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E-COMMERCE IN INDIA: EVOLUTION AND GROWTH

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The objective of writing this article is to trace the ecommerce evolution in India. The authors based their article on the secondary sources of data. The reader will gain knowledge about the ecommerce business in India, its comparison with offline retailing, how the e-commerce works, challenges and the way forward. E-Commerce became possible when the internet was opened in the year 1991 for commercial use. With the development of security protocols (for example, HTTP) and DSL that allowed rapid access and a persistent connection to the internet, the medium became popular in 1994 with the general public. By 2000, a large number of US and Europe companies offered their products and services in the World Wide Web using secure connections and electronic payment services. Although the dot-com collapse in 2000 led to many ecommerce companies winding up, the "brick and mortar" retailers recognized the advantages of electronic commerce and began to add such capabilities to their websites. E-business is a structure that includes not only those transactions that center on buying and selling goods and services to generate revenue, but also those transactions that support revenue generation. These activities include generating demand for goods and services, offering sales support and customer service, or facilitating communications between business partners. Although India's ecommerce is growing, there are certain challenges that the industry needs to overcome. Ecommerce in India is growing not just because the internet penetration is increasing but also due to the favorable ecosystem developed by the market. Although the trust of people towards online shopping is less, it is noted that with time the trust is increasing resulting in the growth of the industry. The industry also needs to look for higher penetration in smaller towns besides addressing the bigger challenges like the security and payment options.

Keywords: E-Commerce, Internet transactions, Online stores, Logistics, Mobile commerce

INTRODUCTION

E-Commerce became possible when the internet was opened in the year 1991 for commercial use. During earlier times in the late 1970s, e-commerce meant the process of execution of commercial transactions electronically with the help of the then leading technologies such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT).

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With the development of security protocols (for example, HTTP) and DSL that allowed rapid access and a persistent connection to the internet, the medium became popular in 1994 with the general public. By 2000, a large number of US and Europe companies offered their products and services in the World Wide Web using secure connections and electronic payment services. Although the dot-com collapse in 2000 led to many e-commerce companies winding up, the “brick and mortar” retailers recognized the advantages of electronic commerce and began to add such capabilities to their websites. For instance, when the online grocery store Webvan collapsed, two supermarket chains Albertsons and Safeway began to use e-commerce to enable their customers to buy groceries online. By the end of 2001, Business to Business (B2B) Model, the largest form of e-commerce, had around $ 700 billion in transactions.

E-business is a structure that includes not only those transactions that center on buying and selling goods &services to generate revenue, but also those transactions that support revenue generation. These activities include generating demand for goods and services, offering sales support and customer service, or facilitating communications between business partners.

E-commerce businesses usually employ some or all of the following practices:

· Provide “virtual storefronts” on websites with online catalogs, sometimes gathered into a “virtual mall

· Buy or sell on websites or online marketplaces.

· Gather and use demographic data through web contacts and social media.

· Use electronic data interchange, the business-to-business exchange of data.

· Reach prospective and established customers by e-mail or fax (for example, with newsletters).

· Use business-to-business buying and selling.

· Provide secure business transactions

The E-Commerce way provides benefits of low overheads, low maintenance, worldwide market and 24x7 operations

E-COMMERCE IN INDIA

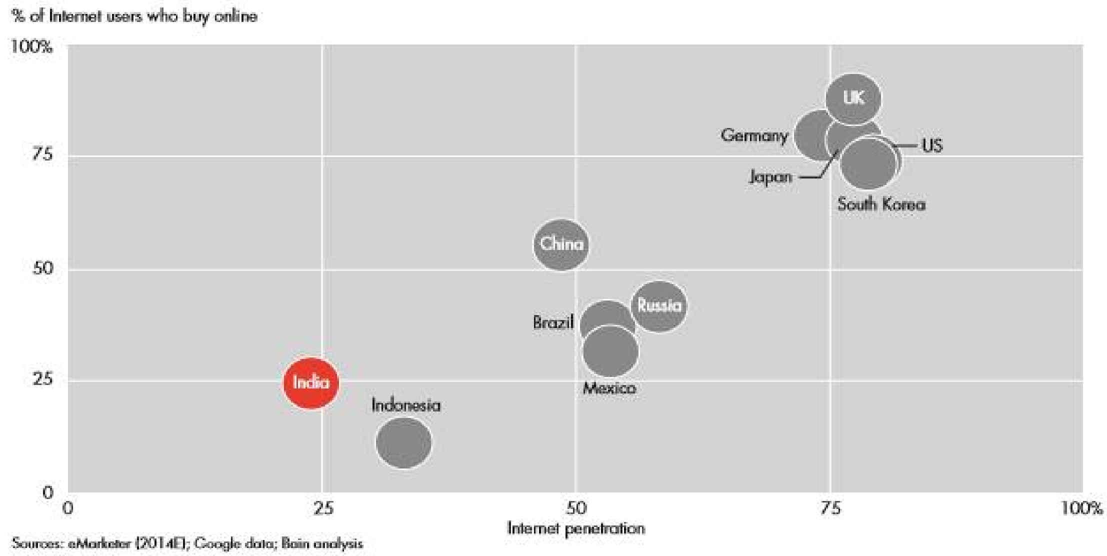
According to Flipkart CEO Sachin Bansal, going forwardIndia is going to be the third biggest e-commerce (market by value) in the world (after the US and China).

