

E-Commerce in India: The Future of Uncovering Innovation

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Abstract -Nowadays, with the availability of smartphones at a reasonable price, data packs at low costs, awareness of internet due to programs like Digital India has surged the internet usage not only in cities but also in the rural areas. In the last decade or so, the Internet has distorted the way public buy and sell products and services. Online trade or e-commerce is transforming the shopping understanding of clientele. The sector has seen unmatched growth especially in the last few years. The acceptance of technology is enabling the e-commerce sector to be more accessible and competent. Banks and other financial players have created secured platform for money transactions and payments through online. Indian consumers have grown over the time and improved their acceptance for various payment approaches such as net banking and prepaid wallets provided by many players. E-commerce scope has thus amplified due to acceptance of online shopping as a protected shopping means. This paper presents the concepts and definitions of e-commerce as well as worldwide internet users, e-commerce in India, and the future prospects of e-commerce in India.

Keywords: Internet, e-commerce, smartphone, Wi-Fi, tablets, and technologies etc.

INTRODUCTION

E-commerce in India has been experiencing astonishing growth, effectively shifting the way people transact products and services online. Citizens nowadays can shop literally everywhere within minutes, be it their workplaces or homes, and most importantly, at their leisure and at convenient time. In India the online services are expanding their wings from travel to movies, various appointments to matrimonial services, apparels to electronic devices and also to the food items. There are as many as 3,311 e-commerce hubs in India comprises of 1,267 countryside hubs, 391 export hubs and 2,217 import hubs[7]. To get the most out of the growth of this sector, a number of investors such as Venture Capitalists, Private Equity firms are meticulously observing the prospects in e-commerce start-ups. Various mergers and acquisitions are being seen in this sector for attaining consolidation. The diffusion of internet technologies in a country like India has made the industrial experts to believe that the potential for the e-commerce businesses is very high in the coming days. This will create a host of opportunities for new start-ups to explore and compete with the existing companies to generate profits from new and existing markets.

Concepts and Definitions

The term e-commerce is commonly used for conducting business through online mode instead of doing it in physical form. This term takes into account not just the act of obtaining goods and/or services by an online platform but also all other activities which are connected with any transaction such as:

- Delivery,
- Payment facilitation,

- Supply chain and service management.

E-commerce has defied the conventional structure of businesses trading with customers bringing to the fore diverse business models which has permitted consumers. Electronic commerce is a wide range of online trade activities for goods and services. It also related to “any form of business transaction in which the one interacts electronically instead of physical exchanges or direct physical contact.”

E-commerce is the making use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and folks.

LITERATURE REVIEW

Internet economy will then become more meaningful in India. With the rapid expansion of internet, E-commerce, is set to play an important role in the 21st century, the new opportunities that will be thrown open, will be accessible to both large corporations and small companies (Waghmare, 2012). Karoor (2012) explained that Ecommerce captures many of the dynamics of 21st century of India. The potential and energy of the entrepreneurs in the sector are impressive. Online commerce in India is destined to grow both in revenue and geographic reach. Ruckman (2012) suggested that in the purchase process, Internet research has become a significant tool for searching the information; more marketers are seeing the advantages too. It's a win-win situation. Marketing departments are investing more into online marketing today because it's:

- ✓ Attractive to a significant segment of the demographics for most customer profiles. It can effectively reach the target customer.
- ✓ Faster and less expensive to conduct direct marketing campaigns
- ✓ Measurable, which means that successes are identifiable and repeatable
- ✓ 24/7 access
- ✓ Lucrative, in the long run.

Melody and Robert (2001) remarked that the Internet can provide timely information to customers because of its ability for instant communication, and its availability 24 hours a day, 7 days a week (Lane, 1996). On-line marketing offers more choices and flexibility (Lamoureux, 1997) and, at the same time, eliminates huge inventories, storage costs, utilities, space rental, etc., (Avery, 1997). People tend to associate Internet marketing with direct marketing because companies participating in online marketing usually shortened the supply chain [Edwards, et al., 1998] and reduced commission and operating costs.

