

# Clicks-and-Mortar: The Future of e-commerce

Rajnish Jindal

Asst. Professor, Amity Law School, Centre-II, Noida

**Abstract-** 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 leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. While in countries such as the US and China, 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, over the past few years, the sector has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2013. The strong emergence of e-commerce will place an enormous pressure on the supporting logistics functions. The proposition of e-commerce to the customer is in offering an almost infinite variety of choices spread over an enormous geographical area. Firms cannot compete solely based on sheer volumes in today's ever-evolving, information symmetric and globalized world of e-commerce. Instead, the realm of competition has shifted to delivering to ever-shortening delivery timeliness, both consistently and predictably. Negligible or zero delivery prices, doorstep delivery, traceability solutions and convenient reverse logistics have become the most important elements of differentiation for providers. While the current logistics challenges relating to manufacturing and distribution of consumer products and organized retail are well-known, the demands of e-commerce raise the associated complexities to a different level. E-commerce retailers are well aware of these challenges and are cognizant of the need to invest in capital and operational assets.

Shopping era in India has undergone drastic changes over fast decades. It is no more curbed bazaars, street market or malls. Now-a-days people have begun browse the website to make their purchase. Online shopping is the act of purchase products or service with the help of internet. This paper is focus some light on the current rage over online shopping in India, the drivers behind the reason contributing towards it and the recent trend and future of online shopping in India..

**Keywords-Online Shopping, Retail, Niche Market and Social Network**

## I. INTRODUCTION

Virtualization of retailing comes true due to emergence of digitalization of world. Online retailing is a form E-Commerce in which consumer can buys goods and services using web browsers. It happens because of expanding internet base, increasing recognition of purchasing online and the mushrooming e-commerce sites. The Indian retail sector is now moving from the brick-and-mortar model (physical retailing) to click-and-mortar model (online retailing) with the rapid adoption of internet by the typical population. It also helps the people to avoid lot of incontinence involved in travelling to multistorey mall or busy market.

In 2002, the journey of online shopping is started when IRTC introduce online ticket reservation system. With the help of this system passenger can book their ticket at anytime from anywhere and make easy payment. Today India stands number five in e-commerce throughout the world. In a way, e-Commerce in India was started in 2004 when eBay started its operations in India by acquiring Avnish Bajaj's Baazee.com, which was India's largest online auction portal. In 2007, Sachin Bansal and Binny Bansal starting Flipkart by investing 2 lakh rupees each as an online book retailer. In the same year, Mukesh Bansal, Ashutosh Lawania and Vineet Saxena started an online

portal to customize goodies called Myntra In the year 2010, Flipkart pioneered the Cash on Delivery (CoD) model, which results increasing e-commerce and reach dramatically. At the same time Myntra expanded its catalogue to retail fashion and lifestyle product. In 2013 Myntra.com has acquired San Francisco based virtual fitting room startup Fitiquette and Baby product-seller Babyoye.com merged with Hoopos.com, which also sells baby products. In 2014, the sector attracted the attention of investors, including top global firms and leading Indian industry leaders like Azim Premji and Ratan Tata, said Assocham-PwC study, adding that brands like Flipkart and Snapdeal are enjoying edging over global players like Amazon in the country. As of June 2012, India has the base of 137 million internet users and the leaning towards online shopping in youth will help the online retail industry to reach a score of 7,000 crores by 2016.

## II. FUTURE PROSPECTS OF ONLINE SHOPPING

According to Google, India have more than 100 million Internet users, out of which around half choose for online purchases and the number is growing every year. With such a large market size, companies, from retail shops to consumer goods, are entering the Web space to attract potential customers. According to a new report by Google and Forrester Research e-commerce market in India is

worth around \$15 billion by 2016, up from \$35 million in 2014. With millions of Indians shopping online, the e-commerce industry is witness a massive boom and will continue to see exponential growth. The number of online shoppers in India is expected to reach 100 million by the end of 2016, and the number of Internet users is set to reach 300 million by the end of 2014. A recent report by Juniper Research exposed that over two billion users of smart phones or tablets will be making more e-commerce transactions through mobile before 2017 comes to an end. Payments made through mobile in 2015 are expected to grow at a rate of 60.8 percent, another report revealed. The online shopper base will grow 3 times by 2016 and over 50 million new buyers will come from tier I and II cities. The confidence to shop online is on the rise as 71 per cent non-buyers (respondents) from tier I and II cities said they plan to shop online in the next 12 months. According to the Associated Chambers of Commerce and Industry of India (Assocham) retail industry is expected to spend an additional \$500 million to \$1 billion on logistics functions, leading to a cumulative spend of \$950 million to \$1.9 billion till 2017-20, it said. Currently, over 25,000 people are employed in e-retailing warehousing and logistics. It is estimated that there will be an additional employment of close to 1,00,000 people in these two functions alone by 2017-20

#### *Mainsprings behind online shopping in India*

**Broadband internet:** Later than 2005, a rapid growth has been seen in the people using internet and currently there are more than 65 million people log-in on to web. India's internet user base grew over 17% in the first six months of 2015 to 354 million, according to the Internet and Mobile Association of India. This is due to increased internet services and penetration of 3G and 4G services that has given faster internet access.

