



4. Role of E-Commerce in Reducing Operational Cost

Dr. Vimmi Behal

*Assistant Professor,
Atal Bihari Vajpayee Hindi Vishwavidyalaya,
Bhopal (M.A).*

ABSTRACT

It's critical for e-commerce firm owners to comprehend how e-commerce affects operating expenses. E-commerce has completely changed the way companies run, enabling them to reach a wider audience and offer goods online. In this study, the advantages and difficulties of electronic commerce will be further examined, along with their contribution to cost savings. Electronic commerce has created a field of opportunity for capital owners, as capital is limited and they must enter the world of trade, rather than just being available to wealthy individuals as it was in the past. our has led to the tremendous commitment to cost reduction becoming the main topic of our investigation. Display of The world appears to have gotten smaller as a result of the proliferation of the Internet, which has made a wide range of things possible for people worldwide. Numerous reports have highlighted the popularity and scale of online e-commerce. Every computer can become a portal open to every business, large and small, throughout the globe if it is successful in creating an atmosphere where E-Commerce can develop and prosper. The role of e-commerce in lowering operating costs will be covered in this essay.

KEYWORDS

E-Commerce, Reducing, Operational Cost, Customers, Benefits, Challenges, Web, Economy, Management.

Introduction:

The field of economics and management appears to have shrunk because to the widespread use of the internet in the worldwide smoothing of many things. Not only has it expanded beyond trade in conversation and statistics, but it has also given rise to what is commonly referred to as "digital trade," which is simply the system of buying and selling over the internet. This is only one meaning of the term; it has brought about a number of benefits, not the least of which is the fees that have been a source of concern for many groups and have become their main topic. wherein it was possible for those with capital too tiny to easily enter the business sector and invest their funds, provided they were provided with

both non-depleting and depleting charges. She became one of the most well-known software stars of that era with the price range electronic transfer tool, however only large corporations and establishments could use it. Subsequently, he appeared in another category of applications, specifically electronic data interchange, which helped to expand the use of e-commerce beyond financial transactions to other types of transactions and increased the amount of money that financial institutions, manufacturers, and retailers were contributing to this technique. [1]

E-commerce creates opportunities for new businesses to grow that provide information and other knowledge-based intangible goods to clients all over the world in addition to opening up new channels for the international marketing of tangible items. Any and all interactive business transactions enabled by computer networks are collectively referred to as e-commerce. Due to the fact that e-commerce increases the efficiency of the global economy overall, these innovations are vital to both national and global economies. An effective system may be created using the five root causes.

Reducing Transaction Costs with E-commerce:

Businesses can lower their transaction costs by utilizing e-commerce as well. For instance, by handling more transactions, companies can bargain for reduced credit card processing costs. Businesses can also lower their shipping expenses by working with third-party logistics services. Because of the amount of products they transport, some suppliers are able to negotiate reduced shipping costs.

Advantages of E-commerce in Reducing Operational Costs:

Reducing operating costs through e-commerce has various benefits. E-commerce, in the first place, allows companies to function with lower overhead costs, which can lead to substantial savings. Secondly, firms can reduce the requirement for human labor by automating many of their procedures through e-commerce. Productivity and efficiency gains may result from this.

Third, e-commerce gives companies the opportunity to connect with a wider audience, thereby increasing revenue and sales. Fourth, since tailored advertising allows firms to reach particular groups, e-commerce can help them cut down on their marketing expenses. [2]

Review of Literature:

With the primary goal of reducing operating costs, business-to-business e-commerce currently appears to be more volume than business-to-consumer e-commerce, but this could change in the future. Because e-commerce promotes economic efficiency, these changes are significant for both the national and international economies. E-commerce makes five significant contributions to economic efficiency. According to Turban et al. (2000), these include reducing time and distance, cutting distribution and operating expenses, accelerating product development, giving buyers and sellers more information, and expanding supplier and consumer options. But the main focus of this study is on how e-commerce might lower an organization's operating costs. [3]

The paperless exchange of commercial information via electronic channels such as electronic mail, electronic bulletin boards, electronic fax transmissions, electronic cash transfers, and electronic data interchange (EDI) is known as electronic commerce, or e-commerce. It covers business-to-business transactions, online stock and bond trading, online shopping, and the downloading and selling of "soft merchandise" (software, documents, graphics, music, etc.). It is becoming an essential instrument for strategic management. Using the Internet for direct selling and communication with worldwide suppliers, consumers, debtors, partners, shareholders, clients, and competitors is helping a growing number of businesses acquire a competitive edge. Businesses can use e-commerce to sell goods, market, buy supplies, cut out middlemen, manage inventories, do away with paperwork, and exchange information. (Tucci, 2001) [4]

Objectives:

- To investigate the influence of e-commerce in diminishing an organization's expenditure.
- To explore what further benefits can be garnered from E-commerce in India.
- To examine the role of E-commerce in reducing operational cost in an organization.

Research Methodology:

This study's overall design was exploratory. The research paper is an endeavor that is founded on secondary data that was obtained from reliable online resources, newspapers, textbooks, journals, and publications. The research design of the study is mostly descriptive in nature.

Result and Discussion:

Operating costs are those that come with running an eCommerce business on a daily basis. In the business world, operating expenses, or OPEX, is the term most frequently used to describe firm operating costs. The costs associated with goods sold, or COGS, make up the majority of eCommerce operating costs.



Figure 1: Three ways to reduce Operations Costs [5]

An entrepreneur is constantly searching for methods to reduce operating expenses and maximize operating profit margins. Here are some recommendations:

Businesses might centralize the space required for production to lower operational costs. You can minimize and modify the utilization of available resources by monitoring and evaluating the operational effectiveness of your company. Establish performance measures that spell out your objectives, then provide rewards when they're achieved.

