E-COMMERCE IN INDIA – OPPORTUNITIES AND CHALLENGES

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Abstract-Electronic commerce, commonly written as e-commerce is buying and selling of products and services by businesses and consumers over the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems.Consumers take advantage of lower prices offer by wholesalers retailing their products. Thistrend is set to strengthen as web sites address consumer security and privacy concerns. Due to the popularity of e-commerce there is a tremendous increaseexchange of goods and services both regionally and globally. Now-a-daysit has become the virtual main street of the world. This online business refers to the E-commerce which is recently moved in to developing countries like India. Today, e-commerce has grown into a hugeindustry. This paper is outcome of a review of various research studies carried out on E-commerce. The present study has been undertaken to analyze the present trends of e-commerce in India & examine the challenges & opportunities of e-commerce in India.
Keywords: E-commerce, recent trends, opportunities and challenges

I. INTRODUCTION

E-commerce is anything that involves an online transaction. E-commerce makes consumers to get the goods at lower cost, wider choice and saves time. E-merchandise and E-finance are the two branches of e-commerce [1]. E commerce involves conducting business using Internet. Online businesses like financial services, travel, entertainment, and groceries etc. are provided to the customers. Growth of e-commerce is affected by economic factors, political factors, cultural factors and supranational institutions [2]. The benefits of e-commerce include its around-the-clock availability, the speed of access, the wide availability of goods and services for the consumer, easy accessibility, and international reach.[3]

A.   Definition

The buying and selling of products and services by   businesses   and consumers through   an electronic medium, without using any paper documents. E-commerce is widely considered the buying and selling of products over the internet, but any transaction that is completed solely through electronic measures can be considered e-commerce"E-Commerce is a concept covering any form of business transactions or information exchange executed using information and communication technology between companies and public administration."[4]

B.   Objectives

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The paper has following objectives:
➢   To explain the concept of e-Commerce.
➢   To study the India's prospects in ecommerce.
➢   To study the various trends in e-commerce.
➢   To study the various challenges faced by E-commerce in India.

C.   Limitations of the study
➢   The study has been conducted only by collecting the secondary data.
➢   The study focuses on e-commerce market in India.
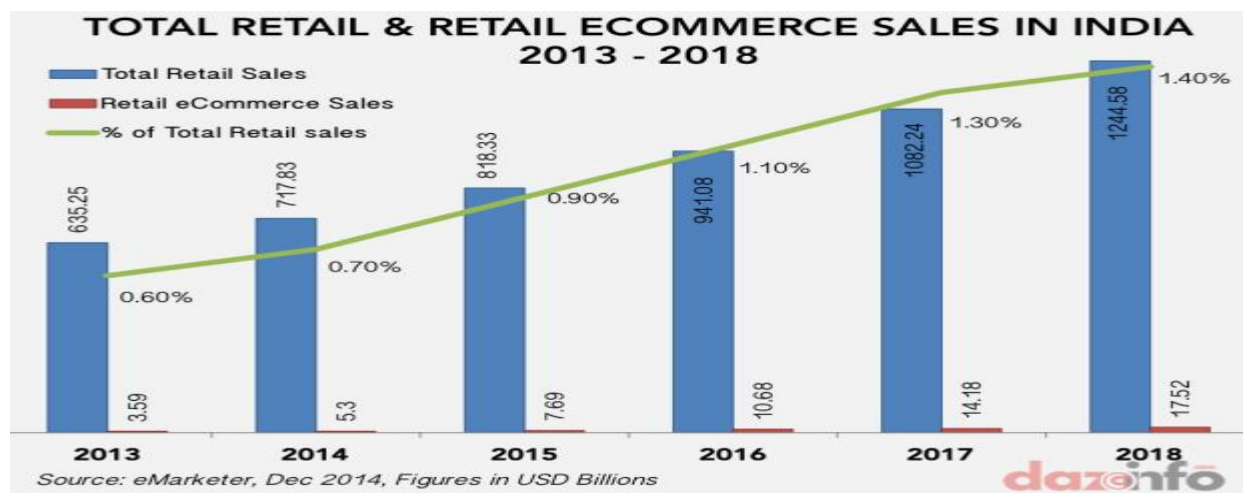
II.RESEARCH METHODOLOGY

The process used to collect information & data for the purpose of making business decisions. The methodology may include publication research, interview, surveys and other research techniques & could include both present & historical information. The researcher has used only secondary data that has been collected from various articles, journals, books, websites etc.
This has been used to study the conceptual framework, definition, present trends andsome of the challenges and opportunities of e-commerce in India. All the data included is the secondary base and proper references have been given wherever necessary.

