
E- Commerce in India - Challenges and Opportunities E- Commerce

Prof. Dr. Subhash Masanappa Suryawanshi

Associate Professor, Smt. C.K. Goyal Arts & Commerce College, Dapodi Pune -411012

ABSTRACT

Electronic commerce, commonly written as e-commerce is buying and selling of products and services by businesses and consumers over the Internet. Electronic 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. Consumers take advantage of lower prices offer by wholesalers retailing their products. This trend is set to strengthen as web sites address consumer security and privacy concerns. Due to the popularity of e-commerce there is a tremendous increase exchange of goods and services both regionally and globally. Now-a-days it has become the virtual main street of the world. This online business refers to the E-commerce which is recently moved in to developing countries like India. Today, e-commerce has grown into a huge industry. This paper is outcome of a review of various research studies carried out on E-commerce. The present study has been undertaken to analyze the present trends of e-commerce in India & examine the challenges & opportunities of e-commerce in India.

Keywords: E-Commerce, Opportunities and Challenges, Online Retail, Increasing Internet Users

INTRODUCTION

E-commerce stands for electronic commerce. It means dealing in goods & services through the electronic media & internet. The rapid growth of e-commerce in India is being driven by greater customer choice & improved convenience with the help of internet the vendor or merchant who sells products or services directly to the customer from the portal using a shopping basket system or digital cart & allows payment through debit card, credit card or electronic fund transfer payments. In the present scenario e-commerce market & its space is increasing in demand as well as an impressive display or range of a particular type of services. E-commerce is already appearing in all areas of business, customer services, new product development & design. E-commerce business is growing in India because of wide range of product with minimum price wide range of suppliers & customers internet. In this modern era every business units want to join online business because increasing ratio of internet users in India. E-commerce in India is still in growing stage but it offers considerable opportunity.

WHAT IS E-COMMERCE?

E-commerce (electronic commerce) is buying and selling of goods and services or the transmitting of funds and over an electronic network, primarily the internet. E-commerce replaces the traditional business method. This can facilitate improvement in business growth leading to substantial cost saving and increased competitiveness and efficiency.

E-commerce is conducting using variety of applications. Such as email, fax, online catalogs and shopping catalogs and shopping carts, electronic data interchange (EDI), File transfer protocol and web services. In the present variety of goods and services that can be bought over the internet is making buying online more attractive and convenient for consumers all over the country.

As a symbol of globalization, E- Commerce represents the cutting edge of success in this digital age and it has changed and is still changing the way business is conducted around the world. The commercialization of the internet has driven electronic commerce to become one of the most capable channels for inter- organizational business processes.

TYPES OF E- COMMERCE:

There are 4 types of E- Commerce

1) Business-To-Business E- Commerce:

B2B E-commerce is simply defined as e-commerce between companies. This is the type of e-commerce that deals with relationships between and among businesses. About 80% of e-commerce is of this type, and most experts predict that B2B e-commerce will continue to grow faster.

2) Consumer To Business E-Commerce:

Business-to-consumer commerce, or commerce between companies and consumers, involves customers gathering information; purchasing physical goods (i.e., tangibles such as books or consumer products) or information goods (such as software, or e-books); and for information goods, receiving products over an electronic network. It is the second largest and the earliest form of e-commerce.

3) Consumer To Consumer E-Commerce:

Consumer-to-consumer electronic commerce involves the electronically facilitated transactions between some third party. It perhaps has the greatest potential for developing the new markets. C2C websites form a perfect platform for buyers and sellers who wish to buy and sell products of similar interest.

4) Business To Government E- Commerce:

Business-to-government E- commerce or B2G is generally defined as commerce between companies and the public sector. It consists of a marketing products and services to various government levels.

DEFINITION

The buying and selling of products and services by businesses and consumers through an electronic medium, without using any paper documents. E-commerce is widely considered the buying and selling of products over the internet, but any transaction that is completed solely through electronic measures can be considered E-commerce “E-Commerce is a concept covering any form of business transactions or information exchange executed using information and communication technology between companies and public administration.”

