



A Study Of Challenges And Improvement E-Commerce Companies In India

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ABSTRACT:

The research "A study of challenges faced by E-commerce companies in India and methods employed to overcome them" is to determine the challenges faced by e-commerce companies in India and measure employed by them to overcome these challenges. E-commerce is quickly becoming the most accepted means of doing business in this world. Day by day more and more consumers are choosing to buy various things online for daily groceries to very rare and expensive items. As more and more consumers move to online purchasing more and more service providers are emerging in this field. But, e-commerce from the very beginning has been a very difficult and loss making sector due to its nascent stage and lack of favourable environmental factors in order to do business..

KEYWORDS: *e-Commerce, online purchasing, challenges*

1. INTRODUCTION

amazon has been the greatest success story in this field after 5 years of loss making and more than usd 1bn in losses it finally turned profitable. many e-commerce service provides in india wish to become giants in e-commerce sector in india. in india these providers are facing some very tough challenges that have risen due to lot many factors such as poor infrastructure, unclear tax structure, lack of access to internet to a majority of population and lack of awareness about these companies. even though such challenges exist many giants have emerged such as flipkart, myantra, jabong and many other small players. many factors contribute to heavy loss making by these companies. but, they are still in business in since the potential in this sector is great. therefore many have developed their own ingenious ways to attract the indian consumer like cash on delivery, emi option etc. hence, this survey intends to find out the challenges faced by these companies in india and the measures that they have employed to overcome these challenges.

2.OBJECTIVES AND RELATED WORK

Objective of the Study: To acknowledge the most crucial challenges faced by e-commerce companies in India and determine the measures employed to meet them.

1. Cash On Delivery and Logistics & Shipment services are the most crucial challenges faced by e-commerce companies in India.
2. Many E-commerce companies in India struggling to meet the challenges they are facing.

During my internship with Redvolt Solutions Pvt. Ltd. I had access to many of the companies reports and various industry reports regarding e-commerce business environment in India. Also I had the opportunity to interact with many suppliers and courier service providers and e-commerce divisions of many companies in India. These interaction and data reports have led me to choose above mentioned Objective of the Study and Hypothesis.

3. PROPOSED SYSTEM (METHODOLOGY)

In this research we have conducted a survey by providing the respondents with questionnaire. Empirical data was collected and utilized to achieve the objectives of the research. Sample size included consumer from whom data has been collected. Sample included employees, dealers, suppliers, customers of e-commerce companies from India. Sample was in age group from 20 and above. The survey was conducted on 100 respondents. Pilot study included 20 respondents.

Primary data - Primary data has been collected from questionnaire. The questionnaire can be referred at page no25.

Secondary data - Secondary data has been collected from articles, magazines and other sites of internet.

Results

Primary Data

Sr.No	Category	Percentage
1	Distribution of respondents	
(a)	E – commerce employee	43
(b)	Supplier, Distributer & Courier service providers	25
(c)	Customer	32

Table 1: Distribution of respondents

Figure 1: Gravity Of Challenges Faced By E-commerce companies in India as per employee.

Figure 2: Gravity Of Challenges Faced By E-commerce companies in India as per supplier, distributors and Courier service provider

Figure 3: Gravity Of Challenges Faced By E-commerce companies in India as per customer

Discussion

From Table 2 and Figures 1,2,3 it has been found that employees, Supplier & distributors, courier service providers and customers of the e-commerce companies in India considered Logistics and Shipment services to be the biggest challenge that these companies are facing. This response could be due to fact that the employees would have had access to the working financials of the company and were aware of day to day working. Hence, from their perspective profits for the company were being eroded due these challenges. Suppliers and distributors would have ready knowledge of their price quotes and Selling price displayed by the these companies an customer would have access to general shipment and courier charges and selling price of the product Logistics and Shipment services are a major challenge due the fact that India has one of the poorest infrastructure establishment in India. India I terms of basic requirements has been ranked 85th in 2012-2013 Global Competitive Report by World Economic Forum (<http://www.weforum.org/issues/global-competitiveness>). Ever increasing fuel charges in India make a fixed delivery and shipment price very difficult and hence constantly impacting the bottom line of the companies. Employees of the e-commerce companies consider Cash on Delivery option to be the second biggest challenge. This may be due to the fact that on every product sold these companies make very thin margins and in order to facilitate COD services courier service provider charge anything ranging from Rs.50/- to 10% of the MRP (http://articles.economictimes.indiatimes.com/2012-03-13/news/31159922_1_online-retailers-online-transactions-cash),

which puts a huge dent into the pockets of the company. COD sales account for about 40% to 60% total sales(<http://forbesindia.com/article/briefing/will-cash-on-delivery-last/32118/1>). Suppliers, distributors and courier service providers consider Tax structure to be the second biggest challenge because in online transactions the Tax is levied in the different manner (i.e. seller becomes irrelevant and income generated by the traditional intermediaries is lost to govt). Even the Information Technology Act 2000 is surprisingly silent about taxation of e-commerce companies. These companies sell variety of products which come under various tax structures hence developing reports & auditing is a big problem. Another issue is taxation is different for B2B and B2C sales. When company indulges in both it becomes difficult to demarcate and identify which transaction belongs to which category. Customers consider online transactions and security to be second biggest challenge faced by e-commerce companies in India. Ever increasing news about online fraud fake lottery mails and scam of credit cards information being stolen has shaken customer confidence in this system. Hence, most of the customers in India

prefer to purchase goods via cash on delivery option. Lack strict consumer protection laws in case of online transactions and diminished faith in judicial system people tend follow on the path of Cash on delivery model.

