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E-commerce: Opportunities and Challenges

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Abstract:

The rise of the internet era has significantly changed the way people and organizations around the world interact with each other. What was earlier only a medium of transferring data or communication has now been replaced by a wider range of application termed as e-commerce. Products and services are now just a click away. Vendors around the world have started setting up shops over the web. Entire market places for trade and commerce have jump up online. E-commerce has comes out as a successful innovative business tool via internet. This business transaction strategy offers many opportunities for growth in business at worldwide level as one need not to be present physically to cater their customer's demand. Through, internet one can serve customer being at one edge of world while customer on other. E-commerce could become predominant source of business, if the challenges allied with insecurity, trust, and privacy are tackled. This paper describes the concept e-commerce, followed by present e-commerce scenario in India and lastly opportunities and various challenges in e-commerce.

Keywords: E-commerce, online business, internet market

1. Introduction

The rise of the internet era has significantly changed the way people and organizations around the world interact with each other. What was earlier only a medium of transferring data or communication has now been replaced by a wider range of application termed as e-commerce. Products and services are now just a click away. Vendors around the world have started setting up shops over the web. Entire market places for trade and commerce have jump up online.

The arrival of internet store (online stores) is changing the nature of relationship between consumer and business. Now online sellers deliver the goods to the buyer's home, and customers can order as many items as they can afford. Moreover, online store is open 24 hours a day, 7 days a week and 365 days a year, so customers who want to purchase online have no need to hurry or worry about searching parking spaces at any shopping mall. Internet stores have many distinctive advantages. Despite being so many advantages pace of online shopping is not satisfactory.

According to Gangeshwer(2013), some of the disadvantages of e-marketing are dependability on technology, security, privacy issues, maintenance cost, and increased competition. Despite these barriers end-user can effectively use this modern platform to make life easier and faster.

E-commerce is an innovative technology driven business, provides a low investment high return opportunity. E-commerce that shift business towards a new era comes with huge opportunities followed by various challenges.

2. Objective of the Study

- To understand the concept e-commerce.
- To figure out Indian e-commerce scenario.
- To know opportunities e-commerce provides.
- To learn about various challenges attached with e-commerce.

2.1. Research Methodology

The design of this study is extensive study of secondary data collected from various articles, journals, publications from various websites which focused on e-commerce and various aspects related to it.

2.2. E-commerce: What It Means?

E-commerce in an easy language can be defined as conducting business online. According to Wikipedia, e-commerce is a type of industry where the buying and selling of products or services is conducted over electronic system such as internet or other computer network.

E-commerce can also be defined as 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.

E-commerce has allowed firms to establish a market presence, or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their product and services.

E-commerce provides convenience of offering services or goods 24 hours a day, seven days a week. In online stores one offers a wide range of products than they do in their brick & motar counterpart.

3. Literature Review

There are many definition of electronic commerce, Zwass(1996) defines e-commerce as, “The sharing of business information, maintain business relationships, and conducting business transactions by telecommunications networks.”

While Wigands(1997) define it as, “Electronic commerce denotes the seamless application of information and communication technology from its points of origin to its endpoint along the entire value chain of business processes may be partial or complete and may encompass business-to-business as well as business- to-consumer and consumer-to-business transactions.

D.K.Gangeshwer (2013), put light on some of the barriers of e-marketing. Acc. To him dependability on technology, maintenance cost and increased price competition are some barriers in e-commerce. But despite these barriers end-user can effectively use this modern platform to make life easier & faster.

Rapidly increasing internet user base, youth mentality to find online shopping easier, fuse of global geographical and time zone boundaries, and easy to reach customer are opportunities that e-commerce provides.(G.T. Waghmer 2012) While along these there are few huddles in the path of e-commerce like payment collection mode, vendor management, taxation, logistics and issues related to trust. (G.T. Waghmer 2012 & Abhijit Mitra 2013).

According to Nisha & Sangeeta (2012), replacement guarantee, M-commerce services, multiple payment option, quicker service are some essential factors which will significantly contribute to the boom of E-commerce in India.

Dr.S. Hariharputhiran(2012) states that security and privacy always remains the main concern issue for customer while internet shopping. While Rashad & et.al in their research states security will not be an issue as software companies and banks are working to improve internet security. They also find that convenience and comfortability are most important advantages that are attracting more and more people towards e-commerce. A continuous +ve growth of internet also helps in bringing e-commerce boom in country.

Devendera Agarwal (2012) says, there is enormous potential for growth of e-commerce in India. Acc. To him convenience, trust & security are prime factors in e-commerce for a customer.

3.1. Indian Scenario

In a country where entrepreneurs are born in every nook and corner, e-commerce provides a low investment high return opportunity. Traditional businesses have taken their commodities over the net and profited immensely from it. Now the whole world is their “bazaar”.

