

ROLE OF E-COMMERCE IN REDUCING OPERATIONAL COST

Submitted in partial fulfillment of the requirement for the reward of

Bachelor Of commerce

By

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DEPARTMENT OF BACHELOR OF COMMERCE

SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE

Jeppiaar Nagar, RAJIV GANDHI SALAI, CHENNAI – 600 119

May 2021



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of SANJAY K (39740205) who has done the Project work entitled “**Role of E-commerce in reducing Operational costs**” under my supervision from December 2020 to February 2021.

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Submitted for Viva-voce Examination held on _____

Internal Examiner

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DECLARATION

Sanjay. K (39740205). Hereby declare that the Project report entitled “**A Role of E-Commerce in reducing Operational Cost**” was done by me under the guidance of Dr. JOHNPAUL. M, MBA, MHRM, M.PHIL, TN-SET, Ph.D. School of Business Administration is submitted in partial fulfillment of the requirements for a Bachelor of Commerce degree award.

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CHAPTER NO	TITLE	PAGE NO
	TABLE OF CONTENT	
	LIST OF TABLE	
	LIST OF CHARTS	x
	ABSTRACT	VII
1.	INTRODUCTION	
	1.1 Introduction	1
	1.2 Statement of a study	1
	1.3 Objectives of the study	2
	1.4 Need for the study	2
	1.5 Scope of the study	2
2.	REVIEW OF LITERATURE	3
3.	RESEARCH METHODOLOGY	4
	3.1 Research Methodology	4
	3.2 Research Process	4
	3.3 Type of Research	4
	3.4 Data collection	5
	3.5 Questionnaire Preparation	5

	3.6 piolet study	5
	3.7 Sample size	6
	3.8 Period of study	6
	3.9Analyticaltoo	6
4.	DATA ANALYSIS AND INTERPRETATION	
	4.1 percentage analysis	7
5.	FINDINGS, SUGGESTIONS, AND CONCLUSION	
	5.1Findingsofthestudy	
	5.2Suggestions	
	5.3Conclusions	
	REFERENCES	
	APPENDIX-I(Questionnaire)	

ABSTRACT

E-Commerce is the process of conducting business electronically among various entities to Original objectives. A key ingredient of E-Commerce, sometimes referred to as electronic trading, is the advertisement and procurement of goods and services over the Internet (Rhodes & Carter, 1998). The success and volume of E-Commerce on the web have been widely reported. With success in establishing an environment in which E-Commerce can grow and flourish, every computer can become a window open to every business, large and small, around the globe. Internet-based E-Commerce has been embraced as a means of reducing operational costs and as a high potential means of generating revenue. Hence this study proves the role of e-commerce in reducing operational costs.

LIST OF TABLES

TABLENNO	PARTICULARS	PAGENO
4.1	Age of respondent	7
4.2	Gender of respondent	8
4.3	Education qualification	9
4.4	Where are you working	11
4.5	Is your Organization/Institution/Shops use E-Commerce	12
4.6	Is E-Commerce reduces Operational costs	13
4.7	Do you measure the effectiveness of E-Commerce	14
4.8	What is the role of E-commerce in reducing operational costs in an organization	15
4.9	Is E-commerce giving more profit by reducing operational costs	16
4.10	At what percent does the profit increase by reducing operational costs	17
4.11	List out the operational costs reduces by E-Commerce	18

CHAPTER-1

1.1 INTRODUCTION

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.

E-COMMERCE:

E-Commerce is the process of conducting business electronically among various entities in order to satisfy an organizational or individual objective. A key ingredient of E-Commerce, sometimes referred to as electronic trading, is the advertisement and procurement of goods and services over the Internet (Rhodes & Carter, 1998). The success and volume of E-Commerce on the web has been widely reported. With success in establishing an environment in which E-Commerce can grow and flourish, every computer can become a window open to every business, large and small, around the globe.

- E-commerce (electronic commerce) is the activity of electronically buying or selling of products on online services or over the Internet.
- Online shopping for retail sales direct to consumers via web sites and mobile apps, and conversational commerce via live chat, chat bots, and voice assistants.
- E-commerce is in turn by the technological advances of the semiconductor industry, and is the largest sector of the electronics industry.

OPERATIONAL COST:

- Operating costs are associated with the maintenance and administration of a business on a day-to-day basis. Operating costs include direct costs of goods and other operating expense often called selling, general, and administrative which include rent, payroll, and other overhead costs, as well as raw materials and maintenance expenses.
- Operating costs are the ongoing expenses incurred from the normal day-to-day of running a business or foreign currency translation.
- Operating costs exclude non-operating expenses related to financing, such as interest, investment
- Operating costs include both costs of goods sold (COGS) and other operating expenses often called selling, general, and administrative (SG&A) expenses.
- Types of Operating Costs while operating costs generally do not include capital outlays, they can include many components of operating expenses, such as: Accounting and legal fees bank charges sales and marketing costs travel expenses.
- Entertainment costs non capitalized research and development expenses office supply costs and maintenance costs utility expenses salary and wage expenses Operant repeating costs will also include the cost of goods sold, which are the expenses directly tied to the production of goods and services.
- Some of the costs include Direct material costs Direct labor rent of the plant or production facility.
- Benefits and wages for the production workers repair costs of equipment Utility costs and taxes of the production facilities business's operating costs are comprised of two components, fixed costs and variable costs, which differ in important ways.