The explosive growth of Flipkart and Snapdeal.com shows that Indian shoppers are willing to buy a range of products online, which gave a strong boost to investor confidence, according to Vani Kola, managing director at Kalaari Capital which is an investor in Snapdeal and online innerwear seller Zivame.

Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. 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.

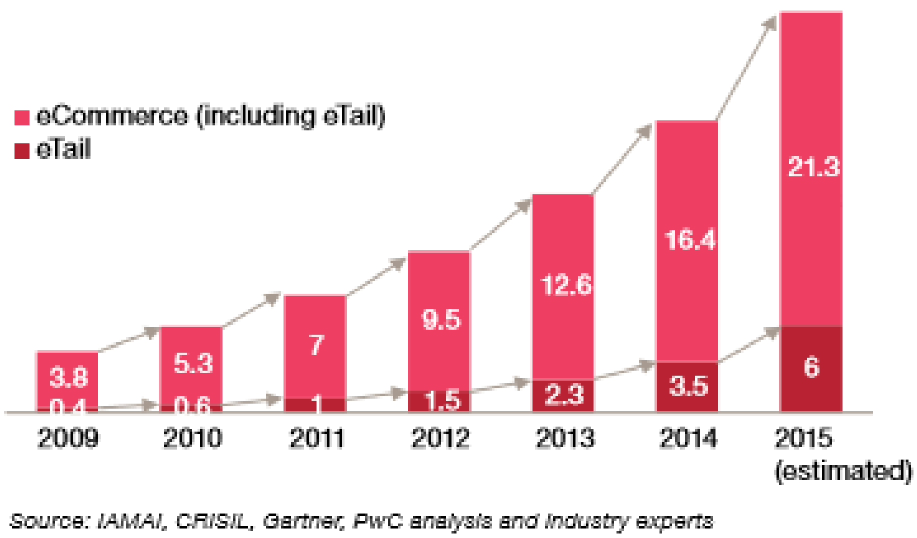
With just 24% of its population online today, India’s Internet penetration is still just about a third that of the other BRIC countries (Figure 1) and similar to less developed countries, such as Yemen and Angola. With approximately 250 to 300 million Internet users, it is the second-largest country by users globally—just behind China and ahead of the US.

Figure 1: Online Internet Buying Across Countries



According to Gartner Inc. estimates, the India's e-commerce market will reach $ 22 billion in 2015, a 34 per cent increase over 2014 revenue of $16.4 billion. Out of this, the e-tail market is pegged at $6 billion in 2015 as against $3.5 billion in 2014. Shoppers in India are increasingly using their "Smart phones" to buy products leading to 35% of their traffic coming from the mobile phone. With the high penetration of phones in India and with improving Internet connectivity, e-commerce firms are expected to reach millions of new users in the coming years (Figure 2).

Figure 2: India's eCommerce and eTail Growth



Industry studies by Internet and Mobile Association of India (IAMAI) indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms: online retail and market place has become the fastest-growing segment. Calculations based on industry benchmarks estimate that the number of parcel check-outs in e-commerce portals exceeded 100 million in 2013.

However, this share represents a miniscule proportion (less than 1%) of India's total retail market, but is poised for continued growth in the coming years. If this robust growth continues over the next few years, the size of the e-retail industry is poised to be 10 to 20 billion USD by 2017-2020. This growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals.

According to the KPMG and IAMAI report, only around 10,000 out of the more than 150,000 pin codes in the country are covered by courier companies. The penetration of courier services is critically important to boost online shopping as deliveries are mostly done through them.

Major Milestones of India E-commerce Market

Internet was opened for commercial use in the year 1991. The medium became popular with the general public in 1994 with the development of security protocols and DSL that allowed rapid access and persistent connection to the internet.

The major milestones of the Indian E-Commerce market are outlined below in Figure 3.

1995: The Internet Wave

With the advent of the Internet in 1995, India witnessed the setting up of B2B portals, matrimonial sites, job search directories and online stores through Rediff.com and Indiatimes.com. However, these smaller initiatives did not thrive due to several factors, such as low Internet penetration, slow Internet speed, and small user base for online shopping, inadequate logistics infrastructure, low consumer acceptance of e-commerce and the lack of a tangible revenue model. More than a thousand e-commerce businesses collapsed due to the IT downturn in 2000.

