

The Efficacy of E-Business and the Current Business Environment

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ABSTRACT

Information Technology driven business environment has created a transition from brick and mortar companies to click and mortar companies and then to brick and click companies. There has been a widespread increase in the number of people purchasing goods and procuring services online. This transition has made the term 'e-Business' an inevitable part in today's business environment. This Paper deals with the identification of factors that led to the expansion of e-business and also on the impact that e-business has created in the current business scenario examining the various aspects of e-business. Factors such as cost, external and internal environment of the organization, government decisions, and nature of the industry affected the implementation of e-business. It was inferred from the study that e-business had a positive impact on the growth of businesses by improving its operational efficiency and productivity.

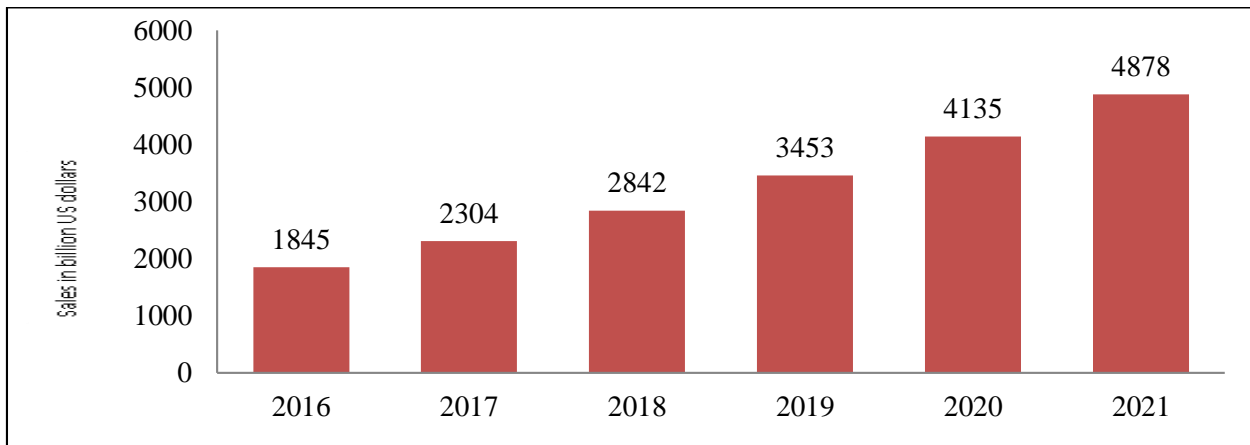
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INTRODUCTION:

E-business, an acronym for electronic business simply refers to the process of carrying out business transactions electronically. E-business is defined as the conduct of automated business transaction by means of electronic communication networks (via internet or possibly private networks) end- to- end (Papazoglou and Ribbers, 2006). It is a much wider term as compared to that of e-commerce. E-commerce involves the trading of goods, provision of services, and transfer of funds through electronic means whereas, e-business takes into account various other aspects of a business transaction like e-procurement, e-supply chain management (e-SCM), e-customer relationship management (e-CRM), enterprise resource planning (ERP) etc. E-business also includes online display of goods and services, electronic order taking and billing, and handling of customer services and payment for transactions online. It gains huge support from the customers as the customers are given more priority than the conventional mode of transacting. Customers are able to provide their feedback and reviews then and there (e-WOM) through online channels which immensely influences the credibility of an organization. The relevance of customer ratings led to the emergence of a new term called 'e-WOM or electronic word of mouth'.

Statistical information on retail e-commerce sales worldwide supports the fact that there is a huge increase in the volume of sales. The use of electronic gadgets like personal computers and mobile phones led to a hike in online shopping which varied from region to region. Online retail sales was estimated to be 19 percent in China during 2016 whereas in Japan it was only 6.7 per cent. The retail e-commerce sales are expected to reach 4.88 trillion US Dollars in 2021 when compared to 2.8 trillion US Dollars in 2018. Trends in the growth of retail e-commerce is presented in figure No1. Figures from 2019 to 2021 are estimates.

