

Emerging Trend of E – Commerce Growth, Opportunities & Future in Indian Scenario

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ABSTRACT

Since 1991, after economic reforms explicitly took place in India as a result of opening-up of the economy with a view to integrate itself with the global economy, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Electronic commerce (e-commerce) as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular. With advancements in technology, there have been changes in the methodology for business transactions. India, being a rapid adaptor of technology is apace with the current scenario of electronic data exchanges and has taken to e-commerce. The e-commerce is one of the biggest things that have taken the Indian business by storm. It is creating an entire new economy, which has a huge potential and is fundamentally changing the way businesses are done. It has advantages for both buyers as well as sellers and this win-win situation is at the core of its phenomenal rise. The E-Commerce market is thriving and poised for robust growth in Asia. There are players who made a good beginning. Their success depends on their understanding of the market and offering various types of features. This paper gives an overview of the future of E-Commerce in India and discusses the future growth segments in India's E-Commerce. Also find out various factors that would be essential for future growth of Indian E-commerce. And represent the various opportunities for retailers, wholesalers, producers and for people. In this paper we found that the Overall E-Commerce will increase exponentially in coming years in the emerging market of India.

Key words: e – Commerce growth.

INTRODUCTION

Electronic commerce is presently an indispensable ingredient of India's trade facilitation policy. Since 1991, after economic reforms explicitly took place in India as a result of opening of the economy with a view to integrate itself with the global economy, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Resultantly, last few years have witnessed a technological revolution accompanied by the wide spread use of the Internet, web technologies and their applications. Electronic commerce (e-commerce) as part of the information

technology revolution became widely used in the world trade in general and Indian economy in particular.

As a symbol of globalization, e-commerce represents the cutting edge of success in this digital age and it has changed and is still changing the way business is conducted around the world. The commercialization of the Internet has driven electronic commerce to become one of the most capable channels for inter-organizational business processes. Consequently, Internet growth has led to a host 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 prices¹. The internet augments the traditional businesses to be transformed because ‘incumbents (in markets) and large firms do not have the advantage ‘just by virtue of being there first or by being of big’. The implication of perfectly competitive market as the world will observe is that market will produce an efficient allocation of resources.

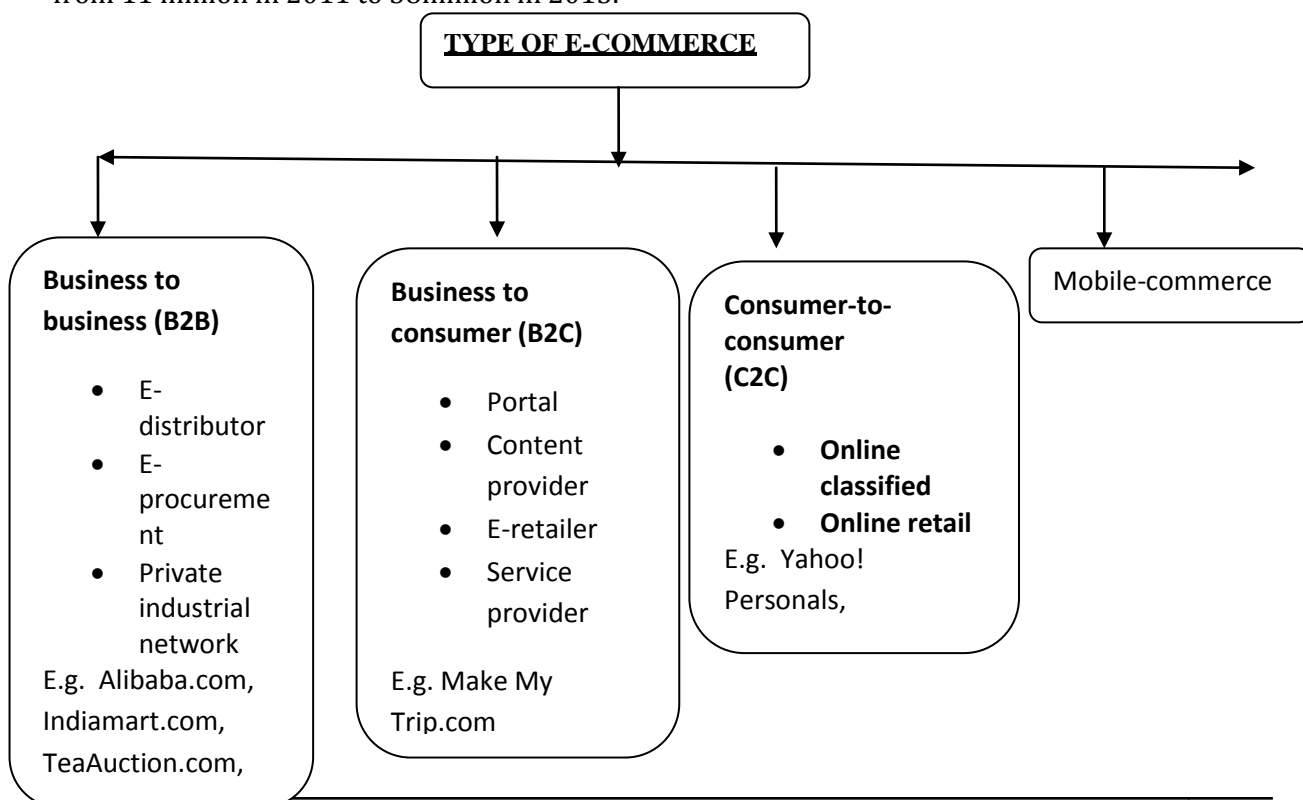
The E-Commerce market in India has enjoyed phenomenal growth of almost 50% in the last five years. Although the trend of E-Commerce has been making rounds in India for 15 years, the appropriate ecosystem has now started to fall in place. The considerable rise in the number of internet users, growing acceptability of online payments, the proliferation of Internet-enabled devices and favorable demographics are the key factors driving the growth story of E-Commerce in the country. The number of users making online transactions has been on a rapid growth trajectory, and it is expected to grow from 11 million in 2011 to 38million in 2015.

