A Study of E-Commerce and Online Shopping

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Abstract

E-commerce and online shopping in India is getting a noticeable growth as more usage of internet facilities, high educational standards, changing life style and economical growth of the country reasons in the demand of ecommerce techniques and tools. Versatile shopping experience and rapid development of transaction facilities is further boosting opportunities for the remaining market segments. The biggest advantage of e-commerce is the ability to provide secure shopping transactions via the internet and coupled with almost instant verification and validation of credit card transactions. One of the most important issues to be addressed in electronic commerce is the area of services. The primary purpose of this study is to examine and uncover the impact of e-commerce and also identify the issues and areas important to the implementation of e-commerce that may help in enhancing the productivity in the economic growth of the country.
Key words : *E-commerce, online shopping, internet facilities.*

1. INTRODUCTION

English entrepreneur Michael Aldrich invented online shopping in 1979. His system connected a modified domestic TV to a real-time transaction processing computer via a domestic telephone line. He believed that videotext, the modified domestic TV technology with a simple menu-driven human–computer interface, was a 'new, universally applicable, participative communication medium — the first since the invention of the telephone.' This enabled 'closed' corporate information systems to be opened to 'outside' correspondents not just for transaction processing but also for e-messaging and information retrieval and dissemination, later known as e-business. His definition of the new mass communications medium as 'participative' [interactive, many-to-many] was fundamentally different from the traditional definitions of mass communication and mass media and a precursor to the social networking on the Internet 25 years later.

In March 1980, he went on to launch Redifon's Office Revolution, which allowed consumers, customers, agents, distributors, suppliers and service companies to be connected on-line to the corporate systems and allow business transactions to be completed electronically in real-time. During the 1980, manufactured, sold, installed, maintained and supported many online shopping systems, using videotext technology. These systems which also provided voice response and handprint processing pre-date the Internet and the World Wide Web, the IBM PC, and Microsoft MS-DOS, and were installed mainly in the UK by large corporations. The first World Wide Web server and browser, created by Tim Berners-Lee in 1990, opened for commercial use in 1991. Thereafter, subsequent technological innovations emerged in 1994:

online banking, the opening of an online pizza shop by Pizza Hut, Netscape's SSL v2 encryption standard for secure data transfer, and Internship's first online shopping system. Immediately after, Amazon.com launched its online shopping site in 1995 and eBay was also introduced in 1995.

2.   REVIEW OF LITERATURE

The emergence of e-commerce is not revolutionarily new as it has existed for quite some time (OECD, 1997). Since in the 1970's and 1980's, businesses have been deploying e-commerce via electronic data interchange (EDI) for computer to computer exchange of standardized electronic transaction documents within an organization or inter-organizations using proprietary private valued-added networks (VANs) as a communication medium. However, this form of traditional e-commerce using private value-added networks as communication medium is costly to install and maintain, and has put e-commerce out of reach in many small and medium sized businesses (Margherio, 1998). The arrival of the commercial use of the Internet and its World Wide Web (WWW) has been defining the new e-commerce since 1993 (Zwass, 1996). With the emergence of the Internet and World Wide Web (WWW) as a medium for commercial transactions, it has thrust e-commerce into the spotlight, becoming the main focus of the international community. The Internet and WWW have made it easier, simpler, cheaper and easily accessible for businesses of all sizes and consumers to interact and conduct commercial transactions electronically as compared with the traditional approach of using private value-added networks (Margherio, 1998). By virtue of the Internet's network architecture, e-commerce is born global, where geographical boundaries and political boundaries mean little in this networked environment (OECD, 1997). As a result, ecommerce through the Internet dramatically shrinks the distance between producers and consumers, who can make their purchases directly without involving traditional 'middlemen' such as retailers, wholesalers and distributors. Although new intermediaries are required (for example network access providers, electronic payment system, and authentication and certification

services), these are far less labour-intensive than traditional channels (Wyckoff, 1997).

Electronic retailing over the Internet or online shopping first started in 1994 (Hsin, 2000). It is considered as one form of direct consumer marketing of non-store retailing using online channels. This new concept of retailing has captured the interest of many retailers and merchants because of the general recognition that online shopping will establish itself as an alternative channel alongside traditional offline retail channels such as physical retail stores (Rowley, 2000). Electronic retailing predominantly started in the form of online storefronts whereby products from a single merchant are offered to consumers through an online catalogue. Merchants tend to choose to establish online storefronts as an online retailing method when the product brand names and reputations are well established and widely known among consumers. A good example is The Dell Online Store that sells personal computers (The Economist, 1997) to consumers everywhere.