The electronic medium we call the Internet has the potential to reduce actual transaction time, processing time, and operational cost dramatically, while at the same

time making information available globally. Internet-based E-Commerce has been embraced to reduce operational costs and as a high potential means of generating revenue (Levis, 1996). The ubiquity of the web and the availability of browsers across different platforms provide a common base upon which E-Commerce applications can be built, especially in the enterprise. This common platform has reduced operational costs.

1.2 STATEMENT OF THE PROBLEM

Electronic commerce is a popular topic in business management, mass media, and informatics circles. Perhaps its impact is most visible in the areas of financial services and retail. Many E-Commerce initiatives have risen in a short period of time. Those initiatives include innovative smart cards to facilitate E-Commerce, remote payments, and electronic checking, online trading of stocks, bonds, and related financial instruments, online banking, and online retailing (e-tailing). However, its effect on the reduction of operational cost of an organization has been examined in a number of ways comparatively to brick and mortar organizations for instance the money received for every transaction will pay for the item; it will also contribute to the salesperson's salary, credit card fees, the lease on storefront, electricity, telephone, heating/cooling, taxes, displays, repairs, and maintenance to the building. However, the money received for an E-Commerce transaction pays for the item, web hosting, shopping cart software, distribution, and little else. The cost overall of maintaining a virtual store is far less than that of a brick and mortar store.

Furthermore, when offline stores calculate operational costs, they have to factor in countless business expenditures along with the actual number of transactions. When there are fewer transactions, the cost of per transaction is higher. On the flipside, transactions arriving in high quantity can overwhelm the personnel and distributors. In an E-Commerce business, the operational cost is the same across the board, whether one order or thousands come in.

1.3 OBJECTIVES OF THE STUDY

- ❖ The following are the objectives of this study:
- ❖ To examine the role of E-commerce in reducing operational costs in the business.
- ❖ To check whether E-Business can help manage operating costs in many areas, thereby reducing the cost of individual transactions.
- ❖ To evaluate how e-commerce aids the reduction of functional costs by making a comparative analysis.
- ❖ This study will cover the benefits of E-commerce with a special focus on its influence as regards operational cost reduction in business.

1.4 NEED FOR THE STUDY

- The outcome of this study will educate business people and the general public on the role of E-commerce in reducing operational costs.
- This study also to know the differences in operating costs in Offline vs online businesses.

1.5 SCOPE OF THE STUDY

- ❖ This study will cover the benefits of E-commerce with a special focus on its influence as regards operational cost reduction in business organizations.
- ❖ 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.
- ❖ An 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.
- ❖ E-Business can help manage operating costs in many areas, thereby reducing the cost of individual transactions

CHAPTER-2

2.1 REVIEW OF LITERATURE

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ed. ,prentice- hall International, Inc. ,1994.

Dhillon, B.S, Engineering and Technology Management tools and Application, Artech House, 2002.

CHAPTER-3

3.1 RESEARCH METHODOLOGY:

Research is the process of the Role of E-Commerce in reducing operational costs, subject or any area of investing action backed by collection, compilation, presentation, and interpretation of relevant data in detail.

3.2 RESEARCH PROCESS:

- In the research process, the first and foremost step is defining and selecting are search problem.
- A Researcher should first find the problem.
- Then he should formulate it so that it becomes susceptible to research.
- For a systematic presentation, the process of research may be classified under three stages-primary stages, the secondary stage, and the tertiary stage.

The primary stage of data collection	The secondary stage of data collection
 Observation	 Project planning
 Interest	 Data collection
 Formulating research problems	 Questionnaire preparation
 Documentation	 Analysis of data
 Research designs	 Testing of hypothesis, Interpretation, Questionnaire preparation.

3.3 TYPE OF RESEARCH:

DESCRIPTIVE RESEARCH:

Descriptive research has been used, it involves survey and fact-finding inquiries of different kinds, the purpose of descriptive research is the descriptive the stage of affairs, as it exists at present.

PROJECT PLANNING:

Project planning is the first step in actually conducting & direct Research projects. It is one of the most important tasks of a researcher. This includes the formulation of the researcher's objectives & goals and determining ways of achieving them.

3.3 DATA COLLECTION:

Data collection is one of the most important aspects of research. The information research methodology must be accurate and relevant, The data collection method can be classified into two methods.

PRIMARY DATA:

The questionnaire method has been used as a tool for data collection in this research.

SECONDARY DATA:

Secondary data means data that are already available i.e., they refer to data that has already been collected and analyzed by someone else. The secondary data for the study was collected from the google scholar websites and magazines.

3.5 QUESTIONNAIRE PREPARATION:

The basic requirement of any research study is the appropriate data that can be collected with the help of a schedule or questionnaire. With the help of a questionnaire, it is easy to determine the involvement level of so many employees in the organization.

3.6 PIOLET SURVEY:

Before collecting the relevant data to test the hypothesis, it is essential to ascertain the applicability of the instrument to the population being studied. Hence, a pilot study was undertaken with an objective to evaluate the tools prepared for the study and to find whether they are providing the information required.

