

A Brief Study on Indian Ecommerce

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Abstract: India is one of the key economies of the world and till date its primary mode of transaction is still 'Cash' or 'Paper Cheques'. But in last 3-4 years there is clear indication that mode of transaction is shifting towards electronic form. This paper tries to find out growth potential of Indian eCommerce and its challenges. It also deals with digital marketing trends and payment mechanisms that simplify eCommerce payments and the government patronage in form of 'Digital India' initiative.

Keywords: eCommerce, Digital Marketing, Digital India, Internet, Payment Mechanism

I. Introduction

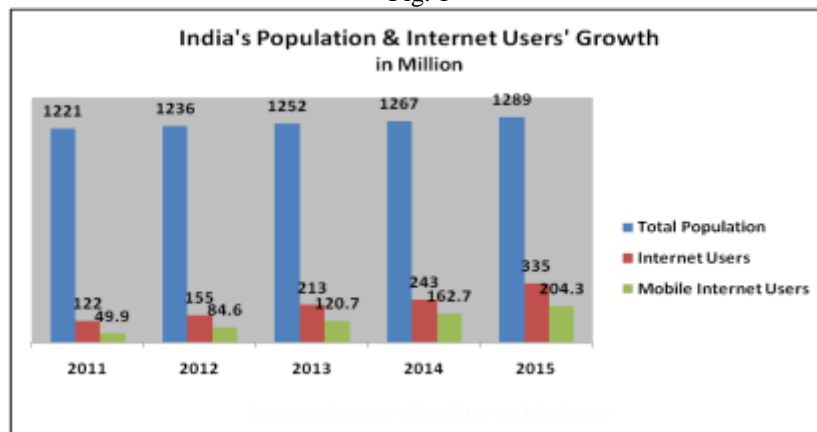
"Now is no time to think of what you do not have. Think of what you can do with what there is." – Ernest Hemingway! Probably this was in the back of mind of all the entrepreneurs, who have conceived the very idea of internet based commerce aka eCommerce in India in early years of 21st century. But it all started with Indiaplaza in 1999, which is one of the pioneers in the realm of online businesses in India.

High level of affordable internet connectivity, penetration of smart phones, advent of newer technologies, easy and timesaving services through 'App'ification, rapid rate of urbanization have all changed the way we connect, think and do business and thus created a scope of rapid eCommerce boom that will strengthen Indian economic growth.

II. Internet Usage In India

India, one of world's leading giant economies, has just 19 % penetration of internet users as of 2014 though it is no. 3 in terms of total internet users after China and United States^[1]. The increased uses of internet enabled mobile phones have actually accelerated the use of internet thereby increasing the platform for a successful eCommerce business. Social media, digital marketing, alternative forms of payments and recent govt. push have had helped the online business to grow up in a good shape. Indian eCommerce has a strong growth rate of 34 % to reach 16.4 Bn. USD and is expected to be nearly 22 Bn. USD by 2015^[2].

Fig. 1



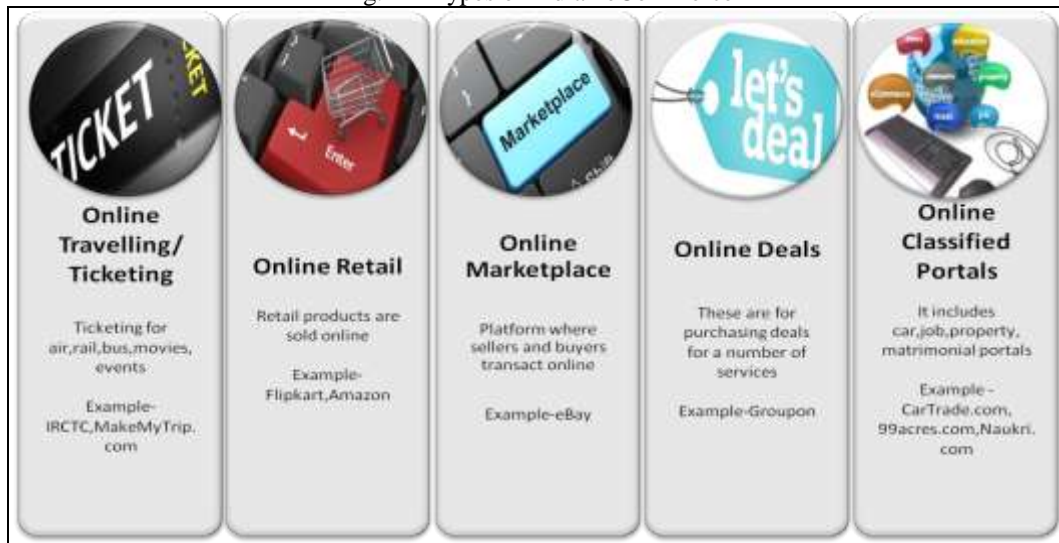
* Source – Internet Live Stats, eMarketer

