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Role of E-Commerce in Reducing Operational Cost

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ABSTRACT: E-commerce has become a crucial part of modern business operations. It involves buying and selling of goods and services through electronic means such as the internet. E-commerce has several benefits for businesses, one of which is reducing operational costs. E-Commerce business is able to reduce labor and other costs in many areas, including: document preparation, reconciliation, mail preparation, telephone calling, data entry, overtime and supervision expenses. E-Business can help manage operating costs in many areas, thereby reducing the cost of individual transactions.

KEYWORDS-E-commerce, operational, business, internet, labour, efficiency, personalisation

I. INTRODUCTION

Let's discuss in detail the role of e-commerce in reducing operational cost in an organisation: 1. Reduction in Transaction Costs E-commerce eliminates the need for a physical store, which means that the organisation can avoid costs such as rent, utilities, and maintenance. Moreover, e-commerce enables businesses to streamline their supply chain operations, which can help reduce transaction costs such as transportation, warehousing, and inventory management. 2. Automation of Processes E-commerce allows businesses to automate many of their processes, such as order processing, payment processing, and customer service. This automation can help reduce the need for manual labour, which in turn can reduce labour costs. Additionally, automation can help businesses reduce errors and improve efficiency, which can lead to cost savings. 3. Personalisation and Targeted Marketing Through e-commerce, businesses can gather data on their customers' preferences and behaviours. This data can be used to personalise marketing efforts and target specific customer segments. This targeted marketing can help businesses reduce marketing costs by avoiding the need to advertise to broad audiences. 4. Increased Efficiency and Productivity E-commerce can help businesses increase their efficiency and productivity by enabling them to reach customers more quickly and easily.[1,2,3] This increased efficiency can help businesses reduce costs associated with manual labour, such as order processing and customer service. 5. Improved Inventory Management E-commerce can help businesses improve their inventory management by providing real-time data on inventory levels and sales. This real-time data can help businesses avoid overstocking or understocking, which can lead to cost savings. E-commerce can play a significant role in reducing operational costs in an organisation. Through the reduction of transaction costs, automation of processes, personalisation and targeted marketing, increased efficiency and productivity, and improved inventory management, businesses can achieve cost savings that can help them remain competitive in today's market.

II. DISCUSSION

E-Commerce is the process of conducting business electronically among various entities in order to satisfy an organizational or individual objective. A key ingredient of E-Commerce, sometimes referred to as electronic trading, is the advertisement and procurement of goods and services over the Internet (Rhodes & Carter, 1998). The success and volume of E-Commerce on the web has been widely reported. With success in establishing an environment in which E-Commerce can grow and flourish, every computer can become a window open to every business, large and small, around the globe.

The electronic medium we call the Internet has the potential to reduce actual transaction time, processing time and operational cost dramatically, while at the same time making information available globally. Internet-based E-Commerce has been embraced as a means of reducing operational cost and as a high potential means of generating revenue (Levis, 1996). The ubiquity of the web and the availability of browsers across different platforms provide a

common base upon which E-Commerce applications can be built, especially in the enterprise.[4,5,6] This common platform has reduced the significance of issues pertaining to software distribution and software installation, thus encouraging the expansion of E-Commerce via Intranets, Extranets and the Internet.

E-Commerce provides new channels for the global marketing of tangible goods and presents opportunities to create new businesses providing information and other knowledge-based intangible products (Rhodes & Carter, 1998). Although most E-Commerce is currently at the inter-corporate and inter-organizational level, services targeted at individual customers are evolving rapidly. The Internet is the most obvious example of this and is a major catalyst in the diffusion of E-Commerce, helping to foster a common environment for electronic transactions of all kinds. E-Commerce encompasses all forms of interactive business transactions, which are facilitated by networks of computers. E-Commerce is expanding because of the greater number of businesses and individuals who are able to use these networks and the growing number of ways in which businesses can conduct transactions electronically with other organizations and directly with consumers at a reduced cost (Bartell et al, 1999). At present, business-to-business E-Commerce seems still to be of greater volume than business-to-consumer E-Commerce with the primary motive of operational cost reduction, but this may change in the future. These trends are important to the global economy and to the economy of individual countries because E-Commerce contributes to economic efficiency. [7,8,9]E-Commerce contributes to economic efficiency in five important ways. They includes shrinking distances and timescale, lowering distribution and operational costs, speeding product development, providing more information to buyers and sellers and enlarging customer choice and supplier reach (Turban et al, 2000). However, this study is focused on the role of E-Commerce in reducing operational cost in an organization.

