

E-Commerce: Benefits and limitations in Indian context

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Abstract

The purpose the study is to explore and bring about the benefits and limitations of e-commerce in Indian context. E-commerce has seen unprecedented growth in India in the last decade. According to an ASSOCHAM estimate the size of e-commerce market in India in 2016 was USD 18 billion which is slated to grow to USD 40 billion in 2018 and to gigantic USD 100 billion in 2020. The sheer size of the market tells the success story of e-commerce in India. This study discusses the benefits of e-commerce from the perspectives of business, customer and society in separate section. The limitations or challenges are also discussed from technical and non technical perspective. The methodology used in the study was the content analysis of secondary data from available literature and analysis of different research reports. The main benefits of e-commerce are low cost, any time availability, wider reach, better coordination, time savings, large assortment etc. Though the e-commerce is benefiting the business and society at large there are some challenges and limitations also the main being that of financial security, trust, delivery and human less transaction.

Key words: E-commerce, E-business, Benefits of E-commerce and Limitations of E-commerce

1. Introduction

Electronic Commerce (EC) popularly known as or e-commerce encompasses the process like buying, selling, transfer or exchange of products, services and information through computer networks and the Internet (Kalakota and Washington, 1996) ^[10]. Ecommerce is often considered as a part of e-business. E-business refers to the buying or selling of goods and services; it also includes providing service to the customers, collaborating with business partners and conducting business transactions electronically. While e-commerce mostly focuses on the buying and selling activities on the Internet; e-business collaborates inter and intra business activities among all the stakeholders.

Many authors and researchers have defined and interpreted E-commerce or Electronic Commerce in many different ways. They are:

1. The use of internet to do business transactions (Bellman, 1999) ^[2].
2. Digitally enabled commercial transactions between and among individuals and organizations (Eliqs M. Award, 2014) ^[5].
3. Electronic environment that allows buying and selling products, services and sharing of information on the internet (Joseph P. T, 2012) ^[9].
4. E-commerce or Electronic Commerce is the process of buying, selling, transferring or exchanging products, services and/or information via computer networks and internet (Louden and Traver, 2005) ^[11].

E-commerce calls for the transformation from physical to digital (often referred as digitization) relating to the product or service offered or the process of procurement and delivery. Pure physical organizations (corporations)

are referred to as Brick and Mortar (old economy) organizations, whereas companies that are engaged only in E-Commerce are considered as Click and Conquer (or pure play or pure click) and often referred as virtual organizations. Click and Mortar or Brick and Click organizations are those that conduct some e-commerce activities, yet their primary business is done in the physical world. Gradually, many brick and mortar companies are changing to click and brick ones.

2. Objectives of the study

The two main objectives of the study are

- i) To study and discuss the basic main benefits of e-commerce from the perspectives of business, customer and society in India.
- ii) To study and discuss the basic main limitations of e-commerce in Indian context.

3. Methodology

This study is based on secondary data. Different reports have been collected from a variety of sources like various publications of the government ; various publications of national and international research organizations like CRISIL; books and newspapers; reports and publications of various associations connected telecommunication (mobile and internet) department like TRAI. Qualitative Analysis of various available literatures (documents and reports) has been done using the techniques of statistical compilations and manipulations, reference and content analysis.

The next section that is section 4 covers the first objective and the section 5 discusses the second objective while section 6 discusses the conclusion.

4. Benefits of E-Commerce

E-commerce caters enormous benefits not only to the buyers or the sellers, but also to the society at large. These benefits are in a way catching the attention of the customers and consumers. These benefits are actually driving the growth and adoption of this technology by attracting more customers. This might be slow in pace but the shift is significant to break the myth around the present and future of e-commerce in India. Some of these benefits are noted below.

4.1 Benefits to the Organizations

The benefits of e-commerce for the organizations are discussed below.

