



# Emerging Trends of E- Commerce in India

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## Abstract:

The rapid developments in internet technologies have unveiled greater economic growth through a newly emerging E-Commerce sector in the modern world. E-commerce stands for electronic commerce and performing business online and electronically. The E-commerce has entirely transformed the conventional perception of business. E-commerce deals with buying and selling of goods and services with the help of internet and computer networks. This paper gives an overview of the future emerging trends of E-Commerce in India and discusses the future growth segments in India's E-Commerce. Also find out various factors that would essential for future growth of Indian E-commerce industry. It represents the various opportunities for retailers, wholesalers, producers and for people.

**Keywords:** E-Business, E-Commerce, On Line Shopping, M-Commerce, Trends, Opportunity, Growth.

## Introduction:

Electronic commerce, commonly written as E-Commerce, is the trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce (M-Commerce), electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data inter change (EDI), inventory management systems, and automated data collection systems. The standard definition of E-commerce is a commercial transaction which is happened over the internet. Online stores like Amazon, Flipkart, Shopify, Myntra, ebay, Quikr, OLX are examples of E-commerce websites. Electronic business or E-Business is the application of information and communication technologies (ICT) in support of all the activities of business. Commerce constitutes the exchange of products and services between businesses, groups and individuals and can be seen as one of the essential activities of any business. Electronic commerce focuses on the use of ICT to enable the external activities and relationships of the business with individuals, groups and other businesses. E-Business is a

more general term than E-Commerce, because every business transaction finally is involved in selling or buying of products or services. And the term E-Commerce obviously is more widespread than the term E-Business.

Over the last decade, the Internet has changed the way people buy and sell goods and services. Online retail or E-Commerce is transforming the shopping experience of customers. The sector has seen unprecedented growth especially in the last two years. The adoption of technology is enabling the E-Commerce sector to be more reachable and efficient. Devices like smart phones, tablets and technologies like 3G, 4G, 5G, Wi-Fi and highspeed broadband is helping to increase the number of online customers. Banks and other players in E-commerce ecosystem are providing a secured online platform to pay effortlessly via payments gateways. The homegrown players have shown tremendous growth and attracted some big investors. The entry of global biggies like Amazon and Alibaba has taken the competition to a new level. E-tailers are differentiating themselves by providing innovative service offerings like one-day delivery, 30-day replacement warranty, cash on delivery, cash back offers, mobile wallets, etc. The supply chain has improved significantly and e-tailers are even leveraging on the services of Indian Post for greater reach across the country.

The business transactions can be done in four ways: Business to Business(B2B), Business to Customer (B2C), Customer to Customer (C2C) and Customer to Business(C2B). E-Commerce industry has witnessed remarkable growth in the recent years. Much of the growth for this industry has been triggered by increasing internet access and smartphone penetration. According to information by India Brand Equity Foundation(IBEAF) the Indian E-Commerce market is expected to grow to Rs 14,596.2 crores by 2026 from Rs 2,810 Crores in 2017. As of August 2020, the number of internet connections in India significantly increased to nearly 76 crores, driven by the 'Digital India' programme. While Covid pandemic had badly impacted the Indian economy, the E-Commerce sector witnessed a steady growth particularly since April 2020. Indian E-Commerce sector is placed at 9th position globally in cross border growth. The E-Commerce sector also saw huge investments from global players such as Facebook and Google in recent years.

Covid-19 impact to the online sector is more in terms of volumes along with the concerns and anxiety regarding spread of virus. The emergence and prevalence of Covid-19 has significantly transformed consumer buying behaviour from the luxury to the basic needs, from leisure to survival stuff. This certain shift in online buying behaviour is for the Essential products which are needed most during lockdowns, restrictions and period of uncertainty. The pandemic has created a change in the way shoppers deal with the customers and raise out their activities, without delay affecting the ecommerce industry. The scenario that solely essentials and specifically medical elements are being made reachable and also people are no longer inclined to spend cash past their necessities, gives both challenges as properly as opportunities. Covid-19 is changing the E-Commerce landscape. This paper attempts to highlight the emerging trends of E-Commerce and discuss future prospects and challenges faced by the E-commerce industry in India.

