



E-COMMERCE IN INDIA: NEED TO ACCELERATING GROWTH THROUGH IMPROVEMENT IN BASIC REQUIREMENTS

¹Sadar S. and ²Sadar M.

¹Sant Gadge Baba Amravati University, Amravati (M.S) India

²Prof. Ram Meghe Institute of Technology & Research Amravati (M.S) India

Email: sadar123@rediffmail.com

Abstract: e-commerce is establishing as new format of business, that withdraws geographical boundaries. Application of smart phones, internet, websites, emails, various apps has been recognized as tools in e-commerce. Indian economy is also in support to promote e-commerce. Cashless economy is major step in promoting e-commerce with high speed. But still there are certain hurdles particularly absence of basic required facilities and consumer mindset towards online business need to improve. There is wide and larger scope in India to e-commerce.

Keywords: e-commerce, Online shopping, Mobile applications, Online software, Online sales, e-business

Introduction:

E-Commerce Growth

E-Commerce or electronic commerce, deals with the buying and selling of goods and services, or the transmitting of funds or data, over an electronic platform, mainly the internet. These business transactions are categorized into either business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C), consumer-to-business (C2B) or the recently evolved business-to-business-to-consumer (B2B2C). E-Commerce processes are conducted using applications, such as email, fax, online catalogues and shopping carts, electronic data interchange (EDI), file transfer protocol and web services and e-newsletters to subscribers. e-Travel is the most popular form of e-Commerce, followed by e-Tail which essentially means selling of retail goods on the internet conducted by the B2C category.

According to Ecommerce Europe, Latin America, and the Middle East and North Africa (MENA) region were top three regions. Globally, B2C e-Commerce sales increased by 24 percent over 2012. Asia-Pacific emerged as the strongest business-to-consumer (B2C) in the year 2013. The business of e-commerce in Asia Pacific region was sales of around 567.3 billion USD. It was a growth of 45% over 2012 and ahead of Europe (482.3 billion USD) and North America (452.4 billion USD). This reflects the huge untapped potential of e-Commerce by retail companies, both in their

country of origin and across borders. According to Ecommerce Europe, country-wise, the US, UK and China together account for 57 percent of the world's total B2C e-Commerce sales in 2013. The China having total sales of 328.4 billion USD where as India had sales of only 10.7 billion USD. India's internet penetration with total e-households at 46 million against China's 207 million is one of the reasons behind India's poor B2C sales growth.

(1 Ecommerce Europe and Ecommerce Foundation are independent non-profit organizations, started by national e-Commerce associations and online and omni-channel selling companies from industries such as retail, travel and finance.)

China, India, USA, Indonesia, Brazil, Russia, Japan, Mexico, Egypt and Germany were top 10 countries in terms of population and corresponding e-households, considering total population (million), number of households and e-households. According to Forrester Research, an independent technology and market research firm, only 16 percent of India's total population was online in 2013. At the same time China was in ascending stage at 50 percent whereas Japan 69 percent, Australia 57 percent and South Korea 70 percent were in mature stage.

India's Growth Potential

The e-Commerce sector in India has grown by 34 percent (CAGR) since 2009 to touch 16.4 billion USD in 2014. The sector was expected to be in the range of 22 billion USD in 2015. The table shown growth in

percentage, figures of e-commerce include growth of e-Tail.

Year	2009	2010	2011	2012	2013	2014	2015
e-commerce	3.8	5.3	7.0	9.5	12.6	16.4	21.3
e-Tail	0.4	0.6	1.0	1.5	2.3	3.5	6.0

(Figures were estimated with source of Internet and Mobile Association of India (IAMAI), CRISIL, Gartner, PwG analysis and industry experts)

Presently e-Travel comprises 70 percent of the total e-Commerce market. E-Tailing, is comprises of online retail and online marketplaces. It has become the fastest-growing segment in the larger market having grown at a CAGR of around 56 percent over 2009-2014. The size of the e-Tail market was pegged at 6 billion USD in 2015. Books, apparel and accessories and electronics are the largest selling products through e-Tailing, constituting around 80 percent of product distribution. The increasing use of smartphones, tablets and internet broadband and 3G has led to developing a strong consumer base likely to increase further. This, combined with a larger number of homegrown e-Tail companies with their innovative business models has led to a robust e-Tail market in India rearing to expand at high speed.

