



E-COMMERCE INDUSTRY IN INDIA

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**ABSTRACT**

Today's world is not an ordinary world or common world; we are living in online world or Internet world for each and everything we are depending on Internet and Internet has become part and parcel of human life. We are using internet not only for browsing information or exchanging the information and also for everything what we are needed for our day today life. Yes our people are using Internet for each and everything like for booking tickets of train, bus and flight, for payments, for banking transactions, for social networking, and also for shopping of day to day needed goods. In previous days only few people who are having personal computers were using internet for only some purposes, but today almost all especially young people are using internet for different purposes. Because today people are not only having personal computers but also laptops, notebooks, tablets, palmtops and smart phones and they are having 3G, 3G + and 4G networks from them the can easily access the internet. Day by day internet users are tremendously increasing in India due to large availability of smart phones, faster networks, and cheaper broadband services and the internet transactions are also increasing and customers are attracted by the different benefits provided by online shopping and the number of online service providers also increasing. Today human life has become onlife, everything thing will be purchased through internet only and they don't want only products and services but also they need the different benefits along with the shopping like discounts, offers, big deals, different brands, variety of choices, convenience payments and delivery, and time saving. Due to all these reasons e-commerce transactions are increasing and the e-commerce industry in India is also growing day by day. The advertisement revenue by the online service provider is also increasing year by year and Compound Annual Growth Rate (CAGR) is also increasing. This paper gives a brief picture of growth of e-commerce industry in India and the present status of e-commerce industry.

KEY WORDS: *Internet, online shopping, Advertisement Revenue, e-commerce Industry.*



INTRODUCTION

Electronic commerce, commonly known as e-commerce or ecommerce, is a type of industry where the buying and selling of products or services is conducted over electronic systems such as the Internet and other computer networks. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle, although it may encompass a wider range of technologies such as e-mail, mobile devices, social media, and telephones as well. Electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of data to facilitate the financing and payment aspects of business transactions. This is an effective and efficient way of communicating within an organization and one of the most effective and useful ways of conducting business.

There are basically 3 transactions that take place in an E-Commerce system:

I. Product flow

Movement of goods from suppliers to end consumers through E-Commerce and logistics players

II. Information flow

Information transmission of orders from customers and subsequent information flow of order status through the value chain

III. Monetary flow

It involves payments from consumers to e-Commerce players and suppliers and vice-versa through financial intermediaries

TOP REASONS GIVEN BY SHOPPERS IN BUYING THROUGH INTERNET

(a) Safety Reasons (b) Saves time and efforts (c) Convenience of shopping at home (d) Wide

variety / range of products are available (e) Good discounts / lower prices (f) Get detailed information of the product (g) You can compare various models / brands (h) An insight into some of the problems stated by customers.

THE GROWTH STORY OF E-COMMERCE IN INDIA

Started in India in the year with the introduction of B2B portals in 1996, now E-Commerce is all set to become one of the successful medium for business transactions.

1) Between 2000 and 2005

The first wave of E-Commerce in India was characterized by a small online shopping user base, low internet penetration, slow internet speed, low consumer acceptance of online shopping and inadequate logistics infrastructure. Thereafter, the IT downturn in 2000 led to the collapse of more than 1,000 E-Commerce businesses in India. Following this, there was muted activity in the space in India between 2000 and 2005.

2) Between 2005 and 2010

There were basically two major transitions that took place that aided in the build of E-Commerce story in India. They were:

a. Online Travel

The entry of Low Cost Carriers (LCCs) in the Indian aviation sector in 2005 marked the beginning of the second wave of e-Commerce in India. The decision of LCCs to sell their tickets online and through third parties enabled the development of Online Travel Agents (OTAs). They developed their own websites and partnered with OTAs to distribute their tickets online. The Indian Railways had already implemented the e-ticket booking initiative by the time LCCs started their online ticket booking schemes.

b. Online Retail

The growth of online retail was partly driven by changing urban consumer lifestyle and the need for convenience of shopping at home. This segment developed in the second wave in 2007 with the launch of multiple online retail

websites. New businesses were driven by entrepreneurs who looked to differentiate themselves by enhancing customer experience and establishing a strong market presence.

3) 2010 onwards

Group buying:-

Starting in 2010, the group buying and daily deals models became a sought after space for entrepreneurs in India, emulating the global trend. Group-buying sites have seen a significant rise in the number of unique visitors and membership.

Social Commerce

It is a key avenue for E-Commerce players to reach out to target customers. Companies have started establishing their presence in the social media space for branding activities, connecting with customers for feedback and advertising new product launches.

