

E-Commerce Companies: Blending Business with Benefits

*** Ivaturi Murali Krishna**

**** Prof. G.V. Chalam**

* Research Scholar, Dept. of Commerce & Business Administration, Acharya Nagarjuna University,
Nagarjuna Nagar-522 510

** Dept. of Commerce & Business Administration, Acharya Nagarjuna University, Nagarjuna Nagar -
522 510

Abstract

In India, 39 million people make online purchases. In addition, the advent of technology and penetration of mobile phones has resulted in large and increasing number of consumers, who are digitally well connected. In this scenario, E-commerce companies are growing exponentially. Growing at an astonishing rate at 85% as against 65% growth of regular shopping over the previous year internet retailing in India touched US\$10.672 billion in 2013. In recent years, technological innovations have had a profound impact on business transactions. In this background, e-commerce companies are increasing their presence in Indian social and business environment. Are these companies socially responsible? Are they taking active part in today's corporate social responsibilities? This question is being addressed in this brief study.

Keywords: Online Purchases, E-Commerce, Corporate Social Responsibilities, Business Environment, Consumers

Introduction

Perhaps the clearest indication of the growing importance of e-commerce in the global economy is the rapidity with which Internet use has grown and spread during the last decade. The boom in e-commerce also includes increased use of other media for trade, such as the telephone, television, fax, and electronic payment. Because e-commerce became such an integral part of the global economy, the WTO has begun to consider how it fits into the multilateral trade framework, and what rules or regulations should apply.

Businesses running successfully in this era of "Information Revolution" have understood the importance of an online presence. In order for businesses to grow, earn customer traction, boost their sales, and be available in ways that were not thought of before, e-commerce has come as a God-sent. In today's competitive world, businesses are able to reach their target audience through e-commerce even without any physical presence. Figure below explains this.

