



Review Paper

E-commerce in India: its growth and opportunity in Indian business environment

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Abstract

E-Commerce has been defined as technological aided platform of performing business electronically through availability of internet and other support applications. In due course of time E commerce has turned to be major decisional area as its implementation helps customer to meet their requirements with minimum time thus reducing physical efforts. E-Commerce has been seen in all business sector and the most important area of study is service sector which not requires unique product design but also requires to develop secure and customer friendly environment for mutual benefit. E-Commerce can fetch more business opportunity in near future. E-commerce is bringing the paradigm shift in the business world for trading. The information and communication technology has brought a change in business ecosystem and is progressing at good rate to develop business model through to meet customer expectation and satisfaction. The adaptability rate of E-Commerce in financial institutions like banks by customer seems to be still in developing stage and needs more strategic collaborations and organizational restructuring in terms of customer management both electronically and physically. If the organization want to grow the organization must adopt and strategic move of technology adoption for its expansion across three boundaries viz: local, national and international. Adoption of E-Commerce will create new way of doing business and can set off traditional business model to generate enhanced revenue keeping what customer wants from the organization. The study is aimed to know the present status of E-Commerce and its growth in terms of adoption which will define its current trends. Also the study explores in knowing various key drivers, challenges and opportunity that will enable the researcher to find some significant variables contributing towards adaptability of E-Commerce usage from consumer's perspective.

Keywords: E-Commerce, Organizational Restructuring, Information and Communication Technology.

Introduction

E-Commerce can be stated as platform for doing business transaction through application of technology blended with organizational goals, customer requirements by enabling secured environment for sustained growth¹. E-Commerce in this context can be defined as a process of networking customer with technology thus adopting the two prime models namely Business to Business and Business to Customer. The purposer of this paper is to observe various growth aspect that resulted in the field of E-Commerce and its adoption.

This area is selected because of the reason to know how far various e commerce tools and applications are contributing in bringing reformations in most developing countries like India is E-commerce changing the way of doing business will always remain a debatable topic as it requires organizational restructuring both in terms of infrastructure development and acquisition of skilled person. When entire nation is lifted with the concept of digital India and the vision of Honorable Prime Minister Shri Narendra Modi the E-Commerce application will

soon diffuse into every nook and corner of business fraternity thus bringing a revolutionary change in Indian business environment. Further to state that the recent announcement of demonetization and its implication will be really a matter of future study as the role of banks and other financial institution will be of prime importance in providing secure environment from doing online merchandising by bringing technological up gradations for better service quality and uninterrupted service delivery so that customer satisfaction can be met profitably².

Reichheld and Schefter³, studied E loyalty of various companies offering E Products and services and various cost involved.

In their study they found that it is very crucial for companies offering E Services and product to create E loyalty and still there exists scope in creating E Loyalty when attempting to merchandise through internet and web services. In line with same opinion Lee et al., 2009; Pappas et al, 2014⁴ relates organizational profitability with retention of the customers. In order to retain customer on any business format and model it is very important to have proper analysis of consumer behavior⁵.

Literature Review

Raven et.al⁶ in their significant study between India and China revealed that china is leading in terms of E-Commerce adoption whereas India is still in its formative stage. Their study has shown that both the countries are using E Commerce application but poverty and inequality remains the major hindrance. Their study was based on secondary data where they observed that government policy, technology, understanding of business operations, culture and infrastructure played a vital and deeper role in estimating the proliferation of E Commerce in this two economies.

A study carried out by Tarafdar and Vaidya⁷ towards organizational inclination to adopt E-Commerce the organizational leadership and organizational characteristics act as key actor in influencing in E Commerce adoption. They are of the view that leadership characteristics helps in creating image where the organization is centralized whereas the organization which is decentralized organizational characteristics plays a vital role in building image. They carried their study in India's four financial firms through case study and proposed a framework on qualitative data describing the role of organizational leadership and organizational characteristics in propensity to employ E-Commerce technologies.

