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## RESEARCH ARTICLE

## RECURSIVE E-COMMERCE A REVOLUTION – ITS FUTURE, CHALLENGES AND INITIATIVES.

Manjit Kaur<sup>1</sup>, Dr. Kavita Aggarwal<sup>2</sup>.

1. Asst. Professor, Department of Commerce, S.D. College Hoshiarpur.
2. Associate Professor, Rayat Bahra Institute Of Management Mohali

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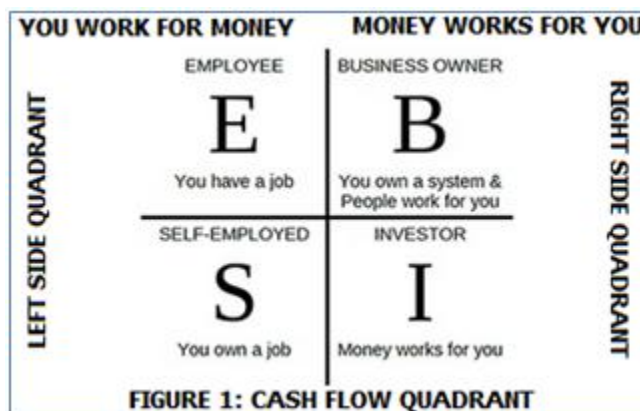
**\*Corresponding Author****Manjit Kaur.****Abstract**

Recursive E-Commerce is the duplication and multiplication of intended e-commerce product and services through direct distribution system or what we call it as affiliate marketing. Online trading of products is so common that every individual is attached to it directly or indirectly. Even a labour class is using online services for e.g. one gets a mobile recharge done with the telecom service provider, which actually happens on the server. Government of India has made the booking of LPG cooking gas online through mobile compulsory for everyone. What is expected out of each individual is a change to go digital. Such aura of commercialization under each sector gives a compulsive push to every individual upgrading the skill set on the one hand and giving tons of opportunities to the e-commerce businesses to flourish and widen their horizons in lieu of meeting the compulsive and inductive change with full conviction on the other side. At the same instance so many investors grab the opportunity to invest and increase their asset through such distribution system and contribute to the exponential growth of company, business and every individual attached with the system.

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**Introduction:-**

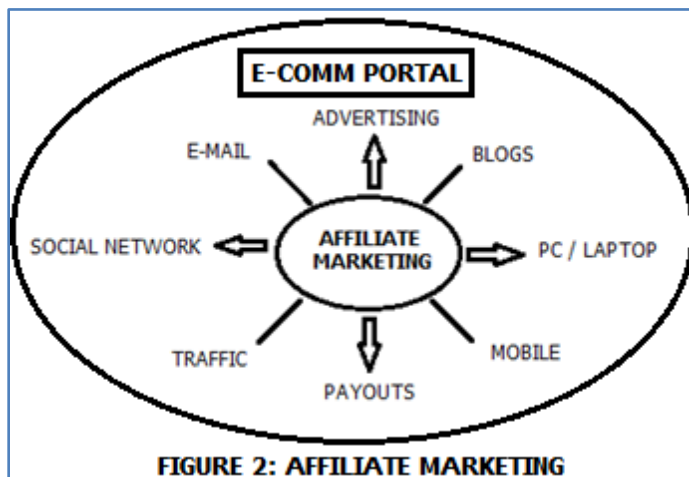
Change in the coming business trends are so rapid and hi-tech, it is moving and transforming the whole business concept in the pea-nut and is all set for the next big bang. Not only the business and investor class who are the part of right quadrants in the cash flow given by the world's most renowned entrepreneur Robert. T. Kiyosaki<sup>[1]</sup> but every individual today is looking for one or the other way to transform himself from consumer to pro-consumer (Profitable consumer). In this high momentum era of globalization, according to various surveys, there are no restrictions for any-one to think out of the box, people are moving very fast adopting the change and the ways to transit them from left hand side to the right hand side of the quadrants gaining the financial freedom and security altogether giving new dimensions to business models and trends. Today, what it could be named as Recursive-Ecommerce and is a hybrid model constituting all of B2B, B2C and C2C models in a single entity. The Annual Survey 2013-14 for the Indian Direct Selling Industry and World Federation of Direct Selling Associations (WFDSA), founded in 1978 highlights and advocates tremendous growth in this industry<sup>[2]</sup>



### Evolution of recursive-e-commerce:-

Few years back Founder of the giant software industry and the world's richest businessmen Mr. Bill Gates have quoted very seriously that "If your business is not on internet than your business will be out of business". The trend of profit sharing and paying commission for referred business predating through internet is known as affiliate marketing. The translation of the revenue share principles to mainstream e-commerce happened in November 1994<sup>[3]</sup>

Affiliate marketing at the moment is the hottest cake selling in the market and people are attracted to it like anything. Those who connect to the affiliate market for distribution are known as affiliates. Today most of the giant financial institutions are also the part of affiliate market expanding their horizons into overall profitability of the organization. Banks are providing so many buying benefits to the consumer in collaboration with the e-com businesses that the common individual cannot resist the opportunities and hence gives boost to both the players.



