



GROWTH OF ONLINE SHOPPING IN INDIA

MEGHNA MEENA

Junior Research Fellow (UGC),

Department of Economic Administration and Financial Management,

University of Rajasthan, Jaipur, Rajasthan

ABSTRACT

Online shopping is a recent phenomenon in the field of E-Business and is definitely going to be the future of shopping in the India. The rapid growth of online shopping and the consumer's increasing interest in purchasing online has significantly changed the Indian retail market. Digital revolution and advanced technology are playing a vital role in strengthening the roots of online shopping. Though online shopping is very common outside India, its growth in Indian Market, which is a large and strategic consumer market, is still not in line with the global market. This paper studies the importance and growth of online shopping in India. The study also analyzes the chief characteristics online shopping sites. This study is based on secondary data collected from books, magazines and newspapers.

KEYWORDS: online shopping, E-business, digital revolution, global market

INTRODUCTION

Online shopping in India is evolving fast and has the potential to grow exponentially in the times to come, as the internet now is reaching far and wide across the rural India. The technology is developing day by day as it removes the misconceptions and limitations of technology in the past. Advanced technologies and web applications with safe transactions assurance are giving enough reasons to the new age Indian consumers to shop online. With modernization and fast paced life, came the constraints of time and eventually increasing dependence on online shopping. This has led to online shopping coming off age in India. People have commenced shopping through the convenience of online portals from the comforts of their drawing rooms.

With emergence of smartphones as the preferred mobile device of millions of people all around the world has changed not just the way we communicate and handle the various tasks of daily living. It has also changed the way we view commerce. The increased power and features of smartphones mean a more reliable and stable connection to the internet and this is driving smartphone owners to use it as a device for buying stuff. According to research more than half of consumers use smartphones and of these 70 percent have said that they use their phones to shop online. This was most apparent during the recent holiday season where record numbers of shoppers have used online stores to do their holiday shopping and they used their smartphones to do it and not a laptop or desktop computer.

OBJECTIVES OF THE STUDY

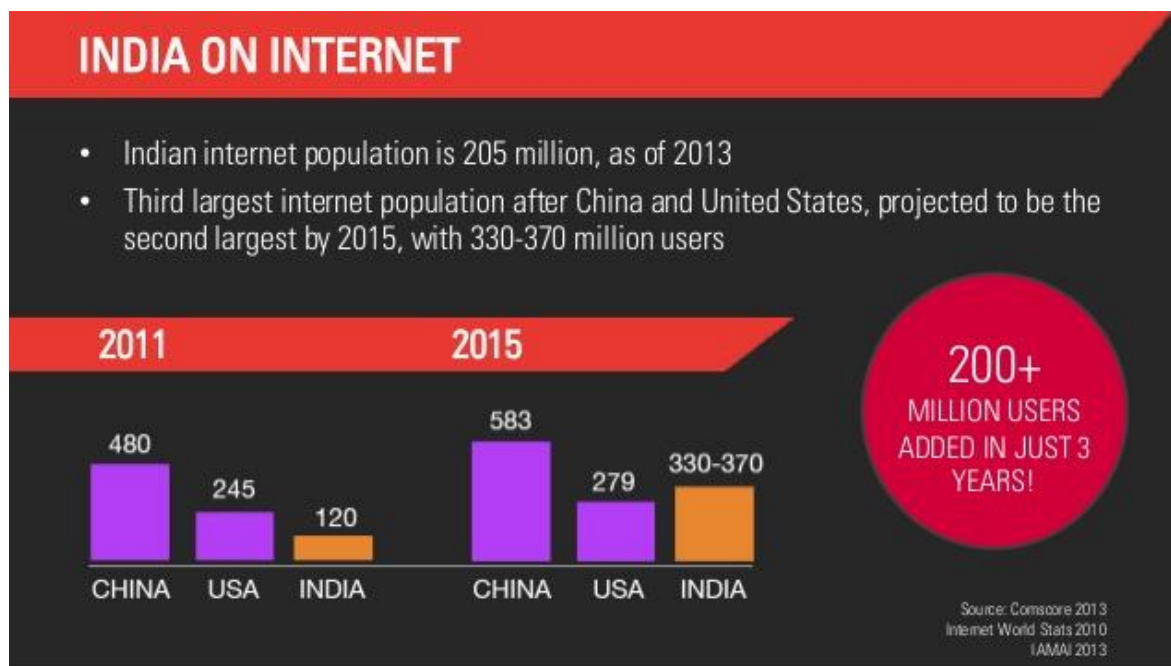
1. To examine the emerging trends in online shopping in India.
2. To evaluate the growth of online shopping in India.

