MANAGING E-COMMERCE INDUSTRY IN INDIA

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Abstract: *This study explores the E-Commerce management in Indian market, including a few with significant international brand profiles. It contributes by concluding secondary data and getting insights into the e-commerce branding. Analysis results suggest a widespread appreciation of the importance of e-commerce, different branding building strategies including co-branding and affiliating with established online and offline brands, distribution partnerships, content alliances and personalized e-mail contacts. These communication vehicles included newspapers, radio, magazines, television, public relations, trade events and promotions, personalized e-mail notifications, affiliate programmes with other websites and banner advertisements. This study is based on collection and analysis of secondary data and it conclude the different strategies and tactics adopted by marketing companies and helps to identify the buzz created by companies to create the demand and brand equity.*

Keywords: *E-Commerce, Indian consumer, Online shopping*

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INTRODUCTION

In the past five years, online E-Commerce - both direct and through marketplaces – has had a great ride, going from nascence to critical mass. So much so, today it has started to threaten the traditional brick-and-mortar retail.

The effects of e-commerce are already appearing in all areas of business, from customer service to new product design. (D K Gangeshwar *et. al.*, 2013)It facilitates new types of information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service etc. Recognising the danger, many physical retailers have started to establish or beef up their online presence. Globalization and information technologies are radically changing the face of business and organization. IT are being adopted and incorporated into nearly all organizations, which have invested heavily in IT infrastructure for the overall success of their business. There is a growing interest in the use of electronic commerce as a means to perform business transactions. For many businesses, it has become a priority. Through using ECommerce, companies are able to connect with their trading partners for ‘‘just in time production’’ and ‘‘just in time delivery’’, which improves their competitiveness globally (E.W.T. Ngai,2001). Kalakota and Whinston define the E-Commerce as per different perspective. From a communications perspective, E-Commerce is the delivery of information, products/services, or payments via telephone lines, computer networks, or any other means. From a business process perspective, E-Commerce is the application of technology toward the automation of business transactions and workflow. From a service perspective, E-Commerce is a tool that addresses the desire of firms, consumers, and management to cut service costs while improving the quality of goods and increasing the speed of service delivery. From an online perspective, E-Commerce provides the capability of buying and selling products and information on the Internet and other online services.

Businesses are increasingly using the Internet for commercial activities. The ubiquitous nature of the Internet and its wide global access has made it an extremely effective mode of communication between businesses and customers [Rowley (2001)]. Thompson (2005) introduced that the growth of Internet technology has enormous potential as it reduces the costs of product and service delivery and extends geographical boundaries in bringing buyers and sellers together.

Devendra *et. al.*, (2012) defined that electronic commerce, commonly known as E-Commerce or E-Commerce, consists of the buying and selling of products or services over electronic system such as internet and other computer network. Boughton (2005) remarked that most online advertising campaigns have two main objectives: brand development and direct response. Nikhil monga *et. al.*, (2012) identify that brand image is very important factor which is considered by the respondents while buying

Selecting an appropriate marketing channel ultimately depends on which strategies will provide the greatest ROI. Firms that offer products and services through the Web clearly stand to gain from Internet advertising because their prospective customers are already online. While previous research has examined Internet usage (Teo, Lim, & Lai, 1999), commercial websites (Gonzalez and Palacios, 2004), website design (Kim, Shaw, & Schneider, 2003), website effectiveness from the consumers' perspective (Bell & Tang, 1998), pricing paid placements on search engine (Sen *et. al.*, 2008), and bidding (Bernard and Simone, 2011). This form of online advertising emerged in 1998 [Fain and Pedersen 2006], rapidly has become the central business model of the major search engines [Jansen and Mullen 2008], and is one of the most rapidly growing segments of the online marketing area [SEMPO Research 2009]

Search engine has become a necessity for people to surf the web [Hsien-Tsung Chang, 2011]. It is a simple user interface is designed. Any user simply fills in several fields and the system makes the decision about what to find, where to search and how to look at. Kesharwani and Tiwari (2011) studied the importance of website quality towards the success or failure of any e-vendor. Khan and Mahapatra (2009) studied that the quality of internet banking (i-banking) services in India from customer's perspective. Malhotra and Singh (2007) carried out a research to find the i-banking adoption by the banks in India. Thus, it is high time that India should act fast and decisively in order to use the growing electronic trade to our advantage.

