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FUTURE PROSPECTS AND IMPACTS FOR E-COMMERCE SECTOR IN INDIA - A COMPREHENSIVE STUDY

Commerce

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ABSTRACT

India has an internet user base of about 900 million as of July 2022, about 40% of the population. Despite being the second-largest user base in the world, only behind China (650 million, 48% of the population), the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 8 million new entrants every month. The industry consensus is that growth is at an inflection point. In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorized distributors and e-commerce offerings. As of 2023, top ten the largest e-commerce companies in India are Amazon, Flipkart, Myntra, IndiaMart, ShopClues, Snapdeal, FirstCry, Nykaa, BookMyShow, Meesho, etc. **Background of E-commerce in India:** History of e-commerce in India. The concept of electronic commerce first came in the year 1991, a time when the Internet was not available in India. However, by the late 90s, more and more people became aware of the Internet and they came to know that transactions can be done through this medium. The rising growth and complexity of e-commerce categories and delivery networks is expected to have a large spill-over to infrastructure and logistics investments which will include more warehouses, sortation and delivery centers, and employment. Based on current productivity trends and growth estimates, it can be estimated that over the next three to four years, there will be an addition of 7.5 to 15 million sq ft4 in the form of additional central fulfillment centers alone with an average size of 80,000 to 1,50,000 sq ft each. This, by itself, represents an additional 6 to 12% of all the space available in the form of organized warehousing in India and almost 25 to 50% of all incremental additions of consumption-driven warehousing space 5 in the same period. India's e-commerce market, dominated by Flipkart Pvt. Ltd, Amazon, TATA Croma, Ajio, Jio Mart Mintra etc., can potentially grow more than fourfold to $500 billion by 2025, fuelled by rising incomes and a surge in internet users, according to the latest report. During the period, the size of India's middle class is expected to swell to 900 million from 540 million in 2025.

KEYWORDS

INTRODUCTION:

E-commerce is the activity of buying or selling of products on online services or over the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle although it may also use other technologies such as e-mail. Typical e-commerce transactions include the purchase of online books (such as Amazon) and music purchases (music download in the form of digital distribution such as iTunes Store), and to a less extent, customized/personalized online liquor store inventory services. There are three areas of e-commerce: online retailing, electric markets, and online auctions. A new sector in e-commerce is online medicine, selling complementary and alternative medicine or prescription medicine online. There are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license. Online sales of luxury products like Jewelry also increased over the years. Most of the retail brands have also started entering into the market and they expect at least 70% sales through online in next 2–3 years.

E-Commerce Infrastructure:

Logistics in developing economies such as India may act as the biggest barrier to the growth of the e-commerce industry. Till date, logistics models developed in India target the metropolitan and the Tier-1 cities where there is a mix of affluent and middle classes and the internet penetration is adequate. In India, about 90% of the goods being ordered online are moved by air, which increases the delivery costs for the e-retailers. Most e-retailers were initially dependent on third party delivery firms. However as the market evolves and customer expectations increase, city or geography centric service levels are becoming the need of the hour. Moreover, issues specific to e-retailing such as the problems associated with fake addresses, cash-on-delivery and higher expected return rates have made e-retailers consider setting up their captive capital intensive logistic businesses.

While establishing the captive logistics infrastructure was a consequence of need for better service delivery by actively controlling the logistics chain, it has pushed up the delivery costs. According to industry benchmarks, the delivery cost in the captive logistics models are 10 to 20% expensive than the 3PLs whose expertise lies in quick delivery at an affordable cost.

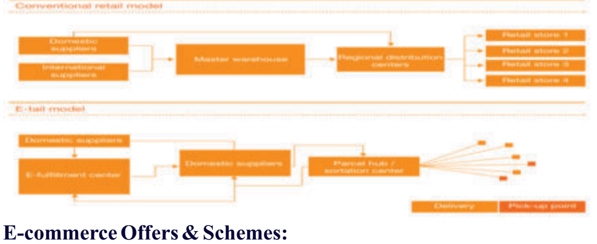
Distribution channels:

E-commerce has grown in importance as companies have adopted pure-click and brick-and-click channel systems. We can distinguish pure-click and brick-and-click channel system adopted by companies.

- Pure-click or pure-play companies are those that have launched a website without any previous existence as a firm.
- Bricks-and-clicks companies are those existing companies that have added an online site for e-commerce.
- Click-to-brick online retailers that later open physical locations to supplement their online

Ecommerce management of physical infrastructure

The business model of the conventional retailers and e-commerce providers differ significantly. The conventional infrastructure model relies on increasing depth and breadth of coverage through several inventory nodes, warehouses and stocking points connected by based on various other factors ranging from production cycles, nature and variety of the SKUs to even local taxation laws. The conventional order point occurs at retail stores and static customer fronts located at the end of the chain, and inventory requirements are predicted empirically based on several months or years of past data. In fact, competing sales channels may also duplicate infrastructure, an indication of the typical sub-ordination of the logistics function within the overall sales and distribution process.



