

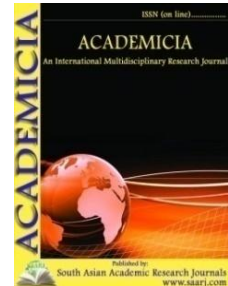


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E-COMMERCE IN INDIA: TRENDS AND CHALLENGES

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ABSTRACT

The following section of this paper highlights the major trends of E-Commerce in India along with various Challenges. E-Commerce which is popularly known as efficient commerce or empowering Commerce has been a game changer for the Indian Economy. India is an online shopping heaven for the customers, with population armed with smart gadgets and phones which has made everything a click away for every individual. In the Global payment Report 2016, Worldpay analysed 30 markets around the world, including India, China, Hong Kong, Malaysia, Taiwan, South Korea, Singapore and Australia in Asia-Pacific. It was discovered that e-commerce is expected to grow rapidly and that the growth will occur around the world but the emerging markets like India will be taking the lead. E-commerce is predicted to mature by 28 per cent per year from 2016 to 2020. According to Worldpay projections, India will be the world's second largest e-commerce market by 2034 owing to an upsurge in the internet penetration and increasing mobile users in India. Further it talks about various Government initiatives in the form of Skill India, Make in India, Digital India along with the challenges faced in B2CE-Commerce. The paper also highlights the various opportunities which can be harvested by various ecommerce players in India in the long run provided they maintain their stake. An empirical validation is recommended to study the effect of these trends on the buying behaviour of the consumer.

KEYWORDS: E-Commerce, Trends, Challenges, B2C E-Commerce, Growth, Drivers.

INTRODUCTION

RESEARCH DESIGN

This paper takes the form of a review of literature, Ecommerce in India , trends and challenges along with the projected future growth of ecommerce market in India along with the following main objectives.

OBJECTIVES OF THE STUDY

- To study the growth of E-Commerce in India.
- To examine the various Trends of E-Commerce.
- To study the Challenges of B2C Category of E-Commerce.
- To analyse the future Projections of E-commerce

METHODOLOGY

This is a conceptual paper based upon secondary resources only. The nature of research is purely descriptive. The research is based upon the previous studies related to the subject matter. The information, facts and figures and other relevant data have been collected from sources like journals, newspapers, e- sources (websites, blogs, research articles, online publications etc).

REVIEW OF LITREATURE

THE INTERNET

21st century has been an era of various social, economic and political changes. Globalisation, liberalisation and changing scenario of the global markets has made it crucial for the firms, business houses, individuals and consumers to view it through their virtual eyes. With cross border selling, technological developments and unavoidable circulation of the information has deeply affected and has also changed the business rules of the current business world. 21st century which is known as the information era has seen various rapid changes in the information technologies, which has made computers an integral part of our lives. In the information era, the Internet has become more and more necessary. With the developments in the information and communication technologies over these years' computers have become indispensable tools for the daily life of people across the globe. Internet which is nothing but interconnection of the networks of computers has become a guide and a searching tool for the people to gather information and use it as a medium to communicate. These technological developments are having an impact not only on our social life but business life as well.

THE CONCEPT OF E-COMMERCE

In the literal sense E-Commerce refers to buying and selling of Goods over the internet. As per Investopedia "Electronic commerce (ecommerce) is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: business to business, business to consumer, consumer to consumer and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a

catalogue. Almost any product or service can be offered via ecommerce, from books and music to financial services to plane tickets

Electronic commerce is defined by Oxford Dictionary (2012) as 'commercial transactions conducted electronically on the Internet'. Another definition made by Financial Times (2012) as a buying and selling activity over the Internet. To sum up e-commerce can be defined as the buying, selling and exchanging of goods and services through an electronic medium (the Internet) by businesses, consumers and other parties without any physical contact and exchange.

With growing importance of ecommerce, researchers are devoting their time and resources to study the recent trends and upcoming challenges which might impact the future growth of Ecommerce in India

CATEGORIES OF E-COMMERCE

E-commerce has been divided into four categories considering the characteristics of the buying and selling parties. These categories are: business to business (B2B), business to consumer (B2C) or consumer to consumer (C2C) or consumer to business (C2B). (Korper and Ellis, 2001; 11, Kotler and Armstrong, 2012; 533).