Furthermore, when offline stores calculate operational costs, they have to factor in countless business expenditures along with the actual number of transactions. When there are fewer transactions, the cost of per transaction is higher. On the flipside, transactions arriving in high quantity can overwhelm the personnel and distributors. In an E-Commerce business, the operational cost is the same across the board, whether one order or thousands come in. Dealdey.com was launched in March 2011 and they features a daily deal on the best things to do, see, eat, and buy. DealDey is trying to create an easy and fun way to get fantastic deals on great experiences. DealDey.com supports local businesses and in return they support consumers with good savings. They are attempting to create a "Win-Win" scenario each and every day for local merchants who want to attract new customers, and consumers who want to save money and take advantage great services and activities in their own city.

Electronic commerce is a popular topic in business management, mass media and in informatics circles as well. Perhaps its impact is most visible in the areas of financial services and retailing. Many E-Commerce initiatives have risen in a short period of time. Those initiatives include innovative smart cards to facilitate E-Commerce, remote payments and electronic checking, online trading of stocks, bonds and related financial instruments, online banking, and online retailing (e-tailing). [10,11,12]However, its effect on the reduction of operational cost of organization has been examined in a number of ways comparatively to brick and mortar organizations for instance the money received for every transaction will pay for the item; it will also contribute to the salesperson salary, credit card fees, lease on storefront, electricity, telephone, heating/cooling, taxes, displays, repairs and maintenance to the building. However, the money received for an E-Commerce transaction pays for the item, web hosting, shopping cart software, distribution and little else. The cost overall of maintaining a virtual store is far less than that of a brick and mortar store.

III. RESULTS

The rise of Internet shopping poses a threat to brick-and-mortar retail stores, but it also provides an opportunity. Retail stores can use e-commerce to win business by augmenting their existing operations to reach new customers and serve existing ones more efficiently. One way they can accomplish this is by using e-commerce to reduce their business transaction costs.

When determining transaction costs, businesses have to factor in expenses required to maintain and process the activities. An e-commerce operation doesn't require a salesperson to woo the customer, a cashier to ring up the sale or a brick-and-mortar store for customers to visit. While e-commerce operations aren't free -- businesses should have a professional design and maintain them -- they require fewer resources than traditional retail stores.

E-commerce transactions make shopping cheap and easy for the customer, which can increase your net revenues accordingly. To get to a retail store requires a customer to travel to your location, put gas in the car that gets them

there and arrive only during the hours the store is open. This inconvenience and expense can keep customers at home. Particularly if you offer free shipping for orders over a certain dollar amount, ordering from your e-commerce site reduces the cost of the shopping experience to the few minutes it takes to place items in the shopping cart and type in a credit card number. That encourages impulse purchases that increase your revenues without a corresponding increase in expenses.[13,14,15]

Stores that have both e-commerce and retail operations can combine the two to make the ordering process more efficient. Customers can order and pay for products online and pick them up at the store. This allows a store's retail operation to prepare the products when in-store traffic is less busy and streamlines the process for the customer. It also requires less retail space to market its merchandise when the Internet serves a similar role.

E-commerce also can reduce transaction costs by streamlining supply-chain management and distribution. If a store expands its product selection online, more orders can be shipped from the warehouse or wholesaler directly to the customer. The store can now serve lucrative niche markets. It doesn't have to stock a lot of hard-to-find parts in its showroom, for example: its customers can order the parts online and ship them to their door.

IV. CONCLUSION

In comparison to brick-and-mortar retailers, ecommerce businesses have shown to be highly profitable. However, the success of your eCommerce business is contingent upon your ability to keep costs down. Costs can eat into revenues and eventually render a venture unprofitable. Reduced eCommerce costs benefit you since they enable you to maintain a healthy, self-regulating, and growing business without the worry of losing consumers to the competition or being forced to shut down.

