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Paul Mageka Angwenyi
M.Com (B. Adm.) B.N P.G
College, Udaipur- 13001(Raj)

E- Commerce: A new way of Business

Paul Mageka Angwenyi

Abstract

For developing countries like India, e-commerce offers considerable opportunity. E-commerce in India is still in nascent stage, but even the most-pessimistic projections indicate a boom. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia's second most populous nation. Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce. To make a successful e-commerce transaction both the payment and delivery services must be made efficient. There has been a rise in the number of companies' taking up e-commerce in the recent past. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers. With stock exchanges coming online the time for true e-commerce in India has finally arrived. On the negative side there are many challenges faced by e-commerce sites in India. The relatively small credit card population and lack of uniform credit agencies create a variety of payment challenges unknown in India. Delivery of goods to consumer by couriers and postal services is not very reliable in smaller cities, towns and rural areas. However, many Indian Banks have put the Internet banking facilities. The speed post and courier system has also improved tremendously in recent years. Modern computer technology like secured socket layer (SSL) helps to protect against payment fraud, and to share information with suppliers and business partners. With further improvement in payment and delivery system it is expected that India will soon become a major player in the e-commerce market. In this paper an effort has been made to explain e-commerce & its challenges & benefits.

Keywords: e-commerce, internet service provider (ISP), secured socket layer

Introduction

As a symbol of globalization and in many ways its leading feature, e-commerce represents the cutting edge of success in this digital age. E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium, i.e. the Internet or phone. On the Internet, it pertains to a website, which sells products or services directly from the site using a shopping cart or shopping basket system and allows credit card payments. It involves conducting business with the help of the electronic media, making use of the information technology such as Electronic Data Interchange (EDI). In simple words, Electronic commerce involves buying and selling of goods and services over the World Wide Web. Customers can purchase anything right from a car or a cake sitting comfortably in his room and gift it to someone sitting miles apart just by click of a mouse.

The number of Internet users around the world has been steadily growing and this growth has provided the impetus and the opportunities for global and regional e-commerce. However with Internet, different characteristics of the local environment, both infrastructural and socioeconomic, have created a significant level of variation in the acceptance and growth of e-commerce in different regions of the world.

Almost a decade back when dot-com businesses were showing downfall trends and during those time, no commercial activities was happening on internet. And without any commercial activity internet means nothing. Since those early experiments, the growth of e-commerce has been slow. But it is the beginning to take off. Though this industry is growing at a very fast pace, still Indian e-commerce has a long way to go and its infrastructure and practices are in its infancy stage

In present environment, technological development in the field of telecommunication and computer technologies has made computer networks an integral part of our economic infrastructure. It provides multiple benefits to consumers and facilitates goods at lesser cost, more choices and saves time. Consumers can buy goods sitting at their homes or offices. Similarly online services such as ticketing for all kind of travel, banking, bill payment, hotel

Correspondence

Paul Mageka Angwenyi
M.Com (B. Adm.) B.N P.G
College, Udaipur- 13001(Raj)

bookings etc. have been of tremendous benefits for consumers. As per industry experts, this industry will increase exponentially in times to come.

A recent report by the Internet and mobile association of India (iamai.in) reveals that India's ecommerce market has grown over 550 % in past 5 years alone.

E- Commerce

Electronic commerce (or e-commerce) encompasses all business conducted by means of computer networks. Advances in telecommunications and computer technologies in recent years have made computer networks an integral part of the economic infrastructure. More and more companies are facilitating transactions over web. There has been tremendous competition to target each and every computer owner who is connected to the Web. Although business-to-business transactions play an important part in e-commerce market, a share of e-commerce revenues in developed countries is generated from business to consumer transactions. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts believe that overall e-commerce will increase exponentially in coming years. Business to business transactions will represent the largest revenue but online retailing will also enjoy a drastic growth. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow.

