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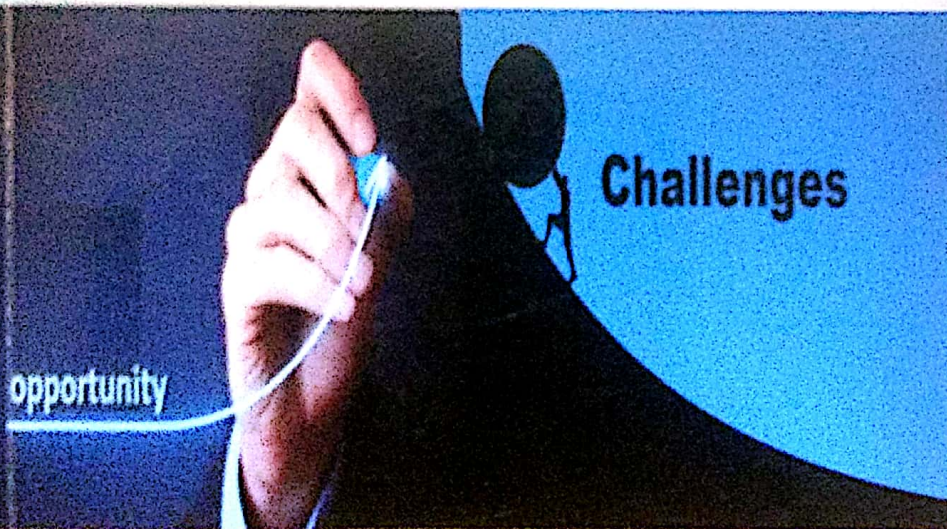
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ONE DAY NATIONAL CONFERENCE ON

Opportunities and Challenges in Commerce Education



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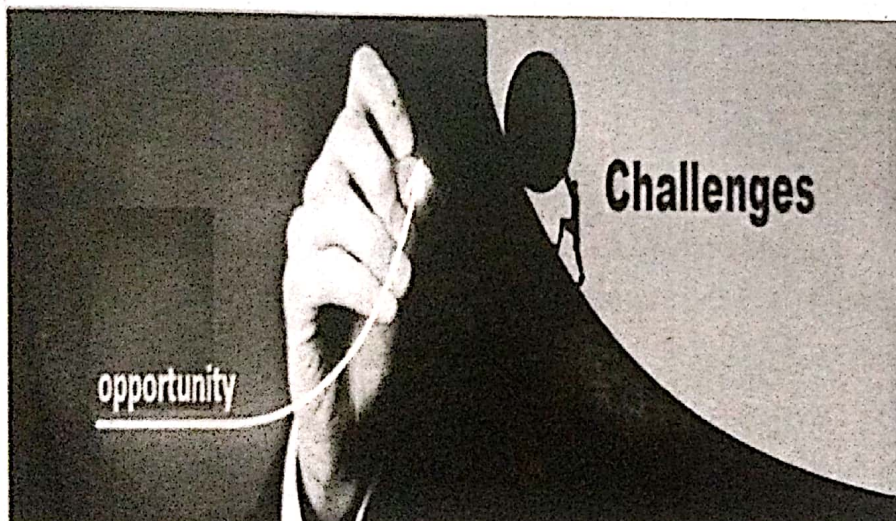
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Scope and Limitations of E-Commerce Business in India

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The scope of E-Commerce Business in India is undoubtedly going to increase year after year. A recent report by the Internet and Mobile Association of India shows that a fast-paced growth of around 50% is to be expected in the coming five years. The primary attribute of this growth is undoubtedly the rise of 3G/4G mobile internet users and a large number of smartphone users because the same mobile commerce is expected to change how business transactions happen in India.

The scope of E-Commerce business is turning out to be more famous day-after-day according to the market demand. And this requirement is generating innovations worldwide focused on delivery time, ease of transactions and several features served by E-Commerce businesses, for example, drone delivery or artificial intelligence.

This research paper is focused on scope and limitations of the E-Commerce business in India.

The Scope of E-Commerce Business

Another significant contributor to the growth of E-Commerce in India in the future is the e-tailing industry which largely deals in providing jewelry, apparel and kitchen appliances online.