CONCEPTS AND DEFINITIONS

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services. It also pertains to “any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact.” A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals.

DIFFERENT TYPE OF E-COMMERCE:

The major different types of e-commerce are: business-to-business (B2B); business to-consumer (B2C); business-to-government (B2G); consumer-to-consumer (C2C); and mobile commerce (m-commerce).



E-COMMERCE IN INDIA

For developing countries like India, e-commerce offers considerable opportunity. Ecommerce in India is still in growing stage, but even the most-pessimistic projections indicate a boom. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia's second most populous nation. The first e-commerce site in India was rediff.com. It was one of the most trafficked portals for both Indian and nonresidents Indians. It provided a wealth of Indian-related business news a reach engine, ecommerce and web solution services. The past 2 years have seen a rise in the number of companies enabling e-commerce technologies and the internet in India. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenues. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and mouse tickets the grocery and computers. The major in this services being Rediff.com and the net and India plaza with started a shopping section after In spite of RBI regulation low internet usage e-commerce sites have popped up everywhere hawking things like groceries, bakery items, gifts, books, audio and video cassettes, computer etc. none of the major players have been deterred by the low PC penetration and credit card.

GROWTH AND PROSPECTS OF E-COMMERCE IN INDIA:

E-commerce in India is still in budding stage but it offers extensive opportunity in developing countries like India. Highly intensified urban areas with very high literacy rates, an enormous rural population with fast increasing literacy rate, a rapidly growing

internet user base, technology advancement and adoption and such other factors make India a dream destination for e-commerce players. Moreover, stumpy cost of personal computers, an emergent installed base for Internet use and a progressively more competitive Internet Service Provider (ISP) market has added fuel to the fire in augmenting e-commerce growth in Asia's second most populous nation.

India's ecommerce industry is on the growth curve and experiencing a surge in growth. The Online Travel Industry is the biggest segment in ecommerce and is flourishing largely due to the Internet-savvy urban population. The other segments, categorized under online non-travel industry, include e-Tailing (online retail), online classifieds and Digital Downloads (still in a blossoming stage). The online travel industry has some private players such as Makemytrip, Cleartrip and Yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. Mobile Commerce is also growing rapidly and proving to be a stable and secure supplement to ecommerce due to the record growth in mobile user base in India, in recent years. Growth drivers and barriers are present in equal measures for new ecommerce ventures.

