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E-COMMERCE:

PROMOTING ENTREPRENEURSHIP IN INDIA

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Abstract:

E-commerce carries with it its own importance in the corporate world due to the effect of globalisation. Significance of E-commerce further extends in India due to the advent of ‘Digital India’ campaign. Remarkable transformation has been taken place in the field of entrepreneurship by the implementation of effective governance in e-commerce. During last few times amazing renovation have been noticed in the Indian shops and trades. E-commerce has taken the domain of business by storm and fascinated the imagination of whole generation of entrepreneurs, with e-commerce ventures with various business and commercial models. The mercurial development in recent years has already propelled the largest industries among these enterprises crossing the billion-dollar boundary. This article has attempted to highlight the current position of the e-Commerce scenario in India and corporate point of view. Simultaneously, it points out the corporate sector’s strategic drives and challenges, and

recommends the techniques which will trigger e -Commerce industries and sustain development.

Keywords: business and commercial models, Digital India, E-commerce, entrepreneurs, globalisation.

1. ECOMMERCE:

E-commerce generally means doing the business transaction by the help of Internet. According to the Organization for Economic Cooperation and Development (OECD), e-commerce is an innovative technique of managing organisation, succeeding it as business happening over systems which use non-proprietary conventions that are recognised through an open standard setting technique such as the Internet. In the other words, E-commerce means the manufacture, circulation, promotion, delivery of products and services by electronic means.

2. RESEARCH OBJECTIVE:

- This article has attempted to highlight the current position of the e-Commerce scenario in India and corporate point of view.
- Simultaneously, it points out the corporate sector's strategic drives and challenges, and recommends the techniques which will trigger e -commerce industries and sustain development.
- To study the relevance of governance in Indian e-commerce industry.

3. INDIAN E-COMMERCE INDUSTRIES: SWOT ANALYSIS

3.1 Strengths

- Less time consuming
- Minimize cost of transaction

- No establishment cost of company
- Global target market
- Customization in products
- Comparison among products
- Customer in direct contact
- Reduce the cost of operation
- More option for segmentation of target market

3.2 Weaknesses

- Sometimes high shipping cost
- Time consuming for delivery process at certain places
- No bargaining
- Advertisement number is limited
- All the websites are not genuine
- Question mark on security & reliability

3.3 Opportunities

- Latest trends
- Updated technologies
- Expansion throughout the globe
- More scope for growth of the business
- 24* 7*365 availability
- Play above the local competition

3.4 Threats

- No privacy
- High risk
- Competitions among competitors

- Time to time change in the rules & regulation of government

4. SWOT ANALYSIS: FLIPKART

Flipkart is one of the leading E-commerce company in India. The company was started in 2007 by Binny&Sachin Bansal. The industry is registered in Singapore, but has its headquarters in Bangalore, Karnataka, India. Flipkart also comes up with its own product like laptop bags, tablets under the brand name “Digiflip”. Morgan Stanley (an American multinational financial services corporation) has lowered the Flipkart valuation from \$15 billion (May 2015) to \$9.39 billion (May 2016).

4.1 Strengths: Flipkart

- **Brand Value:** Flipkart has proven itself as a popular enterprise in India by advertisements, online marketing, social websites and different special programs like the “Big billion day” etc...
- **Experience matters a lot:** The founders of Flipkart has gained enough prior experience from “Amazon” regarding how to compete with the competitors in the competitive world.
- **Largest Retailer:** Flipkart is the largest Retailer of India in E-commerce Sector.
- **Minimize the Cost of Operation:** Flipkart is minimising its cost of operation by the help of its own payment gateway (Payzippy) and logistic arm (E-kart)
- **Expansion:** Flipkart is continuously occupying the new companies like chakpak.com, weread.com, Mine360, Myntra etc...
- **Wide range of Products:** Exclusive rights to promote some goods like MotoG, MotoX, Xiaomi Mi3 etc...

4.2 Weaknesses: Flipkart

- **Costly:** On an average, Flipkart is spending Rs 400/- to acquire a new customer.
- **Limited Marketing Channel for distribution:** Distribution channel of Flipkart is not able to cover the whole county.

- **Perfect Competition:** Customer is always the King in market place in case of perfect competition.

