

# “E-Commerce In India: On an Upswing”

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**Abstract:** The Indian retail market is witnessing a revolution. The year 2014 was a step forward year for Indian e-commerce, not because of the funds in billions it raised but for the growth in volume as well as in sales. As per the report of eBay India, e-commerce in the country has seen a significant upsurge in the number of people shopping online with its penetration into 4,556 hubs. Delhi secured the first position in this list as the number one e-commerce hub, with maximum number of mobile phones and accessories sold. But it is not just the metros that are fuelling the online scene in India but tier-2 and tier-3 cities are also contributing significantly to the growth of e-commerce. As per the findings of Google's annual online shopping growth trends report, done in collaboration with Forrester Research in November, 2014, the online shopper base in India will reach 100 million by 2016. Fifty million new buyers are expected to join the online shopping bandwagon from tier- 1 and tier -2 cities. Back in 2012, the size of this market was \$8 million and is currently around \$35 million. The Indian online shopping market has registered over 12 times growth over the past 4 years.

One of the significant reasons for the emergence of e-commerce as one of the sunrise industries in India is access to internet users numbering more than 302 million in 2014 as per the report of Internet & Mobile Association of India (IAMAI). Digital India initiative of the government is also contributing to the escalation of the e-commerce sector. This initiative aims to bring the internet and broadband to remote corners of the country, therefore ready to give a strong boost to e-commerce in the country.

E-commerce is gaining quick acceptance among the people. In India demographics changes, changing in life styles and exposure to international brands, increased number of female buyers are also some key stimulators of e-commerce. As per industry estimates in 2014, goods and services worth \$4 billion changed hands online in India and this is projected to touch \$6 billion this year and rise to \$50 billion by 2020.

There is no dearth of opportunities for Indian entrepreneurs as competition in the e-commerce industry is expected to further intensify because of the entry of international e-commerce giants like Alibaba and Amazon. Both these international players have the deep pockets and the caliber to drive the Indian e-commerce market. Therefore, a room for improvement and enhancement is paving a way.

This paper is a small effort in analyzing the current state of the e-commerce, and the various parameters fuelling the growth of this very sector in the country. This paper also looks upon the antecedents of e-commerce which would be useful for the upcoming entrepreneurs to aptly formulate their strategy to prolong in the Indian online space.

**Key words:** *Digital India initiative, broadband, online space*

## I. INTRODUCTION TO E-COMMERCE IN THE PRESENT CONTEXT

E-commerce is nowadays considered as the most rapidly evolving and the newest area where buyers and sellers meet over internet. It has added a new phase in marketing. It is not only the area where shopping is done online but also it is a path through which a fashion market place is developed on sites. E-commerce thus has become an innovation factor for various companies and its marketers to implement their creative skills on their online sites and thus can get an immediate effect that how effective is their strategy as far as online marketing is concerned. E-commerce has been on a swing from the last decade but recently it has shown a positive swing as it has become a revolution not evolution. This upswing is the result of e-commerce evolution to reflect real world. Customers are the basic factor which has resulted in an upswing because e-commerce sites have covered almost all the sector of the economy from raw material to finished products. E-commerce is not only the means of using technology to do business but is also a medium of electronic communication where marketers know the trend prevailing, customers needs and understand psychology of customers which thus helps them to satisfy current and prospective needs of the customers. It has also helped to link various businesses. Ecommerce has faced many problems previously due to traditional method of buying and selling of the people but as people paved their way to internet, e-commerce started showing an upswing.

E-commerce is relevant not just for customers but for venture capitalists and brick-and-mortar retailers as well. In earlier era, retailers had a single platform or channel to hawk their wares. Now retailers have got an opportunity to contact and engage their customers through different channels like the physical store, online and via mobile phone or through social media. Thus the way consumers interact with brands has become non-linear and is a culmination of many interactions across myriad touch points. Traditional retailers are becoming agile in responding to the developments in the e-commerce space and making use of tactics such as Omni channel offerings (traditional + online). Because analysts believe that it will not be a world with either e-commerce or brick-and-mortar stores, but both.

There are broadly two kinds of e-commerce. The first kind is where the fulfillment is virtual. There is a whole category of commerce where the customer need is fulfilled via the Internet. Like digital media (music, movies, e-books), apps,

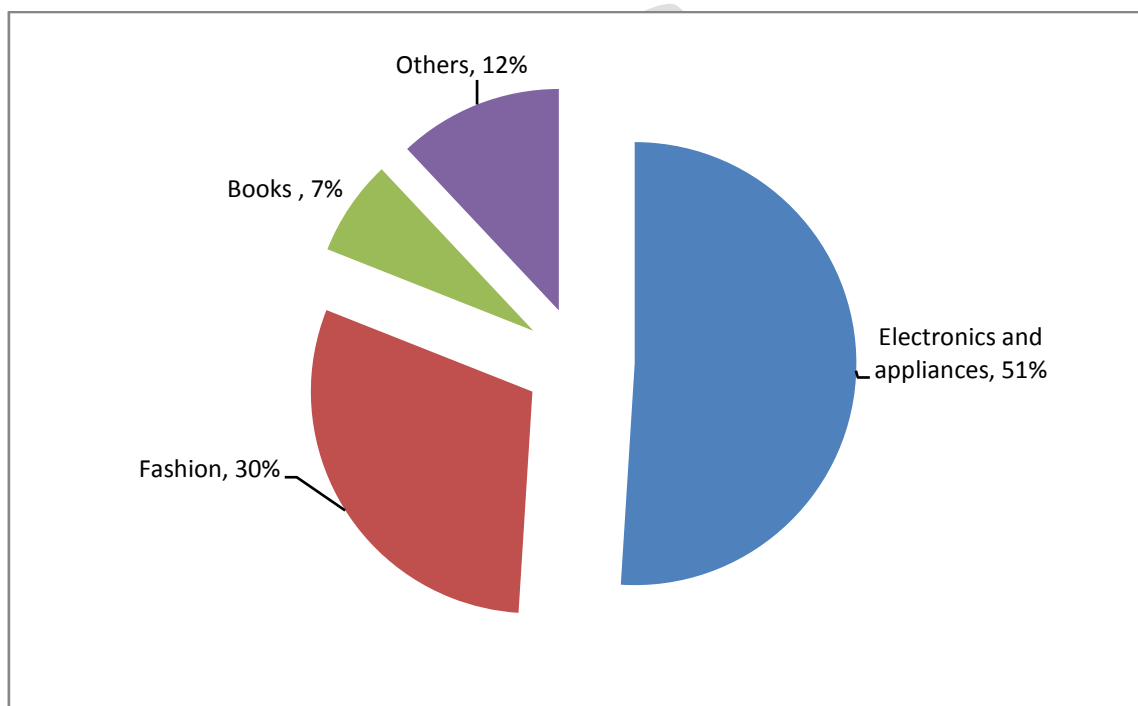
software, ticketing (travel, movies, concerts), matching counterparts (marriage, dating, taxi services, classified), and others. In such areas where the fulfillment is virtual, the Internet has a huge advantage over traditional ways of doing business and most people recognize this. The second kind of e-commerce is where the fulfillment of the customers' needs has to happen in the real world. This is where things become somewhat tricky. In this sphere, e-commerce has both advantages as well as disadvantages compared with the brick-and-mortar stores. Advantages of e-commerce in the physical world fulfillment relate to wider choice to customers, efficient inventory management, lower search and friction costs, better access for customers, lower staffing and rental costs.

