

Impact of E-Business on the Retail Market: A Short Study

Rachana Ghayal
Asst. Professor
SOC & E of IPS Academy
Indore, India

Madhavi Dhingra
Asst. Professor
ITM College
Gwalior, India

Abstract - E-business has revolutionized the way companies do business. E-Business offers buyer and sellers a new form of communication and provides opportunities to create new marketplace.

This electronic business has a major impact on the retail industry in a variety of ways. Retailers have had to adapt to new technological demands from users to allow them to participate in the e-business world. E-business has created new activities and features in which consumers and businesses can participate.

This paper defines e-business importance, e-business adoption and its impact focusing on the major activities that consumers and businesses can now perform, describes the types of customers who are more likely to participate in e-business, and it also outlines the prediction of e-business future success.

Keywords— E-business, retail industry, e-shopping

I. INTRODUCTION

In the emerging global economy, e-business has increasingly become a necessary component of business strategy and a strong catalyst for economic development. The integration of information and communications technology (ICT) in business has revolutionized relationships within organizations and those between and among organizations and individuals. Specifically, the use of ICT in business has enhanced productivity, encouraged greater customer participation, and enabled mass customization, besides reducing costs [1].

E-Business could help retailers to reduce costs related to commercial transactions; e-procuring via marketplaces or buying groups would open up cost advantages to small retailers. Today, major corporations are rethinking their businesses in terms of the Internet and its new culture and capabilities. Companies are using the Web to buy parts and supplies from other companies, to collaborate on sales promotions, and to do joint research. Exploiting the convenience, availability, and world-wide reach of the Internet, many companies, such as Amazon.com, flipkart.com, ebay.com, have already discovered how to use the Internet successfully. This electronic business has a major impact on the retail industry. The table summarizes opportunities, challenges, drivers and barriers of e-Business -

TABLE I
E-Business Opportunities, Challenges, Drivers and Barriers

e-Business related opportunities	e-Business related challenges
1. Cost savings	1. Lack of awareness
2. Efficiency and productivity gains	2. Increasing market competition, where retailers are highly concentrated
3. Increasing information about the market and the customers (e-marketing)	3. Economic return of e-business
4. Online selling and multi-channel approach	
e-Business drivers	e-Business barriers
1. Trends in demography and lifestyle	1. Lack of interest in internet based applications and sales systems among a large number of retailers
2. Improved systems for increasing the efficiency of supply chain relationships	2. ICT skills gap
3. New private labels	3. Trust and security issues

Source: e-Business W@tch sector study on the retail sector (August 2004)[7]

II. E-BUSINESS ADOPTION

E-business is the process of doing business over the Internet; it refers to not only buying and selling but also servicing customers and collaborating with business partners.

E-Business is a marketing and advertising tool with the ability to promote products and services using the WWW to have company information listed on search engines so people can see what you do on a global scale and so has benefited to retailers to promote their business globally.

Organizations have adopted e-business initiatives to better manage their internal business processes as well as their interfaces with the environment.

E-business in small to medium sized enterprises (SMEs) is known as “e-adoption”. E-adoption is defined as incremental steps and can be represented in the form of an “e-adoption ladder” with each stage increasing in level of sophistication as shown in Fig.1.

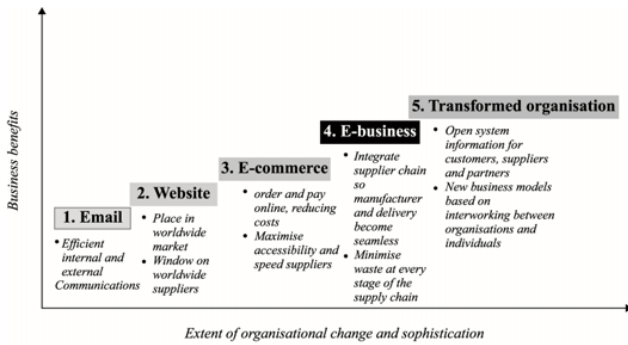
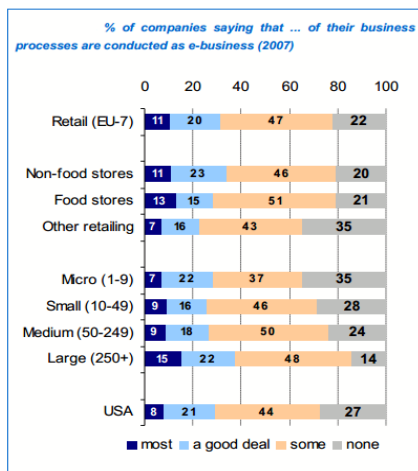


Fig.1: E-Business Adoption Ladder [2]

The first two stages involve acquiring basic ICT skills & technology to operate e-mail for messaging & simple brochure websites for online marketing. The e-commerce stage involves online marketing, online interaction between a business & its customers or a business & its suppliers, for the placement of an order and online payment processing. The e-business stage allows integration of the supply chain. The final stage enables open information sharing between customers, suppliers and partners based on which existing business processes are radically transformed [2].

