

RESEARCH PAPER

Future of E- commerce in India

■ Shweta Yadav

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ABSTRACT

The future of e-commerce is bright and growth will come from mobile platforms, personalization, social media analytics, omni-channel service, and sharing economy business models. The listing of Alibaba on the New York Stock Exchange at the valuation of \$231 billion has brought global focus on the e-commerce market. The e-commerce industry continues to evolve and experience high growth in both developed and developing markets. With the emergence of non-banking players in the payments industry and innovative vertical specific startups, the Indian e-commerce market is expanding at a rapid pace. The digital commerce market in India has grown steadily from \$4.4 billion in 2012 to \$13.6 billion in 2016 while the global market is forecasted to reach \$1.5 trillion in 2016. Increasing mobile and internet penetration, m-commerce sales, advanced shipping and payment options, exciting discounts and the push into new international markets by e-businesses are the major drivers of this unprecedented growth.

KEY WORDS : Future of E-commerce

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The E-Commerce market is thriving and poised for robust growth in Asia. There are players who made a good beginning. Their success depends on their understanding of the market and offering various types of features. This paper gives an overview of the future of E-Commerce in India and discusses the future growth segments in India's E-Commerce. Also find out various factors that would be essential for future growth of Indian E-commerce. And represent the various opportunities for retailers, wholesalers, producers and for people. In this paper we found that the Overall E-Commerce will increase exponentially in coming years in the emerging market of India. The E-commerce

Industry in India has come a long way since its early days. The market has matured and new players have entered the market space. In the present dynamic scenario, e-commerce market in the B2C space is growing in demand as well as in the array of services. The transition to online purchasing from traditional purchasing is taking a long time in the Indian market. E-commerce includes not only buying and selling goods over Internet, but also various business processes within individual organizations that support the goal. As with e-commerce, e-business (electronic business) also has a number of different definitions and is used in a number of different contexts.

AUTHOR FOR CORRESPONDENCE

Shweta Yadav, Department of Commerce, Indira Gandhi University, Meerpur, Rewari (Haryana) India

Concepts and definitions:

E-commerce means electronic commerce. It means dealing in goods and services through the electronic

media and internet. E-commerce involves carrying on a business with the help of the internet and by using the information technology like Electronic Data Interchange (EDI). E-commerce relates to a website of the vendor on the Internet, who trades products or services directly to the customer from the portal. The portal uses a digital shopping cart or digital shopping basket system and allows payment through credit card, debit card or EFT (Electronic fund transfer) payments.