The key categories in e-tailing are travel, personal computers, mobile accessories and consumer durables,

jewellery, textiles, health & beauty products, cars, real estate and investment. Packaged consumer goods and food is also growing. Lifestyle and fashion segment has always remained one of the hottest categories for online buyers.

As per a new report by Morgan Stanley fashion as a segment constitutes 30 per cent of India's e-commerce market. Fashion has been the highest margin segment for e-commerce companies. The e-commerce market is expected to be pegged at \$100 billion by 2020 from about \$3 billion in 2013, with a reach of less than a per cent. If we look at the break up of Indian e-commerce (refer figure:1) it can easily be noticed that the top most category is electronics and appliance followed by fashion. Product category, 'others' include food & grocery, health & hygiene, jewellery, furniture and home décor which accounts for 7%.

**Figure: 1**

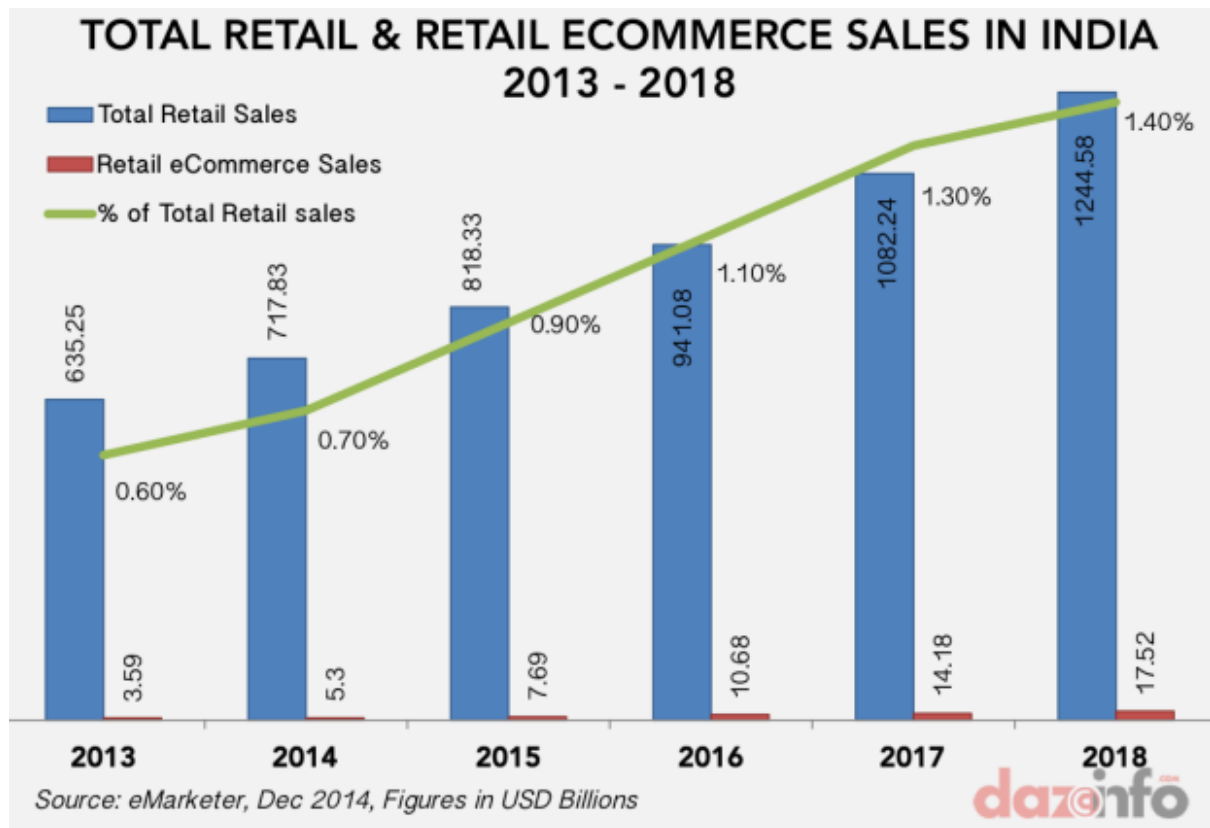


(Source : Morgan Stanley report, Business Standard Newspaper, 21 March, 2015)

If we look at the statistics of total retail sales in India there is the significant increase from \$635.25 billion in 2013 to \$717.83 billion in 2014, growing at a rate of 13% annually. It is expected to touch \$818.33 billion in 2015 registering a Y-O-Y growth of 14.0%. By 2018, total retail volume will grow to \$1,244.58 billion, growing steadily at 14-15% annually. But if we look at retail e-commerce sales

in India, which were a meager \$3.59 billion in 2013 grew to a somewhat better \$5.30 billion in 2014, a Y-O-Y growth of 47.6% as compared to 55.6% over the previous year. In the year 2015, total online retail in India all set to touch \$7.69 billion, growing at a rate of 45.2%. E-commerce retail in the country is expected to grow to \$17.52 billion by the year 2018 (refer figure:2).

Figure: 2



## II. REVIEW OF LITERATURE

### 1) *Entrepreneurship in India: The Case of e-Tailing Ventures*

Authored by Ranjana Agarwal (Feb, 2014)

This paper aims to build a picture of the current scenario of the changes driven by the Indian entrepreneurs in e retail taking place in India. Last few years have seen unprecedented growth of the entrepreneurial ventures in the ecommerce sector in the country some of whom have shut down while few others have emerged as the leaders of the industry. In the current \$500 billion retail sector, the online segment's contribution is less than 0.50%, which signals a further huge growth in this segment and calls for a structures understanding of current scenario in the e-retail space in India. With lot of foreign ventures and global giants like Amazon entering the Indian e-retail space, it is important to look at the Indian entrepreneurial ventures.

