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## Future of E-Commerce in India

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### ABSTRACT

E-business is no longer just a new way to do business, but in today's Internet-driven environment, it has become the only way for companies to compete. Enterprises are utilizing e-business solutions to increase productivity, efficiency and sales. At the same time, the speed and security of the Internet affords them with enormous savings in business-related costs such as materials, warehousing, administration and services. Without Internet-based procurement and fulfilment technologies, companies face the inevitable future of being driven out of the market. The e-commerce market in the country is expected to grow 37% to reach \$20 billion by next year on the back of growing internet population and increased online shoppers. Online travel constituted 71% of the e-commerce market in India, followed by e-tailing (16%). This paper deals with the global status of E-commerce and future of E-commerce in India.

**Keywords:** E-commerce, E-governance, E-marketer, E-tailing, Business-to-Consumer (B2C), Business-to-Business (B2B), Business-to-Administration (B2A).

### INTRODUCTION

The rise of internet companies in India started in the mid-1990s. The first Indian internet companies mainly featured online classifieds, matrimonial and job portals. The low penetration of internet, lack of awareness and lack of development and confidence in online payment systems were reasons for Indian internet companies not actively engaging in e-commerce. It was only in the mid-2000s, after the dot com bubble burst that e-commerce industry in India started to take off. The first e-commerce services available were mainly offered in the travel industry. Because proliferation of low cost carrier airlines, ticket offering started to be made online. Today also travel booking websites hold a majority share of the Indian e-commerce space. After of years, the online retail industry started taking shape and it is rapidly growing today as brick and mortar stores are being replaced by click-only models or brick cum click models of business. E-commerce space relating to the deals and discounts websites started becoming popular towards 2009 and onwards while the concept of social media for e-commerce is still trying to make a foothold in the markets despite having one of the largest populations using Orkut and Facebook etc.

### Concept of Electronic Commerce

The concept of e-commerce is all about using the Internet to do business better and faster. It is about giving customers controlled access to your computer systems and letting people serve themselves. It is about committing your company to a serious online effort and integrating your Web site with the heart of your business. If you do that, you will see results!

The Internet's role in business can be compared to that of the telephone. It is a way for people to communicate with each other. It is also a way for a consumer to communicate with a company's computer

systems without human intervention. In fact, the Internet is a communication medium like the many others we use in business every day.

Think of the ways you communicate with people in business. The best way is face to face. Body language, tone of voice, and facial expressions all help you understand what the other person is trying to say. When you cannot meet face to face, you may use any of a number of different means to communicate: a telephone, a fax machine, Federal Express, the U.S. Postal Service, or maybe even a messenger service. These are all ways to deliver or receive information, authorization, even shipments of goods and merchandise.

The Internet is a reasonable alternative to all of those means of communication. Any place and any way that your business communicates with its customers, you should think about how you could have done it online. That is the power of e-commerce.

Can't meet face to face? Send an e-mail with an attached photograph. When it comes time to pay for merchandise, use a secured server to pay by credit card, or even digital cash! The opportunities and situations in which online business is possible are limitless.

### **Types of E-Commerce**

There is considerable hype about ecommerce that would lead many SMEs to believe they are lagging behind if they are not part of the new trading revolution. Much of the hype relates to success stories on Internet selling but other types of ecommerce relationships exist which can bring their own benefits:

#### **Business-to-Consumer (B2C)**

Where much of the initial success was generated as companies sold selected consumer products to an Internet-literate audience, willing to buy on-line. SMEs can also succeed in this area without an on-line selling capacity, simply by improving the marketing of their products to potential customers.

