



Impact of E-Commerce Business(B to C) in India

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Abstract:

"Ecommerce" or "electronic commerce" is the trading of goods and services on the internet. An ecommerce business is a company that generates revenue from selling products or services online. GMV of e-tailers continued to grow by leaps and bounds in FY-2023 after registering rapid growth in the previous two years, shows Redseer data. India's e-commerce market is on fire! With consumers rapidly adopting online shopping and renewed thrust from leading consumer goods and retail players in the country, gross merchandise value (GMV) of India's e-tailers touched US\$ 60 billion in FY2023. As per latest data from Redseer Research and Analysis, the surge in e-tailer GMV rose 22 per cent last year over the previous year. In FY2022, GMV of e-tailers stood at \$49 billion. Today, India is home to the third-largest base of online shoppers of 140 million, only behind China and the US, according to Bain & Company's report How India Shops Online.

Keywords:

Ecommerce = Electronic Commerce, Brick and Mortar = A traditional street-side business, GMV = Gross Merchandise Value, E-tailers = A retailer selling goods via electronic transactions on the internet, B2C = Business to Consumer, B2B = Business to Business, B2G = Business to Government.

Introduction

Buying and selling products and services online is referred to as electronic commerce (or e-commerce) by businesses and people. E-commerce can be carried out on computers, tablets, smartphones, and other smart devices, and it operates in several market areas of this kind. Books, music, airline tickets, and financial services like stock trading and online banking are just a few of the many goods and services that are readily available through e-commerce transactions. As a result, it is seen as a technology that is very disruptive.

E-commerce is the process of buying and selling tangible products and services online. It involves more than one party along with the exchange of data or currency to process a transaction. It is part of the greater industry that is known as electronic business (e-business), which involves all of the processes required to run a company online.

By offering less expensive and more effective distribution channels for their goods or services, e-commerce has aided firms (especially those with a limited audience like small businesses) in expanding their reach and establishing a stronger market presence. Target (TGT) added an online store to complement its physical locations, enabling customers to buy anything from action figures and toothpaste to clothing and coffeemakers from the comfort of their homes.

Types of ecommerce

Ecommerce takes as many different forms as there are various ways to shop online channels. A few common business models that shape the world of ecommerce are:

B2C – Businesses sell to individual consumers (end-users). The most common model with many variations.

B2B – Businesses sell to other businesses. Often the buyer resells products to the consumer.

C2B – Consumers sell to businesses. C2B businesses allow customers to sell to other companies.

C2C – Consumers sell to other consumers. Businesses create online marketplaces that connect consumers.

B2G – Businesses sell to governments or government agencies.

C2G – Consumers sell to governments or government agencies.

G2B – Governments or government agencies sell to businesses.

G2C - Governments or government agencies sell to consumers.

Challenges of ecommerce

Some businesses may try to avoid ecommerce due to challenges like:

- Limited face-to-face interaction
- Technical difficulties
- Data security
- Challenges of shipping and fulfilling orders at scale

Let's walk through each of these potential pitfalls.

• Limited face-to-face interaction

Face-to-face interaction is necessary for some businesses and transactions. Depending on your product, service, or sales style, it may be challenging to bring the full force of your personality into an online space. While there is no magic solution, keeping your brand story at the fore of all you do can help you maintain authenticity online. Alternatively, if you prefer communicating with customers via email or phone, this drawback might be a huge plus!

• Technical difficulties

Challenges related to technology can negatively impact sales. Just as a hiccup in your supply chain can prevent timely delivery of products, internet issues, or a hard drive failure can cost you time and money. Remember, for every technical issue that may arise, there's likely a solution or a preventative measure you can take. Be sure to back up your data regularly. Using a store like Amazon can help mitigate these risks with an established, trusted technical infrastructure.

• Data security concerns

Customers care about how information is stored and shared. Build customer trust by giving details on your privacy policy. Doing so demonstrates transparency and reassures customers that you will safeguard their personally identifiable information. Amazon has worked for decades to create a secure shopping experience, and businesses that sell on Amazon benefit from long-standing customer trust. When you host an ecommerce store on your own domain, you need to find a secure payment processing service and take reasonable measures to avoid putting customer data at risk.

• Shipping and fulfilment at scale

It may be easy to pack and ship orders from your garage or spare room when you're starting out in ecommerce. But as your business grows, order fulfilment becomes a much more time-consuming process. Sudden increases in orders can leave you scrambling to fulfil orders. Using a service like Fulfilment by Amazon can help reduce the strain on your business and keep customers satisfied.

Benefits of E-Commerce

Conducting sales online has some significant advantages. Among the top benefits, ecommerce:

- Is growing rapidly

- Offers global marketing reach
- Provides the ease of ordering products online
- Generally involves lower operating costs
- Gives direct-to-consumer access

Key Factors driving the growth of E-commerce in India

1. Easy access to Internet Services

Easy access to the internet and smartphones, a result of rising standards of living, has led to an escalation in the convenience of online transactions and expansion in the digital userbase. Today, with easy accessibility of the internet even in remote rural areas due to the launch of 5G services and increased affordability, ecommerce has paced its growth in an unprecedented way. The convenience of online shopping and changes in the supporting ecosystem has further given rise to the country's online retail economy.

2. Rise in Digital literacy

Recent trends of rising digital literacy have led to increased investment in E-commerce businesses, balancing the market for new players to establish their foundation while rolling out fresh patterns to challenge established workings. Foreign investments have increased their funding in the Indian ecommerce sector due to strong growth prospects in the last ten years, and the graph is only going upwards.