4.3 Opportunities: Flipkart

- By targeting certain emerging market, Flipkart can be able to expand its business.
- Flipkart can also expands its product categories to increase its customer number
- As per the need of the hour new trend is coming in Indian market with respect to 'Digital India'
- Flipkart can optimize its supply chain to compete with the competitors.
- Flipkart can also expand its business out of India

4.4 Threats: Flipkart

- Top competition from the local & international competitors
- Government regulation regarding FDI in multi-branding retail

5. LOGISTICS: TRUMP CARD FOR E-COMMERCE IN 2016

E-commerce has perceived an unprecedented growth in the recent year. As per the study of Bank of America Merrill Lynch in 2015, the net value of e-commerce sector in India will be \$220 billion by 2025. The concept of E-commerce is just beyond selling the qualitative product. In most of the cases logistic acts as defining factor for e-commerce industries for their customer retention. In the report 'Logistics Market in India 2015-2020' Novonous stated that, net worth of the Indian logistic sector at present is \$300 billion. As per that report, Indian logistic market will grow at a CAGR (compound annual growth rate) of 12.17 % by 2020.

Table 1: List of E-commerce Companies

	MAJOR DEVELOPMENTS IN 2015	NEW PARTNERSHIPS IN LOGISTICS	SERVICES LAUNCHED IN 2015
Flipkart	<ul style="list-style-type: none"> > Ekart becomes independent > WS Retail re-acquired 	<ul style="list-style-type: none"> MapMyIndia Blackbuck QikPod 	<ul style="list-style-type: none"> 'Nearby' App for Grocery delivery
Snapdeal	1.3 million square feet of warehousing space added over 25 cities.	Invested \$20 million in Gojivas	<ul style="list-style-type: none"> > 90-minute reverse pick-up > Delivery within an hour of placing the order
Amazon	Pickup now available in 50 cities	Partnering with NGO run by BASIX	Kirana Now - with 5 kirana stores in Bengaluru
Paytm	e-fulfillment centres	Invested \$10 million in Loginext	Two-hour delivery for mobile phones

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6. STRATEGIES OF E-COMMERCE INDUSTRIES IN INDIA IN RECENT YEARS

Amazon:

Amazon accelerated its storage capacity to nearly five million cubic feet by introducing eight new fulfillment centers last year. Amazon claims that it has the largest warehouse capacity & storage infrastructure in e-commerce sectors with 21 fulfillment centers in India.

Flipkart:

Flipkart is associated with its partners for providing alternative delivery channels for customer. Flipkart is also using automation technique for its smooth operation in supply chain management system.

Paytm:

Renu Satti, Vice President, Paytm, stated that Paytm is focusing to strengthening its delivery network with the help of local delivery companies. Paytm has introduced two hours delivery model, E-fulfillment centre, return processing centres, establishing base for local fulfillment and strengthening local delivery network.

Shopclues:

According to Vishal Sharma, Vice President, Operations, Shopclues have developed latest technology for faster shipping, real time update on delivery, integrated tracking and information flow.

