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PROBLEMS AND PROSPECTS OF ONLINE SHOPPING IN INDIA

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ABSTRACT

The ecommerce landscape in India is perhaps the most dynamic in the world, largely due to the rapidly evolving mobile ecosystem. India's online shopping market, according to rough estimate, is 60-70 million, and is expected to go up to 100 million dollar in the next few years. The products that are sold most are in the tech and fashion category, including mobile phones, iPods, accessories, MP3 players, digital cameras and jewellery, among others, it found. India has Internet base of around 150 million as of August, 2013, a survey said. The companies are exploring opportunities by rushing into the online-to-offline (O2O), E-payments growth, app economy, subscription based Prime for free service etc. and the issues like Slowing Growth, Consumer Base, GMV, confidence of Venture Capitalists etc also need to be addressed.

Key Words: e-tail, GMV, O2O, app economy, E-payments

INTRODUCTION

Recent Studies of online Shopping Industry

Online shopping provides all type of goods and services to be available in the virtual world just like a shop in the neighbourhood, selling all type of goods and services but with some prominent differences. The companies are coming up with the ways so that this segment can be tapped to the maximum and only way to attract them is just a click away and that too at any time 24X7, located in the virtual world and can be accessed any time when you are watching your favourite TV show or having a tea break at office. This is the concept we call it "online shopping." The concept entails certain features like flexi time, anywhere, comparison in real time, replacement of product etc. Earlier the Indian customers were more attracted towards electronic gadgets and mobile phones for online shopping but now the products indicative of lifestyle, viz., watches, apparels, perfumes, beauty products are also in high demand through the medium of online shopping. The market is also developing for books, jewellery, home appliances and kitchen appliances etc. A notable spike happened in the past three years, but the divide between tier1 and tier11 cities is still very wide. The top 6-8 cities contributors like 90% of sales for all the consumer internet players, including app-based cab aggregators like Ola and Uber.

The following facts can help us to understand the size and performance of Indian e-commerce industry.

- In 2013, the size of the market was \$ 16 billion which was \$ 8.5 billion in 2012.
- The growth rate in metro cities of India is expected to be much higher than the other cities of the country as given above
- The e-commerce industry is expected to be of \$56 billion by 2023. But contradict to it, another forecast supported by IANS, the e-commerce market is expected to grow by \$ 50-70 billion by 2020.

As per responses by 3,500 traders and organised retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmadabad and Kolkata who participated in the survey, online shopping grew at a rapid pace in 2013 due to aggressive online discounts, rising fuel prices and availability of abundant online options. Among the cities, Mumbai topped the list of online shoppers followed by Delhi, while Kolkata ranked third. The age-wise analysis revealed that 35 per cent of online shoppers are aged between 18 years and 25 years, 55 per cent between 26 years and 35 years, 8 per cent in the age group of 36-45 years, while only 2 per cent are in the age group of 45-60 years. Besides, 65 per cent of online shoppers are male while 35 per cent are female. To make the most of increasing online shopping trends, more companies are collaborating with daily deal and discount sites, the survey pointed out.

Indian e-commerce cart hits a plateau-A Reality Check

Behind numerous headlines of a cash crunch hitting major Indian e-commerce companies, and their valuation being questioned, is a revelation not too many people are talking about. Indian e-commerce was emblematic of frenetic growth until very recently; the online market stagnated between May 2015 and 2016 in terms of the value of goods sold. While in May last year, the e-commerce biggies clocked a gross merchandise value, or GMV, run rate of \$9 billion, that number has only inched up to about \$10 billion at the end of May this year, translating into an 11%

annual growth. In December last year, the total GMV run rate had reached \$10.5 billion on the back of the festive season, which typically see a rush of discounting from all e-tailers.

GMV is overall sales on an online marketplace, excluding discounts and returns which are an integral part of the e-commerce market. Flip kart has seen its GMV run rates stall at about \$4 billion for almost a year, while an aggressive Amazon has gone from clocking \$1 billion to \$2.7 billion on gross sales. However, Amazon's operations in India began only three years ago and it's been gaining ground on a smaller base. What's worth noting is that flip kart notched up a 400% growth the year before, when its GMV zoomed from \$1 billion to \$4 billion, post which the numbers has gone flat? Gurgaon- based snap deal, on the other hand, has seen an almost 50% knock-down in sales numbers after similar highs it touched exactly a year ago. The company said as of June, 2016 its GMV run rate was more than \$2.5 billion. E-commerce companies earn anywhere 5% and 15% in commission from sellers, which make up their revenue.

