



## **E-COMMERCE AND ONLINE STARTUPS IN INDIA: AN ANALYSIS OF PRESENT SCENARIO AND FUTURE PROSPECTS**

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### **ABSTRACT**

*India is one of the prominent countries on the basis of telecom users and internet accessibility. India is second only to china and USA in terms of the number of internet users. The country is presently in the midst of internal revolution, with nearly 243 million internet users for the 2014. The rising internet and mobile penetration has phenomenally changed the way of communication and business.*

*China and USA has annual online sales of about 150 billion USD, whereas India is still in the infancy stage with only 9% of its internet users shopping online. Therefore the online startups see a huge opportunity in the Indian market. Considering this, both, Indian and foreign investors are willing for a heavy investment in this sector. This study identifies the present scenario and future prospects of the online business in India. Finally the study concludes with an insight into the future prospects and risks associated with e-commerce platform in India.*

**Key Words:** *Online Startups, E-Commerce, Online Shopping, Market, Internet buying.*

### **1. Introduction**

E-commerce is associated with business processes over the internet which includes the process of buying and selling of goods, services and ideas (Kaur and Kaur 2015). E-commerce includes online transaction for most of the time as well as virtual transaction. It has become very easy for people to buy or sell online without moving from their place of comfort. It provides a platform of interaction which is known as market place (Kotler, 2003), where retailers sell and advertise their products and ideas are shared.

## 2. Objective of the Study

- i) To analyze the present scenario of E-commerce in India
- ii) To analyze the future prospects of E-commerce and online startups in India.

## 3. Present Scenario of E-Commerce in India

During the last fifteen years, India has been undergoing a technological revolution. India has seen a tremendous growth in terms of internet users in the past ten years (table 1). From the table 1, it has been observed that the total number of internet users in India has increased from 26 million in 2005 to 243 million in 2014. It shows exponential growth in terms of internet users in India. Now India is ranked third among all the internet user countries in the world.

**Table 1 - Internet Users in India**

Year	Internet Users	Growth	Global Rank
2014	243,198,922	14%	3
2013	213,339,324	37%	3
2012	155,575,944	27%	3
2011	122,970,441	36%	3
2010	90,421,849	48%	4
2009	60,935,069	18%	6
2008	51,450,210	12%	6
2007	45,784,262	43%	6
2006	32,074,981	19%	7
2005	26,917,033	23%	7

Source: *Internet Live Stats* (www.InternetLiveStats.com) Elaboration of data by *Internet & Mobile Association of India (IAMAI)*, *International Telecommunication Union (ITU)*, *World Bank*, and *United Nations Population Division*.

Further the GDP of India has grown by about 7.2% CAGR over the last 10 years even when the global economy witnessed one of the worst recessions in the year 2008. This has led to rising disposable incomes and a growing proportion of middle class house-holds (Tated, 2014).

Gross Domestic Product (GDP) based on purchasing-power-parity (PPP) which reflects the per capita GDP has been shown in Table 2. It shows that the per capita GDP has doubled in the last ten year from 2938 to 5855, from 2005 to 2014, respectively.

**Table 2 – Per Capita GDP**

<b>Year</b>	<b>Per Capita GDP</b>	<b>Percent Change</b>
2014	5855.306	7.32%
2013	5456.005	7.08%
2012	5095.101	5.55%
2011	4826.965	7.37%
2010	4495.662	10.07%
2009	4084.5	7.81%
2008	3788.712	4.47%
2007	3626.593	11.15%
2006	3262.811	11.03%
2005	2938.758	11.12%

Source: [http://www.indexmundi.com/india/gdp\\_per\\_capita\\_\(ppp\).html](http://www.indexmundi.com/india/gdp_per_capita_(ppp).html)

From the above tables (table 1 and table 2) it has been found that the internet market in India has been growing very fast along with per capita. This creates a perfect market situation for the initiation and proliferation of new online startups in the country.

#### **4. Types of E-commerce**

Gangeshwar (2013) reported classification of E-commerce, which showed four types of E-commerce, namely Business to Business E-Commerce (B2B), Business to Customer E-Commerce (B2C), Customer to Customer E-Commerce (C2C) and Others. Table 3 represents the characteristics of all these types of E-Commerce.

