

E-COMMERCE AND ITS IMPACT ON TRADITIONAL RESELLERS. IS IT ACTUALLY A THREAT?

Sonam Agarwal, *M.Com, CA*
Asstt. Professor, Commerce Faculty
G.S. Lohia Girls' College,
Tinsukia (Assam), India

ABSTRACT

Today's most used technique to trade in goods and services are through electronic medium. With the increasing number of internet user e-commerce is also taking its place in the market. It involves conducting business online, making use of information technology such as EDI. India is showing tremendous growth in e-commerce. Some of the important online shopping forms are Ebay.com, Yebhi.com, snapdeal.com, etc. The main reasons behind growth of e-commerce in our country is increasing entrepreneurial activities as well as growing interest of people dealing in trading and shopping in different types of goods ranging from cakes to car associates. this trend has curtailed the sales figure of the brick and mortar retailers. The main motto of this study is to come forward with the threats e commerce impose on the traditional resellers and find the means to curb it.

KEYWORDS:

E-Commerce, Threats, Traditional Resellers, Online Trading.

INTRODUCTION

E-COMMERCE:

Emergence of e-commerce:

With the advent of the World Wide Web (WWW), or the "web," traditional business organizations that had relied on catalog sales had a new sales vector. Other businesses found that the web was a good place

to put customer service information, such as manuals and drivers, as well as a place to help create a consistent corporate image.

E-commerce, in its initial form of commercial transactions, came about in the late 1970s. At this point, businesses began to send commercial documentation electronically to other businesses. The general public was introduced to the Internet in 1994, but it took an additional four years to create the security protocols necessary for a ready Internet connection. The move from providing simple business information to soliciting business via the web occurred almost as soon as marketing departments realized that company websites were available to millions of people. By 2000, businesses in America and Western Europe were presenting their goods and services online.

In India, e-commerce was started in the year 1996 with the introduction of business to business portals. The first wave of E-Commerce in India was characterized by a small online shopping user base, low internet penetration, slow internet speed, low consumer acceptance of online shopping and inadequate logistics infrastructure.

There were basically two major transitions that aided in the build of E-Commerce story in India. They were:

1. *Online Travel:* The entry of Low Cost Carriers (LCCs) in the Indian aviation sector marked the beginning of the second wave of e-Commerce in India. The decision of LCCs to sell their tickets online and through third parties enabled the development of Online Travel Agents (OTAs).
2. *Online Retail:* The growth of online retail was partly driven by changing urban consumer lifestyle and the need for convenience of shopping at home. This segment developed with the launch of multiple online retail websites.

Meaning of e-commerce:

Electronic commerce, commonly known as E-commerce, is trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail.

In India, the Information Technology Act 2000 governs the basic applicability of e-commerce. It is based upon UNCITRAL Model but is not a comprehensive legislation to deal with e-commerce related activities in India. Further, e-commerce laws and regulations in India are also supplemented by different laws of India as applicable to the field of e-commerce. For instance, e-commerce relating to pharmaceuticals, healthcare, traveling, etc. are governed by different laws though the information technology act, 2000 prescribes some common requirements for all these fields. The competition commission of India (CCI) regulates anti-competition and anti-trade practices in e-commerce fields in India.¹

E-commerce and e-business are two distinct concepts used interchangeably by some peoples. E-commerce refers to a wide range of online business activities for products and services.

E-commerce transforms old economy relationships to new economy relationships. It is characterized by end-to-end relationship management solutions. On the other hand, e-business ICT is used to enhance one's business. It includes any process that a business organization conducts over a computer mediated network.

Challenges faced by e-commerce:

1. High Internet access costs, including connection service fees, communication fees, and hosting charges for websites with sufficient bandwidth;
2. Underdeveloped transportation infrastructure resulting in slow and uncertain delivery of goods and services;
3. Network security problems and insufficient security safeguards;
4. Lack of skilled human resources and key technologies
5. Content restriction on national security and other public policy grounds, which greatly affect business in the field of information services, such as the media and entertainment sectors;
6. The relatively low cost of labour, which implies that a shift to a comparatively capital intensive solution (including investments on the improvement of the physical and network infrastructure) is not apparent.

