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E-COMMERCE: THE CHANGING FACE OF RETAIL IN INDIA

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Abstract

The present era is noteworthy for the progress brought by new age technology in various fields, from manufacturing to pharmaceuticals. And the retail sector is no exception, as the rapid growth of e-commerce is a prime example. The advancement of the e-commerce industry has made life easier for countless individuals. E-commerce is the online exchange of goods and services. In this paper we present factors that are fuelling the development of India's e-commerce market. My research methodology is based on secondary sources, such as posts, journals, studies, blogs, papers and conference proceedings.

E-commerce is indeed one of the fastest growing sectors, with India having great investment opportunities in the industry. Since last year, there has been an enormous investment spike and more is anticipated in the coming years. In urban and rural cities, the rapid growth in the usage of smartphone and internet users has facilitated e-commerce companies. The e-commerce market of India has been on a path of upward growth. It is projected that India's online retail market is 25% of the overall retail industry and is expected to cross 37% by 2030. It is expected to overtake the United States by 2034 to become the second largest global e-commerce market.

Some main drivers of this sector are a young population, growing internet and mobile penetration, and relatively better economic results. India adds over 10 million daily active internet users per month, with the number of smartphones per 100 people increasing from 5.4 in 2014 to 26.2 in 2018. It was estimated that one in every three Indians shopped using a smartphone based on 2019 results. The e-commerce market has also seen a spike in advancement across channels and additional segments, such as logistics, in order to tap into the big market. The market has become favourable grounds for exploring, among many others, different business models such as inventory, social networks, aggregator, and e-commerce marketplace model.

Keywords: E-commerce, retail, investment, smartphone users, sales

Literature Review

1. The Encumbered Growth of E-commerce in India: Can We Help?

• **By: Himanshi Agarwal & Dr. Shailja Dixit**

- This paper aims to present a comparison of internet penetration and e-commerce development between India and the top three countries with the largest ecommerce markets in the world, namely the United States, China, and the United Kingdom. The emphasis is on discussing the issues that have hampered India's e-commerce development and suggesting a few strategic steps that are being implemented by the e-commerce powerhouses, with the expectation that a few judicious policy implications will soon make India a competitive e-commerce sector.

2. Status of e-commerce in Indian retail sector

• **By Dr. Anil Khurana & Ravinder Pal**

- The prime objective of this paper is to study the status of Ecommerce in Indian retail sector.

3. E-Commerce- the changing face of Retail Sector in India

• **By Prof. Mubarak**

- This paper aims to investigate the nature of availability of e-commerce ecosystem to Indian populace and to enumerate the e-comm/e-retail benefits

4. Managing E-Commerce Industry in India

• **By Nikhil Monga, Deepak Pandey, Kamal Bhalla**

- This study examines the management of E-Commerce in the Indian market, with a focus on a few companies with significant international brand profiles. It helps by completing secondary data and providing insights into e-commerce branding. The findings indicate a widespread understanding of the value of e-commerce, as well as a variety of branding strategies such as co-branding and affiliating with well-known online and offline brands, distribution agreements, content alliances, and personalised e-mail contacts.

5. Impact of E-Business and E-Commerce in India: A Case Study

• **By V.V. Arun Sankar, E. Vignesh, J. Anish Jafrin Thilak and P. Suresh**

- This paper examines the effect that e-business and ecommerce have had on the average Indian businessman in the years 2014 and 2015. It focuses primarily on the effect that the boom in e-business and e-commerce has had on the average businessman.

6. Future of e-commerce in India challenges & opportunities

• **By Vijaya S. Bhosale, Dr. Deepak P. Raverkar and Deepak Sable**

- The aim of this paper is to explore the trends and opportunities of e-commerce in India, as well as the barriers to e-commerce in India and the factors that drive e-commerce growth in India.

Research Methodology

The methodology section outlines the plan and method that how the study is conducted. This study is entirely based on secondary research. Data is taken from reliable government websites like IBEF, Niti Aayog, various research papers, newsletters, articles etc.

Introduction

In the mid-1990s, the Internet companies began to grow in India. The first Indian online retailers featured primarily online classifieds, matrimonial and work portals. Low internet penetration, lack of knowledge,

lack of growth and trust in online payment systems were some of the reasons why Indian internet companies were not actively involved in e-commerce. It was only after the dot com bubble burst in the mid-2000s that India's e-commerce industry began to take off. In the travel industry, the first e-commerce services available were primarily sold. Ticket deals continued to be made online with the rise of low-cost airline carriers. Travel booking websites also have a big share of the Indian e-commerce market today.

