

## Chapter 36

# E-Commerce in India: Evolution and Revolution of Online Retail

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### ABSTRACT

*This chapter uniquely reports origin of e-commerce and holistic present scenario of online retail in India. Desk research and extant review of literature from reliable market research reports, books, journals and web has been done to decipher internet penetration, evolution of e-commerce and present scenario. Study observed that India is third largest country in terms of internet users. India will drive e-commerce in Asia pacific region after China and Indonesia. Reasons hampering India from finding place in global retail e-commerce index are also put in foreground. Sequential events leading to growth of different types of e-commerce in India are delineated into two waves to understand the evolutionary process. Out of total non-travel B2C e-commerce, online retail holds significant fifty percent share and its prospects for future growth are extremely positive. Businesses and researchers will find this chapter useful to devise future strategies to win and sustain e-commerce market in India.*

### INTRODUCTION

In India, online consumer base is increasing dramatically, as gadgets like smartphones and tablets are available at reasonable prices and access to 3G and broadband is easy. This technology adoption by masses has fueled the success of domestic e-commerce players like Flipkart and Snapdeal, and lured international players like Amazon and Alibaba into Indian market (PWC, 2015). While domestic companies are experimenting with their business models to attract and expand their customer base (Awad, 2012; Chaffey, 2013; Kalia, n.d.; Laudon & Traver, 2007; Schneider, 2012), international companies

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are banking on their deep pockets, strong domain knowledge and international exposure. One of the fastest growing segments of e-commerce is online retail. Significant funding is required in India due to underdeveloped e-commerce ecosystem (Kalia, Kaur, & Singh, 2015) and e-retailers are deploying large chunks of their investments to build infrastructure like fulfillment and logistics on their own (PWC & ASSOCHAM, 2014).

Young population, growing internet penetration and upwardly rising middle class will propel e-commerce and overall retail business in India in coming years (PWC, 2015). But this opportunity can only be encashed by e-commerce business if they have significant understanding of evolution and current scenario of the Indian e-commerce market which has seen a dotcom burst earlier in 2000 (Kumar & Mahadevan, 2003). Extant review of literature from reliable market research reports, books, journals and web has been done covered in this chapter to present evolution and current status quo of e-retail market in India.

### **INTERNET PENETRATION: WORLD VS. INDIA**

From 1% in 1999, internet penetration has reached 40% of the world population in 2014. Landmark of first billion internet users was reached in 2005, second in 2010 and third is expected by end of 2014. Global internet users by per year since 1993 are mentioned in Table 1.

As seen in the Figure 1, Asia has almost half of internet users i.e. holds 48% (1322491069) of total internet user population. Americas (North and South) comprises 22% (596331291), Europe has 19% (520381481), Africa 10% (268209162) and Oceania holds 1% (25109590) of total internet user population.

In 2014, top 20 countries comprise almost 75% (2.1 billion) of all internet users in the world (2.8 billion). Rest of 25% (0.7 billion) is held among the other 178 countries, each representing less than 1% of total users. China, is on the top of the list with 22% (642 million users in 2014), this user base is more than combined user base of next three countries (United States, India, and Japan). United States, Germany, France, U.K., and Canada have the highest penetration: over 80% of population in these countries has an internet connection. India has lowest penetration (19%) in top 20 countries but highest yearly growth rate (14%). Despite such low penetration rate India ranks third with 243,198,922 users (Table 2). Because of tremendous growth of internet in India there is enormous potential for e-commerce (Joseph, 2012).

### **B2C ELECTRONIC COMMERCE: WORLD VS. INDIA**

Worldwide business-to-consumer (B2C) e-commerce sales will grow by 17.7% this year to reach \$1.771 trillion (Figure 2). This growth is attributed to increase in number of online and mobile users in emerging markets, boom in mobile commerce, better shipping and payment options, and entry of major brands in international markets (Emarketer.com, 2014).

Asia-Pacific will become largest regional e-commerce market in the world in 2014, as B2C e-commerce sales in the region will grow to \$525.2 billion as compared to \$482.6 billion in North America (Table 3) (Emarketer.com, 2014).

In 2014 Asia-Pacific will hold 46% of worldwide digital buyers; these users are just 16.9% of the region's population. This explains that emerging markets are getting strength out of their huge population base that come and shop online for the first time. There will be low penetration in Central and Eastern

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