Although by most references India only accounts for approximately 2% of the e-commerce in the Asia-Pacific region, the amount in figures is shocking. It was estimated at around \$1.2 billion in 2011 and predicted to grow to around \$8.8 billion by 2016, despite the fact that only 3.7% of the Indian population has access to the internet.

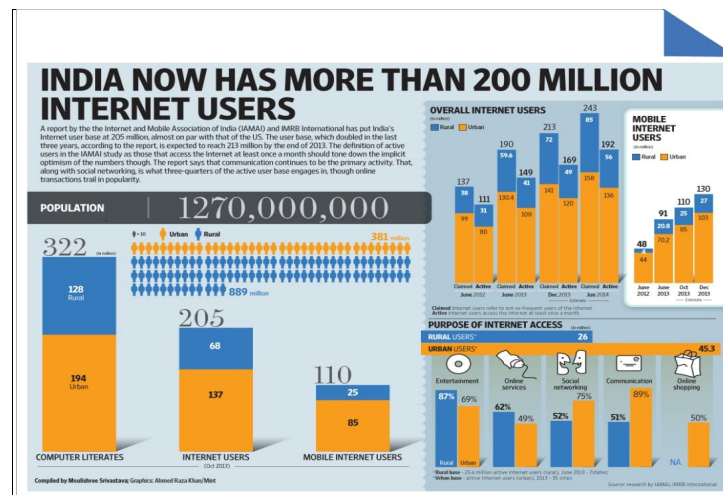


Figure 1: Source: Research by IAMA, IMRB International

A recent research report by the Internet and Mobile Association of India (IAMAI) estimates the number of Internet users is 243 million in June 2014, a year-on-year growth of 28%. This is just with more and more people accessing the web through mobile phones.

Online retail in India is directly related to the overall environment that has been favourable to internet usage, viz., an increasing young population of computer literates, the availability of the internet, active internet users and the utilitarian and hedonic dimensions associated with internet usage.

A country's prospect for online retail success is closely related to how many people use the internet and how many are comfortable purchasing or buying online. Though India is ranked 5th in GRDI, it is not ranked in the Ecommerce Index, as the internet penetration is still low when compared to global average and those who are connected to internet avoid ecommerce because of poor infrastructure that prevents reliable delivery and returns. Below is the classification of top 30 countries in Global Retail Development Index (GRDI) as per their ecommerce potential.

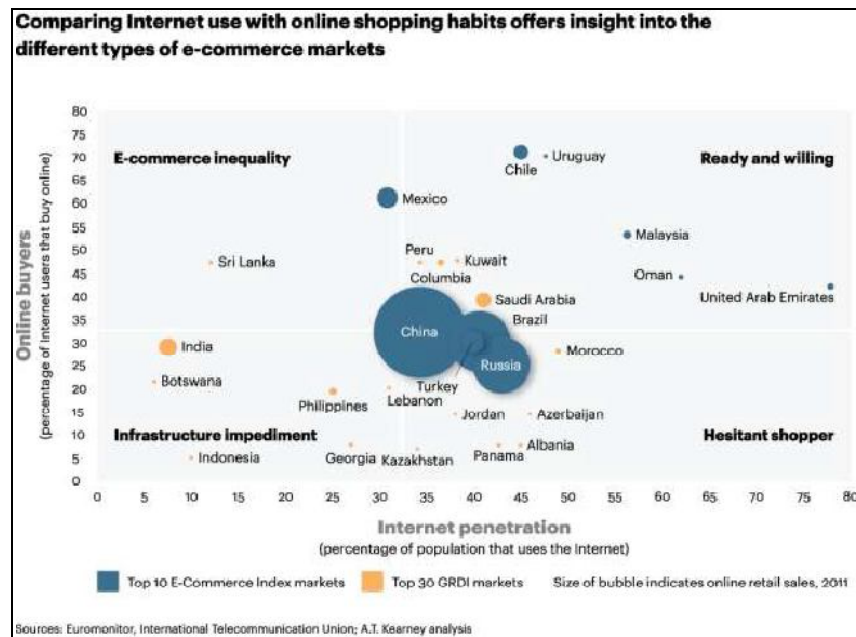


Figure 2:

Source: Euromonitor, International Telecommunication Union; A.T. Kearney analysis

The analysis shows India's Infrastructure barricade internet penetration and supply chain infrastructure for ecommerce is lower than global standards, still the sales for ecommerce in India as the size of the bubble indicates are more than many top ranked countries in the ecommerce index.