**Retail based social networks:** Online retail has seen heavy overlie with social networking due to aggressive marketing on such platforms Social networks will form a crucial part of the E-commerce evolution in 2013 as more than 25 per cent of the total time spent by the user on the internet is used to top social networking websites such as Face book and Twitter. Moreover, retailers are busy to track social networks for product development and customer service too.

**Mobile integration:** According to Google, currently 30 per cent of all shopping queries in India come from mobile phones. Further, 43 percent of retailer surveyed note that mobile and tablets are among their top three priorities for 2013. Most retailers are coming to terms with the need for a smart phone or tablet solution because of mobile-optimized site or dedicated app. While creating their marketing strategies companies are investing in new or

improved mobile apps and mobile-optimized sites, analytics, and traffic and conversion growth have become a must.

**Improved online banking services:** With improved and safer online banking services people are now less afraid to make payments online which in turn gave them faith to shop online.

**Multi-channel commerce strategy:** India's diverse online buying population presents challenges to retailers interested in serving all parts of the country effectively. Rising demand from tier 2 and tier 3 cities: The year 2013 is expected to see increased contribution from non-metropolitan cities. A recent study by Google India reveals that 51 per cent of transfer for its Great Online Shopping Festival held last December (12-12-12) came from outside the top four metros, and predicts that online shopping will nurture exponentially in 2013 with apparel and accessories being the hottest categories. Shoppers Stop too says more than 20 per cent of its online business come from consumers residing at tier II cities and neighbourhood

**Standard of living and lifestyle:** The living standard of the people has made them tending towards online shopping. The increased per capita income has also played its part in this leaning. Due to the busy lifestyle, lack of time for offline shopping and urban overcrowding of traffic has led the online shopping market to step up itself.

□ Buying behavior: Tracking the buyer behavior based on loyalty points are comes to end. Nowadays, online retailers acquire huge volumes of data on both their potential and existing customers based on user browsing habits. It seems buyers are willing to make their purchase on online.

**Discounts, Coupons and cheap rates:** Through offers, online sellers sell the products to customers at lesser price than the offline markets and not compromising the quality. Availability of different discount coupons on the sites proves to be a great profit for the customers.

**Recent Government initiative:** The Indian Government recently allowed 51 per cent foreign direct investment in organized retailing sector. This opened door to many foreign players to open online retail stores in the world's largest democracy. Digital India programme, the government is taking a big step forward to transform the country into a digitally empowered knowledge economy. This result higher growth on online shopping.

### III. CHALLENGES OF E-COMMERCE IN INDIA

E-Commerce, in spite of the opportunities it presents also has poses certain challenges which are sometimes too much to handle for start-ups:

**1. E-Infrastructural Issues:** Internet is the backbone of e-commerce. Unfortunately, in India internet penetration is so far dismally low at 0.5 per cent of the population, penetration of personal computer (PC) as low as 3.5 per thousands of population and penetration of telephone only 2.1 per cent of population, e-commerce is not easily reachable remains to the common man.

**2. Branding & Marketing:** To get people to come on an e-Commerce site and make a purchase involves heavy cost due to branding and marketing. This cost is significant and can be brought down to cost per customer, if the volumes permit to do so. Experts say that the average figure for this metric in the current e-Commerce ecosystem is between INR 500 – 1000 customer, which isn't sustainable for even medium sized companies, let alone early stage ones.

**3. Declining Margins:** With the introduction of a large number of players in the already competitive e-commerce market, the customer is pampered by offering huge discounts, offers, taking returns etc. resulting in less margins.

**4. Logistics & Supply Chain:** Logistics failure in any area can mean detrimental damage to a startup's future and can hurt the brand overall. Add to this the need for a guaranteed return policy. Getting this right is a challenge.

**5. Tax related issues:** Tax rate system of Indian market is another factor for lesser growth rate of E-Commerce in India in comparison to other developed countries like USA and UK. In those countries, tax rate is uniform for all sectors whereas tax structure of India varies from sector to sector. This factor creates accounting problems for the Indian online business companies.

