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## IMPACT OF E-COMMERCE ON BUSINESS

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### Introduction

E-commerce stands for electronic-commerce. It is defined as buying and selling of products and services over the internet (Shim et al. 2000) but it is not a complete definition of E-commerce. As per Bidgoli (2002), it is a system that not only includes the transactions that center on buying and selling of goods and services to generate revenue but also those revenue support generation, such as generating demand of those goods and services, offering sales and customer service i.e., it includes not only buying or selling but also includes marketing of goods and services and also the transfer of funds online.

### Differences between Electronic Commerce and Traditional Commerce

The major difference is the way information is exchanged and processed:

#### Traditional commerce:

Traditional commerce includes face-to-face, telephone lines, or mail systems. It includes manual processing of traditional business transactions

In traditional commerce individual involved in all stages of business transactions

#### E-Commerce:

It uses Internet or other network communication technologies.

E-commerce uses automated processing of business transactions.

It pulls together all activities of business transactions, marketing and advertising as well as service

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and customer support

### **Benefits of Internet Commerce**

E-commerce allows people to carry out businesses without the barriers of time or distance. One can log on to the Internet at any point of time, be it day or night and purchase or sell anything one desires at a single click of the mouse (Chaudhary, 2010).

#### **Marketing benefits:**

- Improved market analysis, product analysis and customer analysis.
- Low-cost advertising
- Easy to create and maintain customer o client database

#### **Customer benefits:**

- Wide-scale information dissemination.
- Wide selection of good products and goods at the low price.
- Less time is spent in resolving invoice and order discrepancies.
- Wider access to assistance and to advice from experts and peers.
- Save shopping time and money.
- Fast services and delivery.
- Reduction in buyer's sorting out time.

#### **Strategic Benefits:**

The strategic benefit of making a business 'ecommerce enabled', is that it helps in reduce the

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delivery time, labour cost and the cost incurred in the following areas

- Document preparation
- Error detection and correction
- Reconciliation
- Mail preparation
- Telephone calling
- Credit card machines
- Data entry
- Overtime
- Supervision expenses

## **Types of E-commerce**

### **1. B2B (Business to Business)**

It is the largest form of Ecommerce. This model defines that buyer and seller are two different entities (Malik, 2010). It is similar to manufacturer issuing goods to the retailer or wholesaler. For instance, Dell deals in computers and other associated accessories online but it does not make all those products. So, in order to deal in those products, first step is to purchase them from other businesses i.e. the producers of those products. It is one of the cost-effective ways to sell products throughout the world. Some of the benefits of using B2B are: It encourages businesses online. It facilitates import and export of products. It determines buyers and suppliers and also helps in positioning trade guides.

### **2. B2C (Business to consumer)**

B2C refers to communicating with selling to an individual rather than a company. B2C e-commerce has the following advantages: Using B2C, online shopping can be faster and more convenient. The

offerings and prices can change instantaneously. For example: if you want to sell goods and services to customer so that anybody can purchase any products directly from supplier's website. Direct interaction with the customers is the main difference with other business models. As B2B it manages directly relationship with consumers, B2C supply chains normally deal with business that are related to the customer.

### **3. B2E (Business to employee)**

This type of E-commerce refers to the requisitioning of supplies by employees for use in jobs, but this really has grown to encompass much more. B2E has grown into technologies that allow the employees to access their employee records to update address information.

### **4. C2B (Consumer to Business)**

A consumer saves his project with budget online and companies review it according to the requirement and bid on the project. This empowers consumers around the world by providing the meeting ground and platform for such transactions.

### **5. C2C (Consumer to Consumer)**

It helps the online dealing of goods or services among people. Though there are no major parties needed but the parties will not fulfill the transactions without the program which is supplied by the online market dealer such as eBay. It also involves the transactions between consumers through some third party (Wikipedia, 2011). The third party has no concerns to check quality of the products being offered.

## **The impact of E-commerce on business**

The internet has changed many aspects of our lives, including the way we communicate with each other, how we keep our finances. It has made a profound impact on society. Now we shop online from our houses. This forces retailers to open online division. It can also force smaller businesses to shut their doors, or change to being completely online. It also has changed people way of spending



money. Undoubtedly, it will continue to influence how companies sell and market their products, as well as how people choose to make purchases for many years to come. The following are the impact of e-commerce on the global economy.