Das Gupta and Sengupta⁸ carried out their work in Indian Insurance sector and compared E Insurance with traditional offline insurance service. The author observed several benefits of E Insurance over offline insurance and suggested that the organization can create opportunity for customer by bundling other product benefits. The authors in their study found that E Insurance in India is in its influential phase.

Vishwanathan and Pick⁹ studied the issue of E-Commerce in India and Mexico on the basis of framework recommended by Tallon and Kramer. The study has the significant factor in dissemination of E Commerce. The author has identified few important factors and is of opinion that there must be an investment decision on building technological infrastructure for cashing more business. They are of the view that promote economic growth there should be a culture of E Payment and E Commerce usage as happening in other developed countries.

Research Question and Objective: i. **RQ1:** Can Electronic Commerce and its application will be able to bring organizational productivity. ii. **RQ2:** Can E Commerce bring some psychological shift in future or what will be the likely trends and adaptability rate both by customer and organization.

Objective: i. To Understand the E-Commerce in Indian perspective. ii. To study the drivers & prospect of E-Commerce in India. iii. To scan Challenges of e-commerce in India.

Research Methodology and Design

For sake of study particularly in India secondary data has been adopted. The methodology includes review from various articles

and publication that has highlighted the growth of the industry and includes both present and historical information.

Important Drivers of E-Commerce Industry in India

With e-commerce use speeding up due to better Internet penetration in growing economies, it becomes important to understand the specifications of local consumers regarding their shopping behavior through electronic media. Due to limited growth in upward market in developed markets the opportunity lies in creating demand for array of goods which is a motivating factor for web retailers and sellers. The emerging market is also showing a moving trend and people are now using smart phones and applications to shop online.

Imperative drivers in Indian e-commerce are: i. With the advent of technological diffusion large proportion of inhabitants subscribed to high speed Internet offered by telecom giants, and regular updation of technology and IT enabled services by IT players of the country. ii. With the advent of tariff wars for mobile commerce, iii. Tremendous increase of Smartphone users, quickly to be world's second major Smartphone user base. iv. growing standards of living as a consequence of rapid decline in poverty rate. v. accessibility of to a great extent of product range measured up to what is offered at brick and mortar merchant.

Table-1: Market dimension and expansion of E Commerce.

Year	E Commerce Market/Industry	Market Size Revenue/Sales(In Approximation)
2009	..	\$3.9 Billion
2011	Trade Market	\$470
2011	E Tailing	\$800 million
2013	..	\$12.6
	E Retail	\$2.3
2014	Online Travel Shoppers	70%
2015	E Tailing	Rs 53000 crore
	Online Travel	22%
2016	..	Rs 211005
	Online Travel	61%
	Trade Market	\$675
2020		\$100 Bn
Next 2-3 Years	Online purchase of Opulence Product	20% Sales

