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## E- COMMERCE IN INDIA: A GAME CHANGER FOR ECONOMY

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### Abstract

*From a buzzword to a current-day reality, e-commerce in India has been experiencing remarkable growth, successfully changing the way people transact. People today can shop literally everywhere within minutes, be it their workstations or homes, and most importantly, at any time of the day at their leisure. The online market space in the country is burgeoning in terms of offerings ranging from travel, movies, hotel reservations and books to the likes of matrimonial services, electronic gadgets, fashion accessories and even groceries. India is home to e-commerce hubs, rural hubs, export hubs and import hubs. To capitalize on the anticipated growth potential, a host of investors, including venture capital (VC) and private equity (PE) firms, are closely eyeing opportunities in e-commerce start-ups. E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium. B2B, B2C, C2C and similar opportunity help consumer preferences and consumer markets developing electronic infrastructure for challenges of the future. E-commerce has revolutionized business, changing the shape of competition with internet (The NET), the computer communication network creating a e-commerce market place for consumers and business. With developments in the Internet and Web-based technologies, distinctions between traditional markets and the global electronic marketplace-such as business capital size, among others-are gradually being narrowed down. India is showing tremendous growth in the Ecommerce. The low cost of the PC and the growing use of the Internet is one of reasons for that. There is a growing awareness among the business community in India about the opportunities offered by ecommerce. The present paper mainly aims to discuss the Role of E-commerce in Today's Business.*

### 1. INTRODUCTION

#### 1.1. WHAT IS E-COMMERCE?

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services. It also pertains to "any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact. E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer-mediated network. Though popular, this definition is not comprehensive enough to capture recent developments in this new and revolutionary business phenomenon. A more complete definition is E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals.

#### IS E-COMMERCE THE SAME AS E-BUSINESS?

While some use e-commerce and e-business interchangeably, they are distinct concepts. In e-commerce, information and communications technology (ICT) is used in inter-business or

inter-organizational transactions (transactions between and among firms/organizations) and in business-to-consumer transactions (transactions between firms/organizations and individuals). In e-business, on the other hand, ICT is used to enhance one's business. It includes any process that a business organization (either a for-profit, governmental or a non-profit entity) conducts over a computer-mediated network. A more comprehensive definition of e-business is "The transformation of an organization's processes to deliver additional customer value through the application of technologies, philosophies and computing paradigm of the new economy."

### **1.3. WHAT ARE THE DIFFERENT TYPES OF E-COMMERCE?**

The major different types of e-commerce are

- Business-to-business (B2B)
- Business to-consumer (B2C)
- Business-to-government (B2G)
- Consumer-to-consumer (C2C)

### **1.WHAT IS B2B E-COMMERCE?**

B2B e-commerce is simply defined as e-commerce between companies. This is the type of e-commerce that deals with relationships between and among businesses. About 80% of e-commerce is of this type, and most experts predict that B2B ecommerce will continue to grow faster than the B2C segment. The B2B market has two primary components: e-frastructure and e-markets. Efrastructure is the architecture of B2B, primarily consisting of the following: Logistics - transportation, warehousing and distribution (e.g., Procter and Gamble); Application service providers - deployment, hosting and management of packaged software from a central facility (e.g., Oracle and Link share);

**2. WHAT IS B2C E-COMMERCE?** Business-to-consumer e-commerce, or commerce between companies and consumers, involves customers gathering information; purchasing physical goods (i.e., tangibles such as books or consumer products) or information goods (or goods of electronic material or digitized content, such as software, or e-books); and, for information goods, receiving products over an electronic network. B2C e-commerce reduces transactions costs (particularly search costs) by increasing consumer access to information and allowing consumers to find the most competitive price for a product or service

**3. WHAT IS B2G E-COMMERCE?** Business-to-government e-commerce or B2G is generally defined as commerce between companies and the public sector. It refers to the use of the Internet for public procurement, licensing procedures, and other government-related operations. This kind of e-commerce has two features: first, the public sector assumes a pilot/leading role in establishing e-commerce; and second, it is assumed that the public sector has the greatest need for making its procurement system more effective.

**4. WHAT IS C2C E-COMMERCE?** Consumer-to-consumer e-commerce or C2C is simply commerce between private individuals or consumers. This type of e-commerce is characterized by the growth of electronic marketplaces and online auctions, particularly in vertical industries where firms/businesses can bid for what they want from among multiple suppliers.