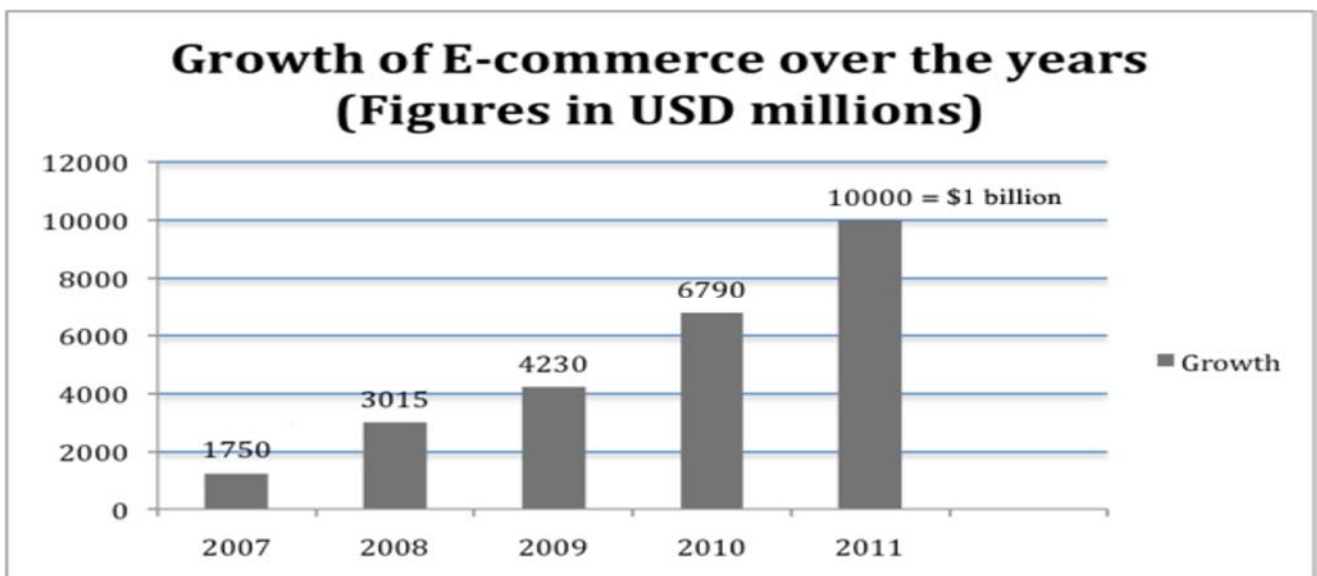
E- Commerce in India

For developing countries like India, e-commerce offers considerable opportunity. E-commerce in India is still in nascent stage, but even the most-pessimistic projections indicate a boom. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia's second most populous nation. Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce. To make a successful e-commerce transaction both the payment and delivery services must be made efficient. There has been a rise in the number of companies' taking up e-commerce in the

recent past. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers. With stock exchanges coming online the time for true e-commerce in India has finally arrived. On the negative side there are many challenges faced by e-commerce sites in India. The relatively small credit card population and lack of uniform credit agencies create a variety of payment challenges unknown in India. Delivery of goods to consumer by couriers and postal services is not very reliable in smaller cities, towns and rural areas. However, many Indian Banks have put the Internet banking facilities. The speed post and courier system has also improved tremendously in recent years. Modern computer technology like secured socket layer (SSL) helps to protect against payment fraud, and to share information with suppliers and business partners. With further improvement in payment and delivery system it is expected that India will soon become a major player in the e-commerce market.

While many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce, critical challenges remain to be overcome before e-commerce would become an asset for common people. India's ecommerce industry is on the growth curve and experiencing a spurt in growth. The Online Travel Industry is the biggest segment in ecommerce and is booming due largely to the Internet-savvy urban population. The other segments, categorized under online non-travel industry, include e-Tailing (online retail), online classifieds and Digital Downloads (still in a nascent stage). The online travel industry has some private players such as Makemytrip, Cleartrip and Yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. Mobile Commerce is also growing rapidly and proving to be a stable and secure supplement to e-commerce due to the record growth in mobile user base in India, in recent years. Growth drivers and barriers are present in equal measures for new e-commerce ventures.

