

E-Business: Issues & Challenges in Indian Perspective

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ABSTRACT

Today there is demand for a business which is flexible enough to respond to any fluctuations in the running of the business. What differentiates an on-demand business from its competition is the fact that it is responsive in real time—as the events occur. This is possible only because all its business processes are thoroughly integrated, and the IT infrastructure exists in an on-demand operating environment.

This is a research paper which after briefly presenting the current E-Business situation in India, analyses the scope, performance and problems of E-Business in India. The primary objectives of this paper are

- To study the current position of E-business in India.
- To analyse the future of electronic Business in India.
- To study the challenges faced by E-Business players in India.

Electronic Business is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. . India is showing tremendous growth in the E-business. India has an internet user base of over 100 million users. The penetration of e-business is low compared to markets like the US and the UK but is growing at a much faster rate with a large number of new entrants. India is yet to witness a breakthrough E-commerce success story particularly in online retail. E-commerce creates new opportunities for business; it also creates new opportunities for education and academics line. It raises key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-business education and legal system.

INTRODUCTION

E-commerce is anything that involves an online transaction. This can range from ordering online, through online delivery of paid content, to financial transactions such as movement of money between bank accounts.

The e-business is one of the biggest things that have taken the Indian business by storm. It is creating an entire new economy, which has a huge potential and is fundamentally changing the way businesses are done. It has advantages for both buyers as well as sellers and this win-win situation is at the core of its phenomenal rise.

Rising incomes and a greater variety of goods and services that can be bought over the internet is making buying online more attractive and convenient for consumers all over the country.

Electronic commerce is presently an essential ingredient of India's trade facilitation policy. Since 1991, after economic reforms explicitly took place in India as a result of opening of the economy with a view to integrate itself with the worldwide economy, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Resultantly, last few years have witnessed a technological revolution accompanied by the wide spread use of the Internet, web technologies and their applications. Electronic Business (e-commerce) as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular.

As a symbol of globalization, e-business represents the cutting edge of success in this digital age and it has changed and is still changing the way business is conducted around the world. The commercialization of the Internet has driven electronic commerce to become one of the most capable channels for inter-organizational business processes.

Advantages of E-Commerce to Businesses in India:

There is a rising awareness among the businesses in India about the opportunities offered by e-commerce. Ease of Internet access is the critical factor that will result in rapid adoption of Net commerce. Safe and secure payment modes are fundamental along with the need to invent and popularize innovations such as Mobile Commerce. E-commerce provides a new place for connecting with consumers and conducting transactions. Virtual stores operate 24 hours a day, 7 days a week. Many virtual retailers represent a single company while others, such as Top Online Shopping (toponlineshopping.com), represent a association of companies.

Global Trade :

E-business is one of the major factors in the globalization of business. Other factors include decreases in trade barriers, globalization of capital markets. Indian e-business has grown at a compounded annual growth rate of 30% since FY09, and is expected to be \$18 billion (around Rs 1,116,00 crore) opportunity by FY15.

Virtual Businesses:

As a result of e-business, business firms now have the ability to become virtual

businesses. Virtual business uses electronic means to transact business as opposed to the traditional means of face to face transaction.

Lower search costs:

The Internet brings low search costs and high price lucidity. E-business has proved to be highly cost effective for business concerns as it cuts down the cost of marketing, processing, inventory management, customer care etc. It also reduces the load of infrastructure required for conducting business.

Round the clock:

Customers can do transactions for the product or enquiry about any product/services provided by a company any time, any where from any location.

Greater Economic Efficiency

We have achieved greater economic efficiency (lower cost) and more rapid exchange (high speed, accelerated, or real-time interaction) with the help of electronic business.

Key drivers in Indian e-commerce are:

1. Increasing broadband Internet (growing at 20%^l MoM) and 3G penetration.
2. Rising living standards and a growing, upwardly mobile middle class with high disposable incomes.
3. Availability of much wider product range compared to what is available at brick and mortar retailers.
4. Busy lifestyles, urban traffic congestion and lack of time for offline shopping.
5. Lower prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs.
6. Increased usage of online classified sites, with more consumer buying and selling second-hand goods.
7. Evolution of the online marketplace model with sites like eBay, Flipkart, Snapdeal, Infibeam, qnetindia.in and Tradus. The evolution of ebusiness has come a full circle with marketplace models taking center stage again.

Literature review

India has an internet user base of about 137 million as of June 2012. The access of e-business is low as compared to markets like the United States and the United Kingdom but is growing at a much faster rate with a large number of new entrants.

Cash on delivery is a unique thing to India and is a preferred payment method. India has a vibrant cash economy as a result of which around 80% of Indian e-business tends to be Cash on Delivery.