THE RAPID GROWTH OF ONLINE SHOPPING IN INDIA

Online shopping is relatively a novel concept. It is, at present, heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their consumers. According to Assocham-Forrester study paper, the current estimated revenue of Indian e-commerce, as of 2016, is about USD 38 billion and is projected to hit USD 120 billion by the year 2020. This mean an annual growth rate of about a staggering 51%. A study reveals that online shopping dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment, increasing its share from 10% in 2009 to an estimated 18% in 2013.

Online market is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services.

India has shown tremendous growth in the online market. With an **internet user base of over 300 million**, India has third largest internet population after US & China.



India has witnessed a major breakthrough online market success stories particularly in **e-retail in Consumer Electronics & Fashion Apparel & Home Furnishing segments**. It creates new opportunities for **entrepreneurial start-ups**. Ease of Internet access, Safe and secure payment modes coupled with aggressive marketing by E-Commerce Giants has revolutionized this segment. Rapid development in mobile technology has given way to **Mobile Commerce** with many online companies shifting to App only model.

Some of the major advantages of online shopping which makes it popular among the retailers are low investment cost, direct access to target consumers and quick return on investment. This kind of retail format helps the retailers to serve their consumer quickly and more efficiently by offering them a detailed portfolio of products and services. On the other hand, availability of the point of transaction data helps the retailers to analyze and interpret their target consumers. It has become the most efficient way to offer valuable information to the consumers like discounts, promotions, new and existing products as per the consumer requirements and past shopping behavior. Availability of plenty of information about the products has increased the confidence level among the consumers.

Three companies that have taken the greatest advantage of the new boom in online shopping in India are Flipkart, Amazon and Snapdeal. There are thousands of other players in the online retail

industry as well, but none as big as the top-3 of Indian ecommerce, who have invested billions of dollars in the country.

Indeed, the online shopping industry in India is expected to clock a compounded annual growth rate of 35%. It is expected to cross the \$100 billion mark by 2020, up from the \$17 billion that it is worth today, according to a study by Assocham-Price water house Coopers study.

FLIPKART (inventory-led model) Flipkart has started as a price comparison online portal with an initial investment of 8,000 USD and later turned into an e-retailing giant which recently ticked the 1 billion USD in gross merchandise volume. It started with a consignment model where goods were procured on demand and turned into inventory e-retailer supported by registered suppliers since it provided better control on the logistics chain. Flipkart established warehouses in Delhi, Bangalore, Mumbai and Kolkata managing a fine balance between inventory and cost of delivering goods. Facing difficulties from the 3PLs in the form of higher delivery cost, late deliveries and faulty products delivered resulting in return and customer dissatisfaction, it has started its own logistics arm named e-Kart. E-Kart provides a robust back-end support to Flipkart and ensures timely deliveries. To achieve the economies of scale, recently e-Kart started providing back-end support to other e-retailers. It has consolidated the market and added strengths by acquiring We Read, Mime360, Chakpak.com, Letsbuy.com and Myntra along the way. The company employs around 13,000 employees and plans to add 10,000 to 12,000 more in next one to three years after a recent acquisition of Myntra.

AMAZON INDIA (marketplace model) Amazon started practicing the market place model by launching its site in early 2013 in India. It started registering electronics goods sellers and ended FY 2013 offering nearly 15 million products. Amazon India has two fulfillment centers in Mumbai and Bangalore and plans to start five new fulfillment Centre's across the country. Known for its strong last-mile delivery network, Amazon India has set up a logistics arm named Amazon Logistics and started offering same day delivery.

