



STUDY OF E-COMMERCE IN INDIA

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ABSTRACT

The E-commerce Industry in India has come a long way since its early days. The market has matured and new players have entered the market space. Growing consumer power in the digital age that predated the turn of the century were fueled by the rise of the Internet, and then reignited by social media. Electronic Business 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.

Keywords: E-commerce, Consumers Behavior

Introduction

Electronic commerce is presently an essential ingredient of India's trade facilitation policy. Since 1991, after economic reforms explicitly took place in India as a result of opening of the economy with a view to integrate itself with the worldwide economy, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Resultantly, last few years have witnessed a technological revolution accompanied by the wide spread use of the Internet, web technologies and their applications. Electronic Business (e-commerce) as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular.

India has an internet user base of about 137 million as of June 2012. The access of e-business is low as compared to markets like the United States and the United Kingdom but is

growing at a much faster rate with a large number of new entrants. Cash on delivery is a unique thing to India and is a preferred payment method. India has a vibrant cash economy as a result of which around 80% of Indian e-business tends to be Cash on Delivery.

E-business in India is still in burgeoning stage but it offers extensive opportunity in developing countries like India. Highly intense urban areas with very high literacy rates, huge rural population with fast increasing literacy rate, a rapidly growing internet user base, technology advancement and adoption and such other factors make India a dream destination for e-business players. Moreover, squat cost of personal computers, an emergent installed base for Internet use and a progressively more competitive Internet Service Provider (ISP) market has added fuel to the fire in augmenting e-commerce growth in Asia's second most populous nation. India's e-business industry is on the growth curve and experiencing a surge in growth. The Online Travel Industry is the biggest segment in e business and is flourishing largely due to the Internet-savvy urban population. The other segments, categorized under online non-travel industry, include e-Tailing (online retail), online classifieds and Digital Downloads (still in a blossoming stage). The online travel industry has some private companies such as Makemytrip, Cleartrip and Yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. A description by the Internet and Mobile Association of India has exposed that India's e-business market is mounting at an average rate of 70 percent annually and has grown over 500 percent since 2007.

Objectives of the study

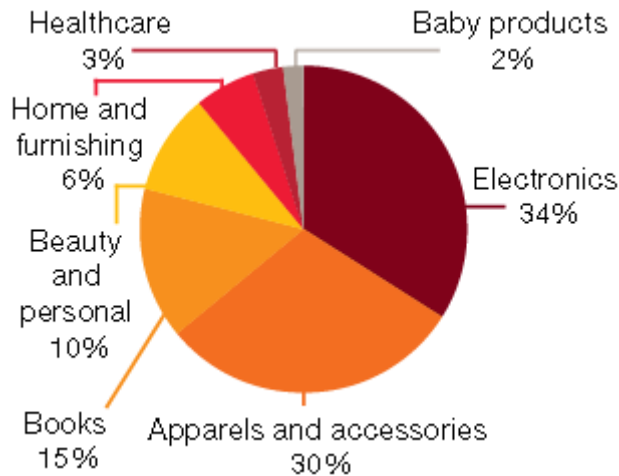
- To study the current position of E-business in India.
- To study the social media and its impact on consumers behavior
- To study the economic potential due to the rise of e-commerce logistics
- To study the barriers of E-Commerce in India

Advantages of E-Commerce to Businesses in India

There is a rising awareness among the businesses in India about the opportunities offered by e-commerce. Ease of Internet access is the critical factor that will result in rapid adoption of Net commerce. Safe and secure payment modes are fundamental along with the need to invent and popularize innovations such as Mobile Commerce.

E-commerce provides a new place for connecting with consumers and conducting transactions. Virtual stores operate 24 hours a day, 7 days a week. Many virtual retailers represent a single company while others, such as Top Online Shopping (toponlineshopping.com), represent a association of companies.

Graph no 1.1 Commodity distributions in e-tailing



Source: Internet and Mobile Association of India research

Prepare for a mobile payments boom, driven by m--commerce

We expect to see very strong growth in mobile payments for online goods and services over the next five years and beyond, from an estimated 452.78 million global users in 2014 to 2.07 billion users in 2019, as shown in Figure 4. Please note that for forecasting purposes, we define m--commerce as remote consumer-to-business (C2B) mobile payments. Consumers are already gravitating to smart phones and now tablets for m-commerce, a trend that will accelerate going forward as the user experience continues to improve. Moreover, the number and value of m--commerce transactions are increasing, rapidly so in mature markets. M-commerce is becoming the largest m--payment segment in terms of transaction value, which we expect to grow from \$50.92 billion in 2014 to \$693.35 billion by 2019.