2005: Low-Cost Carriers and e-ticketing

In 2005, low-cost carriers entered the aviation

Figure 3: Major Milestones of the Indian E-Commerce

Source: website, http://ecommerce24.in sector and drove the online travel industry, leading to the e-ticketing sites. The Indian Railways also implemented e-ticket booking and accepted digital payments through credit cards. Eventually, consumers got accustomed to e-tickets and the skepticism regarding online usage of credit cards reduced considerably. The change in consumer lifestyle, the rise in disposable income of the middle class and the need for convenience acted as catalysts and thus began the era of e-tailing. This period saw a sharper focus on revenue generation.

2007 Onwards: The New Age e-commerce

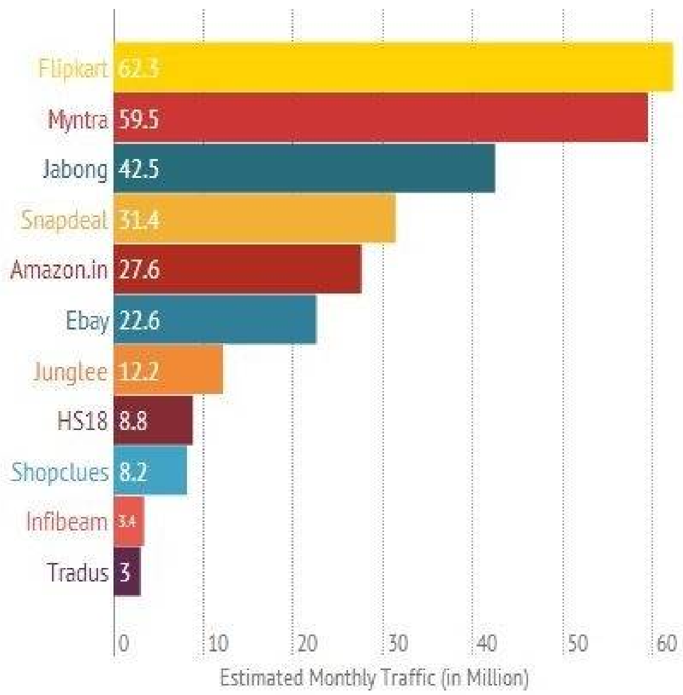
Post 2007, a number of start-ups stepped into the Indian e-commerce market to make it big. These included companies such as Flipkart, Infibeam, Myntra and Snapdeal. These portals gained customers through rigorous marketing and also by offering services such as group buying and the daily deal discount models. Heavy discounts were offered as incentives to gain customer loyalty. The forward and backward linkages of these sites were strengthened as well.

2014: Last year

2014 turned out to be one of the most important years for Indian e-Commerce sector with estimated revenues of around US$16.4 billion out of which e-tail constituted $3.5 billion.

Looking at 10 Indian e-commerce sites based on the monthly traffic they generate and using Similarweb to find out the numbers for comparison, statistics have been taken for the month of April 2014 (Figure 4).

Figure 4: Estimated Monthly Traffic



Source: website, http://trak.in

Flipkart topped the charts with over 62 million visits with Myntra coming shade lower at 59.5 million. Given that both of them have come together, purely based on the traffic, they clock more traffic than the rest 8 players combined.Jabong took the bronze position with 42.5 million visitors followed by Snapdeal (31.4 million). Amazon.in clocked a respectable 27.6 million visits considering that it has not even completed a year since its launch as yet. Also, if Junglee, which is owned by Amazon, is combined their traffic comes to 40 million visits.

In the recent month of August 2015, Flipkart topped the charts with over 87.1 million visits with Myntra contributing to 2.0 million. Amazon.in clocked in second at 77.8 million visits followed by Jabong with 67.3 million visitors and Snapdeal with 41.6 million. Shopclues stood with 11.90 million visitors.

A major growth in online shopping was witnessed since the introduction of Cash on Delivery (COD) and free return options. The price war among sites also brought another feature of comparison to customers where they could review product characteristics and prices featured on different sites.

The rate of growth of e-commerce is so rapid that the prevailing view is that the industry would reach a size of $20 billion by 2020. The factors fueling this rapid growth are

- Increasing broadband Internet and 3G penetration
- Rising standards of living and a burgeoning, upwardly mobile middle class with high disposable incomes
- Payment gateways such as net banking and cash on delivery
- Logistics with importance to reliable delivery
- User Experience
- Availability of much wider Product Range compared to what is available at brick and mortar retailers

The current broad sales pattern of e-commerce industry is 47% electronics, 31% apparel and 22% other goods. There are three kinds of models operating in the e-commerce industry in India as of date.

Marketplace model: Amazon and Snapdeal operate on this kind of model where their role is to facilitate the sale and fulfill it by handling logistics, deliveries and returns. They do not hold any inventories on their books.

Hybrid model: Flipkart acts as a market place and also holds its own inventory. However, it has now moved to the marketplace model

Inventory model: Myntra and Jabong, which are primarily apparel portals, have an inventory model. They have moved to a hybrid market place but it is still skewed towards the inventory led model.