3.7 SAMPLE SIZE:

The sample size for this survey is 75.

3.8 PERIOD OF STUDY

The period of study is from December to March which is four months of study.

3.9 ANALYTICAL TOOL

CHI-SQUARE

A Chi-square statistic is one way to show a relationship between two categorical variables. In statistics, there are two types of variables: numerical (countable) variables and non-numerical (categorical) variables.

CHAPTER-4

DATA ANALYSIS AND INTERPRETATION

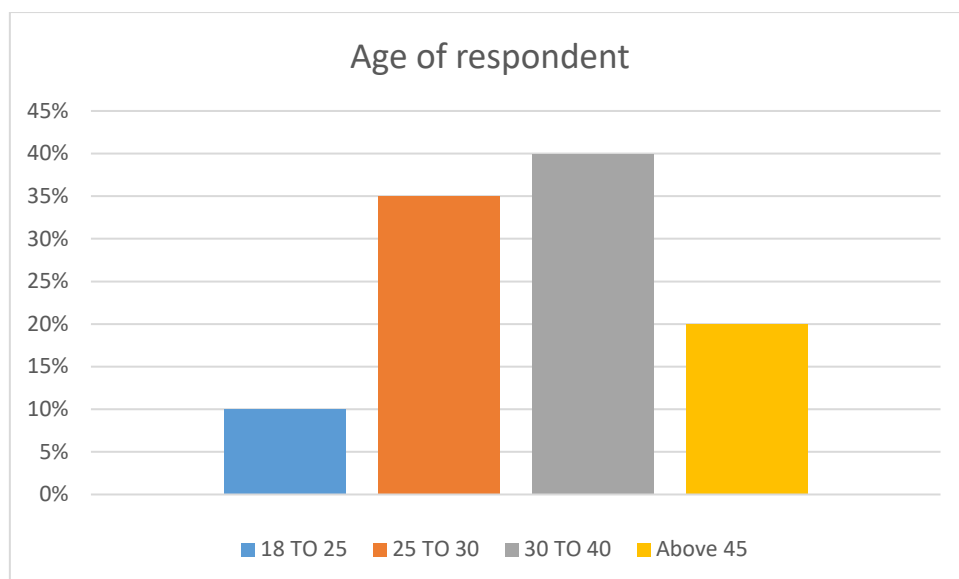
The following consist of the data analysis and interpretation of my questionnaire

PERCENTAGE ANALYSIS

Survey analysis of data

4.1 Age of respondent

AGE	PERCENTAGE OF RESPONDENTS
18 TO 25	10%
25 TO 30	35%
30 TO 40	40%
Above 45	20%

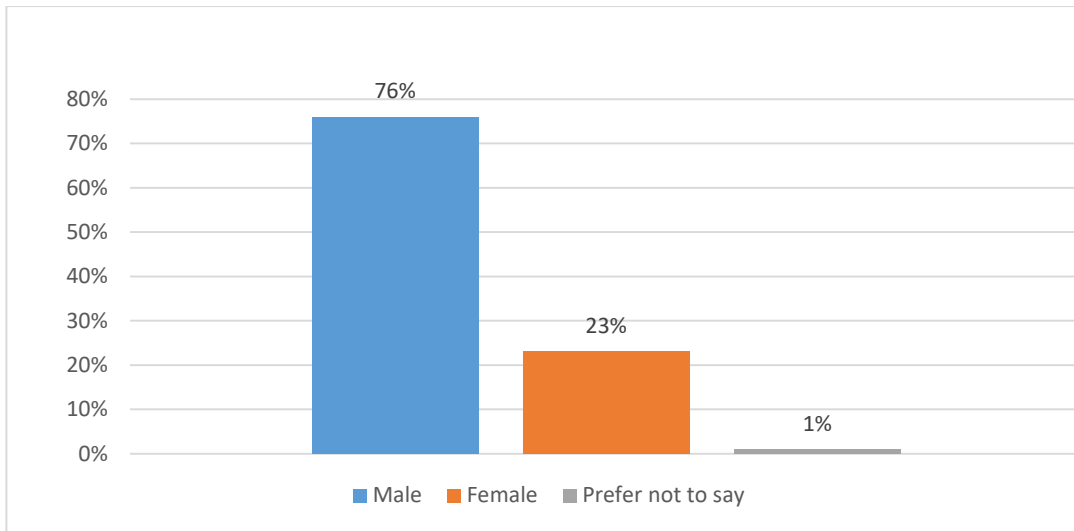


INTERPRETATION:

From the above table interpreted that 10% of respondents are in the age group between 18 to 25. 35% are between 25-30 age, 40% are between 30-40 and above, majority of 20% of respondents are between the age of above 45.

