instagram or Facebook referrals. You can likewise use the return structure to collect information on the reason for returning an item.

These strategies will give you a better idea of which customer segments to stay away from and which types of items not to market to certain customers for lower return rates.

### **Lower your inventory costs**



Ensure to lead regular inventory checks to reduce your eCommerce operating costs. This practice enables you to count your items with the demand to ensure you are not accumulating such a large number of items in inventory to increase your storage costs unnecessarily. Consider eliminating excess merchandise to reduce the extra storage

space, by for instance, selling them at a markdown and offering coupons and seasonal deals. You can likewise bundle sluggish items with more relevant, best-selling items for speedy sales. You can likewise draw in customers to purchase your disagreeable items by offering them as a gift to more desirable items. Advancements won't just help you dispose of old inventory; however will likewise draw in customers to newer, more appealing items, leading to increased sales.

## **THE EVOLUTION OF E-COMMERCE**

Electronic commerce defined as trading over a network has been around for more than two decades. The core activities for electronic commerce include advertising, perusing/selection, buying, selling, charging/invoicing, and payment. Conventional electronic commerce as Electronic Data Interchange (EDI), file transfers, and standardized identification systems are conducted over private value-added networks (VANs). Business-to-business EDI systems are predecessors of the present Internet-based e-commerce. Unlike the Internet, they are private, proprietary, and don't uphold perusing and advertising. EDI systems are a type of interorganizational system. An excellent example is GE Information Services' business-to-business networked EDI systems introduced in 1995. "The EDI software automates preparation and transmission of interorganizational purchase orders, invoices, shipment status documents, and payments" GE Information Services manages the world's largest electronic exchanging local area of more than 40,000 exchanging partners. As e-commerce evolves, EDI systems have expanded beyond information interchange and offer higher level services like exchanges and work process among associations. These systems are expensive and require a significant measure of cooperation between executing partners and are not suitable for business-to-customer exchanges. The Interact is useful for selling labor and products directly to consumers. As the number of Web users increases, Internet commerce develops exponentially. Despite the exposure gained by companies, for example, E-Trade and Amazon.com, online business-to-business dominates the ecommerce. Agreeing Forrester Research, yearly business-to-business e-commerce is projected to develop fi'om \$43 billion of every 1998 to \$1 trillion by 2003, while business-to-consumer e-commerce will increase from \$7.8 billion out of 1998 to \$100 billion by 2003. Intelnet-based commerce is easy to use and cheaper than EDI. Moreover, consumers can have all day, every day access to the ordering system and online inventory. With dynamic web pages, customers can check the inventory just as the situation with their orders online. One analysis is the absence of interaction. However, Lands' End Live presently connects a shopper who clicks for help with a personal online shopper who synchronizes his/her browser to the shopper's browser so both can view the same items on their screens.

### **Development of e-commerce and the process of adoption**

Before delving into the fundamental problem of the thesis (the influence, the barriers and benefits from e-commerce), I feel that it is necessary to describe how ecommerce has evolved during the years and what brief the managers to take on more technology in their businesses. Schneider (2011) divides the development of e-commerce into two stages: first wave and second wave. "First wave" of e-commerce was adopted by large enterprises in USA with easy access to capitals, basically from external sources.

Refer to e-commerce in this early stage as a "landgrab". At once, the whole new marketplace was created and companies who had sufficient resources and willingness could "get from the land". These large companies first and foremost understood the possibilities that e - commerce can offer and started exploring and developing them.

Since most companies were dependant on external investors, achieving the benefit was relatively rare. The pressure to the smaller companies was undeniably more intensive, and large numbers of them suffered losses. In the beginning, the technology was simple, inexpensive and internet connection slow, the websites were basically English based, e - sends were used unstructured and the integration of e - commerce with other processes were not efficient "Second wave" is characterized with the technological blast after 2001, mobile broadband development, and increased speed of Internet on minimal expense price. The land was already captured and the key players shifted their attention from catching to defending the land. Companies started to zero in more on competitive advantage and developing strategies to achieve it this was a prerequisite for development and reception of ecommerce from smaller companies utilizing their internal resources. At the same time, certain difficulties emerging from utilizing new technologies ought to be overcome. Stockdale and Standing (2004) stated that the benefits utilizing eCommerce ought to be visible and significant so the companies are encourage to move to the ladder from a simple to a more complex stage of ecommerce.