Websites like Flipkart, Myntra, Amazon, Snapdeal, Jabong, etc. are all examples of the enormous success of E-Commerce in India. Due to these firms, India is one of the fastest growing E-Commerce markets in Asia/Pacific with China investing as much. Many analysts believe that the advent of 3G/4G speed in net connectivity has been a major cog in the wheel for such a growth in this market. As India has been the heart of the e-commerce market in 2016 with the tremendous growth of 70%, and this ensures that any e-commerce venture would soon be the best business in India, as far as profits and growth are concerned.

Key factors for the growth of E-Commerce Business Scope in India:

- Reduction in the cost of broadband internet facilities to ensure more people come online.
- Encouraging more domain registrations and letting e-commerce websites maintain them at cheaper rates (at least till they make substantial profits).
- Encouraging innovative schemes such as the COD (Cash on Delivery) in a country where credit card use is not prominent shows how we have eased into this particular niche. A lot of the major e-commerce websites are based in India and the consistency, and reliability of these sites have shown the people how hassle-free, shopping and availing services are.
- Bringing internet facilities to the rural areas in India as it remains a largely untapped resource and the possibilities are endless for a major boom in the e-commerce industry, as India's Internet penetration is 0.5% of the population. If these e-commerce businesses can reach to these regions, their net value can only increase from the current values.
- E-commerce can also spread to newer disciplines such as health services in these remote areas in India and help in offering health solutions to people who do not have the luxury of hospitals in their vicinity. This will certainly help once the rural areas are provided with internet facilities and will be a potential business prospect shortly.

Categorization of E-Commerce Business

E-commerce stands for purchasing, selling, and exchanging goods or services using internet-enabled devices, where transactions or sale performed electronically. Electronic commerce emerged in the early 1990s, and its use has increased at a rapid rate. For your information, the first secure retail transaction done over the internet was by NetMarket in the year 1994.

Still, the majority of companies don't have an e-commerce website. In fact, having an e-commerce enabled website and operations of business via the Internet has become a necessity. As you know, everything from foods, clothing to entertainment and furniture can be brought online. However, there are different types of e-commerce vertices, and the same can be divided into broad categories like B2B, B2C, C2B, and C2C business model:



- **B2B (Business-to-Business):** One company doing business with another company using internet-enabled devices, such as manufacturers are buying raw material from another raw material manufacturer, or a distributor is buying online from a manufacturer. Such B2B eCommerce business is volumetric, and price varies based on the quantity of the order and is often negotiable.
- **B2C (Business-to-Consumer):** One company is selling goods or services online to the general public typically through an eCommerce website or mobile application, directly to consumers over the Internet. An example of B2C portals includes Flipkart, Myntra or Snapdeal. A B2C eCommerce transaction would be an individual buying a pair of shoes through Flipkart's website.
- **C2B (Consumer-to-Business):** A customer posts his requirement on a website online, and several companies review such requirements (RFQ) and quote on the project. The consumer reviews all bids and finalizes the deal with the enterprise going to complete the project. C2B business involves consumers seeking products or services from a business/company. For example, you can take ref. of indiamart.com.
- **C2C (Consumer-to-Consumer):** Many sites are offering free classifieds listing where individuals can buy and sell thanks to the site such as OLX or Quikr, where people can buy and sell stuff nearby. Such transactions called consumer to consumer eCommerce. Where users sell products to other prospective customers. An example would be someone selling something that he or she no longer needs, and he listed the same on OLX, and another person who needs the same thing contacts the seller and get the transaction done.

Challenges of E-Commerce Business in India

Despite huge opportunity in E-Commerce business, E-Commerce business presents several particular challenges which are sometimes difficult to handle for any new startup. However, without any doubt, India has been a profitable E-Commerce market for the last seven years in a row. Thus many venture capitalists, angel investors, private companies & high-net-worth individuals are investing money in E-Commerce, no matter how small or big the business. E-commerce is growing rapidly, but it is still facing several hurdles in operations in India.

Internet Penetration:

The Internet is mandatory is the foundation of E-Commerce. However, in India internet penetration is still low at 34.8 percent of the population. However, due to the growth of the mobile internet, India is witnessing an exceptional increase in the year 2015 and 2016, allowing E-Commerce businesses to reach to masses easily.

