



THE E-COMMERCE TRANSFORMATION: GROWTH DRIVERS AND FUTURE TRENDS IN INDIA

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Abstract: This paper explores the transformative landscape of e-commerce in India, identifying key growth drivers and future trends shaping the industry. As digital penetration accelerates, factors such as increasing internet accessibility, smartphone adoption, and evolving consumer preferences are driving significant changes in the e-commerce sector. The study examines the impact of technological advancements, such as artificial intelligence and virtual reality, on enhancing customer experiences and streamlining operations. Additionally, it addresses the role of government policies and initiatives in fostering a conducive environment for e-commerce growth. By analysing current market dynamics and consumer behaviour patterns, the paper forecasts future trends, including the rise of social commerce, omnichannel retailing, and sustainable practices. Ultimately, this research aims to provide insights for stakeholders to navigate the complexities of the Indian e-commerce market and leverage emerging opportunities for sustainable growth.

Index Terms - Component, formatting, style, styling, insert.

I. INTRODUCTION

The growth of e-commerce in India is driven by several key factors, including the rapid expansion of the e-commerce market size, which reflects the increasing value of online transactions fuelled by higher internet penetration and smartphone adoption. Digital payments have significantly enhanced this growth, as the rise of mobile wallets and UPI has made online shopping more convenient and secure for consumers. Major players like Flipkart and Amazon have also played a crucial role by investing in logistics and driving innovation, thereby creating a competitive landscape that fosters further growth. Additionally, the emergence of rural e-commerce highlights the potential for expansion into previously unexplored markets, as improved connectivity allows more people in rural areas to participate in online shopping. Finally, the rise of social commerce through social media platforms is becoming an important channel for e-commerce, tapping into the growing digital engagement of consumers.



Source: www.ibef.org

The rise of e-commerce has significantly altered how consumers shop, with many opting for the convenience of online purchasing over traditional brick-and-mortar stores. Understanding these shifts in consumer behaviour is crucial for businesses, as it enables them to adapt their marketing strategies, product offerings, and overall approach to meet the evolving needs and expectations of their target audience.

The interplay of increased internet accessibility, the proliferation of smartphones, and the adoption of digital payment systems has created a conducive environment for online shopping. Furthermore, the expansion into rural markets and the rise of social commerce underscore the diverse opportunities for growth within the sector. With continuous innovation and a growing consumer base, the future of e-commerce in India looks bright.

II. LITERATURE REVIEW

E-commerce growth in India has become a crucial driver of economic development, transformed various sectors and enhanced market efficiency. E-commerce in India is experiencing rapid growth, with the sector expected to jump from 30 billion in 2016 to 120 billion in 2020, growing at an annual rate of 51%, the highest in the world. The surge in investment in the e-commerce sector in India is driven by factors such as the rapid growth in the use of mobile and internet users, facilitating business in both urban and rural cities (Purohit et al., 2024).

Moreover, the evolving landscape of e-commerce in India is not just limited to traditional retail but extends into innovative sectors like direct-to-consumer (D2C) brands and business-to-business (B2B) transactions. The D2C market alone is projected to reach a staggering US\$60 billion by FY27, showcasing how startups are leveraging digital platforms to connect directly with consumers, thereby bypassing conventional distribution channels. This shift reflects a broader trend where businesses prioritize personalized shopping experiences that resonate with modern consumer preferences, particularly among tech-savvy younger demographics. Additionally, as companies adapt to these changes, they face both opportunities and challenges; while the potential for growth is immense, competition remains fierce, necessitating continuous innovation and strategic investments in technology to enhance operational efficiency and customer satisfaction.

This rapid expansion is supported by the 'Digital India' program, which has significantly boosted internet access, expected to reach 829 million users by 2021 (Purohit et al., 2024) (Srivastava & Singh, 2023). The COVID-19 pandemic has further accelerated the shift towards online shopping, a trend likely to persist post-pandemic (Srivastava & Singh, 2023). Despite these advancements, challenges such as regulatory constraints and digital literacy gaps remain, necessitating strategic interventions to fully harness e-commerce's potential (Poonam & Saini, 2024). The sector's growth is not only reshaping India's economic landscape but also contributing to reducing socioeconomic disparities and fostering innovation (Poonam & Saini, 2024) (Purohit et al., 2024). Overall, India's e-commerce market is poised for continued growth, driven by technological advancements, supportive government policies, and a burgeoning digital consumer base (Srivastava & Singh, 2023) (S et al., 2023).

