

E-Commerce in India: A Review

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ABSTRACT

E-commerce stands for electronic commerce. It can be defined as the use of internet to facilitate, execute and processes business transaction. This transaction is basically between the two parties and has the ability to pay online. It also constitutes the exchange of products and services between business groups and individuals. Businessman can spread his business at international level with the help of latest internet technology. There are three main reasons to accept e-commerce by the persons. The main reason is that it provides immediate access to unlimited information, the second reason is to update daily business activity due to computerization and the third one is the opportunities provided by e-commerce that allow for a personal or business involvement through the internet. India is showing tremendous growth in the Ecommerce. The Indian internet user base crossed the 100 million mark in November 2011. The internet user growth is expected to accelerate as more users get online on an array of devices that includes smart phones and tablets. In the next three years the number of internet users will be in excess of 300 million. India already has the third largest internet user base in the world, behind China and the USA.

General Terms

E-Commerce, E-Business

Keywords

Electronic Data Interchange (EDI), Internet and Mobile Association of India (IAMAI), Indian Railway Catering and Tourism Corporation (IRCTC).

1. INTRODUCTION

E-Commerce is relatively new concept in the early 1990s. It provides the new opportunities to the business world because the exponential growth of internet users and websites as a result ecommerce was an easy road to success. On the Internet, it pertains to a website, which sells products or services directly from the site using a shopping cart or shopping basket system and allows credit card payments. It involves conducting business with the help of the electronic media, making use of the information technology such as Electronic Data Interchange (EDI). In the 1990s it has been estimated that billions of dollars have been spent over the information and communication technologies to provide the facility to use e-commerce. At about 30 million users used internet in the mid 1990s, but at the end of this year this number was 400 million. By seeing this tremendous growth of e-commerce, some organizations were being told by the media that the web based business and internet can change the world. Due to catastrophic collapse of many "dot coms" in 2000, e-commerce is a significant business issue with important success. Dell, Google, Amazon etc. are the companies with international business. In India companies such as Flipkart, Snap deal, Infibeam, Myntra, Inkfruit etc. are providing the facility of e-business. A survey was conducted by Forrester Research to carried out in which decision makers

in enterprises from around the world were asked to priorities their major technology themes for 2006. These executives ranked "The initiation of internet and e-commerce activities" as one of their six priorities. Now organizations understand the big potential of e-commerce and try to focus on how they can effectively use the web and internet together with sound management practices to achieve business success [1, 2, 3, 8].

2. GROWTH OF E-COMMERCE IN INDIA

E-commerce is currently hot in India. It has a market size of \$10 billion which is growing at 30-40 percent year-on-year. E-commerce in India is at an interesting phase. Its current market size is about \$10 billion, according to a report by the Internet and Mobile Association of India (IAMAI), and about 10 million Indians are participating in e-commerce today. The industries are in an interesting stage from multiple factors. One is that device prices have come down over the last few years and laptops and smart phones are now available at very affordable prices. The average time spent on the Internet is also going up. From merely consuming content, Indian internet users are now moving on to the next level, which is commerce. This is one big factor from the consumer demand perspective. One of the biggest moves in the e-commerce segment occurred when Indian Railway Catering and Tourism Corporation (IRCTC) first came online and started selling Indian railways tickets on its website. Even offline players such as Shoppers Stop, Landmark, and Crossword have brought their brands online. So, e-commerce is at a very interesting phase in the country where it is growing pretty rapidly at 30-40 percent year-on-year. We anticipate that in 2012, the growth of online retail might be as high as 80 percent. There are 100 million Indians today who use the Internet, but out of these, only about 10 million participate in e-commerce. Therefore online shopping penetration in India is very low. This becomes a concern area, as to how can we penetrate better into the Internet user base [7].

3. GLOBAL E-COMMERCE MARKET

Recently Forrester published a new report on 'The Evolution of Global ecommerce Markets', which highlighted how global ecommerce markets are evolving, analyzing and buy across a wide variety of categories. It was found that markets tend to go through a framework of four phases. These are "Connecting and Entertaining", "E-business Basics", "Comparable Goods Purchase" and "Subjective Goods Purchase".

1. **Connecting and Entertaining:** In this phase, people understand the use of internet and try to connect with other people and fetching information.
2. **E-business Basics:** In this phase, people try various services available online such as Internet banking,

booking tickets, paying bills/taxes, filing returns etc. to start getting used to transact online.

- 3. Comparable Goods Purchases:** In this phase, people understand that the products can be bought online and they trying to buy standard products that can be compared across options available offline or online such as books, mobiles, and laptops.
- 4. Subjective Goods Purchases:** In this phase, people develop some trust for online buying and can buy products which are facilitated by stronger informed purchases. Products which are facilitated by stronger informed purchases [7].

3.1 Global E-Commerce Market in India

In India the majority of the population is still offline, so there can be Phase 0, where most of the people are not aware of internet or have never tried it at all. As per the further analysis of Indian population across all these phases the market can be broadly placed in following spectrums [5, 6, 7].

