E-Commerce in India: Growth, future, and Barriers

Ankit Kumar Bhagat

Abstract

The technology evolves every day, creating a continuous stream of new causes of action. Information Technology has also been playing a vital role in the future development of business and the way of doing business in an emerging economy like India. E-commerce is a form of a business model that performs its operations/transactions involving the exchange of goods and services or the transmission of funds or data or terms of sale on an electronic network or internet.

E-commerce is the future of shopping. Even, e-commerce is one of the market choices to pursue in the future. E-commerce in our country is growing rapidly. Backed by growing the base of internet users and favorable demographics, the Indian E-Commerce Industry has experienced remarkable growth in recent years. In the future, too, there are tremendous growth prospects for e-commerce. In the present paper, an attempt has been made to study the theoretical concepts and models of e-commerce, to study the growth of e-commerce in India.My study is based on secondary sources including books, posts, journals, interviews, blogs, and lectures.

Keywords:
E-Commerce
Growth of E-Commerce
Models of E-commerce
Barriers of E-Commerce

Ankit Kumar Bhagat
Assistant Professor in Commerce
GushkaraMahavidyalaya
E-mail -: ank.bhagat@gmail.com

Introduction

India has become one of the leading players in the new global business environment. The continuing economic development since the 1991 reforms has become the priority of international business and management researchers.

Increased internet and mobile penetration, through adoption and favorable demographics, have given India's e-commerce industry the unique opportunity for businesses to communicate with their customers.

There would be more than a five-to-seven-fold increase in revenue created by e-commerce compared to last year with all branded clothing, accessories, jewellery, gifts, footwear available at cheaper rates and delivered at the doorstep (as per the Assocham industry body).The e-commerce industry has seen unprecedented growth since last year, e-

commerce is expected to reach $20 million by 2018. With the growing use of smartphones, tablets, and the internet, e-commerce has become widely accessible to urban and rural users. Foreign firms spend huge sums of money in Indian businesses. Experienced international players are involved in Indian companies. In rural areas, e-commerce is increasing with most traffic coming from tier-2 and tier-3 towns. Following Flipkart's reports collecting $1 billion in funding, Amazon invested $2 billion in India in July 2014. In the eCommerce industry, there are many bigger companies such as Amazon,Flipkart, etc.The rivalry is bound to happen in the first place with the number of companies rising. The retail sectors reported annual growth of 40-50 percent, and in the future, huge investments are anticipated to flow into the logistics business. Most existing brick and mortar businesses are slowly moving into online business and those not involved in online trading will be forced to come online.

E-Commerce

E-commerce is the process to purchase or sell products electronically through online or internet services. Electronic commerce is driven by technology such as mobile commerce, transfer of electronic money, supply chain management, Internet Marketing, transaction processing, electronic Data Interchange (EDI).

E-commerce is a paradigm change. It's an invention that "disrupts" the traditional business approach drastically. Electronic commerce is a type of business model, or component of a larger business model, which allows a company or entity to conduct business through an electronic network, usually the internet. E-commerce is the purchase and sale of goods and services or the transfer of funds or data through an electronic network, mainly through the Internet. These business transactions are consumer-to-consumer, business-to-business, business-to-consumer, or consumer-to-business. The term e-tail is used in relation to online retail purchase processes. Electronic data interchange (EDI), the File Transfer Protocol, and the web services are carried out using a variety of applications, including email, fax, online catalog, and shopping carts.ECommerce is the movement of business onto the World Wide Web. In all businesses, the implications of e-commerce, including customer service or new product design are already noticeable.
E-commerce is a modern business approach that meets the needs of companies, retailers, and customers to reduce costs while improving the quality of goods and services and increasing service delivery speed. India's e-commerce segment has shown tremendous growth. E-Commerce has become an important tool for small and large companies around the world, not only to sell to consumers but also to engage them. Although the transition from conventional shopping to online purchasing was initially very slow on the Indian market due to the lack of internet infrastructure and public awareness due to fewer internet users. But the situation has changed now, and our country's e-commerce industry is growing rapidly.

