



E- COMMERCE IN INDIA: CREATING THE BRICKS BEHIND THE CLICKS

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Abstract: *India is at the cusp of a digital revolution. Declining broadband subscription prices, aided by the use of 3G services, have been driving this trend. This has led to an ever-increasing number of “netizens.” Furthermore, the launch of 4G services is expected to significantly augment the country’s internet user base. Internet has become an integral part of this growing population segment for remaining connected with friends, accessing emails, buying movie tickets and ordering food. The changing lifestyles of the country’s urban population have also led many people relying on the internet for their shopping needs. The convenience of shopping from the comfort of one’s home and having a wide product assortment to choose from has brought about increased reliance on the online medium. This paper gives an insight of e-commerce and highlights the present scenario of e-commerce in India. This study also finds out various factors that would essential for future growth of Indian E-commerce. And represent the various opportunities for retailers, wholesalers, producers and for people. In this paper we found that the Overall E-Commerce will increase exponentially in coming years in the emerging market of India.*

Keywords: *E-commerce, Emerging Trends, Internet Marketing, Online Shopping.*

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INTRODUCTION

The cutting edge for business today is e-commerce. E-Commerce stands for electronic commerce. It means dealing in goods and services through the electronic media and internet. On the internet, it relates to a website of the vendor, who sells products or services directly to the customer from the portal using a digital shopping cart or digital shopping basket system and allows payment through credit card, debit card or EFT (Electronic fund transfer) payments. E-commerce or E-business involves carrying on a business with the help of the internet and by using the information technology like Electronic Data Interchange (EDI). More simply put, E-Commerce is the movement of business onto the World Wide Web. E-Commerce has almost overnight become the dominant online activity. There is no single definition of E-Commerce, it means only commercial activity which is performed or linked to or supported by Electronic Communication. The effects of e-commerce are already appearing in all areas of business, from customer service to new product design. It facilitates new types of information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service.

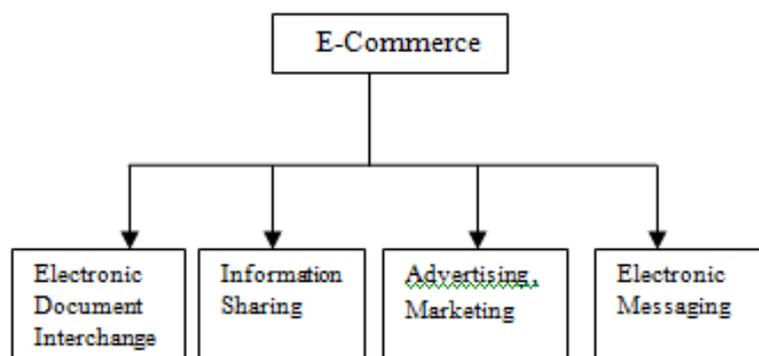


Fig.1. E-Commerce workflow Diagram

Now days E-commerce uses the WWW at least some point in transaction lifecycle. It can also reduce costs in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services. For developing countries like India, e-commerce offers considerable opportunity. In India it is still in nascent stage, but even the most-pessimistic projections indicate a boom. There has been a rise in the number of companies' taking up e-commerce in the recent past. Major Indian portal sites have also shifted towards e-commerce instead of depending on



advertising revenue. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers, etc. With stock exchanges coming online the time for true e-commerce in India has finally arrived.

TYPES OF E-COMMERCE

Waghmare G.T. (2012) has defined the following types of e-commerce:

- (i) **B2B E-Commerce:** Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable.
- (ii) **B2C E-Commerce:** Businesses selling to the general public typically through catalogs utilizing shopping cart software. Eg. indiatimes.com.
- (iii) **C2C E-Commerce:** There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell thanks to online payment systems like PayPal where people can send and receive money online with ease. eBay's auction service is a great example of where customer-to customer transactions take place every day.
- (iv) **Others:** G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to-Business), B2G (Business-to-Government).

OBJECTIVES OF STUDY:

- 1) To explain the concept of e-Commerce in India.
- 2) To study the India's Emerging Trends of e-commerce.
- 3) To study the various Challenges & Opportunities of e-commerce in India.
- 4) To study essential factors for growth of e-commerce in India.

