

EMERGING TREND OF E-COMMERCE OVER CONVENTION TRADE IN INDIA

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ABSTRACT

The Commercial centre is now transforming from the conventional trade to the E-Commerce. Today, right from needle to ship, everything can be purchased online. Electronic commerce is more than simply one more approach to support or improve existing businesses. Ecommerce is paving way for huge business development in our nation. Although there no official data available on function and spared of e-commerce in India, but from sources available in the market, it is expected that e-commerce would grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. The increasing use of the internet in recent times has further triggered the growth of the E Commerce. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 560.01 million as of September 2018. India's internet economy is expected to double from US\$125 billion as of April 2017 to US\$ 250 billion by 2020, majorly backed by ecommerce. India's E-commerce revenue is expected to jump 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. The present research paper has attempted to critically examine the present scenario and facilitators of E-Commerce in India in comparison to the Conventional trade.

I. INTRODUCTION

India is the world's second largest country in terms of population. The country's winning population will be the same number of consumers in the market. In such a situation, there will be a widespread possibility of expansion of the market and the consumer will dominate the market. Therefore it is necessary to use the latest method and technology to reduce the cost of distribution and time to attract the consumer.

E-Commerce In India - Potentially this could include activities that include use of the telephone or the fax as well as the Internet. Broadly, EC transactions can be categorized in terms of target user groups such as business-to-business (e.g. procurement over computer networks), business-to-consumer (e.g. online retailing), business-to-administration (e.g. Government and business transactions), and consumer-to-administration (e.g. filing of tax returns). The Committee felt that initially the focus should remain on business-to-business and business-to-consumer transactions for the first 3-4 years.

Electronic Commerce, it is a newly emerging and fast growing way of conducting business. It is the way of advertising, buying, selling, and, in some cases, delivering goods and services. At its broadest, e-commerce is any type of business transaction or interaction in which the participants operate or transact business or conduct their trade electronically. On a large scale, E-Commerce transactions can be categorized in terms of target user groups such as business to business, business to consumer, business to administration, consumer to administration.

In India, There is no separate department which supervises the E-Commerce and has complete control of it. The Ministry of Electronics and Information Technology along with Ministry of Trade and commerce look after the E-Commerce in India. The Information Technology Act, 2000 along with its rules, act as the guiding to E-Commerce in India.¹ India has an internet users base of about 475 million as of July 2018, about 40% of the population. Despite being the second-largest user base in world, only behind China (650 million, 48% of population), the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. In 2017, the largest e-commerce companies in India were Amazon, Flipkart, ShopClues, Paytm, Snapdeal and e-bay.

¹ Department of Promotion of Industry and Internal trade, E-commerce, (Nov 22, 2017) at <https://www.meity.gov.in/e-commerce>

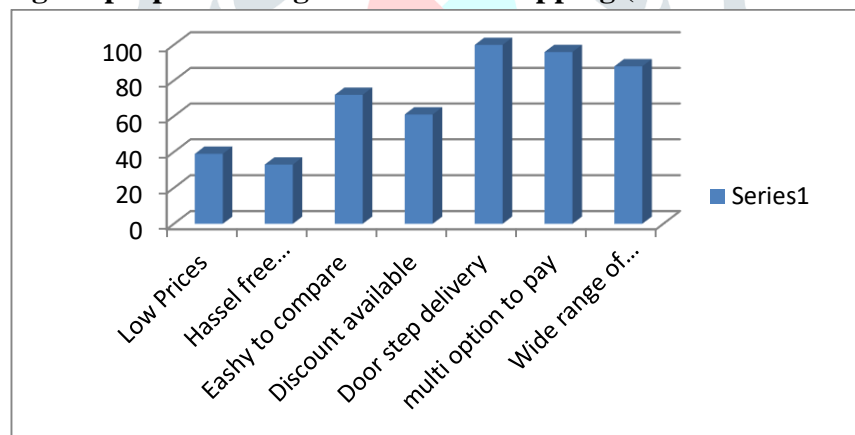
India's e-commerce market was worth about \$3.9 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 79% of India's e-commerce market is travel related. According to Google India, there were 35 million online shoppers in India in 2014 Q1 and was expected to cross 100 million mark by end of year 2016.² CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. A new sector in e-commerce is online medicine, selling complementary and alternative medicine or prescription medicine online. There are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license.



