



E-COMMERCE
INDUSTRY IN INDIA

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Introduction to E-Commerce Industry in India

The E-Commerce industry is one of the most progressive sectors of the economy. The e-commerce market has changed the way business is transacted, whether in retail or business-to-business, locally or globally.

Despite being a developing country, India has shown a commendable increase in the e-commerce industry in the last couple of years, thereby hitting the market with a boom. Though the Indian online market is far behind the US and the UK, it has been growing at a fast pace.

Today, the online shopping has become a trend in India and the reason behind the adoption of this technique lies in the attractive online websites, user friendly interface, bulky online stores with new fashion, easy payment methods (i.e. secure pay online via gateways like PayPal or cash-on-delivery), no bound on quantity & quality, one can choose the items based on size, color, price, etc.

The Key drivers of Indian E-commerce have been:

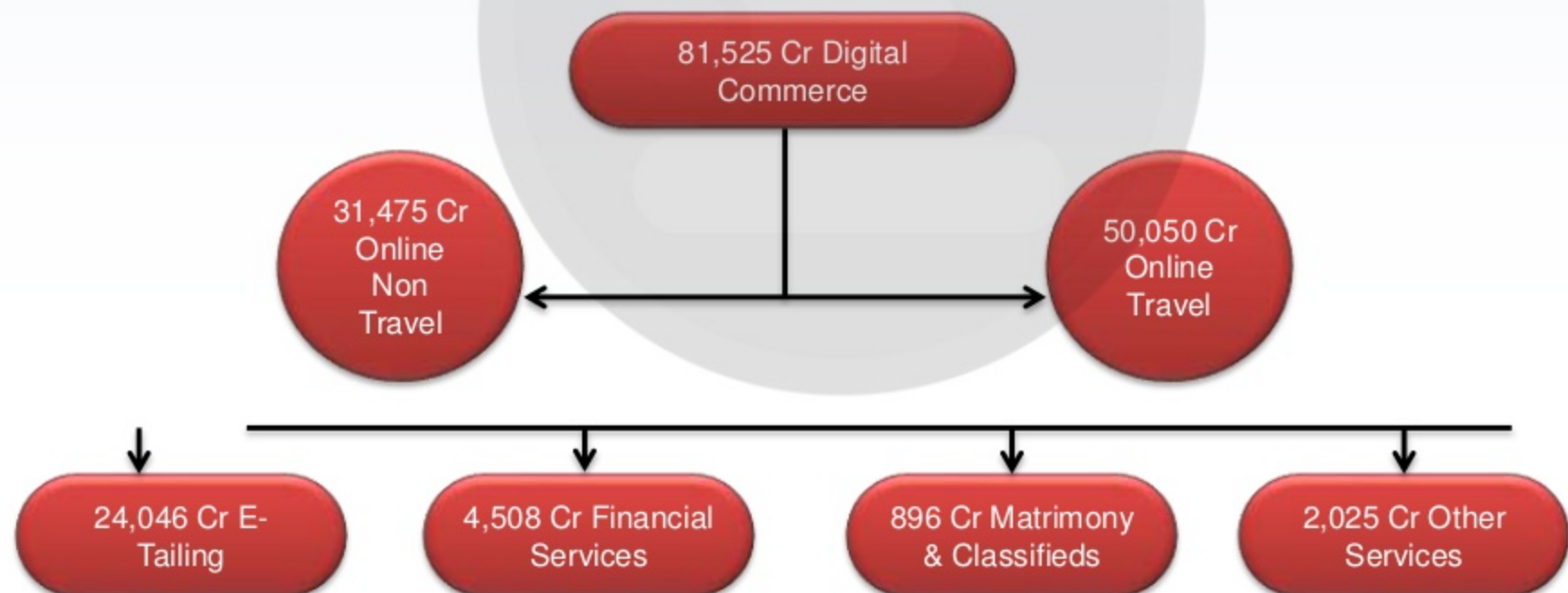
- Increasing broadband Internet and 3G penetration.
- Growing Living standards
- Availability of much wider product range
- Busy lifestyles and lack of time for offline shopping
- Increased usage of online categorized sites
- Evolution of the online marketplace model with websites like eBay, Flipkart, Snapdeal, etc.



Introduction to E-Commerce Industry in India Continue.....

