# RECEND TREND, CHALLENGES AND GROWTH OF E-COMMERCE IN INDIA

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## ABSTRACT

*The term e-commerce and e-business are often used interchangeably.*
*Growth of internet is the changing the consumer behavior and expectations dramatically since few years. Companies who are doing their business through online try to understand the consumer behavior pattern and the drastic changes in the shopping pattern. Companies are also start changing their products as well as marketing strategies as they feel traditional sales channels are not good for their E-Commerce venture. E-Commerce is increasing in India which is a positive sign for online marketers. Today World Wide Web (WWW) plays a major role in the implementation of E-Commerce in most of the organization. This chapter focuses on various forms of e-commerce, oppourtunities and growth of e-commerce in upcoming future.*

**Keywords:** Internet marketing, online, oppourtunities, challenges, India

## INTRODUCTION

We are living in the edge of technological advances. Internet has made our urban life completely different. So internet rightly called as the highway that has managed to eliminate the borders between the countries. Internet today fulfill all of our hope and want, starting from individual need to finding a suitable life partner to online booking of tickets, insurance products and many other types of online shopping. Today a customer is searching, browsing, writing, communicating, listening, watching news, uploading videos, downloading different files, publishing online journals, printing, discussing through social networks, treading and selling products through internet. With millions of the active users of internet are looking for different types of products and services which is creating a huge opportunity for the traditional business owners to jump into the internet bandwagon and cash on the business opportunity for each movement

## DEFINATION OF E-COMMERCE

E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. These business transactions occur either business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The terms e-commerce and e-business are often used interchangeably.

E-commerce is conducted using a variety of applications, such as email, fax, online catalogs and shopping carts, Electronic Data Interchange (EDI), File Transfer Protocol, and Web services. Most of this is business-to-business, with some companies attempting to use email and fax for unsolicited ads (usually viewed as spam) to consumers and other business prospects, as well as to send out e-newsletters to subscribers.

**According to P.T. Joshep**, "E-Commerce comprises core business process of buying and selling, goods, services and information over the internet".

- **Business Process Perspective:** Electronic commerce is the application of technology toward the automation of business transactions and workflow.

**Service Perspective:** Electronic commerce is a tool that addresses the desire of firms, consumers, and management to cut service costs while improving the quality of goods and increa**According to Kalakota and Whinston,** "Electronic Commerce can be defined from following four perspectives:

- **Communications Perspective:** Electronic Commerce is the delivery of information, products/services, or payments via telephone lines, computer networks, or any other means.

- sing the speed of service delivery.

- **Online Perspective:** Electronic commerce provide the capability of buying and selling products and information on the Internet and other online services."
  **Features of Electronic Commerce**
  The main features of e-commerce are given below.
  Given below are 10 unique features of ecommerce technology

- **Breaks geographical barrier**: Unlike traditional retail business, ecommerce is not bounded by geographical barriers. Today an e commerce company can easily sell its products to consumers residing in any part of the country.

- **Saves precious time**: Ecommerce helps in saving the most important thing in today's modern world: 'Time'. Consumers from the comfort of their home, office and even café can buy any product they wish to buy. Thanks to e commerce, consumers save lot of precious time that is otherwise wasted if they opt for traditional shopping.

- **Accurate information:** Today e commerce companies across the world are doling out product information's that are accurate & to the point, which eventually helps consumers to make better buying decision. This information's are free from all the inaccuracy & hidden facts that are very much used by traditional retail models as their selling strategy. Besides, e commerce companies also provide accurate information to customers about billing payment & shipping.

- **Ubiquity**: Ubiquity means state of being everywhere at once. With unprecedented growth in the sales of tablets & smart phones, laptops and other internet related gadgets, e commerce companies literally follow their consumers wherever they go. E commerce shopping can be done even when consumer is walking or jogging.

- **Impersonal interaction**: Since e commerce technology completely depends on internet & web to reach to its customers, the interaction with consumers will always be impersonal in nature; as in it is not face-to-face interaction.