A report by the Internet and Mobile Association of India has revealed that India's E-commerce market is growing at an average rate of 70 percent annually and has grown over 550 percent since 2007.



Apparently, more online users in India are willing to make purchases through the Internet. Overall e-commerce industry is poised to experience a high growth in the next couple of years. The 70 percent year on year growth is expected to continue and India's e-commerce market is forecast to reach a whopping \$US 10 billion in the year 2011.

Application of E-Commerce

E-commerce and e-business are not solely the Internet, websites or dot com companies. It is about a new business concept that incorporates all previous business management and economic concepts. As such, e-business and e-commerce impact on many areas of business and disciplines of business management studies. For example:

1. Marketing – issues of on-line advertising, marketing strategies and consumer behavior and cultures. One of the areas in which it impacts particularly is direct marketing. In the past this was mainly door-to door, home parties (like the Tupperware parties) and mail order using catalogues or leaflets. This moved to telemarketing and TV selling with the advances in telephone and television technology and finally developed into e-marketing spawning 'ECRM' (customer relationship management) data mining and the like by creating new channels for direct sales and promotion.

2. Computer Sciences – development of different network and computing technologies and languages to support e-commerce and e-business, for example linking front and back office legacy systems with the 'webbased' technology.

3. Finance & Accounting – on-line banking; issues of transaction costs; accounting and auditing implications where 'intangible' assets and human capital must be tangibly valued in an increasingly knowledge based economy.

4. Economics – the impact of e-commerce on local and global economies; understanding the concepts of a digital and knowledge-based economy and how this fits into economic theory.

5. Production & Operations Management – the impact of on-line processing has led to reduced cycle times. It takes seconds to deliver digitized products and services electronically; similarly the time for processing orders can be reduced by more than 90 per cent from days to minutes. Production systems are integrated with finance marketing and other functional systems as well as with business partners and customers

6. Production & Operations Management(manufacturing) – moving from mass production to demand-driven, mass customization customer pull rather than the manufacturer push of the past. Web-based Enterprise Resource Planning systems (ERP) can also be used to forward orders directly to designers and/or production floor within seconds, thus cutting production cycle times by up to 50 per cent, especially when manufacturing plants, engineers and designers are located in different countries. In sub-assembler companies, where a product is assembled from a number of different components sourced from a number of manufacturers, communication, collaboration and coordination are critical – so electronic bidding can yield cheaper components and having flexible and adaptable procurement systems allows fast changes at a

minimum cost so inventories can be minimized and money saved.

7. Management Information System – analysis, design and implementation of e-business systems within an organization; issues of integration of front-end and back-end system.

8. Human Resource Management – issues of on-line recruiting, home working and 'intrapreneurs' were working on a project by project basis replacing permanent employees.

9. Business Law & Ethics– the different legal and ethical issues that have arisen as a result of a global 'virtual' market. Issues such as copyright laws, privacy of customer information, legality of electronic contracts, etc.

Key Drivers of E-Commerce

Ecommerce industry has touched turnover of Rs 46520 crore with 47 % growth in 2011 .Out of which 81 % (i.e. Rs 37890 crore) of ecommerce revenues are from online travel vertical. The factors mentioned below are major reasons for ecommerce boom in India.

Increasing Internet Users - Growing internet users is one of the main factors for the growth of this industry. As per the data available from IAMAI (iamai.in), internet users have grown by 38 % in 2011 and touched a subscriber base of 121 million. Though internet users have grown 38 % in 2011 and 121 million internet users account for only 9% of our population (130 crore or 1300 million in 2011). India has 9% internet penetration whereas in China and U.S it is 40 to 45 percent. Still 121 million internet users is the third largest online population in the world. This growing data base shows that our countryman has started familiarity with web services. While travel industry dominated ecommerce revenues with 80 % market share in 2011.