TYPES OF E-COMMERCE

Digitsmith.com has defined the following types of E-Commerce:

- B2B(Business-to-Business)

  Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable.

- B2C(Business-to-Consumer)

  Businesses selling to the general public typically through catalogs utilizing shopping cart software. By dollar volume, B2B takes the prize, however B2C is really what the average Joe has in mind with regards to ecommerce as a whole.

- C2B(Consumer-to-Business)

  A consumer posts his project with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project. Elance empowers consumers around the world by providing the meeting ground and platform for such transactions.

- C2C(Consumer-to-Consumer)

  There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell thanks to online payment systems like PayPal where people can send and receive money online with ease. eBay's auction service is a great example of where person-to-person transactions take place everyday since 1995.

Companies using internal networks to offer their employees products and services online--not necessarily online on the Web--are engaging in B2E (Business-to-Employee) ecommerce. G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to-Business), B2G (Business-to-Government), G2C (Government-to-Citizen), C2G (Citizen-to-Government) are other forms of ecommerce that involve transactions with the government--from procurement to filing taxes to business registrations to renewing licenses. There are other categories of ecommerce out there, but they tend to be superfluous. According to DS Rawat and Manish R Sharma, Industry studies by IAMA indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment, increasing its share from 10% in 2009 to an estimated 18% in 2013 . Calculations based on industry benchmarks estimate that the number of parcel check-outs in e-commerce portals exceeded 100 million in 2013. However, this share represents a miniscule proportion (less than 1%) of India’s total retail market, but is poised for continued growth in the coming

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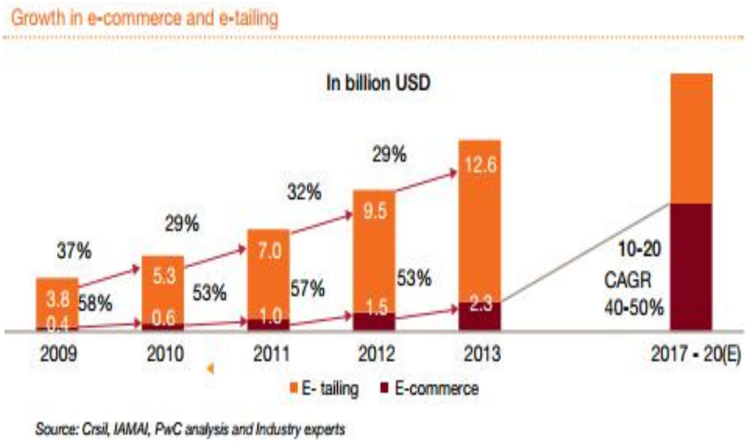
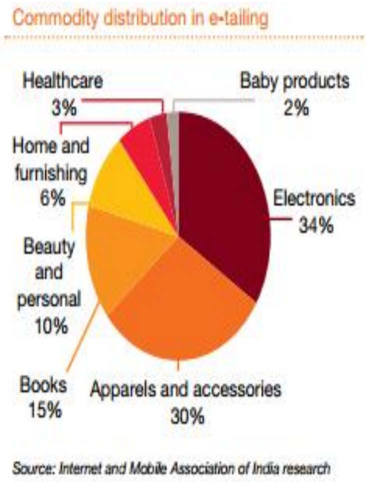
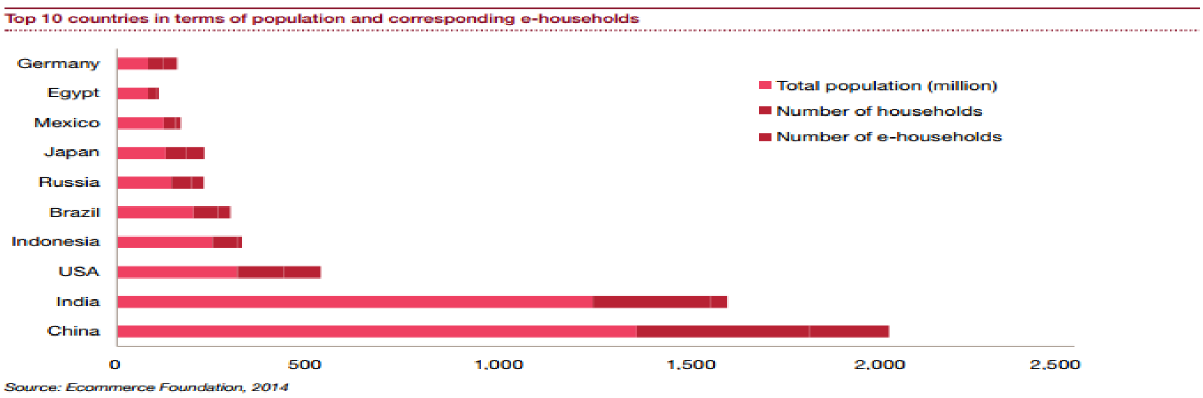
years. If this robust growth continues over the next few years, the size of the e-retail industry is poised to be 10 to 20 billion USD by 2017-2020.



