



An Empirical Study of Influence of Emerging Growth of Electronic Commerce on Traditional Business Practices in India

Dibyendu Banik¹, Sourav Shil²

¹Assistant Professor, Department of Commerce, M.B.B College, Agartala, India.

²Guest Lecturer, Department of Commerce, M.B.B College, Agartala, India.

Email id: dibyendubanik2013@gmail.com¹, shilsourav85@gmail.com²

Abstract

Electronic Commerce (E-Commerce) is rapidly becoming the biggest contributor to the growth of the global economy in the present business landscape. This e-commerce business revolution is being witnessed in the home market of India as well. In India, the e-commerce players have improved the quality of the goods and services and made the Indian consumer very happy by offering discounts, cash-back, and other attractive offers. On the one hand, they have created new and many job opportunities. On the other, they are challenging traditional business institutions and India's unorganised sectors with fierce competition and huge challenges. In this research paper, we look at the pros and cons of e-commerce for both traditional firms and consumers.

Keywords: E-Commerce, Traditional Commerce, Global Economy, Consumer Buying Behaviour, Online Shopping, Retail Store.

1. Introduction

The rapid growth of the Internet has spread knowledge and information far and wide, and it has made the homogenization of goods and services even more common. The ever-increasing competition in the market has made companies find new business platforms and methods to create new opportunities to develop and improve their quality of service. More and more social entities are actively using the Internet for their commercial and business activities. Personal use of the Internet is easy to meet their needs, enterprises across the region are using the Internet to purchase raw materials and to sell goods. The reality of demand and action has not only speeded up the growth of e-commerce but also broadened the types of services and applications for e-commerce, so that more types of business can be done online [1]. The traditional industries are facing a GDP growth slowdown, increasing labour costs, and the emergence of new economic and new industrial sectors. All kinds of crises have forced the traditional industries to join the bandwagon of electronic commerce, and they are keenly perceived to cater to the big trend of the

Internet only to get more benefits. The world of e-Commerce has seen tremendous growth in recent years, but the term "E-Commerce" has been interpreted in many different ways:

- The term e-Commerce is used to describe the process of using electronic networks to conduct business operations.
- E-Commerce is the practice of doing business electronically. The term e-commerce is used to describe the process of selling online. From a technical point of view, e-commerce is a set of techniques that include the exchange of data (e.g., electronic data exchange, electronic mail), access to information (e.g., shared database, electronic bulletin board) and automatic data capturing (bar code).
- E-Commerce is basically done through electronic means. It processes and transmits data electronically, including text, sound, and images. It includes a wide range of activities, such as electronic commerce and services, electronic data transmission, electronic funds,



etc. EMIM 2016 is the 6th international conference on electronic, mechanical, information and management. The authors - Published by Atlantis Press 220 transfer, electronic stock trading, electronic shipping documents, commercial auction, cooperative design and engineering, online information, public products.

Remember the time when you had to go to the market, browse through the product range, choose what you needed, and pay the amount? Now, with the help of e-Commerce, you can buy things, make bill payments, and transfer money with a single click. The economy is the foundation of all nations and the world in general. Basically, it is the process of exchanging commodities, services, and products on a large scale among enterprises or nations. The first description of the barter system dates to the time of the Harappa civilization and other similar periods in history. This method of commodities trading dates to the dawn of civilization. Conventional commerce is a more traditional business model. It involves buying or selling goods or services from one person to another without using the internet. Today, people don't like this because it takes a lot of time and requires a physical approach. E-commerce is a more recent business model that falls under e-Business. Today, people like this because it saves them time and they don't need a physical venue for doing business. Everything is possible with laptops, smartphones, and internet access. In modern times, we have simple barter systems, exchange platforms, stock exchanges, cryptocurrencies, etc. These are all important factors in conventional and electronic commerce. Some people prefer traditional trade because they think it's safer than e-Commerce, but that's a myth. Because both have their pros and cons, we've simplified the difference between the two. The internet and technology have completely changed the way we buy and sell. E-commerce sites or stores have become hugely popular over social media platforms, news portals and search engines. Most of the customers prefer online shopping over traditional retail. When you are managing a business

in this day and age, you don't know which bandwagon to jump on or which one is risky. Traditional commerce has its benefits, but thousands of businesses depend on online shopping or e-commerce as it reduces investment and provides convenience to their customers [2-5]. If you're looking to start your own business, an online store or e-commerce site can help you implement your perfect money-making plan without the stress and restrictions that come with a traditional brick and mortar business. If you're already running a normal business, now's the time to prepare your business for the future of the internet by having a fully functioning e-commerce

