



Recent Trends in Indian Ecommerce

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Abstract

It is the era of digitalization the companies need to be abreast with the changing trends and prepare themselves for the future by understanding the consumer taste and preferences. The changes in Telecommunication and use of smart phones have accelerated the digital revolution. The way we search for information, how we plan our travel, and how we buy product and services is now influenced by digital revolution. The marketers need to understand the consumers changing buying behavior and will need to adapt new tools to influence the customers online.

This research article aims to study the current consumer trends in ecommerce, the current consumption patterns, future projections and factors boosting ecommerce in India. Though ecommerce is a small percentage of total retail but is growing at a very fast pace and with the blurring boundaries between online and offline business it is all the more crucial for companies to understand and trends to be benefited by it.

Key Words – Ecommerce, consumer behaviour, factors boosting ecommerce.

Introduction

The world is going through another evolution the digital Evolution. Brian Solis coined the term “Digital Darwinism” to explain the struggle for survival by organizations in the digital realm. The internet and related technology have created endless opportunities at the same time posing threat to those who are not able to adapt in the changing environment. The changes in Telecommunication and use of smart phones have accelerated the digital revolution. The way we search for information, how we plan our travel, and how we buy product and services is now influenced by digital revolution. The marketers need to understand the consumers changing buying behavior and will need to adapt new tools to influence the customers online.

Internet Users Globally

The internet users across the globe have increased substantially. 46.4% of the world population are netizens or cybercitizens according to recent report of statistia.com. The netizens of the world have increased by a whopping 832.4% in last

15 years (2000-2015). The increase in Indian internet users is 7400% in last 15 years (2000-2015), increase in smart phones, broadband, government and private initiatives, education and popularity of social media are major factors for increasing use of internet. Internet is becoming a basic need.

WORLD INTERNET USAGE AND POPULATION STATISTICS NOVEMBER 30, 2015 – Update						
World Regions	Population (2015 Est.)	Populati on % of World	Internet Users 30 Nov 2015	Penetration (% Population)	Growth 2000-2015	Users % of Table
Africa	1,158,355,663	16.0 %	330,965,359	28.6 %	7,231.3%	9.8 %
Asia	4,032,466,882	55.5 %	1,622,084,293	40.2 %	1,319.1%	48.2 %
Europe	821,555,904	11.3 %	604,147,280	73.5 %	474.9%	18.0 %
Middle East	236,137,235	3.3 %	123,172,132	52.2 %	3,649.8%	3.7 %
North America	357,178,284	4.9 %	313,867,363	87.9 %	190.4%	9.3 %
Latin America / Caribbean	617,049,712	8.5 %	344,824,199	55.9 %	1,808.4%	10.2 %
Oceania / Australia	37,158,563	0.5 %	27,200,530	73.2 %	256.9%	0.8 %
WORLD TOTAL	7,259,902,243	100.0 %	3,366,261,156	46.4 %	832.5%	100.0

Table -1.1 – World Internet Usage (Source – Statistia.com)

Internet Users in India

The netizens in India were approximately 402 million by December 2015 registering a phenomenal growth of 49% in one year, according to a report ‘Internet in India 2015’ published jointly by Internet and Mobile Association of India (IAMAI) and IMRB International. It took a decade to move from 10 million to 100 million while it took only one year to reach 400 million users from 300 million users. Internet Subscribers according to TRAI report

- Total Internet Subscribers 302.35 Million
- Narrowband subscribers 203.15 Million
- Broadband subscribers 99.20 Million
- Wired Internet Subscribers 19.07 Million

- Wireless Internet Subscribers 283.29 Million
 - Urban Internet Subscribers 190.60 Million
 - Rural Internet Subscribers 111.76 Million
 - Total Internet Subscribers per 100 population 24.09
 - Urban Internet Subscribers per 100 population 49.07
 - Rural Internet Subscribers per 100 population 12.89
- internet/Broadband Subscribers

Table 1. 2 – Internet Users in India (TRAI Report Dec 2015)

Service Area	Internet Subscribers (in million)			Internet subscribers per 100 Population		
	Rural	Urban	Total	Rural	Urban	Total
Andhra Pradesh	8.15	13.97	22.12	12.88	57.10	25.22
Assam	3.25	2.23	5.47	12.03	43.70	17.05
Bihar	7.94	8.64	16.59	6.77	46.15	12.19
Delhi	-	-	18.50	-	-	89.24
Gujarat	7.07	12.37	19.44	19.26	47.31	30.93
Haryana	3.67	3.47	7.14	21.04	35.88	26.33
H.P.	1.64	0.94	2.59	26.37	115.61	36.71
J & K	1.79	1.56	3.35	20.17	45.83	27.27
Karnataka	6.69	13.41	20.10	17.59	56.27	32.50
Kerala	6.14	6.82	12.96	23.12	75.61	36.44
Madhya Pradesh	6.51	10.12	16.63	8.74	36.28	16.24
Maharashtra	9.12	16.40	25.53	14.95	52.84	33.16
Mumbai	0.25	14.25	14.50			
North East	1.92	1.65	3.57	18.50	48.03	25.87

