

AN EMPIRICAL STUDY ON FINANCIAL ANALYSIS OF SELECTING ONLINE PRODUCT SELLING COMPANIES

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ABSTRACT

Internet is the more dynamic and fundamental sources for every persons need and the way persons work. By honesty different online information management tools using internet, various innovative companies have set up systems for taking consumer orders, facilitate making of payments, customer service, collection of marketing data and online feedback respectively. These activities have collectively known as e-commerce or internet commerce. Online shopping made so easy for everyone with their product variations and simple way to buy things. Online product selling companies an important performance in marketing development of developing countries financial statements analysis is goal and process of fixed financial and operational to compel of a company from measures of accounting and financial statements. This research paper represents comparative study examines the profitability from different perspectives of online product selling companies. This paper is with data of 10 years from 2011 to 2020 three selected online product selling companies have been considering as sample unit. Research has ratio techniques for analysis and two test hypothesis single factors ANOVA (F-Test) have been applied.

Keywords: *Online Product Selling Companies, E-commerce, Online Shopping, Product Selling Companies Financial Analysis, F-test ANOVA.*

Introduction

Online products shopping is a from of E-commerce (electronic commerce) which allows customers to directly by services or products from a seller over the online shopping a web browser. Online sites usually enable consumers to use "search" features to find specific brands, item or model.. Online shoppers mostly access to the online and a valid ways of a payment in order to complete a transaction, such as a credit card, or a service such as PayPal. The largest of these online product selling companies are Alibaba, Amazon and eBay.

Amazon company is perhaps the company that is most closely tied with the e-commerce phenomenon. The company has also become a major provider of technology to partners such as toys 'R Us and target. Amazon has grown at a tremendous rate with revenues rising from about 17.43 billion in 2011 to 386.06 billion in 2020.

Review of Literature

Mr. vivek S. kanade, preeti M. Kulkarni (2019)

Marketing is to identify needs and wants of the customer and satisfy it profitability; its still but what else when your planned consumers taste and preferences is to ruled by some outside and inside stimuli and factors. In this speedy changing business environment where communication technology, media has change the way to interact with consumers and persuade them to change their choices. Many researchers have been made various studies on the online and offline consumer buying behavior and find out the factors affecting consumer shopping behavior. The goal of this paper is to provide analytical and comprehensive review of extensive literature of previous studies.

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Arya prasad and Amal S U (2018) In this research paper we included systematic literature review of articles related to online product shopping Behavior and proposed a changing input process output model. We had gone through 150 available literatures with in a study period of 2010 to 2017 and classification of the variables into 4 different factors. In the analysis, we have analyzed theories that were used in review literatures based on website brand contribution model. Online group buying (OGB) behavior were also studied by a group buying (OGB) behaviors were also studied by a group of research papers showing the an importance of group buying in online product shopping.

Prof. Vinod Kumar, Dr. V.P. Sriram, Dr. Suresh Chandra (2017) In present time, Digital platform is give to the opportunity for consumers as a new experience to collecting of data, comparing the present products or their value and possibility of purchasing it on the online shopping. Therefore, customer behavior is importance factor for e-commerce companies. forecasting of customer behavior in today's era electronic-commerce companies need to understand how, where and why consumers behave in such a way and they need to offer products and services according to those expectations of the consumers, wherein, turn it would certainly make .

Jayasubramaniam et al., (2015) conducted a research that focused on analyzing the factors that influenced the consumer's online shopping behavior. A sample size of 50 consumers was used to collect data. The respondents were selected using convenient sampling technique. The data was analyzed using percentages and rankings. The result revealed that the consumers prefer shopping from Flipkart followed by Amazon, eBay, myntra, Snapdeal and Olx. They mainly bought electronics and mobile phones from these websites. The study concluded that consumers reviews played an important part in affecting the consumer behavior while shopping online majority of the consumers were satisfied with online shopping experiences.