The underlying revenue for the above models is commissions. The costs for the online retailers are the discounts, free delivery and customer returns. These costs are referred to as ‘customer acquisition costs’. The largest cost is the discounts offered on owned merchandise or the cost of funding discounts in a marketplace model. These discounts are offered over and above the discounts offered by brands or sellers of the product and are usually offered to the customers in the form of coupons. They are known as cart discounts because they can be availed once the customer adds the product to his or her cart. The discounts sometimes can amount to losses at the gross transaction level in the hybrid model. In a marketplace model, they sometimes exceed the commissions that the e-tailer earns. E-tailers bear these losses for customer acquisition. However these discounts are not limited to a one time purchase and are often open for all, not distinguishing between old and new customers. This implies that they are given not only for customer acquisition but also for customer retention. There are cases where coupons are offered for registering on the portal. Clearly the e-tailers losses are the customer gains.

ONLINE VS. OFFLINE RETAILING

The below Table 1 compares the online store vis a vis the brick and mortar.

Online Experience Offline

How would you like it if you could go to a garment store, stand before a screen there, and see how you would look in one of the dresses displayed on a poster without trying it out? Or walk into a mall, and have your favorite brand find out you are in there and offer you a special discount? Brands know you will love this and are roping in startups to bring such technology inside brick and mortar stores.

Offline retailers are coming up with a concept called as 'virtual reality', 'unlimited product stock', 'similar searches' or 'related product' options. Nike, USPA, Being Human, etc. are among the brands using technology products in their stores to give customers the advantages that e-commerce portals offer.

The firm installs a tablet like device in the store, which customers can use to browse through all the brand's products, the way they would on an e-commerce portal. It allows customers to mix and match products and see how they would look in the ensemble. There will also be more engagement between the customer and the store sales person.

Comparison with E-Commerce in USA

In Table 2, a comparison of E-Commerce in India is made with that of USA.

HOW E-COMMERCE WORKS

In this section an insight is provided on how the E-commerce works (Figure 5).

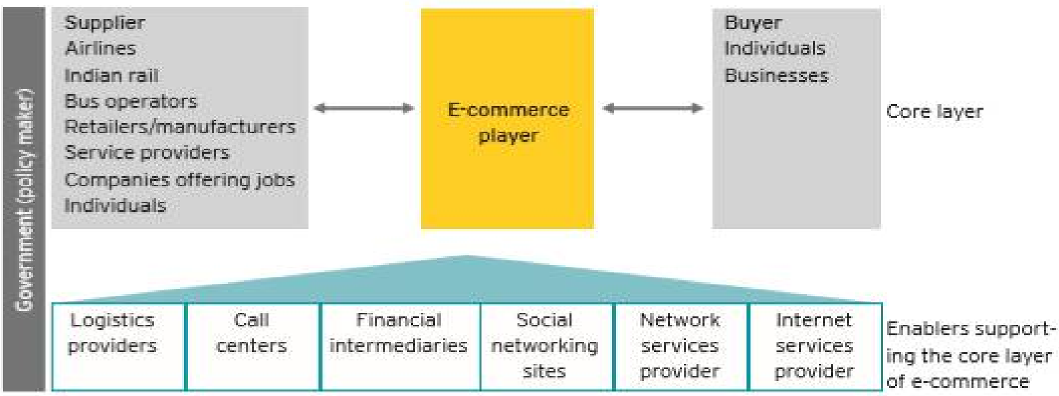
Table 1: Online vs Offline

Need	Online Store Advantage	Brick and Mortar Advantage
Convenience(Shopping solutions that require less time and effort)	No travelAvailable 24X7 Features like automatic replenishment Avoiding crowded stores/Checkout lines	No waiting time for delivery Easy to address immediate or special needs
Price – Value(Higher quality for a certain price)	Easy price comparisonAccess to deals and coupons	No shipping fees or stringent return policies Ability to inspect products for quality Exposure to promotions sampling and signage
Choice(Variety to meet more customer needs)	Broader product rangeAccess to more retailers Ability to seek help/advice Ease of research	Easy to interact with, evaluate and select products Experience through tailored customer assortment, layout or prices Interaction with store associates

Table 2: Comparison of E-Commerce in India and USA

Factors	India	USA
Payment Mode	Mainly cash on delivery (CoD) Less credit cards Wary of prepaid orders and price conscious	Mainly credit cards or PayPal More credit and debit cards
Technology	Site crashes and ERP system issues are common	Strong
Logistics	Picking up	Strong
What people buy online more	Apparel, Electronic items and E-tickets	Apparel, Electronic items, E-tickets and Grocery Automobile Real Estate Jewellery
Customer behavior	Consumer driven excitement for shopping festival is less	Consumer driven excitement for shopping festival is more
Government regulations	Yet to mature for online retailing No clear FDI guidelines till date Regulations on steep discounting has not yet been implemented	Rules and regulations are in place

Figure 5: How the E-Commerce works



Source: website of E&Y

Key Stakeholders

Multiple stakeholders are engaged in E-commerce

Stakeholders coordinate among each other to facilitate the three main flows in an e-commerce transaction:

Product flow: Goods from suppliers to end consumers.