Orissa	3.52	3.77	7.30	10.13	51.03	17.30
Punjab	5.23	7.65	12.88	30.16	57.68	42.09
Rajasthan	7.31	8.47	15.79	13.38	48.75	21.91
Tamil Nadu	6.52	17.62	24.14	22.41	42.33	34.14
UP (East)	10.66	9.73	20.38			
UP (West)	6.06	8.14	14.19	9.60	34.81	15.34
Kolkata	0.42	7.59	8.01			
West Bengal	6.88	4.31	11.19	10.89	44.14	20.42
Total	111.76	190.60	302.35	12.89	49.07	24.09

Internet Users in Gujarat

Gujarat had a total of 19.44 million internet connections, including dongles, dial ups, lease lines and other means. Against that, nearly 96.38 lakh people are accessing internet on their mobile phones — 7.58 times higher than the number of internet connections. In India, of the 72 crore active mobile connections, 20 per cent or 14.32 crore users access the net. As a result E Commerce, online marketing, payment wallets, social media marketing are on a rapid growth rate. Clearly internet is now main stream in India and rapidly increasing internet user base is giving a boost to e-commerce

Global E-commerce Scenario

The consumers are web-rooming instead of showrooming, the consumers do not reach out to the nearest shop but the nearest digital device to shop. According to a emarkter report the ecommerce sales) in year 2020 will reach \$4.058 trillion which will amount to 14.6% of the total sales that year. While the current performance in the year 2016 is 8.7% of the total retail spending which is approximately \$1.915 trillion.

Table 1.3 - **Total Ecommerce Sales worldwide, 2015 – 2020**

(Source – Emarketer.com)

Total Ecommerce Sales worldwide, 2015 – 2020						
<i>Trillions, % change and % of total retail sales</i>						
	2015	2016	2017	2018	2019	2020
Total Retail Sales	\$1.548	\$1.915	\$2.352	\$2.860	\$3.418	\$4.046
Percentage Change from last year	25.50%	23.70%	22.90%	21.60%	19.50%	18.70%
Percentage of Total Retail sales	7.40%	8.70%	10.00%	11.50%	13.00%	14.60%
<i>Excludes travel and event tickets, includes products and services ordered using internet via any device regardless of method of payment</i>						

Mobile penetration low cost of data, improving logistics and infrastructure, rising income levels, and better deals because of growing competition in ecommerce are few factors that are fueling the growth of ecommerce in Asia – pacific Region. This will emerge to be the world’s largest ecommerce market with expected sales of \$1 trillion in 2016 and more than double to \$2.725 trillion by 2020. The growth in south east Asia is comparatively slower than rest of the region owing to underdeveloped digital payments infrastructure and a weak logistics framework

China is emerging as one of the most powerful markets with sales reaching \$899.09 billion this year, representing almost half (47.0%) of all worldwide sales. In China the Consumer Packaging Goods are highest sold category in e-commerce the product like personal – care home-care and baby-care categories.

France is also one of the countries where e commerce is doing particularly well. The popular model in France is ‘Click and Drive’ in FMCG sector. The highest selling product categories selling online in France are staples such as refrigerated dairy, confection and refrigerated non-dairy.

North America is the world’s largest regional e-commerce market and will maintain the position with a 15% rise in e-commerce sales. The region will continue to show double digit growth through 2020 because of the increase in spending of the existing digital buyer and growth in categories like grocery etc.

Digital Shopping in India

With 100 million Indians expected to shop online by 2016, e-commerce sector is expected to grow to \$15 billion in India in coming two years, according to a recent report by Google and Forrester Consulting. The customers have shown a positive inclination towards online shopping in last few years online shoppers have increased to 35 million in 2015 from 8 million in 2012, and is expected to reach 100 million in 2016, with an estimated 50 million new buyers emerging from tier 1 and tier 2 cities

Many consumers worldwide have turned to the Internet for purchasing goods and services while there are still others who are so comfortable with online shopping. What factors can explain these differences? According to Donthu and Garcia (1999), the customers shopping online are more innovative and well informed as compared to other students. They are also very demanding (Vrechopoulos et. al, 1999; Scribbins 1999).