B2B e-commerce is the electronic support of business transactions between companies. 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. E-commerce help businesses to enhance their organisational coordination and decrease transaction costs for the buyer teams (Subramaniam and Shaw, 2002 ; 439). Furthermore, Wise and Morrison (2000; 86) state that e-commerce helps organisations to access too many buyers and sellers.

Another type of transaction, business to consumer e-commerce activities also known as e-retailing, take place between organisations and the customers. In a Business-to-Consumer E-commerce environment, companies sell their online goods to consumers who are the end users of their products or services. Usually, B2C E-commerce web shops have an open access for any visitor and user. Use of shopping carts and other interactive shopping softwares are common in B2C E-commerce. The consumer's perceptions with regard to the trust, convenience, website usability, discounts, product features, etc plays an important roles while making online buying decision.

The third type is consumer to consumer e-commerce action which provides to consumers to put their goods on the market for other consumers 'in auction format' (Korper and Ellis, 2001; 11). eBay is the first and most popular C2C type of e-commerce company. Currently OLX is the common platform for various consumers to interact and buy and sell their products. The consumers who are interested can get themselves registered on such platforms and post their products for sale, similarly the buyers who are interested can browse and look for the products that they need.

The final online marketing domain is consumer to business online marketing In a Consumer-to-Business E-commerce environment, consumers usually post their products or services online on

which companies can post their bids. A consumer reviews the bids and selects the company that meets his price expectations. Using the web, consumers can drive transactions with businesses, rather than the other way around. In this transaction, dominating factor is seen as price (Muzumdar, 2011; 9).

E-COMMERCE IN INDIA

E-Commerce which is popularly known as efficient commerce or empowering Commerce has been a game changer for the Indian Economy. India is an online shopping heaven for the customers, with population armed with smart gadgets and phones which has made everything a click away for every individual. The decline in subscription prices of 3G and 4G services has aided the customers further. From clothing to furniture, even groceries are shopped online. Even movie tickets, train tickets, insurance policies, banking and other online buying has made customers feel empowered. As per reports, India will see more people come online than any other country in the next 15 years. Infact as per an article published in business standard the Indian E-commerce market is set to overtake the US and become the second largest in the world in less than two decades, going head-to-head with China for the position of biggest ecommerce market; this according to new research from Worldpay, the leader in global payments.

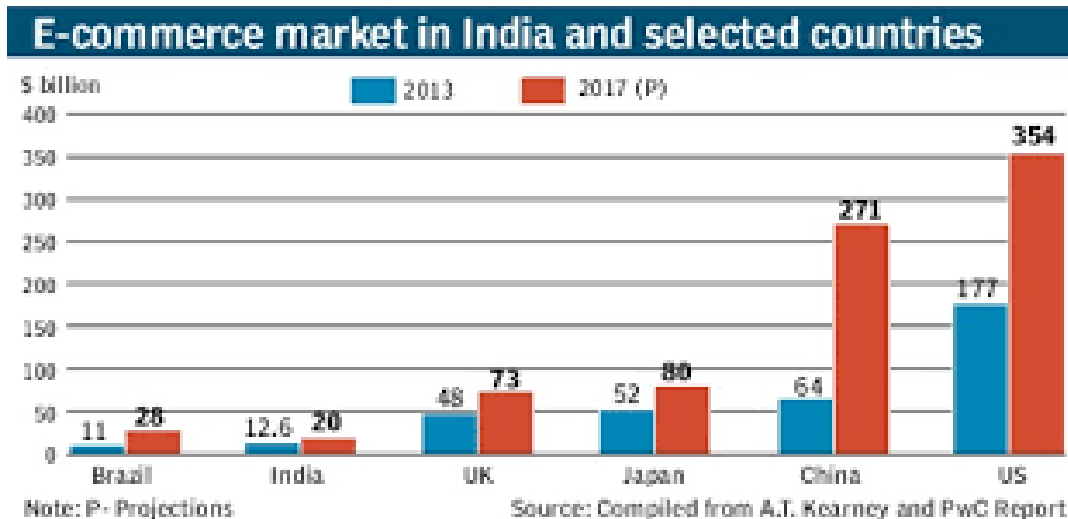
In the Global payment Report 2016,Worldpay analysed 30 markets around the world, including India, China, Hong Kong, Malaysia, Taiwan, South Korea, Singapore and Australia in Asia-Pacific. It was discovered that e-commerce is expected to grow rapidly and that the growth will occur around the world but the emerging markets like India will be taking the lead. E-commerce is predicted to mature by 28 per cent per year from 2016 to 2020. According to Worldpay projections, India will be the world's second largest e-commerce market by 2034 owing to an upsurge in the internet penetration and increasing mobile users in India. The market is predicted to reach \$63.7 billion by 2020 and overtake the US by 2034. This enormous development will open various profitable avenues for companies who are into online selling business and it is equally important for them to maintain their stake in the Indian market so as to capitalise and harvest profits in the long run. Leading companies such as Amazon and Alibaba are already making their move, indicating clear incentive for merchants to gain their foothold within India's budding e-commerce market as soon as possible," said Vice Chairman Worldpay, Ron Kalifa.

