
E-Commerce

Saurabh Verma

Student

Loyola Academy Degree & PG College

Abstract

E-commerce refers to transaction of buying and selling of goods and offering of services over the internet. It takes into account of technologies like mobile commerce, electronic fund transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange, inventory management, and automated data collection systems. In the advancements it uses the World Wide Web for at least one part of the transaction's life cycle although it may also use other technologies. The e-commerce sector in India has seen unprecedented growth in the year 2014. The factor which led to the growth was the rapid adoption of the technologies by the use of devices such as mobile phones, smartphones, tablets, etc. Along with this high speed internet connections through the broadband, 3G and 4G led to the increase in the user base. Moreover it was favored demographics and growing internet user base helped to aid this growth. The key players in this sector are Flipkart, Amazon, EBay and other prominent enterprises. The massive growth of these were triggered due to the huge investor's interest around these companies displayed immense potential of the market. The overall retail opportunity of the country is substantial and is in relation with the demographic dividend such as young population, rising standards of living and upwardly mobile middle class, etc. The rising internet penetration is found to be the most influencing factor for the growth of E-commerce into India and with the time many E-commerce companies from India has entered into the billion-dollar club.

Keywords- *E-commerce, Demographics, Potential, Supply Chain Management, Internet marketing*

Introduction

With the growth of internet facilities being available to the people, entry of global majors, increase in the adoption of smartphone, innovation in mobile technology, access to the funding and digital payments is paving the way for the growth of the Ecommerce market in the country. It also segregates into various business segments, with highlights on growth, presence of startups, and future prospects. The ecommerce was first started in the year 1960's with the help of Electronic Data Interchange to share the important document with other companies. In the year 1979, American National Standards Institute developed ASC X12 as a universal standard for businesses to share the documents through electronic network. The E-commerce grew around the world in the year 1990's with the emergence of EBay and Amazon which revolutionized the ecommerce industry. There are too many ways to carry out the transactions in the ecommerce sector. The benefits of this sector include 24x7 availability, speed in access, wider choice, ease in access, etc. Along with its advantages some of the cons are limited customer service in some segments, lack of tangibility while purchase of goods and time in shipping of goods sometimes become cumbersome.

The way of doing of business has become digitalized with the introduction of E commerce in the Indian economy. The Indian e-comm industry has always been on an upward growth trajectory and is expected to grow at a Compound Annual Growth Rate (CAGR) of 28 per cent from 2016-20 to touch US\$ 63.7 billion by 2020 and overtake the US by 2034. The sector reached US\$ 14.5 billion in 2016. In the coming years, e-commerce is expected to boom in the Asian region and the number of digital buyers is expected to pass a billion mark in the first quarter of 2018.

All the countries have regulatory body which is a part of the Government which looks after the ecommerce sector of a country. The Federal Trade Commission (FTC) and the Payment Card Industry (PCI) Security Standards Council are among the primary agencies that regulate e-commerce activities in the United States of

America. In India the Ministry of Electronics and Information Technology takes the charge of regulating the ecommerce of India.