- **Customers are truly king in the e commerce world**: Today every month literally hundreds of e commerce companies are popping up in every corner of the world. This intense among E commerce companies is only befitting customers, who today have more choices to choose from and discount vouchers to avail – for instance Littlewoods Voucher Codes.

- **Power of accessibility**: Since today e commerce is so easily accessible by the virtue of power of internet, consumers can buy anything & everything as and when they desire for. In fact a mere impulsive desire or slight craving for a product can lead to expensive shopping, this is all thanks to accessibility to shopping that is possible only via e commerce technology.

- **Cuts supply chain**: E commerce technology has immensely helped in cutting the cumbersome supply chain of wholesale & retail and also overreliance on sales force team. This only helps in reducing the cost of the product, which eventually benefits the customer.

- **Ever changing nature of business**: Since today technology is changing at lightening speed by every passing day, the nature of e commerce business will also change along with it. Who knows technology development in coming years will make e commerce more customer friendly, or there can be other fundamental changes to the e commerce business too.

- **Technology can equally be barrier:** Technology has helped e commerce companies to break geographical & other barriers. However, overreliance on technology & complete absence of face to face interaction has created immense trust barrier between e commerce companies and customers. This is especially true in the case of conservative country like India where even today people don't completely trust e commerce companies, especially when it comes to on line payment.

- **Categories of E-commerce Based on Types of Transacting Parties:** E-Commerce models are classified based on the transaction parties are as below:

**Business-to-Business (B2B) Model**

The B2B model involves electronic transactions for ordering, purchasing, as well as other administrative tasks between houses. It includes trading goods, such as business subscriptions, professional services, manufacturing, and wholesale dealings. Sometimes in the B2B model, business may exist between virtual companies, neither of which may have any physical existence. In such cases, business is conducted only through the Internet.

Let us look at the same example of www.amazon.com. As you know, www.amazon.com is an online bookstore that sells books form various publishers including Wrox, O'Reilly, Premier Press, and so on. In this case, the publishers have the option of either developing their own site or displaying their books on the Amazon site (www.amazon.com), or both. The publishers mainly choose to display their books on www.amazon.com at it gives them a larger audience. Now, to do this, the publishers need to transact with Amazon, involving business houses on both the ends, is the B2B model.

**The advantages of the B2B model are:**
- It can efficiently maintain the movement of the supply chain and the manufacturing and procuring processes.
- It can automate corporate processes to deliver the right products and services quickly and cost-effectively.

The B2B model is predicted to become the largest value sector of the industry within a few years.
This is said to be the fastest growing sector of e-commerce.
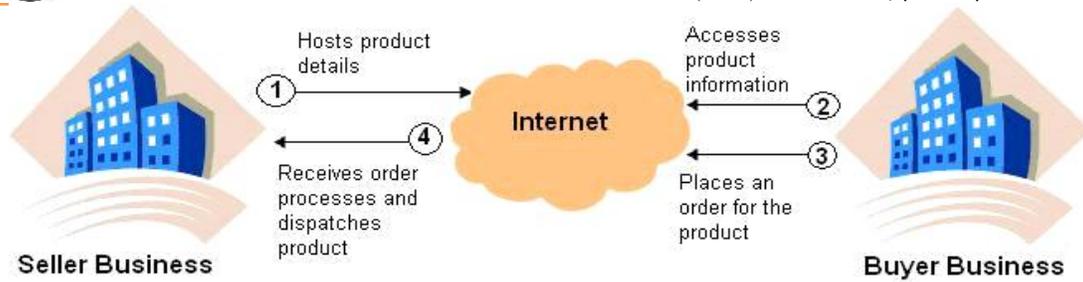
*B2B Business Model*

## Business-to-Consumer (B2C) Model

The B2C model involves transactions between business organizations and consumers. It applies to any business organization that sells its products or services to consumers over the Internet. These sites display product information in an online catalogue and store it in a database. The B2C model also includes services online banking, travel services, and health information.