Factors Fuelling Growth

India has huge growth potential for e-commerce considering 243 million population as Internet users in the year 2014. The table shows country wise (2014) Internet users and Internet penetration as percentage of population.

SN	Country	Internet User (million)	Internet Penetration as percentage of population
1	China	641	46
2	USA	279	87
3	India	243	19
4	Japan	109	88
5	Brazil	107	53
6	Russia	84	59

Source: Internet Live Stats website accessed on 9 December 2014

It is cleared that India’s internet users are short by only 36 million as compared with 279 million in the US and higher than that in Japan, Brazil and Russia. This indicates the potential of internet use in India and as internet penetration increases, the potential

of growth for the e-Commerce industry could also increase.

Demographic profile of India online users (as on September 2013) and Geographical distribution of internet users in India (million) is shown in the table (percentage)

SN	Age Group (Years)	Internet Users (Percentage)
1	15-24	37
2	25-34	38
3	35-44	16
4	Others	09

Source: Statista website accessed on 9 Dec 2014

SN	Area	June 2012	June 2013	June 2014	June 2015
1	Urban	99	130	165	216
2	Rural	38	60	92	138

Source: IAMAI-IMRB, Figures in million

An analysis of the demographic profile of internet users further testifies that e-Commerce could rise rapidly in India in coming years. About 75 percent of Indian internet users are in the age group of 15 to 34 years. This category shops more than the remaining population. Peer pressure, rising aspirations with career growth, fashion and trends encourage this segment to shop more than any other category. Therefore, it could be claimed that India clearly enjoys a demographic dividend that favors the growth of e-Commerce. Very soon, internet presence could increase in rural areas and it will grow more e-Commerce business. It is expected that e-Tail in India by the year 2020 could account for 3 percent of total retail. It was expected, orders per million could be more than double from five million in 2013 to 12 million by 2016. The share of online shopping in total retail has increased at a fast pace in the last few years, it is still miniscule compared to the figure in China, where the share is 8-10 percent. The tables show share of e-Tail in Indian retail and orders per month in million.

SN	Year	Independent Retail	Brick and Mortar Retail	e-Tail
1	2014	91.60	08.00	00.40
2	2020	83.00	14.00	03.00

Source: Technopal, Accel Partners

Particulars	2012	2013	2016 Estimated
Online Orders Per Month (millions)	4	5	12

Source: Technopal, Accel Partners

Investments in e-Commerce Sector

In 2014, investors aggressively funded the e-Commerce sector due to strong growth prospects. Apart from the traditional online formats of retail and lifestyle, newer online business segments such as classifieds, real

estate, grocery and healthcare were also tapped. Presently business confidence has significantly improved. Top 20 PE deals in the e-commerce sector in 2014 were:

Investment (Million USD)

