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E-commerce platforms contribution to operational cost reduction

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Abstract

E-commerce has become a major force behind corporate change in the current era of globalisation and technology. Businesses may now function more effectively, reach a worldwide audience, and drastically cut operating expenses thanks to the use of technology into commerce. E-commerce reduces needless costs while raising consumer happiness through the use of online platforms, automation, digital marketing, and sophisticated analytics. This study examines how e-commerce might lower operating expenses for businesses, with a particular emphasis on the Indian market and its expansion between 2020 and 2025. It examines how organizations' cost structures are evolving as a result of government efforts, technology technologies, and shifting customer behaviour. Additionally, the study presents statistical analysis backed by graphs and charts, trends in the e-commerce sector, and useful recommendations for businesses looking to improve their digital operations.

Keywords: E-commerce, operational cost, digital marketing, business efficiency, supplychain, online business

Introduction

The practice of purchasing and selling products or services online is known as electronic commerce, or e-commerce. Without depending on physical locations, it allows businesses to manage client connections, make transactions, and optimise supply chains. E-commerce has completely changed how firms run over the last 20 years by providing new chances for expansion, convenience, and cost savings. E-commerce can take many different forms: Business-to-business (B2B) transactions provide vital connections in supply chains and stimulate economic activity when one company supplies another with goods, services, or raw materials. Businesses that employ the B2C (business to consumer) business model sell goods or services directly to consumers for their own consumption. C2C (Consumer to Consumer): These platforms facilitate peer-to-peer trading by bringing together consumers and sellers without the company serving as the direct seller. This allows users to exchange homemade goods, secondhand goods, or even freelancing services. Bypassing conventional middlemen like Facebook Marketplace or Etsy, the P2P (Peer to Peer) e-commerce model links customers directly to sell or exchange goods or services on a digital platform. This creates a decentralized, community-driven marketplace where users are both buyers and sellers, benefiting from direct interaction, lower costs, and wider reach.

E-commerce was formerly only found in industrialised nations, but it is now a crucial component of India's economy. This rise has been greatly aided by the growing use of the internet, reasonably priced cellphones, and safe payment channels. Many of the expense layers of traditional commerce-such as middlemen, physical infrastructure, and labor-are eliminated by e-commerce. Businesses may communicate directly with customers using digital marketing and automated systems, which lowers advertising, logistical, and customer support costs.

The efficiency of e-commerce has been further improved by the quick growth of cloud computing, data analytics, and artificial intelligence (AI). Predictive analytics is being used by businesses to manage inventory, estimate demand, and provide customized customer experiences, all of which help to reduce operating costs.

Objectives of the study

- To compare the operational cost of traditional business and e-commerce model.

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- To examine the cost reduction performance of different e-commerce platforms.
- To evaluate which e-commerce companies contribute the most of overall cost reduction efficiency in the industry.

Review of literature

According to KPMG (2023), businesses who used e-commerce platforms saw a 25-35% decrease in operating costs, mostly in the areas of logistics, personnel, and shop upkeep. Additionally, it discovered that cloud-based inventory solutions reduced stock management expenses by forty percent. Compared to companies that relied on traditional retail operations, Deloitte (2022) ^[5] found that companies employing online technologies for sales and customer service saved about ₹2-3 lakh per month. It came to the conclusion that data analytics and automation directly enhance cost control.

70% of international merchants reported decreased operating expenses after converting to e-commerce models, according to Statista (2024) ^[9]. Due to their avoidance of paper-based invoicing systems and physical shop expenditures, small and medium-sized businesses (SMEs) were able to save the most.

Digital marketplaces like Amazon, Flipkart, and Alibaba have developed sophisticated logistics networks that lower delivery costs by up to 30% through real-time tracking and route optimisation, according to the World Economic Forum (2023). In an early study on MSMEs, Danabakyam & Kurian (2012) ^[4] discovered that, despite having low funding, companies that used e-commerce were able to increase consumer reach and improve cost effectiveness.

According to E&Y (Ernst & Young, 2022) ^[6], digital marketing is 60% less expensive than traditional print or television ads, and online campaigns are more economical since they yield quantifiable outcomes.

According to Jawad and Mohammed (2024) ^[11], businesses used e-commerce tactics to successfully cut advertising

costs, including wages, bonuses, and training expenditures. Nevertheless, a lot of businesses were unable to take advantage of other chances to reduce expenditures related to travel, inventory control, and research. According to Patil *et al.* (2023) ^[2], e-commerce has increased trade, making all transactions cashless and paperless, and consumers prefer to make purchases online. Additionally, e-commerce has demonstrated how swiftly products and services may be sent across international borders.

Research Methodology

The present study is based on secondary data collected from journals, research articles, online reports, and government publications from 2020 to 2025. Reliable databases such as KPMG, PwC, and World Bank reports were referred to for understanding the overall development and cost-reduction trends in e-commerce.

The present study is descriptive and analytical in nature. Data were gathered from published literature, websites, newspapers, and online databases. Basic percentage analysis and trend observation have been applied. Graphical representation has been used for better understanding of data. The E-Commerce study focuses mainly on the Indian market, emphasizing operational cost reduction and technological trends.

