CHAPTER 1
INTRODUCTION

1.1 Introduction of E commerce

Electronic commerce, commonly known as e-commerce, is the trading or facilitation of trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail.

Some of the definitions of e-commerce are as under:

• “E-Commerce deals with the buying and selling of information, products and services through computer networks.”

• “E-Commerce can also be defined as a new way of conducting managing and executing business transactions using computer and telecommunication networks.”

• “E-Commerce is a concept covering any form of business transactions or information exchange executed using information and communication technology between companies and public administration.”

In simple words, E-commerce just means taking things that your company is already doing in person, through the mail, or over the telephone, and doing those things in a new place on the Internet. It also refers to all forms of business activities conducted across the Internet. This can be e-tailing, B2B, intranets and extranets, online advertising, and simply online presences of any form that are used for some type of communication (e.g. customer service). Currently, more than 30.2% of the world has an access to the internet, and hence e-commerce. Reduced internet surfing
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charges, internet technology development covering expanded bandwidth, and increased speeds and reliability has made e-commerce available to a large pool of emerging market consumers. India’s leading e-commerce consulting company chitrangana.com is assuming double digit growth in Asian countries including India in 2012-13.

E-commerce is an result of Information and Communications Technology (ICT) revolution in economic fields or the most visible way of contribution of ICT to economic growth. ICT, as a tool of socio-economic development, is a important issue for developing countries. Governments have formulated ICT strategies and set major objectives to ensure the effective deployment and use of ICTs for the benefit of the enterprises and the citizens in the developing countries. A common definition of e-commerce is to provide trade process through data interchange, transaction of goods and services via computer network such as the Internet.

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. This significant impact has resulted in more numbers of customers to explode various fields of e-commerce for their benefits. There is also a significant national diversity in e-commerce adoption, particularly in downstream marketing, sales and other customer-oriented activities. Increasing Internet penetration and availability of more payment options boosted the e-commerce industry. One of the most important issues to be addressed in electronic commerce is the area of services.
1.2 Growth of e Commerce

The growth of e-commerce has radically altered the way the world does business in every conceivable facet. Online retailers are facing formidable conditions that demand real-time insights; not just casual data analysis. They face intense competition, shorter time-to-market and challenging customers, all of which push up the cost of acquisition and retention. They have to comply with increasingly stringent regulatory requirements and must adapt (or die) to the new demographic blend with the advent of millennial as a new influential customer group and social media as the ‘it’ channels.

As such, online retailers trying to distinguish and clear the clutter are looking at the power of leveraging their data to attract and retain customers. Online retailers turning to data, has created a huge demand for analytics resources in the Indian market. As retailers focus on growing their business by leveraging data and similarly analytics and consulting firms relying on the same type of skill sets, it has introduce a healthy rivalry to attract new talents from the market. Both the sides of the
business are adopting pioneering and good-looking measures to not only recruit the best of the best data scientists, but also introducing schemes to retain them.

Some of the largest recruiters at IITs and MBA schools are e-commerce and analytics or Internet firms. Business consulting has undergone a paradigm shift from the traditional tools of business assessment to business analytics. Information of business analytics and statistics is necessary to survive in the consulting space. The market share of e-commerce is on the rise. These retailers will require more customization and optimization to stay competitive and relevant in the coming years.

The e-commerce industry in the country is likely to be worth USD 38 billion by 2016, a 67 per cent jump over the USD 23 billion revenues for 2015, as per industry body Assocham. “India’s e-commerce market was worth about USD 3.8 billion in 2009, it went up to USD 17 billion in 2014 and to USD 23 billion in 2015 and is expected to touch whopping USD 38 billion mark by 2016,” Assocham said in a statement.

Increasing internet and mobile penetration, growing acceptability of online payments and favorable demographics has provided the e-commerce sector in India the unique opportunity to companies connect with their customers, it said. There would be over a five to seven fold increase in revenue generated through e-commerce as compared to last year with all branded apparel, accessories, jewellery, gifts, footwear are available at a cheaper rates and delivered at the doorstep, it added.

It noted that the buying trends during 2016 will witness a significant upward movement due to aggressive online discounts, rising fuel price and wider and abundant choice will hit the e-commerce industry in 2016. It observed mobile commerce (m-commerce) is growing rapidly as a stable and secure supplement to the e-commerce industry.

“Shopping online through smart phones is proving to be a game changer, and industry leaders believe that m-commerce could contribute up to 70 per cent of their total revenues,” the statement added. In India roughly 60-65 per cent of the total e-
commerce sales are being generated by mobile devices and tablets, increased by 50 per cent than the last year and also likely to continue upwards, it added.