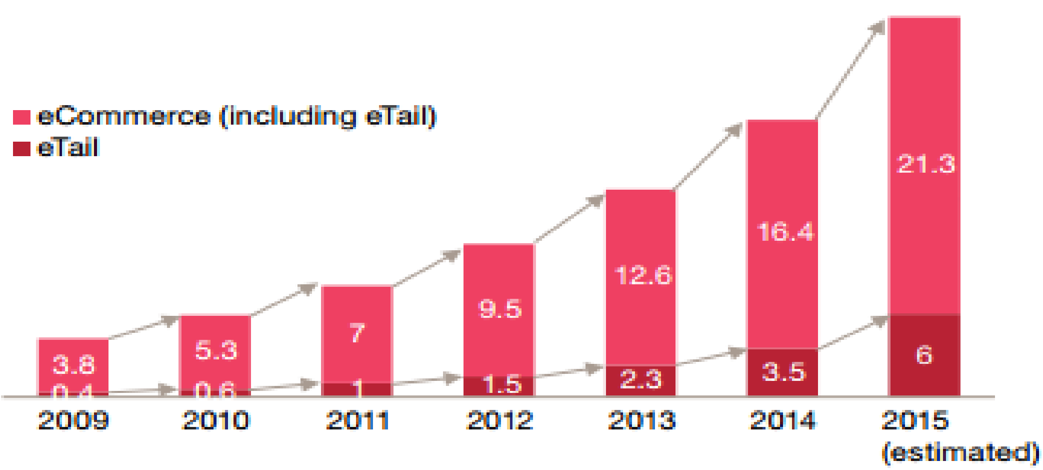


According to Ecommerce Europe, country-wise, the US, UK and China together account for 57% of the world's total B2C eCommerce sales in 2013, with China having total sales of 328.4 billion USD. As against this, India had sales of only 10.7 billion USD, 3.3% of that of China in 2013 with fifth position in AsiaPacific. This is despite the fact that India enjoys high demographic dividends just like China. India's internet penetration with total e-households at 46 million against China's 207 million is one of the reasons behind India's poor B2C sales growth.



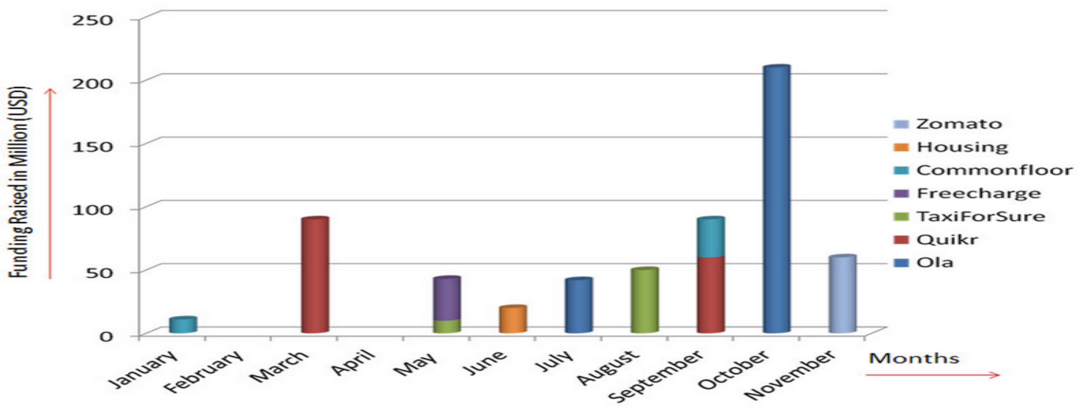
Since the E-Commerce industry is fast rising, changes can be seen over a year. The sector in India has grown by 34% (CAGR) since 2009 to touch 16.4 billion USD in 2014 (IAMAI,Crisil). The sector is expected to be in the range of 22 billion USD in 2015.

