

# Impact of E-Business and E-Commerce in India- A Study

V.V. Arun Sankar<sup>1</sup>, E. Vignesh<sup>2</sup>, J. Anish Jafrin Thilak<sup>3</sup> and P. Suresh<sup>4</sup>

<sup>1,2,3,4</sup>*Department of Mechanical Engineering Karpagam College of Engineering (Autonomous) Coimbatore, Tamilnadu, India*  
E-mail: <sup>1</sup>arun2386@gmail.com, <sup>2</sup>vicky.e750@gmail.com, <sup>3</sup>jafrinthilak@gmail.com, <sup>4</sup>suresh.me2004@gmail.com

---

**Abstract**—This paper deals with the impact that e-business and e-commerce has created in the common business man in India during the year 2014, 2015. It focuses mainly on the dent that has been created on the normal business man due to the boom in e-business and e-commerce.

**Keywords:** e-business, e-commerce, e-scm, e-logistics, effect of e-commerce

## 1. INTRODUCTION

E-business represents a shift in the business guidelines that is changing traditional organizational models, business processes, relationships and operational models that have been dominant for the past years. The new guidelines of e-business requires an enterprise to integrate and synchronize the strategic vision and tactical delivery of products to its customers with the information technology and service infrastructure needed to meet that vision and process execution. Recently IT has been taking significant strides in business processes -- creating new needs, causing new product development and commanding new procedures. With full implementation of IT in an organization, internal changes may lead to broader shifts in products, markets, and society as a whole (Chang, 2000). Process automation brings more or less negative results. The business model must be studied first in order to find out if it is satisfactory, and ready for the implementation of information technology. Only then, an improvement in quality, lower costs, and shorter performance times could be expected. Even though e-business and e-commerce has helped in improving the quality, reducing the cost it has created a serious impact on the sales of common business man who sell his products only through his shops. Some basic concepts or differences are to be known in order to proceed further. The basic concepts are as given below:

## 2. E-BUSINESS

Electronic Business, is the administration of conducting business via the Internet. It includes buying and selling of goods and services, along with providing technical or customer support through internet.

## 3. E-COMMERCE

Electronic commerce is buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily through internet. These business transactions occur either business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business.

## 4. RISE OF E-COMMERCE AND E-BUSINESS

As internet has gained its position and grown leaps and bounds so has the usage of internet. In the earlier 21<sup>st</sup> century in India internet has basically played only the role or a means of communication. But with the reach that internet has gained starting i.e. from a city to a rural area the usage of internet has changed more than being used for communication it has created a new platform for business. Internet enables companies of all sizes to develop new ways in which companies operate and interact with business partners, customers and suppliers. Companies are now pursuing more intensive and interactive relationships with their suppliers, collaborating in new product development, integrating key business processes and cross-functional information sharing on a range of issues. Internet has made the products to reach across the globe, making payment easier and transparency in transactions which was not before internet took over. But keeping aside the benefits it has created a crater in the business of normal business man who hasn't switched over to e-business or e-commerce. With the development of information technologies and information knowledge, SCM and E-logistics were discovered as a close connection to Logistics. Successful integration of SCM depends on the implementation of E- business in Logistics, called E-logistics. Afterwards, these two terms are shown through the system of E-logistics, with which the use of modern information technology complements SCM and Logistics.

## 5. SUPPLY CHAIN MANAGEMENT

According to Chopra and Meindl (Chopra and Meindl, 2001), a supply chain consists of all stages involved, directly or

indirectly, in fulfilling a customer request. A supply chain not only includes the manufacturer and suppliers but also transporters, warehouses, retailers, and customers themselves. Within each organization, such as a manufacturer, the supply chain includes all functions involved in filling a customer request. These functions include, but are not limited to, new product development, marketing, operations, distribution, finance, and customer service. Furthermore, supply chain management is to design, maintain, and operate supply chain processes for the satisfaction of end user needs.

**6. LOGISTICS**

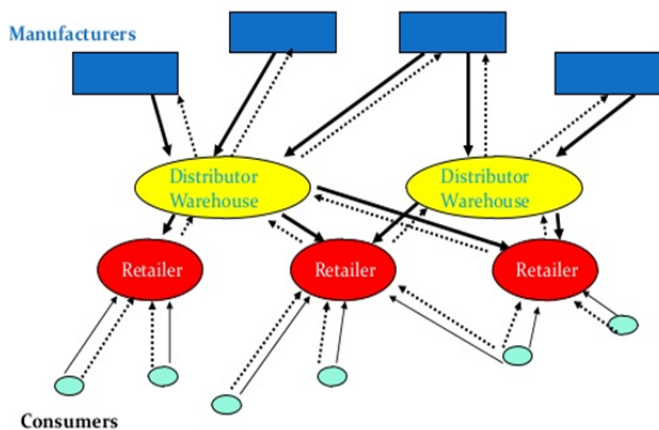
According to Cooper, 1993, the intention of logistics is to (at order, quantity, quality, space and time) carry out the transportation of goods for needs to supplement business processes. It is meant for planning processes, execution and controlling flow of goods, warehousing and also managing information from the production of goods to selling them to the final customer with the intention to fulfill customer.

