*ISBN: 978-93-48091-95-6*

# 3. Benefiting Businesses and Consumers in Indian Economy

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***Abstract:***

*India's fast expanding economy, sizable consumer market, and government reforms open doors for both consumers and enterprises. Programs like "Make in India" and GST, as well as increasing expenditure and infrastructure development, stimulate growth and benefit everyone.*

*This study aims to capture what a consumer's relationship with a commercial firm means to them. According to the findings, service quality aspects are crucial to how consumers define business-to-business relationships, even though some business-to-business relationship constructions are suitable for comprehending the nature of these relationships. The research's findings support the idea that a customer's relationship with a firm serve as a means, not an end, to an objective. We will talk about it in this paper. helping the Indian economy's consumers and businesses.*

***Keywords:***

*Businesses, Consumers, Indian Economy, Consumer Market, GST, Business-To-Business, Consumer-To-Business, Input Tax Credit, E-Commerce, Economic Growth, Market Trends, Price Determination.*

## 3.1 Introduction:

Customer loyalty programs, effective marketing, and putting the customer's experience first are just a few examples of methods that can help businesses and customers build lasting connections. These strategies can increase sales, brand awareness, and happiness for both parties. Any economy revolves around businesses and customers. Businesses create and sell goods and services, while consumers buy and use them, creating a cycle of supply and demand. [1]

## 3.2 Business Market:

A business market is a marketplace where companies sell to other companies. This covers both wholesale and retail enterprises. In a business-to-business (B2B) transaction, the buying company buys things from the seller company and either resells the products to the consumer or uses them to help produce additional commodities. The primary categories of business markets are as follows:

- Markets for industrial goods and services that concentrate on their sale.
- Government markets when the bulk of purchasers are government agencies.
- Markets for financial services such as commercial credit and banking.

Depending on the size of the buyer's purchase or the seller-buyer connection, higher bargaining chances may arise in commercial market transactions. [2]

### Consumer Market:

A consumer market, sometimes referred to as a business-to-consumer (B2C) market, is a kind of sales market where a company sells directly to customers. Although customers can utilize coupons or merchant discounts to pay less, they typically pay the same price for every product in a consumer market. A company's need for products from its own suppliers frequently rises in tandem with rising consumer demand. The primary categories of consumer markets are as follows:

- Food and beverage products
- Consumer products
- Transportation products
- Retail products

When making a purchase, consumers in the business-to-consumer (B2C) sector are influenced by a limited number of factors, such as marketing campaigns, economic situations, tastes and preferences, and reference groups.

### Business to Consumer (B2C):

**The development of Amazon and e-commerce in the late 1990s is linked to the rise of** B2C. With $1.5 billion in online sales during the 1998 holiday season (dubbed the first e-tail Christmas), firms began selling directly to customers online. Additionally, B2C internet sellers were able to provide competitive pricing since they were not paying agent commissions or retailer markups. As a result of this change in consumer behavior, many conventional brick and mortar companies have decided to open online stores.

Business-to-consumer (B2C) refers to the kind of transactions that take place between a company and a single customer. One of the four categories of potential forms of trade is business-to-consumer (B2C). Business-to-business (B2B), customer-to-business (C2B), and customer-to-customer (C2C) are the other three.

Businesses that offer goods or services directly to individual customers are referred to as business to consumer (B2C) enterprises.

Many product and service formats on the consumer market are referred to by the name "business-to-consumer" (B2C), including:

- Manufacturers selling products online or in brick-and-mortar stores.

- Consumer service providers.

Despite its broad use, the term "business-to-consumer" (B2C) is occasionally used exclusively to refer to companies that sell directly to customers, without the need of intermediaries or third-party retailers. [3]

### B2C Business Models:

Direct sellers Customers can purchase goods straight from these internet retailers. Zara.com and Samsung.com are two examples.

Internet middlemen Online intermediaries merely act as a bridge between customers and sellers without really holding any goods or services. Consider companies like Etsy or online travel agencies like Skyscanner.

