

Effectiveness of Electronic Commerce for Business Entrepreneurs

Dr. Mairaj Salim, Dr. Asma Zaheer

Associate Professor of e-Commerce Marketing Shobhit University Meerut-India
Assistant Professor of Marketing Faculty of Economics and Business Administration King Abdulaziz University,
Jeddah Kingdom of Saudi Arabia
Corresponding Author: Dr. Mairaj Salim

ABSTRACT: *Entrepreneurs are the cornerstone of most economies. This is not only borne out by the number of entrepreneurial businesses across the world, but also by their significant role in supporting the economy at times when the economy is at its slow. Entrepreneurs are considered to be the only realistic employment opportunity creator in developing countries. With increasing the need of e-Commerce industry, every businessman is looking to have an online store where they can sell their range of products and services. One can get a lot of benefits by opting for e-Commerce as it delivers a comprehensive range of benefits to retailers and merchants. Today, e-Commerce has revolutionized the way companies are doing business. Now, consumers can purchase almost anything online 24*7 a day and get an ultimate shopping experience. Before you opt for an e-Commerce business, have a look on its comprehensive benefits that companies can take advantage.*

KEYWORDS: *E-commerce, Entrepreneur, Benefits, opportunities and customer.*

Date of Submission: 30-12-2018

Date of acceptance: 15-01-2019

I. BENEFITS OF ELECTRONIC COMMERCE

Electronic commerce has recently been a very active field of study. A large number people and organizations are betting that the electronic marketplace of the future will be immense and want to gain as a large a share of it as possible.

Electronic Commerce has a number of potential benefits, which have been summarised below:

Lower Purchasing Costs

Buying materials or services for a corporation can be a complex, multi-step process. First, purchasers have to find suppliers who make the product and determine whether they meet volume, delivery, quality and price requirements. Once a potential supplier has been chosen, detailed drawings and information are transmitted to the supplier so that the product is built to exact customer specifications. Assuming the product sample has been approved and the supplier's manufacturing lines are ready for production, the buyer then transmits a purchase order (P.O.) for a specific quantity of goods. The buyer, meanwhile, receives notification from the supplier that the P.O. was received and confirmation that the order can be met. When the product ships from the supplier, the buyer again receives notification, along with an invoice for goods delivered. The buyer's accounting department matches the invoice with the P.O. and pays the invoice. When changes to the normal order happen—a frequent occurrence in most companies the process can be much more complicated. Companies lower procurement costs by consolidating purchases and developing relationships with key suppliers to benefit from volume discounts and tighter integration in the manufacturing process. They also cast a wide net for lower-cost sources of supply. Large companies have been using EDI over private networks to reduce labor, printing and mailing costs in the procurement process. Automating routine procurement means the procurement staff has more time to focus on negotiating better prices and building supplier relationships. Analysts estimate that businesses already trade well over \$150 billion in goods and services using EDI over VANs. Companies using EDI commonly save 5-10 percent in procurement costs. The Internet has the potential to further reduce procurement costs. Large companies benefit from lower transmission costs versus private networks. The Internet also opens the door to doing business electronically with new suppliers and with small and medium-sized suppliers who formerly communicated only via fax or phone. Small companies also benefit.

Reduced Inventory/The Right Products in Stock

The longer it takes for production schedules to reach suppliers, the more inventory a company has to hold to account for delays and errors, and the less quickly it can react to changes in demand. The more inventory a company holds, the higher its operating costs, and the lower its profits. Carrying more inventories does not ensure better customer service, either. Shelves weighed down with size-10 running shoes do not help the customer who wears a size 8. When a customer enters a furniture showroom looking for an armchair with green

and white stripes and is told it's on back-order for 12 weeks, he may drive across town to a competitor rather than wait. Managing inventory properly results in better service for the customer and lower operating costs for the company. Increasing the frequency of inventory "turns" (the number of times inventory in existing warehouse or store space is sold or used for production each year) reduces inventory-related interest, handling and storage costs. Reducing inventory levels also means that existing manufacturing capacity is more efficiently utilized. More efficient production can reduce or eliminate the need for additional investments in plant and equipment.

Lower Cycle Times

Cycle time is the total time it takes to build a product. There are certain fixed costs associated with building any product that do not vary with the amount of production, but rather are time dependent. These "fixed" costs include depreciation of equipment, most utility and building costs, and most managerial and supervisory time. If the time to build a product can be reduced to seven days instead of ten, then the fixed costs per product are lower since less time was needed. Electronic commerce allows "cycle times" to be shortened, allowing more to be produced for the same or lower costs.