Sr. No	Measures Employed	Percentage (%)
1.	Social Networking Website	35
2.	Google ads , Social Networking website	21
3.	Google ads , Social Networking website, Rely on word of mouth, Television Ads	44

Table2: Measures employed by e-commerce companies in order to improve knowledge and awareness about itself among the customers

Discussion:

From Figure 3it has been found that a around 44% of respondents said that they employ almost every measure available including television, social networking website and google ads. This is due to a growing need among ecommerce companies to familiarise the customers with their website in order to divert as much traffic as possible towards themselves. Also because very recently one of the biggest social networking website i.e. Facebook has begun allowing companies to post their ads. Also due to a unique feature that provides it an advantage over google ads i.e. the ads can be posted for free for the user who have liked the companies profile. Almost 65% of the respondents have stated that their companies employed google ads as this system of online marketing provides a very robust yet customisable advertisement promotion options. One customise ads visibility location, time amount of money to be used and also emphasis of the key words. In order to reach the masses and build an image into the minds of the people television ads are used by a lot of companies but due heavy cost of the advertisement.

Table 3: Alternatives provided for Online Transaction

Sr. No	Alternatives Provided	Percentage (%)
1.	Cash On Delivery	66
2.	Cash On Delivery ,EMI Option	32
3.	Cheque, Cash On Delivery	2

Discussion:

From Table 5 it has been it can be observed that all of the respondents have stated that their companies provide cash on delivery option as an alternative to online payment. Due to very low internet penetration and lack of sufficient safety features to enable a secured online transaction e-commerce companies have provided customers with an option called Cash On Delivery. Today about 40% – 60% of the total sales of the e-commerce sector account for sales via COD option(<http://forbesindia.com/article/briefing/will-cash-on-delivery-last/32118/1>). Many of the e-commerce companies have also started allowing customers to pay on EMI basis upon purchase of

goods via credit cards belonging to certain banks. This option is especially helpful when a customer is skeptical about purchasing product with a higher price tag such as a mobile, laptop, camera etc. Very helpful for people from

Tier 2 and Tier 3 cities and towns that do not have sufficient access to latest products in the market.

Sr. No	Category	Percentage(%)
1.	Self-Owned Delivery Network	
	a) Yes	36
	b) No	64
2.	Economic Feasibility of Self- owned Delivery Network	
	a) Yes	13
	b) No	84

Table 4: Scenario of self-owned delivery network and its economic feasibility

Discussion:

From Table 9, Figure 9 and Figure 10 it was found that 36% of the respondents state that the companies they are associated with has a self-owned delivery network and 64% stated that their companies did not own a delivery network. 87% of the respondents stated that a self-owned delivery network is not economically feasible whereas only 13% stated that self-owned delivery network is economically feasible. Self-owned delivery network is a huge investment and due the current stage of profitability in India that just selling product for more than what you're buying it for does not allow such investments to show results. But having one's own delivery solves a lot of problems like payment for COD overheads for record maintenance, waiting days before money comes back etc. Though self-delivery is the way forward because it allows companies to provide delightful customer experience like amazon. Many cannot afford it due to lack of investment and unclear future.

Sr. No	Majority Orders above break-even order size	Percentage(%)
1.	Yes	21
2.	No	79

Table 5: Scenario of order size(in Rs) received by the companies

Discussion:

From Table 10 and Figure 11 it was found that 79% of

the respondents stated that majority of the orders received by their company did not lie above the break-even order size and only 21% of the respondents stated that the orders received lied above the break-even order size. The majority of orders are not above break-even point because many a times e-commerce companies buy products for higher costs and sell them for lower costs that is selling price is lower than the cost of acquiring product and delivering a it to the customer. Very few companies are

selling for a profit in that respect. But even today in terms of gross profits almost all the companies are in loss(<http://forbesindia.com/article/biggest-questions-of-2013/willecommerce-companies-finally-start-making-profits-in-2013/34439/1>).

Secondary Data

E-commerce companies in India may take up to 8-10 years to see some major profit. When Amazon in America started its operation in 1997, 125mn people had credit cards while today, i.e. in 2012 there are around 27mn credit card holders in India. Level of internet access stood at 22% in America in 1997 and in India today it is around 8.4%. The tax laws were clear and consumer protection laws were strong but both are unclear in India, courts in India a lot of time to settle such disputes. Hence, growth in the number people buying stuff online is very low. Under such circumstance Amazon took 7 years to turn profitable. Therefore it is expected that e-commerce companies will also take at least 8-10 years to turn profitable in India. Source: <http://yourstory.in/2012/08/why-indian-ecommerce-companies-cannot-go-the-amazon-way-a-reality-check/>

4. CONCLUSION AND FUTURE WORK

From the results of the survey it was concluded that Logistic and Shipment services is most crucial challenge faced by e-commerce companies in India. Cash on delivery, Tax structure and Online transaction and security. E-commerce companies are meeting challenges in the following ways for poor knowledge and awareness about the company Google ads, Social Networking website, Television ads and Rely on word of mouth. For online Transaction, Cheque, Demand Draft, Cash On Delivery. For Cash On Delivery and Tax Structure no measures are employed. For Online Security Use of authentic software to computing, Original Antivirus software, Firewall protection, SSL

certification. For Logistics and Shipment Services Self-owned delivery network is used. For fear of making online payment Use of secured payment gateways, Money back guarantee and Real time order validation and product tracking. Touch and Feel Factors Design the website so as to provide as much look and feel of the product as possible, Option to trial and return As from the list of measures employed above we can see that e-commerce companies have no measure or alternatives for Logistics and shipment services, Cash on delivery and Tax structure. From the results it has been observed that self-owned delivery network is capital intensive and Cash on delivery is economically feasible yet.

Therefore, it can be concluded that hypothesis has been proved partially and partially it fails.

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