Development and Enlargement of E-Commerce in Indian Perspective

Om Prakash Dadhich[1],   Dr Ashok Jetawat[2]

[1] Research Scholar, Department of Computer Science, Pacific University, Udaipur

[2] Research Supervisor, Department of Computer Science, Pacific University, Udaipur

Abstract: E-Commerce is now second definition of the development for any nation. The Indian consumer is price sensitive, and companies offer products at reduced prices, since their costs are much less than offline retailers. This, coupled with the wider product assortment offered, is the major driver of online shopping. As in the sector of Information technology India is developing itself as a big giant. Companies in India are providing various value-added services such as free shipping, product returns, product and price comparison, user reviews and demonstration videos. All these factors have driven the change in preference from offline to online shopping. This paper tries to draw a scenario of current India in context of E-commerce.

Key words: E-Commerce, Internet, Online, Shopping, Banking, Customer.

1. INTRODUCTION:

Without a doubt, it's a growth time for e-Commerce Industry. E-Commerce players are banking on the Indian internet growth story. The fact is that an average online user is spending more time online gives these players the opportunity to draw more users to their websites through innovative marketing strategies such as those revolving around social media.

To utilize the opportunity, players need to leverage the growing number of mobile devices in the country. They should focus on developing mobile compatible websites and applications. This would allow customers to log on to easy-to-access platforms and browse e-Commerce websites on their mobile devices. They also need to focus on innovation to tackle challenges arising from low credit and debit card penetration. They could consider working with financial intermediaries to develop payment systems, such as escrow services, for resolving issues around security and product delivery. The RBI could step in and reduce the number of online transaction failures by defining service metric quality and monitoring it at regular intervals. This would enable it keep a close eye on the performance of financial intermediaries and plug gaps as soon as they occur.

2. TRENDS IN ONLINE SHOPPING:

The e-Commerce market in India has enjoyed phenomenal growth of almost 50% in the last five years. Although the trend of e-Commerce has been making rounds in India for 15 years, the appropriate ecosystem has now started to fall in place. The considerable rise in the number of internet users, growing acceptability of online payments, the proliferation of internet-enabled devices and favorable demographics are the key factors driving the growth story of e-Commerce in the country. The number of users making online transactions has been on a rapid growth trajectory and it is expected to grow.

The trend of online shopping is set to see greater heights in coming years, not just because of India's rising internet population, but also due to changes in the supporting ecosystem. Players have made intensive efforts to upgrade areas such as logistics and the payment infrastructure. Furthermore, the Indian consumer's perception of online shopping has undergone a drastic change and only for the good. Given these developments, venture capital investors who were restricting themselves to the sidelines are now taking a keen interest in the country's e-Commerce market.

3. INDIAN CUSTOMER BEHAVIOR:

The Indian consumer is price sensitive, and discounts are one of the major incentives for shopping online. Companies offer products at reduced prices, since their operational and inventory costs are much less than those of offline retailers. This, coupled with the wider product assortment offered, is the major driver of online shopping. Deregulation of fuel prices has led to a rise in fuel prices in India. Furthermore, heavy traffic is being witnessed in urban areas, and parking space constraints are cropping up at malls. All these reasons have led consumers to purchase their goods online.

E-Tailers in India are providing various value-added services such as free shipping, product returns, product and price comparison, user reviews and demonstration videos. All these factors have driven the change in preference from offline to online shopping. As e-Commerce players increase their focus on customer experience by providing various value-added services.

4. ONLINE RETAILS:

Online retail not only focuses on web capabilities but also on how well the peripheral aspects of online retail are taken care of. Online retail players pay as much attention to inventory management, logistics and warehouse management as they do to their online platforms. They need to invest time and money on all these, since customer experience is a function of how well they work in sync.

There is significant scope for online retail players to focus on new product delivery models and payment mechanisms, since customers are facing problems with the options available. The online retail market presents an attractive opportunity for entrepreneurs, since it is growing rapidly and still forms only a miniscule portion of organized retail. Moreover, there are a number of underpenetrated segments such as online groceries in online retail. Players also have opportunities in sectors impacted by online retail, e.g., logistics, in which last-mile reach is a problem. While organized retail players are attracted by opportunities presented by the online retail sector, they have critical questions pertaining to modes of entry, pricing decisions and customer segmentation.

5. CHANGE THROUGH E-COMMERCE:

The changes brought about by e-Commerce have the potential to significantly increase competition by increasing consumers' choice of products and traders. They also enable business to achieve significant efficiencies in their commercial operations as they move from high cost paper-based transactions to faster, lower cost electronic transactions. At the same time, care must be taken to ensure that the opportunities for competition in the dynamic new area of economic activity are not stifled by anti-competitive issues. While it is true that in rapidly changing high technology markets competition may be fierce but in some instance businesses may achieve significant market power and use their position to stifle further competition.