(Source: Goldman Sachs - India Internet: Unlocking the potential of a billion digital users, 2015)

In a recent estimation preference of customers who uses online shopping are emerging with increasing trend which is being seen not only in cities but this trend is rising in the village arrears too. This trend is depicted as under:

Advantage to people in using e-commerce shopping (Preferences trend in %)



II. PRIORITY OF E-COMMERCE OVER CONVENTIONAL TRADE

By the recent trend so mentioned in the above para, it clearly shows that there is significant shift of the customers from the Conventional or traditional trading point to the online business. There must be some perks and the advantages which has attracted the customers. In the forthcoming para few advantages will be highlighted which has caused the major shift in recent times.

- Cost-Effective: E-commerce is very cost effective as compared to traditional commerce. In traditional commerce, there is a burden to give the commission to de agent or middlemen to sell the company's product. The total cost required to run e-business is comparatively less as compared to the traditional business.
- Saving of Time: In tradition commerce, you have to go physically for any kind of purchase but in E-commerce, a product can be ordered and the transaction can be completed in a couple of minutes through the internet.

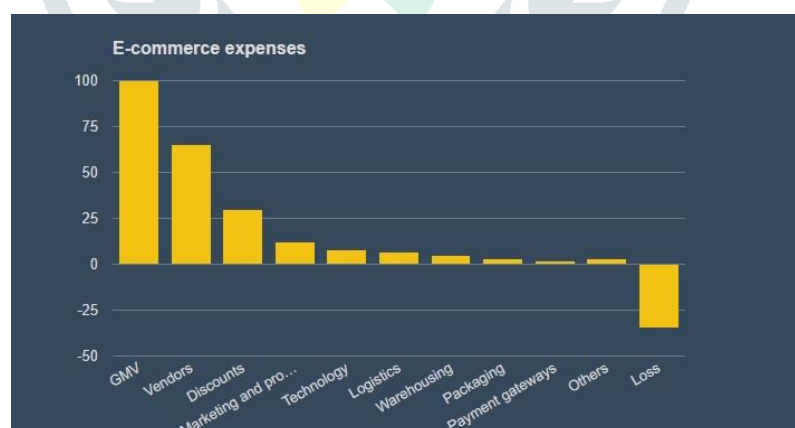
²The Times of India, "Online shoppers in India to cross 100 million by 2016: Study" 4 May 2016 at <http://m.timesofindia.com/tech/tech-news/Online-shoppers-in-India-to-cross-100-million-by-2016-Study/articleshow/45217773.cms>

- **Customer Interaction:** In traditional commerce there is a face to face interaction between the customer and the business or with any representative of that business, on the other hand in E-commerce there is no Face to Face interaction with business all the things happen online.
- **Convenience of the Business and Customers:** E-commerce is convenient for the customers and also the business. Customers can browse and see whole directories of products, they can compare prices which is not possible when traditional commerce is concerned
- **Better Connectivity:** E-commerce provides very decent connectivity then Traditional commerce to its regular customer and viewers (future customers) because with it the organization's website can be accessed virtually (online) from any place, anytime by using the internet.
- **Geographical Limit of Business:** In traditional commerce, it is not so easy to expand the size of the market from local to the national level or national level to multi-national level. But in E-commerce, it is easier to expand the size of the market from local to national and international level.
- **Working Hours:** In traditional commerce, the exchange or trading of goods and services can do only during specific working days and during the specific time slot. On another hand, in E-commerce, the selling and purchasing of goods and services can do any day and anytime.