PRESENT STATUS OF ECOMMERCE IN INDIA

The e-commerce market in India has been growing by leaps and bounds for the last few years. The trend is expected to continue as the e-commerce market in India is estimated to be worth \$16 billion in 2013 and is expected to touch \$56 billion by 2023, according to the latest ASSOCHAM report. Consumer behavior and shopping-trends have helped the Indian e-commerce industry to record a staggering 85% growth in 2013. The e-commerce market in India will control 6.5% of total retail market by 2023.

The ASSOCHAM report on ecommerce market in India 2013 - 2023 is based upon the survey responses received from recently conducted surveys of over 3,500 traders & organized retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmadabad and Kolkata. The result claims that Mumbai leads the other cities in number of online shoppers, followed by Delhi and Kolkata. It's surprising to know that the silicon hub of India - Bangalore, fails to make it to the top 3 places despite of a superior technology infrastructure and a large number of technology

professionals who are quite used to internet usage.

Young generation on the internet has emerged as the driving force behind the growth of the e-commerce industry in India. Nearly 90% of online shoppers in India belong to the 18 - 35 year age group, while 8% fall in the 36 - 45 year age group. While classifying the online shoppers based upon gender, men contribute more to online shopping revenue. Nearly 65% of online shoppers in India are male as against 35%, who are female.

Top 10 Indian E-Commerce Companies on Facebook

(1) Olx.in (2) Junglee (3) Snapdeal (4) Bewakoof.com (5) BookmyShow (6) Amazon India (7) Flipkart (8) Jabong (9) Hungama.com (10) Lootore.com. (Source: Simply 360°)

STATISTICS

- * The Indian E-commerce market scale was evaluated around \$16 Billion in 2013 and is expected to reach \$56 Billion by the fall of 2023.
- * The growth rate has touched 85% mark till now and in next ten years, it is projected to acquire 6.5% of the total retail market if India.
- * India has secured position in top 10 countries list of ecommerce chosen by online buyers.
- * In a research conducted by eMarketer, it is stated that India crossed \$1.08875 trillion of ecommerce sales internationally. It recorded 21.9% yearly growth as compared to 2011 and 19.3% jump in global sales.
- * More than 7.6 million people are found visiting deals and discounts based websites, which is a proof itself of their growing fad for online shopping.

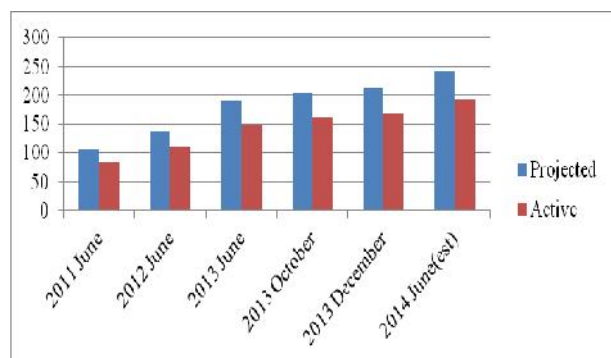
- * As per a study, Indian ecommerce is emerging as the biggest B2C marketplace of Asia after recording an increase of 355 and by 2020 it is likely to appear as the central point for startups, investors and entrepreneurial activities.

This tremendous growth and trending shopping habits have brought a surge of new online companies that have created a competitive atmosphere. The attention grabbing ads, tempting offers and discounts, free gifts, endless deals sites, easy return & exchange and many such feats are the result of this brewing competition.

Table-1 Internet Users in India (in Millions)

Year	Projected	Active
2011 June	106	84
2012 June	137	111
2013 June	190	149
2013 October	205	162
2013 December	213	169
2014 June(est.)	243	192

Figure1, Internet Users in India (in Millions)



Source: Internet and Mobile Association of India (IMAI)