Discussion

E-commerce has completely changed how businesses manage their day-to-day operations. Earlier, traditional businesses had to spend a large amount of money on store rent, manpower, advertising, and supply chain management. With the introduction of digital platforms, automation tools, and online payment systems, operational costs have dropped significantly. This section discusses the major areas where E-Commerce reduces operational costs, supported by real data (2021-2024) from top e-commerce companies like Amazon, Flipkart, Alibaba, eBay, and Meesho. This fact can be better understood by the following data

Table 1: Operational Cost Comparison (Traditional vs E-Commerce)

Operational Area	Traditional Cost(₹/month)	E-Commerce Cost(₹/month)	Cost Reduction (%)
Store Rent	₹5,00,000	₹50,000	90% ↓
Manpower (Sales Staff)	₹3,00,000	₹1,00,000	67% ↓
Marketing & Advertising	₹4,00,000	₹1,50,000	63% ↓
logistics & Supply Chain	₹5,00,000	₹3,00,000	40% ↓
Inventory Handling	₹2,50,000	₹1,20,000	52% ↓

Source: KPMG 2023

Table 1 makes it evident how traditional and e-commerce platform costs differ for certain operational expenses. A significant portion of sellers' operational expenses are

covered by these expenses. When compared to traditional selling methods, the usage of e-commerce platforms may lower most expenditures by over 50%.

Table 2: Cost Reduction Percentage by Major E- Commerce Platforms (2023)

E-Commerce Platform	Cost Reduction (%)
Amazon	28
Flipkart	24
eBay	21
Meesho	30
Alibaba	32

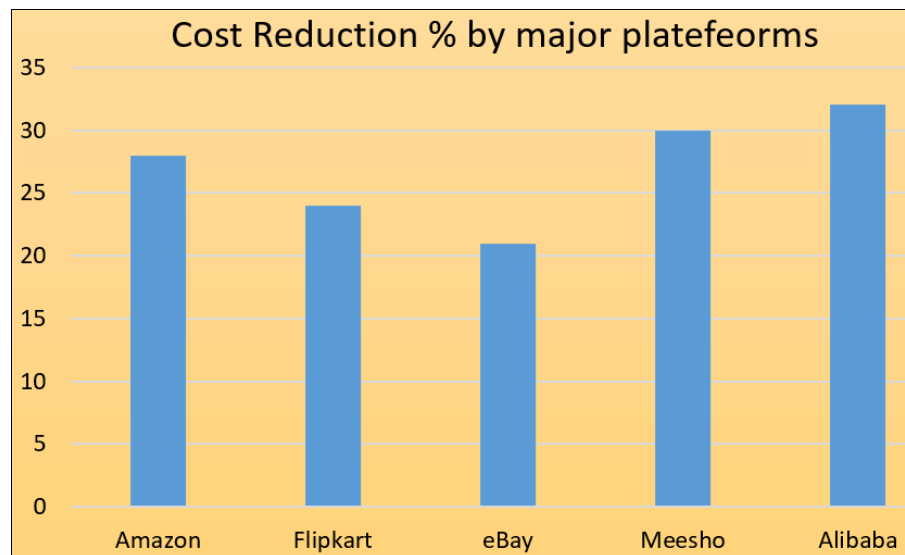


Fig 1: Chart showing Cost Reduction Percentage by Major E- Commerce Platforms

From this chart, Alibaba has the highest operational cost reduction (32%) due to large-scale automation and data analytics. Meesho (30%) comes next because it operates without physical stores and uses low-cost digital marketing. Amazon (28%) and Flipkart (24%) show strong results through warehouse automation and AI. eBay (21%) achieved the least reduction because it operates globally and faces higher shipping expenses. Thus it can be concluded that E-commerce plays a vital role in reducing operational costs and increasing profitability. Businesses save money through online operations, automation, and better inventory management. The trend shows that even small and medium businesses benefit from digital platforms.

Conclusion

Online grocery buying surged by more than 100% during the US crisis, and online sales rose by 25% recently (Song & Zhouying, 2019) ^[12]. Global retail website traffic reached 14.3 billion visits in March 2020 (Clement, J., 2020) ^[13], indicating an unparalleled rise in e-commerce throughout the 2020 period. In the meanwhile, up to 29% of customers questioned said they would never buy in person again; in the UK, 43% of consumers say they anticipate continuing to shop in the same manner even after the lockdown ends (Kuhuk & Jane, 2020) ^[14]. The expenses incurred in carrying out a single operation are known as the cost of operation. It might involve labour expenses, the transformation of inputs into outputs, etc. Low operating costs make it simple to keep cost leadership and obtain a competitive edge in the market. E-commerce companies have shown to be quite successful when compared to physical merchants. However, the capacity to control expenses is critical to the success of E-Commerce businesses. Expenses have the potential to reduce earnings and ultimately make a business unprofitable. Lower E-Commerce expenses are advantageous to the company because they allow it to continue operating as a robust, self-regulating, and expanding enterprise without having to worry about losing clients to rivals or having to close due to unforeseen events.

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