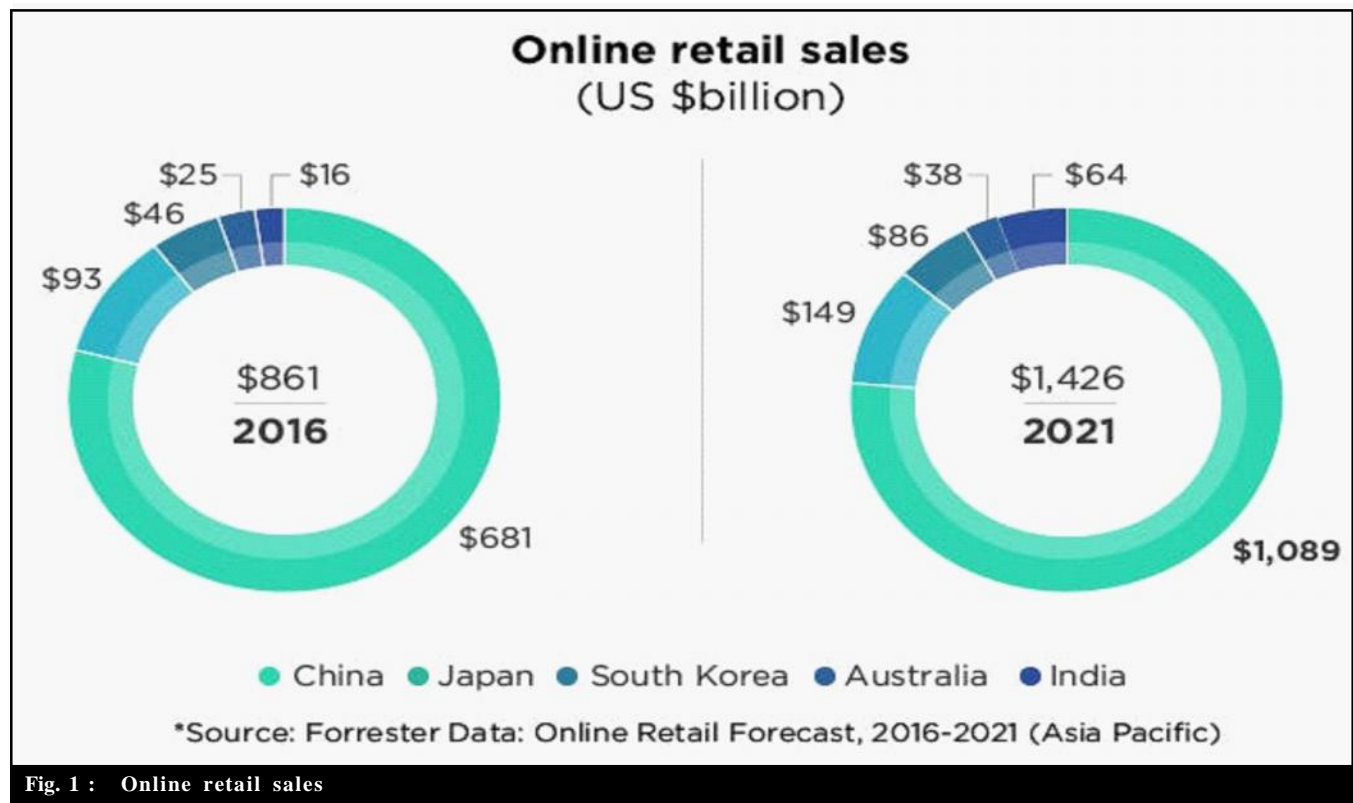
A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform and redefine relationships for value creation between or among organizations and between organizations and individuals.

The main types of electronic commerce are: business-to-business (B2B); business to- consumer (B2C); business-to-government (B2G); consumer-to-consumer (C2C); and mobile commerce (m-commerce).

E-commerce in India:

E-commerce has transformed the way business is done in India. With attractive and convenient shopping

options at the core of the consumer facing business, the e-commerce industry offers the power to create innovative, sustainable, consistent and seamless shopping experience across all channels. For developing countries like India, e-commerce offers considerable opportunity. Ecommerce in India is still in growing stage, but even the most-pessimistic projections indicate a boom. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia's second most populous nation (Kaur and Joshi, 2012). The first e-commerce site in India was rediff.com. It was one of the most trafficked portals for both Indian and nonresidents Indians. It provided a wealth of Indian-related business news a reach engine, ecommerce and web solution services. The past 2 years have seen a rise in the number of companies enabling e-commerce technologies and the internet in India. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenues. The web communities built around these portal sites with content have been effectively targeted to sell everything from



event and movie tickets the grocery and computers. The major in these services being Rediff.com and the net and India plaza which started a shopping section after. In spite of RBI regulation low internet usage e-commerce sites have popped up everywhere hawking things like groceries, bakery items, gifts, books, audio and video cassettes, computer etc. none of the major players have been deterred by the low PC penetration and credit card.

Future of E-commerce in India:

E-commerce is not new to Urban India but what is the future of E-commerce in India. Recently, we saw lot of activities in this space like Flipkart bought Letsbuy.com, Amazon.com announced its indirect entry in India through Junglee.com and of-course PE/VC investments in various E-commerce ventures like Snapdeal.com. With \$681 billion in online retail sales in 2016, China is the largest market for e-commerce globally, followed by the US and the fastest growing one is India.

