eCOMMERCE IN INDIA: EMERGING TRENDS

[1]Arun Kumar Singh, [2] Dr P Thirumoorthi

[1]Research Scholar(Part time), [2]Associate Professor

[1] Periyar Institute of Management Studies (PRIMS), Periyar University, Salem, TN, India

[2] Periyar Institute of Management Studies (PRIMS), Periyar University, Salem, TN, India

Abstract: The Information and Communication Technology (ICT), has become an important factor of economic growth and an enterprise's performance. Over a period of time the ICT impact has moved from mere digitization of manual processes using computers to an enterprise being completely digital. Social media, Mobility, Artificial Intelligence, Analytics or Big Data, Cloud infrastructure, IoT Augmented reality and Virtual reality (AR/VR) have created opportunities for existing enterprises to transform and also new digital enterprises to be born. The choice for the enterprise business leaders is to either completely or partially adopt the digital technologies available to excel and create competitive advantage. The opportunity is to have completely digital supply side which also makes in just-in-time (JIT), have a completely digital demand side or market place where the sales and marketing happens purely on digital platforms. With a mix of old and new age buyers, a mix of physical and digital channels on the sales side is often seen. The disruptive changes in the ICT have forced enterprises to continuously change their business processes. In nutshell, these changes have led to evolution of modern eCommerce.

E-commerce is the activity of buying or selling of products on online services or over the Internet. Simply put, E-commerce is doing business online and electronically. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems Wikipedia.

In this era of digital transformation, ecommerce industry is a shining star. ECommerce business in India, as per Statista, grew from USD 18.03 billion in 2017 to 22.14 billion in 2018. In 2019 the ecommerce revenue is estimated to reach 27.34B and be 51.24B by 2023. eCommerce has almost become omnipresent across industries from healthcare to real state, public transport to F&B, financial services to groceries. Of course retail is where the highest traction is seen.

This paper attempts to understand the eCommerce growth drivers and the macroeconomic environment through brief PEST analysis and then look at the emerging trends. The evolution in technology fueling the eCommerce is going to continue and hence the digital enterprises will have to continuously change to sustain their competitive advantage. This trends study should help an enterprise initiate future transformation discussion, technology companies to plan their product and service offerings and enterprise architects to plan future enterprise architectures.

Keywords: **Digital transformation, ICT, Computer Networks, E-commerce, Internet, Traditional commerce, Challenges, Opportunity, Trends, Online, Growth Factor, growth drivers, PEST, online, offline, Phygital, Retail, Artificial intelligence, Virtual reality, Channels, digital payment, hyper-local logistics, analytics-driven customer engagement, digital advertisements**

I. INTRODUCTION

eCommerce in India can be broadly categorized as: domestic and cross-border, B2B and B2C, marketplace and inventory based, and lastly, single brand and multi brand. A PricewaterhouseCoopers report, titled Future of India: The Winning Leap, the retail market in India is expected to register a 60-percent growth to reach a size of $1.1 trillion by 2020. Of this, the "organized" retail accounts for $60B and the big remaining chunk goes to "unorganized retail market". Online retail is still small compared to brick and mortal stores, but expected to be at par in the next 5 years.

There are three primary forces driving the growth in eCommerce in India, which are depicted in the chart below.

Ecommerce Growth Driver

i. Awareness

Ecommerce is a result of massive growth in data communication. As the internet and mobile data penetration increases, more and more people become aware of and are driven to ecommerce. The awareness happens both by direct marketing effort of the eCommerce firms and also via social media. All entities of commerce, be it sellers, buyers, users or investors, have either become aware of, or are fully or partially using online mode or eCommerce. This awareness is one of the accelerators for eCommerce.

ii. Investment

Investment is an important factor for production. Ecommerce is seeing a very high increase in FDI inflow (e.g. Flipkart-Walmart, Amazon, and Alibaba). The inflow is happening to both large eCommerce players as well as smaller ones/startups. The increased investment is coming through both FDI inflows and domestic investment. This inflow along with the support from key industrial players is significantly accelerating the growth of eCommerce.

