

# E-commerce: Opportunities and Challenges

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## ABSTRACT

Today e-commerce is another name for cutting edge business. E-Commerce stands for electronic commerce. As the name suggests e-commerce is dealing in goods and services through the electronic media and internet. On the internet, it simply relates to a website of the vendor, who sells products or services directly to the customer from the portal using a digital shopping cart or digital shopping basket system and allows customer to make payment through credit card, debit card or EFT (Electronic fund transfer) payments. E-commerce or E-business involves carrying on business transactions with the help of the internet and by using the information technology like Electronic Data Interchange (EDI). In layman words, E-Commerce is the movement of business onto the World Wide Web. E-Commerce has almost overnight become the one of the most dominant online activity. No single definition can be give in regard of E-Commerce, it means only commercial activity or transaction which is performed or linked and supported by Electronic Communication. The effects of e-commerce are already appearing globally in all areas of business, no field is left untouched from e-commerce then it hardly mater whether it is customer service to new product design. It facilitates new types of information based business processes for reaching and interacting with customers which include online advertising and marketing, online order taking and online customer service. In now days E-commerce uses the www at least some point in transaction lifecycle. It has also reduce costs in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services are now reduce to large extent. For developing countries like India, e-commerce offers considerable opportunity. In India it is still in nascent stage, but even the most-pessimistic projections indicate a boom. There has been a rise in the number of companies' which has actively use e-commerce in order to increase their sales and to provide best customer services to their customers. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue as it has emerges is one of cheapest and effective source of product promotion. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers, etc by use of ecommerce only. With stock exchanges coming online the time for true e-commerce in India has finally arrived. In other words E-commerce refers to those transactions which are done online. The biggest reason for using E-commerce is its multiple benefits that consumer's gets in form of availability of goods at lower cost, wider choice and its time saving feature. E-commerce can be broadly divided into two parts E-merchandise and E-finance.

E-Commerce transaction is done by using various technical devices like: telephone, fax, e-payment, money transfer systems, e-data interchange and the Internet.

This research paper is conclusion of various reviews of experts that had carried out their research on E-commerce. This paper put light on various opportunities that are prevailing in today's scenario for e-commerce. This paper will also put emphasis on overall growth of e-commerce industry in India from 2010 to 2015.

Along with this paper will specify the various key challenges that e-commerce industry has to face in developing country like India.

**Keywords** : e-commerce, electronic data interchange, electronic fund transfer, e-merchandise, e-finance

## Introduction

E-Commerce stands for electronic commerce and it generally deals with electronic media and internet for

buying and selling of goods and services. Electronic Commerce (E-commerce) seems to be everywhere these days. It's nearly impossible to read a magazine or



newspaper without coming across an article about how e-commerce is going to change and affect our lives. It is widely accepted that e-commerce and Internet technologies can benefit an organization

Elizabeth Goldsmith and others (2000) reported that the general category of e-commerce can be broken down into two parts:

1. **E-merchandise:** selling goods and services electronically and moving items through distribution channels, like Internet shopping for groceries, tickets, music, clothes, hardware, travel, books, flowers or gifts.
2. **E-finance:** Banking, debit cards, smart cards, Banking machines, telephone and Internet banking, insurance, financial services and mortgages on-line

The Organization for Economic Cooperation and Development (OECD), in their research paper on e-commerce has concluded that the Electronic commerce has become a priority area for many international organisations, particularly since concerns about the "digital divide" have brought the issues connecting information and communication technology (ICT) and development policies to the front burner

