

CHALLENGERS AND BENEFITS FUTURE TRENDS OF E-COMMERCE GROWTH IN INDIAN BUSINESS

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ABSTRACT

The role of the internet in the evolution of e-commerce has been so crucial that the history of e-commerce will remain incomplete without the inclusion of the history of the internet. Using the internet, you can communicate with each other and interact throughout the world, by using of e-mail, read online application of e-books, newspaper, magazines, academics journals and provided free computer software. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study.

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INTRODUCTION

As a result of globalization and revolutionized technology and in many ways its feature, the term e-commerce represents the edge of success in this modern age computers and technology. E-commerce stands for electronic commerce. It means dealing in goods and services through the electronic media and internet. On the Internet, it relates to a website of the vendor, who sell products or services directly to the customer from the portal using a digital shopping cart or digital shopping basket system and allows payment through credit card, debit card or EFT payments. E-commerce involves carrying on a business with the help of the internet and by using the information technology like Electronic DataInter change. In general words, Electronic commerce is the activity of buying and selling of the goods and services across the world through the World Wide Web. The Customers having interest in the products and services of particular website and vendor can get information about products and can purchase anything ranging from household product like sofa set to computer and so on, comfortably by sitting one's in room and just by one click of the mouse.

Business-to-Business (B2B) e-commerce is the e-commerce between companies. The B2B market has shopping online, E-Commerce, E-Congress survey. two primary components viz. E-frastructure and e-markets. The E-frastructure is the architecture of B2B, primarily consisting of the following:

- 1 Logistics - Transportation, Warehousing and Distribution (e.g., Procter and Gamble).
- 2 Application Service Providers - Deployment, Hosting and management of packaged software from a central facility (e.g., Oracle and Linkshare).
- 3 Outsourcing of functions in the process of e-commerce, such as Web hosting, security and customer care solutions (e.g., outsourcing providers such as Share, Net Sales, iXL Enterprises and Universal Access)
- 4 Auction solutions software for the operation and maintenance of real-time auctions in the Internet (e.g., Moai Technologies Open Site Technologies)
- 5 Content management software for the facilitation of Website content management and delivery (e.g., Interwoven and Procure Net)
- 6 Web-based commerce enablers (e.g., Commerce One, based on browser and XML enabled).

The four basic activities for success in the B2B sector were listed as follows:

1. Analyze requirements
2. Track the possibility of satisfying requirements
3. Allocate satisfiers to requirements
4. Adjust the optimality criteria.

The five essential mega-management functions for virtual organizations were listed as follows:

1. Specify explicit objective goals of the virtual organization.
2. Search and identify potential partners.
3. Evaluate potential partners against the goals.
4. Negotiate with current partners and redesign the business process.
5. Reform virtual organization by switching partners.

E-commerce can be classified according to the transaction partners such as:

Business-to-Business (B2B)

Business-to-Consumer (B2C)

Consumer-to-Consumer (C2C)

Consumer-to-Business (C2B)

Business-to-business (B2B):

B2B is that model of e-commerce whereby a company conducts its trading and other commercial activity through the Internet and the customer is another business itself. This essentially means activity between companies through the Internet as a medium..Among other activities, B2B e-commerce includes purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, and service and support.

Business-to-Consumer (B2C):

Consumers are increasingly going online to shop for and purchase products. Business-to-Consumer e-commerce refers to exchanges between businesses and consumers, e.g., Amazon.com, Yahoo.com and Schwab.com. Similar transactions that occur in business-to-

business e-commerce also take place in the business-to-consumer context. For instance, as with smaller business-to-business, transactions that relate to the back office of the customer (i.e., inventory management at the home) are often not tracked electronically.

Consumer-to-Consumer (C2C):

With the C2C e-business model, consumers sell directly to another consumers via online. Consumer-to-Consumer exchanges involve transactions between and among consumers. These exchanges may or may not include third-party involvement as in the case of the auction-exchange eBay. Other activities include: classified ads (e.g., www.numberoneclassifieds.com), games (www.heat.net), jobs (www.monster.com), Web-based communication (www.icq.com), and personal services (e.g., Yahoo! Personals, webpersonals.com).