Chowdhury and Ahmad (2011) conducted a study on 'factors affecting consumer participation in online shopping in Malaysia'. The major focus of the study was to describe the relationship between independent variables and dependent variable using Pearson's correlation method. The limitation of this study was that it only used four variables (ability, benevolence, integrity, and trust) in explaining the consumer participation but did not take other important variables into account (e.g., cost switching vendors and the presence of third party. The study provides a useful insight on the significant role of trust in students for online shopping. Yulihasri, Islam and Daud (2011) conducted a study on 'Factors that Influence Customer's Buying Intention on Shopping Online'. The variables that were tested included usefulness of internet shopping, ease of use, compatibility, privacy, security, normative beliefs, self-efficacy, attitude and student's buying intention. Pearson correlation analysis provided statistical information about the relationship of each independent variable with dependent variables. It was studied that web advertising favourably influences the purchasing of a company's products.

Karim (2013) conducted a study on online shopping behaviour of customers and documented that online vendors can assure their consumers for transaction security and avoid long delays in completing online orders and the hassle of returning goods for better online shopping experience. Morris (2013) conducted a study on 'More Consumers Prefer Online Shopping' Shoppers increasingly want what's called a "seamless omnichannel experience," meaning one in which retailers allow them to combine online and brick and mortar browsing, shopping, ordering and returning in whatever combo they would like.

With the increasing size, more demand by youth and change in the behaviour of youth towards shopping has clearly indicated a huge market is available to the incumbents and existing performers. And at this stage it is important to understand the buying behaviour of Indian customers towards online shopping which is mandatory for a great marketing strategy by the players in this industry. The size and growth rate of this industry was never like this before. And considering all this, the present study has made an attempt to understand the online shopping behaviour of Indian customers.

3. PROSPERITY OF E-COMMERCE IN INDIA

According to the survey by industry body Assocham (The Associated Chambers of Commerce and Industry of India), India's e-commerce market, which stood at $2.5 billion in 2009, reached $8.5 billion in 2012 and rose 88% to touch $16 billion in 2013. The survey also estimated that the country's e-commerce market will soon reach $56 billion by 2023 with the rise of online retail. India is gradually becoming the country with highest number of internet literate population in the world and the internet penetration is largely driven by mobile phones, with some of the cheapest and most basic hand-sets currently offering access to the internet.

As per data released by Telecom Regulatory Authority of India (TRAI), India's total internet subscribers stood at 238.71 million as of December 31, 2013. Due to high internet penetration in India, the adaptability of online shopping and better shopping experiences offered by the e-commerce websites among Indians have increased rapidly. As a result the numbers of internet users is expected to reach the figure of 700 million by 2019.

The key drivers in Indian e-commerce growth are:

(a) Increased Usage of Internet : According to the Internet and Mobile Association of India (IAMAI), the Internet user base in the country stood at 190 million at the end of June, 2013. With more and more people accessing the web through mobile phones, the Internet user base in the country is projected to touch 243 million by June, 2014, a year-on-year growth of 28 per cent. The growth of Internet users has also led to a substantial growth of other digital industries such as e-commerce and digital advertising.

(b) Rising Educational Level in Computer: The Government of India has put new horizontal efforts in the education of tools and techniques of computer studies. The students of urban areas, rural areas and business persons are attracted towards the advance computer technologies. The development of educational standards has enabled a great demand in the market.

(c) Busy Lifestyle : The powerful influence of various social media tools such as Pinterest or Facebook allows consumers to organize their favorite items and segment it into themed collections to share it with others. This fuels personal expression in shopping and makes others reflect on their purchase decision.

(d) Rising middle class with disposable income : With the rise of small and medium enterprises, foreign direct investment, and India's own powerful multinational corporations creating millions of new jobs, a new generation of globally-minded Indian consumers has been created. With growing job opportunities the income sources have also increased. Because of high spending power, customers are willingly able to pay for the products online.

(e) Awareness of Products : People are aware of the availability of various products in the markets through the help of television, newspaper, website etc. Hence, features can be known easily.

(f) Easy to Find the Review of Products :
It is quite easy to find the review of products by the help of online shopping. E–commerce has made it simpler to get information regarding the product and the customers can purchase the products after getting reviews and feedback of the product.

