

Online Commerce: The Future of Business

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Abstract

Flipkart, Snapdeal, Jabong, Amazon and many others, these online commerce companies have taken both consumers as well as competitors by storm. The way buyers shop is going through a paradigm shift with the advent of electronic trade. The drivers could be any, ranging from ease of buying to satisfying variety seeking customers to attractive price deals available online. Further the momentum is building up in e-commerce zone due to environmental catalysts like better internet penetration, availability of low priced smart phones and suitable demographics of India with a very young population. Keeping in mind the growing importance of online mode in business, this paper aims to discuss recent trends, facilitating factors and challenges ahead which are there in this sunshine industry of online commerce.

Keywords: Online Commerce, Price Deals, Demographics, Customers.

Introduction:

Pick up any business news daily these days and it is overflowing with the latest happenings in the world of electronic commerce. Whether it is about some million dollar investment which has happened in an online commerce company or some new application developed for some existing service or exclusive product launches happening at some e-commerce marketplace. Commercial world is abuzz with twists and turns occurring in the online business field. It seems as if the whole world wants to be part of this growth story. The e-commerce is almost twenty years old now, but the way it is raising its head these days is amazing. Global online sales touched \$1.2 trillion last year and are expected to grow at a CAGR of 1.6% (www.infosysblogs.com, 2014).

There are many factors which are leading to this sudden focus and popularity of online trading, like access to lots of information, competitive prices, great choice; convenience etc. (Zhou, Dai & Zhang, 2007). One of course is the convenience which it provides to its consumers. With daily lives becoming more and more hectic for a common man, travelling distances becoming huge, fuel cost and fatigue associated with going to a shopping mall or market and finding parking spaces there, are making a customer sit comfortably in his home environs and shop at just a click of mouse. Also today's variety seeking buyer wants to have a look at every option which is available for him and wants to go for the best and that too at most competitive price. And why

not? After all in this maddening competitive world, consumer is the king. Moreover the ease with which online companies can reach even in the remotest corners of the country is its biggest merit. The online retail has brought best of the fashion, products with the best price deals even to the Tier III cities and rural areas of India. The kind of democracy of choice and availability which consumers are enjoying while shopping online is heartening.

With increasing popularity of online shopping the competition is getting escalated and thus it has become imperative for e-retailers to understand the motivators which bring consumers to shop online (Zhou et al., 2007). Moreover Indian markets are still untapped in terms of online shopping phenomena and this trend is still gaining popularity among consumers. Also the recently done surveys have also indicated the huge growth expected from non-metros in the near future (Google, 2013). As the online buying trend is gaining popularity in India and many companies aim to capitalize on it, it becomes significant to get insight about the why, how and what of online consumer behavior.

To understand online shopping behavior various theoretical models like Technology Acceptance Model, Theory of Reasoned Action or Innovative Diffusion Theory have also been used (Cheung et al., 2003). Internet shopping and interactive home shopping will be preferred over traditional retail formats due to technological advancements because web gives a consumer lots of ease to find and compare suitable products, thus helps him to make more informed buying decision (Alba et al., 1997). Further online search reduces a buyer's search cost due easy and accessible availability of information, reviews and online databases and consumers use different strategies while searching information on web like, choice of search engine, information filtering etc. (Kumar, Lang & Peng, 2005). The literature also has evidence of relation being examined between CRM practices and online retailing. There has been observed positive effect on customer satisfaction by using CRM practices at right time of online marketing growth stage (Srinivisan & Moorman, 2005). The internet based diffusion of technology has also been heralded as an important game changer in the relation between producer and consumer, if we see how historically changes have come in the behavior of consumers over time led by cultural, social, political or technological dynamics and it has also changed the way competitors gain advantage by looking for best bargains in supply chain (Dickson, 2000).