**5. WHAT IS M-COMMERCE?** M-commerce (mobile commerce) is the buying and selling of goods and services through wireless technology-i.e. handheld devices such as cellular telephones and personal digital assistants (PDAs). Japan is seen as a global leader in m-

commerce. As content delivery over wireless devices becomes faster, more secure, and scalable, some believe that m-commerce will surpass wire line e-commerce as the method of choice for digital commerce transactions.

## 6. BENEFITS OF E-COMMERCE

Transaction costs. Three cost areas are significantly reduced through the conduct of B2B e-commerce.

**First** is the reduction of search costs, as buyers need not go through multiple intermediaries to search for information about suppliers, products and prices as in a traditional supply chain. In terms of effort, time and money spent, the Internet is a more efficient information channel than its traditional counterpart.

**Second** is the reduction in the costs of processing transactions (e.g. invoices, purchase orders and payment schemes), as B2B allows for the automation of transaction processes and therefore, the quick implementation of the same compared to other channels (such as the telephone and fax). Efficiency in trading processes and transactions is also enhanced through the B2B e-market's ability to process sales through online auctions.

**Third**, online processing improves inventory management and logistics.

**Disintermediation.** Through B2B e-markets, suppliers are able to interact and transact directly with buyers, thereby eliminating intermediaries and distributors. However, new forms of intermediaries are emerging. For instance, e-markets themselves can be considered as intermediaries because they come between suppliers and customers in the supply chain.

**Transparency in pricing.** Among the more evident benefits of e-markets is the increase in price transparency. The gathering of a large number of buyers and sellers in a single e-market reveals market price information and transaction processing to participants. The Internet allows for the publication of information on a single purchase or transaction, making the information readily accessible and available to all members of the e-market.

Increased price transparency has the effect of pulling down price differentials in the market. In this context, buyers are provided much more time to compare prices and make better buying decisions.

## E-COMMERCE PLAYERS IN INDIA NEED TO ADDRESS EIGHT KEY ASPECTS OF THEIR BUSINESS, BOTH INTERNAL AND EXTERNAL.

### External challenges

External forces impact how eCommerce companies plan their growth strategy and provide seamless customer experience onsite and posttransaction.

- **Product and market strategy:** eCommerce companies have to address issues pertaining to rapidly evolving customer segments and product portfolios; access information on market intelligence on growth, size and share; manage multiple customer engagement platforms; focus on expansion into new geographies, brands and products; and simultaneously tackle a hypercompetitive pricing environment.

- **Customer and digital experience:** Companies have to provide a rich, fresh and simple customer experience, not geared towards discovery; manage inconsistent brand experience across platforms; manage proliferation of technologies; and handle time-to-market pressure for new applications. In the recent past, social media has become more influential than paid

marketing.

- **Payments and transactions:** eCommerce companies may face issues around security and privacy breach and controlling fictitious transactions. Further, RBI restrictions for prepaid instruments or eWallets act as impediments. From a transactions perspective, cross-border tax and regulatory issues, and backend service tax and withholding tax can have serious implications

- **Fulfilment:** Companies will need to check if the physical infrastructure gets affected by the internet speed. Also, the lack of an integrated end-to-end logistics platform and innovation-focused fulfilment option could cause delivery issues. Challenges around reverse logistics management and third party logistics interactions could also act as barriers to growth.

### Internal challenges

Internal forces impact how eCommerce companies can organise to drive and sustain growth.

- **Organisation scaling:** eCommerce companies will have to make sure organisation design keeps pace with the rapidly evolving business strategy, along with fluid governance, strong leadership and management development. From a growth perspective, identifying acquisition opportunities, fund raising and IPO readiness becomes necessary. From a technology perspective, it is important to transform IT as an innovation hub and address the lack of synergy between business, technology and operations functions of the enterprise.

- **Tax and regulatory structuring:** Companies will need to address issues around sub-optimal warehouse tax planning; imbalance between FDI norms vis-à-vis adequate entity controls; inefficient holding, IPR or entity structures; and international tax inefficiencies. Future challenges include the new Companies Act, policy on related-party transaction pricing, and the uncertainty around GST roadmap.

- **Risk, fraud and cyber security:** From a risk perspective, eCommerce companies could face issues around brand risk, insider threats and website uptime. Issues around employee-vendor nexus, bribery and corruption make companies vulnerable to fines. Cyber security also raises some concerns around website exploitation by external entities.

