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Impact of electronic commerce on conventional business models in India

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Abstract

The contemporary business landscape is witnessing the rapid rise of e-commerce as a significant contributor to global economic growth. India, too, is experiencing this e-commerce revolution within its domestic market. In the Indian context, e-commerce companies have ushered in new employment opportunities, enhanced product and service quality, and delighted consumers with discounts, cash-backs, and enticing offers. However, this burgeoning e-commerce sector has also brought forth fierce competition and challenges for traditional businesses and unorganized sectors in India. This research paper aims to explore both the positive and negative impacts of e-commerce on traditional businesses and the overall Indian economy.

Keywords: E-commerce, Challenges of e-commerce, Effects of e-commerce

Introduction

Electronic commerce, often abbreviated as e-commerce, encompasses all commercial activities involving the buying and selling of products and services through electronic platforms. It involves various stakeholders, including producers, marketers, government entities, service providers, and consumers. E-commerce business, defined as the conduct of selling goods and services through digital platforms, has experienced significant growth in the Indian economy due to globalization, technological advancements, and digital infrastructure development. Both international e-commerce giants like Amazon and eBay and Indian companies like Flipkart, Snapdeal, Ola, BookMyShow, and MakeMyTrip have made substantial inroads into the Indian market. However, the Indian economy remains predominantly traditional, relying on agriculture and labour-intensive practices. A substantial portion of the Indian business sector operates without formal organization and limited technology adoption. In recent times, it has become evident that the impact of e-commerce is having adverse effects on the traditional unorganized business sector in India.

E-commerce facilitates online purchases of a wide array of items, such as groceries, electronics, laptops, jewellery, and mobile devices. Additionally, it offers online services like booking train or air tickets and making insurance premium payments. Professionals, entrepreneurs, lawyers, retailers, manufacturers, and service providers are increasingly utilizing this channel to reach potential clients. The purpose of this blog is to assist entrepreneurs in launching their online selling ventures. However, it's essential for online sellers to be aware of the challenges in the Indian e-commerce landscape. Despite the significant growth of e-commerce, merchants encounter various obstacles that require diligent effort to overcome. Rather than viewing this article as discouragement, consider it a guide to help you avoid pitfalls and formulate strategies for establishing a successful online business.

Goals and Objectives:

1. To examine the both favourable and unfavourable impacts of e-commerce.
2. To investigate how e-commerce has disrupted traditional businesses in India.
3. To thoroughly analyse the transformations experienced by retailers and consumers due to the emergence of e-commerce.
4. To provide recommendations to traditional businesses on how to combat the challenges posed by e-commerce.

Research Methodology

This paper is based on secondary data, which were gathered from published books, journals, research papers, magazines, daily newspapers, and online sources, etc. The research is qualitative in its approach.

Growth of E-commerce:

The rapid advancement of technology in the business and service sectors, coupled with increasing tech awareness among the public, has fuelled the growth of e-commerce in India. Some key factors contributing to this growth include:

1. Banks offering a wide range of value-added services like credit cards, debit cards, and internet banking. Internet banking allows customers to conveniently make online payments for utilities such as electricity and telephone bills, as well as government taxes and donations.
2. Many companies, marketers, and retail giants like Big Bazaar, Shoppers Stop, and Crossword have established their own websites, facilitating online purchases. This has led to a rising trend of urban consumers turning to online shopping.
3. The travel industry is among the well-prepared sectors, providing online booking services for travel tickets and hotel accommodations.
4. The convenience factor has prompted an increasing number of people in India to opt for online booking of air and railway tickets, making it a popular choice for travel arrangements.

E-commerce Effects

The influence of e-commerce on various retailers and consumers manifests in both positive and negative ways. Therefore, it's necessary to examine its effects on businesses and consumers from both perspectives.

A. Positive Impacts

1. **Convenience and Simplicity:** E-commerce has become a preferred method of shopping for many people worldwide due to its ease and convenience. Shoppers can buy products or services from the comfort of their homes at any time, day or night.
2. **Reduced Energy Consumption:** One beneficial aspect of e-commerce is its potential to conserve energy. Online shoppers reduce their fuel consumption and emissions by avoiding trips to physical stores. Additionally, the decreased need for warehouse space near retail stores leads to energy savings.
3. **Cost Savings:** E-commerce has the potential to lower costs for consumers when companies streamline distribution by reducing middlemen, cutting warehouse space requirements, and optimizing personnel expenses. These cost reductions often translate into savings for consumers.
4. **Efficient Inventory Management:** E-commerce businesses can decrease inventory management costs by automating their systems through web-based solutions. This indirect benefit allows suppliers to save on operational expenses.

