

## **Role of E-Commerce in Reducing Operational Cost**

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### **ABSTRACT**

Successive the appropriate improvements that have happened within the regions of exchange and site visitors markets, companies and substance which can be many and various, as well as the intensification of opposition amongst these companies to obtain advantages, E-commerce for contemporary change emerged, which has contributed substantially to changing the destiny of business and has contributed by means of running with the method of electronic trading in growing the performance of agencies and strengthening its aggressive function and contrived to change the future of enterprise. The advantages and challenges of electronic commerce, in addition to their position in value reduction, may be discussed further in these studies. Due to the fact capital is scarce and those who own capital need to go into the world of trade, digital trade has unfolded a area of possibility for them, rather than best for people with quite a few cash, as became as soon as the case, has spread out an E-trade subject for them. Because of this, the large willpower to value discount has emerged as the significant focus of this observe. Presentation The boom of the net has made a plethora of things feasible for people all over the globe, and evidently the sector has contracted in size. Similarly to correspondence and data alternate, it went beyond that to set up what's referred to as electronic commerce, that is the manner of engaging in commercial enterprise over the internet in its maximum restricted experience, and has supplied a wealth of advantages to organizations, together with the reduction in prices that have been troubling a large number of them and had been their primary source of problem. A scenario in which it turned into feasible for people with insufficient cash to even remember the opportunity of joining the world of commercial enterprise and making an investment their money changed into created.

**Keywords:** E-trade, Decreasing, Operational cost.

### **INTRODUCTION**

In business, e-commerce refers to the process of doing business electronically across diverse organisations in order to achieve a hierarchical or individual goal. The advertising and purchase of labour and goods through the Internet, which is also referred to as electronic swapping, is a critical component of the E-Commerce industry. Many articles have been written on blossom of E-commerce. The electronic medium known as the Internet has the potential to significantly cut realtime exchange time, processing time, and operating costs, while at the same time making information accessible to people all over the world. E-Commerce advanced by menacing business expenditures costs. It has become less important to consider concerns such as software distribution and software setup at this stage, which has encouraged the spread of E Commerce via the use of Intranets, Extranets, and the Internet as a result of this typical stage.

Furthermore, when offline retailers assess their operating costs, they must take into account a plethora of business expenses in addition to the actual amount of exchanges that occur. It is more expensive to conduct a single exchange when there are fewer transactions. On the other hand, a large number of transactions arriving at the same time might overload the staff and merchants. In an e-commerce firm, the operating costs are the same regardless of how many orders come in or how many orders are cancelled. Deal Dey is striving to provide a simple and enjoyable means of obtaining fantastic prices on fantastic experiences via the use of social media. DealDey.com supports small companies in the community, and in exchange, they provide clients with excellent investment funds. They are striving to establish a "Shared benefit" situation on a daily basis for neighbouring shops that need to attract new clients, as well as for consumers who need to save money while taking use of excellent services and activities available in their own city, on a daily basis.

### **Definition of E-Commerce**

With the rising number of distributors in recent years, there has been an increase in the diversity of definitions of ecommerce. For the most part, the definitions were straightforward: e-commerce has been described as the process of exchanging goods and services through the Internet. When the word was coined later, it was expanded to include the "exchange of knowledge" as well as the "trade of goods." E-commerce, according to Rainer and Cegielski, is defined as the "process of acquiring, selling, transferring, or exchanging of commodities, services, or perhaps information via the use of computer networks, including the Internet." Furthermore, this presupposes a continuous flow of information, both before and after the sales process. the fact that the process of exchange is mediated by technology and that it is dependent on inter- and intrahierarchical actions for the purpose of dealing with such exchange e-commerce is defined by Chaffey (2007, p.8) as "any electronically mediated trades between an association and any outsider" in this context. To summarise, e-commerce is no longer limited to trade and has evolved into a more inclusive word than it was before. As a result, the following description of e-commerce will be utilised, which is based on published literature: In the context of business, e-commerce refers to the process of integrating all of an organization's processes, activities, and services in order to facilitate the trading of goods and the exchange of information and assets with its partners through the use of computer networks and electronic technologies.