E-Commerce Industry In India Worth \$13.5 Billion In 2014 and predicted that it will Cross \$16 Billion In 2015. According to the latest report by IAMAI and IMRB International, the E-Commerce industry in India reached a value of INR 81,525 crore (US\$13.5 billion) in 2014. The rapid increase in the use of smartphones and internet services has earned India a place among top 20 developing countries on the global forum, as stated by AT Kearney in its 2014 Global retail development Index (GRDI). Consumer behavior has changed rapidly and visiting a local store to buy a mobile phone is now more of a pain.

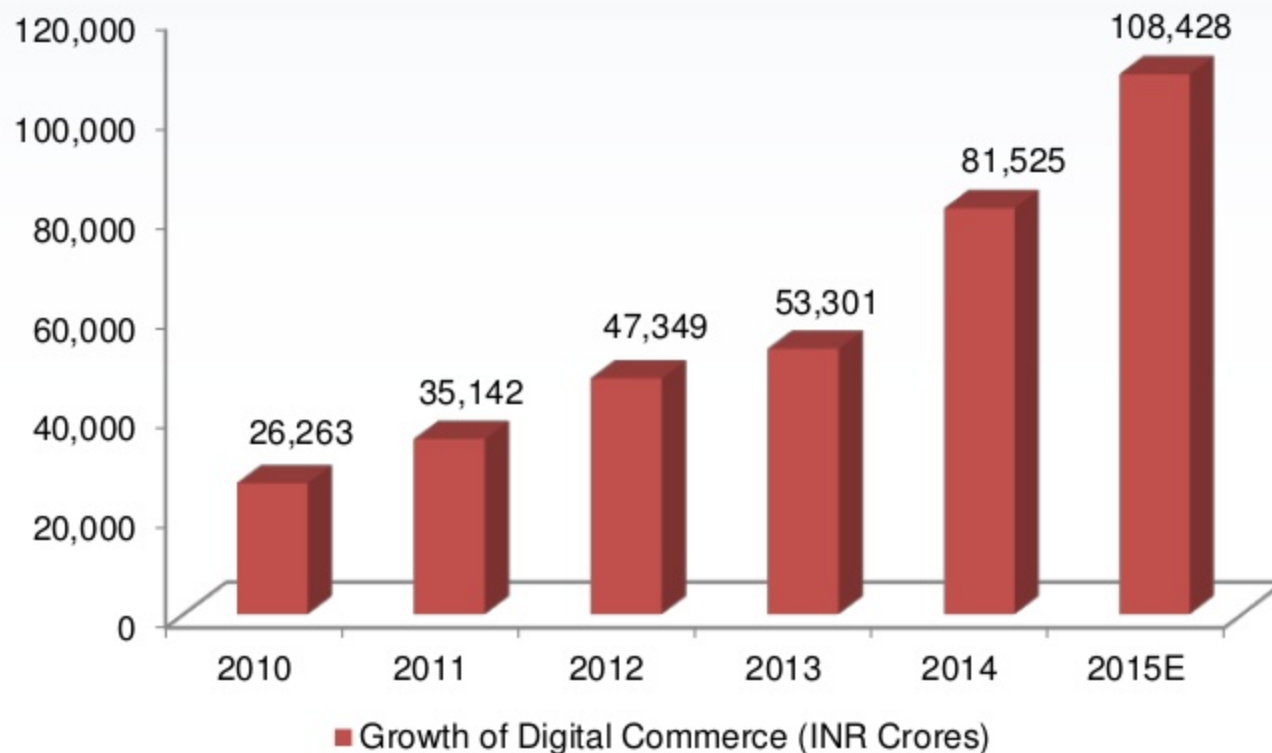
While Flipkart, Snapdeal and Amazon have been touted as the major players in this industry, the report shows that Travel industry comprised almost 61% of the total E-Commerce market. Similarly, e-Tailing grew by 1.4 times since 2013 taking up almost 29% of the E-Commerce market share in India.



Introduction to E-Commerce Industry in India Continue....

According to the report was prepared by IAMAI in association with IMRB International. It is estimated that Overall, transactions worth Rs 81,525 crore happened in 2014, which is 53% more compared to 2013. The report estimates that the industry will grow at a rate of 33% in the next 12 months, which makes the overall market to be valued at Rs 1,08,428 crore by the time 2015 ends with 53 per cent growth.

