

E-COMMERCE: GROWTH OF INDIA

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ABSTRACT

For traditional businesses, one research stated that information technology and cross-border e-commerce is a good opportunity for the rapid development and growth of enterprises. Many companies have invested enormous volume of investment in mobile applications. The DeLone and McLean Model stated that three perspectives contribute to a successful e-business: information system quality, service quality and users' satisfaction. There is no limit of time and space, there are more opportunities to reach out to customers around the world.

This paper provides an insight into India's e-Commerce market. It focuses on the e-Commerce market and highlights the factors driving growth across these segments and the challenges.

ABOUT E-COMMERCE

E-Commerce or Electronic commerce as we all know is nothing but a medium by which buying and selling of goods is done via the use of Internet. Based on the participants involved in the network, E-commerce can be classified as:

- Consumer-to-consumer (C2C) – Online classifieds, online travel
- Business-to-consumer (B2C) – Online retail, online retail/e-tailing, online classifieds, digital downloads, financial services, online travel
- Business-to-business (B2B) – Online classifieds

CAUSES OF GROWTH

India is at the cusp of a digital revolution. Internet has become an integral part of the growing urban Indian population. Various factors have been driving this trend, such as:

- Declining broadband subscription prices
- Launch of 3G services leading to an ever-increasing number of “netizens”
- Urban India's changing lifestyle
- Convenience of online shopping
- Changes in the supporting ecosystem
- **Key factors** driving the growth story of e-Commerce in India include:
- Considerable rise in the number of internet users
- Growing acceptability of online payments
- Proliferation of internet-enabled devices
- Favorable demographics

GROWTH OF E-COMMERCE IN INDIA

There are ‘only’ 300 million Internet users in India – only since this number is almost negligible keeping in

mind the 1.3 billion population strength of the country. However, that has not stopped Indian consumers from recording a 30 per cent CAGR in digital commerce in the last fiscal year.

Declining broadband subscription prices, and the launch of 4G service have become the driving forces of e-commerce in the country. From buying groceries to furniture, from apparel to accessories, and beauty products and jewellery to ticketing – e-commerce has greatly empowered the Indian consumer. In fact, so much so that India will see more people come online than any other country in the next 15 years.

With the penetration of digital devices and social media in the interiors of the country, online sellers have been presented with an unprecedented opportunity of growth, becoming extremely attractive to investors.

Though retail e-commerce still holds a small share in the total retail sales in India (approx 1.7 per cent as recorded in 2015), industry experts believe it is still in the embryonic stage and has immense

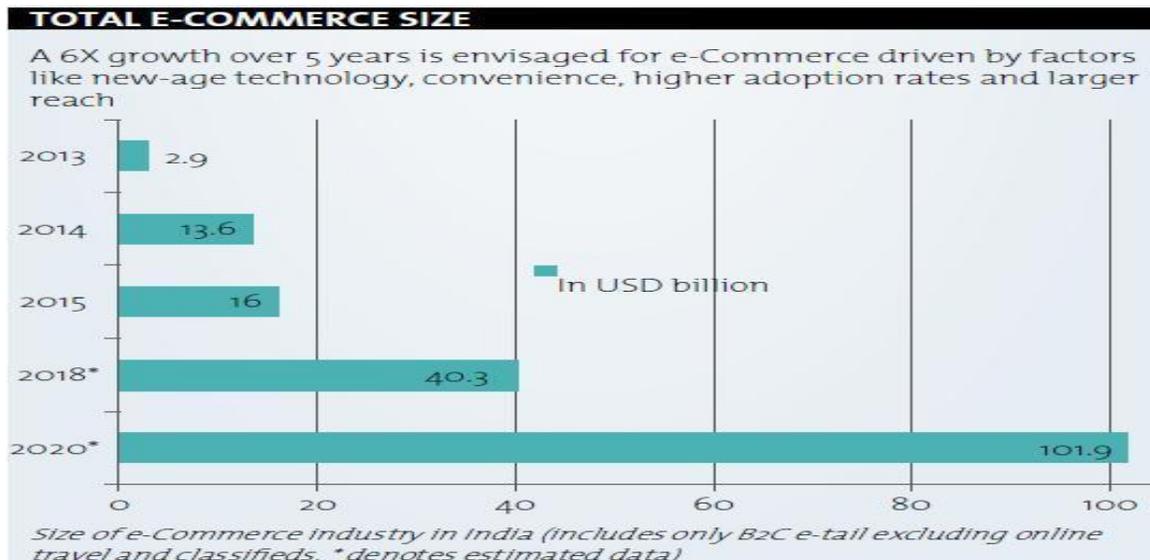
growth potential. E-commerce is expected to acquire 4.8 per cent market share in total retail sales by 2019.