The adoption ladder shows technology adoption along with organizational change. Organization's adoption of e-business reflects in their use of e-business for internal operations and communications, interaction with suppliers and business partners, interaction with customers, interaction with government agencies, interaction with competitors using the internet as new business channel.



Source: e-Business Survey 2007[7]

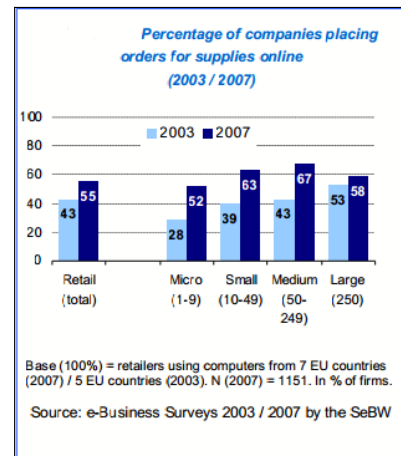
III. MAJOR ACTIVITIES THAT BUSINESS AND CONSUMER PERFORM

These activities include: shopping twenty-four hours a day, seven days a week, from the comfort of your home; gathering information to be a more informed consumer; visiting a variety of "stores" to see who has the best price; creating the appearance of a relationship with the customer; and stream

lining business to business ordering to reduce prices for the consumer.

1) The activity people are the most familiar with is online shopping. Online shopping is the act of purchasing products or services over the internet having the product or service delivered directly to the consumer themselves. Online shopping is used for various transactions which can be done through the application of e-commerce. There are many e-shops on the internet from where consumers can shop online. Some of the popular e-shops are Amazon.com, flipkart.com, naaptol.com, ebay.com etc. Consumers can browse through the website and can choose the item of their choice. They can buy anything from e-stores and at anytime as internet is available 24 hrs [6].

Amazon.com is an American multinational electronic commerce company; it is the world's largest online retailer [4]. Flipkart is an Indian e-commerce company headquartered in Bangalore, Karnataka. Ebay.com is an American multinational internet consumer-to-consumer corporation that manages eBay.com, an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide [5].



Source: e-Business Survey 2007 [7]

They all are most popular online retailer of books, movies, music and games along with electronics, toys, apparel, sports, tools, groceries and general home and garden items etc. The movement that began in the waning years of the 20th century with books, music and specialty items soon became a torrent of transactions that cover every imaginable good from coffee to exotic cars. Consumers do not have to worry about whether the store is open or not. Consumers can search for and can order any item at anytime from anywhere in world using these online shops. And get home delivery within specific days limit too.

2) A second activity that consumers are familiar with is the ability to gather large amounts of information that may not have been easily accessible prior to the emergence of e-business. The ability to gather information changes the consumer from a less informed shopper to a much better

informed shopper. The consumer can find information about different models of an item, different colors choice, and different brand choice doing their comparisons before leaving the house. This means they will know what they are looking for when they enter a store and not spend the time deciding in the store. They can also visit web sites like the Consumer Product Safety Commission's and review safety and recall information for items before purchasing them. Advantage of the emergence of e-business is the ability for consumers to comparison shop from home. They no longer have to physically drive to several stores to compare the prices of items they plan to purchase. They can log onto a company web site and check the prices, then move on to the next company to see the difference. There are several sites that are designed for comparison shopping. Web site displays the items to the user based on price and other search criteria like products from lowest price to highest price, by brand name, and even on the basis of popularity ratings.

3) A marketing feature that companies can use to wow the consumer is the customized home page. When a consumer logs into the web site, the consumer's preferences for what information they would like to be displayed are loaded. This gives the consumer the impression of a relationship with the retailer and provides the consumer with the bulk of the information they are looking for up front. E-Business has resulted in improved customer service. Many times, on visiting a website, the customer is greeted by a pop-up chat window. Readily available customer service may help in encouraging the customer to know more about the product or service. Moreover, payments can be made online; products can be shipped to the customer without the customer having to leave the house.

IV. CONSUMER PARTICIPATION IN E-BUSINESS

From the consumer standpoint, the most likely people to participate in e-business are those that are comfortable with computers and technology. Most of the participation is by the younger generation users who are approximately under 60 years of age. These are the people that have worked around and/or grown up with computer technologies. People who are on the go with work, school, and home life are also more likely to participate in e-business methods because of their existing time constraints and busy schedule. It is hard for them to make it to stores during normal working hours without losing time elsewhere.

From the company standpoint, medium to large size businesses are the most likely to participate in e-business. Some smaller businesses that have the resources will also participate in e-business. The small stores usually will not participate in the e-business arena because of cost constraints. These small businesses will sometimes have a web site that has basic information on it and will occasionally sell some items on it, but normally the sites are informational only [6].

