

E-Entrepreneurship in E-Commerce: An Indian Perspective

Krishnaveni Nagen¹ and Narbadeshwar Mishra²

^{1,2}Student, Department of Economics, University of Madras
E-mail: ¹nayana3012@gmail.com, ²narbadeshwarm@gmail.com

Abstract—With the advent of internet technology and the ongoing amelioration and modernisation of electronic data networks, there has been a new dimension of doing business in India. The pretty new concept that has emerged, e-entrepreneurship, is now the buzzword that is captivating the Indian business world. An e-entrepreneur is one who makes use of the internet or any other means of electronic data networks as a platform to carry out business, so as to achieve his goals and visions. Seeing the unprecedented success of the e-commerce market since the past 15 years in India, many entrepreneurs have decided to go online and some have even closed their conventional businesses. However, it is noteworthy to mention that e-entrepreneurs have several challenges to overcome and that there is no guaranteed formula of success, that too in a diverse developing economy such as India. The purpose of this paper is thus to shed light on the current status of e-entrepreneurship in India by primarily focusing on the challenges to be overcome by the e-entrepreneurs in the e-commerce sector. With India poised to become a net economy, the paper also briefs about the main opportunities present in the sector. Finally, as part of the recommendations, the paper proposes a model that would be conducive for a healthy growth and development of e-entrepreneurship in the Indian economy. Indeed, though the e-commerce market is flourishing, it is still in its nascent stage which is highly in need of a strong and healthy e-entrepreneurial business environment such that the e-entrepreneurs can operate smoothly and successfully.

Keywords: E-entrepreneurship, E-commerce, Net economy, Entrepreneurial business environment.

1. INTRODUCTION

The e-entrepreneur can be distinguished from a normal entrepreneur in the sense that the former makes use of the internet or any other means of electronic network as a platform to carry out his business as compared to the latter, who resorts to the traditional/conventional method of doing business. The e-entrepreneurship concept was still pretty unknown in India until the 2000s, where the e-commerce ecosystem started evolving. This emergence later converted into a revolution with the e-commerce sector growing by 34% (CAGR¹) since 2009 to touch 16.4 billion USD in 2014. As

per NASSCOM², the e-commerce industry is expected to be valued at \$100 billion by 2020.

The main reason behind such advancement is the fast growth in the number of internet users and the adoption of rapid technology led by the increasing use of smart devices. As of 2nd quarter of 2015, India was having an internet userbase of about 375 million (243.2 million in January 2013) and stands as the second largest internet userbase in the world. With the growth in the internet populace, many e-entrepreneurs have emerged and e-entrepreneurship got an enlarged dimension in the e-commerce ecosystem. Hitherto, there are approximately 300 online businesses in the e-commerce Indian ecosystem and more is expected to emerge.

Since there exist unanimous positive expectations about the future rise of the e-commerce industry in India and hence, an anticipated surge in the number of future e-entrepreneurs on the market, it is thus important that India works on providing a healthy environment conducive for the success of e-entrepreneurs in order for them to survive the tight competition and other future challenges present in the e-commerce sector. The e-entrepreneur should also be alert and rapid in seizing the opportunities present in the sector and should the e-entrepreneur implement the right decision at the right time, there is then the possibility of welcoming success and becoming one among tomorrow's successful industrialists.

2. LITERATURE REVIEW

Some of the main research papers/reports by individual researchers/corporates are summarized here.

Sonnet et al (2014) [8] examined the main issues and challenges specific to the Indian e-commerce sector. The issues studied were impediments pertaining to B2B (Business-to-business) and B2C (Business-to-customers) business segments notably organizational matters, payment issues, privacy of personal data and consumer protections among others. According to them, the five key challenges

¹ CAGR – Compound annual growth rate.

² NAASCOM – The National Association of Software and Services Companies.

encountered by the emerging Indian market were return issues, low credit card penetration, high failure rate of payment gateways, non-standardized postal addresses and lack of rural logistics.

However, Shrivstava and Mishra (2015) [4] identified other barriers while undertaking research on the evolution of the e-commerce market in India. The main barriers identified were computer initial investment, computer illiteracy, legal hassles, unfavourable mindset of consumers, seclusion and security phobia. They also mentioned the main factors that triggered the expansion of the sector notably the growth of internet usage (3G and 4G) and rapid growth in smartphone usage.

Deloitte India (2015) [2] conducted an analysis and in its report entitled "Future of e-commerce: Uncovering innovation", examined thoroughly the cyber security and taxation challenges to be faced by the sector during its rapid evolution over time. Some of the main recommendations to deal with such issues were to break down silos, incentivize openness and collaboration, and to have a threat intelligence mechanism in place.