High-quality content is the foundation of advertising-based B2C firms, which use it to draw in customers and sell advertising for other goods and services. This is the model used by nearly all publications that provide free content.

Under this community-based strategy, companies advertise their goods to online groups centered around shared interests. The best example is Facebook. By assisting companies in reaching audiences with high targeting precision, the social media platform generates income.

***Fee-based*** These business-to-consumer businesses charge a subscription fee for their services or content.

### Consumer-to-business (C2B):

A business model known as consumer-to-business (C2B) involves businesses consuming value created by customers (individuals). For instance, if the company accepts a customer's evaluations or a helpful suggestion for the creation of a new product, the customer is adding value to the company. In the C2B model, purchasers can specify or demand their own price—which is frequently legally binding—for a particular commodity or service through a reverse auction or demand collection process. In a consumer-business market, the consumer must provide something of value to the business and the roles engaged in the transaction must be defined.

Transactions in which a person in one nation pays a company in another are known as cross-border consumer-to-business (C2B) payments. These payments allow customers to buy products and services from foreign retailers, supporting global digital commerce. Support for local payment mechanisms (LPMs), including bank transfers, mobile money, local card networks, and domestic e-wallets, is essential in emerging markets. Many customers in these areas either prefer well-known local payment methods or do not have foreign credit cards. In emerging economies, more over half of transactions are still made with cash as of 2024, and roughly 60% of them include payment mechanisms other than credit cards.

## 3.3 The Benefits of GST For Businesses and Consumers:

### Benefits for Businesses:

1. **Simplified Tax Structure:**
   - **Unified Tax System:** By replacing several indirect taxes with a single tax, GST has made things simpler and less complicated for businesses in terms of compliance.
   - **Consistent Tax Rates:** States with uniform tax rates make interstate commerce easier and cut down on administrative expenses.
2. **Elimination of Cascading Effect:**
   - **Input Tax Credit:** By enabling companies to claim credit for input taxes paid, GST lowers overall tax obligations and prevents the tax-on-tax situation.
   - **Reduced Costs:** Manufacturers and service providers gain from reduced manufacturing costs brought about by the removal of the cascade effect.
3. **Improved Compliance:**
   - **Online Procedures:** To make compliance simpler and more transparent, the GST regime places a strong emphasis on online procedures for registration, return filing, and payment.
   - **Decreased Paperwork:** Less paperwork and administrative trouble result from standardized and simplified documentation standards.
4. **Expansion of Market:**
   - **Unified Market:** By establishing a single national market, the GST allows companies to grow internationally without having to deal with disparate tax laws.
   - **Increased Competitiveness:** By lowering expenses, input tax credits and uniform tax rates enable companies to provide more affordable prices for their goods.
5. **Boost to E-commerce:**
   - **Simplified Taxation:** E-commerce companies gain from a more straightforward tax code and simpler compliance procedures, which promotes industry expansion.

**Benefits for Consumers:**

1. **Reduced Prices:**
   - **Reduced Taxes on Goods and Services:** Many goods and services now have lower prices as a result of the removal of several taxes and the cascading effect.
   - **Pricing Transparency:** GST increases product pricing transparency by making sure that customers are aware of the tax component included in the final price.
2. **Uniform Tax Rates:**
   - **Standardized Rates Across States:** There are no price differences for the same goods in different states due to uniform tax rates nationwide.
   - **Fair Pricing:** Consistent and fair pricing benefits consumers by encouraging equal treatment across geographies.
3. **Increased Supply Chain Efficiency:**
   - **Decreased Logistics Costs:** By eliminating state-level taxes and checkpoints, logistics and transportation expenses are decreased, which results in quicker delivery and lower prices for customers.

- **Better Availability:** Better availability of goods and services is guaranteed by a more effective supply chain.

