

## **E-Commerce – A Comparison with Physical Markets and Reasons for Its Success**

Aakarsh Rastogi

Student, Department of Commerce, Shri Ram College of Commerce  
University of Delhi, Delhi, India

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**Abstract:** E-Commerce is the latest and innovative trend in the online world. This has made our life easier and smooth to a significant level. The E-Commerce industry has attached its roots firmly in the present world by catering to almost all kinds of needs and demands of today's generation, ranging from Education and Magazines to Entertainment and Shopping. On a general note, E-Commerce concept has a perception of being highly satisfactory which is overtaking the traditional physical concept. The main purpose of this study is to know the actual status of the E-Commerce Industry. The study focuses on all popular E-Commerce portals with major emphasis on Online Shopping. Keeping this in mind, the research invokes various mind-boggling and unknown facts which can change the general perception of common man towards the 'myth' that online businesses are the 'best' and can help the online portals to improve their products and services further for the betterment of the consumer group.

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### **E-Commerce – A Comparison With Physical Markets And Reasons For Its Success**

E-Commerce or Mobile Commerce implies trading in goods or/and services through a digital interface. It implies a virtual marketplace where buyers and sellers interact by using electronic means. According to 9<sup>th</sup> WTO Ministerial Conference, Bali, 2013, "Electronic commerce, commonly known as e-commerce, involves goods and services crossing borders electronically. Broadly speaking, e-commerce is the sale or purchase of goods or services conducted over the internet or other computer networks. An e-commerce transaction can be between enterprises, households, individuals, governments and other public or private organizations."

ELECTRONIC + COMMERCE = E-COMMERCE

The word 'Electronic' infuses the digital traits in physical commercial activities and thus converting it into a virtual marketplace.

Thus, it can also be defined as the use of information technology and transactions among its stakeholders and competitors in an organization.

### **Literature Review**

Gagandeep Kaur (2011) in the paper 'Traditional Commerce Vs. E-Commerce' concluded that besides various advantages, E-Commerce has certain limitations also which can be categorized as Technical and Non-technical.

### **Present Scenario in India**

With astonishingly transforming and developing technology, changing human mindset and increasing value of time, the present era can indubitably be categorised as 'E-Commerce Era' or 'Digital Era'. The booming technological advancements have given a push to the modification and easiness in the access of online resources. Extension of societies' cultural and conventional boundaries is providing ever increasing avenues of expansion to e-commerce business houses. With tight schedules and an attempt or pressure to grab 'much' in 'less' time is ultimately acting as a driving force for flourishing e-commerce concept today.

As of Q1 2015, six Indian E-Commerce Companies have managed to achieve billion-dollar valuation. The group include Flipkart, Snapdeal, InMobi, Quikr, OlaCabs and Paytm. According to Google India, there were 35 million online shoppers in India in Q1 of 2014 and is expected to cross 100 million mark by the end of year 2016. India's retail market is estimated at \$470 billion in 2011 and is expected to grow to \$675 billion by 2016 and \$850 billion by 2020 with estimated CAGR (Compound Annual Growth Rate) of 7%.

Recent statistics show that retail e-commerce sales in India have grown tremendously from 2.3 billion U.S. dollars in 2012 to an estimated 17.5 billion U.S. dollars, representing an almost eight-fold growth. As of 2015, the retail e-commerce sales as a percent of total retail sales in India are set to account for 0.9 percent of all retail sales in India, but this figure is also expected to grow in the near future, reaching 1.4 percent in 2018.

**Demographic Profile of Internet Users In India**

Age Bracket (In Years)	% Of Users
15-24	37%
25-34	38%
35-44	16%
45-54	6%
Others	3%

Table (A)

Source: Statista

**Types of Products Purchased By Connected Consumers In The Past Three Months As Of July 2014**

This table gives information on the preferred online shopping categories of connected consumers worldwide as of July 2014:

Category	India	Global Average
Fashion and Apparel	84%	76%
Books	70%	73%
Electronics	79%	77%
Tickets	79%	64%
Services	82%	76%

Table (B)

Source: Statista (Adapted)