Opportunities and Challenges in India

By latest estimates, September 2015, there are over 350 million Internet users in India. This is an impressive figure by any standard, and places India second in the list of global internet population below China. The figure is even more impressive when you consider that India has added over 100 million internet users in 2013-14 alone! The numbers were abysmal in the past with less than 50 million just 7 years ago, and we have certainly come a long way from the Internet usage in India is also shifting from the more traditional and conservative use of Internet to a means of commerce, transactions and e-governance. The success of e-commerce portals like Amazon, Flipkart, Snapdeal, Jabong etc. and e-payment providers like PayTM in India proves the point; this has also paved the way for more e-commerce offerings.

However, the Internet penetration in India is very low, just 25% compared to 45% in China, 84% in the US and lower than the global average of 42%. This is a challenge, but also an opportunity for the government and ISPs (Internet service providers) to up the game and increase the penetration. The Mobile Internet Connections population in India stands at over 160 million (according to various sources like IAMAI, IMRB and KPMG) which is close to 50% of the total internet population in India. This number is expected to swell to 315 million by the end of 2017, and that number alone is impressive. The mobile internet revolution has been largely driven by the phenomenal growth of smartphone adoption across the country. A power-packed Smartphone comparable in features to an iPhone is now available for less than Rs. 10000 by a variety of Indian and Chinese manufacturers. The demand for Smartphone can also be attributed to the increase in demand for Internet services like chatting, social media, entertainment and convenience services like mobile-banking and travel reservation services that are now accessible via apps. A service like Netflix for example requires a minimum of 5 mbps per second to deliver decent quality video (HD), and the average internet speed in India is about 2 megabits per second.

Contemporary Developments and Issues

➤ Top e-tailers use offline play to expand business

At a time when some TV and goods brands have objected to deep discounting on e-commerce sits during the festive season, Flip kart and Amazon are rushing into the online-to-offline (O2O) channel by tying up with the likes of Samsung to address a wider range of prospective shoppers.

Both these companies have started building their Omni channel network in tier I cities in partnership with consumer durables and electronics manufacturers to cater to a set of buyers who want to get a 'touch and feel' experience before making online purchases. Flip kart has partnered with Samsung for its appliances business across 50 stores and is expected to expand this alliance. "O2O model brings the best of both worlds to the customer where convenience of e-commerce is backed by quick deliveries from next-door retail stores. Like Flip kart, Amazon, too, as entered into a partnership with Samsung. The initiatives is live in 41 Samsung brand stores across 25 cities for large appliances, Smartphone's and electronics, a company spokesperson said in an emailed response

➤ 'E-payments to be 15% of GDP by'2020'

Fuelled by rise in Smartphone penetration and adoption of mobile wallets by small offline merchants, the Indian digital payments market is set to grow by 10 times in the next four years to be \$500 billion or 15% of the country's GDP, says a report jointly by Google and the Boston Consulting Group. India's digital payments re-volution is being led by mobile wallets enabling micro-payments in a country where bank accounts are still a big deal. The Google-BCG report said that over 50% of person-to-merchant transactions were expected to be under Rs 100. Over 60% of digital payments value is expected to be contributed by offline points of sale such as unorganized retail, eateries and transport.

➤ **India is world's 4th largest app economy**

India is rapidly moving into the mobile app age and is already the fourth largest mobile app economy. The amount of time Indians spend on apps has also increased dramatically, says mobile app analytics company app Annie. In total app downloads per year, only china, US, and Brazil are ahead of India. The annual figure of India is projected to grow by 92% to reach 7.7 billion downloads this year, and further to 20/1 billion by 2020. China's app download is expected to grow at a much slower 29% this year, but the absolute figure will be more than 6 times that of India's at 49 billion.

The amount of time Indians spent on apps in the first quarter of 2016 more than double compared to that in the first quarter of 2014. In retail apps the time spent grew by 11.5 times during the same period, driven by e-commerce majors like flip kart- myntra, Amazon, and snap deal. The time spent on video streaming apps grew by 7.4 times, with YouTube and hot star leading the way. Our data shows that the percentage of times spent on apps in India is the same as around the world, at 93% (the remaining 7% comes from mobile browsers).

