E-COMMERCE: CHANGING GEARS IN INDIA

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Abstract: *E-Commerce is a result of expanding roots of Information Technology in all forms of business. This has not only helped in increasing reach, reducing costs, enhancing business but has also made companies to work extensively on E-business development through use of various business models for maximizing revenue, streamlining operations and gain competitive advantage. The paper focuses on the functions, types/ categories, evolution of E-commerce in India, facilitators, challenges which are being faced and recommendations which may help in better use of this in continuation to the earlier work done on this.*

Keywords: *E-commerce, information technology, e-business*

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INTRODUCTION

E-Commerce which is commonly defined as Buying and Selling of Products and Services on the internet and financial transactions between organizations and customers or on any other application that relies on the internet.

"eCommerce is the exchange of information across electronic networks, at any stage in the supply chain, whether within an organization, between businesses, between businesses and consumers, between the public and private sector, whether paid or unpaid"

– Cabinet Office, UK government

Electronic commerce draws on such technologies as 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 at least at one point in the transaction's life-cycle, although it may encompass a wider range of technologies such as e-mail, mobile devices and telephones as well. It is generally considered to be sales aspect of e-business.

E-Commerce provides multiple benefits to the customers in terms of lower cost, more variety and also saves time. The buying can be done with a click of mouse without going anywhere. Various services including online banking, ticket booking, payment of bills have provided great amount of benefits to the consumers. It has emerged has a boundary less trade medium.

The E-commerce works on four functions;

- a) Communication: Related to providing information/ documents for business transactions.
- b) Process Management: automation and improvements in business processes
- c) Service Management: use of technology for improving service quality.
- d) Transaction Capabilities: ability to buy/sell on internet or other online options.

CATEGORIES OF E-COMMERCE

The E-commerce can be categorized as below;

1) Business to Business (B2B): it refers to a eMarketplace for businesses to sell their products and services to other businesses i.e., retailers or corporate consumers. For example Alibaba.

2) Business to Consumers (B2C): Selling of products and services to consumers. For example ebay, rediff, yahoo.

3) Customer to Customer (C2C): A eMarketplace for consumers to sell products and services to consumers through a business organization who acts as a facilitator e.g olx, naukri.com, monster.com.

Apart from above mentioned categories, there are other lesser known ones: Government-to-Consumer (G2C), Government-to-Business (G2B), Consumer-to-Business (C2B), Consumer-to-Government (C2G), Business-to-Government (B2G) and Government-to-Government (G2G).

EVOLUTION OF E-COMMERCE

E-commerce evolution globally is as below;

- 1979: Michael Aldrich invented online shopping

- 1981: Thomson Holidays, UK is first B2B online shopping.

- 1982: Minitel was introduced nationwide in France.

- 1984: In April 1984, CompuServe launches the Electronic Mall in the USA and Canada. It is the first comprehensive electronic commerce service.

- 1985: Nissan UK sells cars and finance with credit checking to customers online from dealers' lots.

- 1987: Swreg begins to provide software and shareware authors means to sell their products online through an electronic Merchant account.[]

- 1990: Tim Berners-Lee writes the first web browser, WorldWideWeb, using a NeXT computer.

- 1992: Terry Brownell launches first fully graphical, iconic navigated Bulletin board system online shopping using RoboBOARD/FX.

- 1994: Netscape releases the Navigator browser in October under the code name Mozilla. Pizza Hut offers online ordering on its Web page. The first online bank opens. Attempts to offer flower delivery and magazine subscriptions online. Adult materials also become commercially available, as do cars and bikes. Netscape 1.0 is introduced in late 1994 SSL encryption that made transactions secure.

- 1995: Thursday 27 April 1995, the purchase of a book by Paul Stanfield, Product Manager for CompuServe UK, from W H Smith's shop within CompuServe's UK

Shopping Centre is the UK's first national online shopping service secure transaction. The shopping service at launch featured <u>WH Smith</u>, <u>Tesco</u>, <u>Virgin</u>/<u>Our Price</u>, Great Universal Stores/<u>GUS</u>, <u>Interflora</u>, <u>Dixons Retail</u>, Past Times, <u>PC World (retailer)</u> and Innovations.

- 1995: Jeff Bezos launches <u>Amazon.com</u> and the first commercial-free 24 hour, internet-only radio stations, Radio HK and <u>NetRadio</u> start broadcasting. <u>Dell</u> and <u>Cisco</u> begin to aggressively use Internet for commercial transactions. <u>eBay</u> is founded by computer programmer Pierre Omidyar as AuctionWeb.

- 1996: <u>IndiaMART</u> B2B marketplace established in India.

- 1997: Dell first company to reach @1Mn in online sales.

- 1998: Google Launched, USPS launched eStamps. <u>Alibaba Group</u> is established in China.

- 1999: <u>Business.com</u> sold for US $7.5 million to eCompanies, which was purchased in 1997 for US $149,000. The peer-to-peer filesharing software <u>Napster</u> launches. <u>ATG Stores</u> launches to sell decorative items for the home online.

- 2000: The <u>dot-com bust</u>.

- 2001: <u>Alibaba.com</u> achieved profitability in December 2001.