Recent Trends and Future Projections

1. E-retail is a small but rapidly growing proportion of total Retail sales in India

Indian e-commerce is though growing at a rapid rate it still is a very small proportion (2.5% in the year 2016) of country’s total retail sales and is expected to rise to 5.0% by the year 2020. India has a large population with relatively young median age, this young generation is internet savvy and will contribute more to online buying as they join the workforce.

Table 1.4 – Ecommerce in India and Future Projections

(Source – Emarketer.com)

Total Retail and Retail Ecommerce.* Sales in India, 2015 – 2020						
<i>billions, % change and % of total retail sales</i>						
	2015	2016	2017	2018	2019	2020
Total Retail Sales	\$818.33	\$941.08	\$1,082.24	\$1,244.58	\$1,418.32	\$1,599.01
Percentage Change from last year	14.00%	15.00%	15.00%	15.00%	14.00%	12.70%
Retail e - Commerce Sales*	\$13.31	\$23.39	\$37.50	\$52.54	\$65.09	\$79.41
Percentage Change from last year	129.50%	75.80%	60.30%	40.10%	23.90%	22.00%
percentage of Total Retail sales	1.60%	2.50%	3.50%	4.20%	4.60%	5.00%
* Converted at the exchange rate of US \$1 = INR 64.12, Excludes travel and event tickets, includes products and services ordered using internet via any device regardless of method of payment						

2. Mcommerce is on a rise

There is a larger number of internet users via smart phone and this number will continue the increasing trend as the cost of smart phones and data services is coming down. Mobile's share of ecommerce will continue to grow over the new few years, accounting for 65.3% of all retail. ecommerce this year and 80.0% in 2020

Table 1.5 – Mcommerce in India and Future Projections

(Source – Emarketer.com)

Retail Mcommerce.* Sales in India, 2015 - 2020						
	2015	2016	2017	2018	2019	2020
Retail Mcommerce Sales*(Billions)	\$ 7.78	\$15.27	\$26.91	\$39.56	\$50.54	\$63.53
Percentage Change from last year	199.00%	96.30%	76.20%	47.00%	27.80%	25.70%
Percentage of Retail ecommerce Sales	58.50%	65.30%	71.80%	75.30%	77.60%	80.00%
Percentage of Total Retail sales	1.00%	1.60%	2.50%	3.20%	3.60%	4.00%
* Converted at the exchange rate of US \$1 = INR 64.12, Excludes travel and event tickets, includes products and services ordered using internet via any device regardless of method of payment						

3. More number of people is browsing the ecommerce sight even if it does not close into sales.

Table 1.6 - Digital Shoppers and Buyers (Source Emarkter.com)

Digital Shoppers* and Buyers ** in India.* , 2015 - 2020						
	2015	2016	2017	2018	2019	2020
Digital Shoppers* (Millions)	126.9	159.6	199.2	243.4	294.2	352
Percentage Change from last year	46.10%	25.80%	24.80%	22.20%	20.90%	19.60%
Percentage of Internet Users	50.70%	53.60%	57.80%	63.00%	69.20%	75.60%

Digital Buyers* (Millions)	93.4	130.4	180.1	224.1	273.6	329.1
Percentage Change from last year	72.60%	39.60%	38.10%	24.50%	22.10%	20.30%
Percentage of Internet Users	37.30%	43.80%	52.30%	58.00%	64.40%	70.70%
<i>*Internet users who have browsed, researched or compared products digitally via any device during the calendar year but have not necessarily bought digitally.</i>						
<i>Internet users who have atleast made one via any digital channel during the calendar Year</i>						

Digital Shoppers - The number of people who compare or browse a product but may not complete a transaction is also increasing it is expected to be 159.6 million in 2016.

The number of digital buyers—those who complete a transaction digitally—will also see a strong increase over next few years. In 2016, 130.4 million people in India will make at least one purchase digitally, which is equivalent to 43.8% of internet users.

4. Internet Users in Vernacular languages have increased.

According to recent KPMG and Google report(2017) the number of users accessing internet through regional languages is 234 million in 2016 as compared to 42 million in 2011. Currently the English internet users are 175 million which is less than the people accessing internet in regional languages. There are 42 million people using internet in regional languages for e-tailing.