### 2) *Why Indian E-Retailing Market is Still a Partly Success and a Partly Failure Story?*

Authored by Debasis Ghosh (August, 2014)

With the increase in number of household computers and fast spreading internet connections, especially broadband connections, India have been experiencing an exponential growth in number of internet users in last decade or so. Conversions with significant Compound Annual Growth Rate of those online users into online buyers resulted in a

huge Indian ecommerce market including online retailing market. This paper is mainly focused to analyze why the status of Indian ecommerce and E-tailing market is not very rosy till date since inception, why E-tailing has not reached the desired goal which includes the financial gain achieved by Indian online retailers though there are huge growth observed regarding the Internet usage and more inclinations of online Indian users towards online shopping in recent times. This study investigates the positive and negative influencers or variables which have been driving Indian users to search and buy online or stops them to shop in the virtual world in Indian socio-cultural scenarios.

### 3) *E-commerce: changing gears in India*

Authored by Dr. Neenu Gupta and Dr. Sunil Batra (Jan, 2013)

E-Commerce is a result of expanding roots of Information Technology in all forms of business. This has not only helped in increasing reach, reducing costs, enhancing business but has also made companies to work extensively on E-business development through use of various business models for maximizing revenue, streamlining operations and gain competitive advantage. The paper focuses on the functions, types/ categories, evolution of e-commerce in India, facilitators, challenges which are being faced and recommendations which may help in better use of this in continuation to the earlier work done on this.

### 4) *E-commerce in India- a review*

Authored by Abhijit Mitra (Feb, 2013)

Electronic commerce or business is more than just another way to sustain or enhance existing business practices. Rather, e-commerce is a paradigm shift. It is an innovation that is radically changing the traditional way of doing business. Ecommerce is showing tremendous business growth in our country. Increasing internet users have added to its growth. E-commerce has helped online travel industry in many ways and added a new sales avenue through online retail industry in our country. The present study has been undertaken to describe the present status and facilitators of E-commerce in India, analyze the present trends of E-Commerce in India.

5) *Impact of CRM in e-tailing industry In India: A Customer Perception Study*

Authored by Dr. Lokinder Kumar Tyagi and Dr. Navneet Gera (March, 2013)

Introduction In view of the global competition, there are greater pressures on retail Industry in India to bring greater satisfaction to the consumers. With the passage of time there has been a change in the strategy of Indian Retail Industry as they strive to become more competitive. E-commerce and E-tailing is one of the sunrise industries in India and becoming more and more prominent among the people. E-tailing is growing because it helps consumers to save time and efforts. One of the significant reasons for its growth is access to internet users numbering more than 2.5 billion. E-tailing offers an opportunity to cater to consumers across geographies, no operational timings, unlimited shelf space, and all this with miniscule quantity of infrastructure. In developed countries like India, this business model is a very good and easy way of growth.

6) *Transformation from E-commerce to M-commerce in Indian Context*

Authored by Sujata P. Deshmukh , Prashant Deshmukh , G.T. Thampi (July, 2013)

Electronic commerce and mobile commerce are not only frontier for doing global business and trade but also offers multiple benefits to the business, government and consumers on massive scale. Many companies, organizations, and communities in India are doing business using E-commerce and also are adopting M-commerce for doing business. But still E-commerce is not ubiquitous and pervasive and M-commerce is at nascent stage in India. The tremendous growth in mobile phone penetration shows that major Indian population has adapted to mobile phone and advancement in mobile technology and its usage is not limited for making basic phone calls, but can be used virtually in every sector of human activity—private, business, and government. This paper evaluates the position of E-commerce and M-commerce in India which will be further helpful to for increasing productivity in India.

7) *E-Commerce in India: A Review*

Authored by Manoj Singhal (November, 2012)

E-commerce can be defined as the use of internet to facilitate, execute and processes business transaction. This

transaction is basically between the two parties and has the ability to pay online. It also constitutes the exchange of products and services between business groups and individuals. There are three main reasons to accept e-commerce by the persons. The main reason is that it provides immediate access to unlimited information, the second reason is to update daily business activity due to computerization and the third one is the opportunities provided by e-commerce that allow for a personal or business involvement through the internet. India is showing tremendous growth in the Ecommerce. The Indian internet user base crossed the 100 million mark in November 2011. India already has the third largest internet user base in the world, behind China and the USA.

8) *E-Commerce: True Indian Picture*

Authored by Devendera Agarwal (Nov, 2012)

This paper presents the surfing pattern of Indian public to give the critical review on truth of various reports being published from time to time. It also critically analyses the e-commerce with major focus on B2C e-commerce which involves e-tailing. Changing lifestyles and exposure to the developed markets give a fillip to e-retailing industry. One can buy anything from stereos to iPod's without stepping out through internet media. E-retailers serve 24 hours x 7 days in a hassle free manner to consumers. Along with advantages of e-Retailing some major issues are associated with e-Retailing such as lack of personal touch; cyber crime; bargaining is not possible and e-illiteracy among rural India. But with all, we can say that Prospect of e-Retailing market is bright in India.

9) *A Survey on Growth and Success of E-Commerce in Recent Trends*

Authored by Mohammed Ali Hussain, R. Satya (2011)

This paper represents the literature survey report on growth and success of e-commerce. It analyzed the success factors to be considered in the growth of business. The analysis concluded that software, music (CDs) and literature (books and magazines) continue to dominate on-line purchases; however, new industries are finding their place on the web as well. Travel and tourism companies, grocery and department store chains and non apparel specialty stores were making their presence known. It was stressed that the companies must undertake the beginning of an implementation plan to involve in e-commerce.

### III. OBJECTIVE OF THE STUDY

The present study intends to evaluate various drivers fueling the growth of e-commerce in the country along with its presence in diverse sectors of the economy. The objective of this paper is to analyze state of the growth of e-commerce in the country and its contribution to the growth of other parallel industries and economy. This paper aims to analyze the e-commerce as one of the contemporary business trends in India. This paper also attempts to present a snapshot of limitations involved in flourishing e-commerce businesses in India.



#### IV. RESEARCH METHODOLOGY

The research methodology is based on descriptive arguments, statistical data, comparative study and analytical logic developed through the understandings from various research papers, reports, books, journals, newspapers, business magazines and online data bases. Secondary data is widely used to realize the objective of the present study.

#### V. EVOLUTION OF E-COMMERCE IN INDIA

Globally e-commerce can be traced back to the first electronic computers, which were built in the 1950s (Smith, K.T. 2008). However, online shopping was first invented in 1979 by Michael Aldrich. In 1984, the first comprehensive electronic commerce service in form of Electronic malls was launched in USA and in Canada. Further in 1985, Nisan started selling cars online to its customers in UK from dealers' lot. However, e-commerce did not gain extensive popularity until development of the World Wide Web in the 1990s. In India it evolved in late 1990s. The opportunities that were evidenced through the internet were taken positively by the business community. The dot com burst is challenging the thought process of analysts who doubt about its survival in a big way. The recent developments show that e-commerce is not only alive but climbing the ladder of success at a rapid pace. A report by Internet Mobile Association of India 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.

