



## THE ROLE OF E COMMERCE IN REDUCING OPERATIONAL COST

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### INTRODUCTION:

After the tremendous advances that have occurred in the areas of trade and traffic markets, companies and products, multiple and diverse and the intensification of competition among these companies to achieve profits emerged e-commerce as a means of modern trade, which contributed significantly to change the future of business and contributed by facilitating the process of buying and selling electronic in increasing the efficiency of companies and strengthen its competitive position and contributed through its role in the marketing of electronic products company to facilitate access to the products and services by customers at the time and the speed limit and reduce the cost of the company's products to a minimum. So will highlight in this research on electronic commerce and its benefits and challenges it faces and its role in reducing costs, which are suffering the majority of companies from high whether depleted or non-depleted and even people who own capital are few and want to enter the world of commerce, has opened an e-commerce field in front of them not only the owners of huge money only.

The spread of the Internet is widely used in the world easy a lot of things and it seems the world has become very small. Not limited to communication and information exchange, but beyond that where it appeared the so-called electronic commerce, which is the process of buying and selling over the Internet and this is the narrow sense of the term, and has provided a lot of things, including the costs that have been plaguing a lot of companies and was their biggest concern. Where it was possible for the owners of capital too small to enter the world of commerce with ease and invest their money.

However, e-commerce has raised problems, including the inability of the current system to keep up with the special nature of this trade, which require new laws serve as a suitable climate. This has raised the trade doctrinal disagreements about income caused by the tax system and the position of those entering. It provoked tax systems in this trade, prompting some states to modernize their systems with this development with regard to income tax and subject to tax or not to subject and has taken effective steps in this area. That development in information and communication technology has led to changing patterns of social behavior and pictures of economic activity and has become a means of communication capable of transmitting information, services and money and goods day and night, the most direct route and the efforts of a few and the cost is not expensive, it has cleared the computer and

communication networks of different area and wide to cross into the network and take advantage of the information and get it smooth and employ them and take advantage of the software.

**Difference between E Commerce & Operational Cost:**

E-commerce has become an essential part of the business world. It enables businesses to sell their products and services online, reaching customers from all over the world. However, e-commerce also comes with its own set of costs. Operational costs are the expenses that a business incurs in order to keep its operations running smoothly. These costs can include salaries, rent, utilities, and other expenses that are necessary to keep the business running.

**Meaning of E Commerce:**

E-commerce (electronic commerce) is the activity of electronically buying or selling of products on online services or over the Internet. E-commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. E-commerce is in turn driven by the technological advances of the semiconductor industry, and is the largest sector of the electronics industry.

**Objectives of the study:**

1. To examine the role of E-commerce in reducing operational costs in the business.
2. To study the concept of E-commerce
3. To study how the e-commerce, reduce operational cost
4. To analyze the market for Ecommerce.
5. To remove all the issues that come with transportation of products

**Scope of the study:**

E-commerce has improved the availability of information, reduced processing errors, reduced response times, lowered costs of services, and has effectively raised customer satisfaction and the level of service that customers expect to receive.

E-Business can help manage operating costs in many areas, thereby reducing the cost of individual transactions. And E-Commerce business is able to reduce labor and other costs in many areas, including document preparation, reconciliation, mail preparation, telephone calls, data entry, overtime, and supervision expenses.

**Research methodology:**

Adopted the theoretical side on books, magazines, research and the Internet which represents the analysis to reduce costs.

**Limitations of the study:**

1. Source for the study is collected from the secondary data.
2. Only theoretically analyzed.

**Operating Expenses:**



**Disadvantages of e-commerce:**

These limitations or disadvantages must be thoroughly understood by anyone wanting to set up an online business. It is always a wise idea to do a SWOT Analysis and look for different resources that are easy to access.

**Huge technological cost:**

Since everything is online, it requires the use of creative resources and also a large amount of investment. The costs have become very high due to an excessive 4G and 5G data usage for online work. Also, a huge investment is required for using advanced and high-speed internet connectivity. Advanced technology has given the business better productivity, posing an advantage in the long run.

**Security:**

This is one of the most common issues that many e-commerce businesses and customers face. There are many websites that are not capable of authenticating transactions nor have those features. This may lead to numerous fraudulent activities and threaten the business. Also, many businesses need to save various customer information like customer’s name, address, contact number, email id, age, etc. This requires a huge investment to secure the data, so it is not misused.

**Huge Employee cost:**

Employee cost is also a limitation of e-commerce business. For any business, whether online or offline, having dedicated employees is crucial. You need a professional team to execute different tasks and fulfill the organization’s objective. Whether your startup is small or big, you need employees to yield great results. Therefore, you will have to incur costs on hiring and paying employees’ remuneration.

**Huge advertising cost:**

In order to promote your business, a lot of money has to be spent advertising initially. Advertising has the potential to increase your reach, and this way, you can reach maximum people. However, advertising in several mediums can be expensive. Advertising costs can pose a disadvantage if

the business cannot make the deal convertible. Various advertising mediums have varied costs, and many online advertising portals usually charge on a pay-per-click basis.

**High shipping cost:**

Shipping can be a major challenge for most e-commerce businesses. When you are delivering B2C orders, shipping can pose a major challenge and disadvantage. Often, shipping cost involves a large part of your profit which may, in turn, decrease your overall margin. Shipping cost, however, usually depends upon the size and weight of the product. It can cost higher in B2C orders as compared to B2B orders.