More Efficient and Effective Customer Service

Companies are beginning to use the Internet for customer service. Having product descriptions, technical support and order status information online not only saves money by freeing up a company's own customer service staff to handle more complicated questions and manage customer relations, it can also lead to more satisfied customers.

Lower Sales and Marketing Costs

An individual sales person can support as many customer accounts as he can physically visit or contact by telephone. Therefore, as the number of accounts increases, so does the size of the sales force. Even direct marketing companies increase staffing as telephone order volume increases. By contrast, a Web business can add new customers with little or no additional cost. Because its sales function is housed in a computer server rather than physical store locations or sales people, its reach is bounded only by the capacity of the servers to respond to inquiries and orders. The Internet can also make traditional sales organizations, layered distribution channels, catalog sales and advertising more efficient. With automated ordering capabilities, sales representatives no longer have to prepare time-consuming manual orders. Instead, they can spend time building and maintaining customer relationships. Electronic catalogs present far more information and options than their paper counterparts. Direct marketing online can shorten repurchase cycles and increase the ability to sell additional items. Some recent business examples suggest the potential of the Internet as an efficient sales tool.

New Sales Opportunities

The Internet operates around the clock and around the world. As a result, businesses on the Web can reach new markets they could not reach effectively with an in-person sales force or advertising campaigns. For instance, a plastics commodity specialist at a large manufacturer can sit down at his PC, click on a Web browser and search for suppliers selling industrial plastics online. A small supplier with a limited sales force can now reach that buyer, getting its first introduction online. Similarly, a vendor's sales force may not be able to reach the millions of home offices and small offices around the country. By having an online presence and creating customized services for the small business market, that vendor may develop a new, lucrative market, both within the U.S. and globally.

II. CONSUMER BENEFITS

- A. Access to More Information:** One important consumer benefit associated with marketing on the Web is the access to greater amounts of dynamic information to support queries for consumer decision making.
- B. Easier Market Research and Comparison:** The ability of the Web to amass, analyze, and control large quantities of specialized data can enable comparison-shopping and speed the process of finding items. The Web facilitates trial and provides instant gratification; customers can test products online which may stimulate purchase. There is also the potential of wider availability of hard-to-find products and wider selection of items due to the width and efficiency of the channel.
- C. Lower Costs & Prices** Increased competition in procurement, as more suppliers are able to compete in an electronically open marketplace cause a greater competition, which naturally lowers prices and costs. This increase in competition, leads to better quality and variety of goods through expanded markets and the ability to produce customized goods.

Benefits to the Firm

A. Better Distribution-Firm benefits arise partly from the use of the Web as a distribution channel. First, the Web potentially offers certain classes of providers participation in a market in which distribution costs or cost-of-sales shrink to zero. This is most likely for firms in publishing, information services or digital product categories. For example, digital products can be delivered immediately; hence such businesses may encounter massive disintermediation or even the eventual elimination of middleman. Moreover buyers and sellers can access and contact each other directly, potentially eliminating some of the marketing cost and constraints imposed by such interactions in the terrestrial world. This may also have the effect of shrinking the channel and making distribution much more efficient (mainly due to reduced overhead costs through such outcomes as uniformity, automation, and large-scale integration of management processes). Time to complete business transaction may be reduced as well, translating into additional efficiencies for the firm. However, such potential efficiencies must be tempered with market realities.

Businesses on the Web transfer more of the selling function to the customer, through online ordering and the use of full-out forms, thus helping to bring transactions to a conclusion. This permits a third benefit in the form of capture of customer information. The technology offers the firm the opportunity to gather market intelligence and monitor consumer choices through customers' revealed preferences in navigational and purchasing behavior in the Web.

B. Marketing Communications -At the present time, most firms use the Web to deliver information about the firm and its offerings for both internal communications with other firms and consumers. The interactive nature of the medium offers another category of firm benefits since it is especially conducive to developing customer relationships. This potential for customer interaction, which is largely asynchronous under current implementations, facilitates relationship marketing and customer support to a greater degree than ever before possible with traditional media.

Web sites are available on demand to consumers 24 hours a day. Marketers to hold the attention of the consumer by engaging the consumer in an asynchronous "dialogue" that occurs at both parties' convenience can use the interactive nature of the medium. This capability of the medium offers unprecedented opportunities to tailor communications precisely to individual customers, allowing individual consumers to request as much information as desired. Further, it allows the marketer to obtain relevant information from customers for the purpose of serving them more effectively in the future.

The simplest implementations involve engaging customers through the use of E-mail buttons located strategically on the site. More sophisticated implementations may involve fill-out forms and other incentives designed to engage customers in ongoing relationships with the firm. The objective of such continuous relationship building is dual-pronged: to give consumers information about the firm and its offers and to receive information from consumers about their needs with respect to such offerings. Hence, effective customized advertising, promotion and customer service is the other benefit.

