

E-commerce Trends in India

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ABSTRACT

India's e-commerce landscape is undergoing a dramatic transformation, fuelled by the ever-increasing presence of mobile phones in people's pockets. As of October 31, 2022, a staggering 1.143 billion mobile connections blanket the country, with a significant reach in both urban (625 million) and rural areas (518 million). This mobile boom is a key driver in the evolution of e-commerce in India, shaping its history and propelling it towards a future brimming with possibilities. The upcoming launch of the 5G network, the introduction of the Open Network for Digital Commerce (ONDC), the rise of Quick Commerce, and the growing popularity of hyperlocal delivery are just a few of the trends intricately woven into the fabric of India's e-commerce journey. Understanding these trends is crucial to grasping the exciting trajectory of e-commerce in this dynamic nation.

Keywords: Commerce, Trajectory, e-commerce landscape, Journey, Popularity

Introduction:

The history of e-commerce in India traces back to the late 1990s and early 2000s. FabMart, later rebranded as IndiaPlaza, emerged as one of the pioneering e-commerce entities in 1999. However, the sector faced early challenges such as low internet penetration and limited online payment options. The turning point for e-commerce occurred with the proliferation of the internet and a surge in online users. Flipkart, founded in 2007, played a pivotal role in popularizing e-commerce by initially focusing on online book sales and later expanding into various product categories.

The India e-commerce market size is estimated to be \$75 billion in 2022 and has the potential to expand up to \$111 billion by 2024 and \$200 billion by 2026, with a CAGR of 20–22 percent. The online retail market in India is estimated to be 25 percent of the total organized retail market and is expected to reach 37 percent by 2030. Moreover, India's social commerce gross merchandise value (GMV) is expected to reach \$20 billion by 2026, with the potential to reach \$70 billion by 2030.

Research Methodology

In this paper the data is collected secondary in nature. The data related to this above paper is collected from journals, Books, magazines, research papers, publications from ministry of government of India, government of India and through internet. In this paper exploratory research is used to present and understand the research topic.

Results and Discussion:

Comprehensive Growth of E-commerce in India

Amazon and Flipkart account for more than 60 percent of the Indian e-commerce market. For long a duopoly, there is now increasing competition from new entrants like Meesho, Nykaa, etc, and Indian giants like the Tata Group and Reliance group who are slowly increasing their presence in e-commerce. The Indian e-commerce industry is controlled by stringent regulatory measures to prevent monopolistic and anti-competitive behavior and control unfair trade practices. Amazon and Flipkart account for more than 60 percent of the Indian e-commerce market. For long a duopoly, there is now increasing competition from new entrants like Meesho, Nykaa, etc, and Indian giants like the Tata Group and Reliance group who are slowly increasing their presence in e-commerce. The Indian e-commerce industry is controlled by stringent regulatory measures to prevent monopolistic and anti-competitive behavior and control unfair trade practices.

Starting of E-commerce and Online Shopping Start in India

E-commerce in India began to gain prominence in the late 1990s and early 2000s. One of the earliest e-commerce companies in India was FabMart (later rebranded as IndiaPlaza), which started in 1999. However, the sector faced several challenges initially, including low internet penetration and limited online payment options. The turning point for e-commerce in India came with the growth of the internet and the

increase in online users. Companies like Flipkart, founded in 2007, played a significant role in popularizing e-commerce in the country. Flipkart initially focused on selling books online but later expanded its product range to include various categories. Since then, the Indian e-commerce landscape has witnessed rapid growth, with several players entering the market, including Amazon, Snapdeal, and others. The availability of affordable smartphones and improved internet infrastructure has further fueled the growth of e-commerce in India.

