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## E-Commerce: ‘Click and Buy’ – An Easy Way of Shopping (with Respect to Indian Market)

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**Abstract:** This research paper has discussed about the e-commerce business in India and its prosperity. The research paper also conferred about the current market of e-commerce in India as well as the business of India's major e-commerce companies like Snapdeal, Makemytrip, and IRCTC etc. Currently Indian e-commerce business is contributing 1.8% of the global Online sales. At present Indian e-commerce industry is having 20 million consumers which is expected to be doubled within 2018. The research also found that most of the customers are fall in to the age group of 26-35 and most of them are male. The research paper has also talked about some serious issues (like high delivery cost, sharing financial information online, product quality etc.) related to the e-commerce business as well as its future in Indian market.

**Keywords:** e-commerce, m-commerce, online sales, online customers, contribution, consumers.

### 1. Introduction

*“If you are retailer, as a minimum, you should think of your online store as one store. Instead of investing in another brick & mortal store, retailer must invest their time & energy in building their next retail outlet- Online.”*- Rajan Anand, MD, Google.

Internet is one component which has recently become the key ingredient of quick and rapid lifestyle. Be it for communication or explorations, connecting with people or for official purposes, ‘internet’ has become the central-hub for all. Resultantly, Internet user’s 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 prices, as observed by C.K Prahalad, Professor, Business School, and University of Michigan. *‘The internet means that traditional businesses will change because incumbents (in markets) and large firms do not have the advantage just by virtue of being there first or by being of big’*- he said. The implication of perfectly competitive market as the world will observe is that market will produce an efficient allocation of resources. Internet has truly been an effective agent in changing the fundamental ways of doing business.

#### 1.1. E-Commerce

Though there exists no standard definition for the term e-commerce, it is generally used in the sense of denoting a method of conducting business through electronic means rather than through conventional physical means. Such electronic means include ‘click & buy’ methods using computers as well as ‘m-commerce’<sup>1</sup>. This term takes into account not just the act of purchasing goods and /or availing services through an online platform but also all other activities which are associated with any transaction such as:

- Delivery
- Payment facilitation
- Supply chain and service management.

#### 1.2. E-commerce Business Models

E-commerce business has the following several types of models like:

<sup>1</sup> M-commerce: The use of wireless handheld devices such as cellular phones and laptops to conduct commercial transactions online. Mobile commerce transactions continues to grow, and the term includes the purchase and sale of a wide range of goods and services, online banking, bill payment, information delivery and so on. Also known as m-commerce.

1.2.1. Business to Business (B2B)

In this website following B2B business model sells its product to an intermediate buyer who then sells the product to the final customer. As an example, a wholesaler places an order from a company's website and after receiving the consignment, sells the end product to final customer who comes to buy the product at wholesaler's retail outlet.

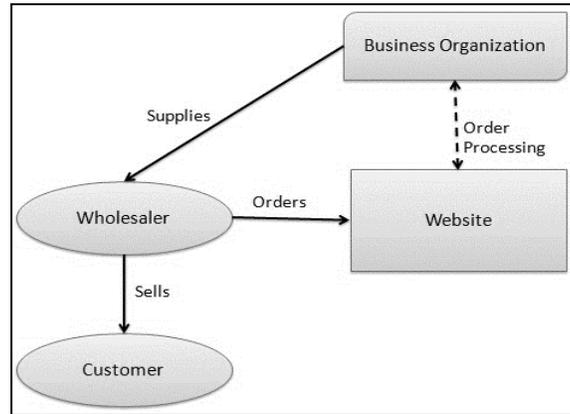


Figure 1: B2B System

1.2.2. Business - to - Consumer (B2C)

This Website following B2C business model sells its product directly to a customer. A customer can view products shown on the website of business organization. The customer can choose a product and order the same. The Website will send a notification to the business organization via email and organization will dispatch the product or goods to the customer.

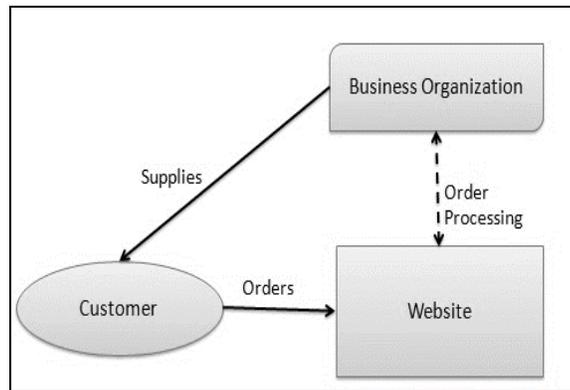


Figure 2: B2C System

1.2.3. Consumer - to - Consumer (C2C)

This Website following C2C business model helps consumer to sell their assets like residential property, cars, motorcycles etc. or rent a room by publishing their information on the website. The Website may or may not charge the consumer for its services. Another consumer may opt to buy the product of the first customer by viewing the post/advertisement on the website.

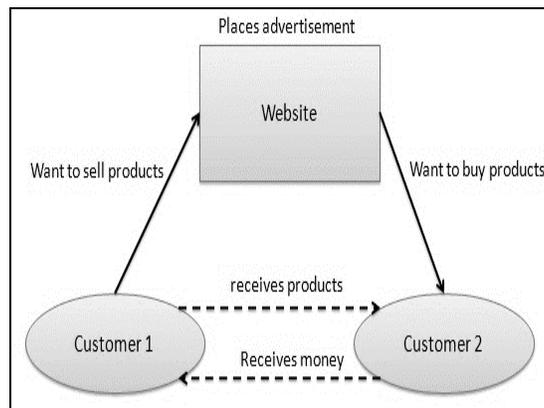


Figure 3: C2C System

1.2.4. Consumer - to - Business (C2B)

In this model, a consumer approaches website showing multiple business organizations for a particular service. The Consumer places an estimate of amount he or she wants to spend for a particular service. For example, comparison of interest rates of personal loan or car loan provided by various banks via website. The Business organization who fulfils the consumer's requirement within specified budget approaches the customer and provides its services.

