E-COMMERCE IN INDIA – PROBLEMS AND PROSPECTS

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ABSTRACT

Over last few decades the popularity of e-commerce has tremendously increased due to its quick and convenient way of exchanging goods and regional and global services. India will be booming ground for e-commerce business models; the country already reported 12% growth in e-commerce retail business year in 2010-2011. The present study is conceptual survey with exploratory cum descriptive nature. It attempts to explain the concept of e-commerce, business models for e-commerce, differences between traditional commerce and electronic commerce, merits and limitations of e-commerce, various trends in e-commerce and challenges before e-commerce. It concludes that e-commerce offers several benefits to the various stakeholders. However, at present juncture it has several limitations, legal and technical barriers in the development of e-commerce in India which could fade away in years to come. Hence we should equip ourselves to give warm welcome to e-commerce which is an obvious outcome of globalization and technological revolution around the globe.

Key words: e-tailing, intranets, extranets, online, brick-and-mortar.

1. INTRODUCTION:

In its simplest form e-commerce is the buying and selling of products and services by businesses and consumers over the Internet. Internet sales are increasing rapidly as consumers take advantage of lower prices offer by wholesalers retailing their products. This trend is set to strengthen as web sites address consumer security and privacy concerns. Since last decade the popularity of e-commerce is tremendously increased due to quick and convenient way of exchanging goods and services both regionally and globally. Now-a-days it has become the virtual main street of the world. Today, e-commerce has grown into a huge industry. The total value of E-commerce activities within India has exceeded Rs 5.7 billion during 2004-05, according to a research conducted by Internet & Online Association of India.
Currently, more than 30.2% of the world has access to the internet and hence, e-commerce. India will be a booming ground for e-commerce business models; the country already reported 12% growth in e-commerce retail business year in 2010-2011.

2. OBJECTIVES OF STUDY :-

The paper has following objectives:
1) To explain the concept of e-Commerce.
2) To study the difference between Traditional Commerce and Electronic Commerce.
3) To study the merits and limitations of e-commerce.
4) To study the various trends in e-commerce.
5) To study the challenges before recent trends of e-commerce.

3. METHODOLOGY :-

The present study is conceptual survey with exploratory cum descriptive in nature. It is based on the analysis of secondary data. The secondary data is availed from various journals, internet, and books.

4. MEANING OF E-COMMERCE:-

Some of the definitions of e-commerce are as under:
“E-Commerce deals with the buying and selling of information, products and services through computer networks.”
“E-Commerce can also be defined as a new way of conducting managing and executing business transactions using computer and telecommunication networks.”
“E-Commerce is a concept covering any form of business transactions or information exchange executed using information and communication technology between companies and public administration.”

In simple words, E-commerce just means taking things that your company is already doing in person, through the mail, or over the telephone, and doing those things in a new place on the Internet. It also refers to all forms of business activities conducted across the Internet. This can be e-tailing, B2B, intranets and extranets, online advertising, and simply online presences of any form that are used for some type of communication (e.g. customer service).

Currently, more than 30.2% of the world has an access to the internet, and hence e-commerce. Reduced internet surfing charges, internet technology development covering expanded bandwidth, and increased speeds and reliability has made e-commerce available to a large pool of emerging market consumers. India’s
leading e-commerce consulting company chitrangana.com is assuming double digit growth in Asian countries including India in 2012-13.