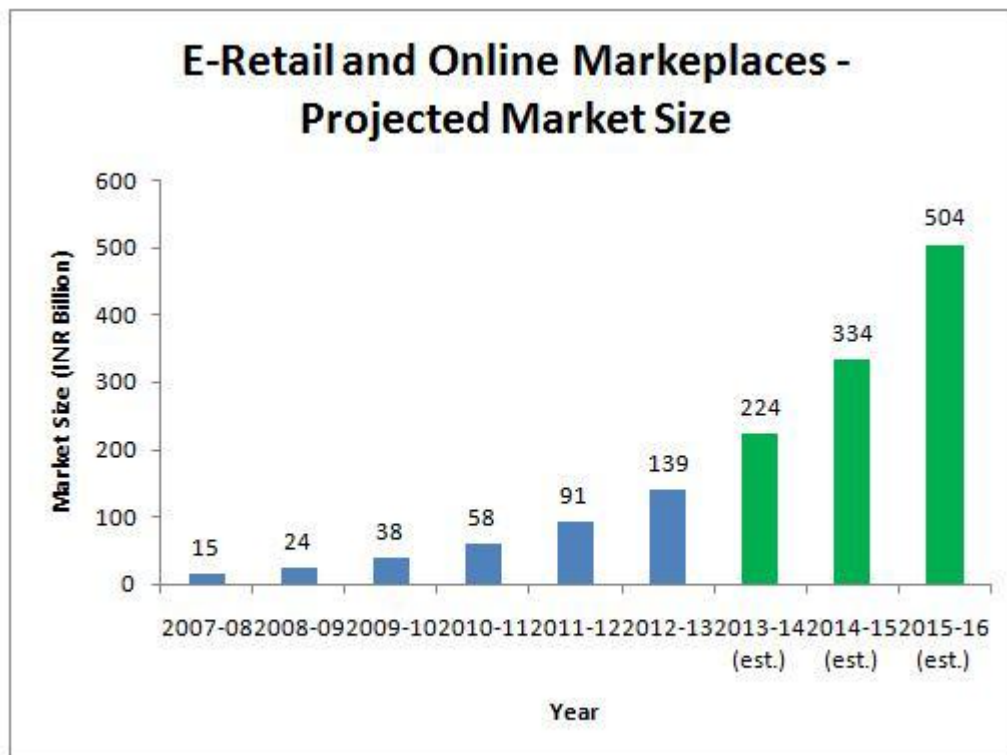


Exhibit 2 Growth Forecast for online retailing and marketplaces in India Source: CRISIL

FUTURE OF ONLINE SHOPPING IN INDIA

- Social Media:** Majority of online buying decisions are made on Social Media. Social network like Facebook, LinkedIn, Twitter, Google+, Pinterest etc. have become a medium for easy log-in and purchase. Moreover, the clients can stay updated via the posts published on this media. Further, the advertising & promotions on these social sites has increased the chances of success of generating transactions to many folds.
- Drone Delivery:** Companies have been working their way around to innovate the delivery process to shorten human effort as well as time. The answer to these problems is Delivery by Drones. DGCA is now fast tracking the process of issuing guidelines for the use of drones for civil purposes in India. If everything goes as per the plan, **then India might become the first country in the world to allow the use of drones for civil purposes.**
- App only Approach:** Statistics suggest the future of internet lies in mobiles. Experts say more than 580 million people in India will use the Internet by 2018, and 70-80% of them will access the Web on mobile phones. This will cause all major players to switch to app only model. About two-thirds of its online traffic of Flipkart comes from users in small cities and towns. Flipkart's app-only approach assumes larger significance in these places where most people don't own desktop computers and have limited access to broadband.

- **Google's Buy Now Button:** Google is reportedly working on its own “Buy Now” style button that would allow e-shoppers search for products on Google and purchase them with a single click, right through Google’s own search results page. The button will be displayed near sponsored search results beneath a “Shop on Google” heading at the top of the page. When users click on the Google’s “Buy Now” button, they will be re-directed to another Google page that will allow them to choose specific item details, such as color and size, and then select a shipping route. Google would then pass on order information, including the customer’s name and shipping address, to the retailer.
- **Artificial Intelligence:** As the ecommerce space gets saturated, investors looking for innovative use of technology are zeroing in on companies developing artificial intelligence (AI) solutions. Jet Airways is experimenting with one such solution devised by Vizury. It sifts through the individual’s public content on the internet, as well as the customer’s previous searches and creates an instant profile. Based on this information, the airline knows whether to package hotel deals, or simply stick with airfare discounts. The system also allows them to predict how likely is it for the customer to upgrade, and how flexible would the customer be to change travel location or date.