OBJECTIVES & RESEARCH METHODOLOGY

The main objective of this paper is to discuss an insight in to the concept of e-commerce and its present and future situation in India and also the worldwide internet users. The data collected for the study was purely based on the secondary sources from various published books, journals, magazines and from various online sources.

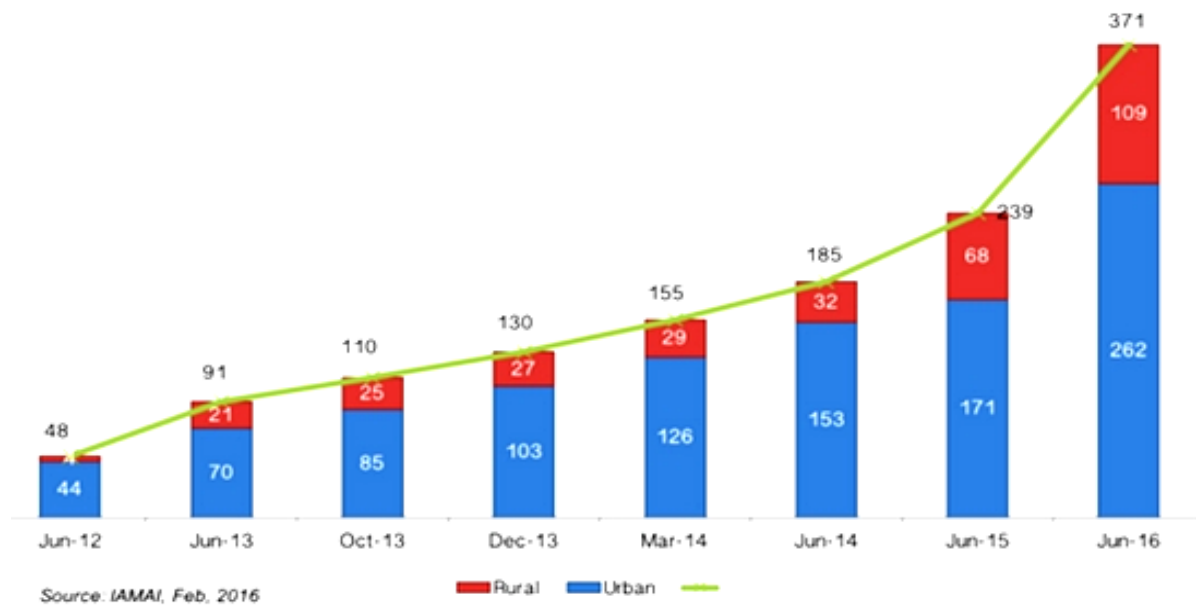
Growth of E-Commerce in India

Among numerous factors, a conscious patronization of online trade, and an emergence of retail as a leading market segment have contributed to the unprecedented growth of E-commerce in India. For the financial year 2016-17, E-commerce sales outreached US \$16 billion with a projection of a seven-fold growth within the next two fiscals as estimated by Morgan Stanley. By 2020 online commerce sales is expected to cross \$120 billion.

According to Internet and Mobile Association of India (IAMAI) & market research firm IMRB¹³, the number of mobile internet users in India is estimated to be around 420 million by June 2017 with the better growth rate of rural India at a much higher than urban India. According to a report titled Mobile Internet in India 2016, there were more than 389 million mobile internet users in India as on December 2016. India has an internet users base of about 460 million as of July 2017, 40% of the population. Despite being the second-largest user base in the world, now everyone in India using Google, Facebook, Twitter and WhatsApp only because of internet revolution.

With the introduction of Reliance Jio into the market, a couple of years ago, the data packs have become very economical, which in-turn has increased the usage of internet services in the country.

Chart 1: Mobile Internet Users in India Urban vs. Rural (Fig. in Millions)



Online shopping in India has noticed a sea change in the last decade. At the time of Liberalization in the year 1991, e-commerce has become a blistering subject amongst the commercial use of internet. Nobody has imagined the growth of this sector at that time, but has seen a tremendous success worldwide and in India. These days online shopping has become a norm in the Indian Market. Today, more and more online shopping companies are offering their services to their customers in India. The growth of e-commerce witnessed at an unprecedented rate by adding around 6 million new entrants every month. Even with this increase the Indian online market is far behind Chinese online market.

