Constraints of E- Commerce Growth

Ravi Rajai
Lecturer
G. L. Kakadia College of Commerce & Management,
Bhavnagar, Gujarat.

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ABSTRACT This paper deals with the constraints of e – Commerce and its growth. Author has describe the advantages key drivers, and major constraints of the e-commerce and has clesred its groth through it.

Key words: constraints of e – Commerce.

❖ INTRODUCTION:

The term E-Commerce can be a nebulous one, and can possess different meanings to people and businesses. For example, to some entities, E-Commerce can mean simply having a video conference over the Internet; conducting an online chat session with a customer; simply putting up a website where your products and services are displayed; or just e-mailing a price quote to a potential customer. "The conducting of business communication and transactions over networks and through computers is e business. As most restrictively defined, electronic commerce is the buying and selling of goods and services, and the transfer of funds, through digital communications. Electronic commerce also includes buying and selling over the World-Wide Web and the Internet, electronic funds transfer, smart cards, digital cash, and all other ways of doing business over digital network"

As a symbol of globalization, e-business represents the cutting edge of success inthis digital age and it has changed and is still changing the way business is conductedaround the world. The commercialization of the Internet has driven electroniccommerce to become one of the most capable channels for inter-organizationalbusiness processes.

❖ ADVANTAGES OF E – COMMERCE BUSINESS IN INDIA:

There is a rising awareness among the businesses in India about the opportunities offered by e-commerce. Ease of Internet access is the critical factor that will result in rapid adoption of Net commerce. Safe and secure payment modes are fundamental along with the need to invent and popularize innovations such as Mobile Commerce. E-commerce provides a new place for connecting with consumers and conducting transactions. Virtual stores operate 24 hours a day, 7 days a week. Many virtual retailers represent a single company while others, such as Top Online Shopping. 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.

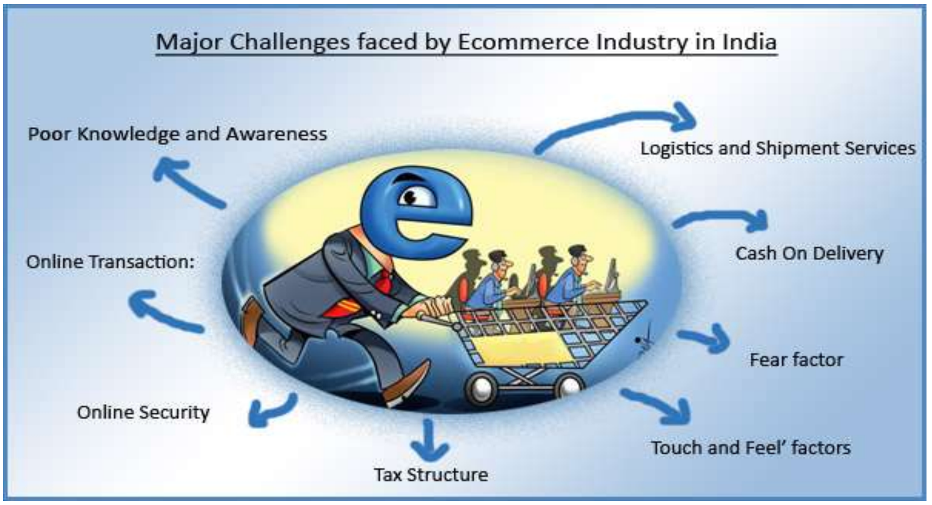
Customers can do transactions for the product or enquiry about any product/services provided by a company anytime, anywhere from any location.

Key drivers in Indian e-commerce are:

1. Increasing broadband Internet (growing at 20%) and 3G penetration.

2. Rising living standards and a growing, upwardly mobile middle class withhigh disposable incomes.
3. Availability of much wider product range compared to what is available atbrick and mortar retailers.
4. Busy lifestyles, urban traffic congestion and lack of time for offline shopping.
5. Lower prices compared to brick and mortar retail driven by disintermediationand reduced inventory and real estate costs.
6. Increased usage of online classified sites, with more consumers buying andselling second-hand goods.
7. Evolution of the online marketplace model with sites like E – Bay, Flipkart,Snapdeal, Infibeam, Qnetindia.in and Tradus. The evolution of e-business hascome to a full circle with marketplace models taking center stage again.

❖ MAJOR CONSTRAINTS OF E – BUSINESS :



1. CUSTOMER RETURNS

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 yetmade up their mind about what to expect from e-business websites. As a result, buyerssometimes fall prey to hard sell. But by the time the product is actually delivered, theyreveal remorse and return the goods. Though consumer remorse is a global problem,but it is all the more prevalent in a country like India, where much of the growthcomes from new buyers. Returns are expensive for e-business companies, as reverselogistics presents unique challenges. This becomes all the more complex in crossbordere-business.

2. CASH ON DELIVERY

Low credit card access and low trust in online transactions has led to cash on deliverybeing the preferred payment choice in India. Unlike electronic payments, manual cashcollection is painstaking, risky, and expensive.

3. E – PAYMENT FEAR

As if the preference for cash on delivery was not bad enough, Indian paymentgateways have an unusually high failure rate by global standards. E-businesscompanies using Indian payment gateways are losing out on business, as severalcustomers do not attempt making payment again after a transaction fails.

4. POOR INTERNET CONNECTIVITY

Internet penetration in India is still a small fraction of what is there in a number ofwestern countries. On top of that, the quality of connectivity is poor in severalregions. But both these problems are on their last legs. The day is not far whenconnectivity issues would not feature in a list of challenges to e-business in India.