Pratiksinh Vaghela (2014) performed a research work on "A study on consumer perception towards online shopping". The main objective of this research study was to identify the perception of the customers towards online shopping and also discriminate this perception sexual content wise. The sample size of the research was 150 respondents from varachhaarea Surat. The author had used tools like tabulation, chi- square test, frequency distribution, cross tabs and charts with the help of the (SPSS) software for analysis, finally researcher concludes that most of the customers were perceived that online shopping is better option than manual shopping and mostly consumers were satisfied with their online product shopping transactions. Customers are accessing their net at their home and office/college. Largely consumers are buying different items.

Ariff et. al., (2013) studied the impact of website on online purchasing behavior of consumers. This data was collected from 310 respondents through stratified random sampling method consisting ICT undergraduates who had an experience in online purchasing. The data was analyzed using exploratory factor analysis. The result revealed that mainly 5 factors affect the consumers online buying behavior. Namely information quality, fulfilment/reliability/customer service, website design, quick and detail and privacy/security. The result of multiple regression analysis indicated that quality of information, quick and detail and privacy/security influenced the purchasing behavior of online consumers. Also, psychological factor such as trust and security had a positive influence on consumers attitude towards shopping online.

Dahiya (2012) understood the influence demographic factors have on online shopping behavior in five cities. The sample size consisted of 598 respondents with 331 males and 249 females from different cities namely Delhi, Mumbai, Chennai, Hyderabad and Bangalore. Judgmental and snowball sampling techniques were used. ANOVA was used to analyze the data. The findings showed that age does not influence online shopping in India. Also, females buy more frequently than males and marital status and income does not influence online shopping but family size significantly affects the online shopping behavior of consumers.

Sadasivan et. al. (2011) has undertaken a study on consumers involvement towards private brands in means apparel with reference to Chennai city. The study complied with 100 respondents. Since the product chosen for this research is apparel of private store, students are selected as sample unit. Mall- intercept technique was used and questionnaire was distributed in three shopping malls. The results shows that involvement of the consumer influences the buying decision among the interest, pleasure and sign are found to have significant impact of the loyalty behavior. analyzed also indicate that the peer pleasure is the most dominating factor that influences the students to prefer private brands. The analysis also reveals that competitive price, attitude of sales people, strategic location and selective communication are the other factors that assist the students in choosing the private brand.

Objective of the Study

The study include to analyze the financial ratio of the selected online product selling companies in terms of following:

- Gross profit ratio
- Operating margin ratio
- Net profit ratio

Time Period of this Research

In the present research study time includes 10financial year commencing from 2011-2020.

Data Collection

This research study is mainly focused on secondary data.

This research study is mainly collecting data from websites, journals, e-journals and various other websites.

Sample of this Research Study

The all numbers of the companies in India are universal of online product selling companies are the populations of the study but due to constraints of the time and money at this stage researcher has selected 3online product selling companies. Sample of the study includes Amazon, Alibaba and eBay.

Hypothesis of the Study

H₀: There is no significance difference between gross profit ratio, operating Margin ratio and Net Profit ratio of the choosing online product selling companies in this research time.

Data Analysis

Profitability ratios designated a company's overall efficiency and performance. It measures the company how to use of its expenses to generate an acceptable rate of return it also used to examine how well current performance companies to past records of both online product selling companies.

The profitability computes variables from the balance sheet to determine gross profit, operating margin, net profit. In the present study researcher completed study.

- Gross profit margin
- Operating profit margin
- Net profit margin

Table 1: Gross profit of selected online product selling companies (In %)

Year	Amazon	Alibaba	eBay	Mean
2011	22.44	70.62	70.30	54.45
2012	24.75	67.27	70.04	54.02
2013	27.23	71.85	81.93	60.34
2014	29.48	74.54	81.08	61.7
2015	33.04	68.72	79.39	60.38
2016	35.09	66.03	78.45	59.86
2017	37.07	62.42	77.63	59.04
2018	40.25	57.23	77.83	58.44
2019	40.99	45.09	76.78	54.29
2020	39.57	44.60	75.92	53.36
Mean	32.99'	62.84	76.94	57.53
S.D	6.36993485	10.112927	3.79941838	4.12344759
Co.Var.	19.3080987	16.091304	4.93847843	7.16734906

source:www.moneycontrol.com

Analysis

Above table shown that the gross profit ratio of the selected online product selling companies. It can be seen that the eBay has highest average gross profit ratio 76.94%. followed by Amazon (32.99%) and Alibaba (62.84%). So that the company with higher gross profit ratio reflects the efficiency in production whereas the companies with lower gross profit ratio compare to all companies average and if difficult to recover its operating expenses.