OBJECTIVES OF STUDY

The objectives of present study are:

- 1) To explain the concept of E-Commerce.
- 2) To analyze the present trends & opportunities of E-commerce in India.
- 3) To examine the barriers of E-commerce in India.
- 4) To study the India's prospects in E-commerce.
- 5) To study the various challenges faced by E-commerce in India.
- 6) To study the various trends in E-commerce.

LIMITATION OF THE STUDY

The study has been conducted only by collecting the secondary data.

RESEARCH METHODOLOGY

The process used to collect information & data for the purpose of making business decisions. The methodology may include publication research, interview, surveys and other research techniques & could include both present & historical information. The researcher has used only secondary data that has been collected from various articles, journals, books, websites etc.

This has been used to study the conceptual framework, definition, present trends and some of the challenges and opportunities of E-commerce in India. All the data included is the secondary base and proper references have been given wherever necessary.

RESULT & DISCUSSION

India has an internet user base of about 354 million as of June 2015. Despite being third largest user base in world, the penetration of e-commerce is low compared to markets like the United States, United Kingdom or France but is growing much faster, adding around 6 million new entrants every month. The industry consensus is that growth is at an inflection point.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorized distributors and e-commerce offerings.

As of first Quarter, 2015, seven Indian e-commerce companies have managed to achieve billion-dollar valuation. Viz. Flipkart, Snapdeal, InMobi, Quikr, Amazon India, OlaCabs, and Paytm.

MARKET SIZE AND GROWTH

India's e-commerce market was worth about \$3.8 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 70% of India's e-commerce market is travel related. According to Google India, there were 35 million online shoppers in India in 2014 Quarter 1 and is expected to cross 100 million mark by end of year 2016. Compound Annual Growth Rate (CAGR) vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales.

RECENT TRENDS IN INDIAN E-COMMERCE INDUSTRY

India is a massive E-Commerce marketplace now with every age group comfortably transacting online – more often preferring shopping online instead of visiting offline stores for a bigger gamut of choices and offers.

E-Commerce industry is growing at an astounding rate in India and is expected to account for 1.61% of the global GDP by 2018. According to a report by Forrester, India is set to become the fastest growing market in the Asia-Pacific region with an expected growth rate of over 57% between 2012 and 2016.

1) Men in India shop 3X more than women

While women continue to dominate the in-store markets, men with disposable incomes have taken it upon themselves to play the larger role in online shopping.

2) Cash-On-Delivery (COD) remains the most preferred online payment method.

We Indians love the Cash-On-Delivery option; it gives us more control over online transactions since we don't have to pay until the product is at our doorstep. COD option during checkout has also been proven to boost impulse purchases.

3) 60% of online purchases happen during business hours.(9AM-5PM)

This proven trend is a myth-buster that shows how integral a part online shopping has become in our day-to-day lives. Marketers can use this fact to schedule their promotions across advertising channels accordingly.

4) The Rural Pitch

Ecommerce companies would emphasize more on attracting the customers from rural areas. Along with this, traditional business houses such as Tata Group and Reliance Industries will enter more aggressively into the ecommerce business.

5) Smartphone Apps:

However, users browse products on desktops or laptops, they prefer transacting via smart phones because of their faster linkages to payment gateways. Smartphone ecommerce apps are also preferred as they offer more personalized shopping experience for customers and a better understanding of consumers for the ecommerce company. Further apps are also an opportunity to curate targeted promotions based on browsing or shopping cart history.