India's eCommerce and eTail growth



Source: IAMAI, CRISIL, Gartner, PwC analysis and industry experts

With the arrival of BJP government, business confidence has significantly improved. In 2014, investors aggressively funded the E-Commerce sector due to strong growth prospects. Apart from the traditional online formats of retail and lifestyle, newer online business segments such as clothing, real estate, grocery and healthcare were also participated. The E-Commerce businesses will continue to attract investor interest. Several of India's blue-chip Companies, which previously avoided investing in E-Commerce, are now looking for opportunities in the sector like kishor biyani, the retail giant or TATA . The focus is mainly on ancillary service providers—companies involved in support functions ranging from delivery, logistics and payments—with investments largely driven by the relatively lower valuations and smaller amounts of capital required. While e-commerce marketplaces like Flipkart, Amazon, and Snapdeal snapped up big ticket investments, niche portals like Urbanladder, Myntra, and Firstcry among a few others have also found their spot in the sun. With close to 250 million internet users, Indian e-commerce industry has been a land of opportunities for institutional investors. Besides Tiger Global, Sequoia, and Naspers among others, this year Indian E-Commerce segment also drew the attention of new investors like DST Global, Soft Bank, BlackRock, and Sofina etc. Over the past 10 months, Indian e-commerce companies (only selling physical goods) have secured over $3.9 billion investment from VC/PE and internal funding (including Amazon).



Source: Yourstory and Venture Intelligence

Here's list of the top 15 investments in Indian e-commerce:

Top 20 PE deals in the eCommerce sector in 2014

Date	Company	Amount (million USD)	Key investors
Jul-14	Flipkart	1,000	Morgan Stanley, GIC, Tiger Global, Accel India, Iconiq Capital, DST Global
Dec-14	Flipkart	700	Tiger Global, Iconiq Capital, DST Global, Steadview, Qatar Investment Authority
Oct-14	Snapdeal.com	637	Temasek, PremjiInvest, SoftBank Corp
May-14	Flipkart	210	Tiger Global, Iconiq Capital, DST Global
Oct-14	Olacabs	210	Tiger Global, Matrix Partners India, SoftBank Corp, Steadview
Feb-14	Snapdeal.com	134	Kalaari Capital, Intel Capital, Nexus Ventures, Bessemer, Saama Capital
May-14	Snapdeal.com	100	Temasek, PremjiInvest
Nov-14	Housing.com	90	Helion Ventures, Nexus Ventures, Qualcomm Ventures, SoftBank Corp, DST Global, Falcon Edge Capital
Mar-14	Quikr	90	Warburg Pincus, Norwest, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik
Sep-14	Quikr	60	Warburg Pincus, Norwest, Tiger Global, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik
Nov-14	Zomato Media	60	Sequoia Capital India, Vy Capital
Feb-14	Myntra	50	Kalaari Capital, Tiger Global, IDG Ventures India, Accel India, PremjiInvest
Aug-14	Snapdeal.com	50	Ratan Tata
Jul-14	Olacabs	41.6	Sequoia Capital India, Tiger Global, Matrix Partners India, Steadview
Nov-14	Proptiger Realty	37	SAIF, Accel India, Horizen Ventures
Sep-14	Freecharge.in	33	Sequoia Capital India, Ru-Net Holdings
Sep-14	BigBasket	32.7	Helion Ventures, Ascent Capital, Zodius Capital, Lionrock Capital
Jun-14	Amazon.com India	30	Catamaran Ventures
Oct-14	CarTrade.com	30	Warburg Pincus, Tiger Global, Canaan Partners
Sep-14	CommonFloor	30	Tiger Global