2. Influence of E-Commerce On Traditional Business Practices

E-commerce refers to the process of exchanging goods and services in an electronic format, where payment for goods or services is done electronically. E-Commerce is an online shopping market, where customers can purchase products and services, including discounts, from the convenience of their homes. The products and services are delivered to the customer's door. Conventional commerce / Traditional commerce refers to the practice of trading goods and services directly for money. Traditionally, traders would negotiate with all parties, face to face, to exchange products or services at predetermined prices. The main difference between traditional commerce and ecommerce is that traditional commerce involves the exchange or commercial transaction of goods, data, or other services, which is usually done face to face. E-commerce, on the other hand, involves the complete marketing of goods and services, which is done entirely through the internet.

3. Online Shopping

An online store is a type of electronic commerce that enables consumers to buy goods or services directly from sellers through an internet browser or mobile application. Consumers can find a product they are interested in by visiting the retailer's website directly or by searching among other vendors using shopping search engines that show the availability and pricing of the same product at different online



retailers. As of 2020, consumers can shop online on a variety of computers and devices including desktop computers, laptops, tablets, and smartphones. An online shop is like the physical experience of buying a product or service at a brick-and-mortar store or shopping centre. An online store is created to allow a business to purchase from another business, hence the term B2B online shopping. In a typical online store, a customer can browse the company's selection of products and services, see a photo or picture of the product, and learn more about the product specifications, features and pricing. An online store (also known as an e-commerce store or an e-commerce within e-commerce store) is a store where customers can buy and manage products directly through the network of virtual stores. Some of the most prominent online stores in India are Amazon, Flip kart, Snap deal, Home shop 18, Myntra.

4. Offline Shopping

Offline shopping is shopping at the counter or in a shop or store. Online shopping is buying anything over the internet from your home. However, the Indian economy is traditional, agri-centric and labour-intensive. The Indian business sector is largely unorganised and uses minimal technology in its business activities. In the last few years, it has been noticed that the traditional unorganised business sector of India is being adversely affected by e-commerce business. Retail is the process of selling goods and services to consumers through different sales channels [6]. The retail stores may be small or large, but in most cases, it works the same as "closing a deal". Retail business has been around since human development and is the most important business type. Retail stores operate in the same manner as Buy-for-sale (BFS). There are various types of retail stores, including departmental stores, groceries, shopping centres, etc.

5. E-Commerce Creates Challenges for Traditional Business Practices

Whether you're a small start-up or a Fortune 500 company, the threat of E-Commerce affects everyone. Just because you're already a leader in your industry doesn't mean you'll stay that way in

the future. E-commerce is a huge threat, especially for legacy businesses that don't know how to adapt to the ever-changing business environment. Here are a few notable ways in which ecommerce strategies have sidelined traditional business practices:

- Low Cost of Setting Up a Business Just a few decades ago, you had to invest a lot of money to start a business. However, with the advent of ecommerce, the cost of setting up a business has come down drastically. Today, you can set up a business from the comfort of your own home. Do you know the story of India's largest e-commerce company, Flipkart, which started from a 2 BHK flat and was recently acquired by Walmart for \$16 billion?
- Vertical integration is no longer relevant. For many decades, vertical integration was the backbone of the traditional business houses in India. The business houses used to carry out all business activities, from market research to advertisement to legal advice, by having their own teams of experts. This increased overhead costs and reduced efficiency and profitability. New e-commerce companies, on the other hand, outsourced maximum work, such as web design, website maintenance, social media advertising, distribution via courier services, drop shipping, etc., to external companies at affordable rates. This saved e-commerce companies a lot of money and continued to improve their profitability.
- The Law of Returns to Scale has proven to be wrong the law of diminishing returns to scale is a well-known theory in economics. It states that even when all inputs (including capital and labour) increase, the output does not increase in proportion to the increase. This law states that not all businesses can grow profitably for ever. However, this classical economic principle does not apply in the e-commerce world. E-Businesses have shown that they can grow exponentially while still offering high returns. One of the main reasons is that ecommerce does



not require high investments as compared to traditional businesses.