OPPORTUNITIES AND CHALLENGES

Backed by increased online user base and mobile phone penetration, Indian e-commerce has seen impressive growth in the last few years. Considering India's demographic dividend and rising internet accessibility, the sector is slated to scale greater heights. Although, India's overall retail opportunity is substantial, the sector is beset with some serious challenges. We take into the current e-commerce landscape and the sector's key drivers & challenges. Internet penetration is one of the factors affecting the growth of e-commerce. The following table provides information about the percentage of internet penetration in different countries of the world:

Table showing internet penetration in different countries in 2016

Country	Internet users (2016)	Penetration (% of Population)
China	721,434,547	52.2 %
India	462,124,989	34.8 %
U.S.	286,942,362	88.5 %
Brazil	139,111,185	66.4 %
Japan	115,111,595	91.1 %
Russia	102,258,256	71.3 %
Nigeria	86,219,965	46.1 %
Germany	71,016,605	88 %
U.K.	60,273,385	92.6 %
Mexico	58,016,997	45.1 %

The above table reveals that e-commerce industry is fast rising; changes can be seen over year. A significantly low (34.8%) but fast-growing internet population is an indicator of the sector’s huge growth potential in India. For developing countries like India, e-commerce offers considerable opportunity. The table shows that, e-commerce in India is still in growing stage. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia’s second most populous nation. Insights into increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced prices and busy lifestyles reveal this fact more prominently thereby giving way to online deals on gift vouchers. Going by the statistics, e-commerce market in India is expected to nearly double to Rs.2, 11,005crores by December according to industry body Internet and Mobile Association of India (IAMAI). The market grew 30% between December 2011 and December 2015. Online travel which includes domestic air ticket and railway ticket booking is expected to grow around 40% by the end of 2016.

KEY DRIVERS OF E-COMMERCE IN INDIA

- Large percentage of population subscribed to broadband Internet, rapidly increasing 3G internet users, and a recent introduction of 4G across the country.
- Explosive growth of Smartphone users.
- Rising standards of living as result of fast decline in poverty rate.
- Availability of much wider product range.
- Competitive prices compared attractive to the customers.
- Increased usage of online classified sites, with more consumers buying and selling second-hand goods.

CHALLENGES IN THE E-COMMERCE SECTOR

There are some barriers responsible for slow growth of e-commerce in India. Hamilton (2002) indicate some barrier in using e-commerce including security problems, lack of skills, cost etc.. People do not yet sufficiently trust paperless, faceless transactions. For the growth of E-business in India it needs a focus and should to make country in the lines of E-business.

1. In India, Cash on delivery is the preferred payment mode: In India, most of the people prefer to pay cash on delivery due to the low credit card diffusion and low trust in online transactions. Not like electronic payments, manual cash collection is quite perilous, expensive and laborious.
2. Infrastructural Problems: Internet is the backbone of e-commerce. Internet penetration in India is still very low (34.8%) compared to other countries. The quality of connectivity is poor in several regions. But both these are real threats for the growth e-commerce market in India
3. Incorrect postal address: When the customer places an online order, he will get a call from the company, asking about his exact location. The given address is not enough because there is always a little standardization while writing post addresses. It is also one of the biggest challenges that faced by e-commerce in India.
4. Absence of Cyber Laws: Other big challenge associated with e-commerce market is the near absence of cyber laws to regulate transactions on the Net. WTO is expected to enact cyber laws soon. The India's Information Technology (IT) Bill passed by the Indian Parliament on May 17, 2000 intends to tackle legislatively the growing areas in e-commerce. As it stand today, the Bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.
5. Privacy and Security Concern: In case of start up and small business, Business owners fail to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which indeed a crucial step for successful online business players. Usage of unauthorized soft wares will not protect the customer.
6. Payment and Tax Related Issues: Tax rate system of Indian market is another factor for lesser growth rate of e-commerce in India in comparison to other developed countries like USA and UK. In those countries, tax rate is uniform for all sectors whereas tax structure of India varies from sector to sector. This factor creates accounting problems for the Indian online business companies. The Government of India is committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement Goods and Services Tax (GST) by April 2017. One-Country-One-Tax is the main motive of GST.
7. Touch and Feel' factors: Indian customers are more comfortable in buying products physically. They tend to choose the product by touching the product directly. Thereby, Indian buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. Companies dealing with products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.
8. Shipping Challenges: Issues related to lack of supply chain integration, high delivery charges for products, delay in delivery and lack of proper courier services in some areas also make customers frustrated.

