B 2 B E-COMMERCE IN INDIA

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ABSTRACT

E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium. India's e-commerce market grew at a staggering 88 per cent in 2013 to $ 16 billion E-Commerce has unleashed a revolution, in the way businesses/individuals buy and sell products and services. With the introduction of 3G and 4G service, which will make internet faster, the E-Commerce is expected grow by leaps and bounds. Indian B2B E-Commerce accounts for about 80% of the total E-Commerce trade, compared to about 90% in developed countries. Also the online market share in India is about 0.5% compared to global average of 4%. Thus there is a tremendous scope for further increase. There are about a dozen large players in the B2B E-Commerce sector. The Government’s policy liberalization allowing 100% FDI in B2B E-Commerce will give a fillip to this sector. Encouraged by the success in B2C, many small players are entering the B2B sector in niche segments. Mobile E-Commerce (E-Commerce using mobiles dubbed as M-Commerce) too is expected to add to the growth. India has 140 million Internet users which is equal to the numbers of many of the developed countries, and the number is expected to grow to 376 million by 2015. The future of B2B E-Commerce is very bright in India, as more and more small and medium scale industrial units are hitching onto it, to widen their reach across the world.

Keywords: B2B E-Commerce; Forrester Report Oct 2013; Mjunction; India Mart; Trends in B2B

INTRODUCTION

E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium. India’s e-commerce market grew at a staggering 88 per cent in 2013 to $ 16 billion, riding on booming online retail trends and defying slower economic growth and spiralling inflation, according to a survey by industry body Assocham. As the E-Commerce market is growing by leaps and bounds, the logistics sector is gaining more and more importance. The supply chain management is still weak in India. The existing warehouses traditionally served the purpose of storing only, where as now for E-Commerce, these facilities need to be automated and integrated into retailers’ websites and store-fronts along with pick and pack capabilities.

Indian retail market will be worth 900 bn USD by 2014 and out of which online contribution is just 0.47%, while the global Industry average is 4%. Thus there is a large scope for further growth. Number of people below the age of 35 is going to be closed to 828 Mn by 2015. Close to 376 Mn unique internet users by 2015 against current users 120 Mn. Adoption of new technology is also an important factor for fueling the growth of e-commerce Industry.
Current trend shows that India will have 450 Mn smart phone users and close to 100 Mn 3G users by 2015. But we are still struggling with Infrastructure and bandwidth (High speed Internet).

E-Commerce consists of three major categories

1. Business to Business (B2B) E-commerce: is growing at a rate of 30% per year without any fanfare.

2. Business to Consumer (B2C) E-commerce: is far behind B to B, but is growing at a rate of 60% per year and expected to catch up with B2B Commerce by 2015.

3. Consumer to Consumer (C2C) E-commerce: is still in a nascent stage, probably because of lack of trust among both buyers and sellers.

In India, B2B E-Commerce is growing at a great speed, without much of fanfare that is associated with B2C E-Commerce. B2B is estimated to account for 80% of E-Commerce in India, compared to 90% in advanced countries. As per a 2012 US Department of Commerce report, B2B commerce in the US was measured at $3.7 trillion. Of this, B2B E-Commerce is estimated to be about $500 billion. Indian B2B market is estimated to be about $351 million in 2012, and is expected to be over $400 million in 2013.

There are about a dozen major players in the B2B scene in India. They are given in Table-1.

**Table 1.** India’s top B2B Websites

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Mjunction Services Ltd., a 50:50 joint venture between SAIL and Tata Steel set up in 2001, is by far the biggest B2B enterprise of Indiat having e- transacted worth over Rs 1,60,000 crores so far. It runs the world’s largest eMarketplace for steel. Metaljunction, the portal of mjunction holds 25 to 30 auctions everyday. In the space of just 12 years, it has established a national footprint with presence in more than 25 locations all over the country. mjunction is a ISO 9001:2008, ISO 27001 certified company and its Technology Function is assessed at CMMI Level 5. mjunction has achieved a sales of Rs. 41,134 cr in the year 2012-13, a 30% growth over previous year. MSTC Limited another government company has achieved a turnover of Rs. 6455 cr. in 2013.

IndiaMart is said to have 700,000 products on its list, 1 million registered members, 3 million unique visitors per month, 25 million page views per month and 0.8 million business enquiries per month, and enables $1.5 billion worth transactions per year. Sellers can test market their products globally for as little as Rs 12,000, can set up a 24X7X 365 online catalogue for as little as Rs 24,000.

TradeIndia was established in 1996. It has 2.5 million B2B registered users. It is said to recieve 20.5 million hits and 30 million page views per month. It covers over 1, 43,000 product items in 1400 categories. It did a business worth about Rs 11,773 crores in 2013.

The story of e-Bay India motors a B2B firm is given in Box-1

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**Box-1**

**eBay India Motors**

eBay India Motors is the leading online marketplace for sale of second hand cars, bikes & commercial vehicles in India. It is a B2B Motors Marketplace where corporates, financial institutions, large dealers and fleet owners sell vehicles to automobile dealers across the country. This unique marketplace was founded in 2002 as part of Baazee.com (now eBay India).

eBay India Motors hosts online auctions for the sale of vehicles in a transparent and auditable manner on http://b2bmotors.eBay.in. eBay India Motors’ strength lies in its buyer base of over 9000 dealers, who are registered to buy on the platform, across 250 cities. The B2B Motors Marketplace on eBay India, is an independent and neutral platform, which provides a level playing field to all buyers on the platform, thereby eliminating intermediary costs along with a reduction in holding costs and turnaround time.