Operational Benefits- Operational benefits of Web use for industrial sellers are reduced errors, time, and overhead costs in information processing; reduced costs to suppliers by electronically accessing on-line databases of bid opportunities, online abilities to submit bids, and online review of awards. In addition, creation of new markets and segments, increased generation of sales leads, easier entry into new markets (especially geographically remote markets) and faster time to market is facilitated. This is due to the ability to reach potential customers easily and cheaply and eliminate delays between the different steps of the business subprocesses.

III. SUPPLIER OPPORTUNITIES AND CUSTOMER BENEFITS

A. Global Presence / Global Choice The boundaries of electronic commerce are not defined by geography or national borders, but rather by the coverage of computer networks. Since the most important networks are global in scope, electronic commerce enables even the smallest suppliers to achieve a global presence and to conduct business world-wide.

The corresponding customer benefit is global choice - a customer can select from all potential suppliers of a required product or service, regardless of their geographical location.

B. Improved Competitiveness / Quality of Service- Electronic commerce enables suppliers to improve competitiveness by becoming "closer to the customer". As a simple example, many companies are employing electronic commerce technology to offer improved levels of pre-and post-sales support, with increased levels of product information, guidance on product use, and rapid response to customer enquiries. The corresponding customer benefit is improved quality of service.

C. Mass Customisation / Personalised Products and Services- With electronic interaction, customers are able to gather detailed information on the needs of each individual customer and automatically tailor products and services to those individual needs. This result in customised products comparable to those offered by specialised suppliers but at mass market prices. One simple example is an on-line magazine that is tailored for the individual reader on each access to emphasise articles likely to be of interest and exclude articles that have already been read.

D. Shorten or Eradicate Supply Chains / Rapid Response to Need- Electronic Commerce often allows traditional supply chains to be shortened dramatically. There are many established examples where goods are shipped directly from the manufacturer to the end consumer, by-passing the traditional staging posts of wholesaler's warehouse, retailer's warehouse and retail outlet. (Typically the contribution of electronic commerce is not in making such direct distribution feasible since it could also be achieved using paper catalogues and telephone or postal ordering but rather in making it practical in terms of both cost and time delays.)

The extreme example arises in the case of products and services that can be delivered electronically, when the supply chain can be eradicated entirely. This has massive implications for the entertainment industries (film, video, music, magazines, newspapers), for the information and "edutainment" industries (including all forms of publishing), and for companies concerned with the development and distribution of computer software.

The corresponding customer benefit is the ability to rapidly obtain the precise product that is required, without being limited to those currently in stock at local suppliers.

E. Substantial Cost Savings / Substantial Price Reductions -One of the major contributions of electronic commerce is a reduction in transaction costs. While the cost of a business transaction that entails human interaction might be measured in dollars, the cost of conducting a similar transaction electronically might be a few cents or less. Hence, any business process involving "routine" interactions between people offers the potential for substantial cost savings, which can in turn be translated into substantial price reductions for customers.

F. Novel Business Opportunities / New Products and Services -In addition to re-defining the markets for existing products and services, electronic commerce also provides the opportunity for entirely new products and services. Examples include network supply and support services, directory services, contact services (i.e. establishing initial contact between potential customers and potential suppliers), and many kinds of on-line information services.

While these various opportunities and benefits are all distinct, they are to some extent inter-related. For example, improvements in competitiveness and quality of service may in part be derived from mass customisation, while shortening of supply chains may contribute to cost savings and price reductions.

IV. OTHER OPPORTUNITIES AND BENEFITS

Fig: Showing Opportunity and Benefits

Supplier Opportunity	Customer Benefit
Global Presence	Global Choice
Improved Competitiveness	Quality of Service
Mass Customisation & Customerisation	Personalised Products & ervices
Shorten or Eradicate Supply Chains	Rapid Response to Needs
Substantial Cost Savings	Substantial Price Reductions
Novel Business Opportunities	New Products & Services

Benefits to Sellers

- Cheap global marketing for products using the means of multimedia.
- The potential for virtual corporations without real stores.
- Relatively small investments make the markets easily penetrable by so called microcorporations.
- Catalogs and other available information can be kept up to date.
- Customer service can be enhanced with email. Easy and responsive communication won't require as many clerks.
- Commerce can be fast and easy and will not be tied to time or place.

Benefits to Buyers

All of the advantages the seller has are also advantages to the buyer. A lighter sales channel can lower prices at the same time it raises the quality of customer service.

- Purchases can be made anywhere with a computer and a network connection.