The main impetus for improvements and advancements of any organization is the expect to increase the revenue. Theoretically, e-commerce can improve the performance by two different ways: first, by increasing the customer base and number of purchases, and second, with cost reduction by implementing e-commerce. Cost reduction like material investment funds; decrease of transport, putting away cost, or by reduction of personal expenses (Chaffey 2009).

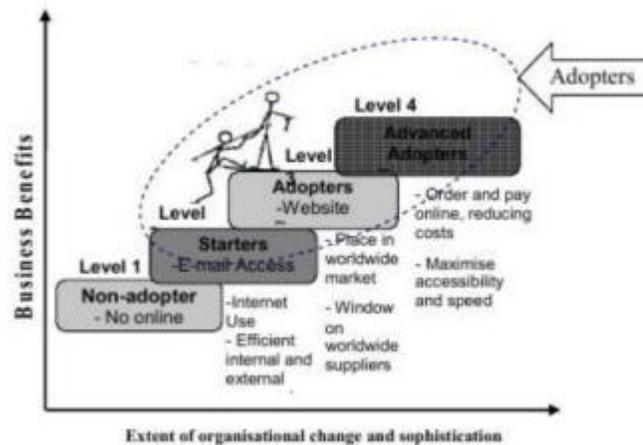
**Table 1: Drivers of e-commerce adoption (Chaffey 2009)**

Cost / efficiency drivers	Competitiveness drivers
Improved efficiency of process of ordering/dispatching	Customer demand
Increased speed of information exchange with suppliers	Improving the quality and range of products and services
Decreasing of operational costs	Way to prevent losing market share
Decreasing of sales and purchasing costs	

As illustrated in table 1 above, the drivers for e-commerce reception can be divided into two fundamental categories - cost/efficiency drivers and competitiveness drivers (Chaffey 2009). Results from an international research shows that cost/efficiency drivers and competitiveness drivers are equally significant for companies. Furthermore, the review reveals that there are differences between adopters and not adopters. Overall, none or early stage adopters rates every one of the benefits lower As indicated the process of reception of ecommerce comprises of a series of reception processes. Of course, the enormous companies with huge resources and knowledge can skip or implement some stages together yet for little size companies the process is long and follows coherent consequences.

describe it as a process where companies moves consequently from simple to more sophisticated ecommerce, reaching more and more complex levels of advancement. At the early stage the firm can decide just to fabricate a web-site to present the items and services. Later, the management can decide to give the customers possibilities to interact and participate actively and customize the information as per their needs Companies can likewise benefit from the increased information exchange. For example, it can better understand the singular customer preferences and offer appropriate items. Critically, proved that there is a correlation between the reception level

and the intention to innovate with the increased knowledge and fulfillment, the intention to future advancement is increasing. Likewise describe the development of e-commerce in little companies as a series of processes in which the organization moves steadily and increase its electronic capabilities (figure 1). As indicated there are four stages of development, where level 1 means no online capabilities and level 4 - completely developed e-commerce strategy.



**Figure 1: E-commerce adoption ladder in small companies (Xu & Quaddus 2009, pp.304)**

The reception ladder in figure 1 shows the coherent process companies follow when implementing e-commerce. Toward the beginning, companies have few or non e-commerce capabilities. Level 2 supposes more intensive use of online correspondence, principally e-mails for internal and external correspondence. In the next stage, level 3, companies begin to use e-commerce as a marketing apparatus, primarily to communicate their items through online brochures and indexes, yet they actually don't manage business exchanges. The most sophisticated level of development can be characterized with intensive information exchange and interaction with customers and partners with increased speed. Companies additionally make and receive orders, and make payments online. While advanced e-commerce reception is undeniably more costly and complicated, the underlying stages can be completed relatively inexpensive and easy. Furthermore, the reception decisions are described as less controversial (Xu and Quaddus 2009). At the same time different reasons for e-commerce reception are mentioned in the literature. Then again, ordinarily reported motives for little companies are the necessity to compete more effectively, while the large companies take on e-commerce because of their more complex internal processes and operations (Xu and Quaddus 2009).

## Conclusion

eCommerce businesses should remain competitive failure to which they will run out of business. To keep up with online sellers like Amazon and to keep a healthy, self-regulating, and developing business, it is essential to keep your operating costs on low. All things considered, there are several methods for reducing your eCommerce operating costs, including developing strategies to lower item returns and inventory costs, negotiating better terms with suppliers, and negotiating better exchange fees. You ought to likewise make great use of your marketing budget while leveraging mechanization, reevaluating, sustainable bundling, and outsourcing. Remember to zero in on offering great services for increased customer retention and reduced customer procurement costs.

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