Source: Venture Intelligence

Mobile commerce is the next logical step for Indian merchants. With the growth of mobile phones and increased issuing and use of debit and credit cards, mobile commerce will deliver strong growth over the coming years. Mayank Mishra *et. al.*, (2015) publish article in business standard which reveals the following five factors that will drive e-commerce growth

1) Localization of Internet content : Google India spokesperson says that web content search in Hindi has grown a whopping 155 per cent in the past year, which is significantly higher than the growth of content search in English. Hindi content searched through mobile Internet grew at even higher rate of 300 per cent in the same period. Growth in traffic in other languages, too, was impressive. Sensing an opportunity, Snapdeal launched its interfaces in local languages. "We launched Snapdeal's multilingual interface in January 2014 in Hindi and Tamil languages and have seen a tremendous response from customers towards this. We will shortly be adding four more regional language interfaces," says Ankit Khanna, senior vice-president (product management) at Snapdeal.com. Online travel firm MakeMyTrip launched its Hindi app in November 2014 and plans to add four more languages — Gujarati, Tamil, Telugu and Malayalam — in the coming months. With incremental growth in mobile subscriber coming mostly from people who are comfortable with languages other than English, online retailers see this emergent segment as new growth driver. Mohit Bahl of consultancy firm KPMG says localisation of content is a great innovation, which will be helpful in future.
2) Growth in cities beyond metros: About 20 per cent of India's population lives in cities outside of metros. There are several pointers that suggest this large group of city dwellers have significant purchasing power. Honda, for instance, sells 60 per cent of its Amaze car in tier-II and tier-III cities. These cities account for 55 per cent of Honda's City models. Consumer demand is rising rapidly even in small towns and cities. Talking about the potential of fast-moving consumer goods (FMCG) sector, a 2012 Nielsen report says: "While metros will remain a staple for marketers and increasing a rural footprint will be critical for volumes in the long run, there is a growth opportunity that is vastly under-rated by many marketers today, which could emerge as a key growth engine for the next 10 years. Middle India, a region made up of approximately 400 towns each with a population of 1-10 lakh, are home to 100 million Indians." It further says: "These cities are ready to behave like the metros of tomorrow…The annual per capita FMCG consumption of Middle India towns touched Rs 2,800", which is much higher than the national average of Rs 1,600. The Nielsen report clearly shows that non-metro cities offer a huge growth potential for many

companies. “At Snapdeal.com, we get over 60 per cent of the sales from tier and beyond towns and cities,” says Khanna. Other online retailers have reported the same trend. The contribution of these cities in coming years is set to become even bigger. “In addition to the convenience, another factor that is driving our sales in such cities is that many of the brands do not have footprint in these areas. No physical retailer can have the kind of assortment of products that we have,” observes Praveen Sinha, co-founder of online retailer Jabong.

3) Growth of mobile commerce : Online retailers’ growing reach in non-metro cities is being driven by the rise in usage of mobile internet in the country. According to Internet and Mobile Association of India, the number of mobile internet users in the country stood at 173 million in December 2014. It is set to grow manifold by 2020. A Confederation of Indian Industry report estimates that in the next six years, the number of people accessing the internet through mobile is set to reach 600 million. “This growth will be spurred by a sharp rise in smartphone adoption, expected to reach 50 per cent penetration by 2020,” says the report. “Given the increased mobile penetration and smartphone adoption in these areas, mobile is certainly one of the major factors driving this trend,” adds Khanna of Snapdeal.com

4) Growing usage of debit cards for cashless transaction : There has been a net addition of nearly 140 million debit cards in the country in the past two years. What is more, the usage of debit cards at point of sale terminals has seen a growth of 86 per cent in the same period. It indicates the willingness to use debit cards for purposes other than withdrawing money at ATMs has increased. With many online retailers still insisting on use of cards for high value transactions, it is a welcome change. It will allow e-tailers to reach out to many areas and many more customers in coming years. Currently, cash on delivery constitutes nearly 70 per cent of all transactions for online retailers. But online retailers say the usage of cards for online transactions is steadily rising.