Information flow: Information transmission of orders from customers and subsequent information flow of order status through the value chain.

Money flow: Payments from consumers to e-commerce players or suppliers through financial intermediaries.

Type of E-commerce

Types of E-commerce Business

Vanity: Vanity websites allow you to promote an individual interest or indulge in a hobby. An example of a vanity site is a writer who starts a blog as a form of self-expression. A vanity site typically is not a means to earn a large income. However, some income may be generated by using an ad serving application, such as Google AdSense, to place advertisements on your site that produce revenue when visitors click on them.

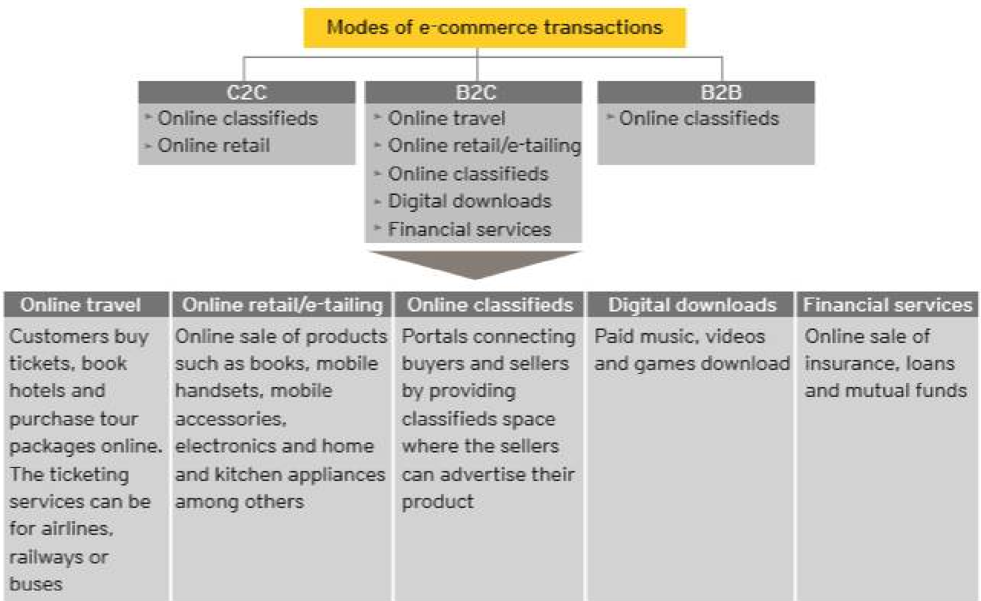
Storefront: A storefront is used to sell products via a website. Products may be manufactured by the seller or sold through methods such as drop shipping, in which a site owner sells the products of a third party. Auction websites such as eBay.com are another common form of storefront site from which entrepreneurs can sell merchandise through a bidding process.

Subscription: Subscription websites allow readers to gain access to information in a method similar to subscribing to a newspaper or magazine. Entrepreneurs who possess a high level of expertise in a field, such as investing or how to make money through a particular business venture, often use subscriptions as a revenue source. They may disseminate information in the form of a newsletter sent periodically by email.

Business-to-Business: Business-to-business e-commerce sites, also known as B2B, give businesses the opportunity sell products to other businesses online. Purveyors of products such as computer systems and office supplies allow small business owners to make purchases without having to visit a physical location. This can save them time and perhaps even money, such as when they receive discounts for buying through a website.

Affiliate Marketing: Affiliate marketing is when one business sells the products of another in return for a commission. An example of an affiliate marketing model is when an individual creates a website providing information about stock market investing. He then registers with the affiliate program of a business that sells a book about how to make money investing in stocks and places a link to the book on his site. When a customer clicks on the link and purchases the book, the site owner receives a commission.

Figure 6: Models of E-Commerce Transactions



Various Models and Its Link

E-commerce transactions can be segmented into three broad categories or modes, based on participants involved in the transaction. Figure 6 shows the Models of E-Commerce transactions.

In the e-commerce sector, e-travel comprises 70% of the total e-commerce market. E-tailing, which comprises of online retail and online marketplaces, has become the fastest-growing segment in the larger market having grown at a CAGR of around 56% over 2009-2014. The size of the e-tail market is pegged at 6 billion USD in 2015 (Source, website of PwC, E-commerce in India, Accelerating growth).

Books, apparel and accessories and electronics are the largest selling products through e-tailing, constituting around 80% of product distribution. The increasing use of smartphones, tablets and internet broadband and 3G has led to developing a strong consumer base likely to increase further. This, combined with a larger number of homegrown e-tail companies with their innovative business models has led to a robust e-tail market in India rearing to expand at high speed.

Business-to-Consumer (B2C): The B2C market in India generates the bulk of revenues across the consumer-facing modes of e-Commerce. Furthermore, though online travel has typically held a major share of the B2C market, online retail is also growing rapidly and is expected to significantly increase its share.