4. **Enhanced Consumer Confidence:**
    - **Simplified Tax Structure:** The GST system's simplicity and transparency boost consumer trust in the tax and pricing structure.
    - **Decrease in Tax Evasion:** A fairer and more equitable tax system benefits consumers when there is an increase in compliance and a decrease in tax evasion. [4]

## 3.4 Role of Consumer in the Indian Economy:

Customers play a vital and complex role in the Indian economy. Customers affect market patterns, create demand for goods and services, and support economic expansion. The following are some significant facets of the role of consumers in the Indian economy:

**1. Demand Generation:**

Demand for goods and services is generated by consumers, which propels output and promotes economic expansion. Higher output levels result from more consumption, which boosts enterprises and industries.

**2. Economic Growth:**

Spending by consumer’s accounts for a considerable portion of the GDP. Since domestic consumption accounts for a significant amount of India's GDP, consumers are essential to the country's overall economic expansion.

**3. Market Trends and Innovation:**

Customers' tastes and purchase patterns have an impact on market trends. Companies modify their goods and services to satisfy customer needs, which spurs creativity and raises standards.

**4. Employment Generation:**

Higher levels of consumption result in higher levels of output, which generate employment. Businesses hire more workers as they grow to satisfy customer demands, which boosts the economy's total employment rate.

**5. Price Determination:**

Because of their purchasing decisions, consumers have a significant influence on prices. Prices may go up as demand for a product rises, while prices may go down when demand declines. The way supply and demand interact contributes to the stability of the market.

### 3.5 Review of Literature:

The "value equation" that Day (1990) suggests might be used to express customer value is "Customer's Perceived Benefits-Customer's Perceived Costs=Perceived Customer Value" (p. 142). Despite Day's generally sound approach to customer value, certain information about consumer customers is still unknown.

For instance, it's unclear how customers determine the advantages of a product: Although Day goes into great length about how industrial clients value products, this is simply a theoretical aspect of the far more intricate process of consumer product valuation. As a result, the literature currently lacks a theoretical framework that supports consumers' overall product appraisal.

How customers view the costs and benefits of items, as well as potential costs and benefits that consumers may perceive from products on the market, should be addressed by such a framework. These deficiencies are attempted to be filled in the current paper. [5]

Developing a relationship between a company and its clients is the aim of many customer relationship management (CRM) programs. Better retention rates, more recurring business, a decreased inclination to switch, and eventually larger profitability are the results of this. However, in reality, CRM frequently falls short of its promise. There is now a more critical viewpoint on relationship marketing. "The very things that marketers are doing to build relationships with customers are often the things that are destroying them," as Fournier et al. have seen. If marketers base their customer relationship strategies on the advantages that consumers look for in business partnerships, CRM projects will be successful. [6]

In 1985, Jagdish N. Sheth conducted research on This essay aims to demonstrate how the history of consumer behavior in relation to the research methodology, subject matter expertise, and the impact of outside strategies has been intricately linked to the foundation of advertising theory. It discusses tire supervisory schools, tire timeless schools, and advertising behavior schools and examines how they influence consumer behavior. Finally, it makes an effort to foresee the emerging trends in customer behavior and, consequently, the idea's adaptable marketing institution. [7]

### 3.6 Objectives:

- To Study Benefiting Businesses and Consumers.
- To Study the challenges of business sustainability.
- To Explain Competition for Consumers.
- To Evaluating the Consumer Market.

### 3.7 Research Methodology:

The Benefiting of Businesses and Consumers in Indian Economy, this study's findings are based on secondary data gathered from credible sources such as publications, books, magazines, and the internet.

The research design for the study is primarily descriptive. Readings from journals these reputable articles were discovered using search engine platforms such as Google Scholar, global economics and business journals, open educational materials, and other popular websites.