### **THE EVOLUTION OF E-COMMERCE**

Known as "network commerce," or trading over a network, electronic commerce has been around for more than two decades. Advertising, perusing/selection, purchasing, selling, charging/invoicing, and payment are some of the most important aspects of internet commerce to understand. Private value-added networks are used to carry out traditional electronic commerce such as Electronic Data Interchange (EDI), file transfers, and standardised identity systems, among other things (VANs). Business-to-business electronic data interchange (EDI) systems are the forerunners of today's Internet-based e-commerce. They are not like the Internet in that they are private and proprietary, and they do not allow for browsing or advertising. The electronic data interchange (EDI) system is a sort of interorganizational system. Business-

to business networked EDI systems, such as those developed by GE Information Services and debuted in 1995, are an ideal example. "The electronic data interchange (EDI) software automates the preparation and transmission of interorganizational purchase orders, invoices, shipment status documents, and payments." GE Information Services manages the world's largest electronic data interchange local area, which includes more than 40,000 exchange partners. As e-commerce develops, EDI systems have evolved to provide higher-level services such as exchanges and work processes across organisations, in addition to information exchange. Due to the high cost of these systems and the high level of coordination required between executing partners, they are not ideal for business to business communications or consumer interactions. The Interact is a great tool for selling labour and items directly to the public over the Internet.

Internet commerce grows at an exponential rate as the number of people who utilise the Internet grows. Despite the publicity garnered by firms such as E-Trade and Amazon.com, online business-to-business ecommerce continues to dominate the ecommerce market. According to Forrester Research, annual business-to-business e-commerce is expected to grow from \$43 billion in 1998 to \$1 trillion by 2003, while business-to-consumer e-commerce is expected to grow from \$43 billion in 1998 to \$1 trillion by 2003. E-commerce would grow from \$7.8 billion in 1998 to \$100 billion by 2003, according to forecasts. Internet-based commerce is more convenient and less expensive than electronic data interchange (EDI). Furthermore, customers will have access to the ordering system and online inventory at all hours of the day, every day. Customers may verify the inventory status on dynamic web sites, just as they can check the status of their purchases placed online. The lack of interaction is one kind of analysis. The Lands' End Live service, on the other hand, now links shoppers who click for assistance with a personal online shopper who synchronises his or her browser with the customer's browser so that both shoppers are seeing identical goods on their screens.

It is the expectation of increased income that provides the primary push for every firm to make changes and breakthroughs. e-commerce may theoretically boost performance in two ways: first, by growing the client base and quantity of purchases; second, by reducing costs associated with the implementation of e-commerce. Cost reduction may be achieved by material investment funds, transportation cost reduction, putting away cost reduction, or by reducing personal costs (Chaffey 2009).

#### **The advancement of E-commerce**

E-trade called "network commerce," or buying and selling over a community, digital commerce has been around for greater than decades. advertising and marketing, perusing/selection, buying, promoting, charging/invoicing, and fee are a number of the most essential elements of internet trade to apprehend. private fee-introduced networks are used to carry out traditional digital trade consisting of digital facts Interchange (EDI), report transfers, and standardized identity systems, amongst other things (vans). enterprise-to-business digital facts interchange (EDI) structures are the forerunners of present day net-primarily based E-commerce. they are not just like the net in that they may be private and proprietary, and they do not permit for browsing or marketing. The digital statistics interchange (EDI) device is a type of inter

organizational device. Business-tobusiness networked EDI structures, inclusive of those evolved via GE statistics offerings and debuted in 1995, are a really perfect instance. The electronic records interchange (EDI) software automates the practice and transmission of inter organizational purchase orders, invoices, cargo popularity documents, and bills." GE information offerings manages the world's biggest digital records interchange local area, which includes extra than forty, thousands alternate partners. As E-commerce develops, EDI systems have developed to provide higher-stage offerings which include exchanges and work processes across organizations, further to records trade, because of the excessive price of those structures and the excessive stage of coordination required between executing companions, they may be now not perfect for enterprise to business communications or client interactions. The engage is a exceptional device for promoting labour and gadgets directly to the general public over the internet. internet trade grows at an exponential charge as the wide variety of people who utilise the net grows. despite the exposure garnered by corporations consisting of E-trade and Arnazon.com, on line commercial enterprise-to-business ecommerce keeps to dominate the ecommerce market. consistent with Forrester research, annual enterprise-to-commercial enterprise E-trade is expected to grow from \$forty three billion in 1998 to \$1 trillion via 2003. E-commerce businesses should maintain a competitive part, failing which they'll be forced to shut their doorways. it is critical to keep your running prices as low as feasible on the way to compete with on line retailers along with Amazon and to preserve a healthful, self-regulating, and expanding company. there are various tactics for lowering your E-commerce operational charges when all elements are taken into consideration. other strategies to recollect encompass: hold in mind to concentrate on imparting top notch services with the intention to increase client retention and decrease consumer procurement prices.