Table 1.7 – Internet Users in Vernaculars
(Source - KPMG and Google report - 2017)

User Base in Millions	Hindi	Bengali	Telugu	Tamil	Marathi	Gujarat	Kanada	Malayalam
In 2016	19	4	4	5	4	2	3	1
In 2021	75	16	14	17	17	8	12	6

5. Demographic Profiles and preferences of online buyers

According to the reports of Sokrati(Q3 Reports -2016)

- **Men in India are shopping online more than their female counterparts** Men shop online 2.7 percent more than females exhibiting a higher conversion rate of 57% along with a higher value of average order placed.
 - **Tier 1 cities contribute for major percentage of online sales with about 80% sales coming from them.** Delhi – NCR accounts for 31% of the online sales followed by Mumbai and other metros. The average order value of tier 1 cities is 38% more than other cities. Ahmadabad, Surat and Gandhinagar also are on the list. Tier 1 and 2 cities have shown a good conversion rate.
6. **Cash on Delivery is the most preferred method of payment** – People prefer to pay on delivery thus avoiding the non – delivery or defective product risk. In India 83% online buyers had opted for COD option in past six month, 71% used debit card and 61% used direct debit in past six months of online buying. Nielson report (Jan 2017). Out of 83% COD users 28% did not possess debit/credit card and 59% avoided using card because of security issues on internet.
 7. **The most sought product categories** online are –electronics, apparels, health and personal care, home décor, sports, hardware, art and entertainment etc. Sokrati (Q3 Reports -2016).
Apart from consumer durables, travel, fashion, restaurant delivery, Grocery is a upcoming product category.
 8. **Preference of Larger Screen** - The users prefer desktops/laptops to tablets and mobiles to make purchases this might be because of the preference to large screen (65% of purchases happen through larger screen).Sokarti Report 2017
 9. **Cross Border Ecommerce is increasing** - The boundaries of domestic and international Sellers are blurring 74% of the respondents had bought from an international retailer in past six months Nielson report (Jan 2017)
 10. **E-commerce in morning hours is on its peak.**- 50% of the purchases that happen in ecommerce happen during morning hours , and highest number of orders are placed on Saturday and Tuesday.

The Factors Boosting Growth

1. **The penetration of smart Phones** – The world has more than 3.5 billion people on net, and 7.4 billion mobile phone subscribers. The increasing number of smart phone and low data rates are also contributing to the rise of ecommerce.
India is one of the world’s fastest growing smart phone markets with the sales reaching maturity in developed markets like US and EU, the smartphones companies are now focusing more on emerging markets. **The mid –segment** (Rs 15,000-20,000) has shown the highest growth of 158 per cent year-on-year during the quarter 1 in 2007, The premium segment (over Rs 30,000) grew at 35 per cent year-on-year.

2. **The decreasing data rates** – in past few years the data charges have gone down considerably and when Reliance Came with Jio it led to increase in number of first time internet users and also forced to competitors to slash the rates further, after the launch of various tariff plans by reliance Jio, other corporations including airtel, Vodafone, BSNL, idea and aircel have also prepared themselves to launch best 3g/4G internet plans, cheap tariffs that could be easily fit in everyone budget .
3. **Demonetization** -Demonetization has become the most talked term after government decided to pull out the old Rs 500 and 1000 notes. This move has made a lot of people go for cashless options and has fuelled the digital buying. Cashkaro a website offering discount deals conducted a survey to understand ‘Effects of Demonetization on Online Shopping’. On a sample size of 1000 people, 78% of the respondents said they would shop online to avoid cash crunch
4. **Cash on delivery and Easy Payment Methods** – Flipkart in 2010 followed Indiaplaza and launched COD option which made it exceptionally popular and suddenly made online shopping accessible even to those who did not have credit or debit card or even a bank account. It reduced the financial risk for the buyer and is most popular payment method in India.
There are various payment methods e- wallet and payment banks which have led to the ease of online shopping.
5. **Discounts by the web sites** – The websites are able to increase the traffic with better deals and lucrative offers. The sales have attracted the customers from tier 2 cities as well and have contributed to deeper penetration of ecommerce
6. **Digital Shoppers** - The number of people who compare or browse a product but may not complete a transaction is also increasing it is expected to be 159.6 million in 2016. The number of digital buyers—those who complete a transaction digitally—will also see a strong increase over next few years. In 2016, 130.4 million people in India will make at least one purchase digitally, which is equivalent to 43.8% of internet users.

Conclusion

Digital Darwinism makes it imperative for the companies to adapt and find the right digital platforms. ASSOCHAM and Pricewaterhouse Coopers have said in a recent study that around 80 million customers will shop this year as compared to 55 million online shoppers in 2015. Discount deals, increasing security in digital payment methods, faster internet, better logistics and aggressive marketing have contributed to rapid expansion of e-commerce and m-commerce.

The governments’ initiative towards a cashless economy will increase the number of people shopping online. The recent changes require us to understand the digital buying dynamics more than ever before.

In the current scenario it is important to understand the customer tastes and preferences and to identify the factors that determine their digital buying behavior so that the ecommerce companies can boost their sales.

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