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Future of E-Commerce in India Challenges & Opportunities

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Abstract

E-commerce is definitely one of the business options that one will have to explore in the future. E-commerce is said to bring about paradigm shift in the world for trading. Prediction e-commerce is showing tremendous business growth in our country. Backed by increased online user base & mobile phone presentation, Indian e-commerce has seen impressive growth in the last few years. Considering India's demographic dividend & rising internet accessibility, the sector is slated to scale greater heights. Although, India's overall retail opportunity is substantial, the sector is beset with some serious challenges.

The present study has been undertaken to describe the present status & future growth of e-commerce in India. Analyze the present trends of e-commerce in India & examine the challenges & opportunities of e-commerce in India.

Keywords: E-commerce, Online retail, Increasing internet users, Electronic fund transfer.

Introduction

E-commerce stands for electronic commerce. It means dealing in goods & services through the electronic media & internet. The rapid growth of e-commerce in India is being driven by greater customer choice & improved convenience with the help of internet the vendor or merchant who sells products or services directly to the customer from the portal using a shopping basket system or digital cart & allows payment through debit card, credit card or electronic fund transfer payments. In the present scenario e-commerce market & its space is increasing in demand as well as an impressive display or range of a particular type of services. E-commerce is already appearing in all areas of business, customer services, new product development & design. E-commerce business is growing in India because of wide range of product with minimum price wide range of suppliers & customers internet. In this modern era every business units want to join online business because increasing ratio of internet users in India. E-commerce in India is still in growing stage but it offers considerable opportunity.

Definition: The buying & selling of products & services by businesses & customers through on electronic medium, without using any paper documents. E-commerce is widely considered the buying & selling of products over the internet, but any transaction that is completed solely through electronic measures can be considered e-commerce.

E-commerce is subdivided into three- categories: business to business or B 2 B (Cisco), business to consumer or B 2 C (Amazon) & Consumer to consumer C 2 C (eBay).

Objectives of Study

The objectives of present study are:

1. To analyze the present trends & opportunities of e-commerce in India.
2. To examine the barriers of e-commerce in India.
3. To find out the growth factors of e-commerce in India.

Methodology

Research methodology: The Process used to collect information & data for the purpose of making business decisions. The methodology may include publication research, interview, surveys & other research techniques & could include both present & historical information.

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Research design: The researcher has used only secondary data that has been collected from various articles, journals, books, websites etc. It has been used to study the evaluation, conceptual framework, definition, key players, present trends, future prospectus & barriers of e-commerce. The researcher also used quantitative research that is the systematic empirical investigation of variables phenomena via statistical & mathematical, theories pertaining to phenomena

All the data included is the secondary base & proper references have been given wherever necessary.

Result & discussion

India has an internet user base of about 354 million as of June 2015. Despite being third largest user base in world, the penetration of e-commerce is low compared to markets like the United States, United Kingdom or France but is growing much faster, adding around 6 million new entrants every month. The industry consensus is that growth is at an inflection point.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorized distributors and e-commerce offerings.

As of first Quarter, 2015, seven Indian e-commerce companies have managed to achieve billion-dollar valuation. Viz. Flipkart, Snapdeal, InMobi, Quikr, Amazon India, OlaCabs, and Paytm.

Market size and growth

India's e-commerce market was worth about \$3.8 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 70% of India's e-commerce market is travel related. According to Google India, there were 35 million online shoppers in India in 2014 Quarter 1 and is expected to cross 100 million mark by end of year 2016. Compound Annual Growth Rate (CAGR) vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales.

Key drivers in Indian e-commerce are

- Large percentage of population subscribed to broadband Internet, burgeoning 3G internet users, and a recent introduction of 4G across the country.
- Explosive growth of Smartphone users, soon to be world's second largest Smartphone user base.
- Rising standards of living as result of fast decline in poverty rate.
- Availability of much wider product range (including long tail and Direct Imports) compared to what is available at brick and mortar retailers.
- Competitive prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs.
- Increased usage of online classified sites, with more consumers buying and selling second-hand goods.
- Evolution of Million-Dollar startups like Jabong.com, Saavn, Makemytrip, Bookmyshow, Zomato Flipkart, Snapdeal Etc.

India's retail market is estimated at \$470 billion in 2011 and is expected to grow to \$675 Bn by 2016 and \$850 Bn by 2020, – estimated CAGR of 10%. According to Forrester, the e-commerce market in India is set to grow the fastest within

the Asia-Pacific Region at a Compound Annual Growth Rate of over 57% between 2012–16.

