

4. Recent Trends & Challenges in E-Commerce in India

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Abstract

E-commerce simply means electronic commerce which deals with selling & buying of services & products exclusively through electronic channels. Today the internet and E-commerce have become a part of daily routine. E-commerce creates new opportunities for business as well as for education and academics. E-commerce is tremendously growing both internationally & regionally due to the fast & suitable way of exchanging goods & services in the last few years. The growth was driven by rapid technology adoption led by the increasing use of devices such as smart phones, tablets, access to the internet through broadband, 3G, 4G and credibility of E-commerce companies etc, which led to an increased online consumer base. This paper gives the insights of Scenario, Recent trends & challenges of E-commerce in India.

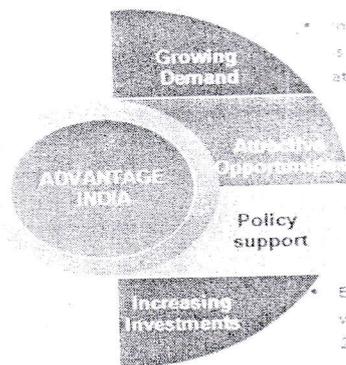
Key Words: Technology, E-commerce, Internet, Recent trends & challenges.

II. Objectives of the Study

1. To study the concept of E-commerce.
2. To study the recent trends of E-commerce in India.
3. To study the various challenges of E-commerce in India.
4. To study the Scenario of E-commerce in India.

III. Concept of E-Commerce in India

Introduction



- India is the fastest growing market for the E-Commerce sector. Revenue from the sector is expected to increase from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world.
- A lot of India's blue-chip PE firms are looking for opportunities in the sector.
- 100 per cent FDI allowed in B2B E-commerce, 100 per cent FDI under automatic route is permitted in marketplace model of E-commerce.
- E-commerce industry in India witnessed 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 and 40 deals worth US\$ 1,129 million in the first half of 2018.

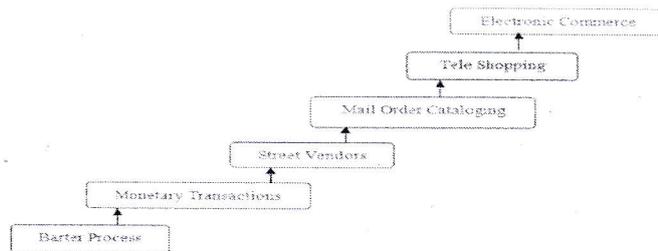
The e-commerce has transformed the way business is done in India. Propelled by rising smart phone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017. Online retail sales in India are expected to grow by 31 per cent to touch US\$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm Mall. The e-commerce industry has been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in e-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term. During 2018, electronics is currently the biggest contributor to online retail sales in India with a share of 48 per cent, followed closely by apparel at 29 per cent.

E-commerce in India

- Single Product E-commerce:** Automobiles sector portals providing selling and buying of vehicles including two wheelers, comes under this. Stocks and share market sites, also offers their services through these types of portals, with options for comparisons and research. Other major industries offering their products and services are real estate and travel and tourism.

- **Multi product E-commerce:** Some e-commerce portals provide almost all categories of goods and services under one roof, targeting customers of every possible products and services. Indian e-commerce portals provide products like apparel and accessories for men and women, health and beauty products, books and magazines, computers and peripherals, vehicles, collectibles, software, consumer electronics, household appliances, jewellery, audio/video entertainment goods, gift articles, real estate and services, business and opportunities, employment, travel tickets, matrimony etc.

IV. Evolution of E-Commerce



V. Functions of E-Commerce

Communication function Aimed at the delivery of information and/or documents to facilitate business transactions. **Example:** E-Mail.