A description by the Internet and Mobile Association of India has exposed that India's e-commerce market is mounting at an average rate of 70 percent annually and has grown over 500 percent since 2007. The current estimate of US\$ 6.79 billion for year 2010 is way ahead of the market size in the year 2007 at \$1.75 billion. The following chart depicts the growth of E-commerce in India in the last couple of years.

Growth of e-commerce in India

Year	Total e-commerce transaction (in million\$)
1998-99	31.38
1999-00	103.84
2007-08	1750.00
2008-09	3015.00
2009-10	4230.00
2010-11	6790.00
2011-12*	10000.00

* Projections (Ref: A report of Internet and Mobile Association of India)

Apparently, more online users in India are willing to make purchases through the Internet. Overall e-commerce industry is poised to experience a high growth in the next couple of years. The 70 percent year on year growth is expected to continue and India's e-commerce market is forecast to reach a whopping \$US 10 billion by the end of 2011. The e-commerce market in India was largely dominated by the online travel industry with 80% market share while electronic retail (E-Tailing) held second spot with 6.48% market share.

Market Share of Ecommerce in India, 2010

E-commerce sectors	Market share (%)
On line travel	80%
e-tailing	6.48%
Financial services	6.31%
Other online service	5.09%
Digital download	2.12%

Source: A report of Internet and Mobile Association of India.

E-Tailing and digital downloads are expected to grow at a faster rate, while online travel will continue to rule the major proportion of market share. Due to increased e-commerce initiatives and awareness by brands, e-Tailing has experienced decent growth. According to the Indian Ecommerce Report released by Internet and Mobile Association of India (IAMAI) and IMRB International, "The total online transactions in India was Rs. 7080 crores (approx \$1.75 billion) in the year 2006-2007 and it was grown by 30% to touch Rs. 9210 crores (approx \$2.15 billion) by the year 2007-2008. According to a McKinsey-Nasscom report the e-commerce transactions in India has Computer Engineering and Intelligent Systems reached \$100 billion by the 2008.

Although, as compared to the western countries, India is still in its initial stage of development. Home Internet usage in India grew 19% from April 2006 to April 2007. In April 2007 it became 30.32 million and the e-Marketer accepts that there will be 71 million total Internet users in India by 2011. India is showing tremendous growth in the e-commerce. Rival tradeindia.com has 700,000 registered buyers and it has the growth rate of 35% every year which is doubled in the year 2008. Indiamart.com claims revenues of Rs. 38 crores and has a growing rate of 50 every year. It receives around 500,000 enquiries per month.

Undoubtedly, with the middle class of 288 million people, online shopping shows unlimited potential in India. The real estate costs are touching the sky. The travel portals' share in the online business contributed to 50% of Rs 4800 crore online market in 2007-08. The travel portal MakeMyTrip.com has attained Rs 1000 crores of turn-over which is around 20% of total e-commerce market in India. Further an annual growth of 65% has been anticipated annually in the travel portals alone.

B2C E-commerce sales in selected countries in Asia Pacific Region, 2006-11 (billions USD)

Country /year	2006	2007	2008	2009	2010	2011
Australia	9.5	13.6	20.4	26.4	28.7	31.1
China	2.4	3.8	6.4	11.1	16.9	24.1
India	0.8	1.2	1.9	2.8	4.1	5.6
Japan	36.8	43.7	56.6	69.9	80.0	90.0
South korea	9.6	10.9	12.4	14.0	15.9	17.9
Asia-pacific	59.9	73.3	97.7	124.1	145.5	168.7

Source: e-Marketer, January, 2008.

According to a McKinsey-Nasscom report, the e-commerce transactions in India are expected to reach \$100 billion by the 2008. Although, as compared to the western countries, India is still in its initial stage of development. E-Marketer forecasts that online sales will more than double by reaching \$168.7 billion in 2011. Market share is moving toward Australia, India and especially China. China's share of regional B2C e-commerce will grow more than threefold from 4.1% in 2006 to 14.3% by 2011. At the low end, South Korea's B2C e-commerce sales will grow by 13.3% over the same period. Between 2006 and 2011, the aggregate CAGR for the five countries will be 23.3%. Sales of selected countries in Asia Pacific Online travel is the largest e-

commerce sales category in most major countries. For the same group of five countries, plus New Zealand, online leisure and unmanaged business travel sales totaled about \$17.7 billion in 2007 and are forecast to rise to \$41.7 billion by 2011. E-Marketer forecasts that from 2006 to 2011 online travel sales will grow at a 24.8% annual rate, higher than the 23.3% rate for B2C e-commerce.

