

Impact of E-commerce on Traditional Business in India.

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Abstract

In the modern business world, E-commerce is emerging as the biggest player and contributor towards the growth and development of global economy. India is also witnessing this revolution of e-commerce business in its domestic market. In the context of India, e-commerce players on one hand, created new and ample opportunities of employment, improved the quality of products as well as services and providing maximum satisfaction to the Indian consumer through discounts, cash-backs and other attractive offers. But on the other hand, it is giving intense competition and creating great obstacles in the ways of traditional business institutions and unorganized sectors of India. So, this research paper deals with the study of positive and negative impact of e-commerce on traditional businesses as well as on the Indian economy as a whole.

Introduction

When the business activities i.e. selling of goods and services are carried out through electronic medium, then it is termed as e-commerce business. With the advent of globalisation in the Indian economy and evolution of new technologies along with development of digital infrastructure, rapid growth has been witnessed in the e-commerce sector of Indian economy. Along with global e-commerce companies like Amazon, ebay, etc., e-commerce companies of India like Flipkart, Snapdeal, Ola, Book my show, Make my trip, etc. captured the Indian market with lips and bounce.

But the Indian economy is more traditional, agriculture driven and labour intensive. The major portion of Indian business sector is unorganized and with minimum use of technologies in the business activities. In recent times, it has been observed that e-commerce business is adversely affecting the traditional unorganized business sector of India.

Aims and Objectives

- To study the positive and negative effects of e-commerce
- To study how e-commerce has shaken the traditional business in India
- To study in detail the changes witnessed by retailers and consumers with the advent of e-commerce
- To suggest remedies to the traditional businesses for overcoming the menace of e-commerce

Effects of E-commerce

The impact of e-commerce on different retailers and consumers is both in positive as well as negative forms. Hence, we have to study the impact of business on retailers as well as consumers from both aspects.

A. Positive Effects

1. Convenience & easiness

For many people in the world, e-Commerce becomes one of the preferred ways of shopping as they enjoy their online because of its easiness and convenience. They are allowed to buy products or services from their home at any time of day or night.

2. Reduces energy consumption

One positive effect of the emergence of e-commerce is that it may save energy. Consumers who shop online rather than drive to stores use less fuel and their cars emit less pollution. Also, because e-commerce reduces the need for warehouse space to house goods near retail stores, these warehouses use less energy.

3. Cost Reduction

E-commerce can reduce costs for consumers when companies cut down on middlemen involved in distributing goods, warehouse space to store the goods and personnel expenses. E-commerce also enables companies to manage their inventory better. To be competitive, businesses are likely to pass down at least some of these savings to consumers.

4. Decreasing cost of inventory Management

With e-commerce business, the suppliers can decrease the cost of managing their inventory of goods that they can automate the inventory management using web-based management system. Indirectly, they can save their operational costs.

B. Negative Effects

1. Privacy

It is easy to collect a lot of personal information from a consumer using an e-commerce website, sometimes too easy. Since all online transactions are recorded, it's relatively easy to create an online profile of the buyer, and use that to send targeted advertisements. However, many will agree that this is an intrusion on a consumer's right to privacy, and it's something that is heavily regulated on many countries. This means small businesses aiming to establish an online presence using e-commerce need to be aware of the legislation that applies, as mistakes can be costly both in terms of fines and customer trust.

2. Security

Another negative effect of e-commerce is its effect on consumers' security. Online transactions are inherently more insecure than those conducted in person because there's no way to guarantee that the person making the payment is the actual owner of the credit card used. At the same time, when the customer inputs the payment information they risk a third party intercepting it if the website doesn't comply with the adequate security measures, giving rise to credit card fraud and identity theft. Merchants need to be aware of the risks electronic transactions carry, and work towards securing the systems to the highest standards.

3. Price Wars

Merchants used to selling at their shop may often find selling online an extremely competitive marketplace. Their products are displayed alongside competitive offers, often from different countries or bigger retailers with access to better wholesale prices. This can affect the retailer negatively, as they cannot sell as much as they expected to actually make a profit or the consumer's when online stores cut corners in

order to become more competitive or products are purchased from illegitimate retailers because they had the best price.

4. Returns & Complaints

Selling online means usually a higher return rate on products than when the purchase was conducted in person. This is due partly to the fact that customers haven't seen the goods in person prior to purchase, but also to the fact that many online shoppers buy things on impulse, and by the time they receive them at their home they have changed their mind and make use of favourable return policies. While a big retailer would have no problem accommodating this, it can be highly disruptive for a small business with limited stock management.