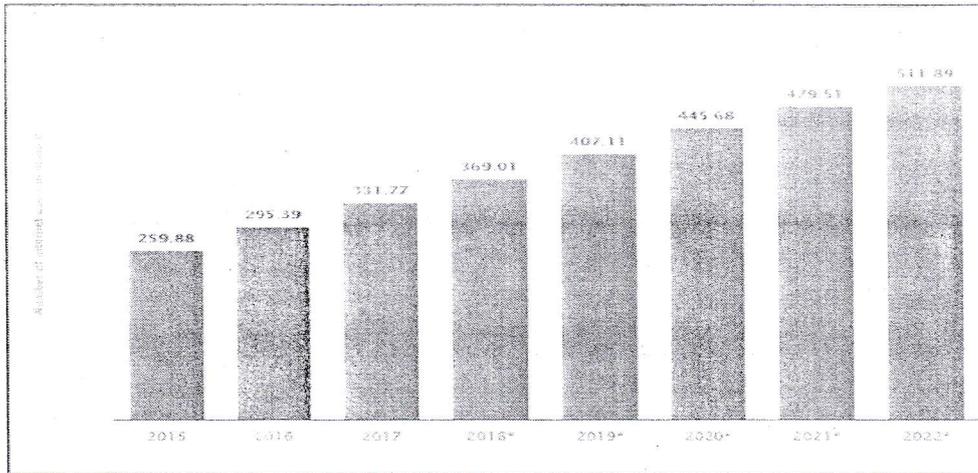
Process management function Covers the automation and improvements of business processes. **Example:** networking two computers together.

Service management function Application of technology to improve the quality of service. **Example:** Federal Express website to track shipments and schedule.

Transaction capabilities Provides the ability to buy/sell on the internet or some other online services. **Example:** Amazon.com.

VI. Scenario of E-Commerce in India

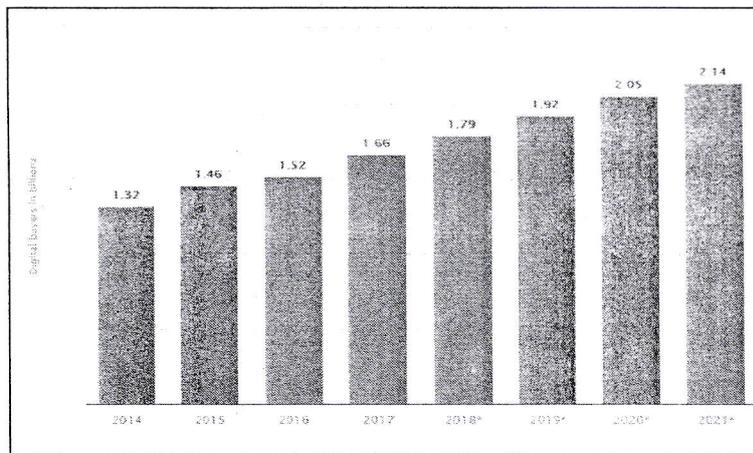
1. Internet Usage and Population Statistics



Source: Statistics Portal Statistics and Studies from more than 22,500 Sources

This graph represents the number of techno savvy will be rising from 259 million in 2015 to 511 million in 2022 resulting in to increase demand for E-Commerce

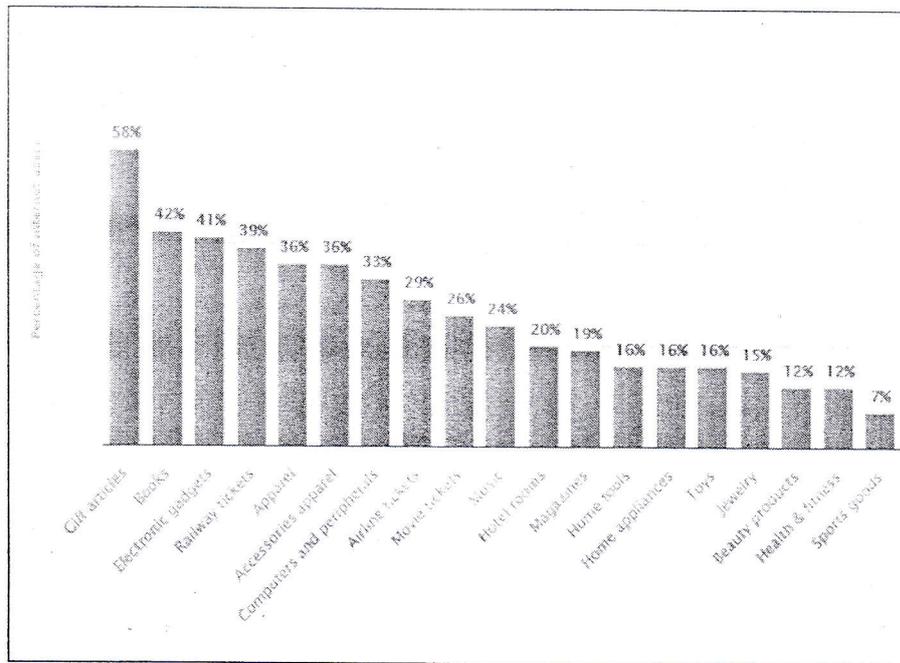
2. Number of digital buyers worldwide from 2014 to 2021