SIGNIFICANCE OF THE STUDY

Today's most used technique to trade in goods and services are through electronic medium. With the increasing number of internet user e-commerce is also taking its place in the market. It involves conducting business online, making use of information technology such as EDI. India is showing tremendous growth in e-commerce. Some of the important online shopping forms are Ebay.com, Yebhi.com, snapdeal.com, etc. The main reasons behind growth of e-commerce in our country is increasing entrepreneurial activities as well as growing interest of people dealing in trading and shopping in different types of goods ranging from cakes to car associates.

But, this also possess a number of threats to the traditional shopkeepers and retailers. The main aim of the study is to find out the response of consumers as well as tangible traders towards the growing significance of E-commerce,also it intends to find out the problems and solutions for it for the existing offline retailers.

Tinsukia is the hub of business activities in Upper Assam. The number of traders here are numerous in numbers. With low scale to large scale there are enormous traders existent in the town. They range from

traditional *baniyas* to highly educated professionals. Therefore ranging from awareness about E-commerce to absence about the term affecting their business activities. In the absence of this knowledge, the role of technological awareness becomes more critical, and necessary to curb the threats posing to them due to E-commerce trading transactions.

Hence, this proposed study shall try to study the emergence and popularity of E-commerce and its impact on offline retailers. This study will also intend to find out the means and suggestions for future survival of traditional businessmen against online retailers.

OBJECTIVES

1. To know the popularity of e-commerce among the society.
2. To know how people have adapted e-commerce.
3. To recommend measure to make e-commerce more popular.
4. To know the maximum rate of people going for online trading.
5. To know the status of traditional businessmen in adaption of e commerce
6. To find out the means to curtail the losses faced by existing businessmen due to emergence and popularity of e-commerce.
7. To know the benefits provided by e-commerce.
8. To study the future prospects of e-commerce.
9. To create awareness amongst traditional traders for technological advancements.

RESEARCH METHODOLOGY

(1) SOURCES OF DATA:

The research relied primarily on primary data. However, secondary sources such as various books on insurance, journals, websites of IRDAI and insurance companies were referred to understand the concepts and functioning of the insurance industry. Both the primary and secondary sources of data have their own merits and demerits, as explained below:

1. **PRIMARY DATA:-** It refers to the data which are origi Primary sources are those sources from which data can be collected directly from its origin. These data are original and not collected from any published source as it is collected for the first time by the researcher himself.

Merits of Primary Data:

1. Suitability: As the primary data is collected specifically for the purpose of research under consideration, it is usually directly suitable to the purpose of enquiry.
2. No Need for Adjustment: It may be used as it is, without any adjustment, for the purpose of enquiry.
3. Reliability: It is more reliable than the secondary data as the researcher himself has collected primary data.

Demerits of Primary Data:

1. Cost: The collection of primary data is relatively costly.
2. Time Consuming: Collection of primary data consumes more time than secondary data.
3. Need for Trained Investigator: It requires trained investigator to collect data.

2. SECONDARY DATA:- These data are those which are an existence and cannot be collected directly from the origin. It is collected by the person's eye witness or even may be from different books, newspapers and other sources like internet.

It involves studying data which are collected by someone else and for some other reason that is relevant to the project's scope. It is used to identify market opportunities, describe market structure and monitor competitive activity. Secondary sources can be useful at initial stages of the project, since it is a quick and cheap way to gather some useful information and gain insight about the market.

Merits of Secondary Data:

1. Cost-effectiveness: Collecting primary data can be prohibitively expensive. The collection of secondary data is more cost-effective.
2. Time Saving: Collecting secondary data is quicker than primary data, and enables the researcher to spend more time on analysing and interpreting data.
3. Convenient: Use of secondary data is very convenient.

Demerits of Secondary Data:

1. Access: Where the original collector of the secondary data has incurred a lot of expenses in gathering it, it is unlikely that he will provide the same for free.
2. Relevance: As the secondary data has been originally collected by someone else for his specific purpose, under conditions unknown to the researcher, they may not be entirely relevant for the specific purpose of the researcher.
3. Obsolete: The secondary data may be old and the information may not be sufficiently current, thus rendering it useless.

4. Reliability: Sometimes, authenticity of the source of the secondary data and the procedures used to collect the data cannot be verified, which make the secondary data unreliable.