- 1) **Worldwide coverage:** Internet being one of the largest medium of communication across the globe provides opportunity for a seller to reach out to the customer base; breaking the geographic barriers. It expands the company's marketplace to national and international markets with minimal capital outlay. A company can quickly locate more customers, the best suppliers and the most suitable business partners worldwide. This does not mean that the mere presence on the web will do all the wonders. But it requires a systematic approach and a well-crafted strategy to reap the benefits out of it.
- 2) **Low setup cost:** A virtual store requires relatively less investment rather than to establish a physical store. With the increasing cost of property (land and building) and real estate, the dream of being there at the door step of the customer at the time of requirement is becoming a harsh reality. The clearances and permissions from various authorities are making things worse. The cost of interior design, lightening, parking facility, storage, cleanliness, payment of salary and bills of the employees working in the physical stores etc. are adding up to the cost of establishment. Possibly that is the reason why many startups are finding the digital presence more attractive than the actual one.
- 3) **24 × 7 connectivity:** Unlike the physical store the virtual store does not have a time to open or close. Anyone can transact at any point of time from any location at their own convenience. This is one greatest advantages of e-commerce.
- 4) **Lower prices than traditional stores:** It shortens and almost eliminates the marketing distribution channels, makes products cheaper and vendors' profits higher. This can be termed as disintermediation. Figure-3 below describes why and how exactly the online sellers are challenging the physical store players really hard. Lower startup or establishment cost along with disintermediation is doing the trick for the online players in terms of their offering at a much lower price. But, this does not mean that the profit margins are increasing due to this.
- 5) **Better real time communication:** With the help of technologies like e-mail, fax, bar code scanning, online fund transfer, online payment and electronic data interchange; the system itself takes care of everything after initiation. Automatic order

processing, billing, invoicing, acknowledgement of receipt and real time tracking of consignments etc. are building a sense of trust among the participants by reducing the dependency on each other.

- 6) **Online management of information:** Any information in its digital format is much more compact and easy to handle. Storage and retrieval of information is not a problem these days. Hands on access to information as and when required are making the entire system more efficient and productive.
- 7) **Enhanced customer service:** With such advanced technologies customer service is no big deal. Database management, Customer Relationship Management (CRM), data mining and data warehousing and the previously discussed automated systems are not only helping the customer rather these are in a way providing an opportunity to the sellers to handle or deal with the customer better.
- 8) **Enhanced productivity:** When the system is almost automatic, information storage, retrieval and sharing is possible on real time basis, the investment is relatively low and the system is efficient in its own way; this increases the productivity and profitability of the system or organization without any doubt.
- 9) **Faster and economical customer acquiring, servicing and retaining:** The digital way enables companies to procure material and services from other companies, rapidly and at less cost. It also decreases the cost of creating, processing, distributing, storing, and retrieving information by digitizing the process.
- 10) **Low cost and Effective ad campaigns:** Cost effective advertising as with the help of analytics it is possible to track and measure the return on investment of the advertising campaign.
- 11) **Customization:** This allows product customization and reduces inventory costs for better inventory and supply chain management.
- 12) **Competitiveness:** It also allows and helps the small businesses to compete against the large companies and create their own identity.
- 13) **Niche marketing:** E-commerce also enables to specialize in a niche market for better targeting, positioning and promotional strategies with totally customized and specifically designed offerings.

4.2 Benefits to the Customers

The benefits of e-commerce for the customers are discussed below.

- 1) **Anytime - Anywhere:** The cost of being anytime and anywhere is much higher in the real world; both for the buyers and the sellers. But in the digital world; it can be achieved with almost no pain. This certainly empowers the customers as they are free to express their requirement as and when they feel like. It enables the customers to shop or make transactions 24 hours a day, from almost any location. E-commerce makes it possible for people to feel comfortable at work and at home.
- 2) **Time saving and hassle free:** Delivers relevant and detailed information in seconds. It also saves the time

to travel to the place of shopping.

- 3) **Easy to search and locate:** Locating a particular product in a mall or in a super market is quite a task. One has to move from department to department and look into rack by rack or shelf by shelf to find the desired product. But, in the virtual stores all these things can be easily taken care by a single click.
- 4) **Quick comparison shopping:** With a single click one can pick up, select and compare products with any possible parameter. Be it on the features, price, availability or anything else, the digital platform delivers it all within seconds. It helps without causing any trouble to the customer.
- 5) **Customization:** The customers can make, design or develop and express for their own and unique requirement with the help of customization technique. It is largely possible with the online sellers as they do not store finished products, unlike most of the physical stores. The power of customization allows the customer to be utterly creative, innovative and engage with the product or service and with the seller. This satisfies the ego of the customer and builds a sense of trust or bond with the seller.
- 6) **More options at lesser price:** Cash on delivery, free home delivery and delivery to the desired location with some message etc. are some of the unique benefits of the online retail store service model. It gives the consumers more of choices in selecting products, services and vendors.
- 7) **Sharing idea, information and experience:** The virtual store makes it possible for detailed and unbiased comparison, expert advice and suggestions from the existing users. This makes it more convincing, trustworthy and certainly helps in sensible decision making. Online communities and forums for discussions allow consumers to interact with the members of the e-communities, exchange ideas and share experiences.
- 8) **Online auctions:** Electronic auctions benefit both the buyers and sellers in the digital domain.
- 9) **The availability of products, services or brands beyond geographic boundaries:** It is one of the most important aspects of e-commerce.