4.2 Gender of respondents:

Male	76%
Female	23%
Prefer not to say	1%

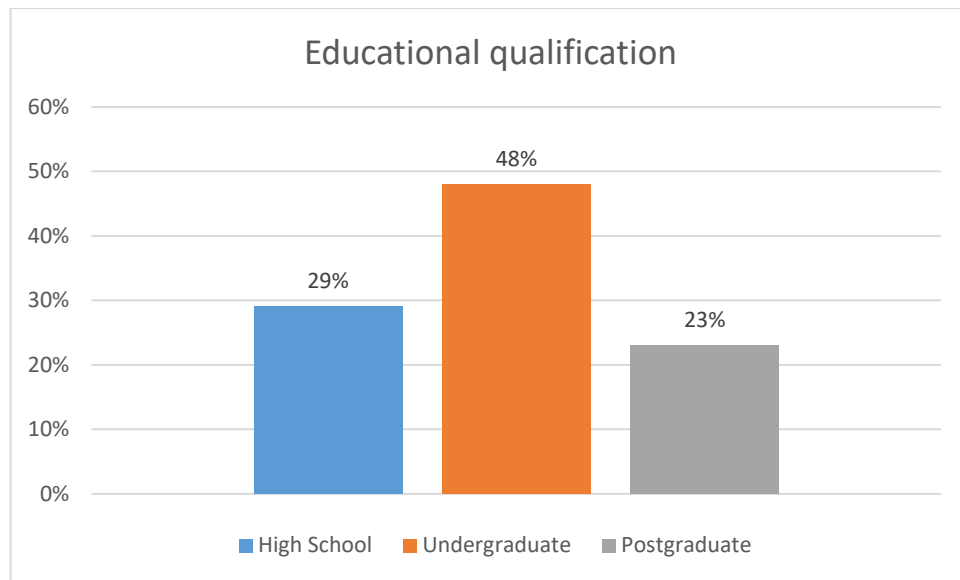


INTERPRETATION:

The above table is interpreted that 76% of respondents are male 23% of respondents are female and 1% of people preferred to not say their gender.

4.3 Educational qualification

Educational qualification	PERCENTAGE OF RESPONDENTS
High School	29%
Undergraduate	48%
Postgraduate	23%



INTERPRETATION:

The above table interpreted that 29% of respondents are in high school, 48% of respondents are undergraduates and 23% of respondents are postgraduates. The majority 48% of respondents are undergraduates.

4.4 Are you working in an:

Organizations	23%
Institutions	18%
Shops	50%
Others	9%

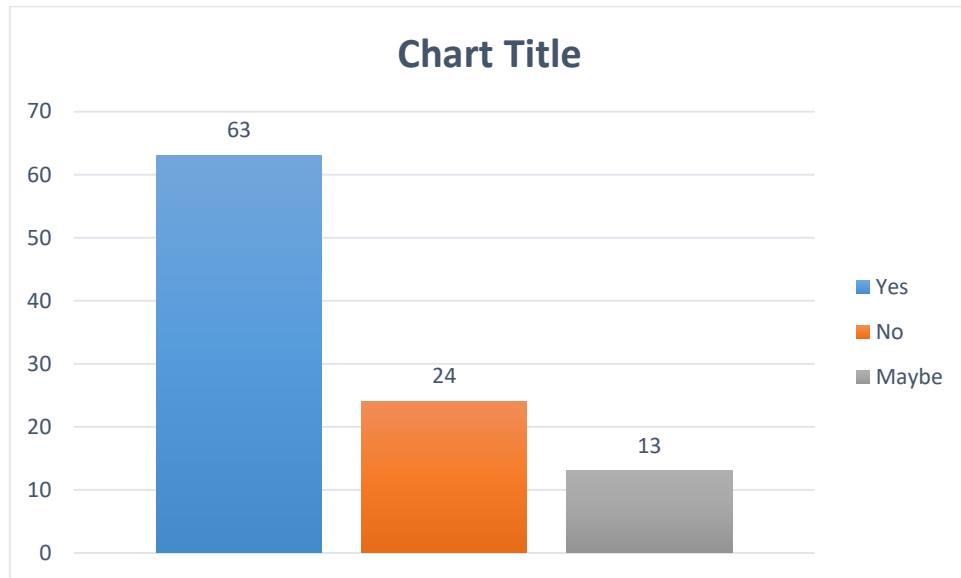


INTERPRETATION:

The above table interpreted that 23% of respondents are working in an organization, 18% of respondents are working in an Institution 50% of respondents are working in Shops, and 9% of respondents selected others. The majority of 50% of respondents are working in shops.