According to a latest research by Forrester, a leading global and advisory firm, the ecommerce market in India is set to grow the fastest with in the Asia Pacific region at a CAGR of over 57% b/w 2012-16. As per the report, while compound annual growth rates in the mature e-commerce market of Japan, South Korea, & Australia will run 11% to 12% over the next five years, in rapidly growing market of China & India, there growth rates will be 25% to 57% respectively.

4. Opportunities

4.1. New Untapped Market

The opportunity to tap into this exploding new market of online shoppers has predictably led to a gold-rush among Indian entrepreneurs and venture capitalists. It is no surprise therefore that more than \$700 million was invested in 2012 into Indian e-commerce companies.

4.2. Global Reach

E-retailer can reach global customer more easily than compare to traditional one, as one need not to present or open physical store to serve their customers. Internet has vanished the geographical distance that provide huge market opportunity for e-retailer.

4.3. Direct Sale

Using internet, retailer can directly approach the customer, cutting down the number of intermediates which ultimately leads to cutting down the cost.

4.4. Rapidly Increasing Internet User Base

A report by the Internet & Mobile Association Of India (IAMAI) & IMRB international has put Indian's internet user base at 205 million, almost on par with that of the US. The user base has doubled in the last three years.

4.5. Mobile E-Commerce

Mobile e-commerce is the next frontier in e-commerce, because of fold of smart phones in market internet is no longer shackled to the desktop or a landline.

5. Challenges

5.1. No Instant Gratification

When you buy something online, you have to wait for it to be shipped to your home or office. This has become one of the biggest barriers for e-commerce. In India mostly shopping are not prior planned, so if one need some goods or product instantly then they can't opt internet shopping.

5.2. No Ability to Touch and See a Product

Online images don't always tell the whole story about an item. Ecommerce transactions can be dissatisfying when the product the consumer receives is different than expected.

5.3. Payment Mode

The first challenge for e-commerce retailers in India is collecting payment. Less than 2% of Indian consumers own credit cards and 90% of all retail transaction are conducted in cash. As a result most e-commerce sites are forced to offer a Cash-on-Delivery (COD) option. Eight out of ten online transactions are conducted on a COD basis. However, as per one estimate 45% of all COD orders are rejected at the point of delivery by the customer. This is clearly expensive and not a very sustainable business model.

5.4. Infrastructure

Infrastructure poor roads, traffic congestion and an overall weak transportation infrastructure coupled with India's vast size barricades e-commerce pace in India. To get rid from it e-retailer has to set up their own warehouses & delivery centres to expand their reach and streamline operations.

5.5. National Culture

There is a common saying about the Indian customer's can't touch, won't buy mentality. However this is gradually changing with the rising trend of online shopping. But still Indian customers want value for their money. They want to see, touch, try & examine product before buying it. These facilities are lacking in e-retail store. Although various e-retailer starts try before you buy, mirror images how you look in that particular dress or other good but it is not as much effective as customer feel it inconvenient.

5.6. Risk Factors

Performance risk, time risk, privacy risk, delivery risk & psychological risks are some other challenges in expansion of e-commerce. Performance risk is concern in the buyer's mind that the product being considered for purchase will not work efficiently; also called Functional Risk. Product will reach in time is related to time and delivery risk. Customer expects that e-retailer will treat their information fairly, and their information will not be communicated to other. Psychological risk is about the psychological discomfort and tension that may arise because of online shopping.

5.7. Urban Phenomenon:

India's e-commerce market is mainly restricted to urban areas, with the bulk of the business being restricted to cities. 70% of Indian population stays in rural areas where internet usage is limited.

5.8. Logistics

While doing business on internet you have deliver product safe & secure with in a fixed time period to your customer's doorstep. It is among one of the main barriers one face while doing e-business. One should have best logistics service because they cannot rely on regular post service.

According to the KPMG & IAMAI report, only around 10,000 out of the more than 150,000 pin codes in the country are covered by courier companies. The penetration of courier services is critically important to boost online shopping as deliveries are mostly done through them.

5.9. Vendor Management

In this advanced form of business (e-business) one has to keep a efficient system for inventory management. One has to keep a digital database for their products. Daily check for prices and availability of product has to be done for smooth running of business.

6. Conclusion

In this competitive world, where people always find themselves under stress of working long hours and they don't have enough time for personal activities like shopping. Thus, in such a busy lifestyle there is significant scope in e-commerce. The flood of online retailers in market indicates society's acceptance of e-commerce. The market segment is presenting attractive opportunities for entrepreneurs, since it is growing rapidly & still forms a miniscule portion of organized retail.

People play a vital role in development of e-commerce. Technology literacy in India is in its nascent stage, so awareness about it can increase pace of e-commerce in India.

India is the second largest nation in the world in terms of mobile user. M-commerce can act as a facilitator to E-commerce. M-commerce become an efficient tool to penetrate rural market segment.

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