From a consumer protection prospective, there has also been a no. of international cases where unscrupulous traders have taken advantage of the internet as a medium to propagate old fashioned scams. A theme which emerges in this area of competition policy is whether new technology alters the way in which market power issues should be analyzed. Generally, e-Commerce has the potential to increase competition by enabling the development of new services, new distribution channels, and greater efficiency in business activities. Competition policy issues may arise in relation to joint ventures to develop B2B electronic marketplaces (e-hubs), particularly when they are developed by existing market participants with a significant combined market share (as buyers and sellers) in underlying wholesale markets.

6. SUPPORT OF INTERNET

The advent of the internet has truly revolutionized many aspects of our daily lives. The internet has been able to link countries throughout the world and businesses are no longer confined to their own immediate city or state. Developments in telecommunications, the global diffusion of the internet, and emergence of e-commerce have helped in the creation of an environment that fosters the globalization of markets throughout the world. The World Wide Web has made our lives a lot more convenient. We use the internet to communicate verbally and visually with our friends and family in far off regions, book flights, watch movies, complete long distance online education programs and seek out potential future spouses. There are many other aspects of our daily lives where we use the internet.

E-Commerce has been defined in a variety of ways by researchers. e-Commerce as business activities conducted using electronic data transmission via the internet and World Wide Web. Electronic commerce is a process of buying and selling products, services and information using computer networks and the internet. e-Commerce as the use of the internet to buy, sell or support products and services.

The use of internet to conduct businesses is a significant development in the last decade. This trend originates from the benefits this medium accrues to firms that use it. Research shows that the adoption of e-commerce leads to various benefits such as, product quality improvement, cost reduction, new customer or supplier contacts and the creation of new ways of selling existing products. e-Commerce benefits are being realized in developed countries such as Australia as well as in developing countries such as Malaysia. The United Nations concluded that e-commerce is a reality and is on its development path in both developed and developing countries.

7. ADOPTION ISSUES OF E-COMMERCE

The high difference between urban and rural areas in terms of IT adoption is a reflection of the contrasting education levels which is very low in rural areas. This low literacy level means there is a small percentage of the population that can speak and write English, understands e-commerce and its benefits, can operate a computer. Therefore, only a small percentage of the national population has the mental capacity to operate a computer, use the internet and appreciate the benefits of e-Commerce. These factors are inter-related and improving just one factor won't be sufficient to en-courage e-commerce.

The literacy level is low which results in a low productive work-force which in general results in low national productivity. The governments over the last ten years have been unstable and have not shown significant contribution to improve the literacy rate. In order to improve the state of e-commerce in the country the government needs to start

at the grass root level and educate the masses and only through education will the people have the capacity to accept and embrace new technologies, innovations and way of life. Besides this significant reforms needs to be taken by the government to improve its own performance in terms of electrical supply. The cultural barriers would take time to overcome and through a paradigm shift in the mindsets of the masses can it be resolved.

8. POSITIVE SITE OF E-COMMERCE

The advantages of e-commerce for business entities can be summarized thus e-commerce can increase sales and decrease costs. A firm can use e-commerce to reach narrow market segments that are widely scattered geographically. The internet and the web are particularly useful in creating virtual communities that become ideal target markets. A virtual community is a gathering of people who share a common interest, but, instead of this gathering occurring in the physical world, it takes place on the internet. Just as e-commerce increases sales opportunities for the seller, it increases purchasing opportunities for the buyer. Businesses can use e-commerce in their purchasing processes to identify new suppliers and business partners. Negotiating price and delivery terms is easier in e-commerce, because the web can provide competitive bid information very efficiently.

E-Commerce increases the speed and accuracy with which businesses can exchange information which reduces costs on both sides of transactions. E-Commerce provides buyers with a wider range of choices than traditional commerce because they can consider many different products and services from a wider variety of sellers. The benefits of e-commerce also extend to the general welfare of society.

Electronic payments of tax refunds, public retirement and welfare support cost less to issue and arrive securely and quickly when transmitted via the Internet. Furthermore, electronic payments can be easier to audit and monitor than payments made by check, which can help protect against fraud and theft losses. e-Commerce can make products and services available in remote areas. For example, distance education is making it possible for people to learn skills and earn degrees no matter where they live or what hours of the day they have available for study.