iii. Initiatives

Government initiatives play an important role in boosting an industry segment, more so for a nascent one. For eCommerce, policies defined by the Government of India impact the ecosystem in multiple ways. Digital India policy is continuously introducing people to online commerce. Other initiatives such as Skill India, Startup India and Make in India are also contributing to the growth of the eCommerce industry. The Reserve Bank of India (RBI) now allows "inter-operability" among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards. The e-Commerce portal by the Government of India called TRIFED and a portal called 'Tribes India', enables about 55,000 tribal artisans get access to international markets. Favorable FDI policy attracts key players. Moreover, the FDI limit is raised to 100% for B2B players. In B2C too, 100% FDI is allowed in the online retail of multi-brand goods and services under the marketplace mode.

The awareness, investment and initiatives involved are accelerating the technology-enabled innovations such as digital payments, hyper-local logistics, analytics-driven customer engagement and digital advertisements, which in turn are accelerating the eCommerce industry in India. Government initiatives such as Digital India, Skill India, Startup India and Make in India are also contributing to the growth of the eCommerce industry.

These accelerators work under the larger macroeconomic environment. A PEST analysis for eCommerce produces a very favorable picture.

Political factors are all about how and to what degree a government intervenes in the economy. India had a stable government for last 5 years. There is anticipation about it continuing and thus carrying forward the economic reforms that it started. The reduction in cash supply due to discontinuation of Rs1000 notes, led to increased payments through digital media. This was a booster for eCommerce.

Indian Economy has been exemplary in last 5 years, surpassing China's growth rate. Indian rupee has become the best performing currency, from being the worst only a couple of months back. Control on loans and transparency in non-performing assets of financial institutions, like primarily banks, has reduced the biases in loan availability.

Social factors or socio-cultural factors, are the areas that involve the shared belief and attitude of the population, and are conducive for eCommerce in India. There is positive outlook towards the country and future. The messaging platforms like WhatsApp and other social media sites are making it very easy to share experiences and reviews on products and services. This is enabling rapid promotion of new and effective business models- e.g. Urban Clap, Dunzo etc.

Technology is driving eCommerce, both on the supply side as well as the demand side. Availability of mobile and internet to an ever increasing percentage of population creates awareness of products and services available via eCommerce. This leads to creation of want, which is quickly catered to, by easy availability of information to develop choices, easy access to social media comments that helps make the final choice and then ever so easy online ordering process that helps place the order. The supply side is aided by

technology too, with real time order to fulfilment tracking, possible zero warehousing (direct to customer) and online remittances across.

II. TEN EMERGING TRENDS IN ECOMMERCE

Future is created by the interactions of these economic factors. If we try to gaze into the future and see how these factors will shape the eCommerce, it gives an interesting picture. Here are emerging 10 trends that will define the Ecommerce of tomorrow.

i. BLURRING OF LINES BETWEEN ONLINE AND OFFLINE MODELS

Online commerce model has grown significantly. It continues to grow. The biggies like Flipkart and Amazon have diversified their offerings to include grocery, furniture etc. What next? How would further growth happen beyond offering and geographic reach extension? This is the big question that the eCommerce leaders are asking themselves. On the other hand the offline stores are also impacted by the online movement. They are asking what they can do to expand their business. Existence of only online or offline model is seen to be limiting the possibilities. Hence, most retailers are going Phygital which is Physical+Digital, a combination of digital and classic brick-and-mortar based retailing.

It's anticipated that customers will soon start seeing the physical or online store as mere channels. In this environment, absence of either will be akin to absence of a channel and hence will impact the business. Customers will become aware, do their research, place orders online and may even choose to pick the product from a store. Alternately, they may see and like the product in store and choose to buy it online. The customer and brands will finally move to a truly integrated Onmichannel. There will be significant cost structure impact due to this for the brands.