## Objectives And Methodology:

This study is based on secondary data which collected from various published sources. The main objective of the study is to analyse the emerging trends of E-Commerce in India. And other objectives are-

1. To provide a detailed understanding of E-commerce in India.
2. To study the present and future trends of E-commerce in India.
3. To analyse the various prospects and challenges faced by E-Commerce industry in India.

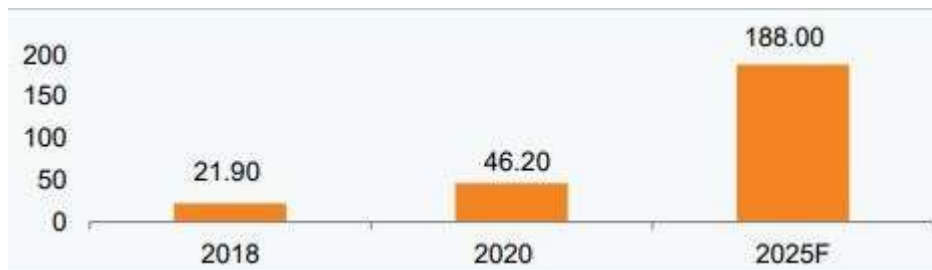
## Growth of E-Commerce in India:

E-commerce has transformed the way business is done in India. The Indian E-commerce market is expected to grow to US\$ 111.40 billion by 2025 from US\$ 46.2 billion as of 2020. By 2030, it is expected to reach US\$ 350 billion. Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. As of July 2021, the number of internet connections in India significantly increased to 784.59 million, driven by the 'Digital India' programme. Out of the total internet connections, ~61% connections were in urban areas, of which 97% connections were wireless. India's e-commerce orders volume increased by 36% in the last quarter of 2020, with the personal care, beauty and wellness (PCB&W) segment being the largest beneficiary. India's consumer digital economy is expected to become a US\$ 800 billion market by 2030, growing from US\$ 537.5 billion in 2020 shown by figure-1, driven by strong adoption of online services such as e-commerce and EdTech in the country. According to Grant Thornton, e-commerce in India is expected to be worth US\$ 188 billion by 2025 (figure-2), With a turnover of \$50 billion in 2020, India became the eighth-largest market for e-commerce, trailing France and a position ahead of Canada. According to report, despite covid-19 challenges/disruptions, India's e-commerce market continues to grow at 5%, with expected sales of US\$ 56.6 billion in 2021. Propelled by rising smartphone penetration, launch of 4G network and increasing consumer wealth, the Indian E-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017. Online retail sales in India is expected to grow 31% to touch US\$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm Mall. After China and the US, India had the third-largest online shopper base of 140 million in 2020.

Figure-1, India's Internet Economy (US\$ billion)



Figure-2, Indian E-commerce Market (US\$ billion) (US\$ billion)

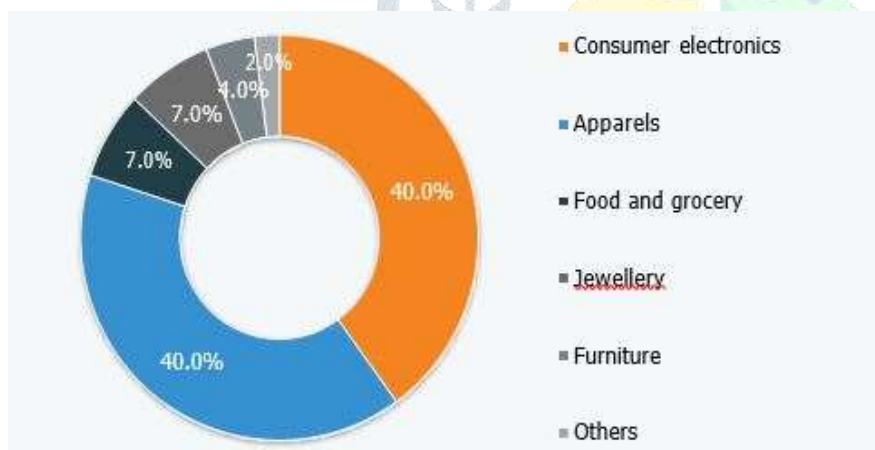


**Source:** Media sources, Global Internet: e-commerce's steepening curve' published by Goldman Sachs, Forrester Research, News Articles