Consider a hypothetical example in which a transaction is conducted between a business organization and a consumer. A business house, LMN Department Store, displays and sells a range of products on their Web site, www.lmn.com. The details information of all their products is contained in the huge catalogs maintained by LMN Department Stores. Now, a consumer, William Ward, wants to buy a gift for his wife. He therefore, logs on to the site of LMN Department Stores and selects a gift from the catalogue. He also gets the detailed information about the gift such as, the price, availability, discounts, and so on from their catalogue. Finally, when he decides to buy the gift, he places an order for the gift on their Web site. To place an order, he needs to specify his personal and credit card information on www.lmn.com. This information is then validated by LMN Department Store and stored in their database. On verification of the information the order is processed. Therefore, as you can see, the B2C model involves transactions between a consumer
an done or more business organizations.
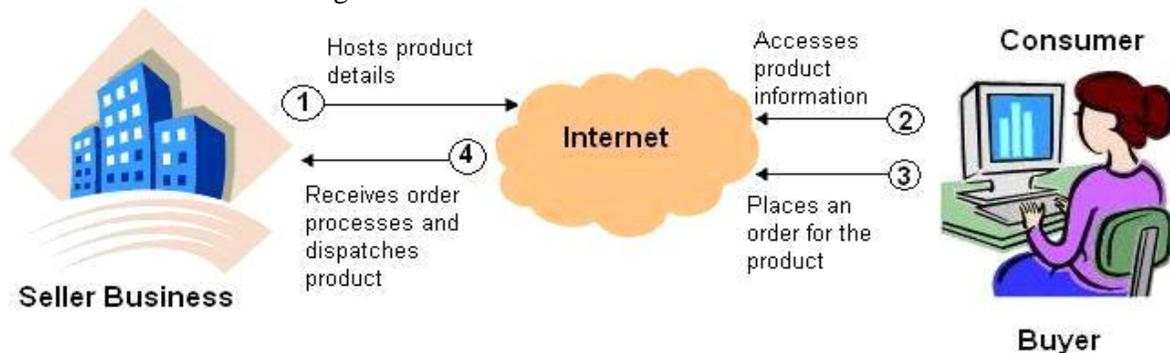


*B2C Business Model*

## Consumer-to-Consumer (C2C) Model

The C2C model involves transaction between consumers. Here, a consumer sells directly to another consumer. eBay and www.bazee.com are common examples of online auction Web sites that provide a consumer to advertise and sell their products online to another consumer. However, it is essential that both the seller and the buyer must register with the auction site. While the seller needs to pay a fixed fee to the online auction house to sell their products, the buyer can bid without paying any fee. The site brings the buyer and seller together to conduct deals.
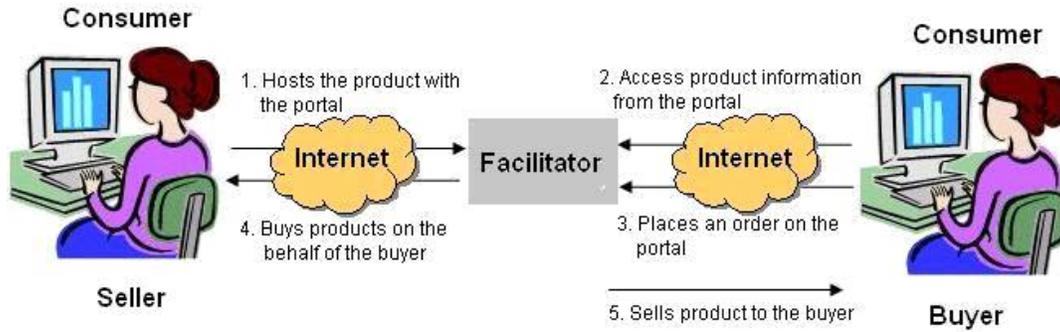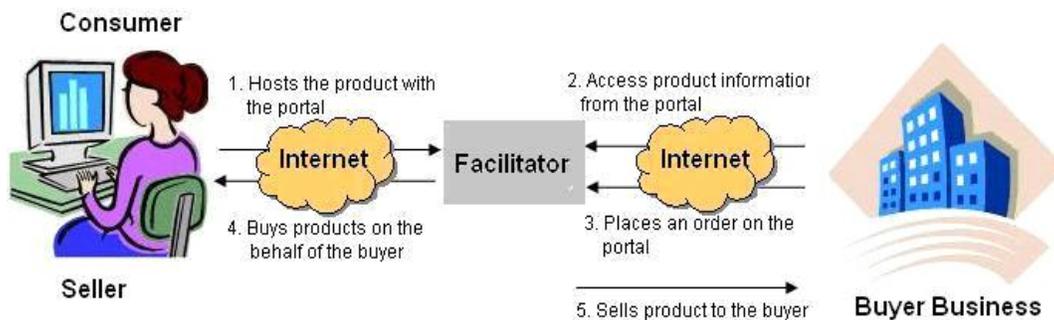
*C2C Business Model*