5. DIFFERENCE BETWEEN TRADITIONAL COMMERCE AND E-COMMERCE

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Traditional Commerce</th>
<th>E-Commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Scope is local or regional</td>
<td>Scope is Global</td>
</tr>
<tr>
<td>2</td>
<td>Time required for business transaction is in terms of week.</td>
<td>Time required for business transaction is in terms of minutes and seconds.</td>
</tr>
<tr>
<td>3</td>
<td>Product attributes are selected by seller.</td>
<td>Product attributes are selected by buyer.</td>
</tr>
<tr>
<td>4</td>
<td>Prices are listed by taking over view of local market.</td>
<td>Prices are listed by taking over view of global market.</td>
</tr>
<tr>
<td>5</td>
<td>Service is available in between 9 a.m. to 5 p.m. in weekdays.</td>
<td>24 hours service is available for all 7 days.</td>
</tr>
<tr>
<td>6</td>
<td>Marketing focus is related to product position.</td>
<td>Marketing focus is related to customer relation.</td>
</tr>
<tr>
<td>7</td>
<td>Asset for traditional business is location of shop.</td>
<td>Asset to e-commerce is customer database.</td>
</tr>
<tr>
<td>8</td>
<td>Value proposition is related to product.</td>
<td>Value proposition is related to product, information and service.</td>
</tr>
<tr>
<td>9</td>
<td>Mode of payment is physically transfer of money i.e. DD, Cash, Cheque etc.</td>
<td>Mode of payment is electronically i.e. electronic transfer of money using credit cards, digital cash etc.</td>
</tr>
<tr>
<td>10</td>
<td>Transactions are taken place with help of paper.</td>
<td>Transactions are taken place without help of paper.</td>
</tr>
</tbody>
</table>

6. ADVANTAGES OF E-COMMERCE:

6.1 LOWER COST

Doing e-business is cost effective; it reduces logistical problems and puts a small business on a par with giants such as Amazon.com or General Motors. In a commercial bank, for
example. A basic over-the-counter transaction costs Re. 0.50 to process; over the Internet, the same transaction costs about Re. 0.01. Every financial transaction eventually turns into an electronic process. The sooner it makes the conversion, the more cost-effective the transaction becomes.

6.2 ECONOMY
Unlike the brick-and-mortar environment, in e-commerce there is no physical store space, insurance, or infrastructure investment. All you need is an idea, a unique product, and a well-designed web storefront to reach your customers, plus a partner to do fulfillment. This makes e-commerce a lot more economical.

6.3 HIGHER MARGINS
E-commerce means higher margins. For example, the cost of processing an airline ticket is Rs. 5. According to one travel agency, processing the same ticket online costs Re. 1. Along with higher margins, businesses can gain more control and flexibility and are able to save time when manual transactions are done electronically.

6.4 BETTER CUSTOMER SERVICE
E-commerce means better and quicker customer service. Online customer service makes customers happier. Instead of calling your company on the phone, the web merchant gives customers direct to their personal account online. This saves time and money. For companies that do business with other companies, adding customer service online is a competitive advantage. The overnight package delivery service, where tracking numbers allow customers to check the whereabouts of a package online, is one good example.

6.5 QUICK COMPARISON SHOPPING
E-commerce helps consumers to comparison shop. Automated online shopping assistants called hop bots scour online stores and find deals on everything from apples to printer ribbons.

6.6 PRODUCTIVITY GAINS
Weaving the web throughout an organization means improved productivity. For example IBM incorporated the web into every corner of the firm – products, marketing, and practices. The company figured it would save $750 million by letting customers find answers to technical questions via its website. The total cost savings in 1999 alone was close to $1 billion.
6.7 TEAM WORK
E-mail is one example of how people collaborate to exchange information and work on solutions. It has transformed the way organizations interact with suppliers, vendors, business partners, and customers. More interactions mean better results.

6.8 KNOWLEDGE MARKETS
E-commerce helps create knowledge markets. Small groups inside big firms can be funded with seed money to develop new ideas. For example, DaimlerChrysler has created small teams to look for new trends and products. A Silicon Valley team is doing consumer research on electric cars and advising car designers.

6.9 INFORMATION SHARING, CONVENIENCE AND CONTROL
Electronic marketplaces improve information sharing between merchants and customers and promote quick, just-in-time deliveries. Convenience for the consumer is a major driver for changes in various industries. Customers and merchants save money; are online 24 hours a day, 7 days a week; experience no traffic jams, no crowds, and do not have to carry heavy shopping bags.

