

E Commerce in India

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ABSTRACT

Online business activity i.e. business through internet is called ecommerce. Ecommerce is showing tremendous business growth in our country. Increasing internet users have added to its growth. Ecommerce has helped online travel industry in many ways and added a new sales avenue through online retail industry in our country.

Keywords: environment, Ecommerce, Online Business in India, Growing Internet Users.

I. INTRODUCTION

Almost a decade back when dot-com businesses were showing downfall trends and during those time, no commercial activities was happening on internet. And without any commercial activity internet means nothing. Since those early experiments, the growth of ecommerce has been slow. But it is the beginning to take off. Though this industry is growing at a very fast pace, still Indian ecommerce has a long way to go and its infrastructure and practices are in its infancy stage.

In present environment, technological development in the field of telecommunication and computer technologies has made computer networks an integral part of our economic infrastructure. It provides multiple benefits to consumers and facilitates goods at lesser cost, more choices and saves time. Consumers can buy goods sitting at their homes or offices. Similarly online services such as ticketing for all kind of travel, banking, bill payment, hotel bookings etc. have been of tremendous benefits for consumers. As per industry experts, this industry will increase exponentially in times to come. The market space for online non travel industry has also grown. E tailing took second position with 6 % share (Rs 2700 crore) .This segment includes purchases of durable products i.e. electronics goods etc., kitchen and home appliances, apparel and jewelry.

Financial services include insurance and related service, online transactions for financial services, paying utility bills etc. Online classifieds services such as online dating, matrimonial and job websites make up the online market share of 4.6% (Rs 2150 Crore) .Digital downloads or paid content subscription is currently at 2% (Rs1100 Core) of total ecommerce market in India. This segment is expected to grow due to rapid growth of mobile devices and services available over internet.

II. FACTORS INFLUENCING GROWTH

Ecommerce industry has touched turnover of Rs 46520 crore with 47 % growth in 2016 .Out of which 81 % (i.e. Rs 37890 crore) of ecommerce revenues are from online travel vertical. The factors mentioned below are major reasons for ecommerce boom in India.

Increasing Internet Users - Growing internet users is one of the main factors for the growth of this industry. As per the data available from IAMAI (iamai.in), internet users have grown by 38 % in 2016 and touched a subscriber base of 121 million.

Though internet users have grown 38 % in 2016 and 121 million internet users account for only 9% of our population (130 crore or 1300 million in 2016). India has 9% internet penetration whereas in China and U.S it is 40 to 45 percent. Still 121 million internet users is the third largest online population in the world. This growing data base shows that our countryman has started familiarity with web services. While travel industry dominated ecommerce revenues with 80 % market share in 2016. With the entry of some e-tailers online non travel industry is also expected to grow tremendously. The internet is getting into Daily life of every citizen. It involves everything from banking and videos to education and healthcare will be delivered online in coming times.

III. GROWING DISPOSABLE INCOME IN MIDDLE CLASS

With the growth of small and medium enterprises, entry of powerful multinational companies, allowing foreign direct investment in our country, growing industrialization, liberal economic policies have created millions of jobs opportunities in India. That resulted in increased income level in middle class that eventually turned into increased consumerism and web users' customers which helped ecommerce industry also. Moreover availability of many domestic and global brands as well as services is restricted to metropolitan cities such as Delhi, Bangalore and Mumbai etc. It has forced online shoppers of tier II and tier III city consumers to go for online shopping. In this way ecommerce has helped middle class consumers turning to ecommerce for various services and sophisticated consumer products.

IV. EASE IN PAYMENTS

Initially online payment by consumers used to be the biggest challenge for ecommerce industry in India. India was lacking the required infrastructure to support new businesses like ecommerce. However new payment gateways have contributed to the growth of ecommerce tremendously. Indians have an aversion to credit cards. Interestingly an estimated 2 % only of our population holds a credit card. New payment system like cash on delivery, net banking facilities are mandatory for every ecommerce platform. It has helped a lot to this industry. Cash on delivery is being very well accepted by e shoppers as it safeguards their interest also. Even it created a new business opportunity of cash collection for ecommerce industry.

Recently a Hyderabad based company (Gharpay .com) is betting big on the growing need of cash collection. This company works in 7 metros now and helps online shoppers in cash collection.