Let us now look at the previous figure with respect to eBay. When a customer plans to sell his products to other customers on the Web site of eBay, he first needs to interact with an eBay site, which in this case acts as a facilitator of the overall transaction. Then, the seller can host his product on www.ebay.com, which in turn charges him for this. Any buyer can now browse the site of eBay to search for the product he interested in. If the buyer comes across such a product, he places an order for the same on the Web site of eBay. eBay now purchase the product from the seller and then, sells it to the buyer. In this way, though the transaction is between two customers, an organization acts as an interface between the two organizations.

**Consumer-to-Business (C2B) Model**

The C2B model involves a transaction that is conducted between a consumer and a business organization. It is similar to the B2C model, however, the difference is that in this case the consumer is the seller and the business organization is the buyer. In this kind of a transaction, the consumers decide the price of a particular product rather than the supplier. This category includes individuals who sell products and services to organizations. For example, www.monster.com is a Web site on which a consumer can post his bio-data for the services he can offer. Any business organization that is interested in deploying the services of the consumer can contact him and then employ him, if suitable.



*C2C Business Model*

**Let us look at another example of the C2B model.**

William Ward needs to buy an airline ticket for his journey form New York to New Jersey. William needs to travel immediately. Therefore, he searches a Web site for a ticket. The Web site offers bidding facility to people who want to buy tickets immediately. On the Web site, William quotes the highest price and gets the ticket.

In addition to the models discussed so far, five new models are being worked on that involves transactions between the government and other entities, such as consumer, business organizations, and other governments. All these transactions that involve government as one

entity are called e-governance. The various models in the e-governance scenario are:

• **Government-to-Government (G2G) model:** This model involves transactions between 2 governments. For example, if the American government wants to by oil from the Arabian government, the transaction involved are categorized in the G2G model.

• **Government-to-Consumer (G2C) model:** In this model, the government transacts with an individual consumer. For example, a government can enforce laws pertaining to tax payments on individual consumers over the Internet by using the G2C model.

• **Consumer-to-Government (C2G) model:** In this model, an individual consumer interacts with the government. For example, a consumer can pay his income tax or house tax online. The transactions involved in this case are C2G transactions.

• **Government-to-Business (G2B) model:** This model involves transactions between a government and        business organizations. For example, the government plans to build a fly over. For this, the  government requests for tenders from various contractors. Government can do this over the Internet   by using the G2B model.

• **Business-to-Government (B2G) model:** In this model, the business houses transact with the government over the Internet. For example, similar to an individual consumer, business houses can also pay their taxes on the Internet.

**Application of E-Commerce**

The application of e-commerce can be seen in various industries and trade related activities, such as Banking, Trading, Education, Travel and Tourism, Job Market, Real Estate, Match Making, Publishing, Insurance, Healthcare, E-Tailing and Electronic Auctions, etc. Some of them are as below:

• **Electronic Banking:** It is also known as cyber banking, virtual banking, home banking and online banking.

**E-**banking do not need physical presence, includes various banking activities conducted from anywhere anytime, instead of physically present at a bank.