7. LIMITATION OF E-COMMERCE: Though India represents vast unexplored market for ecommerce the current share of ecommerce in India is marginal restricted to less than 2 percent. According to reasonable estimated it is not going to exceed even 5 percent in the next two decades because of several limitations of ecommerce narrated below:

7.1 SECURITY
Security continues to be a problem for online businesses. Customers have to feel confident about the integrity of e-dealers and the payment process before they commit to the purchase. There are risks of hackings and cybercrimes too.

7.2 SYSTEM AND DATA INTEGRITY
Data protection and the integrity of the system that handles the data are serious concerns. Computer viruses are rampant, with new viruses discovered every day. Viruses cause unnecessary delays, file backups, storage problems, and other similar difficulties. The danger of hackers accessing files and corrupting accounts adds more stress to an already complex operation.

7.3 SYSTEM SCALABILITY:
A business develops an interactive interface with customers via a website. After a while, statistical analysis determines whether visitors to the site are one-time or recurring customers. If the company expects 2 million customers and 6 million shows up, website
performance is bound to experience degradation, slowdown, and eventually loss of customers. To stop this problem from happening, a website must be scalable, or upgradable on a regular basis.

7.4 E-COMMERCE–NOT FREE
So far, success stories in e-commerce have forced large business with deep pockets and good funding. According to a report, small retailers that go head–to–head with e-commerce giants are fighting losing battle. As in the brick–and–mortar environment, they simply cannot compete on price or product offering. Brand loyalty is related to this issue, which is supposed to be less important for online firms. Brands are expected to lower search costs, build trust, and communicate quality. A search engine can come up with the best music deals, for example, yet consumers continue to flock to trusted entities such as HMV.

7.5 CONSUMER SEARCH IS NOT EFFICIENT OR COST EFFECTIVE:
On the surface, the electronic marketplace seems to be a perfect market, where worldwide sellers and buyers share and trade without intermediaries. However, a closer look indicates that new types of intermediaries are essential to e-commerce. They include electronic malls that guarantee legitimacy of transactions. All these intermediaries add to transaction costs.

7.6 CUSTOMER RELATION PROBLEMS:
Not many businesses realize that even e–business cannot survive over the long term without loyal customers. E-commerce does not have human face. It is an impersonal way of dealing with the people. Moreover customers have wide choice every time they are in the market. Hence it is uphill task to maintain the brand loyalty with the customers. Cost of obtaining a new customer is always higher than the cost of maintaining the existing customer. Therefore the e-business has work out the strategies of maintaining the customer loyalty.

7.7 PRODUCTS PEOPLE WON S BUY ONLINE:
E-commerce has limited range of products and services to deal with like electronic gadgets or banking services etc. While purchasing many products the customer wants to feel the touch of the products. Hence he prefers the traditional commerce to purchase such products. Imagine a website called furniture.com or living.com, where venture capitalists are investing millions in selling home furnishings online. In the case of a sofa, you would want to sit on it, feel the texture of the fabric etc. Beside the sofa test, online furniture stores face costly returns which make the product harder to sell online.
7.8 CORPORATE VULNERABILITY:
The availability of product details, catalogs, and other information about a business through its website makes it vulnerable to access by the competition. The idea of extracting business intelligence from the website is called web framing.

7.9 HIGH RISK OF INTERNET START UP
Many stories unfolded in recent years about successful executives in established firms leaving for Internet start-ups, only to find out that their get-rich dream with a dot.com was just that – a dream.

7.10 PROXIMITY OF TRADITIONAL DEALERS
In India vast population lives in the metros, cities, towns and nearly 60,000 villages that are densely populated. They do not live in deeps as in western countries where people have to travel a lot to do the shopping in malls. Majority of the goods and services they need are at their door steps. Hence they don’t feel it necessary to purchase them through internet.

8. PRECAUTIONS WHILE USING E-COMMERCE
Here are a few tips to keep you, your computer and your bank account protected while you shop online.

- DONOT GIVE YOUR PERSONAL INFORMATION: Legitimate online retailers will never ask for your social security number at any time. Don’t give it to retailers. If someone requests it, contact the company.