Source: Statistics Portal Statistics and Studies from more than 22,500 Sourcee

This graph represents the increase number of buyers from 1.62 billion in 2014 to 2.14 billion in 2021 along with increased number of internet users as seen in fig.6.1

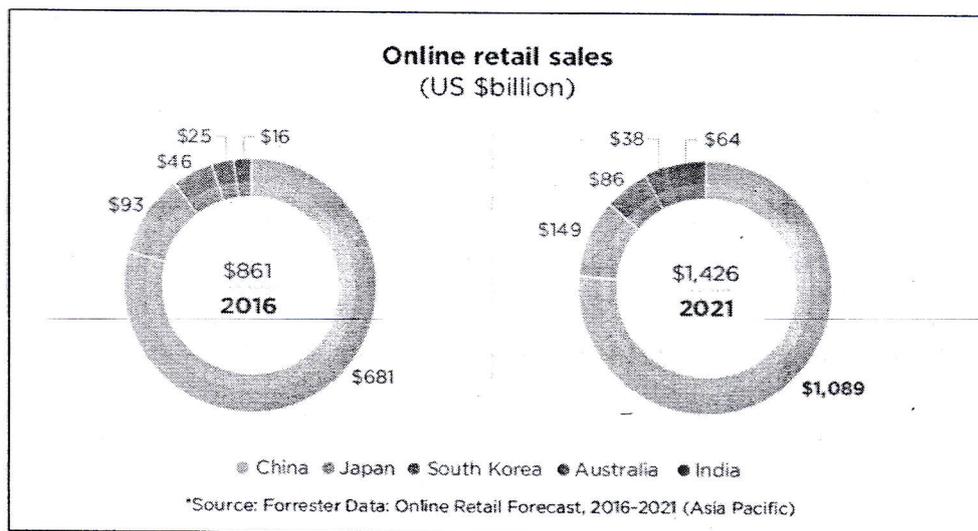
3. Most Demanded Products Online in India



Source: Statistics Portal Statistics and Studies from more than 22,500 Sources

Graph shows most demanded online product is gift articles (58%) and the least are sports goods (7%) with average demand for books, electronic gadgets, and railway tickets.

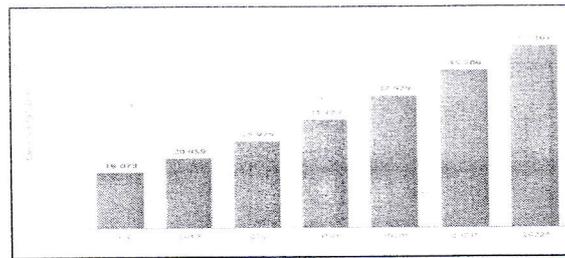
4. Online Retail Sales



Source: Statistics Portal Statistics and Studies from more than 22,500 Sources

As per the forrester data the online retail forecast for 2016-2021 retail sale is increasing for all the above mentioned countries compared to 2016 because of improvised services as people are getting more users friendly with ecommerce.