3. THE E-ENTREPRENEUR IN THE INDIAN E-COMMERCE SECTOR: CHALLENGES AND OPPORTUNITIES

The Indian e-commerce sector, though being on the growth curve, still lags behind the US, UK and China markets due to the many loopholes that still exist in the country, such as widespread poverty, computer illiteracy and poor digital infrastructure. These ambiguities can be seen as challenges to the emerging e-commerce industrialists.

3.1 Challenges

3.1.1. Rural Digital Infrastructure. According to a Forrester research, in 2013, only 16% of the total India's population was online of which only 14% were online buyers. This implies that India has still a long way to go from its nascent stage evolution. Meanwhile, China was in a growing stage at 50% and South Korea was in an advanced stage at 70%.

One of the topmost reasons which account for this lagging behind is the lack of digital infrastructure in the rural and backward regions such that those thousands towns present are not readily accessible by e-businesses. As of June 2015, there were 128 million mobile internet users in the urban areas as compared to only 45 million from the rural areas. This represents an ongoing challenge to both the e-commerce sector and the authorities since they also have to deal with poverty, rural infrastructure and internet education.

Procedures to tackle same have already started to be implemented such as the "Digital India" project by the government, to beef up internet connectivity in the rural areas. Some Indian e-businesses have also taken some steps. Amazon for instance has warehouses on the outskirts of

Bangalore which cater the demands from towns such as Hosur. Snapdeal has set up village kiosks to encourage online order through village desktops and Flipkart has opened new pickup hubs and state-of-the-art warehouses in several areas to serve customers in a better way.

Hence, this challenge can be overcome by reinforcing a strong collaboration between the authorities, potential investors and e-entrepreneurs. Awareness programmes can also be conducted in rural and urban areas. E-entrepreneurs should focus on innovative yet simple ideas that would suit the characteristics of the Indian rural consumer.

3.1.2. The Profitability of the Sector. E-commerce business has become a viable one in India. The big giants Flipkart, Amazon and Snapdeal have all experienced sales boom uptill now but it should not be a hidden fact that these sales booms have been triggered by huge discounts, free shipping and deep advertisings from social media. Coupled with these, there have also been an intense competitive environment and high rejection rates (due to cash on delivery) that have adversely affected those e-businesses. Hence, many of them are operating at a loss. For instance, for the year 2013-2014, Flipkart made a loss amounting to INR 400 crores, followed by Amazon, INR 321.3 crores and Snapdeal, INR 264.6 crores. According to a new report by the Indian Financial Services unit of UBS Group AG, online retailers may take as long as five years more to become profitable ventures. This represents an on-going challenge for many of our online businesses.

3.1.3. Internet Security. One of the most important challenges that may hamper the smooth growth of e-entrepreneurship in India is the inadequate and vague cyber laws existing vis-à-vis the e-commerce industry. According to latest studies, cybercrimes have increased at a CAGR of 107% since 2011. The popular forms of cybercrimes pertaining to e-commerce sector are data privacy, payment frauds, hacking, phishing and many more. Due to the ineffectiveness of cyber laws and failure to tackle same proactively, the e-entrepreneurs' ecosystem may face many hurdles ahead. Thus, immediate action is necessitated on this issue such that the individual buyer is safe and secured when transacting online.

3.1.4. The Online Grocery. The recent trend in the e-commerce sector has been the trading of groceries items. In India, we have players such as Grofers and BigBasket that have been quite successful in grocery trading. The food retail sector saw a boom of 40% over the last year and by December 2014, had an estimated value of INR 350 crores. Ever since grocery trading is making high tides in the startup ecosystem, most of the big giants are trying to enter the new domain. Flipkart for instance, recently launched "Flipkart Nearby" as a standalone application for all grocery shopping needs applicable in few areas only.

However, difficulties are there in terms of business models, perishability and control over deliveries which can lead to huge losses in case issues are experienced during transactions. Hence, the grocery domain contains challenges that should not be ignored and the e-businesses should continue to innovate and conduct researches to find out new ways to effectively carry on business in this area.

3.1.5. Product Returns. Returns of products provide an immense value to the customer, but add huge costs to e-businesses. It affects the sellers severely since most of them run on the marketplace model where return logistics are more expensive than the forward one. This represents a challenge for the businesses since they cannot operate their businesses effectively without an attractive return policy in the current days.

We are glad to note that many of the companies like Lenskart.com and Yebhi.com have come up with different models to tackle this issue and others have been working diligently on this front since a solution would imply huge costs savings. Snapdeal for instance, has acquired a stake in the logistics company GoJavas and together, they have launched a 90 minute return policy in some 15 cities in India.