#### VI. PARAMETERS FUELING THE GROWTH OF E-COMMERCE IN THE COUNTRY

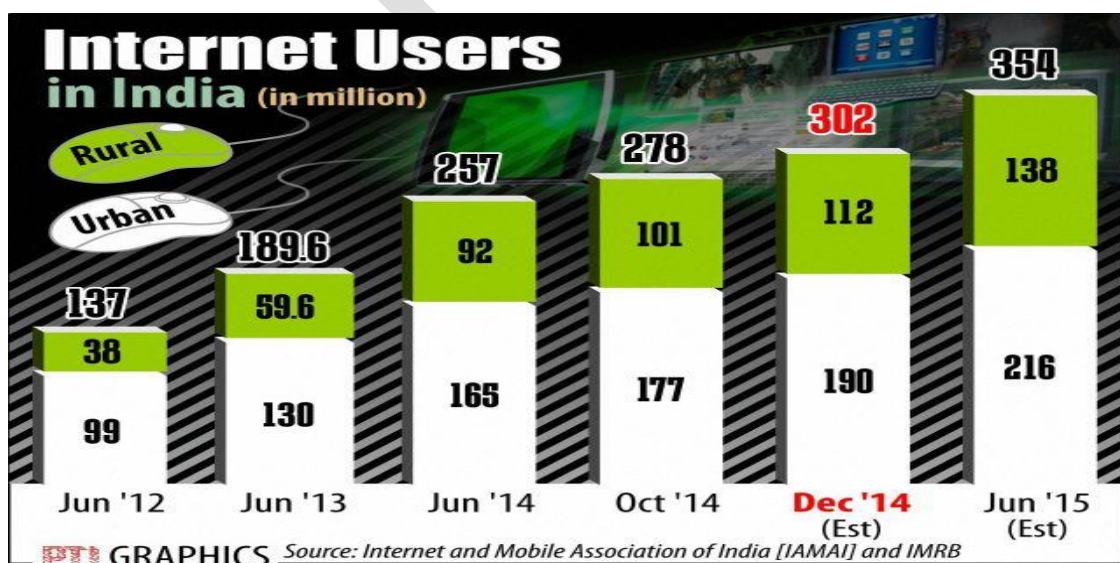
- 1) *Reduced perceived risk associated with e-payment systems*

The advent of credit cards also made this process of payment even easier. It also made it possible for the customer to pay for an item, even though the customer did not, at the specific time of the sale, actually have the money in hand to pay for it. Technological developments are reducing the risk of electronic shopping by enabling secure transactions and increasing the amount and quality of information available to e-shoppers. Credit card transactions have surged in the past year as more Indians flock to e-commerce websites to buy everything from clothing and groceries to consumer electronics, drawn by the variety of products and hefty discounts on offer and the ease of shopping online.

#### 2) *Growth of digital media*

Digital infrastructure is a key enabling technology for a connected and instrumented world. Digital disruption has driven change in the e-commerce industry with shoppers embracing multiple touch points in their purchase journeys. Companies are spending enough resources on technology development as also advertising and branding, especially because the younger population is demanding. Digital media has come a long way in the few short years to become as we know it today and it continues to grow. The numbers of Internet users are constantly increasing and also the online purchasers. India may overtake US as second largest Internet user base according to a report by the Internet and Mobile Association of India (IAMAI) and IMRB International, the number of Internet users in India is expected to grow 32 per cent to 302 million in 2014 from 213 million at the end of December last year. The Internet user base in the country is further estimated to grow to 354 million by June 2015 (figure: 3).

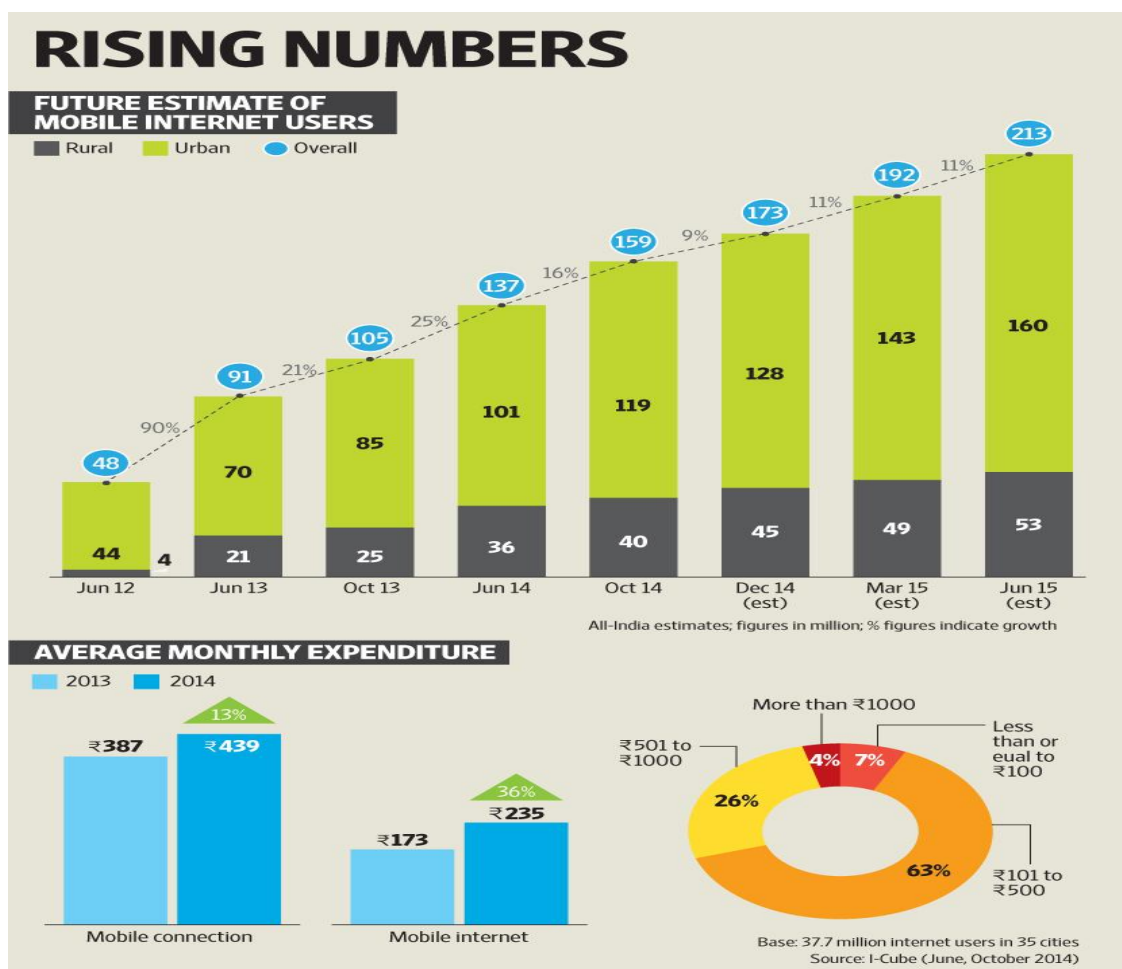
Figure: 3



Internet use via mobile devices has made a large impact, especially over the most recent years. Mobile devices have played a large role in the digital media. Therefore, more people are using their cell phones for more than their original intended purposes. This has further broadened the ever growing field of digital technology. The numbers of people using a mobile device is doubling by the months (figure: 4). Industry body CII and KPMG mentioned in their report in 2015, billions of devices will be connectable with an ability to drastically enhance the quality of living and change the way products are experienced. With mobile