Growth of Digital Commerce (INR Crores)



Source: IMRB I-Cube 2014, All India Estimates, December, 2014



E-commerce Industry: Current Scenario

E-commerce in India is still in growing stage, but even the most-pessimistic projections indicate a boom. Today e-commerce has become an integral part of everyday life. Accessibility to e-commerce platforms is not a privilege but rather a necessity for most people, particularly in the urban areas.

The first E-Commerce site in India was rediff.com. It was one of the most trafficked portals for both Indians and non-residents Indians. It provided a wealth of Indian related business news a reach engine, e-commerce and web solution services.

Today the number of internet users in the world is close to 3 billion.¹ Out of this, India has a total of 259.14 Million internet and broadband subscribers.² This penetration of internet coupled with the increasing confidence of the internet users to purchase online, has led to an enormous growth in the e-commerce space, with an increasing number of customers registering on e-commerce websites and purchasing products through the use of mobile phones.³ It is not surprising, therefore, that India is in a prime position for the growth and development of the e-commerce sector. In particular, e-commerce presents one of the greatest opportunities in the retail sector.

The mergers and acquisitions are also taking place in e-commerce domain. The flipkart - myntra deal of about 2000 crore has resulted in huge growth in merger and acquisition transactions.

IRCTC which deals with online ticketing of the Indian railways has transformed railway ticketing in India to the extent that it is largest e-commerce portal in the SAARC region. Its convenience and ease of use has made this portal popular and changed the face of online booking with high confidence of its users.

¹Cited from "Internet Usage Statistics - The Internet Big Picture - World Internet Users and Population Stats" available at <http://www.internetworldstats.com/stats.htm> (last visited on January 22, 2015)

²Cited from "The Indian Telecom Services Performance Indicators (April – June 2014)" available at <http://www.trai.gov.in/WriteReadData/PIRReport/Documents/Indicator%20Reports%20-%20Jun-14.pdf> (last visited on January 22, 2015)

³<http://blogs.wsj.com/indiarealtime/2014/10/15/mobile-shopping-set-to-dominate-indias-e-commerce-market/> (last visited on January 22, 2015).



E-commerce Industry: Current Scenario Continue.....

India is on route to becoming the world's fastest growing e-commerce market, if current projections are anything to go by. This growth story is being driven by robust investment activity in the sector and the rapid increase in internet users. Internet users in India have gone up from 50mn in 2007 to 300 million in 2014.

Once upon a time, there was nothing like online shopping in India. With an internet user base of about 250.2 million as of June 2014 and a \$400 billion industry to tap, India is the hottest destination for online retailers.

Out of the current market size of \$16bn, travel bookings with \$9bn has the lion share of the market. Airlines accounts for 56 per cent, rail 34 per cent and hotel and others 10 per cent. The best example of successful Indian e-commerce is a government venture. The Indian Railways booking site IRCTC had \$ 3bn GMV in 2014 with online bookings now accounting for 43% of all bookings. Its success indicates that the Indian consumer is willing to accept technology if it is a compelling value proposition.