As per "India Goes Digital", a report by Avendus Capital, a leading Indian Investment Bank specializing in digital media and technology sector, the Indian e-commerce market is estimated at Rs 28,500 Crore (\$6.3 billion) for the year 2011. Online travel constitutes a sizable portion (87%) of this market today. Online travel market in India is expected to grow at a rate of 22% over the next 4 years and reach Rs 54,800 Crore (\$12.2 billion) in size by 2015. Indian e-tailing industry is estimated at Rs 3,600 crore (US\$800 mn) in 2011 and estimated to grow to Rs 53,000 Crore (\$11.8 billion) in 2015.

Overall e-commerce market is expected to reach Rs 1,07,800 crores (US\$24 billion) by the year 2015 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile/Direct To Home recharge (DTH) with nearly 1 million transactions daily by operator websites.

New sector in e-commerce is online medicine. Company like Reckwing-India, Buyonkart, Healthkart already selling complementary and alternative medicine whereas Net Med has started selling prescription medicine online after raising fund from General Insurance Corporation and Stead view capital citing there are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license.

The state of Indian E-commerce – trends and opportunities

E-commerce has come a long way since its inception and is only getting bigger. As technology continues to grow rapidly, e-commerce retailers are adopting newer techniques to facilitate sellers and buyers to sell and buy online more efficiently, thanks to ever dropping rates of internet surfing – both for web and mobile interfaces – which is complimenting to the soaring population of internet users. It has hence become the key force behind driving the trend for e-commerce. The rise of social networks and mass adoption of mobile devices is acting as a catalyst to accelerate this drive further, shaping the e-commerce trends for the Indian market.

Consumers are more connected than ever before and have more information and choices at their fingertips today. They are leaving behind their preferences, behaviour and interests, which create a knowledge ground for e-commerce companies to analyze behaviour pattern and offer more interesting and competitive products.

The proliferation of this digital activity and resulting data is a stimulating factor for devising e-commerce strategies, thus affecting the business model and driving growth for e-commerce players in the Indian market. Let us establish more understanding considering the current scenario and insighting some of the upcoming trends in this space.

Critical health of sector: Losers and gainers

According to a study by Accel Partners, online shopping of physical goods in India will grow to US\$ 8.5 billion in 2016 and the number of online shoppers in India will be more than double to 40 million. The internet user base is predicted to increase to 300 million by 2015.

Does that mean that e-commerce is here to stay, and every small and big fish will survive? That might not be the case. The ones that show potential to succeed are international

deep-pocket incumbents who have experience, concepts and variety of offerings, and tend to grow at a fast pace as compared to the other existing players in the Indian market. Even Indian e-commerce players are trying hard to bring in similar concepts as their international competitors. They are trying to bring impending and imminent consolidation, which is evident from the probable mergers of India's biggest e-commerce players.

Key market and technology trends that we believe will define e-commerce in near future include:

Brand loyalty

Price has been the dominating factor in the Indian market and the customer is not hesitant in changing brands frequently to avail the lucrative offers presented by competing brands. There is a lot that e-commerce players in India would have to do to make their customers feel special to retain them, as the loyalty erodes fast when the shopper is confronted with promotions and deals. Knowing what your customers want and offering them accordingly can possibly drive this, which is possible by using big data techniques to predict consumer preference and behaviour.

Retailer's own logistics

Logistics have been a major issue for online retailers in India, which leads them to build their own strategies in the absence of established systems to handle cash-on-delivery (CoD) and same-day shipments. Online market leaders are choosing to build their own logistics such as Flipkart, who has launched eKart that is open to its rivals as well.

Cod rules in India

The Indian market is yet not comfortable to adopt payments through credit or debit cards. Cash-on-delivery (CoD) accounts for up to 60 per cent of transactions, according to Internet and Mobile Association of India and audit firm KPMG. Overdependence on cash-on-delivery mode of payment remains worrisome as the transactions add about 3 per cent additional costs. Also, the additional processes required for cash-on-delivery orders, longer payment cycle, higher instances of returns and associated costs are hurting margins.

Improving customer experience with varied offerings and options

With the advent of technology, online retailers are devising attractive delivery options such as same-day delivery or delivery within an hour, perks on buying from mobile apps, and try @ home @ your door for consumers that are leading improved customer experience. To further improve customer experiences, we might also see adoption of international practices such as digital or experiential stores and showrooms, pop-up and fulfillment stores and drones that will fascinate the Indian market. The other technologies that will affect these trends and help shape the e-commerce business include:

Big data

To gain, retain and attain more customers, online retailers would have to leverage technology to the fullest, and by developing strategies through analytics produced using big data will help in making customers feel special and increase brand loyalty. With the increasing adoption and use of Smartphone's, businesses are able to collect large amount of

data on consumers, which can be further utilized to do target-based marketing and advertising.