apps being developed by most e-commerce websites, smart phones are increasingly replacing PCs for online shopping. In 2013, only 10% of the mobile users used smart phones, and only 5% of the e-commerce transactions were made through a mobile device. This figure has more than doubled, and more than 13% of all e-commerce transactions today happen via mobile. According to some industry players, over 50% of the orders are being placed through mobile apps, which is not only leading to substantial customer acquisition but also building customer loyalty for various brands.

Figure: 4



### 3) Shift in consumer behavior towards shopping trends

When the world took a decade, Indians got online in a matter of a quarter. The numbers speak for themselves, but this phenomenon is much beyond these numbers: It is about behavioral change and the speed of this change that is unmatched by history. The Internet and Mobile Association of India (IAMAI) claims India currently has 25 million shoppers who are ordering products ranging from baby diapers and men's grooming products to groceries and home furnishings online. The last quarter of the e-commerce

industry in 2014 is a testimony to the fact that given the right ecosystem, behaviour change is possible in no time. This debunks the belief that behaviour change is a gradual process and cannot be achieved instantly. There are theories written on technology adoption and how it takes a long time for people to adapt to technologies as we have to move from innovators and early adopters, who are few in number, eventually to the vast majority. But Indians' response to online shopping seems to have bucked the trend.

India, with one of the youngest population globally, is set to see more of this and bigger change waves. According to a report on Generation Z comprising the 14- to 19-year-olds, by design consultancy FITCH Design India, which works in the area of retail, this generation may be cash-poor but savvy, there is no shame in using bargain websites such as eBay, or in picking up a good deal second-hand. There has been a definite social change and the improvement in infrastructure has also greatly contributed to the boom in internet sales.

Analysts believe that a large part of the change in consumer behaviour towards online shopping in India has also been brought about by big expenditure on advertising by dotcom firms. Suchi Mukherjee, founder and CEO of fashion portal Limeroad, says the shift in mindset is directly proportionate to the advertising dollars spent on creating awareness and building trust for the brands. Secondly, the advertisements publicized the easy return policy of the e-commerce sites that de-risked buying for the mass consumer who immediately bought into this brand promise. That is not all. The introduction of cash on delivery further bumped up online sales.

#### 4) *Lucrative offers by e-tailers*

Heavy discounts offered by online portals also driving the online market growth. Online retail saw an inflection in 2014 especially during big-ticket, planned promotional events like Flipkart's Big Billion Day and Google's Great India Shopping Festival or GOSF. While Flipkart's site saw Gross Merchandise Value hitting \$ 100 million in the first 10 hours of the sale itself, Google's gosf.in (Read more here on GOSF 2014 here: GOSF 2014 begins, Google anticipates multi-fold traffic) saw traffic on its site more than doubling since last year. As these events were heavily advertised, most other website also gained in sales during the event. First-time online buyers flocked to these websites to mass products on heavy discounts. Electronics is the one segment that seems to have been hit all across the country due to online discounts. The impact of such type of online offers will be sharper and going ahead.

#### 5) *Presence in diverse sectors*

E-commerce is no longer limited to apparel, gadgets and white goods. Consumers are even buying houses over the internet. Now there is change in the way real estate has been sold. According to Brotin Banerjee, Managing Director and Chief Executive Officer, Tata Housing Development Co. Ltd., company sells an apartment every two days through the online medium and expects at least 30 per cent of its sales to come from this platform in three to five years. Not just Tata Housing, a slew of developers such as Bengaluru based Puravankara Projects Ltd. and Pune based Kolte-Patil Developers Ltd. are also looking at online home sales as a robust source of revenue.

Another example is of Zomato Media Pvt. Ltd, which runs an online restaurant search service. Zomato has emerged as one of the leading start-ups among India's Internet firms, joining the ranks of Flipkart, Snapdeal and Ola.

E-healthcare in India is fast catching public attention and is poised to contribute significantly to the overall healthcare market. Currently the overall health care market in India is about \$150 billion. Credihealth, which is a web portal, provides wide range of services like health tests at discounted rates, searching different doctors across the country and arranging direct interactions with medical.

Beverage and snacks major PepsiCo is all set to make its first big move in India's booming online retail space by selling its imported premium snacks and drinks brands exclusively through e-commerce platforms. The strategy of selling imported brands exclusively through online platforms will be a first for the company in India. A report released by Internet giant Google and consulting firm Bain last fortnight estimated that the Internet will influence \$35 billion of FMCG sales in India by 2020 when there will be more than 250 million online shoppers in India.

#### 6) *Convenience*

Certain characteristics are making e-commerce more convenient for consumer, compared to the traditional way of shopping, such as the ability to view and purchase the product 24 X 7, visualize their needs with products, and discuss products with other consumers. Oppenheim and ward (2006) explained that the current primary reason people shop over internet is the convenience. They also recognize that the previous primary reason for shopping online was price, which has now much changed to convenience.

#### 7) *Other factors*

As per the findings of Boston Consulting Group and Retailers Association of India' report titled Retail 2020: Retrospect, Reinvent, Rewrite, by 2020, average household income will increase three times to \$18,448 from \$6393 in 2010. Moreover, urbanization will increase to 40% from 31% and over 200 million households will be nuclear, representing a 25-50% higher consumption per capita spends. Also, attitudinal shifts will be seen as 75% of the population will belong to generation I, that is they were below 14 years of age when the economy started opening and hence will have higher consumption levels. All these are contributing to escalate the growth of ecommerce in the country.