Recursive E-commerce is an extremely extended version of affiliate marketing and can be elaborated as a pool of already existing successful E-commerce businesses and distributing this pool of E-commerce business by affiliates of the direct distribution system company and getting the appropriate payouts as set by the organization(s). Such distribution companies leads to the evolution of recursive e-commerce by distributing this pool of already existing E-commerce businesses (they may or may not have their own package in E-commerce) facilitating the affiliates with a variety of online product and services with equal profit sharing opportunity for all.

Recursive E-commerce have many advantages such as individual gets profitability share from already existing and well established E-commerce businesses as they need not the market, investment, much of their time, money or effort for promoting these businesses or product. Secondly, there is no need to change affiliates buying habit. People are buying whatever they are intended to buy and from wherever they are intended to buy, there is no compulsion to change the buying habit or the buying portal. Only the matter of fact is they have to buy through their own recursive portal connecting the pool. Referring to fig 3 above, if an affiliate is buying a product or service 'x' from E-Commerce portal say 5 than any affiliate is neither required to change product 'x' nor portal 5 but it have to login through company "A" which provide access to pool, that's it.

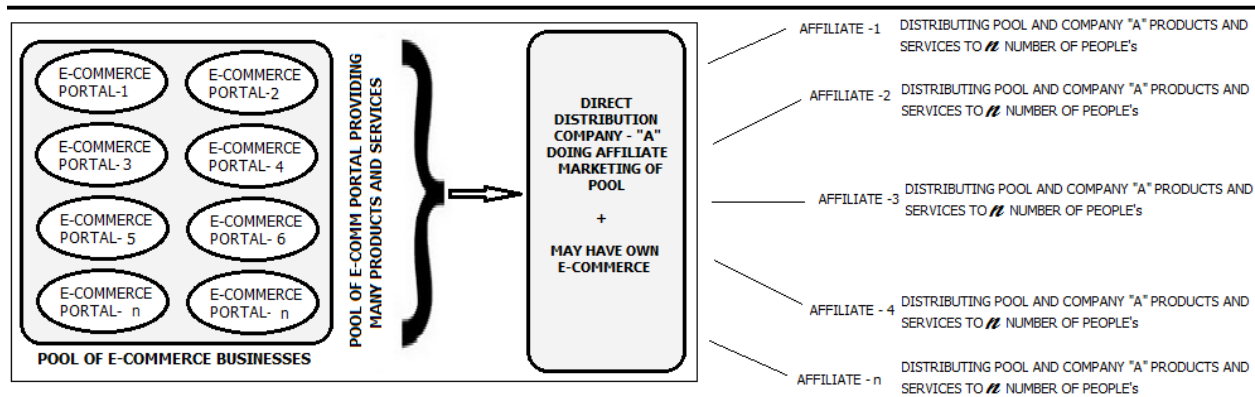


FIGURE 3: RECURSIVE E-COMMERCE

Further, the affiliate use can distribute the pool to 'N' number of people and are paid for this distribution according to the companies terms, conditions and policies where these 'N' number of affiliates can further distribute this system to any number of people and hence creating an equal opportunity for all and direct distribution business scenarios.

### Future, Challenges and Initiatives of Recursive E-Commerce Industry:-

#### Future:-

This industry can touch Rs 64,500 crore by 2025 as per the newsletter published business-standards. In India this market is around 0.08% of the GDP at the moment, and hence has huge potential to grow<sup>[4]</sup>. India is ranked at number 3 in the global market holding this industry whereas the United States and China is at number 1 and 2 respectively<sup>[2]</sup>.

As per the IDSA (Indian Direct Selling Association) industry pledge to facilitate Make in India Initiative, Pertinent to mention and it coincided with the "Make in India" initiative launched on 25<sup>th</sup> September 2014 by our Hon'ble Prime Minister Shri. Narendra Modi, this initiative aims to bolster India's manufacturing sector to increase its share in India's GDP to 25% from the current level of 16%<sup>[6]</sup>

Research on affiliate marketing conducted by Forrester Consulting and commissioned by Rakuten Marketing found a robust affiliate market place expected to grow to \$6.8 billion over the next five years. Over 80% of advertisers and 84% of merchants are running an affiliate program. Marketers use affiliate programs throughout the buying cycle at 83% in the discovery and awareness phase 79% during conversion or purchase, and 79% for ongoing customer engagement. Affiliate networks were found to be important for affiliate program effectiveness, but multi-channel measurement was seen as key for "unlocking further potential" for the programs<sup>[7]</sup>.

The total gender wise split in percentage for the year 2013-2014 was raised to men 41.7% and women 58.3% as compared to the year 2011-12 which was men 37.5% and women 62.5% respectively<sup>[2]</sup>.

Mahila E-Haat is an initiative for meeting aspirations and need of women entrepreneurs which will leverage technology for showcasing products made, manufactured or sold by women entrepreneurs. They can even showcase those services being provided by them which reflect creative potential e.g. tailoring. This unique e-platform will strengthen the socio-economic empowerment of women as it will mobilize and provide better avenues to them<sup>[4]</sup>.