SIZE & GROWTH: KEY HIGHLIGHTS

India's E-Commerce market grew at a staggering 88% in 2013 to \$16 billion, riding on booming online retail trends and defying slower economic growth and spiraling inflation, according to a survey by industry body ASSCHOM.

India's E-Commerce market was about \$2.5 billion in 2009, it went up to \$6.3 billion in 2011 and to \$16 billion in 2013 and is expected to grow huge \$56 billion by 2023 that would be 6.5% of the total retail market. Graph given below is saying the story of growth of E-Commerce and its future perspective.

The e-commerce market in India has grown at a CAGR of about 30 per cent between December 2011 and December 2015 and stands at Rs 125,732 crores.



PRESENT AND FUTURE OF E-COMMERCE

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 percent of that coming from mobile, up from 63 percent in 2016. The study adds that online retail via mobile will grow at a CAGR of 15.6 percent, to reach \$1 trillion in 2020, up from \$539 billion in 2016.



*Source: Forrester Data: Online Retail Forecast, 2016-2021 (Asia Pacific)

Why the focus on Asia Pacific? According to Forrester, Asia Pacific continues to be the largest region for online retail sales. Their data shows that with \$681 billion in online retail sales in 2016, China is the largest market for e-commerce globally, followed by the US; but it is India that is the fastest-growing e-commerce market.

China vs India?

China accounts for nearly 80 percent 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 percent of all retail sales in China takes place online, and it will reach 24 percent by 2021.

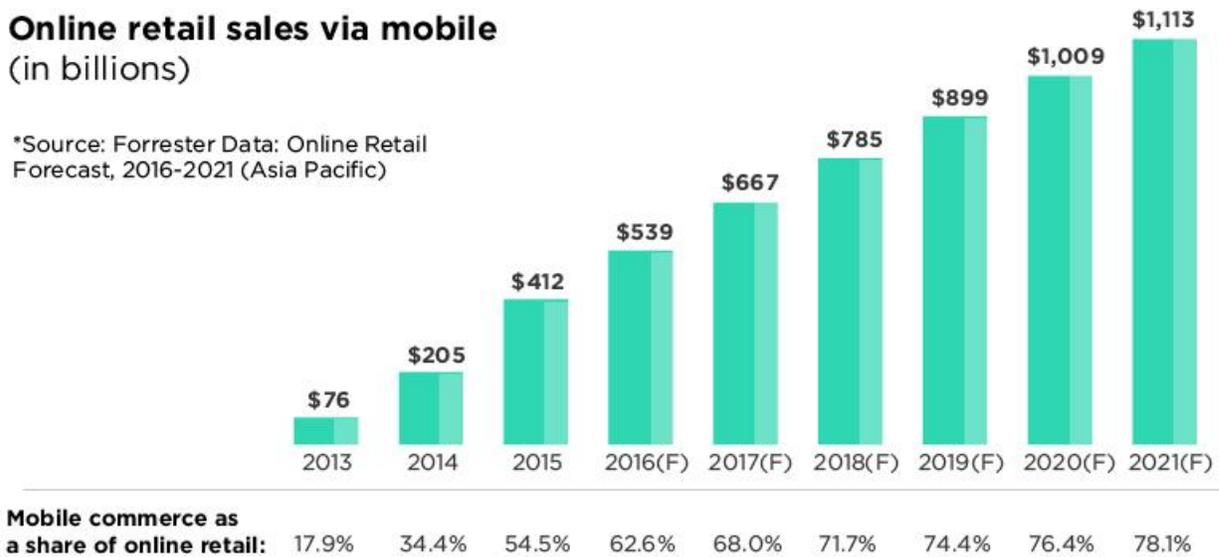
Indian market is expected to reach \$64 billion by 2021, growing at a five-year CAGR of 31.2 percent.