### Evolution of e-commerce

The evolution of commerce took place centuries ago. Even

prior to the evolution of money when simple "barter process" was in use. As in this system things were exchanged in lieu of other things. The evolution of money brought with it need of "market place". In market place 4p where of great importance that were- price, place, product and promotion. Then with change of time a new trend follow the market in which the customers were ready to pay extra if goods are delivered at their door step and this desire of customer's gave birth to new concept name as "Street Vendors". When postal system came to existence the sellers decided to Ancash this opportunity and started using mailers which used to give description of their products. In this manner a new concept of "Mail Order Cataloguing" came into existence. After this concept the most rapidly growing concept that came to existence was "teleshopping" but teleshopping were there with limitation of language and far distance to overcome these limitation a latest concept came into existence name as "e-commerce". In this the transactions related to commerce were done on internet. As internet provides a global platform to all buyers and seller where they sell and buy their products globally. The e-commerce concept the freedom to buyer and seller to deal with one other even if they are situated thousands of miles apart ,may belong to different parts of worlds , might speaking different language. Ecommerce emerged as boundary less trade medium in today's era of globalisation.

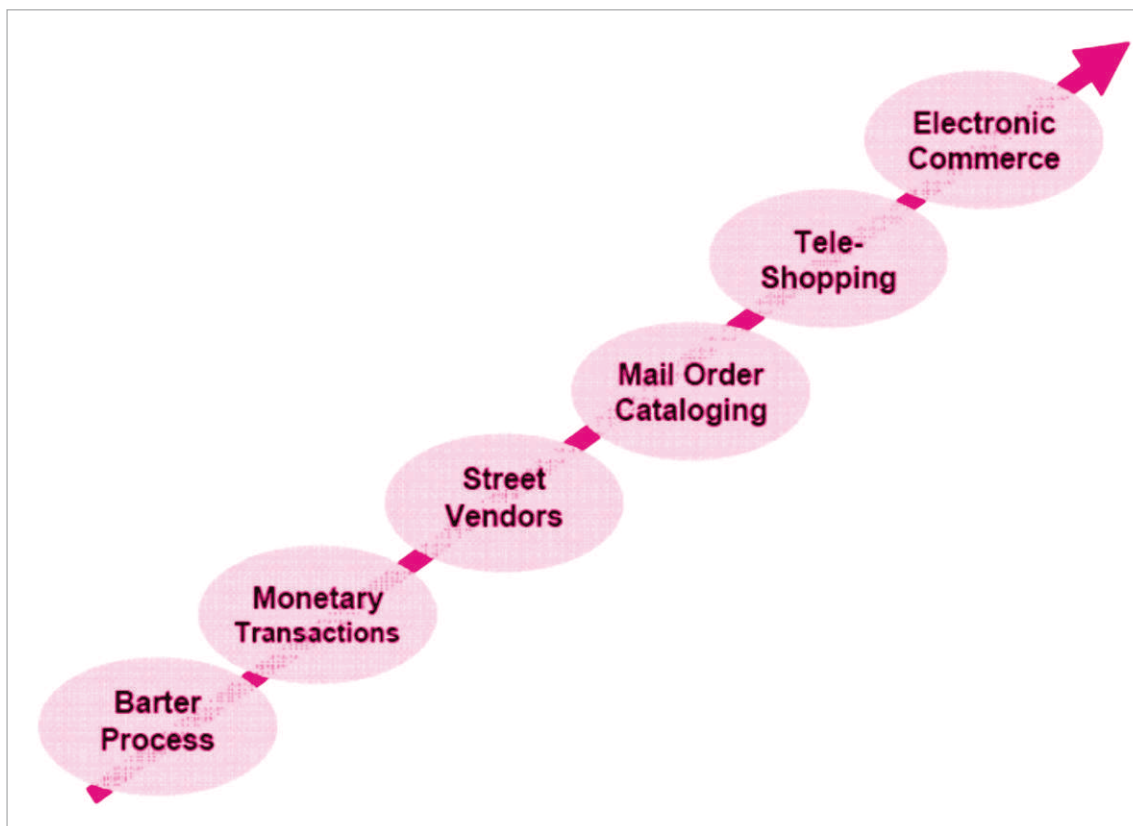


Figure no. 1 Evolution of E-Commerce

## Growth of e-commerce

E-commerce involves all the finance related transactions that are done online by use of internet. With the upcoming networks of telecommunication and internet in present era have made these electronic gadgets an integral part of today's economic infrastructure.