Objectives of the study

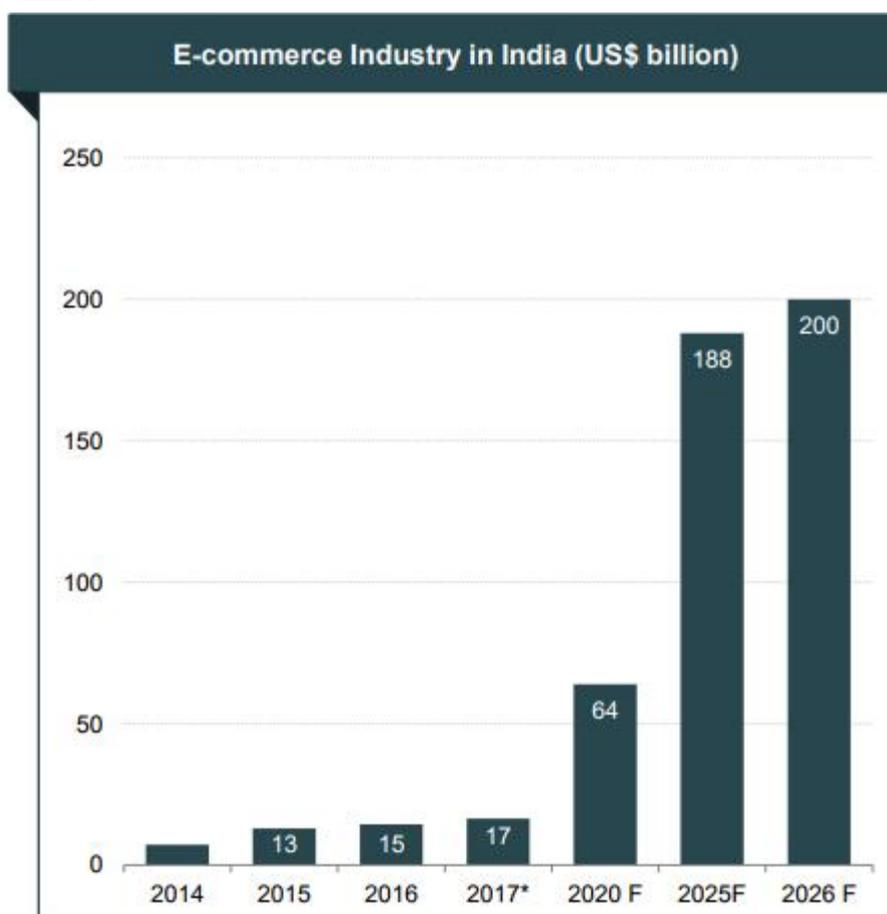
1. To find out the growth of E-commerce in India and expected growth in the coming years.
2. Analysis of the rising internet penetration in India, causing growth in E-commerce sector.
3. Analysis of the E-commerce retail market.
4. Market size in E-commerce sector.
5. To find out the private investments in E-commerce around the world

Research Methodology

Research type- Descriptive Research

Data base- Secondary Data source. The present study is based on the secondary data information and has been derived from various websites.

Growth of E-commerce



Graph showing the growth of E-commerce over the years

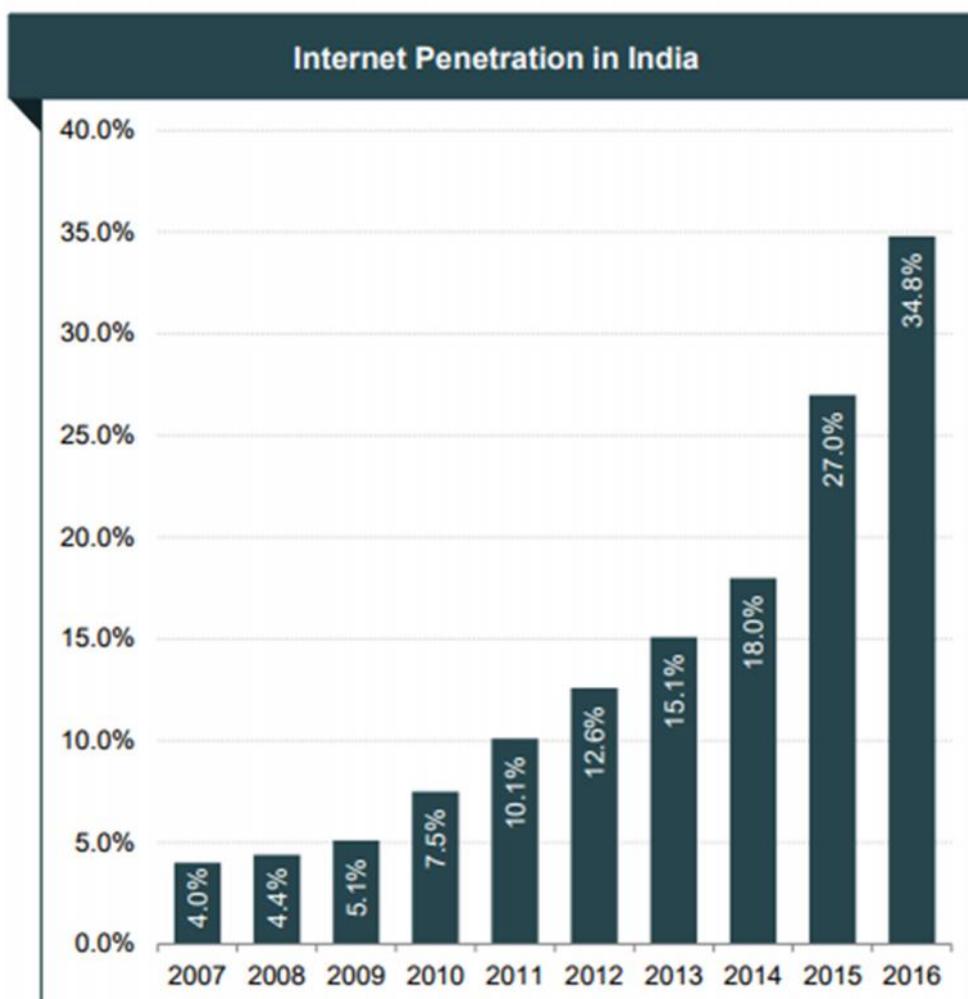
The above given graph shows the consequent growth of E commerce in India. This is noticed because of increase in use of smartphone in the country and the launch of 4g networks leads to increase in the consumer