SN	Date	Company	Investment	Key Investors
1	February 2014	Snapdeal.com	134.00	Kalaari Capital, Intel Capital, Nexus Ventures, Bessemer, Saama Capital
2	February 2014	Myntra	50.00	Kalaari Capital, Tiger Global, IDG Ventures India, Accel India, PremjiInvest
3	March 2014	Quikr	90.00	Warburg Pincus, Norwest, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik
4	May2014	Snapdeal.com	100.00	Temasek, PremjiInvest
5	May2014	Flipkart	210.00	Tiger Global, Iconiq Capital, DST Global
6	June 2014	Amazon.com India	30.00	Catamaran Ventures
7	July 2014	Flipkart	1,000.00	Morgan Stanley, GIC, Tiger Global, Accel India, Iconiq Capital, DST Global
8	July 2014	Olacabs	41.60	Sequoia Capital India, Tiger Global, Matrix Partners India, Steadview
9	August 2014	Snapdeal.com	50.00	Ratan Tata
10	September 2014	Quikr	60.00	Warburg Pincus, Norwest, Tiger Global, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik
11	September 2014	BigBasket	32.70	Helion Ventures, Ascent Capital, Zodius Capital, Lionrock Capital
12	September 2014	Freecharge.in	33.00	Sequoia Capital India, Ru-Net Holdings
13	September 2014	CommonFloor	30.00	Tiger Global
14	October 2014	Snapdeal.com	637.00	Temasek, PremjiInvest, SoftBank Corp
15	October 2014	CarTrade.com	30.00	Warburg Pincus, Tiger Global, Canaan Partners
16	October 2014	Olacabs	210.00	Tiger Global, Matrix Partners India, SoftBank Corp, Steadview
17	November 2014	Housing.com	90.00	Helion Ventures, Nexus Ventures, Qualcomm Ventures, SoftBank Corp, DST Global, Falcon Edge Capital
18	November 2014	Proptiger Realty	37.00	SAIF, Accel India, Horizen Ventures
19	November 2014	Zomato Media	60.00	Sequoia Capital India, Vy Capital
20	December 2014	Flipkart	700.00	Tiger Global, Iconiq Capital, DST Global, Steadview, Qatar Investment Authority

The e-Commerce businesses will continue to attract investor interest. Several of India's blue-chip PE firms, which previously avoided investing in e-Commerce, are now looking for opportunities in the sector. The focus is mainly on ancillary service providers i.e. companies involved in support functions ranging from delivery, logistics and payments, with investments largely driven by the relatively lower valuations and smaller

Top Ten Important Things

The e-Commerce companies need to do ten important things to accelerate growth as compared to US and China and other advanced country.

Customer Experience

E-Commerce companies need to understand customers' expectations and its change drivers and adapt their proposition accordingly. Easy transitions between ordering on tablets, mobile phones or PCs will have to be facilitated. Convenient multichannel returns and delivery options need to be developed. The provisions of touch and feel the product before buying is becoming essential. Company should also ensure sufficient after sales service and support. Online product reviews and ratings, videos, more advanced sizing and fitting tools should be provided.

Technological Advancement

E-Commerce companies constantly have to upgrade their offerings with changing technology. Shopping through mobiles have truly arrived, they need to devise easy to use mobile apps for their websites. Company need to ensure that their websites have the required speed to do fast business, especially during sale, deals and discounts. Solutions enabling seamless integration of back-end and front-end infrastructure, customer experience enhancement initiatives, integrated inventory management and analytics would be crucial for the e-Commerce firms.

Conveyance of Online and Offline Channels

It is expected that customer should have conveyance during online shopping. Indian consumer still not has trust and faith on e-business. A feeling of touch and sensation is missing in online purchase that appears in

offline shopping. Therefore there should be conveyance of online shopping.

Delivery Experience

E-Commerce industry is facing issues related to procurement operations and transportation in absence of integrated end to end logistics platform. Online purchases from Tier-2 and Tier-3 cities are expected to significantly increase. Low cost smartphones have accelerated e-shopping but, poor last mile connectivity could act as a deterrent. Keeping control on logistics and on ground fleet management, especially courier companies, is essential for growth.

Payments and Transactions

India continues to be a cash-based society in spite of introduction of cashless transactions. This, combined with a lack of consumer trust in online merchants, has forced companies to offer CoD services, which imposes significant financial cost for firms in the form of labor, cash handling and higher returns of purchased items. Data protection and the integrity of the system that handles the data and transactions are serious concerns. Companies should take necessary action for management cashless transactions.