App Annie finds that over 25% of android users in India use at least one ride sharing app (those like Ola and Uber). This figure was the highest among all countries- in the US, UK, and Brazil, it is below 20%. "This was a little surprising. But I think India is a developing country so the users are finding the need to use these transport services more," a study said. Among ride-sharing apps, Ola is the most used and download app followed by Uber. In retail, e-tailing firms, who tend to have a mobile-first approach, led the way, quite a contrast to mature markets where brick-and-mortar and web- first players still have a big share. "Close to 75% of the top 10 mobile retail apps in India in both iOS and Google play store have a mobile-first approach? In the US and UK, this number is only 10%," yu said.

➤ **Make my trip, Ibibo merge to create mega online travel co.**

Analysts Estimate Ibibo May Have Been Valued At \$400-700m Two of India's biggest online focused travel groups, make my trip and Ibibo group, are merging. The alliance will create a and significant shares n the bus and hotel bookings, and ride sharing spaces. The merged entity will operate as make my trip. The deal size was not disclosed. But the companies said South Africa's Naspers and china's ten cent, the joint owners of Ibibo group, will become the single largest shareholder in make my trip, owning a 40% stake. Make my trip's share price on the NASDAQ, where it is listed, soared by 44% soon after the deal was announced. Analysts estimate that Ibibo was valued at about \$400-700 million. The merged entity will make the going tough for rivals clear trip and yatra. Make my trip has been the strongest player in the online airlines ticketing space. Ibibo's core strength, too, is airlines ticketing, but it has a particularly strong presence in online bus ticketing, following its acquisition of red bus in 2013. All the merged entity's brands together processed 34.1 million transactions in FY2016.

All the entities including make my trip, redbus and goibibo- the Ibibo group portal- will retain their individual identities and will play to their strengths. E said there is also scope for many synergies. "Make my trip is strong in the air-ticketing and branded 5-4-3 star hotel – booking space, while goibibo is strong in the budget accommodation space. Less than a year ago, it looks like make my trip and Ibibo were preparing for a big battle with each other. In January, the former has raised \$250 million from strip, one of china's largest online travel companies.

➤ **Pivoting to lifestyle e-tailer**

With myntra's acquisition of jabong, we may be entering a new phase of Indian e-commerce, one which will likely see lifestyle and fashion categories emerge as the mainstay for some of the existing online retail players. This comes at a time when mobile phone sales have stagnated, globally and in India, adversely impacting the overall online commerce market. Gross merchandise value or GMV, an industry parlance embraced by e-tailers locally, which indicates the value of goods sold on a platform, has been historically dependent on the fast-growing shipment of mobiles for all the horizontal e-tailers, but that's changing. Online retailers usually make anywhere between 5% and 20% of the GMV, depending on the category as their revenue. The country's largest e-commerce player, flip kart, which owns myntra, has been sharpening its focus on home, lifestyle and fashion over the past six months as it attempts to edge past Amazon in this category. Myntra introduced the home category expanding beyond fashion for the first time earlier this year. According to data collated by TOI, the combined daily shipment for fashion for flip kart and myntra now stands at about 3 lac, wherein flip kart contributes 1.6 lakh, while myntra does 1.3 lakh. Once we add jabong's roughly 50,000 shipments, there will be a major skew towards life style and apparel for the country's largest e-tailer. Fashion currently registers about \$1.5 billion in GMV, but what's significant is the growing share in total shipments for the category. Sources privy to the goings on at Bangalore-based Company, which is under serious threat of losing its pole position to Amazon in terms of overall market share, said that the online retailer has been internally discussing the move extensively. There is a general consensus that home, fashion and lifestyle would emerge as the big differentiator for the combined entity of flip kart and myntra.

➤ **Prime for free, quick delivery**

Amazon has launched in India its globally popular membership service that offers a range of benefits to subscribers, including free delivery irrespective of the order value and the promise of delivery within a day or two. The annual subscription fee will be Rs 499 now, but this is expected to be raised to about Rs 1000 in course of time. Rival flip kart had launched a similar service called flip kart first in India in 2014 but it was discontinued.. It is estimated that almost 50% of the 100 million Amazon users in the US are prime customers. For the \$107 billion e-commerce company, prime may help to gain a leg up over flip kart and snap deal in India. The service will offer one or two day free delivery on more than 1.4 million products in 100 cities. Users can have free trial for 60 days. Non users of prime have to pay delivery charges for low-value transactions and have to pay extra for one or two day delivery. Members will be able to access deals 30 minutes prior to others. It required us to work on improving our supply chain efficiency because we have to do it at scale and get it right every single time.