wealth, the Indian e-commerce market is expected to grow to US\$ 200 billion by 2026. It is evident that e-commerce is increasingly attracting customers from tier 2 and tier 3 cities, where people have limited access to the various brands but have high aspiration for the usage of different products which satisfy their needs.

Slowly the segment of food and grocery is also entering into e-commerce about which no one has ever thought of, however with the rapidly changing needs of the consumer and the environment, change of working habits and consumer seeking adaptability and convenience, there are now various small and large e-commerce companies selling provisions and food items like Grofers, Big basket, etc. Around 40% of increase is accounted in the India's e-commerce industry's sales year on year to reach Rs around 9,000 crore because of the sale periods being announced by the major e-commerce sites pursuing business into India and have become Key player with major share in the market.

Also significant growth is accounted because of increase in the awareness about the e-commerce and online trading which also resulted in increase in the investor's interest there by increasing the investment of the companies carrying out their operations. Many big established shopping centers like shoppers stop, lifestyle, etc. have also trading their apparels over the internet resulting in increasing their scope for the consumer base.

Rising internet penetration in India



Graph showing internet growth in India over the years

Around 4 % increase is accounted in the internet penetration in 2007, with the passing of years the internet penetration rose to about 34.08 % in the year 2016, resulting a direct increase of 89% in 2016 over 2007.

Among the 444 million of estimated urban population, around 269 million, i.e. 60% of the total population is already using the internet and the figures are increasing day by day. Rural India with an estimated population of 906 million as per 2011 census, among them only 17 % accounts for having access to the internet. Therefore it is believed that there is strong need to increase the network in the rural areas to make the people aware about the emerging E commerce industry into the Indian economy system.

When talking about the analysis of Daily users of Internet it reveals that the people from both rural and urban areas have daily usage of the internet. Increase and rise in the internet penetration will trigger the massive ecommerce growth in India. The internet and ecommerce are directly related to each other and move hand in hand. The stability of the ecommerce industry is totally dependent upon on the availability of internet and its reach to the citizen of the country.