- In the past, it was extremely difficult for businesses to expand their customer base beyond their local market. Today, ecommerce has made it easy for businesses to sell their products and services to customers all over the world. Yes, you can sell your goods and services to anyone in the world, not just your local market.
- The End of Intermediaries Today, businesses can sell directly to their customers without intermediaries. For example, let's say you are a small business proprietor selling locally sourced fabric. In the past, you would have to rely on vendors or brokers to sell your fabrics to locations outside of your local area. Ecommerce has eliminated all these intermediaries. All you need to do is get in touch with an e-commerce development firm and create an e-commerce store for your company.
- Sales can take place at any time (i.e., 24x7) in e-commerce. In the past, businesses closed at night. This meant that shoppers were limited and had to finish their shopping within a certain period. However, with the advent of online shopping platforms, shoppers are now able to shop at any time that suits their needs. Whether it's during the night or while you're lounging on your couch over the weekend, you can shop online at any time.
- Ecommerce has transformed the way businesses advertise. Ecommerce has changed the way people buy. As the buying habits change, so do the advertising techniques. Today, even people who shop at a physical store, search online for products, read reviews, and compare prices before making a purchase. This means that today's businesses cannot rely solely on traditional marketing techniques. They need to consider digital marketing to keep up with the demands of today's technology-savvy consumers.

6. Comparison of Online and Offline Purchase Based On Certain Parameters

- **Convenience:** One of the advantages of online shopping is that unlike offline shopping, when you shop online, you don't have to go to the physical store, compete with other shoppers during the festive season, and have trouble finding parking space for your car. Online stores are open, and goods are delivered to your home or office according to your preferences [7]. So, if you want to buy a smartphone or some clothes online, all you must do is wake up at the crack of dawn and place an online order. That's one of the main reasons why online shopping is so popular.
- **Variety:** An online store is a delight for the customer. No offline store can provide the same level of product variety as an online store. Since online stores don't have to worry about space constraints, they can offer a wide range of products at the same location. This wide range of products gives consumers a level of choice that was never available before the internet.
- **Consumer review:** One of the advantages of online shopping is that it allows the potential customers to get to know the performance of the products from someone like them before they can even purchase them. Once a customer buys a product online, the shopping company asks the customer to upload their experience with the product to the portal. This allows other customers to read the experience and decide whether they want to buy the product. This helps the customer to select the best products.
- **Comparison shopping:** As consumers, we prefer to visit a few stores before making a purchase. In the case of offline stores, that means going to every single store to look at the products. This is both time-consuming and physically challenging. On the other hand, in the case of online stores, we can easily search for many online shopping websites on our smartphones and check the products on those sites. Based on that comparison and the best



offer, we can make a purchase from a specific site.

- **Discounts:** One of the main reasons why consumers, especially young people, buy online is because online sellers don't have to spend a lot of money on decorating their stores, they employ a lot of salespeople, and because of disintermediated selling, they can sell products and services for much lower prices than their in-store counterparts.
- **Availability of unique products:** In today's world, it's common practice for electronic device and other product category manufacturers to launch their new products only on a specific online shopping portal. In this case, the products are not offered in any offline stores and only the online portal gets exclusive rights to sell the products. In such cases, the customers have no choice but to buy these products on the portal.
- **Tangibility and trialability:** This is one of the downsides of online shopping. If you go to a brick-and-mortar store, you can touch the product, feel the product, get a first-hand demo, and even try it on yourself before buying it. On the other hand, if you go to an online store, you can only see pictures and specifications of the product. In some cases, this may not even be enough to make an informed buying decision. Even though some of the e-retailers now offer free trials upon delivery, where you can return the product or service if you're not happy with it. However, this is one of the areas that will always give offline stores an edge over their online counterparts.
- **Shopping experience:** They say that shopping isn't just about going through the motions and making a purchase. It's about the shopping experience itself where we go through the products and feel their colours, textures, and feel them. And besides that, in India, shopping is known as family outing on a weekend or holiday where the whole family goes out, buys

products, watches some movies, goes to a restaurant to eat. It becomes a family get-together on a weekend or a holiday that otherwise isn't possible because of the hectic schedules of family members. Shopping online doesn't give you the same experience. You may be able to buy products more easily, but the value of spending quality time with your loved ones is something that they cannot replicate. Figure 2 shown in India E-Commerce Market: Industry Analysis and Forecast 2022-2029.