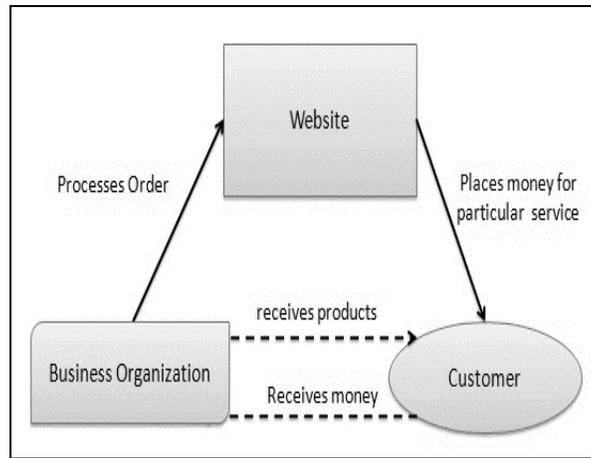


Figure 4: C2B System

1.2.5. Business - to - Government (B2G)

B2G model is a variant of B2B model. Such websites are used by government to trade and exchange information with various business organizations. Such websites are accredited by the government and provide a medium to businesses to submit application forms to the government.

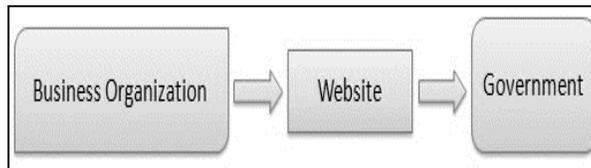


Figure 5: B2G System

1.2.6. Government - to - Business (G2B)

Government uses G2B model website to approach business organizations. Such websites support auctions, tenders and application submission functionalities.

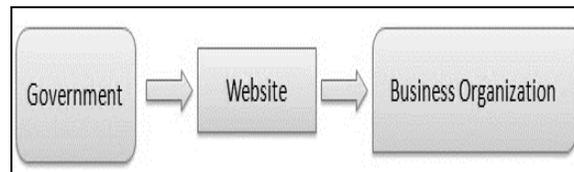


Figure 6: G2B System

1.2.7. Government - to - Citizen (G2C)

Government uses G2C model website to approach citizen in general. Such websites support auctions of vehicles, machinery or any other material. Such website also provides services like registration for birth, marriage or death certificates. Main objectives of G2C website are to reduce average time for fulfilling people requests for various government services.

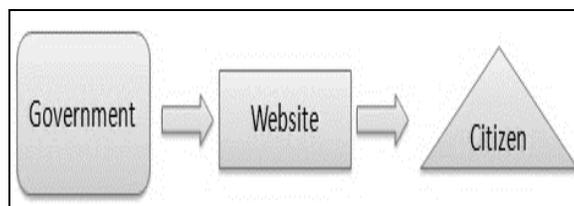


Figure 7: G2C System

## 2. History of E-Commerce in India

For developing countries like India, e-commerce offers considerable opportunity. E-commerce in India is still in nascent 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. Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce. 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. The 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 an outburst in growth. The Online Travel Industry is the biggest segment in e-commerce and is booming due to a large 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 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 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.

A report by the Internet and Mobile Association of India has revealed that India's e-commerce market is growing 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 below Figure is showing the contribution of Indian e-commerce business to global B2C sales from 2010 to 2013 and based on the trends it also forecasted the contribution as of 2016 by Indian e-commerce business. In 2013, Indian e-commerce business has contributed 1.4% of global B2C sales which is expecting to increase 1.8% in 2016.

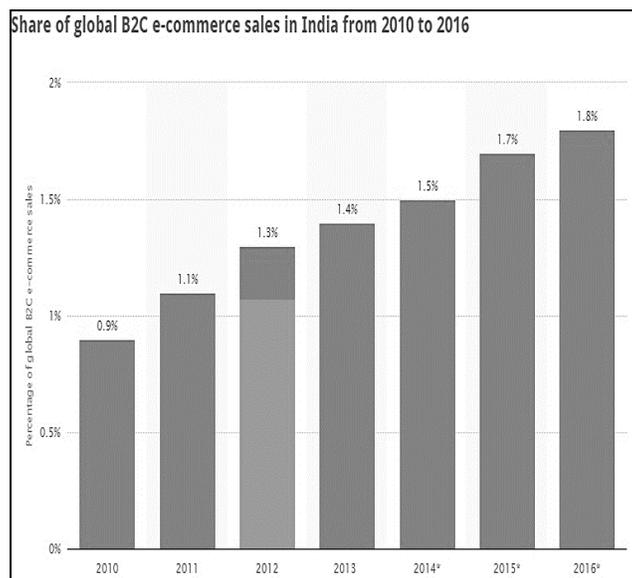


Figure 8: Contribution to Global B2C E-commerce Sales by India (From 2010-2016)

Source: Statista.com<sup>2</sup>. \* Estimated.

<sup>2</sup> Retrieved from <http://www.statista.com/statistics/244025/share-of-global-b2c-e-commerce-sales-in-india/>.

### 3. Brief Information about Leading E-Commerce Companies in India

#### 3.1. Flipkart

Flipkart is an Indian e-commerce company founded in 2007, by Sachin and Binny Bansal and headquartered in Bangalore, Karnataka. The business was formally incorporated as a company in October, 2008 as Flipkart Online Services Pvt. Ltd. Flipkart has launched its own product range under the name "DigiFlip", offering camera bags, pen-drives, headphones, computer accessories, etc. In 2014, Flipkart had acquired Mynta.com in an estimated of Rs. 2,000 crore.

From 2010 onwards Flipkart slowly started dominated the Indian e-commerce market. In 2011–2012, Flipkart is set to cross the ₹ 5 billion (US\$100 million) mark as Internet usage in the country increases and people get accustomed to making purchases online. In 2013, though its current sales soared fivefold to more than Rs. 1180 crore from Rs. 204.8 crore in the previous year, Flipkart has reported a loss of Rs. 281.7 crore as compare to last year of Rs. 109.9 crore<sup>3</sup>. But Flipkart projects its sales to reach ₹ 10 billion by year 2014. Currently Flipkart has 18 million registered users and the number of daily visitors at the website is 3.5 million. On average, Flipkart sells nearly 20 products per minute and is aiming at generating a revenue of ₹ 50 billion (US\$0.81 billion) by 2015.

#### 3.2. IRCTC

It is known for changing the face of railway ticketing in India. It pioneered internet-based rail ticket booking through its website, as well as from the mobile phones via GPRS or SMS. In addition to e-tickets, Indian Railways and Catering Tourism Corporation also offers I-tickets that are basically like regular tickets except that they are booked online and delivered by post. The tickets PNR status is also made available. It has also launched a loyalty program called *Shubh Yatra* for frequent travellers. Through this program, passengers can avail of discounts on all tickets booked round the year by paying an upfront annual fee.