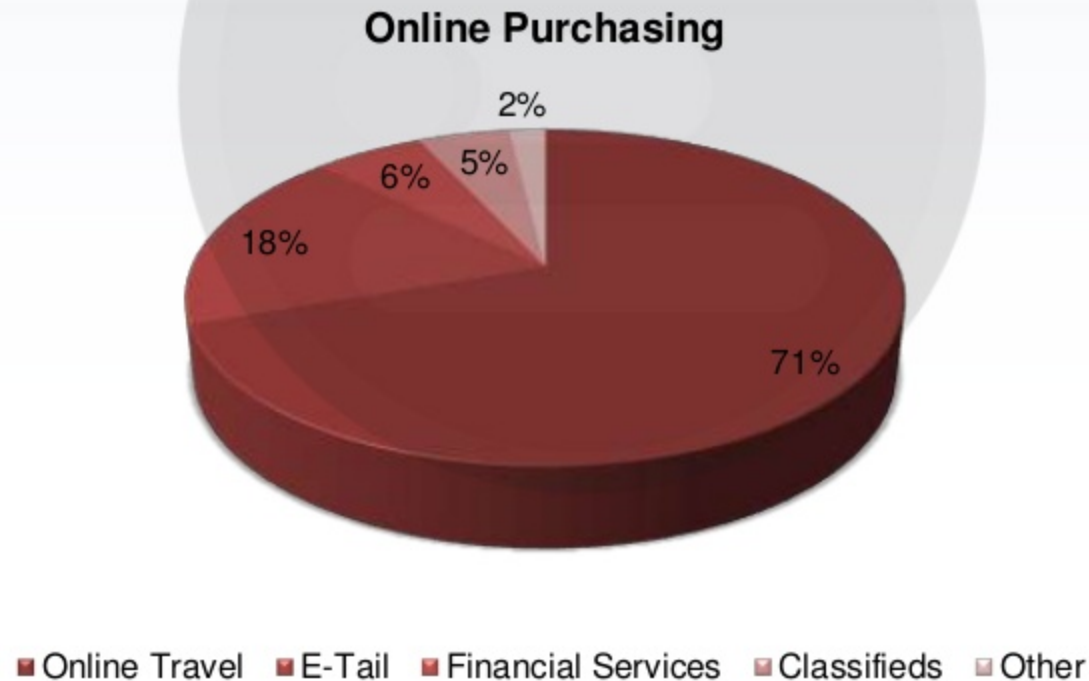
Presently the Indian Government has allowed 100% FDI in B2B e-commerce, while business-to-consumer (B2C) is prohibited. In addition to that there's a compulsory 30% local sourcing norms for foreign players.



E-commerce Industry: Current Scenario Continue.....

Most online spend today is focused on travel. Estimates put online travel (rail, air, bus, hotel, and tours) at 71% of e-commerce spend, with B2B/B2C e-commerce at 5%. Within online travel, air travel is 50-60% of spend. Online purchasing for bus travel is small compared to air travel. Only 2% of online spend for travel is on bus tickets.

Penetration rate in spend on bus travel is small relative to air travel. RedBus estimates that only 9% of spending on bus tickets is through online bookings, compared to 35% of air travel in India.



Source: World Bank, IAMA, Aranca, Deutsche Bank



Indian E-commerce Timeline

There are hundreds of other ecommerce websites in India but we have tried to assemble the game changers of the Industry. Lets have a look on the timeline of Giants emergence in the Industry.

2000: Indiatimes Shopping - Under prestigious Times Group, it operated as a marketplace model, like eBay, with sellers being allowed to sell directly on the website under their name and warranty. online shopping started here at a big level. A taste of online shopping was served here. Elegant and powerful till date.

2005: Ebay.in - This multi billion dollar company made its debut through Baazee.com and understood the potential of Indian online market.

2007: Infibeam.com - Launched in year 2007, it now collects a whooping revenue of 10 billion rupees. This online portal was first in its league. The best part is that its founder sold all his asset just to start this company with no external venture capital funding.

2007: Flipkart.com - Launched in year 2007, because of it, Amazon is now fighting its own employee built rival company. Flipkart.com is the dragon of online shopping in India.

2007: Myntra.com - It was launched in year 2007 now merged with Flipkart.com to fight Amazon.in, Myntra have a brilliant tap over the customers who love fashion & variety.

2007: Inkfruit.com - A 'hatke' site, launched in 2007 focused on trend and redefining style. It later merged with Zovi.com to compete harder with the fast growing competition in Indian Retail market.

2008: Homeshop18.com - Again a 2008 product Homeshop18 has grown from Television to laptop. This portal is a unique experience in itself. The deals are so lavishing that you cant take you eyes off them. It was launched 7 years ago at 24X7 T.V. channel selling products through Anchors. Later in 2011 it was launched as a website.