**7. E-LOGISTICS**

One possible definition is that E-logistics simply mean processes necessary to transfer the goods sold over the Internet to the customers (Auramo et al., 2001).

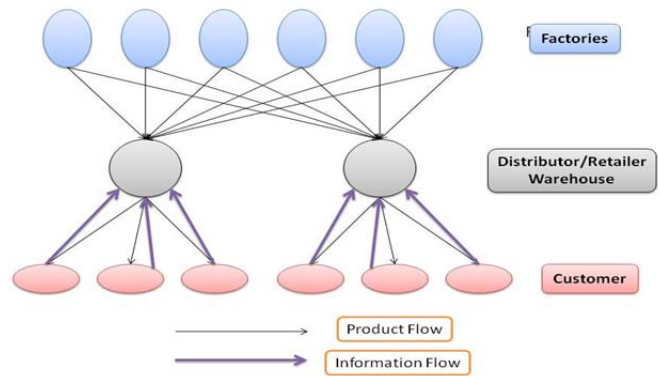
**8. EFFECT OF E-BUSINESS**

Before the rise of e-business and e-commerce “Retail storage with customer pickup” kind of distribution network was followed. The customer walks into a retail store or places an order by phone and picks it up at the retail store if the product is available with the retailer. If it is not available with him the retailer contacts the distributor who delivers it to him if it is available in his warehouse. If not the distributor contacts the manufacturer who in turn supplies it to the distributor and then to the retailer. Inventory cost can be kept low with either manufacturer or distributor storage to exploit aggregation.



**Fig. 1: Retail storage with customer pickup**

But after the technological advancement people are more and more getting adapted to ordering their goods and products online without any need to go to the retail store. The customer places the order online and the product get shipped directly to his house. The payment can be made through online mode or through CoD (Cash on Delivery) basis. Shipping charges will be charged for a minimum amount of purchase. But if the amount of purchase crosses a particular limit the shipping charges are waived or discounted.



**Fig. 2: Distributor storage with Last-Mile Delivery**

**9. LAST MILE DELIVERY: THE INDIAN CONTEXT**

In the Indian context, a consumption economy with a population of 1.2 billion, where it is predicted that by 2030, around 590 million people will be living in cities and around 200 million in rural areas in the proximity of cities and will depend on cities for their growth. As India grows, its cities will expand and new cities will emerge. It is believed that the per capita disposable income in urban India is expected to grow four-fold by 2030<sup>[4]</sup>. This will add to the network complexities. In such context, the last mile delivery becomes all the more important<sup>[4]</sup>.

Particularly in India, to overcome the challenge of the last mile, two major issues have to be taken care of: linguistic diversity and geographical distance. The mainland of India has large geographical variance with terrains ranging from mountains to plateaus, plains and even coastal areas. This makes accessibility a major concern. To add to that, transportation is yet another hindrance. According to the report by Government of India – Ministry of Road Transport and Highways, the road length is 4.69 million kilometers as on 31st March 2011, of which, the length of surfaced roads is 2.23 million kilometers (only 53.83 per cent of total road length). But, roughly, only 20% are in good condition. Approximately, 40% of all villages are not connected to the all-weather road network. Apart from being narrow, the roads are poorly maintained. Even the main roads outside of urban areas are typically two-lane roads, and congestion is a common phenomenon<sup>[4]</sup>.

Mr. Tim Cook from Apple, when asked about the market for its goods in India, had remarked that while he loves India, the multilayer distribution structure of the company's markets "really adds cost to getting product to market, In India, for any business, whether it is a new venture or existing one, distribution is a major bottleneck. India's multi-layered distribution is a big fallacy in the distribution system. Modern distribution networks are rare. For making your product to travel all through the channel to reach your customer, you either have to create your own network or have to work with several small and sometimes unreliable players <sup>[4]</sup>.

When looking at all the distribution networks, transportation costs are the highest in last-mile delivery, especially when delivering to individuals. This is because package carriers aggregate delivery across many retailers and are able to obtain better economies of scale than are available to a distributor/retailer attempting last-mile delivery. Last-mile delivery may be somewhat less expensive in large, dense cities. Transportation costs are also best justified where large quantities are purchased. This is rare for individual customers. Processing costs are much higher than for a network of retail stores because all customer participation is eliminated.

The information structure, although being similar to the distributor storage with package carrier delivery; it requires the additional capacity of scheduling deliveries. Response times need to be faster. The cost of providing product availability is higher than for every option other than the retail stores. Time to market is even higher because the product has to penetrate deeper before it is available to the customer. Returns are again expensive to handle.