E-commerce retail market

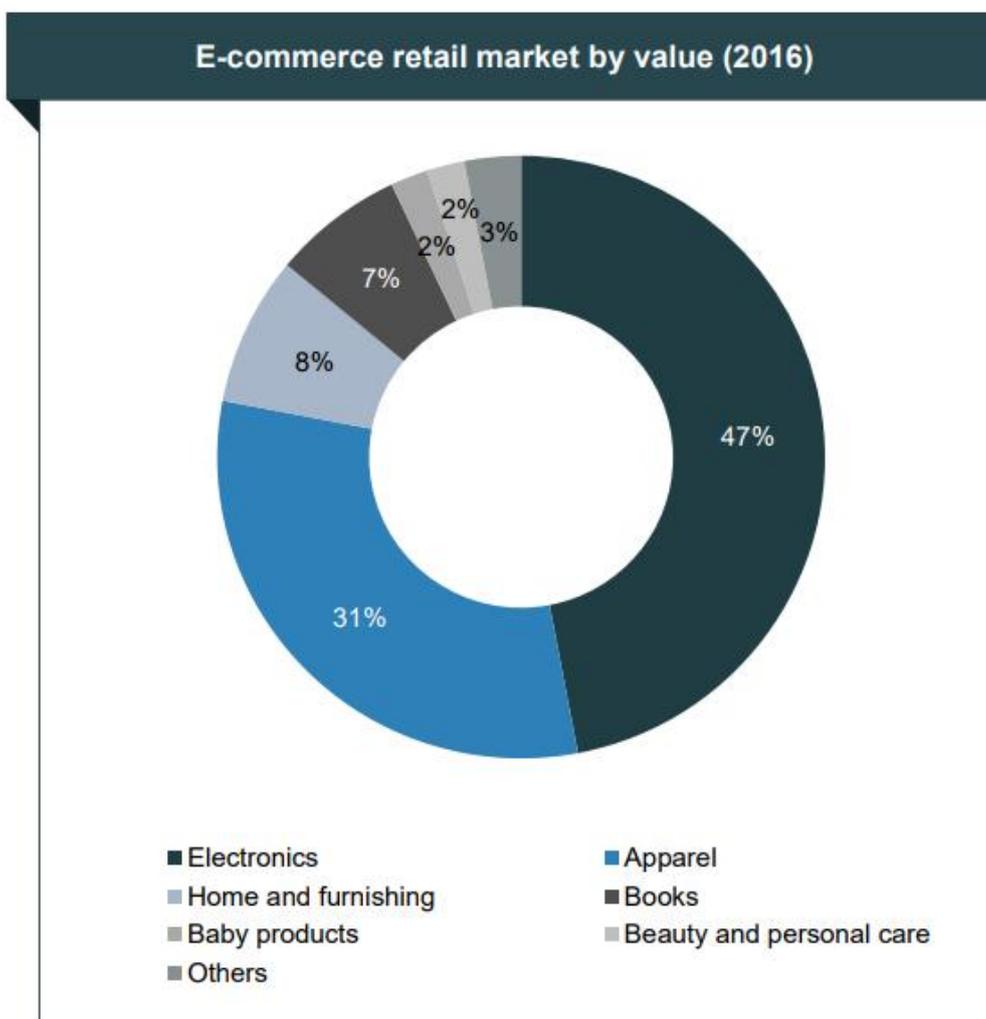


Diagram showing the E-commerce retail market structure

The above shown diagram represents the ecommerce retail market structure with different criteria of the products being mentioned. Around \$12 billion is estimated to be the worth in terms of Gross Merchandised value as per the data of 2016. It is quite evident that the electronics is the major contributor to the retail market

structure with around 47% and is expected to grow as per the preferences of the consumers at a CAGR of 43% by 2020. Apparel segment secures its position second in the list after the electronics with the share of 31% in the ecommerce retail industry. Rest all the other segments of products secures lower share in the whole structure and are found to be purchased less from the ecommerce site and other online platforms. It is recorded that there are around 1-1.2 million transactions per day in the ecommerce industry. With the changing work pattern the ecommerce sector is increasing at brisk pace.

Market size

Following analysis can be recorded regarding the market size in respect of ecommerce industry. It is estimated that the total online spending in all the sectors around the world is expected to increase by 31% year on year to Rs 8.76 trillion (US\$ 135.8 billion) by 2018. Around Rs 58,370 crore is the estimated revenue recorded in the year in 2016 from the people of India in cross border shopping segments and is further expected to up by 85% in the end of year 2017. USA (14%), UK (6%) and China (5%) are the top three countries involved in cross border shopping in the year 2016. Also this type of shopping involves payment of duties and taxes by the consumers.

