



## Growth Drivers of Online Shopping in Small Cities of Saurashtra region (Gujarat)

### KEYWORDS

Information Technology, mobile shopping, e-commerce, online shopping, Smartphone, app only shopping, demography, infrastructure.

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### ABSTRACT

*In recent years, Information and technology witnessed significant development throughout the world and India is not an exception. These developments had changed consumers buying behavior also. This is evident by the increasing popularity of online shopping and increase in the share of online shopping in the overall retail market. Although this trend was initiated in metro cities but now becoming more popular in non-metro cities. This paper tries to establish the relationship between the availability of technological development in pan India and other drivers of online shopping with the rapidly increasing share of online shopper from small cities especially saurashtra region. Developed information technology infrastructure and availability of low-cost Smartphone along with economic mobile plans make online shopping in the approach of a common man of small cities. Fast economic growth is spearhead factor of these trends along with increasing per capita income, a high disposable income of youth as well as rising educational level of people in general and women, in particular, all contribute towards increase in online shopping. These drivers fulfill shopping aspirations of consumers of small cities as their metro counterparts which may be hampered due to the poor supply chain and infrastructure of marketing companies*

### INTRODUCTION

Online shopping is not a new phenomenon anymore in the present era of information technology. In India, online shopping is in the nascent stage but blooming with a fast pace. Online shopping has grown leaps and bounds in India over past 5 years or so. Few years ago it was not much popular, but now e-commerce has touched every online person's life, be it male or female of India, be it a person from Metro or a person from small cities. At present share of online retail is constantly increasing in Indian retail market. Even in rural India online shopping is becoming a part of life. Now, shoppers are purchasing online in order to save time and take advantage of their convenience instead of physically visiting a store (Dholakia & Usitalo O. 2002). As an emerging economy, India presents a potential market for online shopping. E-commerce companies are fighting to establish themselves in the Indian market. The fight for supremacy among these e-commerce companies has reached to the next stage, with increasing demand for online shopping in rural India. In order to materialize this opportunity E-commerce firms like Amazon, e-Bay, Flipkart and Snapdeal are now focusing on expanding business in small towns and rural parts of the country as it seems a huge opportunity for these companies. Rising popularity of online shopping in small cities is showing strong momentum with an improved demand appetite. In India, e-commerce companies like Flipkart, Amazon, Snapdeal, eBay and Jabong admit that here more than 50% of their sale comes from small cities and towns. The reasons behind this remarkable growth in small cities and towns may be as similar as customers of metro cities or may be different.

### SHARE IN TOTAL RETAIL

The share of e-commerce in total retail sales will soon be larger in emerging markets than in developed countries. Data from different market research agencies reveal a rapid growth in online shopping in general and in Indian perspective. Presently online retails in India accounts for less than 1% of the total retail sales. The e-commerce is expected to contribute 1.4% of the total retail sales by 2018 and 3% by the end of the year 2020 (Technopak, 2014). Its

growth is at boom and there are marvelous opportunities for buyers and sellers in upcoming time. A report by Technopak Advisors Pvt. Ltd (2015) also agreed about the same trend that the online retail industry in India and estimated to grow 6.5% of the total market, by 2023.

### Developing Information Technology

One of the primary factors which contribute this rapid growth is developing Information Technology which enables easy access of internet facilities; CBRE (an American commercial real estate company with office in India) India Consumer Survey 2015 tells that this trend of growth in India is expected to continue in future. (CBRE, June 2015) Indian consumer is willing to shop online more frequently in future. The line between browsing and buying online and offline is blurring today as technology is playing a means in converting every physical touch point for consumers into digital. (Indiaretailing.com, Feb 04, 2014) The consequent increase in the internet user base has led to the emergence of small towns as e-commerce hubs. Easing technology is helping shift consumers in nonurban centers to online shopping. Around 120 million Internet users in India: the third largest user base in the world India can reach up to 500 million by end of the year 2015 (Report PTI Dec 19, 2012, The Economic Times). Increase access to low-cost, high-speed connectivity in rural and semi-urban leads the growth of online shopping. The increasing availability of 3G/4G infrastructure and the sharply declining cost of high-speed access provide strong momentum to the emergence of India's Internet user base.