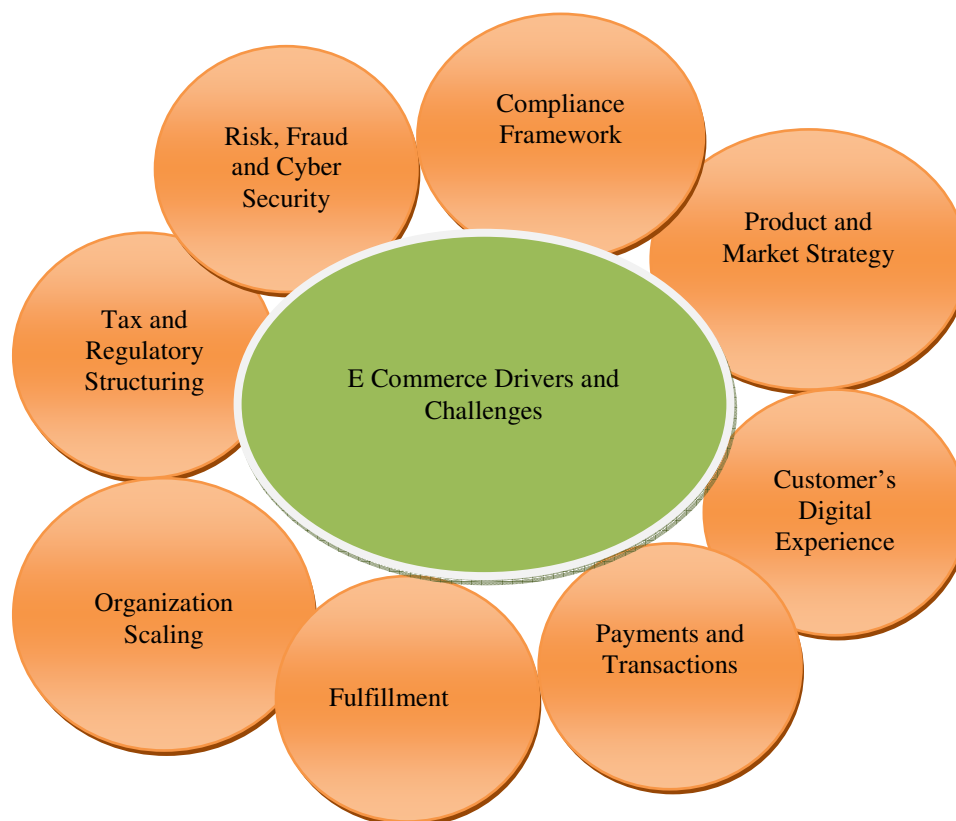


Figure-1: E Commerce Drivers and Challenges¹⁰.

Key confrontation: Whilst the development in this division stimulate entrepreneurs and monetary investors alike, a number of serious confrontation are starting to ponder downward on the sector.

Following are some of the key query that E Commerce company are finding difficulty with: i. The first question here is to scale down customer acquisition cost and to increase customer faithfulness, ii. The second question is to how to administer the customer delivery process in online transactions and how to reach favorable customer experience in term of E Business. In line with this it is required to answer the question of replacing traditional business model with cost effective and customer friendly model that helps in generating revenue and satisfaction. This requires considerable organizational restructuring, iii. The third question that needs to be addressed is whether we are ready to investment in organizational innovations and reframing organization towards new business model in particular generating sales through electronic media, iv. The fourth question that arises from use of new business model (E Business) is understanding various taxation and governing laws that controls in house operations and issues of FDI in E Commerce field. v. The fifth and last question is investment in building secured environment for data evasion and payment. In this line it is very essential to generate solutions allowing faultless and to deal with certain break downs and contingents which is again a matter of investment consideration and organizational restructuring.

The state of Indian E-commerce – trends and opportunities

The E-Commerce is rising both in subject and emerging as a area of research due to its wide applicability in both developing and under developing nations and requires a considerable attention to be given both by organization and customer. From organization point of view it can said that organizational leadership and foresightedness will play a major role in diffusion of E Commerce while customer views that E Commerce and E Business is a risky venture and a good amount of customers hold their hand back in using E Transactions. In India where study has shown the growing need of E Commerce on the other side it has been attributed to the phenomenal growth of Internet. The connectivity with social media is prudent to adopt for E Commerce application and in widespread of information. The adoption of smart phones and various mobile applications is acting as a catalyst for growth of E Business e and redefining proliferation of E Business in growing market like India. Easily and affordable tariff is changing the preferences, behavior and interests enabling the organization to educate about E Commerce. The Indian organization in particular needs to understand the behavioral pattern of customer which help to devise their strategy more precisely and diligently showing consistency in product delivery and product reach ability. The propogation of digital activity and laws governing digital transaction is an inspiring factor towards its adoption. But here it becomes mandate to narrate

that more stringent laws needs to be prepared to protect the interest of customer in Indian market. Seeing the market potential and growth opportunity application of E Commerce will rise rapidly in forth coming years. An estimation of nearly 75% is reported that purchaser of products and services through internet falls under category of 15 to 34 and is in majority side from rest of the population. The rural area is still not developed in terms of internet adaptability and E Commerce application. The business organization needs to give a considerable attention to this untapped area as this area brings lot of potential in purchasing products and services but on the other side there remains a challenge of educating them about E Business and E Transactions.

Table-2: Age Group in Years and their %.

