European Journal of Business & Social Sciences
Available at https://ejbss.org/
ISSN: 2235-767X
Volume 06 Issue 08
August 2018

A Study on The Strategies Adopted by E-Commerce Companies to Make Profit

Dharampal SIngh
Asst. Professor of Commerce
Guru Nanak Khalsa College, Yamuna Nagar (HR)

ABSTRACT

The days of customers relying on physical shops are a distant memory. Recent years have seen the rise of e-commerce, with consumers usually deciding to work with companies that cater to and understand their individual needs. To compete with the seemingly limitless e-commerce choices out there, it's essential to leverage digital marketing to engender customer trust and hang out in a sea of copycats.

With all the information e-commerce companies currently have available to them, online businesses have a commitment to make every interaction between organization and customer as intuitive and torment free as could be expected under the circumstances. Optimization through data affects every aspect of an e-commerce business, so from products to prices, everything on your website ought to be as powerful as possible to ensure *customers are receiving an experience tailored to their individual needs. The current paper highlights the strategies adopted by e-commerce companies to make profit.*

KEYWORDS:

Strategies, E-Commerce, Companies, Profit

INTRODUCTION

Amazon is the e-commerce titan the industry has been sitting tight for. Net sales have been ascending since 2014. In 2016, Amazon grabbed 70% of the all out sales, and service sales have just been developing since then. For every one of those wondering is e-commerce profitable, the answer lies in Amazon's undeniable success, to such an extent as that the "Amazon Effect" has even entered the lexicon of industry experts.

In terms of operating income, development has been driven by high edges from service sales. Revenue sources, AWS services and Amazon Prime memberships have been increasing at phenomenal rates, as well.

A revenue generation model is a basic component of the e-commerce business plan. Anyone hoping to understand how to begin a successful e-commerce business needs to understand that making money is the key to flourishing and not just enduring. The e-commerce business model opens value and is the key driver of value. It makes all the difference between a unicorn and a failed start up. Scaling as much as a billion dollar value is a dream come true for some e-commerce businesses. For understanding how to do e-commerce businesses make money, business models offer further lucidity.

Whether it's through commissions, asset sales, membership plans, promotions, usage fees, licensing and rent or lease, getting into the unicorn circle isn't just about after a model. E-commerce businesses like Amazon don't tail one model. They follow numerous in a half and half manner, opening value in the long haul. Here's what drives e-commerce money-making ventures:

#1 Fixed Memberships

Registered sellers can have products on the e-commerce stage for a fixed rate of membership. Fixed shutting fees may likewise be charged by the e-commerce organization.

#2 Commissions

Based on the product category, the organization charges registered sellers certain percentage commission based on the value of the product sold. This commission generally ranges from 5 to 20%.

#3 Logistics

Logistics and transportation are expansion sources of revenue for e-commerce companies. The e-commerce brands like Flip Kart, Amazon, Snap Deal, Myntra or even Jabong earn delivery and transportation fees.

#4 Deep Limiting

Justification for deep limiting of products for online retailers is that limits are being offered, thusly, by the registered seller. The benefits of deep limiting benefit every e-commerce business from Flip Kart and Amazon to Snap Deal and Myntra. The e-commerce brands come equipped with bleeding edge examination capabilities and dedicated resources at contrasting costs of products across stores and websites. Based on the price-linked research, registered sellers would then be able to peg their price. Further, sellers get compensated for limits offered by online retailers, leading to a success win outcome, besides a level playing field for even the smallest e-commerce seller.

Online shopping remains at the core of successful e-commerce businesses, which essentially focus on purchasing and selling of merchandise or services online. Given that e-commerce is the fastest developing retail market, estimated to reach USD 4 trillion in sales by 2020, the question "is e-commerce profitable?" is just an empty one!

#5 Finding the Right Niche

Before they manufacture their online stores, these e-commerce businesses focus on what to sell and how to source it. Finding a successful niche is the key to mastering the markets. Keeping a finger on the social media pulse can likewise make sure your e-commerce business is heads and shoulders above competitors. Suggested products, reviews and YouTube videos can prove to be valuable for researching which niches to concentrate on.

#6 Tapping Social Media

Once the store is ready for action, all you need to know is spread the word. For this, social media remains a powerful marketing apparatus. Leading e-commerce brands like Amazon and even niche sellers have their own Facebook business page. Capitalizing on Instagram Influencers is another key to successful e-commerce development.