Much of India's e-commerce growth will be the result of rising internet penetration. Roughly 350 million Indian citizens are already online, according to Worldpay's research and that number is expected to nearly double to 600 million by 2020. Google's 'Next Billion Users' team estimate that three Indians are coming online every second.

With technological advancements and also with an upsurge in the use of social media, online sellers are getting an unprecedented opportunity which has made India an attractive hub for online business. Though B2C category of E-commerce is more prominent but B2B category is also gaining significant presence. The marketplace model gives customers a plethora of choice and the best prices under a single platform. Various B2B market players have tied up with banks and financial institutions so as to improve their access to credit.

Recently the various initiatives that have been launched by the government like Digital India and Make in India. Such initiatives will boost up the e-commerce sector growth as digital India will improve the internet usage and accessibility while make India will encourage the market players to make indigenous products. It will also help in the growth of MSME (Micro small and medium enterprises) in this information era. Further the tax laws are also on the road of reform, with the introduction of GST (Goods and service tax) will bring relief for the e-commerce players.

FIGURE1: ECOMMERCE MARKET IN INDIA AND SELECTED COUNTRIES



Source: A.T. Kearney and PwC Report

KEY TRENDS DRIVING E-COMMERCE IN INDIA

E-Commerce has become a key driver to create new markets in unreachable geographies. Smartphone devices and internet penetration are together driving disruption in the marketplace. Some of the key trends identified are as follows:

GOVERNMENT INITIATIVES GAINING MOMENTUM

The Government of India has been proactive in taking various steps to transform the traditionally organised markets into a virtual platform. For example the government has launched an e-market for agriculture produce so as to help the farmers of our country to sell their produce at competitive prices. The government has also undertaken various initiatives in the form of Digital India, Start-up India, Innovation Fund, Skill India, etc. that are contributing to the growth of e-Commerce industry.

Digital India is one of the highly ambitious projects which aim at transforming India into a Digital economy by building digital infrastructure and also making an individual Digitally empowered so that the technology can even reach to the lowest segment of the society and to the people who are untouched by it so far. **Start-up India** is another such flagship program that intends to encourage the budding entrepreneurs of the country to make use of their innovation

skills and knowledge to start their own business or ventures. The government has even set up fund named as “Fund of Funds” amounting to 10000 crores for this purpose. Benefits such as tax exemptions for the initial 3 years are some of the incentives which government has offered under this scheme. **Make in India** is aimed at making the business environment more conducive so that manufacturers feel encouraged for producing indigenously. **Skill India** initiative is basically launched to bridge the shortage of skilled Manpower. For this the Government of India has set a target to train 40.2 Crores people under the new National Policy for Skill Development by 2022. The initiative includes National Skill Development Mission, National Policy for Skill Development and Entrepreneurship 2015.

INCREASE IN INTERNET PENETRATION

Another major factor driving e-commerce growth in India is the country's huge uptake of mobile phones. India is the world's biggest consumer of mobile phones, with the price of data plans running two times cheaper than in China and three times cheaper than in the United States. As the country's middle-class switches over to 3G and 4G networks, both offered at affordable prices, India is expected to see more mobile shopping. Young people shopping via smartphones are already responsible for sharp increases in India's online spend. Government schemes such as National Optical Fibre Network (NOFN) can significantly increase internet penetration in the rural communities as well as provide a means to e-Commerce companies to tap the huge market potential there. According to the estimates given by IAMAI (Internet and Mobile association of india) the number of 3G Subscribers were expected to increase from 146 million in 2015 to 219 million in 2016. Similarly the number of mobile internet users were expected to increase from 306 million in 2015 to 371 million in 2016.