### VII. E-COMMERCE – ITS CONTRIBUTION TO THE OTHER SECTORS OF THE ECONOMY

#### A) *E-commerce as a contributor to the increased business of credit card companies*

A recent study by the Boston Consulting Group (BCG) estimated that e-commerce spending would grow to \$60-70 billion in the next three-four years, from \$16-17 billion now. The credit card industry is seeing about 26-27% growth in spends. According to the latest data available on the RBI website HDFC Bank Ltd is the leader both in terms of the number of credit cards with 5.57 million cards on issue and outstanding card loans of Rs.5,229 crore as of

October 2014,. Both e-commerce transactions and their contribution to total consumer spending have increased in the last one year, said Parag Rao, head of payment products, merchant acquiring services and marketing at HDFC Bank. SBI Cards and Payment Services Pvt. Ltd, for example, has seen a 60% year-on-year jump in credit card spending on e-commerce transactions in the year to December. SBI Cards is a joint venture between State Bank of India (SBI), the country's largest bank, and General Electric Co. The contribution of e-commerce transactions to total spending on credit cards issued by SBI Cards increased to 40% as on 31 December 2014 from 26% a year ago in 2013, said Vijay Jasuja, chief executive officer (CEO) at SBI Cards. Credit card spending is growing faster because most people who use e-commerce websites prefer to pay with cards because of the offers and discounts they receive on these transactions.

E-commerce is increasing in a very big way and is likely to form a key part in banking card strategies going forward. It is expected that the number of e-commerce transactions to increase five times to five crore (50 million) at the end of this fiscal from around one crore in March 2012. In terms of value, it will increase four times to about Rs.5,000 crore (at the end of this fiscal) from Rs.1,250 crore in 2012, according to Jairam Sridharan, president and head of retail lending and payments at Axis Bank Ltd.

To cement its position as the leader in the credit card segment, HDFC Bank plans to launch an e-wallet in March, through which consumers can load their credit and debit

card details on their phones. Mukul Sukhani, head of small business payments solutions at Citibank India, said growth in card spending over the last two years has been primarily driven by e-commerce transactions. "In 2012, online spends contributed 22% of total spends, which increased to 31% in 2014. During this period, overall spends on Citi cards grew by 31%. Card-based transactions are still small compared to cash, but it has helped move transactions away from cash into digital. These transactions will increase 40-50% year-on-year in the foreseeable future. So there is enough space for all banks to grow in digital payments as the shift away from cash gains momentum.

#### *B)E-commerce as a contributor to the increased advertising revenue of broadcasters*

For advertising world, e-commerce is the flavor of the season. The competition in the online retailing space is hitting up. The primary aim of every e-commerce player is to attract a potential customer to his website. This requires significant resources in terms of the ad spend. Ad spends have grown so large that as much as two-thirds of the capital raised by online companies go towards advertising. Silently, steadily, e-tail has been gaining notable position in the country. For brand building and creating a buzz, traditional media such as TV, radio and print are still the most effective. Internet, because of its limited reach, isn't able to generate the same buzz as other media does. With most online players being in start-up mode, they are expected to spend more on advertising in upcoming years (figure: 5).

**Figure: 5**

E-tailer's ad spends				(in Rs. Crores)		
Jan-Dec' 2013				Jan-June'2014		
Companies	Print	Radio	TV	Print	Radio	TV
Flipkart	5.9	0.1	19.5	33.8	0.3	21.2
Myntra	0.1	0.1	14.2	12.4	0.5	20.3
Amazon	12.2	–	–	11.3	0.4	18.4
Snapdeal	–	–	4.9	1.3	1.3	23.0
Total Spending	1,110.0	10.8	234.7	599.9	13.9	170.5
Overall Total	1,355.5			784.3		

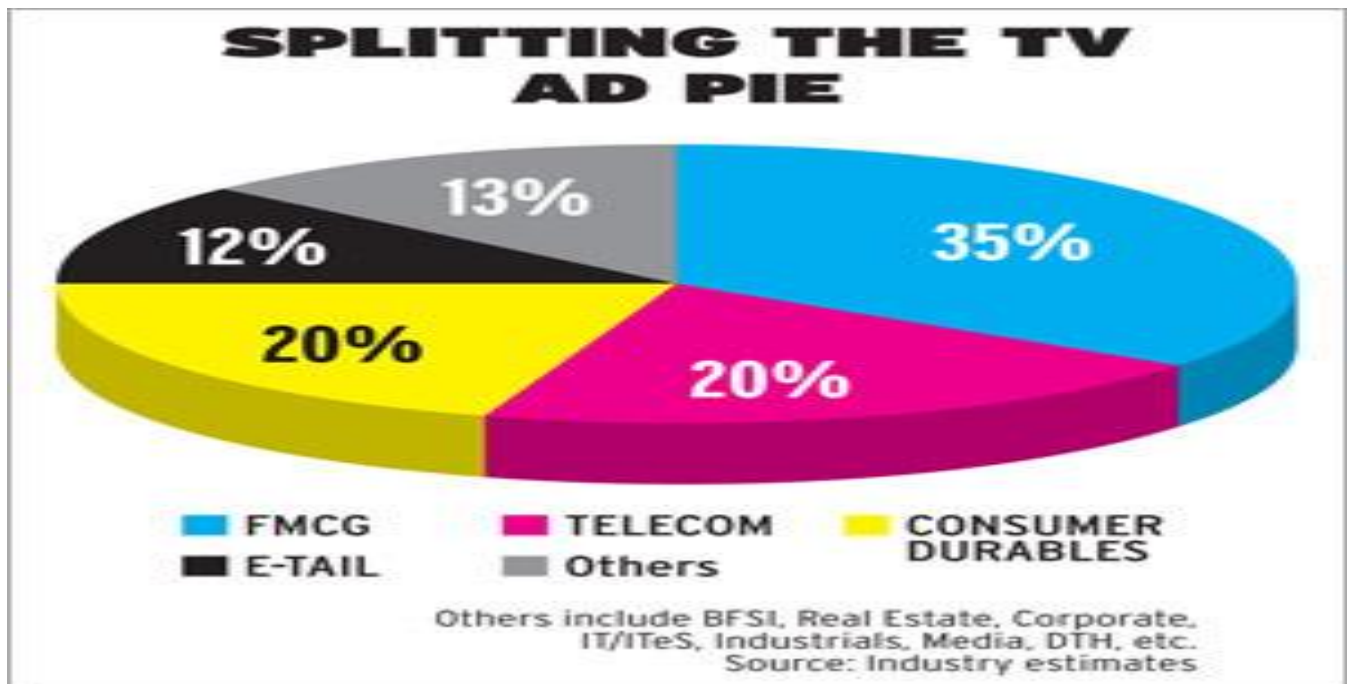
(source: Financial Express, August, 2014)

Advertising becomes crucial for an e-tailer as that's the only way it can make its consumers aware of its products. They are not brick and mortar stores where one can walk in and touch and feel the products. During the Navaratri festivities in 2014 it was quite visible that e-tailers such as Amazon, Flipkart and Snapdeal, were spending a fortune on television advertising. Broadcasters claimed in 2014 that e-tailers have been one of the largest contributors to their advertising revenue. "From just four per cent (of total advertising spends on TV) in 2013, advertising spends of e-

tailers has gone up to 12 per cent in 2014 (refer figure: 6), making them the third-largest spenders on television," said by Rohit Gupta, President, Multi Screen Media (MSM), which runs the Sony channels. In 2014 e-tailers increasingly opted for in-show brand integrations. A typical brick-and-mortar retailer, such as Big Bazaar or Reliance Trends, advertises aggressively only during festivals. However, analysts believe that e-tailers, like the FMCG companies, will continue to advertise round the year.