In 2015, the highest growth rate was seen in the apparel segment almost 69.5 per cent over last year, followed by electronic items by 62 percent, baby care products at 53 per cent, beauty and personal care products at 52 per cent and home furnishings at 49 per cent. It revealed that Mumbai ranks first in online shopping followed by Delhi, Ahmedabad, Bangalore and Kolkata.

On the mode of payment, almost 45 per cent of online shoppers reportedly preferred cash on delivery mode of payment over credit cards (16 per cent) and debit cards (21 per cent). Only 10 per cent opted for internet banking and a scanty 7 per cent preferred cash cards, mobile wallets, and other such modes of payment, it said. Among the above age segments, 18-25 years of age group has been the fastest growing age segment online with user growth being contributed by both male and female segments.

1.3 India’s Growth Potential
Since the e Commerce industry is fast rising, changes can be seen over a year. The sector in India has grown by 34% (CAGR) since 2009 to touch 16.4 billion USD in 2016. The sector is expected to be in the range of 22 billion USD in 2016. Currently, eTravel comprises 70% of the total e Commerce market. eTailing, which comprises of online retail and online marketplaces, has become the fastest-growing segment in the larger market having grown at a CAGR of around 56% over 2009-2014. The size of the eTail market is pegged at 6 billion USD in 2015. Books, apparel and accessories and electronics are the largest selling products through eTailing, constituting around 80% of product distribution. The increasing use of smartphones, tablets and internet broadband and 3G has led to developing a strong consumer base likely to increase further. This, combined with a larger number of homegrown eTail companies with their innovative business models has led to a robust eTail market in India rearing to expand at high speed.
In India’s internet users are short by only 36 million as compared with 279 million in the US and higher than that in Japan, Brazil and Russia. However, in relation with its population, only 19% Indians use the internet. This indicates the potential of internet use in India and as internet penetration increases, the potential of growth for the eCommerce industry will also increase.

Source: IAMAI-IMRB International & ComScore

Chart 1.1: Growth of Digital Commerce Over Years
The key drivers in Indian e-commerce growth are:

- **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 2014. 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 2016, a year-on-year growth of 28 per cent. The growth of Internet users has also led to a considerable growth of other digital industries such as e-commerce and digital advertising.

- **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 technology. The development of educational standards has enabled a great demand in the market.

- **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 buy decision.

- **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 goods online.

- **Awareness of Products** - People are aware of the ease of use of various products in the markets through the help of television, newspaper, website etc. Hence the availability of a new product and its price and other features can be known easily.

- **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 concerning the product and the customers can purchase the products after getting reviews and feedback of the product.
1.4 Types of E Commerce

On the basis of nature of participants we can classify ecommerce business. The two most common participants in ecommerce are businesses and consumers. Based on this we can come up with four primary ecommerce types:

- **Business to Business Ecommerce (B2B Ecommerce)**
  
  In this type of ecommerce, both participants are businesses. As a result, the volume and value of B2B ecommerce can be huge. An example of business to business ecommerce could be a manufacturer of gadgets sourcing components online.

- **Business to Consumer Ecommerce (B2C Ecommerce)**
  
  When we hear the term ecommerce, most people think of B2C ecommerce. That is why a name like Amazon.com pops up in most discussions about ecommerce. Elimination of the need for physical stores is the biggest rationale for business to consumer ecommerce. But the complexity and cost of logistics can be a barrier to B2C ecommerce growth.
• **Consumer to Business Ecommerce (C2B Ecommerce)**
  On the face of it, C2B ecommerce seems lop-sided. But online commerce has empowered consumers to originate supplies that businesses fulfill. An example of this could be a job board where a consumer places her requirements and multiple companies bid for charming the project. Another example would be a consumer posting his requirements of a holiday package, and various tour operators making offers.

• **Consumer to Consumer Ecommerce (C2C Ecommerce)**
  The moment we think of C2C ecommerce eBay.com comes to mind. That is because it is the most popular platform that enables consumers to sell to other consumers. Since eBay.com is a business, this form of ecommerce could also be called C2B2C ecommerce (consumer to business to customer ecommerce).