E-commerce is one of the best thing that happen to middle class and emerging small unit of business as it appeal to mind set of people which is about getting best value of money spent. Therefore the one of the major factor that makes e-commerce popular in various countries like India is that it has started a bargaining hunt among same quality product which is very common among to middle class around the world. As success of filipkart, snap deal is the evidence to long stay of e-commerce. The second factor that makes e-commerce so popular is its nature of upcoming hurdles of place and time as threw online dealing a person without moving out of his personal comfort zone can order his requirement just by a single click of his mouse button and goods are deliver to his doorstep that to at cheapest rate and various mode of payment is available to in this process. Similarly online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers.

According to latest research of internet and mobile association of India (IAMAI) the e-commerce market in India is expected to nearly double to 2,11,005 corer by

December, the e-commerce market grew 30% between December 2011 and December 2015 and was valued at 1,25,732 corer by the end of December 2015, led by the online travel industry which accounted for 63% of the overall share, the report said. Online travel, which includes domestic air ticket and railways booking, is expected to grow around 40% to reach 1,22,815 corer by end of 2016. The hotel booking business grew 165% year over year to 5,200 corers in December 2015, while spend on online railway ticket booking grew at around 34%, to 21,708 corer in 2015.

According to other research of IAMAI there is 57% Growth electronic communicable gadgets. The report interpret ate that customers of online shopping mostly belong to age group of 1 to 34 years and predominantly they are male approximately 64%. And most shockingly Apparel and footwear sale has almost double as compared to previous year, to 742 corers in December 2015. And by 2016 end the expected gain for this segment will be reaching to 72,639 corers.

More over other online service that include online booking of movie tickets, plays, threat, amusement parks ,online travel booking, online hiring a cab and online ordering grocery and food has been accounted for 3,823 corers in last year.

The report of statista state that the e-commerce will extend globally up to 37% in 2018 and the Asia Pacific region is emerging as the most dominating region among