**Valuation And Funding Statistics Of Indian E-Commerce Giants**

E-Commerce Company	Valuation	Funding
Flipkart	\$11 billion	\$2.7 billion
Snapdeal	\$5 billion	\$1 billion
Ola	\$2 billion	\$167 million
Jabong	\$1.6 billion	\$150 million
Quikr	\$350 million	\$200 million

Table (C)

Source: Hindustan Times

**Major Challenges Faced By E-Commerce Companies**

- Rising contribution of small cities and villages in e-commerce industry.
- Supply chain infrastructure in remote areas.
- High logistics cost with increasing number of orders and ‘return’ rate of products.
- Warehousing facilities to store large chunk of goods with maximum protection.
- Cyber crimes and legal regulatory issues.
- How to have competitive prices and customer satisfaction along with profitability?

**New Business Models: Digital Models**

Category	Old Model	New Model/Digital Model
News	Delayed reporters and Cameramen.	Twitter, Reddit: Real-time, citizen reporting, global reach.
Magazines	Printed copies.	E-Magazines (Online newspapers): More content, always upto date, personalized, access everywhere, share.
Education	Classrooms / Lectures / Reading materials.	Khan academy, Coursera: Interactive, online and accessible by anyone anywhere at anytime.
Goods	Time consuming	Flipkart, Snapdeal, Amazon: Shopping on the go.
Ticketing	Long queues, delayed.	BookMyShow: On the spot, time saving.

Table (D)

Source: Avendus Newsletter Feb 2015(Adapted)

**Research Methodology**

To gather information and draw multi-dimensional conclusions regarding e-commerce both Primary and Secondary sources of data were used.

**Primary Source of Information:**

To obtain real time and current attitude of the people towards e-commerce, “Questionnaire Survey” method of data collection was implemented. Questions relevant for drawing important conclusions were incorporated in it and the same was circulated on social media platforms to gain outreach to diversified population. The primary data was analyzed and the conclusions were made on the basis of concentration of data towards a particular response using “Percentage Method”. The responses were received from different states but are limited to 106 due to time constraint.

Questionnaire Method was adopted for its wide outreach, speed and cost benefits.

**Secondary Source of Information:**

Internet Websites, Survey Reports and Newspapers are also considered to gain wider perspective and extensive data.

**The study has been done keeping in mind the following objectives:**

- What are the main reasons for the quick success of e-commerce concept?
- Why are consumers inclined towards e-shopping?
- Which is more satisfactory, physical or digital marketplace?
- What are the reasons for its more satisfaction?

**I. Data Analysis And Interpretation**

**Analysis of Profile of Respondents:**

**Table 1. Demographic Profile of Respondents**

**1(i)**

Gender	No. Of Respondents	Percentage
Male	62	58.50%
Female	44	41.50%
<b>Total</b>	<b>106</b>	<b>100%</b>

**1(ii)**

Age Beacket	Age Distribution	Percentage
15-24 Years	75	70.75%
25-34 Years	31	29.25%
35-44 Years	0	0%
45-54 Years	0	0%
Other	0	0%
<b>Total</b>	<b>106</b>	<b>100%</b>

Table 1 and 2 depicts the Demographic Profile of the people surveyed. The respondents include both Male and Female population with significant participation of both. However, Age Distribution of the respondents plot highly skewed graph with 100% population belonging to the age group 15-34 Years. From these highly skewed results it can be concluded that the major chunk of population using internet sources belong to 15-34 Years. The same thing was also proved in Statista survey shown in Table (A) above.

**Table 2. Geographic Profile of Respondents:**

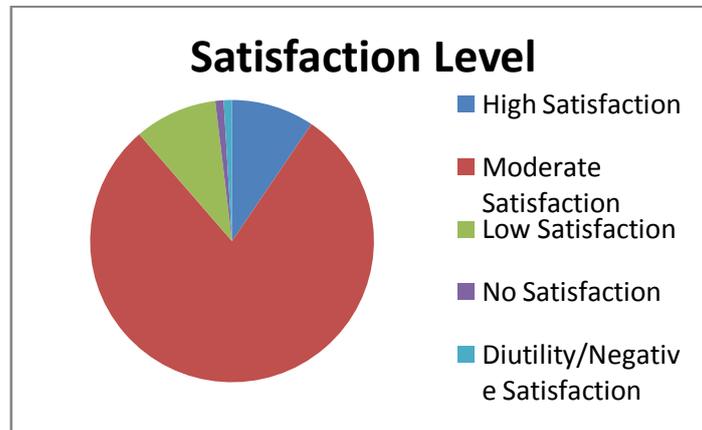
State	No. Of Respondents
Uttar Pradesh	26
Delhi	23
Andhra Pradesh	11
Uttarakhand	9
Rajasthan	9
Chhattisgarh	4
Telangana	3
Punjab	3
Jharkhand	3
Bihar	2
Maharashtra	2
Assam	2
Gujarat	2
Madhya Pradesh	2
Tamil Nadu	1
Chandigarh	1
Karnataka	1
Meghalaya	1
West Bengal	1
<b>Total</b>	<b>106</b>