**E-**banking saves time and money. For example, it offers an inexpensive alternative to branch banking. It provides the banker a chance to serve his customers even at remote places through internet.

For a customer, secured money transfer can be done. Customer can view account details, transfer funds, pay bills, order cheques, etc.

• **Electronic Trading:** E-trading utilises the internet. It brings the buyers and sellers on a virtual common platform.

In the context of stock market, e-trading means buying and selling financial securities though internet.

Advantages of electronic trading are listed below:

• Middlemen can be avoided.

• Information about the market, historical data, graphs, etc., may be known.

• It enables to check the trading history, the Demat account balance and the bank account balance anytime.

• **Manufacturing:** Manufacturing can be defined as the process of collecting and then converting raw materials into finished, qualitative goods or products for the consumers.

Manufacturing requires a web of various components, contracts personnel etc working intricately together and in synch in order to produce goods or services.

Manufacturing requires components, assemblies, transportation, storages, paper works, etc.

E-Commerce applied to the supply chain management process helps in reducing the overall costs drastically and improves quality and efficiency by automating most of the supply chain.

• **Wholesale:** Selling goods or products in large quantities to anyone other than the consumers, take for example the retailers, industrial/ commercial or other business users or

even distributors are known as wholesalers...

Physical assembling, sorting & grading goods in large lots, breaking bulk, repacking & redistributing in smaller lots is all a part wholesale

- **Retail:** Selling of goods and services to the consumers for their personal consumption and use is known as **retailing...**

Take for example... Ebay.com, departmental stores, then services like dentists, doctors, hotels, etc...

Retailers provide a link between the consumers and the manufacturers and add value to the product and service by making their sales easier.

Retailers answer any queries that you may have, they display and demonstrate products to the consumers before selling it to them... this makes the services by retailers less risky and more fun to buy products.

They even provide extra services from personal shopping to gift wrapping and home delivery!!

- **E-Learning:** The internet plays a vital role in learning and teaching process.

It is a tutoring process where instructions are delivered by the tutor to the student over internet.

It is very flexible and provides anytime, anywhere learning mode. It is very cost efficient too, several websites are available for this purpose, e.g., www.24X7learning.com.

- **Employment Placement and Job Market:** The job market is one of the largest markets in the world, where employers are looking for efficient employees with extraordinary skills and employees are looking for an excellent job.

The internet gives a grand opening for job seekers and companies seeking employees.

**For example,** www.naukri.com, www.monsterindia.com, www.jobsahead.com.

- **Online Publishing:** It is the electronic delivery of newspapers, magazines, news and other information through the internet.

Online publishing was designed to provide online bibliographies and selling knowledge that are stored in online databases.

**For example,** www.expressindia.com

- **Healthcare:** Health services provided through online. Website provides information about health related queries.

- **E-Tailing:** Doing retail business on web is called e-tailing. A customer can purchase goods through online.

The Customer visits the virtual shops and browsers through online catalogue and gets the product.

**Electronic Auctions:** E-Auctions are same as offline auctions, except that they are done through internet.

Most auctions open with starting bid with lowest price. Internet users can connect to a website hosting an auction and bid for an item. Bidders look at the description and then start the bidding by sending an e-mail.

E-Auctions allow individual sellers or companies to sell their goods effectively. Some of the auction sites are www.ebay.com, www.ubid.com, www.auctionweb.com, www.onsale.com, www.auctionindia.com, www.bidfind.com.

**Insurance:** All financial institutions and various companies offer general and life insurance through internet.

Most of insurance companies and risk management companies offer insurance

For example, **www.licindia.in, www.hdfcinsurance.com.**
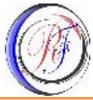
**OBJECTIVE OF THE STUDY**
- To Understand the Conceptual Framwork of E-Commerce.
- To Explore the Challenges of E-Commerce
- To Understand Factors That Fuels Growth
- To Explore the Oppourtunities of E-Commerce

**METHODOLOGY**

This paper is basicly based on secondary data and it includes various facts snd informatin from varied jounals and publication.