These days whole lot of things are available online with incredible deals. Even Baba Ramdev-led Patanjali Ayurved, announced its partnership with eight e-commerce companies in a move to push sales of its products. Accordingly, the entire range of Patanjali products would now be available online. The primary driving factors for this growth in E-commerce segment of India are:

- Participation of niche companies in online trading
- FDI (foreign direct investment)
- Uniform GST (Goods and Services Tax)
- Inclusion of food and grocery in online retailing

Worldwide Internet Users

Around 40% of the world population has an internet connection today whereas in 1995, it was less than 1% and the number of internet users has increased tenfold from 1999 to 2013. The first billion was reached in 2005 whereas, the second billion in 2010 and the third billion in 2014. The table and chart below show the number of worldwide internet users per year since 2000:

Table 1: The Global Internet Users

Year	Internet Users**	Penetration (% of Pop)	World Population	Non-Users (Internet less)	1Y User Change	1Y User Change	World Pop. Change
2016*	3,424,971,237	46.1 %	7,432,663,275	4,007,692,038	7.5%	238,975,082	1.13 %
2015*	3,185,996,155	43.4 %	7,349,472,099	4,163,475,944	7.8%	229,610,586	1.15 %
2014	2,956,385,569	40.7 %	7,265,785,946	4,309,400,377	8.4%	227,957,462	1.17 %
2013	2,728,428,107	38 %	7,181,715,139	4,453,287,032	9.4%	233,691,859	1.19 %

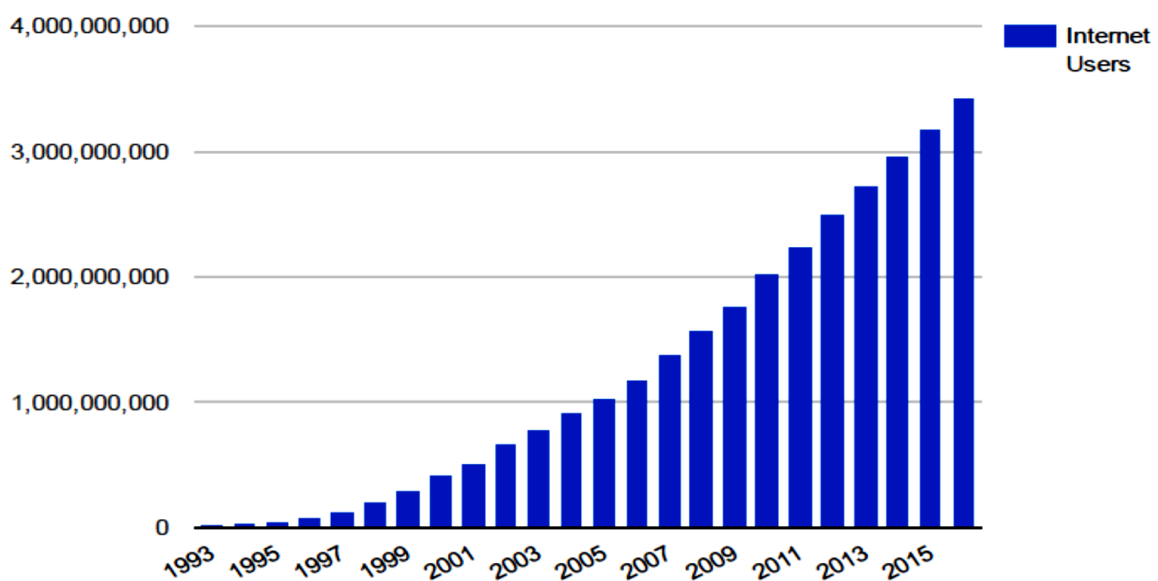
2012	2,494,736,248	35.1 %	7,097,500,453	4,602,764,205	11.8%	262,778,889	1.2 %
2011	2,231,957,359	31.8 %	7,013,427,052	4,781,469,693	10.3%	208,754,385	1.21 %
2010	2,023,202,974	29.2 %	6,929,725,043	4,906,522,069	14.5%	256,799,160	1.22 %
2009	1,766,403,814	25.8 %	6,846,479,521	5,080,075,707	12.1%	191,336,294	1.22 %
2008	1,575,067,520	23.3 %	6,763,732,879	5,188,665,359	14.7%	201,840,532	1.23 %
2007	1,373,226,988	20.6 %	6,681,607,320	5,308,380,332	18.1%	210,310,170	1.23 %
2006	1,162,916,818	17.6 %	6,600,220,247	5,437,303,429	12.9%	132,815,529	1.24 %
2005	1,030,101,289	15.8 %	6,519,635,850	5,489,534,561	12.8%	116,773,518	1.24 %
2004	913,327,771	14.2 %	6,439,842,408	5,526,514,637	16.9%	131,891,788	1.24 %
2003	781,435,983	12.3 %	6,360,764,684	5,579,328,701	17.5%	116,370,969	1.25 %
2002	665,065,014	10.6 %	6,282,301,767	5,617,236,753	32.4%	162,772,769	1.26 %
2001	502,292,245	8.1 %	6,204,310,739	5,702,018,494	21.1%	87,497,288	1.27 %
2000	414,794,957	6.8 %	6,126,622,121	5,711,827,164	47.3%	133,257,305	1.28 %