**Cost of packaging:**

Packaging, whether Primary, Secondary, or Tertiary, involves a lot of costs. The cost depends upon the nature of the product. It may cost a lot if the package is bulky and large. Heavy items may even involve a higher shipping cost, increasing the overall cost of transporting the product. B2C transactions have a lower packaging cost since a few products are being dispatched. However, B2B products or transactions involve the high cost of Packaging.

**Warehousing cost:**

This is also a limitation of e-commerce. E-commerce sellers must have a physical location or warehouse where they can store their products. This would help them manage their operations from a designated location. This cost of warehousing has to be borne by the business itself. The cost of storage will differ from location to location. It is always advisable to find a warehouse that doesn't involve a high inventory cost.

**Marketing cost:**

Along with advertising costs, a business must incur additional costs in marketing its product. Social media, emails, search engines, etc, are some ways through which you can market your product easily and effectively. Google, Yahoo, and various other search engines offer methods to effectively market your product and drive more traffic to your website

**Complicated ecommerce Policies:**

Every e-commerce portal has its policies that the seller must comply with. Companies like, Flipkart, Paytm, Myntra, etc, have business policies. Sellers register on these platforms, and often these platforms do not give them full rights to operate in the marketplace. This limits their business, and if they violate these rules, their account may be permanently suspended.

**Sales Flow:**

A diminished sales flow can pose a great disadvantage to the business and thus acts as one of the *limitations of eCommerce* business. It is extremely important to have traffic on your website as it helps in driving sales. Also, if your listing is not done properly, your sales will likely fall.

**E- commerce reduce business transaction costs:**

Electronic commerce, or eCommerce, is conducting business over the Internet. Usually it refers to buying and selling goods and services, and transferring funds digitally. There are many benefits to eCommerce business, not the least of which is reduced transaction costs.

E-commerce can help businesses reduce costs in a number of ways. First, e-commerce enables businesses to operate with lower overhead costs, as previously mentioned. Second, e-commerce allows businesses to automate many of their processes, reducing the need for manual labour. This can include automating order processing, inventory management, and shipping. Third, e-commerce enables businesses to reach a larger audience, which can lead to increased sales and revenue. This increased revenue can help offset some of the costs associated with e-commerce. Additionally, e-commerce can help businesses reduce their marketing costs, as they can use targeted advertising to reach specific audiences.

E-commerce can also help businesses reduce their transaction costs. For example, businesses can negotiate lower credit card processing fees by processing a higher volume of transactions. Additionally, businesses can use third-party logistics providers to reduce their shipping costs. These providers can negotiate lower shipping rates based on the volume of packages that they ship.

There are many examples of e-commerce businesses that have successfully reduced their operational costs. For example, Amazon has been able to reduce its operational costs by using automation to streamline its processes. Additionally, Zappos has been able to reduce its shipping costs by using a third-party logistics provider.

**There are several ways that e-commerce businesses can reduce their operational costs.**

First, they can use automation to streamline their processes and reduce the need for manual labour. This can include automating order processing, inventory management, and shipping.

Second, e-commerce businesses can negotiate lower fees with their suppliers and service providers. For example, they can negotiate lower credit card processing fees by processing a higher volume of transactions. Additionally, they can negotiate lower shipping rates with third-party logistics providers.

Third, e-commerce businesses can use targeted advertising to reach specific audiences, which can help them reduce their marketing costs. They can also use social media to engage with their customers and build brand loyalty.

**Following points can take to cut ecommerce costs and boost 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.

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. Reducing 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 e-commerce business, one should emphasize one of its inherent strengths: the fact that it operates online. While funneling 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 Drop shipping:**

When it comes to reducing eCommerce costs, drop shipping 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. Drop shippers save a lot of money because they don't have to own, run, or maintain their inventory. In general, drop shipping 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.

### **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.

### **Findings of the study:**

1. Since everything is online, it requires the use of creative resources and also a large amount of investment. The costs have become very high due to an excessive 4G and 5G data usage for online work.
2. There are many websites that are not capable of authenticating transactions nor have those features. This may lead to numerous fraudulent activities and threaten the business.
3. Various advertising mediums have varied costs, and many online advertising portals usually charge on a pay-per-click basis.
4. It can cost higher in B2C orders as compared to B2B orders.

### **Suggestions of the study:**

1. One of the most fundamental rules of keeping ecommerce costs low is to keep products in customers' hands with minimal returns.
2. 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.
3. 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.
4. The drop shipper purchases goods directly from manufacturers or wholesalers and ships them directly to the end customer. Drop shippers save a lot of money because they don't have to own, run, or maintain their inventory.
5. 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.
6. Another excellent strategy to lower your e-commerce 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.

**CONCLUSION:**

Today we live in a world behaviors technological and electronic, which is now interfering in every part of our lives and our trade is eventually become e-commerce and business have become acts of "electronic education tends to be educated" electronically "and governments are working to be the governments of electronic and began to shift in the world of assets economy to the information economy and the economy of assets to the digital economy, advanced technology is becoming a key element in a production processes and to provide diversified services in all parts of the world.

E-commerce has transformed the way businesses operate, making it easier for businesses to reach customers and sell their products online. However, e-commerce also comes with its own set of costs. Operational costs are the expenses that a business incurs in order to keep its operations running smoothly. By reducing their operational costs, e-commerce businesses can maximise their profits and reinvest in their businesses. They can use the savings to improve their products and services, expand their operations, or invest in new technologies.

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