Analysis Of Indian e Commerce Market

Abstract
This paper purports to demonstrate how business has moved from the market space into the cyber space through the vehicle of e-commerce. The introduction of e-commerce, this paper has argued, has been conducive to environment as well. Over the last few centuries, human beings have experienced two major revolutions the industrial revolution and the electronic revolution. The former transformed our society from being agriculturally based to industrially based, whereas the latter transformed our society from being mechanically based to electronically base. B2C E-Commerce in India is driven by its vast population, increasing Internet penetration and scarcity of organized retail especially in small towns and rural areas. Next year, India is predicted to top the USA to become the second largest country worldwide in terms of the number of Internet users, behind China. The spread of mobile Internet is expected to especially benefit the state of connectivity in this country, while also driving M-Commerce sales up. The top three E-Commerce companies in the country, Flipkart, Snapdeal and Amazon India develop their own logistics capabilities using recently obtained investment. Other E-Commerce players that benefited from investment pouring into the Indian market include marketplace operator Shop Clues, online classifieds website Quikr and online accommodation booking website Oyo Rooms. The internet is the engine of this evolution and electronic commerce is its fuel.

1. Introduction
E-commerce applications began in the early 1970s with such innovations as electronic transfer of funds. However, the applications were limited to large corporations and a few daring small businesses. Then came electronic data interchange (EDI), which added other kinds of transaction processing and extended participation to all industries. Since the commercialization of the Internet and the introduction of the Web in the early 1990s, ecommerce applications have rapidly expanded. It is now being increasingly recognised that the material progress of a nation is crucially dependent on the three C’s, namely component, communications, and computer. Hence this era is often called the ‘age of computer’. Some prefer to call it the age of third wave. In today’s dynamic and fast-
moving world, mankind has increased its speed of movement by means of computers. Earlier, transactions involved time-consuming processes and large amounts of paper works; but now the Electronic commerce is the trading or facilitation of trading in products or services using computer networks, such as the Internet and the computer have minimised both. Business has moved from market spaces into cyber spaces, and further on, into the lap space through the latest invention of laptop. It may well turn out in the future that all the business transactions have been centred on electronic media. Electronic commerce draws on technologies such as mobile commerce, supply chain management, Internet marketing, online transaction processing, inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail. At present, we are familiar with so many E’s, such as EDI (Electronic Data Interchange), EFT (Electronic Fund Transfer), E-cash, Stamp, E-business etc. Urban areas in India have wireless tele-density or number of telephone connections for every hundred individuals living within an area of 142.39%, while rural wireless tele-density was only 44.32%, as of September 2014. The penetration of mobile devices in remote rural markets has to increase in order to be able to facilitate a rise in rural density.

2. Objectives of this paper
The main objectives of this paper are as follows-
(a) To examine the concept of e-commerce.
(b) To study the types of e-commerce and also discuss the e-commerce in India.
(c) To study the role of e-commerce in business environment.
(d) To give an idea for solving the challenges related to e-commerce.

3. Overview And International Comparisons
- B2C E-Commerce Overview and International Comparisons, September 2015
- Top 10 Countries Worldwide by Number of Internet Users, incl. India, in millions, 2013 - 2018f
- Top 10 Countries Worldwide by Number of Smartphone Users, incl. India, in millions, 2013 - 2018f
- Online Shopper Penetration, by Selected Emerging Markets, incl. India, in % of Adult Internet Users, May 2014
- Leading Activities in Terms of Times Spent Online, in % of Internet Users who Use the Internet at Least Once a Week, by Selected Countries, incl. India, July 2014
- Online Shopping Destinations, in % of Internet Users Who Use the Internet at Least Once a Week, by Selected Countries, incl. India, July 2014
- Product Purchased Online, in % of Online Shoppers, by Selected Countries, incl. India, July 2014
- B2C E-Commerce Share of Total Retail Sales, by Selected Countries in Asia-Pacific and BRIC, incl. India, in %, 2013 - 2018f
- B2C E-Commerce Share of Total Retail Sales in BRIC, by Country, incl. India, in %, 2014 & 2019f
4. Statistics And Facts About E-Commerce In India