3.2. Opportunities

3.2.1. M-Commerce. In India, the “m” is slowly replacing the “e” in “e-commerce”, by switching to mobile-commerce. In the future years to come, with the drastic increase in smartphone usage among the Indian populace, mobile is likely to be the most influential aspect of e-commerce. According to IAMAI³, mobile internet will play a pivotal role in the future years to come. Indeed, there has been an increase in the number of mobile apps being developed by the e-commerce websites since smartphones are increasingly replacing the PCs/laptops for effecting online shopping. Today, more than 13% of all e-commerce transactions happen via mobile. There are also e-businesses who have proceeded directly with mobile-based apps for doing business without resorting to normal website systems. Thus, the development of m-commerce can automatically help the expansion of e-commerce activities.

3.2.2. E-Innovation. E-innovation is a pretty new concept in the Indian market, which is the application of innovation using an online mode. Innovation and creative capacity is the fundamental skill required in order to have a competitive edge in the e-commerce sector. Thus, e-entrepreneurs have to constantly innovate and create new ideas, products such that they are able to tap the niche or unexploited areas in the market. It has been argued that a combination of entrepreneurship and innovation will be a crucial factor to the long term sustainability of the e-commerce sector and this equally applies to India.

An example of innovation in logistics can be observed with Amazon that has recently patented its new delivery model called “Prime Air”, expected to be in operation in the future. The model will apparently use highly technically embedded drones or helicopters for instant delivery of items. Thus, e-innovation represents a wonderful opportunity for the e-businesses to become profitable e-ventures.

3.2.3. Social Media. Social media can act as the lead generation tool. Today, e-merchants see social media as a hub that enable to create their own brand image and such media like Facebook, Twitter or LinkedIn, also enables merchants to analyse consumer choices based on their buying activities. Moreover, it is a platform where consumers can stay updated of any upcoming events or new products. Furthermore, the advertising and promotions on these websites help in targeting and reaching the maximum of online users.

3.2.4. Price Comparison Engine. Because of the intense competition faced by the e-market players, each of them is trying to acquire customers by using deep discounts and attractive offers. To facilitate customers’ need to search through a plethora of sites for getting the best price, several price comparison sites have emerged such as freekama.com and jungle.com. These websites economise time by readily comparing prices over the entire web and thus provide the users with the best price available. Hitherto, e-commerce sales through these websites have increased and since consumers are becoming more discount savvy, the use of such price comparison engines by the e-businesses will help them expand their businesses at a faster rate.

3.2.5. Rise in Middle Class and Consumerism. According to the National Council for Applied Economic Research (NCAER), India’s middle income class population is likely to double to 547 million individuals by 2025/26. Since the middle income earners are those that account for the most of the spending consumers of India, the e-commerce industries can consider the middle class as being a highly profitable target. The rise in middle income class has also uplifted consumerism and the latter is one aspect that should not be ignored by the e-commerce sector since it can help in boosting sales of branded products thereby creating product awareness and brand loyalty.

3.2.6. FDI (Foreign Direct Investment) Policies. Since the year 2010 to 2013, FDI in e-commerce has been around USD\$1.3 billion. However, compared to 100% FDI which is allowed in the B2B e-commerce segment, there have been restrictions of FDI in the B2C segment. This has hampered the growth of such segment in a way. There have been a lot of proponents of FDI in the B2C model and a decision by the present government to facilitate entry of FDI in B2C is largely expected.

³ IAMAI – Internet and Mobile Association of India.

Should the same happen, FDI will have a positive impact on creation of infrastructure, employment and will provide the required financial backing to the young entrepreneurs and will also allow the MSMEs (Micro Small and Medium Enterprises) and artisans to reach out customers located in far places. It will also boost ancillary industries such as logistics and warehousing. However, while considering the number of opportunities to be gain from such decision policy, its cons should also be considered and mitigated by providing specific laws and conditions.

4. MODEL FOR THE GROWTH AND DEVELOPMENT OF E-ENTREPRENEURSHIP IN INDIA

Since the curtains have already been raised, the right and appropriate stage is left to be devised in order to enable a successful play of the e-market actors. Therefore, there is an urgent need of building a solid platform coupled with strong laws and policies which would be conducive for the healthy growth of e-entrepreneurship in India. It is necessary that the authorities make appropriate decisions that will facilitate the conduct of e-businesses. The below diagram depicts a proposed model for same.