Consumer-to-Business (C2B):

The C2B model, also called a demand collection model. Consumers can band together to form and present themselves as a buyer group to businesses in a consumer-to-business relationship. These groups may be economically motivated as with the demand aggregator, Mercata.com, or socially oriented as with cause-related advocacy at voxcap.com.

Literature review

Berryman, Harington et al, (2000) define three kinds of electronic market, in which they highlight the issue of control over the market as a distinguishing factor; those controlled by sellers (single-source channels), those controlled by buyers, and those controlled by neutral third parties. (i.e. intermediaries). Today, the first type is still the most commonly found arrangement. Electronic markets as envisioned by Benjamin and Wigand (1995) have been slow to appear. They predicted that electronic markets are more appropriate for asset-specific markets where products are easy to describe. If they turn out to be correct, it will be interesting to see if manufacturer controlled markets will survive in the future, under competition from buyer controlled or neutral markets. They may only survive if the company has a strong brand, or positive reputation, or many loyal customers. All the classifications we have been discussing are based on the hypothesis that all types will co-exist on the Internet, which is itself perhaps a

questionable assumption. Another possibility is that online markets created by manufacturers may also allow competitors to sell their products. Such markets can become more successful and profitable themselves than the manufacturer's direct sales operations (e.g. SABRE and parent company United Airlines) (O'Connor 1999). These markets attract the competitors because they favour the seller more than in other distribution systems, and are especially attractive to smaller competitors because of the high costs of setting up a market. Some traditional intermediaries certainly are threatened by developing markets that allow the manufacturer to sell direct.

Need for the study

Growth of E-Business in India is tremendous but still has lot of barriers which are the obstacles in the way of E business. It needs a focus and should be prioritize to make the country in the lines of E- Business. We should look into these barriers and steps should be taken to address them. In this paper I describe the definitions and understanding of E-business, the differences between E-Commerce and E- Business, its advantages over traditional commerce, types, E-Business in India. In this paper I present you list of the factors and the reasons behind these factors which affect the growth of E-business, proposed solutions for some of these factors. Proposed model address some of the problems faced by enabling the traders, farmers and buyers can sell and purchase their products respectively like fruits, vegetables in quantities of metric tonnes regularly which is not possible in existing B2B, B2C, C2C websites. These programs must be conducted by government organizations which eliminates the need of brokers, commission agents, and intermediaries and infuses trust in the participants get into E- business.

Status of E-Commerce in India

Today E-commerce is a backbone in Indian society and it has become an integral part of our daily life. There are websites providing any number of goods and services. Then there are those, which provide a specific product along with its allied services Multi-product e-commerce- These Indian E-commerce portals provide goods and services in a variety of categories, for example:

- 1) Automobiles- On these sites we can buy and sell four wheelers and two-wheelers, new as well as used vehicles, online. Some of the services they provide are: Car research and

reviews, Online evaluation, Technical specifications, Vehicle Insurance, Vehicle Finance.

- 2) Stocks and shares and e-commerce- In India today, we can even deal in stocks and shares through e-commerce. Some of the services offered to registered members are: Online buying/selling of stocks and shares, Market analysis and research, Company information, Comparison of companies, Research on Equity and Mutual Funds.
- 3) Real estate and e-commerce- They provide information on new properties as well as properties for resale. One can deal directly with developer through consultant. Allied services: Housing Finance, Insurance companies, Architects & Interior Designers, NRI services, Packers & Movers.
- 4) Travel & tourism and e-commerce- India has a rich history and heritage and e-commerce is instrumental, to a large extent, in selling India as a product, encouraging Indians as well as foreigners to see its multifaceted culture and beauty. The tourist destination sites are categorized according to themes like: Adventure - trekking, mountain climbing etc, Eco-Themes pertains to jungles, flora and fauna.
- 5) Hobbies and e-commerce- The most popular hobbies from time immemorial are reading, music and films. The books cover a wide range of topics like Business, Art, Cookery, Engineering, Children's Stories, Health, Medicine, Biographies, Horror, Home & Garden, etc.
- 6) Employment and e-commerce- Two major portals like www.Monsterindia.com and www.naukri.com (meaning job.com in Hindi) are instrumental in providing job seekers with suitable employment at the click of a mouse. The service for job seekers is free and for Employers they charge a nominal fee. Jobs are available online in fields ranging from secretarial to software development, and from real estate to education.