OBJECTIVES OF THE PRESENT PAPER:
- To study the e-commerce theoretical concept and models
- To study the growth and future of E-Commerce in India
- To examine the E-Commerce barrier in India

RESEARCH METHODOLOGY:

A research methodology is the analytical and systematic study of the approaches used in a field of research. This comprises the method used to collect information and data for decision-making purposes. The secondary source of information was used in this article. The data was gathered from magazines, books, and websites.

Categories/Models of E-Commerce:

The different categories or Models of E-Commerce are as follows:

B2B (Business to Business):

Under this model, one company sells to another company. Examples of the B2B e-commerce model are companies doing business with each other like manufacturers selling to distributors, wholesalers selling to retailers. Pricing is based on the quantity of order under this model and is often negotiable. Indian E-commerce company IndiaMart is one of the examples of the B2B model.

B2C (Business to Consumers):

In this model, companies directly sell their products and services over the Internet to consumers. Through their websites or apps, they show their products or services and customers can order the product or service directly through their websites or apps. An example of a B2C model is when an individual purchases a mobile by placing an order through Flipkart.com.

C2B (Consumer to Business):

The C2B model comprises a transaction between the consumer and a company. It's similar to the B2C model, but the difference is that in this case, the seller is the consumer and the buyer is the business organization. In this model, consumers decide the price of a particular product rather than the supplier.Services such as Amazon Affiliates allow website owners to earn money by linking to a product for sale on Amazon.

C2C (Consumers to Consumers):

C2C is a business model that facilitates the transaction of goods or services between customers. C2C allows customers to communicate with each other in an innovative way. C2C involves electronically facilitated transactions between consumers through third parties. A common example is an online auction where a consumer posts an item for sale and another consumer bid to purchase it, a fee or commission is charged by the third party. The example of the C2C business model is OLX.

Market Growth Potential

India has a greater prospect of market potential with E-Commerce business growth doubling each year. In E-Travel, the sector has expanded, accounting for 70 percent of total trade. Ecommerce is meeting the needs of young people under 34 years of age. Morgan Stanley estimated that by 2020 the e-commerce market would grow to $137 million. The number of household income is estimated to rise to US$ 3823 in 2015 and US$ 6790 by 2020. The e-commerce market in India is on a journey to becoming the largest market in the world. India's annual household income has increased in the fiscal year 2015 of a total of 246 million households in India
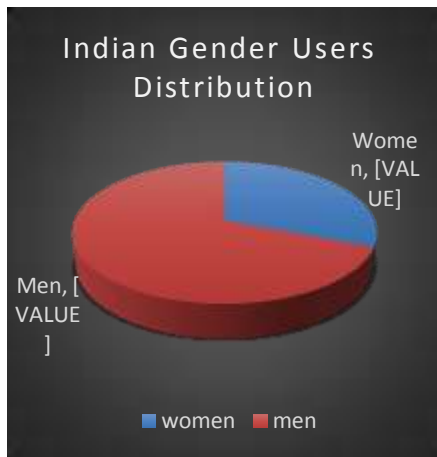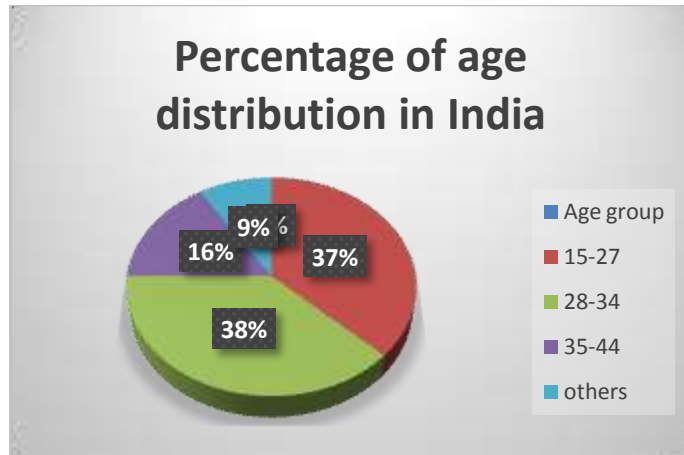
(a)   (b)