Facilitators:

The reason for this sudden influx in online trade is the facilitating ecosystem which is favoring this industry. In India only some of the e-commerce companies like Flipkart and Snapdeal are having a great time in the business and others like Amazon are keen to capture Indian growth story through online retail. Flipkart which is being considered as poster boy of Indian e-commerce Industry has grown by 476% in terms of value of goods sold in 2012-13. Isn't it tempting for the budding entrepreneurs and prospective investors to get into this online bandwagon? Some of the game changing factors behind this phenomenon are:

- a. **Increasing Internet Penetration:** The rate at which internet usage is increasing especially among developing and emerging economies like Brazil, India, South Africa etc. is supporting the acceptance of electronic medium as a preferred market place. If we talk about India only then there are more than 200 million internet users and out of this approximately 10% are shopping online. Further with rural India also getting connected through broadband in coming times, especially with Indian government's 'Digital India' initiative, the online consumption is bound to grow more.
- b. **Better Payment Platforms:** The upcoming improvements and innovations which are coming in the payment front when shopping online are also a big booster. For example, many mobile companies are going to start with the 'Mobile Wallet' services in India, which will store user's debit, credit cards and bank account details and with the help of Near Field Communication technology make payments very convenient and safe both online and in physical market place. Then with the advent of online transactions a new form of digital currency called Bitcoins are gaining popularity. With the help of such digital currency trade across international boundaries will also become easy to conduct as there shall be no problem of conversions into various foreign exchanges. Even technology based companies like Google and Apple also have their wallet based applications.
- c. **Mobile Commerce:** With the better telecommunication services and handset manufacturers smart phone options for bottom of the pyramid users, the mobile commerce is going to be a major influencer of online trade. According to various studies per user time spent on mobile devices is increasing. If this is the place where consumers are spending their majority time, instead of on TV or laptops, then the role of mobile handsets in increasing the electronic purchasing cannot be ignored. Infact many online

companies are launching their mobile apps to facilitate trade. For example, US based Uber.com, the taxi hailing mobile application has completely disrupted the way travelers are booking, locating and also making payment for a taxi service. Many other start-ups as well as established brands are making their presence felt on mobile platform also by launching creative mobile app based loyalty programs, discount coupons and customer engagement initiatives.

- d. **Improving Logistics:** A very important component, which makes or breaks an electronic commerce business is the way logistics and supply chain is being managed. Majority of the online trading sites like Flipkart, Snapdeal, Amazon etc. are operating on marketplace model i.e. they provide platform for vendors and consumers to come together. The main ingredient which is provided by these companies is the delivery at the door steps of customer which is also called as 'last mile' of the trade. And how efficiently, quickly and cost effectively an e-commerce company does it creates competitive advantage for it. These corporates are doing lots of innovation in this sphere. For example, Amazon is working very ambitiously on its pilot project to deliver goods at consumer door steps with the help of automated drones. Then keeping in mind the unique infrastructural problems of developing markets like India, Amazon and Jabong are delivering goods at nearest Kirana Stores at places where it is very difficult to locate addresses and road connectivity is poor.
- e. **Data Analytics:** Big data is being considered as the new panacea for all business problems. Data which is high on volume, velocity and variety and is collected from various touch-points can be interpreted with the help of advanced analytics. Such data provides important clues about consumer behavior, purchase pattern, preferences etc. The one industry which has gained maximum from these analytics is online commerce. Reason is that, when a consumer is browsing various websites, products or feedbacks from fellow consumers, then it is being observed easily by online companies. Such information provides significant clues about prospective customers and thus help these companies in designing and offering them with better, personalized promotions. Also it becomes easier to measure the profit impact of marketing efforts through online transactions. All such factors collectively contribute towards success of electronic transactions.