Evolution of ecommerce in India by Ernst & young report 2013

Major E-commerce Companies in India

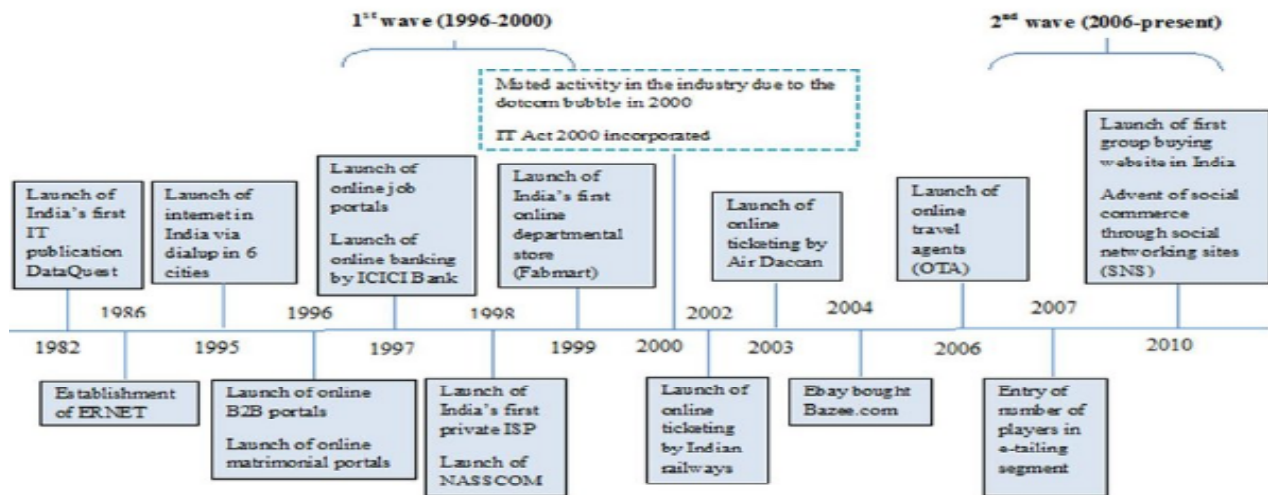


Fig-1 : Volution of E-Commerce in India by Ernst & Young Report 2013

- Amazon Retail India Private Limited, a subsidiary of the e-commerce global giant, reported its revenues for FY2021-22 as Rs 1,720 crore, an 8 percent year-on-year jump.

- Amazon leads in core categories (consumer electronics, media) and has done well in Tier I cities with over 5 million Prime subscribers.

- An Amazon Prime membership includes various bundled offerings, including free delivery (two-day, one-day, and same-day delivery options), OTT streaming, shopping, music access, and reading access on its site.

- Amazon is one of the most trusted Internet brands in India, followed by Google and Facebook, according to a report by TRA Research in 2019.

- Amazon India on 5th Feb 2022 said that the company has signed a memorandum of understanding (MoU) with Karnataka State Rural Livelihood

Amazon

- Amazon entered the Indian market in 2013. The company launched its online marketplace, Amazon.in, in June 2013, allowing customers in India to buy a wide range of products, including electronics, books, clothing, and more.

- Amazon India has over 10 lakh sellers on its e-commerce platform. Amazon started in India in 2013 with 100 sellers and has grown to be the preferred online destination for sellers across India.

- Amazon offers 168 million products to its Indian customers and over 4,000 products are sold on Amazon per minute.

- The largest category on Amazon is the online smartphone channel with a 47 percent market share.

Promotion Society (KSRLPS) to support the growth of women entrepreneurs.

- Amazon has digitized businesses through programs like Karigar and Saheli. Amazon has also partnered with NSDC and participated in the National Apprenticeship Promotion Scheme (NAPS).

Challenges for Amazon

- Amazon India is facing huge competition in fast-growing categories, a weaker value proposition in quick commerce, limited traction in Tier II and III cities, and an unfavorable regulatory environment for 100 percent foreign-owned retailing.

- In the year 2022, one of its main vendors, Cloudtail, discontinued operations.

- Amazon's sellers are facing increasing regulatory scrutiny many of which are as yet contentious.

Amazon's market share in India

According to a recent report by Bernstein, The gross merchandise value or GMV of Amazon is \$18-20 billion which makes it the Market leader with more than 35% market share in the Indian e-commerce market.

Flipkart

- Flipkart was founded in October 2007. The company was established by Sachin Bansal and Binny Bansal, who were former employees of Amazon.

- The Flipkart Group includes digital commerce entities such as Flipkart, Myntra, Flipkart Wholesale, Flipkart Health+, Shopsy, and Cleartrip. Flipkart, a marketplace, hosts 4.2 lakh sellers on its platform.

- Flipkart Group (Flipkart, Myntra, Shopsy) led the Diwali festive sale with around 62 percent share in terms of the gross merchandise value (GMV) followed by Amazon with GMV of around 26 percent.

- Flipkart Plus, which is a competition to Amazon Prime, launched in 2018 and has free signups along with a loyalty program that offers free delivery and early access to sales. Flipkart leads in the apparel vertical, due to the acquisition of Myntra.

- Flipkart also launched its social e-commerce platform, the Shopsy app, to empower aspiring local entrepreneurs to set up their own online shops.