But Satish Meena, Forecast Analyst at Forrester Research, warns that India will take more than 10 years to reach the level of the US and China markets in online retail. “About 70 percent of our population still lives in tier III cities and beyond. Our

customer is different: they will evolve at their own pace, in the next 10 years, with more disposable income,” he says, adding that China has a mature market.

Online retail sales via mobile (in billions)

*Source: Forrester Data: Online Retail Forecast, 2016-2021 (Asia Pacific)



“Comparatively, Internet and e-commerce penetration is still small in India, so is population and total retail. So it is unfair to compare China and India. We will not grow fast enough to take over China,” Satish explains.

YET THERE IS HOPE

India has had its advantages in e-commerce. In China, Alibaba took off in the 2000s, when the global economy was not at its best. India entered the e-commerce market after 2010, when the GDP was showing healthy growth, and disposable income was on the rise.

According to Satish, when it comes to e-commerce, all countries follow similar path but at different pace. They enter online channel through social media and content, followed by shopping for books and music.

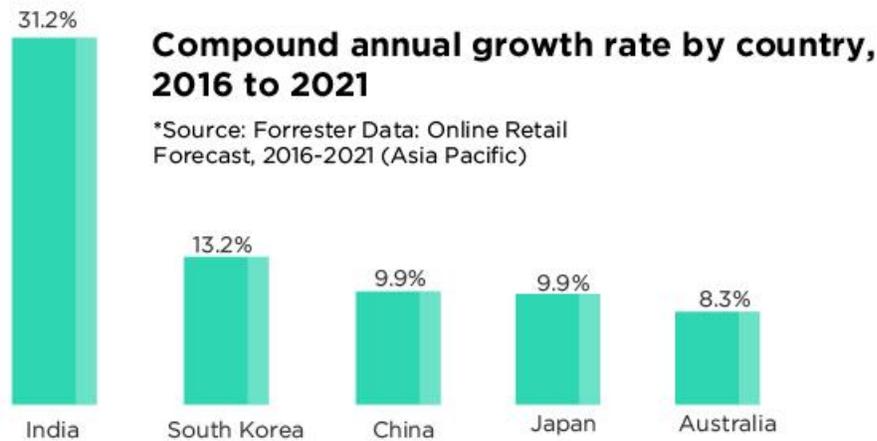
“In India, pace has been faster with users getting comfortable buying clothes and footwear

more easily than they did in other countries. But that is because of the artificial push by CoD, no-questions-asked return policies, and, most importantly, due to huge VC investment in e-commerce here,” he says, adding that Amazon did not have that sort of funding when they started off in the US in 1990s.

Satish believes that sales like Big Billion Days happen more frequently to acquire more customers; but it is the same customer base that ends up buying more.

MATURING CUSTOMER

World over, apparel is the largest category for online retail, followed by consumer electronics and computer hardware. However, grocery, beauty and cosmetics, home appliances and furniture are the fastest-growing categories, showing the increasing maturity of online shopping in Asia Pacific.



But maturity is yet to happen in payment mechanisms. A majority of Indian online shoppers still prefer CoD to online payment— despite the recently announced currency ban that troubled most businesses. Satish believes that the rise in digital payments caused by the demonetisation will not last for long. “For purchasing high-ticket items with discounts, online channel was the only option for many. These are people who are mostly used to online banking, but the rest of online shoppers are not willing to move in that direction. At least 100 million more users will on board online shopping in the next four years. E-commerce firms will have to attract them through CoD,” he says.

CHALLENGES FOR THE E-COMMERCE SECTOR IN INDIA

The phenomenal growth of the e-Commerce sector is accompanied by certain challenges:

- Absence of e-Commerce laws
- Low entry barriers leading to reduced competitive advantages
- Rapidly changing business models
- Urban phenomenon

- Shortage of manpower
- Customer loyalty

However, e-Commerce is set to continue on its growth path on the back of the stabilization of the ecosystem and interest demonstrated by VC players, combined with support from the Government of India.

CONCLUSION

India was one of the fastest growing retail e-commerce markets in 2015, growing at the rate of 129.5 per cent Y-o-Y. The growing number of Internet users in the country helped web merchants in steadily whittling away consumers’ skepticism about buying goods and services online.

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