Impact of E-Commerce on Other Businesses:

- a. **Education:** The education sector has been revolutionized by the online mode. Companies like Tutor Vista and Meritnation are changing the way students are studying. Also the quality of content is extremely enriching. The coaching industry in India as well as internationally is changing with the availability of online modules. These modules are cheaper than physical coaching classes, wastes less time of the students, make best of the teachers available at any place any time and students can revisit them if required.
- b. **Retail:** There has been a paradigm shift which has come in the retail market with the onslaught of online retailers. All the arguments regarding saving domestic Kirana store keepers or sellers from FDI in multi-brand retail in India seems to become redundant as the new player in the field is electronic seller. In India if we see product wise share of electronic sales, then it is topped by sale of consumer durables, followed by fashion, then matrimony services and at the fourth number is real estate services. The recent exclusive online flash sales on Flipkart in India by the Chinese handset maker Xiaomi has taken consumers as well as competitors by storm. Similar strategy is being followed by Motorola to sell its MotoE and MotoG range in India and it has proved extremely successful. Then big handset brands like Apple are using a very smart strategy to offload its existing range of mobiles iPhone 5S at discounted prices before launching its iPhone 6 Series in India. Although such differentiated pricing strategy causes channel conflict between online and offline retailers. Due to goods available at lesser prices on online platform as compared to physical markets, there is a unique problem being faced and that is many tech-savvy retailers are buying at cheaper prices from these sites and selling them to consumers by adding margins on offline mode.
- c. **Taxi service:** An American taxi-hailing mobile app called 'Uber' has become extremely popular due to the ease of locating, booking, making payment by the passengers. Uber is planning to come up with its launch in India also. This news only has created uproar in the taxi-service market especially which are booked through telephonic mode like Easy Cab and Meru Taxi service.
- d. **Healthcare:** Medical sector is getting empowered by the advent of online healthcare services. These services have a bright future due to the elements of reach, affordability

and accessibility being involved. Medical diagnostics are becoming easy to use by getting online. Also with the help of technology medical services at affordable rates have been made available in the remotest corners of the country. Dr. Devi Shetty's initiative in this field has become really inspiring for the whole of medical fraternity.

- e. **B2B Commerce:** The fundamentals of Business to business commerce are also changing with the increasing use of online transactions. B2B transactions are also getting inspired from ease of using online platform by B2C model. The benefits of shifting business transactions related to suppliers, logistics, vendor networks and relationship management on online environment are many. As per a study undertaken by Forrester research, some 89% of business to business concerns are claiming that since the time they have started conducted business on online mode, their revenues have gone up by 55% and average value of order has also got increased by 31% (Future of Commerce, 2014)

Conclusion:

No doubt that the online business is the future of the business and it has empowered both sellers and buyers, but the question is that is it financially sustainable. The way investors are lining up with their full generosity to invest in online companies and startups is really enviable for other sectors these days. On July 29, 2014 Flipkart got some 1 billion dollars from international investors. Immediately after that Amazon got a fresh dose of 2 billion dollars from its promoter. Similar kind of attention is being gained by Snapdeal from eBay and other Indian investors. Then Alibaba which is China's biggest online trader is about to announce its IPO anytime soon and it is already being anxiously awaited in the markets with so much hype. But the question is that are such reckless investments making any business sense. If we see the balance sheets of Amazon.com, a company which is almost 15 years old and is the market leader in this field, then we will find that it has still not break even. None of the online companies are profitable so far in India. The only thing which is attracting investors towards e-commerce industry is the top line i.e. the rate at which sales as well as revenues are growing. As far as bottom line or profits are concerned, it is still a far cry. To financially sustain in such hyper competitive environments such corporates need constant fresh doses of investments. Another event which is inevitable in coming times is the consolidations which are going to happen in online business sector. Already Mynta,

an Indian online fashion retailer has been acquired by Flipkart. Similar niche and small players would be gobbled by bigger players or they will perish at their own due to financial burden in coming times. Niche players like Urban ladder, Pepperfry, Faburnish are doing well so far in Indian markets, but how far they would go by staying single, is a question. Then due to increasing competition among online and offline retailers, prices of goods are kept low and customer is being attracted by offering free home delivery, same day delivery etc. All this further squeezes their margins. Then most of these online sellers are working on Managed Market Place model where thousand of the sellers get registered to sell their products to the final consumer, but majority of these sellers in India remain inactive as they are not that tech-savvy, hence leading to slow turnovers. But whatever are the financial perils, right now the entrepreneurs as well as investors are queuing up for electronic trade opportunities in a big way. Also the way online mode has empowered the customer, it is surely have a long future.

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