

E-commerce Business Models

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Abstract:

The article reveals the significance of e-commerce in Indian economy. As India is the fastest growing economy of the world, so it is very much vital to have government interference in the investment inflow in form of Foreign Direct Investment. It helps large economy like India to steady and boost the growth of e-commerce industry in the economy. In India with the digital penetration has increased significantly, according to statistical data internet use has increased to 429.23 million user in India and is expected to reach around 500m by year 2020. "There has been significant rise of e commerce in India, as India's internet economy is 125 billion dollar in 2017. In this paper we will look towards the role of government in ecommerce industry and also look towards the various barriers of e commerce in Indian aspects." "In this research paper we will talk mainly about B2C Ecommerce and its percentage of gross domestic product in Indian economy. we will also talked about entrepreneurs roles and decreasing value of ease of doing business in India as India in 2017 ranked in 100th position from 132th position out of 190 countries in 2008". For a country such as India, one of the most important advantages of e-commerce is its potential to help developing rural areas to leap-frog into the knowledge paradigm. "E- Commerce is great platform not only to develop infrastructure but also increase employment rates in India and thus overall impact in increasing economic and social growth in Indian economy."

Keywords - *Ecommerce, Top Ecommerce Business Models.*

Introduction

Ecommerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. Ecommerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.

The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and Smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 445.96 million in 2017. India's internet economy is expected to double from US\$125 billion as of April 2017 to US\$ 250 billion by 2020, majorly backed by ecommerce. India's E-commerce revenue is expected to jump from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world.

Objective of Study

1. To study the present trends of e-commerce in India
2. Government initiatives and different scheme in growth of e-commerce in India
3. Impact of e-commerce models on business in India

Research Methodology

Method Of Data Collection: Secondary data.

Information various research papers of similar type have been referred to check the format and the type of graphs for analysing of data .Other than this, various scholar and data from other sources are used to collect data which is interpreted further for data analysis

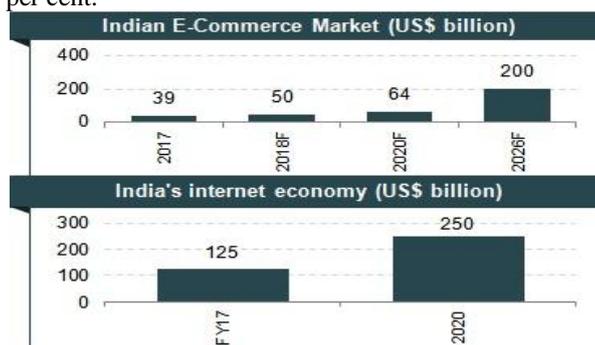
E-commerce industry in India witnessed 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 and 40 deals worth US\$ 1,129 million in the first half of 2018.

Google and Tata Trust have collaborated for the project 'Internet Saathi' to improve internet penetration among rural women in India

Market Size

Propelled by rising Smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017 Online retail sales

in India are expected to grow by 31 per cent to touch US\$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm Mall. During 2018, electronics is currently the biggest contributor to online retail sales in India with a share of 48 per cent, followed closely by apparel at 29 per cent.



Investments/ Developments

Some of the major developments in the Indian e-commerce sector are as follows:

- Flipkart, after getting acquired by Walmart for US\$ 16 billion, is expected to launch more offline retail stores in India to promote private labels in segments such as fashion and electronics. In September 2018, Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way.
- Paytm has launched its bank - Paytm Payment Bank. Paytm bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card
- As of June 2018, Google is also planning to enter into the E-commerce space by November 2018. India is expected to be its first market.

Government initiatives

Since 2014, the Government of India has announced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the e-commerce growth in the country. Some of the major initiatives taken by the government to promote the e-commerce sector in India are as follows:

- In order to increase the participation of foreign players in the e-commerce field, the Indian Government hiked the limit of foreign direct investment (FDI) in the E-commerce marketplace model for up to 100 per cent (in B2B models).
- In the Union Budget of 2018-19, government has allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project, to provide broadband services to 150,000 gram panchayats
- As of August 2018, the government is working on the second draft of e-commerce policy, incorporating inputs from various industry stakeholders.

Types of Ecommerce Models

There are four main types of ecommerce models that can describe almost every transaction that takes place between consumers and businesses.