Seeking to make it easier to book e-tickets, it launched a scheme called **Rolling Deposit Scheme (RDS)**. RDS is a hassle-free e-ticket booking scheme allowing passengers to reserve seats against advance money kept with the corporation. It has also added flights and hotels booking facilities to their line of online reservation services.

As of May 2013, the ticketing part of the website is able to handle about 120,000 concurrent connections on web servers and can book about 2000 tickets per minute. Indian Railways plan to spend about ₹1 billion (US\$17 million) to strengthen the website to enable it for booking 7200 tickets per minute. CRIS, the technical arm of railways, is involved in the upgrading of the website. According to a senior Railway Ministry official, the average booking per day has been increased from 367,000 in 2012 to 415,000 in May 2013. Approximately, 310 million reserve tickets are booked in a year out of which 55% of tickets are sold through windows, 37% of tickets are booked online and 8% are booked by ticketing agents. Its highest-ever single day booking was 502,000 e-tickets on 1 March 2013. And on 13th June 2014 IRCTC online booking has been migrated from the old version to the Next Generation e-Ticketing website which has certain good features like Quick Booking, Saving favourite journeys and made some major changes on the User Interface. During 2011-12 financial year IRCTC had earned its 30% income of the total income from Internet Ticketing. But in 2012-13 financial year the earning has decreased to 27%<sup>4</sup>.

#### 3.3. Snapdeal-EBay

Snapdeal.com was started in February 2010 as a daily deals platform but expanded in September 2011 to become an e-commerce company via a marketplace model. With 20 million registered users, Snapdeal is one of the first and largest online marketplaces in India offering an assortment of more than 4 million products across diverse categories from over 20,000 sellers, shipping to 4,000 towns and cities in India. In June 2014, Snapdeal announced that it has achieved the milestone of 1000 sellers on its platform getting sales of over Rs. 1 crore.

*"We expect the sale of goods on Snapdeal's platform to cross Rs.2, 000 crore in 2013-14 fiscal on the back of a strong growth. We have maintained a growth rate of about 400% year-on-year in the last two years."* - Snapdeal.com co-founder and CEO Kunal Bahl told PTI.

##### 3.3.1. Snapdeal's Partnership with E-bay

E-Bay came out as the largest investor in Snapdeal after investing of \$50 million. The investment also includes a commercial partnership under which e-Bay will get access to Snapdeal's 20 million registered users, logistics software and distribution network. Snapdeal co-founder Kunal Bahl informed that Snapdeal will offer a limited number of products on e-Bay India and e-Bay too will list its merchandise on Snapdeal, following the partnership.

Again Snapdeal raised fresh capital of \$134 million with e-Bay Inc., leading the round. With this investment e-Bay has increased its stake in Snapdeal, becoming its largest investor.

<sup>3</sup> Source: "Flipkart India reports loss of Rs.281.7 crore", Published in Live Mint & The Wall Street Journal, dated 19<sup>th</sup> December, 2013. Retrieved from [http://www.livemint.com/Companies/nEzvGCknQDBY2RgzcVAKdO/Flipkart-India-reports-loss-of-2817-crore.html?utm\\_source=copy](http://www.livemint.com/Companies/nEzvGCknQDBY2RgzcVAKdO/Flipkart-India-reports-loss-of-2817-crore.html?utm_source=copy).

<sup>4</sup> Source: Annual Report of IRCTC. Retrieved from [http://www.irctc.com/annual\\_report.html](http://www.irctc.com/annual_report.html).

### 3.4. Amazon-Junglee

"In June 2013, we launched with just two categories. But in just 10 months our total selection now stands at over 15 million products across 20 categories. The pool of sellers in our marketplace has grown more than 30 times since launch. Today, over 75 per cent of units shipped are fulfilled by Amazon." - Amit Agarwal, Vice-President and Country manager, Amazon India.

Junglee.com is an online shopping service by Amazon which enables customers to find and discover products from online and offline retailers in India. Junglee.com started off as a virtual database that was used to extract information off the Internet and deliver it to enterprise applications. Amazon acquired Junglee.com in 1998; Junglee.com was launched in India in Feb 2012 as a comparison-shopping website. Currently Amazon has 15 million<sup>5</sup> products available for sale in their website in India which is higher than the online products available in Flipkart and Snapdeal websites.

### 3.5. MakemyTrip

MakeMyTrip Inc. is an online travel company headquartered in Gurgaon, Haryana, founded by Deep Kalra. The company provides online travel services including flight tickets, domestic and international holiday packages, hotel reservations, and rail and bus tickets. In India through the website 3.5 million domestic air ticket had been booked in 2012 (Outbound air travel 185, 623), which was decreased to 3.4 million in 2013 (Outbound air travel 241, 388). But in 2014 the total number of domestic air ticket booking in India was 3.5 million (Outbound air travel 327,392).

Year	Domestic Air Tickets	Out Bound Air Travel	Rail Tickets	Bus Tickets
2012	3.5 million	185,623	838,429	309,726
2013	3.4 million	241, 388	387,991	543,201
2014	3.5 million	327,392	245,542	645,001

Table 1: Tickets Booked through Makemytrip (from 2012-2014):

Source: Makemytrip Annual Report, 2014<sup>6</sup>.

After an agreement with IRCTC in 2009, Makemytrip has started booking rail tickets on behalf of their customers. In 2014, the total rail tickets booked through Makemytrip websites were 245, 542 numbers. One consumer can book their bus tickets also through Makemytrip websites. In 2014, the total number of bus tickets has been booked was 645,001 numbers.

## 4. Prosperity and Prospective of Indian E-Commerce Business

"The increasing Internet penetration and availability of more payment options boosted the e-commerce industry in 2013. Besides electronics gadgets, apparel and jewellery, home and kitchen appliances, lifestyle accessories like watches, books, beauty products and perfumes, baby products witnessed significant upward movement in last one year"- D S Rawat, ASSOCHAM Secretary General.

India's e-commerce market grew at a staggering 88 per cent in 2013 to \$16 billion, riding on booming online retail trends and defying slower economic growth and spiralling inflation, according to a survey by industry body ASSOCHAM<sup>7</sup>.

According to the survey made by ASSOCHAM (2013), India's e-commerce market, which stood at \$2.5 billion in 2009, reached \$8.5 billion in 2012 and rose 88 per cent to touch \$16 billion in 2013. The survey estimates the country's e-commerce market to reach \$56 billion by 2023, driven by rising online retail. As per responses by 3,500 traders and organised retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmedabad and Kolkata who participated in the survey, online shopping grew at a rapid pace in 2013 due to aggressive online discounts, rising fuel prices and availability of abundant online options.

