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**In-Depth Exploration of E-Commerce Expansion in the Indian Market :**

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**Abstract:**

E-commerce has emerged as one of the fastest-growing segments in the Indian economy. Despite experiencing high growth rates, the Indian e-commerce industry has lagged behind its counterparts in developed and emerging economies due to a relatively low internet user base. However, increased technological proliferation, along with internet and mobile penetration, is creating a favorable ecosystem for the development of e-commerce in India. This report aims to explore the evolution of e-commerce in India, identify various challenges, and analyze factors contributing to its future growth and development.

**Current Scenario:**

According to a study conducted by the global management consultancy firm AT Kearney in 2015, India had only 39 million online buyers, a small fraction of its 1.2 billion population. However, with the launch of 4G services and a decline in data plan tariffs and prices of data cards/USB dongles, the cost of owning an effective internet connection has reduced. Additionally, the availability of low-cost smartphones and the extension of internet and broadband to remote areas are expected to boost the internet user base, bridging the gap between potential online buyers and actual buyers.

**Demographic Dividend:**

India's demographic dividend, characterized by a large and young population, favors the growth of e-commerce. The tech-savvy younger generation is increasingly embracing online shopping, contributing to the expansion of the e-commerce market.

**Challenges:**

The survival of e-commerce firms in India's highly dynamic environment is challenging, given the cutthroat competition prevailing in the sector. Firms are required to constantly adapt and innovate while providing an information-rich and seamless experience to ensure customer loyalty.

**Growth of E-commerce in India:**

B2G (Business to Government) – It involves interaction between business and public sector via internet technologies, for the purpose of licensing and tax procedures and other

government related operations. The size of B2G in e-commerce market is insignificant. E-commerce in India has seen tremendous growth in the recent years, especially, in the B2C segment, thriving on various advantages like convenience, time saving, easy comparison and feedback, availability of options and comparatively low prices, over the traditional business.

(Franco & S, 2016). According to a research by Forrester, a leading global research and advisory firm, the e-commerce market in India was estimated to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012-16. The report, titled "Asia Pacific Online Retail Forecast, 2011 To 2016," had been issued by Forrester Research Inc. Analyst Zia Daniell Wigder, with Steven Noble, Vikram Sehgal and Lily Varon. (Chanana & Goele, 2012).

The recent surge in the number of online vendors, big as well as small, favourable demographics (currently, 75% of the internet users are in the age group of 15 to 34 years and thus, are more integrated to e-commerce), launch of 4G services and decline in the tariffs of data plans and prices of data cards/USB dongles, availability of low cost smart phones and the extension of internet and broadband to the remotest corners of the country, together herald innumerable prospects for the development of e-commerce in India. The purpose of this project work is, to review the literature on e-commerce and thus, trace its development and also to find out trends that shall propel the growth of e-commerce in future, in India. The project contains an introduction to e-commerce and the lack of a universally accepted definition, its categorization into different applications and the prospects for the robust development of e-commerce in India. The introduction is followed by a review of literature available on different aspects of e-commerce which is analysed in the later segment with a view to find out factors that shall drive the growth in future.

## Review of Literature

Gupta (2014) in her paper "E-Commerce: Role of e-commerce in today's business", presents a comprehensive definition of e-commerce while isolating it from e-business. The paper enlists the different e-commerce models i.e. B2B, B2C, B2G and C2C, narratively analysing the nitty gritty of each. Rina (2016) also elaborates the different applications of e-commerce in "Challenges and Future Scope of E-commerce in India", at the same time, defining the degree to which they are operational in the country.

Gunasekaran, Marri, McGaughey, & Nebhwani (2002) give a broad outlook of electronic commerce within organisational systems in "E-commerce and its impact on operations management", defining it with reference to e-trading and elaborating- how it has permeated every field of business. The paper identifies the revolutionary role played by earlier internet applications like e-mail and electronic data interchange and details the revolutionary changes brought by the internet technologies in manufacturing, marketing, purchasing, design, production, selling and distribution, warehousing and human resource management. Internet based technologies have enabled businesses to shorten development, purchase and procurement cycles, maintain upto date product and market information, significantly increase the speed of communications and increase the quality of customer relationships by facilitating close contact and constant communication. The paper studies in depth, the

significance of web based technologies in different business operations, thus, improving their efficiency through effective B2B e-commerce.

Mishra & Kotkar(2015) trace the timeline and development of B2C e-commerce in “A Study on Current Status of E-Commerce in India: A Comparative Analysis of Flipkart and Amazon”with its inception in the mid 1990s through the advent of matrimonial and job portals. However, due to limited internet accessibility,

weak online payment systems and lack of awareness, the progress was very slow. The Indian B2C e-commerce industry got a major boost in mid 2000s with the expansion of online services to travel and hotel bookings

which continue to be major contributors even today.Das & Ara(2015) observe in “Growth of E-Commerce in India”that though online travel and hotel bookings still control the lion’s share of e-commerce market, their share has comparatively fallen over the years due to the recent augmentation and consequent rise of e-tailing services. There has been a tremendous surge in the volume of investment in this sector. With the e-commerce markets in the west reaching their saturation, investors see tremendous potential in the Indian market, in the light of which, many start ups have received funding from venture capitalists and private equity firms. China's Alibaba Group and affiliate Ant Financial became the largest shareholders of One97 Communications, the parent of Indian e-tailer Paytm, by investing \$680 million, in 2015 (Aulakh, 2015). To tap

and technology powerhouse Softbank invested \$627 million into online retailing marketplace Snapdeal and \$210 million in Ola cabs. (Mac, 2014). Similarly, New York firm Tiger Global Management has funded

companies such MakeMyTrip, Flipkart, Myntra and Quickr. The availability of funds has presented a favourable ecosystem and growth opportunities for big as well as small companies. It has enabled local startups to survive in cut throat competition against foreign giants and has facilitated the penetration of e-commerce to every facet