Figure 1: Indian eCommerce Market

The fast development of telecommunications technology in the past few decades is changing many aspects of our lives – how we search for information, how we travel and not at least how we buy products or services. Although classic shop-based retail is still preferred, e-commerce or electronic commerce, namely the buying and selling of products and services exclusively through electronic channels, is gaining ground. The most well-known form of e-commerce or electronic commerce is online shopping, also known as business to consumer e-commerce (B2C), where private customers can order various products which they then receive by courier or postal mail. Another category of e-commerce focuses on transactions between companies, such as manufacturers and a wholesalers or wholesalers and retailers and is called business to business e-commerce (B2B). The third category of e-commerce involves transactions from consumer to consumer (C2C), as in the example of eBay or other similar websites.
With an expected 33 percent of the global market in 2015 and over 37 percent in 2018, the Asia Pacific region is becoming the leader of the e-commerce industry. In fact, China, due to its unprecedented economic boom, is not only driving the region’s leadership, but is also set to outdo the United States as the single country with the largest e-commerce market in the world. Another emerging Asian market in terms of e-commerce is India. Recent statistics show that retail e-commerce sales in India have grown tremendously, from 2.3 billion U.S. dollars in 2012 to an estimated 17.5 billion U.S. dollars, representing an almost eight-fold growth. As of 2015, the retail e-commerce sales as a percent of total retail sales in India are set to account for 0.9 percent of all retail sales in India, but this figure is also expected to grow in the near future, reaching 1.4 percent in 2018.

By 2016 a number of 653 million people in the Asia Pacific region are expected to buy goods and services online, a figure which translates into over 48 percent of internet users in the Asia Pacific region purchasing products or services online. Some of the most popular product categories among online shoppers in the region include airline tickets and reservations, baby supplies, cosmetics, clothing, accessories and shoes, as well as computer hardware and software. According to recent data, the number...
of digital buyers in India alone is expected to reach 41 million by 2016, representing some 27 percent of the total number of internet users in the country. Furthermore, a growing number of people in the Asia Pacific area are increasingly using their mobile devices for online shopping. In India, some 9 percent of the country’s population had made a purchase via mobile phone within the past month, as of the fourth quarter of 2014.

Figure 4: Online Shopping Growing rate

- **Annual B2C e-commerce sales growth in India from 2012 to 2017**

This timeline shows the year-on-year B2C e-commerce sales growth rates in India from 2012 to 2013, with a forecast for the years 2014 to 2017. In 2012, B2C e-commerce sales in India grew by 35.9 percent compared to the previous year.
• Most popular online retailers in India in October 2014, based on number of unique visitors (in millions)

![Figure 6: Most popular online retailers in India](image)

This statistic shows the most popular online retailers in India in October 2014, based on their number of unique visitors. During that month, Jabong had 26.26 million unique visitors. Amazon had 24.16 million unique visitors. The most successful e-retailer in India is Jabong.com, a fashion and Lifestyle Company specialized in apparel, footwear, fashion accessories, beauty products, home accessories and other fashion and lifestyle products. With 26.26 million unique visitors in October 2014 alone, Jabong.com manages to surpass Amazon, the world’s most successful e-retailer.

• B2C e-commerce as percentage of GDP in India from 2009 to 2018

![Figure 7: B2C e-commerce as percentage of GDP in India](image)

This statistic gives information on B2C e-commerce sales as percentage of the gross domestic product in India from 2009 to 2018. In 2013, B2C e-commerce accounted for 0.16 percent of the GDP in India.
• Average B2C e-commerce sales per digital buyer in India from 2011 to 2016 (in U.S. dollars)

This statistic shows the average B2C e-commerce sales per digital buyer in India from 2011 to 2016. In 2011, online shopping sales per digital buyer amounted to 597 U.S dollars. In 2016, the amount of sales per digital buyer is expected to grow to 724 U.S. dollars.

5. Advantages of E-Commerce

➢ Advantages to consumers:- The distinct advantages of e-commerce can offer to the consumers includes:
  ▪ Consumers have a much wider choice available on the cyber market.
  ▪ They bear lower costs for products due to increased on-line competition among sellers.
  ▪ Because of wide-scale information dissemination, consumers can compare products, features, prices and even look up reviews before they select what they want.
  ▪ They enjoy wider access to assistance and to advice from experts and peers.
  ▪ They enjoy saving in shopping time and money.
  ▪ Consumers also avail of fast services and delivery of products and services.
  ▪ They also have the convenience of having their orders delivered right to the door step.
  ▪ Consumers can operate the business 24*7 basis.

➢ Advantages to suppliers:- The major advantages that e-commerce can bring to the companies/suppliers are:
  ▪ It minimizes inventory cost: - E-commerce venture need not maintain huge inventories or expensive retail showrooms. E-commerce can minimize inventory costs by adopting just-in-time (JIT) system enhancing the firm’s ability to forecast demand more accurately.
  ▪ It can improve customer services: - It has been found that providing both customer and after-sale services account for up to 10 % of the operating costs. By putting these services on-line under e-commerce, these costs get reduced and the quality of services also gets improved. E-commerce provides ample opportunity for CRM solution and, in turn, in establishing better
relationship with the customers. It becomes absolutely necessary for the company to enhance customer loyalty. Otherwise the customer, who is full of choices, can jump from one website to another.