• **M-commerce (mobile commerce)**
  M-commerce (mobile commerce) is the buying and selling of goods and services through wireless technology - i.e., handheld devices such as cellular telephones and personal digital assistants (PDAs). Japan is seen as a global leader in m-commerce. As content delivery over wireless devices becomes faster, more secure, and scalable, some believe that m-commerce will surpass wire line e-commerce as the method of choice for digital commerce dealings. This may well be true for the Asia-Pacific where there are more mobile phone users than there are Internet users. Industries affected by m-commerce include:

  Financial services, including mobile banking (when customers use their handheld devices to access their accounts and pay their bills), as well as brokerage services;

  • Telecommunications, in which service changes, bill payment and account reviews can all be conducted from the same handheld device;

  • Service/retail, as consumers are given the ability to place and pay for orders on-the-fly; and

  • Information services, which include the delivery of entertainment, financial news, sports figures and traffic updates to a single mobile device.
E-commerce, however, is more than just electronics and commerce added together. It represents an entirely new way of doing business over a medium that changes the very rules of doing that business. It is, therefore, far more about strategy and business management than it is about technology. In order to understand e-commerce and its implications for developing countries, it is important, therefore, to see it from the perspective of the transactional aspects of e-commerce, i.e. those that stand for the commerce between the different players, as well as the structure aspects, i.e. those basic requirements that are needed in developing countries for it to develop. It is argued that it is in the interest of developing countries such as India to expand in this area so that the assure of the digital financial system is shared also by the South.

1.5 Importance and Uses of E Commerce

Electronic commerce, or Ecommerce, which literally means business trade through the Internet, has been around the globe since mid 90s. However, until the recent few years, Ecommerce is getting more and more attention from entrepreneur and consumers, both local and international. One of the main reasons is due to the highly winning operations of some well known names on the Internet, such as eBay, Yahoo and Dell. The sales revenue these companies shown in their annual reports are without doubt, one of the biggest factors why Ecommerce is important in the commercial market nowadays. Ecommerce proved its importance based on the fact where time is essence. In the commercial markets, time plays an important role to both the business and consumers. From the business perspective, with less time spent during each transaction, more transaction can be achieved on the same day. As for the consumer, they will save up more time during their transaction. Because of this, Ecommerce steps in and replaced the traditional commerce method where a single transaction can cost both parties a lot of valuable time. With just a few clicks in minutes, a transaction or an order can be placed and completed via the internet with ease. For instance, a banking deal can be completed through the Internet within a few minutes compared to the customary banking method which may take up to hours.
From the business viewpoint, Ecommerce is much more cost effective compared to traditional commerce method. This is due to the fact where through Ecommerce, the cost for the middleperson to sell their products can be saved and diverted to another aspect of their business. One example is the giant computer enterprise, Dell, which practice such a method by running most of their business through internet without involving any third parties. Aside from that, marketing for Ecommerce can achieve a better customer to cost ratio as putting an advertisement on the internet is comparably much cheaper than putting up a roadside banner or filming a television commercial. For Ecommerce, the total overheads needed to run the business is significantly much less compared to the traditional commerce method. The reason due to that is where most of the cost can be reduced in Ecommerce. For example, in running an Ecommerce business, only a head office is needed rather than a head office with a few branches to run the business. To both the consumers and business, connectivity plays an important part as it is the key factor determining the whole business. From the business point of view, Ecommerce provides better connectivity for its potential customer as their respective website can be accessed virtually from anywhere through Internet. This way, more possible customers can get in touch with the company's business and thus, eliminating the limits of physical location. From the client standpoint, Ecommerce is much more suitable as they can look through through a whole directories of catalogues without any hassle, compare price between goods, buying from another country and on top of that, they can do it while at home or at work, without any necessity to move a single inch from their chair. In global market sense, the appearance of Ecommerce as a pioneer has opened up various windows of opportunities for a variety of other companies and investors. For instance, due to the booming of Ecommerce, more and more resources are being directed into electronic securities, internet facilities, business plans and new technologies mature in the global market and eventually, it will become an essential business plan for a company in order to survive and stay competitive in the ever changing market.

- **Exploitation of New Business**: Broadly speaking, electronic commerce emphasizes the generation and exploitation of new business opportunities and to use popular phrases: “generate business value” or “do more with less”.
- **Enabling the Customers:** Electronic Commerce is enabling the customer to have an increasing say in what products are made, how products are made and how services are delivered (movement from a slow order fulfillment process with little understanding of what is taking place inside the firm, to a faster and more open process with customers having greater control.

- **Improvement of Business:** Electronic Commerce endeavors to improve the execution of business transaction over various networks.

- **Effective presentation:** It leads to more effective performance i.e. better quality, greater customer satisfaction and better corporate decision making.