5. Online Sales in India



Source: Statistics Portal Statistics and Studies from more than 22,500 Sources

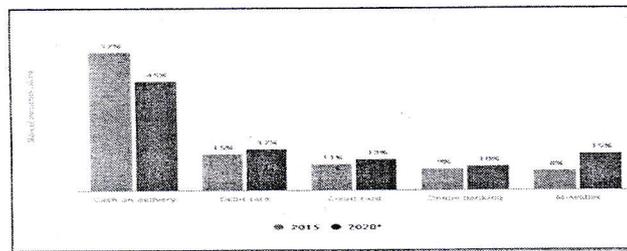
Above graph represents increasing trend in online sales from 16 million US dollars in 2016 to 52 million US dollars in 2022 because of increased demand for online products

6. Online Revenue Generation In India

Source: Statistics Portal Statistics and Studies from more than 22,500 Sources

This graph represents increased revenue generation from 17 billion US dollars in 2016 to 103 billion US dollars in 2020 through E-commerce because of increase in online sales.

7. Preferred digital payment methods in India in 2015 and 2020



Source: The Statistics Portal Statistics and Studies from more than 22,500 Sources.

Most preferred mode of payment in India is Cash on delivery in compared to other modes as people in India don't trust E-payment ways.

VII. Recent Trends in E-Commerce

As far as the world's technological landscape is concerned, 2017 has been an incredible year. E-commerce has seen shape shifting advancements in payments technology, computing and mobility. Now, as once seemingly distant science fiction terms like Artificial Intelligence and Virtual Reality take the podium, we have a lot to look forward to.

By the year 2020, India will have almost 2.14 million online shoppers. That's 6.4 times more than the estimated 50 million shoppers we had back in 2015. E-commerce is the clearly future of retail.

1. Voice Search and Purchases

Smartphones allow users to search and act online with a word. It is reported that approximately 40% of millennials have used a voice assistant prior to making a purchase. Going forward as the accuracy of voice search or voice recognition becomes more precise, consumers and e-commerce retailers will reap benefits and its popularity will continue to rise. It is predicted that by 2020, this number will pass 50%.

2. Video Content

We live in a mobile-first culture where video is the fastest growing ad format. Experts believe video will be the next big thing for e-commerce in the coming year as consumers find video content relatable, engaging and relevant. Statistics show that video marketing can boost click-through rates by 200-300% and increase purchase intent by 97%. Video will make up 80% of all online consumer internet traffic as per estimated by 2020. As the technology improves, video will be the closest you can get to a face to face conversation with your audience.

3. Big Data (visual, empathetic, qualitative) to Cloud Computing

In 2017, the idea of transformation of gathered data for better planning of all kind of business and personal activities witnessed better visualization and projection of data. While Big Data presents challenges for digital earth to store, transport, process, mine and serve the data going forward Cloud computing will offer access to data storage, processing, and analytics on a more scalable, flexible, cost-effective, and even secure basis.

4. Technological disruptors

Drones and autonomous vehicles, block chain, augmented and virtual reality, increasingly sophisticated digital assistants, machine learning (artificial intelligence, or AI) — are some of the key disruptors categorized under the list of technological mega trends that are here to stay and further grow and expand business output.

5. The Classic - Interactive Content

In 2018 too, brands need to continue to dive into creative storytelling to drive conversions and differentiate. Online retailers are more likely to adopt interesting content strategies that are shareable to stay competitive and build outstanding customer experience. While original content is the key, accurate content in the forms of recommendations, reviews and expert opinions would continue to provide the audience with valuable information about the

brand from different perspectives and this would continue to play a vital role in influencing the path to purchase as experts hold slightly higher regard in the mind of customers than a direct brand message.

6. Artificial Intelligence

Today, artificial intelligence is a part of our everyday lives. This will play a key role in e-commerce as we rely more and more on our mobile devices. While at present we have small features that suggest products based on your purchasing history, browsing history, likes etc, the coming year will offer more specificity. Hence, as technology is being redefined, the above mentioned trends, if followed, would lead the e-commerce industry to thrive wholeheartedly.

7. More Storefront Apps.

With so much focus shifting from desktop to mobile, ecommerce shopping will be further transformed this year by storefront apps. Many major retailers have offered apps for several years, and shoppers are already well-accustomed to using dedicated storefront apps to browse and shop from their mobile devices.

8. The Rise of ROPO

ROPO-Research online Purchase offline-has been observable consumer shopping habit for sometime, driven largely thrifty shoppers & eagle eyed buyer hunters looking for best offer deal. In coming years, we can expect to see a great deal more ROPO in Ecommerce sector.

