

Research Paper



DEVELOPMENT OF E-COMMERCE IN INDIA

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ABSTRACT

The present article has traced the development of e-commerce in India on the basis of qualitative research methodology. The enhanced need for greater attention and management bandwidth to these critical functions has been realized by the stakeholders of e-commerce in India. India has shown a commendable increase in the e-commerce industry in the last couple of years, thereby hitting the market with a boom. The e-commerce is poised for continued growth in India in the coming years. The growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals. The emergence of e-commerce has placed an enormous pressure on the supporting logistics functions. The inventory led e-retailing model cannot attract FDI whereas market-place based e-retailing model can still attract FDI in the present times. The economic potential has increased over a period of time due to the rise of e-commerce logistics in India. The evolution of logistics landscape, long term profitability of the e-retailing industry, increase in FDI in the inventory-led retail, better infrastructure and robust supply chains, new taxation policies in the country, entry of more players in the 3PL domain and rationalization of delivery costs will lead to substantial investments in supporting infrastructure and innovative and game changing business models.

KEYWORDS: e-commerce, e-retailing, online purchasing

PREAMBLE

The age of economic liberalization and e-commerce had begun together in India in 1991. The introduction of e-commerce had also become a trend in the world including India. The acceptance of the e-commerce on a large scale by the Indian people influenced other business players also to try this technique for their E-businesses and gain high profits. The international agencies also actively took part in *online shopping* which fascinated many customers. In 2000, e-commerce had become a trend in India due to the adoption of new technologies, development of online websites and user friendly interface in business.

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. In the present dynamic scenario, e-commerce market in the B2C space is growing in demand as well as in the array of services. The transition to online purchasing from traditional purchasing is taking a long time in the Indian market. E-commerce includes not only buying and selling goods over Internet, but also various business processes within individual organizations that support the goal. As with e-commerce, e-business (electronic business) also has a number of different definitions and is used in a number of different contexts. It provided a wealth of Indian-related business news a reach engine, e-commerce and web solution services. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and mouse tickets the grocery

and computers. The development of e-commerce in India is primarily examined in this article on the basis of qualitative research methodology.

E-COMMERCE IN INDIA

E-commerce can be divided into three broad categories which include physical services, physical goods and virtual goods. The e-commerce platforms maximize its reach to the potential customers and provide them with a convenient, satisfying & secure shopping experience. The factors responsible for the development of e-commerce in India include - customer convenience, replacement guarantee, wider reach, location based services, multiple payment option, right content, price comparison, shipment option logistical challenges legal challenges quick service, terms and condition, quality of service and customer care centre. The future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented (Chanana and Goele, 2012:03).

The e-commerce story in India would surely witness a new world of digitalization in the coming decade, with a host of start-ups emerging to compete with existing players in order to draw benefits from the new and existing markets. The sector is classified into four major types, based on the parties involved in the transactions – Business-to-business (B2B), business-to-customer (B2C), customer-to-business (C2B) and customer-to-customer (C2C). The changing consumer lifestyles, supported by the younger population base of India, have given a boost to the e-commerce business. The current penetration rate in India is at 10.1 per cent penetration rate, India has a huge Internet consumer base of around 125.0 million (as of 2011), the third largest in the world after US and China. The changing consumer lifestyles, supported by the younger population base of India, have given a boost to the e-commerce business. It has been observed that Indian consumers have matured over the years and increased their acceptance for various payment approaches such as net banking and prepaid wallets. E-commerce horizon has thus widened owing to acceptance of online shopping as a safe shopping medium. The e-commerce sector in India is estimated to have hundreds of players (India Brand Equity Foundation, 2013:05).

India's consumer-facing e-Commerce market (B2C-C2C) grew at a whopping CAGR of 49.1% from 2007 to 2011 to reach a market size of US\$9.9 billion. On the other hand, the B2B market is a small contributor to the overall domestic e-Commerce market, and it was estimated at US\$50.37 million in 2011 e-Commerce players are banking on the Indian internet growth story. The fact that an average online user is spending more time online gives these players the opportunity to draw more users to their websites through innovative marketing strategies such as those revolving around social media. Furthermore, to fully utilize the opportunity, players need to leverage the growing number of mobile devices in the country. They should focus on developing mobile-compatible websites and applications. This would allow customers to log on to easy-to-access platforms and browse e-Commerce websites on their mobile devices. E-commerce players also need to focus on innovation to tackle challenges arising from low credit and debit card penetration. They could consider working with financial intermediaries to develop payment systems, such as escrow services, for resolving issues around security and product delivery. The RBI could step in and reduce the number of online transaction failures by defining

service metric quality and monitoring it at regular intervals. This would enable it keep a close eye on the performance of financial intermediaries and plug gaps as soon as they occur (Ernst & Young, 2013).