* estimate for July 1, 2016

** Internet User = individual who can access the Internet at home, via any device type and connection.

Source: Internet Live Stats (www.InternetLiveStats.com)

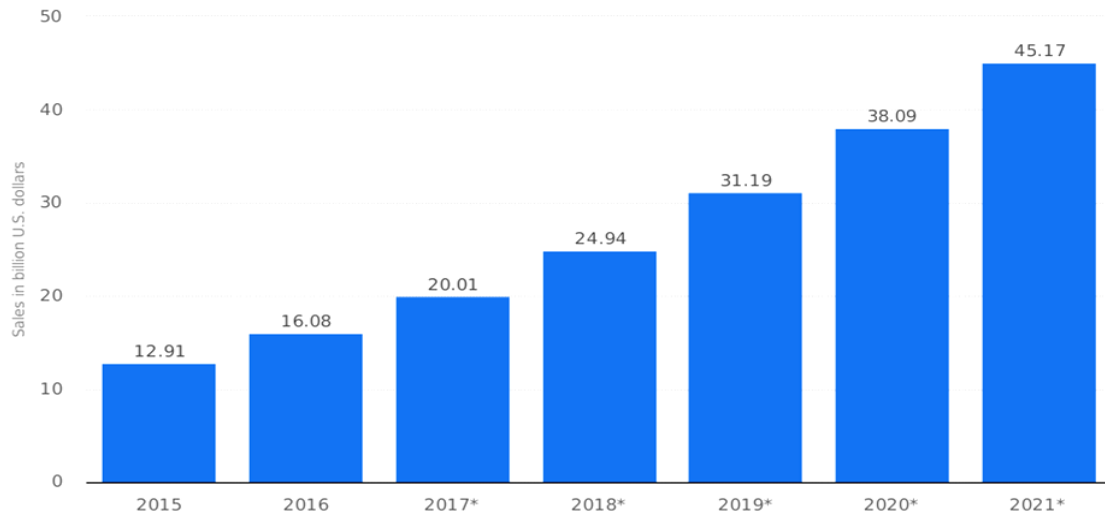
Chart 3: Internet Users in the World



The State of E-Commerce in India

The Indian e-commerce market is set to overtake the US and become the second largest in the world in less than two decades, going head-to-head with China for the number one position, according to a report by global payments firm Worldpay. The report said the e-commerce market is expected to grow exponentially with emerging markets leading the charge particularly India,

Chart 2: Retail e-commerce sales in India from 2015 to 2021 (in billion U.S. \$)



Source: Statista (Digital Market Outlook), 2016

According to reports published by International Monetary Fund (IMF) and Central Statistics Office (CSO), India is amongst the fastest rising economies of the world.