Benefits of E-Commerce to businesses

There is a growing awareness among the business community in India about the opportunities offered by e-Commerce. Safe and secure payment modes are crucial too along with the need to invent and popularize innovations such as Mobile Commerce. The other reports available on India Reports are on retail, outsourcing, tourism, food and other emerging sectors in India.

Rapidly increasing Internet user base

- ❖ Technology advancements such as VOIP (Voiceover-IP) have bridged the gap between buyers and sellers online.
- ❖ The emergence of blogs as an avenue for information dissemination and two-way communication for online retailers and E-commerce vendors.
- ❖ Improved fraud prevention technologies that offer a safe and secure business environment and help prevent credit card frauds, identity thefts and phishing.
- ❖ Bigger web presence of SME's and Corporate because of lower marketing and infrastructure costs.
- ❖ The young population find online transactions
- ❖ Much easier
- ❖ Easy reach to a fast growing online community
- ❖ Unlimited shelf place for products and services
- ❖ Fuse the global geographical and time zone boundaries

Form Barriers to Ecommerce in India

Some of the infrastructural barriers responsible for slow growth of ecommerce in India are as follows. Some of these even present new business opportunities.

A. Payment Collection:

When get paid by net banking one has to end up giving a significant share of revenue (4% or more) even with a business of thin margin. This effectively means y parting away with almost half of profits. Fraudulent charges, charge backs etc. all become merchant's responsibility and hence to be accounted for in the business model.

B. Logistics:

You have to deliver the product, safe and secure, in the hands of the right guy in right time frame. Regular post doesn't offer an acceptable service level; couriers have high charges and limited reach. Initially, you might have to take insurance for high value shipped articles increasing the cost.

C. Vendor Management:

However advanced system may be, vendor will have to come down and deal in an inefficient system for inventory management. This will slow down drastically. Most of them won't carry any digital data for their products. No nice looking photographs, no digital data sheet, no mechanism to check for daily prices, availability to keep your site updated.

D. Taxation:

Octroi, entry tax, VAT and lots of state specific forms which accompany them. This can be confusing at times with lots of exceptions and special rules.

- E. Limited Internet access among customers and SMEs.
- F. Poor telecom and infrastructure for reliable connectivity.
- G. Multiple gaps in the current legal and regulatory framework.
- H. Multiple issues of trust and lack of payment gateways: privacy of personal and business data connected over the Internet not assured; security and confidentiality of data not in place.

E-Commerce in India and its growth

Electronic Commerce (or e-commerce) encompasses all business conducted by means of computer networks. Advances in telecommunication and computer technologies in the recent years have made computer networks an integral part of the economic infrastructure. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Business to business transactions will represent the largest revenue but online retailing will also enjoy a drastic growth. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow.

India is more than a billion people economy, mostly unbanked. With less than 20 million internet subscribers, all e-commerce initiatives are restricted to mostly banked and urban environment, with marginal relevance to masses. Mobile telephony has brought great opportunity to provide service fulfillment in a sub-urban & rural environment. The challenge is that still more than 70% of these 230 million mobile subscribers do not even have a bank

account and deal primarily in cash. Next 300 million mobile subscribers in India will come mainly from this unbanked segment.

Growth

E-commerce in India is projected to grow 10 times in value over the next five years, according to a joint study undertaken by the country's main software industry and the Boston Consulting Group.