### 4.1. Main Purposes of Using E-Commerce and Industry Size of Indian E-Commerce Business

The underneath Figures are showing the main purposes of using e-commerce by Indian consumers as well as the total e-commerce business in India from December, 2009 – December, 2013. According to the first Figure, 50% of the total digital consumers are mainly using e-commerce to book their domestic air tickets, whereas 39% of the total digital customers are booking their railway tickets through various e-commerce websites. Again 6% and 2% of the total digital consumers are using various e-commerce websites to book their international air tickets and hotels respectively. But compared to other purposes, less numbers of digital customers are using e-commerce websites for the purpose of booking Bus Tickets (2%) and Tour Packages (1%).

<sup>5</sup> Source: "Amazon builds India business quietly", Published in Business Standard, Dated 4<sup>th</sup> April, 2014. Retrieved from [http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984\\_1.html](http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984_1.html).

<sup>6</sup> Retrieved from <http://investors.makemytrip.com/phoenix.zhtml?c=238356&p=irol-irhome>.

<sup>7</sup> ASSOCHAM: The Associated Chambers of Commerce and Industry of India (ASSOCHAM) is one of the apex trade associations of India. The organisation represents the interests of trade and commerce in India, and acts as an interface between industry, government and other relevant stakeholders on policy issues and initiatives.

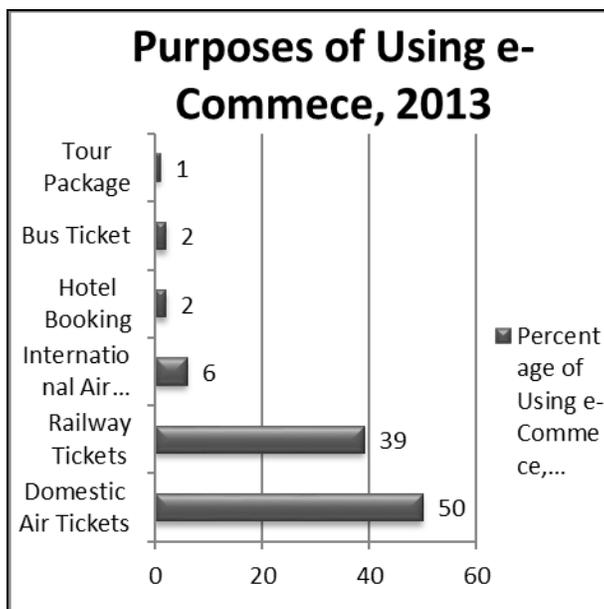


Figure 9: Purposes of Using E-commerce by Indian Consumers

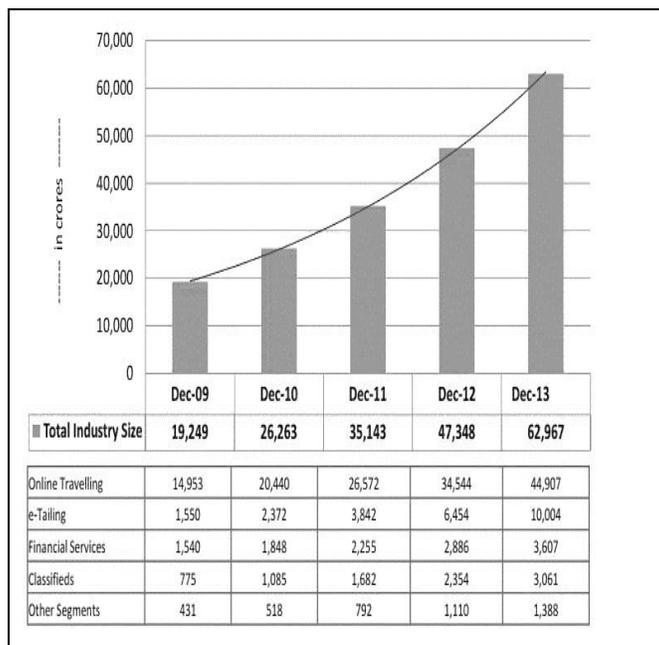


Figure10: Contribution by Subsidiaries in Indian E-commerce Industry till December 2013

The above Figure is indicating the total e-commerce business in India and growth of the business from December, 2009 to December, 2013. In 2009, the total e-commerce industry size was of Rs. 19,249 crore which was increased to Rs. 62, 967 (which was more than 200% in 3 years) crore in December, 2013. E-commerce industry has its highest business from Online Travelling compared to all other subsidiaries of e-commerce business. The total business from Online Travelling has increased by 200% from 2009 to 2013. After Online Travelling, e-telling (increased by 567%) and Financial Services (increased by 135%) are holding the second and third places respectively.

4.2. Number of Online Shopper’s in India (Age and Gender Wise) And Average Order Value per Year

The underneath Figures are showing the total number of online shopper’s in India as well as the average order value of the customers per year as mentioned in the magazine named India Retail Magazine, July, 2014. According to the first Figure, in 2012 the total number of online shoppers was 13 million which was increased to 20 million in 2013 (increased by 35% in one year). And the magazine also projected that the total number will be doubled (40 million) in 2018.



Figure 11: Forecast of Online Shopper's in India (in million) as of 2018  
Source: India Retail Magazine, July, 2014.

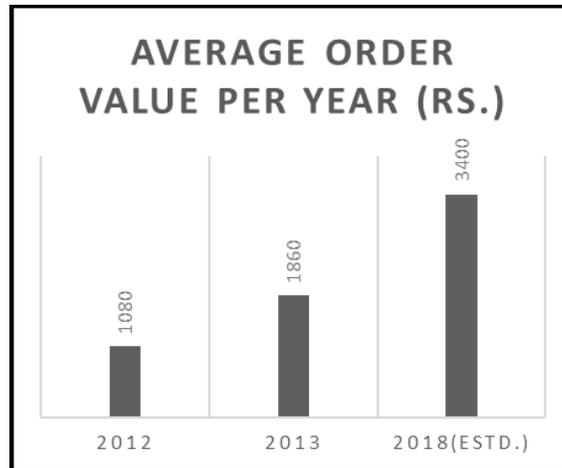


Figure12: Forecast of Average Order Value per Year as of 2018  
Source: India Retail Magazine, July, 2014.