1. **Business to Consumer (B2C):** When a business sells a good or service to an individual consumer (e.g. You buy a pair of shoes from an online retailer). This is the model you should adopt if your products/services are targeted primarily towards individuals. The potential customer finds your website and determines whether your product could address their pain points. After browsing the store, the customer may decide to place an order. An example of a successful B2C business is Portugal Footwear.
2. **Business to Business (B2B):** When a business sells a good or service to another business (e.g. A business sells software-as-a-service for other businesses to use). If the nature of your products or services is geared towards meeting the needs of businesses, setting up a B2B strategy is your best bet.

Networking and reaching out is a bigger part of this strategy. A big advertising budget is not of much help. The most important challenge you would face is convincing established businesses that your products/services are a great fit for their processes. The advantage of this business model is that order sizes are usually large, and repeat orders are very common, if you maintain the quality of your products and services. An example of a great B2B model is Media Lounge.

3. **Consumer to Consumer (C2C):** When a consumer sells a good or service to another consumer (e.g. You sell your old furniture on eBay to another consumer). While B2B and B2C business concepts are familiar, Customer-to-Customer (C2C) is a concept unique to ecommerce. This is mainly due to the sheer demand of the platforms such as Craigslist, OLX, and eBay. These platforms allow their users to trade, buy, sell, and rent products and services. In all transactions, the platform receives a small commission. This business model is complex and requires careful planning to operate. Many platforms have failed, generally due to legal issues.
4. **Consumer to Business (C2B):** When a consumer sells their own products or services to a business or organization (e.g. An influencer offers exposure to their online audience in exchange for a fee, or a photographer licenses their photo for a business to use).

The business model is another great concept that is popular mainly due to platforms that cater to freelancers. In C2B, freelance workers work on tasks provided by clients. Most of these clients are commercial entities and freelancers are often individuals. In simpler terms, consider C2B is a sole proprietorship serving larger businesses. Reverse auction websites,

freelance marketplaces, affiliate marketing all form part of this business model. Again, this model requires planning due to the legal complexities involved.

The type of products that are currently being sold online and how you can tap their market.

Physical Products

This is the most commonly sold commodity on ecommerce stores. Physical products (pretty much anything that requires packing, shipping and delivery) often achieve the highest sales.

Digital Products

There are many products that can be delivered to a customer online. Are you a web designer, content writer, or drawing artist? You can create an ecommerce store around digital products. Piracy and Copyrights infringements are a serious challenge for such stores. Another important requirement is the FAQ and Legal sections that cover the mechanism of product delivery and the copyright status of your offerings.

Services

If you have a crew of skilled carpenters, or house cleaners, or you are an expert hair stylist who offers to visit the customer's residence, why not create a website to sell these services online? You can significantly increase the demand for your services by creating a comprehensive FAQ section and a Legal section detailing exactly what you are offering and what the customers can expect.

Ecommerce Business Plans

Once you have chosen the e-commerce business model, the next step is the selection of the appropriate business plans. While I cannot cover every option here, I will present the most popular options available to the ecommerce ventures.

Ecommerce Business Plans

- Just-in-Time Purchasing
- Dropshipping
- Wholesaling
- Warehousing
- White-labeling
- Outsourced Fulfillment
- Subscriptions
- Rent and Loan Model
- Freemium Model

Just-in-Time Purchasing

Just-in-time purchasing is a popular business plan in which an ecommerce store put up products on the store. Whenever a user orders an item, the store gets the item from the supplier and ships it to customer. The plan is ideal for people with low budget or no warehousing space.

Drop shipping

In this plan, an ecommerce store gets the products from a wholesale or manufacturer and sells to the visitors at a commission. For example, you have an ecommerce store where you add products from AliExpress and set the prices at a higher level. Once the store is up, the store targets potential customers through ads and other digital marketing channels. Dropshipping became very popular when ecommerce dropshipping platforms like WooCommerce, PrestaShop, and Shopify went mainstream.

Wholesaling

Wholesaling is a business plan where an ecommerce store sells products in bulk and at a lower price than the general market prices. The biggest example of this model is Alibaba, a very popular platform for small and large wholesalers that trade with the businesses all over the world.

Warehousing

Many ecommerce stores have warehouses where they keep products. These are then put as listings on the ecommerce stores and when a person buys them, they are shipped directly from the warehouse.

White-labelling

White-label branding is a business plan in which one company produces the product, and another company rebrands and distributes it. An example of this plan is of influencers that sell white-label products through their social media accounts.

