



E-COMMERCE IN INDIA – A REVIEW

Dr. Chirag V. Erda*

Assistant Professor, Department of Management Studies, Atmiya University Rajkot, Gujarat. *Corresponding Author

ABSTRACT

E-Commerce in India has been experiencing remarkable growth. From a buzzword it becomes reality of a current-day, successfully changing the way people transact. Today, consumers can shop literally everywhere within minutes, from their workstations or homes, and most importantly, at any time of the day at their leisure. The online market in the India is growing in terms of offerings ranging from travel, movies, hotel reservations and books to the likes of matrimonial services, electronic gadgets, fashion accessories and even groceries. But there are some serious challenges like declining profitability, tax framework, counterfeit goods etc. Present paper discusses the growth, opportunities and challenges of e-commerce in India.

KEYWORDS : E-Commerce, Opportunities & Challenges of e-commerce

E-Commerce in India has been experiencing remarkable growth. From a buzzword it becomes reality of a current-day, successfully changing the way people transact. The online market in the India is growing in terms of offerings ranging from travel, movies, hotel reservations and books to the likes of matrimonial services, electronic gadgets, fashion accessories and even groceries. According to the eBay Census Guide 201, India is home to 3,311 e-commerce hubs, 1,267 rural hubs, 391 export hubs and 2,217 import hubs. To exploit on the anticipated growth potential, number of investors, including venture capital (VC) and private equity (PE) firms, are closely looking opportunities in e-commerce start-ups. (The rise and rise of e-commerce in India report, January, 2013, p. 4).

Definitional Issues

There is a debate between consultants and academics about the meaning and limitations of both e-commerce and e-business. Some argue that e-commerce includes the entire world of electronically base organisational activities that support a firm's market exchanges – including a firm's entire information system's infrastructure (Rayport and Jaworksi, 2001, as cited in Laudon & Traver, 2005, pp. 46-47). Others, argue, on the other hand, that e-business includes the entire world of internal external electronically based activities, including e-commerce (Kalakota and Robinson, 2001, as cited in Laudon & Traver, 2005, pp. 46-47). Following is the definition of e-commerce and e-business.

"E-commerce is the use of the Internet and the Web to transact business. More formally, digitally enabled commercial transactions between and among organisations and individuals." While "E-business is the digital enablement of transactions and processes within a firm, involving information systems under the control of the firm." In simple words e-commerce can be defined as the use of the Internet to conduct business transactions nationally or internationally (Terzia, 2011, p. 746).

Literature Review

Reddy and Divekar (2014, pp. 559-560) found that Logistic and Shipment services is most crucial challenge faced by e-commerce companies in India. Others are cash on delivery, tax structure and online transaction and security.

Rina (2016, p. 234) observed that future of e-commerce is not easily predictable but as per the present scenario e-commerce industry is growing very swiftly. There are some crucial factors which will contribute to the boom of the e-commerce industry in India. These include M-Commerce services, multiple payment options, replacement guarantee, location based services, shipment options and quick services, terms & conditions should be clear and product quality should be the same as displayed on the sites.

Ray (2011, p. 30) stated that doing business on the Internet is not as easy as it sounds. The fast pace of e-commerce development has generally left the legal system struggling. The legal system is trying to adapt existing laws to fit new settings where it is simply unclear how these laws will apply. In the midst of this legal chaos, India is one

of the few countries across the globe that has enacted an e-commerce legislation.

Chanana and Goele (2012) found that the overall e-commerce will increase exponentially in coming years in the emerging market of India, though difficult to predict. There are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware products and apparel.

Savrul and Kilic (2011, p. 247) observed that the global financial crisis, influencing the world since 2007, had adverse effects on global trade by causing contradiction in demand of almost all countries, particularly USA and EU. Being a significant driver for productivity, competitiveness and thus economic recovery from the crisis, e-commerce is thought to support to the enterprises in their efforts to reduce the negative effects of the crisis by increasing their market share, providing price advantages and improving their competitiveness.

Growth and Opportunities of E-Commerce in India

Confederation of Indian Industry (CII) in its report (April, 2016) "e-Commerce in India – A game changer for the economy" stated that the Indian economy has been steadily showing good sings of development, with the average GDP growth rate at 7.5% in 2015-16. The retail sector is showing a encouraging trend of 11% CAGR, growing from an estimated size of USD 600 Billion now to USD 1 Trillion in 2020. Although, currently the total e-commerce spend in India accounts for less than 2% of the total retail spending, e-commerce has become a important driver to create new markets in erstwhile unreachable geographies.

The e-commerce industry is likely to form the largest part of the Indian Internet market with a value of approximately USD 100 Billion by 2020. In addition to transforming and revolutionising the retail sector in India, it is also enabling MSMEs to jump the evolution loop by providing means of financing, technology and training. Advent of technology enabled innovations such as Digital Payments, Hyper-local Logistics, Analytics driven Customer Engagement and Digital Advertisements have enabled the e-commerce industry to grow at a much faster rate.