(2) SAMPLING METHOD:

Sampling is the process of selecting a representative sample or sub-group from the population under study. Out of the various methods of sampling available, simple random sampling method was used in this research to collect primary data. Under simple random sampling, every element of the target population has an equal chance of being included in the sample. In other words, the probability of an element of the population being selected in the sample is the same for all elements of the population. This is similar to lottery by way of draw of lot. *For example*, if we have to select a sample of 2,000 items from a universe of 50,000 items, then we can write the names or numbers of all the 50,000 items on slips of paper and conduct a lottery.

Merits of Simple Random Sampling Method:

1. If sampling is done properly, the sample will be representative of the target population.
2. Sampling bias is eliminated
3. This method is simple to use.

Demerits of Simple Random Sampling Method:

1. It involves a lot of time, effort and money.
2. The selection of sample becomes difficult in case the units of the population are widely dispersed.
3. This method is not suitable where the population is heterogeneous in nature.
4. This method can be used only when the entire population can be numbered or listed. Sometimes, it is not possible to have a completely catalogued population.

(3) INSTRUMENTS FOR DATA COLLECTION:

Primary data was collected with the help of Interview Schedule, for which close-ended structured questionnaire was prepared.

INTERVIEW SCHEDULE:

As the questions contain certain terms and aspects, that the respondents might not be aware of, interview schedule method was considered to be the most suitable method of collecting data as the doubts of the respondents could be answered to.

Under the Interview Schedule method, the trained enumerators personally contact the respondents, ask questions to them and record the responses to the questions. This method of data collection is similar to the collection of data through questionnaire. The difference lies in the fact that in case of interview schedule, enumerators who are specially appointed for the purpose, go to the respondents, along with the schedule (proforma containing a set of questions). These enumerators ask the questions to the respondents in the order the questions are listed and record the responses of the respondents.

MERITS:-

1. It can be used in case of illiterate respondents also.
2. The chances of getting responses are more.
3. The information received is more reliable and accurate than the questionnaire method of collecting data..

DEMERITS:-

1. It is a costly method
2. It is time consuming

STRUCTURED QUESTIONNAIRE:

The information was collected from the respondents with the help of structured questionnaire. Structured questionnaire involves the use of predetermined or standard set of questions. The wording of the questions and their order are pre-determined, and the respondent is invited to limited-option responses.

CLOSE –ENDED QUESTIONS:

Basically, two special types of questions i.e. open-ended and close-ended questions are used in a questionnaire. The open-ended questions consist of such questions which the respondent can answer according to their choice. In open-ended questionnaire, the questions are open and the respondents can fill-up the answers according to their own feelings, opinions and thoughts. Instead of providing the respondents with all the possible answers and asking them to choose from the answers provided, generally blank space is provided so that the respondents may give answer in his own words.

Example: What do you think are the major drawbacks of online trading?

Close-ended questions are the questions that provide respondents with a set of alternative choices from which a respondent has to select his answer. These questions can't be answered according to free will of the respondent. All questions and answers are specified and the respondents are asked to choose from the answers provided. Comments in the respondent's own words are held to the minimum. The following is an example:

Example: Which of the following payment methods do you prefer the most?

- Cash on Delivery
- Net Banking
- Debit Card
- Paytm

For the purpose of the research close- ended questions were used. The close-ended questions have their own merits and demerits:

Advantages of close- ended questions:

1. As multiple answers of each question are given, it becomes easy for the respondent to answer.
2. It is easy to analyse and interpret the result.
3. The provision of alternative replies, at times, helps to understand the meaning of the question clearly.
4. It is quick and relatively inexpensive to analyse the close-ended questions.

Disadvantages of close-ended questions:

1. Respondent's choices are limited to the supplied answers only.
2. It, sometimes, forces the respondent to select answer from pre-determined options, though he may not fully agree with it. It may force a statement of opinion on an issue about which the respondent does not infact have any opinion.
3. They are usually considered inappropriate in investigations where the aim is to probe for attitudes and reasons for certain actions or feelings.

LIMITATIONS OF THE STUDY:

1. The research was confined to Tinsukia Town. Hence, the results of the research may not hold true for the entire universe.
2. As the sample size was small, the sample may not be representative of the entire population.
3. A few respondents were unaware of technological advancements and hence could not respond to questions on E-commerce.

MAJOR FINDINGS

The interview schedule method of collecting data brought out the following information:

1. Now-a-days, almost every people are aware of e-commerce except some people.
2. About 20% of people use e-commerce for personal purpose and 25% use for commercial purpose while 55% use e-commerce for both the purposes.