E-COMMERCE IN INDIA

For developing countries like India, e-commerce offers considerable opportunity. E-commerce in India is still in growing stage, but even the most-pessimistic projections indicate a boom. 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. The first e-commerce site in India was rediff.com. It was one of the most trafficked portals for both Indian and non-residents Indians. It provided a wealth of Indian-related business news a reach engine, e-commerce and web solution services.

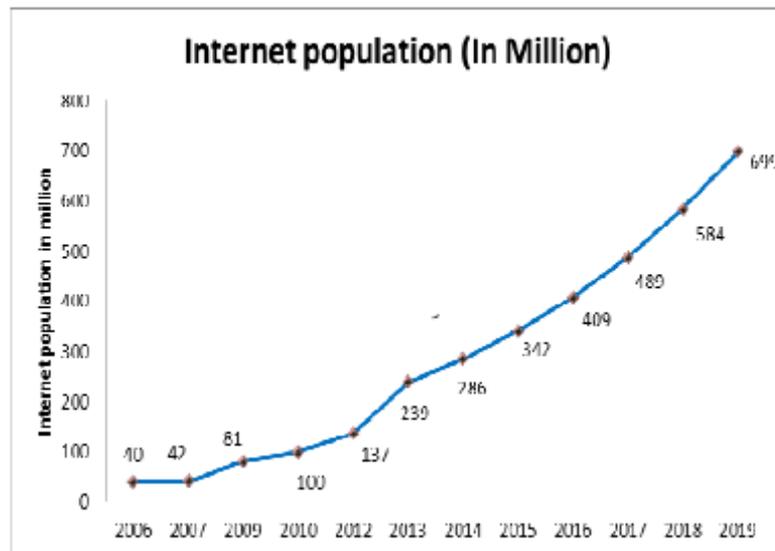


Fig 2: Internet Population of India

The past 2 years have seen a rise in the number of companies enabling e-commerce technologies and the internet in India. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenues. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and mouse tickets the grocery and computers. The major in this services being Rediff.com, the net and India plaza with started a shopping section after in spite of RBI regulation low internet usage e-commerce sites have popped up everywhere hawking things like groceries, bakery items, gifts, books, audio and video cassettes, computer etc. none of the major players have been deterred by the low PC penetration and credit card.

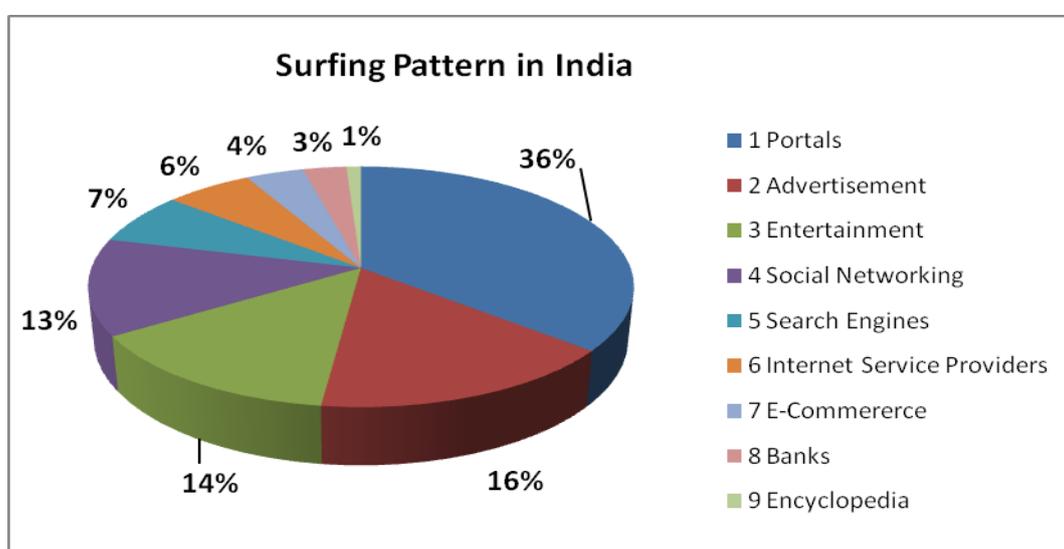


Fig 3: Surfing Pattern in India



EMERGING TRENDS OF E-COMMERCE IN INDIA

Businesses need to be able to combine globalized product offerings, with a localized E-commerce experience - through local language, payment options, and marketing offerings.