4.3 Benefits to the Society

Any activity that has no positive effect on the society has no meaning, whether it is a commercial or non-commercial activity. The benefits could be direct or indirect. The magnitude of the benefit might be greater or smaller but the impact must be positive and pleasant. It must bring harmony and should not violate the prevailing social norms and beliefs. Some of the benefits of e-commerce technology for the society are mentioned below.

- 1) It enables individuals to work or transact from home and to do less traveling, resulting in less road traffic and lower environmental pollution.
- 2) It offers some merchandise to be sold at lower prices, thereby increasing the purchasing power of individuals by enhancing their standard of living and brings change in life style.

- 3) It enables people in developing countries and rural areas to enjoy brands, products and services etc. that are otherwise not available. This includes opportunities to learn professions and earn college degrees or to receive expert advice or information.
- 4) It facilitates delivery of public services, such as government entitlements, much quicker and reduces the chance of fraud. Thus increases the speed, quality and authenticity of social services, police work, health care and education.

5. Limitations for E-Commerce

Like everything else e-commerce has its benefits and limitations. But, the limitations are much smaller than the benefits. The opportunities are larger than the threats. This makes it worth giving a try and worth taking a risk to invest. The limitations can be divided in to two broader groups' namely technological and non-technological limitations.

5.1 Technological Limitations

The technological limitations of e-commerce are discussed below.

- 1) First of all other than having business management skills; e-commerce calls for advanced knowledge and high level of technical skills to understand the mechanism and to operate profitably. Since, the business has virtual presence; coordinating and channelizing things, it requires continuous monitoring and human intervention from time to time.
- 2) Insufficient infrastructure to enrich e-commerce penetration to bottom of the society: The ICT infrastructure of India is still very poor. Though computer literacy, internet penetration and use are increasing over the years but still it is concentrated around a few cities.
- 3) Insufficient bandwidth, inconsistent power supply and lack of infrastructure are the major concerns for e-commerce to succeed in a country like India.
- 4) Difficulties in integrating the internet and E-Commerce applications with some of the existing applications and databases. It also calls for special web servers in addition to the network servers. The availability specific hardware and software is also limited to few places.
- 5) Increasing threats from hackers and online stalkers. Increasing virus attacks and increasing concerns for privacy, secrecy and identity theft. It is also not very secure to share bank account or credit card details online.

5.2 Non-technological Limitations

The non-technological limitations of e-commerce are discussed below.

- 1) Perception that e-commerce is expensive and unsecured.
- 2) No touch and feel experience.
- 3) Customer resistance to change from a traditional to a virtual store.
- 4) People do not yet sufficiently trust paperless and faceless transactions.

- 5) Many sellers and buyers are adopting a wait and watch policy till the e-commerce industry stabilizes before they take part.
- 6) Lack of common international regulations and universal industry standards for quality, security and reliability.
- 7) Unresolved legal issues.
- 8) Lack of mature methodologies for measuring benefits and justifying the success of ecommerce.

6. Conclusion

Increasing internet and mobile penetration, growing acceptability of online payments and favorable demographics has provided the e-commerce sector in India the unique opportunity to fundamentally alter the way companies connect with their customers. Due to this digital revolution, the e-commerce sector in India has become more than 4 times its size, from \$3.8 billion in 2009 to \$18 billion in 2016, growing at a CAGR of more than 30%. The sector is expected to cross the \$100 billion mark within the next five years, contributing over 4% to India's GDP. The main opportunities for e-commerce in India are Online travel, one of the key drivers of India's e-commerce market, accounts for nearly 71% of e-commerce business in India. Though the online retail market in India, currently at \$1.6 billion, is a miniscule fraction of India's overall \$500 billion retail industry; retail e-commerce has recorded a three-fold growth since 2011, predominantly driven by million dollar investments by domestic and foreign investors. Along with these opportunities the most important challenges for e-commerce to overcome are in Financing, Infrastructure, Logistics and focus on building Customer Loyalty to usher in the next wave of sustainable growth in e-commerce. Dedicated e-commerce laws are required to address issues in the sector's legal and regulatory framework and Banks must play a leading role as 'Facilitators' by offering cost effective cash management solutions, secure payment gateways and other relevant banking services.

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