3. About 61% of people think that they have increased trading online due to cash on delivery option.
4. Many people do not have debit card or credit card so most of the people opt for cash on delivery scheme, but most of the online concerns do not provide this system.
5. It has been found that 71.7% of people go in for online ticket booking, while 28.3% don't prefer it.
6. About 50% people of Tinsukia town trust online trading to some extent while 16% of people do not trust it at all.
7. Majority of the people i.e. 84.8% have found e-commerce pleasant while 15.2% of people found it to be unpleasant.
8. With a broad difference, people are in favour of development of e-commerce and are ahead of those who are not in favour. It is necessary to gain confidence so that 'no' can be changed to 'yes'.
9. Talking about Tinsukia, 69.6% of people think that e-commerce is underdeveloped and 30.4% think that it is developing at a growing rate.
10. It is found that people are in favour of the bright future of e-commerce. And they want e-commerce to prosper in future.

The main reasons behind the slow growth rate are that, in India large number of people are engaged in agricultural work. They do not have enough time for online shopping. Majority of people are illiterate, having no knowledge of internet. This lowers the pace of growth of e-commerce. The very less shopping websites offer cash on delivery option in India. Non availability of tele-communication system in many areas of the country is another problem.

Government of India has regulated certain unfavorable tax regulation which also affects one growth of business. People inhabited mind set is also a major problem. This belief that product are of low quality and faulty billing system.

CONCLUSION:

An information-based society or knowledge based society is composed of IT products, IT applications in society and economy as a whole. A developing country can become industrialized and modernized if it can extensively apply IT to enhance productivity and international competitiveness, develop ecommerce and e-governance applications. Undoubtedly, it's an expansion time for E-Commerce Industry. Many countries in Asia are taking advantage of Ecommerce through opening of economies, which is essential for promoting competition and diffusion of Internet technologies.

E-commerce in India is a rising sector and companies that would want to reap the benefits of this growing industry would need to jump into the bandwagon soon. It has made life easier and very less time consuming. E-commerce can lead us from developing to a developed nation.

The rapid growth of this sector is propelled by dynamic demographics, rising income levels and changing lifestyles, increasing internet penetration and banking and other payments like e-wallets etc. In the next 3 to 5 years, India will have 30 to 70 million Internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful in India.

But challenges in the form of under developed IT infrastructure, smaller number of credit card users, logistic issues and lack of governmental incentives plague this sector to certain extent. Despite the challenges, the e-commerce industry in India offers a great scope to the huge potential market size and increasing discretionary spend of the people.

SUGGESTIONS:

Some suggestions for efficient growth of e-commerce:

1) *Technology Enablers*

One of the biggest enablers is the mobile, of which, the Smartphone usage is growing steadily and currently holding a 35% market share. The success of e-commerce can be contributed by other technology enablers such as Cloud technology used by companies to give a seamless purchase cycle to the consumer and also to host effective marketing campaigns. Mobile apps are becoming an increasingly convenient channel for consumers, even for individuals from rural areas. Flipkart reports 50% revenue doling in from their mobile app and Quikr reported 70% revenue.

2) *Marketing*

Digital Advertising is rising with a 30% full force that reached \$538.09 million in 2015. Advertisements made for digital advertising are versatile and can be featured to any form of digital media such as TV, Mobile or laptop and are able to reach out to a wider audience. Search Engine Optimization (SEO) is another channel used by e-commerce companies to increase their websites more visible, making them more effective, by improving search rankings and motivating buyers to visit their website over others.

3) *New Strategies*

With a plethora of start-ups vying for consumers attention, there is bound to be competition; to eliminate such competition, the trend of mergers and acquisition is on the rise. Just this past year, Flipkart merged with Myntra at nearly \$300 million, thus reducing competition. Another big merger in 2014 was Ola cabs buying off their arch rival Taxiforsure for \$200 million. A valuation made on big brands is attracting a load of investors, both from within India and outside. For example, Snapdeal reported \$40 million losses in 2014. However, their valuation was raised to \$3 billion from the previous \$350 million when \$850 million funds were raised. Irrespective of the profitability of the company, high valuation plays a big role for e-commerce players.