Many Indian firms are going the Phygital way. Myntra has started a physical store in Bangalore, Walmart has bought a majority stake in Flipkart, and Amazon has taken a majority stake in more stores.

ii. INCREASE IN EXPERIENTIAL MARKETING

Technology and social media have made it easier for companies to market to their consumer in some ways. However, these marketing tactics lack the connection and interaction that make a lasting impression on a consumer.

Experiential marketing is marketing strategy that engages the consumer and creates real-life experience that will be remembered. This type of marketing focuses on getting the consumer to experience the brand.

The Ecommerce has to cater to a large variety of customers. Experiencing the product or service may make these customers buy it. The fact that 55% of the online buyers still visit stores before they make an online purchase is a clear indication of value of "experiencing" in decision making. E.g. MI stores (Xiaomi) stores have come up in Indian metros. The mobile phone and other products used to be exclusively sold online. But often people prefer to go, see, touch and feel the mobile phone and other products in the store and then place online order.

Experiential marketing need not be store based. Beyond the classical experiential marketing methods the use of augmented reality and virtual reality technologies also help in generating an experience.

iii. ARTIFICIAL INTELLIGENCE AND VIRTUAL REALITY AUGMENT THE BUSINESS

Artificial intelligence (AI) is not new. Today, due to greater processing speeds and access to vast amounts of rich data, AI is taking root in business. From natural language generation and voice or image recognition to predictive analytics, machine learning and driverless cars, AI systems have applications in many areas. These technologies are critical to bringing about innovation, providing new business opportunities and reshaping the way companies operate.

AI may handle the analytics in the near future, replace help desks (through Robotic process automation or RPA), do market research, do trend predictions, do or help do business planning , automate all or some aspects of business (e.g. inventory management, warehousing, order placement, fault predictions etc.)

On the other hand, interest in virtual reality (VR) is exploding as manufacturers bring down the cost of VR headsets while visionaries explore the business relevance and potential revenue-generating power of this emerging technology. AR and VR overlap with many other technology categories, like biotechnology, VFX and gaming, for example. And, that cross-pollination category list is expected to grow in the coming years, expanding business opportunities across technology. It is revolutionizing the "try before you buy" concept.

Tech giants like Google and Microsoft are investing heavily in AI related endeavors. In fact, as per a recent media study, about 85% customer communications will be managed without humans by 2020. Online eyewear firm, LensKart invested about $1 million in US-based Ditto primarily for AR/VR capabilities.

iv. SOCIAL COMMERCE GAINS CENTER STAGE

Social commerce is a subset of electronic commerce that involves social media, online media that supports social interaction, and user contributions to assist online buying and selling of products and services. More succinctly, social commerce is the use of social network(s) in the context of e-commerce transactions (Wikipedia)

The telecom players especially Jio has increased the penetration and usage of internet. The users are spending an increasing amount of time being on social media platforms. Although shoppers between 25 and 34 years of age were most active on E-commerce portals, a surprising number of older people also shopped online in 2016. However, the age group of 15-34 years remain the major consumers of E-commerce. The popularity of web series among millennial is growing immensely. A staggering 93% millennial spend their leisure time on social networks.

eCommerce players are cognizant of this fact. This explains the sales and marketing posts on various platforms. The social media platforms significantly influence all aspects of decision making with respect to purchase. Now, things are going beyond that. Social commerce platforms like Meesho are helping people start their own online stores.

It's not hard to imagine that with social commerce and the ease of setting up an online business, numerous small business entities will flourish, each serving to unique needs or catering to a small/local/specialist market. "Namma Oota", a group on a social networking site enables people to share what they are cooking at home that day and what quantity will be available for sale. They can share pictures and take preorders as well. Other members of the group place orders on the same group

v.   INFLUENCER MARKETING GAINS IMPORTANCE

With data costs plummeting, the average Indian user is very comfortable spending time browsing through hundreds of options before making a purchase. This inexpensive data, coupled with a growing body of online reviews, will grow to be one of the key enablers for online purchase decision making.