- Walmart and Flipkart on 6th December announced the signing of a memorandum of understanding with the National Small Industries Corp. (NSIC) to jointly accelerate capacity building for micro, small, and medium enterprises (MSMEs) across India.

- Flipkart runs initiatives like Samarth and the EDGE initiative to bring MSMEs also the board. Flipkart has visibly scaled up its supply chain during the pandemic.

Challenges for Flipkart

The antitrust watchdog has plans to expedite a probe into allegations of anti-competitive behavior by the leading e-commerce platform. For Flipkart, 65 percent of its business is based on the convenience segment, which is why they have a dedicated logistics arm and warehouses, thus ensuring the fixed cost is high.

Problems faced:

1. One of the top issues faced by consumers during festive sales, especially the Big Billion Days sale, is when their orders start getting canceled for no

appropriate reason. Netizens have brought up the issues on Twitter, where some have said that they are waiting for a refund while some have been refunded.

2. Many small sellers on the Shopsy platform have complained about how in numerous sales they made on Flipkart, the due receivables - which is the final settlement amount that the e-commerce giant pays after deducting the commission, delivery fee, and other charges – end up being negative. To make things worse, they often find out about this very late. One of the most common issues faced by the sellers is unknown and delayed deductions to their accounts. These deductions are often unexplained and difficult to retrace to the order against which it was charged, the seller said. Even in cases where such deductions were linked to a particular order, they were so delayed that it turned reconciliation into an accounting nightmare. Experts found it puzzling as it was not common for e-commerce players to delay the deductions made to seller accounts.

Flipkart's Market Share in India

As per reports, the gross merchandise value of Flipkart stands at \$23 billion GMV which accounts for nearly 30% of the Indian e-commerce market share.

Meesho

- Meesho is a social commerce/ reseller platform and was founded in 2015 by Vidit Aatrey and Sanjeev Barnwal Over 70 percent of customers come from Tier II and III+ cities. These customers are generally price-conscious by nature but want to buy quality products.

- These resellers are usually housewives or fashion influencers who operate WhatsApp and Facebook groups, with hundreds of potential buyers looking for something to buy.

- As of July 2021, social e-commerce start-ups have raised \$554 million in funding, which is a 7x increase from the previous year and the highest ever since 2015.

- Moreover, Meesho has a zero-commission model, making it a no-brainer for the suppliers in Tier II and Tier III towns to sell their products on the platform.

Challenges for Meesho

- Meesho's average order value (AOV) is Rs 400-500 compared to the average order value of Flipkart and Amazon i.e. Rs 2000-3000.

- The distribution costs hit hard on Meesho's financials. Acquiring & retaining users who are price-conscious needs constant burning of cash.

- Inconsistent product quality – a consequence of Meesho's social commerce model, where any merchant can set up their storefront on the platform, is that several sellers are selling what appear to be counterfeit goods.

- There have been multiple reports of delayed deliveries from Meesho.

- There have been multiple reports of poor customer service provided by Meesho. At times, the ordered product with 6 6-month warranty gets damaged within 10 days of delivery.

- Meesho still depends on third-party services to fulfill deliveries, while competing with Flipkart and Amazon, which have their own delivery services.

- Recently the shift from reseller to direct model has led to a situation where the majority of sellers feel cheated. This is very much against the selling point of the platform which showcased itself to empower sellers. But in mid-2021, the company suddenly switched tracks and decided to become an e-commerce platform by going to the customers directly, cannibalizing the businesses of 15 million, mostly women resellers. Contrary to assertions on female empowerment, women resellers feel Meesho has robbed them of their livelihood, after offering sustained earnings for years. Today 75 percent of Meesho's revenue is from direct selling.

- The reasons for this were that Meesho's army of resellers had no control over either the products or the supplier and they had no real experience or training in selling, which led to poor servicing of orders, with mounting complaints from users.

Jio Mart

- JioMart, the e-commerce platform from Reliance Industries, was officially launched in May 2020 in India.

- Starting off as an online grocery ordering service, JioMart now has upscaled and sells everything from electronics and beauty products to home decor and fashion items.

- Unlike its major competitors - Flipkart and Amazon, which are marketplaces for third-party vendors, only a limited number of the sellers on

JioMart are independent third parties. Instead, most listings on JioMart are from Reliance's own brands, and deliveries are dispatched from the 15,000 Reliance Retail stores spread across India.

