

The Growing Pains of Indian E-Commerce

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ABSTRACT

Running a successful e-commerce business can be very rewarding, yet challenging at the same time. Even if you sell a great product, it can become difficult to get the word out about your business if you don't have a well-designed website or marketing strategy. Despite the challenges of running an online business, there are still many opportunities available. In 2013, e-commerce retail sales were at \$263.3 billion. These sales are projected to grow to \$434.2 billion in 2017. This is why online retailers need to address their challenges now so they can become successful in the future. Capturing [India's](#) rapidly growing e-commerce market has been a holy grail of tech entrepreneurs for years. India is a country with a booming economy, rapid growth of internet penetration, and a market of 1.2 billion. It's also a place where consumers have a lot to gain from not going to the stores. A shopping trip can mean being packed into trains like sardines, navigating streets jammed with stalls and cow herds, or haggling with aggressive rickshaw drivers. The city centers are chaotic, and the contents of a shopping list are distributed over dozens of different stores or street stands. It seemed the perfect place to build a robust online economy.

INTRODUCTION

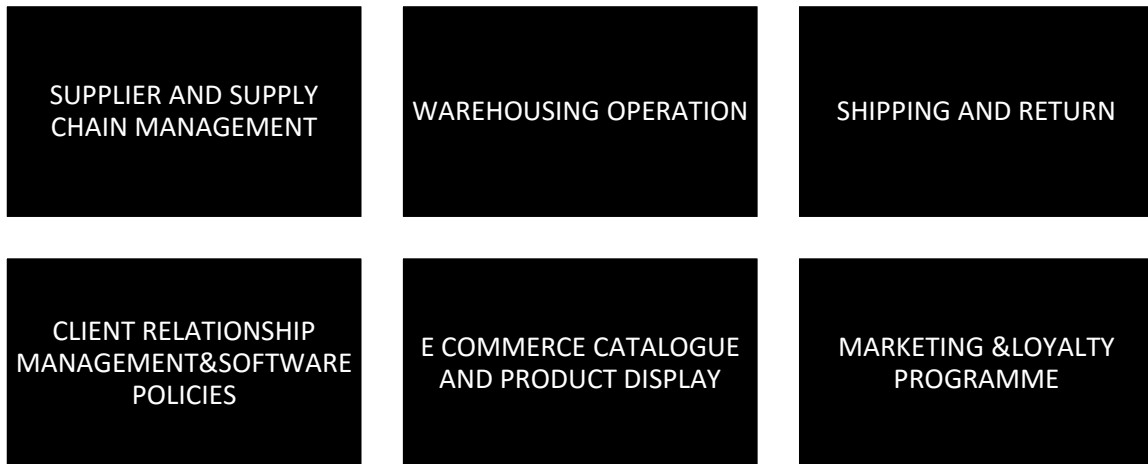
Electronic commerce, commonly known as **e-commerce** or **ecommerce**, is trading

in products or services using computer networks, such as 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. 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.

Ecommerce businesses may employ some or all of the following:

- Online shopping web sites for retail sales direct to consumers
- Providing or participating in online marketplaces, which process third-party business-to-consumer or consumer-to-consumer sales
- Business-to-business buying and selling
- Gathering and using demographic data through web contacts and social media
- Business-to-business electronic data interchange
- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters)
- Engaging in pretail for launching new products and services

COMPONENTS OF E-COMMERCE



PAINS FACED BY E-COMMERCE IN INDIA

The growth of ecommerce volumes in India is attracting the attention of players around the globe. India, the second most populous country in the world, is home to 1.2 billion people. To put that number into perspective, consider this: the combined populations of Germany, UK, and France, Italy, Netherlands, Belgium, and Greece equal one-fourth the population of India alone! Despite lower per-capita purchasing power, this still makes India one of the most attractive emerging markets for ecommerce. But India is far from being a bed of roses. Here are the top 8 challenges that ecommerce businesses face in India.

1. Indian customers return much of the merchandise they purchase online

Ecommerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from ecommerce websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for ecommerce

players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border ecommerce.

2. 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.

3. Payment gateways have a high failure rate.

As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. Ecommerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.

4. Internet penetration is low.

Internet penetration in India is still a small fraction of what you would find in several western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are fast disappearing. The day is not far when connectivity issues would

not feature in a list of challenges to ecommerce in India.

5. Feature phones still rule the roost.

Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, not smart phones. So, for all practical purposes this consumer group is unable to make ecommerce purchases on the move. Though we are still a couple of years away from the scales tipping in favour of smart phones, the rapid downward spiral in the price of entry-level smart phones is an encouraging sign. I expect that the next few quarters will witness announcements of new smart phones in India at the \$30-40 price point. That should spur growth in Smartphone ownership.

6. 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.

7. Logistics is a problem in thousands of Indian towns.

The logistics challenge in India is not just about the lack of standardization in postal addresses. Given the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centres have a fairly robust logistics infrastructure. But since the real charm of the Indian market lies in its large population, absence of seamless access to a significant proportion of prospective customers is a dampener. The problem with logistics is compounded by the fact that cash on delivery is the preferred payment option in India. International logistics providers, private Indian companies, and the government-owned postal services are making a valiant effort to solve the

logistics problem. If someone could convert the sheer size of the problem into an opportunity, we might soon hear of a great success story coming out of the Indian logistics industry.

8. Overfunded competitors are driving up cost of customer acquisition.

The vibrancy in the Indian start-up ecosystem over the past couple of years has channeled a lot of investment into the ecommerce sector. The long-term prospects for ecommerce companies are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope, and I expect more rational behaviour in 2014.