Figure 1: (a) Indian Gender users Distribution (b) Percentage of Age distribution in India. (Source: Statista 2015)
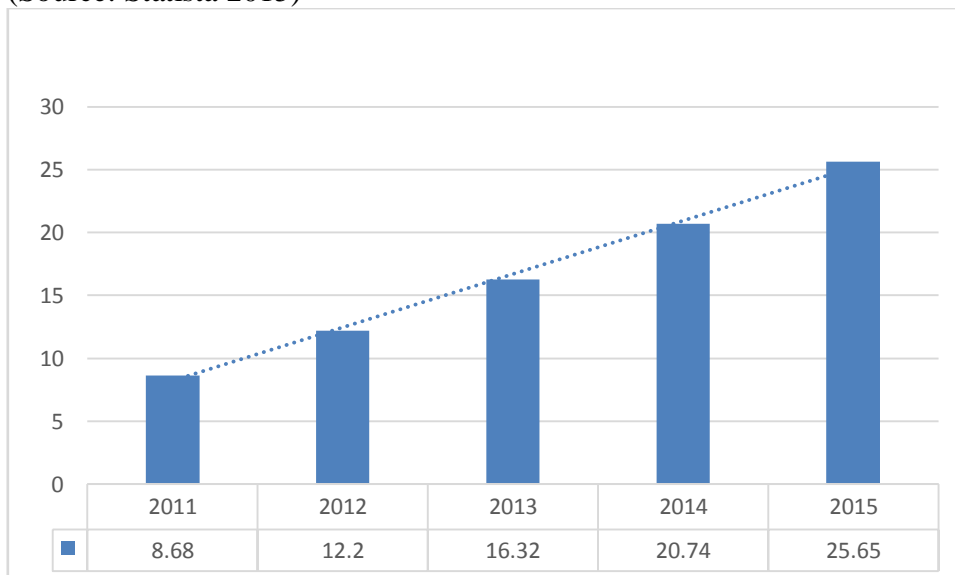

Figure 2: B2C sales in India from 2011-2015 e-commerce sales in US billion dollars, (source: Statista 2015)

Figure 1 shows clearly that the purchasers are between 15 to 27 years of age. The majority of young people are interested in electronic gadgets, fashion, travel, etc. In the next figure 2, we can clearly see that since 2013 B2C sales have leapfrogged and as per the report,e-commerce sales in 2016, is expected to become $31 billion in US dollars. The penetration of digital buyers is increasing as more people buy smartphones, tablets, and have easy access to the internet and 3G. The use of smartphones and tablets will continue to grow every year. India has more than 100 million users and has doubled its shipments from the US since last year. Morgan Stanley noted that e-commerce size is bound to rise to $137 billion by 2020. Indian e-commerce is maturing, DST's international interest, Global Soft Bank has invested in the platform for commerce. In February 2014, online fashion retailer Myntra raised $50 million from the investment firm of Azim Premji, chairman of Wipro. Flipkart acquired Myntra for a total of 200 crores.

A brief of E-commerce growth in India

Started in India in 1996 with the introduction of B2B portals, E-Commerce is now all set to become one of the successful business transaction mediums.

Between 2000 and 2005: E-Commerce's first wave in India was characterized by a small base of online shopping users, low internet penetration, slow internet speed, low customer acceptance of online shopping, and insufficient logistics infrastructures. The IT crisis in 2000 eventually led to the collapse of more than 1,000 ECommerce firms in India. Subsequently, India's space operation was muted between 2000 and 2005.