- **Greater Economic Efficiency:** We may achieve greater economic efficiency (lower cost) and more rapid exchange (high speed, accelerated, or real-time interaction) with the help of electronic commerce.

- **Execution of Information:** It enables the execution of information-laden transactions between two or more parties using interconnected networks. These networks can be a combination of “plain old telephone system” (POTS), Cable TV, leased lines and wireless. Information based transactions are creating new ways of doing business and even new types of business.

- **Incorporating deal:** Electronic Commerce also incorporates transaction management, which organizes, routes, processes and tracks transactions. It also includes consumers making electronic payments and funds transfers.

- **Increasing of income:** Firm use technology to either lower operating costs or increase revenue. Electronic Commerce has the Potential to increase revenue by creating new markets for old products, creating new information-based products, and establishing new service delivery channels to better serve and interact with customers. The transaction management aspect of electronic commerce can also enable firms to reduce operating costs by enabling better coordination in the sales, production and distribution processes and to consolidate operations arid reduce overhead.

- **Reduction of Resistance:** Electronic Commerce research and its associated implementations is to reduce the “friction” in on line transactions frictions is often described in economics as transaction cost. It can arise from inefficient market structures and inefficient combinations of the technological activities
required to make a transaction. Ultimately, the reduction of friction in online commerce will enable smoother transaction between buyers, mediators and seller.

- **Facilitating of Network Form:** Electronic Commerce is also impacting business-to-business interactions. It facilitates the network form of organization where small flexible firms rely on other partner, companies for component supplies and product distribution to meet changing customer demand more effectively. Hence, an end to end relationship organization solution is a desirable goal that is needed to manage the chain of networks linking customers, workers, suppliers, distributors and even competitors. The management of "online transactions" in the supply chain assumes a central roll.

- **Facilitating for Organizational Model:** It is facilitating an managerial model that is fundamentally different from the past. It is a control organization to the information based organization. The emerging forms of techno-organizational structure involve changes in managerial responsibilities, communication and information flows and work group structures.

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Source: A54 Marketing Group

**Chart 1.3: Importance of E commerce**
1.6 HR Traits for E-commerce Industry

HR in e-commerce is a not easy portfolio because of the sheer diversity in the organisation. By virtue of its novelty and entrepreneurial experience, e-commerce start-ups are attracting diverse talent from traditional industries.

This talent may or may not be in the high-awareness zone in terms of what they are getting into. This is exactly what makes it essential for an HR professional in e-commerce to have a strong understanding of various industries, their talent landscapes and how they map to the e-commerce ecosystem.

Seven important Human Resource traits for e-commerce industry

- Team player with an ability to create the feeling of 'one team, one goal'.
- Strong understanding of different industries, their talent landscapes and how to map them to the e-commerce ecosystem.
- Ability and experience for active participation in business decisions.
- Ability to do the right communication with the right people at the right time in the right manner.
- Continual improvisation and optimization at all times in all processes.
- Adaptability and ability to mold as per evolving business situations.
- Ability to look at the larger picture.

1.7 Advantages of E-commerce

- **Lower charge** Doing e-business is cost effective; it reduces logistical problems and puts a small business on a par with giants such as Amazon.com or General Motors. For example in a commercial bank, a basic over-the-counter transaction costs Re. 0.50 to process; over the Internet, the same transaction costs about Re. 0.01. Every financial transaction eventually turns into an electronic process. The sooner it makes the conversion, the more cost-effective the transaction becomes.

- **Wealth**: Unlike the brick–and–mortar environment, in e-commerce there is no physical store space, insurance, or infrastructure investment. All you need is an idea, a unique product, and a well–designed web storefront to reach
your customers, plus a partner to do fulfillment. This makes e-commerce a lot more economical.

- **Advanced Margins:** E-commerce means higher margins. For example, the cost of processing an airline ticket is Rs. 5. According to one travel agency, processing the same ticket online costs Re. 1. Along with higher margins, businesses can gain more control and flexibility and are able to save time when manual transactions are done electronically.

- **Better Customer Service:** E-commerce means better and quicker customer service. Online customer service makes customers better-off. Instead of calling your company on the phone, the web merchant gives customers direct to their personal account online. This saves time and money. For companies that do business with other companies, adding customer service online is a competitive advantage. During the night package delivery service, where tracking numbers allow customers to check the whereabouts of a package online, is one good example.

- **Quick Comparison Shopping:** E-commerce helps consumers to comparison shop. Automated online shopping assistants called hop bots scour online stores and find deals on everything from apples to printer ribbons.