**Table 3 – Types of E-Commerce**

<b>E-commerce</b>			
<b>B2B</b>	<b>B2C</b>	<b>C2C</b>	<b>Others</b>
Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers, Pricing is based on quantity of order and is often negotiable	Businesses selling to the general public typically through catalogues, utilizing shopping cart software.	There are many sites offering free classified auction and forums where individual can buy and sell, e.g., E-bays online auction.	<b>Includes-</b> a. Government to Government b. Government to Employee c. Government to Business d. Business to Government

**5. Business Models of Online Startups**

Tated (2014) presented the primary business models followed by online startups in India. Table 4 represents those business models.

<b>Table 4 - Online Startups Business Model</b>			
<b>Online Market Place</b>	<b>Inventory Based Model</b>	<b>Affiliate Marketing Model</b>	<b>Online Extensions of Brick and Mortar Retailing</b>
Websites act as meeting point for sellers & Buyers. Prospects A. Wider reach for suppliers B. More choices for Consumers C. Lower capital expenditure	E-commerce company manages the inventory and thus needs to manage its own ware houses. Cost escalations but greater control over logistics.	E-commerce company offers value added services and promotes other firms. The company earns a commission whenever a user clicks on ads of promoted firms. Zomato is good example of this model.	There are websites operated by brick and mortar players that exclusively offer products of a particular brand. This offers a better reach

## **6. Reasons of Growth of E-commerce**

E-commerce provides benefits both to consumers as well as to business. It contributes a lot to customers in the form of convenience of shopping from home, availability of a wide variety of options to choose from, saving time and cost of commute to marketplace and bringing convenience of product delivery at home, thus saving product transportation hassle during its way to purchaser's location. Customers also benefit from the timely informed sales and discounts from e-commerce retailers. E-commerce platform provides customers, opportunity to compare the products as well as to get the valuable reviews from existing users.

For businesses, E-commerce offer an opportunity to maximize their reach without opening many outlets at different locations, thus saving cost of buying/renting sites and maintaining them. They can work on their strategies accordingly to maximize their reach and optimize the opportunity to target the most specific segment. They can also get a clear view of the target market as well as their competitors.

There are many other important strategies of the E-commerce players which motivate people to shop online. These includes cash on delivery of product, flexible return policy along with cash back guarantee, faster mode of delivery at almost all the places with substantial discounts as compared to retail stores on the guaranteed genuine branded products.

The support, in terms of investment, extended by reported corporate houses have improved the image and worked for branding of online startups and E-commerce websites. Investment by Ratan Tata of Tata & Sons in Paytm and Snapdeal has been made which worked as energizer for these startups. There are many other corporate houses which have done the same kind of thing by analyzing the fortune of these startups.

## **7. Future of E-commerce in India**

India is fast developing and this development cannot be measured while ignoring ecommerce. While internet in India took more than a decade to move from 10 million to 100 million users and 3 years from 100 to 200 million users, it took only a year to move from 300 to 400 million users. It seems much less when compared to its penetration in the US or UK, but its surely expanding at an alarming rate. The number of new entrants in E-commerce segment is

increasing daily and with growth rate reaching its zenith; it can be presumed that in years to come, customary retailers will feel the need to switch to online business (Chanana and Goele, 2012).

Insights into increasing demand for broadband services, rising standard of living, availability of wider product ranges, reduced prices and busy lifestyles reveal the bright future of E-commerce in India. The Indian E-commerce industry is estimated to be a \$90 billion industry by 2019 (Tated, 2014).

At present, the biggest share of online revenue comes from online ticketing. The Indian railways web-portal for ticket booking, IRCTC sees approximately 4.5 to 5 lakhs bookings per day on an average. Online apparel market also looks very promising, expected to grow significantly over the next few years. E-commerce companies involved in apparel, have a bright prospect of rejoice since profits margins in apparel segment are higher as compared to other sector. The major reasons that will drive growth from \$13 billion in 2013 to \$90 billion in 2020 can be, rise in disposable incomes, increasing broadband penetration & smart-phone users as well as growing awareness among the consumers.

To understand the E-commerce scenario, we can divide E-commerce into three broad categories which include physical services, physical goods and virtual goods. Another category that is gradually making its mark is the local commerce (Couponing, yellow pages, classified etc) which offers significant overlaps with E-commerce.

The first category of physical services is definitely the major contributor which includes travel ticketing, jobs, matrimonial and event management websites with travel sites accounting for 75% of all E-commerce industries.

The second category of physical goods is currently gaining considerable attention, thanks to the hype created by new startups/stores being launched daily. Leaders in this division are Flipkart, infibeam, Homeshop18, Indiatimes, Naaptol, Letsbuy etc. each of which offers everything from mobile phones to pet food.