- The sellers can modify their supply faster to real demand due to easier feedback from the customers through email.
- The roles of the manufacturers and sellers can be redistributed. Support will come from a party that is most capable of doing it. A network-savvy manufacturer will probably support customers directly. An advanced retailer might on the other hand purchase the support from a third party.
- Communication through Usenet News and mailing lists has already created an independent source of information on products from other users.

Benefits to Other Parties

- Manufacturers want to have their goods on sale at as many points of sale as possible.
 - Distributors may think of the new marketplace as a way to differentiate their services from those of their competitors.
 - Banks feel that the new methods will increase the amount of financial transactions and the need for financing.
 - Computer and software industry will have another field to sell their products and services.
- Beyond all these tangible and intangible benefits there are other benefits that will result from its deployment.

References

1. Dave, Henry. *Economics and Statistics Administration*, Secretariat on Electronic Commerce: U.S. Department of Commerce Washington, D.C., <http://www.ecommerce.gov>. (last visited on Nov 7, 2018).
2. <http://techunix.technion.ac.il/~orena/ec/index.html>, (last visited on Nov 22, 2018).
3. <http://wZww.cordis.lu/esprit/src/ecomint.htm>, (last visited on Nov 30, 2018).
4. <http://www.nixu.fi>, (last visited on Dec 2, 2018).
5. <http://www.oecd.org>, *Dismantling the Barriers to Global Electronic Commerce*, (last visited on Dec 4, 2018).
6. Geller, D. (1998). Seven Deadly Sins of E-Commerce, *Express Computer – Web Vision*, Dec 7, Pg 2.
7. *E-Commerce Risks*, <http://www.wgains.com>, (last visited on Dec 10, 2018).
8. Thomson, J.Barrie, Storey, A. & Green, C., *Factors that Promote Trust In E-Commerce*, School Of Computing, Engineering & Technology, University Of Sunderland, barrie.thomson@sunderland.ac.uk, (last visited on Dec 12, 2018)
9. Kelman, A. (1998). *The Journal of Information and Technology*. 3. <http://www.law.warwick.ac.uk/jilt/98-3/editorial.htm>.

10. Ratmasingham, P. (1998). Trust in Web-based Electronic Commerce Security. *Information Management & Computing Security*, 6 (4), Pg 162-166.
11. McCullagh, A. (1998). *The Establishment of 'Trust' in the Electronic Commerce Environment*, (The 1998 Industry Outlook Conference. 7 November, ACS Canberra Branch), <http://www.acs.org.au/president/1998/past/io98/etrust.htm>.
12. Ratmasingham, P. (1998). The Importance of Trust in Electronic Commerce. *Internet Research: Electronic Networking Applications and Policy*, 8 (4), Pg 313-317.
13. <http://www.cordis.lu/esprit/src/ecomint.htm>, (last visited Dec 14, 2018).
14. Kalakota, R. & Whinston, A.B. (2000). *Electronic Commerce: A Managers Guide*, Addison Wesley Longman, New Delhi, Pg 18-20.
15. <http://www.cordis.lu/esprit/src/ecomint.htm>, (last visited Dec 16, 2018).
16. Trepper, C. (2001). *E-Commerce Strategies*, Prentice Hall of India, New Delhi, Pg 23.
17. <http://techunix.technion.ac.il/~orena/ec/indexhtml> (last visited on Dec 18, 2018).
18. http://snad.ncsl.nist.gov/ecg/pubs/analyse/ec/section_2_7_2.html, (last visited Dec 21, 2018).
19. Trepper, C. (2001). *E-Commerce Strategies*, Printice Hall of India, New Delhi, Pg 26-43.
<http://www.cordis.lu/esprit/src/ecomint.htm>, *paul.timmers@dg3.cec.be*, (last visited on Dec 22, 2018).
20. <http://www.collector.org>, (last visited on Dec 24, 2018).
21. <http://mhne.com/business/mis/zwass/ecpaper.html>, (last visited on Dec 25, 2018).
22. <http://www.noretlnetworks.com>, (last visited on Dec 26, 2018).

23. Kalakota, R. & Whinston, A.B. (2000). *Electronic Commerce: A Managers Guide*, Addison Wesley Longman, New Delhi, Pg 33-34.
24. Course Material Organized by All India Management Association Center for Management Education, ITM 26, June 2000 New Delhi, Pg 140
25. <http://www.businesssoftware.com>, (last visited on Dec 27, 2018).

Dr. Mairaj Salim" Effectiveness of Electronic Commerce for Business Entrepreneurs"
International Journal of Business and Management Invention (IJBMI), vol. 08, no. 01, 2019, pp
60-64