Figure 1: Retail e-commerce sales worldwide from 2016 to 2021 (in US billion dollars)

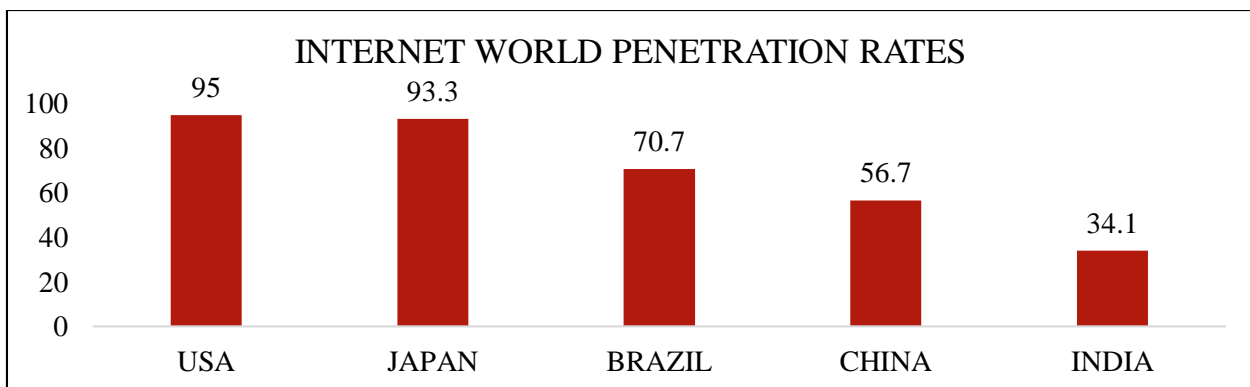


Source: Statista- The Statistics Portal-<https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

The data on retail e-commerce growth worldwide as well as in India also depicts that there has been an upward movement in the retail e-commerce sales growth which highlights the fact that e-commerce has had a positive impact on sales. With giant e-tailing companies like Flipkart, Amazon, etc, India is also witnessing the emergence of retail ecosystems which is similar to the role played by Alibaba and Tencent in the Asian ecosystem. (<https://www.statista.com/statistics/289770/india-retail-e-commerce-sales/>)

Digital penetration worldwide:

The digital penetration rate depicts the percentage of the total population using internet for any purpose in a particular country or region. As per the data from Internet World Stats, North America has the highest internet penetration rate with 95 per cent. But America secures only the third largest online market position. China, even though has only 56.7 per cent internet penetration is the first largest online market. India's internet penetration rate is only 34.1 per cent but managed to obtain second position in the largest online market. Brazil (4th) and Japan (5th) also entered the top 5 with the internet penetration rate of 70.7 per cent and 93.3 per cent respectively. (<https://www.statista.com/topics/1145/internet-usage-worldwide/>). This is depicted on the graph below.



Source: Internet World Stats

The emergence of mobile phone technology led to the increased use of e-mail, social networking sites, online shopping, instant messaging etc. Most of the telecom companies profited from this increased usage and they started optimizing their content for mobile devices. Whatsapp, Facebook, Instagram, Twitter etc are found to be most commonly used mobile phone services.

Mobile commerce, another new advancement in the field of ICT also gained popularity. The major e-tailers like Amazon, Flipkart, Apple, Jingdong mall, Google play etc snatched huge revenue with the help of mobile commerce with Amazon procuring revenue of more than 27 billion US Dollars. All these makes e-commerce attractive to internet users worldwide which is evident from its growth. (<https://www.statista.com/topics/1145/internet-usage-worldwide/>)

Digital penetration in India:

Increased penetration of mobile phones and internet usage, mega discount sales, and advances in delivery infrastructure lead to the rapid growth of e-commerce in India leading India to attain the position of 2nd largest online market surpassing US.

According to the report of the Times of India in 2017, the online retail penetration in India is low making India ranked 8th among 11 countries. Consumer electronics with 17 per cent had the highest online penetration followed by apparel and footwear with 9 per cent, and beauty and personal care (1 per cent). The lowest online penetration was from food and grocery sector which constituted only 0.1 per cent. (<https://timesofindia.indiatimes.com/business/india-business/india-is-fastest-growing-e-commerce-market-report/articleshow/66857926.cms>) There has been a significant growth rate in the percentage of internet users from 10 per cent in 2011 to 26 per cent in 2015. It is estimated that the internet users in India will reach up to 63.58 billion in the year 2021. There is an upsurge in the use of mobile internet also in India consisting of 32.3 billion which corresponds to about 24.3 per cent of the population in the year 2016. In India, it is found that the internet users are more in urban areas having 26.2 billion mobile internet users than in rural areas having only 10.9 billion, which proves the fact that the domicile of residents affects the usage of internet. Statistics also revealed that the percentage of male population using internet were more with 71 per cent as compared to that of female population having only 29 per cent which shows the disparity between men and women in the society. All these reveals the urban-rural divide and the gender divide that exist in the society. (<https://www.statista.com/topics/2157/internet-usage-in-india/>)