The respondents are spread all over India and thus are geographically diversified. In all, the responses have been received from 18 states of India. This has ensured that all the random samples forming the universe of population are of different cultural and economic backgrounds, so the conclusions made are not based on the population concentrated in a particular part of the country. However, respondents from some states are limited but shows a general trend as they are of the age group 15-34 years.

**Analysis of Data Collected:**

**1. What is the Satisfaction Level of Online Shopping?**

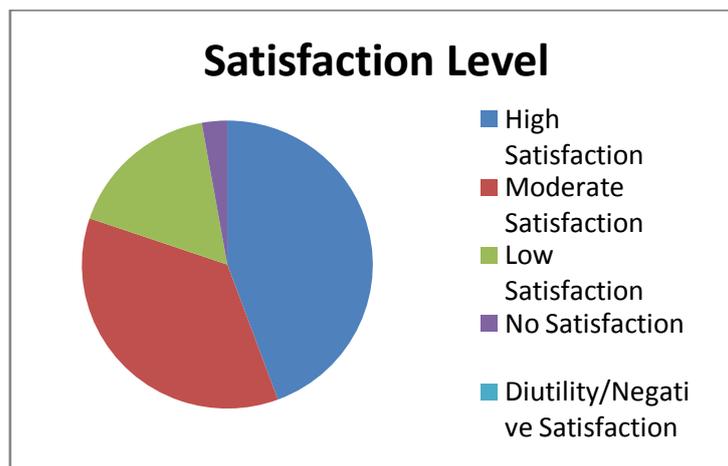
Response	No. Of Respondents	Percentage
High Satisfaction	10	9.43%
Moderate Satisfaction	84	79.25%
Low Satisfaction	10	9.43%
No Satisfaction	1	0.95%
Diutility/Negative Satisfaction	1	0.94%
<b>Total</b>	<b>106</b>	<b>100</b>



More than 3/4<sup>th</sup> of the people gained moderate satisfaction from online shopping. Only 9% are highly satisfied by online shopping and about 1/10<sup>th</sup> of the people stands dissatisfied by e-shopping.

**2. What is the Satisfaction Level of Offline/Physical Shopping?**

Response	No. Of Respondents	Percentage
High Satisfaction	47	44.34%
Moderate Satisfaction	38	35.85%
Low Satisfaction	18	16.98%
No Satisfaction	3	2.83%
Diutility/Negative Satisfaction	0	0.00%
<b>Total</b>	<b>106</b>	<b>100</b>

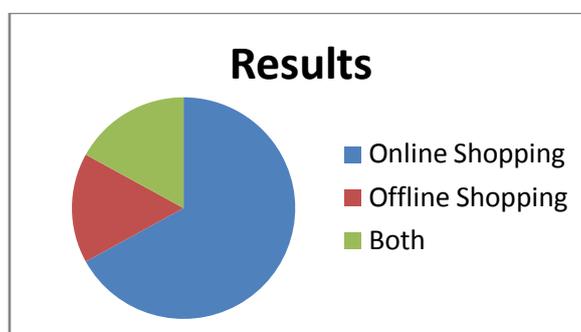


About 44% of the respondents are highly satisfied by offline shopping followed by 36% people with moderate satisfaction. Highly satisfied people in offline shopping exceeds that of e-shopping with multiple folds. However, people with low satisfaction in offline mode exceeds that of online mode to some extent.