E-commerce Offers & Schemes:

There are many hosting companies working in India, some of which offer Software as a service (SaaS) for hosting web stores. India has got its own version of cyber Monday known as great online shopping festival which started in Dec-2012, when google India partnered with e-commerce companies including Flifkart, Snapdeal, HomeShop18, Indiatimes shopping and Makemytrip. "Cyber Monday" is a term coined in the USA for the Monday coming after Black Friday Sale, which is the Friday after Thanks giving Day. Most recent GOSF Great Online Shopping Festival was held during Dec 10 to 12, 2014.

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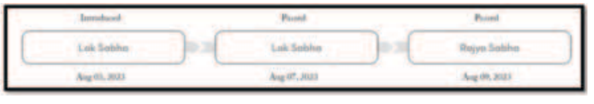
S. No	Sale Ideas	Offer	visible icon
1	Free shipping promotions	Free shipping	FREE Shipping
2	Percentage-based sales (offer a certain percent off a brand, product, or order total)	[illegible]	$59.95
3	Buy one get one (BOGO) offers or buy one save on another	[illegible]	BOGO IS BACK!
4	Quantity discounts – the more you buy, the more you save!	[illegible]	
5	Rewards points programs to build a loyal customer base	[illegible]	
6	Contests & giveaways	[illegible]	
7	Flash sales / one-day sales	[illegible]	
8	Free gift with purchase promotion	[illegible]	
9	Discount for an email list subscription	[illegible]	

Governmental regulation on E- Commerce in India:
In India, legal issues and compliance related to e-commerce vary as per different business models. E-commerce business, companies must pay attention to the following legal and regulatory matters.

1- Intellectual property act
To protect online businesses against anonymous IP infringers, Indian law allows companies to seek 'John Doe' orders. This provision allows a company to protect its possible IP loss due to copying and publishing, against an unknown person.

2 - Online data protection
The use of personal information on the web in India is governed by the Information Technology (IT) Act of 2000, while other aspects of online businesses are covered under laws such as the Payment and Settlement Systems Act of 2007 and the Consumer Protection Act of 1986.

The Digital Personal Data Protection Bill, 2023 The Bill will apply to the processing of digital personal data within India where such data is collected online, or collected offline and is digitised. It will also apply to such processing outside India, if it is for offering goods or services in India.



3- FDI regulations for e-commerce
In India, foreign direct investment (FDI) rules for e-commerce is complicated: up to 100 percent under the automatic route is permitted in Business to Business (B2B) firms but FDI in Business to Consumer (B2C) e-commerce firms is permitted only under certain circumstances. This has resulted in innovative and complex e-commerce models to overcome the restrictions.

Impacts of E-commerce in Indian business
E-commerce is impacting of the following areas in the Indian economy

1. Impact on market and retailers
E-commerce markets are growing at noticeable rates. The online market is expected to grow by 76% in 2015–2022. Many larger retailers are able to maintain a presence offline and online by linking physical and online offerings. E-commerce allows customers to overcome geographical barriers and allows them to purchase products anytime and from anywhere.

There are two ways for marketers to conduct business through e-commerce: fully online or online along with a brick and mortar store. Online marketers can offer lower prices, greater product selection, and high efficiency rates.

2. Impact on supply chain management & Warehousing
The rising growth and complexity of e-commerce categories and delivery networks is expected to have a large spill-over to infrastructure and logistics investments which will include more warehouses, sortation and delivery centers and employment. Based on current productivity trends and growth estimates, it can be estimated that over the next three to four years, there will be an addition of 7.5 to15 million sq ft4 in the 4. PwC analysis 5. Based on estimates from Knight Frank Logistics and Warehousing Report, 2013-14 6. Technopak report on E-tailing in India: Unlocking the Potential form of additional central fulfillment centers alone with an average size of 80,000 to 1,50,000 sq ft each. This, by itself represents an additional 6 to 12% of all the space available in the form of organised warehousing in India and almost 25 to 50% of all incremental addition of consumption-driven warehousing space 5 in the same period. To enhance the reach further to match the growth in warehousing, additional sortation and delivery centers will also be critical. Such additional centers with each measuring around 10,000 to 20,000 sq ft will be added. Industry estimates 6 reveal that the total spend on warehousing and sortation centers could be as high as 3 to 6% of top-line revenues, which represents an cumulative spend of over 450 to 900 million USD of spend in warehousing till 2017-2020. The industry is expected to spend an additional 500 to 1000 million USD in the same period on logistics functions, leading to a cumulative spend of 950 to 2100 million USD till 2015-2025.