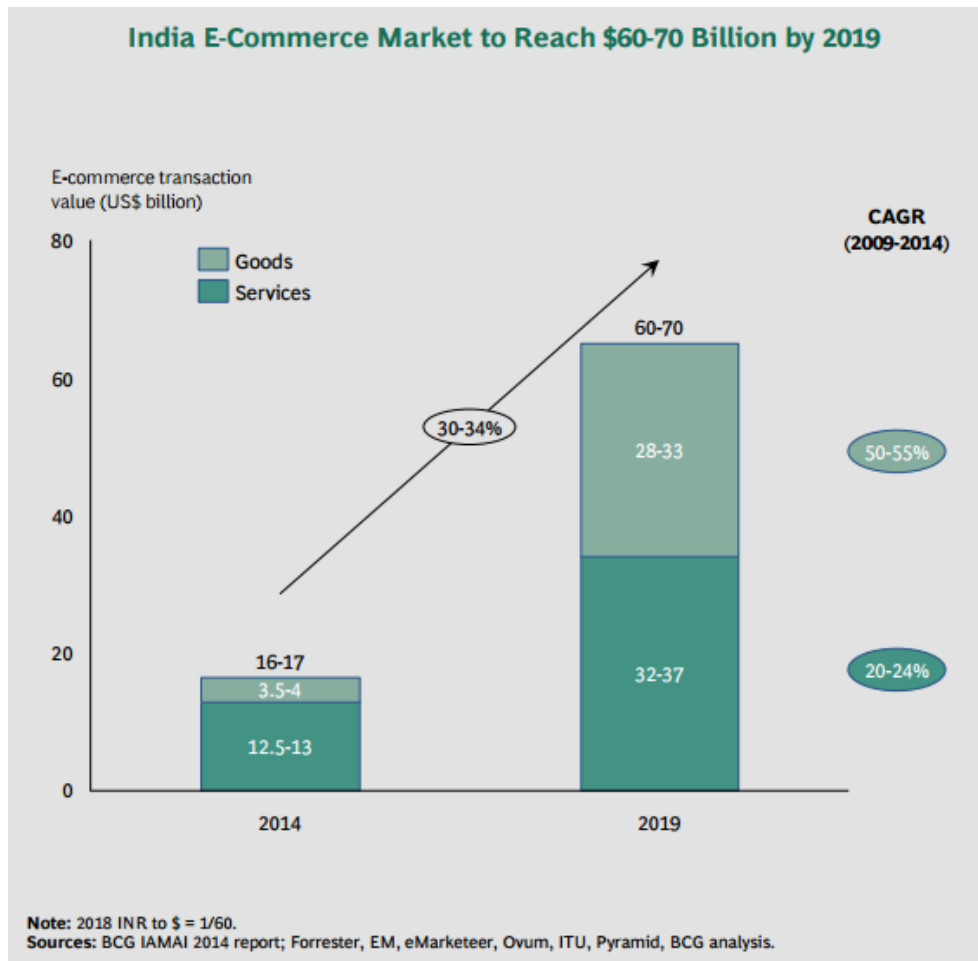
Snapdeal:

Snapdeal triggers its logistic system by introducing the new strategies like 'Snapdeal Instant', card on delivery, 90-minute reverse pickups etc...

7. TRENDS IN INDIAN E-COMMERCE SECTOR:

Recently Retailers Association of India in association with The Boston Consulting Group (BCG) prepared a report. That report provides a bird eye view regarding the upcoming trends in Indian E-commerce sector in next five years.

Graph 1: Trend in Indian E-Commerce Sector



8. INDIAN E-COMMERCE WEB TRENDS: SOKARTI

Sokrati collect information from across 100+ retailer clients, through 1.4+ million purchases, from over 2+ million transactions regarding Indian e-commerce sector on 2016

The highlight points of Sokarti report are

- Men in India shops three times more than women!
- Cash-On-Delivery (COD) remains the most favorite online payment method.
- 60% of online trades occur during official hours. (9AM – 5PM)