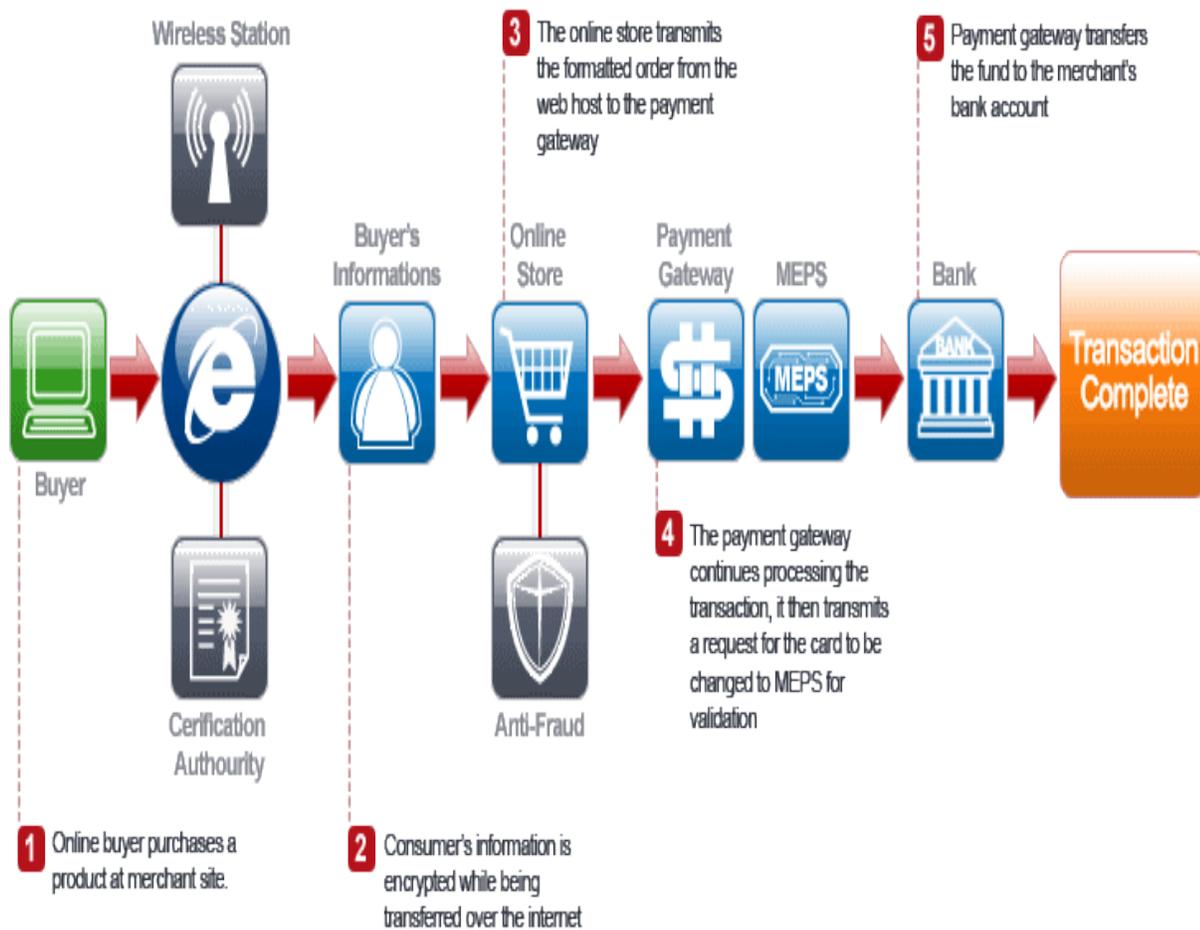


Figure 1: Making e-Commerce a Worth While Experience

Objectives of the Study

1. To study evolution of E-Commerce and Corporate Social Responsibility in India
2. To study growing influence of e-Commerce Companies in Social and Business Sectors
3. To highlight CSR activities by e-Commerce Companies

Evolution of Corporate Social Responsibility

Corporate Social Responsibility is not a new concept in India and has been existing since 19th century. However, the myriad challenges that the country is facing today, ranging from environmental degradation through poverty and human rights, to energy conservation, has brought this concept into spot light again. The emergence of the concept of CSR can be seen in three levels. The first phase represents that time period of the 19th century when charity and philanthropy were used to be the main CSR activities. The second phase represents that time period since independence movement when women empowerment, rural development, eradication of un-touch ability, establishment of trusts and social and religious reforms were the main CSR issues. The third phase marked the liberalization and deregulation of the Indian economy, has raised concerns over the aggravating disparity in the nation as the main factor leading to the need for social responsibility. Corporate social responsibility is not only the commitment by the corporate to act ethically but also to integrate economic, social, consumer and environmental concerns into the business processes.

It is not only a way to realize the personal values and feel greater levels of achievement but also a source of personal pride for an individual.

