A STUDY OF PRESENT PICTURE AND
FUTURE PROSPECTS OF E-COMMERCE STARTUPS IN INDIA

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ABSTRACT

Millions of people in India use internet and telecommunication services every day. This country is just on the 2nd number as compare to China and USA in the in the terms of number of internet users. India is currently experiencing a revolution because it has around 245 million internet users in the year 2017. Internet and the telecommunication have changed the way people do the business. At present, only 10% people who uses internet are doing online shopping which is very less as compare to other countries like China and USA. In this way, we can say that there is a huge potential for online startups in India. So, keeping this fact in mind, a lot of Indian as well as foreign investors are willing to invest heavily in Indian economy. In this study, an attempt has been made to identify and analyse present picture and future prospects of the online business in India. In this study, analysis of risks coupled with the e-commerce platforms in India has been also made.

Keywords: Online Startups, E-Commerce, Opportunity, Market, Internet buying, Online Shopping.

Introduction

E-Commerce means buying and selling of goods online and doing other business processes with the help of the internet. It includes not only selling the goods but also the services. It means doing business transactions like buying and selling online. Due to the internet, doing buying and selling has become easy for the people because they do not have to move from their place in order to make a transaction. There is a lot of potential in online marketplace because the number of internet users as well as GDP is increasing. Not only this, the increase in disposable income

can also play an important role to maximize the business of online websites. With the help of liberalization in the terms and conditions and providing more user friendly environment to the customers, the online businesses may flourish like anything. Good promotions, schemes, cash back and other offers can induce a lot of buyers to experience the online shopping which will boost the business of these websites.

Objective of the Study

- To study and analyze the present picture of E-commerce in India

- To study and analyze the future prospects of E-commerce in India.

- To find out the potential of online startups in India.

Present Picture of E-Commerce in India

India has been going from internet revolution from last few years. India has seen witnessed an amazing growth in terms of internet users in the past few years (as shown in the table below). It can be observed from the table below that the total number of internet users in India has increased from 26 million in 2005 to 245 million in 2017. It shows exponential growth in terms of internet users in India. Now India is ranked third among all the internet user countries in the world.

Table 1 - Internet Users in India (Source: www.internetlivestats.com)

Year	Internet Users	Growth	Global Rank
2017	245,198,922	18%	3
2013	213,339,324	37%	3
2012	155,575,944	27%	3
2011	122,970,441	36%	3
2010	90,421,849	48%	4
2009	60,935,069	18%	6
2008	51,450,210	12%	6
2007	45,784,262	43%	6
2006	32,074,981	19%	7
2005	26,917,033	23%	7

Another reason is increasing GDT. The GDP of India has grown by about 5.7% CAGR over the last ten years even when the global economy witnessed one of the worst recessions in the year 2008. This has led to rising disposable incomes and a growing proportion of middle class households which can afford internet and telecommunications easily. Further from this data, you can see that this creates a perfect market situation for the initiation and formation of new online startups in the country.

Table 2 – Per Capita GDP

(Source: *http://www.indexmundi.com/india/gdp_per_capita_(ppp).html*)

Year	Per Capita GDP	Percent Change
2017	5855.306	5.7%
2013	5456.005	7.08%
2012	5095.101	5.55%
2011	4826.965	7.37%
2010	4495.662	10.07%
2009	4084.5	7.81%
2008	3788.712	4.47%
2007	3626.593	11.15%
2006	3262.811	11.03%
2005	2938.758	11.12%

Basic Models of E-commerce

There are basically four models of E-Commerce as mentioned below:

Business to Business (B2B): In this model, one business sells the goods or services to other business. Like a manufacturer sells to the wholesaler or a wholesaler sells the goods to the retailer. The transactions happen between two businesses only.

Business to Consumer (B2C): In this model the goods are sold by a business to the consumer. This is done through online shopping carts and the software etc. in this model, the final consumer chooses what to buy and whole platform is provided by the business.

Consumer to Consumer (C2C): In this model consumer sells to another consumer. There are many websites which offers a platform where the individuals can contact and interact with each

other. There are so many classified ads and internet marketing discussion forums where the common people are selling goods to another people and most the transactions are for the used goods. This kind of model is called C2C ecommerce model.

Business to Government (B2G): This is another model of e-commerce where a business sells its goods or services to the government. There are many businesses who sell the goods or services to the government only. They apply through proper channel and then government is given a platform to place order through online portals, softwares and websites.

Business Models of Online Startups

Recently, there have been many online startups in India like Amazon, Flipkart, SnapDeal etc. Many websites open every day which buys and sells online or provide platform to buy and sell the goods or services online. Any new startup is based on one of the following models of startups.

Online Market Place: This is a model of online startup. In this type of startup website provides a platform to the buyers and sellers to meet them online. The examples of these kinds of startups are like OLX.com etc. In this type of website, then buyers and sellers meet with each other online and do their transactions.

Inventory Based: In this model, the ecommerce company manages its inventory and has a full control over the supply of goods and the logistics. This is a costly model because it involves more infrastructure and human resources.

Affiliate Marketing: In this model, the company provides services and promotes the other companies too. It gets commission on every click on the ads or a purchase made by the user through their affiliate link.

Reasons of Growth of E-commerce

E-commerce provides so many advantages to both i.e. to consumers and to business. It provides a lot to customers a convenience of shopping from their homes, availability of a lot of variety of options to choose, saving time and cost of travel to market and bringing convenience of product delivery to their homes, and therefore saving product transportation hassle during its way to place of buyer.

