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E-COMMERCE AND E-TAILING IN INDIA

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ABSTRACT

Young India has taken to E-Commerce in a big way. E-Commerce has unleashed yet another revolution, in the way businesses/individuals buy and sell products and services. E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium. B to B segment of E-Commerce is the largest with an estimated sales of Rs. 50,000 crores and growing at 30%. The B to C segment of E-Commerce also called E-tailing is estimated to be of Rs 15,000 crores and growing at about 60%. In this segment, online travel accounts for the lion's share of about 75%. There is intense competition in E-Tailing, and the consumers are lapping up the benefits. We are already seeing some mergers and acquisitions in this sector, and many more may follow. Rapidly increasing internet user base, good courier (delivery) system, and a reliable online payment system are the main facilitators of E-commerce. Mobile E-Commerce (E-Commerce using mobiles) too is expected to have a bright future. India has 100 million Internet users which is equal to the numbers of many of the developed countries. The future of E-Commerce is very bright in India, as it gives consumers from tier II and tier III cities same choices as consumers living in tier I cities enjoy.

Keywords: E-Commerce, E-tailing, Trading, Facilitator, Business, Product, Services, Credit Cards, Cash on delivery

E-Commerce and E-Tailing in India

E- Commerce or Electronic commerce encompasses all business conducted by means of computer networks. Advances in telecommunications and computer technologies in recent years have made computer networks an integral part of the economic infrastructure. The introduction of SSL (secured socket layer) protected people from payment frauds. Delivery system by courier and post has improved over a period and gained confidence of consumers. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves on cost of travelling to shops and also provides 24X7 shopping experience. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts believe that overall e-commerce will increase exponentially

in coming years. Business to business transactions still represent the largest revenue but online retailing is enjoying a dramatic growth and is expected to equal B-B business within another five years. It is estimated that in India, out of 100 million people who surf the net, 10 million are online shoppers.

E-commerce accounts for just about 0.10% of all retail sales in India compared with over 4% in America. Thus, there is certainly lot of room for growth. It is also estimated that the retail e-commerce market is about 57% from small towns and the balance from the largest metros. The most popular use of E-Commerce is on travel websites, which is done by about 70% of all E-Commerce consumers in India.

Types of E-commerce

Although there are 3 common types of E-commerce as given below, we will be focussing only Business to Consumer E-commerce, in this article.

1. Business to Business E-commerce: is growing at a rate of 30% and is soon expected to touch $100 billion mark.
2. Business to Consumer E-commerce: is far behind B to B, but is growing at a rate of 60% and expected to catch up with B to B Commerce by 2015.
3. Consumer to Consumer E-commerce: is still in a nascent stage, probably because of lack of trust among both buyers and sellers.

Advantages of E-commerce

- It can help increase profits; it can increase sales and decrease costs.
- It can help organizations do business 7 days a week and 24 hours a day.
- It can help organizations have customers all around the globe and not be limited to a specific region.
- It helps organizations bring higher return on advertisements, if managed properly.
- It helps organizations identify new suppliers, partners and customers.
- It increases flexibility and ease of shopping for the customer.
- It can provide personalized product and customer customization.

Major Players in B to C, E-Commerce

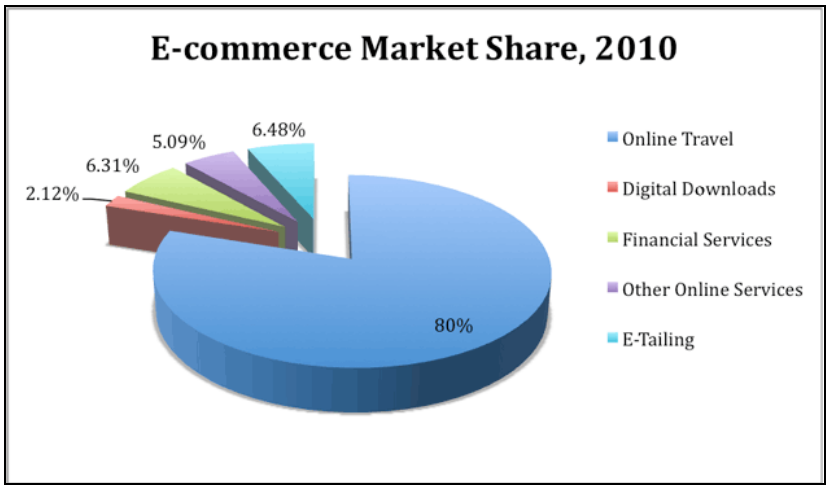
It is estimated that there are over 350 sites doing E-Commerce in the B to C segment. Out of these, the top ten are given below.