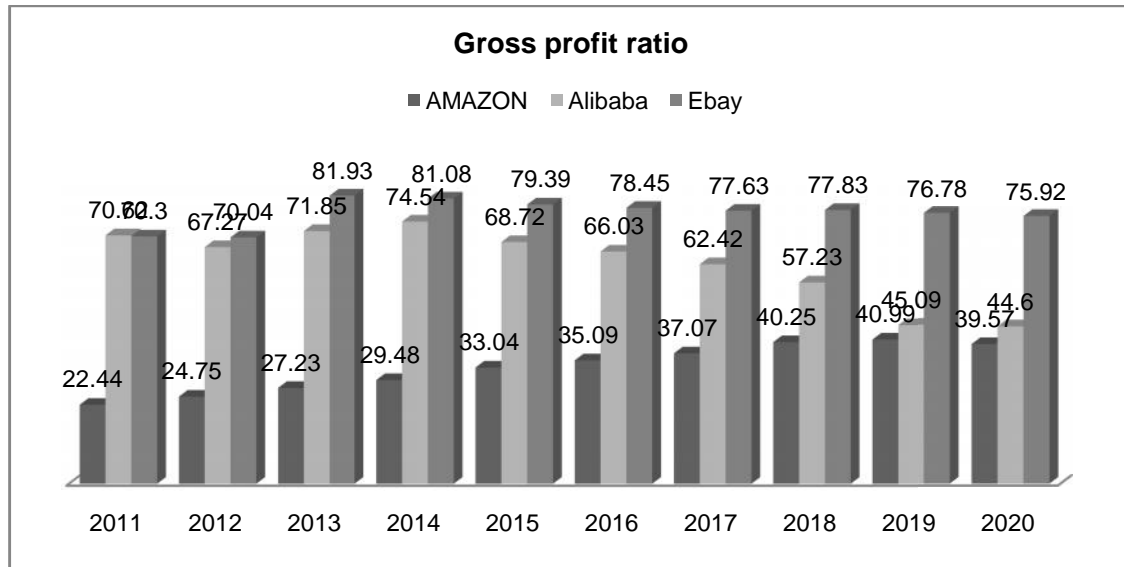


Table No. 2 Oneway ANOVA of Gross Profit

Sources of variance	SS	DF	MS	F	F- critical value
Between groups	272.498	9	30.2775855333	2.39	0.01387705718
Within groups	43636.897	20	2181.84483386	-	-
Total	43909.395	29	-	-	-

Source: - Computed By researcher

Above table shown that computed value of F 2.39 between groups, higher than critical value 0.01387705718 alternative hypotheses has been accepted and null hypothesis has been rejected.

Table 3: Operating Margin of Selected online Product Selling Companies (In %)

Year	Amazon	Alibaba	eBay	Mean
2011	1.79	11.11	20.37	11.09
2012	1.11	25.72	20.52	15.78
2013	1.00	31.66	29.72	20.79
2014	0.2	47.55	28.17	25.31
2015	2.09	30.59	25.57	19.42
2016	3.08	29.22	25.00	19.1
2017	2.31	30.36	22.81	18.49
2018	5.33	27.89	20.68	17.97
2019	5.18	15.15	21.49	13.94
2020	5.93	18.05	26.40	16.79
Mean	2.802	26.73	24.073	17.868
S.D.	1.921209204799	9.73572185305	3.21410656326	3.67610609204
Co-Variance	68.565639	36.422453621	13.351499868	20.573685314

source:www.moneycontrol.com

Analysis

Calculation of operation margin ratio is presented in the table no.3 it can be analyzed that mean is 17.868%. Following by Amazon (2.802%), Alibaba (26.73%), eBay (24.073%) Operating Profit margin. How efficient the managers of a company using business operations to generate the profits. The reasons why amazon Stood last can be visible from the table where Amazon induced operating profit decrease in the year 2014. All these cause amazon On an aggregate basis to earn lower operating margin. Where in case of comparison between Amazon and Alibaba. In which operating margin of Amazon has been continuously bearing decrease profit in the year 2010-14 which showing poor efficiency of the management.