9.Product Return, Refund etc.:Product which is not satisfactory for the customers tends to get replaced or returned. This is another major issue which leads into overall loss in revenue, loss of shipment costs and more than all these loss of your reputation

10.Customer Service:E- Marketers focuses on the website performance ignoring customer relationship and in-personal assistance.

ADVANTAGES OF E-COMMERCE

To Consumers

The distinct advantages e-commerce can offer to the consumers include but are not confined to the following only:

- (i) Consumers have a much wider choice available on the cyber market.
- (ii) They bear lower costs for products due to increased on-line competition among sellers.
- (iii) Because of wide-scale information dissemination, consumers can compare products, features, prices and even look up reviews before they select what they want.
- (iv) They enjoy wider access to assistance and to advice from experts and peers.
- (v) They enjoy saving in shopping time and money.
- (vi) Consumers also avail of fast services and delivery of products and services.
- (vii) They also have the convenience of having their orders delivered right to the door step.
- (viii) Finally, consumers are driven to e-shopping in hordes as even branded goods cost less on the Net.

To Suppliers

The major advantages that e-commerce can bring to the companies/suppliers are:

1. It minimizes inventory cost

E-commerce venture need not maintain huge inventories or expensive retail showrooms. Their marketing and sales force is a fraction of that of traditional mortar-based businesses. E-commerce can minimize inventory costs by adopting just-in-time (JIT) system enhancing the firm's ability to forecast demand more accurately.

2. It can improve customer services

It has been found that providing both customer and after-sale services account for up to 10 per cent of the operating costs.

By putting these services on- line under e-commerce, these costs get reduced, on the one hand, and simultaneously the quality of services also gets improved, on the other.

High quality customer relationship called "customization" is crucial for retaining custom-ers in the e-commerce environment. That is the reason why Customer Relationship Management (CRM) has become the buzzword which everybody is talking of now. E-commerce provides ample opportunity for Customer Relationship Management solution and, in turn, in establishing better relationship with the customers.

It becomes absolutely necessary for the company to enhance customer loyalty. Otherwise the customer, who is full of choices, can jump from one website to another. If company is to stay in business then it will have to deliver the products or services to customers as they want, when they want, and how they want.

3. It reduces distribution costs as well

The Electronic Data Interchange (EDI) based on Organization for Economic Co-operation and Development (OECD) study has revealed that the time needed to process an order declined abruptly by a minimum of 50 per cent to a maximum of 96 per cent. It is really amazing.

4. It helps business globalize

E-commerce by minimizing costs enables companies' especially small ones to make information on its products and services available to all the potential customers spread over worldwide. This is well confirmed by Amazon. Com. founded by Jeff Bezos, the largest bookstore in the net by taking away a large amount of sales from the traditional booksellers. In India, the experience of reinfusion-on-the- net presents the similar case.

5. It helps market products more quickly

By taking the entire product design process online, drawing partners and customers into the process and removing the traditional communication barriers, companies can bring products and services to market far more quickly.

Internet commerce solutions allow customer to reduce the costs of sales and open new markets, speed and simplify order accuracy, approval, and processing, tracking and delivery and improve decision making, leverage existing investments in infrastructure, business systems and repositions and link manufacturers with suppliers on the same network.

FINDINGS

The study indicates that e-commerce sector has huge growth potential in India.

The growth of mobile internet is encouraging.

There are some obstacles responsible for slow growth of e-commerce in India.

