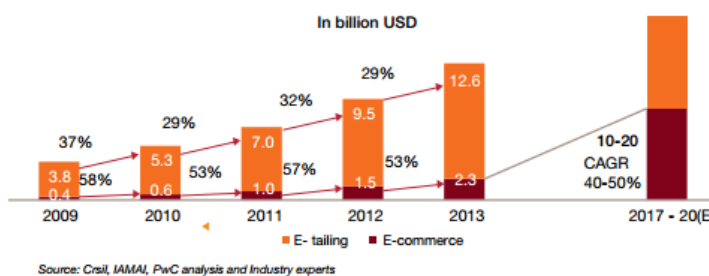


Evolution of e-commerce in India: Opportunity, Growth and Challenges

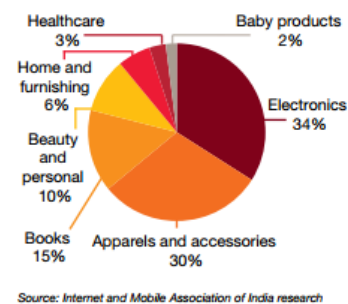
Over the last decade, with increasing internet penetration and mobile phone, the biggest shift has come from offline shopping to online shopping. Companies have found a new way to reach to their customers via internet and e-commerce is becoming new delivery model. E-commerce is still in nascent stage in India, but definitely growing at tremendous pace. As per “**Internet and Mobile Association of India research report**”, over the past few years, the sector has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2013.

It all started with online travel e-commerce, but soon other products were also available in online market. Industry studies by IMAI, indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment. If this robust growth continues over the next few years, the size of the e-retail industry is poised to be 10 to 20 billion USD by 2017-2020. This growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals.

Growth in e-commerce and e-tailing



Commodity distribution in e-tailing



Business Model:

Two business model used by these e-retailers are inventory-led model and marketplace model. Flipkart started its operation with inventory led model while Amazon, snapdeal used marketplace model. Inventory-led model requires huge investment in warehouse and logistics, while marketplace model faces challenges of quality. Now, many e-commerce websites are using mix of both the models. Flipkart started its operation with books, but soon it started adding more categories.



Everything is available online:

Now, we have many online e-retailers for books, durables and electronics, apparels, accessories, grocery and even for real estate. The base of the e-retailing model is technology and logistical solutions that facilitates the customer acquisition and the final 'reach' process. Customers want fast

turn-around-time, better quality product at the cheapest price. Prices of the products available on these portals are much cheaper compare to brick and mortal store. With time, online e-retailers have also gain trust its customers. Pay on delivery has also helped them to gain trust of customers. Online shopping has grown to a level where recently Google conducted real estate (product requiring huge investment and where physical look and feel matters) sale on its website.

Websites like Myntra, jabaong, Bigbasket etc. are redefining the buying behaviour of Indian customers. People are ready to buy apparels, grocery also on these portals which were considered as segment where people are very choosy and conscious. E-commerce is exploring new possibilities every day.

Chief characteristics of the e-commerce market which impact the logistics models

1. **'Cash-on-delivery'**: India has been a vibrant cash economy where the consumer's purchasing behaviour involves an initial overall inspection of the product from different perspectives and paying subsequently. Further, customers in India do not extend much trust on the transit facilities for the delivery of the products. This has resulted in 'cash-on - delivery' (COD) as a preferred payment option of majority of the Indian consumers buying online.
2. **Consumers in India expect the return process to be seamless and convenient**. However, with an expectation of return of the items purchased online, online shoppers have made available the option to return the purchased goods at the behest of the retailer. Retailers have considered this option of return to develop trust and confidence which results in seamless subsequent purchases and positive word-of- mouth support
3. **Free and quick home delivery** is another characteristic of the e-commerce industry in India. E-retailers offer free delivery of the products within a promised timeline. Though this may be unsustainable in the long run but e-retailers have to offer the same convenience of free and quick shipping to compete with other retailers.

Challenges:

Though we are observing a great change in the e-commerce industry, still it has long way to go and big challenges ahead.

1. Internet penetration is still much below the developed countries
2. Huge population still prefers to go brick and mortal store to purchase goods
3. Logistics is one of the biggest challenge faced by these e-commerce companies
4. Lack of proper infrastructure for transport
5. Inconsistent tax policy by state Governments
6. Almost all e-commerce companies are yet to account profits in their account books
7. Consistent resistance from physical store owners and Government, discouraging e-commerce companies

Reference:

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2. <https://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/KPMG-IAMAI-ES.pdf>