## 3.8 Result and Discussion:

### Business Sustainability Challenges:

The main challenges of business sustainability the economic, ecological, and social aspects of company sustainability problems are the three common components. Integration has been added as a link between the tree problems in Stefan's (2002) study (Figure 1):

- Increasing ecological effectiveness is one of the ecological aspect's challenges.
- Increasing social effectiveness is one of the social aspect's challenges.
- Enhancing eco-efficiency and/or social efficiency is a challenge in the economic element of environmental and social management.
- Integration problems include combining the first three and incorporating social and environmental management into traditional, economically focused management.[8]

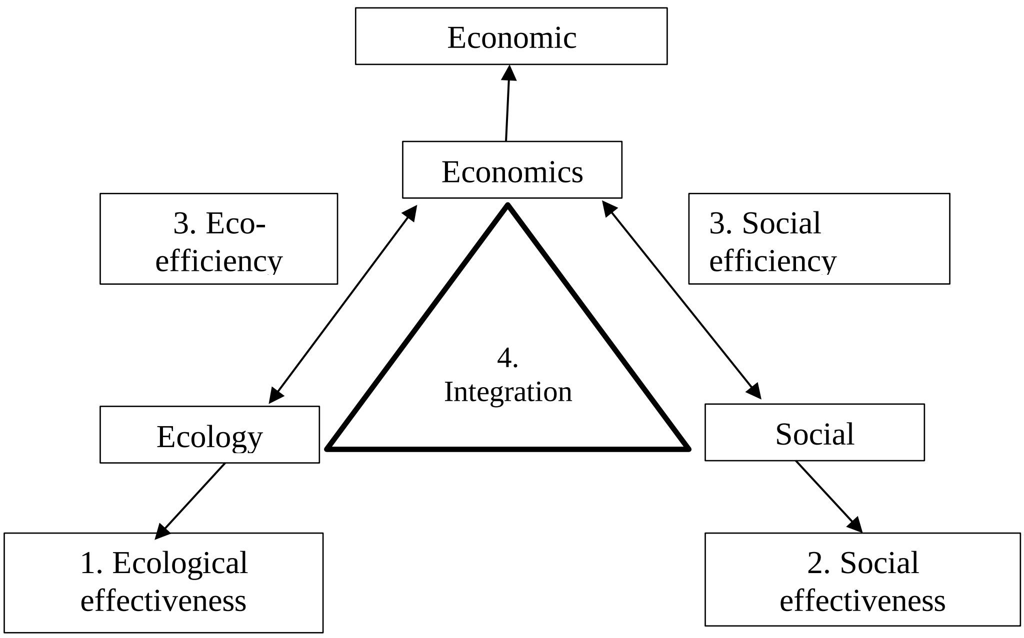


**Figure 3.1: Business Sustainability Challenges, Economic, Ecological and Social**
*(Source: https://goo.gl/pNzdLf)*

## The Benefits of Competition for Consumers:

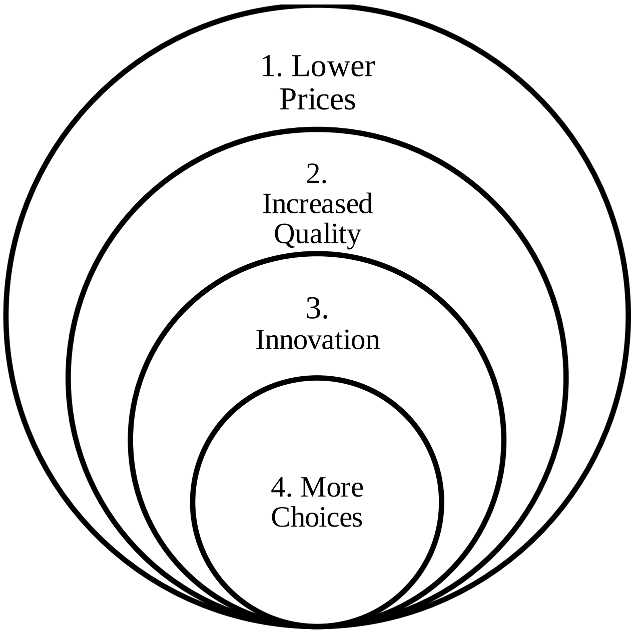


**Figure 3.2: The Benefits of Competition for Consumers**
***(Source: https://fastercapital.com/)***

One of the core tenets of the market economy is competition. It is the engine that propels efficiency, innovation, and lower costs for customers. Businesses wouldn't be motivated to enhance their goods or services if there was no competition.