When the E-commerce is growing at a pace of about 25% annually, 'last mile delivery' is gaining high importance. In today's business scenario, the meaning of the term 'product' is no longer restricted only to 'goods' or 'services'. Rather it has a larger context now, it is the complete 'buying experience'. The success of supply chain in any business is determined by meeting the expectations of the consumers as well as all the stake holders involved in the distribution mode. In the Indian context, to harness the complete potential of the 'last mile' delivery system, it is essential to resolve all these issues. This can be done only by following a holistic approach which requires the involvement of the private sector as well as the government.

## 10. EFFECT OF E-BUSINESS IN SME'S AND TRADITIONAL BUSINESS

SME's are face with serious challenge including high pressure locally, nationally and internationally. In order to keep their business intact SME's need to improve access to new customer segments and reach customers in all corners of the world. This is e-commerce comes in to improve their competitiveness and provides a business platform to reach a global scale. The potential benefits of e-commerce to Indian SMEs are as follows:

- Increased revenues
- Lower marketing and distribution spend
- Increase in profit margins
- Improved geographic reach and accessibility
- Shorter time to market
- Improved customer experience

But initial deposit for implementing or starting e-commerce is high which is not affordable for a person who deals basically with his daily earnings. This being his situation he cannot afford to implement one. So he is in a situation where he is lagging behind his competitors. People now a days are preferring to go to a shop where he can find more number of brands or options in a single variety of product or just orders a product that he likes online. Now a days we can get everything online starting from vegetables, fruits to medicines online that too in a discounted price. So the business of a normal man who is totally dependent on the sales in his shop for living has taken a hit. Independent retailer shops known locally as "kiranas," still dominate India's retail market — holding a 93 percent market share over corporate retailers at 7 percent, according to consultancy firm Technopak. A lot of kiranas have undergone a makeover and they've started stocking things that they wouldn't otherwise stock with a fear that they may lose their business but the major hit was to the people who are unable to makeover their shop due to their financial positions.

People have started to move from small kirana shops to big super and hyper markets as all the local grocery stores are really small, cramped and you don't even have the option to walk around and see. But when they go to big supermarket, they can take the cart, walk around, seeing things that they want. The rise of e-commerce has not spared even big retail shops for example stores like puma, Adidas are closing their outlets and are moving towards tying up with many online stores like flipkart, amazon etc. or setting up their own online shopping store. Even as the government is worried about the impact of growing online sales on traditional shops, *kirana* store owners, even in Tier II and Tier III cities, are getting ready to ride the e-commerce boom. Government has to take necessary steps to prevent the extinction of traditional kirana shops.

## 11. SUGGESTIONS AND CONCLUSION

Retailers have to change their attitude towards the market. Today's is a consumer market and as a result the priority is the consumer satisfaction. The firm has to be in the good books of the consumer. Better quality products, fair price and friendly after-sale services are the basic areas in which the business has to concentrate to a remarkable extent. Additional services should be provided to the consumers to woo them and build upon a loyalty which in turn would ensure a stable sales in the years to come.

The face of retail has changed. The advent of technology in recent period being the primary reason for it. Today, retailing means going into shopping centers, going online and going mobile. In all these, small retailers miss out somewhere. But the nearby store is always the most important concern for all reason and seasons. It needs to revive not just survive. The retail stores needs to simply uplift its pattern of business and face the competitive world with a more positive outlook. E-stores and retail stores both have to survive, none at the cost of the other. It's not just about the livelihood it gives to the thousands of people but also the convenience and the steadfastness of a fixed retail store.

## REFERENCES

- [1] Kothari, C. R., Research Methodology Methods and Techniques, 2<sup>nd</sup> Revised Edition, New Age International (P) Ltd. Publishers, 2010.
- [2] Tripathi, P. C., Research Methodology in Social Sciences, 6th Revised and Enlarged Edition, Sultan Chand & Sons, 2007.
- [3] ChetanBhagat, Retail Management, OXFORD.
- [4] <https://c2xnitie.wordpress.com/2013/10/24/last-mile-delivery-the-indian-context/>
- [5] Sunil Chopra, Peter Meindl, Supply Chain Management, 4<sup>th</sup> Edition, pearson Education, 2010.
- [6] Berman& Evans, Retail Management, Pearson Education.
- [7] Bellman, S., G. L. Lohse, and E. J. Johnson, "Predictors of Online Buying Behavior", Communications of the ACM (Association for Computing Machinery), Vol. 42, No, 12: 32-38, 1999.
- [8] Liang, T. P. and J. S. Huang, "An Empirical Study on Consumer Acceptance of Products in Electronic Markets: A Transaction Cost Model", Decision Support Systems, Vol. 24: 29-43, 1998.
- [9] Zhou, L., L. Dai, and D. Zhang, "Online Shopping Acceptance Model – A Critical Survey of Consumer Factors in Online Shopping", Journal of Electronic Commerce Research, Vol. 8, No. 1:41-62, 2007.
- [10] Richard Dobbs, Yougang Chen, Gordon Orr, James Manyika, Micheal Chui, Elsie Chang, China's e-tail revolution: Online shopping as a catalyst for growth, McKinsey & Co, March 2013.