Lower Financial Expenditures:

Examining your outlays for things like insurance and bank accounts is essential if you want to lower your operational costs as a business. Purchasing insurance at the best price will help you save money. Request that your insurance company match the amount to your needs. If at all possible, combine the insurance policies to make sure you haven't duplicated or overinsured.

Outsourcing Business Functions:

Determine which of your business's processes can be contracted out. Companies trying to save expenses should also think about whether or not they might save money by outsourcing some tasks. The areas of marketing, advertising, and communications are frequently outsourced in business operations. The industry is extremely competitive, so choosing an outsourcing company that prioritizes results will help you avoid overspending.

Final Words:

Cutting operational expenses for your online store is a continuous process. This demands constant work and a great deal of effort. Maintaining a balance in your operating expenses is the greatest approach to managing a profitable business. Little adjustments can have a big influence on your business, as you are aware. [6]

The Evolution of E-Commerce:

Electronic commerce has been around for more than 20 years and is also referred to as "network commerce," or trade via a network. Comprehending advertising, browsing/selection, buying, selling, charging/invoicing, and payment are among the most crucial facets of online commerce. Traditional electronic commerce, including file transfers, standardized identification systems, and Electronic Data Interchange (EDI), is conducted via private value-added networks (VANs). Internet-based e-commerce today's predecessors are business-to-business electronic data exchange (EDI) platforms. They differ from the Internet in that they don't permit browsing or advertising, and they are private and proprietary. One type of interorganizational system is the electronic data interchange (EDI) system. "The electronic data interchange (EDI) software automates the preparation and transmission of interorganizational purchase orders, invoices, shipment status documents, and payments. An excellent example of this type of system is a business-to-business networked EDI system developed by GE Information Services and introduced in 1995.

The Growth of E-Commerce and The Acceptance of New Technologies:

The drivers of e-commerce reception can be categorized into two main groups based on the pattern shown in Table 1: competitiveness drivers and cost/efficiency drivers. Table 1: E-commerce reception drivers. The results of an international survey indicate that drivers of competitiveness and cost/efficiency are equally significant for firms. Additionally, the review shows differences between adopters and non-adopters and their circumstances. All things considered, early adopters rank none of the benefits any less highly than the general public. As mentioned earlier, there are several distinct steps involved in receiving e-commerce. Large companies with an abundance of resources and experience can, of course, omit or combine some steps, but for small and medium-sized enterprises, the procedure is drawn out and has obvious consequences. defined as a process by which businesses rationally progress from simple to sophisticated e-commerce, ultimately reaching increasingly complex levels of development and sophistication. The business may decide to start with only building a website to display its goods and services. [7]

Table 1: Drivers of E -Commerce Adoption

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	

Lower Inventory Costs:



Figure 2: Components of Inventory Carrying Cost

The goal of doing routine stock inspections is to reduce your operating expenses for e-commerce. You can ensure that you aren't receiving an excessive number of products for inventory by using this method, which could lower your profit margins and unduly raise your garage costs. In order to get faster sales results, you can also combine slower items with more relevant, well-selling products. Along with them as a loose gift with the purchase of more wanted things, you might also persuade customers to shop for your unsightly matters. no longer the finest Technology advancements can help you get rid of out-of-date inventory, but they can also draw customers to newer, more alluring products, which would increase revenue.

E-commerce plays a significant role in reducing operational costs for businesses in various ways. Here are some key aspects:

Automation of Processes:

Several business activities, including order processing, inventory management, and payment processing, can be automated with the help of e-commerce platforms.

Efficiency of Order Processing: Order placement through delivery are all streamlined by automated order processing and fulfillment systems. Because of its efficiency, less intensive physical labor is required, which lowers related expenses.

Reduced Physical Infrastructure:

Significant physical infrastructure, including storefronts and in-store personnel, is needed for traditional brick and mortar stores. Lower operating costs are the outcome of e-commerce's elimination or reduction of these requirements.

Global access and Scale: Without the requirement for a physical presence in several areas, e-commerce enables enterprises to access a global audience. Reduced operating expenses per unit and economies of scale may result from this scalability.

Customer Self-Service: Self-service features like automatic order tracking, returns processing, and FAQs are frequently offered by e-commerce platforms to their clientele.

Digital Marketing Efficiency:

Compared to traditional marketing techniques, online marketing—which includes social media, email campaigns, and search engine optimization—can be more affordable.

Data-Driven Decision Making: A plethora of data is generated by e-commerce platforms, which may be examined to make wise business decisions.

Streamlined Communication: E-commerce makes it easier to communicate digitally with partners, suppliers, and customers. This can improve overall efficiency and lower the cost of communication.

Decreased Paperwork: E-commerce transactions that are digitally conducted eliminate the need for a lot of paperwork, which saves money on printing and storage.

Energy Efficiency: Running an internet business uses less energy than running brick-and-mortar stores and infrastructure, which saves money and helps the environment.



Figure 3: Operating Expenses [8]

Conclusion:

By enabling them to operate with fewer overhead expenses, automate many of their procedures, and reach a bigger audience, e-commerce can help firms cut their operating costs. Additionally, by utilizing third-party logistics providers and negotiating reduced rates, e-commerce can assist businesses in lowering their transaction costs. E-commerce companies can increase their earnings and put more money back into their companies by cutting their operating expenses. They can expand their business, invest in new technologies, or enhance their current offerings with the savings.

E-commerce companies must remain competitive; else, they risk having to close their doors. A healthy, self-regulating, and growing business depends on maintaining your running costs as low as possible in order to compete with Amazon and other online merchants. When everything is considered, there are several strategies for reducing your operational costs associated with e-commerce.

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