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E-Commerce: Opportunities and challenges

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Abstract
E-Commerce is the electronic process by which individuals or organizations make a transaction. There are various advantages of E-Commerce to buyers and sellers like as cost reduction and more variety. Backed by increased online user base & mobile phone presentation, Indian E-Commerce has seen impressive growth in the yester years. Considering India's demographic dividend & rising internet accessibility, the sector is slated to scale greater heights.

Keywords: ATM, B2B, B2C, E-Commerce, VAN

Introduction

Electronic commerce can increase sales and decrease costs. Advertising done well on the web can get even a small firm's promotional message out to potential consumers in every country in the world. A firm can use electronic commerce to reach narrow market segments that are geographically scattered. The web is particularly useful in creating virtual communities that become ideal target markets for specific types of products or services. A virtual community is a gathering of people who share a common interest, but instead of this gathering occurring in the physical world; it takes place on the internet. Some key benefits of e-commerce are summarized below: By becoming e-commerce enabled, businesses now have access to people all around the world. In effect all e-commerce businesses have become virtual multinational corporations.

The cost of creating, processing, distributing, storing and retrieving paper-based information has decreased. The pull-type processing allows for products and services to be customized to the customer's requirements. Enables reduced inventories and overheads by facilitating 'pull'-type supply chain management – this is based on collecting the customer order and then delivering through JIT (just-in-time) manufacturing. The Internet is much cheaper than value added networks which were based on leasing telephone lines for the sole use of the organization and its authorized partners. It is also cheaper to send a fax or e-mail via the Internet than direct dialling. Software and video products can be downloaded or e-mailed directly to customers via the Internet in digital or electronic format. Businesses can be contacted by or contact customers or suppliers at any time. 24/7 access: Enables customers to shop or conduct other transactions 24 hours a day, all year round from almost any location. Customers not only have a whole range of products that they can choose from and customize, but also an international selection of suppliers. Customers can 'shop' around the world and conduct comparisons either directly by visiting different sites, or by visiting a single site where prices are aggregated from a number of providers and compared. This can range from the immediate delivery of digitized or electronic goods such as software or audio-visual files by downloading via the Internet, to the on-line tracking of the progress of packages being delivered by mail or courier. An environment of competition where substantial discounts can be found or value added, as different retailers view for customers. It also allows many individual customers to aggregate their orders together into a single order presented to wholesalers or manufacturers and obtain a more competitive price. Enables more flexible working practices, which enhances the quality of life for a whole host of people in society, enabling them to work from home. Not only is this more convenient and provides happier and less stressful working environments.

Internet in India

Before the appearance of VSNL's GIAS, Internet had been in India for many years in the form of ERNET. However, it was not possible for many people to get access to it, as it was meant for only the educational and research communities. Educational Research Network (ERNET) Internet in India was established as ERNET. It was a joint undertaking of the Department of Electronics (DOE) of the Government of India, and the United Nation

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Development Program (UNDP), which provides technical assistance to developing nations. ERNET is one of the most successful operations that UNDP has funded. Gateway Internet Access Service (GIAS) On August 15th 1995, Videsh Sanchar Nigam Limited (VSNL)-the Indian international trunk telephone carrier company-launched the Gateway Internet Access Service (GIAS). Subsequently, 6 nodes were established at Mumbai, Delhi, Madras, Calcutta, Bangalore and Pune. Each GIAS node is connected to Internet via high speed MCI circuits having a bandwidth of approximately 10 Mbps. Mobile number portability launched; ICANN approves 7 Indian language Internationalised Domain Names (IDNs) for India; iPad enters India market after its Dell and Samsung rivals; Pearson Group takes controlling stake in e-education start up Tutor Vista; Indian government launches National Knowledge Network (NKN); India internet start-ups Komli Media, LetsBuy.com bag $21 million venture capital deals; India's 2011 census uses social media; IIT courses, lectures made available online.

E-Commerce Opportunities
E-Commerce is presently an essential ingredient of India's trade facilitation policy. Since 1991, after economic reforms explicitly took place in India, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Resultantly, a technological revolution accompanied by the wide spread use of the Internet, web technologies and their applications took place. E-Commerce has changed and is still changing the way business is conducted around the world. There is a rising awareness among the businesses in India about the opportunities offered by e-commerce. E-commerce provides a new place for connecting with consumers and conducting transactions. Virtual stores operate round the clock.

Global Trade: E-business is one of the major factors in the globalization of business. Other factors include decreases in trade barriers, globalization of capital markets. Indian e-business has grown at a compounded annual growth rate of 30% since FY09, and is expected to be $18 billion (around Rs 1, 116, 00 crore) opportunity by FY15.

Virtual Businesses: Business firms now have the ability to become virtual E-Business. Virtual business uses electronic means to transact business as opposed to the traditional means of face to face transaction.

Lower search costs: The Internet brings low search costs and high price lucidity. E-business has proved to be highly cost effective for business concerns as it cuts down the cost of marketing, processing, inventory management, customer care, etc.

Round the clock: Customers can do transactions for the product or enquiry about any product/services provided by a company anytime, anywhere from any location.

Economic Efficiency: Greater economic efficiency (lower cost) and more rapid exchange (high speed, accelerated, or real-time interaction) are achieved with the help of electronic business. The e-commerce market in India has grown by 34 percent in the last decade, was about USD 600 million in 2011-12 and is expected to touch USD 9 billion

by 2016 and USD 70 billion by 2020. According to Forrester, the Indian e-commerce market is expected to grow at a CAGR of over 57 percent between 2012 and 2016, which is the fastest within Asia-Pacific region.

Challenges
The growth of ecommerce volumes in India is attracting the attention of players around the world. Despite lower per-capita purchasing power, the population 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.

Indian customers: Indian customers return much of the commodities they purchase online. E business in India has many first-time buyers. This means that they have not yet made up their mind about what to expect from e-business websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is actually delivered, they regret and return the goods. Returns are expensive for e-business companies, as reverse logistics presents unique challenges. This becomes all the more complex in cross border e-business.

Payment mode: Cash on delivery is the preferred payment mode. Low credit card access and low trust in online transactions has led to cash on delivery being the preferred payment choice in India. Unlike electronic payments, manual cash collection is painstaking, risky, and expensive.

Payment gateways failure rate: Indian payment gateways have an unusually high failure rate by global standards. Ebusiness companies using Indian payment gateways are losing out on business, as several customers do not attempt making payment again after a transaction fails.

Internet penetration: Internet penetration is low. Internet penetration in India is still a small fraction of what is there in a number of western countries. The quality of connectivity is poor in several regions. But both these problems are on their last legs. The day is not far when connectivity issues would not feature in a list of challenges to e-business in India. E

Feature phones: Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, and not smart phones. As a result this consumer group is unable to make e-business purchases on the move. Though India is 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 indication.

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

Logistics: Given the large size of the country, there are thousands of towns that are not easily accessible. 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 valiant effort to solve the logistics problem.

Summary
There is no one commonly agreed definition of E-Commerce. E-commerce has an impact on three major stakeholders, namely society, organizations and customers. There are a number of advantages, which include cost savings, increased efficiency, customization and global marketplaces. There are also limitations arising from E-Commerce which apply to each of the stakeholders. These include information overload, reliability and security issues, and cost of access, social divisions and difficulties in policing the Internet. In order to aid general understanding of E-Commerce a number of frameworks have been introduced to explore it from different perspectives. These frameworks help identify the elements of E-Commerce and how businesses can better understand E-Commerce and its practical applicability.

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