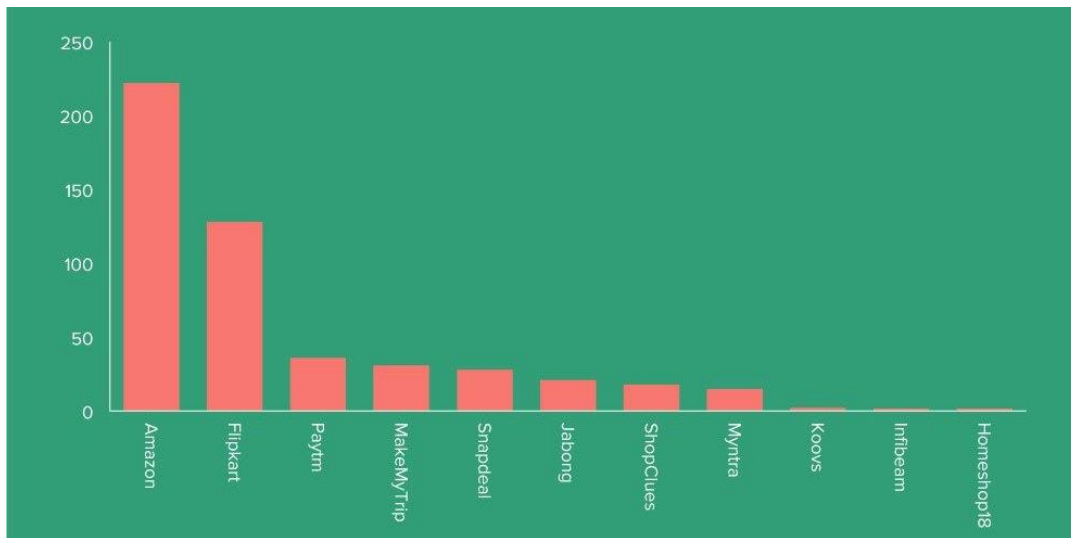


Chart 4: Biggest Players in E-commerce in India – 2017

Source: similarweb

- The leading players are e-commerce platforms that sell amplerange of products. This trend is seen in North America and SEA too, where the largest players are marketplaces.
- The leading players are Amazon and Flipkart are significantly larger than other companies which show the economies of scale that can be observed in other markets as well.