III.E-COMMERCE IN INDIA

India had an internet user base of about 354 million as of June 2015and is expected to cross 500 million in 2016. Despite being the second-largest userbase in world, only behind China (650 million, 48% of population), the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. The industry consensus is that growth is at an inflection point.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. According to a study conducted by the Internet and Mobile Association of India, the e-commerce sector is estimated to reach Rs. 211,005 crore by December 2016. The study also stated that online travel accounts for 61% of the e-commerce market. By 2020, India is expected to generate $100 billion online retail revenue out of which $35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years. [5]

TOTAL RETAIL & RETAIL ECOMMERCE SALES IN INDIA 2013 - 2018
Source: eMarketer, Dec 2014, Figures in USD Billions

IV.RECENT TRENDS IN INDIAN E-COMMERCE INDUSTRY

India is a massive E-Commerce marketplace now with every age group comfortably transacting online – more often preferring shopping online instead of visiting offline stores for a bigger gamut of choices and offers.

E-Commerce industry is growing at an astounding rate in India and is expected to account for 1.61% of the global GDP by 2018. According to a report by Forrester, India is set to become the fastest growing market in the Asia-Pacific region with an expected growth rate of over 57% between 2012 and 2016.

A.   Men in India shop 3X more than women

While women continue to dominate the in-store markets, men with disposable incomes have taken it upon themselves to play the larger role in online shopping.

B .Cash-On-Delivery (COD) remains the most preferred online payment method.

We Indians love the Cash-On-Delivery option; it gives us more control over online transactions since we don't have to pay until the product is at our doorstep. COD option during checkout has also been proven to boost impulse purchases.

C.60% of online purchases happen during business hours. (9AM – 5PM)

This proven trend is a myth-buster that shows how integral a part online shopping has become in our day-to-day lives. Marketers can use this fact to schedule their promotions across advertising channels accordingly.

D. The Rural Pitch

Ecommerce companies would emphasize more on attracting the customers from rural areas. Along with this, traditional business houses such as Tata Group and Reliance Industries will enter more aggressively into the ecommerce business.

E. Smartphone Apps:

However, users browse products on desktops or laptops, they prefer transacting via smart phones because of their faster linkages to payment gateways. Smartphone ecommerce apps are also preferred as they offer more personalized shopping experience for customers and a better understanding of consumers for the ecommerce company. Further apps are also an opportunity to curate targeted promotions based on browsing or shopping cart history. [6]

V. OPPORTUNITIES AND CHALLENGES

Backed by increased online user base and mobile phonepenetration, Indian e-commerce has seen impressive growthin the last few years. Considering India's demographicdividend and rising internet accessibility, the sector is slated toscale greater heights.Although, India's overall retail opportunity is substantial, thesector is beset with some serious challenges. We take into the current e-commerce landscape and the sector's key drivers & challenges. Internet penetration is one if the factors affecting the growth of e-commerce. The following table provides information about the percentage of internet penetration in different countries of the world:

Table showing internet penetration in different countries in 2016

Country	Internet users (2016)	Penetration (% of Population)
China	721,434,547	52.2 %
India	462,124,989	34.8 %

U.S.	286,942,362	88.5 %
Brazil	139,111,185	66.4 %
Japan	115,111,595	91.1 %
Russia	102,258,256	71.3 %
Nigeria	86,219,965	46.1 %
Germany	71,016,605	88 %
U.K.	60,273,385	92.6 %
Mexico	58,016,997	45.1 %

The above table reveals that e-commerce industry is fast rising; changes can be seen over year. A significantly low (34.8%) but fast-growing internet population is an indicator of the sector's huge growth potential in India. For developing countries like India, e-commerce offers considerable opportunity. The table shows that, e-commerce in India is still in growing stage. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia's second most populous nation. Insights into increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced prices and busy lifestyles reveal this fact more prominently thereby giving way to online deals on gift vouchers. Going by the statistics, e-commerce market in India is expected to nearly double to Rs.2, 11,005crores by December according to industry body Internet and Mobile Association of India (IAMAI). The market grew 30% between December 2011 and December 2015.
Online travel which includes domestic air ticket and railway ticket booking is expected to grow around 40% by the end of 2016.