**E-COMMERCE ADVANTAGES**

**1-** E-Commerce Advantages for Customers
- **Convenience.** Every product is at the tip of your fingers on the internet, literally. Type in the product you are looking for into your favorite search engine and every option will appear in a well organized list in a matter of seconds.
- **Time saving.** With e-commerce there is no driving in circles while looking and digging in hopes of finding what you need. Stores online offer their full line as well as use warehouses instead of store fronts—products are easy to locate and can be delivered to your door in just days.
- **Options, options, options!** Without driving from store to store the consumer can easily compare and contrast products. See who offers the best pricing and have more options to choose from. While a physical store has limited space, the same store on the internet will have full stock.
- **Easy to compare.** Side by side comparisons are readily available and easy to do. When products are placed online, they come with all the specifics, and they *want* you to compare them with others, know they have the best options and come back for more!
- **Easy to find reviews.** Because the competition is high, companies online want you to look at other consumer reviews. Good and bad reviews are on every site, not only can you see if the product is liked, you can also see the reasons behind the thumbs up or down.
- **Coupons and deals.** With every online business wanting you, more and more coupons and deals can't be avoided, which are totally great for customers. With major sites that act as department store, you may find items up to 80% off! Take advantage of the competition and find the best price available.

**2- E-COMMERCE ADVANTAGES FOR BUSINESSES**
- **Increasing customer base.** The customer base is every business's main concern, online or off. When online, a business doesn't have to worry about getting the best property in town, people from around the world have access to their products and can come back at anytime.
- **Rise in sales.** By not managing a storefront, any business will have more sales online with a higher profit margin. They can redistribute money to make the consumer shopping experience faster and more efficient. While being available to international markets, more products will sell.
- **24/7, 365 days.** If it's snowing and the roads are closed, or it's too hot and humid to even step outside in the summer, or a holiday that every store in town closes, your online business is open for consumers 24/7 every day of the year. The doors never close and profits will keep rising.
- **Expand business reach.** A great tool on the internet is…translation! A business online does not have to make a site for every language. With the right marketing, every

consumer around the globe can find the business site, products and information without leaving home.

- **Recurring payments made easy.** With a little research, every business can set up recurring payments. Find the provider that best suits your needs and billing will be done in a consistent manner; payments will be received in the same way.
- **Instant transactions.** With e-commerce there is no more waiting for the check to clear, or a 30-day wait for certain other types of payment. Transactions are cleared immediately or at most two to three days for the money to clear through the banking system.

## E-Commerce Disadvantages

**1** - E-Commerce Disadvantages for Customers

- **Privacy and security.** Before making instant transactions online, be sure to check the sites certificates of security. While it may be easy and convenient to shop, no one wants their personal information to be stolen. While many sites are reputable, always do your research for those with less than sufficient security.
- **Quality.** While e-commerce makes everything easily accessible, a consumer cannot actually touch products until they are delivered to the door. It is important to view the return policy before buying. Always make sure returning goods is an option.
- **Hidden costs.** When making purchases, the consumer is aware of the product cost, shipping, handling and possible taxes. Be advised: there may be hidden fees that won't show up on your purchasing bill but will show up on your form of payment. Extra handling fees may occur, especially with international purchases.
- **Delay in receiving goods.** Although delivery of products is often quicker than expected, be prepared for delays. A snow storm in one place may throw off the shipping system across the board. There is also a chance that your product may be lost or delivered to the wrong address.
- **Need access to internet.** Internet access is not free, and if you are using free wifi, there is the chance of information theft over an unsecure site. If you are wearing of your public library, or cannot afford the internet or computer at home, it may be best to shop locally.
- **Lack of personal interaction.** While the rules and regulations of each e-commerce business is laid out for you to read, there is a lot to read and it may be confusing when it comes to the legalities. With large or important orders, there is no one you can talk to face to face when you have questions and concerns.