Figure: 6



Amazon India has bagged the title sponsorship of the prestigious bi-annual event organised by the Fashion Design Council of India (FDCI) the India Fashion Week, replacing Wills Lifestyle, companies increasingly snap up title sponsorship of major television shows, fashion and sporting events to increase their visibility. Last year in 2014, Snapdeal.com had replaced Vodafone as the main sponsor of popular TV reality show Big Boss. Online fashion retailer Jabong is an associate sponsor of Lakme Fashion Week and official retail partner of marathons in Delhi, Mumbai and Bengaluru, while its rival Myntra was sponsoring a women's marathon event in Bengaluru. CVL Srinivas, CEO at advertising media major GroupM South Asia, said sponsoring of such events is bound to grow in the coming years. Flush with private equity money (parent company pumping heavily in the case of Amazon), online companies have been spending big on advertising in recent months as more and more consumers across the country have started shopping online.

Online retailers which are seeing 45-50% of their overall sales coming from non-metros are increasingly turning to advertising in regional languages, company executives and industry experts said. E-commerce companies such as Flipkart, Snapdeal, Shopclues, Jabong and Amazon are looking to reach out to potential customers through vernacular newspapers, radio and outdoor media. Fashion e-tailer Myntra.com already directs 25-30% of its overall marketing expenditure towards vernacular media. It runs advertising campaigns on regional television channels in Tamil Nadu, Andhra Pradesh, Kerala and Karnataka. It covers the Hindi-speaking states of Rajasthan, Madhya Pradesh and Chhattisgarh via newspapers. Shopclues, an online marketplace, intends to spend 20-30% of its total marketing budget on regional branding and advertising. The

company has set aside Rs.75 crore for all branding activities in 2014-15. "The trend will continue for at least next five years as all online players are trying to get customers to go online," said MG Parameshwaran, president Advertising Agencies Association of India (AAAI).

*C) E-commerce companies assuring the career growth opportunities for the fresh applicants as well as for the existing employees*

As per an article published in Business Standard on 23 Feb, 2015, e-commerce companies stole the recruitment show at B-school campuses. The booming e-commerce sector was one of the leading recruiters of fresh MBAs. At the Indian Institute of Management (IIM), Bangalore, Amazon and Snapdeal were the biggest recruiters; they made 17 offers each. Other prominent e-commerce recruiters this year were Flipkart, Urban Ladder, AskmeBazaar, Hopscotch, CarTrade, Proptiger, Quickr and Commonfloor. There also was web-based taxi aggregator Ola Cabs. Consulting and e-commerce firms have increased placement offers for students of top B-schools, hinting at a turnaround in business sentiment. Rapid growth in the business of e-commerce companies, lucrative stock options and large bank balances allowing them to offer high salaries.

As per industry estimates, the e-commerce space currently employs over 1, 10,000 people from delivery boys to senior executives. Online retail is expected to be worth \$6 billion this year, a 70% increase over 2014 sales of \$3.5 billion, according to Gartner Inc. Consulting and e-commerce companies were great lifters from B-schools campus. The e-commerce companies recruited more than 10% of the students at IIM-Indore. They have expansion plans, funds

and need quality manpower. So in just few years, they have become a lead recruiter. Again at IIM-Lucknow, 15% of the offers were from e-commerce firms. IIM-Bangalore said the e-commerce space saw heightened interest with Amazon and Snapdeal making 17 offers each, which incidentally were the highest by any individual firms. E-commerce firms are on a hiring spree. The leading names have raised good money and need to expand.

In the traditional retail industry, expansion rates have slowed and competition is extremely intense. That is why many senior and mid-level employees at brick-and-mortar retail companies looking to join the online retail sector. Sources at recruitment firms say that they are flooded with resumes of people in retail companies - some of them top-level employees of the country's largest retail firms who are applying for opportunities at e-commerce companies. As per one of the articles from Business Standard newspaper dated November, 2014, Flipkart plans to hire in 12000 people FY15, same with another e-commerce giant Snapdeal, it plans to double the employee strength this financial year. Amazon India is also looking to hire 13,500 people in upcoming years. Restaurant search service provider Zomato is also looking to double its headcount in the next 12 months.

#### *D) E-commerce as a source of promoting entrepreneurship in the Country*

The growth of e-commerce in India is contributing to uphold entrepreneurship and trim down transaction costs. It can be viewed as a source of providing small businesses a window to the world as seen in case of eBay India. As India's online retail market evolved, eBay adopted a model where it linked merchants and consumers. It is providing a platform to small businesses to sell their goods outside India. The initial response was slow but gained momentum in the last two to three years as the number of Internet users surged; today nearly 15,000 small businessmen and women in India who have registered with eBay to export their products. "Every 10 seconds a product listed by an Indian seller gets sold in the international market," as per the words of Latif Nathani, Managing Director of eBay India, the local unit of the US e-commerce giant that has a presence in nearly 200 countries. For many years Taushif Ansari worked for a merchant making leather jackets in Dharavi, Mumbai. In 2012, he started his own business and registered with e-commerce marketplace eBay. For the first six months he could sell only two or three leather jackets a month. Now, he employs five craftsmen, sells 150 to 170 jackets a month and makes Rs 60,000 to Rs 70,000 in profit. His most favoured markets are the US, Australia, the UK and New Zealand.

Flipkart has set an internal target of increasing volumes significantly by adding thousands of new sellers on its platform. Study conducted by Technopak in 2013 revealed that growth of e-commerce will promote the rise of service entrepreneurs, who will have the potential to earn \$ 7.5 billion, annually, by 2021. It will open up international markets for the SME sector and can become an important facilitator for the growth of the telecom and domestic air cargo industries.

