E-COMMERCE INDUSTRY UPTURN: AN OVERVIEW IN INDIAN CONTEXT

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ABSTRACT

The advertising industry is passing through a transition phase with the emergence of the online media .The declining TV viewership and narrow results from print and outdoor advertising are forcing the marketers to adopt these media. Internet and the web are the new platforms being used by the marketers to deliver marketing messages and attract customers. While the western world has embraced the concept of "online advertising". Indian consumers are still apprehensive about this medium. The present paper highlights the recent trends taking place in E-commerce industry.

Keywords: Advertising, marketers, online advertising, e-commerce

Introduction

The e Commerce sector has seen unprecedented growth in 2014. The growth was driven by rapid technology adoption led by the increasing use of devices such as smart phones and tablets, and access to the internet through broadband, 3G, etc, which led to an increased online consumer

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base. Furthermore, favored demographics and a growing internet user base helped aid this growth. The first online advertisement was created by Hotwired for AT & T and it appeared on the Net on October 25, 1994. A major dotcom crash in 2001 had diminished the success of online advertising. The business of online advertising is growing three times faster than any other form of advertising. The online advertising is continuously eating into the market share of traditional media advertising.

Online advertising, also called Internet advertising, is a form of advertising which uses the Internet to deliver promotional marketing messages to consumers. It includes email marketing, search engine marketing, social media marketing, many types of display advertising(including web banner advertising), and mobile advertising. Like other advertising media, online advertising frequently involves both a publisher, who integrates advertisements into its online content, and an advertiser, who provides the advertisements to be displayed on the publisher's content. Other potential participants include advertising agencies who help generate and place the ad copy, an ad server who technologically delivers the ad and tracks statistics, and advertising affiliates who do independent promotional work for the advertiser.

Indian companies realise this, and are therefore aiming to continue their focus on expanding sellers and selection on their platforms, innovating on multiple customer touch points, and providing seamless and rapid delivery services in order to compete with the international entities. Competition is expected to continue, with these eCommerce companies experimenting with different ways to attract customers and increase online traffic. The Indian government's ambitious Digital India project and the modernisation of India Post will also affect the eCommerce sector. The Digital India project aims to offer a one-stop shop for government services that will have the mobile phone as the backbone of its delivery mechanism. The programme will give a strong boost to the eCommerce market as bringing the internet and broadband to remote corners of the country will give rise to an increase in trade and efficient warehousing and will also present a potentially huge market for goods to be sold.

For India Post, the government is keen to develop its distribution channel and other eCommerce related services as a major revenue model going ahead, especially when India Post transacted business worth 280 crore INR in the cash-on-delivery (CoD) segment for firms such as Flipkart, Snapdeal and Amazon. Both these projects will have significant impact on increasing the reach of eCommerce players to generally non-serviceable areas, thereby boosting growth.

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India's overall retail opportunity is substantial, and coupled with a demographic dividend (young population, rising standards of living and upwardly mobile middle class) and rising internet penetration, strong growth in eCommerce is expected. From an investment perspective, the market is a primarily minority stake market, with maximum traction in early-stage deals. Such early stage funding will help companies develop a strong foundation to start from. With such strong market prospects and an equally upbeat investor community, we look forward to many more eCommerce companies from India entering the coveted billion-dollar club.