Tax and Regulatory Environment

Laws regulating e-Commerce in India are still evolving and lack clarity. Favorable regulatory environment would be key towards unleashing the potential of e-Commerce. It could also help in efficiency in operations, creation of jobs, growth of the industry, and investments in back-end infrastructure. The interpretation of intricate tax norms and complex inter-state taxation rules make e-Commerce operations difficult to manage and to stay compliant to the laws. It is important for the e-Commerce companies to keep a check at every stage and adhere to the relevant laws, so as to avoid fines.

Operations Framework

Business models have been evolving rapidly in the e-Commerce sector largely due to heightened competition and the inability of players to sustain high costs. Companies in e-Commerce will need to adapt and innovate constantly to sustain their businesses. System building, financial and talent management become key.

Customer Acquisition

The customer acquisition costs in Indian e-Commerce have been climbing rapidly due to intense competition between multiple well-funded players. In the US, 75 percent of consumers have stated that they will usually switch between brands, and for the rest of the world, this rate is 60 percent according to Ecommerce Foundation. E-companies need to improve this situation in Indian market. This suggests companies should constantly work on their brand positioning

Digital Infrastructure

Digital disruption has driven change in the e-Commerce industry with shoppers embracing multiple touch points in their purchase journeys. Companies should spend enough resources on technology development as also advertising and branding, especially because the younger population is demanding.

Addressable Markets

Indian e-Commerce sector needs to closely watch the growth of their markets in the Tier 2 and 3 cities. They need to improve their logistics and supply chain management in these cities, do an effective demand management to keep an eye on what products are being sought in these cities. With e-Commerce largely being a borderless activity companies need to keep in mind that customers always have the option to buy across the border if they cannot fulfil customers' expectations.

Conclusions:

Emergence of new technologies, especially mobile, in India has sparked a social change that's difficult to quantify. Mobile, internet, and social media penetration and growth can be quantified, describing the changes in social values and lifestyles that have accompanied those trends is far more challenging. New technologies such as virtual walls and virtual mirrors will further help improve the retail customer experience, thereby encouraging greater consumption. Virtual mirrors let shoppers 'try on' clothes and accessories virtually before making buying decisions. Virtual walls help customers scan barcodes for items on an electronic wall using their mobile phones and place orders with retailers. In India,

HomeShop18 has launched India's first virtual-shopping wall. Scan N Shop at New Delhi's international airport uses a similar technological interface. Consumers understand global standards of product and service quality. Rural Indians recognize the differences between the opportunities available to them and those available to their urban counterparts. The number of mobile subscribers in India jumped from 261 million in 2007-2008 to 910 million in 2013-2014. Along with telephony, internet penetration is soaring in rural and urban India. Moreover, the number of rural internet users is growing by 58 percent annually.

Increases in the number of smartphones and 3G subscriptions are further driving this growth. Indeed, the number of smartphone users is expected to grow at a CAGR 91 percent from 2012 through 2016, jumping from 29 million to 382 million. Similarly, the number of 3G subscribers could expand at a CAGR of 84 percent from 23 million to 266 million during the same period. The rising internet penetration, the gross number of online users in India now exceeds the number of people who have completed primary education. The number of internet users soared from approximately 20 million in 2004 to nearly 250 million in 2014. The number of people who have studied beyond the eighth standard is about 200 million, indicating that even uneducated people are accessing the internet.

The e-Commerce industry in India may currently be behind its counterparts in a number of developed countries and even some emerging markets. However, with India's GDP growth pegged at 6.4 percent by the International Monetary Fund and the World Bank, it is expected to grow rapidly. The Indian e-Commerce industry has access to funds from within the country and international investors. Overall, the e-Commerce sector is maturing and a number of serious players are entering the market. Summarizing, there is humongous potential for e-Commerce companies owing to the growing internet user base and advancements in technology. But, this will not be without its share of challenges, be it operational, regulatory, or digital.