Age Group in Years	Percentage
15-24	37
25-34	38
35-44	16
Other	9

The Figure-2 shows that percentage of user are considerably low which can be increased to higher side by spreading

awareness and educating them about probable benefits of digital transactions.

The year 2020 will be witness huge changes in business environment in Indian market and will change the dimension of doing business as various regulations pertaining to product promotions and advertisement will really put business organizations to consider their business model and operational part. Where the operational will be governed by strict governance on the other side the ethical considerations by business fraternity will make them stand in the market place. It is said that nearly E Tail alone will contribute to economic growth of total retail industry contribution. In this the scope of E Retailing has tremendous growth in coming areas covering wide area of product and service delivery with quality and consistency at its priority.

Reason for growth of Indian E-Commerce Industry

A comparative study of shows Figure-3 and 4 that the internet user has increased among and had shown a growing trend in terms of its usage. India has shown a consistent growth in terms of using internet for various purpose and it is likely that this moving trend will continue and will show certain good hope and opportunity to online and E Commerce traders.

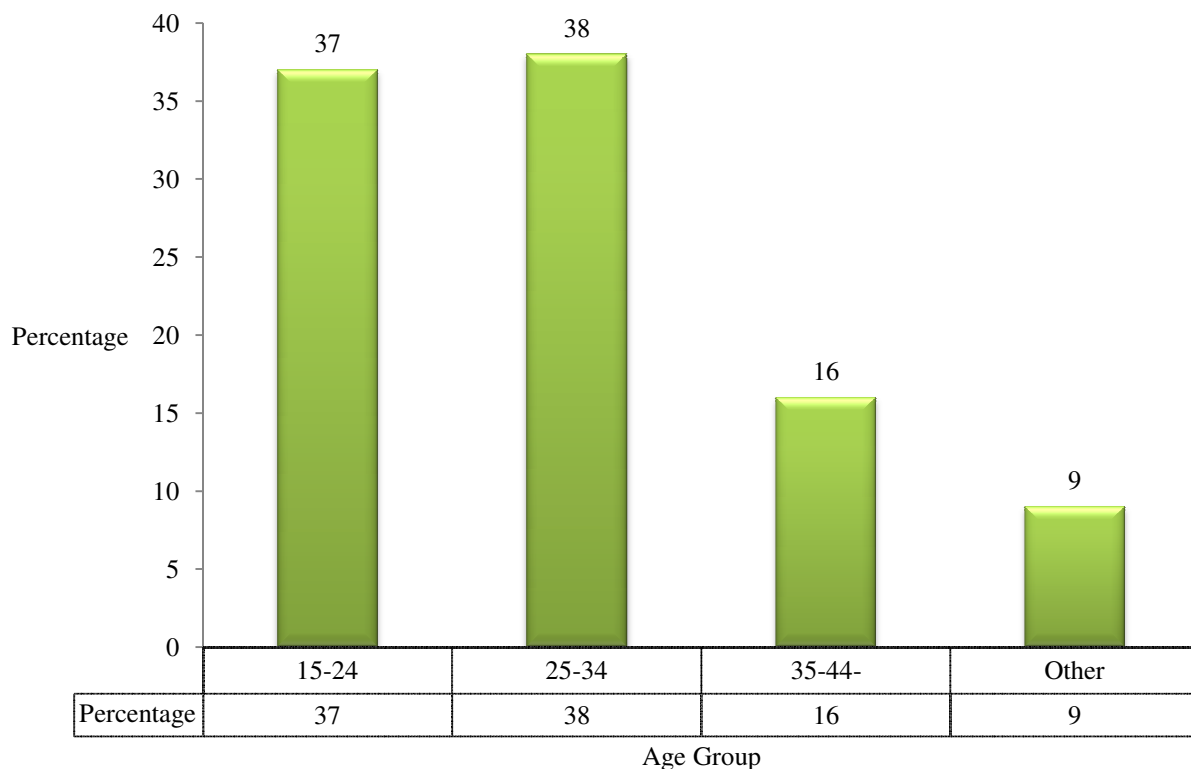


Figure-2: Internet Users among Different Age Groups¹⁰

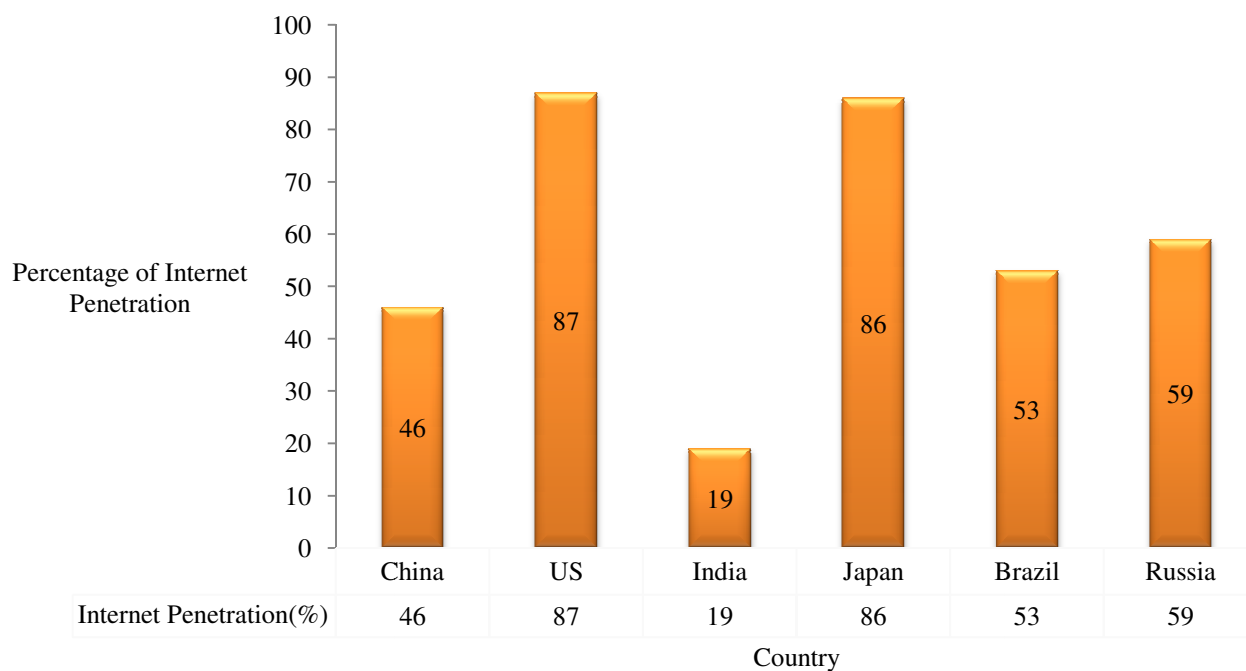


Figure-3: Internet Penetration as Percentage of Population (2014)¹⁰.