Mobile

Brands have taken the mobile advertising route and are gradually picking up. Online retailers have realized the potential increase of online shoppers through their mobile phones in future. And as consumers grow more comfortable with using mobile devices for browsing and shopping, they are now more open to getting messages from brands via their mobiles. Businesses are implementing strategies for integrating mobile into their marketing campaigns and before they do that, they will have to make efforts to optimize legacy websites for mobile in order to improve customer experience. This is where responsive design will come into play. Fixing the mobile clicks is imperative as an unresponsive design may lead to the customer abandoning the site in a few seconds causing a low conversion rate and poor return on investments.

Social

Another important consideration is the social aspect and marketers have realized its importance very well. Product and service feedback via social media channels have an impressionable effect on the minds of the larger customer base.

Advantages of e-commerce

To Consumers

The distinct advantages e-commerce can offer to the consumers include but are not confined to the following only:

- (i) Consumers have a much wider choice available on the cyber market.
- (ii) They bear lower costs for products due to increased on-line competition among sellers.
- (iii) Because of wide-scale information dissemination, consumers can compare products, features, prices and even look up reviews before they select what they want.
- (iv) They enjoy wider access to assistance and to advice from experts and peers.
- (v) They enjoy saving in shopping time and money.
- (vi) Consumers also avail of fast services and delivery of products and services.
- (vii) They also have the convenience of having their orders delivered right to the door step.
- (viii) Finally, consumers are driven to e-shopping in hordes as even branded goods cost less on the Net.

To Suppliers

The major advantages that e-commerce can bring to the companies/suppliers are:

1. It minimizes inventory cost

E-commerce venture need not maintain huge inventories or expensive retail showrooms. Their marketing and sales force is a fraction of that of traditional mortar-based businesses. E-commerce can minimize inventory costs by adopting just-in-time (JIT) system enhancing the firm's ability to forecast demand more accurately.

2. It can improve customer services

It has been found that providing both customer and after-sale services account for up to 10 per cent of the operating costs.

By putting these services on-line under e-commerce, these costs get reduced, on the one hand, and simultaneously the quality of services also gets improved, on the other.

High quality customer relationship called “customization” is crucial for retaining customers in the e-commerce environment. That is the reason why Customer Relationship Management (CRM) has become the buzzword which everybody is talking of now. E-commerce provides ample opportunity for Customer Relationship Management solution and, in turn, in establishing better relationship with the customers.

It becomes absolutely necessary for the company to enhance customer loyalty. Otherwise the customer, who is full of choices, can jump from one website to another. If company is to stay in business then it will have to deliver the products or services to customers as they want, when they want, and how they want.

3. It reduces distribution costs as well

The Electronic Data Interchange (EDI) based on Organization for Economic Co-operation and Development (OECD) study has revealed that the time needed to process an order declined abruptly by a minimum of 50 per cent to a maximum of 96 per cent. It is really amazing.

4. It helps business globalize

E-commerce by minimizing costs enables companies’ especially small ones to make information on its products and services available to all the potential customers spread over worldwide. This is well confirmed by Amazon. Com. founded by Jeff Bezos, the largest bookstore in the net by taking away a large amount of sales from the traditional booksellers. In India, the experience of reinfusion-on-the- net presents the similar case.

5. It helps market products more quickly

By taking the entire product design process online, drawing partners and customers into the process and removing the traditional communication barriers, companies can bring products and services to market far more quickly. Internet commerce solutions allow customer to reduce the costs of sales and open new markets, speed and simplify order accuracy, approval, and processing, tracking and delivery and improve decision making, leverage existing investments in infrastructure, business systems and repositions and link manufacturers with suppliers on the same network.

Challenges & opportunities

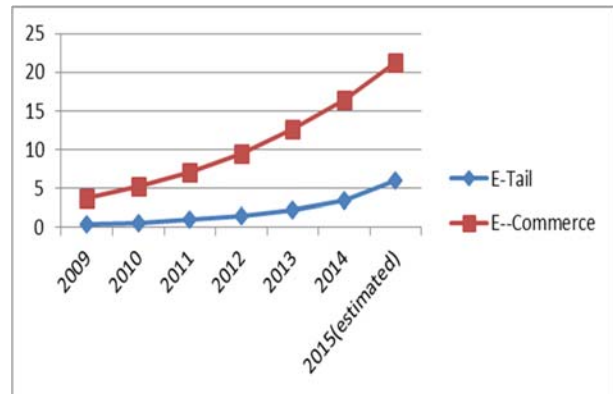
Backed by increased online user base & mobile phone penetration, Indian e-commerce has seen impressive growth in the last few years. Considering India’s demographic dividend & rising internet accessibility, the sector is slated to scale greater heights.

Although, India’s overall retail opportunity is substantial, the sector is beset with some serious challenges. We take into the current e-commerce landscape & the sector’s key drivers & challenges.