4.5 Is your Organization/Institution/Shops use E-Commerce:

Yes	63
No	24
Maybe	13

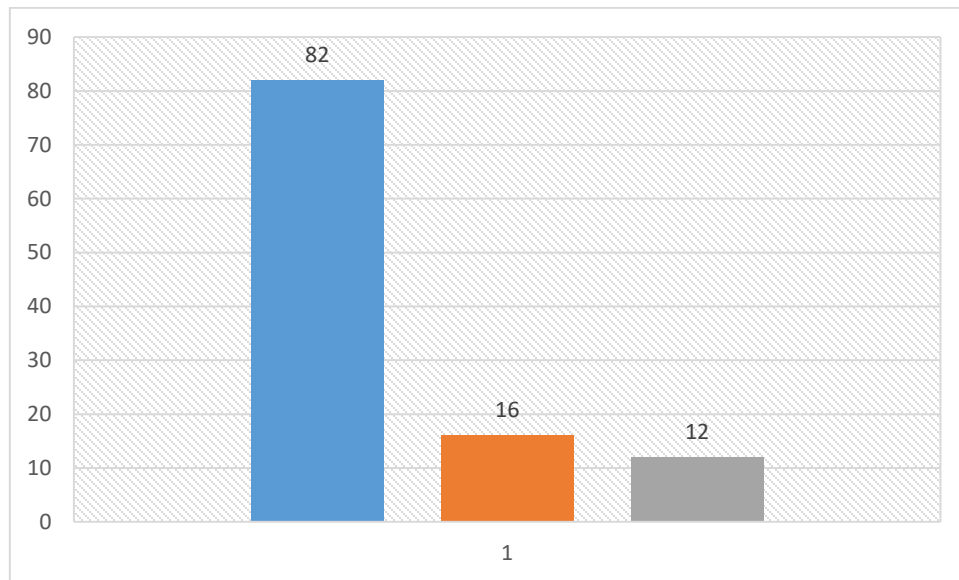


INTERPRETATION:

The above table interpreted that 63% of respondents said Yes, 24% of respondents said No and 13% of respondents said Maybe. The majority 63% of respondents are Yes

4.6 Is E-Commerce reduces Operational costs:

Yes	82
No	16
Maybe	12

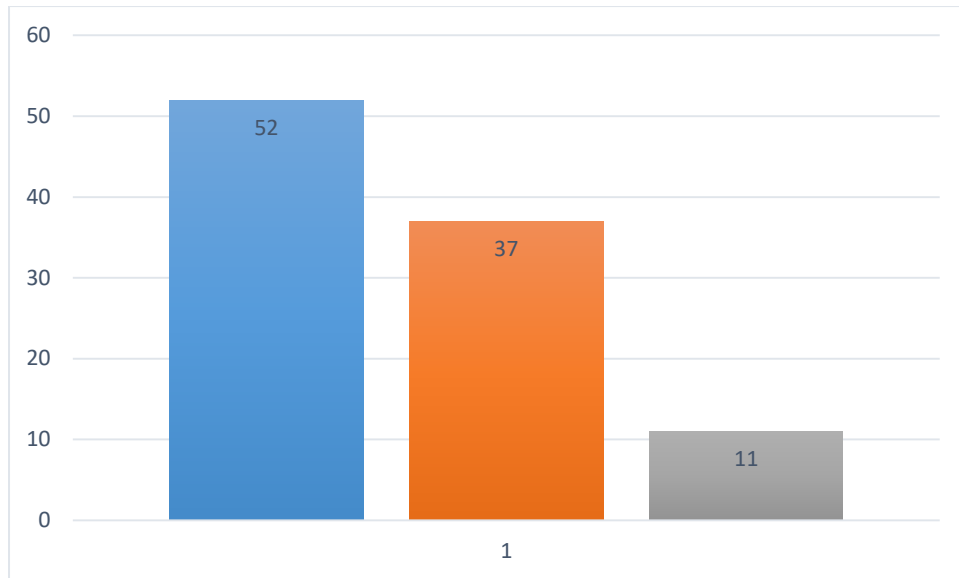


INTERPRETATION:

The above table interpreted that 82% of respondents said Yes, 16% of respondents said No and 2% of respondents said Maybe. The majority 82% of respondents are Yes.

4.7 Do you measure the effectiveness of E-Commerce:

Yes	52
No	37
Maybe	11

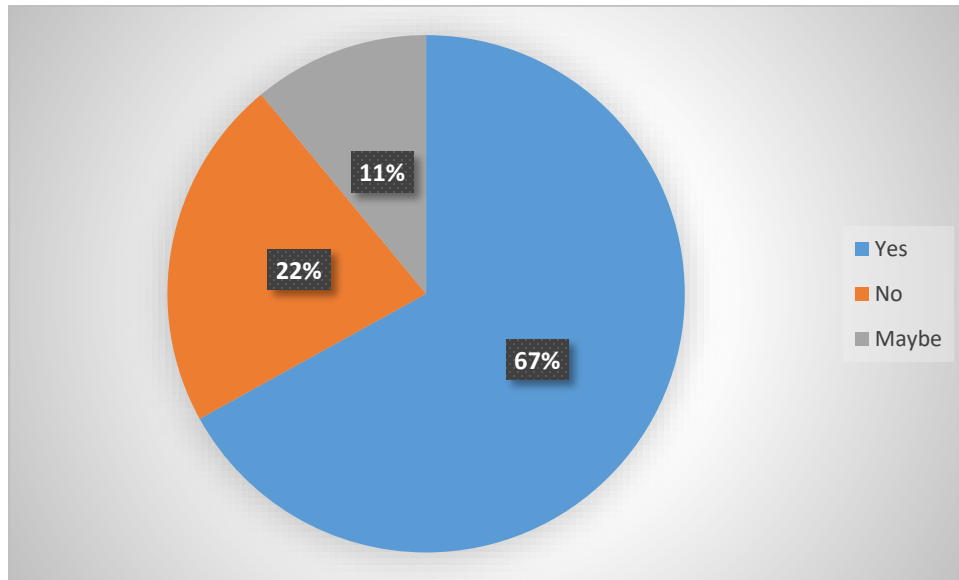


INTERPRETATION:

The above table interpreted that 52% of respondents said they measured the effectiveness of E-commerce Yes, 37% of respondents said they don't measure the effectiveness of E-commerce No and 11% of respondents said Maybe. The majority 52% of respondents are Yes.