E-business in India is still in burgeoning stage but it offers extensive opportunity in developing countries like India. Highly intensified urban areas with very high literacy rates, huge rural population with fast increasing literacy rate, a rapidly growing

internet user base, technology advancement and adoption and such other factors make India a dream destination for e-business players. Moreover, squat cost of personal computers, an emergent installed base for Internet use and a progressively more competitive Internet Service Provider (ISP) market has added fuel to the fire in augmenting e-commerce growth in Asia's second most populous nation. India's e-business industry is on the growth curve and experiencing a surge in growth. The Online Travel Industry is the biggest segment in e business and is flourishing largely due 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 blossoming stage). The online travel industry has some private companies 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. A description by the Internet and Mobile Association of India has exposed that India's e-business market is mounting at an average rate of 70 percent annually and has grown over 500 percent since 2007. The current estimate of US\$ 6.79 billion for year 2010 is way ahead of the market size in the year 2007 at \$1.75 billion.

Apparently, more online users in India are willing to make purchases through the Internet. Overall e-commerce industry is on the edge to experience a high growth in the next couple of years. The e-commerce market in India was largely dominated by the online travel industry with 80% market share while electronic retail (E-Tailing) held second place with 6.48% market share.

E-Tailing and digital downloads are expected to grow at a faster rate, while online travel will continue to rule the major proportion of market share. Due to increased e-commerce initiatives and awareness by brands, e-Tailing has experienced decent growth. According to the Indian Ecommerce Report released by Internet and Mobile Association of India (IAMAI) and IMRB International, "The total online transactions in India was Rs. 7080 crores (approx \$1.75 billion) in the year 2006-2007 and it was grown by 30% to touch Rs. 9210 crores (approx \$2.15 billion) by the year 2007-2008.

India's e-commerce market was worth about \$2.5 billion in 2009, it went up to \$6.3 billion in 2011 and to \$14 billion in 2012. About 75% of this is travel related (airline tickets, railway tickets, hotel bookings, online mobile recharge etc.). Online Retailing comprises about 12.5% (\$300 Million as of 2009). India has close to 10 million online shoppers and is growing at an estimated 30% CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales.

As per "India Goes Digital", a report by Avendus Capital, a leading Indian Investment Bank specializing in digital media and technology sector, the Indian e-commerce market was estimated at Rs 28,500 Crore (\$6.3 billion) for the year 2011. Online travel constitutes a sizable portion (87%) of this market today. Online travel market in India is expected to reach Rs 54,800 Crore (\$12.2 billion) in size by 2015. Indian e-tailing industry is estimated to grow to Rs 53,000 Crore (\$11.8 billion) in 2015.

Overall e-commerce market is expected to reach Rs 1,07,800 crores (US\$ 24 billion) by the year 2015 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile/DTH recharge with nearly 1 million transactions daily by operator websites.

Conclusion

The e-commerce market in India has grown by 34 percent in the last seven years, was about USD 600 million in 2011-12 and is expected to touch USD 9 billion by 2016 and USD 70 billion by 2020. According to Forrester, the Indian e-commerce market is expected to grow at a CAGR of over 57 percent between 2012 and 2016, which is the fastest within Asia-Pacific region. The key factors that are driving this growth are the rise of Internet usage (growing at 20 percent) & 3G penetration, and increasing smartphone users with availability of Internet on mobile phones. It is estimated that currently there are 27 million mobile Internet users in India out of which 4 percent are buying products on mobile

Despite the advantages of e business in India, there are certain challenges to be faced which are as follows

1. Indian customers return much of the commodities they purchase online.

E business in India has many first time buyers. This means that they have not yet made up their mind about what to expect from e-business websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is actually delivered, they reveal remorse and return the goods. Though consumer remorse is a global problem, but it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for e-business companies, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border e-business.

2. Cash on delivery is the preferred payment mode.

Low credit card access and low trust in online transactions has led to cash on delivery being the preferred payment choice in India. Unlike electronic payments, manual cash collection is painstaking, risky, and expensive.

3. Payment gateways have a high failure rate.

As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. E-business companies using Indian payment gateways are losing out on business, as several customers do not attempt making payment again after a transaction fails.

4. Internet penetration is low.

Internet penetration in India is still a small fraction of what is there in a number of western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are on their last legs. The day is not far when connectivity issues would not feature in a list of challenges to e-business in India.

5. Feature phones still rule the roost.

Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, and not smartphones. As a result this consumer group is unable to make e-business purchases on the move. Though India is still a couple of years away from the scales tipping in favor of smartphones, the rapid downward spiral in the price of entry-level smartphones is an encouraging indication. I expect that the next few quarters will witness announcements of new smartphones in India at the \$30-40 price point. That should stimulate growth in smartphone ownership. As a result E-Business market will also rise further.

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