V. LOGISTICS ISSUES

Earlier logistics companies dealing with ecommerce industry have been notoriously unreliable. Interstate logistics regulations makes it more complex .Though support services are in nascent stage in India , but expected to see a lot of happenings . It is largely felt that logistics part of ecommerce business is a big hurdle and it gave birth to a new business opportunity also i.e. 'Logistics for ecommerce companies. Today some firms specialize in delivering the product at customer's doorstep. These firms' works only for ecommerce companies only .One such firm is chottu.in. All these activities gave tremendous boom to customer confidence as well as ecommerce business in India. Online Travel industry does not need any kind of logistics. For instance IRCTC already have very advanced reservation system in place. It can tell oneself about availability, pricing and other details of customer importance. It has easy payment system e.g. card payment since long. It is one of the reasons; travel industry has captured 80 % of ecommerce industry revenue.

Ecommerce – The Real Challenges

Following are some of the infrastructural barriers responsible for slow growth of ecommerce in India. Though some of these even offer new business opportunities, betterment is already happening in those areas of growth. These factors are as below:

Taxation – Difference in state tax policies, VAT, octroi etc. creates commercial hurdles in ecommerce business of thin margins. For example imposing of service tax on ecommerce transactions may result in making online shopping more expensive.

Vendor Management – Even if one's system may be most advanced, one is needed to deal with **insufficient** system of inventory management for product procurement .For updating the pricing on one's website there is no mechanism in place to check for daily pricing.

Payment Collection And Logistics - Though these both services are in correction mode and due to this ecommerce industry has witnessed tremendous growth in recent years. Still a lot of work is required on these two factors. Even payment collection and logistics for ecommerce industry presents new business opportunities for new age entrepreneurs. If the product is delivered safe and secure to right person in right time frame, it gives a seamless experience to user. An honest approach to logistics and payment collection can multiply growth in coming times

Business of Thin Margins - Ecommerce is a business of thin margins. Following an aggressive business model cannot be recommended. Even the insurance on high value shipped articles is needed sometimes, resulting in increasing the cost. Low value items have significant transportation cost again resulting in increasing the cost. Activities that make online shopping expensive may result in downward trend for ecommerce industry. Though growth in market is easy, profitable growth is not. Managing an effective back-end ,a country wide delivery network ,warehouses, inventory management ,logistics, etc. are the key factors in managing the cost .As price wars controls revenue side of any business ,companies should be careful about burning cash in ads or in irrational price wars to bag customers.

Cyber act and legal system - Though IT has offered many advantages, number of challenges has been posed to legal system. The information transferred electronically makes into a contract that raises many issues that cannot be answered by existing provisions of contract. Some of the issues can be summarized in following manner.

Formation of e-contracts
Validity of e-transactions
Errors in data feeding on website

Jurisdictions – Electronic transactions does not have any national or international boundaries .So in case of any dispute it cannot be resolved with common law principles of that land .As different nations have different laws for cyber space . The jurisdiction issues can not include one nation and hence needs global resolution.

Risk as perceived by online shoppers – Though India has 9% internet penetration (till dec 2016) and growing at a very fast pace. Still consumers perceive it as a risk because of online fraud, identity theft and phishing (Stealing consumers personal information) .Some studies reveal that 23 % of online shoppers quit even before registration at particular website because of online frauds .This could be a reason, why credit card penetration in our country is very less (currently only 2% of our population holds a credit card). Increase in cyber-crimes is a great matter of concern among online shoppers.

Price Undercutting Among Ecommerce Players - Due to intense sales competition, everybody is in cut throat price war. Even some reports stated that companies are selling below cost to acquire customers. Recently some companies have shut down shops due to cut throat price war.

Behavior of Indian Consumer – Indian consumer has a habit of buying products only at physical appearance. In our country shopping is very much need driven as compared to US consumers, who are impulsive buyers. New online shopper's wants to buy things that don't cost much are low value items initially as it generates confidence among them.

Making Online Shopping More Effective- Some Tips

- (i) Making the payment mechanism more customer friendly and safer
- (ii) Mention clearly the delivery time and delivering the product within that timeframe.
- (iii) Strong government policies against online frauds and cyber crimes and policies favoring ecommerce industry.
- (iv) Complete and transparent information about product.
- (v) Providing price comparison to customer.
- (vi) Selling branded goods and providing innovative and Quality products with best pricing.
- (vii) Limited personal information
- (viii) Products offered and products delivered should not vary.
- (ix) Promising online security and safety.
- (x) Establishing trust and winning consumer's confidence.

CONCLUSION

The future of ecommerce industry in India is quite promising and growing internet users have fueled to its growth especially among middle class. Online business has added a new sales dimension in selling structure of our country in online retail (e-tailing) as well as online travel. Still Indian entrepreneurs cannot rely only on online sales.

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