**1. Lower Prices:**

As a result of company competition, consumers should expect to pay less. Businesses are compelled to reduce their pricing in order to stay competitive when they compete with one another. This implies that customers can pay less for the same goods or services.

**2. Better Quality:**

Competition also results in better goods and services. Companies who don't provide high-quality goods or services will lose clients to rivals. In order to stay competitive, businesses are therefore encouraged to raise the caliber of their goods and services.

**3. Innovation:**

Innovation is fueled by competition as well. Companies must innovate and enhance their goods and services if they wish to remain competitive. This indicates the release of improved and new products onto the market.

**4. More Options:**

Competition also gives customers additional options. Businesses that compete with one another provide a greater range of goods and services in an effort to draw clients. Customers now have more options to pick from as a result.

**5.** A market economy cannot function properly without competition. It results in more innovation, better quality, cheaper costs, and more options for customers. Consumers would suffer and companies would have no motivation to enhance their goods and services if there was no competition. [9]

**6.** These six competitive advantages that support the company's bottom line are summed up in Figure 3. The following three competitive advantages help a business achieve its profit goals: (1) economy of sale, which lowers the cost of doing repeat business; (2) differentiation, which raises prices; and (3) protection from happy customers in times of crisis. Similarly, the other three competitive advantages— (4) product diversification expansion through one-stop shopping; (5) new market growth through word-of-mouth; and (6) new product development through lead users—help a company achieve its growth goals.

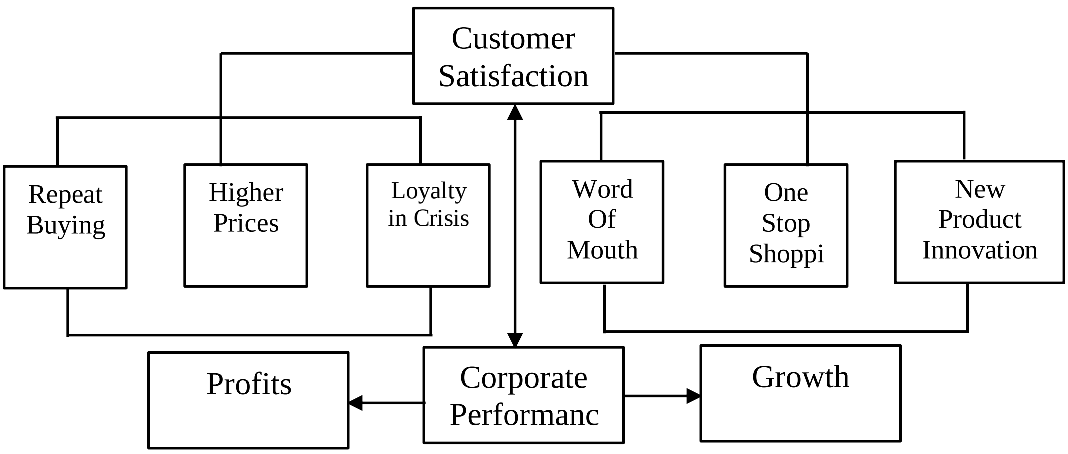


**Figure 3.3: Competitive Advantages of Customer Satisfaction**
*(Source: ResearchGate)*

## Repeat Buying Results in Lower Costs:

Since 90 to 95 percent of total business originates from current customers, keeping current customers may be the biggest competitive edge a business can sustain in a mature industry. Particularly in developed markets with well-established rivals, competitive methods for keeping current consumers are typically less expensive than those for acquiring new ones. We are all aware that the cost of conducting business with happy consumers decreases with recurring purchases.