9. DARK SITE OF E-COMMERCE

E-Commerce also has its disadvantages. It is difficult to conduct a few businesses electronically. For example, perishable foods and high-cost items such as jewellery or antiques may be impossible to adequately inspect from a remote location, regardless of the technologies that are devised in the future. However, most of the disadvantages of e-commerce today are due to the newness and rapidly developing pace of the underlying technologies. Return on investment numbers is difficult to compute for investments in e-commerce because the costs and benefits are hard to quantify. Costs which are a function of technology can change dramatically during even short-lived e-Commerce implementation projects because the underlying technologies change rapidly. In addition to technology issues, many businesses face cultural and legal impediments to e-commerce. Some consumers are still somewhat fearful of sending their credit card numbers over the Internet.

The legal environment in which e-commerce is conducted is full of unclear and conflicting laws. In many cases, government regulators have not kept up with technologies. As more businesses and individuals find the benefits of e-commerce compelling, many of these technology and culture-related disadvantages will disappear.

Another important issue is security. Transactions between buyers and sellers in e-commerce include requests for information, quotation of prices, placement of orders and payment and after sales services. The high degree of confidence needed in the authenticity, confidentiality and timely delivery of such transactions can be difficult to maintain where they are exchanged over the Internet. The interception of transactions, and in particular credit card details, during transmission over the Internet is often a major obstacle to public confidence in e-commerce.

Several technologies are needed for e-commerce to exist. The most obvious one is the internet. Beyond that system of interconnected networks, many other sophisticated software and hardware components are needed to provide the required support structure: database software, network switches and hubs, encryption hardware and software, multimedia support and the world wide web. Methods of connecting all the software and hardware elements in just the right way to support electronic commerce are changing and evolving every day. The rate of change is rapid for all elements that support electronic commerce. Any business that engages in e-commerce and hopes to compete in the future must adapt to new internet technologies as they become available. The anticipated e-commerce overload requires companies to find faster and more efficient ways to deal with the ever-increasing rush of online shoppers and the increasing traffic between businesses.

10. PRESENT SCENARIO

Today, the Internet has become the main medium for conducting electronic commerce. Many products, tangible and intangible, are browsed through and sold over the Internet. There are a number of possible payment methods such as electronic cash, electronic cheque, debit/credit card, and electronic wallets. However, debit/credit cards are by far the most common payment method used over the Internet. As the scale of electronic commerce transactions has grown, it has become very attractive to criminals, and the volume of fraudulent e-commerce transactions is growing rapidly. Therefore, there has been an increase in the amount of attention given to the security

of the payment systems used to process online transactions. Probably the main current concern of most Internet users relates to the confidentiality of payment card information, since there is a growing realisation that stolen card details can be used to make fraudulent transactions.

Electronic commerce is growing in significance. Many products, tangible and intangible, are sold over the Internet, with payments typically made by debit or credit cards. In parallel with this, there is an increase in concerns associated with the security of the payment systems used to process online transactions. Probably the main concern of most Internet users relates to the confidentiality of payment card information, since disclosure of this information to a hostile third party could enable that party to make fraudulent transactions at the user's expense. However, security for online transactions is not limited to data confidentiality, but also includes other security services such as authentication, identification, non-repudiation and data integrity.

11. CONCLUSION AND FUTURE PROSPECTS

Globalization and the new 'digital economy' together are having a major impact on the global economy. National markets, including in developing countries, have been affected by changes in the global economic environment and further such changes will continue to affect enterprises and citizens throughout the world. The impact of e-commerce for developing countries is at present mainly in the international trade sector. Studies indicate that over the past few years the import and export industries have grown significantly and, therefore, the impact of e-commerce would be significant. e-Commerce will also have a significant impact on the services sector as not only is this the fastest growing sector today, it is also the sector with the greatest potential for offering digitized service and transactions. For several countries this is of particular relevance as the majority of their workers are employed in the services sector.

Developing countries, such as India, also need to prepare themselves for the future multilateral trade agenda, in particular the so-called new issues on which the Second Ministerial Conference of the WTO in May 1998 asked the WTO General Council to formulate recommendations. One such issue is e-commerce which is presently under study in the WTO. E-commerce is not only a new technology and a new frontier for global business and trade, it is also still evolving. Developing countries, therefore, need to understand, and assess carefully from their perspective, the pros and cons of the different proposals and issues in this connection that have emerged at the WTO. They need to comprehend the possible impact of this new phenomenon on their economies and work out appropriate strategies and responses to it. However, unlike most other trade-related agenda items before the WTO this is an area that is not just new but also one where many of the implications are as yet unclear.

E-Commerce and the Internet, if correctly utilized for development can be major instruments for ensuring future sustainable economic growth. Throughout the world, the profound impact of electronic commerce on the economies and societies of the globe will no doubt improve economic efficiency, competitiveness and profitability and therefore, result in the development of the information society.

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