- ARM YOUR COMPUTER: You can protect yourself as you shop online simply by installing some basic security programs on your computer, including anti-spyware, anti-virus and pop-up blocker programs. These software will keep your financial information and passwords safe and out of the site of cyber thieves and hackers.

- USE CREDIT CARD: Credit cards are easy to use online. Just enter the credit card name, number and expiry date. There is another important reason to use a credit card; if fraud occurs or if you do not get the product that you purchased, you can dispute the charges. However, if you use a money order or debit card, the money is usually gone without dispute.

- READ THE FINE PRINT: Whenever you shop online, read the fine print carefully; so there are no surprises. Make sure you are aware of shipping charges, delivery time, and cancellation and return policies, as well as the seller’s privacy policy.
• **DO NOT RESPOND TO UNSOLICITED E-MAIL:** Never buy things or confirm your billing information through an unsolicited email, especially, if you do not recognize the source. Legitimate online retailers will never ask for your credit card number through an E-Mail. If you receive an E-Mail of this type, contact the company immediately.

• **ENSURE THE CONNECTION IS SECURE:** When you click to purchase an item online, your browser connection should become secure. Look for two signs – the site address should read https or shttp instead of http, indicating a secure connection, and small lock should appear in the browser toolbar.

• **RESEARCH UNKNOWN RETAILER:** If you are not familiar with the retailer, do some research before entrusting them with your credit card. Make sure they have a phone number and a mailing address. You may want to call them before making a purchase. You can also research the company on TRUSTe, Verisign and BBBOnline (Better Business Bureau).

• **IF IT APPEARS TOO GOOD TO BE TRUE, IT PROBABLY IS:** Use your intuition. If you come across a retailer that has a product priced substantially lower than other retailers or offers an online coupon that gives an unbelievable discount, use caution. Website retailers have to make their money somehow. Read their privacy policy, make sure they are not selling your personal information and take the extra steps to ensure that the company and product are valid.

  With a few simple precautions, online shopping can save you time, money and keep your money and your information 100 percent safe.

9. **CHALLENGES BEFORE E-COMMERCE:**

9.1 **INITIAL INVESTMENTS AND TECHNOLOGICAL ISSUES:**

To start a web shop requires personal computer, modem and a subscription to a Value Added Network (VAN). It also requires updating of current technology and networks. These are costly affairs.

9.2 **COSTLY CONSUMER SEARCH:**

Search for complete database on a web incurs some amount of cost to consumer. Time required for search is more and it is costly too. Many sellers do not provide all necessary or required information.

9.3 **MORE COMPUTER ILLITERACY:**
In India only 60 million (or 5.2%) of total 1.20 billion person population currently have access to the internet. Corresponding proportion in China is 29%.

9.4 LEGAL HASSELS :-
While marketing on web, some legal hassles arises such as validity of an electronic signature, non-reputability of some shops on the web, legal aspect of electronic contract, copyright violations etc.

9.5 MINDSET OF CONSUMERS:-
Majority of customers do not know how to use internet so they prefer traditional approach of buying and selling.

9.6 PRIVACY AND SECURITY PROBLEMS:-
60% of the users do not trust the web as a payment channel. Web transaction takes place with credit card, but credit card itself is not safe. Anyone who transfers the data of the credit card on the web is not sure about the salesman identity. Buyer is also not sure that his credit card is not used for some malicious purposes.

10. CONCLUSION: E-commerce is an emerging trend in Indian economy in the post economic reforms era. The revolution in the IT sector in the recent past has been instrumental in development of e-commerce. E-commerce offers many benefits to the various stakeholders. These benefits are cost effectiveness, quick comparison shopping, better customer service, higher business margins resulting form economy in business operations, information saving and knowledge market development etc. At present there are several stumbling blocks in the development of e-commerce such as computer initial investment, technological issues, computer ill-literacy, legal hassles, and adverse mindset of consumers, privacy and security issues. However, these barriers to e-commerce shall be taken care of in due course and hence e-commerce has bright prospects in India. We need to update ourselves to greet e-commerce and reap its benefits.
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