With the increase in the transactions taking place into the economy it is estimated that the internet market is expected to increase by 44% and will touch \$65 billion in 2017, up from \$45 billion in 2016. The top leader in this segment are the online travel agents which accounts about 70% of the total market share in this category (internet consumer market) while the rest of the 30% share is accounted by the fashion, furniture, grocery, hotel, food, cab aggregators and other prominent segment present in the industry.

As it is evident that the internet industry in India is likely to double to reach US\$ 250 billion by 2020, which will account about 7.5% of the total Gross Domestic product. The reasons for this are found are increasing number of mobile internet users growing to about 650 million and among that 550 million are the users having the access to the high speed internet. Along with this the automobile sales is also going to affect, i.e. about 70% (worth US\$ 40 billion) reason being the ecommerce which will be digitally influenced by 2020 as against \$18 billion in 2016.

Private investments in E-commerce around the world

Company	Investor	Funding (US\$ million)
Flipkart	SoftBank	2,500
Capital Float	Ribbit Capital, SAIF Partners, Sequoia India	45
Bank Bazaar	Experian Plc	30
Droom	Asset Management (Asia) Ltd, Digital Garage Inc	20
1 mg	HBM Healthcare Investments, Maverick Capital Ventures, Sequoia India, Omidyar Network and Kae Capital	15
Gozefo	Sequoia Capital India, Helion Venture Partners and Beenext Pte Ltd	9
Jumbotail	Kalaari Capital, Nexus India Capital Advisors	8.5
Blackbuck	InnoVen Capital	7.7
Chumbak	Blacksoil Capital Pvt. Ltd	1.7
MFine	Stellaris Venture Partners, Mayur Abhaya, Rohit M.A	1.5
Spinny	Blume Ventures, Indian Angel Network, Kunal Shah, Sandeep Tandon	1

The following the analysis recorded regarding the Private investments in E-commerce around the world

➤ The above list shows the top companies around the world in the ecommerce industry with their funding being raised from various investors.

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- Around \$9.6 billion of capital between Januarys – September 2017 is raised by the Venture Capital backer firms in India which is double the amount of capital raised in the previous financial year.
 - Blackbuck, an online freight aggregator operated by Zinka Logistics Solutions Pvt Ltd, has raised Rs 50 crore (US\$ 7.68 million) in venture debt from InnoVen Capital.
 - A prominent company Bank bazar a financial marketplace start up in India raised around \$30 million in a funding round led by Experian Plc, a credit rating agency based in UK, which finally increased the company's total funding to \$110 million.
 - Around Rs 60 crore is raised by Gozefo.com a Bengaluru based company offering used furniture and appliances from Sequoia Capital India, Helion Venture Partners and Beenext Pte. Ltd.
 - In the recent strategies being implemented Mr Jeff Bezos, Founder and Chief Executive Officer, Amazon Inc. has announced plans to further increase its investments in the country to develop the infrastructure and technology. This strategy has also received the an approval from the regulator of banks i.e. Reserve Bank of India by making its personal digital payment wallet thereby accounting for the India's fastest growing digital payments business.
 - Flipkart has also raised around \$1.4 billion in April 2017, which is the biggest startup of India funding round led by Tencent Holdings Ltd, EBay and Microsoft corp. It also acquired eBay's Indian arm as a part of the deal. The company also raised US\$ 1 billion in March 2017 in a funding round led by Chinese internet giant, Tencent and Microsoft, thereby valuing the start-up at US\$ 11 billion.
 - \$ 200 million is raised by the e-commerce unit of Paytm in a funding round led by Chinese e-commerce giant Alibaba and existing investor, SAIF Partners, to become the Indian unlisted company to be valued at over a billion dollars.
 - Also as per the proposed plans the largest Chinese E-commerce giant player Alibaba has planned to set up its offices in Mumbai, India. This will also make them to become the part of growing ecommerce market of India which is expected to double to US\$ 34 billion by 2017.

