

Challenges and Future Scope of E-commerce in India

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Abstract

Growth of e-commerce trends is becoming more popular day by day as per the market demand. This is actually carrying us to the new innovative world which eventually saves lot of time and money as well because of the attractive features provided by the online market. This paper gives an overview of the applications and future of e-commerce and discusses the various factors that are important for the growth of E-commerce in India. According to the present scenario we can imagine the growth of overall E-commerce that will increase with the emerging market of India. This paper is outcome of a review of various research studies carried out on E-Commerce.

Keywords: E-commerce, online, India, internet

1. Introduction

Electronic Commerce is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. India has shown tremendous growth in the E-commerce segment. E-Commerce has become an important tool for small and large businesses worldwide, not only to sell to customers, but also to engage them. Although the transition to online purchasing from traditional purchasing is taking a long time in Indian market due to less number of internet users because of the lack of internet facility and awareness among the general public. For traditional businesses, one research stated that information technology and cross-border e-commerce is a good opportunity for the rapid development and growth of enterprises.

2. Categories of E-commerce

Electronic commerce, a subset of e-business, is the purchasing, selling, and exchanging of goods and services over computer networks (such as the Internet) through which transactions or terms of sale are performed electronically. Electronic commerce emerged in the early 1990s, and its use has increased at a rapid rate. Today, the majority of companies have an online presence. In fact, having the ability to conduct business through the Internet has become a necessity. Everything from food and clothes to entertainment and furniture can be purchased online.

Ecommerce can be broken into these major categories:

B2B, B2C, C2B, and C2C.

- **B2B(Business-to-Business)**
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.

- **B2C(Business-to-Consumer)**
Businesses selling to the general public typically through catalogs utilizing shopping cart software in which a business sells products or services directly to consumers over the Internet. An example of a business to consumer e-commerce transaction would be an individual purchasing a pair of sneakers through Nike's website.
- **C2B(Consumer-to-Business)**
A consumer posts his project with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project. **Consumer to business** electronic commerce involves consumers selling products or services to businesses. You've taken part in this form of e-commerce if you've ever completed a paid online survey where you've given your opinion about a product.
- **C2C(Consumer-to-Consumer)**
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. consumer to consumer e-commerce, which is where consumers sell products to other consumers. An example would be one consumer selling something that he or she no longer needs eBay's auction service is a great example of where person-to-person transactions take place every day since 1995.

Others are Business to Government(B2G and Mobile commerce(M-commerce)

3.Challenges of E-commerce in India

E-Commerce, in spite of the opportunities it presents also has poses certain challenges which are sometimes too much to handle for start-ups:

- **E-Infrastructural Issues:** Internet is the backbone of e-commerce. Unfortunately, in India internet penetration is so far dismally low at 0.5 per cent of the population, penetration of personal computer (PC) as low as 3.5 per thousand of population and penetration of telephone only 2.1 per cent of population, e-commerce is not easily reachable remains to the common man.
- **Branding & Marketing:** To get people to come on an e-Commerce site and make a purchase involves heavy cost due to branding and marketing. This cost is significant and can be brought down to cost per customer, if the volumes permit to do so. Experts say that the average figure for this metric in the current e-Commerce ecosystem is between INR 500 – 1000 customer, which isn't sustainable for even medium sized companies, let alone early stage ones.
- **Declining Margins:** With the introduction of a large number of players in the already competitive e-commerce market, the customer is pampered by offering huge discounts, offers, taking returns etc. resulting in less margins.
- **Logistics & Supply Chain:** Logistics failure in any area can mean detrimental damage to a startup's future and can hurt the brand overall. Add to this the need for a guaranteed return policy. Getting this right is a challenge.
- **Tax related issues:** Tax rate system of Indian market is another factor for lesser growth rate of E-Commerce in India in comparison to other developed countries like USA and UK. In those countries, tax rate is uniform for all sectors whereas tax structure of India varies from sector to sector. This factor creates accounting problems for the Indian online business companies.
- **Touch and Feel:** Indian customers are more comfortable in buying products physically. Companies dealing with products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

4. Future of E-commerce in India

India is developing rapidly towards e-commerce market trends day by day. The internet user base in India might still be mere 300 million which is much less as compared to the other developed countries but its surely expanding day by day. India has third largest internet population after US & China. Indian internet population was 205 millions in 2013 but projected to be second largest by 2016 with 330-370 million users. As per the last three years there is a rapid change in the scenario of e-commerce in India. More than 200 million users has been added during last three years. Growth of internet users is increasing very rapidly in India.

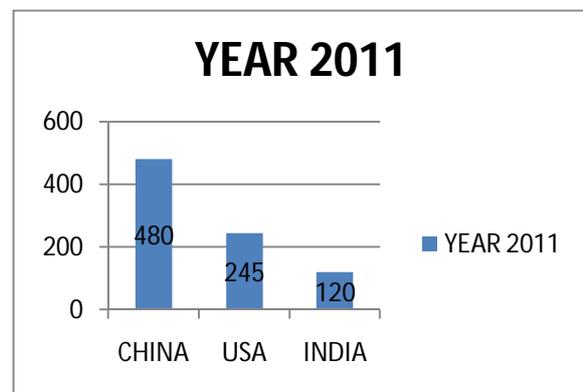


Figure 1: Data Representation of internet users in year 2011

Expected number of internet users in India in the year 2016 is shown below:

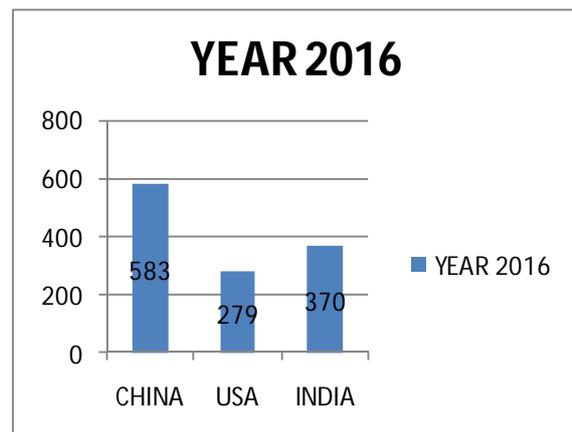


Figure 2: Data Representation of internet users in year 2016

- **Social Media:** Majority of online buying decisions are made on Social Media. Social network like Facebook, LinkedIn, Twitter, Google+, Pinterest etc have become a medium for easy log-in and purchase. Moreover, the clients can stay updated via the posts published on this media. Further, the advertising & promotions on these social sites has increased

the chances of success of generating transactions to many folds.

- **Drone Delivery:** Companies have been working their way around to innovate the delivery process to shorten human effort as well as time. The answer to these problems is Delivery by Drones. DGCA is now fast tracking the process of issuing guidelines for the use of drones for civil purposes in India. If everything goes as per the plan, **then India might become the first country in the world to allow the use of drones for civil purposes.**
- **App only Approach:** Statistics suggest the future of internet lies in mobiles. Experts say more than 580 million people in India will use the Internet by 2018, and 70-80% of them will access the Web on mobile phones. This will cause all major players to switch to app only model. About two-thirds of its online traffic of Flipkart comes from users in small cities and towns. Flipkart's app-only approach assumes larger significance in these places where most people don't own desktop computers and have limited access to broadband.
- **Google's Buy Now Button:** Google is reportedly working on its own "Buy Now" style button that would allow e-shoppers search for products on Google and purchase them with a single click, right through Google's own search results page. The button will be displayed near sponsored search results beneath a "Shop on Google" heading at the top of the page. When users click on the Google's "Buy Now" button, they will be re-directed to another Google page that will allow them to choose specific item details, such as color and size, and then select a shipping route. Google would then pass on order information including the customer's name and shipping address, to the retailer.
- **Artificial Intelligence:** As the ecommerce space gets saturated, investors looking for innovative use of technology are zeroing in on companies developing artificial intelligence (AI) solutions. Jet Airways is experimenting with one such solution devised by Vizury. It sifts through the individual's public content on the internet, as well as the customer's previous searches and creates an instant profile. Based on this information, the airline knows whether to package hotel deals, or simply stick with airfare discounts. The system also allows them to predict how likely is it for the customer to upgrade, and how flexible would the customer be to change travel location or date.

Along with the e-commerce and its unique charm that has appeared gradually, virtual enterprise, virtual bank, network marketing, online shopping, payment and advertising, such this new vocabulary which is unheard-of and now has become as familiar to people. This reflects that the e-commerce has huge impact on the economy and society from the other side. For instance, B2B is a rapidly growing business in the world that leads to lower cost and then improves the economic efficiency and also bring along the growth of employment. India has witnessed a major breakthrough E-commerce success stories particularly in **e-retail in Consumer Electronics & Fashion Apparel & Home Furnishing segments.** E-commerce creates new opportunities for **entrepreneurial start-ups.** Ease of Internet access, Safe and secure payment modes coupled with aggressive marketing by E-Commerce Giants has revolutionized this segment. Rapid development in mobile technology has given way to **Mobile Commerce** with many E-Commerce companies shifting to App only model.

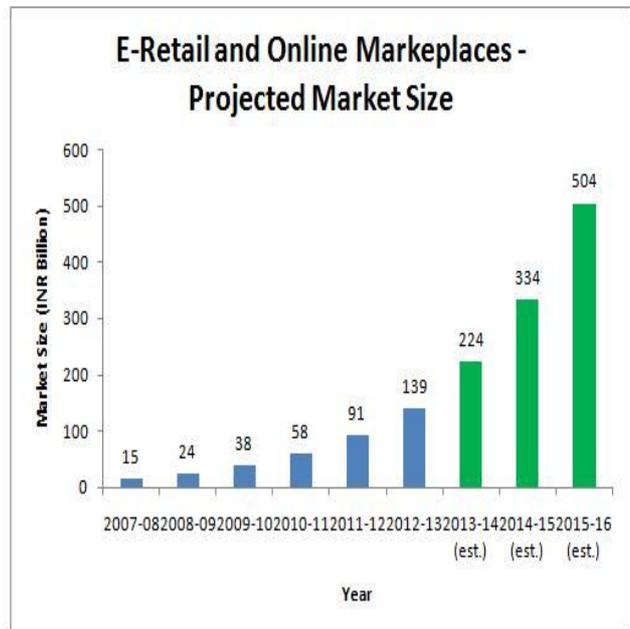


Exhibit 2 Growth Forecast for online retailing and marketplaces in India Source: CRISIL

5. Conclusion

Future of e-commerce is not easily predictable but as per the present scenario e-commerce industry is growing very speedily. There are some essential factors which will contribute to the boom of the e-commerce industry in India which includes 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. The total number of internet users is expected to reach 370-400 million by 2016-17. On the behalf of the study and experts views the future of e-commerce would be very bright in India if implemented with the all essential factors.

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