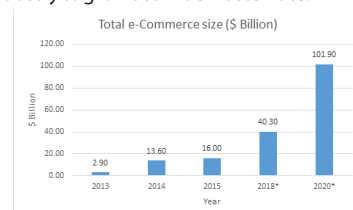


Figure 1. Size of e-commerce industry in India (includes only B2C e-tail excluding online travel and classifieds) *Estimated Numbers

(Source: IAMAI, Deloitte analysis as cited in the report 'e-Commerce in India A Game Changer for the Economy by Confederation of Indian Industry (CII), April, 2016, p.7)

From Figure 1 it is found that there is 34% CAGR growth in the size of e-commerce industry in India. A 6 times growth over 5 years is predicted for e-commerce driven by factors like new-age technology, convenience, higher adoption rates and larger reach (Confederation of Indian Industry, April, 2016, p. 7).

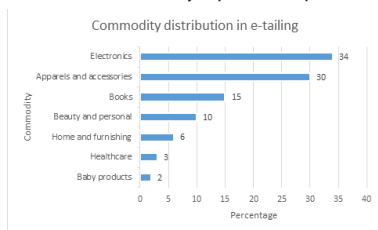


Figure 2. Commodity distribution in e-tailing

(Source: Internet and Mobile Association of India research as cited in the report "Evolution of e-commerce in India Creating the bricks behind the clicks" by ASSOCHAM and PWC, August, 2014, p. 4)

From the Figure 2, one can find the distribution of different commodity in the e-tailing sector. It is found that electronics (34%), apparels and accessories (30%) and books (15%) have significant contribution.

Following section will discuss different challenges of e-commerce

Challenges of e-commerce in India

Though e-commerce sector in India is growing rapidly, it is not free from certain serious challenges. Following section will discuss the same.

Challenges faced in the B2C e-commerce ecosystem

1. Scaling of organisations and profitability

B2C e-commerce companies have raised and infused capital from investors to scale operations. However, from a profitability viewpoint, the losses have grown faster than sales. Majority of the companies depend on discounting for customer acquisition leading to an absence of long-term sustainable business model.

2. Tax framework

Due to the absence of a uniform tax structure, States have accepted different tax frameworks and Inter-State goods movement is a challenge. It not only rises operational and compliance costs but also delays timely delivery of goods.

3. Counterfeit goods

There is a growing incidence of cyber thefts and payment thefts in the industry today. Moreover, supply of fake, counterfeit products by the merchants on the platform are on a rise.

Challenges faced in the B2B e-commerce ecosystem

1. Highly technical barriers to market entry

The B2B e-commerce ecosystem presently is highly fragmented with fewer companies due to factors such as the requirement of domain expertise, detailed knowledge of product features and specifications.

2. Lack of robust technology integration

Users are likely to be using standalone systems prior to adopting B2B e-commerce for handling inventory and orders. Integrating existing systems with B2B e-commerce is critical, but is usually not implemented efficiently for sharing information and selling online.

3. High costs associated with complex logistics fulfilment

The challenge in delivering orders speedily and efficiently often depends on size, scale and location that demands the use of specialist freight services increasing cost significantly.

4. Long customer acquisition process

Impulse purchase is less likely to happen in B2B e-commerce, due to the bulk nature of orders, and slow decision making process. This makes the customer acquisition process longer.

5. Rigid procurement processes in large corporates

Large corporates have strict procurement and approval processes for buying goods in bulk which restricts the procurement teams to buy on B2B e-commerce platforms.

6. Lack of level-playing field

There is a lack of level-playing field for doing B2B e-commerce business as compared to a traditional B2B offline business establishment.

CONCLUSION

E-commerce sector in Indian economy is having huge opportunities considering the way of its growth story. This is because of technological revolution combined with customers' favourable attitude with the e-commerce. Further, Government is also very positive for the development of the sector. There are some serious challenges also with this sector like lack of internet facilities across the country especially in the rural areas. Problem of security in payment system added with counterfeit products also.

REFERENCES

1. ASSOCHAM and PWC. (August, 2014). Evolution of e-commerce in India Creating the bricks behind the clicks.
2. Chanana, N., & Goele, S. (2012). Future of e-commerce in India. International Journal of Computing & Business Research.
3. Confederation of Indian Industry. (April, 2016). e-Commerce in India A game changer for the economy.
4. India Brand Equity Foundation. (2013). The Rise and Rise of E-Commerce in India.
5. Laudon, K. C., & Traver, C. G. (2005). E-commerce - Business. Technology. Society. Delhi, India: Pearson Education.
6. Ray, S. (2011). Emerging trend of E-commerce in India: Some crucial issues, prospects and challenges. Computer Engineering and Intelligent Systems, 2(5), 17-35.
7. Reddy, N. A., & Divekar, R. (2014). A Study of challenges faced by e-commerce companies in India and methods employed to overcome them. Procedia Economics and Finance, 11, 553-560. doi:10.1016/S2212-5671(14)00220-2
8. Rina. (2016). Challenges and future scope of E-commerce in India. International Journal of Emerging Trends & Technology in Computer Science, 5(2), 232-235.
9. Savrul, M., & Kilic, C. (2011). E-commerce as an alternative strategy in recovery from the recession. Procedia Social and Behavioral Sciences, 24, 247-259.
10. Terzia, N. (2011). The impact of e-commerce on international trade and employment. Procedia Social and Behavioral Sciences, 24, 745-753. doi:10.1016/j.sbspro. 2011. 09.010