

GROWTH AND OPPORTUNITIES OF E-COMMERCE IN INDIA

Mr. Anirban Biswas^{#1}

[#]Faculty, Department of Business Administration
Yogoda Satsanga Mahavidyalaya-Centre For Vocational Studies
Jagannathpur, Ranchi, Jharkhand, India
¹Email id- anirban@ysmcvs.org

Abstract— The Electronic commerce is going to play an important role for the development of the country. As the number of internet users are increasing day by day and the different companies like Flipkart, Snapdeal, Myntra are growing at a huge rate. The Indian graduates from the premium institutes like IIM's and IIT's are getting placed in the E commerce companies. The students are also getting placed in the foreign operations of these companies. There is growing competition with the foreign companies like amazon.in, ebay, Alibaba.com and the customers are getting the benefits in the number of choices and price. After the liberalization, privatization and globalization in 1990's the foreign companies have started investing in India and after 2000 the internet became an important part of our daily life. The E commerce is still in the nascent stage as the numbers of internet users are still limited. But it is growing at a huge rate. The Indian companies like Flipkart, Snapdeal have got the venture capital and angel investors for starting their business. The companies like Amazon.in from U.S and Alibaba.com from China are investing in India as they see the growing number of internet users and the change in the consumer buying patterns. As the customers are busy in doing their jobs they have very less time to do shopping. And because of the convenience they prefer the Ecommerce. The E commerce has certain limitations and constraints as the number of internet users are still limited and the most of the people are not aware about Ecommerce. Different strategies can be used by the big companies to compete with each other. The Foreign Direct Investment (FDI) policies of India made by the government have to be liberal to make direct investment in the Ecommerce. The rural areas are still untapped and it has got huge opportunities. The E commerce has grown a lot in the other developed countries like U.S and the recent development shows that India is going to be a huge potential market in the coming years.

Keywords— Electronic Commerce, Venture Capital, Internet, Foreign Direct Investment

I. INTRODUCTION

E-commerce it is also known as electronic commerce which is related with the trading of products and services with the help of internet. It is mainly related to online marketing, electronic fund transfer and electronic data interchange. The most important role played in the E commerce is of World Wide Web (www)

There are some important aspects of E-commerce are as follows-

- ✓ The most important aspect is to provide Etail.
- ✓ To use Business to Business marketing for the buying and selling of products and services and Electronic Data Interchange for the exchange of data.
- ✓ The entire selling is done online.
- ✓ The transactions should be secured and the data of the customers should be kept secret.

E commerce in India

India has a limited number of internet users known as netizens i.e. around 250 million and it is still an untapped market as it has a huge potential as compare to the markets of U.S, U.K and China. China is a huge market of E commerce as there is a huge demand of products and services which can be bought online. It constitutes of around \$540 billion and contributes a lot in the GDP of China. Alibaba is the highest selling Initial Public Offering in the world till now. The Cash on delivery is the most preferred form of payment in India and it constitutes of

80% of business of E commerce. The direct payment system with the help of credit or debit card should be preferred. The last two decades there is a tremendous rise in internet and mobile phone penetration has changed the way we communicate and do the business.

II. MARKET SIZE & GROWTH

India's E commerce business mainly constitutes of travel related services i.e. around 80% (air ticket, railway ticket etc.) The growth in the online marketing is estimated to be 40-45% Cumulative Average growth rate. The largest growth is in the field of electronics and apparels. ie 8-10% per annum globally.

Factors responsible for increase in Indian E commerce-

- ❖ Rise in the standard of living of people and increase in income.
- ❖ The increase in the internet connectivity.
- ❖ More number of products available in Ecommerce which is not possible in the Brick and Mortar retailers.
- ❖ Less time for doing offline shopping due to busy schedule.
- ❖ Increase in the companies dealing with online marketing- Flipkart, Snapdeal, Jabong.com etc.
- ❖ The Indian companies are getting the startup capital from the Venture Capitalist or from the Angel Investors.

-Example Accel partners which is one of the venture capital provider to Flipkart. Flipkart has raised funds worth Rs 822 crores.

III. RECENT DEVELOPMENTS IN INDIAN E COMMERCE



Flipkart- The Indian firm started by Sanjay Bansal and Binny Bansal i.e. India's largest online portal has signed a Memorandum of Understanding (MoU) with Director General – Employment & Training (DGET), Ministry of Labour and Employment, Govt. of India. The MoU aims to form a platform for online marketing for the Micro Small and Medium Enterprises.