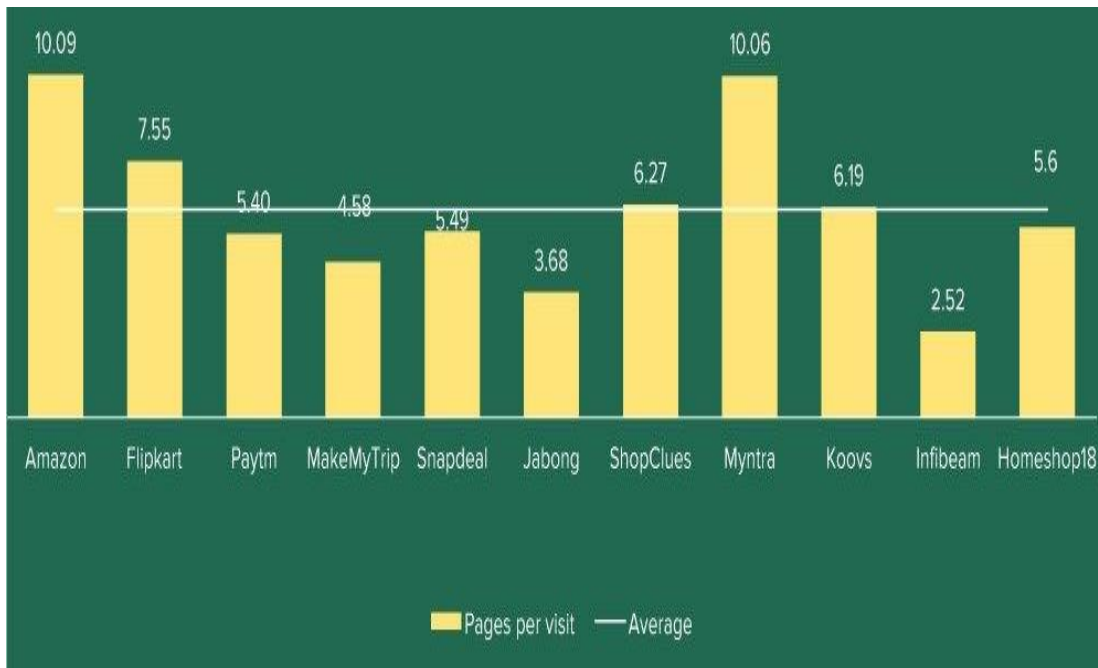
Chart 5a: Best Customer engagement



Source: similarweb

- Myntra and Amazon are front in terms of web and mobile engagement.
- Larger players have been successful in getting customers to spend more time on site.