- 2002: <u>eBay</u> acquires <u>PayPal</u> for $1.5 billion. Niche retail companies <u>Wayfair</u> and <u>NetShops</u> are founded with the concept of selling products through several targeted domains, rather than a central portal.

- 2003: <u>Amazon.com</u> posts first yearly profit. Face book launched for college students.

- 2004: <u>DHgate.com</u>, China's first online b2b transaction platform, is established, forcing other b2b sites to move away from the "yellow pages" model.

- 2005: <u>Yuval Tal</u> founds <u>Payoneer</u> - a secure online payment distribution solution.

- 2006: Google acquired You Tube; iTunes became first digital musical retailer.

- 2007-08: Business.com acquired by R.H. Donnelley for $345 million. Private Sales Model, Social eCommerce, Mobile eCommerce, Daily Deals/Local eCommerce.

- 2009: <u>Zappos.com</u> acquired by <u>Amazon.com</u> for $928 million. Retail Convergence, operator of private sale website RueLaLa.com, acquired by <u>GSI Commerce</u> for $180 million, plus up to $170 million in earn-out payments based on performance through 2012.

- 2010: Groupon reportedly rejects a $6 billion offer from Google. Instead, the group buying websites plans to go ahead with an IPO in mid-2011.

- 2011: Quidsi.com, parent company of Diapers.com, acquired by Amazon.com for $500 million in cash plus $45 million in debt and other obligations. GSI Commerce, a company specializing in creating, developing and running online shopping sites for brick and mortar businesses, acquired by eBay for $2.4 billion. Internet users at 2 billion.

E-commerce has evolved in India in the late 1990s. The opportunities that were evidenced through the internet were taken positively by the business community. The first emergence though benefitted many, the majority could not reap the benefits and had to shut down. The dot.com burst further created doubts of the survival of this trend but recent developments are not only showing that e-commerce is alive but also in ready for a comeback in bigway.

A report by the Internet and Mobile Association of India has revealed that India'a E-commerce market is growing at an average rate of 70 percent annually and has grown over 500 percent since 2007.

Source: 'Indian Ecommerce Report' by Internet and Mobile Association of India and IMRB

FACTORS CONTRIBUTING TO GROWTH OF E-COMMERCE IN INDIA

The factors which has brought a turnaround to the fortunes of the E-commerce include;

1) Low cost of computers.

2) Rapidly expanding base of internet users in the country.

3) Electronic Funds transfer, Credit and Debit Card facilities provided by banks help in online transactions.

4) Convenience of shopping at home.

5) As the online stores do not have the space constraints, they can show case wide variety of products thereby giving consumer more options .

6) Deals and discounts offered by the seller online also make the offers attractive.

7) Improvement in the delivery of goods through postal and courier services.

8) Technological advancements such as VOIP (voice over – IP) has helped in bridging the gap between buyers and sellers online.

9) Improved fraud prevention technologies have provide safe environment for the transaction.

10) E-commerce picking trend in youngsters.

11) Inclusion of small and medium enterprises due to low marketing and infrastructure costs.

CHALLENGES IN E-COMMERCE IN INDIA

1) Delivery of the product safe and secure in the hands of the right person. The difficulties are still being faced for making deliveries in smaller cities/ towns.

2) Octroi, entry tax, VAT and lots of state specific forms which accompany them. This can be confusing at times with lots of exceptions and special rules.

3) Poor telecom and infrastructure for reliable connectivity.

4) Multiple gaps in current legal and regulatory framework.

5) Lack of trust.

6) Confidentiality and security of data not assured.

7) Lower margins due to net banking (additional 4% expense to be borne by the seller).

8) With change in software system it becomes very difficult to transfer the data.

9) Lack of understanding of customer expectations, purchase habits.

10) Concerns related to the authenticity of the seller and products sold online.

RECOMMENDATIONS

1) The organizations need to work on certain platform so that they can give customers Touch-Feel-Try options specially if we talk about clothing, shoes, glasses, watches, mobile phones, jewelry, cosmetics etc. This will help in adding value to the consumer's perception for the shopping on a alternative channel than going to physical store.

2) Government need to work on improving the telecom and infrastructure in the remote areas for the expansion and penetration of E-commerce.

3) The E-commerce sites need to advertise more so as to attract more customers.

4) Development of systems which allow easy transfer of data on updation.

5) Need to educate the consumers on the security issues is a very critical parameter to be addressed.

6) The IT act does not form a complete code for the electronic contracts. The issues related to jurisdiction, applicable laws does not confine to national boundaries. There is need to have a global resolution for this.

7) Stringent laws to be put in place in order to make the transactions more secure and win consumers trust.

8) Organizations need to work on reducing the time period between placing the order and delivering the material.

9) The organizations may work with the banks or other financial organizations for the issuance of prepayment or limited payment cards to make transactions more secured.

CONCLUSIONS

E-commerce though is still at a nascent stage but it is going to be the future of shopping. The internet economy has shown growth over last years and is bound to grow in future also. The demand for customization shall increase and the organizations need to get prepared for that. The increase in disposable income is only going to fuel the growth. The market now is synonymously using m-commerce and the increasing use of smartphones in an indication towards more of e-commerce only.

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