4.8 Is E-commerce cost is beneficial:

Yes	73
No	24
Maybe	12

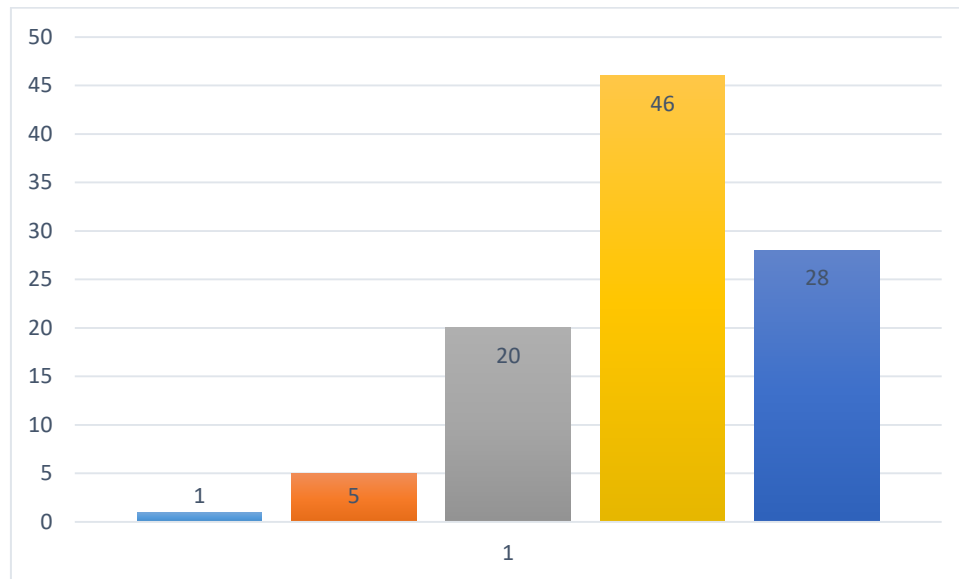


INTERPRETATION:

The above table interpreted that 73% of respondents said Yes, 24% of respondents said they don't measure the effectiveness of E-commerce No and 3% of respondents said Maybe. The majority 73% of respondents are Yes.

4.9 Are the role of e-commerce in reducing operational costs by reducing labor and another cost in many areas?

Strongly disagree	1
Disagree	5
Neutral	20
Agree	46
Strongly agree	28

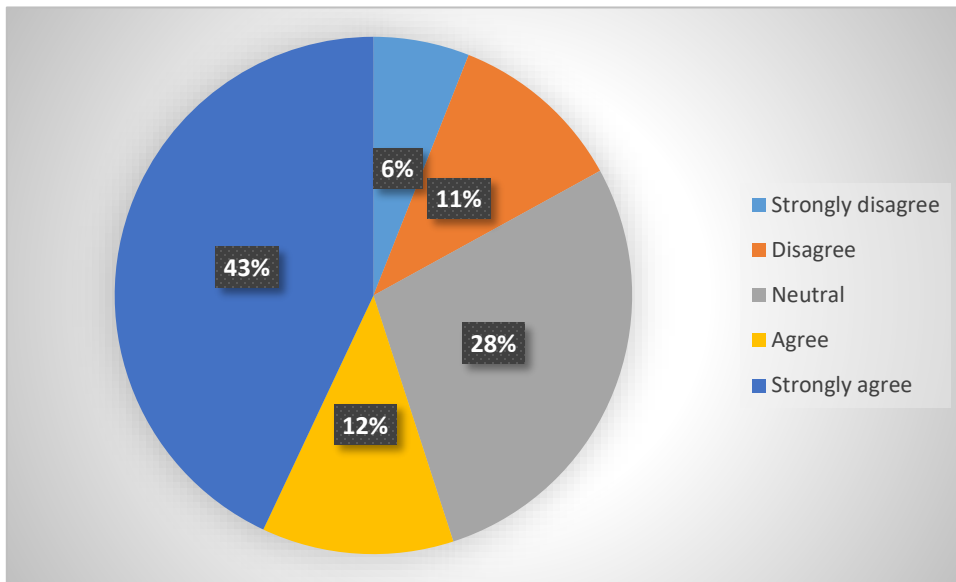


INTERPRETATION:

The above table interpreted that 1% of respondents said strongly agree, 5% of respondents said Disagree 20% of respondents said neutral, 46% of respondents said Agree and 28% of respondents said strongly agree.