India’s Growth Potential

Since the e-commerce industry is fast rising, changes can be seen over year. The sector in India has grown by 34% (CAGR) since 2009 to touch \$16.4 bn in 2014. The sector is expected to be in range of \$22 bn in 2015.

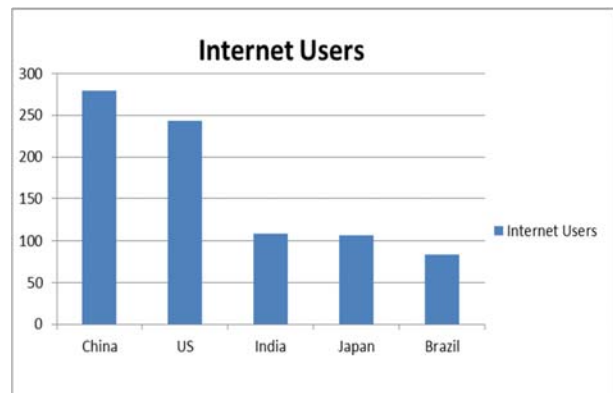
Year	E-Tail	E-Commerce
2009	0.4	3.8
2010	0.6	5.3
2011	1	7
2012	1.5	9.5
2013	2.3	12.6
2014	3.5	16.4
2015	6	21.3



Factors that will fuel growth

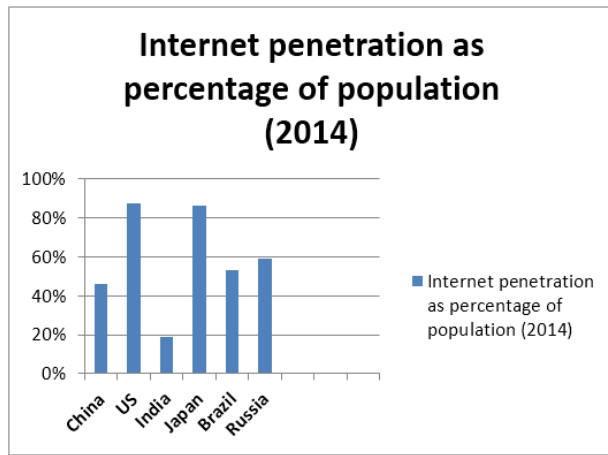
A significantly low (19%) but fast-growing internet population of 243 mn in 2014 is an indicator of the sector’s huge growth potential in India.

Country Name	Internet users by country: In Million (2014)
China	641
US	279
India	243
Japan	109
Brazil	107
Russia	84



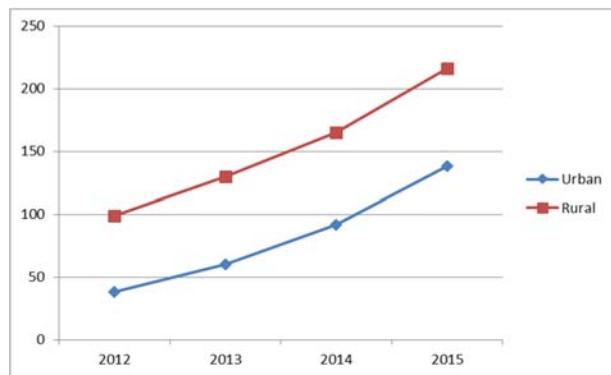
Internet penetration as percentage of population (2014)

Country Name	Internet penetration as percentage of population (2014)
China	46%
US	87%
India	19%
Japan	86%
Brazil	53%
Russia	59%



Geographical Distribution of Internet Users in India (MN)

Year	Urban	Rural
June 2012	38	99
June 2013	60	130
June 2014	92	165
June 2015	138	216



Challenges in the e-commerce sector

While the growth in this sector excited entrepreneurs & financial investors alike, some serious challenges are beginning to weight down on the sector. E-commerce players in India need address eight key aspects of their business, both internal & external.



Conclusion

E-commerce is changing the way of buying & selling of product & services in India. E-commerce is future of shopping. Due to E-commerce the gap has been reduced between manufacturer & consumer. According to Indian population their vast scope for e-commerce because currently in India only 19% people using internet for selling & buying goods & services so remaining percentage we can considered that we having scope in Indian Market. There is weak Cyber security Law in India that is why Indian People are facing challenges toward e-commerce. The future of e-commerce e in India would be bright in the upcoming years if all essential factors would be implemented, by establishing cyber & have their benefits as per people wish. The role of government is to provide a legal framework for e-commerce so that while domestic & international trade are allowed to expand their horizons, basic right such as privacy, intellectual property, prevention of fraud, consumer protection etc. are all taken care of. The expansion of e-commerce has been developed in rural as well as urban area in reign able cost for consumption, because of that more people are getting linked with e-commerce & the ratio of that is getting increase day by day.

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