We live in a world where we communicate with each other over mobile phones than we do face to face. For keeping in touch, shopping, hailing a cab, or ordering food... everything begins and ends with that Smartphone.

And it is only getting bigger. According to a new study by Forrester Research, approximately a fifth of total retail sales will take place online by 2021 in Asia Pacific, with 78 per cent of that coming from mobile, up from 63 per cent in 2016. The study adds that online retail via mobile will grow at a CAGR of 15.6 per cent, to reach \$1 trillion in 2020, up from \$539 billion in 2016.

China vs India:

China accounts for nearly 80 per cent of online retail sales in Asia Pacific, and Forrester expects it to become the first market to reach \$1 trillion in online retail sales in 2020. More than 19 per cent of all retail sales in China takes place online and it will reach 24 per cent by 2021.

Indian market is expected to reach \$64 billion by 2021, growing at a five-year CAGR of 31.2 per cent (Bansal, 2011).

Future of E-commerce in India:

India is developing rapidly and if development is to be measured, how can we ignore the role of e-commerce in it. The internet user base in India might still be a mere 100 million which is much less when compared to its penetration in the US or UK but it's surely expanding at

an alarming rate. The number of new entrants in this sphere is escalating daily and with growth rate reaching its zenith it can be presumed that in years to come, customary retailers will feel the need to switch to online business. Insights into increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced prices and busy lifestyles reveal this fact more prominently thereby giving way to online deals on gift vouchers. Going by the statistics, the E-commerce market in India was worth about \$2.5 billion in 2009. It rose to \$8.5 billion by 2011 thus depicting a definite surge in the last two years. According to a statement released by the Internet and Mobile Association of India (IAMAI), these figures would reach upto \$12 billion by 2012! To understand this scenario, we can divide E-commerce into three broad categories which include physical services, physical goods and virtual goods. Another category that is gradually making its mark is the local commerce (couponing, yellow pages, classifieds etc.) which offers significant overlaps with E-commerce. The 1st category of physical services is definitely the major contributor which includes travel ticketing, jobs, matrimonial and event management websites with travel sites accounting for 75 per cent of all E-commerce industries! It provides attractive deals too. The 2nd category of physical goods is the one currently gaining considerable attention, thanks to the hype created by new startups/stores being launched daily. Leaders in this division are Flipkart, Infibeam, Homeshop18, India times, Naaptol, Lets buy etc. each of which offers everything from mobile phones to pet food. The 3rd and final category of virtual goods and gift vouchers like online music, software's, movies, games, Taj Hotel gift vouchers, Reebok gift vouchers, Pizza Hut gift vouchers etc. have been relatively lagging behind in India as compared to Europe and America, primarily due to piracy concerns and the social perspective of Indians. But the scenario is expected to change with the digital downloads segment expected to grow in the Indian Ecommerce market due to the explosion of mobile devices and the services available over the Internet at special discounts. Certain unique attributes of the E-commerce industry in India such as cash on delivery mode of payment and direct imports that lower costs considerably are probably going to bring about a speedy growth in this industry in years to come. According to the latest research by Forrester, a leading global research and advisory firm, the e-

commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57 per cent between 2012-16.

E-commerce in India to explode in 2012, Indian e-shoppers will have a good time getting great deals and services online. A recent pan-India report released by Com Score Inc reveals that online shopping in India has touched a growth rate of 18 per cent and is only likely grow further. The report found that nearly 60 per cent of citizens in India visited a retail site in November 2011, with the number of online shoppers increasing by 18 per cent in the past year. E-commerce can become an integral part of sales strategy while it is one of the cheapest medium to reach out the new markets, if implemented successfully, it offer a smart way of expansion and doing e-commerce attribute to the successful implementation to carefully understanding the products and services, customers and the business process, easy -to-use system to extend the business on the web. A new report by the Boston Consulting Group says online retail in India could be a \$84 billion industry by 2016- more than 10 times its worth in 2010- and will account for 4.5 per cent of total retail. The e-commerce platforms maximize its reach to the potential customers and provide them with a convenient, satisfying and secure shopping experience.