Phase 0: Offline Consumer. Around 90% of the population is offline, which includes rural and urban population where Indian urban population is around 377 million (31.16%) (Source: Census of India 2011). The following graph below show the Internet users as the percentage of population, which is on the rise, which means there is a phase shift from Phase 0 to upwards phase.

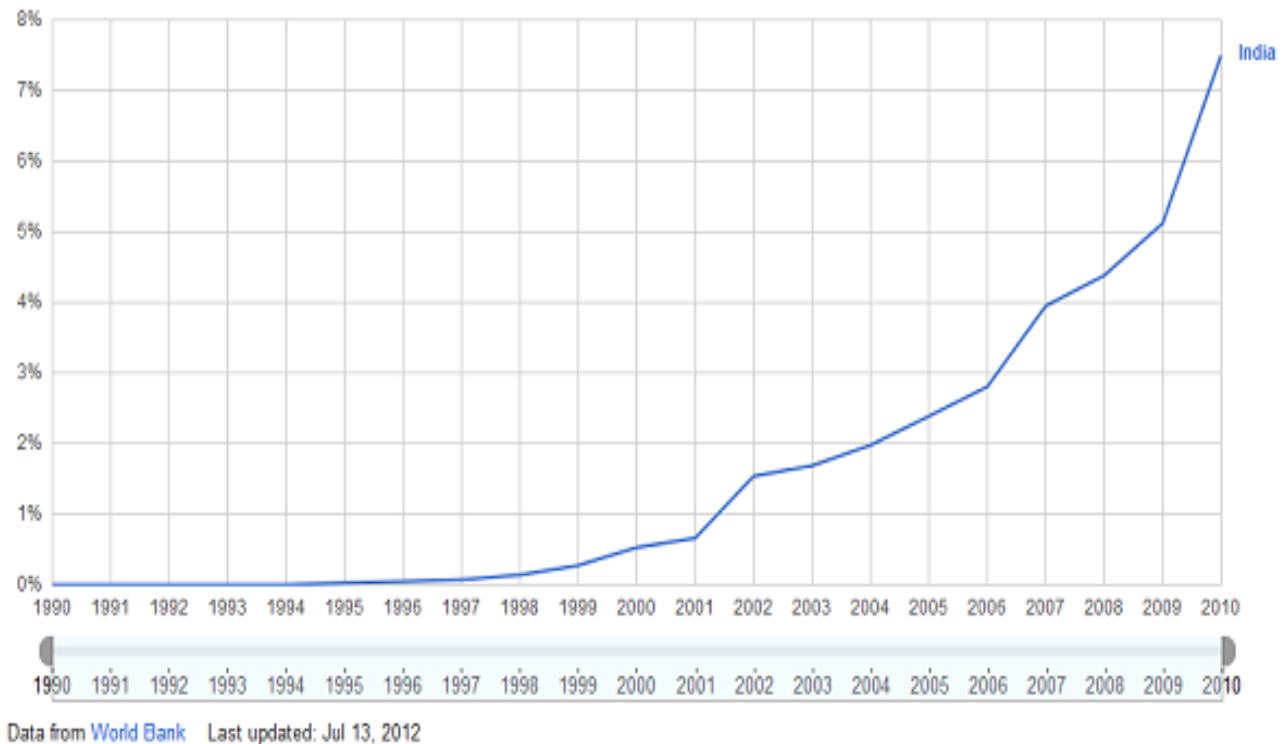


Fig. 1: Internet Users as a % of Population

Connecting and Entertaining: Not all 'claimed' 121 million of internet users are frequent on Internet. Also according to IAMAI the active number of Internet users is around 97 million (those going online at least once a month). Now people are using Internet actively for networking, social & professional with more than 45 million users on Face book and more than 15 million on LinkedIn (Source: Social bakers). Users in this phase can be considered as high potential for ecommerce market with the rise of disposable income.

E-Business Basics: Online travel is still the bigger pie for Indian ecommerce. More than 10 million transactions happen on IRCTC each month and 28% of the total travel gets booked online which represent 87% [5, 6, 7] of the Indian ecommerce market but it also includes the B2B transactions which are substantial. The online classifieds such as Naukri & Bharat Matrimony have acquired a lot of youth to go online. Users in this phase will require some building of trust for online

shopping and promoting product ecommerce as 'Convenience' to make them shift towards upward phase.

Comparable Goods Purchases: Consumers developing trust to purchase online in an emerging market such as India initially will look to risk buying products that they are confident of without touch & feel. The same happened when Flipkart started to deliver books and electronics online for such consumer behavior. Other categories people opt for are mobiles, laptops, software, and music to purchase from online. What companies such as Flipkart, Homeshop18 have created are not just brands but chunk of consumers satisfied with buying experience that was delivered online. People in this phase are more likely to shift to high purchasing behavior online and in diverse categories.