B. Negative Impacts

1. **Privacy Concerns:** E-commerce makes it relatively easy to collect extensive personal information from consumers, which can be used for targeted advertising. However, this practice can infringe on consumers' right to privacy and is subject to heavy regulation in many countries. Small businesses venturing into e-commerce must be well-versed in the relevant legislation to avoid fines and maintain customer trust.
2. **Security Risks:** E-commerce raises security concerns for consumers. Online transactions are inherently less secure than in-person ones, as there's no certainty that the cardholder is the one making the payment. Furthermore, inadequate security measures on websites can expose payment information to third parties, leading to credit card fraud and identity theft. Merchants must prioritize security measures to safeguard electronic transactions.
3. **Price Competition:** Merchants accustomed to physical store sales may find online commerce exceptionally competitive. Online products are often displayed alongside competitive offers from different countries or larger retailers with better wholesale prices. This can pose challenges for both retailers, who may struggle to turn a profit, and consumers, who may encounter corners cut by online stores or purchase items from unverified sources just because of the best price.
4. **Returns and Complaints:** Online sales typically result in a higher rate of product returns compared to in-person purchases. This is partly because customers haven't physically inspected the goods before buying and partly because of impulse purchases. While large retailers can manage this efficiently, it can be disruptive for small businesses with limited inventory control.

E-commerce Prospects in India

The growth of e-commerce in India is highly promising, and several critical factors contribute to its rapid development. These factors include:

- ❖ **Legal Framework:** A robust legal framework is essential for the e-commerce industry in India, providing the necessary regulations and guidelines to ensure smooth operations.
- ❖ **Transparency:** The need for clear documentation, such as bills of lading, is crucial in online transactions to establish trust and transparency.
- ❖ **Payment Options:** Multiple payment gateways, guarantee options, and efficient replacement services are vital aspects of a thriving e-commerce ecosystem. These elements enhance consumer trust and satisfaction.
- ❖ **Speed and Quality:** Fast service delivery, high product quality, and the availability of a dedicated 24/7 customer care centre are paramount to meeting customer expectations.

E-commerce also offers various opportunities for different stakeholders:

- ❖ **Manufacturers and Producers:** E-commerce enables manufacturers to directly connect with consumers and retailers, providing better information about their business, products, and brand identity. This direct connection allows them to sell their goods more effectively.
- ❖ **Distributors and Wholesalers:** E-commerce facilitates partnerships between distributors and reputable manufacturers and contractors, streamlining their business operations online. It reduces the costs associated with processing, distribution, storage, and data retrieval by digitizing processes.
- ❖ **Consumers:** E-commerce benefits consumers by allowing them to shop conveniently from their homes or offices. Online services, such as banking, airlines, and ticket bookings, provide tremendous convenience. Moreover, e-commerce platforms enable consumers to connect with communities, exchange ideas, and share experiences.
- ❖ **Retailers:** Retailers can expand their reach by integrating their businesses into online distribution channels. They can provide detailed product information, accept electronic orders, and maintain constant communication with customers. Promoting their products on widely visited websites like Google.com and Yahoo.com can attract more customers to their offerings.

The e-commerce landscape in India offers significant potential for various stakeholders, from manufacturers to consumers, by providing convenience, transparency, and opportunities for growth and communication.

Recommendations and Solutions

Traditional business entrepreneurs can adopt the following strategies to compete with e-commerce companies and establish a long-lasting presence in the market:

- ❖ **Bulk Purchasing:** Small and medium-sized entrepreneurs should consider forming collaborations to make bulk purchases. This collective approach can lead to cost savings of approximately 10% or more

due to discounts on larger quantities. These savings can be passed on to consumers, helping them remain competitive with e-commerce businesses.

- ❖ **Service Enhancement:** Traditional business owners need to adapt and improve their services by offering additional benefits to customers. This could include services such as free home delivery, credit facilities, efficient product distribution, enticing promotions, and more. Enhancing time and place utilities for consumers can give them a competitive edge.
- ❖ **Building Long-Term Relationships:** Instead of focusing solely on short-term gains, traditional entrepreneurs should prioritize building long-term relationships with their customers. Maintaining contact with consumers even after a sale is completed can foster loyalty and repeat business.
- ❖ **Leveraging social media:** Traditional business entrepreneurs should harness the power of social media for advertising their products. This cost-effective and swift mode of advertisement can significantly boost their sales volume. It provides a means to reach a wider audience and stay competitive in the digital age.

These strategies enable traditional businesses to adapt, improve their services, foster customer loyalty, and harness the benefits of modern advertising methods to compete effectively with e-commerce companies.

Conclusion

Certainly, e-commerce has sparked a revolution in India, captivating consumers through diverse strategies and intensifying competition against traditional businesses. However, by implementing innovation, consumer-centric policies, enhanced services, and distinctive selling methods, conventional retailers can not only endure but also flourish, yielding gratifying profits from their sales.

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