Segments that recorded growth:

Online channels are playing an important role of connecting with consumers of unexplored markets. The journey of online spending that started with an increasing number of buyers of travel and holiday plans in the last decade has now extended to an increase in spends on household appliances and luxury products. While segments like apparel and luxury products have registered unprecedented growth in 2011, jewellery, electronic appliances and hardware products have shown promising growth trends as well. "Indian consumers are showing greater appetite to transact online, fuelling the e-commerce boom," said Anuj Kumar, CEO, Affle. The report also found that coupon sites are rapidly gaining popularity, with 16.5 per cent of the Indian online population visiting the category in November 2011 – 27.2 million online users in India aged 15 and older accessed the retail category from a home or work computer, an increase of 18 per cent from the previous year, as consumers continue to turn to the web to shop for and

purchase items and retailers continue to increase their online visibility through active marketing campaigns. Increase in shoppers of the coupon sites indicate that pricing is playing the role of catalyst in bringing more and more shoppers online. Many of these shoppers have shown affinity towards affordable online goods, which was priced lesser than the market price. Some of the largest retail subcategories revealed that coupons category was the largest with 7.6 million visitors as consumers rapidly adopt daily deal sites. Consumer electronics ranked next with 7.1 million visitors, growing at 12 per cent over the previous year, while 5.8 million online users visited comparison shopping sites, an increase of 25 per cent from the previous year.

India's prospects in E-commerce:

Let's draw a picture of a likely good case. Assuming that India sticks to its path, focusses on Prime Minister Narendra Modi's '4 Ds' and there are no shattering external events that will impact this course of direction; e-commerce will play a major role in Indian retail, probably more than anywhere else in the world. There are plenty of reports that underline common sense with numbers and try to capture the magnitude of this development. However, below are my top four no-brainer reasons why e-commerce in India will be huge.

Indians are getting richer:

With more jobs being created, the quality of lifestyle of Indians is going up. According to a report released last year by Economic Intelligence Unit, India is leading in the race to riches among 32 countries. Many 'new wealth builders' are being added to the list of rich Indians every year.

By our very nature, we Indians are consumers, not producers:

This is not a scientific evidence by all means and it does not have to be. Ask yourself: are Indians producers or consumers? When coming to a conclusion, take into account India's labour productivity compared to China and diabetes/chronic heart disease penetration in India (with rising income levels) versus other countries.

Indian consumption and retail will be so huge and it will create wealth for decades to come, because Indians love to consume, not save.

Slow growth of offline retail infrastructure:

It's evident that offline retail infrastructure will not grow as fast as India's huge thirst for consumption. This will give the online distribution channel a special kind of importance. I am of the firm opinion that e-commerce will be going way beyond the '12-per cent-of-total-retail' mark in India very quickly.

Smartphone penetration and data consumption rising quickly at unprecedented scale:

As per a recent report by Morgan Stanley, India is adding three new Internet users every second. Internet penetration connects players, enables transactions and thus enables retailing in a decentralised manner. Decentralised structures often times form the basis for an India-typical leap frogging (telecommunication, computers and now possibly solar power and online retail).

Opportunity for retailers:

A retailer can save his existence 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.

Opportunity for whole salers/ Distributer:

In the world of Ecommerce the existence of the wholesalers is at the greatest 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 advantage of E-Commerce who are capable of establishing contractors with reputed producers and linking their business with the on-line.

Opportunity for producers:

Producers can take advantages of e-commerce by linking themselves with on-line, by giving better information about their products to the other links in the business chain and by having a brand identity.

Opportunity for people:

As more people are getting linked with E-commerce, the demand for centre providing internet facility or cyber cafe is also increasing. Hence, the people who wish to take advantage of it can establish cyber and have their

benefits.

Essential factors for growth of E-Commerce in India:

Customer convenience:

By providing cash on delivery payment option service to customers.

Replacement guarantee:

Should be offer 30 day replacement guarantee to their customers.

Reach:

Enabling mobile-capable sites and supporting M-Commerce services.