The results are highly skewed in case of satisfaction level associated with digital shopping and are concentrated towards moderate satisfaction. But offline mode is relatively less skewed as the satisfaction level is significantly distributed in upper two levels.

**3. Which is more satisfactory, Online/Offline Shopping, on the basis of ‘Price Charged’?**

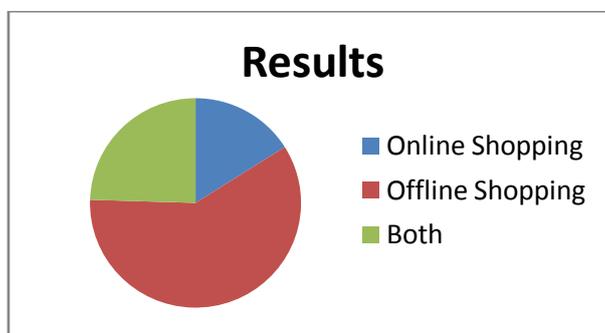
Response	No. Of Respondents	Percentage
Online Shopping	71	66.98%
Offline Shopping	17	16.04%
Both	18	16.98%
<b>Total</b>	<b>106</b>	<b>100%</b>



As depicted by the pie-chart, 67% of the people prefers to shop online because of the ‘low price’ factor associated with it. It implies that ‘regular discounts’ and ‘offers’ are the main driving force of e-commerce business houses that keeps the price low.

**4. Which is more satisfactory, Online/Offline Shopping, on the basis of ‘Quality’, ‘Genuineness’ of products and, ‘Customer Services’?**

Response	No. Of Respondents	Percentage
Online Shopping	17	16.04%
Offline Shopping	63	59.43%
Both	26	24.53%
<b>Total</b>	<b>106</b>	<b>100%</b>



When it comes to quality of products and services, around 60% people prefer offline shopping and 1/4<sup>th</sup> are indifferent to both. This shows that most of the consumers take quality as one of the main criteria for purchase and are ready to pay higher prices for it. It may also imply preferences towards a particular brand, that is, Brand Loyalty.

**5. Why don't you shop offline?**

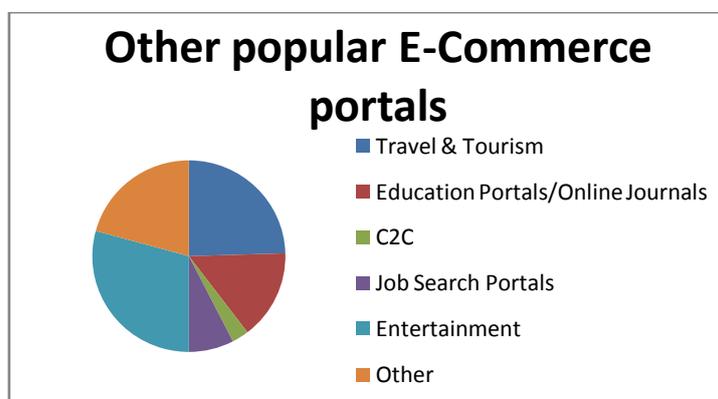
Response	No. Of Respondents	Percentage
Always shop offline	14	13.21%
Prices are low in Online Shopping	29	27.36%
Easiness Factor in Online Shopping	50	47.17%
Inaccessibility of Markets	10	9.43%
Other	3	2.83%
<b>Total</b>	<b>106</b>	<b>100%</b>



Thirteen percent of the respondents always shop offline. About half of the population are averse to shop offline because of ‘easiness’ factor associated with online shopping. About 10% have ‘inaccessibility to physical marketplaces’. This highlights a problem of ‘unavailability of marketplaces’ near many household areas. And, 1/4<sup>th</sup> rush towards online mode because of ‘economic benefits’.

#### 6. What other E-Commerce portals do you use apart from shopping?

Response	No. Of Respondents	Percentage
Travel & Tourism	26	24.53%
Education Portals/Online Journals	16	15.09%
C2C	3	2.83%
Job Search Portals	8	7.55%
Entertainment	31	29.25%
Other	22	20.75%
<b>Total</b>	<b>106</b>	<b>100%</b>



Apart from e-shopping, online Entertainment Sources like songs, videos et cetera are also popular among the people with 30% using it oftenly. Other popular e-commerce portals include Travel and Tourism and, Education sites.