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Some enterprising companies have entered some niche business areas like ‘Office Supplies’. 

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Office Yes, launched last year, supplies office needs like stationery, cleaning supplies and furniture. Backed by Germany-based incubator Rocket Internet, OfficeYes has around 500 large corporate clients, such as Microsoft, GE and HCL, and around 6,000 SME clients. Printland’s Behl, 49, who worked previously as the global head of customer service and enterprise services at Bharti Airtel, said repeat orders and large transaction values make this category attractive.

Printland, which has around 20,000 registered SME and corporate clients, has around 40% gross margins. The company, which is targeting over Rs 4 crore in revenue this fiscal and expects to reach Rs 100 crore in the next three years, lets clients order online for visiting cards, letter heads and printed corporate merchandise. About 40% of Printland’s customers regularly order on the platform, while OfficeYes sees 50% repeat orders. The average transaction size ranges between Rs 30,000 and Rs 50,000 on most portals. These entrepreneurs have also refuted the popular belief that large firms do not order online.

Other online ventures in India in this space are, Printvenue, eSupply and 1click1call, among others.

Another very interesting venture in the B2B segment is NPASource, which was launched in August 2011, aggregates non-performing assets of banks, puts up the details on its site, and helps customers buy them. "We realised there is a great gap in information available to investors who want to buy such properties," said Devendra Jain, 44, a chartered accountant, who is targeting revenue of Rs 6 crore in fiscal year 2014. "Banks are also not able to publicise details of such properties easily." The company has around 20,000 users and has tied up with around 10 banks so far, including SBI, IDBI Bank and NABARD.

National Small Industries Corporation Ltd. (NSIC) recently announced that a new business-to-business portal similar to Alibaba.com is in the pipeline.

**Trends on B2B E-Commerce**

Global B2B is estimated at $1.25 trillion. A survey of 400 companies worldwide revealed that the B2B Commerce is adopted by 92% of the surveyed 400 companies, and form 35% of their sales in 2013. The companies of USA in contrast had 42% of their sales through B2B E-Commerce.

B2B Commerce is undergoing radical and rapid transformation with more and more organisations learning from B2C and embracing electronic - and now mobile – commerce.

A recent Forrester study estimates the B2B e-commerce trend has already revolutionized the way business is conducted in the developed countries and the trend will pick up in India over the next 1-2 years. “Like B2C, many B2B organizations are establishing an online channel and they are now focusing on how to grow this channel to maximize revenue. The trend in fact is driven by an increasing focus on customer experience,” says the Forrester study.

Forrester believes that B2B eCommerce organizations must address three key trends in 2013: growing demand for B2C-like B2B eCommerce experiences; increasing channel conflict between direct sales organizations and eCommerce operations; and rising demand for scarce B2B eCommerce talent.
Experts believe that the B2B e-commerce can certainly be successful in India because of the vital role B2C has been playing in the past few years. Likewise, many believe that the B2B e-commerce model is backed by the prior establishment of a strong B2C market.

Viresh Oberoi, Founder CEO and MD of mjunction Services Limited, believes that even though brand matters in B2B, companies practicing this model should also create a competitive edge.

Indian Government too helping the industry by allowing 100% Foreign Direct Investment in this sector. What finally leads to a successful B2B entrepreneurship is an understanding of strategic goals and customizing your products accordingly, besides segmenting customers based on their needs to ensure an appropriate proposition to each segment, says Oberoi.

Indian B2B portals are considered user friendly and provide superior clarity to customers about the companies, their products, services and the terms and conditions.

**Mobile E-Commerce**

Mobile users are increasing by leaps and bounds in India. The number of smart phone users are expected to reach 450 million by 2015. The mobile internet traffic has already surpassed the PC based internet traffic by mid 2012.

**CONCLUSION**

India has 140 million internet users and 900 million mobile users. Thus the foundation for flourishing E-commerce is laid. The smart phone population too is at the tipping point of 10%, after which it is expected to grow exponentially. This would greatly facilitate M-Commerce. B to B, E-Commerce is growing fast without any fanfare. With the advent of 3G, the internet on mobiles is becoming fast, and will facilitate E-Commerce using mobiles (dubbed Mobile Commerce).
With the advent of E-Bay in India, B2B Commerce has got a big boost. Several small companies too are also exploiting the pent up demand for goods and services at the enterprise level. Government too, on its part, has allowed 100% FDI in B2B E-Commerce. Medium sized companies with branded quality products can be expected to benefit more from B2B E-Commerce.

“Going forward B2B is the clear success formula for the Indian e-commerce industry,” says Gaurav Issar, Co-Founder of JewelsNext.

There are also some pessimists, who consider that B2B commerce will face the same fate as dotcom. They quote that at the boom of dotcom period (2001), there were 1500 B2B enterprises, but now there are hardly 250, though the business is growing at about 12% each year.

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