- **Productivity Gains:** Weaving the web throughout an organization means improved productivity. For example IBM incorporated the web into every corner of the firm – products, selling, and practice. The company figured it would save $750 million by letting customers find answers to technical questions via its website. The total cost savings in 1999 alone was close to $1 billion.

- **Team Work:** E-mail is one example of how people collaborate to exchange information and work on solutions. It has transformed the way organizations interact with suppliers, vendor, business partners, and customers. More interactions mean better results.

- **Knowledge Markets:** E-commerce helps create knowledge markets. Small groups inside big firms can be funded with seed money to develop new ideas. For example, Daimler Chrysler has created small teams to look for
new trends and products. A Silicon Valley team is doing consumer research on emotional cars and advising car designers.

- **Information Sharing, Convenience and Control:** Electronic marketplaces improve information sharing between merchants and customers and promote quick, just-in-time deliveries. Convenience for the consumer is a major driver for changes in various industries. Customers and merchants save money; are online 24 hours a day, 7 days a week; experience no traffic jams, no crowds, and do not have to carry heavy shopping bags.

![Chart 1.4: Benefits of E commerce](image)

1.8 **Limitations of E commerce**

Though India represents vast unexplored market for ecommerce the current share of ecommerce in India is marginal restricted to less than 2 percent. According to reasonable estimated it is not going to exceed even 5 percent in the next two decades because of several limitations of ecommerce narrated below:

- **Security:** Security continues to be a problem for online businesses. Customers have to feel confident about the integrity of e-dealers and the payment process before they commit to the purchase. There are risks of hackings and cybercrimes too.

- **System and Data Integrity:** 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 cause unnecessary delays, file backups, storage problems, and other similar difficulties. The danger of
hackers accessing files and corrupting accounts adds more stress to an already complex operation.

- **System Scalability:** A business develops an interactive interface with customers via a website. After a while, numerical analysis determines whether visitors to the site are one–time or recurring customers. If the company expects 2 million customers and 6 million shows up, website performance is bound to experience degradation, slowdown, and eventually loss of customers. To stop this problem from occurrence, a website must be scalable, or upgradable on a regular basis.

- **E-commerce Not Free:** So far, success stories in e–commerce have forced large business with deep pockets and good funding. According to a report, small retailers that go head–to–head with e–commerce giants are fighting losing battle. As in the brick and mortar environment, they simply cannot compete on price or product offering. Brand loyalty is related to this issue, which is supposed to be less important for online firms. Brands are expected to lower search costs, build trust, and communicate quality. A search engine can come up with the best music deals, for example, yet consumers continue to flock to trusted entities such as HMV.

- **Consumer search is not efficient or cost effective:** On the surface, the electronic marketplace seems to be a perfect market, where worldwide sellers and buyers share and trade without mediators. However, a closer look indicates that new types of intermediaries are essential to e–commerce. They include electronic malls that guarantee legitimacy of transactions. All these mediators add to transaction costs.

- **Customer Relation Problems:** Not many businesses realize that even e–business cannot survive over the long term without loyal customers. E-commerce does not have human face. It is an impersonal way of dealing with 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 a new customer is always higher than the cost of maintaining the existing customer. Therefore the e-business has work out the strategies of maintaining the customer loyalty.
Corporate Vulnerability: The availability of product details, catalogs, and other information about a business through its website makes it vulnerable to access by the competition. The idea of extract business intelligence from the website is called web framing.

High Risk of Internet Start up: Many stories unfolded in recent years about successful executives in established firms leaving for Internet start-ups, only to find out that their get-rich dream with a dot.com was just that a dream.

Proximity of Traditional Dealers: In India vast population lives in the metros, cities, towns and nearly 60,000 villages that are densely populated. They do not live in deeps as in western countries where people have to travel a lot to do the shopping in molls. Majority of the goods and services they need are at their door steps. Hence they don’t feel it necessary to purchase them through internet.

1.9 Challenges Faced by Indian E-commerce Industry

E Commerce has become the latest trend among business professionals residing in different corners of the globe. However, many feel that E Commerce has lost its sheen in India. With internet rising in popularity amongst Indian consumers; this belief can be proved wrong. Carrying out E Commerce transactions is a good option for people looking for hassle-free shopping.

Some of the big players in Indian E Commerce industry include Flipkart, Snapdeal, Myntra etc. These E Commerce sites make up for a large share of the Indian economy. Although recent years have witnessed a considerable increase in popularity of Indian E Commerce industry, there are some challenges faced by Indian e-business owners.