Through “Problems and Prospects of E-Commerce”, Raghunath & Panga (2013) present a comprehensive analysis of various nuances of e-commerce while accentuating that, in present time every business activity, be it advertising, ordering, payment etc, can be performed in the digital ecosystem. The paper also enlists numerous points on the importance of e-commerce which are responsible for its development as the new convention. It has enabled the creation and exploitation of new business opportunities, at the same time increasing the say of customers in the development of new products and services. E-commerce has not only augmented the performance of internal business management, but, has also enabled better customer relationships by promoting a business model that is essentially based on information sharing. The accessibility of internet connectivity and other online tools herald a new revolution. SWOT analysis of e-commerce conducted by Awais & Samin (2012) highlights ubiquity, low operating cost, improved customer interaction and time saving as the unique strengths of e-commerce,but, at the same timeaccentuates upon the necessity for the firms to adapt themselves to the changing environment and innovate constantly to come up with better offerings for customers.

With an increase in the number of players in the B2C segment, competition for the first position is set to intensify, making it imperative for the firms to enhance service quality and to invest

in logistics, so as to derive benefits from increase in the disposable income of households, rise in internet subscriptions and infiltration of mobile commerce. (Das & Ara, 2015). In the face of rising competition, the survival of the firms will depend upon how efficiently they are able to bridge the existing gaps in e-commerce transactions. The ubiquitous nature of internet has enabled e-commerce to defy geographical boundaries and permeate different markets, so as to elicit demand from sub-urban and rural areas, after having successfully tapped its potential in metropolitan cities. In anticipation of increasing demand from Tier 2 and 3 cities, many e-commerce firms are undertaking efforts to widen their reach by investing in better infrastructure. In the light of growing number of websites, offering similar goods and services, greater significance is being attributed to Internet Marketing, which shall play an unparalleled role in audience acquisition for e-commerce websites, by displaying the advertisements on search engine result pages and other portals. Internet Marketing shall not only propel e-commerce but will also emerge as an important support tool to brick and mortar stores. (Gangeshwer, 2013). Apart from Internet Marketing, Deshmukh, Deshmukh & Thampi (2013) recognise another important development: m-commerce, which they identify as a subset of e-commerce. "Transformation from E-commerce to M-commerce in Indian Context" reviews the current and potential status of e-commerce and m-commerce in the Indian market, while projecting the latter as the potential future. The paper discerns ubiquity, personalization, flexibility and immediacy as the singular advantages of m-commerce. The authors affirm the idea that smart phone penetration and rise in internet user base, mostly driven by youth, shall propel the growth of e-commerce. Statistical data is used to emphasize that the infrastructure requisite for m-commerce development already exists, however, it is yet to be properly deployed. With mobile penetration providing a boost to digital downloads and enabling cheaper monetary transfers, the need of the hour is to enhance customer confidence by providing them assurance of safety and privacy, which shall accelerate movement towards a cashless economy. Despite innumerable prospects, the growth of e-commerce in India has not been upto its full potential due to certain challenges that inhibit the growth of firms. The growth of digital commerce in India is impeded by inadequate infrastructure, logistics failure, lack of tax uniformity and declining margins. In the face of intense competition, firms have to pamper the customers with huge discounts, everyday offers and liberal returns policy which proves detrimental to their profits. As against the firms following inventory model, e-marketplaces are more adversely affected by subsidies as they have to offer incentives to the seller for listing their products on the website in addition to the humungous discounts and wide range of offers to the customers. The increasing fulfillment costs (includes every cost incurred from the point an order is placed till the time its delivered to the customer.), lack of last mile connectivity in many sub-urban and rural areas and the rising reverse logistics also hinder the the growth of e-commerce firms by resulting in huge loss. (Rina, 2016).

The future of e-commerce in India looks promising. Factors such as increasing internet penetration, growing smartphone adoption, and favorable demographic trends are expected to

drive the growth of e-commerce in the country. Moreover, the implementation of innovative strategies and the focus on customer experience will be crucial for the sustainable development of the e-commerce industry in India.

#### Conclusion :

Key findings of the study include the identification of trends and factors driving further growth in the e-commerce market in India. A sustainable business approach would involve promoting e-commerce and m-commerce as complements rather than substitutes to traditional business models. Leveraging synergies between offline and online businesses can enhance efficiency and ensure a more stable existence for firms operating in this sector.

Looking towards the future, the e-commerce landscape is expected to witness the rise of niche businesses and increased mergers and acquisitions, enabling firms to grow inorganically. It is imperative for firms to commit themselves to providing high-quality services and implementing effective internet marketing strategies to attract and retain a larger audience. Furthermore, opportunities are emerging in rural markets through mobile penetration. However, tapping into these opportunities requires extensive network proliferation, improved mobile app infrastructure, content development in local languages, and last-mile connectivity. In the aftermath of demonetization, the share of digital payments is expected to rise. To sustain this trend, firms must invest in developing more secure payments infrastructure to ensure a seamless and trustworthy payment experience for consumers.

In conclusion, the future of e-commerce in India holds great promise, but firms must be proactive in adapting to emerging trends, leveraging synergies between online and offline channels, and investing in technological advancements to capitalize on the vast potential of this rapidly evolving market.

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