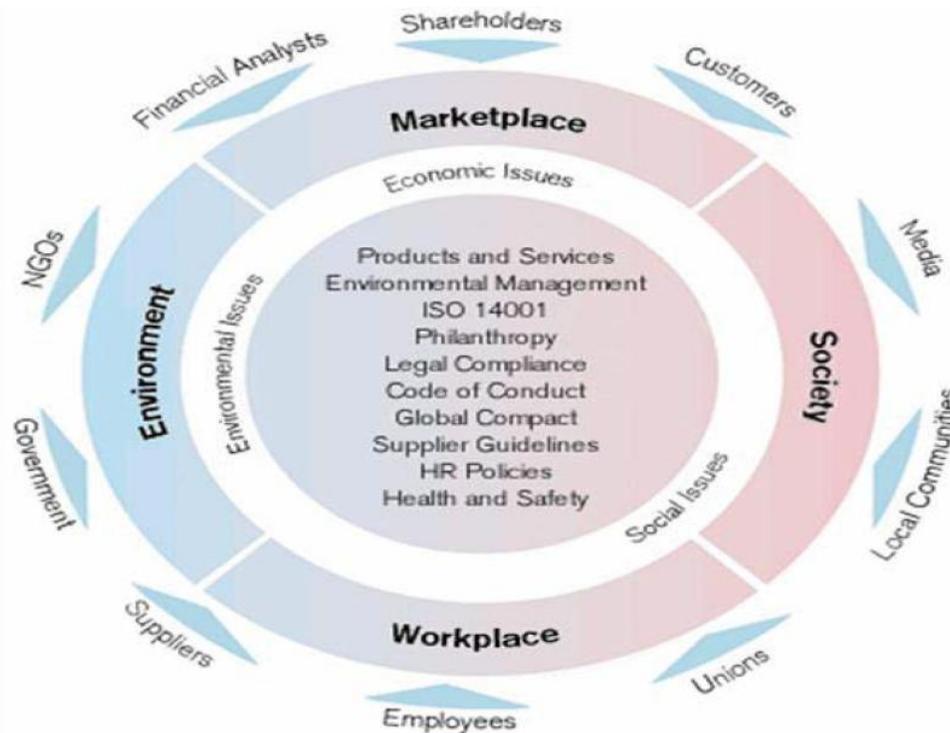


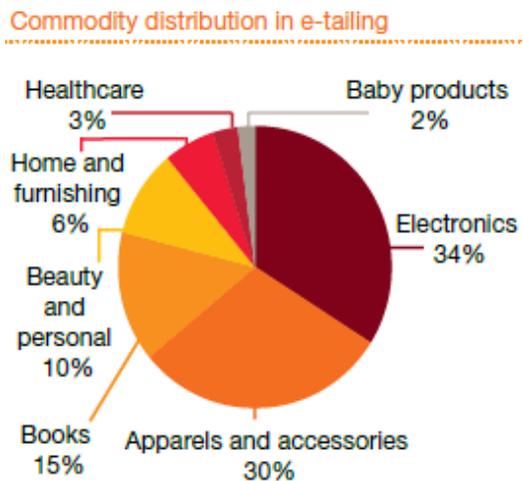
Figure 2: Areas of Corporate Social Responsibility

Today, CSR has gone beyond merely charity and donations, and is approached in a more organized fashion in India. It has become prominent in the Indian corporate scenario because organizations have realized that besides growing their businesses, it is also vital to build trustworthiness and sustainable relationships with the community at large. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. To encourage the Indian corporations to acknowledge the need for observance of corporate social responsibility, Ministry of Corporate Affairs issued National voluntary guidelines on social, environmental and economic responsibilities of business in 2011. In line with these guidelines, Securities and Exchange Board of India mandated the inclusion of Business Responsibility Reports as a part of the Annual Reports for top 100 listed entities based on market capitalization at the BSE and the NSE as on March 31, 2012.

Another landmark marking the prominence of corporate social responsibility in India as a new trendsetter is the enforcement of the Companies Act 2013 from April 2014. The CSR provisions within the Act (clause 135) is applicable to the companies with an annual turnover of rupees 1,000 crore and more, or a net worth of rupees 500 crore and more, or a net profit of rupees five crore and more. The Act encourages the companies to spend at least 2 percent of their average net profit in the previous three years on the CSR activities. The new rules, which are applicable from the fiscal year 2014-15 also, require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act lists out a set of activities eligible under CSR specified in the Schedule VII as: environment sustainability, empowering women and promoting gender equality, education, poverty reduction and eradicating hunger, social business projects, reducing child mortality & improving maternal health, improvement of health, imparting of vocational skills, contribution towards Central and State Government funds for socio economic development and relief and other matters as may be prescribed. The companies are not bound to spend only on the above mentioned activities as a part of its CSR initiative. From time to time, different CSR activities are added in this list.