The second Figure is specifying the average order value of the consumers per year. The average order value of the consumers was Rs. 1080 in 2012, which was increased to Rs. 1860 in 2013. And as per the estimation unlike the total number of online shopper's, the average order value also be doubled in 2018 of Rs. 3400.



Figure13: Percentage of Online Shoppers in India in 2013 (Age wise)  
Source: ASSOCHAM Survey Report, 2013.



Figure14: Percentage of Online Shoppers in India in 2013 (Gender wise)  
 Source: ASSOCHAM Survey Report, 2013.

Among the cities, Mumbai topped the list of online shoppers followed by Delhi, while Kolkata ranked third, the survey found. The age-wise analysis revealed that 35 per cent of online shoppers are aged between 18 years and 25 years, 55 per cent between 26 years and 35 years, 8 per cent in the age group of 36-45 years, while only 2 per cent are in the age group of 45-60 years. Besides, 65 per cent of online shoppers are male while 35 per cent are female. To make the most of increasing online shopping trends, more companies are collaborating with daily deal and discount sites, the survey pointed out. The products that are sold most are in the tech and fashion category, including mobile phones, iPad, accessories, MP3 players, digital cameras and jewellery, among others, it found. India has Internet base of around 150 million as of August, 2013, the survey report said.

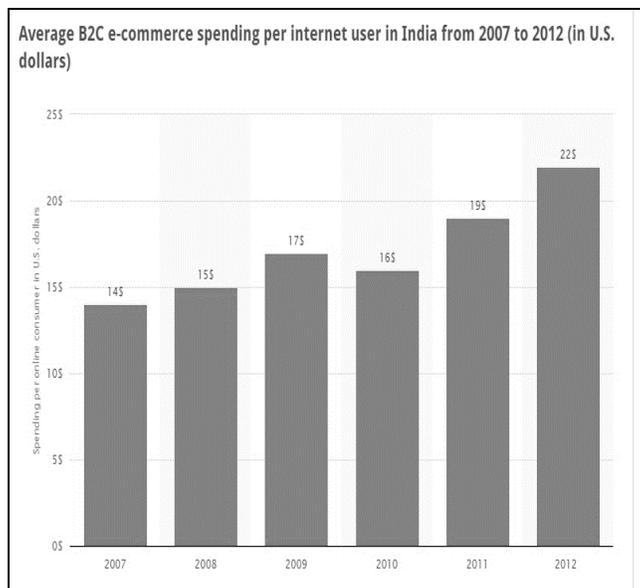


Figure 15: Average Money (US\$) Spending per Internet Users in India under B2C E-commerce (from 2007-2012)  
 Source: Statista.com<sup>8</sup>.

The above Figure is indicating the average amount spent per internet users in India in B2C e-commerce system from 2007-2012. During 2007, the average amount spent was \$145 per internet users, which was increased to \$175 in 2009. Again in 2012 it increased to \$225 per internet users in India under B2C e-commerce system.

<sup>8</sup> Retrieved from <http://www.statista.com/statistics/226160/average-b2c-e-commerce-spending-per-user-in-india/>.

4.3. Total and Average B2C E-Commerce Sales (In Billion US\$) In India from 2011-2016

The beneath Figure is implying the increasing trends in sales in B2C e-commerce in India from 2011 to 2016. During 2011, the total sales were US\$8.68 billion which was increased to US\$16.32 billion (increased by 85% in 2 years of time span). The Figure is also indicating the future estimation of sales in B2C e-commerce in India which will be US\$25.65 billion in 2015 and is going to increase to US\$31.31 billion in 2016.

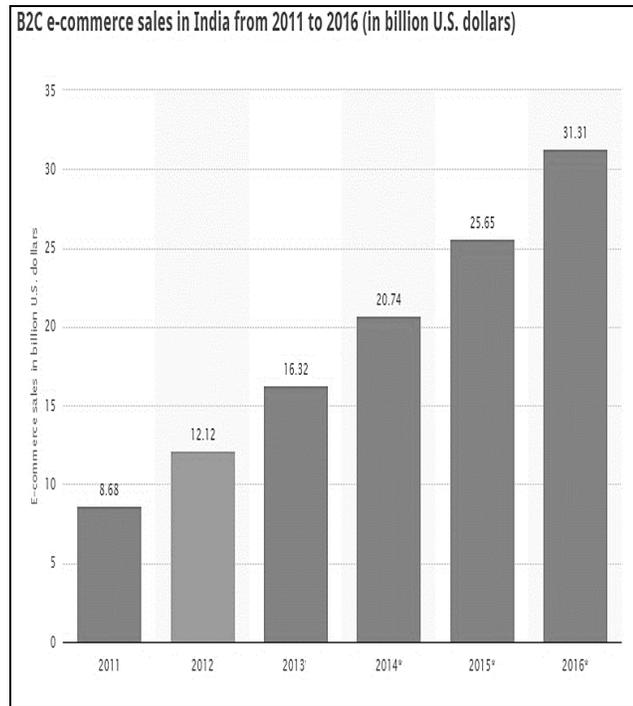


Figure 16: Total B2C E-commerce Sales in India from 2011-2016 (in billion US\$)  
Source: Statista.com<sup>9</sup>. \* Estimated.

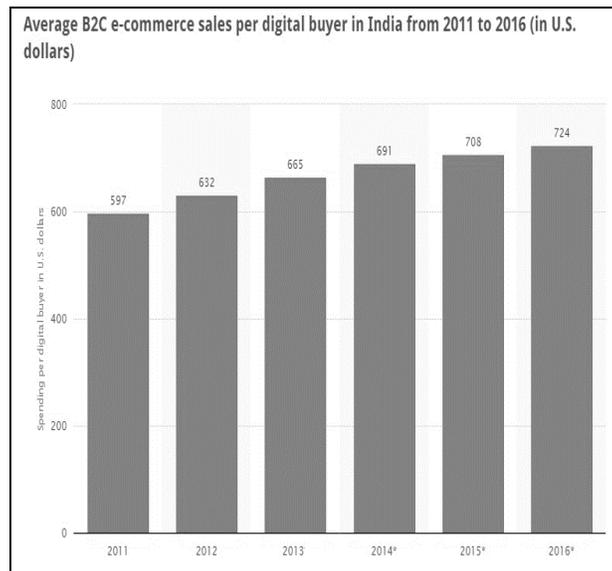


Figure17: Average B2C E-commerce Sales in India from 2011-2016 (in billion US\$)  
Source: Statista.com<sup>10</sup>. \* Estimated.