Chart 5b: Pages per visit



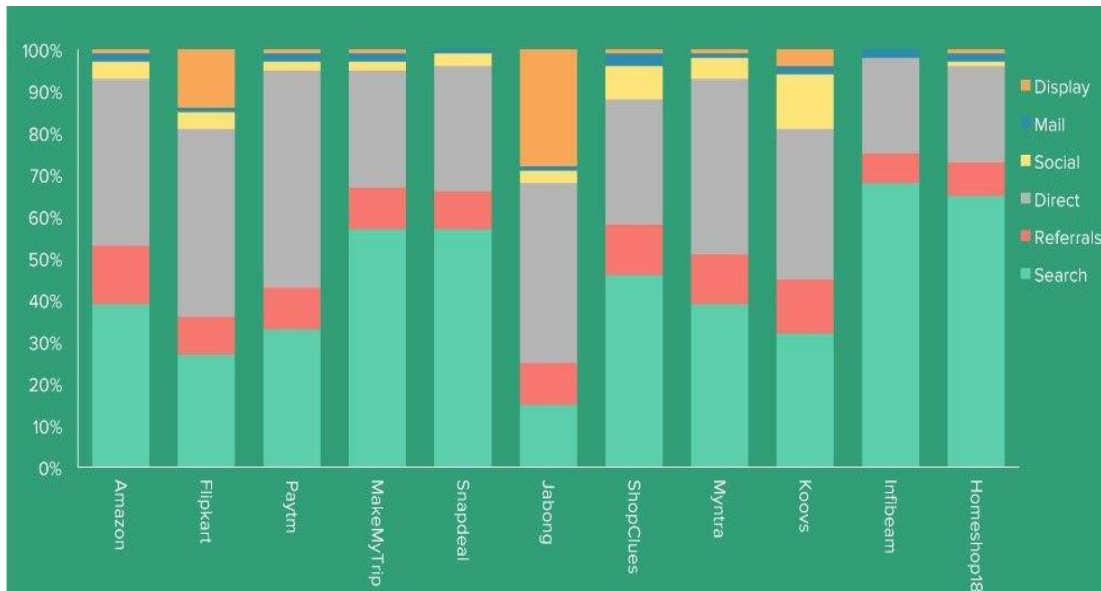
Source: similarweb

Chart 5c: Bounce rate



Source: similarweb

Chart 6: Acquiring Customers

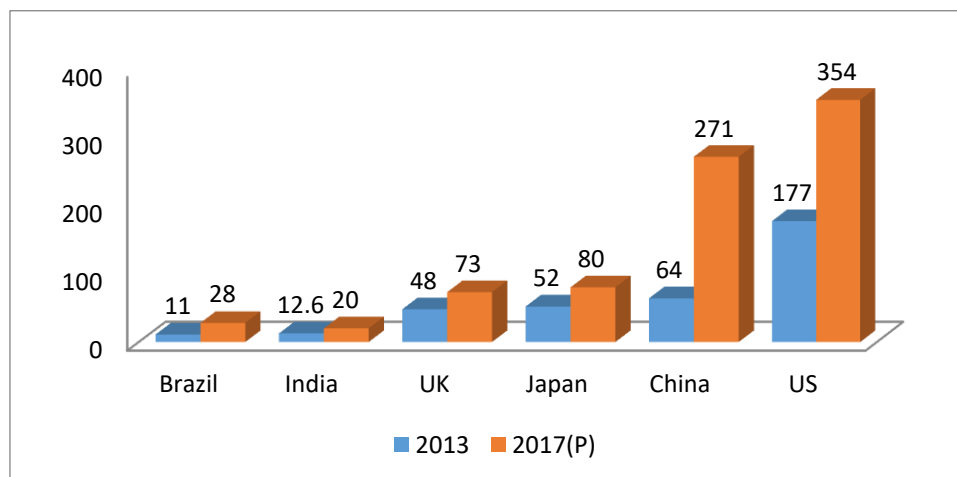


Source: similarweb

- Most sites receive about 10% of traffic from referrals
- Mail accounts for a small proportion of traffic across E-commerce sites in India
- Players have broadly differing success from driving traffic with social media.

In India, online travel accounts for majority of the sales of the largest segment, B2C. Indian customers are less skeptical in purchasing services such as train and airline tickets online. This helps e-sellers to stay away from logistics and delivery issues linked with physical goods. As per 2011 statistics, the online travel sales division captured the largest pie and accounted for 81.4 per cent of the whole market.

Chart 7: E-Commerce Market In India and Selected Countries (In \$ Billion)



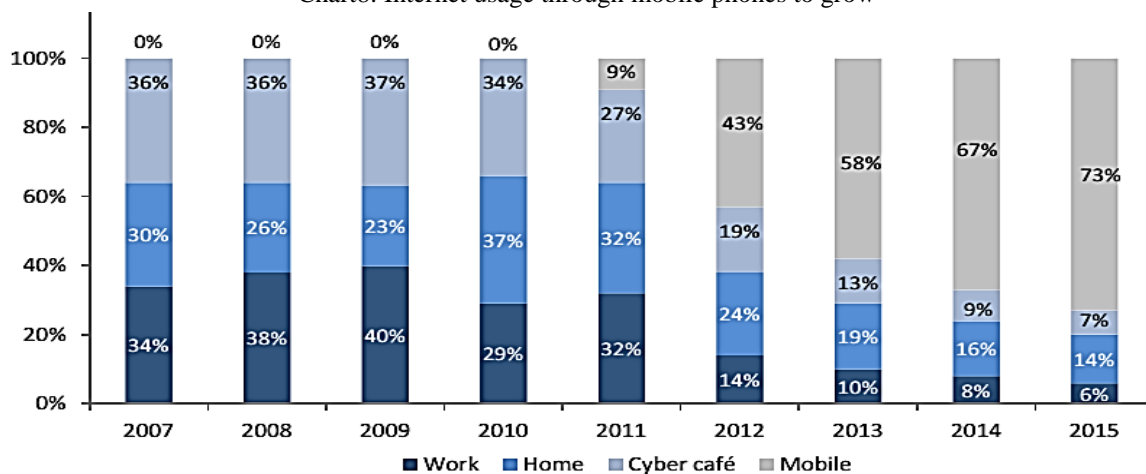
Source: Compiled from A.T. Kearney and PWC Report
 Note: P=Projections

Online travel sites such as Indian Railway Catering and Tourism Corporation (IRCTC) and makemytrip.com have been the most prominent and successful in this regard, as these portals save buyers from the travails of waiting in queues. At present, almost 40.0 per cent of the total IRCTC bookings are done online. According to an e-Marketer report titled “BRIC Travel Markets in Transition: Trends Influence Overall Ecommerce”, India is likely to register a CAGR of 30.6 per cent for online travel sales, surpassing the rate forecast for South Korea (19.8 per cent), Brazil (18.2), China (14.1), Russia (9.8), Australia (7.4) and the US (7.2) during 2011-16.