After a few years, the online shopping industry began to take shape, and it is now quickly expanding as brick-and-mortar stores are being replaced by click-only or brick cum click business models. Despite having one of the largest populations using Facebook, the e-commerce space relating to sales and discounts websites began to gain traction in 2009 and onwards, although the idea of social media for e-commerce is still trying to gain a foothold in the markets. The Indian e-commerce industry provides services in the B2B, B2C, and C2C divisions, with the B2C segment accounting for the majority of players. From 2005-06 onwards, India's e-commerce sector expanded at a rapid pace. The growth of a young tech-savvy generation working in IT companies, increase in disposable income, evolving lifestyles, and easier access to banking and internet facilities were the key reasons for this rapid growth in revenues and number of ecommerce companies operating out of India.

Current scenario of E-commerce

India's e-commerce industry is booming and developing at a rapid rate. The idea of online shopping has piqued the interest of the Indian public. The growth of e-commerce has been primarily due to Internet visibility. According to the IAMAI-IMRB survey, more than 460 million Indians use the Internet, making India the second largest online market after China. It is self-evident that the number of Internet users is directly proportional to the growth of e-commerce. In India, e-commerce has changed the way people do business. From US\$ 38.5 billion in 2017, the Indian e-commerce market is projected to rise to US\$ 200 billion by 2026. A rise in internet and mobile penetration has sparked much of the industry's growth.

Due to the 'Digital India' scheme, the number of internet connections in India increased significantly to 760 million by August 2020. 61 percent of all internet connections were made in urban areas, with 97 percent of those connections being wireless.

Furthermore, according to Forrester Research, India's online market is projected to hit \$64 billion by 2021, rising at a 31.2 percent CAGR over the next five years. The Indian E-commerce market is projected to rise to US\$ 200 billion by 2026, from US\$ 38.5 billion in 2017, thanks to growing smartphone penetration, the introduction of 4G networks, and rising customer wealth. Flipkart, Amazon India, and Paytm Mall are projected to lead online retail sales in India, which are expected to rise by 31% to US\$ 32.70 billion in 2018.

In the first quarter of 2020, smartphone shipments in India increased by 8% y-o-y to 50.0 million units, led by positive shipments from all smartphone vendors in the market. With a 24 percent market share, Samsung led the Indian smartphone market, followed by Xiaomi with a 23 percent share.

The rise and remarkable success of numerous online commerce start-ups such as Flipkart, Jabong, and Snapdeal has reshaped the online marketplace model. Even multinational corporations like Amazon and eBay joined the Indian market, which is now considered to be the e-commerce industry's leader.

Reasons for the growth of E-commerce sector

The following are the three key factors driving this development in the Indian eCommerce sector:

- **Online trading participation of niche businesses:** There has been a major rise in investment in an eCommerce sector as people become more conscious of the advantages of online trading. Many existing business houses have set up online transaction platforms to go along with their offline trading. In today's business world, online retailing is the rage. Every other day, a new business in the online shopping sector emerges.

The hallmarks of online trading are specialisation and customization. Exclusive products are the focus of eCommerce firms, which have deliberately shifted away from the "one for all" model. Every new business focuses on a single product or a specific demographic segment.

India, as a diverse region, provides sufficient opportunities for new businesses to enter the eCommerce craze. Given the diverse clothing, food, and cultural practises of Indian communities, business opportunities abound.

- **Unmatched FDI (Foreign Direct Investment):** Foreign Direct Investments (FDIs) were previously prohibited in eCommerce for single-brand and multi-brand retailers. It was only open to B2B firms. FDI is now permitted in wholesale trading and cases where participation is limited to the use of technology platforms. Companies from Europe and the United States have entered as conglomerates in the ever-expanding Indian eCommerce market.

Though foreign direct investment (FDI) has been effective in providing variety to India's online market, government laws restrict their full participation.

- **Uniform GST (Goods and Services Tax):** The growth of the eCommerce industry in India will benefit from a uniform taxation system, which GST (Goods and Services Tax) aims to achieve. Online business is conducted throughout India, and a uniform tax system simplifies and uniformizes estimates. Maintaining price uniformity throughout the Indian Territory will be aided by imposing the same tax on the same good or service. The different tax structure was a barrier for online business owners.
- **Inclusion Of food And Grocery In Online Retailing:** Food and groceries were never considered products for online trading in the past. With the shift in working habits and customers' preference for adaptability and convenience, there are now a slew of small and large eCommerce businesses selling provisions and food.

Data Analysis

According to a study of the literature, the Indian e-commerce industry is growing at a rapid pace. However, a number of factors influence its development, the most important of which is internet connectivity. The rapid growth in e-commerce sales volume can be attributed to the increasing number of internet subscribers as a result of expanded availability of broadband, 3G, and 4G data services.

The rapid adoption of the internet and smart phones is the primary driver of e-commerce development in India. The graph below depicts the relationship between the number of internet users and the amount of ecommerce sales in India from 2015 to 2019.