### Online Retail Market in India:

According to the reports the online retail market in India is estimated to be 25% of the total organized retail market and is expected to reach 37% by 2030. E-retail market is expected to continue its strong growth. And over the next five years, the Indian e-retail industry is projected to exceed ~300-350 million shoppers, propelling the online Gross Merchandise Value(GMV) to US\$ 100-120 billion by 2025. Driven by lower data rates and investments to enhance customer experience, the Indian e-retail witnessed a rapid increase in shopper penetration, as online platforms are innovating to onboard the next billion of shoppers. Over the next decade (2021-30), India's E-Commerce business will rise 7x to US\$ 300 billion. According to the market analysts, the next phase of expansion will be led by e-grocery and smaller communities.

Figure-3, Shares of Various Segments in e-commerce Retail by Value



**Source:** Report by eMarketer, Kalahari Capital - Imagining Trillion Dollar India, AT Kearney

### Emerging Trends:

- According to a Cyber Media Research (CMR) report, the average usage of smartphones in India is estimated to have increased by 25% to almost seven hours a day, as people depend on gadgets for work/study from home and entertainment amidst the pandemic.
- The country has taken rapid strides in advancing government e-payments, as a result it has moved up to 28th rank in 2018 from 36th in 2011 in Government E-payments Adoption Ranking (GEAR).

- The value of mobile payment app Bharat Interface for Money (BHIM) transactions increased significantly post 2018.
- Capitalising on the strengths of large existing customer base and efficient payment gateways, banks are not only complementing the e-commerce players, such as Amazon and Flipkart, and non-bank payment aggregators, but also improving the backend supply chain of e-commerce in India.
- Delivery and fulfilment companies strengthen supply chain
- Companies across sectors today are strategizing and revolutionising their business around a hyperlocal delivery model.
- Online car trade market has also witnessed a surge.

### Government Initiatives:

Since 2014, the Government of India has announced various initiatives, namely Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support growth of E-commerce in the country. Some of the major initiatives taken by the Government to promote E-commerce in India are as follows:

- As of November 2, 2021, the Government e-Marketplace portal served 7.96 million orders worth Rs. 152,315 crore (US\$ 20.40 billion) to 55,433 buyers from 3.06 million registered sellers and service providers.
- As of October 11, 2021, the Government e-Marketplace portal served 7.78 million orders worth Rs. 145,583 crore (US\$ 19.29 billion) to 54,962 buyers from 2.92 million registered sellers and service providers.
- In a bid to systematise the on-boarding process of retailers on e-commerce platforms, the Department for Promotion of Industry and Internal Trade (DPIIT) is reportedly planning to utilise the Open Network for Digital Commerce (ONDC) to set protocols for cataloguing, vendor discovery and price discovery. The department aims to provide equal opportunities to all marketplace players to make optimum use of the e-commerce ecosystem in the larger interest of the country and its citizen.
- National Retail Policy: The government had identified five areas in its proposed national retail policy—ease of doing business, rationalisation of the licence process, digitisation of retail, focus on reforms and an open network for digital commerce—stating that offline retail and e-commerce need to be administered in an integral manner.
- The Consumer Protection (e-commerce) Rules 2020 notified by the Consumer Affairs Ministry in July directed e-commerce companies to display the country of origin alongside the product listings. In addition, the companies will also have to reveal parameters that go behind determining product listings on their platforms.
- Government e-Marketplace signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services in October 2019.