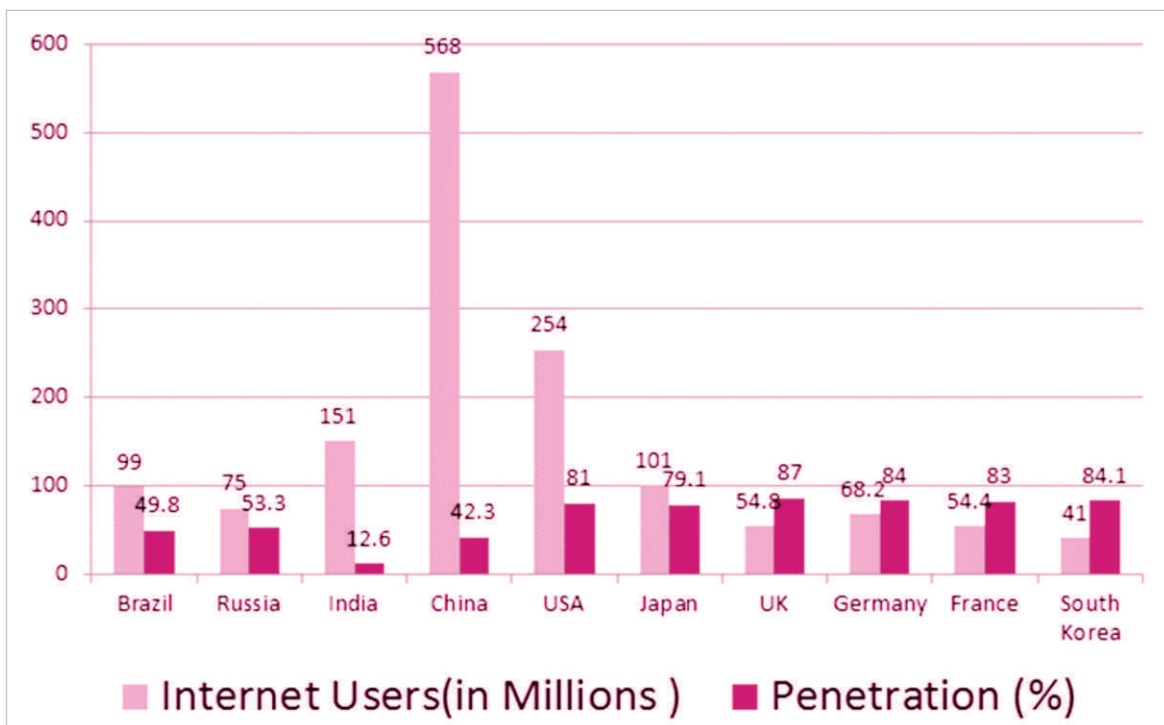


Figure 2: Internet penetration in various countries (Source: digitalinsights.com)

entire world for the e-commerce industry. China is enjoying leadership in online business and also achieved an edge over U.S as the single country with largest e-commerce market in the world. Another most speedily growing Asian country in e-commerce is India as recent statistics show that retail e-commerce sales in India have grown tremendously, from 2.3 billion U.S. dollars in 2012 to an estimated 17.5 billion U.S. dollars, this representing an almost eight-fold growth. As of 2015, the retail e-commerce sales as a percent of total retail sales in India are set to account for 0.9 percent of all retail sales in India, but this figure is also expected to grow in the near future, reaching 1.4 percent in 2018.

According to current data, by mid of 2016 near about 653 million people in the Asian pacific region has linked to e-commerce i.e. up to 48 % to 50% of internet users of Asian pacific region has are purchasing and selling their goods and services online. Alone in India the number of digital buyer in expected to reach up to 41 million by the end of 2016. And e-commerce as a great tendency to increase at high level as till date only 9% of Indian are using the e-commerce. And this number is increasing day by day.

The most successful e-retailer in India is jabong.com as up to 2014 it was there with 26.26 million unique visitors, jabong.com manage to overcome the world most successful e-retailer.

## Brief Review of Literature on E-commerce

The following is brief review of literature done by different researchers worldwide in the area of e-commerce.

1. Elizabeth Goldsmith and Sue L.T. McGregor (2000) analyzed the impact of e-commerce on consumers, public policy, business and education. She gave two broad categories in which all e-commerce were divided, she also discussion of public policy initiatives, research questions and ideas for future research are given.
2. Diana Oblinger(2001) research has focussed on e-learning by online payment of charges of various courses. According to her research soon e-learning will become widely accepted because of high exposure of learning community to the Internet and e-learning often begins in the primary grades, thus this makes more students familiar and comfortable with online learning.
3. Prithviraj Dasgupta and Kasturi Sengupta (2002) in his reported have discussed about recent growth that took place in insurance industry because of the betterment of Internet Infrastructure and Introduction of

economic reforms this has provide monopolistic advantage to Indian Insurance market in competition with foreign alliances. Although earlier e-commerce has been mainly focusing on business to consumer (B2C) applications but with emerging of better internet infrastructure the emphasis is now shifting towards business to business (B2B) applications

4. James Christopher(2004) Acc to research study of James Christopher e-commerce face one major problem related to the customer retention as e-commerce do not guarantee whether the customers will visit or will be loyal to same site of e-tailors or not.
5. Young Jan Choi 1, Chung Suk Suh (2005) reported e-commerce as a tool which overcome the distance barriers and as result of which the price of commodities also reduces to much lower level. Hence e-commerce has able to achieve economies of scale and provided opportunities to many companies to have more verities which did not exist before the emergence of e-commerce
6. Zabihollah Rezaee, Kenneth R. Lambert and W. Ken Harmon (2006) report emphasises on introduction of e-commerce's education to all business courses as it will led to technological development of nation. Students must be taught about the use of e-commerce in different disciplines e.g. accounting, economics, finance, marketing, management, and information systems.
7. Mauricio S. Featherman, Joseph S. Valacich & John D. Wells (2007) report put focus on the negative effect that e-commerce has generated in the brains of customers. As till date most of customers believe that Internet-based transaction expose them to the dangers of online fraud. As identifying thief online is not an easy task and stealing confidential information is has become common crime nowadays