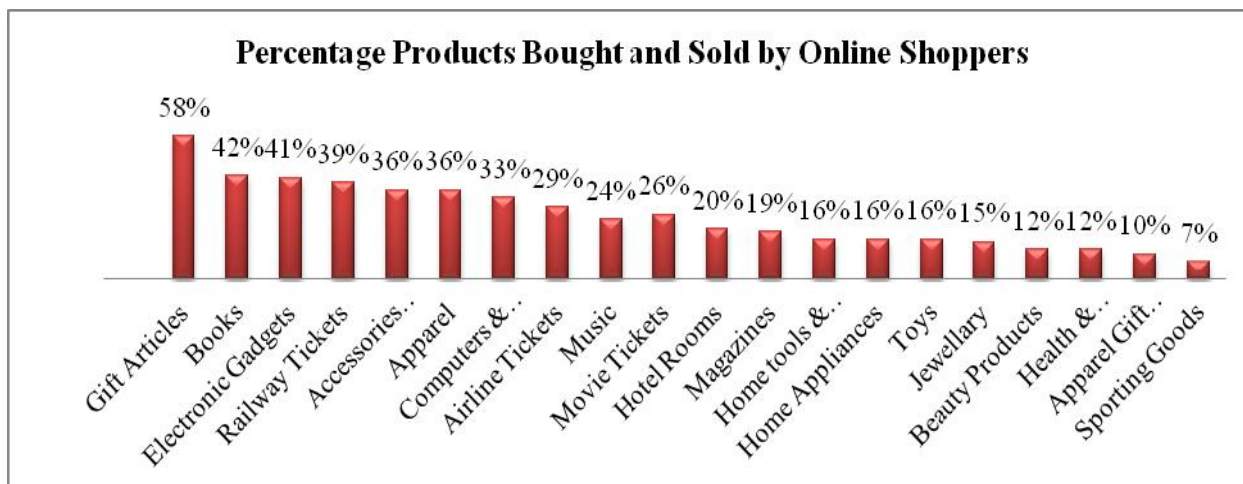
With more India's online shopping registering a phenomenal 100 per cent annual growth, many retail chains and consumer durable companies are joining the Web bandwagon to tap the e-shopping market, as per ASSOCHAM. The products that are sold most are in the tech and fashion category, which include mobile phones, ipad and accessories, MP3 players, digital cameras and jewellery, among others, points out ASSOCHAM.

Most products bought & sold off through online comprise Gift articles (58%), books (42%), electronic gadgets (41%), railway tickets (39%), accessories apparel (36%), apparel (36%), computer and peripherals (33%), airline tickets (29%), music (24%), movies tickets (26%), hotel rooms (20%), magazine (19%), home tools and products (16%), home appliances (16%), toys (16%), jewelry (15%), beauty products (12%), health and fitness products (12%), apparel gift certificates(10%) and sporting goods (7%), adds the survey.

Table-2, Percentage of Products Bought and Sold by Online Shoppers

Products	Percentage of Products including in Online
Gift Articles	58
Books	42
Electronic Gadgets	41
Railway Tickets	39
Accessories Apparel	36
Apparel	36
Computers & Peripherals	33
Airline Tickets	29
Music	24
Movie Tickets	26
Hotel Rooms	20
Magazines	19
Home tools & Products	16
Home Appliances	16
Toys	16
Jewellery	15
Beauty Products	12
Health & Fitness Products	12
Apparel Gift Certificates	10
Sporting Goods	7

Figure-2, Percentage of Products Bought and Sold by Online Shoppers



Source: ASSOCHAM Report, December 2013.

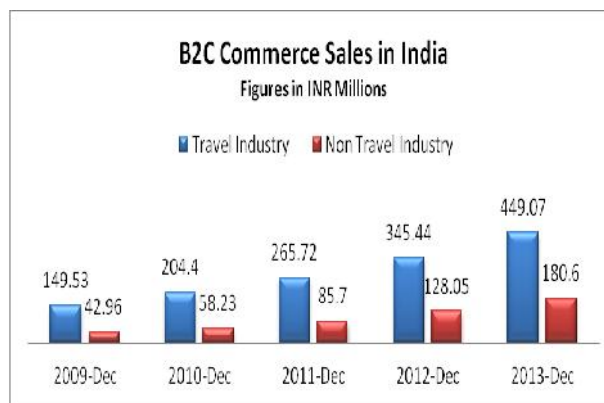
Nearly 10% of the total population in India is on the internet now and with a growing penetration India is expected to leapfrog U.S. to become the second largest country by the number of internet users. According to a report from ComScore, three out of every five internet users in India are shopping online. This has made India, one of the most lucrative markets for global e-commerce giants, especially the likes of Amazon and Alibaba. While Amazon has already ventured into the Indian market, Alibaba is keen to make a perfect start. Rumours have claimed that the poster boy of Indian e-commerce industry - Flipkart, is on the cards for both giants, but a recent statement from Sachin Bansal - CEO & CO-Founder, Flipkart, has ruled out any possibilities of acquisition. According to the survey, India's e-commerce market, which stood at \$2.5 billion in 2009, reached \$8.5 billion in 2012 and rose 88 per cent to touch \$16 billion in 2013. The survey estimates the country's e-commerce market to reach \$56 billion by 2023, driven by rising online retail. As per responses by 3,500 traders and organised retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmedabad and Kolkata who participated in the survey, online shopping grew at a rapid pace in 2013 due to aggressive online discounts, rising fuel prices and availability of abundant online options.