Due to increasing mobile internet users, it is predicted that E-Commerce growth will touch new heights in India. With 4G taking the Indian market by storm, the demand for smartphones is taking an upward swing. When more and more peoples are shifting to high-speed networks using dirt cheap mobile internet plans, the future of E-Commerce is bright and its a perfect time to kickstart your brand's own e-commerce store.

Branding & Marketing:

To drive sales and traffic on an E-Commerce site involves a heavy budget for branding and marketing. This cost is significant and can be calculated as cost per acquisition or cost per sale. As per marketing guru's the current average CPA for E-Commerce business is between INR 500-1000, which isn't practically sustainable for small startups having less to invest in such high volume marketing campaign. However, concept or niche E-Commerce business can drive sales in very low CPA due to the fact that the customer is limited for such category of products.

Margins:

With the entry of several players already in Indian E-Commerce market, the customer is pampered by offering big discounts, offers, deals and easy return options etc. resulting in low margins.

For example in the financial year 2013, major E-Commerce players had posted a revenue of Rs 1,195.9 crore and loss of Rs 344.6 crore. But for Flipkart, making losses was a conscious decision. In an interview with Business Standard, Flipkart promoters said that "**Profitability is not a focus area for them and they are still looking to acquire more market shares.**"

Logistics & Delivery:

Delivering product to buyers is still a major hurdle for any new E-Commerce startup. Keeping in mind that E-Commerce logistics is different from traditional deliveries of goods because there are no middle-men involved in the final delivery of the product to customers doorstep.



The critical element in an E-Commerce logistics is the last mile delivery of the product to the customer. Several E-Commerce startups failed because of their last mile delivery capability. You can either own or outsource the E-Commerce logistics service.

Taxation:

Taxation was another big hurdle in India till the introduction of GST, before GST for any startup, taxation was a major factor for less growth rate of eCommerce in India as compared to developed countries like USA and UK. In those countries, tax slabs are uniform for all sectors whereas tax structure of India was variable from product to product and region to region. This factor was responsible for creating accounting problems for any E-Commerce business because E-Commerce is not limited to product categories or regions. Under India's former tax system, it was confusing to sell products from one state to another. Each time you did, you had to deal with a variety of taxes and paper works. A startup E-Commerce business, that didn't have the budget to hire a tax professional, the possibility of extra sales was simply not worth the pain

The new GST tax system has almost eliminated all of the confusing taxes and paperwork, and now its replaced them with a single tax system called GST. With GST, you can sell to customers in your own state and in other states too, without bothering about various taxes.

As a conclusion, you have the opportunity to sell your products to customers from Kashmir to Kanyakumari or around the world. It also gives you the opportunity to compete with big corporations. After all, as a small business, you may be able to offer more manageable quantities, more personalized services to get more shoppers towards you.

Touch and Feel:

Indian customers mindset is more traditional and people are more comfortable buying products from physical stores rather than E-Commerce stores. E-Commerce companies selling products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see, touch and feel before they make the buying decision.

In this modern age of mobile shopping or online shopping, retail stores are getting the repercussion of these E-Commerce applications. The increasing use of mobile commerce applications is transforming the retail industry. But a large number of customers still prefer window shopping due to several reasons mainly so they can touch and feel the product.

Mobile App to Drive Loyalty

If you want more loyal customers, a mobile application of your retails store is certainly necessary. According to Google, 84% of offline shoppers carrying a smartphone use their devices to get help while they are in store. Just imagine when you have a mobile app for your own brand or store they can easily becoming your customers, as they are already familiar with the E--shopping E-Co-system. They can review your app on Google Play store or iOS app store which will help you to engage more new customers for sure.

Many retail stores have used this way to kick-start their business. Mobile application helps customers to navigate nearest stores, check inventories, scan barcodes for extended products, etc.

Conclusion

E-commerce is still one of the biggest business opportunity and any entrepreneur can take advantage if it's implemented in right way, even if the stock market falls down, e-commerce business will survive on his own and continue receiving high transaction. E-commerce business in India has a tremendous scope and the future of e-commerce looks really lively.

In addition, E-Commerce needs will always need the introduction of new technologies and marketing techniques for optimal growth. E-Commerce has undeniably an important part of our everyday life. The successful companies of the future will be those whose take e-commerce business seriously, dedicating enough resources for development E-Commerce solution and marketing their E-Commerce business.

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