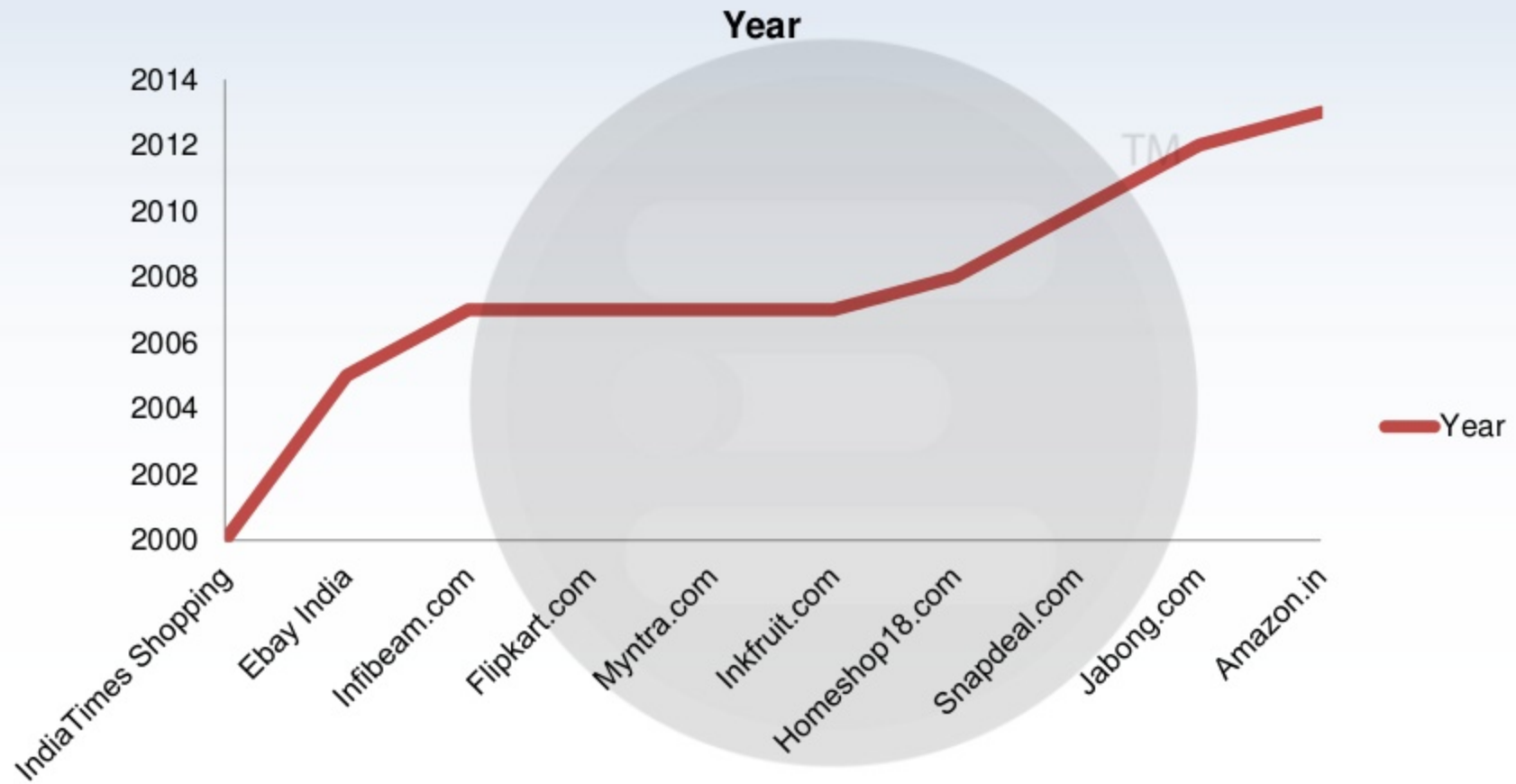
2010: Snapdeal.com - Five years ago with four square growth, started as a deal and coupon site, Snapdeal soon switched to became an ecommerce portal to harnessing the power of online retailing. And now it stands as a multimillion company regulating tides of online retailing.

2012: Jabong.com - It has been 3 years since its inception but the brilliant service and amazing understanding of customer needs have turned this online shopping portal into a nuclear of e-retailing in India. It majorly focus on Tier-II & Tier-III cities.

