



## A study on E-Commerce challenges and opportunities in India

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### Abstract

E-Commerce involves an online transaction. It refers to the online trade of products & services. It provides benefits to the consumers in the form of goods at various prices, variety of goods available and saves time also. The E-Commerce market is large & yet to be explored in India. There are so many companies who have made a remarkable beginning and there are so many who can tap the unexplored area. The success for online business depends upon the understanding of the market and consumer satisfaction like any other kind of business. But the fact should not be ignored that the system should be technically enabled to understand the whole scenario of E-Commerce. Information technology is the base of E-Commerce. There are various factors that are estimated for the growth of Indian E-Commerce. This paper will discuss the challenges and opportunities for the marketers in-depth. The study will throw light on the fact that Indian market has the potential to explore and it is an emerging market. India is second largest user of internet, but still there is scope for the business men to use this as an opportunity in their favor. Information technology has the biggest role in the expansion of E-Commerce.

**Keywords:** e-commerce, information technology, consumer satisfaction, business

### Introduction

India has emerged as one of the major players in the international business market. It has immense chances of growth and already being on the growing graph since 1991. It has drawn attention of the researchers in the area of international business & management. E-Commerce plays an important role in the developing countries to gain a strong place in the world market. It is rapidly transforming the way of marketing and selling of products. It has been hailed by many companies as an opportunity for their development. The growing use of internet, tablet devices and smart phones has created confidence among consumers to be a part of it and has also given a chance to evolve and expand to E-commerce. It is changing the way how consumer think and way how companies doing business.

### What is E-Commerce and Why?

E-commerce stands for electronic commerce. It is a way of displaying your products to the whole world. It gives a platform to the businessmen to showcase their products and services to the public at large. It provides a variety of benefits to the consumers in the form of goods and services at lower cost, wide choice and at the same time it saves time also. It is a digital market. Elizabeth Goldsmith and others (2020) reported that the general category of E-commerce can be divided into two categories.

1. E-merchandise
2. E-finance

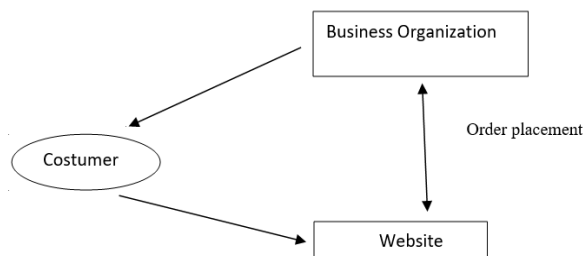


Fig 1

### Why E-commerce

1. It can broaden the brand.
2. It is quite convenient.
3. It gives many marketing opportunities.
4. Visitors can shop using smart phones and tabs when they are on the go, at work or relaxing at home.
5. Various modes of payment are available.

### Objectives of the Study

1. To explain the concept of E-commerce.
2. To analyze the present trends and opportunities of e-commerce in India.
3. To examine the barriers of e-com in India.
4. To study the prospects of India's e-com.

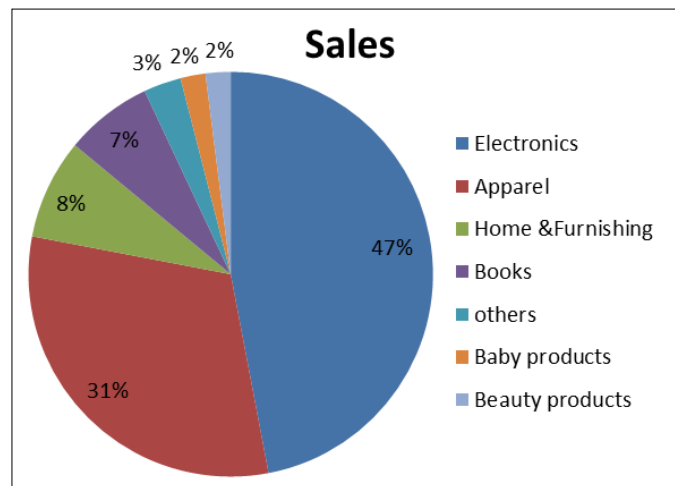
### Review of Literature

Sources of data & information collection are secondary in

nature. These sources are books, journals, newspapers, websites and research studies etc.