But as Figure 3.4 illustrates, we frequently fail to recognize that it decreases rapidly with a precipitous drop in expenses in the early phases of recurrent purchasing.

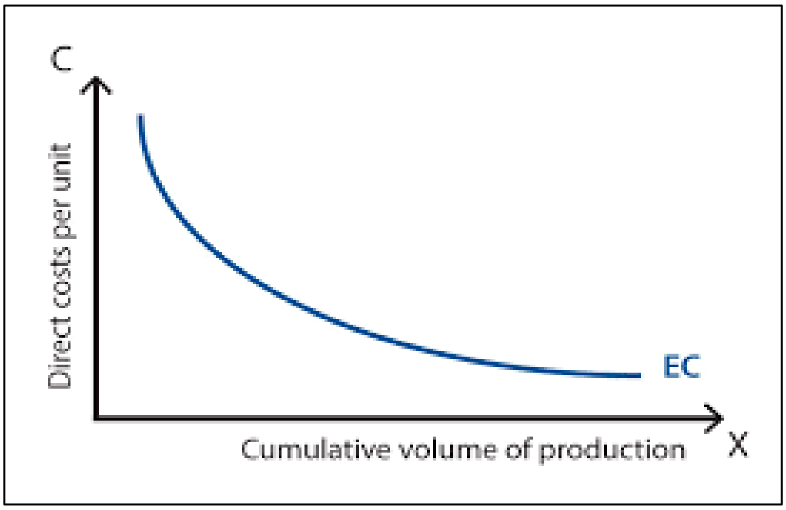


**Figure 3.4: Repeat Buying Results in Experience Curve**
*(Source: ResearchGate)*

This straightforward idea has potentially significant ramifications.

**1. Customer Satisfaction Creates Price Advantage:**

It is unusual that happy customers will move providers unless there is a compelling incentive. After all, they have already spent a great deal of time, energy, and knowledge finding and choosing the best providers. Switching vendors comes with very little expense, however occasionally it can be prohibitive. For instance, it is extremely difficult for a consumer to go to a different supplier after they are connected by automated order entry systems.

**2. Customer Satisfaction Limits Corporate Crisis:**

In the field of corporate crises, customer satisfaction—which is correlated with profits—provides a third significant competitive advantage. Customers that are happy with a business want it to withstand any crisis it faces, and they work to help the business do so. The best defense against business disasters is most likely customer pleasure.

**3. Satisfied Customers Generate New Customers:**

Gaining new clients without making a big investment in your product, marketing, and sales resources is the greatest strategy to expand your business profitably. Through word-of-mouth, this is made feasible. If your customers are happy, they will be more than happy to phone or come see possible new clients.

### 4. Customer Satisfaction Encourages One Stop Shopping:

In addition to promoting your business through word-of-mouth, happy consumers also purchase additional goods and services from you. Customers favor one-stop shopping for a number of reasons. First, placing repeated orders with the same company is more cost-effective for the customer than distributing the orders among multiple vendors.

### 5. Customer Satisfaction Encourages Successful Innovations:

Customers that are happy with a product are more willing to share their experiences with it. They not only permit but also encourage suppliers to visit their establishments, speak with their staff, and generally understand more about how they use your goods and services. [10]

### 6. Business Market vs Customer Market:

In terms of decision-making, customer behavior, and purchasing procedures, business and consumer markets diverge greatly. Consumer markets concentrate on the needs and preferences of the individual, whereas commercial markets entail intricate, bargain-driven purchasing. Customer involvement and successful marketing tactics depend on an understanding of these differences.