- Technology advancements such as VOIP (Voiceover- IP) have bridged the gap between buyers and sellers online
- The emergence of blogs as an avenue for information dissemination and two-way communication for online retailers and e-commerce vendors.
- Improved fraud prevention technologies that offer a safe and secure business environment and help prevent credit card frauds, identity thefts and punishing.
- Bigger web presence of SME's and Corporate because of lower marketing and infrastructure costs.
- The young population find online transactions much easier.

Benefits of E-Commerce

Benefits of e-commerce to organizations

International Market- What used to be a single physical marketplace located in a geographical area has now become a borderless marketplace including national and international markets. By becoming e-commerce enabled, businesses now have access to people all around the world. In effect all e-commerce businesses have become virtual multinational corporations.

Operational Cost Savings- The cost of creating, processing, distributing, storing and retrieving paper-based information has decreased.

Mass Customization- E-commerce has revolutionized the way consumers buy good and services. The pull-type processing allows for products and services to be customized

to the customer's requirements. In the past when Ford first started making motor cars, customers could have any colour so long as it was black. Now customers can configure a car according to their specifications within minutes on-line via the www.ford.com website.

Lower Telecommunication Costs- The Internet is much cheaper than value added networks (VANs) which were based on leasing telephone lines for the sole use of the organization and its authorized partners. It is also cheaper to send a fax or e-mail via the Internet than direct dialing.

Digitization of Product & Process- Particularly in the case of software and music/video products, which can be downloaded or e-mailed directly to customers via the Internet in digital or electronic format.

No more 24 hour time constraint- Businesses can be contacted by or contact customers or suppliers at any time.

Benefits of e-commerce to consumers

24/7 Access- Enables customers to shop or conduct other transactions 24 hours a day, all year round from almost any location. For example, checking balances, making payments, obtaining travel and other information. In one case a pop star set up web cameras in every room in his house, so that he could check the status of his home by logging onto the Internet when he was away from home on tour.

More choices- Customers not only have a whole range of products that they can choose from and customise, but also an international selection of suppliers.

Price Comparisons- Customers can 'shop' around the world and conduct comparisons either directly by visiting different sites, or by visiting a single site where prices are aggregated from a number of providers and compared (for example www.moneyextra.co.uk for financial products and services).

Improved Delivery Processes- This can range from the immediate delivery of digitized or electronic goods such as software or audio-visual files by downloading via the Internet, to the on-line tracking of the progress of packages being delivered by mail or courier.

Environment of Competition- where substantial discounts can be found or value added, as different retailers vie for customers. It also allows many individual customers to aggregate their orders together into a single order presented to wholesalers or manufacturers and obtain a more competitive price (aggregate buying).

Benefits of e-commerce to society

Flexible working practices- It enhances the quality of life for a whole host of people in society, enabling them to work from home. Not only is this more convenient and provides happier and less stressful working environments, it also potentially reduces environmental pollution as fewer people have to travel to work regularly.

Connects people- Enables people in developing countries and rural areas to enjoy and access products, services, information and other people which otherwise would not be so easily available to them.

Facilitates delivery of public services- For example, health services available over the Internet (on-line consultation with doctors or nurses), and filing taxes over the Internet through the Inland Revenue website. There is a growing awareness among the business community in India about the opportunities offered by e-commerce.

Challenges of E-Commerce: Following are some of the infrastructural barriers responsible for slow growth of ecommerce in India. Though some of these even offer new business opportunities, betterment is already happening in those areas of growth. These factors are as below:

Taxation – Difference in state tax policies, VAT, octroi etc. creates commercial hurdles in ecommerce business of thin margins. For example imposing of service tax on ecommerce transactions may result in making online shopping more expensive.

Vendor Management – Even if one's system may be most advanced, one is needed to deal with insufficient system of inventory management for product procurement. For updating the pricing on one's website there is no mechanism in place to check for daily pricing.

Payment Collection And Logistics - Though these both services are in correction mode and due to this ecommerce industry has witnessed tremendous growth in recent years. Still a lot of work is required on these two factors. Even payment collection and logistics for ecommerce industry presents new business opportunities for new age entrepreneurs. If the product is delivered safe and secure to right person in right time frame, it gives a seamless experience to user. An honest approach to logistics and payment collection can multiply growth in coming times.