<sup>9</sup> Retrieved from <http://www.statista.com/statistics/280923/b2c-e-commerce-sales-in-india/>.

<sup>10</sup> Retrieved from <http://www.statista.com/statistics/255336/average-b2c-e-commerce-sales-per-digital-buyer-in-india/>.

The above Figure is indicating the increasing trend of average B2C e-commerce sales per digital buyer in India. In 2011, the average sales per digital buyer were US\$597, which was increased to US\$665 in 2013 (increased by 11.40% in 2 years). According to the projection by Statista<sup>11</sup> the average sales per digital buyer in India will increase to US\$724 in 2016.

#### 4.4. B2C Online Retail Revenue in India from 2010 To 2016

The total revenue<sup>12</sup> of B2C Online Retail Industry in India has increased drastically from 2010 to 2016. Within the time span of 3 years the online revenue increased by 280%. According to the survey report by Statista, in 2016 it will increase to US\$7515 million.

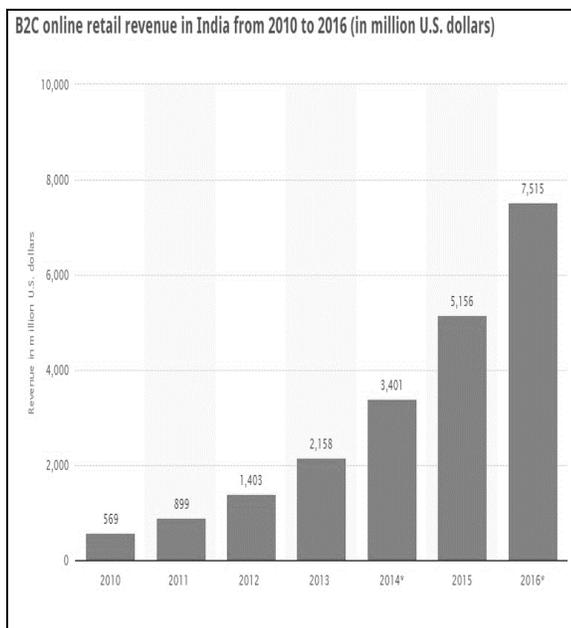


Figure 18: B2C Online Retail Revenue (in million US\$) in India from 2010-2016  
Source: Statista.com<sup>13</sup>. \* Estimated

#### 4.5. Total Retail E-Commerce Sales (In Billion US\$) In India from 2012 To 2016

The retail e-commerce sales include the sale of books, foods, beverages, clothes, electronic goods and other accessories. The total sales in retail e-commerce have also increased dramatically. In 2012 the total retail sales in India was US\$2.31 billion which was increased to US\$3.59 billion in 2013. As per the survey report by Statista, within 2017 the total sales in retail e-commerce will increase to US\$14.18 billion.

<sup>11</sup> Statista Inc. is the leading statistics company on the internet. With a team of over 80 statisticians, database experts, analysts, and editors. Statista.com is the first statistics portal in the world to integrate data on over 60,000 topics from over 18,000 sources onto a single professional platform.

<sup>12</sup> Revenue includes the amount of sales of goods, and other incomes like dividend, interest, royalty and licensing income received by an organization.

<sup>13</sup> Retrieved from <http://www.statista.com/statistics/266119/annual-b2c-online-retail-revenue-in-india/>.

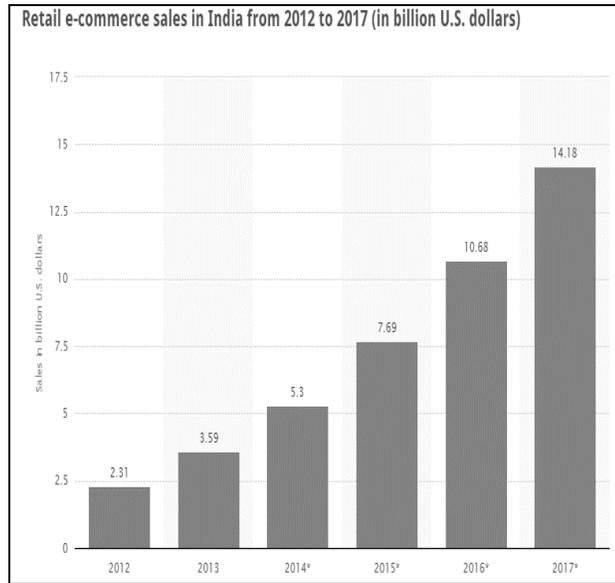


Figure 19: Retail E-commerce Sales (in billion US\$) in India from 2012-2016  
 Source: Statista.com<sup>14</sup>. \* Estimated.

**5. Factors Encouraging Online Shopping in India**

The growth of the online shopping in India is immensely growing and is getting better and stronger day by day. The following are the prominent factors why online shopping has flourished in India:

**5.1. Broadband Internet**

After 2005, a rapid growth has been seen in the people using internet and currently there are more than 65 million people log-in on to web. This is due to increased internet services and penetration of 3G services that has given faster internet access.

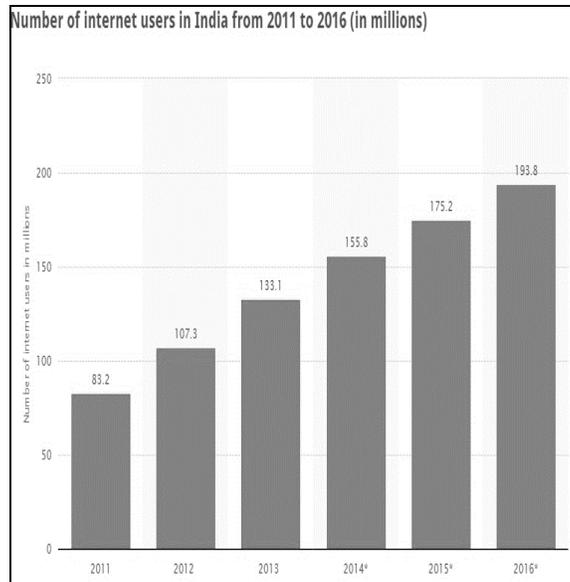


Figure 20: Total Number of Internet Users as of September, 2013  
 Source: Statista.com<sup>15</sup>. \* Estimated.

<sup>14</sup> Retrieved from <http://www.statista.com/statistics/255146/number-of-internet-users-in-india/>.