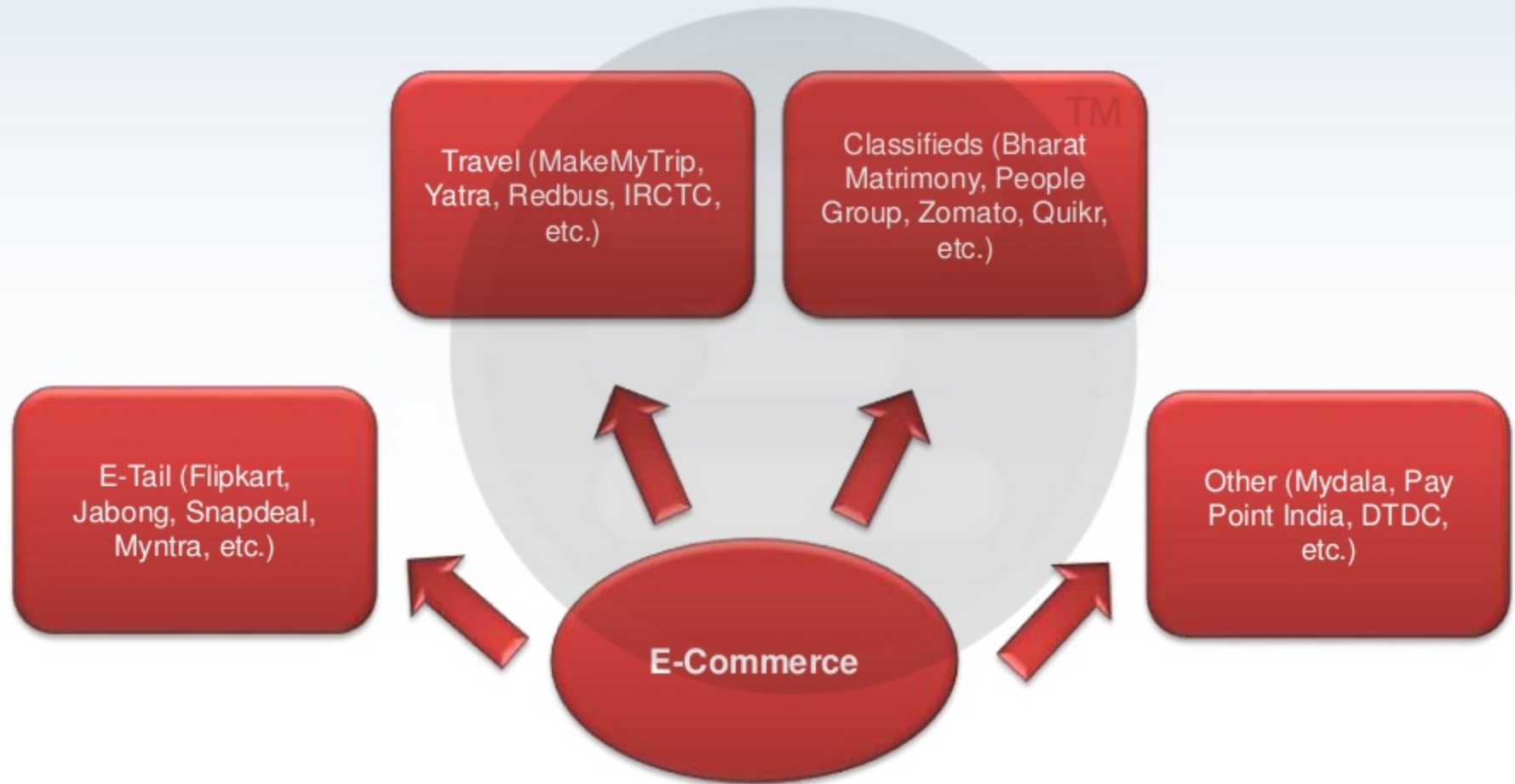
2013: Amazon.in - Came in 2003 and plunged a \$2 billion investment to crush the competition and grow. This is in fact the spice of worlds largest online retailer fighting in India for its dominance.



Indian E-commerce Timeline Continue.....



E-commerce Industry: Classification



E-commerce Industry: Classification Continue.....

E-Tail

E-retailing in India is booming at a great pace with the current market value being \$2.3 Billion which has grown from the \$600 million two year ago. It is expected to reach \$32 Billion by the year 2020. Almost 50% of people who consume e-retail are from small town while the rest 50% is from the 8 major metros. This clearly denotes that E-Commerce is skipping the evolution of one generation of retail in the country.

The major players in the Indian e-Commerce industry are Flipkart, Snapdeal and Amazon. The three are competing not for profit but to own the major part of the revenue pie. Between the war of these clans, there have been major acquisitions, mergers and pivoting. Flipkart has acquired Myntra, while Tradus and Yebhi have pivoted their business models. Tradus is now a fresh food and grocery E-Tailer, while Yebhi is an aggregation website for fashion products listed on other sites.

