A STUDY ON EMERGING TRENDS IN E-COMMERCE IN INDIA AND ITS IMPACT ON RETAIL INDUSTRY

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Abstract

Electronic commerce commonly known as e-commerce is trading in products or services using computer networks such as the internet. E-commerce draws on technologies such as mobile commerce, electronic fund transfer, supply chain management, internet marketing, online transaction processing, EDI, inventory management system and automated data collection systems. The business model of the conventional retailers and e-commerce providers differ significantly. The essence of e-retailing is in its ability to transcend physical boundaries and reach customers in a manner different from the traditional retail stores to their very door steps. The growing e-commerce in India has its greater impact on the traditional retailers. To stay in the game, they have been working on their internet strategies. The main objective of the study is to understand the emerging trends of e-commerce and its development in Indian perspective. The impact of the e-commerce on physical or traditional retail formats. E-commerce having the positive and negative influence on traditional retail business.

List of key words: e-Commerce, online retailing, compound annual growth rate (CAGR), sales volume, traditional retail formats, online sales

Introduction:

Electronic commerce commonly known as e-commerce is trading in products or services using computer networks, such as the internet. E-commerce draws on technologies such as mobile commerce, electronic fund transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange, inventory management system and automated data collection systems. Modern e-commerce typically uses the World Wide Web for at least one part of the transaction life cycle, although it may also use other technologies such as e-mail. E-commerce companies are those in the primary business of providing web platforms and websites through which individual, using a computer or smart phone, can purchase a product or service.

E-commerce business usually employs some of the following practices-

- Provide virtual or e-tail storefront on websites with online catalogues (virtual mall)
- Buy or sell on online market place.
Gather and use demographic data through web contacts and social-media.

- Use EDI, the B2B exchange data.
- Reach prospective and established customers by e-mail or fax.
- Use B2B buying and selling.
- Provide recure business transactions.

Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. E-commerce is relatively a novel concept. It is at present heavily learning on the internet and mobile phone revolution too fundamentally after the way business reaches their customers. Countries such as China and USA, e-commerce has taken significant strides to achieve sales of over 150 billion USD in revenue, the industry in India is, still at its infancy. However, ever the last few years, the sector growth has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2013. Industry studies by IAMAI (internet and mobile association of India) indicates that online travel domination that e-commerce industry with an estimated 70% of the market share. However, e-tail, in both its forms has become the fastest growing segment, increasing its consumer’s door step by just a phone call or request placed on the websites of the retailers, television marketing, mail order and catalogue sales etc.,

**Review of literature:**

E-commerce industry in India is around Rs. 400 billion during 2013. In that approximately 17% and 18% having the share from online retail and online market place respectively. 65% of the share goes to online ticketing. India’s online industry has grown at a faster pace in the last five years from around Rs. 15 billion revenues in 2007 – 08 to Rs. 139 billion in 2012- 13, having a CAGR of over 56%. The nine fold growth came on the back of increasing internet penetration, changing lifestyles and was primarily driven by books, electronics and apparels. The research expects and estimates that the market will grow at a healthy 50-55 % CAGR to Rs.504 billion by 2015-16. The entry of new players in segment such as grocery, jewellery and furniture along with large investments by existing players in the apparel and electronics verticals will be the drivers. (CRISIL Research).
India’s retail market is likely to touch a whooping Rs. 47 trillion (US$ 738.71 billion) by 2016-17, expanding at a CAGR of 15%, a Yes Bank and ASSOCHAM study says. Indian retail market (organized and unorganized) stood at Rs. 23 lakhs crore in 2011-12. Favourable demographics, increasing urbanization, nuclearization of families, rising affluence amid consumers, growing preferences for branded products and higher aspirations are other factors which will drive retail consumption in India. According to research and consultancy firm RNCOS, the online retail market is projected to grow at a CAGR of 40-45% during 2014-2018. With the trend of e-commerce picking up, many online retailers have launched their business in the country. These online retailers have also started to use medium of online mobile apps to increase their reach to the customers.

Objectives of the study:

- The main objective of the study is to understand the emerging trends of e-commerce and its development in Indian perspective.