III. The Tale Of Indian Ecommerce

Evidently, the large volume of Indian middle class society with enough purchasing power paves the path for B2C type of eCommerce among other different types. Currently, eTravel comprises 70% of the total eCommerce market^[3]. Online retail and online marketplace are called together eTail and it is the fastest growing sector with growth rate of nearly 56 % from 2009-2014^[4]. It is expected that this segment will reach at nearly 6 Bn. USD by end of 2015^[5]. Books, apparel, accessories and electronics are the largest selling products through eTailing constituting around 80% of product distribution^[6].

According to Google India, there were 35 million online shoppers in India in 2014 Q1 and is expected to cross 100 million mark by end of year 2016^[7].

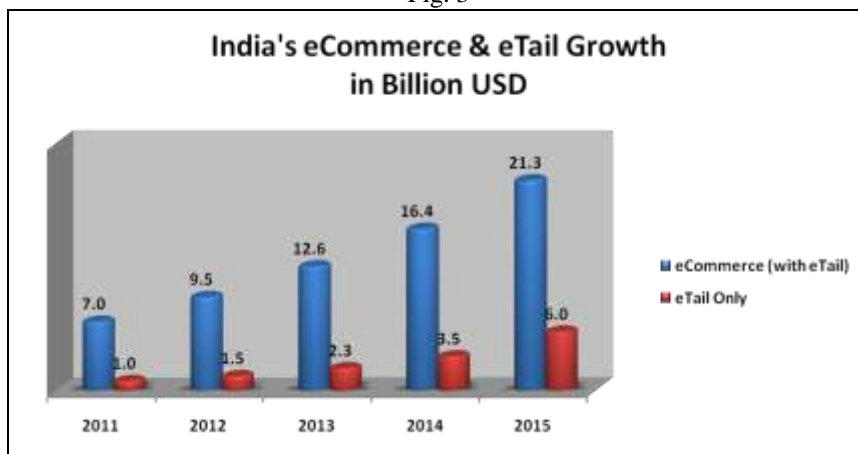
Fig. 2 – Types of Indian eCommerce



* Source – PwC Analysis

A new form of eTail has started coming into picture – the Online Medicine. Online retailers like Buyonkart, Healthkart already started selling complementary and alternative medicine where as NetMed have started selling prescription medicine online. Large players of Indian eCommerce are also getting enough funding from their investors to cope up with their business needs in this highly competitive market.