FirstCry, HopScotch and BabyOye are the leading players for baby care products in the industry. FirstCry is the leader in the baby care products online retail segment, and has been around for 4 years now. HopScotch is a relatively new entrant and has a flash sales model (which offers smaller scale) as opposed to FirstCry's inventory-based model. BabyOye follows both an inventory storage model and a just-in-time arrangement with its distribution partners. It had acquired its competitor Hoopos in late 2013. In return, BabyOye has been acquired by the Mahindra group in February 2015. It appears that the niche baby care players have increasingly been edged out of the market by the large horizontal players such as Flipkart, SnapDeal and Amazon. As a result, out of the half a dozen baby care focused players that had sprung up about five years ago, only a couple of E-tailers, like FirstCry and Hopscotch, remain in the game.



E-commerce Industry: Classification Continue.....

E-Tail Continue.....

The lifestyle categories consist of apparel, shoes, jewellery, accessories and home décor and accounts for a massive 45% of the entire e-retail market. With the acquisition of Myntra, the prominent players are Jabong, Zovi and FashionAndYou. They continue to face enormous competition from the horizontal players such as Flipkart, SnapDeal and Amazon that are focusing on fashion more and more.

Among the current verticals of Indian ecommerce, online travel segment still holds the biggest pie with 61% market share or Rs 49,730 crore. E-tailing which involves buying and selling of consumer products online increased their share to 29% or Rs 23642 crore. Overall, e-tailing grew 1.4 times compared to 2013.

Here is a breakdown of the e-tailing segment in 2013:

- ❖ Mobile and accessories: 41% or Rs 9936 crore
- ❖ Apparels, Footwear and Personal items: 20% of Rs 4699 crore
- ❖ Consumer durables and Kitchen durables: 14% or Rs 3404 crore
- ❖ Laptops, Notebooks and Tablets: 11.75% or Rs 2780 crore
- ❖ Home furnishing: 4.4% or Rs 1059 crore
- ❖ Books: 2.7% or Rs 648 crore



Travel

As per the recent IAMAI report on the state of Indian ecommerce industry, it was revealed that with 61% share or Rs.50,050 crore of the digital transactions in 2014, travel industry is still the biggest segment. Three shifts are underway. One, with air tickets becoming a staple, travel portals are turning their focus to hotel bookings and travel packages. "Online penetration (of hotel bookings) is only around 7%," says a recent Nomura research report.

Presently, there are around 80 online travel start-ups in India, generating a revenue of approximately US\$ 9.7 billion and a growth of 31 per cent year on year. "The January-April 2015 quarter has seen the segment receive a funding of approximately US\$ 40 million (source Venture Intelligence data). This is a significant increase when compared to US\$14.8 million invested in the online space during January-April 2014. Further, till December 2014, the segment had received a total of US\$ 115.69 million spread across 13 deals. If we go by this trend, it is quite possible that the travel industry will continue to receive investor support in the current fiscal as well," opines Rajat Tandon, senior director, NASSCOM 10,000 startups Program.

The biggest players in the travel category are Makemytrip.com, Yatra.com and the IRCTC website for railway bookings. The unfettered growth of online travel category has been possible because the regulatory and infrastructure issues do not impede its growth. Also, it does not face the infrastructure challenges since the goods need not be transferred physically.



E-commerce Industry: Classification Continue.....

Classified

Along with travel, e-Tailing and other sectors, classifieds market grew remarkably, with a value of INR 896 crores (US\$1.4 million) by December 2014. Competing with the major players in the digital commerce sphere, online service market grew with a CAGR of 73% since 2010. It estimated a value of INR 2,025 crores (US\$3.3 million) by December 2014. Among online ticketing services, online commuting, online food and grocery delivery system, the food retail sector saw a boom of 40% over the last year, and by December 2014 estimated a value of INR 350 crores (US\$55.9 million).

B2B and B2C Classifieds (jobs, matrimony, car, real estate etc.) contribute to 5%, whereas other online services such as online entertainment ticketing, online food delivery, buying discounts/deals/vouchers etc. form 2 % of the overall market.