India’s E Commerce industry has all the potential of growing by huge bounds and leaps. The only thing required is utmost seriousness in running an online business. Online entrepreneurs must ensure to build up portals that are up to the mark. A enthusiasm for propagating the brand and services must be imbibed into potential customers. Issues concerning security and transaction frauds must also be
taken into consideration. Proper measures must be taken in order to build up trust into the hearts of buyers who fear transactional frauds and tend to move away from making purchases using the internet.

By following a set approach, Indian web marketers can definitely attain new heights of success. Comprehensive analysis of online retail portals in India reflects a better future for the Indian E Commerce industry.

![Chart 1.5: Major Challenges Faced by E commerce Industry in India](source: emavens.com)

Some of the challenges faced by e-commerce in India are:

- Infrastructural Problems
- Absence of Cyber Laws
- Privacy and Security Concern
- Payment and Tax Related Issues
- Digital Illiteracy and Shopper Psyche
- Virus Problem and
- English Specific.

E-commerce in spite of opportunities also bears the connotations of challenges as well at the same time. We, therefore, enumerate the major challenges
e-commerce in small enterprises is facing and also submit the remedial measures to meet these challenges.

- **Infrastructural Problems:** Internet is the backbone of e-commerce. Unfortunately, internet penetration in India is so far dismally low at 0.5 per cent of the population against 50 per cent in Singapore. Similarly, penetration of personal computer (PC) in India is as low as 3.5 per thousand of population compared to 6 per thousand in China and 500 per thousand in US. Internet is still accessible through PCs with the help of telephone lines. Given the penetration of telephone only 2.1 per cent of population, e-commerce remains far away from the common man. It is difficult for e-commerce to reach to 1,000 million population spread over 37 million households in 6, 04,374 odd villages and 5,000 towns and cities. Besides, both cost of PCs and internet access in India are quite high.

- **Absence of Cyber Laws:** Other big challenge associated with e-commerce market is the near absence of cyber laws to regulate transactions on the Net. WTO is expected to enact cyber laws soon. The India’s Information Technology (IT) Bill passed by the Indian Parliament on May 17, 2000 intends to tackle legislatively the growing areas in e-commerce. The Bill also intends to facilitate e-commerce by removing legal uncertainties created by the new technology. As it stand today, the Bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.

- **Privacy and Security Concern:** As of to-day, quite vulnerable issues related to e-commerce are privacy and security. So far, there is no protection offered either by Website or outside watchdogs against hazard created by exploiting one’s privacy.

- **Payment and Tax Related Issues:** Issues related to payment and tax is yet another problem continuously hinting e-traders. The electronic payment is made through credit card or plastic money which could, however, not become popular so far in India mainly due to two reasons. First, the penetration of credit card in India is very low.
Second, the Indian customers are quite skeptical of paying by credit card with the increasing threat of fraud played by hackers. Like elsewhere, credit card could not gain growth in India mainly because of authentication and recognition problems of electronic signatures. Similarly, tax administration is yet another complex problem in this seamless worldwide e-commerce. As establishing incidence of tax in case of e-commerce transactions becomes difficult, this, thus, provides ample scope for tax evasion. How to get rid of this? Some suggest total tax holiday till 2010 for e-commerce in the country. There are others who support zero duty on e-commerce to flourish it in the country. It has already been decided in US that there will be no tax on anything sold on the internet in digital form.

**Digital Illiteracy and Consumer Psyche:** At present, digital illiteracy is one of the formidable problems e-commerce is facing in India. On the other hand, the continuous exodus of skilled computer engineers to other countries has denuded India of software engineers. This has posed a real threat to the Indian IT industry. Obviously, solution to this problem lies in curbing the computer brain – drain and uses the same in the country. The Indian consumer is also characterized by his unique psyche. Usually, the Indian consumer does not go long distances for having any good of his choice when a neighborhood store provides him whatever he wants. That is why the consumer does not browse the Net knowing the consequent hassles of connectivity and other botherations. Added to this is that building trust on the electronic media also takes long time more especially when the vendor is situated at a very far off place.

**Virus Problem:** That computer virus is also a formidable problem in the execution of e-transactions is confirmed by the computer virus originated in Manila. A computer virus lagged ‘I Love You’ originated in Manila, Philippines on May 5. 2000 rippling across world, inflected millions of computer files causing colossal loss of US $7 billion to the governments and the businesses. The offenders causing ‘virus’ must be awarded deterrent punishment, otherwise similar assaults in future can cause lasting blows to the quite young e-commerce in India as well.
• **English Specific:** Last but not the least, the software so far in the country is English specific. But, in order to make e-commerce reach to the small enterprises, it needs to be available in the languages (regional) of the owners of the small enterprises to enable them to adapt e-commerce processes in their operations. Sooner it is done, better will be it for small enterprises to adapt e-commerce.

