

E-COMMERCE INDUSTRY

INTRODUCTION

E-commerce or Electronic commerce or also known as E-tail (Electronic retailing) is defined as buying and selling of goods and services using the internet along with transfer of money and data for execution of such transactions. The E-commerce business in India has seen exponential growth over the last decade. This growth is due to many contributory factors, including rapid adoption of technology by Indian consumers, large increases in the number of internet users, new enabling technologies, innovative business models and alternative payment options offered by E-commerce companies. Other factors attributed to this growth projection included, change in buying frequency of Indian consumers, reach of ecommerce across Tier 1, Tier 2, and Tier 3 markets.

KEY PLAYERS

There are several e-commerce companies in India. The leading ones are Flipkart, Amazon, Nykaa, ShopClues etc.

MARKET SIZE

The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. The growing e-commerce would drive the country's internet economy from US\$125 billion as of April 2017 to US\$ 250 billion by 2020. India's E-commerce revenue is expected to jump from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world.

E-COMMERCE MODELS

eCommerce in India can be broadly categorized as: domestic and cross-border, B2B and B2C, marketplace and inventory based.

GOVERNMENT POLICIES AND INITIATIVES

The government has eased the sourcing norms in the retail industry and allowed single brand retail outlets by international brands. This applies to the e-commerce segment as well, which was not allowed previously as part of the government regulations. In 2016, the GoI permitted 100 percent FDI in e-commerce marketplace model for up to 100 per cent (in B2B models).

The heavy investment of Government of India in rolling out the fiber network for 5G will help boost ecommerce in India. In the Union Budget of 2018-19, government has allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project, to provide broadband services to 150,000 gram panchayats. This will boost e-commerce in India's hinterland. Under the Digital India movement, government launched various initiatives like Udaan, Umang, Start-up India Portal etc. Udaan, a B2B online trade platform that connects small and medium size manufacturers and wholesalers with online retailers and also provide them logistics, payments and technology support, has sellers in over 80 cities of India and delivers to over 500 cities.

RECENT DEVELOPMENTS

- Flipkart, after getting acquired by Walmart for US\$ 16 billion, is expected to launch more offline retail stores in India to promote private labels in segments such as fashion and electronics. In September 2018, Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way.

- Reliance retail is going to launch online retail this year. It has already launched its food and grocery app for beta testing among its employees.
- Paytm has launched its bank - Paytm Payment Bank. Paytm bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card.

MAJOR CONSUMER DEMOGRAPHIC

Millennials are one of the major reasons for the growth of e-commerce. 28 per cent millennials purchase products due to social media recommendations, and 63 per cent millennials stay updated on brands through social media.

FUTURE OUTLOOK

- The Rise of Social Commerce: A staggering 93% millennials spend their leisure time on social networks. Online businesses of course, are aware of this - we've all seen shoppable posts on Instagram and Pinterest. Now, things are going beyond that. Social commerce platforms like Meesho are helping people start their own online stores.
- Augmenting Businesses With AI and VR: Tech giants like Google and Microsoft are investing heavily in AI related endeavors. In fact, as per a recent media study, about 85% customer communications will be managed without humans by 2020. Online eyewear firm, Lenskart invested about \$1 million in US-based Ditto. Lenskart now employs Ditto's technology that enables users to try out different frames before making purchases. This is something a lot of brands have been toying with and as the technology becomes more accessible, we will see this trend grow.
- The Rise Of The "Phygital" Stores: Many retailers are increasingly going 'Phygital' (a combination of digital and classic retail). This is now being driven predominantly by brands operating in the fashion and lifestyle category. Many Indian companies are now going 'Phygital'. For example, Firstcry started offline stores in 2012 and currently operates more than 300 franchise stores. Similarly, fashion retailer Myntra started a physical outlet in Bengaluru for its private label 'Roadster'.

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