Consumer-to-Consumer (C2C): India's C2C market, though currently small, is set to grow with the entry of several players. These entrants are attracting VC investment. Their online portals are also garnering significant traffic. We expect the C2C segment to show rapid growth in coming years.

Business-to-Business (B2B): The most common users of B2B online classifieds are Micro, Small and Medium Enterprises (MSMEs). These small businesses lack the requisite financial resources and, therefore, find it difficult to market their products and services to potential clients through traditional media such as newspapers, banners and television. Trade through online B2B portals increases the visibility of MSMEs in the marketplace and helps them overcome barriers of time, communication and geography.

Working Principle

Here is an illustration of how a sophisticated, fully computerized e-commerce system might work. Not all e-commerce systems work exactly this way.

1. Sitting at her computer, a customer tries to order a book online. Her web browser communicates back and forth over the internet with a web server that manages the store's website.
2. The web server sends her order to the order manager. This is a central computer that sees orders through every stage of processing from submission to dispatch.
3. The order manager queries a database to find out whether what the customer wants is actually in stock.
4. If the item is not in stock, the stock database system can order new supplies from the wholesalers or manufacturers. This might involve communicating with order systems at the manufacturer's HQ to find out estimated supply times in real time while the customer is still sitting at her computer.
5. The stock database confirms whether the

item is in stock or suggests an estimated delivery date when supplies will be received from the manufacturer.

6. Assuming the item is in stock, the order manager continues to process it. Next it communicates with a merchant system (run by a credit card processing firm or linked to a bank) to take payment using the customer's credit or debit card number.
7. The merchant system might make extra checks with the customer's own bank computer.
8. The bank computer confirms whether the customer has enough funds.
9. The merchant system authorizes the transaction to go ahead, though funds will not be completely transferred until several days later.
10. The order manager confirms that the transaction has been successfully processed and notifies the web server.
11. The web server shows the customer a web page confirming that her order has been processed and the transaction is complete.
12. The order manager sends a request to the warehouse to dispatch the goods to the customer.
13. A truck from a dispatch firm collects the goods from the warehouse and delivers them.
14. Once the goods have been dispatched, the warehouse computer emails the customer to confirm that her goods are on the way.
15. The goods are delivered to the customer.

All of these activities are invisible – virtual – to

Figure 7: E-Commerce Challenges

Source: website of emavens.com and website of Business Insider the customer except the computer she sits at and the dispatch truck that arrives at her door.

E-COMMERCE CHALLENGES

There are seven challenges related to e-commerce (Figure 7).

Poor Knowledge and Awareness: Majority of urban population do not have adequate knowledge on online business and its functionalities. Very few are aware of the online fraud and ignorance still exists. Further most of Indian rural population are unaware of internet and it uses. A reliable survey reveals that 50% of Indian online users are unaware of the online security solutions.

Online Transaction: Majority of Indian customers do not possess plastic money, credit card, debit card and net banking system, which is one of the prime reasons in curtailing the e-commerce growth. Lately, however, some of the nationalized banks have started to issue debit cards to all its account holders. This is undoubtedly a positive sign for Indian online entrepreneurs as electronic payments are convenient and less costly, unlike manual cash collection which is laborious, risky and expensive.

Payment Gateways: When it comes to running an online business the crucial part is how the customer will pay. An e-commerce payment gateway is a service that authorizes credit card, debit card or online banking payments and processes them securely with a user's merchant account for Electronic Fund Transfer (EFT). The world is moving from cash to digital money and thus there is a need of payment gateway for sustainable future e-commerce. The Indian e-commerce sector is heavily dependent on Cash on Delivery (CoD) mode of payment, almost 60-70%, as it is the most preferred choice for Indian consumers due to lack of trust in online transactions, limited adoption of credit/ debit cards, and security concerns among others. Moreover, the return percentage of orders in CoD is much higher compared to online payments. To counter these fears, e-tailers have started to provide facility of paying with Card on Delivery. For example, Amazon's delivery person brings point-of-sale device to accept payment at customer premise.

The banks as well as the e-tailers are also offering different offers like cashback and Easy Monthly Installment (EMI) to encourage customers for card-based payments. Startups like Paytm and FreeCharge are providing mobile wallets while almost every commercial bank is providing the option to pay online via credit or debit card.

Cash on Delivery: Cash on Delivery (COD) has been touted as the innovation to counter the low credit card penetration and payment security issues on the internet. COD is a substantial proportion of the sales today contributing to anywhere between 11% (for Pepperfry) to 60% in most of the cases.

The COD is unsustainable as it pushes up the cost of transaction by Rs. 30-60 per transaction. Given the low profitability and small ticket size on e-commerce sites, the entire gross margin gets erased by COD. On top of this the problem is that of high returns of the goods as the consumers often change their mind by the time the goods arrive. The goods returns are as high as 40-45% of all the COD shipments. COD also poses scalability issues for the e-commerce sites in the long term as the logistics companies would find it hard to scale to the required levels. The other problems associated with COD are long lead times before the revenue can be booked, fraud risks and higher working capital requirements.