## Objectives of the Study

1. The primary objective of this study is to analyse various opportunities that e-commerce is attaining and also to put focus on various challenges of ecommerce in India.
2. The secondary objective of research is to understand the evolution of E-Commerce and to describe the conceptual framework of E-Commerce in India.

## Key drivers in Indian e-commerce are

- Large percentage of Indian population are using

Internet connections, among which 70% people are 3G internet users, and rest are 4G internet users

- Extreme increase in number of Smartphone users in India has convert India into the world's 2nd largest Smartphone user base country
- Living standards of has increased with use of electronic gadgets. Like mobiles, tablets and boosted up the e-commerce.
- E-commerce has provide customers with much wider product range (including long tail and Direct Imports) compared to structural retailers shops available at different location and areas.
- The price of online product is much lower as compare to product price which are available at brick and mortar retail shops
- E-commerce in India has given right to consumer to sell the second-hand goods to other consumers at cheapest rate
- Evolution of Million-Dollar start ups like Jabong.com, Saavn, Make my trip, Book my show, Zomato, Flipkart, Snap deal.

## Advantages of e-commerce

### To Consumers

Advantages e-commerce that consumers can avail are listed beneath

- (i) With the use of cyber market Consumers have much wider choice available them
- (ii) Due to increased neck to neck competition among online sellers the customers are able to get great variety of product at lower costs
- (iii) Because of use of e-commerce the transparency has increased to wide-scale as customers can check information dissemination, can compare product's features, prices and even look up reviews of other buyers before they select what they want to buy.
- (iv) Online transactions help in comparing products and give advantage to customers of saving time and money while shopping.
- (v) By using e-commerce Consumers are able avail the advantage of fast delivery services of products at their door step.
- (vi) More consumers are driven to e-shopping because online shopping provides option of purchasing even the branded goods on reasonable cost.

### To Suppliers

Companies/suppliers are also enjoying many advantages that e-commerce has brought to them

#### 1. Reduction in inventory cost

After the introduction of E-commerce in 1995 the basic need of corporate of maintain a huge inventory stock, was no more needed. This reduces the overall cost of retail showrooms. Now they need not to block their money in purchasing heavy lot of inventory as now E-commerce came with just-in time (JIT) concept i.e. they can order inventory just before they need.

#### 2. It can improve customer services

E-commerce overcomes the hurdle of increasing cost in providing customer with after sale services. As earlier it had been found that providing after-sale services to customers account for up to 10 per cent of the operating costs. But after the introduction of e-commerce the cost of after sale services get reduced and on same time on other hand the quality of after sale services had improved to greater extend

#### 3. It reduces distribution costs as well

The Electronic Data Interchange (EDI) based on Organization for Economic Co-operation and Development (OECD) study has revealed that the time needed to process an order declined abruptly by a minimum of 50% from 96%. It is really amazing.

#### 4. It helps business globalize

E-commerce has given a boost to small scale industries to great extend as this enables companies to provide information about products and services available to all the potential customers spread over worldwide. This is well confirmed by Amazon. Com. founded by Jeff Bezos, which is at present era serving as one of the largest bookstore in the net.

#### 5. It helps in marketing products more quickly and efficiently.

E-commerce has brought into consideration many new aspects of marketing goods at international level. As with use of e-commerce the customers are able to see various products and come to know about the various feature that are company giving in its products more over any kind of discount or gift coupons Information can be easily seen online which give marketing boost to the product's sale.