This indicates that travel is one of the key drivers of e-commerce sales in the APAC region. In China and India, online-travel spending drives B2C e-commerce sales, and it accounts for a majority of total sales. Consumers are less wary of buying services like train or airline tickets online, and sellers can avoid the logistics and delivery problems

associated with physical goods. Jeffrey Grau, senior analyst at e-Marketer, said that such preferences underscore how e-commerce in the region has a vast amount of growth ahead. E-commerce in these markets will have come of age when consumers start buying more expensive, high-touch categories such as apparel, home furnishings and jewellery.

According to the eBay Census Guide, 2009 for Indian e-commerce scenario, it has been observed that India has over 2,471 eCommerce Hubs consisting of the cities, towns, villages and smaller towns which cover the entire length and breadth of the country. Technology or technology related products dominate India's domestic e-commerce. Whereas, lifestyle product category dominates in the global trade. Technology, being India's favorites traded vertical category contributes 44% of total e-commerce transactions according to the latest eBay Census. Lifestyle category at 35% comes second in popularity for online Indians. For Global Trade, lifestyle is the clear winner at 64% of all transactions followed by Media & Collectibles at 15% each. Elaborating India's domestic online shopping scenario, South India has the most active buyers at 41% of all transactions, followed by West India at 27%. However, West India has the most active sellers at 46%, followed by North India at 28%.

Delhi entrepreneurs sold the most technology gadgets at 46% of all transactions to buyers in India. Lifestyle scored on the Exports front at 67% of all transactions. Delhi sells the most musical instruments – percussion, brass, synthesizers, and guitars - in the country. In addition to this, Delhi buyers bought the most sunglasses in the country according to the eBay census. Delhi buyers have also bought the most number of high

end digital cameras in the country. India is showing tremendous growth in the e-commerce. Rival tradeindia.com has 700,000 registered buyers and it has the growth rate of 35% every year which is likely to double in the year 2010. Indiamart.com claims revenues of Rs. 38 corers and has a growing rate of 50 every year. It receives around 500,000 enquiries per month. Undoubtedly, with the middle class of 288 million Computer Engineering and Intelligent people, online shopping shows unlimited potential in India. The real estate costs are touching the sky. The travel portals' share in the online business contributed to 50% of Rs 4800 crores online market in 2007-08. The travel portal MakeMyTrip.com has attained Rs 1000 cores of turnovers which are around 20% of total e-commerce market in India. Further an annual growth of 65% has been anticipated annually in the travel portals alone. To make a successful e-commerce transaction both the payment and delivery services must be made efficient. There has been a rise in the number of companies' taking up e-commerce in the recent past.

Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers. With stock exchanges coming online the time for true e-commerce in India has finally arrived. On the negative side, there are many challenges faced by e-commerce sites in India. The relatively small credit card population and lack of uniform credit agencies create a variety of payment challenges unknown in India. Delivery of goods to consumer by couriers and postal services is not very reliable in smaller cities, towns and rural areas.

However, many Indian Banks have put the Internet banking facilities. The speed post and courier system has also improved tremendously in recent years. Modern computer technology like secured socket layer (SSL) helps to protect against payment fraud, and to share information with suppliers and business partners. With further improvement in payment and delivery system it is expected that India will soon become a major player in the e-commerce market. While many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce, critical challenges remain to be overcome before e-commerce would become an asset for common people. India's e-commerce industry is on the growth curve and experiencing a spurt in growth.

The Online Travel Industry is the biggest segment in e-commerce and is booming due largely to the Internet-savvy urban population. The other segments, categorized under online non-travel industry, include e-Tailing (online retail), online classifieds and Digital Downloads (still in a nascent stage). The online travel industry has some private players such as Make mytrip, Cleartrip and Yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. Mobile Commerce is also growing rapidly and proving to be a stable and secure supplement to e-commerce due to the record growth in mobile user base in India, in recent years. Growth drivers and barriers are present in equal measures for new e-commerce ventures. Indian e-commerce space percentage is getting higher as more and more online retailers enter the market. Although this level of entry in the e-commerce market is good from a long term

perspective, the challenge is that most entrepreneurs don't have the resources or capital to wait for years before they can get profits. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue.