Flipkart marked it as 'Flipkart Kaarigar ke Dwaar' with DGET, it will help the MSMEs employee's requirements and will increase the skills of the employees. It will help the employees as it will provide them training regarding electronic -marketplace, fundamentals of selling, online marketing and selling, packaging, warehouse management and inventory management.



Alibaba- Alibaba's founder Jack Ma has given a clear indication that they are going to invest in the Indian market as it has a huge potential in the Electronic commerce. And it is going to become a battleground for the other companies indulged in E commerce.

Ma spoke at Ficci, pledged to invest "more" in India, and he told ET that he would be back again soon, signaling Alibaba's wants to diversify and expand its business in India.

"We will invest more in India and work with Indian entrepreneurs and technologists to improve the relationship of the two nations and to improve the lives of human beings," said Ma, Alibaba's founder, who is China's wealthiest man with an estimated net worth of \$30 billion (Rs 1.8 lakh crore).

"I was a college teacher. The Internet changed me and it changed China. India is a great nation with so many young people, and the Internet will change India too".

Flipkart, which was founded by IIT-Delhi graduates and is competing with the global players like Amazon.in and eBay. Flipkart was valued at \$7 billion, compared with a market cap of \$155 billion for Amazon and \$282 billion for Alibaba. The companies like Snapdeal are aware of Jack Ma's visit to India and the new updates shows that he is going to invest in India where the online marketing is still at its nascent stage.



Merger between Flipkart.com and Myntra.com

The merger between myntra.com and Flipkart.com is one of the greatest strategic decisions taken to fight against the U.S based giant Amazon.in having a huge e-tailing in the apparels and clothing lines. And myntra.com was also the market leader in the e-tailing of apparels therefore this resulted in the merger of the two companies. Myntra.com is facing huge challenges from Jabong.com and snapdeal.com. And if there will be changes in the Foreign Direct Investment policies to invest directly in the Ecommerce the competition by the Foreign companies is going to rise in India. And at the time the customer loyalty like for myntra.com is going to work.

IV. SCOPE IN E-COMMERCE

Some of the E commerce organization like Flipkart, Quikr, Ibibo, PolicyBazaar, Jabong wants to recruit the qualified and skilled person to fill up their top positions and are willing to pay more and they are also sending the Indian Nationals to foreign operations. Therefore they are creating huge job opportunities in India. And the online marketing is expected to grow by time. E-commerce in India is having huge potential and is growing at a tremendous speed and there will be a huge opportunities in the coming years. A huge investment in the e commerce will increase the employment opportunities in India and it will increase the standard of living of people. The brain drain from India is also likely to get controlled as the jobs in India are going to be lucrative.

The Ecommerce is having huge scope in the upcoming future as the number of Indian E commerce are also increasing day by day and the number of users are also increasing in India. This shows the changing pattern of the customers taste and preferences. It is also going to increase the employment in the country. In the GDP of China there is a huge contribution is there of the E commerce.

V. RESEARCH METHODOLOGY

Research –

- ✓ A search of knowledge or a voyage of discovery through scientific and objective method.
- ✓ Research is the activity to gain a better understanding of how their world works
- ✓ Research means gathering, processing and interpreting data
- ✓ The process of systematically acquiring data to answer a question or solve a problem
- ✓ It also means intelligently and cogently communicating the result in a report that describes what was discovered from the research.

The research can be done by analyzing the data collection methods-

- 1) Primary data
- 2) Secondary data

Here some of the data that has been taken from the research study that was conducted by the marketing research firm like KPMG, Ernst and Young Price Waterhouse Coopers, etc. the data that has been used over here are basically **secondary** data that is based on the research made by the companies on the recent developments of E commerce in India. The research which is being done over here is basically Descriptive Research. The research has been described below-

Ernst and Young Research analysis on E commerce

The report is based on the ecommerce of India and the various sub segments of E commerce in India. Due to the decline in the prices of the internet facility the numbers of users are increasing day by day. The lifestyles of the Indians are also improving and therefore it has a huge potential for the growth of the E commerce is there in India. In 2012 the research was conducted on the Indian e commerce. The research was conducted on the following e commerce which considers the segments along with the ecosystem, investment scenario and challenges-

The research was conducted by taking comprehensive interviews which provided information regarding opportunities and challenges in store for various stakeholders.