- **Delivery of products:** Unlike in the case of physical stores where you can use the products as soon as you buy them, in the case of online shops, there is a significant time lag between the time you place your order and the time the products arrive on your doorstep. In some cases, this time lag can be up to several weeks. Therefore, products that are immediately applicable cannot be bought online [8]. To overcome this issue, online portals started offering same day or next day delivery as premium services in return for some additional payments. Figure 3 shown in India E-Commerce Market Growth by 21.5% in
- **Return of products:** This is one of the things that always brings down the online shopping companies. In the case of offline shops, you can go to the shop to exchange your product if you are not happy with it. In case of online shopping, you have to call up customer care, wait for the courier for the reverse logistics, get the money back or exchange your product. In some cases, it may take a whole month. Most of the online shopping websites offer money back guarantee or product exchange facility, but the experience can be very difficult. Figure 1 shown in The Rise and Future of E-Commerce Industry in India.

The growth of e-commerce in comparison to traditional business practices may be immensely understood with the help of the following diagrammatical representations:

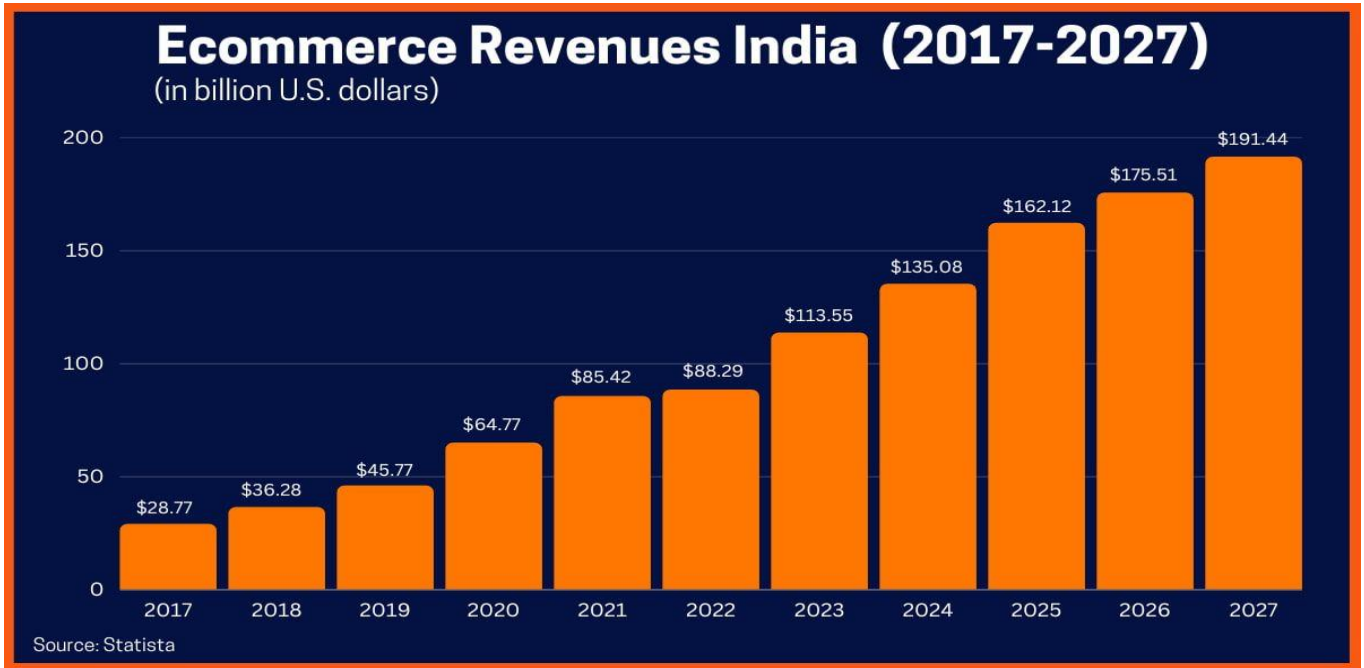


Figure 1 The Rise and Future of E-Commerce Industry in India

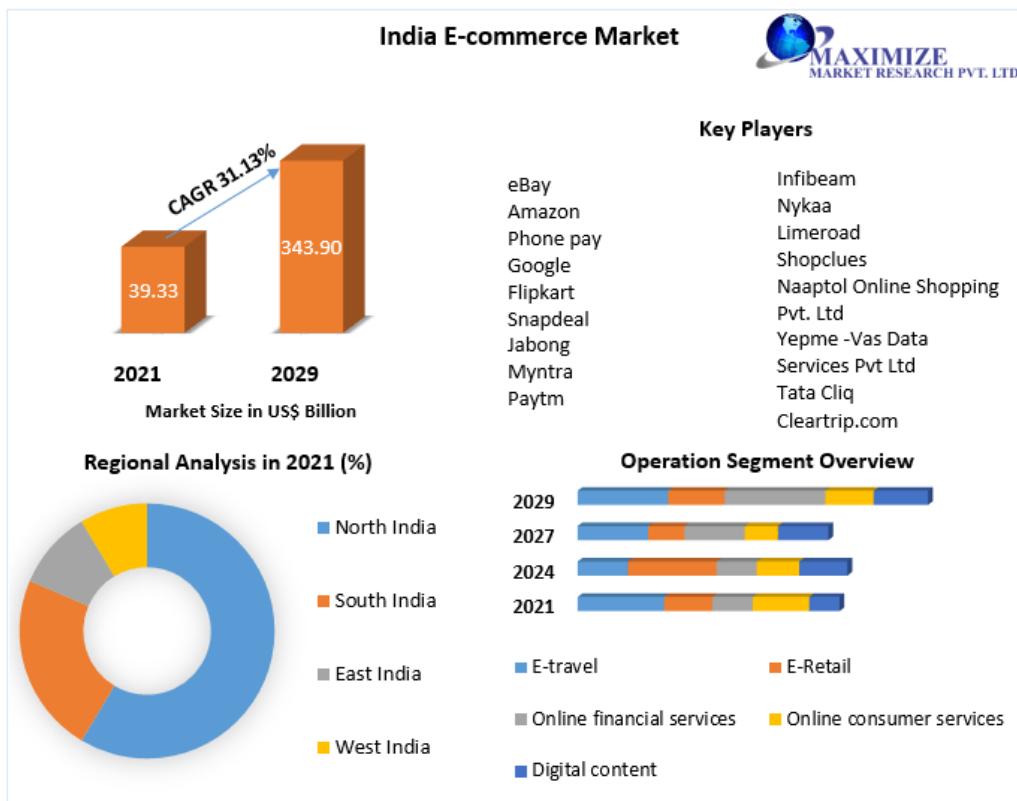
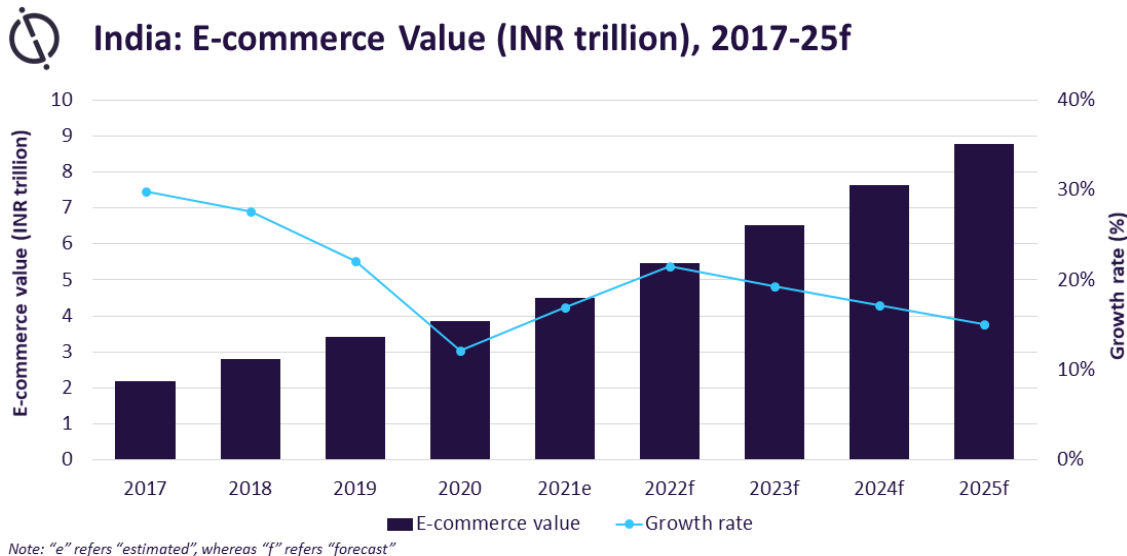