The web communities built around these portal sites with content have been effectively targeted to sell everything from event and movie tickets the grocery and computers. This is not to say that the e-commerce scenario has been bad in India as highly successful e-business like baba bazaar and India mart have proved. Indian Banks too have been very successful in adapting EC and EDI Technologies to provide customers with real time account status, transfer of funds between current and checking accounts, stop payment facilities. ICICI Bank, Global Trust Bank and UTI-Bank also have put their electronic banking over the internet facilities in place for the upcoming e-commerce market speed post also plain to clone the federal express story with online package status at any moment in time. The future looks very prospective for e-commerce in India with even the stock exchanges coming online providing a online stock portfolio and status with a fifteen minute delay in prices.

INDIA'S PROSPECTS IN E-COMMERCE & TRENDS IN E-COMMERCE

- **OPPORTUNITY FOR RETAILERS:**

A retailer can save his existence by linking his business with the on-line distribution. By doing so, they can make available much additional information about various things to the consumers, meet electronic orders and be in touch with the consumers all the time. Therefore, E-Commerce is a good opportunity.

- **OPPORTUNITY FOR WHOLE SALERS/DISTRIBUTER:**

In the world of Ecommerce the existence of the wholesalers is at the greatest risk because the producer can easily ignore them and sell their goods to the retailers and the consumers. In such a situation those wholesalers can take advantage of E-Commerce who are capable of establishing contractors with reputed producers and linking their business with the on- line.

• OPPORTUNITY FOR PRODUCERS:

Producers can take advantages of e-commerce by linking themselves with on-line, by giving better information about their products to the other links in the business chain and by a having a brand identity.

• OPPORTUNITY FOR PEOPLE:

As more people are getting linked with E-commerce, the demand for centre providing internet facility or cyber cafe is also increasing. Hence, the people who wish to take advantage of it can establish cyber and have their benefits.

ESSENTIAL FACTORS FOR GROWTH OF E-COMMERCE IN INDIA:

- Customer convenience: By providing Cash on delivery payment option service to
- Customers. Replacement guarantee: Should be Offers 30 day replacement guarantee to their
- Customers Reach: Enabling mobile-capable sites and supporting M-Commerce services.
- Location based services: Since customers these days are always on the move, promoting the right product at the right time and location becomes an integral aspect Multiple payment option: standard credit

cards, debit cards and bank payments option should be there. .

- Providers offering instant price comparison are highly popular amongst the price conscious customers.
- Shipment option: Low cost shipment should be there. The convenience of collecting orders post work while returning home should be there.
- Logistical challenges: In India, the geographical spread throws logistical challenges. The kind of products being offered by providers should determine the logistics planning.
- Legal challenges: There should be legal requirement of generating invoices for online transactions.
- Quick Service: Timely service provided by the company.
- Terms and condition: T & C should be clear & realistic.
- Quality: The product quality should be same as shown on the portal.
- Customer care centre: A dedicated 24/7 customer care centre should be there

FUTURE OF E-COMMERCE IN INDIA

India is developing rapidly and if development is to be measured, how can we ignore the role of e commerce in it. The internet user base in India might still be a mere 100 million which is much less when compared to its penetration in the US or UK but it's surely expanding at an alarming rate. The number of new entrants in this sphere is escalating daily and with growth rate reaching its zenith it can be presumed that in years to come, customary retailers will feel the need to switch to online business. Insights into increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced

prices and busy lifestyles reveal this fact more prominently thereby giving way to online deals on gift vouchers. Going by the statistics, the E-commerce market in India was worth about \$2.5 billion in 2009. It rose to \$8.5 billion by 2011 thus depicting a definite surge in the last two years. According to a statement released by the Internet and Mobile Association of India (IAMAI), these figures would reach up to \$12 billion by 2012!