VIII. Challenges for Ecommerce in India

The growth of ecommerce volumes in India is attracting the attention of players around the globe. India, the second most populous country in the world, is home to 1.2 billion people.

To put that number into perspective, consider this: the combined populations of Germany, UK, France, Italy, Netherlands, Belgium, and Greece equal one-fourth the population of India alone. Despite lower per-capita purchasing power, this still makes India one of the most attractive emerging markets for ecommerce. But India is far from being a bed of roses. Here are the top 8 challenges that ecommerce businesses face in India.

1. Indian customers return much of the merchandise they purchase online.

Ecommerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from ecommerce websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return

the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for ecommerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border ecommerce.

2. Cash on delivery is the preferred payment mode.

Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.

3. Payment gateways have a high failure rate.

As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. Ecommerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.

4. Internet penetration is low.

Internet penetration in India is still a small fraction of what you would find in several western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are fast disappearing. The day is not far when connectivity issues would not feature in a list of challenges to ecommerce in India.

5. Feature phones still rule the roost.

Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, not smart phones. So, for all practical purposes this consumer group is unable to make ecommerce purchases on the move. Though we are still a couple of years away from the scales tipping in favour of smart phones, the rapid downward spiral in the price of entry-level smart phones is an encouraging sign.

6. Postal addresses are not standardized.

If you place an online order in India, you will quite likely to get a call from the logistics company to ask you about your exact location. Clearly your address is not enough. This is because there is little standardization in the way postal addresses are written.

7. Logistics is a problem in thousands of Indian towns.

The logistics challenge in India is not just about the lack of standardization in postal addresses. Given the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centres have a fairly robust logistics infrastructure. But since the real charm of the Indian market lies in its large population, absence of seamless access to a significant proportion of prospective customers is a dampener. The problem with logistics is compounded by the fact that cash on delivery is the preferred payment option in India. International logistics providers, private Indian companies, and the government-owned postal services are making a huge effort to solve the logistics problem.

8. Overfunded competitors are driving up cost of customer acquisition.

The vibrancy in the Indian start-up ecosystem over the past couple of years has channelled a lot of investment into the ecommerce sector. The long-term prospects for ecommerce companies are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope, and I expect more rational behaviour in 2014.

IX. Findings

1. The number of techno savvy will be rising from 259 millions in 2015 to 511 millions in 2022 resulting in to increased demand for E-Commerce.
2. The number of online buyers will increase from 1.62 billions in 2014 to 2.14 billions in 2021 along with increased number of internet users .
3. Most demanded online product is gift articles(58%) and the least are sports goods(7%) with average demand for books, electronic gadgets, and railway tickets.
4. Retail sale is increasing for all the countries compared to 2016 because of improvised services as people are getting more users friendly with ecommerce.
5. Online sales will be rising from 16 millions US dollars in 2016 to 52 million US dollars in 2022 because of increased demand for online products
6. Revenue generation shows increasing trend from 17 billion US dollars in 2016 to 103 billion US dollars in 2020 through E-commerce because of increase in online sales.

7. Most preferred mode of payment in India is Cash on delivery in compared to other modes as people in India don't trust E-payment ways.

X. Conclusion

E-commerce is changing the way of buying & selling of product & services in India. Despite of various challenges, Ecommerce is showing tremendous growth compared to previous years & Going to continue in coming years as per statistical data shown in findings. E-commerce is future of shopping. Due to E-commerce the gap has been reduced between manufacturer & consumer, leading to disintermediation. According to Indian population their vast scope for e-commerce because currently in India compared to total population number of people using internet for selling & buying goods & services is less. There is weak Cyber security Law in India that is why Indian People are facing challenges toward e-commerce. The future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented, by establishing cyber & have their benefits as per people wish. The role of government is to provide a legal framework for e-commerce so that while domestic & international trade are allowed to expand their horizons, basic right such as privacy, intellectual property, prevention of fraud, consumer protection etc. are all taken care of. The expansion of e-commerce has been developed in rural as well as urban area in reign able cost for consumption, because of that more people are getting linked with e-commerce & the ratio of that is getting increase day by day.

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