Social Media and its Impact on Consumers Behavior

In recent years the online environment is viewed by users from a new perspective, in a commercial way. Its development and the emergence of online stores have turned users into

consumers. Also the most important role of social media has changed the way of how consumers and marketers communicate.

Informational society influences affects the consumer decision processes and product evaluations. Social media provides a new channel to acquire product information through peer communication, Moreover, by using social media; consumers have the power to influence other buyers through reviews of products or services used. Consumers are also influenced by other psychosocial characteristics like: income, purchase motivation, company presentation, company or brand's presence on social networks, demographic variable (age, sex, disposable income etc.), workplace method of payment, type of stores (online or physical), etc.

Reaching the customer beyond the traditional definition

The essence of e-retailing is in its ability to transcend physical boundaries and reach customers in a manner different from the traditional brick-and- mortar stores, to their very doorstep. However, the base of the e-retailing model is technology and logistical solutions that facilitates the customer acquisition and the final 'reach' process. E-commerce further brings to the table vagaries in customer orders accompanied with difficult scenarios such as free delivery; order rescheduling, cancellation, returns and cash-on-delivery.

Additionally, an expected minimized turn-around-time (TAT) which will potentially lead to word-of-mouth publicity, feedback and customer retention to the e-portal or website. An information network which shares updated information with respect to inventory status, demand schedules and forecasts, shipment schedules and promotion plans among all the stakeholders of the supply chain will form the backbone of an e-retailer.

Economic potential due to the rise of e-commerce logistics

The rising growth and complexity of e-commerce categories and delivery networks is expected to have a large spill-over to infrastructure and logistics investments which will include more warehouses, sortation and delivery centers and employment. Based on current productivity trends and growth estimates, it can be estimated that over the next three to four years, there will be an addition of 7.5 to 15 million sqft in the form of additional central fulfillment centers alone with an average size of 80,000 to 1,50,000sqft each. This, by itself represents an additional 6 to 12% of all the space available in the form of organized warehousing in India and almost 25 to 50% of all incremental addition of consumption-driven warehousing space⁵ in the same period.

To enhance the reach further to match the growth in warehousing, additional sortation and delivery centers will also be critical. Such additional centers with each measuring around 10,000 to 20,000 sqft will be added. Industry estimates⁶ reveal that the total spend on warehousing and sortation centers could be as high as 3 to 6% of top-line revenues, which represents an cumulative spend of over 450 to 900 million USD of spend in warehousing till 2017-2020. The industry is expected to spend an additional 500 to 1000 million USD in the same period on logistics functions, leading to a cumulative spend of 950 to 1900 million USD till 2017-2020.

Barriers of E-Commerce in India

Some of the infrastructural barriers responsible for slow growth of ecommerce in India are as follows. Some of these even present new business opportunities.

- **Payment Collection:** When get paid by net banking one has to end up giving a significant share of revenue (4% or more) even with a business of thin margin. Fraudulent charges, charge backs etc. all become merchant's responsibility and hence to be accounted for in the business model.
- **Logistics:** You have to deliver the product, safe and secure, in the hands of the right guy in right time frame. Regular post doesn't offer an acceptable service level; couriers have high charges and limited reach. Initially, you might have to take insurance for high value shipped articles increasing the cost.
- **Vendor Management:** However advanced system may be, vendor will have to come down and deal in an inefficient system for inventory management. This will slow down drastically. Most of them won't carry any digital data for their products. No nice looking photographs, no digital data sheet, no mechanism to check for daily prices, availability to keep your site updated.
- **Taxation:** Entry tax, VAT and lots of state specific forms which accompany them. This can be confusing at times with lots of exceptions and special rules.

Conclusion

The future of E-Commerce is difficult to predict. There are various segments that would grow in the future with the deployment of 3G and 4G wireless communication technologies, the

internet economy will continue to grow robustly. In the next 3 to 5 years, India will have 30 to 70 million internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful in India. With the rapid expansion of internet, E-commerce is set to play a very important role in the 21st century, the new opportunities that will be thrown open, will be accessible to both large corporations and small companies.

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