To understand this scenario, we can divide E-commerce into three broad categories which include physical services, physical goods and virtual goods. Another category that is gradually making its mark is which offers significant overlaps with E-commerce. The 1st category of physical services is definitely the major contributor which includes travel ticketing, jobs, matrimonial and event management websites with travel sites accounting for 75% of all E-commerce industries! It provides attractive deals too. The 2nd category of physical goods is the one currently gaining considerable attention, thanks to the hype created by new startups/stores being launched daily. Leaders in this division are Flipkart, Infibeam, Homeshop18, Indiatimes, Naaptol, Letsbuy etc. each of which offers everything from mobile phones to pet food. The 3rd and final category of virtual goods and gift vouchers like online music, software's, movies, games, Taj Hotel gift vouchers, Reebok gift vouchers, Pizza Hut gift vouchers etc. have been relatively lagging behind in India as compared to Europe and America, primarily due to piracy concerns and the social perspective of Indians. But the scenario is expected to change with the digital downloads segment expected to grow in the Indian Ecommerce market due to the explosion of mobile devices and the services available over the Internet at special

discounts. Certain unique attributes of the E-commerce industry in India such as cash on delivery mode of payment and direct imports that lower costs considerably are probably going to bring about a speedy growth in this industry in years to come.

TECHNIQUES TO IMPROVE E-COMMERCE BUSINESS IN INDIA:

In the recent past, the India Government has significantly liberalized foreign direct investment ("FDI") in India. As per the regulations formed under the Foreign Exchange Management Act, 1999, ("FEMA") FDI is allowed on an automatic basis, (i.e. without any prior approval of the Ministry of Commerce and Industry) upto a certain limit or fully, in most sectors. In July 2000, vide Press Note No. 7 (2000 Series), the Government has also allowed 100% FDI in e-commerce activities. However, this investment is subject to the following conditions: i). FDI is allowed only in companies engaged in B2B e-commerce activities and not in retail trading; and ii). 26% of the FDI has to be divested in favor of the Indian public within a period of five years, if the companies are listed in other parts of the world. Therefore, companies engaged in B2C e-commerce activities cannot obtain FDI on an automatic basis. They would have to seek prior approvals from the Foreign Investment Promotion Board under the Ministry of Commerce and Industry, which would consider such applications on a case-to-case basis. The government of India has passed the Information and Technology Act to keep a check on the transactions carried on via the electronic media and to make the process of Ecommerce safe and reliable. The Act imposes heavy penalties and punishment on those who try to misuse this channel for personal benefit or to defraud others. The law has also established the authentication of the electronic records. Increase in the Cyber

crimes in e-commerce is causing concern among the credit card users in India. Now, the government has opened Cyber Crime Police Station. Online complaints can be filed for both cyber and Non Cyber crimes, through an online form which is available at <http://www.bcp.gov.in/english/complaints/newcomplaint.asp> to accept complaints filed with digital signatures. The Government of India has decided to impose service tax on e-commerce transaction and that will result in making the net shopping expensive.

The following are some pathways to enhance "Online Customers" in India:

- Goods should have value for the customer along with quality.
- Security is promised.
- Selling Brand articles.
- Establishing trust and winning confidence.
- Providing easy guidance.
- Clear information regarding delivery time.
- Articles ordered and the article delivered should not vary.
- Giving discount offer and other gift items.
- Limited personal information.
- Providing value added service at lower prices.
- Full information regarding the product is simple words.
- Innovative products.
- Social shopping phenomenon.
- Providing price comparison.
- Transparent information regarding the product
- Indian customers want to buy things that do not cost them much.

CONCLUSION

The future of E-Commerce is difficult to predict. There are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware products and apparel. There are also some

essential factors which will significantly contribute to the boom of the Ecommerce industry in India i.e. replacement guarantee, M-Commerce services, location based services, multiple payment option, right content, shipment option, legal requirement of generating invoices for online transactions, quick Service, T & C should be clear & realistic, the product quality should be same as shown on the portal, dedicated 24/7 customer care centre should be there. We found various types of opportunities for retailers, wholesalers/distributors, producers and also for people. Retailers meet electronic orders and should be in touch with the consumers all the time. Wholesalers can take advantage of Ecommerce who are capable of establishing contractors with reputed producers and linking their business with the on-line. Producers can also linking themselves with on-line, by giving better information about their products to the other links in the business chain and by a having a brand identity. As more people are getting linked with E-commerce, the demand for centre providing internet facility or cyber cafe is also increasing. Hence, the people who wish to take advantage of it can establish cyber and have their benefits. People could found various opportunities of employment. On the behalf of above said reports and experts view showed that the future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented.

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