4.10 E-businesses can help manage operating costs in many areas thereby reducing the cost of individual transactions:

Strongly disagree	6
Disagree	11
Neutral	28
Agree	12
Strongly agree	28

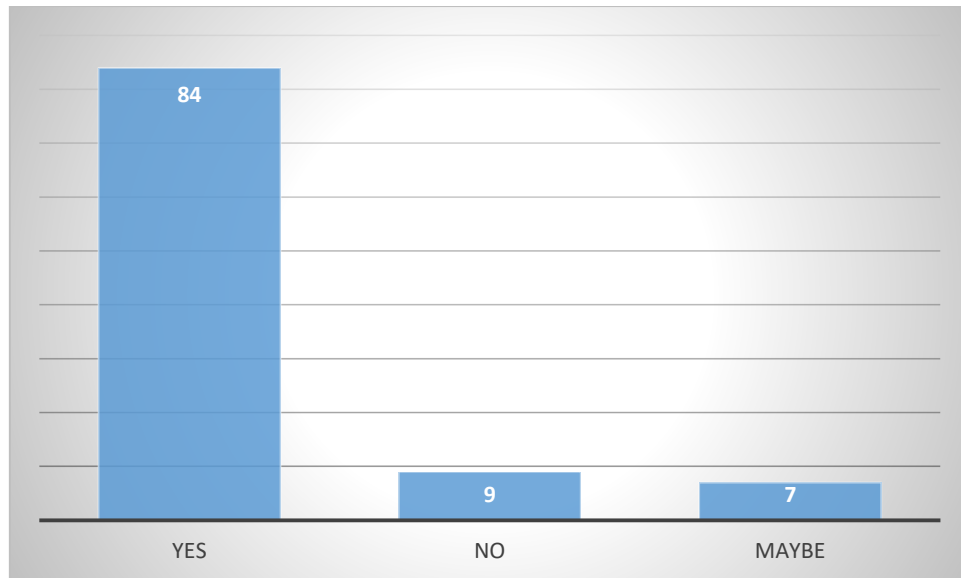


INTERPRETATION:

The above table interpreted that 6% of respondents said strongly agree, 11% of respondents said Disagree 28% of respondents said neutral, 12% of respondents said Agree, and 43% of respondents said strongly agree.

4.11 Is E-commerce gives more profit by reducing operational costs:

Yes	84
No	9
Maybe	12

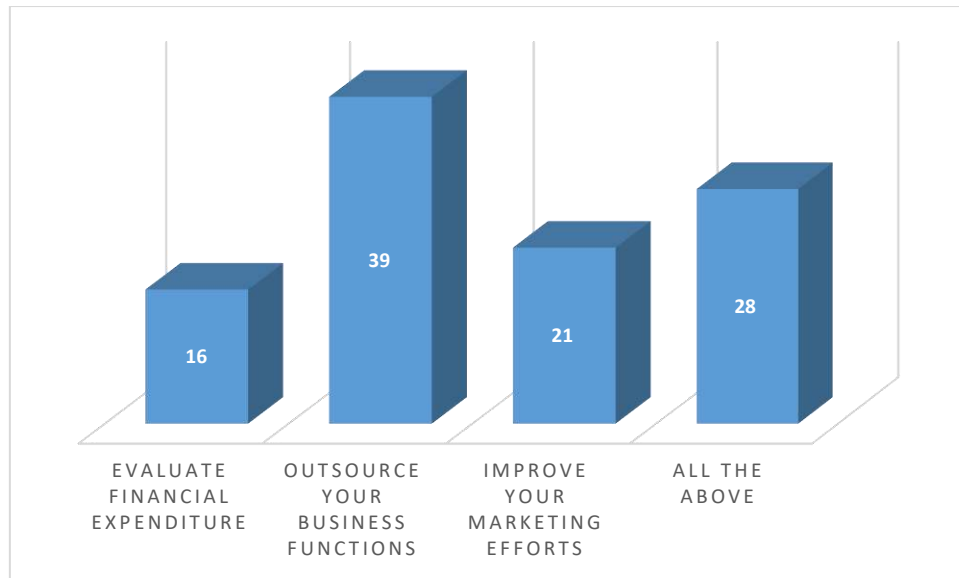


INTERPRETATION:

The above table interpreted that 84% of respondents said Yes, 9% of respondents said No and 7% of respondents said Maybe. The majority 82% of respondents are Yes.

4.12 Which is the best way to reduce operational cost:

Evaluate financial expenditure	16
Outsource your business functions	39
Improve your marketing efforts	21
All the above	28

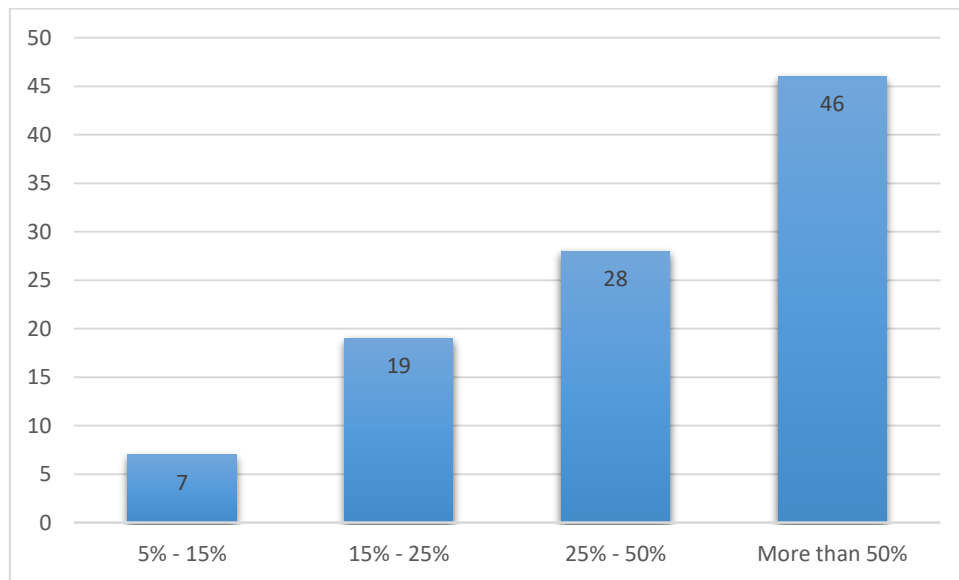


INTERPRETATION:

The above table interpreted that 16% of respondents said evaluate financial expenditure, 39% of respondents said outsource your business functions 21% of respondents said to improve your marketing efforts, and 28% of respondents said All the above.