- The impact of the e-commerce on physical or traditional retail formats.

- The positive and negative effects of e-commerce on the sector and the opportunities to think out of box to be in the competitive game to be discussed.

Methodology:

The study is a descriptive type in nature. The data collected from the secondary source of information like internet, periodicals, and research reports, survey reports conducted by various reputed and reliable organizations. By using the those information we are trying to come up with some assumptions and recommendations.

Analysis

The global trends in e-commerce:

During 2010, UK had the biggest e-commerce market in the world. Czech Republic’s 24% of countries total turnover is generated via the online channel. Among emerging economies, China’s e-commerce presence continues to expand every year. China’s online shopping rose to $36.6 billion in 2009. Other BRIC countries witnessing the accelerated growth of e-commerce as well. In 2012, e-
commerce sales tapped $1 trillion for the first time in history.

The world’s leading e-commerce companies’ are-

- Amazon
- TD.COM
- Walworth
- E Boy
- Otto group
- Tesco

As discussed earlier e-Commerce application can be seen in various sectors. In relation to the topic of discussion we need to concentrate on the growth trends of e-commerce in India.

**Findings of e-commerce on Indian traditional retail sector:**

*“Every innovative technology leads to a creative destruction”*. The e-commerce trends forcing many brick and master shops to work out the way to sustain in the changing dynamic conditions of the market. Its having both positive & negative impacts on retail sector in India. We can discuss the impact of e-commerce on the following grounds-

a) **Traditional retailers being forced to online**- As there is competition from online shopping companies, traditional retailers have been working on their internet strategy, For example, shoppers stop started their own online store in 2008. Chroma also following this trend. Going ahead we believe more and more traditional retailers will board the online bandwagon.

b) **Traditional retailers can compete well online**- The big daddies of online sales such as e-bay, amazon, in the next 4-5 years, they had become big enough to pose a threat to traditional retailers such as Wal-Mart, forcing them to come up with online strategies. Some traditional retailers boast of a large online presence to the right strategies. They can even compete effectively. For instance many companies or retailers such as sapna book house having its presence in internet, we can buy all variety if books online from their [www.sapnaonline.com](http://www.sapnaonline.com). Anil Ambani lead Reliance group sold its 16% stocks to yatra.com, Flipkart decided to merge myntra, Amazon said it will invest $2 billion in India’s online retail space.

Economists have theorized that e-commerce ought to lead to intensified price competition, as it increases consumer ability to gather information about products and prices, the growth of online
Shopping has also affected industry structure in two areas that have seen significant growth in e-commerce & bookshops and travel agencies.

Graph 6: Online retail market size and growth (Rs billions)

[Source CRISIL Research]

From the above statistics, we can come to conclusion that there is an increasing trend in online users and sales increase through online. There is projected growth CAGR of 50-55% in next three years. According to CRISIL report, the top 10 retailers in India are estimated to have a total loss of Rs.13000 crores in Financial year 2013-14. Thus we can note that e-commerce have positive and negative implications on the retailbusiness.

Conclusion:
With the raise of consumer goods in different sectors, many companies have invested in the retail past in the past year. Union ministry of commerce and industry, government of India has stressed on India building a culture of branding and marketing its products to the rest of world. The organized retail sector in India is expected to observe some notable changes in the times to come. Some of the factors which are expected to affect this trend are high incomes, young shoppers, urbanization and the increased use of credit cards. With the trend of e-commerce, many online retailers have launched their business in the country. These online retailers have also started to
use the medium of online mobile apps to increase their reach to the customers. Due to the changing market dynamics, many traditional retailers have been working on their internet strategy and they are trying to increase its physical network by giving customers the option of store pick up, return, cash on delivery etc.

In the future, some traditional retailers boast of a large online presence with the right strategies and definitely there is a chance of effective competition. To be sure, the surge in online retailing is not the only reason for the weak performance of traditional retailers. There are other features such as economic, technological, political, demographic factors and local competition can be seen. But due to technological interventional traditional retailers are also be in the game and competing. Finally customers get benefitted and satisfaction level increases because of ease of operations.

References:

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