- Under the Digital India movement, Government launched various initiatives like Umang, Start-up India Portal, Bharat Interface for Money (BHIM) etc. to boost digitisation.
- In October 2020, Minister of Commerce and Industry, Mr. Piyush Goyal invited start-ups to register at public procurement portal and offer goods and services to government organisations and PSUs.
- In October 2020, amending the equalisation levy rules of 2016, the government mandated foreign companies operating e-commerce platforms in India to have permanent account numbers (PAN). It imposed a 2% tax in the FY21 budget on the sale of goods or delivery of services through a non-resident ecommerce operator.
- In order to increase the participation of foreign players in E-commerce, Indian Government hiked the limit of FDI in E-commerce marketplace model to up to 100% (in B2B models).
- Heavy investment made by the Government in rolling out fibre network for 5G will help boost E-commerce in India.

### **Draft legislation for E-Commerce:**

Increasing E-commerce activities necessitated a national policy to ensure that the interests of the consumers are protected and a level playing field is created in this segment so as to dissuade a monopolistic control of any single player. Accordingly, the draft National E-Commerce policy was placed in public domain on 23 February 2019 seeks to create a facilitative regulatory environment for growth of E-Commerce sector. It has been formulated with a vision to provide a level-playing field to all stakeholders, including the individual consumers, MSMEs and start-ups and promote exports, which will help small manufacturers. The Draft Policy, the first exclusive E-Commerce policy for India is all-encompassing, covering the various dimensions of E-Commerce, including data, consumer protection, intellectual property and competition. The draft, inter alia introduced norms for consumer protection, recognised the importance of data, its protection and storage. It has granted infrastructure status to data centres and server farms, integrated different systems to track imports and introduced anti-counterfeiting and anti-piracy measures. It is also in sync with the recently updated industrial policies. 100% FDI is allowed under automatic route in Business-to-business (B2B) E-Commerce and in marketplace model of E-Commerce besides allowing the same for Food Retail Companies with certain conditions.

**Key Advantages of E-Commerce:** There are some major benefits of E-Commerce are-

Convenience, Competitive pricing, Price comparisons, Range of products/services, scheduled delivery time, Easy return policy, Multiple payment options, avoid crowded stores, no need to travel, Overcoming language barrier.

### **Strategies for the E-Commerce Boom in India:**

E-commerce in India has experienced rapid growth driven by the millennials' (Generation) purchasing power, influence of the internet leading to development of varied mobile applications and websites, and the much-needed infrastructure. Mobile penetration accounts for a vast market in India, making it more

convenient for consumers to shop for a wide variety of retail products. Other factors enabling growth of the industry include:

- **Ease of Access:** Growing internet usage at affordable rates and rise of smartphones lead to easier access. This connectivity enables other services like booking train/hotel/cab/movie tickets; mobile and electric bill payments, etc.
- **Connecting the Financial System:** People now use e-banking and other schemes. Soon, digitization of the financial system will become the norm.
- **Global Reach of Homegrown Companies:** Indian start-ups in e-commerce industry are utilizing global channels, thereby increasing their customer base and broadening the scope of growth.
- **Attracting Repeaters:** A strong focus on customer service is the prime reason that attracts and retains buyers. Cash on delivery (COD), reasonable pricing, deals & discounts, faster delivery turnarounds with zero prices, and reverse logistics are some of the drivers transforming the industry into a booming sector.
- **Leveraging Technology for Innovation:** Information sharing between all stakeholders in the supply chain is very crucial. The integration between various supply chain aspects will help the e-commerce company have an edge over the competition. Some of the initiatives may include the use of bar-coding in logistics systems; EDI for communicating between partners; visibility into the operations; tracking and tracing of the goods at any given point.
- **Analytics:** Capturing real-time data and understanding purchasing dynamics form the crux of this industry. The buying preferences, tastes, and demographics of a customer can be addressed by gathering customer data. The volume and complexity of data require analytics to derive customer insights, optimize channels, and calculate ROI.