#### **Business-to- Business (B2B)**

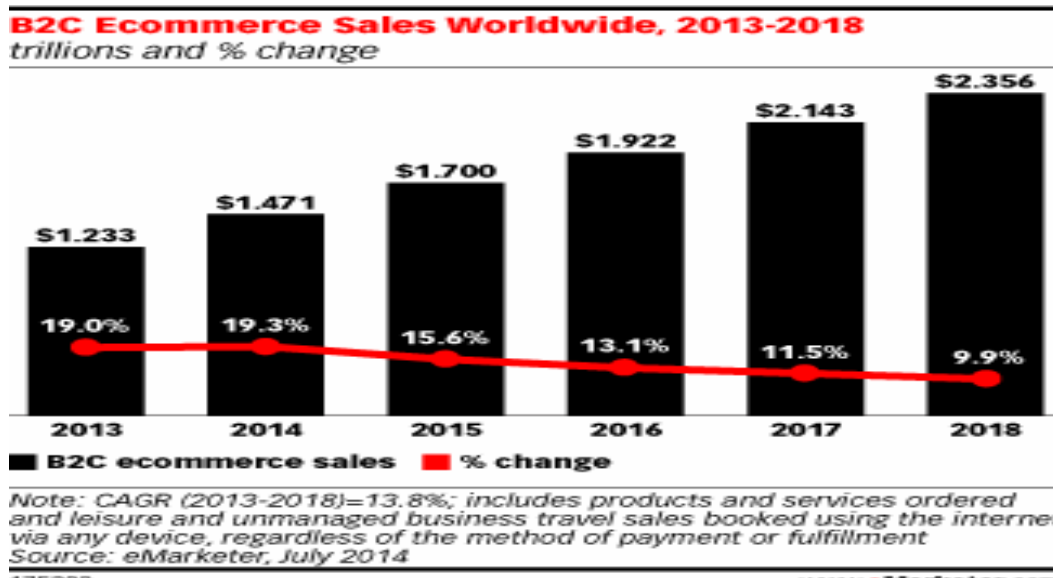
Interaction between businesses either in an established supply chain, or with new trading partners. An area which didn't get as much publicity as the business-to-consumer activities, but one now gaining more recognition and which is more important to small businesses in the manufacturing sector.

#### **Business-to-Administration (B2A)**

A third category of ecommerce, still in the early stages of development, in which the business community interacts electronically with public sector organizations. Submission of planning applications, VAT returns, income tax, or patent registration, all come within this category and B2A applications (also known as E-governance) have the potential to bring even more companies into the world of electronic trading.

### **Status of global E-Commerce Industry**

Business-to-consumer (B2C) ecommerce sales worldwide will reach \$1.471 trillion in 2014, according to new figures from E-marketer, increasing nearly 20% over 2013. As internet usage continues to mature across the world, ecommerce growth will slow over time, settling around 10% by the end of our forecast period. However, with sales reaching \$2.356 trillion in 2018, a 10% growth rate still represents more than \$200 billion new dollars that year.



E Marketer's definition for B2C ecommerce sales includes all products and services ordered or booked via the internet on any device, including leisure and unmanaged business travel.

On a regional basis, North America—which includes only the US and Canada—will remain the leading region in B2C ecommerce sales share in 2014, accounting for around one-third of the dollars spent on digital purchases worldwide. Previously, eMarketer forecast that Asia-Pacific would surpass North America in market share this year, but full-year data from 2013 as well as Q1 2014 data showed China's B2C ecommerce growth slowing faster than expected due to the market maturing. With China accounting for a significant portion of ecommerce sales in Asia-Pacific, this affected our estimates materially.

**B2C Ecommerce Sales Share Worldwide, by Region, 2013-2018**  
% of total

	2013	2014	2015	2016	2017	2018
North America	34.9%	32.9%	31.7%	31.1%	30.7%	30.6%
Asia-Pacific	28.3%	31.2%	33.4%	35.1%	36.4%	37.4%
Western Europe	26.4%	25.4%	24.6%	23.9%	23.3%	22.7%
Latin America	4.2%	4.3%	4.2%	4.1%	3.9%	3.7%
Central & Eastern Europe	4.1%	4.0%	3.8%	3.5%	3.3%	3.2%
Middle East & Africa	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%

Note: includes products and services ordered and leisure and unmanaged business travel sales booked using the internet via any device, regardless of the method of payment or fulfillment; numbers may not add up to 100% due to rounding  
Source: eMarketer, July 2014

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E Marketer now expects Asia-Pacific to become the leading region for ecommerce sales in 2015, representing 33.4% of the total, compared with 31.7% in North America and 24.6% Western Europe. These three regions combined will continue to take around 90% of the global ecommerce market throughout our forecast period.