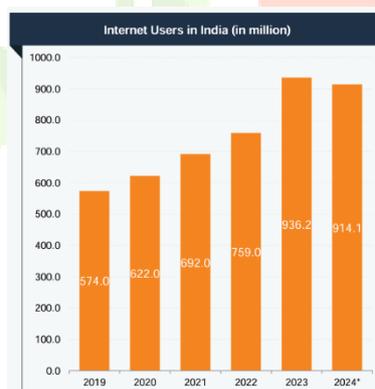
III. RESEARCH METHODOLOGY

This study has been conducted utilizing secondary data and it constitutes a qualitative study. The sources of data collection included websites, newspapers, scholarly research, articles, books, and academic journals. The analysis focuses on synthesizing insights from these diverse sources to provide a comprehensive understanding of the current trends and growth within India's e-commerce sector.

IV. FINDINGS AND DISCUSSION

Growth drivers for e-commerce

1. *Rising internet users*

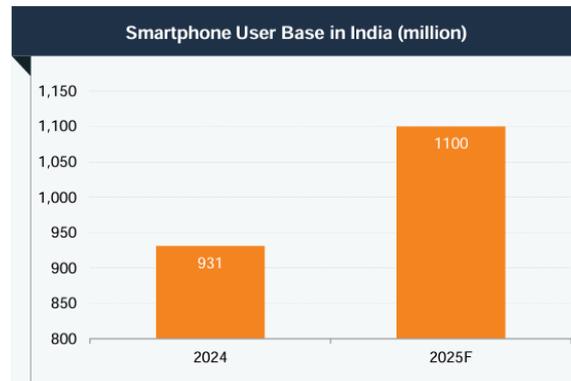


Source: ibef.org

As of June 2023, India recorded a significant milestone with 895 million internet connections, driven by the success of the *Digital India* program. This rapid expansion has fueled the country's internet economy, which is projected to grow six-fold from US\$ 155-175 billion in 2022 to a staggering US\$ 1 trillion by 2030, with the e-commerce sector serving as a key driver (ibef.org). Internet penetration in India has also witnessed remarkable progress, increasing from just 4% in 2007 to 45% in 2021, highlighting the nation's ongoing digital transformation and its pivotal role in shaping the future of commerce and connectivity. This surge in

internet connectivity not only enhances consumer access to a wide range of products and services but also empowers businesses, particularly small and medium enterprises, to tap into new markets and reach customers across the country.

2. Affordable smartphones



Source: ibef.org

India's rapidly expanding e-commerce market is fueled by the widespread adoption of affordable smartphones and low-cost data plans, prompting major retail and consumer goods companies to amplify their investments in the online sector. The number of smartphone users in the country is projected to reach 1.1 billion by 2025, reflecting a strong digital shift. Indian consumers are already embracing 5G smartphones, even ahead of the rollout of next-generation mobile broadband technology, with smartphone shipments reaching 169 million in 2021. Notably, 5G smartphone shipments saw an astounding year-on-year growth underscoring the country's readiness for advanced digital connectivity and its impact on e-commerce expansion.

3. Government initiatives

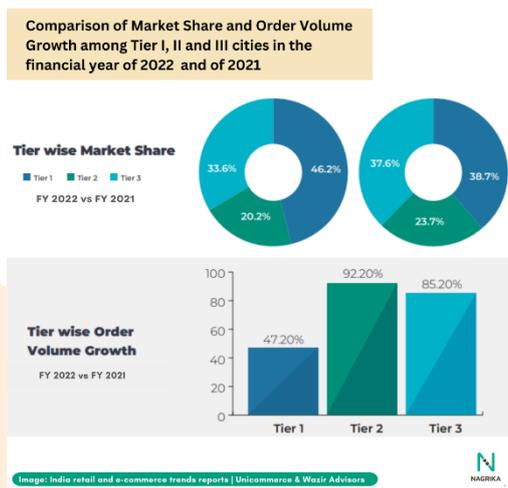
In India, the government's forward-looking policies on Foreign Direct Investment (FDI) and infrastructure development are significantly boosting the e-commerce sector. Under the new guidelines, 100% FDI is allowed in B2B e-commerce and permitted under the automatic route in the marketplace model of e-commerce, making India an attractive destination for global investors. Additionally, the heavy investment by the Government of India in deploying a 5G fibre network is set to further accelerate the growth of e-commerce by enhancing internet speed and connectivity, particularly in underserved regions. These measures are collectively creating a robust digital ecosystem and fostering an environment conducive to the rapid expansion of online commerce.