Fig. 3



* Source – PwC Analysis, Wikipedia

IV. Recent Trends In Indian Digital Marketing

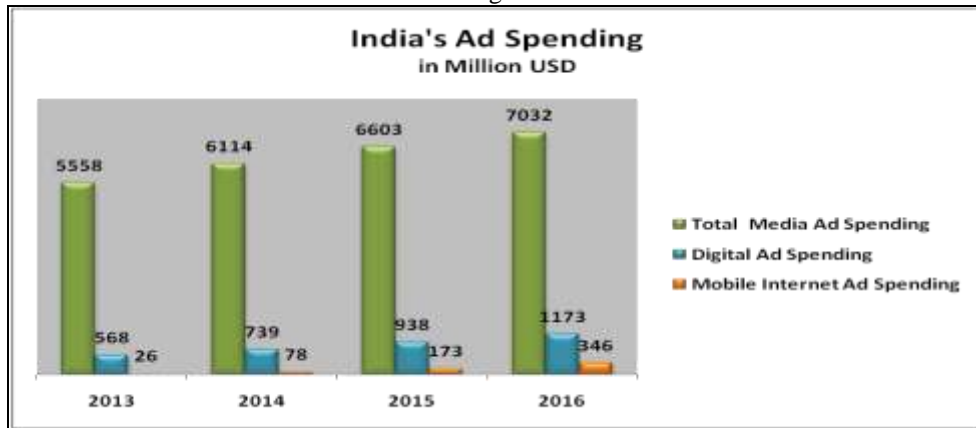
The adage of "content is king" is now outdated. With the introduction of latest forms of campaigns over the internet based on email, social media, contextual marketing, paid ads on websites are quickly replacing old forms of content based static marketing. Recent trends in Indian market mainly focuses on –

- 1.1 Modular Responsive Emails:** Since more number of emails are opened in mobile devices, emails contain apt, pointed and user facing contents in multilayered format.
- 1.2 Marketing Automation:** Email marketers like dotmailer, MailChimp etc. are providing tools to create customized emails, pop-ups, offers, surveys for online retailers. Automation can also be used for creating personalized messages dynamically.
- 1.3 Contextual Marketing:** The need for real time data is immense and understanding customer behaviour and feeding them with messages relevant at that context is important to retain customers for repeat purchases.
- 1.4 Use of Analytics:** Analytics is becoming a key player for sustainability of online businesses, which heavily depends on strong customer base retention, repeat purchases, mitigating demand of customers and all will

be in vain if real time data captured at every view of web portal by the customers are not captured, analysed and statistically modeled for decision making.

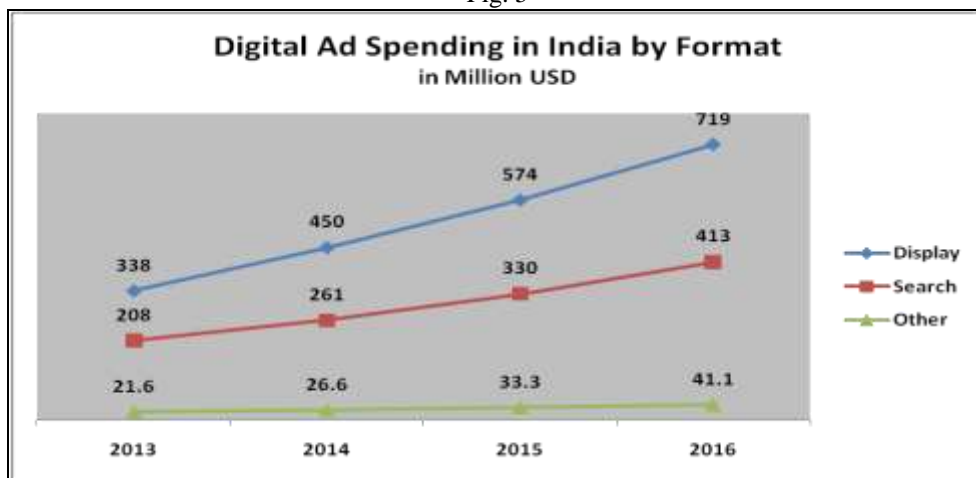
- 1.5 Strategy for Innovative Inboxes:** Leading email service providers like Gmail, Yahoo have clustered its users' mailboxes in several categories and they actually filter the offer messages based on engagement. Online marketers are trying to adjust themselves to the changes made by the email service providers to get proper priority and visibility to clients.
- 1.6 Omni Channel Marketing:** Nowadays marketers need to provide seamless shopping experiences regardless of channel or device. Consumers may physically go to retailer's brick and mortar store, visit its website, connect through app or through social media; they want same consistent, integrated shopping experience.

Fig. 4



* Source - eMarketer

Fig. 5



* Source - eMarketer

V. Indian Ecommerce Payment Mechanisms

In recent years, the payment landscape of India is evolving rapidly – from a pre-dominant cash based approach to new digital model with the advent of new online and mobile payments' mechanisms.