#### 7. What is the Satisfaction Level of other E-Commerce portals?

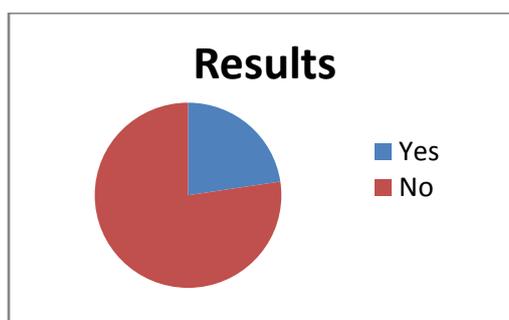
Response	No. Of Respondents	Percentage
High Satisfaction	30	28.30%
Moderate Satisfaction	72	67.92%
Low Satisfaction	3	2.83%
No Satisfaction	1	0.94%
Diutility/Negative Satisfaction	0	0.00%
<b>Total</b>	<b>106</b>	<b>100%</b>



As seen in online shopping, around 70% people gained moderate satisfaction from other e-commerce portals also followed by 28% with high satisfaction. The data shows skewness towards moderate satisfaction level but depicts uniformity in the satisfaction level across major e-commerce portals, that is, as a general trend online portals are just moderately satisfactory.

**8. Did you face any security issues while dealing online?**

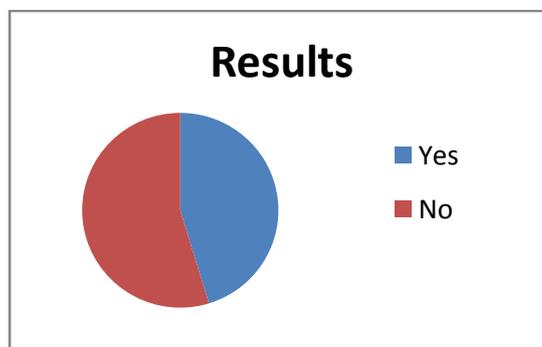
Response	No. Of Respondents	Percentage
Yes	24	22.64%
No	82	77.36%
<b>Total</b>	<b>106</b>	<b>100%</b>



High majority of the people faced no security issues while dealing online. This data acts as a clearing fact to those who avoid e-dealing because of security issues but it does not imply that cyber laws are not needed to govern them because more than 1/5<sup>th</sup> of the people still faced security problems.

**9. Do you think of starting an E-Commerce Business?**

Response	No. Of Respondents	Percentage
Yes	48	45.28%
No	58	54.72%
<b>Total</b>	<b>106</b>	<b>100%</b>



However, most e-commerce businesses are flourishing presently but more than half of the respondents showed disinterest in starting an e-business presently or sometimes down the line. This shows that people are uncertain about the longevity and profitability of the e-commerce concept. But, 45% of the people who have

shown interest, if enters the business, will create an even high competitive environment among online businesses.

## **II. Conclusion**

### **1. Physical Marketplaces are still preferable:**

The present era is categorised as 'Digital Era' but still Physical marketplaces are more satisfactory than digital as it is observed that people receiving 'High Satisfaction' with physical sources are 5 times more than those in case of online sources.

### **2. Limited products are successful in e-commerce concept:**

People preferring 'Price' and 'Quality' of products and services are almost equal. This means that consumers are concerned with both while buying a product. So only 'Branded' products which ensures quality are more likely to be saleable through e-commerce portals. 'Non-branded' products with 'Low Price' can also be sold but products with 'High Price' and 'No Brand', that is, 'Local Products' will invite suspicion with regard to quality and thus the consumers will hesitate to spend money on them.

### **3. Busy schedules and Lazy attitude - major reasons for e-commerce success:**

Half of the people are buying online because of 'easiness factor' associated with it. This implies that strict schedules of people have made them so busy that they can not afford to spend time in offline shopping. This result can also be the consequence of lazy and complacent attitude of people due to which they are ready to take risk in terms of quality in various cases.

### **4. Need of Security and Cyber Laws:**

Satisfaction with regard to 'security' is need of the hour for persistence of e-businesses because a single case of security issue hinders the confidence of many. Strict cyber laws are necessary for protecting the interest of digital customers.

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