The increase of ecommerce sales in Asia-Pacific is tied to a growing base of digital buyers, and as more new buyers come online, naturally sales will rise. However, by the end of our forecast period, nearly 70% of internet users in both Western Europe and North America will purchase items on digital devices, vs. just over 50% in Asia-Pacific.

**Digital Buyer Penetration Worldwide, by Region, 2013-2018**  
% of internet users

	2013	2014	2015	2016	2017	2018
North America	72.0%	73.6%	74.9%	76.3%	77.7%	78.8%
Western Europe	64.0%	65.2%	66.3%	76.3%	68.2%	69.0%
Asia-Pacific	42.1%	44.1%	46.8%	48.9%	50.4%	50.9%
Central & Eastern Europe	41.6%	43.4%	44.3%	44.4%	44.6%	44.6%
Middle East & Africa	31.3%	33.1%	34.0%	35.0%	36.0%	37.0%
Latin America	28.2%	29.9%	30.9%	31.8%	32.7%	33.7%
<b>Worldwide</b>	<b>41.3%</b>	<b>42.7%</b>	<b>44.3%</b>	<b>45.4%</b>	<b>46.4%</b>	<b>47.3%</b>

Note: ages 14+; internet users who have made at least one purchase via any digital channel during the calendar year, including online, mobile and tablet purchases  
Source: eMarketer, July 2014

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Buyer penetration in Asia-Pacific translates to the largest number of consumers, but the region is far more fragmented than North America and Western Europe. In the latter two regions, ecommerce continues to grow at double-digit rates and will do so for several more years. In markets as large as these, this points to the fact that individual buyers are making purchases more frequently and with higher order values, and consumer behaviors are relatively consistent across countries in both regions.

### E-Commerce in India

Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. E-commerce is relatively a novel concept. It is, at present, heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and mouse tickets to the grocery and computers. The major in this services being Rediff.com and the net and India plaza with started a shopping section after In spite of RBI regulation low internet usage E-commerce sites have popped up everywhere hawking things like groceries, bakery items, gifts, books, audio and video cassettes, computer etc. none of the major players have been deterred by the low PC penetration and credit card.

### Future of E-Commerce in India

The e-commerce market in the country is expected to grow 37% to reach \$20 billion by next year on the back of growing internet population and increased online shoppers, a report has said. "E-commerce in India is a \$11 billion market, and is estimated to reach \$20 billion by 2015, growing at a CAGR (compound annual growth rate) of 37% over 2013-15,". There are multiple enablers for this growth which include an increase in the number of Internet users and an increased proportion of online shoppers within those users, growth in the per-shopper transaction value and continued flow of capital by willing investors. The report said currently online travel dominates the e-commerce market but in the future, e-tailing will drive the growth. Online travel constituted 71% of the e-commerce market in India, followed by e-tailing (16%). Travel has grown at a CAGR of 32% over 2009-13. "However, going forward, e-tailing will be the biggest growth driver, with an expected CAGR of over 60% to \$7 billion in 2016 from \$1.7 billion in 2013. Within e-tailing, fashion is likely to be the driving segment," it said. Fashion was \$559 million in 2013, and estimates peg the growth in fashion e-tailing to anywhere between \$3 billion and \$6 billion by 2016.

### Advantages of E-Commerce

**Improve Sales:** - Secure real time processing Improve sales on the website by providing a means for immediate payment that provides closure for sale. E-commerce solutions have been delivering down to earth selling strategies to enterprises, who wish to profit from this emerging explosive new technology. E-commerce increases sales by making it easy for customers to do comparison shopping based on their specific situations and to choose an insurance carrier. Sales are enhanced by making it much faster and simpler for customers to evaluate their levels of need.

**Easy To Operate:** - For the internet business, the ease of use means more than simplicity. The internet payment services including security features make the management of e-business easier. By using the services of website providers, one can setup in little as 15 to 20 minutes nearly and transact thousands of online business throughout the world. It drastically reduces time-taking decisions, lengthy procedures, thus streamlining the order process entirely, this service is easy to use and operate.