## Opportunities For E-commerce in India

The list of various opportunities e-commerce provide to the different sectors of Indian economy are

**Global trade:** E-Commerce has given a different height to India's business as it changes the traditional ways businesses used to follow in order to approach globally.

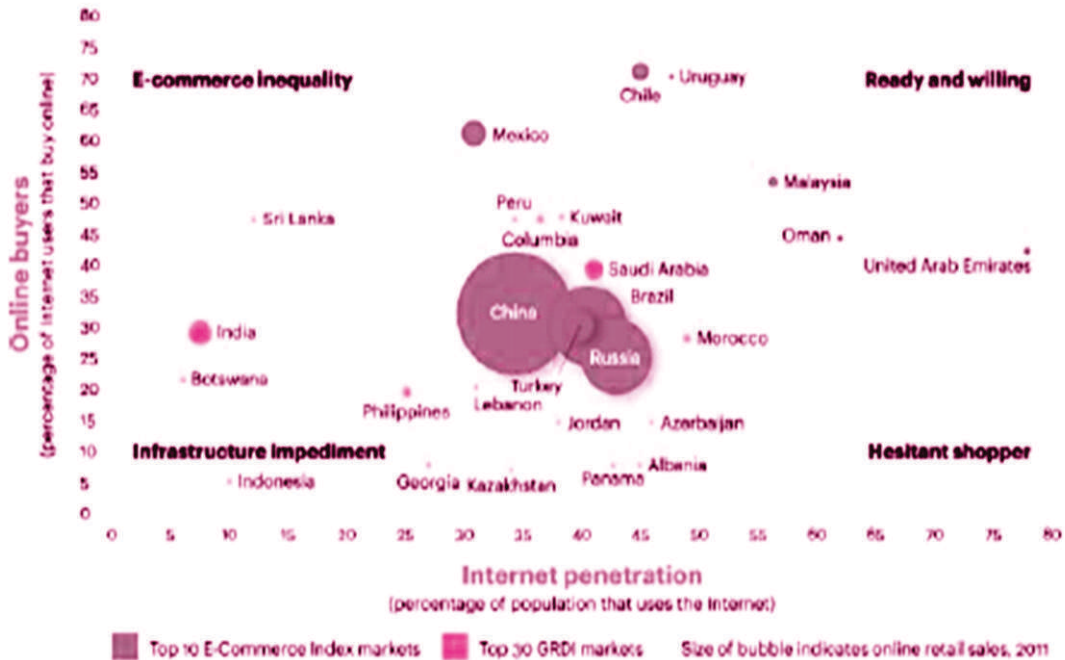




After introduction of e-commerce businesses started using (IFRS) international financial reporting standard and internet financial reporting which help to measure the performance of business at international level.

**Critical mass of Internet users:** With more than 100 million Internet users, the country is beginning to achieve a critical mass of users who are familiar with web services.

According to Kearney analysis India do not have global standard of e-commerce infrastructure but still the sale for ecommerce is much large as compared to many top ranked countries in the ecommerce index. And by 2020 it will be second largest e-commerce using country in world



Source: - international telecommunication union, A.I Kearney analysis

**Figure 3 Comparing internet use with online shopping habit offers insight into the different type of e-commerce market**

**Rising middle class with disposable income:**

The Indian society is divided into broader category of “haves” and “have-nots”. However, with the rise of small and medium enterprises, foreign direct investment, and India’s own powerful multinational corporations creating millions of new jobs, as result of this industrialisation new generation of globally-minded Indian consumers has been created. These consumers are spread across the country. According to survey the potential e-commerce consumer of in India by 2024-2025 is likely to touch around 594.8 million individuals or 297.4 million households. By 2024-2025, 58 million rural households will be part of the e-commerce consumers. The study also reveals that Poor Section will decrease substantially.