CONCLUSION

E-commerce is changing the way of buying & selling of product & services in India. E-commerce is future of shopping. Due to E-commerce the gap has been reduced between manufacturer & consumer. According to Indian population their vast scope for e-commerce because currently in India only 19% people using internet for selling & buying goods & services so remaining percentage we can considered that we having scope in Indian Market. There is weak Cyber security Law in India that is why Indian People are facing challenges toward e-commerce. The future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented, by establishing cyber & have their benefits as per people wish. The role of government is to provide a legal framework for e-commerce so that while domestic & international trade are allowed to expand their horizons, basic right such as privacy, intellectual property, prevention of fraud, consumer protection etc. are all taken care of. The expansion of e-commerce has been developed in rural as well as urban area in reign able cost for consumption, because of that more people are getting linked with e-commerce & the ratio of that is getting increase day by day.

E-commerce provides tremendous opportunities in different areas but it requires careful application for consumer protection issues. Growth of e-commerce would also depend to a great extent on effective IT security systems for which necessary technological and legal provisions need to be put in place and strengthened constantly.

While many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce, critical challenges remain to be overcome before e-commerce would become an asset for common people.

It is clear that in coming years customers will give orders for their products from their homes and from their office. Mobiles and computer are widely used in India now a days and user are eager to do shopping in internet. With the rapid expansion of internet, e-commerce is set to play an important role in next coming years. Metro cities and urban areas are already using the

facility of internet but in coming years the rural and sub-urban area will also use the facility of internet. So, the new opportunities will be open for small and big corporations.

REFERENCES

- http://www.indianmba.com/Faculty_Column/FC822/fc822.html
- <http://searchcio.techtarget.com/definition/e-commerce>
- http://www.investorwords.com/1637/e_commerce.html
- https://en.wikipedia.org/wiki/E-commerce_in_India
- <https://sokrati.com/blog/current-trends-about-indian-e-commerce-industry/>
- <https://www.linkedin.com/pulse/e-commerce-india-scope-challenges-future-shantanu-gaur>
- *E-commerce in India – Opportunities And Challenges.- Chaitharalaxmi. T and Shruthi. N*
- *Abhijit Mitra, E-commerce in India- A Review, International Journal of Marketing, Financial Services & Management Research (ISSN 2277-3622, 2013, 2.*
- *Chakraborty KD, Chatterjee D. E-Commerce BB. Kundu Grandsons, Kolkata, 2011, 32-56.*
- *Future Of E-Commerce In India Challenges & Opportunities.- Prof. Dr. Rajendra Madhukar Sarode.*
- *ECommerce in India: Drivers and Challenges a The PwC India Proposition (2015, Nov 11) Retrieved from <https://www.pwc.in/assets/pdfs/technology/ecommerce-in-india-drivers-and-challenges.pdf>*
- *E-commerce in India (2015, Nov 10) Retrieved from https://www.en.wikipedia.org/wiki/E-commerce_in_India*
- *e-commerce-and-its-evolution-in-india (2015, Nov 10) Retrieved from <http://www.devmantra.com/2015/09/01/e-commerce-and-its-evolution-in-india/>)*
- *Goele S, Channa N. Future of E-Commerce in India, International Journal of Computing & Business Research, Proceedings of, I-Society 2012 at GKU, Talwandi Sabo Bathinda, Punjab (Referred from:, 10/11/2012)*
- *Jain S, Kapoor B. Ecommerce in India- Boom and the Real Challenges, VSRD International Journal of Business & Management. 2012; 2(2):47-53.*
- *Kaur P, Joshi MM. E-Commerce in India: A Review, IJCST, 2012; 3(1)-802-804.*
- *Kothari, CR Research Methodology: Methods and Techniques New Delhi: rakashan, 2003.*
- *Rosen Anita, the E-commerce Question and Answer Book (USA: American Management Association, 2000), 5.*
- *Hassan S, Li F. Evaluating the usability and content usefulness of websites: A benchmarking approach, Journal of Electronic Commerce in Organizations, 3(2).*
- *The rise and rise of ecommerce in India. (2015, Nov 10) Retrieved from <http://www.ibef.org/download/The-Rise-and-Rise-of-E-commerce-in-India.pdf>*
- www.slideshare.net/.../research-paper-on-ecommerce-challenges-and-opportunities