5. SMART PHONE AND APP USAGE

Though the total number of mobile phone users in India is very high, a significantmajority still use feature phones, and not smartphones. As a result this consumergroup is unable to make e-business purchases on the move. Though India is still acouple of years away from the scales tipping in favor of smartphones, the rapiddownward spiral in the price of entry-level smartphones is an encouraging indication.That should stimulate growth in smartphoneownership. As a result E-Business market will also rise further.

6. SECURITY

Security continues to be a problem for online businesses. Customers have to feel confidentabout the integrity of e-dealers and the payment process before they commit to the purchase.There are risks of hackings and cybercrimes too. Fake websites and online frauds are the worst thing that a customer fears of while making online purchase

7. SYSTEMAND DATA INTRIGRITY

Data protection and the integrity of the system that handles the data are serious concerns.Computer viruses are rampant, with new viruses discovered every day. Viruses causeunnecessary delays, file backups, storage problems, and other similar difficulties. The dangerof hackers accessing files and corrupting accounts adds more stress to an already complexoperation.

8. SYSTEM SCALABILITY:

A business develops an interactive interface with customers via a website. After a while,statistical analysis determines whether visitors to the site are one–time or recurringcustomers. If the company's website is overflowed with the customer, websiteperformance is bound to experience degradation, slowdown, and eventually loss ofcustomers. To stop this problem from happening, a website must be scalable, or upgradableon a regular basis.

9. E– BRAND LOYALTY

So far, success stories in e–commerce have forced large business with deep pockets and goodfunding. According to a report, small retailers that go head–to–head with e–commerce giantsare fighting losing battle. As in the brick–and–mortar environment, they simply cannotcompete on price or product offering. Brand loyalty is related to this issue, which is supposedto be less important for online firms. Brands are expected to lower search costs, build trust,and communicate quality. However consolidation of meaningful exchanges with integration of law, system management, data security, quality product and reasonable price offerings can help in generating e-brand loyalty.For example a search engine can come up with the best music deals, yet consumers continue to flock to trusted entities such as HMV, same way huge discount offerings on branded products arises a doubt about the product integrity because IF IT APPEARS TOO GOOD TO BE TRUE, IT PROBABLY IS DOUBTABLE AND QUESTIONABLE.

10. INCREASED TRANSACTIONAL COST

On the surface, the electronic marketplace seems to be a perfect market, where worldwidesellers and buyers share and trade without intermediaries. However, a closer look indicatesthat new types of intermediaries are essential to e–commerce. They include electronic mallsthat guarantee legitimacy of transactions. All these intermediaries add to transaction costs.

11. CUSTOMER RELATION PROBLEMS

Not many businesses realize that even e–business cannot survive over the long term withoutloyal customers. E-commerce does not have human face. It is an impersonal way of dealingwith the people. Moreover customers have wide choice every time they are in the market.Hence it is uphill task to maintain the brand loyalty with the customers. Cost of obtaining anew customer is always higher than the cost of maintaining the existing customer. Thereforethe e-business has work out the strategies of maintaining the customer loyalty.

12. FEEL AND BUY MENTALITY

E-commerce has limited range of products and services to deal with like electronic gadgets orbanking services etc. While purchasing many products the customer wants to feel the touchof the products. Hence he prefers the traditional commerce to purchase such products.Imagine a website called furniture.com or living.com, where venture capitalists are investingmillions in selling home furnishings online. In the case of a sofa, you would want to sit on it,feel the texture of the fabric etc. Beside the sofa test, online furniture stores face costlyreturns which make the product harder to sell online.

13. CORPORATE VULNERABILITY

The availability of product details, catalogs, and other information about a business throughits website makes it vulnerable to access by the competition. The idea of extracting businessintelligence from the website is called web framing. Copying of Corporate ideas, promotional schemes etc reduces the profitability arising out of such promotional offers.

14. DIGITAL INFRASTRUCTURE

Many stories unfolded in recent years about successful executives in established firmsleaving for Internet start–ups, only to find out that their get–rich dream with a dot.com wasjust that – a dream. Companies have to pay a huge amount on building and maintenance of websites and hire technical staff for its constant service providing that increases the cost of service deliverance notably.

15. PROXIMITY OF TRADITIONAL DEALERS

In India vast population lives in the metros, cities, towns and nearly 60,000 villages that aredensely populated, they do not live in deeps as in western countries where people have totravel a lot to do the shopping in malls. Majority of the goods and services they need are attheir door steps. Hence they don't feel it necessary to purchase them through internet.

❖ CONCLUSION:

A developing country can be rationalized and mechanized if it introduces e-commerce effectively and efficiently. It will enhance its output and gives competitive advantage. Information Technology (IT) has boosted ecommerce worldwide. India posses a high potential and growth for the ever developing and fast growing e – business environment, just because Indian customers sometimes blindly believe the foreign brands and makes it does not mean that they have to be taken for granted. If a company wants to survive for a long term in e – business in India they must consider the following points

1. The company should to maintain quality and need to offer good quality product.
2. After sale services should be improved
3. Return and replacement policy of the company should be made more easy and customer friendly
4. Technical update of website should be done with lowered cost so that on the times of high inflow of customers on specific dates business should not be lost on account of site crashing and hang up
5. Delivery and Logistics should be improved
6. Apps should be in localized languages so that it's easy to understand by a vernacular person
7. Customers should be made aware of Cyber Laws and Identity theft
8. Fake websites and emails being received in the name of companies to ignorant customers should be controlled and seriously dealt with.

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