RESEARCH PAPER

Commerce

Volume : 6 | Issue : 2 | FEBRUARY 2016 | ISSN - 2249-555X

Growth and Trends in E-Commerce in India

KEYWORDS

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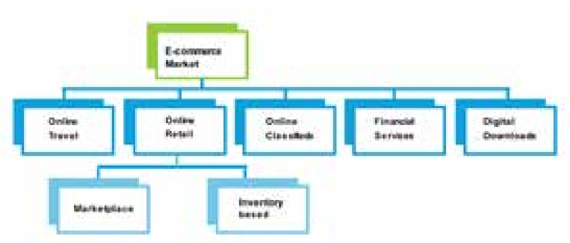
1. Prelude:

Now a days, internet has become part and parcel of business. The Internet has changed the way people buy and sell goods and services. Online retail or e-commerce is transforming the shopping experience of customers. The sector has seen unprecedented growth especially in the last two years. The adoption of technology is enabling the e-commerce sector to be more reachable and efficient. Devices like smartphones, tablets and technologies like 3G, 4G, Wi-Fi and high speed broadband is helping to increase the number of online customers. Banks and other players in e-commerce ecosystem are providing a secured online platform to pay effortlessly via payments gateways. The homegrown players have shown tremendous growth and attracted some big investors. The entry of global biggies like Amazon and Alibaba has taken the competition to a new level. E-tailors are differentiating themselves by providing innovative service offerings like one-day delivery, 30-day replacement warranty, cash on delivery (CoD), cashback offers, mobile wallets, etc. The supply chain has improved significantly and e-tailers are even leveraging on the services of Indian Post for greater reach across the country. In 2014, Indian Post collected 2.8 billion through CoD option of payment[1].

Figure. 1:B2C E –Commerce Segments



2. Market Size:

The digital commerce market in India has grown steadily from $4.4 billion in 2010 to $13.6 billion in 2014. As per industry estimates, the digital commerce market in India is expected to reach $16 billion by the end of 2015 on the back of growing Internet population and increased online shoppers. Online travel accounts for nearly 61% of e-commerce business while e-tailing contributes about 29%[2]. Visa India spend data showed 53% growth in the number of e-commerce transactions in 2014[3].

It is quite obvious from Fig.2 that the online retail market share increased from 4.4 billion in 2010 to 5.59 billion in 2011.Again it went up from 7.9 billion in 2012 to 8.9 billion in 2013 and it shot up to 13.6 billion in 2014.In 2015 it is projected 16 billion.

Source: IAMAI, Deloitte Analysis

3. a) E- Business Models

E-commerce market in India has started to become crowded and complex with several players fighting for a fair share of customers' mind and wallet. As the competition in the e-commerce heats up, the companies are using multiple business models in order to get customer attention including:

- Inventory model e.g. Shopper Stop, Croma
- Social networks e.g. TripAdvisor
- Aggregator Model e.g. Ola Cabs
- E-Marketplace e.g. Flipkart, Snapdeal
- Transaction broker e.g. IRCTC
- Click and Collect service e.g. Amazon

To survive and sustain operations in the competitive market, companies are also taking advantage of one or multiple revenue models including:

- Advertising revenue model e.g. Yahoo.com
- Subscription revenue model e.g. Flintobox
- Transaction fee model e.g. eBay
- Sales revenue model e.g. Amazon
- Affiliate revenue model e.g. CouponDunia

b) Distinct Categories of E-Commerce

Business-to-business (B2B)
Business-to-Consumer (B2C)
Consumer-to-Consumer (C2C)
Consumer-to-Business (C2B)

Business-to-business (B2B): Business-to-Business refers to the full spectrum of e-commerce that can occur between two organizations. Among other activities, B2B e-commerce includes purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, and service and support. While we may be familiar with a few B2B

Volume : 6 | Issue : 2 | FEBRUARY 2016 | ISSN - 2249-555X

pioneers- e.g., Chemdex (www.chemdex.com), Fastparts (www.fastparts.com), and FreeMarkets (www.freemarkets.com) - some other exciting new consortia are emerging.

Business-to-Consumer (B2C): Business-to-Consumer e-commerce refers to exchanges between businesses and consumers, e.g., Amazon.com, ebay.com, Flipkart.com, snapdeal.com. Similar transactions that occur in business-to business e-commerce also take place in the business-to-consumer context. For instance, as with smaller business-to-business, transactions that relate to the back office of the customer (i.e., inventory management at the home) are often not tracked electronically. However, all customer-facing, or front office activities are typically tracked. These include sales activities, consumer search, frequently asked questions and service and support.

Consumer-to-Consumer (C2C): Consumer-to-Consumer exchanges involve transactions between and among consumers. These exchanges may or may not include third-[arty involvement as in the case of the auction-exchange eBay. Other activities include: classified ads (e.g., www.numberoneclassifieds.com), games (www.heat.net), jobs (www.monster.com), Web-based communication (www.icq.com), and personal services (e.g., Yahoo! Personals, webpersonals.com).

Consumer-to-Business (C2B): Consumers can band together to form and present themselves as a buyer group to businesses in a consumer-to-business relationship. These groups may be economically motivated as with the demand aggregator, Mercata.com, or socially oriented as with cause-related advocacy at voxcap.com.

4. Trends

a) Time for stronger Mergers & Acquisitions: The year 2014 saw some high profile mergers and acquisition in the Indian digital commerce sector. The biggest one being the Flipkart and Myntra merger, which was 20 billion deal helping reduce completion in the market. The Ibibo Group, a subsidiary of the South African mass media company Naspers, acquired Pilani Soft Labs, which runs bus ticketing website redBus.in for about $135 million. Ola Cabs acquired the rival TaxiForSure for $200 million to eliminate competition. These deals have further bolstered investor confidence in the sector. M&A trends are expected to follow in the coming years as the industry consolidates backed by high valuations and scaling up operations.

b) Living on valuations: The staggering growth of digital commerce is attracting investors from within and outside the country. The homegrown players Flipkart and Snapdeal are taking every necessary step to stay ahead in the race. Online players remain optimistic of the profitability of their ventures in the long term and continue to invest heavily to build capabilities and gain bigger share of the market.

As per analysts, the 200 billion investments in e-commerce in 2014 were driven by sky-high valuations[4]. The valuation of Flipkart sharply increased from $1.9 billion at the start of 2014 to reach $11 billion by the end of the year[5]. It raised $1.9 billion in three rounds of fund raising despite incurring losses of around 4 billion. Similarly, Snapdeal saw its valuation increase from $350 million to $3 billion after raising funds of $850 million[6].

Conclusion:

It will be concluded that fast growing internet population 243 million in 2014 is an indicator of the E-commerce sector's sectors growth. E-commerce is increasing from Tie2 and Tier 3 cities, where people have limited access to brands but higher aspirations. Globalization and adoption of technology is another factor that promotes E-commerce in India.

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