MOBILESHOPPING

Mobile phones are proving to be an essential factor in the e-commerce market owing to its easy compatibility with the Internet. India has more than 900 million mobile users, of which around 300 million use data services. This number is likely to surpass 1200 million in 2018. Also, more than 100 million mobile users are expected to use 3G and 4G connectivity in the coming few years of the total 900 million mobile users, a meager 27 million are active on the Internet. Moreover, only 4.0 per cent of the active mobile internet users buy products through mobiles. However, mobile shopping is on an upward trend and is expected to increase five-fold to 20per cent in the medium term.

Chart8: Internet usage through mobile phones to grow



Source: World Bank, IAMAI, Aranca Research

India's Prospects in E-Commerce

1. **Opportunity for Retailers:** A retailer can save his survival by linking his business with the on-line distribution. By doing so, they can make available much additional information about various things to the consumers, meet electronic orders and be in touch with the consumers all the time. Therefore, E-Commerce is a good opportunity for retailers.
2. **Opportunity for Wholesalers/Distributors:** In the world of E-commerce, the survival of the wholesalers is at the utmost risk because the producer can easily ignore them and sell their goods to the retailers and the consumers. In such a situation, those wholesalers can take benefit of E-Commerce who is capable of establishing contractors with reputed producers and linking their business with the online.
3. **Opportunity for Producers:** Producers can take benefits from e-commerce by connecting themselves with on-line, by giving better information about their products to the other links in the business chain and by a having a brand identity.
4. **Opportunity for People:** As more people are getting connected with E-commerce, the demand for centre offering internet facility or cyber cafe is also increasing. Hence, the people who wish to take benefits of it can establish cyber and have their benefits.

Essential Factors for Growth of E-Commerce in India

- Customer Convenience: By offering Cash on delivery payment option service to customers.
- Replacement Guarantee: With 30 day replacement guarantee to their customers.
- Reach: Enabling mobile-capable sites and supporting M-Commerce services.
- Location Based Services: Since customers nowadays are always on the move, offering the right product at the right time and location becomes an integral aspect.
- Multiple Payment Option: standard credit cards, debit cards and bank payments option should be there.
- Right Content: Getting the right content and targeting customers with crisp and important information is of extreme importance to users on the move.
- Price Comparison: Providers offering instant price evaluation are highly popular amongst the price conscious customers.
- Shipment Option: Low cost shipment should be there. The ease of collecting orders post work while returning home should be there.
- Logistical Challenges: In India, the geographical spread throws logistical challenges. The kind of products being offered by providers should decide the logistics planning.
- Legal Challenges: There should be legal necessity of generating invoices for online transactions.
- Quick Service: Timely service offered by the company.
- Terms and Condition: T & C should be clear & rational.
- Quality: The product quality should be same as shown on the portal.
- Customer Care Centre: A committed 24/7 customer care centre should be there.

CONCLUSION

The growing shopper lifestyles, backed by the younger population of India, have given an increase to the e-commerce business. More than half of the entire 1.2 billion population of India falls into the 'below 25 years of age' bracket. Also, 65.0 per cent of India's population, depicting the working age group of 15 to 64 years, would aid the further growth of e-commerce, guided by their growing disposable income. Remarkably, discretionary spending in India is anticipated to jump. Also, the rising inclination towards purchasing online is reflected in a trend for higher value online business. Shoppers are ready to shop for values exceeding \$500, which earlier hovered in the range of \$40–100. There are numerous segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware products and apparel. There are also some necessary factors which will considerably contribute to the boom of the E-Commerce industry in India i.e. replacement guarantee, M-Commerce services, location based services, numerous payment option, exact and precise content, shipment selection, legal requirement of generating invoices for online transactions, speedy Service, T & C should be clear & realistic, the product quality should be same as shown on the portal, committed 24/7 customer care centre should be there.

The Indian Government has agreed projects for providing broadband connectivity to the local and village level government bodies (i.e. the Gram Panchayats). The Government's plan is to make possible broadband connectivity at the rural levels. [8] This is further likely to improve e-commerce in India.

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