4.   GROWTH OF E-COMMERCE IN INDIA

❖ Online retailers would have to leverage technology to the fullest, and by developing strategies through analytics produced using big data will help in making customers feel special and increase brand loyalty.

❖ Cash on Delivery (CoD) accounts for up to 60 per cent of transactions, according to Internet and Mobile Association of India.

❖ The increasing adoption and use of Smartphone's enable businesses to collect large amount of data on consumers for utilization to do target-based marketing and advertising.

❖ Product and service feedback via social media channels have an impressionable effect on the minds of the larger customer base.

❖ It is necessary to create high quality and SEO-friendly ecommerce site for building long relationship with customers with exclusive content helps increase the profit volume ratio.

❖ The service of providing 24 hours chat assistance to give instance response and guidance to customers has raised the quality of online shopping experience.

❖ Mobile advertising route has the potential to increase online shoppers as they are more comfortable with using mobile devices for browsing and shopping, they are now more open to getting messages from brands via their mobiles.

5.   CHALLENGES AND OPPORTUNITIES OF E-COMMERCE IN INDIA

The growth of e-commerce volumes in India is attracting the attention of players around the globe. India, the second most populous country in the world, is home to 1.2 billion people. India is a large and rapidly growing region with a rising middle class, accelerating internet access and a staggering penetration of mobile phones. India is becoming increasingly attractive to businesses, especially to ecommerce firms that thrive on global and scalable business models.

There are five key challenges that e-commerce firms are encountering in emerging Indian markets :

(a) Indian customers return much of the merchandise they purchase online : E-commerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from ecommerce websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for e-commerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border e-commerce.

(b) Cash on delivery is the preferred payment mode : Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.

(c) Payment gateways have a high failure rate: As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. E-commerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.

(d) Postal addresses are not standardized: If you place an online order in India, you will quite likely get a call from the logistics company to ask you about your exact location. Clearly your address is not

enough. This is because there is little standardization in the way postal addresses are written. Last mile issues add to e-commerce logistics problems.

(e) Logistics is a problem in thousands of Indian towns : The logistics challenge in India is not just about the lack of standardization in postal addresses. Given the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centres have a fairly robust logistics infrastructure. 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. If someone could convert the sheer size of the problem into an opportunity, we might soon hear of a great success story coming out of the Indian logistics industry.

6.   KEY POINTS FOR EFFECTIVE ONLINE SHOPPING

(a) It must be Secure : Every customer wishes for safe and secure transactions during purchasing goods online. If the website is secure, customers will tend to purchase more from it. Secure Sockets Layer (SSL) is a standard security technology for establishing an encrypted link between the web server and a browser. E–commerce websites with the SSL certificate are able to prevent and protect the users' information when customers access their websites.

(b) There must be Easy and Understandable Content : The website for online shopping should be in understandable language. The language should be kept simple while making the website, and if possible the translation of the content must be given on the website in simple languages.

(c) Effectiveness and cost-efficiency should be of concern : Internet marketing is one of the most effective and cost-efficient methods of advertisement. It is effective because it create a better chance to see the impact of internet marketing on your online business almost immediately. It is cost-efficient because the costs associated with starting a website,

and then, using marketing articles or social media to establish an online presence is minimal when compared to the costs of traditional forms of advertising.

(d) Choose a reliable hosting provider : Do analyze and opt for the most reliable and cost effective choice of servers for your business. The most important things to measure while selecting are choosing a hosting provider that is tried and tested, guaranteed uptime, response times of the servers, security and the level of support and customer care provided.

(e) Prompt Delivery and Quick Quality Services : The processing of delivery and quick quality services of the product is an important feature to make the online shopping websites better than others. It must be quick in regards of home delivery services and payment etc.

(f) Improve business credibility through online branding : Internet marketing campaign will help your business increase product awareness and brand loyalty. Maintaining an online presence via internet marketing is a great way to keep up with the time and provide consumers with all of the opportunities they need 24 hours a day. As consumers browse the web, they may come across your business name or logo and become interested in what your business has to offer.

7.   CONCLUSIONS

Indian e-commerce and online shopping together plays a significant instrument in making comprehensive growth and will definitely witness greater changes in the coming years. It is contributing to the economy in a significant manner and has gained its popularity due to the fast development in the area of information technology. Owing to the increasing internet population, it has become easier and simpler in dealing with the competitive market for better deals on product. However, along with development and changes in e-commerce, there are also security and privacy concerns among the customers. Hence, researchers in this field will need to study more on the security and critical issues relate to e-commerce.

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