### Impact on direct marketing

**Product promotion** E-commerce enhances promotion of products and services through direct, attractive and interactive contact with customers.

**New sales channel** E-commerce creates a new distribution channel for existing products. It facilitates direct reach of customers and the bi-directional nature of communication.

**Direct savings** The cost of delivering information to customers over the Internet results in substantial savings to senders when compared with non electronic delivery. Major savings are also realized in delivering digitized products versus physical delivery (Turban, 2010).

**Reduced cycle time** The delivery of digitized products and services can be reduced to seconds (Turban, 2010). Also, the administrative work related to physical delivery, especially across international borders, can be reduced significantly, cutting the cycle time by more than 90 percent.

**Customer service** Customer service can be greatly enhanced by enabling customers to find detailed information online. Also, intelligent agents can answer standard e-mail questions in seconds and human experts' services can be expedited using help-desk software.

**Corporate image** On the Web, newcomers can establish corporate images very quickly. Corporate image means trust, which is necessary for direct sales. Traditional companies such as Intel, Disney, Dell, and Cisco use their Web activities to affirm their corporate identity and brand image.

### Impacts on organizations

**Technology and Organizational Learning:** Rapid progress in E-Commerce will force companies to adapt quickly to the new technology and offer them an opportunity to experiment with new

products, services, and processes. New technologies require new organizational approaches. For instance, the structure of the organizational unit dealing with E-Commerce might have to be different from the conventional sales and marketing departments. To be more flexible and responsive to the market, new processes must be put in place. This type of corporate change must be planned and managed.

**Changing Nature of Work:** The nature of work and employment will be transformed in the Digital Age; it is already happening before our eyes. Driven by increased competition in the global marketplace, firms are reducing the number of employees down to a core of essential staff and outsourcing whatever work they can to countries where wages are significantly less expensive (Lakshmi, 2010). The upheaval brought on by these changes is creating new opportunities and new risks and forcing us into new ways of thinking about jobs, careers, and salaries. The Digital Age workers will have to become very flexible. Few of them will have truly secure jobs in the traditional sense, and all of them will have to be willing and able to constantly learn, adapt, make decisions, and stand by them.

**New product capabilities:** E-commerce allows for new products to be created and existing products to be customized in innovative ways (Lakshmi, 2010). Such changes may redefine organizations' missions and the manner in which they operate. E-Commerce also allows suppliers to gather personalized data on customers. Building customer profiles as well as collecting data on certain groups of customers, can be used as a source of information for improving products or designing new ones. Mass customization, as described earlier, enables manufacturers to create specific products for each customer, based on his or her exact needs. For example, Motorola gathers customer needs for a pager or a cellular phone, transmits them electronically to the manufacturing plant where they are manufactured, along with the customer's specifications and then sends the product to the customer within a day.

### **Impacts on Manufacturing**

E-Commerce is changing manufacturing systems from mass production to demand-driven and

possibly customized, just-in-time manufacturing. Furthermore, the production systems are integrated with finance, marketing, and other functional systems, as well as with business partners and customers. Using Web-based ERP systems, orders that are taken from customers can be directed to designers and to the production floor, within seconds. Production cycle time is cut by 50 percent or more in many cases, especially when production is done in a different country from where the designers and engineers are located. Companies like IBM, General Motors, are assembling products for which the components are manufactured in many locations (Lakshmi, 2010). Sub-assemblers gather materials and parts from their vendors, and they may use one or more tiers of manufacturers. Communication, collaboration, and coordination become critical in such multitier systems. Using electronic bidding, assemblers get sub-assemblies 15 percent to 20 percent cheaper than before and 80 percent faster.

### **Impacts on Finance**

E-commerce requires special finance and accounting systems. Traditional payment systems are ineffective or inefficient for electronic trade. The use of the new payment systems such as electronic cash is complicated because it involves legal issues and agreements on international standards (Lakshmi, 2010). Nevertheless, electronic cash is certain to come soon and it will change the manner in which payments are being made. In many ways, electronic cash, which can be backed by currency or other assets, represents the biggest revolution in currency since gold replaced cowry shells. Its diversity and pluralism is perfectly suited to the Internet. It could change consumers' financial lives and shake the foundations of financial systems and even governments.

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