India is developing rapidly and if development is to be measured, how can we ignore the role of e-commerce in it. The internet user base in India might still be a mere 151 million which is much less when compared to its penetration in the US or UK but it's surely expanding at an alarming rate. At 151 million total Internet users, the Internet penetration in India remains at 12.6% India now has the 3rd largest Internet population with 151 million in the world after China at 568 million and USA at 254 million (in 2013).

India is at the cusp of a digital revolution. Declining broadband subscription prices, aided by the launch of 3G services, have been driving this trend. This has led to an ever-increasing number of 'netizens'. Furthermore, the likely launch of 4G services is expected to significantly augment the country's internet user base. Internet has become an integral part of this growing population segment for remaining connected with friends, accessing emails, buying movie tickets and ordering food. The changing lifestyles of the country's urban population have also led many people relying on the internet for their shopping needs. The convenience of shopping from the comfort of one's home and having a wide product assortment to choose from has brought about increased reliance on the online medium (Sheth, 2013:09).

The e-commerce is heavily leaning on the Internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. In India, e-commerce is still at its infancy. In India e-commerce has taken the world of retail by storm and captivated the imagination of an entire generation of entrepreneurs. The e-commerce ventures have changed the commercial models. There is an explosive growth during the last decade which has already catapulted the biggest firms among these ventures past the billion-dollar territory. The e-commerce is likely to grow five to seven times over the next four to five years in India. It is also the most challenging in fulfilling its fundamental proposition of transcending physical boundaries to deliver a variety of products to the customer's doorstep. The logistics and infrastructure in e-retailing has become the backbone of the fulfillment network. The enhanced need for greater attention and management bandwidth to these critical functions has been realized by the stakeholders of e-commerce in India.

India has shown a commendable increase in the e-commerce industry in the last couple of years, thereby hitting the market with a boom. The key drivers of e-commerce in India include - increasing broadband Internet and 3G penetration, growing living standards, availability of much wider product range, busy lifestyles and lack of time for offline shopping, increased usage of online categorized sites and evolution of the online marketplace model with websites. The social media revolution has also contributed significantly towards the development of e-commerce in India (Dudhewala, 2014:04).

A large proportion of investment in e-commerce retail will flow into logistics and infrastructure. In the absence of an incumbent ecosystem, e-commerce providers are beginning to build these functions from scratch. This will also spawn infrastructural investments into allied sectors such as warehousing, air cargo, road and rail-based transport transportation. As delivery reach and fulfillment networks

become more entrenched and increasingly complex, opportunities will emerge for logistics service providers and 3PL players. All of these trends point to a bright future for talented entrepreneurs, operational managers as well as greater employment opportunities for blue-collared workers. The e-commerce industry is one of the fastest growing sectors in the country today, spurring first generation entrepreneurs, large scale manufacturing by SMEs, jobs and most importantly impacting the infrastructure growth of the country (ASSOCHAM India, 2014:01). The e-commerce is poised for continued growth in India in the coming years. The growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals.

E-commerce is relatively a novel concept. It is, at present, heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. About 70% of India's e-commerce market is travel related. The spread of e-commerce has led to the rise of several niche players who largely specialize their products around a specific theme. In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. The demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorized distributors and e-commerce offerings in India (Boora, 2015:02).

E-commerce provides various services to wholesalers who can take advantage of E-commerce and capable of establishing contractors with reputed producers and linking their business with the on-line with consumers all the time with E-commerce. Nowadays, E-commerce is the extensive use of computer network with internet. In this paper, we review there are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware product and apparel. E-commerce offers benefits like cost effectiveness, quick comparison shopping, better customer service, information saving and knowledge market development (Kaur and Kaur, 2015:06).

The emergence of e-commerce has placed an enormous pressure on the supporting logistics functions. The proposition of e-commerce to the customer is in offering an almost infinite variety of choices spread over an enormous geographical area. The realm of competition has shifted to delivering to ever-shortening delivery timeliness, both consistently and predictably. The demands of e-commerce raise the associated complexities to a different level. E-commerce retailers are well aware of these challenges and are cognizant of the need to invest in capital and operational assets. 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. The 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. The e-commerce has also led to word-of-mouth publicity, feedback and customer retention to the e-portal or website.