Figure 2 India E-Commerce Market: Industry Analysis and Forecast 2022-2029



Source: GlobalData Banking and Payments Intelligence Center

GlobalData.

Figure 3 India E-Commerce Market Growth by 21.5% in 2022

7. Suggestions and Recommendations

The traditional business entrepreneurs can adopt following remedies to compete with e-commerce companies and sustain for longer period in the market:

- **Bulk Purchase:** Small and medium-sized entrepreneurs can join forces and buy in bulk. Buying in bulk will help them save a minimum of 10% on their purchase price as they will get a discount due to buying in bulk. They will be able to pass this benefit on to their customers and will be able to overcome some of the competition with online retailers.
- **Improvement in services:** To improve the time and location utilities of the consumer, traditional business entrepreneurs should change their mindset and offer some additional and free of cost services such as free home delivery service, credit facility, fast delivery of products, attractive offers etc.
- **Long term relationship with consumers:** Instead of staying in the status quo, traditional entrepreneurs should have long-term goals.

They should stay in touch with their customers after the sale.

- **Excessive use of social media:** Social media is one of the most effective ways for traditional business entrepreneurs to promote their products. It's not only a cost-effective way to advertise, but it's also a very fast way to increase your overall sales.

Conclusion

Without a doubt, e-commerce is a game changer and has lured consumers through different channels and has made the traditional business very competitive in India. But because of innovation, consumer friendly policies, better services, and innovative selling methods, traditional retailers are still able to survive and make good profit from their sales. The Indian population has tremendous growth potential. Retail growth is dependent on consumer spending. The technology for fixed and online services is essential for the growth of market share. All retail verticals need to take into account their challenges in terms of market growth. Fixed-line retailers should follow the strategy outlined in the survey in order to register new competitors. No matter whether India is an online or offline country,



the retail industry needs to grow in order to contribute to the GDP growth and to build confidence, trust, and satisfaction amongst diverse customers [9]. The conceptual review analyzes online purchases /conversions, analyzes changes in customer behaviour with online purchases, and identifies the specific strategies that offline stores need to implement over the next few years in order to increase sales. That's why both online and offline retailers may opt to focus on creating long-term relationships between producers and consumers to improve your business and boost your bottom line.

References

- [1]. Sridhar S (2012),” Srinivasan R. Social influence effects in online product ratings”, Journal of marketing.
- [2]. Menal Dahiya (2017),” Study on e-commerce and its impacts on market and retailers in India”, Advances in Computational Sciences and Technology.
- [3]. Kavya (2016),” A conceptual study on the impact of online shopping towards retailers and consumers”, International Journal of Advanced Trends in Engineering and Technology (IJATET).
- [4]. Jyoti Meshram (2016), “Study of online shopping on conventional shopping methods by today's youth with respect to clothing and accessories”.
- [5]. Juao C Cost (2016),” Impact of online shopping on conventional retails stores in South Goa (India)”, J A Social Sci Humanities
- [6]. Dr. AnjumBimal, Tiwari Rajesh, 'Economic and social Impacts of E-Commerce,' CFA international journal of computing and corporate research, manuscript vember. 2011; 1(3):2249-054X
- [7]. <https://www.businessresources.over-blog.com>
- [8]. <https://www.icecubedigital.com> › Blog › eCommerce
- [9]. <https://www.techwalla.com>