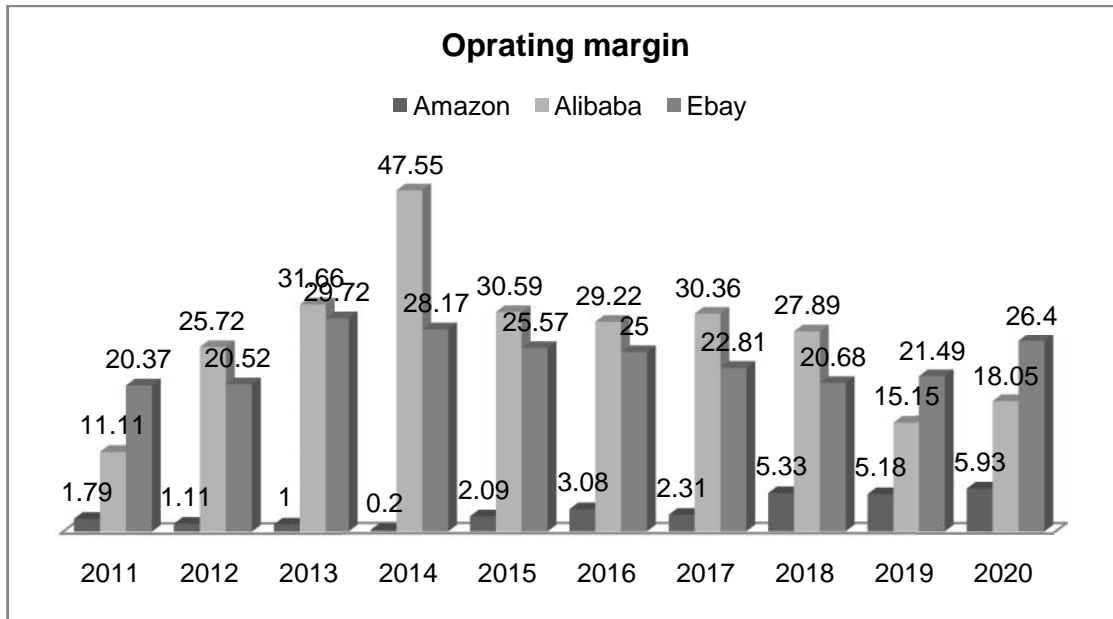


Table 4: One Way ANOVA of Operating Margin

Sources of variance	SS	DF	MS	F	F- critical value
Between groups	389.15029998	9	871.069585188	2.39	2.33829245025
Within groups	7450.47596672	20	372.523798336	-	-
Total	7839.62627	29	-	-	-

Source: Computed by researcher

As per table no 4, Above table depict that computed value of F 2.39 between groups, higher than critical value 2.33829245025 alternative hypotheses has been accepted and null hypothesis has been rejected.

Table 5: Net Profit of Selected Online Product Selling Companies (In %)

Year	Amazon	Alibaba	eBay	Mean
2011	1.31	9.94	27.71	12.99
2012	-0.06	21.11	18.54	17.53
2013	0.37	24.35	34.59	19.77
2014	-0.27	43.96	0.52	14.74
2015	0.56	31.69	20.08	17.44
2016	1.74	70.66	78.15	50.18
2017	1.71	27.59	-10.24	6.35
2018	4.33	25.57	23.54	17.81
2019	4.13	23.25	16.54	14.64
2020	5.52	29.28	55.17	29.99
Mean	1.934	30.74	26.46	20.144
S.D.	1.92529062741	15.6375567145	24.0705355154	13.1563453892
Co-Variance	99.549670496	50.870386189	90.969521978	65.311484259

Source WWW.Moneycontrol.com

Analysis

The above table depict the net profit of selected online product selling companies in which the overall profitability is stated. The calculated mean is on an average remains 20.144. and Alibaba has higher operating profitability have stood the first with an aggregate average net profitability of 30.74% followed by eBay (26.46%) and Amazon (1.934%) the lowest average and net profitability in case of eBay because of incurring huge losses.