Table-3 B2C Commerce Sales in India (Figures in INR Millions)

Year	Travel Industry	Non Travel Industry
2009-Dec	149.53	42.96
2010-Dec	204.4	58.23
2011-Dec	265.72	85.7
2012-Dec	345.44	128.05
2013-Dec	449.07	180.6

Source: Marketer Online Travel India Report, June-2013

Figure-3, B2C Commerce Sales in India (Figures in INR Millions)



Source: Marketer Online Travel India Report, June-2013

The growth of Internet users has also led to a substantial growth of other digital industries such as e-commerce and digital advertising, it added. Digital commerce market stood at Rs 8,146 crore in December 2007 and it grew to Rs 47,349 crore by the end of 2012. At the end of December 2013, digital commerce in India grew to Rs 62,967 crore. Digital Advertising has also been witnessing a steady growth. The study projects

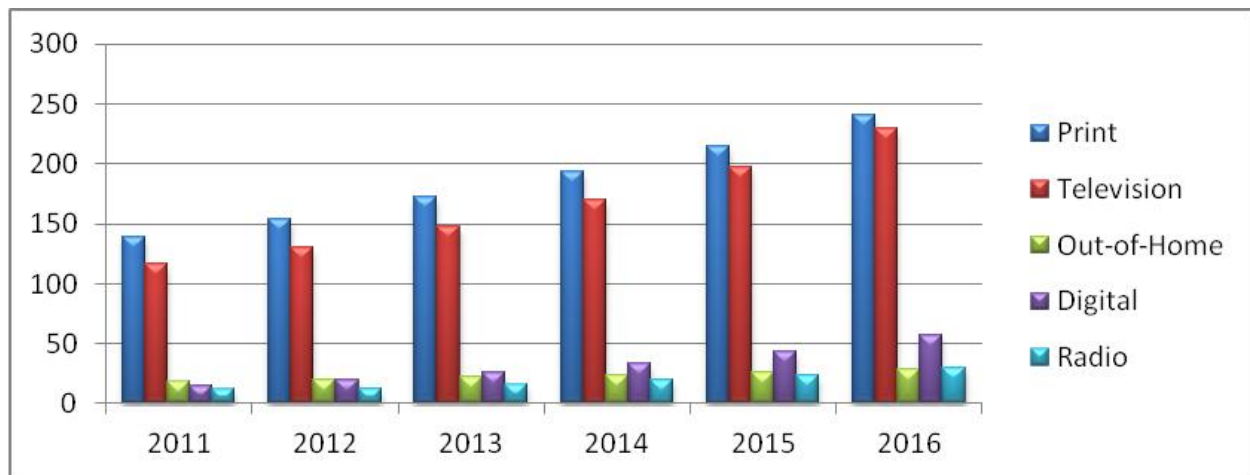
the online advertising market in India to touch Rs 2,938 crore by March 2014. At the same time the online advertisements expenditure is increasing year by year and because of online advertisements by online shoppers the advertisements revenue is also increasing by different medias year by year.

Table-4, Advertisement Revenues by Medias in India (Billions of INR)

Year	Print	Television	Out-of-Home	Digital	Radio	Total
2011	139	116	18	15	12	300
2012	154	130	20	20	13	337
2013	172	148	22	26	16	384
2014	193	170	24	34	20	441
2015	215	197	26	44	24	506
2016	241	230	29	57	30	587
CAGR	11.50%	14.70%	10%	29.90%	20.70%	14.30%

Source: Indian Online Advertisement Forecast,2014, Magna Global 2013 & emarketer 2013

Figure-4, Advertisement Revenues by Medias in India (Billions of INR)



Source: Indian Online Advertisement Forecast- 2014, Magna Global 2013 & emarketer 2013.

CONCLUSION

Despite having several glitches on national, governmental, technological and economy fronts, Indian ecommerce has bloomed into a powerful industry. Even though the market is witnessing staggering growth rates, majority of the players are still facing dire shortage of funds. Raising capital funds to support daily business operations and online advertising expenses have become a major challenge for such players. Online retail operators, especially the inventory based players, are suffering from cost stack ups and charges incurred against customers opting for 'Cash on Delivery' mode of payment. In India Online shopping accounts for less than one percent of the total shopping in the country. Total global online sales reached

\$1.22 trillion in 2013. In China alone it was around \$200 billion. In order to overcome from these problems the online shoppers need financial assistance from both government and private sector and it has to create loyalty and trust in the minds of customers. Finally ecommerce industry still it has to reach to the minds of the people not only in Metropolitan cities but also in other big cities, small cities and especially in small cities. It has to create awareness in the rural sector about the benefits of online shopping. Because in recent days mobile phones have become basic need of human beings especially smart phones and these are internet enabled, and they play an important role in increasing the business of online shoppers.

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