V. IMPACT OF ICT AND E-BUSINESS

ICT and e-business have considerable impacts on the retail industry. The analysis was conducted along four types of impacts: productivity, innovation, market structure, and value chains. The following conclusions were drawn from an econometric analysis, this paper and literature evaluation :

1. Productivity: Results from other studies indicate that ICT-induced productivity effects are most pronounced in the ICT-producing industry as well as in selected service industry sectors including retailing and wholesale. It is also seen that particularly the larger companies in the retail industry have dynamically adopted ICT. Total Factor Productivity, which includes for example organisational changes, growth was found to account for much stronger contributions. However, ICT can be embedded in other capital, so there may be a "hidden ICT-impact" which cannot be measured by means of the data on ICT-investment available in the database. As regards labour productivity, intermediate inputs intensity was found to be the main components of labour productivity growth. This may predominantly be due to outsourcing activity. ICT capital investments as well as the employment of a large share of medium-skilled workers play a positive but minor role in labour productivity growth. Overall, these findings indicate that ICT capital investments alone are insufficient to significantly increase labour productivity. It may be necessary to also invest into organisational changes and labour force training.

2. Innovation: In the retail industry, it is observed that the impact of ICT to be mainly on process innovation but it also plays an important role in product and service innovation. It can be clearly observed from this paper that ICT can be considered as an enabler of innovation and positively impact on firm performance, even if the impact cannot always be measured concretely. An econometric analysis found, firstly, that employing people with a university degree as well as employing IT practitioners significantly increases retail firms' propensity to use ICT to develop new products and services. Secondly, the use of applications and practices that support the electronic exchange of information between companies positively affects the likelihood of conducting ICT-enabled innovations. As regards innovation and firm performance, the analysis found that ICT-enabled innovation is positively related with turnover increase irrespective of firm size and age. Secondly, ICT software is an important driver of organisational changes, while hardware apparently is not.

3. Market structure: As regards the relationship between market structure and ICT adoption, the hypothesized relevance of increasing market competition for the intensity of ICT adoption was confirmed. Findings also indicate that ICT and e-business can be used to open up new markets, to cross boundaries of industries and markets and to increase the number of customers. In other words, ICT appears to have notable impact on the retail market's structure.

4. Value chains: As regards outsourcing, the general expectations regarding the potential of ICT to change value

chains were enormous. The econometric analysis found that ICT intensity indeed increased the propensity to outsource business activities.

VI. FUTURE OF E-BUSINESS SUCCESS FACTORS & E-BUSINESS OPPORTUNITIES

The Internet has become a standard in the consumer's way of life and very few people have not been on the Internet at one point or another. As Internet access speeds continue to advance with the adoption of broadband technologies, the activities possible on the web and beyond will only increase. Like most markets, this one is driven by the consumer. Today's consumers want more flexibility in the way they do business with companies. If a company does not have e-business capabilities, it is limiting its ability to effectively compete with other companies.

The major catalyst to a successful e-business lies in a company's ability to think dynamically about an ever-changing industry and implement a nonlinear approach. Consider a variety of factors, such as:

- 1) Is the company working with suppliers and partners as efficiently as possible over the Internet?
- 2) Are there steps in the value chain that should be removed or added?
- 3) Has the company found the most profitable spot within the chain?
- 4) Can buyers and suppliers be united to streamline processes, enhance productivity and reduce costs?
- 5) Senior management must be sincerely committed to the strategic, policy and operating levels of transformation.

Even though there are still many issues and concerns to be dealt with, the future of e-business is bright. Future e-business growth will come from various areas of all types of e-business. In addition, there are also many e-business opportunities associated with emerging business trends. Organizations can

enhance their e-business operations or embark on new e-business initiatives by closely examining those future growth areas and emerging opportunities.

VII. CONCLUSION

It can be seen that e-business has had a tremendous impact on the retail industry. Retailers have had to adapt to new technological demands from users to allow them to participate in the e-business realm. Companies responded to these demands by providing web sites that could not only display information, but which could interact with their inventory systems online and allow them to take orders over the Internet. The most common users of web sites are consumers that have grown up around computer technology and are aware of using it. Finally, e-business has strong benefits like reduce cost of production by reducing overheads, increase sales, access markets across the globe, provide more perfect information and improve customer service familiarity, improve employee motivation through more flexible working methods, provides convenience and comfort for customers and many more. So it will continue to improve and increase in usage for a long time.

REFERENCES

- [1] "E-Commerce and E-Business/Introduction" http://en.wikibooks.org/wiki/E-Commerce_and_E-Business/Introduction
- [2] Lee In (2008), "E-Business models, services & communications" Idea group(IGI).
- [3] Zappala S. Gray C. (2006), "Impact of e-commerce on consumers & small firms" Ashgate Hampshire U.K.
- [4] "Amazon.com" <http://en.wikipedia.org/wiki/Amazon.com> .
- [5] "EBay.com" <http://en.wikipedia.org/wiki/EBay>.
- [6] "The Impact of E-Business on the Retail Market" - <http://voices.yahoo.com/the-impact-e-business-retail-market-548868.html>
- [7] "ICT and e-Business Impact in the Retail Industry" A Sectoral e-business Watch study report by empirica GmbH, Version 4.0 September 2008