Online Security: In case of startup and small business, business owners are ignoring the importance of authentic software due to budget constraints. They are even failing to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which is indeed a crucial step for successful online business players. In India, maximum number of business entrepreneurs used unauthorized software in their server, which usually does not come with upgraded online security. Such pirated software leaves room for virus, malwares and Trojan attacks and it is highly risky task to make online transactions in the systems, which may disclose or leak sensitive details of credit cards and online banking of the users. These kinds of droopiness should be banned in Indian e-commerce sectors. Affiliation to SSL certificate should be imposed as a mandatory action for every owner.

Internet penetration is low: Internet penetration in India is still a small fraction of what one would find in several western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are fast disappearing. The day is not far when connectivity issues would not feature in a list of challenges to e-commerce in India.

Logistics and Shipment Services: E-commerce companies live on the reach and the ability to stock more items than physical stores as these are their biggest differentiators. With this benefit also comes the challenge of robust supply chains and logistics networks, which are not comparable and developed to global standards in India. Given the large size of the country, there are thousands of towns that are not easily accessible. E-commerce is hampered in a big way owing to the limited services offered by the courier service companies. The courier companies do not have nationwide delivery networks and also do not have the skills of handling commercial value goods. They also do not have the skills for handling CoD, recheck return parcels, and other complexities related to digital sale. This is forcing several e-tailers to establish their own delivery network across the country and might have to engage with multiple shipping methods using FedEx or DHL for the last mile delivery.

Touch and Feel' factors: Indian customers are more comfortable in buying products physically and tend to choose the product by touching it directly. 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. With respect to travel, books and electronics, the Indian buyers are more inclined to do online transactions.

THE WAY FORWARD

Although India's e-commerce is growing, there are certain challenges which the industry needs to overcome. E-commerce in India is growing not just because the internet penetration is increasing but also due to the favorable ecosystem developed by the market (Source is the website, http://e-commerce24.in, website, Firstdata and website, Deloitee).

E-commerce to Social Media: Social media has now become the hub for the merchants enabling them to analyze the customer choice based on their purchase activities. Social network like LinkedIn, Twitter, Google+, Facebook and others 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 and promotions on these social sites has increased the chances of success of generating transactions to many folds.

Majority of e-commerce purchases will happen through websites while social media networks will increasingly be the initial point of contact for many. Consumers will rely on their networks for facts about products and services, and they will also look for discounts, offers and information about loyalty rewards programs. Brands will also actively encourage buyers to make purchases and talk about goods on social platforms.

For example, Jabong saw traffic and revenue from social marketing grow between 250-300% in the last one year. Myntra saw an increase of 120% originating from Facebook in six months. The marketing on social platforms leads to increase in organic traffic to the website. Myntra today has 5-6 lacs page visits per day.

There will be many more examples to follow, who will collect and analyze customer data and use them to enrich their experiences in both digital and physical contexts.

The number of online stores will increase across categories, and they will provide more personalized experience to their shopper. Currently clothes, electronic goods, books and jewelry, are some of the most popular items sold online. However, with increase in real time assistance - response time and speed, more customers would go for items, such as groceries and medicines, among others.

Mobile Commerce: Mobile commerce is becoming increasingly common in shopping. Snapdeal is now getting half of its traffic from mobile, up from 5% around a year back and Flipkart gets 40% traffic from mobile up from 15%. As prices of smart phones reduce, these figures are expected to increase still further. For this reason, the big e-commerce firms have started focusing on mobile commerce. It is anticipated that the next wave of digital commerce consumer will come through the mobile internet.

Price comparison engine: E-commerce sites offer deep discount to acquire customers and these discounts vary from site to site depending upon its capacity to negotiate with the supplier. In order to get the best discounts, the buyer needs to search several sites. This is where Price comparison sites like mysmartprice.com, Pricedekho.com, freekamal.com and Jungleecome in. These websites compare prices over the entire web and provide users with the best available price. E-Commerce sale through these website are increasing and will further increase as consumers get more and more discount savvy.

Innovation in Logistics: Recently Amazon patented its new delivery model called the *Prime Air.* This model uses the highly technically embedded drones or helicopters for the instant delivery of the items. These aerial vehicles will be programmed in such a way that using a GPS system they will identify the exact address for delivery and drop the item right in front of the doors of the customers. The vehicles will prioritize the public safety and are designed as per the commercial aviation standards.

Focus on smaller towns: Indian e-commerce sites are gradually shifting their focus from metro cities tier II and smaller towns in sync with the Internet and mobile penetration. While bigger brands are not physically present in tier II and tier III cities of India, e-commerce makes these brands available to people hailing from those places and thus, has been highly accepted in the smaller towns.

