



# **Influence of Globalization on Online Business: A conceptual study with reference to Amazon and Alibaba e-commerce site**

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## **Abstract**

Globalization helps in identifying export markets, doing business beyond boundaries, developing oversea contacts, establishing presence in their markets. It also refers to the spread of job, product, technology, and service by doing cross border trades. In this Internet era the use of electronics for doing business transactions have been used globally. India has almost 700 million internet users in 2020. In this conceptual paper the researchers were trying to find out the impact of globalization on two renowned e-commerce sites with reference to India. Amazon and Alibaba were chosen for the study. Different Trade bodies' policies studies were also analyzed to find out the ease of doing business policies. Finding of the study shows that Amazon has utilized thinking globally but acting locally strategy in Indian Markets and whereas Alibaba has used its previous model in India, now focusing on vertical e-commerce model and smaller deals as its future strategy. Finding also shows that Amazon and Alibaba have recognized the diversity of the Indian people and with a purpose has used this understanding to spread its market share. The two-e-commerce giant, their strategies and working model is used to reach the conclusion of the study.

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## 1. Introduction

Globalization has proved a boon to business, customers and the economy. The future of Globalization is conceived as the process of enhancing interconnectedness between countries (Hirst, 2002). Many goods which were available to few markets only are now available to other markets, mobility of products and services are enhanced due to globalization (Shamir, 2005). Globalization allows companies to find out different ways produce their products at lower cost. It also increases global competition (Fischer, 2003), which brings prices down and creates a larger variety of choices for consumers. The past decade has seen double digit growth in e-commerce trade, which is fuelled by development of different business models, liberalisation of services such as telecommunication, technological developments, penetration of broad band, Internet and smartphones and government support for digitation.

With the growth of cross border trade in e-commerce this sector is point of discussion at every forum. The WTO, G-20 and the organization for Economic Growth (OECD) the WTO is exclusive forum for negotiating and enforcing global rules governing cross border trade in goods and services. The globalization is impacting the e-commerce market.

India is the fastest growing market for e-commerce (Palacios, 2001). globalization takes to both greater scope of e-commerce use and improved performance in market impacts. (Kraemer, 2002)

## 2. Literature of Review

According to the Amin, S (1996) the globalization is associated with the spread and deepening of capitalism. Bartelson (2000) Quoted in his article that globalization can function as both a `space of experience` and `Horizon of expectation`. The development of global e-commerce in the processes of globalization. A foreign strategy usually relies on the following global Trade Parameters

**Tariffs**

Each government can charge imported and exported products. Few nations impose high products tariffs to defend their local economies. Substantial import taxes pump up the cost of manufactured commodities on local markets, creating greater competition for domestic items.

**Trade Barriers**

They are government-imposed limits on selling a specific commodity or country. The prominent trade restrictions are taxes, penalties, exemptions and quotas.

**Safety**

The determining factor guarantees the nation imports only high-quality goods. local authorities will establish the rules for testing to ensure that the imported commodity conforms to health and quality requirements.

**Forms of Trade Policies**

Trade policies may adopt different dimensions and complexity based on the number of concerned parties.

**National Trade Policy**

Each country interprets this policy to protect its economy and people best interest. This approach is aligned with a regional international strategy.

**Bilateral Trade policy**

The agreement is established between two countries to govern trade and business ties. Both countries national exchange strategies and their trade deal agreements are regards in constructing respective foreign policy.

**International Trade Policy**

Foreign economic bodies such as the Organization for Economic Co-operation and Growth (OECD) and the World Trade Organization (WTO) and the International Monetary Fund (IMF)

describe the principles of International Trade policy. Policies protect establish and emerging nations best interests.

### **3. Research Objective**

1. To find out how globalization helped amazon and Alibaba to capture Indian Market share.
2. To analyse the strategy used by Amazon and Alibaba in India

### **4. Research Methodology**

The study is based on secondary data available

### **5. Discussions**

In our modern era globalization will always be about finding strategy to get cheaper labour, cheaper overhead and cheaper taxes. “ Globalization is mainly associated with a cutback in indigenous jobs and their relocation in low wages countries” ( Beck, 2018). The Industrialist view will always be to lower costs, increase margins and provide more profits for the shareholders.

Globalization made shipping quicker, safer or cheaper. The development of overnight package delivery within the 1970s enabled the make here, sell there economy to become dominant. The factory to consumer supply chain has been more efficient due to globalization strategy. The globalization of production and changing benefits are described by Brooks, (1999).

Global advertising is also reasonable, global shipping is cheap and efficient. Economics teaches that each one of this efficiency should bring prices down.

Taking benefit of globalization Amazon and Alibaba started to grow its tentacles in India as India is densely populated, with a good share of high disposable income family and a developing country.

As the internet makes it easier to purchase goods sourced in other countries and have those goods delivered to your home, the

increased competition for each purchase should also drive prices down further. Amazon and Alibaba are undeniably two of the world's greatest technological giants, and yet strategies used by them are completely different. While Alibaba has chosen a globalist model, aimed to capture big market share, Amazon is focusing on the masses - especially those that feel that the benefits of globalization have passed them by.

Amazon's Strategies to spread its wing in India Amazon eliminates all that brick and mortar expense. Consequently, people expect to pay less on Amazon than comparable goods at other places.