- **It reduces distribution costs as well:** - The Electronic Data Interchange (EDI) based on organisation for Economic Co-operation and Development (OECD) study has revealed that the time needed to process an order declined abruptly by a minimum of 50 per cent to a maximum of 96 per cent.

- **It helps business globalize:** - E-commerce by minimizing costs enables companies especially small ones to make information on its products and services available to all the potential customers spread over worldwide. This is well confirmed by Amazon, Com. founded by Jeff Bezos, the largest bookstore in the net by taking away a large amount of sales from the traditional booksellers.

- **It helps market products more quickly:** - By taking the entire product design process online, drawing partners and customers into the process and removing the traditional communication barriers, companies can bring products and services to market far more quickly.

6. Issues of E-Commerce in Business Environment

A technological innovation is followed by frequent incorporation of ethical standards into law. New forms of E-Commerce that enables new business practices have many advantages but also bring numerous risks. Let’s discuss about the ethical and legal issues related to e-business.

**Ethical Issues:** some of the ethical issues spawned with the growing field of e-commerce:

- **Web tracking:** - E-businesses draw information on how visitors use a site through log files. Analysis of log file means turning log data into application service or installing software that can pluck relevant information from files in-house. Companies track individual’s movement through tracking software and cookie analysis. Programs such as cookies raise a batch of privacy concerns. The tracking history is stored on your PC’s hard disk, and any time you revisit a website, the computer knows it. Many smart end users install programs such as Cookie cutters, Spam Butcher, etc which can provide users some control over the cookies.

- **Privacy:** - Most Electronic Payment Systems knows the identity of the buyer. So it is necessary to protect the identity of a buyer who uses Electronic Payment System. A privacy issue related to the employees of company is tracking. Monitoring systems are installed in many companies to monitor e-mail and other web activities in order to identify employees who extensively use business hours for non-business activities. The e-commerce activities performed by a buyer can be tracked by organizations. For example, reserving railway tickets for their personal journey purpose can be tracked.

- **Disintermediation and Reinter mediation:** - Intermediation is one of the most important and interesting e-commerce issue related to loss of jobs. The services provided by intermediaries are
  - Matching and providing information.
  - Value added services such as consulting.

The first type of service (matching and providing information) can be fully automated, and this service is likely to be in e-marketplaces and portals that provide free services. The value added service requires expertise and this can only be partially automated. The phenomenon by which
Intermediaries, who provide mainly matching and providing information services, are eliminated is called Disintermediation. The brokers who provide value added services or who manage electronic intermediation (also known as info mediation), are not only surviving but may actually prosper, this phenomenon is called Reinter mediation.

**Legal Issues:** Some of the legal issues specific to e-commerce:-

- **Fraud on the Internet:** E-commerce fraud popped out with the rapid increase in popularity of websites. It is a hot issue for both cyber and click-and-mortar merchants. The swindlers are active mainly in the area of stocks. The small investors are lured by the promise of false profits by the stock promoters. Auctions are also conductive to fraud, by both sellers and buyers. The availability of e-mails and pop up ads has paved the way for financial criminals to have access to many people. Other areas of potential fraud include phantom business opportunities and bogus investments.

- **Copyright:** The copyright laws protect Intellectual property in its various forms, and cannot be used freely. It is very difficult to protect Intellectual property in E-Commerce. For example, if you buy software you have the right to use it and not the right to distribute it. The distribution rights are with the copyright holder. Also, copying contents from the website also violates copy right laws.

- **Domain Names:** The competition over domain names is another legal issue. Internet addresses are known as domain names and they appear in levels. A top level name is qburst.com or microsoft.com. A second level name will be qburst.com/blog. Top level domain names are assigned by a central non-profit organization which also checks for conflicts or possible infringement of trademarks. Problems arise when several companies having similar names competing over the same domain name. The problem of domain names was alleviated somewhat in 2001 after several upper level names were added to com.

**7. Challenges for E-commerce in India**

Here are the top challenges that ecommerce businesses face in India:-

- **Pushy Sales:** When customers look for something for online shopping, they eventually gets frustrated with tons of popup and banner ads screaming at them, this is not going to help you, as this will only make customers switch to other site.

- **Personalization:** Personalization can be the single most important challenge when it comes to e-Commerce and its competition to you’re the retail stores that we used to go as children the store owners remembered us, our preferences and had that personal touch which is difficult to replace when you are selling online.

- **Postal addresses are not standardized:** If you place an online order in India, you will quite likely get a call from the logistics company to ask you about your exact location. Clearly your address is not enough. This is because there is little standardization in the way postal addresses are written. Last mile issues add to ecommerce logistics problems.

- **No-Service Sales:** Your e-Commerce web-store might be attractive, but what if the customers get lost in your site without having any idea about what to search and where to go? This is common challenge that many e-Commerce websites are having.