In 2012, we conducted a research study on the Indian E commerce sector with detailed market perspective. The report focused on the following key E commerce segments along with elaborating on the ecosystem, investment scenario and operational challenges:

- ✓ Travel
- ✓ Retail
- ✓ Classifieds

The Indian Ecommerce has seen a huge growth in the last 5 years having a growth of more than 40%. There is a rise in the internet users and the online payment has also increased. The mobile devices and modems are increasing. And due to this the numbers of customers are increasing in India. The number of internet users is going to be 38 million in 2015. The numbers of venture capitalist and angel investors are going to increase in the coming years.

Different modes of E commerce transactions-

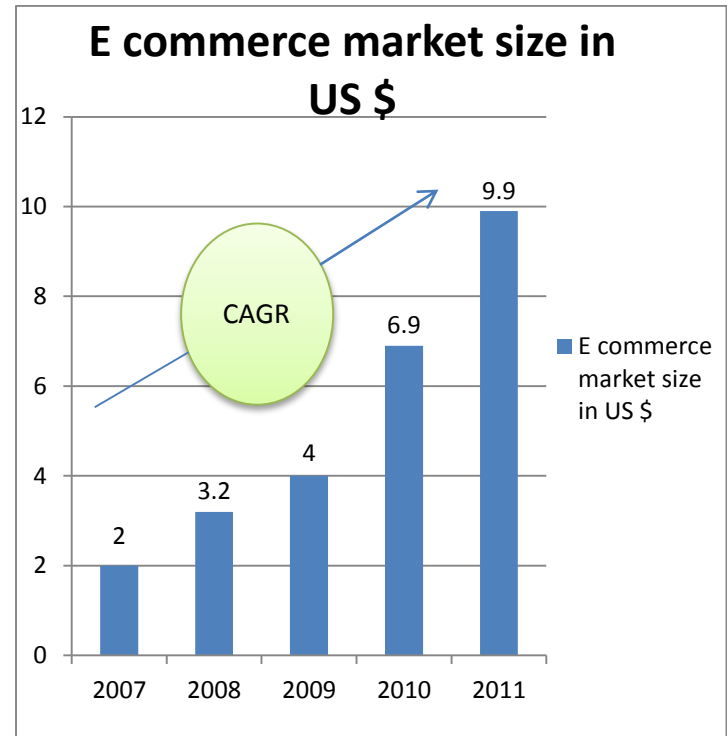
The different forms of e commerce are as follows-

- 1) Consumer to consumer(C2C)
- 2) Business to consumer(B2C)
- 3) Business to Business(B2B)

Size of the E commerce market in India

India's e commerce market i.e. Business to consumers and Consumer to consumer B2C C2C

is growing at 49.1% Cumulative average growth rate and around 81% revenue of online marketing is through the online travel. The mobile penetration is increasing day by day that will result in the increase in the online marketing.



Source- AIMAI

This graph shows that there is an increasing trend that can be seen in the Indian E commerce market.

India's E commerce ecosystem-

Pros

- 1) The disposable income is going to increase by two and half time in India by 2015.
- 2) The sales of tablets, smartphones are going to increase.
- 3) The Indians tends to go for the online marketing.
- 4) The number of internet users are increasing day by day
- 5) There is an increase of demand for the online marketing by using the debit and the credit cards.

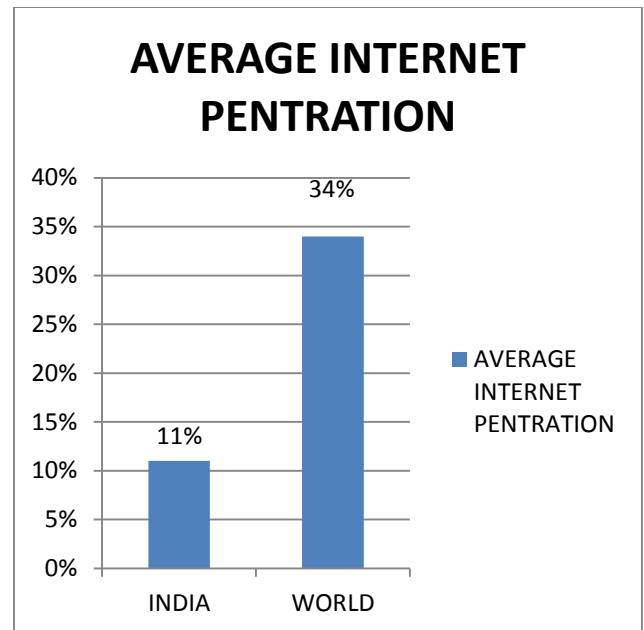
Cons

- 1) The broadband speed is very slow in India.