### TOP 10 THINGS THE E-COMMERCE COMPANIES NEED TO DO TO ACCELERATE GROWTH

#### Customer experience

As the customers progress from research to purchase to fulfilment stages, their expectations change fast. eCommerce companies need to understand these change drivers and adapt their proposition accordingly. Easy transitions between ordering on tablets, mobile phones or PCs will have to be facilitated. Besides, convenient multichannel returns and delivery options need to be developed along with the provisions of touch and feel the product before buying. They should also ensure sufficient after sales service and support. Online product reviews and ratings, videos, more advanced sizing and fitting tools should be provided.

#### Technological advancements

eCommerce companies constantly have to upgrade their offerings with changing technology. For instance, shopping through mobiles have truly arrived, they need to devise easy to use mobile apps for their websites. They need to ensure that their websites have the

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required speed to do fast business, especially during sale, deals and discounts. Solutions enabling seamless integration of back-end and front-end infrastructure, customer experience enhancement initiatives, integrated inventory management and analytics would be crucial for the eCommerce firms.

### **Convergence of online and off line channels**

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### **Delivery experience**

With lack of integrated end to end logistics platform, the eCommerce industry is facing issues related to procurement operations and transportation. Online purchases from Tier-2 and Tier-3 cities are expected to significantly increase, thanks to the emergence of low cost smartphones, however, poor lastmile connectivity could act as a deterrent. Keeping control on logistics and on ground fleet management, especially courier companies, is essential for growth.

### **Payments and transactions**

India continues to be a cash-based society due to limited banking and credit card penetration. This, combined with a lack of consumer trust in online merchants, has forced companies to offer CoD services, which imposes significant financial cost for firms in the form of labour, cash handling and higher returns of purchased items. Data protection and the integrity of the system that handles the data and transactions are serious concerns. Companies should take necessary action for management even if this imposes a cost on them.

### **Tax and regulatory environment**

Laws regulating eCommerce in India are still evolving and lack clarity. Favourable regulatory environment would be key towards unleashing the potential of eCommerce and help in efficiency in operations, creation of jobs, growth of the industry, and investments in back-end infrastructure.

### **Operational framework**

Business models have been evolving rapidly in the eCommerce sector largely due to heightened competition and the inability of players to sustain high costs. Companies in eCommerce will need to adapt and innovate constantly to sustain their businesses. Furthermore, several of these companies entered into the eCommerce industry as startups and have grown to a huge size aided by the continuous growth in the market but lack well defined capabilities and organisational structure. System building, financial and talent management become key



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### **Customer acquisition**

The customer acquisition costs in Indian eCommerce have been climbing rapidly due to intense competition between multiple well-funded players. Only 2% of website visits currently result into transaction. Thus, there is a gap between potential and actual buyers. Coupled with high transaction costs, this area could pose serious problems. In the US, 75% of consumers have stated that they will usually switch between brands, and for the rest of the world, this rate is 60%, according to Ecommerce Foundation. This suggests companies should constantly work on their brand positioning.

### **Digital infrastructure**

Digital disruption has driven change in the eCommerce industry with shoppers embracing multiple touch points in their purchase journeys. Companies should spend enough resources on technology development as also advertising and branding, especially because the younger population is demanding.

### **Addressable markets**

To grow their businesses, the Indian eCommerce sector needs to closely watch the growth of their markets in the Tier 2 and 3 cities. They need to improve their logistics and supply chain management in these cities, do an effective demand management to keep an eye on what products are being sought in these cities. With eCommerce largely being a borderless activity companies need to keep in mind that customers always have the option to buy across the border if they cannot fulfil customers' expectations.

### **FUTURE SCOPE**

Experts predict a promising and glorious future of ecommerce in the 21st century. In the foreseeable future ecommerce will further confirm itself a major tool of sale. Successful ecommerce will become a notion absolutely inseparable from the web, because e-shopping is becoming more and more popular and natural. At the same time severe rivalry in the sphere of ecommerce services will intensify their development. Thus prevailing future trends of ecommerce will be the growth of Internet sales and evolution. Each year number of ecommerce deals grows enormously. Sales volumes of on-line stores are more than comparable with those of "brick-and-mortar" ones. And the tendency will continue, because a lot of people are "imprisoned" by work and household duties, while Internet saves a lot of time and gives opportunity to choose goods at the best prices. Present-day Internet sales boom is the foundation for magnificent ecommerce future. To attract more customers e-store-owners will have not only to increase the number of available services, but to pay more attention to such elements like attractive design, user-friendliness, appealing goods presentation, they will have to opportunely employ modern technologies for their businesses to become parts of ecommerce future.

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