Digital penetration is moving towards its full swing both in India as well as throughout the world. Emergence of various mobile phone applications has given an added boost for it. Even though the digital penetration is high, the online retail penetration in India is low at 5 per cent compared with that of China and the US having 20 and 12 percent respectively. India when compared with the worldwide data shows an increase in internet usage especially in the use of social media and messaging applications making it the second largest online market. It is evident from the above information that, as in the case of worldwide data, the rate of digital penetration in India is also expected to leap by 2021.

The emergence of information technology has had a huge impact on the business environment. Most of the paper based transactions which were practiced in the earlier days is now getting replaced by electronic transactions like ordering for materials, billing and payment, filing of tax returns etc. is now conducted online. Business firms has now started realizing the benefits that could be grabbed by using electronic means like cutting down cost, less paper works, reduction in time taken for completion of tasks, greater operational efficiency and so on. This paper highlights the role that e-business plays in the current business scenario and also the reasons which has led to the increased importance for e-business.

REVIEW OF LITERATURE:

Aravindh Kumaran L (2013), attempted to provide a holistic approach to explore the influence of e-business systems on micro, small and medium enterprises (MSMEs) supply chain components and performance factors. The analysis revealed that firms with better infrastructure and the owner having good education background were capable of managing the SCM successfully with the adoption of e-business. It is found that the major e-business enablers used by MSMEs were e-procurement, e-auction, e-payment, and online marketing. The SC enablers used in MSMEs were close partnership with customers and suppliers. Building relationship with suppliers and customer, flexibility in operation, improved forecasting, reduced inventory, free up warehouse space, un-tighten cash flow, responsiveness to urgent delivery, quality of goods delivered, and delivery performance were found to be the benefits of SC enablers. Top management attitudes towards new technology, knowledge and skills of the management and workforce were recognized as potential requirement for e-business implementation in the SC. Supplier manufacturer relationship, supplier involvement, SCM operations effectiveness, order processing, order management, customer expectation, service system, distribution and purchase cycle time had contributed to SC performance. The study suggested that to achieve better inventory management and to enhance their performance, the MSMEs needed to improve communication with all the links of the supply chain. To enhance MSMEs SC performance Supplier - MSME relationship and Supplier involvement were the two significant factors. By addressing these twin factors the MSMEs could go a long way in enhancing the SC performance.

Moumita Mukherjee and Dr. Prakash P. Joshi (2016), dealt with how e-business concept brought a major change in the business environment and how the Indian economy system got a huge thrust. The study found that easy availability of information to the customers, 24 hrs. Businesses, and cost effectiveness were the most important

reasons for adopting the e-business tool. It was found in the study that for the betterment of the e-business model, constant customer satisfaction and customizations of the business needed to be included in the strategy framing policy. High concern should be shown to managing employee resistance in order to maintain market sustainability and growth in the long run. Cost effective deployment was identified as one of the challenging reason in e-business model. It was found that in all the sectors there was an increase in productivity of the employee due to the e-business strategy. It was suggested that, in order to overcome security and trust issues, supplying regular information updates on change and upgraded security was needed. Thus the study concluded that e-business model was one of the major drivers in creating change in today's business environment.

Narendra Bhende and Dr. (Col) Kunal Bhattacharya (2016), dealt with the adoption of e-business for supply chain management by MSMEs. The compatibility in implementing e-business could range from simple usage of internet for online sale to implementing ERP and e-commerce which varied from one organization to another. In order to measure the adoption of e-business, the activities were classified into functional and technology areas.

Neeraja S Kurup and Dr. C. Ganesh (2016), analysed the impact of EWOM information and trust building on consumer purchase intention and the factors affecting trust in C2C environment. Privacy and security of the website, reputation of the website, platform rating, and website design were found to be the factors that influenced the purchase decision. EWOM information and trust building revealed to have a positive impact on the consumer purchase intention. Collection of information about the sellers, proper interaction with the sellers, and clarifying the requirement of the product to the seller were the recommendations provided to the consumers in the study.