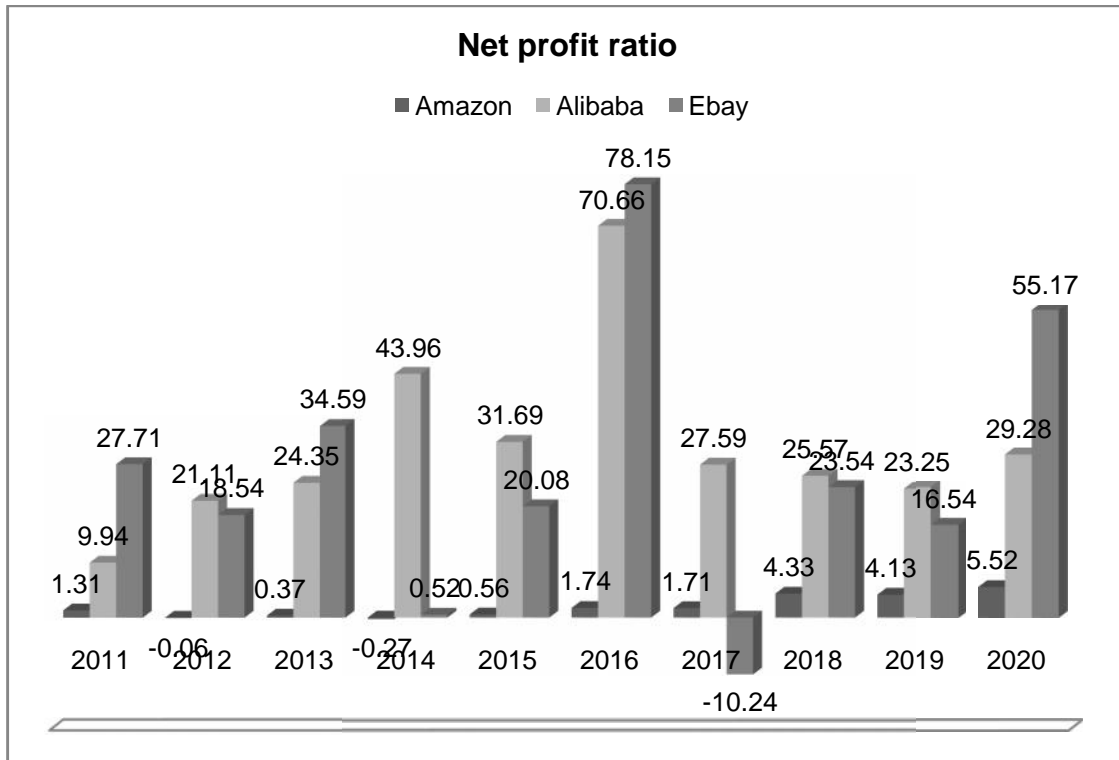


Table 6: One Way ANOVA Net Profit

Sources of Variance	SS	DF	MS	F	F- critical value
Between groups	18852.3757466	9	2215.2494829	2.39	4.0839000548
Within groups	1084.8696001	20	54.243480005	-	-
Total	19937.2453	29	-	-	-

Source: Computed by researcher

As per table no 6, Above table depict that computed value of F 2.39 between groups, higher than critical value 4.0839000548 alternative hypotheses has been accepted and null hypothesis has been rejected.

Findings of the Study

- So far as concerned to gross profit 76.94% eBay is highest online product selling companies during the study period. While with negative average 32.99 gross profits of Amazon gets least cushion among well the selected online product selling companies during this research study time.
- Alibaba has highest operating margin 26.73% during the strong profit while Amazon having last position with 2.802 operating margin this study time.
- While with 30.74% average net profit Alibaba get 1st position among the entire selected online product selling companies during this research study period. While with 1.934% net profit Amazon got worse position among selected online product selling companies during this research study.

Conclusion

This research paper identifying the financial performance of selected online product selling companies with the help of ratio analysis. In which single factor ANOVA technique help to analyzing the significance of empirical study by computing different ratios over period of time. The research of this empirical study revealed that Alibaba company consistent and next best after the sometimes eBay. Amazon will maintain the same level of performance in this particular study.

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