• **Poor Knowledge and Awareness:** When it comes to ratio of internet consumers, scenario is not so admirable one. Majority of Indian rural population are unaware of internet and it uses. Surprisingly, most of internet savvies or urban population are also suffering from poor knowledge on online business and its functionalities. Very few are aware of the online corruption and fraud and thus darkness still exists. A reliable survey reveals that 50% of Indian online users are unaware of the solution of online security.

• **Online Transaction:** Most of Indian customers do not possess plastic money, credit card, debit card and net banking system, which is one of the prime reasons to curtail the growth of ecommerce. Nevertheless, in recent years, some of the nationalized banks have started to issue debit cards to all its account holders. This is undoubtedly a positive sign for Indian online entrepreneurs.

• **Cash on Delivery:** Cash on Delivery (COD) has evolved out of less penetration of credit card in India. Most of Indian E-commerce companies are offering COD as one of mode of payment for the buyers. 30%-50% of buyers are also taking advantage of this mode of payment while making purchase of any product and service over internet. COD has been introduced to counter the payment security issues of online transaction, but this mode has been proving to be loss and expensive to the companies. It is seen that majority of the customers denied to make the payment at the time of delivery of the product. Hence, companies tend to lose the sale along with product transit fees. In order to curb the problem of COD, online companies should take some judicial steps; otherwise basic logic behind the ecommerce business will be at risk.
• **Online Security:** In case of start up and small business, Business owners are ignoring the importance of authentic software due to budget constraints. They are even failing to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which indeed a crucial step for successful online business players. In India, maximum number of business entrepreneurs used unauthorized software in their server, which usually does not come with upgraded online security. Such pirated software leaves room for virus, malwares and Trojan attacks and it is highly risky task to make online transactions in the systems, which may disclose or leak sensitive details of credit cards and online banking of the users. These kinds of droopiness should be banned in Indian ecommerce sectors. Affiliation to SSL certificate should be imposed as a mandatory action for every owner.

• **Logistics and Shipment Services:** In India, logistics and courier services required lots of improvement. While, perfect and strong logistics service is one of the key reasons behind the success of any online company, India is lagging far behind in this sector as most of the town and small villages are still not covered under serviceable area of many of the courier and logistic companies. Ecommerce is hampered in a big way owing to the limited services offered by the courier service companies.

• **Tax Structure:** Tax rate system of Indian market is another factor for lesser growth rate of e-commerce in India in comparison to other developed countries like USA and UK. In those countries, tax rate is uniform for all sectors whereas tax structure of India varies from sector to sector. This factor creates accounting problems for the Indian online business companies.

• **Fear factor:** Fear of making online payment is a universal psychological factor of Indian customers. With the spread of knowledge on online transactions and its reliability, some percentages of customers have overlooked this fear and they are fearlessly engaging themselves in online shopping. But still, majority of customers are not aware of online transactions and its security. They often reluctant to disclose their credit card and bank details and preferred to stay away from online world of shopping.
• ‘Touch and Feel’ factors: Indian customers are more comfortable in buying products physically. They tend to choose the product by touching the product directly. Thereby, Indian buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. Companies dealing with products like apparel, handicrafts, jewellery have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

1.10 Online Business Models

To get the maximum benefit from e Commerce business, a large number of companies are adopting different innovative ideas and operating models including partnering with online marketplaces or setting up their own online stores. Some key operating models include the following:

• **Marketplace and pick-up & drop** is a model where sellers often partner with leading marketplaces to set up a dedicated online store on the latter’s website. Here sellers play a key role of managing inventory and driving sales. They leverage on high traffic on the marketplaces’ website and access their distribution network. However, the sellers have limited say on pricing and customer experience.

• **Self-owned inventory** is a model where the e Commerce player owns the inventory. The model provides better post purchase customer experience and fulfilment. It provides smoother operations due to ready information on the inventory, location, supply chain and shipments, effectively leading to better control over inventory. On the flipside, however, there are risks of potential mark downs and working capital getting tied up in inventory.

• **Private label** reflects a business where an e Commerce company sets up its own brand goods, which it sells through its own website. This model offers a wide-ranging products and pricing to its customers and competes with branded labels. Here, margins are typically higher than third-party branded goods.