### Shopping through Smartphone

The success of e-commerce in rising markets is in direct correlation with the surge of Smartphone sales. As online retailers' growth is driven by the rise in usage of mobile internet in the country, shopping through mobile is the primary purchasing channels in tier -III cities. Internet and Mobile Association of India reported that the number of mobile internet users in the country was 173 million in December 2014. It is set to grow manifold by 2020 (Forrester Research, 2014). The use of personal computers for online

buying is lower in tier -III cities than in other tiers; around 62% of online retail store Jabong's recent sales and 45% of the revenues of Myntra (acquired by Flipkart in May 2014) come from tier -II and tier - III cities. It is expected that the people living in tier -IV cities (16% of India's population) to behave similar to those in tier -III and adopt online shopping via mobile. (Forrester Research, 2014). Smartphone penetration in the country is growing at over 150% year on year. With internet connectivity through Smartphone on the rise, more and more mobile users are expected to shop online (PWC, 2015). There are many evidences of the dominance of smaller cities in the Indian e-commerce market in present time. And shopping through mobile phones has been proven as a favorite option for people of smaller cities. With mobile phones reaching the masses, mobile commerce is poised to carry the next e-commerce revolution in India. According to a Google report conducted in association with Forrester on online shopping trends in India also states that the increased use of mobiles in tier two and tier three cities are the key drivers (Forrester, Nov. 24, 2014). Half of the online shoppers in tier -III cities are already on mobile phones, compared with just one-third in tier -I city. A report by Confederation of Indian Industry estimates that by 2020, the number of people accessing the internet through mobile is set to reach 600 million. The increased mobile penetration and Smartphone adoption in these areas is definitely one of the major factors driving this trend (Business Standard)

#### Low-cost Smartphone

India's fast-growing Internet market relies to a greater degree on the mobile internet than in other countries. The main reason behind this is the rapid decrease in the cost of smart devices. Owning a Smartphone is not a big deal anymore. With the availability of these low-cost Smartphone, the e-commerce opportunity has increased manifold. According to a recent Accel Partners study, shopping through mobile phones, grew 800% in 2013, is expected to grow a CAGR (Compound Annual Growth Rate) of 150% till 2016 ( Sep 4, 2014, The Economics Times). Naini Vidmay., director Business Operations tells that fast growth in e-commerce in non-metros is due to the increase in the use of low-priced Smartphone and internet access.

#### App only Shopping

Along with increased use of the low-cost Smartphone, a plethora of shopping apps adds the contribution to this phenomenon. Amazon, Flipkart, other players are going the 'app only' way. The Indian internet market is still growing and mobile internet is driving growth. As much as 50% of the e-commerce business is coming through the mobile. Yahoo's Flurry Analytics reports that India's app usage is growing at a rate of 131% year-on-year, outpacing global growth. By keeping in mind customer choice and internet penetration in tier-II and III cities and rural areas through Smartphone's, companies are promoting app shopping. And sales through mobile apps are blooming these days.

#### Changing demography of rural Gujarat including saurashtra

According to a (Nielsen, 2011) report typically young, upwardly mobile consumers with high exposure to the media and brands are the major drivers of blooming online shopping. This segment is generally aware of latest fashions and with that demand for superior products and service delivery, convenience, better services and customized solutions are main priorities. Increasing buying capacity and per capita income of young generation as well as busy lifestyle fuels these phenomena. Indian economic

growth is taking manifold thus the consumers of rural India are showing unique expenditure patterns, tastes, and needs. About 20 % of India's population lives in cities outside metros. There are several pointers which suggest that this large group of city dwellers have significant purchasing power (Business Standard, Feb. 13, 2015). Middle India, a region made up of approximately 400 towns each with a population of 1-10 lakh, is home to 100 million Indians. These cities are ready to behave like the metros of tomorrow. The annual per capita FMCG (Fast Moving Consumer Goods) consumption of Middle India's towns is becoming higher than the national average. Shifting consumption patterns of consumers who are graduating to prosperity and lifestyle purchases are the key factors for adopting new shopping channels. (Nielsen, 2012). As the majority of India's population live in rural areas and participating in the fast economic growth and increased per capita income is definitely the target of this phenomenon. Disposable income of rural youth has been significantly increased; with this increased purchasing power youth demands fashionable and branded products in these areas. This newly emerged rural online market gave birth to new trend "Rurban". Rurban markets refer to locations apart from top tier cities that are immensely untouched and are home to the majority of the Indian market. 'Rurban' consumption is characterized by high brand awareness and strong local tastes and preference. Awareness on various products and services is increasing due to growing media and internet penetration. (Forrester, Nov2014). Online retailers and industry experts state that customers in non-metro cities have purchasing power and desire for international brands but the unavailability of these brands in local market drive them to go shop online.

#### CONCLUSION

Online shopping is in its infant stage in India but riding on high growth rate and promises to sustain this growth rate in upcoming time. As with presence of many driving factors demographic dividend of India is going to be proven as a major deciding factor. Along with that increasing information technology penetration in every nook & corner of the country intensified this new shopping trend. Availability of low cost Smartphone and promotional schemes by e-retailers as an app only attract a major part of India's population (tier II & tier III cities) to purchase online. General merits of online shopping such as time and energy saving, convenience, comparable prices, easy payment & return policies becomes more attractive when it combines with lack of infrastructure in tier II & III cities as weak supply chain system and unavailability of big brands. So they attract the big chunk of buyers from these small cities and towns. Last but not least; increasing education especially women education influencing online shopping positively. Hence, it could be said that this new shopping trend is a win-win situation for both consumer as well as a retailer.

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