#### *E) E-commerce emerging as a new and growth oriented platform for Indian women*

Due to the emergence of e-commerce women are gaining prominence in a country where the percentage of the female workforce has fallen from 39% in 2010 to about 30% currently. As India sees a revolution in its \$300 billion retail industry with the emergence of online marketplaces such as Snapdeal, Flipkart, and Amazon, thousands of women are gaining financial independence by selling products across categories such as health care, home furnishing, jewellery, handicrafts, and fashion apparel. Women were formerly largely employed in sectors such as farming, textiles, and construction, now a notable shift can be observed. A few instances better justify this shift of women empowerment like Arti Goel, 47, started the experiment of selling online three years ago as an addendum to her husband's home furnishing supply business to hospitals and hotels. Within three years, the online business has taken over the offline. From a staff of just four people, her team is now over 50 strong.

One more interesting example is of Archita Gupta, decided to set up an online health store selling and recommending medicines with similar salts but with lower prices. To keep the lights burning, the Linux and Java expert also started online pharmacy store Yo Pharma on Snapdeal. Egged by her husband, also an engineer, Gupta started selling BP monitors, glucometers, and nebulizers online. She also tied up with brands such as Omron, GNC, Horlicks, and Nivea directly to sell their products online. Alongside, Gupta added weighing scales and gymming proteins to her product line, all sourced from wholesalers and distributors in New Delhi. Over time, her daily product sales grew up to 400-500 products a day. With healthy margins of even up to 40-50% in the pharma and health category, it's a sweet spot Gupta has carved out for herself.

Another example is of Ahmadabad based Shahenaz Ghelani, noticed the boost in e-commerce and with a bit of handholding, registered on Amazon. In less than six months and without any marketing effort, Ghelani has seen sales of Rs1 lakh with about 650 displayed products, now she is going to add 400 more products. She feels by putting in a little more effort, sales of six months can be achieved in 15 days just because of online platform. She has now shut her physical shop and completely moved online.

On Flipkart, of the 30,000-odd sellers, about 20% are women; about 15% of these women are customers-turned sellers. These women have identified the gap and launched their own brands offering regional handicrafts, antique pieces, and designer wear. On Snapdeal, women account for 30% of the sellers.

#### VIII. FLIP SIDE OF THE UPSURGING E-COMMERCE

A number of incidents are rapidly showing up the other side of electronic shopping. Like a soap bar got delivered instead of a mobile phone to a buyer, defective Diwali lights were couriered to another and fake items were dispatched in yet another case. A Delhi-based professional, ordered a washing

machine from a leading online portal. When he got the couriered product, it was without a wheel. On complaining, the company asked for repeated evidence on how the product was defective, making it much more than an unpleasant experience for the buyer. There are many more having such type of unpleasing experience with on line shopping. So, while Indian e-commerce is on the rise, so are consumer complaints. There is the option of dragging the sellers and online companies hosting them on their sites to a consumer court. However, the long list of pending cases - 350,000 - might stop them from taking legal action for the average Rs 1,000-2,000 shopping size. There have always been such types of complains like not offering what was advertised and for delays in delivery. Amazon and Snapdeal also had to deal with consumer grievances during their mega discount festivals in 2014. Consumers of some of these sites waited December for the products they ordered during Diwali sales. It has always been challenging for online portals to maintain quality of products in this space, ensure products reach undamaged, manage the cash-on-delivery model and handle returns for big items especially in electronic goods category.

According to Nitin Bawankule, Industry Director for e-commerce, local and classifieds, Google India, though the shopper confidence in online buying has gone up, challenges like unsatisfactory experience, last mile connectivity and lack of confidence in online payment remain. This is apparent from the fact that 50 per cent of all online transactions in India are still Cash-on-Delivery (COD). According to Google's annual online shopping growth trends report of 2014, 62 per cent people who have shopped online have not been satisfied with their experience and most of such grievances came from tier- 2 down cities.

In e-commerce, the complaints are generally related to delay in delivery, delivery of wrong product, refund replacement, cancellation issues, product availability, deals and discounts. Also, e-commerce in India is in its infancy and the available infrastructure is still inadequate. Lack of common taxation rules further hinder growth in this segment. Inter-state movement of products often poses a problem given the different taxation rates. However, brands and retailers have to understand that it is not merely about setting up a portal and creating an e-catalogue.

## IX. CONCLUSION

E-commerce in India is maintaining the flavor of growth. And it is expected to intensify because of the sheer size of the buyers in the country. The consumer mindset, engagement, deals and discounts, after sales service and supply chain, personalization, assortment of offerings, return policies, payment modes and convenience thereof and above all a greater value proposition to the consumer are some of the key success factors for e-commerce. The country's growing Internet habituated consumer base, which will comprise 180 million broadband users by 2020, along with a burgeoning class of mobile Internet users, will continue to drive the e-commerce in the country. There is a deep insight to observe that the youngsters are open to change, tech savvy and given the right ecosystem they do

not shy from adopting the new, has carved a better and growth oriented path for the e-commerce.

However, marketing blitz of e-commerce is threatening the physical retailers. To encounter this threat big companies are getting smarter with their strategies to guard their turf. Big groups like Tata, Reliance and Future group are foraying into e-commerce, and also entering alliances with online players to expand their reach. But experts and analysts suggest that even with \$100 million in sales in half a day, Indian e-commerce players are yet to emerge as a real threat. In fact, leading e-commerce players are going all out to woo physical retailers to their platforms. Snapdeal's Bahl, soon after signing a deal with Japanese investor Softbank, went to meet the honcho of a physical retail company for a potential tie-up. Bezos ensured that Amazon's venture with Future was put in place quickly. Snapdeal already has Ratan Tata on its side as an investor, and Akhil Gupta, vice-chairman of Bharti Enterprise as a board member.

Brokers and investment group CLSA Asia Pacific Markets estimates online sales in India will jump to \$22 billion by 2018. Government still holds the viewpoint that e-commerce is still nascent; therefore, a policy to allow foreign investment in the e-commerce sector will have to wait. Even though FDI is not permitted in e-commerce, all prominent companies operating in this space have foreign funds, as they either have a marketplace model (which is not barred from foreign investment) or they have a complex corporate structure to beat the norms. As e-commerce matures in the country, logistics is emerging as a significant parallel-growing niche industry. In the year 2014 at least two companies showed signs of emergence. ECOM Express raised Rs. 100 crore from PE firm Peepul Capital and Delhi very raised \$33 million led by Multiples Alternate Asset Management.

Arvind Singhal, founder and chairman of Technopak, a leading retail consultancy, said 2014 had set the tone for big things in e-commerce in 2015. He said it is 2015 that would be a truly breakthrough year, as it is now that the impact of all the 2014 fund-raising (around Rs 20,000 crore) will unfold in Indian e-commerce. According to him, food and grocery will emerge as a leading category for e-commerce in 2015. According to the India Brand Equity Foundation, by 2020; the total Indian retail market is projected to reach \$1.3 trillion, with fashion and footwear leading the category by accounting for 40% of sales.

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