**Challenges For E-commerce In Indian:**

The infrastructural barriers are the main challenges which are slowing down the growth of e-commerce in India are :-

- Lack of IT policies and effective cyber laws is one of the biggest challenge that e-commerce is facing in India
- Other major barrier in e-commerce’s promotion in India is Lack of trust among customers.
- Indian people (especially females) have tendency to bargain the products, which is not feasible in Ecommerce.
- In India Different local languages and cultural factors are followed and online dealing is mainly available in English which work as barrier in boost of e-commerce
- Lack of awareness and understanding of the value of e-commerce is major challenge in path of growth of e-commerce
- Ever change technologies causes the main complication in e-commerce transaction

- In e-commerce no surety can be given of product quality as receiving low quality product is common problem in developing country like India
- In online shopping the customer has to wait for delivery once product is ordered because of widely spread regions
- Even on the bulk purchases also no significant discounts are provided on the products.
- As online purchasing include heavy Shipping due to big geographical area
- E-commerce suffers from Security issues. Ensuring security of payments and privacy of online transactions is key challenge because of this till date up to 90% of Indian customers still do not feel comfortable in dealing in online transaction.
- E-commerce includes Taxations: Octroi, entry tax, VAT and lots of state specific forms which accompany them.

#### Change In Mind Set At Time Of Cash On Delivery

Cash on Delivery (COD) came into market as one of the best innovative idea as it reduces the use of credit card in online transaction but along with this a big problem for online supplier raised its head as the consumers often change their mind by the time the goods arrive. The returns are as high as 40-45% of all the COD shipments.

#### High Cash Burn Rate

At a recent conference, a venture capitalist mentioned that a niche vertical ecommerce venture needs \$50 million of funding over time while a horizontal player would need \$300-400 million funds. Leaders in the e-commerce space (ones that have raised money, have large teams and are aggressively pursuing growth) are spending \$1-2 million (Rs 5-10 corer) a month, including on marketing, overheads and salaries. At this rate of burn, smaller firms with scant capital are unable to cope with use of e-commerce in their small business.

#### High Inventory/Poor Supply Chains

Most of the ecommerce ventures are complaining of the excess inventory and absence of demand of their products in Indian market. The poor supply chain leads to inventory problems due to less demand of product in market. The cost of carrying the inventory is very high and successful ventures would need to tackle the supply chain issues if they really want to run a large scale business.

### Ethical issues:

Jackie Gilbert Bette Ann Stead (2001) reported the following ethical issues related to e-commerce.

#### 1) Privacy

Privacy has been continues concern for both current and prospective electronic commerce customers. With regard

to web interactions and e-commerce the following dimensions are most salient:

- (1) Privacy consists of not being interfered with, having the power to exclude; individual Privacy is a moral right. Which most of time is betrayed by the cyber thief's which cause heavy loss to customer and as result they lose the trust on e-commerce
- (2) Privacy is "a desirable condition with respect to possession of information by other persons about him/herself on the observation/perceiving of him/herself by other persons"

#### Security concern

Other ethical issues are also involved with electronic commerce. The Internet offers unprecedented ease of access to a vast array of goods and services. The rapidly expanding arena of "click and mortar" and the largely unregulated cyberspace medium have however prompted concerns about both privacy and data security.

#### Conclusions

With the development of computer technology and network infrastructure all around the World in the form of World Wide Web has connected the entire world to each other as result of it the transactions become so fast and convent that customers sitting in different countries far away from each other can deal with each other easily. Computers from locations that are geographically dispersed can talk with each other through the Internet. As with any technology, there are associated prone and croon with its use and Adoption. Finally, an e-marketplace can serve as an information agent that provides buyers and sellers with information on products and other participants in the market.

E-commerce creates new opportunities for business; it also creates new opportunities for education and academics. It appears that there is tremendous potential for providing e-business education. But along with it on other side use of e-commerce also gave birth to threats like CIBER crime, fraud transactions, linkage of confidential information to different unsocial elements of society which causes heavy loses to individual as well as to society and country.

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