3. Government Initiatives

The government has taken some significant initiatives to advance positive impact on the e-commerce business, such as Digital India, E-market, Skill-India, and the promotion of Unified Payments Interface (UPI) over almost all national platforms. "Digital India Project" will provide a centralised location for all administrative processes, with the mobile phone serving as the primary means, which will boost the e-commerce industry. These initiatives will considerably impact expanding the access of companies in the e-commerce industry to places that are often inaccessible, hence boosting the expansion of the industry.

Objectives:

To understand the present situation of e-commerce in India.

To understand the effects of e-commerce on Indian retail business in India

Methodology

This study is analytical and empirical in nature. The data has been collected from secondary sources by visiting various related websites and previously published articles.

Present situation of e-commerce in India

India's e-commerce market is on fire! With consumers rapidly adopting online shopping and renewed thrust from leading consumer goods and retail players in the country, gross merchandise value (GMV) of India's e-tailers touched US\$ 60 billion in FY2023.

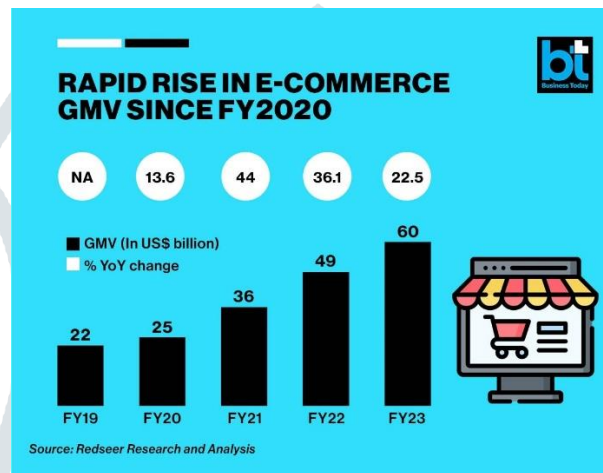
As per latest data from Redseer Research and Analysis, the surge in e-tailer GMV rose 22 per cent last year over the previous year. In FY2022, GMV of e-tailers stood at \$49 billion.

While COVID related disruptions like lockdown and supply chain bottlenecks impacted economic activities during the past three years, e-commerce sales grew by leaps and bounds. In fact, since the end of FY2020, when the COVID pandemic hit the shores, e-commerce sales have jumped by a whopping 140 per cent.

In FY2020, while the GMV stood at \$25 billion - up by 13.6 per cent over the previous year, in FY2021 e-commerce GMV grew by 44 per cent to reach \$36 billion. In the following year, it continued to grow rapidly (by 36.1 per cent) to cross \$49 billion in FY2022.

The data, however, shows that the yearly growth rate is slowing since its peak in FY2021, when a stringent lockdown was in place and physical stores were shut for several weeks. “Despite losing momentum, e-tailing today is 2.5 times of pre-COVID levels and is performing much better than overall retail consumption, which has been tepid in the recent quarters due to inflation concerns,” said Mrigank Gutgutia, Partner at Redseer.

According to it, over the last three years new users who are willing to try e-commerce throughout the country have increased and non-metro users account for a large share of the total user base in FY23. “However, the growth pattern in FY23 (and likely going forward as well) is different wherein the ‘regular shoppers’ i.e., the monthly user base is now larger than ever before. Monthly shopper base (MTU) which stood at nearly 65 million in FY23 is now 31 per cent of the annual e-tailing shopper base –the same metric which was just 23 per cent in pre-pandemic era. This goes to show that e-tailing user base is maturing and customers now shop online more frequently across a range of categories,” Redseer noted.



Effects of e-commerce on Indian retail business in India

Indian retail industry’s market size came down from US\$950 billion in 2018 to US\$883 billion in 2020, according to Statista. As the overall retail market shrunk in size, the outbreak of the COVID-19 pandemic also accelerated the adoption of e-commerce and m-commerce as people across all sections of society started using the internet to make essential and non-essential purchases.

Today, India is home to the third-largest base of online shoppers of 140 million, only behind China and the US, according to Bain & Company’s report How India Shops Online.

The growing preference for digital channels to shop is challenging the status quo. While there is little doubt that acceptance of e-commerce was growing even before the pandemic outbreak, especially in metros and tier-I cities, the pandemic has made retailers realize the many benefits of digital platforms. It not only provides new opportunities to acquire new customers but also allows them to engage better with existing customers and bring down the cost of running operations.

E-commerce relies on Robust Communication Network

E-commerce growth rides on reliable network connectivity that facilitates the purchase and ensures that a shopper’s digital experience is seamless. While most consumers are unaware, the seemingly simple online purchase process involves volumes of data exchanges in real-time for hundreds and thousands of buyers.

Right from payments processing, inventory updating, logistics tracking, and uploading of static to dynamic content for visual catalogues, everything needs to be orchestrated in real-time to ensure that the customer’s digital experience is not compromised. Any slight delay not only impacts that particular transaction but may

result in the permanent loss of the customer. Worse, the frustrated customer may leave a bad review, impacting future sales and the brand's reputation.

Conclusion

At present, e-commerce is a crucial component of India's trade facilitation policy. E-commerce not only saves users time and money, but also gives them access to a wider variety of goods at lower prices. E-commerce is growing more popular in India as a marketing Strategy; as people become more accustomed to and at ease with technology, they start to have more faith in online companies. Ecommerce will have its limitations as it grows, but because of an increasing number of internet users and technological developments, it has the potential to flourish. Indian businesses and marketplaces should take advantage of this opportunity.

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