E-Commerce – Shaking the very Foundations of Traditional Business

The threat from e-commerce applies to all – from tiny start-ups to large corporations. Just because a company is an industry leader today, there's no guarantee that it would retain its competitive edge tomorrow. The threat from e-commerce is high, especially for old-school businesses, that aren't ready to embrace the changing commercial landscape.

Here are some significant ways in which traditional business practices have been put on the backburner by ecommerce strategies:

1. Low Cost of Initial Business Setup

Just a few decades back, to set up a business, you required massive capital costs. However, ecommerce changed all this. Today, it's possible to set up a company out of one's garage with minimal investments. You know the story of Indian e-commerce giant Flipkart? It was started in a 2 BHK apartment and Walmart recently bought it for \$16 billion.

2. Vertical Integration is no longer Relevant

Vertical integration was considered to be the backbone of traditional businesses in India from several decades. Business houses used to undertake all business activities from market research, advertisement, legal advice, etc. by having their own team of experts. It enhanced their overhead costs and reduces their efficiency and profitability. The new e-commerce companies outsourced maximum work like web designing, maintenance of websites, advertisement on social media, distribution through courier services or drop shipping, etc. to external companies at cheaper rates, e-commerce companies saved lot of costs and kept on improving their profitability.

3. Law of Returns to Scale proven incorrect

In economics, a classic theory is the Decreasing Returns to Scale. According to this law, even when an increase in all inputs (inclusive of capital and labour) occurs, the output is not proportional. It states that all businesses cannot grow profitably forever. However, this classic economic principle doesn't apply to the world of e-commerce. E-Businesses have proved that they can sustain incredible growth, while continuing to offer excellent returns. One of the primary reasons for this is that ecommerce doesn't need high investments unlike traditional businesses.

4. Vast Outreach

Just a few years ago, it was next to impossible for businesses to reach out to other customer markets. Ecommerce has now made it a cakewalk to sell your products and services, to people located anywhere on the planet. Yes, you can now sell your wares not just to your local market but to people in any corner of the world.

5. Removal of Middlemen

Today, businesses can directly sell to customers without the need for any middlemen. Say, you're a small business owner selling local fabric. Earlier, you had to depend on vendors and brokers to distribute your fabrics to geographical locations beyond your immediate vicinity. Ecommerce has put an end to all these middlemen. Now, all you have to do is approach a Woocommerce development company and design an online store for your business.

6. 24 x 7 service to customers

In the world of ecommerce there is no downtime. Businesses are open 24 x 7, 365 days of the year. And, sales can happen at any time of the day. Traditionally, businesses had to close shop at the end of the day. This means shoppers were restricted and had to complete their purchases within a particular time. Today, with the emergence of ecommerce platforms, shoppers can shop at any time convenient for them. Be it in the middle of the night or while lounging on their couches over the weekend.

7. Ecommerce has changed the Way Businesses Advertise

Ecommerce has radically changed the way people purchase. With changes in the purchase tactics, it's only right that advertising techniques also vary accordingly. Today, even consumers who shop at a brick and mortar store, look up products online, read reviews and compare prices before they make the decision to buy. So, businesses today no longer can depend on traditional marketing techniques alone. They must consider digital marketing to meet the demands of the tech-savvy consumers of today.

Recommendations & Remedies

The traditional business entrepreneurs can adopt following remedies to compete with e-commerce companies and sustain for longer period in the market:

1. Bulk Purchase

Different small and medium entrepreneurs can come together and purchase goods in bulk. This bulk purchase will allow them to save at least 10% in their purchasing cost as they will receive discount due to purchase in such large quantity. They can pass on this benefit to their consumers and can overcome competition with e-commerce companies to certain extent.

2. Improvement in services

Traditional business entrepreneurs need to change their attitude and should provide some extra and free of costs services like free home delivery, credit facilities, speedy distribution of goods, attractive offers, etc. to enhance time and place utilities of the consumers.

3. Long term relationship with consumers

Traditional entrepreneurs should focus on long term objectives rather than remaining statics. They should keep themselves in touch with consumers even after the completion of sale.

4. Excessive use of social media

Traditional business entrepreneurs should now start using social media extensively for advertising their products. It is not just a cheaper but a very speedy mode of advertisement which can play a vital role in increasing their total sales volume.

Conclusion

No doubt, e-commerce emerged as a revolution and attracting consumers through various means and creating a cut throat competition for traditional businesses in India. But with innovation, consumer friendly policies, better services, unique selling techniques, etc. Traditional retailers still not only survive but can grow and can earn satisfactory profits on their sale.

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