#### Challenges:-

In spite of so many legal implications due to undefined law for this industry in nation the industry is flourishing rapidly touching every other individual. With rising cost of living, the industry is not only popular among women but also among men and youngster. The share has always been around 60% in this industry considering the average of last three years. However, the Indian men is looking up this sector as supplementary earning potential source of income and more interestingly students are picking up very fast in the industry to earn extra money to support their short or medium term goals. The share of men has increased from 38% in 2011-12 to 42% in 2013-14 and continuously growing up<sup>[2]</sup>.

The direct selling industry, similar to the larger consumer industries faces issues of counterfeits and general difficulty in doing business in India. However, our interaction with the industry participants suggests that the biggest challenge that the industry faces today is that of regulatory uncertainty and lack of legislative support in recognition of the rightful industry.

**Specific Industry Challenges:-****Uncertainty in regulation:-**

The industry is adversely affected by lack of a proper legal framework which is compromising the growth of the direct selling industry. There is no systematic and standard policy for such industry and currently industry is based on the constitutional structure. As a result many authorities have booked direct selling companies for unlawful activities as under the Prize, Chits and Money Circulation Schemes Act. The act, which was enacted much before the advent of this industry in India has an archaic understanding of issues, and is unable to distinguish rightful direct distribution businesses from malicious money circulation schemes. Under the PCMCS (Prize chits and money circulation schemes) Act, customer complaints are acted upon as criminal offense and give investigating officers the power to arrest and seize company assets along with arrest of many key individuals. This creates negative image of the industry in the mind of participants and potential participants, who as a result do not realize the benefits of the direct distribution systems. Apart from the ambiguity in the PCMCS Act, there are many other regulatory issues including a lack of definition and separate provisions for the industry, which affect the industry adversely.

**Counterfeit or Spurious Products:-**

Products and services sold through direct distribution systems should not be sold through retail systems. However, it has been observed that, many retailers become direct distributors and start off peddle the products to the customers through retail outlets. This leakage of product and services through traditional retail channels is contradictory to the very nature of direct selling and needs to be adequately addressed. This channel also encourages the sale of counterfeit products which affect the brand.

**Complication and impediment in setting up manufacturing facilities:-**

Many large direct distribution companies in India are renowned MNCs. However, due to rigid labour laws and poor infrastructure, many of these have found it difficult to set-up their own manufacturing facilities in India. All states have different regulations and there is no centralized federal system, making the process of getting clearances costly and time consuming.

**Unpredictable rise in Import Duties:-**

Many ingredients for the industry products are imported. Higher import duties add to the price of the product and as a result make them more expensive for the final consumer adversely affecting the demand for such products as they are available at lower prices in international markets.

**Initiatives:-****Amendment in the Prize chits & money circulation schemes Act:-**

The PCMCS Act does not explicitly address schemes which involve genuine sale of products or services, but some jurisdictions have attempted to read those situations into the Act. Amendment in the PCMCS Act is needed to make the distinction clear between direct selling (including multilevel marketing plans) involving the genuine sale of products, and fraudulent pyramid money circulation schemes.

**Exigency to streamline Foreign Direct Investment policy:-**

The operating structure of many direct selling companies has close proximity to a wholesale cash and carry trade, where products are sold by manufacturers (usually direct selling companies) to distributors entailing sale to end customers. Indian regulators should classify 'direct selling' as a 'whole sale cash and carry trade' with 100 per cent foreign investment under the automatic or government approval route.

**Necessity for a clear definition:-**

The 'direct selling model' needs to be defined under a specific legislation in India. Moreover, given the numerous social as well as economic benefits of this specialized channel of distribution, direct selling should be given a separate 'industry' status.

**Requirement for a governing legislation:-**

At present, direct selling falls under the purview of state legislation and is governed by a large number of ministries/departments at the center, state and local levels. The multiplicity of regulatory bodies has resulted in multiple regulations governing this sector. These should be streamlined for the smooth performance of this sector.

**Need for a nodal ministry:-**

There is no single nodal ministry at the center at present and, hence, the grievances of this sector tend to go unheard. Given that the sector is predominantly based on consumer interactions, the Ministry of Consumer Affairs may be appointed as the nodal ministry for the direct selling industry.

**Conclusion:-**

The potential of this recursive E-commerce industry will reach a size of INR645 billion by 2025 driven by growth in consumer markets and increase in the penetration of direct distribution to globally comparable levels may however be contingent on creating an enabling environment for the industry, and mitigation of some of the challenges it is facing today. With this tremendous success of the industry, which relies on individuals to accomplish unlimited profits on distribution, a number of fraudulent businesses are also tried to emulate the form, but with malicious intentions and outcomes. This has impacted the industry, which recognizes this as a significant challenge in the growth of this industry. The industry has the potential to create a significant social and economic impact in India especially in the area of women's empowerment, skill development, technology percolation and growth of the SME sector, besides promoting self-employment and providing a viable means of alternative income. There is a need to revisit existing laws and bring about regulatory clarity to build an environment of trust in order to reap the multiple benefits that the industry has to offer.

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