Initiatives taken up by the Government of India for the growth of E-commerce sector.

The government of India is taking too many initiations for the growth of Ecommerce into India, with the various programs being launched like Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The only need is that the timely effective implementations of such programs will lead to support of the ecommerce growth in the country.

Ministry of Finance has proposed various measures to transform the India's transition to cashless economy, also imposing several bans and prescribing limits for carrying out the transaction. Tax incentives for creation of a cashless infrastructure, promoting greater usage of non-cash modes of payments, and making Aadhaar-based payments more widespread.

The concept of "inter-operability" is proposed by the Reserve Bank of India to allow among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards. The Ministry of Electronics and Information Technology (IT) has also framed policies and strategies which aim to address the issue of the consumer interest and security concerns.

Installing of Wi-Fi hotspots in more than 1000 gram panchayats across India is also is in the list of Government to promote the growth of ecommerce in India under a project called Digital Village, which aims at providing high speed internet in the remote locations for mass use as well as enable high quality services and education in far flung areas.

Advantages of E-commerce

) Faster buying/selling procedure

The customer can get their desired products within a click and helps in saving of time. To get the right product various features are made available on the website to quickly find the best one among the long list.

) Buying/selling 24x7.

The customer have the choice of buying or selling at any time, as and when they feel convenient and there are not bound with any limitations related to this

) More reach to customers.

The organisations have wider customer base as the advantage of being online is that the provision of goods and services can be avail by any person sitting in any part of the world.

) Low operational costs and better quality of services.

There is very less procedural costs are incurred as everything takes place over the internet with the involvement of very less work force

) No need of physical company set-ups.

The cost of investment is found to be very low as no physical office space is requires to start Ecommerce companies, everything takes place over the internet.

) Customers can easily select products from different providers without moving around physically.

Ecommerce provides suitability to choose any products or services among the long list of providers available in the industry

Disadvantages of E-commerce

) There is no guarantee of product quality.

Sometimes there are differences in the product seen on website and product actually received, this may cause inconvenience to the consumers as well as the E-comm agent.

) Technical failures can affect the total processes.

These type of failures can cause disturbance in the total chain of e-commerce.

) The online transactions are always prone to cybercrimes and phishing attacks by the hackers which can cause a lot of inconvenience to the parties involved

Conclusion

With this study it is evident that the future prospects of the ecommerce in India are expected to be positive as the concept of ecommerce has successfully established its base and growing at a brisk pace in the current economy structure. Also the launch of 4G internet services are aiding to the growth of ecommerce in the economy and the provision of internet service is identified to be the major factor for the reach of ecommerce to the whole population of the country. Also on an average many providers are converging from conventional method of trading to the ecommerce because of which number of services providers are increasing day by day.

The rising internet penetration and increase in its usage is quite evident and major contributor to that is the urban population because of more facilities being provided in tier 1, 2 & 3 cities. As internet is considered to be the major factor influencing the ecommerce industry, the user base of internet is also increasing at a brisk pace thereby contributing towards the growth of ecommerce.

While coming to the Ecommerce retail market structure electronics tops the list followed by the category of apparels and remaining share being acquired by other categories of product. It can be easily interpreted that most of the people prefer electronics to purchase from the ecommerce sites reason being they provide suitable discounts and other offers which turn out to be very attractive for the customers. Same is the case with the apparel category and all these are influenced by the type of demographic dividend.

It is evident that India is one of the emerging countries with an increasing consumer base of ecommerce industry. Whereas USA, UK and China are considered to be the top leaders in this. Also the largest market share in the ecommerce industry is acquired by the online travel agents and remaining share being acquired the other categories. The reason is that online travel agents do offer heavy discounts and other benefits which are found to be very attractive by the customers.

It can be concluded that the scope of ecommerce industry is very wider and on a daily basis latest advancements are taking place into the industry thus thereby making it more profitable and efficient. Increasing user base in the ecommerce sector indicates that people are finding it more convenient and better when compared with the conventional methods of carrying out the business.

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