A .Key driversof E-commerce in India
☐Large percentage of population subscribed to broadband Internet, rapidly increasing 3G internet users, and a recentintroduction of 4G across the country.
☐Explosive growth of Smartphone users.
☐Rising standards of living as result of fast decline inpoverty rate.
☐Availability of much wider product range.
☐Competitive prices compared attractive to the customers.
☐Increased usage of online classified sites, with more consumers buying and selling second-hand goods. [8]

B.   Challenges in the e-commerce sector
There are some barriers responsible for slow growth of e-commerce in India. Hamilton(2002) indicate some barrier in using e-commerce including security problems, lack of skills, cost etc.. People do not yet sufficiently trust paperless, faceless transactions. For the growth of E-business in India it needs a focus and should to make country in the lines of E-business.
1. In India, Cash on delivery is the preferred payment mode:In India, most of the people prefer to pay cash on delivery due to the low credit card diffusion and low trust in online transactions. Not like electronic payments, manual cash collection is quite perilous, expensive and laborious.

2. Infrastructural Problems:Internet is the backbone of e-commerce. Internet penetration in India is still very low(34.8%) compared to other countries. The quality of connectivity is poor in several regions. But both these are real threats for the growth e-commerce market in India

3. Incorrect postal address:When the customer places an online order, hewill get a call from the company, asking about his exact location. The given address is not enough because there is always a little standardization while writing post addresses. It is also one of the biggest challenges that faced by e-commerce in India.

4. Absence of Cyber Laws: Other big challenge associated with e-commerce market is the near absence of cyber laws to regulate transactions on the Net. WTO is expected to enact cyber laws soon. The India's Information Technology (IT) Bill passed by the Indian Parliament on May 17, 2000 intends to tackle legislatively the growing areas in e-commerce. As it stand today, the Bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.

5. Privacy and Security Concern:In case of start up and small business, Business owners fail to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which indeed a crucial step for successful online business players. Usage of unauthorized soft wares will not protect the customer.

6. Payment and 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.The Government of India is committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement Goods and Services Tax (GST) by April 2017.One-Country-One-Tax is the main motive of GST.

7.Touch and Feel' factors: Indian customers are more comfortable in buying products physically. They tend to choose the product by touching the product directly. Thereby, Indian buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. 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.

8.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.

9.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

10.Customer Service:E- Marketers focuses on the website performance ignoring customer relationship and in-personal assistance.[9]

VI.FINDINGS
- The study indicates that e-commerce sector has huge growth potential in India.

- Internet is the back-bone of e-commerce. But internet penetration in India is low compared to other countries.
- The growth of mobile internet is encouraging.
- There are some obstacles responsible for slow growth of e-commerce in India.

VII. CONCLUSION

The future of E-Commerce is difficult to predict. There are various factors responsible for the growth of e-commerce. There are some of serious challenges to be faced by the e-commerce industry. In general, today's businesses must always strive to create the next best thing that consumers will want because consumers continue to desire their products, services etc. to continuously be better, faster, and cheaper. In this world of new technology, businesses need to accommodate to the new types of consumer needs and trends because it will prove to be vital to their business' success and survival. E-commerce is continuously progressing and is becoming more and more important to businesses as technology continues to advance and is something that should be taken advantage of and implemented.However, just like anything else, e-commerce has its disadvantages including consumer uncertainties, but nothing that cannot be resolved or avoided by good decision-making and business practices. If the correct methods and practices are followed, a business will prosper in an e-commerce setting with much success and profitability.

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