**Improved Customer Satisfaction:** - With the emergence of electronic commerce, the supply chain is shortened. It improves services given to customers; increases productivity, efficiency, access to international markets and cost reduction, doing commerce over the internet. It also helps companies to render improved services to their customer.

**Easy to Start :** - As a new medium of business, the net affords the lowest transaction costs among all other methods of doing, the world wide web (www) helps to promote services and ideas for a fraction of the cost of traditional advertising and marketing. There is no printing cost and no postage cost. Its cost is effective because there is no maintenance cost, stationery and other costs.

**No intermediaries:** - It establishes business to customer (b2c) contact, but not business to business (b2b). This eliminates the intermediaries between various businesses and customers. The competitive advantage of e-commerce from this point of view is significant. Online business through the internet puts business in direct contact with a multitude of competitive suppliers' and services and millions of customers. The survival of business will depend on how to set up shop along the information super highways i.e. Internet.

**Cyber Security :** - Today, secure encryption technology is available following episodes of cyber crime. For instance, the Secure Socket Layer (SSL) and Secure Electronic Transaction offer security. The public key and private key mechanisms protect sensitive payment information. Protocol securities are now available and customers are assured that their personal sensitive financial data is protected by most sophisticated systems.

**Better Customer Understanding:** - Another reason why enterprises are moving towards e-commerce is to offer better service levels to their customers. E-commerce can support this business through different ways. Starting with an online catalogue for ordering goods or a simple ordering system that allows the customer to fill an online order form for services, businesses can bring in more reliability in their operations; since errors can be weeded out at the point of data captured itself. After an error free order has been logged and in the process of being executed the customer might want to constantly be aware of the status of the order.

### Disadvantages of E-Commerce

#### Technical Disadvantages

There can be lack of system security, reliability or standards owing to poor implementation of e-Commerce. Software development industry is still evolving and keeps changing rapidly. In many countries, network bandwidth might cause an issue as there is insufficient telecommunication bandwidth available.

Special types of web server or other software might be required by the vendor setting the e-commerce environment apart from network servers. Sometimes, it becomes difficult to integrate E-Commerce software or website with the existing application or databases. There could be software/hardware compatibility issue as some E-Commerce software may be incompatible with some operating system or any other component.

**Non-Technical Disadvantages**

- ✓ Initial cost: The cost of creating / building E-Commerce application in-house may be very high. There could be delay in launching the E-Commerce application due to mistakes, lack of experience.
- ✓ User resistance: User may not trust the site being unknown faceless seller. Such mistrust makes it difficult to make user switch from physical stores to online/virtual stores.
- ✓ Security/ Privacy: Difficult to ensure security or privacy on online transactions.
- ✓ Lack of touch or feel of products during online shopping.
- ✓ E-Commerce applications are still evolving and changing rapidly.
- ✓ Internet access is still not cheaper and is inconvenient to use for many potential customers like one living in remote villages.

**CONCLUSION**

Creating online stores in India is no longer limited to those who are adept with computer programming. Entrepreneurs can bring their products and services online even with only a little knowledge about computer programming. This is due to the existences of E-commerce platforms that allow to them to construct a website without having to deal with complex codes. Online stores in India have greatly expanded over time. These days, people can buy almost anything online. Clothing, jewelry, accessories, gadgets, home decors and digital products are already available on various online stores. Just like in other markets, online stores in India gained popularity in a slow manner. People were hesitant on making transactions online. But with ever since numerous businesses offered free delivery within India and cash on delivery, more and more people became more relaxed on making business with online stores. Cash on delivery allows buyers to be assured that they will get the item/s. Payment will be made once the packaged has arrived on their doorsteps. Aside from that, many buyers are anxious about sharing their credit or debit card information online. But the future of E-commerce in India appears to be a bright one. Wholesalers can take advantage of E-Commerce who are capable of establishing contractors with reputed producers and linking their business with the on-line. Producers can also linking themselves with on-line, by giving better information about their products to the other links in the business chain and by a having a brand identity. As more people are getting linked with E-commerce, the demand for centre providing internet facility or cyber cafe is also increasing. Hence, the people who wish to take advantage of it can establish cyber and have their benefits. People could found various opportunities of employment. On the behalf of above said reports and experts view showed that the future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented.

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