The following is a list of steps you can take to cut your ecommerce costs and boost your revenue.

1. Minimal Returns

One of the most rudimentary rules of keeping ecommerce costs low is to keep products in customers' hands with minimal returns. When a good is returned, it is not a simple case of voiding the sale. More likely, the business will absorb the expense of shipping, the effort associated with transporting the item back and the money related to the packaging. Then there is the cost of inspecting the product to determine if it's damaged and the potential that you can't resell it as new.[16,17]

Ascertain that consumers understand what they are purchasing before making a purchase. Extend the descriptions on your product pages and include additional images from various perspectives to give shoppers a more accurate impression of what they're buying. Extending the time frame for returns is another approach to use here. Although it may appear counterintuitive, extending the time window for returns can reduce return rates. More extended return policies help alleviate the temptation to return the product as quickly as possible, giving customers more time to change their minds and opt to retain it.

2. Minimize Product Packaging

Utilize the appropriate packaging boxes for ordered products to save the eCommerce operational costs. You should use lightweight and compact packaging that includes at least one layer of bubble wrap. The goal is to make the shipment as light as possible because the heavier the cargo, the more it costs to ship. Eco-friendly packaging will help save money on shipping, as these shipping boxes are composed of lightweight material. Paper and cardboard are environmentally friendly due to their ease of recycling and biodegradability. Bubble wrap is also cost-effective and environmentally beneficial. Moreover, eco-friendly packaging helps position your business as a green brand, drawing additional customers and increasing sales.

3. Reduce Inventory Holding Cost

As an online business, you're probably aware that inventory accounts for a sizable amount of your assets. That is why it is critical to determine your exact inventory cost in order to lower your ecommerce expenses and increase your profitability. Many business owners are unaware of the cost of extra inventory – striking the right balance between stocking just enough things and overstocking may be difficult under the best of circumstances. Increased demand is a positive indication for any small business, but it comes at the cost of increased overhead.

Begin by removing obsolete inventory. In general, when you overestimate a product's potential, you risk having many things that do not sell due to a lack of client demand. The next tip is to shorten supplier lead times. When supplier lead

times are long, you need to maintain more safe stock to meet all orders, resulting in higher carrying costs. When a supplier offers shorter lead times, you have more options when placing orders. It will cut stock carrying expenses in the short term and lessen the risk of obsolete stock in the long term.

4. Optimize Marketing Funds

As an eCommerce business, one should emphasize one of its inherent strengths: the fact that it operates online. While funnelling marketing funds towards digital ways is the best course of action, it is still necessary to determine which channels would be most beneficial. Calculating the return on investment (ROI) for each of your campaigns enables the business to decide how to spend the money. Then, compare the ROI percentages and increase allocation for the top performers, boosting your ecommerce revenue with lower marketing costs.

5. Consider Dropshipping

When it comes to reducing ecommerce costs, dropshipping is one of the most effective methods. The drop shipper purchases goods directly from manufacturers or wholesalers and ships them directly to the end customer. Dropshippers save a lot of money because they don't have to own, run, or maintain their inventory. In general, dropshipping is a popular e-commerce model because it has relatively minimal overhead expenses, allows selling an unlimited number of products, and provides management freedom.

6. Lower Shipping Expenses

Every ecommerce firm knows that one of the most significant income drainers is shipping costs. Customers appreciate seeing minimal or no shipping fees associated with their purchase. Apart from assessing your packing and determining ways to reduce costs associated with your shipping, a straightforward approach to saving money is to use multi-carrier shipping software. If you've been using the same shipping supplier for an extended period, it may be worthwhile to attempt to negotiate a better bargain. Shipping expenses can swiftly add up and keeping it on track can significantly reduce the costs of your ecommerce business.[18,19]

7. Adopt Automation

Another excellent strategy to lower your eCommerce operating expenses is to automate your business activities. By automating your business processes, you can eliminate human error, manual work and reduce completion times while increasing productivity and efficiency. Numerous business automation systems include automated workflows that may be used to automate operations, such as uploading customers' contacts to an email marketing tool, registering sales in accounting software, and responding to abandoned cart events. This approach assists in freeing up your calendar, allowing you and your time to focus on more critical business operations and tactics such as new customer onboarding.[20]

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