The different formats of payment methods are –

- 1.7 Cash on Delivery (CoD):** In Indian context, payments through CoD are most acceptable format because of consumers' unfamiliarity with electronic payment. But overdependence on it yields higher financial risks to merchants when a product is returned.
- 1.8 Internet Banking:** As internet connection becomes cheaper, people are turning to Net Banking as a preferred mode of personal banking and even pay online! In Indian scenario, net banking is treated safer as compared to card based payments.
- 1.9 Debit & Credit Cards:** Debit cards in India are given free or with a minimal cost along with a savings bank account thereby increasing the tendency to use it online. According to RBI August'15 report, there is around 598 million debit cards and 22 million credit cards are present in Indian market^[8]. RuPay, India's

domestic, open loop debit card is also gaining popularity and acceptance in both brick and mortar and online stores.

- a. To facilitate payment through net banking, credit/debit cards, online merchants are collaborating with Payment Aggregators like CCAvenue, BillDesk, SBIPay, Citrus, PayU etc.
- b. SBI has already partnered with PayPal so that Indian SMB merchants can have a global audience, who can transact using their PayPal accounts.
- c. Leading Indian banks are also coming up with apps to cater for the growing needs for seamless payment mechanisms like – SBI’s Buddy, HDFC Bank’s PayZapp or Axis Bank’s Lime.

1.10 Wallet: In recent times with the uprising of smart-phone usage, a new form is coming into picture – Mobile Wallet, which generated nearly 8% of total transactions in 2015 and is expected to curb share of CoD in future years. Indian Mobile wallet eco-system can be divided mainly into 4 types –

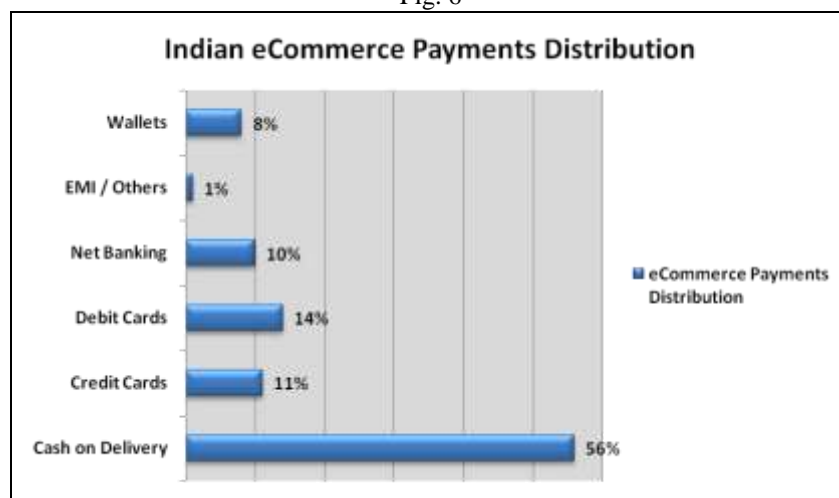
- a. **Open** – Allows buying goods and services, cash withdraw, funds transfer. Example – m-pesa.
- b. **Semi-open** – It supports merchants payment, send money to any mobile number or bank account but withdrawing cash is not possible. Example – Airtel Money.
- c. **Semi-closed** – Allows purchasing goods or services at listed merchants; but does not support cash withdraw or redemption. Example – Paytm.
- d. **Closed** – These are popular with eCommerce companies, where a certain amount of money is locked with the merchant in case of a cancellation or return of the order or gift cards.

According to a study by RNCOS, current Indian market size for mobile wallet is around INR 350 crore and is expected to reach INR 1,210 crore by 2019^[9].