### E-commerce Challenges:

While this sector shows immense promise, certain challenges need to be addressed. Some of the pressures that constrain growth include:

**Logistics:** Logistics, a key element in providing customer service, is one of the major challenges confronting the e-commerce players. Local logistics firms in India are generally not up to meeting the requirements of e-tailers; hence e-commerce firms have to make huge investments to build their own logistics.

**Infrastructure:** E-commerce players also need to address the infrastructure needed to overcome payment problems, build offline presence, implement more push-marketing, manage price-sensitive customers, and compete on a global turf. The payment gateway infrastructure is still at the nascent stage. The merchants have yet to make amendments on the mobile front. As an example, one of the leading e-commerce players in India could not handle the requests of its customers on Big Billion Days' sale program due to unorganized delivery framework.

**Competitive Analysis:** E-commerce companies have to focus on issues pertaining to rapid additions of customer segments and product portfolios. Information should be collected related to market intelligence on

growth, size and share, and managing multiple customer engagement platforms in order to expand into new geographies, brands & products; while simultaneously controlling a very competitive pricing environment.

**Digitization of Available Networks:** At present, social media plays a significant role in the life of an internet surfer/customer. Thus, companies have to provide a rich experience by managing erratic demands and inconsistent brand experience across platforms, in addition to handling time-to-market efforts for new launches, applications, and websites.

**Mode of Transactions:** Concerns about security, privacy, and tracking fraudulent purchases are some external forces that impact a business. Other factors like cross-border tax, back-end service tax, and regulatory issues can have serious implications for e-commerce companies. Other issues e-commerce businesses must deal with include inability of the organizational structure to keep pace with the rapid changes, cybersecurity for preventing fraudulent transactions and insider threats, tax restructuring, and legal compliance.

### Road Ahead:

The E-commerce industry has been directly impacting micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. Indian E-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest E-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in E-commerce sector will also boost employment, increase revenues from export, increase tax collection by exchequers, and provide better products and services to customers in the long-term. Rise in smartphone usage is expected to rise 84% to reach 859 million by 2022. E-retail market is expected to continue its strong growth - it registered a CAGR of over 35% to reach Rs.1.8 trillion (US\$ 25.75 billion) in 2020. Over the next five years, the Indian e-retail industry is projected to exceed ~300-350 million shoppers, propelling the online Gross Merchandise Value (GMV) to US\$ 100-120 billion by 2025. According to Bain & Company report, India's social commerce gross merchandise value (GMV) stood at ~US\$ 2 billion in 2020. By 2025, it is expected to reach US\$ 20 billion, with a potentially monumental jump to US\$ 70 billion by 2030, owing to high mobile usage.

### CONCLUSION:

The ecommerce industry is seeing tremendous growth in the country. While several sectors contribute to this growth like: Travel and Tourism, electronic appliances, hardware products and apparel. There are also some essential factors which will significantly contribute to the boom of the E-Commerce industry in India i.e., replacement guarantee, M-Commerce services, location-based services, multiple payment option, right content, shipment option, legal requirement of generating invoices for online transactions, quick Service, T & C should be clear & realistic, the product quality should be same as shown on the portal, dedicated 24/7 customer care centre should be there. The unpredicted growth in E-



Commerce is due to increase in smart phones and internet users, 3G/4G and 5G internet services, awareness in public. Government initiative of digitalization, advanced shipping and payment options, entry of foreign e-business players etc. Government should take steps to provide appropriate legal framework so that hurdles in the growth of E-Commerce are reduced to minimum. The current Covid-19 pandemic situation has also led to an impetus for the industry. The industry has also seen remarkable investments by Facebook, Google, and Reliance Retail.

In short, E-Commerce is not just about conducting business transactions via the Internet. Its impact will be far-reaching, and more prominent than we know currently. This is because the revolution in information technology is happening simultaneously with other developments, especially the globalization of the business. The new age of global E-Commerce is creating entirely new economy and that will tremendously change our lives, will reshape the competition in various industries, and alter the economy globally.

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