Years	No. of internet users (in percentage)	E-commerce sales (billion dollars)
2015	17%	7.69
2016	22%	10.68
2017	34.4%	14.18
2018	34.4%	17.52
2019	34.4%	20.12

When looking at the evolution and trends in the volume of e-commerce sales in the market, it's important to note that there's been a significant increase in recent years, which coincides with the country's growing number of internet users.

A simple linear regression statistical methodology is used on the available data to assess the degree of relatedness between the two variables, with the e-commerce sales volume as the dependent variable, which is significantly influenced by the growing number of internet users.

Regression Statistics	
Multiple R	0.907499937
R Square	0.823556135
Adjusted R Square	0.764741513
Standard Error	2.433748374
Observations	5

The co-efficient of correlation for the two variables is 0.907, indicating that there is a very high degree of positive correlation between the two variables, i.e., e-commerce sales volume increases as the number of internet users in the country increases. This shows that the increased usage of the internet has a positive impact on the growth of e-commerce.

The Impact of COVID-19 on E-commerce in India

The global spread of the COVID-19 pandemic has thrown a wrench in how people purchase goods and services, as well as how they view e-commerce. The country's uniform lockout laws, as well as consumers' growing aversion to going outside to shop for basic necessities, have pushed the country toward e-commerce. Buyers have changed their buying habits from restaurants, supermarkets, and shopping centres to online outlets for anything from essential necessities to branded products.

The reach of online sales and online businesses is expected to increase as the social distancing norm has been enforced for almost the entire year of 2020. Many people are warming to the idea of online shopping, as shown by the rise in FTUs (First Time Users) on e-commerce sites.

COVID-19 has been exceptionally different from what we have ever witnessed. When the world came to a halt, it's fair to assume that e-commerce saved the day, allowing millions of people to sit at home and have what they wanted delivered right to their door. Due to existence of the COVID-19 pandemic, there was a change in consumer behaviour. Although electronics and cell phones topped the list of customer purchase desires, grocery stores began to gain momentum. The lockdown was the main reason for this.

To meet the needs of a diverse population, Amazon and Flipkart expanded their grocery categories. The entry of a large conglomerate like Reliance Industries, which plans to launch its ecommerce platform JioMart in May 2020 with a variety of grocery choices, reflected the demand at the time.

Despite other industries being badly impacted, the pandemic is expected to help boost India's e-commerce industry almost threefold to about \$85 billion by 2024. Grofers, BigBasket, and Lenskart are among the other e-commerce players predicted to see rapid growth for a variety of services. Currently, about 80% of the order volume has increased.

The Fate of E-commerce in India

The rapid growth of India is a blessing for E-commerce, as the capacity for online consumers to become shoppers is enormous. In any case, losses for Ecommerce companies have become commonplace as a result of the overwhelming intense marketing and promotions carried out to satisfy the Indian online consumer. The Indian government is working hard to support e-commerce in the country. Even after this, Ecommerce

also has a long way to go until it can truly overtake offline businesses. To change E-commerce in India and make it irresistible to Indian shoppers, development is essential.

A genuine effort is also the ultimate purpose that all Indian e-commerce companies must aspire for. Amazon and Walmart, two global ecommerce behemoths, are poised to transform the face of Indian ecommerce and are already performing admirably.

In India, the e-commerce industry provides MSMEs with funding, technology, and training, all of which have a direct effect on them. By 2034, the Indian e-commerce industry is projected to surpass the United States as the world's second-largest e-commerce market.

Small and medium-sized E-commerce businesses can gain an advantage over larger competitors by prioritising customer service. This, combined with government involvement, would propel Ecommerce to its peak in India.

Conclusion

E-commerce in India is a nascent industry, and companies that want to profit from it should get on board as soon as possible. Dynamic demographics, growing income levels, evolving lifestyles, increasing internet penetration, and banking and other payment choices such as e-wallets are all driving this sector's rapid growth. However, this sector faces challenges such as underdeveloped IT infrastructure, a smaller number of credit card users, logistics problems, and a lack of government incentives. Despite the challenges, India's e-commerce industry has a lot of potential, thanks to the country's large potential market and rising discretionary spending.

Businesses that want to thrive must invest in marketing, branding, distribution, reverse logistics, supply chain management, and customer support. Security standards such as confidentiality and data protection necessitate a thorough understanding. Companies must have a superior website experience combined with outstanding customer service in order to attract loyal customers. Companies who wish to attract more customers and meet the needs of the local community should build websites in their native languages. Ecommerce growth is unavoidable because the Indian ecommerce industry has access to both domestic and foreign funds.

As the ecommerce industry matures, it will face obstacles, but there is room for growth due to the growing number of internet users and technological advancements. Since more businesses will join the commerce sector in the future, companies will have to work harder to offer better service to customers.

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