Industry Upturn

In 2013, Asia-Pacific emerged as the strongest business-to-consumer (B2C) eCommerce region in the world with sales of around 567.3 billion USD, a growth of 45% over 2012, ranking ahead of Europe (482.3 billion USD) and North America (452.4 billion USD). The top three were followed by Latin America, and the Middle East and North Africa (MENA) region, according to Ecommerce Europe. Globally, B2C eCommerce sales increased by 24% over 2012. This reflects the huge untapped potential of eCommerce by retail companies, both in their country of origin and across borders. According to Ecommerce Europe, country-wise, the US, UK and China together account for 57% of the world's total B2C eCommerce sales in 2013, with China having total sales of 328.4 billion USD. As against this, India had sales of only 10.7 billion USD, 3.3% of that of China in 2013 with fifth position in Asia- Pacific. This is despite the fact that India enjoys high demographic dividends just like China. India's internet penetration with total e-households at 46 million against China's 207 million is one of the reasons behind India's poor B2C sales growth. According to Forrester Research, an independent technology and market research firm, only 16% of India's total population was online in 2013 and of the online users only 14% or 28 million were online buyers. India, therefore, was still in a nascent or immature stage of evolution of online retail spending. China was in ascending stage at 50%, whereas Japan (69%), Australia (57%) and South Korea (70%) were in mature stage.

Since the eCommerce industry is fast rising, changes can be seen over the years. The sector in India has grown by 34% (CAGR) since 2009 to touch 16.4 billion USD in 20142. The sector is expected to be in the range of 22 billion USD in 2015. Currently, eTravel comprises 70% of the total eCommerce market. eTailing, which comprises of online retail and online marketplaces, has become the fastest-growing segment in the larger market having grown at a CAGR of around

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56% over 2009-2014. The size of the eTail market is pegged at 6 billion USD in 2015. Books, apparel and accessories and electronics are the largest selling products through eTailing, constituting around 80% of product distribution. The increasing use of smartphones, tablets and internet broadband and 3G has led to developing a strong consumer base likely to increase further. This, combined with a larger number of homegrown eTail companies with their innovative business models has led to a robust eTail market in India rearing to expand at high speed. An analysis of the demographic profile of internet users further testifies that eCommerce will rise rapidly in India in coming years. Around 75% of Indian internet users are in the age group of 15 to 34 years. This category shops more than the remaining population. Peer pressure, rising aspirations with career growth, fashion and trends encourage this segment to shop more than any other category and India, therefore, clearly enjoys a demographic dividend that favors the growth of eCommerce. In coming years, as internet presence increases in rural areas, rural India will yield more eCommerce business.

Key market factors to be evaluated before entering a new eCommerce business

To achieve their vision, eCommerce companies need to understand the intricate landscape of new markets in addition to their own internal capabilities and limitations.

The following factors must be considered:

• **Market size:** Before moving too aggressively into a new market, it is important to consider how sizable the overall opportunity is.

• **eCommerce readiness:** It is essential to fully understanding the payment and logistical infrastructure, consumer behaviour, retail opportunity and technological developments.

• **Scope of growth:** It is also important to look at the internet penetration, demographics of the online buying population and understand which phase of development

each market is in.

• **Barriers to entry:** Players should understand the regulatory environment and connect with solution providers, content distribution networks, and digital agencies.

• **Competition:** There is also a need to do an in-depth assessment of what competitors are doing, their online strategy and the nature of each offering.

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Some of the key concerns of the Companies Dealing in E-Commerce

• **Generation and sustenance of traffic:** Competition from established eCommerce players is making it difficult for private label brands to generate traffic on their white-label websites.

• **High customer acquisition cost:** The customer acquisition costs have been rising due to intense competition by the relatively better off companies with more funds.

• **Last-mile delivery:** Poor last-mile connectivity, especially in remote areas with larger population, is another problem faced by Indian eTailers.

• **High payment cost:** CoD services impose substantial financial cost. In India, unlike in developed markets, CoD continues to be a preferred route of payment.

• **Low profitability:** Profitability is negatively impacted by high customer acquisition costs, free shipping and high rejection rate of CoD orders.

• **Regulatory barriers:** Regulatory barriers in the Indian eCommerce market are higher as compared to more mature markets.

• **Skilled manpower:** Lack of talent availability and high attrition are causing manpower crunch, which is fast becoming a hurdle.