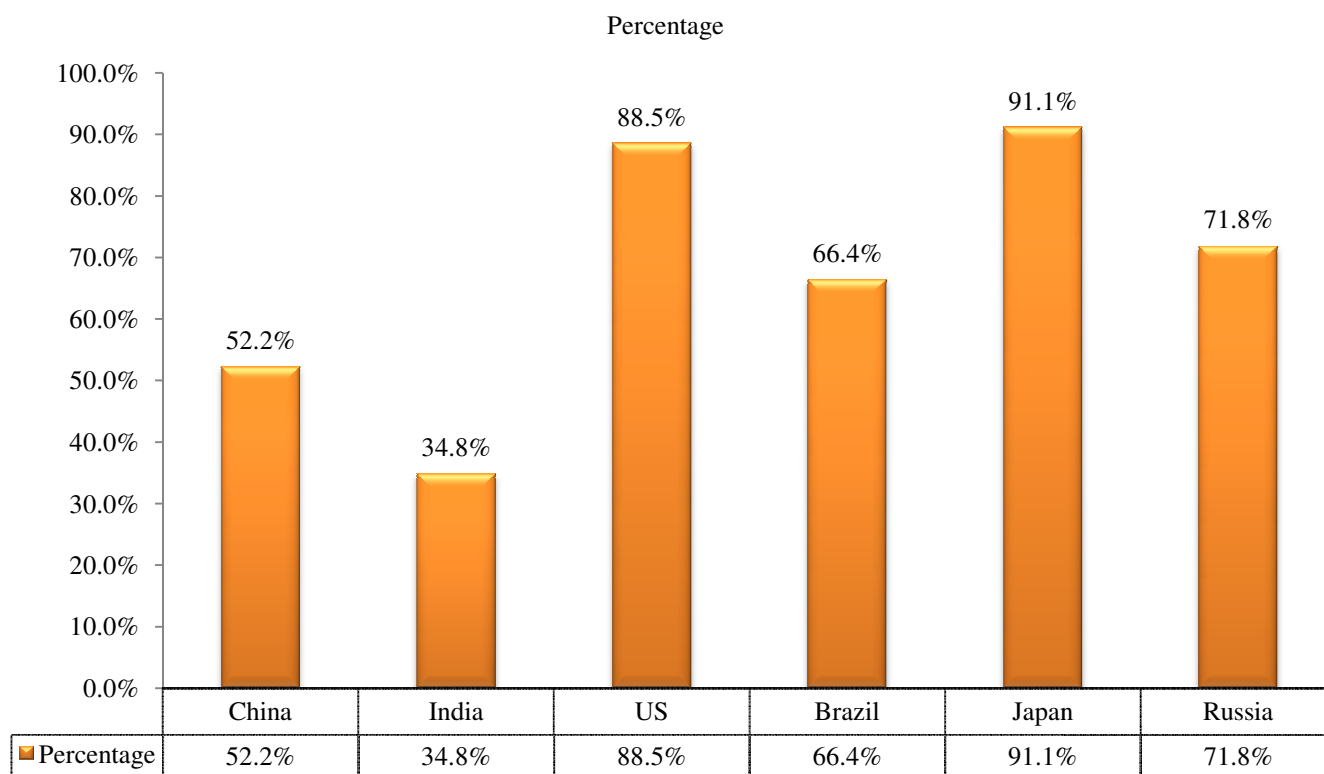


Figure-4: Internet Penetration as Percentage of Population (2014)¹¹.