➤ **Mobiles beat PCs in US e-comm. biz**

For retailers at least, most important screens are now the small ones. Smartphone's accounted for 45.1% of web-shopping traffic in the first quarter of this year, edging out computers at 45%, according to a study from Demandware, an e-commerce software provider. While the rise of smart phone shopping provides retailers with an opportunity to reach customers any time and any place, merchants face obstacles in getting the most out of their mobile platforms. Those hurdles include lengthy checkout times and payment procedures that deter consumers from completing their orders. The same trend is bound to prevail in India.

Issues Need To Be Addressed

➤ **Slowing Growth- Reduced Discounting**

Post march this year, most e-tailers have reduced promotional campaigns after the Indian government introduced new policy guidelines for online marketplaces. The fresh rules prohibit online retailers from offering discounts directly. Cash burn for Amazon, for instance, advertisement has risen up to almost \$80-90 million per month in the early part of the year- more than double of flip kart's- but has since stabilized. A slug of risk capital came into India's online commerce industry, with flip kart leading the pack. Founded in 2007 as an online book store, the Bangalore based India's thriving startup \$3.2 billion, a majority of the funding coming over the past two years, while snap deal collected \$1.3 billion. The Jeff bozos-led Amazon, too, has been pumping billions into India, the latest being a \$3 billion investment announcement- taking its overall commitment for the country to \$5 billion in three years of launching here.

➤ **Online Consumer Base Capped Out**

India's online shopping market, according to rough estimates, is 60 to 70 million, and is expected to go up to 100 million in the next few years. A notable spike happened in the past three years, but the divide between tier I and tier ii cities is still very wide. The top 6-8 cities contribute 90% of sales for all the consumer internet players, including app-based cab aggregators like Ola and Uber. There are 50-60 million consumers buying online today. Given the large base, it makes sense to ensure you are selling more to the same customers as that opportunity is big enough compare to three year back. "The moment of reckoning is coming or many have come already for Indian e-commerce companies. What all of this will mean for online retailers is that from here on, raising new capital at present valuations will be a very tough proposition. Flip kart has been conserving cash and has substantially brought down its burn rate to wade through this phase of slow growth. Besides Amazon, there is Alibaba stitching up plans for direct entry into e-commerce, making it the contest between the two global powerhouses and the Indian incumbents. The next one year will be extremely significant for the local online retailers as they go back to the basics and try to make their businesses self-sustaining while moving towards a tough path to profitability.

CONCLUSION

Consumers need not to go to crowded markets, standing in queues and spending hours searching for apropos purchases. Online shopping is beneficial not only for buyers but also sellers, as they get detailed information about the product pinned together with the reviews of existing users. Online shopping is like a web-mart where all the goods are available. Online shopping portal provides us with benefits to shop every item extending from minor purchases of books, grocery, clothing, footwear etc. to that of major supplies like furniture, electronics, cars, residential buildings etc. Online shopping is more popular among consumers with 80 per cent of buyers preferring to shop over the Internet instead of visiting different stores to purchase their favourite products, according to a new survey. The study undertaken jointly by Yahoo and Mindshare analyses the shopping behavior of customers to reveal that 31 per cent shoppers opt for online shopping in order to save the time and effort that might be spent on

physically going to stores to buy the same products. . This is driven by the demands like mobile phones, iPods and MP3 players not only from metros but also from small cities. Apparels and accessories (30%) emerged as the second biggest product category after consumer electronics (34%) and is expected to become bigger than consumer electronics this year. Other popular searched categories include books (15%), beauty & personal care (10%), home & furnishings (6%), baby products (2%) and healthcare (3%).Fitness equipment like treadmills and lifestyle items like sunglasses are a big hit among Punjabis. Some Online Shopping portals in India are [www. Homeshop18.com](http://www.Homeshop18.com), www.flipkart.com, www.yebhi.com, www.myntra.com.American online retail giant Amazon.com has also made an entry into the Indian market in 2012 with Junglee.com, an online shopping site powered by the \$ 48 billion company.

As mobile devices become more important in the consumer's last mile of purchase decision, brands need to build targeted, more seamless shopping experience across all channels to strengthen sales and acquire new customers. The study also provides marketers with insights on India, to sharpen their digital and mobile commerce initiatives and build a strong mobile strategy. For those who continue to prefer in-store shopping, major detractors include non-authentic goods, unreliable delivery and lack of quality control. The issues like Slowing Growth, Consumer Base, GMV, confidence of Venture Capitalists etc also need to be addressed.

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