1. IRCTC
2. Makemytrip.com
3. Yatra.com
4. Flipkart.com
5. Homeshop18

6. Snapdeal.com
7. Fashionandyou.com
8. Myntra.com
9. Jabong.com
10. Ebay.com

The share of E-commerce

The % share of E-commerce of the year 2010 of different sectors is given below.



Online Travel has been the biggest and most popular B to C segment of E-Commerce sector in India. The most popular travel related sites are the Government owned IRCTC, Makemytrip, Yatra, Cleartrip, and Travelguru. The travel portal MakeMyTrip.com has attained Rs 1000 crores of annual turnover. The revenues of IRCTC are estimated to be around Rs 9,000 crores from ticket sales. Further an annual growth of 65% has been anticipated annually in the travel portals.

Online retailing or E-tailing is becoming a pan india phenomenon, with consumers from rural and semiurban areas taking more active part. The popular sites in this segment are Flipkart, Snapdeal, Jabong, Ebay, Homeshop 18, Indiatimes etc.

Stock trading had been another large segment. The popular sites are ICICIDIRECT, Indiainfoline, Religare, HDFC Securities, etc

The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. There are several players in these segments. There are players operating in other niche areas like sports ware, flowers etc.

The digital download segment is yet to really take off.

Facilitators of E-Commerce In India

A. Research studies have indicated several factors responsible for the sudden spurt in growth of Ecommerce in India such as:

- Rapidly increasing Internet user base
- Technology advancements such as VOIP (Voice over-IP) have bridged the gap between buyers and sellers online
- The emergence of blogs as an avenue for information dissemination and two-way communication for online retailers and e-commerce vendors
- Improved fraud prevention technologies that offer a safe and secure business environment and help prevent credit card frauds, identity thefts and phishing
- Bigger web presence of SME's and Corporate because of lower marketing and infrastructure costs.
- The young population finds online transactions much easier and convenient.

B. Banks:

1) Net banking/phone banking: This is an online banking facility available for savings account holders as well as current account holders. Some of the special Net banking services are: Demat accounts for sale/purchase of stocks and shares, Foreign Exchange services, Direct/Instant payment of bills on the account-holder's behalf, Financial Planning.
2) Credit/Debit Cards : Banks facilitate E-commerce by providing the most vital trade instrument, namely the Credit or Debit Card.

According to recent statistics, the number of Credit card holders in India is around 18 million, as on June 2012. The number of ATM card/Debit card holders are about 300. Credit card spending by Indians rose 28% to Rs. 96,000 crore in 2011-12 from Rs. 75,000 crore in the previous fiscal year, the highest growth in four years. Matching the trend, spending through debit cards (or ATM cards) also grew by 38% to Rs. 53,000 crore in the last fiscal, according to the Reserve Bank of India (RBI) data. Banks are targeting working population aggressively for credit cards. HDFC Bank credit card holders lead the pack with 8.6 million transactions and a rupee spend of 2,754 crores, according to Outlook Business. ICICI Bank card holders stand second with 4.9 million transactions and a spend of Rs 1,133 crores. Public sector behemoth SBI card holders stands third with 4.2 million transactions and a spend of 894 crores, according to the magazine.

C. Cash on Delivery: E-commerce industry has adopted a novel method of 'Cash on Delivery' to attract customers and improve sales. This practice suits Indian psyche of seeing the product physically and then paying for it. It obviates customers to reveal the details of their accounts, and avoid the frauds that can happen. Thus, this practice is catching up and many of the Ecommerce sites are offering the same, of course, at an additional cost.