4. Setting up of ONDC

ONDC is another pivotal step towards transforming the e-commerce landscape in India. By enabling open networks for digital commerce, ONDC aims to democratize access for small and medium enterprises, allowing them to compete with larger players while improving consumer choice and reducing costs.

The Department for Promotion of Industry and Internal Trade (DPIIT) is taking steps to streamline the onboarding process for retailers on e-commerce platforms by leveraging the Open Network for Digital Commerce (ONDC). The initiative aims to establish standardized protocols for cataloguing, vendor discovery, and price discovery, ensuring a fair and transparent e-commerce ecosystem. By doing so, the DPIIT seeks to provide equal opportunities to all marketplace participants, fostering inclusivity and enabling optimal utilization of the e-commerce ecosystem in the broader interest of the nation and its citizens.

5. Tier II and Tier III cities provide major sales



Source: www.nagrika.org

India's e-commerce landscape is undergoing a significant transformation, with Tier-2 and Tier-3 cities emerging as pivotal growth drivers. According to Mr. Vivek Somareddy, Vice President of India and Emerging Country Seller Fulfilment at Amazon India, these cities are experiencing remarkable growth in online shopping activities. Projections indicate that by 2026, over 60% of e-commerce demand will originate from Tier-2 to Tier-4 towns, underscoring the increasing digital engagement beyond metropolitan areas (ibef.org). This shift not only reflects changing consumer behaviors but also highlights the potential for businesses to tap into new markets, ultimately contributing to a more balanced economic development across the country.

Trends in e-commerce

1. Personalized experience

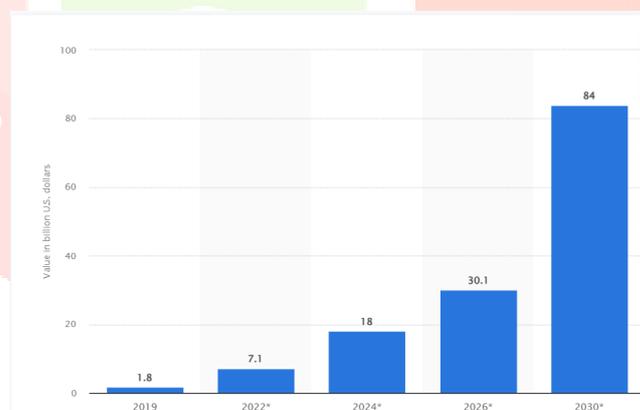
Businesses are increasingly leveraging digital platforms to enhance customer engagement and streamline their operations, ultimately reshaping the retail landscape in India. This transformation not only facilitates a more personalized shopping experience but also enables companies to gather valuable insights into consumer behaviour, driving innovation and competitiveness in the market. The rapid adoption of 5G technology is poised to further accelerate these trends, unlocking new possibilities for augmented reality shopping experiences and seamless mobile transactions that cater to the evolving preferences of consumers.

A recent Netcore Cloud study, released on June 26, 2024, revealed that over 90% of Indians are open to sharing personal data in exchange for a personalized shopping experience. This trend is driving significant growth in the e-commerce market, which is projected to expand from US\$ 123 billion in 2024 to US\$ 350 billion by 2030 (ibef.org). Shoppers increasingly expect tailored experiences that cater to their unique needs and interests. Advances in technology have enabled even smaller e-commerce players to analyze individual shoppers' preferences, including their location, browsing history, and purchase patterns, to deliver targeted and personalized experiences. Many e-commerce platforms are leveraging these capabilities to build deeper customer connections and enhance user satisfaction, further fueling the sector's growth.

2. Subscription for e-commerce

E-commerce companies in India are increasingly adopting subscription models to offer exclusive benefits and personalized services tailored to customer needs. Amazon, a leader in this space, introduced Amazon Prime in 2016, which has grown to an impressive 60 million subscribers as of February 2024. To further cater to diverse customer segments, Amazon India launched an affordable Amazon Prime Lite membership plan in June 2023, enhancing accessibility for shoppers across the country. Similarly, platforms like Swiggy, Zomato, and Myntra continue to attract and retain consumers by offering value-driven subscription plans, providing benefits such as faster deliveries, special discounts, and unique rewards, cementing the subscription model as a key growth strategy in the e-commerce ecosystem.

