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E-Commerce market in India is witnessing an exponential growth rate over the years and with emergence of better marketing techniques, this market is expected to grow by leaps and market space can be segregated into multiple segments such as online retail, online travel, financial services, online digital and online other services. Having a combined market share of more than 86%, online travel and retail players mainly dominate the market space.

Players in the market are following several strategic moves to lure and attract customers like:

- Easy availability of EMI schemes and lucrative offers on e-commerce, provided by players in the market happen to be a major source of attraction for customers.
- Often customers are offered a scheme of earning loyalty points which can be redeemed to claim discounts on commodities or services availed online.

Boost Factors

Some of the factors that have boosted this trend are as follows-

Increasing tendency to save time and energy, especially amongst the working population (as double income couples are on the rise across cities), will further intensify the e-commerce market by a large extent.

A steady rise in the disposable income coupled with heavy usage of internet in India, is primarily inflicting growth in the Indian e-commerce market. Factors such as the busy lifestyle of the working class and a tendency to save time by making physical visits are further fueling growth of the market. Currently, the market is valued at Rupees 0.5 trillion and is estimated to grow at a CAGR of 47% to reach Rupees 2.2 trillion by 2015.

Although in 2011, investors seemed willing to pay many times the gross merchandise value as pre-money valuations, the scenario has not been that great in the first quarter of 2012. Customers on the other hand are continuing their shopping spree and are unaffected by all the stuffs happening in the space.

Thus e-commerce players need to focus on their customers and provide them an excellent buying experience, be innovative and come up with new proposition which goes beyond discounts - this will differentiate you from others in the ensuing future.

Under the scanner

The e-commerce industry in India is certainly poised to show high traction in the years to come. Though in terms market size it is small in comparison to developed economies like US etc, but it is growing at brisk rate and is expected to reach a sizeable market size by 2020-25.

Indian economy is currently growing at over 6% annually and is one of the highest when comparing developing economies. E-commerce is promising to be a leveler given that organized retail is still not ever-present across the entire stretch of the nation. E-commerce is helping people in smaller cities & towns in India access best products and services to what people in metros generally have access to. Over two third of future online shoppers are expected to come from beyond top 8-10 cities in India. Increased internet penetration is certainly helping the cause. Moreover; with growing smartphone subscriber base and introduction of 4G, the number of online shopping is bound to see a huge jump in next 2-3 years and ahead. Roughly 20% subscribers are active mobile internet users and researches indicate that by 2015 the percentage of users who intent to buy products online will grow by 5 times.

Thus e-commerce market in India is heading towards good growth in the years to come and the model is evolving with players tightening their belts and plugging the loopholes to come up with innovative and robust models. PE/VC funding is providing the much needed boost as lot of their concentration is focused towards this segment.

Indian players can take a few lessons from the global e-commerce players for their model. Some of these are as follows:

- Presence of a high percentage of internet users.
- Increased disposal income at the hand of consumers.
- An established shopping culture already in place with consumers already accustomed to placing orders over phone which have viewed TV or catalogues.
- Huge growth in plastic money usage/credit card which is aiding growth of the e-commerce market in the developed economies.
- A substantial number of households purchase items online or by other virtual channels with around 60% of shoppers being females indicating females are comfortable shopping online.
- E-commerce players have good presence in social media (Indian sites are slowly increasing their presence in the social media space) which helps to boost their revenues further.
- Payment gateway is robust/transactions happen quite fast & customer apprehensions regarding security is very low compared to India.
- A good broadband speed coupled with smartphone boom has helped developed countries to boost their e-commerce market.

Gaining grounds

The current growth in e-commerce industry, can be credited mainly to the rise in internet penetration and willingness of consumers and retailers to use it as a medium/channel for purchasing and selling goods and services. The growth observed in the past two years is certain to stay, given the success of innovative business concepts in this space. Thus, the boom of this sector is based on strong foundation.

The largely educated population of urban India, the increasing literacy rate of rural areas and the ever increasing base of internet users in urban & rural India is contributing towards the current boom of the e-commerce market in India. Internet has grown to become one of the fastest growing communication medium and has made e-commerce the new buzzword. The fourth generation mobile services will be the icing on the cake.

"The smarter businesses whose fundamentals are built on experience and great models will survive the test. Also those who want to, should start learning from the survivors of the dot com period. The rapid flow of start-ups in ecommerce market and the cash funding to these start-ups show the increasing interest of the Venture Capital firms towards e-commerce market. There is definitely prominent activity in terms of VC interest in e & m commerce or internet companies. The feeling seems to be is that we have crossed the chasm for e-commerce in India and it's time to see how the industry and different innovative models mature," says Kalyan Banga, Manager - Product Development, Netscribes India.

The present boom phase is real and there will be failures, especially those businesses that do not have a solid and scalable business model. What is needed is to have a self robust model on solid basis and not based on following any model blindly, as because they are beneficial for others. They need to do a SWOT analysis to gauge their own strength and weaknesses before venturing into a business and find such VCs who can help them in their endeavors in not only monetary terms but also can guide them to walk on properly.

Pointers galore

Indians are generally reluctant to share their plastic card details online and want to have the mental comfort that they would truly get the product once they have made the payment. Recognition of online shopping as a mode of secure shopping has helped to an extent in increasing e-commerce business and in times ahead this would help boost online shopping to a large extent. Logistics firms are also getting their act together and have started building up expertise to address the demands/requirements of ecommerce companies.

Some pointers for e-commerce companies:

- Source well: Get the products at best rates from the market; provide them to consumers with the best payment terms and give them the longest possible credit facilities
- Sell at competitive price: India is a price sensitive country and thus has the highest weightage in every decision pertaining to purchasing
- Sell quality products: Reputation is quite hard to earn but easy to loose online. So players need to provide consumers with quality products and not rush to make quick bucks by selling cheap products. They should avoid items that don't have warranty.
- Good logistics partner: It is a neglected area but is a crucial aspect of business and needs to be given due importance.
- Service: Service is the area which will distinguish one e-commerce player from another and thus to garner market share one has to give high importance to this aspect. Satisfied customers will give you more businesses but dissatisfied customers will ruin your market since posting a negative feedback online can have a spiraling effect.

Presently & in times ahead, more number of e-commerce companies are/will be funded than are sustainable. With investors looking for differentiated models, the initial round of funding is crucial and there will be instances of start-ups shutting shop due to wrong strategies as margin of error has to be minimal to sustain the competitive pressure. A large portion of funding is bound to be taken up by established players in a particular segment.

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