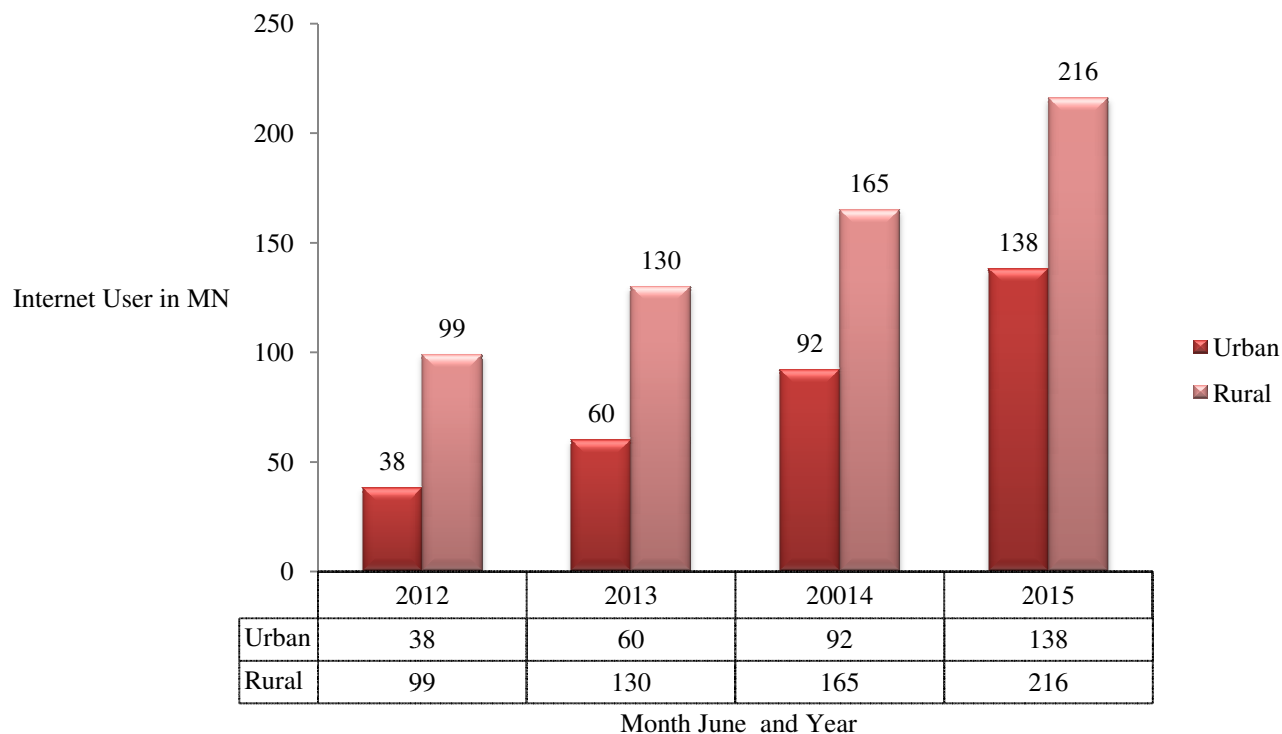


Figure-5: Geographical Distribution of Internet User Urban wise and Rural Wise in India (MN)¹⁰.

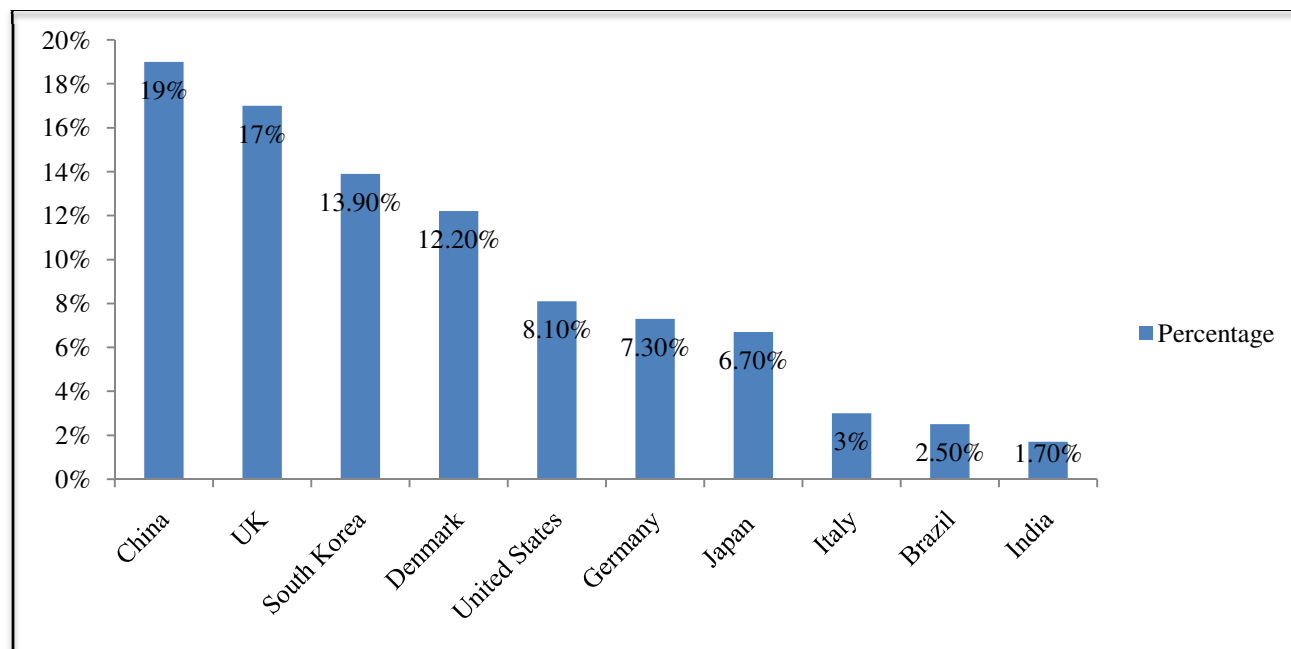


Figure-6: E-Commerce Sales as percentage of total retail sales in selected countries in 2016¹⁰.