3. Social commerce

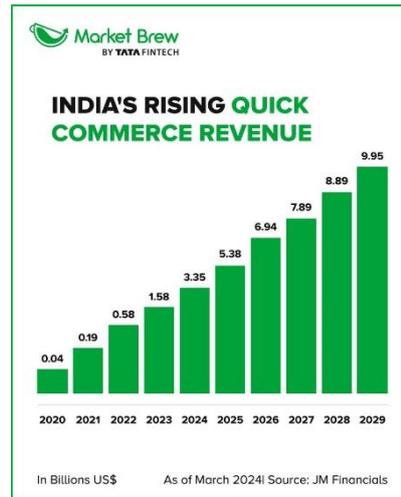


Source: Statista 2024

In 2023, social commerce emerged as a transformative force in India's retail and e-commerce landscape, with a projected compound annual growth rate (CAGR) of 31%, expected to reach US\$ 37 billion by 2025 (ibef.org). This rapid expansion is driven by the increasing integration of social media and commerce, leveraging India's high mobile penetration. By 2025, India's social commerce market is anticipated to grow to US\$ 16-20 billion, at an impressive CAGR of 55-60%, with a monumental potential to scale to US\$ 84 billion by 2030 (statista.com). This growth trajectory highlights the role of mobile technology in redefining consumer engagement and purchasing behaviour, making social commerce a vital pillar of India's digital

economy. The convergence of technology and consumer behaviour not only enhances shopping experiences but also opens new avenues for businesses to connect with their audiences in innovative ways.

4. *Quick commerce*



www.marketbrew.in

The quick commerce sector in India currently has a market size of over US\$ 700 million (as of 2023) and is likely to grow eight times to reach around US\$ 5.5 billion market value by 2025

The India Quick E-Commerce (Quick Commerce) market is poised for exponential growth, projected to reach US\$ 19,932.5 million driven by rising internet and smartphone penetration, convenience of quick delivery, and accelerated adoption during COVID-19, with diverse product categories and order value segments catering to evolving consumer preferences, and the domination of metropolitan cities presenting significant opportunities for retailers and key players to capitalize on the rapidly expanding market. As consumers increasingly prioritize speed and convenience in their shopping experiences, businesses are adapting their logistics and supply chain strategies to meet these demands effectively.

5. *Growth of logistics and warehouses*

Online retailers in India now serve approximately 15,000 to 20,000 pin codes out of nearly 100,000 pin codes across the country, reflecting the vast reach and growth of the e-commerce sector. To support this expansion, India's warehousing sector is set to grow substantially, with projections indicating it will reach 516 million square feet by 2026(ibef.org). Cities like Mumbai, Pune, and Delhi are at the forefront of this demand surge.

6. *Internet content in local languages*

Furthermore, the growing adoption of internet content in local languages is becoming a key growth driver for online retailers. With a significant influx of mobile subscribers, more consumers are now comfortable using languages other than English. Currently, 57% of India's internet users engage with content in regional languages(ibef.org), highlighting the immense potential for e-commerce platforms to tap into this segment and cater to a wider audience by offering localized experiences.

This shift not only enhances user engagement but also fosters brand loyalty, as consumers feel more connected to content that resonates with their cultural and linguistic backgrounds.

V. CONCLUSION

In conclusion, the e-commerce landscape in India is undergoing a transformative phase, propelled by a confluence of factors that include increased internet penetration, smartphone adoption, and the proliferation of digital payment solutions. The significant contributions of major players in the market, along with government initiatives aimed at boosting infrastructure and foreign investment, have created a robust ecosystem for e-commerce growth. Moreover, the emergence of rural markets, coupled with trends such as social commerce and personalized shopping experiences, illustrates the diverse opportunities available within this sector. As consumer behavior continues to evolve, businesses must adapt to meet the demands of a digitally engaged populace, ensuring they leverage technology and innovative strategies to remain competitive. The future of e-commerce in India appears promising, with substantial growth potential driven by ongoing advancements and a burgeoning consumer base eager to embrace online shopping.

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