S.No.	Description	2006/2007 in Crores	2007/2008 in Crores	Total Percentage
1	Travel Industry	5500	7000	76%
2	E-tailing	850	1105	12%
3	Online Classifieds	540	820	9%
4	Paid Content subscription	20	30	-
5	Digital Downloads	170	255	3%
	TOTAL	7080	9210	100%

Here is the chart of rest of the online spending breakup:

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It is quite clear that online spending is largely skewed towards Travel E-Commerce. Rs. 7000 crores out of 9210 crores is expected to be spent on online purchase related Travel like airfare and train/bus ticket booking. So 76% of overall E-Commerce goes to travel sector alone.

30% growth seems to low considering that Internet and mobile growth is happening at much higher pace and Online Ecommerce is directly proportional to that growth

E-commerce business is expected to grow to US\$600 billion globally by 2010. Though e-commerce business worth Rs.570 crore was transacted in India in 2004-05, Rs.1200 crores in 2005-06 the projections for this fiscal (2006-07) are almost double at Rs.2300 crore. The study, conducted by IT education company Globsyn Group, said the e-commerce market would go up to over Rs 2,300 crore in India by end of 2007-08. At present, it stands at Rs 1,180 crore.

As per the findings of **Internet and Mobile Association India** the total value of E-Commerce activities within India has Crossed Rs.570 Crore during 2004-05. Internet and Mobile Association India a non-profit organization founded in January 2004 by leading Indian Internet portals, projects that e-commerce revenues in the country will reach Rs.2,300 Crore in the 2007 financial year, growing at 95 percent over the year 2006. This pertains to the Business-to-Consumer (B2C) segment. Please refer **Table 2**.

Year	Business consumers transaction in Rs.	Percentage Growth
2002-03	130	-
2003-04	255	96
2004-05	570	124
2005-06	1180	107
2006-07	2300	95

Challenges

Internet based E-Commerce has besides, great advantages, posed many threats because of its being popularly called faceless and borderless. Whether it was the notebook (computer) or satellite.

TV when it was first unveiled in India or the recent shift towards grocery shopping in

organized retail chains – all of them have these two things in common – a clear value to consumers and a strong promise around quality execution. Without these two things, it is very difficult to change customer's behavior, especially when the customers already have a fairly decent alternative. E – Commerce adoption is no different, and it has not yet hit the tipping point because of these very factors.

Broadly speaking, consumers still don't see enough value in using this channel as an alternative to shopping in a physical store, and for the ones who do see a value, E – Commerce industry as a whole has failed to attract them because of lapses in customer experience and execution. The E – Commerce adoption will continue to grow at this slow pace until more mature players enter the market or until some of the existing players significantly rethink their value proposition and operations. Some of the existing online retailers have already started thinking in this dimension, and it is expected that in the next few years the landscape will be changed.

The E – Commerce industry will be led by a new breed of online players – those who consider their back end, fulfillment and CRM functions as strategic differentiators, those who can think beyond making quick money for the current year – but are focused on lifetime customer loyalty. Then it will be a different ball game, and the rules of that ball game will be decided by who matters the most –our customers.

Conclusion

A developing country can become industrialized and modernized if it can extensively apply IT to enhance productivity and international competitiveness, develop ecommerce and e-governance applications. An information-based society or knowledge based society is composed of IT products, IT applications in society and economy as a whole. Many countries in Asia are taking advantage of E- commerce through opening of economies, which is essential for promoting competition and diffusion of Internet technologies. Large enough to have a critical mass of 10 to 20 million users to be able to make an impact on e-commerce and e-governance. In the next 3 to 5 years, India will have 30 to 70 million Internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful

in India. With the rapid expansion of internet, E-commerce, is set to play a very important role in the 21st century, the new opportunities that will be thrown open, will be accessible to both large corporations and small companies. The role of government is to provide a legal framework for E-Commerce so that while domestic and international trade are allowed to expand their horizons, basic rights such as privacy, intellectual property, prevention of fraud, consumer protection etc are all taken care of.

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