- (i) **Getting Global while staying local-** Businesses need to be able to combine globalized product offerings, with a localized E-commerce experience - through local language, payment options, and marketing offerings.
- (ii) **Mobile payment became easier-**The goal is to enable each and every store colleague to transact, checkout and take payments without going to the tills.
- (iii) **Mobile POS and showcase using iPad/ Android-** Jellybean, the features one can enable in the customer assisted app are endless, starting from basic tools such as using the camera for barcode scanning to doing a virtual makeover for customers in store. Apple started this trend and most retailers do see significant advantage in this approach as one can not only access the entire product range, but also drive assisted conversations. With iOS 6 and Android 4.2.
- (iv) **Advanced website browsing on mobile/iPad/tablets:** Consumers expect the site to work like any app. Responsive design is the mantra for any website.
- (v) **Facebook:** Facebook has more than 850M+ subscribers, and it is a known fact that number grows by 20% or more every year in emerging countries. Companies will take more and more advantage from the various set of data about user's daily activity using Facebook Connect, like offering promotions on products which they most commented on or identifying what their friends mostly like and recommending the same when they visit the store.
- (vi) **Push notifications:** Current reactive nature of "pull browsing" is changing very quickly to "push browsing", whereby marketers are reaching out to consumers with more relevancy than before to pull them to buying things.
- (vii) **Less importance to conversion ratio over customer engagements:** Currently conversion ratio (visitors/orders) is of paramount importance. Customer engagement and make sure that people have an emotional attachment with the product is key. This means attracting consumers to the website with no intention of buying on site, eventually driving more visitors on the site rather than conversion



ratio improvements. This eventually creates brand affinity and has in turn positive impact on conversion and average order value (AOV) in other channels.

(viii) **Personalization:** Personalized recommendations or targeted content is the key medium to surface any content. There are two distinct sets of consumers one who expects the retailer to make use of cross domain data and others who wary of their data being shared between sites.

(ix) **Multi-channel:** Consumers will expect a seamless shopping experience. A product added in a basket at home is expected to be found in the basket when you go to the store or if you call up the call center. This will drive investment by IT directors in commerce packages, CRM systems and more importantly integrating commerce system with POS.

ESSENTIAL FACTORS FOR THE GROWTH OF E-COMMERCE IN INDIA

- **Customer convenience:** By providing Cash on delivery payment option service to customers.
- **Replacement guarantee:** Should be Offers 30 day replacement guarantee to their customers.
- **Reach:** Enabling mobile-capable sites and supporting M-Commerce services.
- **Location based services:** Since customers these days are always on the move, promoting the right product at the right time and location becomes an integral aspect
- **Multiple payment option:** standard credit cards, debit cards and bank payments option should be there.
- **Right content:** Getting the right content and targeting customers with crisp and relevant information is of utmost importance to users on the move.
- **Price comparison:** Providers offering instant price comparison are highly popular amongst the price conscious customers.
- **Shipment option:** Low cost shipment should be there. The convenience of collecting orders post work while returning home should be there.
- **Logistical challenges:** In India, the geographical spread throws logistical challenges. The kind of products being offered by providers should determine the logistics planning.



- **Legal challenges:** There should be legal requirement of generating invoices for online transactions.
- **Quick Service:** Timely service provided by the company.
- **Terms and condition:** T & C should be clear & realistic.
- **Quality:** The product quality should be same as shown on the portal.
- **Customer care centre:** A dedicated 24/7 customer care centre should be there.

THE RAPID GROWTH OF E-COMMERCE IN INDIA

Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. E-commerce is relatively a novel concept. At present it is heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. While in countries such as the US and China, e-commerce has taken significant strides to achieve sales of over 150 billion USD in revenue, the industry in India is, still at its infancy. However over the past few years, the sector has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2013. Industry studies by IAMA² I indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment, increasing its share from 10% in 2009 to an estimated 18% in 2013. Calculations based on industry benchmarks estimate that the number of parcel check-outs in e-commerce portals exceeded 100 million in 2013. However, this share represents a miniscule proportion (less than 1%) of India's total retail market, but is poised for continued growth in the coming years. If this robust growth continues over the next few years, the size of the e-retail industry is poised to be 10 to 20 billion USD by 2017-2020. This growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals.