5) Growing investment in logistics and warehouses: Online retailers say they have extended their reach to “12,500-15,000 pin codes” out of nearly 100,000 pin codes in the country. There are also reports of online retailers trying to tie up with India Post and petrol pump stations to reach out to more customers. Expected aviation

boom in small cities might also widen the reach of online retailers in future. With estimated investment of nearly $2 billion in logistics and warehouses by 2020, the reach of online retailers to deliver their products in remote locations is set to increase. “There are many companies set to invest in specialised logistic services with a view to facilitating delivery of online retailers in coming years,” observes Bahl of KPMG.

Running a successful e-commerce business can be very rewarding, yet challenging at the same time. Despite the challenges of running an online business, there are still many opportunities available. In 2013, e-commerce retail sales were at$263.3 billion. These sales are projected to grow to $434.2 billion in 2017. Ajeet Khurana *et. al.*, (2013) identifies few biggest challenges e-commerce businesses face:

1) Proper implementation of content marketing. Content marketing includes a variety of tactics such as social media, blogging, e-newsletters, videos, mobile content, and so much more. In order to be at effective content marketing, e-commerce businesses must understand which tactics work best for them, their customers, and brand.
2) Building trust is also a big issue. To build trust through your website, make sure it’s easy to navigate, include contact information, create a clean layout, and provide clear descriptions of your product. These basic design elements will drastically increase the trust between your website and your customers
3) Data analysis of customers is required for getting details of customers. By using big data, businesses can focus more on customization and personalization for their customers’ shopping experience. This can be done by tracking customer browsing patterns and monitoring loyalty programs.
4) To attract more customers and increase sales ,use of M-Commerce is also required with E-Commerce. Businesses must continue optimizing their shopping experience for the mobile web. This means your business must ensure your website is optimized for mobile devices and even launch a mobile application for your store. These tactics will improve the shopping experience for your customers and increase sales

5) Returns of merchandise are expensive and a challenge for ecommerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border ecommerce.
6) Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive
7) If you place an online order in India, you will quite likely get a call from the logistics company to ask you about your exact location. Clearly your address is not enough. This is because there is little standardization in the way postal addresses are written. Last mile issues add to ecommerce logistics problems.
8) The vibrancy in the Indian startup ecosystem over the past couple of years has channeled a lot of investment into the ecommerce sector. The long-term prospects for ecommerce companies are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice .

CONCLUSION

This research concludes the conceptual knowledge of e-commerce, literature review, current and future aspects of e-commerce in Indian context. This paper discussed about the top motivator factors of shopping online. The present development would be a valuable addition to researcher and academicians; and useful theory for practitioners, advertisers, and entrepreneurs. Some of the disadvantages of e-Marketing are dependability on technology, Security, privacy issues, Maintenance costs due to a constantly evolving environment, Higher transparency of pricing and increased price competition, and worldwide competition through globalization.. In the next 3 to 5 years, India will have large number of Internet users which may cross the online shoppers of other developed countries. Internet economy will then become more meaningful in India. With the rapid expansion of internet, Ecommerce, is set to play a very important role in the 21st century, the new avenues that will be thrown open, will be accessible to both large and small companies. [Waghmare (2012)]. Karoor (2012) explained that Ecommerce encapsulates many of the dynamics of 21st century of India. The potential huge market for the entrepreneurs in the sector is impressive. Online commerce in India is destined to grow because of its increasing craze among the youth. On the basis of all the above literature review, Researcher conclude that there are some solutions for the challenges which could be differentiation of product and brand positioning , do not underestimate the local competitors(Nikhil Monga *et. al.*, 2012), targeting the proper segment, easy site navigation, focus on customer service and strong distribution channel is required. In our view, there is humongous potential for E-Commerce companies owing to the growing internet user base and advancements in technology. However, this will not be without its share of challenges, be it operational, regulatory, or digital. How a company prepares itself to meet these challenges will decide whether or not it succeeds.

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