- **International Orders:** It is found that 40% of the e-Commerce shopping portals turn down international orders as most of them doesn’t have the logistics, and other systems to fulfill the
order and this is a major challenge facing the global e-Commerce. Duties and tariffs are other problem as customers tend to reject purchase due to such high cost.

- **Shipping Challenges**: Issues related to lack of supply chain integration, high delivery charges for products, delay in delivery and lack of proper courier services in some areas also make customers frustrated.

- **Cash on delivery is the preferred payment mode**: Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.

- **Product Return, Refund etc.**: Product which is not satisfactory for the customers tends to get replaced or returned. This is another major issue which leads into overall loss in revenue, loss of shipment costs and more than all these loss of your reputation.

- **Currency Challenges**: Different countries have different import export specifications. This hinders smoothness in e-Commerce shopping and product delivery. Issues related to credit card limits and currency exchange rates. Certain countries also restrict payment gateways causing problem.

- **International Taxation**: We are living in a global village and web has truly made our business boundaries seamless, global and boundary-less (virtually speaking). But the catch is the world still lives in physical boundaries and this is not going to change anytime soon. Every country (even states inside them) has different taxation norms. Incorporating them into a web fabric is a huge challenge.

- **Customer Service**: e-marketers focus on the website performance ignoring customer relationship and in-personal assistance.

8. **Solution**

While some of the above challenges are impossible to solve in near term owing to external factors not in control of business owners currently, we can solve and work around many others. Here is what can be done:-

- **Personalization**: Personalization, while a challenge, if addressed well can be a huge differentiator in how the customer experience is shaped in the online world, we have written multiple time so this.. here and here ..more said the less. Utilize intelligent tools like web analytics, study customer behavior online, reward and reach out to customers the more personalization you can out into your web-store more the customers will love you.

- **Segmentation**: All customers should not be treated in the same way. It is good to divide customers based on first-time users, high valued active users and inactive customers, based on which you can provide offers and promotion campaigns. Use analytics to target the right to the right customers.

- **Make Your Site Navigable**: Customers sometimes tend to get lost in your site. Provide proper navigation in your site to make things easier for your customers. Try to make your e-Commerce site properly structured.

- **Choosing e-Commerce solution**: It is better to do some research based on your specific needs. Read the feature lists, try demos, and get reviews from who know better about this. It is always better to choose something that has large community as it will offer help, tutorials, sample codes, third party plug-ins, themes, and security auditing, which will help you in enhancing the productivity for your e-Commerce web-store.
• **Delivered Duties Paid:** eMarketers pay duties and taxes for what they sell. It is better to sell products internationally on an all-inclusive price basis and hassle-free services through all international courier facilities. Product registration and reduction is shipping cost is another good solution.

• **Shipping:** It is better to deliver in bulk in one go to a single hub and distribute based on domestic shipping charges. This is called regionalization.

• **Product Return and Refund:** Make sure that all product descriptions are up-to-date and relevant. Also ensure that the products you deliver are procured from certified vendors.

• **Multiple Payment Options:** Be open for all payment gateways, start entertaining e-Wallets, prepaid cards etc. which will offer better cash flow and relieve customers from credit card problems.

• **Focus on Customer Service:** Online users want fast response to their query. So start interacting with them through 24*7 emails, calls, and chat assistance. Make your customers interact with you through all possible means like social media marketing etc. Keep reminding them about deals and promotions that you are offering and try to know what they think about them.

### 9. Conclusion

From all the above discussion we can conclude that role of e-commerce should lay down purchasing and payment process in sequence with absolute clarity and regular updating/monitoring of information provided. The terms and conditions should not be generic but specific depending upon the nature of the goods & services offered and they should be brought to the sufficient attention of the consumers and provide ample opportunity to read and then accept. There are however, concerns amongst customers regarding the quality of the product/offer, lack of the “fun” factor of shopping and about the security of the online payments. Constant monitoring and evaluating the consumer behavior (*like by keeping track of their footprints on their websites, which can also serve as an evidence at a later stage*) for risk assessment and taking further initiatives for a strategic & dynamic approach to the digital economy is crucial. At the end of the day e-commerce is more about strategy and business management than it is about technology. The online platform should not only provide innovative infrastructure but also innovative and proprietary information structures with sufficient protections and safeguards for its users. This will ensure the problems will remain at bay or at least the companies would be prepared with a strategy to tackle them. Many companies envolve like Ebay. in, Fashion and You First Cry, Flipkart, HomeShop18, Myntra, Naaptol, Snapdeal, Zovi etc. These challenges are being addressed by innovations like cash on delivery, money back guarantee; such challenges can be easily dealt with. Due to lower barriers of entry, competition is likely to be quite high. Overall the future of the ecommerce industry is indeed very bright.

### 10. References