#7 Targeting the Right Audience

Leading e-commerce retailers target the right customers. For example, if the e-commerce business is selling fitness watches, the focus is on active people who visit the exercise center regularly. On the off chance that diet recipes are being sold, your target is those attempting to lose weight.

#8 Reinvesting Profits

As the business scales and demand develops, reinvesting profits makes sense. After all, e-commerce businesses will possibly sustain the development momentum on the off chance that they set money back into the business to cater to a new inundation of customers.

#9 Using Marketing Collateral To Drive Traffic

The hardest piece of an e-commerce business is the generation of traffic, whereby most online retailers rely on exceptional marketing collateral to slice through the noise and fabricate a powerful voice and brand narrative that resonated with customers. An effective inbound marketing effort drives development. Content marketing by these e-commerce monsters focuses on the customer research journey and addresses the client's torment focuses.

#10 Set Up Targeted Promotions

Another way e-commerce businesses make money imperative to their long haul development is through targeted advertisements that focus on customers and profitable niches right from the beginning. Using product specific promotions has helped e-commerce companies to develop. Re-marketing advertisements have additionally served as impetuses for the development momentum.

#11 Using Multichannel Product Distribution Methods

E-commerce businesses need to be in more than one area online to propel development. Becoming the e-commerce business commences with diversification, backed by clear channels of distribution is the key. Whether it's Amazon, or eBay, Walmart, Rakuten among others, companies that focus on streamlining and posting products on multiple channels win surely. They additionally have registered trademarks and guarantee when products are sold through authorized re sellers.

Clear distribution agreements additionally are in place with retailers and wholesalers regarding what they can and can't sell including quality control, measures and against diversion. This remains an awesome strategy for becoming your e-commerce image.

12 Automate Processes

The more e-commerce processes are automated, the faster and easier it is to develop for the business. Setting up systems can be time devouring, yet it's well worth the effort. From order fulfillment to bookkeeping and marketing, mechanization can make a huge difference to efficiency, main concerns and net revenues for any e-commerce start up.

For instance, sales data are automated from the e-commerce truck onto bookkeeping software. Email subsequent meet-ups are likewise automated based on customer behavior and profiles. The more automated processes and systems are, the more e-commerce entrepreneurs can focus on high value development activities for their business.

#13 Invest in Search Marketing

Natural reach in any case, stages like Amazon rank products too. So online retailers need to be clear on search marketing strategies relating to the store and industry keywords. Software devices, case studies, reports, metrics and data are equally essential.

STRATEGIES ADOPTED BY E-COMMERCE COMPANIES TO MAKE PROFIT

Case Study 1: Flip Kart

B2C e-commerce organization Flip Kart offers sale of products through multiple channels, for example, websites, apps(mobile and web), tele sales, affiliate networks and social purchasing. Percentage commission depends on product and sale type. It can range across 5–20% depending on taxes and limits too. Flip Kart is a Singapore registered organization with Indian subsidiaries to do diversification and De risk the revenue model from competitors. The web entryway is the prime source of income. There are posting fees and convenience fees levied alongside just as transportation and delivery charges.

Flipkart operates its own payment gateway, logistics, digital media and wholesale division. It additionally competes in the design category through companies like Myntra. Phone Pe is its mobile payment interface which directly competes with Paytm and other mobile payment applications.

Flipkart like wise sells co-branded banner opportunities on its home page, besides targeted search results and physical products on an online stage, deriving advertisement revenue from this. Flipkart's enormous user base, day by day visits, page views offer incredible returns. A case in point is Flipkart's partnership with Xiaomi in India.

Case Study 2: Amazon

Driven by Jeff Bezos' vision, a customer-centered focus is the defining strength and USP of Amazon. Amazon identifies solid trends to embrace these. Consider its focus on artificial intelligence and machine learning to accelerate business development. As per Comparative Web estimates, Amazon notches 2.7 billion visits per day in the US alone. On an average, people spend more than 6 minutes on the site and glance through upwards of 9 pages to purchase what they need! Amazon is the fourth most well known e-commerce site in the United States.

The focus for Amazon is on selection, price, convenience, and by extension customers. The website is designed to permit easy access.