• **White label** involves the setting up of a branded online store managed by the e Commerce player or a third party. The brand takes the responsibility of
generating website traffic and providing services by partnering with payment gateways. It helps build trust, customer affinity and loyalty and provides better control of brand and product experience.

E-commerce is an emerging trend in Indian economy in the post economic reforms era. The revolution in the IT sector in the recent past has been instrumental in development of e-commerce. E-commerce offers many benefits to the various stakeholders. These benefits are cost effectiveness, quick comparison shopping, better customer service, higher business margins resulting from economy in business operations, information saving and knowledge market development etc. At present there are several stumbling blocks in the development of e-commerce such as computer initial investment, technological issues, computer ill-literacy, legal hassles, and adverse mindset of consumers, privacy and security issues. However, these barriers to e-commerce shall be taken care of in due course and hence e-commerce has bright prospects in India. We need to update ourselves to greet e-commerce and reap its benefits.

1.11 Need of the Study

India will likely see the golden period of the Internet sector between 2013 to 2018 with incredible growth opportunities and secular growth adoption for E-Commerce, Internet Advertising, Social Media, Search, Online Content, and Services relating to E-Commerce and Internet Advertising. As we all know, India has a long way to go in the world of Digital Marketing as more and more Indians are spending time on the internet as compared to China and US. Indian businesses are also facing latest technologies in almost all the fields like recruitment, marketing etc. This study will highlight the HR practices adopted by E-commerce companies in India. The study would also be helpful for further descriptive studies on the ideas that will be explored. Therefore, the present study is quite beneficial to gain knowledge regarding e-commerce companies and their HR practices.

1.12 Scope of the Study

In the current Information Technology scenario various organizations and companies all over the world are relying heavily on access to information in the
electronic medium. The internet is the major source of information in knowledge based societies. The last decade in India has witnessed a major Information Technology revolution. An example growing use of Internet in a very short span of time the use of computers at offices and homes has become a reality.

E-commerce has helped the banking, financial institutions and industry to automate their business process and minimize the transactional days. In the industrial and banking the performance is measured in terms of processing speed and customer satisfaction with the application of computer it has become possible to clear the recurring dues like payment for electricity bills, telephone bill, shopping bill by instructing the bank for payments from customers account online fund transfer from one account to another in the bank has also become possible in the bank’s Credit card, Debit card, ATM, E-cash, E-cheque it has become possible for customers to made a payment or to withdraw cash from the bank round the hour. E-commerce has proved to be extremely useful for education and research. It is not too far from now when people used to collect the relevant information in the Library Journals and books. A lot of time used to be wasted in finding the relevant information source with the help of Information Technology or popularity of World Wide Web and easy accessibility to the Internet; it now takes a few seconds to find any designed information.

E-commerce is a new phenomenon that has resulted from the rapid commercialization of the Internet in the recent years. Strictly speaking the definition of what constitutes e-commerce changes as new forms of doing business on the Internet in the rapid commercialization of the Internet in the recent years. Strictly speaking the definition of what constitutes e-commerce changes as new forms of doing business on the Internet emerge. For the purpose of this thesis “E-commerce is much more than buying and selling on the Net. It is about doing business electronically both within enterprises and externally, using computer networks and mobile communication.”

There are many forms of e-commerce. Business to Business, Business to Consumer, Consumer to Business and Business to Government E-commerce is
“predominantly a business issue, enabled by Information Technology” The ability to do business electronically has resulted in the development of new business models at a rapid pace, which models will prevail is still being decided.

1.13 Research Gap

On the basis of extensive literature review, it is has been observed that few works have already been done to find out the impact of E-commerce companies in India. But no work has so far been done to assess the direct impact of HR strategies adopted by E-commerce companies in India. The present work is an endeavor by the researcher to bridge this gap. This work would also lead to better understanding of the e-commerce companies and their HR practices. The present work also explores measures as to how employees can be motivated in e-commerce companies, so that the gap between investment and savings can be bridged and growth of the company can be accelerated.

1.14 Research Objectives

Based on literature review and the research gap identified in the previous chapter, following objectives have been set for this study:

(1) To identify and study the major HR practices followed by e-commerce companies.
(2) To identify the evolution of e-commerce in India.
(3) To identify and study the problems of HR in e-commerce companies.
(4) To compare the HR Practices of three major e-commerce companies in India

In order to fulfill these objectives the survey has been done. Data has been obtained through in-depth interview of persons involved in e-commerce companies. The selection of these persons was done on the basis of years of experience in the related field.