### **Many Ways to Reduce your e Commerce Operating Costs**

Reducing your eCommerce operating costs is beneficial as it helps you maintain a healthy, self-regulating, and growing business, without the fear that you might lose your customers to the competition or that you might be forced to shut down.

If you can maintain your online company healthy, self-regulating, and growing, you will be less likely to lose your consumers to the competition or be forced to shut your doors. Listed below are some suggestions for keeping running expenditures under control as lower products return. Fashion, shoes, jewellery, necklaces, and bangles are just a few of the things available on Amazon that are based on a size chart: Another approach of lowering item returns is to extend the time period for returning items. You may also reduce item returns by looking at your sales data and identifying the consumer demographics with the greatest return rates, and then disengaging them from your marketing efforts and reaching them directly.

You may use a tool such as Zapier to gather information on every item returns made via PayPal and Stripe, among other services. Customers with the greatest rates of return may be identified by spooling the information through a spreadsheet or other application of your choice. For example, you could observe that a disproportionately large number of returns are for things that were sold via Instagram or Facebook referrals. As an alternative, you may use the return structure to gather information on the reason for returning an object.

These techniques will provide you with a better understanding of which consumer categories to avoid and which sorts of things not to promote to particular customers in order to reduce return rates for your business.

### **TIPS TO CONTROL OPERATING COSTS**

#### **Lower product returns**

When customers return faulty products or items that do not meet their requirements, you stand to lose a lot because you will have already incurred shipping costs and labor, and you could still be required to repair the damaged products.

It is even harder to sell the returned product as new, yet, there is a possibility that the customer might not return to make another purchase from your store.

If you can reduce the rate of product returns, you would save a lot in operating costs. To do so, start by providing adequate information on your product pages, including images from different angles, to provide customers with more reliable and accurate ideas about what they are buying.

#### **Lower your inventory costs**

Ensure to conduct regular inventory checks to reduce your eCommerce operating costs. This practice enables you to tally your products with the demand to ensure you are not hoarding too many items in inventory to increase your storage costs unnecessarily.

Consider eliminating excess merchandise to reduce the additional storage space, by for instance, selling them at a discount and offering coupons and seasonal deals.

You can also bundle slow-moving items with more relevant, best-selling products for quick sales.

You can also attract customers to buy your unpopular items by offering them as a gift to more desirable products.

Promotions will not only help you dispose of old inventory, but will also attract customers to newer, more appealing products, leading to increased sales.

#### **Negotiate better terms with suppliers**

One of the best negotiation tactics you can use with suppliers is offering to buy in bulk in exchange for discounted product prices.

Work on establishing a mutually beneficial relationship with your suppliers, and you could gain discounts ranging from 2 to 5 percent, or more.

You can also negotiate for free freight or shipping costs for orders amounting to a specific figure, a concept known as fixed price-breaks. For instance, if you qualify for a freight-free deal if you order goods worth \$1,500 and above, you can organize to purchase items worth this figure, reducing your eCommerce operating costs.

#### **Negotiate better transaction fees**

Transaction fees are equivalent to payment processing fees, which merchants pay to the credit card processors and other payment platforms for debit and credit card transactions.

When selling products on eCommerce platforms like Shopify, you are charged a small fee for every transaction or purchase completed by a customer on your site.



When processing payments through credit cards, you could also incur additional charges, which can total up to high fees for all transactions completed in a given period. In addition, create PDF invoices for the purchases made and always provide those to your buyers.

### **Use your marketing budget more effectively**

E Commerce business owners have multiple avenues they can use to market and promote their products online.

However, it is essential to determine the returns you will be making from using one channel over another.