Rashmi Tiwari and Dr. Manasranjan Dashmishra (2014), focused on the application of e-business on the basic logistic processes involving ordering, customer services, and procurement. It was found from this study that, the main factors which lead to the adoption of e-business in logistic companies were perceived benefits, external pressure, high competition, perceived costs, and organizational readiness. The study revealed that e-business had a positive impact on employment, economic growth, competitiveness, transport safety, technological innovation, efficiency, possible cost reduction, and reducing the trade barriers on foreign trade. The study suggested that the issues like lack of trust, limited internet access, inadequate dispute settlement options, and lack of skilled employees, and need to be taken care of. Customer education on how to make use of logistic information system was very essential to increase customer satisfaction and to reduce reverse logistics. The efficacy of e-business was found to be successful with regard to organizational change, business process and policy challenges. The study concluded that the logistic companies could increase its sales revenue and efficiency in operations once if e-business was utilized up to its full potential.

V.A. Anand and Dr.P. Kannadas (2013), discussed the importance of information system and its impact on SMEs. Strategy and vision, IT management, system and infrastructure, process integration, alignment and summing were found to be the important factors leading to the impact of IS on SMEs. The important organizational impact of IS on SMEs revealed in the study were business efficiency, business novelty, business complementariness and business lock-in. The important problems in using the IS at SMEs were technical, managerial and financial related problems which was found to be more on small enterprises than medium enterprises. Information, system and service quality of IS were found to be the important determinants affecting the users and the performance of IS at SMEs. The study concluded that increasing the level of implementation of IS in the business management of SMEs would help them reap more competitive advantage in the business world.

OBJECTIVES OF THE STUDY:

1. To determine the factors which led to the adoption of e-business among the business organizations.
2. To determine the benefits obtained by the organizations with the adoption of e-business.

METHODOLOGY:

This study deals with the efficacy of e-business in today's business environment. This study is descriptive in nature and is based only on secondary data. The data for the study was obtained from various research theses, books, articles, journals, and website.

Factors Affecting E-Business:

The level of adoption of e-business varies from one organization to another. There are certain critical factors which affects the implementation of e-business in an organization. Some of the important factors are:

- a) Cost factor: it is one among the most important factor which affects an organization in implementing e-business in its transactions. The compatibility level of adoption of e-business in any organization depends

mostly on the size of the organization and the cost involved in implementing technologies needed for e-business. Small organizations will not be able to afford the cost as compared to that of large organizations due to which there is low level of adoption in small organizations.

Cost versus clientele issues call for the emergence of big models to ensure usage

- b) Government factor: this includes the attitude of government towards promoting e-business among the organizations. There will be a massive hike in the number of organizations adopting e-business once if the government attitude in a particular country is favorable. In such countries government will provide offers and incentives to those firms practicing e-business in its transactions which leads to increased operational efficiency thereby leading to the development of that country as a whole.
- c) Organizational factors: The size of the organization, the attitude of employees, and the presence of skilled employees are some of the organizational factors affecting the implementation of e-business in an organization. It will be easy to adopt e-business in an organization where there is availability of skilled man power who supports the application of electronic means in the day to day activities than those organizations where there is resistance from the part of employees in the use of e-business technologies.
- d) Environmental factors: The external environment in which the organization works on also has a huge impact on the e- business implementation. Factors like physical infrastructure and social infrastructure which involves the availability of electricity, water, rail port connectivity, telecom connectivity, the education and literacy level of the people around, and the financial condition of the society will affect the working of any organization. Good infrastructure and liberalization of requirements facilitates for ease of doing business. According to World Bank report, India now ranks 77th position from 100 in ease of doing business, which proves that there are enormous opportunities for the development and growth of industries in India. It is also affected by the urban-rural divide and gender divide. In India, it is found that the Internet users are more in urban areas than in rural areas, which proves the fact that the domicile of residents affects the usage of internet. Non-availability of power and telecom infrastructure would widen the gap. Studies also indicate that there is a dominance of male population in the usage of internet when compared to the female population.
- e) Nature of industry: The working of a manufacturing concern is different from that of a service providing concern. The implementation of e- business also differs on that basis. In the case of manufacturing concerns, e-procurement of raw materials, usage of internet for marketing, selling the products online, shipment and delivery, e-payments options, e-billing, e-filing of tax returns etc are some of the means by which they make use of e- business. Service companies like Uber, Ola etc also make use of it by creating mobile applications which helps to create a wider reach to the customers. Hotels have their own websites which provide options for online booking and payment facilities.