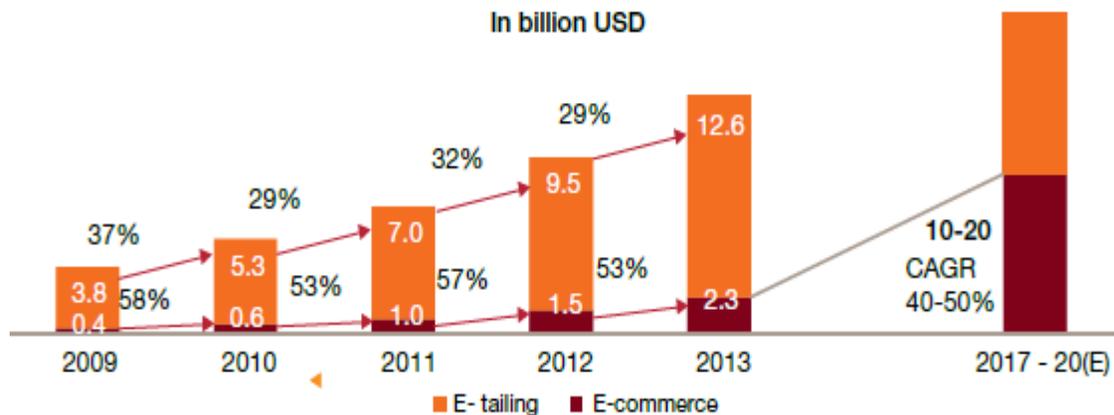
Growth of E-Commerce in India

Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. E-commerce is relatively a novel concept. It is, at present, heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. While in countries such as the US and China, e-commerce has taken significant strides to achieve sales of over 150 billion USD in revenue, the industry in India is, still at its infancy. However, over the past few years, the sector has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2013. Industry studies by IAMA indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment, increasing its share from 10% in 2009 to an estimated 18% in 2013. Calculations based on industry benchmarks estimate that the number of parcel checkouts in e-commerce portals exceeded 100 million in 2013. However, this share represents a miniscule proportion (less than 1%) of India's total retail market, but is poised for continued growth in the coming years. If this robust growth continues over the next few years, the size of the e-retail industry is poised to be 10 to 20 billion USD by 2017-2020. This growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals.



Source: Internet and Mobile Association of India research

Growth in e-commerce and e-tailing



Source: Orsil, IAMAI, PwC analysis and Industry experts

Top 5 Indian E-Commerce Companies -2015

Flipkart is a leading e-commerce company and grabbed the first position after it acquired Myntra in a deal of \$3.1 billion. Flipkart was started by Sachin Bansal and Binny Bansal in 2007 and within 5 years company has become the leading e-commerce player of Indian market. Flipkart started with online booking stores and later on it has added gadgets, electron items and apparels. In these 8years Flipkart is able to build bond of trust among buyers and because of this Flipkart has achieved stunning growth.

Snap deal is placed at second position in the list of top 5 e-commerce companies in India. Snapdeal was started by alumnus of IIT Delhi in 2010 and within 5 years captured huge share of Indian e-commerce industry. Snap deal has numerous product categories that include books, mobiles, electronic items, apparels etc. Initially it was started as discount coupon website but to capture growing ecommerce market Snap deal has changed their business model.

Fashion and you was started in 2009 by Harish Bahl with a motto to cater eminent designer's collections under one roof. Over the years it become a prominent brand in fashion & apparel industry and numerous top-notch merchandise are associated with it.

HomeShop18 is an online venture of Network 18 Group. It is an ecommerce website that sells Mobiles, clothing, footwear, jeweler, beauty, books and toys. Numerous top brands like Samsung, Nokia, Canon, Nikon, and Sony are associated with HomeShop18.

HomeShop18 provides the facility to track the order and regularly send product dispatch status on mobile and inbox. Online payment option through credit/debit cards also available on website. To build healthy relationship with corporate, HomeShop18 offers heavy discount on corporate gifting & bulk deals.

Yebhi.com is another well-known ecommerce company started in 2009 and within 6years became the established player in ecommerce industry. Yebhi was started as BigShoeBazaar.com and then changed its identity to Yebhi. After seeing the potential in this company Nexus Venture Partners and N. R. Narayana Murthy's Catamaran Ventures invested 40 crore in this company.

Implications of E-Commerce

According to Himani Grewal and Shivani (2012) the Internet has created a new economic ecosystem, the e-commerce marketplace, and it has become the virtual main street of the world. Providing a quick and convenient way of exchanging goods and services both regionally and globally, e-commerce has boomed. When using the Internet and e-Commerce is important to remember that, there are many legal, moral and ethical issues to consider. Ethical, social, and political issues are closely linked.

The ethical dilemma you may face as a manager of information systems typically is reflected in social and political debate. One way to think about these relationships is given in Figure below