INDIAN E-COMMERCE WEB TRENDS

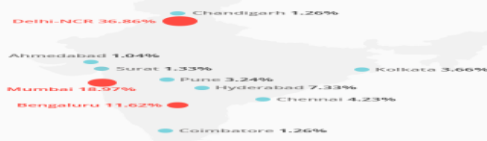
powered by SOKRATI

INDIAN MEN SHOP ONLINE 3X MORE OFTEN THAN INDIAN WOMEN



DELHI-NCR CONSUMES 1/3rd OF ONLINE PURCHASES FOLLOWED BY A DISTANT MUMBAI

DISTRIBUTION OF ONLINE PURCHASES ACROSS CITIES



AVG. ORDER VALUE ACROSS TIERS



WEB SHOPPERS PREFER LARGER SCREENS TO THEIR SMALLER COUNTERPARTS BY 2:1

DISTRIBUTION OF ONLINE PURCHASES ACROSS DEVICES



AVG. ORDER VALUE ACROSS DEVICES



CASH-ON-DELIVERY (COD) REMAINS THE MOST PREFERRED WAY TO PAY ONLINE, WITH 70% OF THE PIE

DISTRIBUTION OF ONLINE PURCHASES ACROSS PAYMENT METHODS

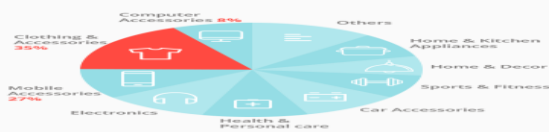


AVG. ORDER VALUE ACROSS PAYMENT METHODS

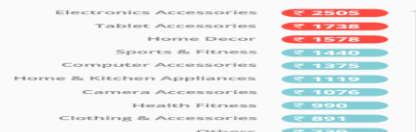


IMPULSIVE CATEGORIES LIKE CLOTHING & MOBILE ACCESSORIES COUNT 60% OF ONLINE PURCHASES

DISTRIBUTION OF ONLINE PURCHASES ACROSS CATEGORIES



AVG. ORDER VALUE ACROSS CATEGORIES



60% OF ALL ONLINE PURCHASES HAPPEN DURING BUSINESS HOURS

DISTRIBUTION OF PURCHASES ACROSS DAYS OF WEEK



HIGHEST AVERAGE ORDER VALUE DAYS IN THE WEEK



THE REPORT HAS BEEN RESEARCHED ACROSS



www.sokrati.com



Source: Sokarti Report 2016

9. RELEVANCE OF GOVERNANCE IN INDIAN ECOMMERCE INDUSTRY:

9.1 Tax and Personal Liability:

Personal and tax liability are important factors because an emerging E-commerce industry has more opportunities of growth in business. With respect to the growth in the business, Industry is having more number of Investors and higher paid-up capital automatically due to that company's tax and personal liability increases. It is always recommended for the startup E-commerce industries should select the limited liability partner as per their organisation structure. It is easier for the Entrepreneur in a limited liability Industry, to issue Initial Public Offering (IPO) and raising paid-up capital for the growth of the business. There are two major objectives of Limited Liability Company. First one, to facilitate the Industry growth opportunity with minimum risk of personal liability. Second one, It safeguards the entrepreneurs by minimising their liability up to their level of investment and tax liability

9.2 FDI Norms:

FDI norms are varied as per the business model of the organisation. There are mainly two types of business model followed by the E-commerce industries.

- **Market Place Model:** Industries where market place model is practiced they can access upto 100% FDI. These companies act as an interface between trader and customer. It facilitates the online business for trader and customer.
- **Inventory Model:** Industries where market place model is practiced they cannot access 100% FDI. These industries purchase products from dealers to sale those products online for the customer.

In recent years the brand names of E-commerce sector like Flipkart were under the observation of Enforcement Directorate (ED). Flipkart followed market-place business model to raise capital through FDI. Brick and mortar retailers' claims that Flipkart was giving huge discounts by running another industry under the inventory business model simultaneously, it was also operating another company under the market-place business model to raise capital through FDI.

9.3 Absence of Data Protection Legislation:

At present the risk of data protection act is coming under Information Technology Act 2000.

The third factor of Data protection is as important as the earlier ones because there are no separate laws in place to protect the consumer or the E-commerce Company from breach of data protection. The present legislation that governs the Indian E-commerce industry includes Competition Act 2002, The Consumer Protection Act 1986 superseded by a more comprehensive – Consumer Protection Bill, 2015, and the Indian Technology Act, 2000, superseded by a more robust – Indian Technology Rules, 2011.

Paytm has made a complaint against Uni-commerce that Uni-commerce misuses the customer database and logo of Flipkart.

Uber Cab Company has made allegation against Ola Cab regarding the misuse of its customer database.

10. CONCLUSION:

E-Commerce has completely changed the business approach being practiced in India. With smart and appropriate trading alternative options at the core of the customer facing business, the e-Commerce company provides the power to generate modern, sustainable, reliable and seamless trading experience across all mediums. In the recent years, while the e-Commerce B2C segment has developed considerably foremost to generation of many Unicorns, the focus of the Investors going forward seems to have moved to profitable growth to achieve a stabilization of the economic model. This appears to be ensuing in alliances and partnerships across the value chain with the objective to optimize the costs of operation. Simultaneously, the e-Commerce B2B segment is presenting symbols of fast digital adoption which is likely to feed the remarkable growth of MSMEs and entrepreneurs from the Indian hinterland.

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