Between 2005 and 2010: Basically, there were two major transitions that helped build the e-commerce story in India. They were:

Online Travel: The entry of Low-Cost Carriers (LCCs) into the Indian aviation industry in 2005 marks the beginning of India's second wave of e-commerce. LCCs ' decision to sell their tickets online and via third parties has enabled the development of Online Travel Agents (OTAs). They developed their own websites and collaborated with OTAs for the online distribution of their tickets. By the time LCCs began their online ticket booking systems, the Indian Railways had already introduced the e-ticket booking initiative.

Online Retail: Online retail growth was driven in part by increasing urban customer lifestyle and home shopping convenience. This segment developed with the launch of multiple online retail websites in the second wave in 2007. New businesses were driven by entrepreneurs who aimed to distinguish themselves by growing customer experience and creating a strong market presence.

Group buying: The group buying and daily deals models became a demanded space for entrepreneurs in India starting in 2010, emulating the global trend. Group shopping sites saw a large increase in the number of unique visitors and membership.

Social Commerce: It is a vital avenue for e-commerce players to reach customers. Companies have started to develop their presence for branding activities in social media, engaging with customers for feedback and advertising new product launches

E-Commerce Driving Factors: E-Commerce has led to:
- Reduced transaction and search costs.
- Better service to customers.
- Convenience and shopping experience enhanced.
- Increasing accessibility and transparency of information.
- Novel goods and services.
- Creation of knowledge
- Door-step service
- Creating awareness

Barriers of E-Commerce in India:
Poor Internet Facilities:
The Internet is considered as an e-commerce backbone. Nevertheless, internet access is much less prevalent in India, especially in rural areas. Internet speed is also our country's biggest challenge. We are undoubtedly progressing to 4 G internet services, but there is still a long way to go.
Cash on Delivery (COD):
E-commerce firms have a big problem with cash on delivery. In the digital payment era cash on delivery is still the consumer's most preferred mode of payment. For e-commerce firms, the mode is very costly. It takes often 30-40 days for the courier companies to return

the cash received from customers to dealers. If the consumer returns the product, the business becomes very costly as the company pays two-way delivery fees.

Feels insecure:

Feeling unsafe by customers is one of our country's major and continuing e-commerce challenges. Before making any purchase order online, consumers need to be sure about the credibility of e-dealers and the payment process. There is also the possibility of hacking and cyber-crimes. Security has also become a major concern of identity theft and impersonation of customers. Security challenges are not limited to consumers in e-commerce only, corporate companies are also faced with security challenges as their vital information, records and reputation are at stake.

Lack of Cyber Laws:

Another bottleneck to e-commerce in India is the absence of cyber laws to regulate online business transactions. The new technology has brought enormous legal uncertainty to our country. There is a need to amend the existing Consumer Protection Act 1986 to update and broaden the scope of the Act.

High Competition:

The player in the e-commerce market is experiencing a cut-throat competition. With intense competition, the company's profitability decreases as they employ an aggressive pricing strategy and offer huge discounts and commissions.

Physical Purchase:

The majority of Indian consumers are more comfortable physically buying the product They want to see the product and touch it before they buy it. So, they do not prefer to buy a product online.

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.

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. But since the real charm of the Indian market lies in its large population, the absence of seamless access to a significant proportion of prospective customers is a dampener. 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

E-commerce made it easy for people to shop. Despite many challenges, the e-commerce industry in India is growing rapidly. The e-commerce industry is currently one of India's leading rising industries. The e-commerce industry revenues are expected to grow by nearly four times by 2021 compared to the 2015 sales. This unprecedented growth in e-commerce is due to increased use of smartphones and internet users, 3G/4 G internet services, public awareness, government digitalization program, innovative shipping, and payment solutions, international e-business player entry, etc. The government should take steps to provide a proper legal framework to minimize hurdles in the growth of e-commerce.

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