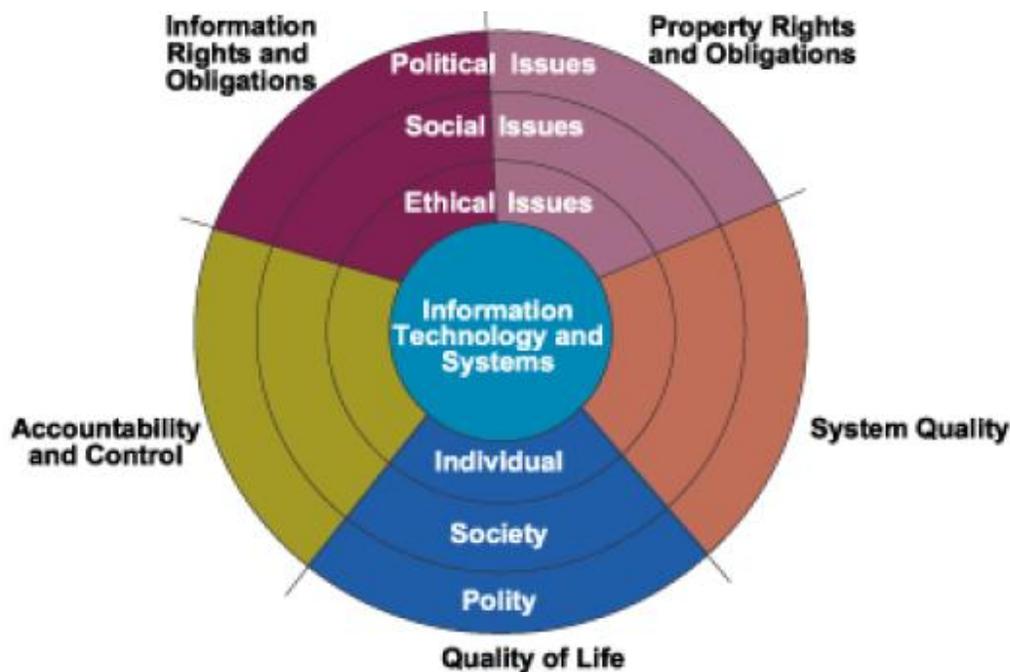


Figure 3:The Relationship Between Ethical,Socialand Political Issues in an Information Society

A Leading Example of CSR by an E-Commerce Company

Snap deal adopts village in Uttar Pradesh and residents rename the village Shiv Nagar to Snapdeal.com. It will develop the village's infrastructure, including installation of water pumps and supporting the local school and hospital. Shiv Nagar's residents, many of whom would not have even heard of e-Commerce or Internet, decided to take on the company's name as an expression of gratitude.

Corporate Social Responsibility (CSR) has emerged as a major contributor to a brand's identity and goodwill. A number of established companies have scholarships, sponsor NGOs and work with local communities. Mahindra & Mahindra's Education Trust, Tata Consultancy Services' Adult Literacy Program, Dabur's Sustainable Development Society (SUNDESH) and DLF's Swapana Sarthak Informal School for children of construction workers are just some examples. E-commerce companies, which are still very young, may contribute to CSR activities on a more massive scale.

Taking CSR Further – The Road Ahead

CSR is not a new concept. Companies have always to some extent tried to acknowledge the responsibility towards the community. CSR today, is seen as something more far-reaching, engaging at a much wider level with business' operations and relations with communities. It embraces the 'triple bottom line' and requires attention to be paid not only to economic performance, but to environmental and social impacts as well. It is essentially about business' contribution to sustainable development and how best to maximize that contribution.

Sustainable development is a very vague term and simply setting that as a goal does not take a business very far. "Putting CSR into operation, bringing it to the heart of corporate culture without losing sight of core business objectives, while also avoiding the traps of paternalism and philanthropy, is a complex task, requiring clear-sighted analysis and detailed implementation."

CSR has become increasingly important to companies/businesses over the last few years, with more and more companies responding to stakeholders' calls for increased accountability by incorporating and integrating CSR into their organization/business policies. In time, the public is likely to become increasingly discriminating, less willing to take general claims on trust, and more keen to see specific action. In this case, if companies are to maintain their standing and stake out leadership in the future, CSR cannot be an additional extra - it must run into the core of every business' ethics, and its treatment of employees and customers. Thus, CSR is becoming a fast-developing and increasingly competitive field. The case for demonstrating corporate responsibility is getting stronger as expectations among key opinion formers, customers and the public are increasing. Being a good corporate citizen is increasingly crucial for commercial success and the key lies in matching public expectations and priorities, and in communicating involvement and achievements widely and effectively.

Conclusion

Winning in many India's, e-Commerce companies, which are still quite young are under growing transformation from companies concentrating on GMV (Gross Merchandise Value) to socially responsible corporate citizens. It is true that CSR activities by e-commerce companies have not quite took off, but as their turn over increases, they will have to make significant contributions with respect to social responsibility as directed by corporate law. Companies like Snap deal have already taken a lead in CSR activities. This trend will continue to grow as the e-commerce in India evolves.

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