9. Implementing a content marketing strategy.

Although content marketing has been a buzzword in recent years, not many online businesses know how to implement it effectively. In fact, only 42 percent of B2B marketers believe they are effective with their content marketing efforts. Content marketing includes a variety of tactics such as social media, blogging, e-newsletters, videos, mobile content, and so much more. In order to be an effective content marketer, e-commerce businesses must understand which tactics work best for them, their customers, and brand.

10. Building trust through your website.

Especially for e-commerce businesses, your website is the very first impression customers have of your product. If you have a poorly designed website, there's a high chance you'll lose traffic and even customers. To build trust through your website, make sure it's easy to navigate, include contact information, create a clean layout, and provide clear descriptions of your product. These basic design elements will

drastically increase the trust between your website and your customers.

In addition to website design, you should also focus on how you build trust with your customers. Which emphasises the concept of E-A-T (Expertise, Authority, and Trustworthiness)? This concept helps businesses make sure they're creating content that positions their brand as a trusting expert in their industry.

11. Using big data to gain insights on customers.

Big data is a growing trend in e-commerce and online marketing. Big data enables businesses to gather insights about their customers through monitoring their purchasing habits and decisions. By using big data, businesses can focus more on customization and personalization for their customers' shopping experience. This can be done by tracking customer browsing patterns and monitoring loyalty programs. Big data is also very beneficial for creating sales forecasts. E-commerce businesses should pay attention to sales, website performance, and customer behaviours to determine what they need to improve in the future.

12. Integrating mobile into your website.

Mobile shopping accounts for nearly one-fourth of online purchases. Last year, mobile commerce sales reached \$4.7 billion in the second quarter. Although mobile commerce is growing, there are not enough online retailers who are adapting to these trends. For those who fail to optimize their shopping experience, they will fall behind in online sales. To attract customers and increase sales, e-commerce businesses must continue optimizing their shopping experience for the mobile web. This means your business must ensure your website is optimized for mobile devices and even launch a mobile application for your store. These tactics will improve the shopping experience for your customers and increase

sales. Every e-commerce business has its unique challenges, however, these are some many face. By taking note of these challenges, even the smallest online business can become successful and continue to grow in the upcoming years.

13. You will need to work on site SEO

Most e-commerce sites are not placed at the top of the SERP because they only list their perfunctory products, services and prices. You can use SEO to position your website at the top of the SERP by providing detailed product descriptions containing unique content. Consider adding a 100 word minimum product description to your most popular products, including target keywords and long-tail keywords in that description. Product reviews are also useful, especially if they span 300 words or more and include a photo or video. If you really want to gain customer interest and increase traffic to your website, post buyer guides that describe the features and benefits of your product category. Educational posters, brochures, interactive tools and even e-books can also help position your site as one of the top search engine finds

14. Beware: your website will be hacked

No matter how small and insignificant you perceive your e-commerce site to be, it is very likely that it will experience a security breach at some point in its existence. This could spell disaster for your customers, who might find their credit card and personal information compromised. Likewise, you might find yourself completely locked out of your own website, your payments redirected to another site, or your page content and website features scrambled. Protect your customers and yourself by regularly changing your passwords, customizing the installation of your shopping cart (e.g., changing database location), finding out the key vulnerabilities of your web and/or FTP server, etc. Also, check

regularly for any reports of e-commerce security breaches

15. Customers won't trust your website

Regardless of whether your website has a sophisticated or crude layout, and regardless of whether you've hired a team of professional designers to create your company logo or simply transposed what you doodled on a paper napkin, customers will not automatically trust your website. If there is no trust, it is unlikely that sales will follow. This is especially true if you are trying to sell big ticket items that carry a sizeable purchase price or shipping cost. Make your website legitimate in the eyes of potential customers by displaying your store's physical address and telephone number. If possible, list the names and photos of the individuals (including yourself) who help support your website's or store's operations. Customer testimonials are also helpful, especially if they can be posted to a forum or blog-like site that helps verify that these testimonials are genuine. Finally, join at least one best practices organization, such as the Better Business Bureau.

CONCLUSION

Having a successful e-commerce website can be a major boon for the business owner. To begin with, an online website reduces the costs inherent in running a "brick-and-mortar" operation, including rent, licensing fees, insurance and employee salaries. Likewise, an online store is conveniently open 24 hours a day, 7 days a week, and 365 days a year, enabling business transactions to occur no matter what time of day. Finally, an e-commerce website has the advantage of proximity; customers can be from any part of the globe yet have immediate access to its virtual storefront.

While the benefits of having an e-commerce website are numerous, there are some challenges as well. To begin with, many merchants do not understand the amount of

time and effort required to set up and maintain an e-commerce website. Effective e-mail marketing, site optimization, content generation, template creation and shopping cart installation all require a significant investment of professional resources. If the e-commerce merchant wishes to generate traffic via social media campaigns and article marketing, these efforts require the hiring of personnel who are knowledgeable in such tactical approaches to gaining customer interest and trust. Challenges such as these can limit the effectiveness of an e-commerce website; however, knowing what they are is the first step to also addressing them as opportunities for improvement. Even e-commerce merchants who are well-versed in online marketing techniques can take the following advice to heart to improve their site ranking, traffic and conversion rates, and product branding. After all, when it comes to e-commerce, keeping up with the pace of consumer interest and need is an ongoing process of improvement

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