Subjective Goods Purchases: Apparels, beauty, jewelry, grocery, baby & kids products, stationary are some categories whose players have started popping in Indian online retail market, where consumers purchase pattern, which

'traditionally' is to touch-and-feel, try, has started to go for online buying with more informed buying decision and tools that supports it. Especially apparel has seen a good amount of traction in the industry both from consumers & merchants in recent year which is a positive shift for the industry; companies such as Myntra, Jabong, have acquired consumers who are 'early adopters' for their first transactions online and customers acquired in this category will tend to come back for online shopping if experience is delivered.

4. ECOMMERCE AND GOVERNMENT OF INDIA

The government is aware of the increasing misuse of the electronic media and online frauds. Therefore, the government of India has passed the Information and Technology Act to keep a check on the transactions carried on via the electronic media and to make the process of Ecommerce safe and reliable. The Act imposes heavy penalties and punishment on those who try to misuse this channel for personal benefit or to defraud others. The law has also established the authentication of the electronic records. Increase in the Cyber crimes in Ecommerce is causing concern among the credit card users in India. Now, the government has opened Cyber Crime Police Station. Online complaints can be filed for both cyber and Non Cyber crimes, through an online form which is available at <http://www.bcp.gov.in/english/complaints/newcomplaint.asp> to accept complaints filed with digital signatures.

The Government of India has decided to impose service tax on E-Commerce transaction and that will result in making the net shopping expensive [5, 6, 7].

How to attract Indian "Online Customers"?

- Goods should have value for the customer along with quality.
- Security is promised.
- Selling Brand articles.
- Establishing trust and winning confidence.
- Providing easy guidance.
- Clear information regarding delivery time.
- Articles ordered and the article delivered should not vary.
- Giving discount offer and other gift items.
- Limited personal information.
- Providing value added service at lower prices.
- Full information regarding the product is simple words.
- Innovative products.
- Social shopping phenomenon.
- Providing price comparison.
- Transparent information regarding the product.
- Indian customers want to buy things that do not cost them much.

Ecommerce in India: Pitfalls in the way of Ecommerce

The scope for Ecommerce in India is no doubt tremendous in the years to come, but still there are some pitfalls in its way of success that should be taken care of. They are:

1. Studies have revealed that 23% of the customers quit even before they register themselves at a particular site because they hesitate to register themselves.
2. The time of delivery stated is unclear.
3. The time taken for downloading is very long.
4. People in India have habit of buying goods only after feeling the goods. This drawback can only be removed if matured companies enter the Ecommerce in whom people have good faith.
5. The behavior of the Indian customer is very need driven as compared with the US customers who are impulsive buyers.
6. Most of the entrepreneurs in India lack sufficient capital or resources and hence cannot wait for a long period of time for positive results.

Ways to remove the pitfalls

- Consistency in execution.
- Strong government policy against cyber crimes and frauds.
- Tight integration of the system by the online retailers.
- Stating clearly the time required for the delivery of the product and delivering the goods within that time period.
- Making the payment mechanism more safer

In India there are 2.6 million domain names, close to 1 million businesses are online (websites) out of which 1.6 million are '.dot com' and 1 million are '.dot in'.

5. FUNCTIONS OF E-COMMERCE

There are main four functions of e-commerce. These are "Communication", "Process Management", "Service Management" and "Transaction Capabilities" [4, 5, 6, 7].

1. **Communication:** It means delivery of information. For example email.
2. **Process Management:** It covers the automation and improvements to the business process.
3. **Service Management:** It is used to improve the quality of services.
4. **Transaction Capabilities:** It provides the facility to buy or sell on the internet. For example amazon.com.

6. CATEGORIES OF E-COMMERCE

There are mainly four categories. These are B2B, B2C, C2B and C2C [2, 3, 4].

1. **B2B E-Commerce:** This is business to business ecommerce, in which organizations do business with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order. Among other activities, B2B ecommerce includes purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, and service and support [6].

2. **B2C E-Commerce:** This is Business-to-Consumer e-commerce. It refers to exchanges between businesses and consumers such as by selling to the general public typically through catalogues utilizing shopping cart software. For example Amazon.com, Yahoo.com.
3. **C2C E-Commerce:** This is consumer to consumer e-commerce. It refers to the exchanges involve transactions between and among consumers. 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. G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to- Business), B2G (Business-to-Government), G2C (Government-to-Citizen), C2G (Citizen-to- Government) this all are forms of e-commerce that involve transactions with the government—from procurement to filing taxes to business registrations to renewing licenses.
4. **C2B E-Commerce:** This is consumer to business e-commerce. Consumers can band together to form and present themselves as a buyer group to businesses in a consumer-to-business relationship. These groups may be economically motivated as with the demand aggregator, Mercata.com, or socially oriented as with cause-related advocacy at voxcap.com.

7. CONCLUSION

The e-commerce is one of the biggest thing that has taken the business by a storm. It is creating an entire new economy, which has a huge potential and is fundamentally changing the way businesses are done. In India according to IAMAI about 150 million people are ready to get onto the e-commerce way of shopping based on parameters like income, education and occupation of households.

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