### **Amazon's Strategies**

- a. Deeply understanding about its customer Amazon has invested time, energy, and resources to know the nuances of India's consumer market. For example, Amazon realized that Indian consumers aren't comfortable buying online or they'll lack the education to read online product reviews. So, it's established kiosks in small local retail locations that found out entrepreneurs to supply an "assisted buying" service for consumers.
- b. Strategy to accommodating Internet speed Amazon realized that over 500 million Indian consumers still use feature phones with slow network connections. So, it's designed a slimmed down version of its app to regulate to slower network speeds. The modified app still allows for an honest browsing experience, while accommodating the truth of network constraints.
- c. Use of Artificial Intelligence Residential addresses in India are often only best guesstimates of location, which makes delivery a challenge. Amazon is using machine learning and AI (AI) to bring better precision to delivery.
- d. Eliminating fake reviews- E-commerce in India has been suffering from a plethora of faux reviews, which has made buyers wary. Amazon is functioning to enhance trust among buyers and sellers by combating fraud and faux reviews for third-party products on its site, while promoting safer products. Amazon's Indian team has

designed algorithms to detect fake reviews, fraudulent transactions, and faux products.

- e. Expanding logistics and fulfillment Amazon is expanding its network of fulfillment centers in India by five, raising the entire to 67. Amazon understands the importance of expanding its infrastructure and delivery network to enhance the customer experience and enable tens of thousands of small and medium businesses to satisfy orders more efficiently.
- f. Onboarding assistance for third-party sellers In addition to carrying products from major sellers, such as Samsung with promotions for the local market, Amazon is facilitating e-commerce for smaller retailers that offer unique products. Amazon has created an innovative initiative called "Tatkal" (which means "instantaneous" in Hindi) to demonstrate how a little seller are often able to sell on Amazon's site within hour . Amazon most of the time uses vans that visit to its smaller retailers and suppliers. The vans have a photograph studio so Amazon employees can take pictures of products, catalog them, and obtain sellers able to sell.
- g. Local R&D Amazon's largest R&D center outside of Seattle is in Bangalore. This signals its commitment for the end of the day to know the nuances of the market and to make user experience innovations specifically for the Indian market.

## **Alibaba**

Alibaba is the world's largest e-retailer B2B site. Alibaba Group India is the second largest market globally after china. India is a huge market for Alibaba. Recently they have invested in PAYTM, Zomato, Big basket.

## **Alibaba's Strategies**

### **a. Cost of labor**

The fact that the products are made in China has a lot to do with the apparent "cheap" price. Chinese manufacturers take advantage

of “cheap labour”, and that ultimately reduces the cost of production and supply it different markets all over the world.

**b. Cost of electricity**

Compared with other places in the world where manufacturing is done, the cost of electricity in China is VERY cheap. It could be as much as 400% cheaper than the cost in the US. This means that the cost of production and hence the cost of the goods, will be lower. By reducing the production cost they will have a good margin to supply its product globally.

**c. Selling in bulk**

When you sell products in bulk, you are guaranteed sale at high quantity and in larger dollar-value transactions rather than when you sell single products. All around the world, wholesale prices are cheaper for this benefit to both the buyer and the seller.

**d. Less consumer targeting**

The companies that sell the goods to consumers have more to worry about than the manufacturers. Companies have to make budget for marketing, public relations, advertisements, customer service, etc. All of those costs affect the final price of the product that we pay. Whereas, the manufacturers on Alibaba, though they must do some marketing, they don't fight for consumers as much, so their overhead will be less in that regard.

**e. local to local” strategy**

It's either acquiring or investing companies that have existing tethers to local customers to introduce them to China's local customers, or setting up bridges in-house that make it easier for customers from different countries to shop Alibaba, and businesses in some other countries to sell there.

**f. It's a small- to medium-sized**

Business platform that sells products from retailers in China to customers internationally, now being expanded to invite similar sized sellers from international regions to sell in their own local markets as well as other countries markets.

### **g. Win over the big players and buy up the smaller ones**

More brands, sellers and customers will be pulled into Alibaba's orbit, either directly or indirectly.

## **5. Findings**

Globalization within the last 40 years has moved manufacturing jobs to places where the labor is reasonable. Millions of people are raised out of poverty within the past few decades. According to the financial express recent reports Indians earn 30% more now than six years ago. Globalization has enabled firms to specialize and to increase the intensity of Research and Development, Innovation and Capital in their output. It has made easier for new companies to compete in old markets. Alibaba, the Chinese e-commerce giant, is spreading its wings into international markets as move towards its aspirations to become a global business. AliExpress, is an e-commerce giant branch of Alibaba that sells products from Chinese retailers to customers in almost all the countries, was setting up operations to allow retailers from those countries to sell their goods to customers in their home markets and other markets internationally as a part of a "broader globalization strategy. Alibaba want to create an international e-commerce marketplace.

India is the second most important market for Alibaba globally, the business-to-business subsidiary of Alibaba Group launched an online platform to provide Indian small and medium enterprises (SMEs) access to global counterparts.

## **6. Conclusion**

Globalization allows companies to find to different ways to produce their products at very, lower cost. It also increases global competition, which bring cost of the product down and create a larger variety for customers. The Internet has been a very important in driving globalization in recent years. It has revolutionized how people work, expanded the global knowledge base and provided a variety of ways of bringing people and cultures closer together. The Internet provides a platform where companies that are thousands of miles apart can communicate and



share information. In global marketplace. People anywhere can, directly communicate with one another. Internet has also reduced the value of worldwide advertising and made it available to even the smallest businesses everywhere. Amazon and Alibaba have proven its global position. Amazon's and Alibaba's strategy in India holds lessons for the e-commerce giant in other markets, also as for other companies aiming to expand their international reach. The key is to think globally and act locally combining global scale and resources with a deep and granular understanding of each market, while empowering the R&D and customers-service teams to tailor solutions and systematically solve problems. Alibaba want to create an international e-commerce marketplace using their "broader globalization strategy.

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