

Why is E-Commerce a Success Story in India?

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Abstract: E-commerce a term we all know, we all are familiar or perhaps we come across daily, electronic marketing. A word that creating buzz everywhere in town. Perhaps is making our life's too easy that now accepting life without it is a strict no case. Indian markets an expanding drastically in this area due to easiest, smartest and fastest marketing, to which we all called as just a click marketing. With a growing number of aspiring rural and urban internet-connected customers, there is a tremendous scope of online selling. There is a huge one-time customer base in India. This paper is an attempt to analyses the growth pattern in e-commerce, together with future upcoming trends.

Keywords: e-commerce, digital marketing, India, sustainable growth.

1 INTRODUCTION

Internet is one of the emerging component occupying the place in everyone's life at the fast pace. Be it for communication or explorations, connecting with people or for the official purposes, 'internet' has become the central-hub for all. As a result of which Internet growth has led to a vast change in customer preferences , businessman ideologies and it turned into host of substantial number of new developments, such as decreased margins for companies as consumers turn more and more to the internet to buy goods and demand the best prices for the products.

Internet would truly mean a new way of doing business knowing customer preferences with online created database using of social medias to get it touch with people at large, so somewhere it is connecting more with generation and given them an ease to buy thing just at a click. Internet has truly been an effective agent in changing the fundamental ways of doing business. Today, in India E-commerce is predominantly used by most of consumers in comparison to offline buying from the traditional retailers. There is an increase in number of internet users in rural and urban areas and also involved in online buying and selling of the

products. E-commerce already exists from quite many years and IT companies like Rediff, Yahoo, India times, Sify are selling online products and services.

There are constraints that led to restrict the growth of e-commerce and the major reasons behind the failure are falling market demand, limited product catalogue, behavioural intentions and the lack of trust among the consumers. The focus of companies are more on the sellers rather than the consumers.

2 STORY SO FAR

Why is e-commerce shops an attractive option in India? The present study unfolds many reasons behind the success story of e-commerce in India.

2.1 Changing consumer demographics

UN report of 2014, indicates that India is a home to the world's largest young population (356 millions in the age group of 10-24 years) as compared to China. In the next 15 years India is bracing itself to add three hundred million online consumers. Additionally, increase of mobile subscribers India is on the path to become the second largest digitally equipped population by 2030 followed by China.

The driving force behind the e-commerce growth is the increase in the disposal income in both urban and rural areas. The online order sizes have increased and led to have change in life-style of consumers. The outcome is the result of evolution of internet technology in tier-II and tier III cities. The ease of comparing prices and features of various products using smart devices has added to the excitement of Indian online shoppers.

2.2 Telecom infrastructure

The growing number of broadband connections and ease of accessibility has enhanced the shopping experience of the customers. Internet users in December 2013 surpassed 300 million and may increase to 500 million by 2018-19 according to Google India. IT sector companies are making huge investments in telecom industry with 3rd and 4th generation technology. Currently, 25-30% of the population has access to 3G internet services. Airtel has launched the 4G services in Vishakhapatnam and spreading across over the other major cities of India.

2.3 *Proliferation of Internet-Enabled Devices*

The increase in internet users and the growing e-commerce is the result of the usage of smart devices including tablets, laptops, palmtops and smartphones etc at affordable prices. The reduced hardware prices of the handsets has also added on to the usage of e-commerce using smart devices.

2.4 *Exponential Growth in Mobile Application Market*

The enhanced facilities of mobile internet connectivity and data cards in India have contributed to the success of the e-commerce industry. M-commerce has taken over e-commerce due to remarkable growth in mobile users and its application. The large numbers of mobile applications download are testimony to the reach that the e-retailer are having on the Indian consumers. As per the report by KPMG (2015), the download of mobile applications would increase six fold and touch 10 billion application software. The study suggest that India is the fast growing mobile app market since year 2014 and are fully focused on mobile applications rather their web based applications.

2.5 *Evolving Payment Landscape*

Indian consumers largely make transactions in cash in the market and are skeptical with respect to the online payments. As the payment gateways are prone to cyber fraud and possess high failure rates, Indian consumers restrict themselves using the online payments. The consumers prefer using cash-on-delivery/payment on delivery. With the launch of digital wallets like Paytm, airtel money increases the confidence level of the consumers and has shown quick acceptance of the same.

2.6 *Fierce Competition*

The increased number of companies in the e-commerce sector leads to competition among the players and they have resorted to aggressive sales packages to the consumers. The companies started with big investments and the cost of increasing customer base has increased manifold. Companies have focused on increasing the sales volume but as a result have incurred losses in operation. They are resorting to heavy discounts and sales promotion strategies like free gift, buy-one-get-one free (BOGO), free delivery etc. to increase their market share.

2.7 Cultural Factors

The Indian consumer is always on the look out for consumer durables (FMCG) at optimal prices. The e-commerce industry in India broadly classified as travel, online classified and e-retail. Travel sector utilizes airways, roadways and rail network, hotel bookings for the purpose of reaching customers. At present, 70% market is dominated by travel related purchases (PWC). E-retail sector has noticed a 200 percent growth in online business, technology and accessories.

3 MOST PREFERRED E-STORES IN INDIA

The graph below depicts the most preferred e-store as Flipkart at 61 per cent followed by Amazon (55%), snapdeal (28%), Paytm (26%), shopclues (21%) and myntra (10%). Flipkart is the market leader because of the strategy of switching to the mobile (M-commerce), whereby deals have reached to maximum levels in the mobile application software. Myntra over the years is trying to reach the fashion conscious customers and would soon be competing the other e-retail stores.



4 Online retail share in the total market

Indian retail sector are on the verge to capitalize the available market space and transaction set-up in markets. The entry of online retail in the total market is expected to increase by 2.5% (0.5% in year 2014 to 3.0% in 2020). The total organized retail sector, online

transactions are likely to increase by 8% (from 6 per cent in 2014 to 14 per cent by 2020), and is comparable to the current penetration of e-commerce in the U.S.

Online retail vs. total retail in India



Source: KPMG in India analysis, 2015, based on industry observations and sector progress in 2014

5 E-commerce companies and the future in India

- Primarily, India operates on marketplace with traditional retail shops. While the factors to implement e-commerce has been very favourable in India, still the new start-ups are unable to capitalize the opportunities. The new start-ups and investors lost faiths owing to the challenges faced by the industry and the government policies and taxation system. Market entry barriers due to the dominance of large players because of their economies of scale are the common challenges faced by the new e-retail stores.
- The government policies are not transparent and lacks clarity in taxation and consists of loopholes, which creates worriness in the Indian e-commerce players both national and international level. The introduction of goods and service tax (GST) however can reduce the obstacles in the free flow of goods and services and hence would attract more FDI.
- There are some internet connectivity challenges alongwith cultural differences and logistics constraints. The constraints are expected to be resolved and need a fair policy the government of India would make it a lucrative destination for the e-commerce industry.

6 CONCLUSION

The growing boom in Indian markets and everything shifting to a click away mode, has somehow made the business today more competitive. But the way it has given you so much of ease, on other side it has lots of losses and struggle in upcoming years. With number of constraints we talked about in paper above. E-commerce is the growth platform and now a days most of start ups in India are heading towards e-commerce. The accurate predictions of e-commerce is not easy. Although certain sectors like travel and tourism, hardware, apparels, electronic appliances are likely to grow day in and day out. The significant factors that can contribute to the growth of e-commerce industry in India are payment wallet, replacement guarantee, substitutions, Mobile commerce, location based services, right quality and quantity, smooth logistics and 24 by 7 customer services.

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