<sup>15</sup> Retrieved from <http://www.statista.com/statistics/272394/age-distribution-of-internet-users-in-india/>.

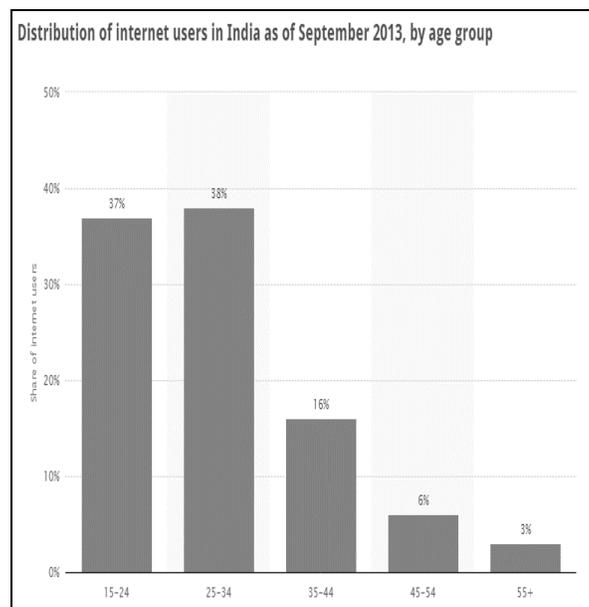


Figure 21: Age wise Distribution of Internet Users as of September, 2013

Source: Statista.com<sup>16</sup>. \* Estimated.

The above Figure is indicating the increasing number of internet users in India. According to the survey report of Statista in 2011 the number of total internet users was 83.2 million which is expecting to grow up to 193.8 million within 2016. As per the survey report by Statista, the maximum number of internet users are falling in the age group of 25-34 (38% of the total users), followed by the age group of 15-24 (37% of the total users) as of September, 2013.

- Standard of living: The living standard of the people has made them inclined towards online shopping. The increased per capita income has also played its part in this inclination.
- Availability of wider range: Online market has a much wider range of products than any retail shop. People have found the products online and bought them those are not available at the retail shops.
- Free classified sites: These sites have been launched where more consumers can buy and sell used goods as well.
- Discounts or Coupons and cheap rates: Through offers these sites sell the products to customers. Hence, products can be purchased at lesser price than the offline markets and not sacrificing the quality. Availability of different discount coupons on the sites proves to be a great profit for the customers.
- Improved online banking services: With improved and safer online banking services people are now less afraid to make payments online which in turn gave them faith to shop online.
- Cash on delivery and home delivery: Cash on delivery along with home delivery has played a great role in the inclination of people toward online shopping.

All these factors have encouraged people to shop online and have also helped them to transform themselves into better online shoppers.

## 6. Future of E-Com in India

"Having close to 10 per cent of Internet penetration in India throws a very big opportunity for online retailers to grow and expand as future of Internet seems very bright." - D S Rawat, ASSOCHAM Secretary General.

- E-commerce and competition

The changes brought about by e-commerce have the potential to significantly increase competition by increasing consumers' choice of products and traders. They also enable business to achieve significant efficiencies in their commercial operations as they move from high cost paper-based transactions to faster, lower cost electronic transactions.

At the same time, care must be taken to ensure that the opportunities for competition in the dynamic new area of economic activity are not stifled by anti-competitive issues. While it is true that in rapidly changing high technology markets competition may be fierce but in some instance businesses may achieve significant market power, and use their position to stifle further competition. From a consumer protection prospective, there have also been a number of international cases where unscrupulous traders have taken advantage of the internet as a medium to propagate old-fashioned scams. A theme which emerges in this area of competition policy is whether new technology alters the way in which market power issues should be analysed.

- By 2016, the current number of shoppers in India will double to 40 million, and their spending will more than quadruple to US\$8.5 billion.

<sup>16</sup> Retrieved from <http://www.statista.com/statistics/272394/age-distribution-of-internet-users-in-india/>.

- Fashion e-commerce business doubled last year (2013), and will see 400 percent growth by 2016, rivalling the electronics and mobile category. This is likely driven by women's growing influence, which will grow by five times in the next three years.
- Tier 2 cities' e-commerce adoption is growing far faster than in Tier 1 cities, but some states lagging behind still need better infrastructure in place.
- Online retail is still just a sliver of total retail sales. It only accounted for 2 percent of mobile shipments and 1 percent of fashion sales. 3rd party e-wallets will become a significant alternative to cash-on-delivery in the coming years.
- Only 9 percent of Indians with an internet connection shop online, compared to over 30 percent in other BRICS countries. India's ecommerce market is still 60 times smaller than China's.
- 88 percent of the growth in Indian ecommerce will come from the 200 million Indians coming online in the next three years, especially young people.

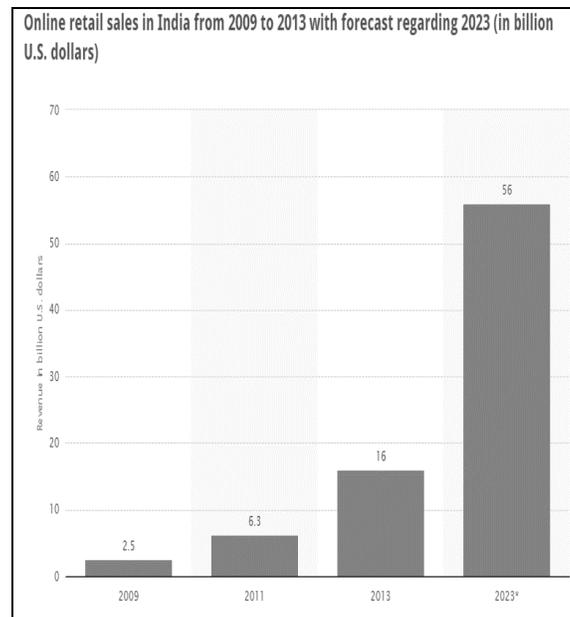


Figure 22: Forecast of Online Retail Sales in India as of 2023  
Source: Statista.com<sup>17</sup>. \* Estimated.

The above Figure is showing the forecasting of Online Retail Sales in India in 2023 based on the trends of Online Retail Sales in India from 2009 to 2013. As per the trends of Online Retail Sales from 2009 to 2013, it has been forecasted that in 2023 the Online Retail Sales in India will reach a new high of US\$56 billion, which will be a massive achievement of Indian e-commerce business.