The formula for calculating the return on investment (ROI) is:

$$\text{Net profit from investment} / \text{Total investment} * 100$$

The results will show you which marketing avenues have higher returns than others. You don't always have to use paid campaigns like pay-per-click (PPC), Google ads, or social media campaigns.

Instead, you can also leverage content marketing like search engine optimization (SEO) by running a blog post linked to your product pages.

You can also set up a referral program or provide free samples to influencers to market your products. Some tactics may not be free, but they can still be cheaper and effective.

The idea is to use platforms bringing in relatively high ROI.

### **Use more sustainable packaging**

Reduce your eCommerce operating costs by using the right size of packaging boxes for ordered products.

Other than for fragile items, use light and fitting packaging, with at least one layer of bubble wrap. The idea is to cut down on shipping weight, because the larger and heavier the package is, the more the freight charges will be.

Eco-friendly packaging will go a long way in reducing your shipping costs, because such shipping boxes are made of light material.

Paper and cardboard are environmentally friendly, as they are easily recyclable, biodegradable, and easy to find. Bubble wrap is also affordable and eco-friendly.

Eco-friendly packaging will also promote your business as a green brand, attracting even more customers and boosting your sales. Indeed, according to research by the Environment + Energy Leader, more than two out of three customers find recyclable, environmentally friendly packaging important.

About 60% of customers are less likely to purchase products in harmful packaging, whereas 74% of customers are willing to pay more for sustainable packaging.

With these facts in place, it is clear that you can still comfortably charge extra if you are using eco-friendly packaging, while still reducing costs by using inexpensive packaging materials.

### **Leverage automation**

Another great way to reduce your eCommerce operating costs is to automate your business activities to minimize human error, manual work, and process completion times, while enhancing productivity, efficiency, and business continuity.

Business automation tools like Zapier and Integromat come with automated workflows, which you can use to automate processes like adding customers' contacts into your email marketing tool, recording sales into the accounting software, taking action for abandoned cart events, etc.

#### **Focus on quality service**

You can cut down on your eCommerce operating costs by offering exceptional service to your existing customers, which helps reduce the heavy costs of attracting new ones.

Research by Elasticpath shows that acquiring a new customer is 5 times more expensive than retaining an existing one, while 89% of companies report that customer service is a key variable in driving customer retention and loyalty.

In addition to cost cutting, focusing on quality service helps increase your revenues, because the probability of making a sale from an existing customer is 60-70%, compared to 5-20% from a new prospect.

#### **Consider drop shipping**

Dropshipping works by creating an attractive funnel, such as a landing page or website for generating leads, receiving orders from customers, and forwarding the orders to the supplier for shipment.

The dropshipper buys goods from the manufacturers or wholesalers for direct shipping to the customer.

As the dropshipper, you will be in charge of marketing your business and ensuring exceptional eCommerce customer service, such as delivery of quality products as ordered and on a timely basis.

At the same time, dropshippers incur minimal eCommerce operating costs because they do not own the products sold and neither do they run or maintain a warehouse to store the goods. Therefore, there are minimal overhead expenses compared to a traditional brick-and-mortar business.

#### **CONCLUSION**

E-commerce enterprises must maintain a competitive edge, failing which they will be forced to close their doors. It is critical to keep your running expenses as low as possible in order to compete with online retailers such as Amazon and to maintain a healthy, self-regulating, and expanding firm. There are various approaches for lowering your E-commerce operational expenses when all factors are taken into consideration. Other strategies to consider include: Keep in mind to concentrate on providing excellent services in order to boost client retention and lower customer procurement expenses.

E-trade may additionally theoretically enhance overall performance in two approaches: first, by growing the purchaser base and quantity of purchases; 2nd, by decreasing expenses related to the implementation of E-commerce. There are a few assets for consumer networks such as get entry to, collaborate, engage, connect and customize.

eCommerce businesses must remain competitive failure to which they will run out of business. To keep up with online sellers like Amazon and to maintain a healthy, self-regulating, and growing business, it is essential to keep your operating costs on the low.

Hence, there are several ways to reduce eCommerce operating costs, including developing strategies to lower product returns and inventory costs, negotiate better terms with suppliers, and negotiate better transaction fees.

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