Location based services:

Since customers these days are always on the move, promoting 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 relevant information is of utmost importance to users on the move.

Price comparison:

Providers offering instant price comparison are highly popular amongst the price conscious customers.

Shipment option:

Low cost shipment should be there. The convenience 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 determine the logistics planning.

Legal challenges:

There should be legal requirement of generating invoices for online transactions.

Quick service:

Timely service provided by the company.

Terms and condition:

T and C should be clear and realistic.

Quality:

The product quality should be same as shown on the portal. ? Customer care centre: A dedicated 24/7 customer care centre should be there.

A experts view about future growth of E-commerce in India:

Leading e-commerce portals in the country include Flipkart.com, Futurebazaar.com, Ebay.in, Homeshop18.com, Snapdeal.com, Indiaplaza.com, Starcj.com, Amazon.com, Fashionandyou.com, Rediffshopping.com., inkfruit.com, myntra.com, futurebazaar.com, yebhi.com, zoomin.com and hushbabies.com. Internet on mobile phones and e-commerce are set to lead the trend in the IT sector, Google India MD Rajan Anandan said on June 2012. Speaking at the 13th annual Confluence at the Indian Institute of Management, Ahmedabad (IIM-A) here, Anandan identified trends such as mobile internet, social networking, ecommerce and internet video as being the most important trends for any technology company to take advantage of. "We have seen 80-90 per cent growth in traffic month-on-month over the last three quarters. We have been gradually increasing the pace of hiring and over the next six months, we will add about 500 people," Snapdeal Chief Executive Director Kunal Behl said. "With the growing e-commerce industry in the country and major international players entering the market, the number of job offers would certainly look up," e-commerce firm Homeshop18.com CEO and founder Sundeep Malhotra said.

The online retail segment is expected to report strong growth in the coming years owing to growing Internet consumer base thanks to increasing use of smartphones, laptops/PCs and availability of Internet in the remotest part of the country. "e-commerce space is a booming space as Internet audience are likely to double in the next two-three years and this industry will require talent from various sectors like technology, product, analytics, sourcing, general management talent, merchandising and marketing," online retailer Fashionandyou.com co-founder and CEO Pearl Uppal

said. Another e-commerce player HomeShop18.com has grown by over 70 per cent in headcount terms in 2011 over the last year and is further poised to grow by a similar percentage this year, including an augmentation of the technology team. Meanwhile, the e-commerce sector is fast hiring the best talent available in the country and this placement season saw e-commerce companies recruiting big numbers at premier institutions like the Indian Institutes of Management (IIMs) and Indian Institute of Technology (IITs). According to a report by industry body Assocham, online retail segment is likely to be worth Rs.7,000 crore by 2015 due to rising broadband availability and increasing Internet penetration, from the Rs. 2,000 crore at present. It is growing at an annual rate of 35 per cent.

Conclusion:

The future of E-commerce is difficult to predict. There are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware products and apparel. There are also some essential factors which will significantly contribute to the boom of the E-commerce industry in India *i.e.* replacement guarantee, M-commerce services, location based services, multiple payment option, right content, shipment option, legal requirement of generating invoices for online transactions, quick Service, T and C should be clear and realistic, the product quality should be same as shown on the portal, dedicated 24/7 customer care centre should be there. We found various types of opportunities for retailers, wholesalers/distributors, producers and also for people. Retailers meet electronic orders and should be in touch with the consumers all the time. Wholesalers can take advantage of ECommerce who are capable of establishing contractors with reputed producers and linking their business with the on-line. Producers can also linking themselves with on-line, by giving better information about their products to the other links in the business chain and by having a brand identity. As more people are getting linked with E-commerce, the demand for centre providing internet facility or cyber cafe is also increasing. Hence, the people who wish to take advantage of it can establish cyber and have their benefits. People could found various opportunities of employment. On the behalf of above said reports and experts view showed that the future of e-commerce in India would be bright in the upcoming years if all essential factors would be

implemented.

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