Business Model as Creating a Successful E-Commerce

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Abstract—While India's online user base is growing and setting up a business online may be an increasingly appealing idea, merchants must have a clear understanding of the needs and expectations of online consumers to ensure their business is successful. Thus, the aim of this paper is to find the challenges for merchants, Creating the right business model and infrastructure and where are the opportunities online?

Keywords: Business, Merchant, Expectations, Infrastructure, Opportunities.

1. INTRODUCTION

The internet user base in India has grown leaps and bounds from a tiny fraction of the population to approximately 100 million in 2011.

People are doing far more than just browsing for news and checking their email. For example, social networking has grown rapidly to become an important part of the everyday lives of many people. Facebook and YouTube are rapidly emerging as among the most accessed websites in India. Consumers are searching for jobs, homes and even spouses online.

With this rapid adoption of the internet, it is no surprise that consumers are also buying more online thanks to the ease of purchasing from home with the simple click of a button and a choice of payment options.

The e-commerce market in India was estimated to be Rs. 19,688 crores in 2009 and is expected to grow to almost Rs. 50,000 crores by the end of Dec 2011.

E-commerce provides Indian merchants not only the advantage of being open for business 24 x 7 but also the opportunity to broaden their reach to consumers anywhere in the world.

Online shopping firms are innovating by offering an increasingly broad range of goods and services online and are converting those who just browse into customers in increasing numbers.

2. THE CHALLENGE FOR MERCHANTS

While India's online user base is growing and setting up a business online may be an increasingly appealing idea, merchants must have a clear understanding of the needs and expectations of online consumers to ensure their business is successful.

Shoppers can now scan multiple retailers for the best prices and seek out promotions, speed of delivery and payment options that will influence their purchasing decision. Optimising a business to meet these challenges is key to merchants' success.

3. WHERE ARE THE OPPORTUNITIES ONLINE?

Electronic gadgets, books, fashion apparel and similar consumer goods have provided a natural foundation for e-commerce in India and these sectors are likely to continue to grow as more merchants and consumers enter the market. In India, online ticketing is probably the most successful driver of the e-commerce industry.

4. CREATING A SUCCESSFUL E COMMERCE BUSINESS MODEL

Today, the online travel industry (booking of flights, railway tickets, hotels, cars etc) constitute almost 80% of the total e-commerce industry in India.

The Indian Railway Catering and Tourism Corporation Ltd (IRCTC) website is an impressive example of how consumer behavior has changed as consumers take advantage of the convenience, speed and security of online ticketing. Today, almost 40 % of all bookings received by IRCTC are done online, of which approximately 80% are processed by ICICI Merchant Services and First Data.

Digital downloads such as music or games are expected to grow rapidly. The increasing use of smart phones, availability of 3G services and cheap data plans will also boost the growth of digital content.

Understanding the e-commerce value proposition

Some of the main aspects of the e-commerce value proposition include:

- Discounted pricing

- Speed of delivery

- Security and convenience of payment

- Quality of service

Each of these aspects is explored further below:

Discounted pricing

For widely available types of goods such as books or branded clothing, customers expect to find lower prices online compared to traditional merchants. The ability to deliver lower prices depends upon the merchant having a cost infrastructure in place such as the absence of   real-world shops and sales assistants which create savings that can be passed on to the end customer. Merchants offering more specialised or unique products tend to escape such fierce price comparisons.

Speed of delivery

Merchants need to consider the speed of delivery in order to persuade consumers to purchase online. Long delivery time is likely to result in customers choosing an alternative online merchant or even travelling to their local shopping centre where they may be able to purchase the item instantly. Also, the merchants' return policy should be easy and convenient. The option of free return can be built into the product pricing strategy and could create a unique differentiator in the market.

Security and convenience of payment

Customers must be able to trust online merchants with their payment which means that transactions need to be fast, convenient and secure. Merchants must be careful to select a proven and trustworthy online electronic payment provider to ensure that they maintain a high degree of integrity in their payments capabilities. Slow payments can frustrate and worry customers and cause them to abandon their purchases, impacting not only the merchants' revenue but also their reputation.

ICICI Merchant Services and First Data serve many of India's premier and leading merchants and offer them online payment solutions that comply with and exceed the security requirements set by the Reserve Bank of India.

Quality of service

In the past, online retailers offered a very basic level of customer service compared to traditional shops. If customers were not satisfied with their purchase for any reason, it may have been very difficult to exchange it or obtain a refund. Today, online retailers are upgrading their processes and policies to accommodate the needs of online customers.

Services such as customer care help lines and email addresses are now basic requirements with more sophisticated merchants offering online chat facilities with customer care advisors, 24 hour delivery, free returns and loyalty programmes.

5. CONCLUSION

Creating the right business model and infrastructure:

Creating the right business model is key to ensuring success and profit. Merchants must be able to:

- Remove agents from the value chain and create easy and seamless direct contact between seller and buyer,

- Reduce infrastructure costs to be lower than physical world outlets, enabling lower prices to be offered to customers,

- Build a sound delivery system and optimized logistics across a wide geographic area,

- Select a consistent and reliable internet payment gateway provider,

- Offer value added services to customers such as EMI, Interactive Voice Response (IVR), net banking etc.

- Use marketing tools to keep high interaction levels between merchant and customer through discount and loyalty programs

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