E-commerce Industry: Key players

Flipkart

Flipkart is a leading e-commerce company and grab the first position after acquire myntra in a deal of \$3.1 billion. Flipkart has started as a price comparison online portal with an initial investment of 8,000 USD and later turned into an e-retailing giant which recently ticked the 1 billion USD in gross merchandise volume. It started with a consignment model where goods were procured on demand and turned into inventory e-retailer supported by registered suppliers since it provided better control on the logistics chain.

Flipkart began selling books to begin with. It soon expanded and began offering a wide variety of goods. Innovating right from the start, Flipkart has been home to few of the striking features of Indian e-commerce. Flipkart was the first to implement the popular 'Cash On Delivery' facility, which every online shopping website in India offers as an option today.

Flipkart established warehouses in Delhi, Bangalore, Mumbai and Kolkata managing a fine balance between inventory and cost of delivering goods. Facing difficulties from the 3PLs in the form of higher delivery cost, late deliveries and faulty products delivered resulting in return and customer dissatisfaction, it has started its own logistics arm named e-Kart.

E-Kart provides a robust back-end support to Flipkart and ensures timely deliveries. To achieve the economies of scale, recently e-Kart started providing back-end support to other e-retailers. It has consolidated the market and added strengths by acquiring We Read, Mime360, Chakpak.com, Letsbuy.com and Myntra along the way. The company employs around 13,000 employees and plans to add 10,000 to 12,000 more in next one to three years after a recent acquisition of Myntra.

Flipkart is planning to enter into grocery segment soon after amazon started its grocery pilot project in Bangalore as Kirana now. Both amazon and Flipkart may face stiff competition from local startups like bigbasket, zopnow, bazaarcart etc.



E-commerce Industry: Key players Continue.....

Amazon India

Amazon started practicing the market place model by launching its site in early 2013 in India. It started registering electronics goods sellers and ended FY 2013 offering nearly 15 million products. Amazon reported the revenue of \$89 billion in 2014.

Amazon India has two fulfillment centers in Mumbai and Bangalore and plans to start five new fulfillment centres across the country. Known for its strong last-mile delivery network, Amazon India has set up a logistics arm named Amazon Logistics and started offering same day delivery.



E-commerce Industry: Key players Continue.....

BookMyShow

BookMyShow is India's biggest online movies and events ticketing company and occupies 85 to 90 percent of the online entertainment-ticketing market; 70 percent of its sales comes from movie tickets and the remaining from sports, plays and live events. At present, sports accounts for almost 20 percent of its revenues and is seen as a future growth area. BookMyShow reaches about 800 to 900 cinemas in 200 cities and towns. About 60 percent of its transactions take place via its mobile app which, say experts, is the most successful mobile ecommerce app in the country.

Paytm

Paytm is a unique web-cum-mobile platform. It has taken a big leap towards mobile commerce, trying to cash in on the wide mobile handset penetration, and is today India's largest mobile commerce company. It started by offering mobile recharge and utility bill payments, and now offers a full marketplace to consumers on its mobile apps. It has over 20 million registered users and has in a short span of time scaled to more than 15 million orders per month.

Paytm is already a leading firm in the electronic payment space. The long-term goal of Paytm is to be a financial services company for India's unbanked population (41 percent of the total). The company intends to be the first gateway for paying bills and transferring money.



E-commerce Industry: Key players Continue.....

IRCTC

India first came into interaction with the online E-Commerce via the IRCTC. The government of India experimented this online strategy to make it convenient for its public to book the train tickets. Hence, the government came forward with the IRCTC Online Passenger Reservation System, which for the first time encountered the online ticket booking from anywhere at any time. This was a boon to the common man as now they don't have to wait for long in line, no issues for wastage of time during unavailability of the trains, no burden on the ticket bookers and many more. The advancements in the technology as the years passed on have been also seen in the IRCTC Online system as now one can book tickets (tatkal, normal, etc.) on one go, easy payments, can check the status of the ticket and availability of the train as well. This is a big achievement in the history of India in the field of online E-Commerce.

After the unpredicted success of the IRCTC, the online ticket booking system was followed by the airlines (like AirDeccan, Indian Airlines, Spicejet, etc.). Airline agency encouraged, web booking to save the commission given to agents and thus in a way made a major population of the country to try E-Commerce for the first time. Today, the booking system is not just limited to the transportation rather hotel bookings, bus booking etc. are being done using the websites like Makemytrip and Yatra.