Influencer marketing, also known as influence marketing, is a form of marketing in which focus is placed on influential people rather than the target market as a whole, on social media. It identifies the individuals who have influence over potential customers, and orients marketing activities around these influencers. Influencer content may be framed as testimonial advertising where they play the role of a potential buyer themselves, or they may be third parties.

Brands will allocate bigger budgets for influencer marketing as legitimate part of their marketing plan. People with genuine social media followers will be the focus of brands. Fake influencers i.e. with artificially pumped up followers (using robots) will be weeded out. high volume and higher margins. With the brand so built, it should be possible to take on well-established FMCG brands too.

vi.   PERFORMANCE BASED MARKETING GAINS FOCUS

Performance-based advertising, also known as pay for performance advertising, is a form of advertising in which the purchaser pays only when there are measurable results. Performance-based advertising is becoming more common with the spread of electronic media, notably the Internet, where it is possible to measure user actions resulting from advertisement.

The performance of online marketing may be measured through

a)   Cost per engagement or per thousand (CPE) - How many thousand people have seen the advertisement?
b)   Cost per click (CPC) - How many people clicked the advertisement?
c)   Cost per lead (CPL) - How many leads got generated by the ad?
d)   Cost per Action (CPA) - How many actions got generated due to the ad, like credit card transactions?

Marketers & investors alike are more focused on ROI than ever before. Tracking marketing spends across all channels and platforms and determining its share to revenue will become a mainstay. In fact, 2019, will see more organizations tweak their business models according to the data and information offered by advanced attribution technology to optimize ROI

vii.   RURAL INDIA ATTRACTS LIMELIGHT OF THE RETAILERS

The Indian economy is dominated by its rural population because a major chunk of the population resides in rural areas. Conversely, those living in urban settings are better educated, tech-savvy, and have a higher propensity to spend. In these circumstances, e-commerce or any industry for that matter, needs to strike a balance between both segments of the population.

It is estimated that the rural e–tail market presents US$10B- US$12B opportunity for e–commerce firms in the next four years. According to a new EY report, rural e-commerce: The untapped potential, this can be attributed to the rising household incomes leading to an increase in consumption expenditure, diversified income sources from non-agricultural activities, positive agricultural outlook, increase in internet penetration, high propensity to spend and rising number of nuclear families in rural India.

The report also highlights that to gain traction in the rural markets, companies would be required to rethink their business models and focus on demand generation, supply and services innovation. Companies should:

a)   Offer an easy line of credit by partnering with financial organizations that help with micro-lending as this will enable spending both for businesses and rural customers.
b)   Leverage on existing social structure and infrastructure to create awareness and trust among the customers.

c) Ensure product curation and rationalization across geographies while identifying the right category–product mix with the share of unbranded, branded goods and comparable private labels, which would help improve the unit economics of serving to the rural customers.

Cutting across categories, companies are looking at opening physical stores in rural India to increase their market share. Fashion e-commerce brand, Limeroad, mobile and Accessories Company, Xiaomi and fashion retailer, Raymond are looking at such markets.

The indications of the role of rural India in eCommerce growth is evident from the fact that nearly 60 per cent of Snapdeal's purchases came from cities classified as tier II and III.

viii.   NICHE VERTICALS SERVE CUSTOMIZED SHOPPING EXPERIENCES

In the age of the hyper connected consumer, delivering a personalized experience is key. By 2020, customer experience will overtake price and product as the key brand differentiator, according to Frost & Sullivan. Hence, the biggest challenge marketing technology companies and digital marketers now face is how to connect the dots with the way that their brand constantly communicates, engages and delights customers across multiple channels, formats and device types.

Success lies in creating personalized experiences and delivering them in an authentic manner — spanning marketing, sales and customer service — aimed at resonating deeply with customers so that they feel valued and appreciated.