Outsourced Fulfillment

Outsource fulfillment is a business model in which the shipping is outsourced to a third party. This model is mostly used by ecommerce stores that are too busy running the operations or too understaffed to ship the products themselves. Fulfillment by Amazon (FBA) for ecommerce stores falls under this category.

Subscriptions

A subscription based business model allows users to purchase and then subscribe to a service for a set period (usually monthly or annually). Once the product subscription expires, the users could either terminate the contract or renew it. Ecommerce stores such as Tie Bar and Five Four Club work on this subscription-based business model.

Rent and Loan Model

With better digital payment models, it is now possible to set up rent and loan business plans. Under this plan, users or companies can rent out physical or digital products to others for a monthly cost. In several cases, this model also includes lending money for earning interest. Websites such as Loan Now and Lending Club work on this model.

Freemium Model

Freemium is a pricing model in which some features of a product are provided to the users for free, with the rest behind a paywall. Hootsuite uses this strategy of its social media scheduling service. It provides a limited number of posts' scheduling for free. Users have to pay for unlimited scheduling.

Ecommerce Promotion Options

Once you have the model and the plan, the next step is choosing the right promotion options.

Ecommerce Promotion Options

- Affiliate Marketing
- Pay Per Click (PPC)
- Pay Per Sale (PPS)
- Pay per Lead (PPL)
- Pay Per Action (PPA)
- Pay Per Mile (PPM)
- Pay Per View (PPV)
- Native Advertising
- Sponsored Posts

Affiliate Marketing

Affiliate marketing is when you promote a product by another producer/supplier on your website or blog. Top ecommerce websites provide affiliate programs where content producers can sign up to become an affiliate. For example, you sign up for Cloudways affiliate. When you bring leads to Cloudways, you will earn a commission. Check the complete details of how an affiliate program works on the affiliate page.

Pay Per Click (PPC)

Pay Per Click (PPC) is a business model in which the advertisers will pay for every click that leads to their products page. The business model is offered by affiliate marketing programs such as Viral9 and Max Bounty.

Pay Per Sale (PPS)

Similar to the PPC business model, Pay Per Sale (PPS) lets publishers or promoters earn commission whenever they drive a sale for the advertiser. This model is practiced by affiliate marketers such as Shareasale, Clickbank and Commission junction.

Pay per Lead (PPL)

Pay per Lead (PPL) works in the same way as the above to work. The only difference is that in a PPL plan, promoters receive commission for the leads. Lead generation programs such as Facebook Ads, Google Adwords, and Maxbounty offer this plan.

Pay Per Action (PPA)

Pay Per Action (PPA) is a generic term in marketing. The model applies to all types of affiliate marketing tactics in which any type of action is expected of the visitors. Usually, leads, sales, and clicks all are considered valid outcomes for PPA programs. Most affiliate programs use these actions as the performance measurement unit for their campaigns. Maxbounty uses PPA or (CPA Marketing) for all types of lead generation methods.

Pay Per View (PPV)

Pay Per View (PPV) is used for video marketing. Youtube, Dailymotion, and Facebook videos use this as a unit of measurement for paying to their content producers. A 'view' is usually ten seconds long because that is the duration after which Google shows an ad.

Pay Per Mile (PPM)

Pay Per Mile (PPM) is a unit of measurement used for display advertisements. It is used by Google Ads for paying the users for every 1000 views. Every 1000 views are considered a 'mile' in the marketing terminology. Rates for per mile marketing vary from country to country. In the USA, the PPM cost would be higher while in India it would be a lot lower.

Native Advertising

Native advertisements are a recent addition to online marketing. It came to light when Buzzfeed started adding promotional content in native or natural articles. These articles were about regular topics but promoted brand products by mentioning them somewhere within the article without breaking the flow. Readers would not think that these are promotional articles as nothing of the sort is mentioned in the content. Native advertising costs vary on various factors such as the content websites rankings. While going this route, make sure what Federal Trade Commission (FTC) says about them.

Sponsored Posts

Sponsored posts is a practice in which one brand buys an article of a third-party website. In sponsored posts, the terms 'Sponsored,' 'Paid,' or 'Promoted' is mentioned at the top so readers know that this is not a regular publication of the website.

Conclusion

The e-commerce industry been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in e-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term.

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