- Today, JioMart fulfills 600,000 deliveries per day across 260 cities and towns in India.

- It is believed to have gained significant traction in the Indian e-commerce market since its launch, particularly due to its strong partnerships with local merchants and its integration with Reliance Retail's extensive network of physical stores.

- JioMart's success will also depend on its ability to effectively compete with other e-commerce players in the Indian market, such as Flipkart and Amazon. This will probably involve offering competitive pricing, a wide range of products, and a convenient and reliable shopping experience for customers.

Tata Neu

- Tata Neu is an app designed to offer customers an extensive yet highly personalized shopping experience.

- It is considered a 'super app', integrating Tata Group's trusted brands into a single platform like – ordering food on Qmin, groceries from Bigbasket, booking flights on AirAsia India, and many more services.

- It offers its users a wide degree of versatility and choice. Covering categories ranging from electronics and groceries, to travel and more, the range of products and services offered is second to none.

- However, Tata Neu has failed to gain any significant traction with consumers.

Vertical E-commerce Sites

Myntra

- Myntra is the online fashion arm of Flipkart, started in India in 2007.

- According to Tofler, Myntra Designs reported a 46 percent jump in revenues for the financial year 2021-22 at Rs 3,610 crore.

- At present, Tier II markets contribute 40 percent to its sales, especially during mega sale events.

- "Shoppers from Tier II and Tier III cities are set to change India's e-commerce landscape. These online-savvy buyers accounted for over 61 percent of the overall Myntra's market share in India in FY 2022, up from 53.8 percent in 2021," according to a

joint report by Unicommerce and Wazir Advisors.

- Some registered users of the fashion e-commerce site Myntra reported suspicious logins into their accounts, raising concerns about their data and payment information being exposed.

- The company is trying to reduce its losses due to frequent returns and exchange requests from customers due to wrong product sizes, fabric quality, or product colors.

- Myntra chiefly caters to fast fashion which as a segment, is under the scanner for sustainability issues.

Challenges for Myntra

- Operating revenue has increased by 46 percent, but so have expenses, resulting in Myntra still being a loss-making entity, despite being one of the foremost apps for fashion shopping.

- In spite of the overall 46 percent increase in revenues, the net loss widened 40 percent to Rs 597 crore.

Nykaa

- Nykaa, the popular Indian e-commerce platform specializing in beauty and cosmetic products, was founded by Falguni Nayar. Nykaa was officially launched in India in the year 2012.

- Nykaa is a market leader in the online beauty and personal care market (BPC) operated by FSN E-Commerce Ventures. Online Beauty and Personal Care Markets in India have posted a CAGR of 60 percent over the last four years, grabbing Nykaa's market share in India of about 8 percent in 2020.

Nykaa is engaged in the business of selling beauty, personal care, and fashion products through its omnipresent channel.

- They currently provide delivery services to approximately 90 percent of the available pin codes across India. Along with this, Nykaa also has 96 physical stores as of December 31, 2021, in 45 cities.

- This segment is managed by an inventory-led model within which the company buys products directly from brands or their authorized distributors and sells them on its platforms. This ensures the authenticity of products sold and ensures timely delivery and availability of the product.

- Nykaa also sells its brands manufactured through contract agreements on its channels. Private-label brands fetch a higher margin for the company.

- BPC products, especially cosmetics, have one of the highest average retail markups in the retail consumer product space. According to Crowe, the average retail markup on cosmetics in the USA is about 50 to 60 percent. This ensures room for margin expansion for Nykaa.

- In 2018, Nykaa created a marketplace to sell apparel and accessories. Nearly 80 percent of this segment follows the marketplace model. Under this model, the brands or their authorized distributors sell directly on Nykaa's platform, and Nykaa receives a commission on products sold.

- Although the online penetration of the apparel market is low, it is a highly competitive market with deep-pocket players like Myntra and Jio, thus making it difficult to scale this business. Nykaa hasn't been able to achieve breakeven in this segment. Profitability remains a challenge in this segment since prominent players like Myntra is yet to achieve profitability.

Conclusion:

The captivating saga of the transition to e-commerce in India continues to unfold, intricately linked to the nation's mobile revolution. With a staggering 1.143 billion mobile connections by October 2022, this digital transformation has propelled the evolution of e-commerce in India, pushing the industry to a \$75 billion valuation. By 2026, it's projected to reach a phenomenal \$200 billion, fueled by a robust Compound Annual Growth Rate (CAGR) of 20-22 percent.

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