Analytics: The rise of Internet, smartphones and social media users have made analytics an integral part of any digital business. There is abundance of customer data in every business including e-commerce and analytics helps in deriving meaningful insights to help the business in growing and serving the customers better.

Massive increases in the volume of data and the complexity of information from CRM, ERP, Point of Sales (POS) data and other systems make it difficult to have customer behavior insights without a focused analytical interface. The e-commerce industry generates data from several sources like e-tailer website, IT systems, review and ratings providers and social media sites. E-tailers need to have real-time access to information to measure return on online investments and optimize the channel mix.

There are basic analytics capabilities available with the e-commerce players like basket size analysis, average order value and conversion ratio, but with the changing scenario and increasing customer base the organizations need to deploy deeper analytics solutions that provide actionable insight around overall digital customer experience. The analytics solution should include end to end process starting from the vendor management and supply chain to customer satisfaction. It should have holistic view of the data covering across all departments such marketing, sales, customer service, finance and the supply chain for gaining better insights and making strategic business decisions.

Although the trust of people towards online shopping is less, it is noted that with time the trust willincrease resulting in the growth of the industry. Industry also needs to look for higher penetration in smaller towns, besides addressing the bigger challenges like the security and payment options.

Consumers may love them, but e-commerce firms in India, several of which operate under contentious (but not illegal) structures to get around the laws, have attracted the ire of brick-and-mortar retailers—even some companies that sell on such sites but do not wish to offend constituents of their distribution networks. Matters seem to have come to a head from October last year when Flipkart sold $100 million worth of products to 1.5 million customers in 10 hours during its Big Billion Day sale. Amazon India made a similar sale.

The Confederation of All India Traders alleged that their business had seen fall of 20-35% in six months of last year and this was on account of e-commerce. And if this continues, many jobs of the 100 million people could disappear (Source, website http://www.livemint.com).

The e-commerce companies were lining up huge discounts to attract users especially during festive seasons. These companies have to aggressively build market share through deep discounting to justify and increase their valuations with investors. This discounting hasn't gone down well with brick-and-mortar retailers.

In the US, Amazon.com Inc. and eBay Inc. faced similar problems from the traditional supply chain when they were fast expanding in the 2000s. They continue to get criticized for steep discounting practices and, in some cases, sales of unauthorized and even fake products.

Still, Amazon offers the lowest prices in most categories and in the latest quarter of last year, the company reported sales growth of more than 26% in North America, significantly higher than any of its offline rivals such as Wal-Mart Stores Inc., Best Buy Co. Inc. and others. Best Buy has had to shut stores, change its management and accept lower margins to survive while Walmart is aggressively increasing its online business. Such conflict between traditional supply chain and the new e-commerce companies is a part of a transitory phase.

Now many consumer product companies and brick-and- mortar retail establishments speak of so-called omni-channels, or those spanning offline and online.It is already seen in the mature markets with retailers like Gap and Target, they are all large online. Except for Amazon, there are no other pure play e-commerce companies in these markets. Unlike India, where, of the top 50 e-commerce companies, at least 46-47 are pure-playe-commerce companies, in the US besides Amazon, most e-commerce companies are offline modern retailers that have got into e-commerce. It will change in India too with all modern retailers planning to foray into e-commerce in India.

The conflict between online and offline retailers isn't unique to India. Nor is the confusion over how e-commerce companies here are to be taxed.The e-commerce companies have attracted the attention of taxmen and the government. The three major e-commerce companies operating in India—Flipkart, Amazon and Snapdeal—all host marketplaces. That's primarily because Indian law doesn't allow foreign direct investment in e-commerce sites that sell directly to customers but allows it in marketplaces that link sellers and buyers. The marketplaces also provide services such as payment and delivery systems. That model is beyond any definition that can be found in Indian tax laws.

For instance, in Karnataka, the tax department wants Amazon to pay Value-Added Tax (VAT) on products from third-party sellers it stores in its warehouse in anticipation of selling them to customers. Amazon keeps a cut of the sales and passes on the rest to the sellers who then pay VAT. The state's tax department claims that the ownership of products passes to Amazon when stored in its warehouse, and that the e-commerce company should be responsible for paying VAT. Tamil Nadu's tax department is beginning to think along the same lines. Tax departments are examining whether e-commerce companies are selling their products by sourcing them from outside the state or from within the state. If the product is shipped outside from the state, 2% CST (central sales tax) is levied and if it is sourced within the state then accordingly VAT is levied. In many cases, tax departments do not really understand the model of e-commerce companies. In a meeting of all tax commissioners in New Delhi in September last year, many states had expressed concerns about e-commerce and the need for a uniform taxation policy.

The matter is receiving the attention of the Trade Minster at the Central Government.

It is unlikely that e-commerce might be curbed by the government in any way nor would the threat of action by regulators or taxmen affect the investor sentiment. There are risks of doing business in India and the investors might have priced them in. Investors will keep pumping huge amounts of money as long as e-commerce is popular with consumers, which it clearly is.

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