## 2 -E-Commerce Disadvantages for Businesses

- **Security issues.** While businesses make great efforts to keep themselves and the consumer safe, there are people out there that will break every firewall possible to get the information they want. We have all seen recently how the biggest and most renown business can be hacked online.
- **Credit card issues.** Many credit card businesses will take the side of the consumer when there is dispute about billing—they want to keep their clients, too. This can lead to a loss for e-commerce business when goods have already been delivered and the payment is refunded back to the consumer.
- **Extra expense and expertise for e-commerce infrastructure.** To be sure an online business is running correctly, money will have to be invested. As an owner, you need to know transactions are being handled properly and products are represented in the most truthful way. To make sure you get what you need, you will have to hire a professional to tie up any loose ends.
- **Needs for expanded reverse logistics.** The infrastructure of an online business must be
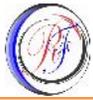
on point. This will be another cost to the business because money will need to be invested to ensure proper handling of all aspects of buying and selling, especially with disgruntled consumers that want more than a refund.

- **Sufficient internet service.** Although it seems that everyone is now on the internet all the time, there are still areas in which network bandwidth can cause issues. Before setting up an e-commerce business, be sure your area can handle the telecommunication bandwidth you will need to run effectively.
- **Constant upkeep.** When a business has started as e-commerce, they must be ready to make changes to stay compatible. While technology grows, the systems that support your business must be kept up to date or replaced if needed. There may be additional overhead in order to keep data bases and applications running

## INDIA's POTENTIAL GROWTH

Since the eCommerce industry is fast rising, changes can be seen over a year. The sector in India has grown by 34% (CAGR) since 2009 to touch 16.4 billion USD in 2014. The sector is expected to be in the range of 22 billion USD.Currently, eTravel comprises 70% of the total eCommerce market. eTailing, which comprises of online retail and online market places, has become the fastest-growing segment in the larger market having grown at a CAGR of around 56% over 2009-2014. The size of the eTail market is pegged at 6 billion USD in 2015. Books, apparel and accessories and electronics are the largest selling products through eTailing, constitutingaround 80% of product distribution. The increasing use of smartphones, tablets and internet broadband and 3G has led to developing a strong consumer base likely to increase further. This, combined with a larger number of homegrown eTail companies with their innovative business models has led to a robust eTail market in India rearing to expand at high speed.

## FACTORS THAT WILL FUEL GROWTH

A significantly low (19%) but fast-growing internet population of 243 million in 2014 is an indicator of the sector's huge growth potential in India.

It is evident that in absolute terms India's internet users are short by only 36 million as compared with 279 million in the US and higher than that in Japan, Brazil and Russia. However, in relation with its population, only 19% Indians use the internet. This indicates the potential of internet use in India and as internet penetration increases, the potential of growth for the eCommerce industry will also increase.

An analysis of the demographic profile of internet users further testifies that eCommerce will rise rapidly in India in coming years. Around 75% of Indian internet users are in the age group of 15 to 34 years. This category shops more than the remaining population. Peer pressure, rising aspirations with career growth, fashion and trends encourage this segment to shop more than any other category and India, therefore, clearly enjoys a demographic dividend that favours the growth of eCommerce. In coming years, as internet presence increases in rural areas, rural India will yield more eCommerce business.

By 2020, eTail in India is expected to account for 3% of total retail. Further, orders per million are expected to more than double from five million in 2013 to 12 million by 2016, which will mean more opportunities for both consumers and eTail companies. While the share of online shopping in total retail has increased at a fast pace in the last few years, it is still miniscule compared to the figure in China, where the share is 8-10%.

## INVESTMENTS IN THE eCOMMERCE SECTOR

With the new government being elected, business confidence has significantly improved. In 2014, investors aggressively funded the eCommerce sector due to strong growth ospects. Apart from the traditional online formats of retail and lifestyle, newer online

business segments such as classifieds, real estate, grocery and healthcare were also tapped.