Launching of new Items or Products

In traditional commerce, it is very timely as well as money consuming to introduce a new product in the market and to know the response of the customers. In e-commerce, it is easy to introduce a product on the website and we can get immediate feedback from the customers without spending a paisa.

- **Profit Making:** E-commerce helps very much to increase the sales and profit of the organization or firm. In Traditional commerce, the cost increases because of the involvement of the middlemen, and it reduces the margin of profit.
- **Physical Inspection of Goods:** E-commerce does not allow any type of physical inspection of goods. While purchasing goods through E-commerce, customers have to trust on the electronic images and nothing else but in traditional commerce, you can physically inspect the goods before purchase it.
- **Chances of Fraud:** During the transaction of E-commerce, a lot of cyber frauds can happen. People generally fear to give bank and credit card details because their information can be a leak. In traditional commerce, the chances of frauds are comparatively less because there is a personal interaction between the buyer (customer) and the seller (business).



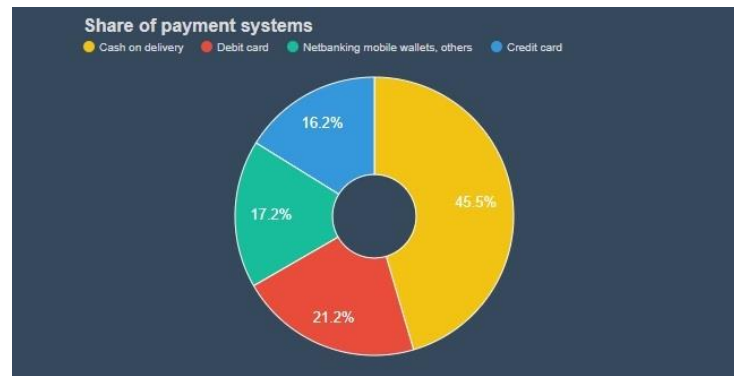
(Source: Goldman Sachs - India Internet: Unlocking the potential of a billion digital users, 2015)

III. CHALLENGES TO E-COMMERCE IN INDIA

Just like any other sphere, even this sphere is not free from any kind of challenge. Some of the challenges of the E-Commerce is enlisted below which is posed on the E-Commerce.

- **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.



(Source: IAMAI / Deloitte - Future of e-Commerce: Uncovering Innovation)

- 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.
- 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.
- 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.
- 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 smartphones. So, for all practical purposes this consumer group is unable to make ecommerce purchases on the move.
- Postal addresses are not standardized.
If you place an online order in India, you will quite likely 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. Last mile issues add to ecommerce logistics problems.
- 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 centers have a fairly robust logistics infrastructure.
- Overfunded competitors are driving up cost of customer acquisition: The vibrancy in the Indian startup ecosystem over the past couple of years has channeled 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.

CONCLUSION

This paper concludes that e-commerce is very good for us who provides us wide variety of products and services with lots of information and attractive pictures at an affordable price at our doorstep. It provides convenience to customers and allows the enterprise to expand their business over internet. Ecommerce have good impact on markets like reduce the cost of advertisements as many customers can attract through internet, new brand can be developed, can maintain a good relationship with customers and can make customized products according to customer's needs. But e-commerce has bad impact on offline retailers because customers buys on low price from online shops due to which they also have to lower their price and does not get any profit, retailers cannot maintain a large stock like online shops have stores because it will Costa huge loss to them. They have to spend more money in offline advertisements to attract customers. Along with the impacts e-commerce also offers some limitation in terms of markets and

retailers that is website cost, to create and maintain a website a lot of money is required; infrastructure cost, to fulfill the orders online retailers have to maintain a large stock in a big warehouse which costs a lot; security and fraud, due to popularity of online shops criminal elements are also attracted to them who can hack the personal information and can misuse them; customer trust, it is difficult for customers to trust a new brand without looking, touching and face-to face interaction.

In India, the expansion of the "Digital India" plan is likely to grow faster with the E-COMMERCE business.

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