**Table 3.1: Let's explore the key differences:**

| Aspect | Business Market (B2B) | Consumer Market (B2C) |
|---|---|---|
| **Buyers** | Companies, organizations | Individuals, households |
| **Purchase Volume** | Larger quantities per transaction | Smaller quantities per transaction |
| **Decision Factors** | Efficiency, cost-effectiveness, meeting business needs | Personal preferences, emotions, convenience |
| **Marketing Approach** | Direct negotiations, customized solutions, relationship building | Mass advertising, emotional appeal, branding |
| **Examples** | Industrial machinery, office supplies, software services | Clothing, smartphones, groceries |

## Evaluating the Consumer Market:

**India's Retail Sector:** The most attractive incentive for many international businesses to look into exporting to and investing in India is the chance to get a piece of the country's quickly expanding retail market. India's retail sector is one of the most underdeveloped and promising in Asia, with over a billion potential customers, a growing middle class, continuously increasing household income, and an organized retail market worth over US$30 billion. Some assessments predict that during the next 20 years, India's consumer market would treble due to rising income levels and moderating savings.

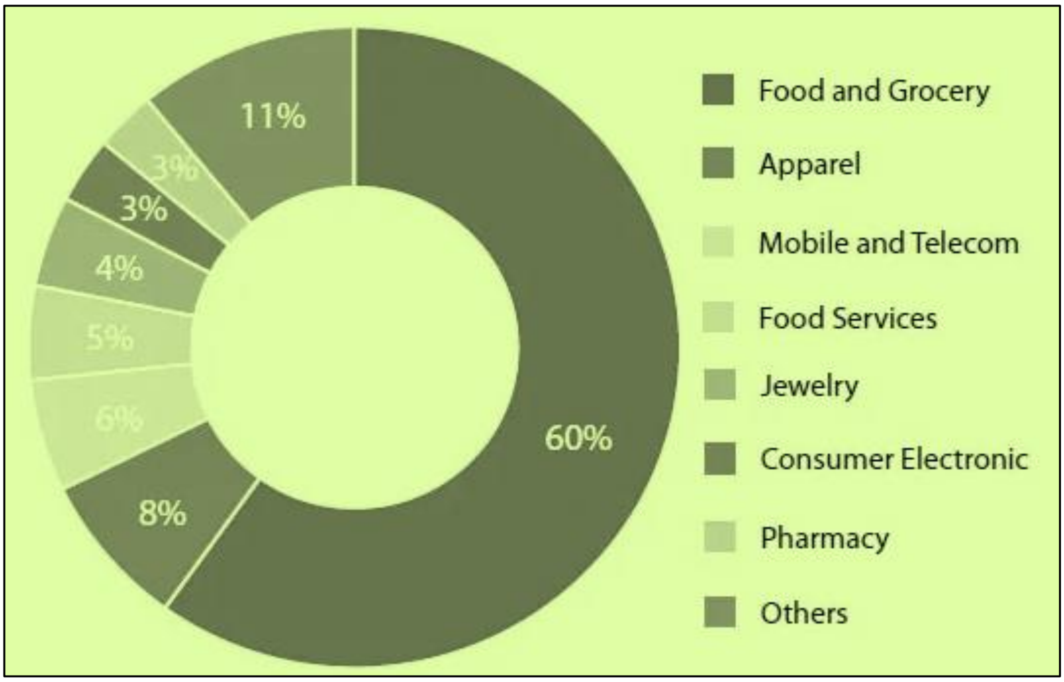


**Figure 3.5: India's Retail Sector**
*(Source: https://www.india-briefing.com)*

India's retail sector expanded at a compound annual growth rate (CAGR) of about 19 percent through 2015, reaching a total value of US$800 billion in 2016–17. The retail sector increased at a rate of about 10 percent annually between 2010 and 2012. Currently making up about 8% of the retail sector, organized retail is predicted to develop at a substantially higher rate than traditional retail, reaching 20% of the market by 2020. [11]

## 3.9 Conclusion:

GST offers a number of advantages. The aforementioned highlights some of the most significant advantages that the average person or corporation should be aware of. Every company organization benefits from business economics, which helps firms make well-informed decisions by bridging the gap between income and expense. Businesses can prosper by applying the concepts of business economics, which increase operational effectiveness, reduce expenses, and boost profits.

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