## 7. Potential Competition Issues

Generally, e-commerce has the potential to increase competition by enabling the development of new services, new distribution channels, and greater efficiency in business activities. Competition policy issues may arise in relation to joint ventures to develop B2B electronic marketplaces (e-hubs), particularly when they are developed by existing market participants with a significant combined market share (as buyers and sellers) in underlying wholesale markets. Competition policy issues may arise in relation to e-Hubs<sup>18</sup> on an ongoing basis if they appear to have developed sustainable market power resulting from network effects and other factors, and/or engage in strategic acts to preserve or maintain their market power. Potential issues would include evidence of price fixing or tacit collusion, or anti-competitive discrimination, or refusal of access to third parties. Issues will not arise in all cases, and this will depend on the details in each case. In many situations there will be pro-competitive and other public benefit issues that should be taken into account. A recent Federal Trade Commission Report identified a range of potential efficiency gains that may accrue from the use of e-Hubs. They include reductions in administrative costs, reductions in search costs when accessing appropriate trading partners, creating new markets (e.g. markets for surplus stock), economies of scale in joint purchasing, and more effective supply chain management.

- Main issues include the potential for participants to engage in tacit collusion, exercise of monopsony<sup>19</sup> power or exclusion of third parties. This may affect competition in the relevant wholesale markets, and in some cases associated retail markets. In

<sup>17</sup> Retrieved from <http://www.statista.com/statistics/255359/online-retail-sales-in-india/>.

<sup>18</sup> e-Hub or Electronic hub: It is a business-to-business Web site for a particular industry. It provides a meeting ground for buyers and sellers in a specific field, and rather than being advertising based, may charge a transaction fee for each purchase.

<sup>19</sup> Monopsony Market: A market similar to a monopoly except that a large buyer not seller controls a large proportion of the market and drives the prices down. Sometimes referred to as the buyer's monopoly.

considering whether issues of tacit collusion are likely to arise it is important to assess if the e-Hub in question really changes the underlying nature of transactions occurring. In some instances it may not, and each case should be considered individually.

- In India some of the major courier services are DTDC, First Flight, and DHL etc. But most of the e-commerce companies are availing local or cheap courier services rather than renowned ones. This issue has been questioned by the consumers in aspect of product quality during the time of delivery. Sometime the courier companies are charging 3% for their services which is quite high. But to overcome this factor, Flipkart which is one of the major player in e-commerce business has launched its own logistics services to deliver its products to the consumers. It is indeed a very good initiative by the company but it engaged a large capital expenses for the company<sup>20</sup>.
- In Indian e-commerce scenario Cash on Delivery system is the most popular way to pay for the product as credit card services still not accepted by the consumers. But this causes some serious issues with the e-commerce business as the third party courier company is liable to collect the cash from the customer which they credit to the e-commerce companies after couple of weeks which results a loss for the e-commerce business.
- Another main problem in Indian e-commerce business is still Indian consumers are very much insecure to provide their financial information to any e-commerce websites which is still a barrier for e-commerce companies in India to reach among masses.
- All the issues mentioned above reflect in the Survey Report of ASSOCHAM also. According to the survey, 30% of the respondents are not willing to buy any precious or electronic goods through e-commerce websites because of their insecurity about the product quality. Again, 20% of the respondents find the delivery cost of these types of companies are very high. About 25% respondents are not ready to share their personal financial information online because of their security reason.

Logic for not opting e-commerce services	Percentage of Respondents
Preference to research products and services online	30%
Finding delivery costs too high	20%
Fear of sharing personal financial information online	25%
Lack of trust on whether products would be delivered in good condition	15%
Do not have a credit or debit card	10%

Table 23: ASSOCHAM Survey Report of Logic for not opting e-commerce services  
Source: ASSOCHAM Survey Report.

Some 15% respondents do not have trust on these types of companies because they have doubt that may be product will not reach to them in good condition. And, 10% of the respondents said that they cannot avail the e-commerce service because they do not have credit or debit card to pay.

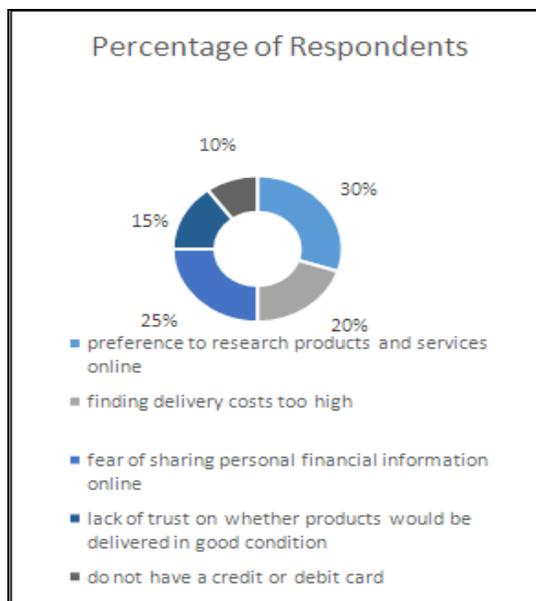


Figure 24: Logic behind not opting for E-commerce Services

<sup>20</sup> Information received from Forbes. Retrieved from <http://www.forbes.com/sites/morganhartley/2013/01/24/the-growing-pains-of-indian-e-commerce-what-you-need-to-know/>.

## 8. Conclusion

A recent study by McKinsey & Co. concluded that India is on the verge of an Internet boom and is projected to have between 330 million to 370 million internet users by 2015. That would give India the second largest base of internet users in the world behind China. The explosive growth in internet usage has more recently led to a corresponding growth in online business and e-commerce. This growth presents both great opportunities as well as some unique challenges. Undoubtedly, it's an expansion time for E-Commerce Industry. E-Commerce players are banking on the Indian internet growth story. The fact that an average online user is spending more time online gives these players the opportunity to draw more users to their websites through innovative marketing strategies such as those revolving around social media.

Furthermore, to fully utilize the opportunity, players need to leverage the growing number of mobile devices in the country. They should focus on developing mobile-compatible websites and applications. This would allow customers to log on to easy-to-access platforms and browse e-Commerce websites on their mobile devices.

They also need to focus on innovation to tackle challenges arising from low credit and debit card penetration. They could consider working with financial intermediaries to develop payment systems, such as escrow services, for resolving issues around security and product delivery. The RBI could step in and reduce the number of online transaction failures by defining service metric quality and monitoring it at regular intervals. This would enable it keep a close eye on the performance of financial intermediaries and plug gaps as soon as they occur.

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