Amazon is additionally a manufacturer as an afterthought, selling electronic devices like Kindle e-readers and Fire tablets. Deep limits, free transporting courtesy Amazon Prime and a large group of customer-focused initiatives make Amazon an exceptional e-commerce player.

It likewise offers programs that enable sellers to develop their business, sell products on their sites and their branded websites and satisfy orders through Amazon. For its seller programs, Amazon earns fixed percentage fees among other types of compensation.

Amazon additionally serves developers and enterprises of different sizes through its AWS or warehousing system. Expansive set of worldwide compute, storage, database and service offerings are available.

Through its Distributing service, the e-commerce business model it follows lets writers and publishers choose a 70% eminence choice and make books available through Kindle and Amazon Distributing. Application developers, musicians, filmmakers further distribute and sell content on Amazon.

In a nutshell, Amazon attempts to generate value for several stakeholders.

How Does Amazon make Money?

Amazon makes the greater part of its revenue from product sales. Products have significant expenses, so edges Amazon makes on them are slight. Their operating income is powered by services like AWS, Amazon Prime and seller services. Amazon's business model derives its profits from Amazon Advertising, Amazon Prime, Amazon AWS which run with higher edges. The online stores are an establishment for further development.

Amazon collects payments from customers quick, then paying vendors with longer payment terms. The momentary liquidity is used by the e-commerce Goliath to invest back to speed up its development. Through this, Amazon has become a disruptive force, offering nimbleness for the entire industry.

Amazon has doubled advertisement revenues from the initial 9 months of 2017 as against 2018. Revenues went up from USD 2.92 billion out of 2017 to USD 6.72 billion out of 2018. Compared to Facebook's USD 38.37 billion and Google's more impressive USD 83.68 billion, Amazon is as yet an emerging player. In any case, given that it maintains a diversified e-commerce business, with several revenue streams, Amazon has donned numerous symbols. It's mantra for success is its advertisement business which netted USD 6 billion in revenue in the initial few months of 2018 alone, besides its impressive infrastructure. Amazon Prime remains a powerful business impetus as does Amazon AWS, the latter being worth USD 17 billion of every 2017.

CONCLUSION

Affiliate links, online ads and Sponsorship can bring in revenue. But building an entire business with diverse sources of revenue in the e-commerce industry requires innovation. E-commerce is a common business model for online retailers and companies to make money. As long as margins are managed and processes are scaled up, these businesses thrive and flourish.

Jeff Bezos, who founded Amazon, is quoted as saying his online behemoth strives to be "an e-commerce destination where customers can find and discover anything." At a larger scale, technology is the answer as margins will grow, when e-commerce prices come down, instead of shooting up. Companies that scale besides offering deep discounts in the long run are succeeding in the e-commerce industry.

REFERENCES

- Benjamin, R. I., and Wigand, R. T. 2015. Electronic markets and virtual value chains on the Information Superhighway. Sloan Manage. Rev.,winter:62±72.

- Ciborra, C. U. 2013. Teams, markets and systems: Business innovation and information technology. Cambridge, England: Cambridge University Press.
- Ciborra, C. U. 2014. The grassroots of IT and strategy. In Strategic information systems: A European perspective,eds. C. U. Ciborra and T. Jelassi, pp. 3±24.
- Chichester, England: Wiley & Sons. Coase, R. H. 2017. The nature of the firm. Economica 4:386±405.
- Dittlea, S. 2016. Interactive Illusion. Upside March:56±68.
- Jarillo, J. C. 2015. On strategic networks. Strategic Manage. J. 9:90±143.
- Malone, T., Yates, J., and Benjamin, R. 2017. Electronic markets and electronic hierarchies. Commun. ACM 6:485±497.
- Malone, T., Yates, J., and Benjamin, R. 2016. The logic of electronic markets. Harvard Business Rev. 3:166±172.
- Ohmae, K. 2014. The borderless world.New York: Harper. Ohmae, K. 1995. The end of the nation stateÐ The rise of regional economics: How new engines of prosperity are reshaping global markets. New York: Free Press.

European Journal of Business & Social Sciences
Available at https://ejbss.org/
ISSN: 2235-767X
Volume 06 Issue 08
August 2018

- Picot, A. 2016. Transaktionskostenansatz in der Organisationstheorie: Stand der Diskussion und Aussagewert. Betriebswirtschaft 2:267±284.