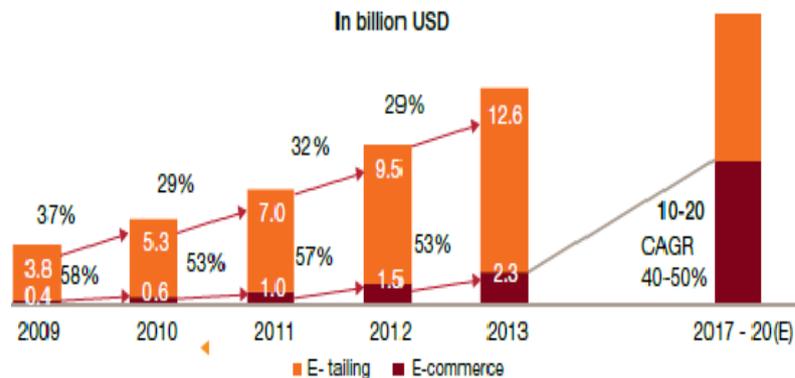


Fig 4: Growth of e-commerce and e- tailing

Source: Crsil, IMAI, PwC analysis and Industry experts

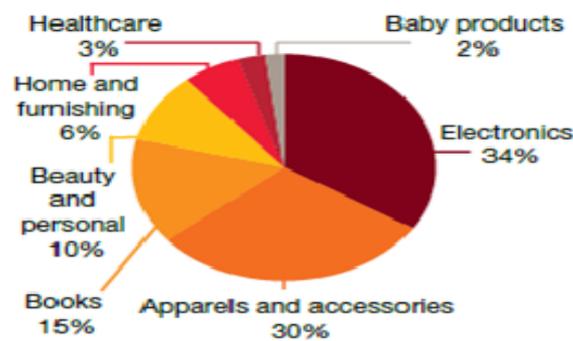


Fig 5: Commodity Distribution in e-tailing

Source: Internet and Mobile Association of India research

CHALLENGES AND OPPORTUNITIES OF E-COMMERCE IN INDIA

The growth of ecommerce volumes in India is attracting the attention of players around the globe. India, the second most populous country in the world, is a home for 1.2 billion people. India is a large and rapidly growing region with a rising middle class, accelerating internet access and a staggering penetration of mobile phones. India is becoming increasingly attractive to businesses, especially to ecommerce firms that thrive on global and scalable business models. There are five key challenges that e-commerce firms are encountering in emerging Indian markets.

1. Indian customers return much of the merchandise they purchase online:

Ecommerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from ecommerce websites. As a result,



buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for ecommerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border e-commerce.

2. **Cash on delivery is the preferred payment mode:** Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.
3. **Payment gateways have a high failure rate:** As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. Ecommerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.
4. **Postal addresses are not standardized:** If you place an online order in India, you will quite likely get a call from the logistics company to ask you about your exact location. Clearly your address is not enough. This is because there is little standardization in the way postal addresses are written. Last mile issues add to ecommerce logistics problems.
5. **Logistics is a problem in thousands of Indian towns:** The logistics challenge in India is not just about the lack of standardization in postal addresses. Given the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centers have a fairly robust logistics infrastructure. The problem with logistics is compounded by the fact that cash on delivery is the preferred payment option in India. International logistics providers, private Indian companies, and the government-owned postal services are making a valiant effort to solve the logistics problem. If someone could convert the sheer size of the problem into an opportunity, we might soon hear of a great success story coming out of the Indian logistics industry.



CONCLUSION

Several important phenomena are associated with e-commerce. E-Commerce has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. New methodologies have evolved. The role of geographic distances in forming business relationships is reduced. E-Commerce is the future of shopping. Indian e-commerce and online shopping together plays a significant instrument in making comprehensive growth and will definitely witness greater changes in the coming years. It is contributing to the economy in a significant manner and has gained its popularity due to the fast development in the area of information technology. Owing to the increasing internet population, it has become easier and simpler in dealing with the competitive market for better deals on product. However, along with development and changes in e-commerce, there are also security and privacy concerns among the customers. Hence, researchers in this field will need to study more on the security and critical issues relate to e-commerce.

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