The third and final category of virtual goods and gift vouchers like online music, software's movies, games, Taj hotel gift vouchers, Reebok gift vouchers, Pizza hut gift vouchers etc. have been relatively lagging behind in India as compared to Europe and America, primarily

due to piracy concerns and the social perspective of Indians. But the scenario is expected to change with the digital downloads segment expected to grow in the Indian E-commerce market due to the explosion of mobile devices and the services available over the internet at special discounts.

Certain unique features of the E-commerce industries in India such as cash on delivery mode of payment and direct imports that lower costs considerably are probably going to bring about a speedy growth in E-commerce industry in years to come.

## **8. Challenges ahead of the Online Startups**

Online startups are facing many challenges for their business. Many a times the opportunity becomes a curse. The most important strategy turns into bane. The same scenario has been observed by E-Commerce sector i.e. “No Show”. Most of the E-com websites are offering the facility of cash on delivery to trap the cautious customers who do not feel secure paying online. But it has been observed that sometimes the recipient do not turn up to receive the product. This incurs a huge logistics overhead and leads to poor inventory management. This is even in the case of big items like TV, washing machine, AC, fridge etc (Tated, 2014).

Further the studies showed that right now all the online startups like flipkart, Snapdeal, Amazon, freecharge, paytm are burning cash in terms of offers and discounts. In an interview with an online seller on Amazon, Ebay, Flipkart and paytm, it was found that the discount was offered by the online portal not by him. For example if he has to sell leather jacket at Rs. 4000, he will have to pay certain percentage to the portal, further reduction in the selling price will be borne by the online portal. It has been seen that after many long years business even flipkart is not running in profits.

The issue of brand loyalty here is a big challenge for these online portals. If someone has to buy a phone online, he may check on different websites and finally decides to purchase from the portal showing the lowest price. So, brand loyalty is there for the manufacturer but not for the online platform provider.

Indian market is about the 80% of people who do not leave in metros. The E-commerce companies are facing the logistic issues as they are unable to deliver at the smaller cities and towns of India. So, they are confined to metros and big cities as of now.

The other challenge faced by online stores in the issue related to the fake reviews. Before making a purchase the buyer may like to go through the reviews available about the product. These reviews many a times proved incorrect and misguided the customer.

The reliability on the supplier has been found a big challenge for the E-com websites. E-com websites (online startups are based on market place model, third party supplier registered with the portal are reviewed by the buyers. So quality remains a big concern for the newly registered supplier.

## **9. Conclusion**

This paper dealt with the conceptual knowledge of E-commerce available through secondary data, personal experience, interaction with online buyer and seller in the Indian context. This paper discussed about the Indian E-commerce market, present scenario of online startups, motivating factors as well as challenges faced by them. The researcher has reached on the following conclusion and provides the suitable suggestion in line.

- a) India is still an unexplored market for the E-commerce industry, so it is luring and making platform for online startups.
- b) Only very small percentage of internet users is online buyers which show a great opportunity for the players.
- c) Some of the government norms are still not favorable for the E-commerce portals.
- d) Since discounts and offers attracts many customers but the sense of security in paying online and concern about the genuineness of the product distract them from online purchase. This has been observed by analyzing the case of total number of visitors on the e-commerce websites per day and actual number of purchase made.
- e) Future of E-commerce seems to be bright due to increase in income and use of plastic money and the size of unexplored market.

## **10. Suggestions**

The researcher has gone through the challenges faced by the E-commerce industry, following suggestions has been provided.



1. There is a need to register the supplier first at state level in India and further at district level. So the benefit will reach to the more sellers as well as the cost in case of 'no show' and logistics can be reduced.
2. All the registered sellers must sell only genuine products, so the platform provider will get the customer loyalty and this will minimize the return cases.
3. Privilege program can be introduced to get the customer loyalty.
4. Buyers should be motivated to write reviews which should be actual genuine reviews including, but limited to the pros and cons. In return, they may be rewarded with points to use while shopping on the website. This will help customers greatly in making a wise decision while choosing options.
5. User friendliness: Apps and browser based websites should be made more user-friendly to cater to the wide variety of customer base present in India. Still many Indian customers, especially the countrymen find it difficult to use or navigate through the mobile apps and websites. Also, making the apps/websites available in local language will increase the customer base for the e-business.
6. Last but not least the E-commerce apps should provide a sense of security for their customers. Their long terms and conditions mislead the people. While installing an application they ask accessibility to many things which the consumer thinks, is not associated to the installation of application. So the permission of accessibility to everything in the phone must not be asked by these online startups and e-commerce players to show their sense of being genuine and the customer to have faith on them.

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