Profitability of E-Commerce

The cost of acquisition of customers is high in India. According to industry grapevine, Jabong is estimated to be spending close to Rs 2,000 per customer in acquisition costs. The average customer acquisition cost online is Rs 1,500, according to a study by Zinnov, a management consulting company catering to Fortune 1000 companies.

In India, IRCTC is making a profit of about Rs. 280 crores, and other travel portals too are said to be in profit. But the E-Tailing segment may need some more time to turn in profits. Even Flipkart, arguably the most successful online retailer, has yet to turn a profit. Amazon is the poster boy of e-commerce around the world. It took Amazon seven years to post profit ($5m in the last quarter of 2002 on sales of $1.12 billion). Amazon's revenues were over $48billion in 2011 with an operating profit of $862m, which translates into a profit margin of less than 2% on sales.

Acquisitions and Consolidation

There had been a few acquisitions as part of expansion. Makemytrip.com, in Nov 2012, has acquired a Nasdaq listed Hotel Travel Group (www.hoteltravel.com) which offers hotel reservation across the world for $ 25 million. Myntra.com has acquired SherSingh.com, a private label brand specializing in sports inspired lifestyle apparels, with offices in New York and New Delhi.

There are already signs of consolidation in the E-Tailing segment. In February, 2012 Flipkart bought Letsbuy, a rival firm, for $20m. In April, 2012 Snapdeal acquired Esportsbuy.com, an online retailer of sports and fitness equipment, reportedly for between $10m and $15m. More mergers and acquisitions are expected to follow, according to trade analysts.

Future of E- commerce in India

Indians are young - almost half of them are under 25. Its income per capita has risen by 12% between 2008 and 2011, to $1,500 and is expected to reach $2,300 by 2016. With more money to spend, Indians are lapping up discounts offered by E-commerce companies. At the click of the mouse, one can compare the price/discount offered by different E-commerce companies and make a better decision. As the competition is getting hotter, E-commerce companies are vying with each other to offer better terms, and the consumers are enjoying the benefits. Some niche areas are being looked into by the companies to avoid competition, but such attempts have resulted in stunted growth.

For developing countries like India, e-commerce offers considerable opportunity. E-commerce in India is still in nascent stage, but even the most-pessimistic projections indicate a boom. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia's second most populous nation. Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce.

Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers. With stock exchanges coming online the time for true e-commerce in India has finally arrived.

The speed post and courier system has also improved tremendously in recent years. Modern computer technology like secured socket layer (SSL) helps to protect against payment fraud, and to share information with suppliers and business partners. With further improvement in payment and delivery system it is expected that India will soon become a major player in the e-commerce market.

Many Indian companies are shifting towards e-commerce instead of depending on advertising.

Mahindra Retail is planning to cover 100 cities through franchise stores. "E-Commerce would help improve assortment and reach our customers easily which is not always possible via the physical stores", said Mr Venkatraman, the Managing Director, Mahindra Retail. He is planning to promote foreign brands besides goods of selected Indian brands and its own private brands through this method. "There is an assortment of brands, some are exclusive to us, and this is what differentiates us from other departmental stores" said he.

CONCLUSION

India has 100 million internet users and 600 million mobile users. Thus the foundation for flourishing E-commerce is laid. The industry has seen an investment of $1 billion in the last few years. B to B , E-Commerce is growing fast without any fanfare that is seen with B to C segment. The Online Travel Industry is booming. Among other segments, e-Tailing (online retail), is growing very fast and online classifieds and Digital Downloads are still in a nascent stage. With the advent of 3G, the internet on mobiles is becoming fast, and will facilitate E-Commerce using mobiles(dubbed Mobile Commerce). This segment too is expected to grow by leaps and bounds in future. Thus E-Commerce has a very bright future in India.

There is no dearth of pessimists on the industry. According to Alok Kejriwal, founder of Games2win, the current scenario of this sector and its potential to grow is such "There is no scope for so many of them to exists and hope that they will exist. They will die, they will burn, they will extinguish themselves. However, what I do feel is there has been a large institutional play in ecommerce. All the offline biggies like Croma, Shopperstop, Crossword, Mad-over-donuts who actually have the brand and the customers are eventually going to turn online and will be the real heros."

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