4) *Retailers Go Online*

Many big players are boosting their overall revenues by their digital e-commerce sales to their preexisting traditional retail systems. There is a reason why Snapdeal and Croma are now partners or Amazon and Big Bazaar are not just retailers. It is a partnership of technology meeting logistic service

offerings. Shoppers Stop has revamped their online platform and Reliance is in the process of doing the same, in a bid to attract the online consumers.

5) *Social Media*

Companies are using social media to leverage their brands through increased advertising, brand awareness, building a community of users that trust the brand, increased word-of-mouth publicity and build on customer feedback. Companies are motivating product and service reviews by offering reward points for every post that goes on media like Facebook or Twitter. Loyal customers get to know of the sales and limited period offers through social media platforms. Millennials are likely to look up product reviews posted by strangers before they make their purchases. A marketing strategy that involves social media should be a natural choice for companies.

6) *E-commerce – The Millennials' favourite way to shop*

Flipkart wasn't the pioneer in e-commerce as many may assume. In fact, it was eBay that first recognized the huge potential in the Indian online market and forayed into the market by making a \$55 million investment 2 years before Flipkart. eBay came in too early, even before the 'cash-on-delivery concept' gained the wary Indian's trust. Moreover, the boom is largely due to the Millennial generation, which is more tech-savvy than the previous generations. They are social animals and they love to shop!

The convenience of being spoiled for choice and getting the best price offers, right at home adds a whole new dynamic to the experience of the Indian shopper. Millennials not only want to save time, but also get the best bang for their buck! Enablers like smartphone and tablet devices and access to 3G internet have only made it easier for the online shopping channel to be the preferred way for Millennials. With the release of 4G networks this year, the clout of e-commerce is only expected to become more robust.

7) *TRAINING PROGRAMMES:-*

Mindset of people must be changed about the quality of online shopping. Proper computer training programme must be conducted in remote areas to implement e-commerce.

8) *Emphasize speed and convenience*

Online shoppers almost always have to wait at least a couple of days for their purchases to arrive (or pay handsomely for overnight shipping).

As a brick-and-mortar merchant, you can use this to your advantage by highlighting your ability to provide instant gratification to customers. When communicating with shoppers, emphasize the fact that they can walk out of your store with their items instead of having to wait or pay for shipping.

When selling speed and convenience, it's best to market to those who are right in your neighborhood. Deborah Sweeney, CEO at MyCorporation.com, advises retailers to put themselves in front of local customers. "Brick and mortar stores in smaller cities and towns still have convenience on their side. Remember that even with Amazon Prime, free shipping still takes two days," she says.

"Make yourself a visible, local presence both in real life and online. That means using whatever retail marketing tactics work to ensure people locally know about your company and updating your online presence so customers can easily find your store during the research phase of the purchase process."

9) *Be flexible with payments*

Stores that are flexible with payments can lure customers away from online sites. AJ Saleem, Academic Director at Suprex Private Tutoring, says that Best Buy's credit card, which lets him pay off his balance over 18 months interest-free, is one of the reasons he chooses to shop the store rather than Amazon. "As a startup owner, this is extremely beneficial because cash flow is limited for a startup company," he continues.

Now, this doesn't mean you should start offering credit cards to your customers. However, you may want to consider being more flexible with payments. If it makes sense for your business, why not look into partial payments, split payments, and layaways? Giving shoppers more options for how they pay could be just the thing that sets you apart from your competitors.

10) *Be competitive with pricing*

Price matching is a common tactic that brick-and-mortar stores use to convert customers who'd otherwise shop online. It's a decent strategy, but it can also kill your profits. That's why you need to be more creative when pricing products and crafting promotions.

11) *Work with your vendors*

One thing you could do is to work closely with your vendors and see if you can lower your cost of goods. Would you be able to purchase materials for less if you meet a certain quantity threshold? Perhaps there are middlemen or administrative costs that you can eliminate from the process.

Another option would be to consolidate orders for other items or with other buyers. Walmart did something similar a few years back when it sought other buying partners to lower its cost of goods.

12) *Customize offers*

You wouldn't want to give too big of a discount to a shopper who would purchase an item at a higher rate. So rather than offering blanket discounts, segment your buyers and send them tailored promotions based on their shopping behavior.

FUTURE SCOPE FOR THE STUDY:

While conducting the research, following new areas for future study were observed:

1. Awareness level of the business persons regarding E-commerce.
2. Effectiveness of the steps taken by IRDAI for ensuring ethical practices in insurance sector

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