GROWTH IN SMARTPHONE ADOPTION DRIVING MOBILE BASED E-COMMERCE SALES

Another driver of e-commerce in india is the massive adoption of smartphones over other feature phones. As the competition in the Smartphone industry is very high, the manufacturers are offering them at a very competitive price in order to induce the customer to switch to a smart phone. Internet accessibility and ease of use are other advantages. The leading e-Commerce companies state that almost 70-75% of their online traffic comes from mobile phones and thus higher revenues are coming from mobile applications. For e.g. 50% of the flipkart's revenue comes from mobile phone enabled applications.

EVOLUTION OF NEW PAYMENT SOLUTIONS

One of the most attractive and popular methods of payment chosen by a customer for e-commerce transactions is Cash-on-Delivery (CoD). But cash transactions leads to high administration costs for the e-commerce players and thus leaving them with no margins, hence digital payment solutions are being developed. The launch of UPI (Unified payments Interface) by Reserve bank of India is one of the solutions for online payments. It is aimed to reduce the complexities of the online payments and failed transactions as it allows a customer to pay directly from a bank account to different merchants, both online and offline, without the hassle of typing credit card details, IFSC code, or net banking/wallet passwords.

Further Financial Inclusion which aims at extending banking facilities to the unbanked citizens has added significant customers and potential ecommerce users in the Indian market. The 'Jan Dhan Yojna' scheme has added significant number of debit cards (over 110 Million) thereby providing these customers access to electronic payments.

LOGISTICS SPACE WITNESSING PARTNERSHIPS WITH HYPER-LOCAL COMPANIES AND INDIA POST

Nowadays customers want next day delivery of goods, due to which lot of e-tailers are entering into partnership with third party logistics service providers(3PLs) as these logistics service providers can also handle Various challenges like handling huge volumes of delivery, return orders and higher standards of customer service. Various leading e-commerce players in the market have also set up their own logistic arm to deliver goods to the customers and also to provide enhanced customer service support to them.

India Post with its extensive reach of 19,000 pin-codes and 1,54,725 post offices across the country has set-up dedicated processing centres to handle last-mile deliveries of the e-Commerce companies.

GST EXPECTED TO ENHANCE THE GROWTH OF E-COMMERCE

GST will lead to then implementation of a single comprehensive indirect tax regime that will be applicable across all states on the supply of goods and services. This will subsume the central excise duty, service tax and additional customs duty at the central level and VAT, CST, entry tax etc. at the state level.

GST will increase the transparency and simplification of taxes across the borders in India and would thus enhance the growth of e-commerce by eliminating the double taxation and warehousing costs wherein the warehouses can be built as per the objectives of business and not according to the excise duties imposed on the producers.

EMPOWERMENT OF MSMEs

The latest trend seen in India is the various initiatives taken up by the government for MSMEs in a heed to empower them. MSMEs are the unorganised sector which accounts for almost 8% of India's GDP. With the advent of e-Commerce and increase in the internet penetration in the Indian economy along with the increase in the number of mobile users many MSMEs are exploring the option of selling online and thus accessing new customers across the country and thus increasing the customer base for them. It has been observed that MSMEs that adopt advanced level of digital engagement experience annual revenue growth that is 27% higher than those of offline businesses due to factors such as reduction in marketing and distribution costs, shorter time to market, etc. Various initiatives are being taken up by the leading e-Commerce companies to provide their supporting hand to MSMEs in the form of easy access to loans and digital engagement so that they can easily interact with their customers on a real time basis. Government has also taken up initiatives to make them familiar with technology with the launch of Technology Centre Framework that will provide support for adoption of cloud based technology. MSMEShopping.com was launched by National Small Industries Corporation (NSIC) with no transaction costs and expects to on-board

5,000 – 10,000 MSMEs by 2016.