Future of Indian E Commerce Industry: Witnessing a continuous technological changes and norms of government the E Commerce industry will be also be subjected to some changes as it forms the inseparable part from product trading and contributes to overall revenue of the organization. The E-Commerce industry will show a growth both in terms of

awareness and adoption by various class of society in 2020. The most inspiring factor that will be responsible for the growth of the industry is changes in the internet usage and growing number of mobile internet user due to emergence of various tariff by IT giants. The last few years has witnessed significant changes and improvements in E Payment and Indian consumers

are gradually making their mind set towards online space and peeling off their belief that E business is unsafe. The observation and moving trends shows that Electronics market, Online travel, pharmacy and apparel will show a considerable growth.

According to report posted by India E Commerce Market Forecast and opportunity E Commerce market will show a growth of 36% from 2015-2020 which can be attributed to various consumers psychological variables as well as companies lucrative and innovative offers.

On the second hand this report also suggest majority of Indian workforce is youth who prefer to shop online avoids shopping through brick and mortar store. This move by young generations is will be a beneficial step and opportunity for business unit to set off their old and conventional business model and adopt to a model that helps in reaching customer at faster rate, generates sales and profits and above all that meets organizational and customer need profitably. In the same report projection has been made for demand forecasting. The report also showed that there will be continual growth in the E Commerce and considerable shift in trends will be make organization to decide on investment in E Commerce infrastructure where on the second side customer will observed with some attitudinal changes. The overall report suggest a good growth will be seen in E Commerce market by 2020.

The consideration by the organization towards proliferation of E Commerce adaptability

Customer experience: As there is drift of changes in taste and preference of customer, today's customer wants easiness in accessibility, availability and affordability. These three dimension of customer requirement can be met by providing an E Commerce and secured space among sections of the society. The section of the society who is using E Commerce application regularly for various trasactions must be pushed to become loyal customer and the section who is using the least must be turned up into satisfactory zone by creating customer friendly infrastructure. The purchaser through online space must be given after sales service and support. Some of the factors that need to be considered by E Commerce players are - i. Keeping regular pace Technological Advancement and implementing in the organization for mutual benefits. ii. There must be a proper blend and strategic convergence of Online and Offline Channels: iii. The Operational Framework must be in the best interest of customer and must adopt all ethical and moral principles of providing product and services to customer. Also there must be good corporate governance that prudently describes ethics in E Commerce field. iv. Business organization must build protective shield and must invest in generating resources on newer technology thus replacing the old technology, v. There is no stringent Tax and Regulatory Environment to govern what is happening in E Commerce environment only cyler laws and IT act is not sufficient to apply

to this industry. There must be separate robust compliance framework and easy taxation provisions so that the companies can manage E-Commerce transactions efficiently and effectively.

Conclusion

The study of various report says that E Commerce is a platform where the business transaction happens through any electronic media with the infrastructure build to create product and service demand thus meeting the customer requirements and needs profitably. The employment of E-Commerce solution provides not organizational sustainability in competitive market place but also helps in generating customer retention by providing secured environment. The E Commerce in India is still developing and only few sections of the society are aware on how to use E Commerce application. The Indian business organization needs to give serious thought to changing business model and must be adaptable to technological changes. The technological acquisition requires not only arrangement of financial resources but also restructuring organization is required. As this field is new in many aspects and huge scope lies in the area of consumer behavior E Commerce can turn to be a logical step and strategic move creating better organizational image. The growth of E Commerce in Indian market is gradually increasing and will be covered by majority of business fraternity due to deep penetration of internet service in both urban and rural segments and will be competing with global players in years to come. This requires uninterrupted flow of IT enabled services not compromising on quality of products and services. This can happen only when some E Commerce law will be made in the interest of both organization and customer.

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