**Discussions**

1. Propelled by rising smart phone penetration the launch of 4G networks and increasing consumer wealth, the Indian e-com market is expected to grow to US \$188 billion by 2025.
2. E-com is increasingly attracting consumer from tier 2 and 3 cities, where people have limited access to brands but have high aspirations.
3. With the increase in the awareness about the benefits of online trading there has been significant rise in investment in e-com.
4. Earlier food and grocery items were never thought of as items for online trading, but with the change of working habits and consumer opting for adaptability and convenience, there are no. of new small and large e-com companies selling provision and food items like Grofers, Big Basket etc.
5. Electronics is currently the largest segment in e-com in India with a share of 47% and is expected to grow at a CAGR of 43% by 2020.
6. The apparel segment has the second highest share of 31% in the e-com retail industry.



Note: CAGR- Compound Annual Growth Rate

Source: KPMG Report –E-commerce Retail Logistics

Fig 2: E-Commerce retail market by value (2016)

**Growth of E-Commerce**

Total online spending, inclusive of domestic and cross border shipping is expected to increase by 31 %year on year to 8.76 trillion (US\$ 135.8 billion) by 2018. The top three countries preferred by Indians for cross-border shipping in 2016 were USA (14%), UK (6%), China (5%).

Online travel agents account for the largest market share (70%) in the internet consumer market, while the 30% is occupied by horizontal e-tailing, fashion, furniture, grocery, hotel, food tech, cab aggregators, education technology and alternative lending among others.

The internet industry in India is likely to double to reach US\$ 250 billion by 2020.

**Investments/Developments**

Some of the major developments in the Indian e-commerce sector are as follows:

1. Venture Capital backed firms in India raised a record US\$ 9.6 billion of fresh capital between January-September 2017, which is more than twice the amount of capital raised during the same period in the previous year.
2. Blackbuck, an online freight aggregator operated by Zinka Logistics Solutions Pvt. Ltd, has raised Rs 50cr (US\$ 7.68 million) in venture debt from InnoVen Capital.
3. Bank Bazaar, a financial marketplace start-up in India, raised US\$ 30 million in a funding round led by Experian Plc, a credit rating agency based in UK, taking the company's total funding to US\$ 110 million.
4. Gozefo.com, a Bengaluru based used furniture and appliances platform, has raised Rs 60cr (US\$ 9 million) in Series B funding from Sequoia Capital India, Helion Venture Partners and Beenext Pvt. Ltd.
5. Mr. Jeff Bezos, Founder and Chief Executive Officer, Amazon Inc has announced plans to further increase its investments in the country to develop its infrastructure and technology. The e-commerce giant also received an approval from the Reserve Bank of India (RBI) for launching its own digital payment wallet in India, thereby tapping into India's fastest-growing digital payments business.
6. In April 2017, India's online retail giant, Flipkart, raised US\$ 1.4 billion in the biggest start-up funding round led by Tencent Holdings Ltd, eBay Inc and Microsoft Corp. It also acquired eBay's Indian arm as a part of the deal. The company also raised US\$ 1 billion in March 2017 in a funding round led by Chinese internet giant, Tencent and Microsoft, thereby valuing the start-up at US\$ 11 billion.
7. Paytm's e-commerce unit raised US\$ 200 million in a funding round led by Chinese e-commerce giant, Alibaba and existing investor, SAIF Partners, to become the Indian unlisted company to be valued at over a billion dollars.
8. China's largest e-commerce player Alibaba has planned to set up its first India office in Mumbai, in order to be a part of India's growing e-commerce market, which was approx. US\$ 34 billion by 2017.

**Government initiatives**

Since 2014, the Government of India has announced various initiatives namely Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the e-commerce growth in the country. Some of the major initiatives taken by the government to promote the e-commerce sector in India are as follows:

- Reserve Bank of India (RBI) has decided to allow "inter-operability" among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards.
- Finance Minister Mr. Arun Jaitley has proposed various measures to quicken India's transition to a cashless economy, including a ban on cash transactions over Rs 300,000 (US\$ 4,655.1), tax incentives for creation of a cashless infrastructure, promoting greater usage of non-

cash modes of payments, and making Aadhaar-based payments more widespread.