- a. Paytm, MobiKwik, Oxigen, ITZCash, PayUMoney are among the most popular wallets in India that are used in retail transactions and they have substantial user bases and transaction volume while Paytm being the topper with over 85 million users, nearly 75 million transactions/month generating almost INR 700 crore/month^[10].
- b. Another form of wallet is Telco Wallet, which are ventured out by leading telecom providers like – Airtel Money and Vodafone m-pesa. ICICI bank have also partnered with Vodafone to provide m-pesa to its customers.
- c. Banks in India are also coming up with wallets – Chillr from HDFC Bank, pockets from ICICI Bank. SBI will be launching Batua soon and this app will be a feature phone app; not necessarily a smart phone app.
- d. On a global perspective, mobile wallets are enabling economies to transit to a cashless society. The major tech giants have also their own solutions like – Apple Pay, Android Pay or Samsung Pay.
- e. A new form of social network based P2P model of e-payment is evolving. Ping Pay from Axis Bank and S.N.I.P (Social Network Instream Platform) from CCAvenue are the first ones of this kind.

1.11 Payments Bank: One of the recent advancement is Payments Bank, which can accept utility bills, deposits but cannot undertake lending activities. Airtel M Commerce, m-pesa, Paytm are among the 11 entities that received licences from RBI on 19th August’2015^[11].

Fig. 6



* Source – Goldman Sachs Global Investment Research 2015

VI. The ‘Digital India’ Initiative

Government’s patronage is must for building strong infrastructure across the country and success of eCommerce mainly depends on its presence over the internet to large number of citizens and their knowledge of buying online. Launched on July 01’2015, the concept of ‘Digital India’ aims at improving digital connectivity and using digital technologies including cloud computing and mobile applications for rapid economic growth and citizen empowerment. Out of the 9 pillars of Digital India Programme, these 3 will be main catalysts to an eCommerce boom –

- a. Broadband Highways
- b. Universal Access to Mobile Connectivity
- c. Public Internet Access Programme

Indian telecom companies like Reliance Industries, Bharti Group and tech giants like Facebook, Google, Microsoft, Qualcomm, Oracle have all promised to invest in rural digital connectivity and empowerment. It is estimated that around INR 4.5 trillion will be invested generating around 1.8 million employments in next 5-10 years^[12].

Though Government of India have not allowed FDI in B2C eCommerce, This Digital India initiative will in turn help to improve the profitability of eCommerce retailers so that they can make substantial investments back to their businesses for long run.

VII. Challenges And Promises Of Indian Ecommerce

Though India is on the verge of a golden era of electronic commerce, it is facing several barriers and the different measures taken in response mainly are –

Table 1

Factors	Challenges	Promises
Infrastructure	Physical infrastructures like ware-house and logistics support are crucial for mitigating customer demand in time.	eCommerce giants like Flipkart, Amazon, Snapdeal are tying up with local couriers and even India Post to reach to tier II & III cities for product delivery.
Investment	For scalability of business, marketing and security mechanisms, funding is important. The first indian eCommerce company Indiaplaza ceased its operations due to lack of funding.	Almost all the top level companies received good amount of investment. Infibeam became the first indian eCommerce company to raise funds via IPO ^[13] .
Products Offering	It is essential to offer wide range of products with seasonal variations.	Companies are keen on changing product offering based on seasons, festivals with competitive price. There are mega efforts like Flipkart’s “Big Billion Day”, Amazon’s “Great Indian Sale”.
Customer Experience	Seamless shopping experience converts “Product Browsing” to “Product Buying”.	Omni channel and Contextual marketing are in the focal point for bringing dynamics.
Payment Mechanisms	Simplified payment mechanisms with Card on File feature are pre-requisite for customer satisfaction.	eCommerce merchants are facilitating this through connectivity with various payment gateways, acceptance of mobile wallets. Banks are coming up with apps/ wallets like HDFC’s PayZapp, SBI’s Buddy.
Cyber Security	Securing customer data during and after transaction increases reliability.	There are strict RBI guidelines for eCommerce entities, gateways and banks that should be adhered to for doing online businesses in India.

VIII. Conclusion

It is obvious from different parameters of business that Indian eCommerce is in good health with ample scope to take a gigantic leap in near future. Though it has several obstacles in its way, several measures are being taken to cope up with customer needs. Institutions are coming up with innovative forms of payments and recent trends in digital marketing make it perfect to draw customer attention and its conversion to actual purchase. This industry is getting sufficient funding from their investors and surely it is going to generate huge numbers of employments in near future. Hope that day is not too far when Indians will feel the true flavor of “Digital India”.

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