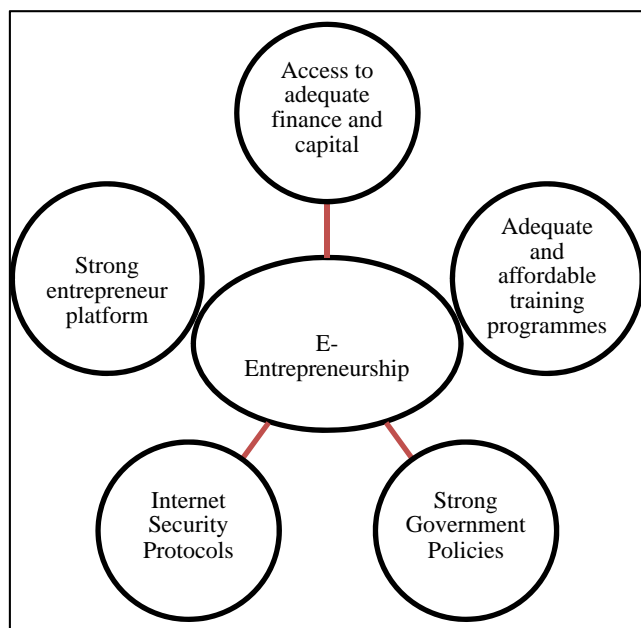


Fig. 1: Proposed model conducive for the growth of e-entrepreneurship in India.

Fig. 1 proposes a model which would be appropriate for the smooth growth of e-entrepreneurship in India. The model focusses primarily on five main points, as depicted in the figure. First of all, there should be the provision of adequate finance and capital available for the e-entrepreneurs since finance is the lifeblood of any business. Adequate financial provision should be made by the concerned authorities, which

is the minimum requirement needed to boost e-entrepreneurs' incentive to undertake new businesses.

Secondly, it should be ensured that training programmes be put in place which are adequate and affordable not only to the e-entrepreneurs but also to their respective employees. Professional and advanced knowledge in information technologies will definitely boost the professionalism and performance of the online firm.

Thirdly, since strong government policies is still lacking in the e-commerce sector of India, there is a high need that appropriate measures be put in place to activate the necessary policies and laws conducive for the development of such online practices. It should be ensured that the e-businesses operate in a legal environment.

Fourthly, since e-commerce activities involve trade with the household sector, it is imperative that internet protocols be genuinely activated such that the interest and privacy of each individual buyer be protected and secured. Several empirical studies have also been conducted on this issue since cybercrimes is cited as one of the major bottlenecks that could restrict e-commerce development in India.

Finally, since the e-market is expanding, an appropriate platform is needed such that the e-entrepreneurs can raise their voices and express their needs, requirements or dissatisfaction and grievances to the authorities. Such platform can be created using the internet itself. For instance, a forum can be created wherein e-entrepreneurs connect among themselves, learn and grow up professionally.

5. CONCLUSIONS

The role of e-entrepreneurship has largely evolved since the last 15 years and has got a distinguished importance in the Indian e-commerce sector. This new scenario has been due to the fast paced growth in the number of internet users in India, which is expected to grow even more in the near future. Thus, the e-commerce sector represents a golden opportunity for India's growth since more e-entrepreneurs are expected to enter the scene as well. Therefore, it is imperative and advisable that the Government and the concerned authorities implement the right policies in due time. Key steps have to be taken which are conducive to the growth of e-entrepreneurship, as mentioned in the above model, to enable a smooth process of the e-entrepreneurial activities. Strong collaboration should be encouraged between the e-entrepreneurs and the authorities such that the several obscurities that could hamper e-commerce are dissipated. Meanwhile, timely actions should be undertaken to seize opportunities appearing ahead. Continuous research is thus encouraged in this field since the sector is continuously witnessing fast changes.

REFERENCES

- [1] **AGARWAL, R., 2014.** Entrepreneurship in India: The case of e-Tailing Ventures. International Journal of Emerging Technology and Advanced Engineering, ISSN 2250-2459, Volume 4, Special issue 1, February 2014.
- [2] **DELOITTE, 2015.** Future of e-commerce: Uncovering innovation.
- [3] **FANG, ZHAO.** Entrepreneurship and Innovation in E-Business: An Integrative Perspective. Idea Group Publishing.
- [4] **MISHRA, K., & SHRIVSTAVA, V., 2015.** Evaluation of E-Commerce in Context of Indian Market. Volume 5, Issue 2, February 2015, ISSN - 2249-555X
- [5] **POURHOSSEIN, M., & OMRAN, S.K., 2014.** The role of e-entrepreneurship in net economy of developed and developing countries. Kuwait Chapter of Arabian Journal of Business and Management Review, Vol.3, No 11a, July 2014.
- [6] **PwC, 2014.** Evolution of e-commerce in India: Creating the bricks behind the clicks. PwC Publishing.
- [7] **PwC, 2015.** E-commerce in India: Accelerating Growth. www.pwc.in, February 2015.
- [8] **SONET DEBBARMA et al., 2014.** Promoting E-commerce in India: Main issues and challenges. (IJCSIT) International Journal of Computer Science and Information Technologies, Vol. 5 (6) , 2014, 7371-7375.
- [9] **STEINBERG, A., 2004.** Entrepreneurship and success in e-business: on changing meanings of expertise and community in e-entrepreneurship. Department of Social Psychology, The London School of economics and Political Science, UK.