3. Impact on employment
E-commerce profits had already skyrocketed in 2019, with total revenue reaching $3.5 billion. Then came lockdown from the pandemic, and the numbers rose dramatically with online retailers in the U.S. seeing revenue growth of 68%. Not surprising, as everything from shopping and banking to remote work moved ever more online. What does the trend mean for employment opportunities? Will enhanced AI reduce hiring needs? Will only workers with tech expertise be needed? In an ever-changing and expanding market there's more to it than meets the eye. Sure, retail jobs were lost during the pandemic. But in other areas, worker demand increased. To understand how the e-commerce employment landscape has changed, we break down job prospects in the e-commerce sector:

Employment Opportunities	Employment Growth	Year
Increased Demand for Workers	1,78,000	2030
Job Market is still expanding	15%	2030
Technology provides workers with an upper hand	45%	2035
Omnichannel sales and recruitment	84%	2025

4. Impact on customers
E-commerce brings convenience for customers as they do not have to leave home and only need to browse website online, especially for buying the products which are not sold in nearby shops. It could help customers buy wider range of products and save customers' time. Consumers also gain power through online shopping. They are able to research products and compare prices among retailers. Also, online shopping often provides sales promotion or discounts code, thus it is more price effective for customers. Moreover, e-commerce provides products' detailed information; even the in-store staff cannot offer such detailed explanation. Customers can also review and track the order history online.

India E-commerce Industry Segmentation:

IMARC Group provides an analysis of the key trends in each segment of the India e-commerce market report, along with forecasts at the country levels from 2023-2028. Our report has categorized the market based on type, transaction and payment mode.

Mergers & Acquisitions in E-commerce:
Here is the list of Mergers & Acquisitions which happened in India over a period of time:

Date	Merger/Acquisition	Companies Involved	Cost
May-14	Acquisition	Flipkart acquires Myntra	US$300 million
Apr-15	Acquisition	Snapdeal acquires FreeCharge	US$400 million
Jun-16	Acquisition	Myntra acquires Jabong	US$70 million
Jul-17	Acquisition	Axis Bank acquires FreeCharge	US$60 million
Apr-16	Acquisition	Flipkart acquires Phone Pe	Undisclosed
May-18	Acquisition	Infibeam buys Unicommerce	US$17 million
May-18	Acquisition	Walmart acquires Flipkart	US$16 billion
2020-21	Merger	Zomato acquired Uber Eats	$350 million
2022-23	Merger	Zomato – Blinkit merger	US$1450 Million

Ecommerce Challenges:
The e-commerce industry is growing exponentially as many people prefer the convenience and simplicity of online shopping, as well as many retailers are moving their sales online. But factors like changing customer behaviour, pressure to offer good service while maintaining sufficient profit margins, changing trends and new technology pose many challenges for e-commerce businesses. Most of the e-commerce challenges can be overcome by automation and adopting modern technology. Challenges in the e-commerce industry are not to be

looked at as limitations but as opportunities for growth and improvement.

The following is the list of critical ecommerce challenges you should solve for your business.

- Maintaining Consumer Satisfaction
- High Competition
- Reverse Logistics
- Identity Verification
- Finding the right logistics partner

- Adapting Modern Technology
- Cross Border E-commerce
- Omnichannel Support
- Customer Retention
- Inefficient Order Fulfilment

Recommendation:

The contemporary e-commerce trend recommends companies to shift the traditional business model where focus on "standardized products, homogeneous market and long product life cycle" to the new business model where focus on "varied and customized products". E-commerce requires the company to have the ability to satisfy multiple needs of different customers and provide them with wider range of products. With more choices of products, the information of products for customers to select and meet their needs become crucial. In order to address the mass customization principle to the company, the use of recommender system is suggested. This system helps recommend the proper products to the customers and helps customers make the decision during the purchasing process. It is benefit for consumer experience without physical shopping. In general, recommender system is used to contact customers online and assist finding the right products they want effectively and directly.

Conclusion:

India has an Internet user base of about 690.0 million as of November 2023, about 40% of the population. Despite being the second-largest user base in world, only behind China (1.079 billion, 48% of population), the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54M, 81%), but is growing, adding around 6 million new entrants every month.

The industry consensus is that growth is at an inflection point. In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer products (including long-tail items) is growing faster than in-country supply from authorised distributors and e-commerce offerings. Long tail business strategy allows companies to realize significant profits by selling low volumes of hard-to-find items to many customers, instead of only selling large volumes of a reduced number of popular items. The term was first coined in 2004 by Chris Anderson. In 2023, the largest e-commerce companies in India were Flipkart, Snapdeal and Amazon. In 2018, Amazon beat Flipkart and was recorded the biggest ecommerce in India in terms of revenue. In 2020, Flipkart heavily outsold Amazon by almost two to one by sales during festive retail season.

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