CHIEF CHARACTERISTICS OF THE ONLINE MARKET WHICH IMPACT THE LOGISTICS MODELS

- ‘Cash-on-delivery’: India has been a vibrant cash economy where the consumer’s purchasing behavior involves an initial overall inspection of the product from different perspectives and paying subsequently. Further, consumers in India do not extend much trust on the transit facilities for the delivery of the products. This has resulted in ‘cash-on -delivery’ (COD) as a preferred payment option of majority of the Indian consumers buying online.
- Consumers in India expect the return process to be seamless and convenient. However, with an expectation of return of the items purchased online, online shoppers have made available the option to return the purchased goods at the behest of the retailer. Retailers have considered this option of return to develop trust and confidence which results in seamless subsequent purchases and positive word-of mouth support.
- Free and quick home delivery is another characteristic of the e-commerce industry in India. E-retailers offer free delivery of the products within a promised timeline. Though this may be unsustainable in the long run but e-retailers have to offer the same convenience of free and quick shipping to compete with other retailers.

TRENDS TO WATCH OUT FOR ONLINE SHOPPING IN INDIA

- Evolution of logistics landscape in the country will be a very important factor in determining the course for the online industry. Logistics evolution will be necessary to realize the potential robust growth.

- Despite a huge potential, long term profitability of the e-retailing industry in the country is still under question. After so many years of operations, all the major e-retailers are yet to start making profits. In the wake of wafer-thin margins and sub-optimal infrastructure resulting in higher delivery cost, the long-term profitability still seems a distant possibility.
- FDI in the inventory-led retail will also be an important factor in shaping up the future of the industry. In the current scenario, global e-retailing giants like Rakuten and Alibaba are eyeing an entry into Indian e-retail market. Amazon has recently announced a 2 billion USD investment operating on marketplace model. FDI allowance could be a vital factor in attracting significant investments resulting in better infrastructure and robust supply chains.
- Evolution of taxation policies in the country will in a large way effect the way industries practice warehousing. With uniformity in taxation laws across the country, e-retailers are expected to move closer to consumption centers with an aim to address the duplicities in the logistics chain by removing the overlaps in form of delivery and sortation centers which are traditionally closer to the consumption centers. It will also result in uninterrupted access to the e-retailing market. In a recent case, a south Indian state had sent a tax notice to e-retailers resulting in all e-retailers withdrawing services in the particular state because of differing tax policies.
- The evolution of the existing logistics providers and more players entering the 3PL domain will result in realization of the huge potential of the e-retailing industry. Major 3PL players (such as FedEx, DHL, UPS, Gati, etc.) will have to gear up to the increasing demands of the e-retailing industry thereby helping in rationalization of delivery costs and provide much needed balance between using captive logistics network and 3PLs. To take the opportunity and help the e-retailing industry to overcome infrastructural bottlenecks, resurrection of the Indian Postal Service can be a game changer. Collaborating the strong last-mile capability with technological up gradation will ease the dependence on the other modes of transportation. After taking a holistic view of the industry trends, e-commerce is poised for an exciting period of exploding growth in a period of three to five years. This is expected to lead to substantial investments in supporting infrastructure and innovative and game changing business models.

CONCLUSION

The growing size of the ecommerce industry shows that online shopping is catching on. Despite being a developing country, India has shown a commendable increase in the online industry in last couple of years, thereby hitting the market with a boom. India has a huge potential for online shopping. Availability of plenty of information about the products has increased the confidence level among the consumers. Consumers should start trusting these online markets after checking the



security concern. E-retailers should focus on better infrastructure and mobile phone advertisement as mobile phones are play a vital in Online shopping.

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