Benefits of E-Business

The limitation of time and space are completely eliminated with the adoption of e-business. Now anywhere anytime business is possible. This creates a plethora of benefits to the organizations. Some of them are as follows:

- a) Improved operational efficiency and productivity: with the adoption of e-business an organization is able to reduce the time and cost involved in business transactions to a large extent. This in turn increases the operational efficiency and productivity of an organization leading to increased profitability and growth.
- b) Reduction in operation cost and cost of goods and services: e-business helps in reducing the paper works, number of workers needed for clerical works, errors and mistakes of employees, inventory level, cost of transportation etc. This helps in reducing the overall cost of production there by lowering the prices of goods and services in the market.
- c) Wider reach: sellers are able to transact globally with the help of e-business. This helps sellers to widen their customer base and extract huge returns. Quality products at low cost and customer satisfaction are now considered to be the key goals for sustenance and for obtaining a competitive position in the market.
- d) Improved relationship with suppliers: the application of e-business facilitates good relationship with suppliers through online order procurement, on time delivery of materials and prompt payment mechanisms. Buyers making bulk orders are also offered with discounts from suppliers for making prompt payment which is facilitated by the use of e-business which helps them in reducing the cost of production.
- e) Improved customer service: in this internet era, customers are given more priority than before which leads to increased customer satisfaction and loyalty. Organizations are able to tackle the grievances and complaints of customers more easily in this electronic world. With the spread of e-WOM, customers are given a position to rate and review their views about an organization to the whole world which directly influences the credibility of that organization.

- f) Emergence of new business models: The advancement in information and communication technology led to the emergence of new business models. E-malls or e-market places, group buying, mobile applications, e-tailing etc are some of the business models which emerged as a result of e-business. These models benefits small merchants as well as large multinational companies.
- g) Anywhere business opportunities: the development of e- business led to the elimination of time and space barriers. There are no geographical barriers which hinders the growth and development of organizations. A person with a personal computer and internet facility can start a new business. The difficulties like need for physical stores, the huge cost of investment no longer restrains a person from starting a new business.
- h) E-sourcing resources at comparative advantage: procuring raw materials at best price has been a major problem faced by the manufacturing and trading concerns.
E-business helped by offering a solution to such problems. Organizations can now procure raw materials online through e-procurement platforms which helps in saving time and cost, ensures transparency, tackles the malpractices and also reduces the steps involved in procurement.

FINDINGS AND SUGGESTIONS:

The major findings and suggestions of the study are:

The size of the organization, cost and complexity of implementation of technology, financial position of the firm, availability of skilled man power, availability of internet facility, infrastructure, and government rules and regulations were found to be the important factors affecting the adoption of e-business in an organization. Increase in the quality of products, customer loyalty and retention, profitability of the firm, work efficiency, flexibility, market reach and growth, better communication and coordination within the organization, reduction in the time, operational cost and cost of production, cutting down the cost of conducting meetings, providing opportunity for customization, establishing good rapport with customers and suppliers were found to be the benefits that organizations obtained with the adoption of e-business.

It was found from the study that if the barriers in adoption e-business in an organization was identified correctly and measures to overcome the barriers were provided, e-business reach could be increased further. An important issue to be dealt with was security and trust issues of the parties involved in a transaction. They should be given confidence that there money would not be lost by entering into an electronic transaction. Another important area to be considered was the resistance from employees in adopting e-business. By conducting proper training programmes organizations could gain support from its employees in using e-business. They should be given training and awareness regarding how to use the technology, the benefits that could be reaped by using electronic means, the reduction in their work load through adopting e-business etc. so as to obtain their cooperation. Government support was also a crucial factor in e-business implementation. Government could encourage the growth of e-business by offering incentives, and subsidies for those organizations which perform online transactions. Once if all these factors were taken in to consideration, the benefits of e-business could be exploited to a greater extent.

CONCLUSION:

Dimensions of business has changed with the introduction of e-business. E-business diffuses globally overcoming the barriers in its implementation. Through proper training and support from Government, it paves way for small organizations also to incorporate e-business in their transactions as is done by medium sized and large scale organizations.

It is evident from the study that e-business has positively contributed to the development of any kind of business organization irrespective of its nature. Even though there are certain drawbacks like finance issues, organizational issues, strategy issues, legal issues, technical issues, and security and trust issues, the benefits which reaps from its implementation will outweigh the negatives. Thus this study concludes by stating that, by overcoming the barriers to e-business business organizations can go a long way in maintaining a competitive position in their market through the application of e-business.

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