4.12 At what percentage does the profit increase by reducing operational costs:

5% - 15%	17
15% - 25%	28
25% - 50%	33
More than 50%	46



INTERPRETATION:

The above table interpreted that 7% of respondents said 5% - 15% 19% of respondents said 15% - 25% and 28% of respondents said 25% - 50% and 46% of respondents said more than 50%The majority 46% of respondents aid more than 50%.

CHAPTER 5

FINDINGS, SUGGESTIONS, & CONCLUSION

Based on the analysis and discussion of primary data in the previous chapter findings, suggestions, and conclusions of the study in a logical manner.

5.1 FINDINGS:

From the questionnaire, the following points are found and noted:

- ✚ The majority of 20% of respondents are between the age of above 45.
- ✚ The majority of 76% of respondents are male.
- ✚ The majority 48%of respondents are undergraduates.
- ✚ The majority of 50%of respondents are working in shops.
- ✚ The majority of 63% of respondents are using e-commerce in their Organization/Institution/Shops.
- ✚ The majority 82% of respondents said yes to e-commerce reducing operational costs.
- ✚ The majority 52% of respondents said yes that they measured the effectiveness of e-commerce in reducing operational costs.
- ✚ The majority 73% of respondents said yes that e-commerce cost is beneficial.

- ✚ The majority 46% of respondents are agreed with the role of e-commerce in reducing operational costs by reducing labor and another cost in many areas.
- ✚ The majority 43% of respondents strongly agreed that e-businesses can help manage operating costs in many areas thereby reducing the cost of individual transactions.
- ✚ The majority 84% of respondents said yes for E-commerce gives more profit by reducing operational costs.
- ✚ The majority 39% of respondents said Outsourcing your business functions is the best way to reduce operational costs.

- ✚ The majority 46% of respondents said more than 50 percent the profit increase by reducing operational costs.

5.2 SUGGESTIONS:

In particular, 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. The research revealed, that many businesses are making the transition to integrated e-commerce business operations. This is being done with the expectations of lowering operational costs and also significantly improving the level of their service offerings.

5.3 CONCLUSIONS:

Showed the results of statistical analysis on the variable costs of storage and distribution that the company is seeking to benefit from the advantages of using e-commerce to reduce the stock of the company and the salaries and wages of employees stores and reduce the costs of traveling to the and lower insurance expenses on stores and expenses stationery and consumption of machinery and equipment used in the stores. It also showed that the company is interested and allow the exchange of experiences and views with customers through the use of electronic commerce and access to any inquiry or consulted by them. It also showed that the company is interested through the use of electronic commerce to meet the needs and requirements of customers and achieve the highest degree of satisfaction to have. It also showed the results of statistical analysis on the variable salary costs that the company studied is seeking through the use of electronic commerce in marketing their products to reduce the costs of salaries and wages and reward staff and employees in the Department of Advertising and reduce the cost of training programs and courses that are held in the Department of Advertising and the rest of the sections.

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APPEXURE

THE ROLE OF E-COMMERCE IN REDUCING OPERATIONAL COSTS:

What is your name?

Age of the respondent?

- a. 18 to 25
- b. 25 to 30
- c. 30 to 40
- d. Above 40

Gender of the respondent?

- a. Male
- b. Female
- c. Prefer not to say

E-mail I'd or Contact number of a respondent

Educational qualification of a respondent

- a. High school
- b. Undergraduate
- c. Postgraduate
- d. Others

Are you working in a/an?

- a. Organizations
- b. Institutions
- c. Shops

d. Other

✚ Is your organization/ Institution/ Shops using E-commerce?

- a. Yes
- b. No
- c. Maybe

✚ Do you measure the effectiveness of E-commerce?

- a. Yes
- b. No
- c. Maybe

✚ Is E-commerce reduces operational cost.

- a. Strongly disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly agree

✚ Is E-commerce cost is beneficial.

- a. Yes
- b. No
- c. May be

✚ Are the role of e-commerce in reducing operational costs by reducing labor and another cost in many areas.

- a. Strongly disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly agree

✚ E-business can help manage operating costs in many areas thereby reducing the cost of individual transactions.

- a. Strongly disagree

- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly agree

✚ Which is the best way to reduce operational cost.

- a. Evaluate financial expenditure
- b. Outsource your business functions
- c. Improve your marketing efforts
- d. All the above

✚ Is E-commerce gives more profit by reducing operational cost *

- a. strongly disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly agree

✚ At what percentage does the profit increase by reducing operational cost

- a. 5%-15%
- b. 15%-25%
- c. 25%-50%
- d. More than 50%