Business of Thin Margins - Ecommerce is a business of thin margins. Following an aggressive business model cannot be recommended. Even the insurance on high value shipped articles is needed sometimes, resulting in increasing the cost. Low value items have significant transportation cost again resulting in increasing the cost. Activities that make online shopping expensive may result in downward trend for ecommerce industry. Though growth in market is easy, profitable growth is not. Managing an effective back-end, a country wide delivery network, warehouses, inventory management, logistics, etc. are the key factors in managing the cost. As price wars controls revenue side of any business, companies should be careful about burning cash in ads or in irrational price wars to bag customers.

Cyber act and legal system - Though IT has offered many advantages, number of challenges has been posed to legal system. The information transferred electronically makes into a contract that raises many issues that cannot be answered by existing provisions of contract.

Jurisdictions – Electronic transactions does not have any national or international boundaries. So in case of any dispute it cannot be resolved with common law principles of that land. As different nations have different laws for cyber space. The jurisdiction issues cannot include one nation and hence needs global resolution.

Risk as perceived by online shoppers – Though India has 9% internet penetration (till dec 2011) and growing at a very fast pace. Still consumers perceive it as a risk because of online fraud, identity theft and phishing (Stealing consumers personal information) .Some studies reveal that 23 % of online shoppers quit even before registration at particular website because of online frauds .This could be a reason, why credit card penetration in our country is very less (currently only 2% of our population holds a credit card). Increase in cybercrimes is a great matter of concern among online shoppers.

Price Undercutting Among Ecommerce Players - Due to intense sales competition, everybody is in cut throat price war. Even some reports stated that companies are selling below cost to acquire customers. Recently some companies have shut down shops due to cut throat price war.

Behavior of Indian Consumer – Indian consumer has a habit of buying products only at physical appearance. In our country shopping is very much need driven as compared to US consumers, who are impulsive buyers. New online shopper's wants to buy things that don't cost much are low value items initially as it generates confidence among them.

Problems with compatibility with older and newer technology: There are problems where older business systems cannot communicate with web based and Internet infrastructures, leading to some organizations running almost two independent systems where data cannot be shared. This often leads to having to invest in new systems or an infrastructure, which bridges the different systems. In both cases this is both financially costly as well as disruptive to the efficient running of organizations.

Conclusion

The future of ecommerce industry in India is quite promising and growing internet users have fueled to its growth especially among middle class. Today, we are talking about e-commerce progress level of India, the seventh-largest by geographical area, the second-most populous country, and the most populous democracy in the world. Indian e-commerce space percentage is getting higher as more and more online retailers enter the market. Although this level of entry in the e-commerce market is good from a long term perspective, the challenge is that most entrepreneurs don't have the resources or capital to wait for years before they can get profits. The past 2 years have seen a rise in the number of companies' embracing e-commerce technologies and the Internet in India. Most e-commerce sites have been targeted towards the NRI's with Gift delivery services, books, Audio and videocassettes etc. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and movie tickets the grocery and computers. Indian Banks too have been very successful in adopting EC and EDI technologies to provide customers with real time account status, transfer of funds between current and checking accounts, stop payment facilities. Bank also have put their electronic banking over the internet facilities in place for the upcoming e-commerce market speed post also plain to clone the federal express story with online package status at any moment in time . The future does look very bright for e-commerce in India with even the stock exchanges coming

online providing a online stock portfolio and status with a fifteen minute delay in prices. The day cannot be far when with RBI regulations will able to see stock transfer and sale over the Net with specialized services.

With the rapid expansion of internet, ecommerce, is set to play a very important role in the 21st century, the new opportunities that will be thrown open, will be accessible to both large corporations and small companies. The role of government is to provide a legal framework for E Commerce so that while domestic and international trade are allowed to expand their horizons, basic rights such as privacy, intellectual property, prevention of fraud, consumer protection etc are all taken care of.

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