- 2) People don't trust online payment option.
- 3) The focus is mainly on the online travelling. So diversification is important.
- 4) Customer loyalty
- 5) There is a shortage of manpower.

Research analysis by KPMG (Marketing Research Company)

Because of E commerce the shopping pattern of Indian has changed and due to this there are number of venture capitalists are interested in making the investment. The retail management also has an impact of E commerce. The penetration of internet in the rural India is also increasing day by day. Because of the demographic profiles of the customers and the increase of the smartphones will increase the E commerce in India. Because of the E commerce the small and medium entrepreneurs have got huge benefits mainly SME's and MSME's as it reduced the cost of establishment and also the intermediaries because of that the customers are getting the product at a relatively low price. According to the data analysis the contribution of E commerce is going to be 4% in the GDP of India by 2020. According to the NASSCOM report IT-BPO sector is going to contribute 10% in GDP of India whereas that of telecommunication will be 15%. According to this the number of direct jobs will be 1million and that of indirect job will be 0.5 million. The first time entrepreneurs contribute 63% in the E commerce as it is having low entry barrier. There is going to be revolution in the field of logistics as the requirement of products in Ecommerce will be fulfilled with the help of logistics. The limitation is the internet penetration. A comparative chart has been shown about internet penetration.



Source-KPMG report

The restrictions in the Foreign Direct Investment (FDI) in inventory will create more problems for the smooth functioning of the E commerce. Therefore, a positive environment should be created for E commerce in India. The stringent norms related to the FDI in inventory based Ecommerce should be liberalized and capital investment should be provided to encourage the development of E commerce in India. The payment gateways are becoming easier as the debit card or credit cards can be used to make the online transactions. This will need the security for the customers.

VI. CONCLUSION

After considering all the aspects which has been discussed earlier it has been found that the Ecommerce in India is still at its early stage and it has got huge opportunities in the upcoming future. With the help of the internet the companies like Flipkart, amazon.in, ebay are giving information and selling their products to the ultimate consumers. Because of the new advent of gateway payment i.e. online payment i.e. through debit and credit card it has become really an easy way to buy product. The Cash on delivery is the most popular form of Ecommerce in India and the online travel booking consists the highest market share of 80% in Ecommerce like

makemytrip.com, yatra.com etc. there is a tremendous potential is there in the Ecommerce as there is a growth in the number of internet users, the lack of time for doing offline shopping are some of the factors resulting in the growth of the Ecommerce in India. It was discussed earlier that Flipkart.com is collaborating with the DGET to provide training to the employees in the Micro, Small and Medium Enterprises to make them skilled about the virtual world. Jack Ma the founder of Alibaba.com has also visited India to show his interest in the market of India. He has talked with Snapdeal.com to invest in India. The recent merger of Flipkart.com and Myntra.com is one of the most successful strategic decisions taken by the companies to compete against Amazon.in mainly in the clothing and apparel segment. Then in the Research methodology the research analysis that was done by Ernst and Young and KPMG has been discussed. The research conducted by Ernst and Young mainly deals with the different modes of transaction for E commerce. The report shows the opportunities and the challenges companies are facing in E commerce in India. The growing trend of E commerce in the last 5 years and having a high Cumulative Average Growth Rate (CAGR) OF 49.1%. The next research was conducted by KPMG which mainly deals with the constraints companies are facing in the E commerce. And there is a huge opportunity is there in the IT-BPO and Telecommunication which will be related with the E commerce. And E commerce is going to contribute 4% in the GDP of India. The internet penetration in the rural areas is increasing day by day and it will result in the development of E commerce.

The B2B, B2C,C2C are the different modes of Ecommerce and if the Foreign Direct Investment(FDI) is going to take place directly then the competition among the companies is going to increase. The ultimate benefit will rest with the customers who will get a quality product within competitive price. The taste and preferences of the customers are always changing and the companies who are “customer centric” are going to survive in the long run. The most important thing for any organization is to satisfy the stakeholders.

Therefore, Ecommerce is going to play an important role for the development of the country like India and huge employment opportunities and other opportunities like online marketing, Electronic Data Interchange is going to play an important role. The current trend in the developed countries forecasts that the developing countries are going to be benefitted with the development of E commerce.

REFERENCES

- [1] Articles from Economic Times
- [2] www.kpmg.co.in
- [3] www.businessinsider.in
- [4] Report from Ernst and Young.
- [5] www.wikipedia.in