Despite e-commerce majors, like Flipkart and Amazon, enjoying 75% market share, there are several online players who predominantly operate as vertical players. These vertical players are tapping on the unique consumer needs wherein people are scouting for more customized shopping experiences. Players such as Purplle, Panchi, Nykaa and Wholesalebox are some examples of such brands.

ix.   ECOMMERCE EMBRACES LOCAL LANGUAGES COMPLETELY

India's literacy rate is at 74.04% and the English literacy rate is about 10% (125 million). While English literacy is picking up, it is a generational change and will take another 10-15 years to have a broad-based impact. This means that a large part of India still thinks and searches in their native tongue.

According to a 2017 report by KPMG and Google, "Indian Languages — Defining India's Internet", there were 234 million Indian-language internet users and 175 million English users in 2016. By 2021, the gap between the two groups is expected to widen. Users of Indian languages are expected to more than double to 536 million, while English users will increase to only 199 million. Nine out of 10 new internet users between 2016 and 2021 will use local languages, said the report.

Couple this with new vernacular social networks such as ShareChat that are fulfilling the need for regional language connections with their friends and family members, and we have the perfect recipe for growth. More and more e-commerce portals will start having content in major regional languages in an attempt to reach out to the affluent but non-English speaking population. In August 2018, Flipkart acquired an artificial intelligence company Liv.ai, which converts speech to text in 10 Indian languages.

x.   NEW WAYS TO SEARCH FLOURISH

Even till a couple of years ago, a large majority of product searches began on search engines, mainly Google. However, search and discovery has moved to social networks (e.g., Facebook, Instagram) and large horizontal ecommerce portals (e.g., Amazon, Flipkart).

Online Shoppers are finding products based on interests or network of friends (word of mouth) or by active online search where they experiment with different words and their combination to match the category or product name. This is not the most pleasant or effective way to search. This is one area that is going to drastically change in the coming years. Voice activated search and image search are already getting implemented and improving in quality and efficiency.

a) Voice-activated searches

Google recently made changes to its search results algorithm to ensure that more specific questions are answered with the right results. This is not a minor update. This is a change which reflects how the next generation of online users are interacting with the World Wide Web. Kids do not type anymore – they simply ask Siri or Cortana or Google or Alexa – and get the desired results. This essentially means that consumers don't search anymore by typing, they would rather ask detailed question to these voice interaction agents. E.g. "Okay google, which is the best android phone in India under rupees 15000?" So the product discovery journey is going to be different and the corresponding content marketing strategies by e-commerce companies will change accordingly.

b)   Image or visual search

Visual search is an important new business tool that is changing the way people interact with E-commerce and social media platforms. Instead of entering a text query, visual search engines enable users to identify and locate items via photos snapped with their smartphone cameras. There are clear use cases for machine learning-powered image recognition in ecommerce – namely visual search, product tagging and content curation.

Alibaba's Pailitao shows the value of visual search in E-commerce. It helps customers to find the apparel they want in a massive product catalog, and enables AliExpress to better serve its global users.

III. CONCLUSION

The world of eCommerce is undergoing drastic changes, both from a business process as well as technological transformation perspective. The concept of phygital marketplace is flourishing as an inevitable requirement and establishing itself as a game changer. All marketers, big and small, need to stay updated and plan for scalable growth. The hustle continues, as we live through this era of digital revolution.

IV. REFERENCES

[1] Wikipedia, multiple references and definitions
[2] Economic Times, multiple articles
[3] Business Standard, Multiple articles
[4] KPMG, #IndiaTrends2018: Trends shaping Digital India, 17 May 2018
[5] Onlinesales.ai, Industry Report: Google Shopping Trends in India
[6] EY, rural e-commerce: The untapped potential, 2 Nov 2018
[7] Forbes, E-Commerce Trends and Insights for Planning Your 2019 Digital Marketing Strategy, Dec 20, 2018