The eCommerce businesses will continue to attract investor interest. Several of India's blue-chip PE firms, which previously avoided investing in eCommerce, are now looking for opportunities in the sector. The focus is mainly on ancillary service providers—companies involved in support function ranging from delivery, logistics and payments—with investments largely driven by the relatively lower valuations and smaller amounts of capital required.

## CHALLENGES

While the growth in this sector excites entrepreneurs and financial investors alike, some serious challenges are beginning to weigh down on the sector. **eCommerce players in India need to address eight key aspects of their business, both internal and external**

## EXTERNAL CHALLENGES

91.6%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 targets 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.

• **Compliance framework:** eCommerce companies have to comply with several laws, many of which are still evolving. Potential issues around cyber law compliance, inefficient anti-corruption framework, legal exposure in agreements or arrangements, indirect and direct tax compliance framework and FEMA contraventions and regularisation could pose problems. Also, uncertainty around VAT implications in different states due to peculiar business models could cause issues.

## OPPOURTUNITIES OF E-COMMERCE

In 2015, eCommerce players see mobile commerce as the most prefered route with mobile wallet as the preferred way of payment. With 4G services expected to be launched in 2015, internet penetration is likely to take a significant leap, which is likely to give another boost to mobile commerce. Changes in lifestyle and shopping choices will see buyers preferring online and mobile channel over physical channel to save time and seek wider range and possibly comparative pricing. For mobile wallets, improvements on the payments front with multiple payment instruments and increase in payment gateways aided by enhanced security with multiple authentication layers will help the consumers with a seamless mobile experience.

Niche categories are also expected to gather momentum including cars and real estate. Premium and international brands are likely to join eTail, purchases from Tier 2 and 3 cities will continue to rise and differentiated products such as exclusive brands by designers will grow. Riding high on the growth prospects eCommerce companies will look at more ways to raise funds such as IPOs. Some consolidation will also happen with the leaders focusing on high growth and smaller players finding their own niche.

## Top 10 things the eCommerce 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 eturns 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 ADVANCEMENT

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 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 OFFLINE CHANNEL

As the customers progress from research to purchase to fulfilment stages, Theirexpectations 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.

## 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.

## PAYMENT AND TRANSACTION

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. Furthermore, the interpretation of intricate tax norms and complex inter-state taxation rules make eCommerce operations difficult to manage and to stay compliant to the laws. With the wide variety of audience, the eCommerce companies cater to, compliance becomes a serious concern. Companies will need to have strong anti-corruption programs for sourcing and vendor management, as well as robust compliance frameworks. It is important for the eCommerce companies to keep a check at every stage and adhere to the relevant laws, so as to avoid fines.

## OPERATIONAL FRAMWORK~~eoprop~~*p*OPERATIONAL FRAMWORK

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.

## 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.7 This suggests companies should constantly work on their brand positioning.

## 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
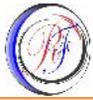
the border if they cannot fulfil customers' expectations.

## CONCLUSION

A key outcome of the technology revolution in India has been connectivity, which has fuelled unprecedented access to information. Millions of people who had little means to join the national discourse can now gain new insights into the world around them. Farmers know crop prices. Consumers understand global standards of product and service quality. Rural Indians recognise the differences between the opportunities available to them and those available to their urban counterparts. And citizens have a mass forum for expressing their political opinions. The upshot of this connectivity revolution has been empowerment of Indians. The eCommerce industry in India may currently be behind its counterparts in a number of developed countries and even some emerging markets. However, with India's GDP growth pegged at 6.4% by the International Monetary Fund and the World Bank, it is expected to grow rapidly. Moreover, the Indian eCommerce industry has access to funds from within the country and international investors. Overall, the eCommerce sector is maturing and a numberof serious players are entering the market.

In India the market share is divided amongst several ecommerce companies, each coming up with its own business model. As a result, customers have a wide range of products and services to choose from. In our view, there is humongous potential for eCommerce companies owing to the growing internet user base and advancements in technology. However, this will not be without its share of challenges, be it operational, regulatory, or digital. How a company prepares itself to meet these challenges will decide whether or not it succeeds.

## REFERENCE
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