The current growth in e-tailing was driven by start-ups, and backed by venture capital and entrepreneurship. While the Indian e-tailing market is yet to achieve a steady state, these initial entrants have succeeded in capturing the imagination of a sizeable consuming class. These have also acted as a catalyst in the creation of an ecosystem necessary

for the growth of e-tailing. E-tailing's potential cannot be tapped on the premise that investments by a few organizations will unlock this opportunity. Going forward, the projected size of e-tailing by 2021 will not be composed of pure e-tailing companies, as is largely the case today. Some of the existing, pure e-tailing businesses will manage to build sustainable businesses and grow in size. Many new pure play e-tailing start-ups will also tap the market. Many of the current brick & mortar retailers (both traditional and corporatized) will succeed in viewing e-tailing not as an extension but as an important business growth driver. Similarly, many consumer brands will also build e-tailing businesses as a direct go-to-market approach. E-tailing is an integrator of technology, logistics, and infrastructure, and creates a relatively efficient marketplace for vendors and consumers. At present, the Indian e-tailing market is limited by its incapability to play the role of an efficient integrator. This role has been played in other places by retailers, technology companies, venture capitalists, and private equity investors. The emerging India will comprise consumers who will have the desire, need, and conviction to use the Internet for a host of reasons, of which shopping will be one. The entire ecosystem within which e-tailing operates is completely different from brick and mortar retail, as are its enablers (Mehra, 2015:07).

The conventional infrastructure model relies on increasing depth and breadth of coverage through several inventory nodes, warehouses and stocking points connected by based on various other factors ranging from production cycles, nature and variety of the SKUs to even local taxation laws. The e-commerce also enables the service providers operating either through inventory-led or marketplace models to enter an entirely different paradigm of operations, where management of the supply chain is core to the business of creating more business. The e-commerce demands the building of supply change from the customer end, with the fundamental difference being the proliferation of delivery points and the need to move large number of orders of small parcels. The inventory led e-retailing model cannot attract FDI whereas market-place based e-retailing model can still attract FDI in the present times.

The key to success in e-commerce is an efficient last-mile network to ensure time bound delivery while maintaining agility in the logistics chain. The up-stream infrastructure has to be built as a layer over this last mile network with strategic location choices of fulfillment centers proximal to delivery modes. The e-commerce demands greater agility in their supply chain to be more responsive to customer demands. The e-retailers are able to attract significant customers to online buying in different spheres such as consumer electronics, apparels and lifestyle, books, music, video, food and beverages, departmental store, home furnishings, auto parts and healthcare. It is true that each product category requires its own customized logistics requirements which can alter the balance between inventory and supply chain costs. The challenge is to ensure that the supply chain needs of the specific product segments are married with customer propositions that offer better customer value than traditional retail models. The service providers are building capacities with its logistic arm in India in order to reach out to the customers. The market place operators typically invest 10 to 20% of their revenue to build self-owned infrastructure.

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 is projected to be second largest by 2016 with 330-370 million users. Growth of internet users is increasing very rapidly in India. 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. 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. The future of e-commerce would be very bright in India if right terms and conditions are implemented with the all essential factors (Rina, 2016:08). The number of new entrants in this sphere is likely to increase. The customary retailers will also switch over to online business. The increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced prices and busy lifestyles will enhance the e-commerce.

CONCLUSION

The greater Internet penetration and Smartphone application would boost e-commerce by 2020 and ensure the growth of Indian commerce to \$12.6 billion by the end of 2016. The e-commerce will spawn several investments in logistics infrastructure including large fulfillment centers and warehouses, downstream parcel and sortation centers. The whole transportation paradigm of the future may evolve around a judicious mix of rail, road and air transport modes. The economic potential has increased over a period of time due to the rise of e-commerce logistics in India. There will be

additional central fulfillment centers which will ensure efficiency improvements in individual performance and productivity (IPPs) in the delivery networks by 2020. The evolution of logistics landscape, long term profitability of the e-retailing industry, increase in FDI in the inventory-led retail, better infrastructure and robust supply chains, new taxation policies in the country, entry of more players in the 3PL domain and rationalization of delivery costs will lead to substantial investments in supporting infrastructure and innovative and game changing business models.

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