- The introduction of e-payments has helped the Government of India in prompt collections and payments, leading to 98 per cent of the total government payments in value terms amounting to Rs 5.95 trillion (US\$92.3 billion), and 95 per cent in volume terms being made through e-payment mode as of March 1, 2017.
- The Ministry of Electronics and Information Technology (IT) issued the draft rules for digital payments for public consultation, which aim to address the issues of consumer interest and security concerns.
- The Government of India has distributed rewards worth around Rs 153.5cr (US\$ 23.8 million) to 10lakh customers for embracing digital payments, under the Lucky Grahak Yojana and Digi-Dhan Vyapar Yojana.
- The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as enable delivery of services like health and education in far-flung areas.

### Challenges of E-Commerce in India

In spite of being 2<sup>nd</sup> on internet usage Indian marketers have to face lots of problems regarding online selling which are as follows:

1. Attracting the perfect customer: People in India have become aware of the differential pricing by various websites, so choosing the customers wisely is a big challenge for the companies.
2. Choosing the right technology and partners: Growth of e-com depends majorly on a good technology foundation, so they must choose the right software for the purpose. Hiring the wrong partners may also limit the company's growth.
3. Online Security: Indian payment gateways have a high failure rate and people fear about that.
4. Cash on Delivery is the preferred payment mode whereas some websites doesn't support this feature.
5. Some companies are not ready to deliver in every city in India a there are thousands of towns and villages in India that are not easily accessible.
6. Logistics: Small deliveries to many places causes complex route problems which may higher the cost.
7. Touch and feel structure: People in India still want to access the products physically. They want to actually see the product before buying so it is a big issue to consider.
8. Shipping services: Costumers are not ready to wait for their order, if it get delayed people just cancel their order and sometimes the return of merchandise can increase the cost.
9. Poor knowledge and awareness among people still prevails- they fear that whether the product will arrive or not once they make payments.
10. Absence of Cyber laws also creates a problem for the consumer and the companies.
11. Tax Issues: Tax rates are not uniform in India as compared to other countries.

So these are some challenges for Indian marketers to consider

before coming forth into the E-commerce.

### Opportunities for E-commerce in India

1. E-commerce companies are expected to invest \$6 billion to \$8 billion in logistics, infrastructure and warehousing in the next few years, the ASSOCHAM-PwC study said. This industry is expected to touch \$80 billion by 2020. So there is a fair chance for the new comers to come forward and invest into this sector.
2. According to the World Bank, 67% of the Indian population was rural in 2015. The true potential of India's e-com can get unlocked if these companies can figure out the ways to reach the unnoticed rural area/market.
3. It is important to note that 89.7% of India's post offices are situated in rural areas, giving e-com companies a wide network to work with.
4. With the improvement in internet services like speed and security can play a major role in the success of new companies and can help them grab these opportunity to work in e-com sector.
5. A new feature i.e. Cash On Delivery for most of the websites and to rural areas can be proved remarkable step for success in the field.
6. With the use of multiple language system over websites i.e. user friendly is also a feature to be added so that this hurdle can be converted into an opportunity.
7. As India has a major section of middle class people, the online retailer who can crack these unique aspects of Indian consumer market will dominate that area.
8. The affordability of smart phones will also assist in raising base of potential online shoppers.
9. Adding a layer of security to protect data and privacy of consumers, can also attract the new customers. Lot of firms are spending on the advanced information security technologies. For instance, Jabong allocates 15-20% of its revenue to cyber security.
10. Career prospects for creative individuals, who have an understanding of e-com market, can sense what a consumer needs and deliver quality services have glorious prospects in this field.

### Conclusion

The growing prominence of the market place and the increasing penetration of e-com are likely to alter the very e-commerce logistics function in India. A combination of fast delivery, upgraded products, better infrastructure, services, updated technology and innovations can help India to tap the unexplored market. The increasing network of E-com has created reliability among customers to overcome these challenges. The emerging trend of outsourcing, marketing and new strategies can help the existing market players and the upcoming one's to grab the opportunities available in the global market. India can be a major player in the global e-commerce set up and the business men can convert their major challenges into opportunities.

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