Customers also get benefits from the timely information about sales and discounts from e-commerce websites. E-commerce platform gives customers, prospects to evaluate and analyze different products as well as to get the precious reviews from the existing product users and customers.

There are many advantages to the sellers themselves. For businesses, E-commerce provides opportunities to enhance their reach without opening too many retail outlets at different places in the country, thus saving cost of buying or renting sites and maintaining them. They can put efforts on their strategies accordingly to increase their reach and monetize the opportunity to aim the most explicit niche. They can get a proper idea about the targeted niche and the competitors who are available online.

People also get motivated due to the strategies followed by the online sellers to attract the customers. These strategies include cash on delivery of the item; flexible goods return policy as well as a simple cash back guarantee, fastest way of delivery at near about all the locations.

Future of E-commerce in India

India is a fast developing country and ecommerce cannot be ignored. In the past, internet in India took more than a decade to move from 10 million to 100 million users and further three years from 100 to 200 million users, whereas it took only few months to move from 300 to 400 million users of internet in India. But still it seems much less when it is compared to its diffusion in the US or UK, but its surely expanding at a really amazing speed. The number of new entrants in E-commerce niche is rising daily and with growth rate reaching at the top; it can be presumed that in the time to come, offline retailers will feel the need to shift to online business from the offline business.

At present, the biggest share of online revenue comes from online booking systems. IRCTC experiences app. 5 to 6.5 lakhs bookings per day at an average. Online fashion and garments market also looks very promising, expected to rise considerably over the coming few years. A lot of factors are there which can contribute to the growth of e-commerce websites in India like increase in disposable incomes, every increasing broadband penetration & a rise in smart-phone users and growing responsiveness among the consumers.

Challenges ahead of the Online Startups

There are a lot of challenges which are being faced by online startups for their businesses. Just for an example, most of the e-commerce websites are now offering the ability to pay cash on delivery to induce the cautious customers who do not feel safe while paying online but it has been experienced that sometimes the recipient do not want to receive the product after making an order. This incurs a huge logistics cost to the seller and leads to poor inventory management or a lot of problems while managing the inventory.

At present, all the ecommerce websites are offering different discounts and offers to increase the sales. The sellers on these websites just pay the listing fee and further discounts and offers are given by the online platforms. Due to which many major online sellers, even if they are doing the businesses from many years are not running in the profits. They have to incur a lot of expense in the form of offers, discounts and cash back promos.

The customers of these websites are not loyal to them. They just make purchases after taking a note of offers and discounts on all the websites. After the comparison of prices and the benefits the customer makes a choice of buying the product. They buy only from those websites which give them best prices, offers, discounts or cash backs, so there is no loyalty towards the brand.

Another issue is that the websites are facing logistics issues as only a small percentage of the customers live in metro cities. Those who do not live in the metro cities, they are generally out of the reach of those logistic companies, but still the websites will have to send them the goods by proper means. It increases the cost of sending the goods to the buyer's destination so making it less profitable.

Fake, misleading and wrong reviews are the another problem faced by the online stores. The people who have or not have bought the products can put reviews about a product which may or may not be correct. Sometimes, the misleading reviews may lead to the dissatisfaction of the potential customer and can damage the reputation of the website, if the buyer believes on a wrong review and makes a buy decision.

Conclusion

An attempt has been made in this paper to provide conceptual knowledge about ecommerce, its models, business types etc. which is based on secondary data and interaction with online buyers and sellers. The following conclusions can be drawn based on this study on present picture and future prospects of e-commerce market.

1. There is a huge potential in Indian market for the expansion of e-commerce. The market is very luring and it has a large amount of untapped platform for online startups.

2. Only a small percentage of total of the internet users are actually the buyers, so there is a huge potential for new startups as they can start online shops and can attract a lot of potential buyers.

3. Government must need to make norms in favour of and to promote e-commerce portals.

4. As the income and the reach to the internet is increasing day by day, it seems that the future of e-commerce websites is very bright.

5. Through demonetization, the government has encouraged common people to use online shopping and have instructed them not to use the cash. So, it is also a major benefit to the ecommerce portals.

6. With the introduction of 4G in India, the speed and connectivity of internet has increased, which is also a booster to internet users and increased exposure of online websites to the users.

Suggestions

There are few suggestions to improve the future prospects of e-commerce websites in India. These suggestions if implemented properly can take the e-commerce business to new heights.

1. Any website providing a platform to sell the goods or services must ask the sellers to sell only genuine products. In this way, the platform will be able to get customers loyalty and it will increase the more profits as the site will be getting more repeat buyers.

2. To increase the loyalty of the customers, the reward offers must be provided by the portals in order to get the customers buy again and again, increasing the revenue.

3. Buyers must be rewarded for the genuine pros and cons reviews. If the reviews are genuine only then the website will be able to get the genuine buyers because the genuine reviews will increase the faith of the potential buyers in the products, buyers as well as in the website. This will increase the capacity of the buyers to take decisions wisely.

4. The websites and the apps providing online shopping options must be created user friendly and with simple language. User friendly sites and apps will increase the number of users and repeat customers. Not only this, any app must be asking minimum number of permissions while installation on a phone. Less the number of permissions required, the more will be the users.

5. The terms and conditions of these websites and apps are very long and unnecessary. Keeping the terms and conditions simple and up to the point will get them more users online and they will be able to make more sales and revenue.

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