**6. Touch and Feel:** Indian customers are more comfortable in buying products physically. Companies dealing with products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

#### IV. SOME ONLINE SHOPPING TRENDS TO BE FOLLOWED IN FUTURE

Over the last couple of years, a substantial growth in the online shopping industry has been noticed, especially in India. The industry is continuously designing and executing newer trends that allow them to attract the masses. Online shopping companies, collaborate with leading sites like Snapdeal, to offer their consumers best deals and offers. This has been one of the dominant trends of 2015 and will surely continue to be so in the coming year as well. In-store pickups are already quite a deal in the western countries with one or two leading brands. Her business allows clients to make their orders online and pick it up while passing through them. This can surely be a great trend to follow, especially for the super markets. Local businesses can also offer Special Snapdeal Promo Codes to regular clients to enjoy a discount or offer. Now-

a-days we can also get groceries from e-grocery sites such as Localbanya.com, Ekstop.com, and Atmydoorstep.com that are few seller sell grocery online. The Major online players are launching their private label brand like Flipkart launch Digiflip, Myntra has also launched in-house brands such as dressbessy, shersingh, Mast & Harbor. An another noticeable trend is raise of niche stores. These stores are sell specialized product.babyoye.com sells baby products,pepperfry.com sells furniture are some example of online niche stores. Among the entire e-commerce market fashion is growing at an exponential rate.

#### V. FUTURE OF E-COMMERCE IN INDIA

India is developing rapidly towards e-commerce market trends day by day. The internet user base in India might still be mere 300 million which is much less as compared to the other developed countries but its surely expanding day by day. India has third largest internet population after US & China. Indian internet population was 205 million in 2013 but projected to be second largest by 2016 with 330-370 million users. As per the last three years there is a rapid change in the scenario of ecommerce in India. More than 200 million users have been added during last three years. Growth of internet users is increasing very rapidly in India.

**Social Media:** Majority of online buying decisions are made on Social Media. Social network like Facebook, LinkedIn, Twitter, Google+, Pinterest etc. have become a medium for easy log-in and purchase. Moreover, the clients can stay updated via the posts published on this media. Further, the advertising & promotions on these social sites has increased the chances of success of generating transactions to many folds.

**Drone Delivery:** Companies have been working their way around to innovate the delivery process to shorten human effort as well as time. The answer to these problems is Delivery by Drones. DGCA is now fast tracking the process of issuing guidelines for the use of drones for civil purposes in India. If everything goes as per the plan, then India might become the first country in the world to allow the use of drones for civil purposes.

**App only Approach:** Statistics suggest the future of internet lies in mobiles. Experts say more than 580 million people in India will use the Internet by 2018, and 70-80% of them will access the Web on mobile phones. This will cause all major players to switch to app only model. About two-thirds of its online traffic of Flipkart comes from users in small cities and towns. Flipkart's app-only approach assumes larger significance in these places where most people don't own desktop computers and have limited access to broadband.

**Google's Buy Now Button:** Google is reportedly working on its own "Buy Now" style button that would allow e-shoppers search for products on Google and purchase

them with a single click, right through Google's own search results page. The button will be displayed near sponsored search results beneath a "Shop on Google" heading at the top of the page. When users click on the Google's "Buy Now" button, they will be re-directed to another Google page that will allow them to choose specific item details, such as color and size, and then select a shipping route. Google would then pass on order information including the customer's name and shipping address, to the retailer.

**Artificial Intelligence:** As the ecommerce space gets saturated, investors looking for innovative use of technology are zeroing in on companies developing artificial intelligence (AI) solutions. Jet Airways is experimenting with one such solution devised by Vizury. It sifts through the individual's public content on the internet, as well as the customer's previous searches and creates an instant profile. Based on this information, the airline knows whether to package hotel deals, or simply stick with airfare discounts. The system also allows them to predict how likely is it for the customer to upgrade, and how flexible would the customer be to change travel location or date.

Along with the e-commerce and its unique charm that has appeared gradually, virtual enterprise, virtual bank, network marketing, online shopping, payment and advertising, such this new vocabulary which is unheard-of and now has become as familiar to people. This reflects that the e-commerce has huge impact on the economy and society from the other side. For instance, B2B is a rapidly growing business in the world that leads to lower cost and then improves the economic efficiency and also bring along the growth of employment. India has witnessed a major breakthrough E-commerce success stories particularly in e-retail in Consumer Electronics & Fashion Apparel & Home Furnishing segments. E-commerce creates new opportunities for entrepreneurial start-ups. Ease of Internet access, Safe and secure payment modes coupled with aggressive marketing by E-Commerce Giants has revolutionized this segment. Rapid development in mobile technology has given way to Mobile Commerce with many E-Commerce companies shifting to App only model.

## VI. CONCLUSION

Future of e-commerce is not easily predictable but as per the present scenario e-commerce industry is growing very speedily. There are some essential factors which will contribute to the boom of the e-commerce industry in India which includes M-Commerce services, multiple payment options, replacement guarantee, location based services, shipment options and quick services, Terms & Conditions should be clear and product quality should be the same as displayed on the sites. The total number of

internet users is expected to reach 370-400 million by 2016-17. On the behalf of the study and experts views the future of e-commerce would be very bright in India if implemented with the all essential factors.

The online retail market in India is expected to grow immensely, given India's rising middle class, growing disposable income and busy lifestyle in metro cities. People are turning to the Internet to buy everything from slippers to jewels, houses and groceries, close to e-commerce revenues in the country. The ecommerce market in India is currently estimated to be worth about USD three billion. It shows that e-tailing sector is to boom in coming days.

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