CHALLENGES FACED IN B2C E-COMMERCE IN INDIA

While the growth in this sector excites entrepreneurs and financial investors alike, some serious challenges are beginning to weigh down on the sector. Some of the challenges as follows:

CASH ON DELIVERY (COD) AS A MODE OF PAYMENT

Various research papers and articles highlights that customer prefer cash on delivery as the payment option for their online purchases. Though it offers ease to the consumers as they consider online payments to be risky but such preference for CoD increases chances of return and results in locking up of working capital for both the platform and the sellers.

NETWORK AND BANDWIDTH DEPENDENCY

Though the online shopping is just a click away and with increase in internet penetration, more and more masses are able to reach out to the online shopping platform through various apps on their smart phones, tablets, desktops etc, but the network bandwidth remains a challenge. Access to such platforms is dependent on the speed of your internet.

MERCHANT'S LACK OF ONLINE EXPERIENCE

Small players in the ecommerce market who are not technologically educated and are not familiar with the new technology and software are required to be trained in order to operate in the e-commerce industry.

DIGITAL PAYMENT TRANSACTION FAILURE

Due to lack of high-speed bandwidth and inefficiencies in payment gateway technology, the e-Commerce industry is facing high transactions failure rates leading to customers' dissonance.

DEPENDENCE ON TELECOM OPERATORS FOR RURAL PENETRATION

NAVIGATING PROCUREMENT PROCESS OF COMPANIES

E-Commerce companies, who want to expand their customer base in the rural areas also needs to depend on various Telecom Operators to roll out 3G/4G into such areas for connectivity. With the rural masses on having access to internet connectivity will not only have an ease of shopping over the internet but also will reduce their expenses and transportation costs too.

REVERSE LOGISTICS

Reverse logistics in an e-commerce environment is a challenging part of business. Customer service is essential in getting and keeping online customers. The handling of customer product returns is an essential component of customer service program. Reverse logistics is highly inefficient in the present scenario leading to high inventory costs for the producers.

LACK OF CUSTOMER LOYALTY

Discounts is of the main factors which motivate people to buy online as a result of which such customers have little or no brand loyalty. Customers can easily and frequently switch from one platform to another based on best discount offered by them.

HIGH COST OF CUSTOMER ACQUISITION

Researchers have found that the cost of maintaining an existing customer is less than the cost of acquiring a new customer. A challenge in the form of intense competition and heavy discounting has resulted in making customer acquisition and retention costly for e-Commerce companies.

DIRECTIONS FOR FUTURE RESEARCH AND CONCLUSION

As the aim of his paper was to conceptualise the trend and drivers of Ecommerce in India along with various challenges faced by the E-tailers, the proposed framework is conceptual and is in need of empirical research. An empirical analysis can be conducted to study the effect of the drivers of ecommerce on the online buying behaviour of the consumer. Such empirical study would be necessary to get deeper insight and understanding of the consumer behaviour while purchasing goods online. Surveys, interactions and Questionnaire will generate useful data to analyse such intentions. As it has been rightly put across that Philosophies and approaches are the first and second layers of the 'research onion' respectively (Saunders, et al, 2008, cited in Saunders et al, 2009; 108). So it is very essential to pursue the research in the right direction. Further empirical validation can be done by developing a scale which can effectively capture and quantify the various attributes and buying characteristics of the consumers.

CONCLUSION

As the ecommerce market in India is expected grow to \$20 billion in 2017 as projected by A.T. Kearney and PWC reports it becomes Opportunistic for various Ecommerce players to maintain their stake in India in the long run so as to harvest the gains. India will be the world's second largest e-commerce market by 2034 owing to an upsurge in the internet penetration and increasing mobile users in India. The market is predicted to reach \$63.7 billion by 2020 and overtake the US by 2034. This enormous development will open various profitable avenues for companies who are into online selling business as they will be able to capitalise and harvest profits from such investment.

With the various initiatives being taken up by the Government to drive Indian economy towards a cashless economy, ecommerce is surely going to be a game changer for Indian economy. A major push by the Government towards the use of applications like Paytm, Digidhan and BHIM app is nothing but to create an adaptive environment amongst every individual to start using these platforms for their online transactions. Today BHIM app is the most popular UPI app. Within 10 days of its launch, 1.1 crore people have downloaded this app. Indeed, It is the easiest way of money transfer. One can transfer fund immediately to any bank account. There is also no requirement to register the payee beforehand. Such Digital initiatives is likely to increase the online retail sales in the coming decade thus giving boost to the Indian Economy.

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