Things which can accelerate The Growth of E-Commerce Industry in 2015

- **Customer Experience:** As the customers progress from research to purchase to fulfilment stages, their expectations change fast. eCommerce companies need to understand these change drivers and adapt their proposition accordingly. Easy transitions between ordering on tablets, mobile phones or PCs will have to be facilitated. Besides, convenient multichannel returns and delivery options need to be developed along with the provisions of touch and feel the product before buying. They should also ensure sufficient after sales service and support. Online product reviews and ratings, videos, more advanced sizing and fitting tools should be provided.

- **Technological Advancements:** eCommerce companies constantly have to upgrade their offerings with changing technology. For instance, shopping through mobiles have truly arrived, they need to devise easy to use mobile apps for their websites. They need to ensure that their websites have the required speed to do fast business, especially during sale, deals and discounts. Solutions enabling seamless integration of back-end and front-

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end infrastructure, customer experience enhancement initiatives, integrated inventory management and analytics would be crucial for the eCommerce firms.

- **Convergence of Online and Offline Channels**: As the customers progress from research to purchase to fulfilment stages, their expectations change fast. eCommerce companies need to understand these change drivers and adapt their proposition accordingly. Easy transitions between ordering on tablets, mobile phones or PCs will have to be facilitated. Besides, convenient multichannel returns and delivery options need to be developed along with the provisions of touch and feel the product before buying. They should also ensure sufficient after sales service and support. Online product reviews and ratings, videos, more advanced sizing and fitting tools should be provided.

- **Delivery Experience**: With lack of integrated end to end logistics platform, the eCommerce industry is facing issues related to procurement operations and transportation. Online purchases from Tier-2 and Tier-3 cities are expected to significantly increase, thanks to the emergence of low cost smartphones, however, poor lastmile connectivity could act as a deterrent. Keeping control on logistics and on ground fleet management, especially courier companies, is essential for growth.

- **Payments and Transactions**: India continues to be a cash-based society due to limited banking and credit card penetration. This, combined with a lack of consumer trust in online merchants, has forced companies to offer CoD services, which imposes significant financial cost for firms in the form of labour, cash handling and higher returns of purchased items. Data protection and the integrity of the system that handles the data and transactions are serious concerns. Companies should take necessary action for management even if this imposes a cost on them.

Conclusion

New technologies such as virtual walls and virtual mirrors will further help improve the retail customer experience, thereby encouraging greater consumption. Virtual mirrors let shoppers 'try on' clothes and accessories virtually before making buying decisions. Virtual walls help customers scan barcodes for items on an electronic wall using their mobile phones and place orders with retailers. Tesco in South Korea was an early adopter of this technology. In India, HomeShop18 has launched India's first virtual-shopping wall. Scan N Shop at New Delhi's international airport uses a similar technological interface. A key outcome of the technology

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revolution in India has been connectivity, which has fuelled unprecedented access to information. Millions of people who had little means to join the national discourse can now gain new insights into the world around them. Farmers know crop prices. Consumers understand global standards of product and service quality. Rural Indians recognise the differences between the opportunities available to them and those available to their urban counterparts. And citizens have a mass forum for expressing their political opinions. The upshot of this connectivity revolution has been empowerment of Indians. The number of mobile subscribers in India jumped from 261 million in 2007-2008 to 910 million in 2013-2014. Along with telephony, internet penetration is soaring in rural and urban India. Moreover, the number of rural internet users is growing by 58% annually. Increases in the number of smartphones and 3G subscriptions are further driving this growth. Indeed, the number of smartphone users is expected to grow at a CAGR 91% from 2012 through 2016, jumping from 29 million to 382 million. Similarly, the number of 3G subscribers could expand at a CAGR of 84%—from 23 million to 266 million— during the same period. The eCommerce industry in India may currently be behind its counterparts in a number of developed countries and even some emerging markets. However, with India's GDP growth pegged at 6.4% by the International Monetary Fund and the World Bank, it is expected to grow rapidly. Moreover, the Indian eCommerce industry has access to funds from within the country and international investors. Overall, the eCommerce sector is maturing and a number of serious players are entering the market.

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