

# A Study of Trends in B2C Online Buying in India

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## Abstract

The e-commerce market in India is set to grow the fastest within the Asia-Pacific region between 2012 and 2016. Venture capitalists are pumping finance in the Indian e-commerce sector, corporate giants are entering this market, and 100% FDI is likely in this sector. Also, Internet penetration is increasing in India, coupled with the increasing base of social networking sites and sale of advanced smartphones and tablets. Apart from metros and large cities, even tier II and III cities and towns are registering considerable sales of products and services using the online channel. On the consumer side, several factors lead to staggering sales using online channels in India. Convenience, product variety, shopping comfort, enjoyment, ease of delivery, huge discounts, cash payment options, and increasing penetration of debit and credit cards are a few to name. However, using the Internet only as a medium to review and check products instead of buying, poor status of cyber laws in India, and challenge of reaching break-even point and making profits from that point continue to be the issues in this sector. In this light, in this study, we tried to identify trends in B2C online buying in the Indian context. This work would be of immense interest for academicians, researchers, and online retailers in India.

**Keywords :** B2C, online, buying, India, trends, e-commerce

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The web is increasingly becoming a diverse global market place with global business opportunities even for developing countries like India (Joshi, 2013). According to a research by Forrester, a leading global research and advisory firm, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between the years 2012-16 (India to be the fastest growing e-commerce market, 2012). The Table 1 presents a part of Forrester research report showing India's estimated online B2C sales to reach \$8.8 billion by 2016. As convenience, product variety, shopping comfort, enjoyment, ease of delivery, and cash payment options drive this market, in the present study, we have tried to identify important trends in B2C online buying in the Indian context. This study would be of immense use to academicians studying and teaching e-commerce in India, researchers pursuing work in e-commerce in the Indian context, and online retailers in India.

## Trends in B2C Online Buying in India

The following eight trends have been identified from information published in India's leading daily newspapers *The Economic Times* and *The Times of India*, selected magazine articles, and a few reports published by associations engaged with Internet and e-commerce in India. This information is studied from 2010 to 2014.

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**Table 1. India's Estimated Online B2C Sales**

Country	Sales in \$ Billion	
	2012	2016
India	1.6	8.8
Australia	23.2	35.4
Japan	63.9	97.6
China	169.4	356.1

Source: India to be fastest growing e-commerce market (2012). Iamwire

**(1) Online Sales of Products and Services will Increase in the Future :** Online retailers are emerging as important sales channels for top consumer brands in the country as more and more Indians take to shopping on the net (Nair, 2013a). India's e-commerce market grew at a staggering 88% in 2013, riding on the booming online retail trends and defying slower economic growth and spiraling inflation, according to industry body Assocham. Besides electronics, sale of gadgets, apparel, and jewellery ; home and kitchen appliances ; lifestyle accessories like watches, books, beauty products, perfumes ; and baby products witnessed a significant upward movement. In India, e-commerce is small as compared to the size of physical retail. However, it is growing exponentially as a result of Internet penetration, cash on delivery, affordable mobile devices, and best prices on products (Ganguly, 2013).

India's largest e-commerce player, Flipkart, planned to sell big-ticket items like furniture, large-sized white goods along with its existing categories (Sharma, 2014). Even products like cars and houses have begun to be bought online in India. Leading e-commerce portals in India such as Flipkart, Amazon, and Snapdeal are launching products and are entering new segments (Nair, 2014).

One major push to e-commerce in India is due to huge investment in leading e-commerce firms by venture capital financing firms. Foreign investors like Canadian Pension Plan Investment Board, The VC arm SingTel, and Saudi Arabia's sovereign wealth funds held talks with Indian e-commerce sites such as Flipkart and Myntra for investments in 2013 (Phadnis, 2013). Most Indian e-commerce firms have not registered operating profits, but their annual gross sales figures are burgeoning. There are several reasons for huge investments in e-commerce in India. The switch to a marketplace model from an inventory model, Internet users in India crossing 200 million with a penetration of 11%, and the investors' realization that profitability is linked to scale in e-commerce have led

**Table 2. Investments in Leading E-commerce Firms in India During 2013-14**

E-TAILER	INVESTORS	AMOUNT (\$ MILLION)	DATE
Flipkart	Morgan Stanley, Tiger Global, Dragoneer Investment Group, Others	160	Oct'13
Flipkart	Tiger Global, Accel Partners, Iconiq Capital, Others	200	Jul'13
Snapdeal	eBay, Kalaari Capital, Intel Capital, Nexus Ventures, Others	134	Feb'14
Snapdeal	eBay, Kalaari Capital, Intel Capital, Nexus Ventures, Bessemer, Others	50	Apr'13
Myntra	Premji Invests, Tiger Global, Accel Partners	50	Feb'14
Myntra	Tiger Global, Accel Partners	25	May'13
Cardekho	Sequoia Capital	15	Nov'13
Healthkart	Sequoia Capital, Intel Capital	14	Mar'13
BabyOye	Tiger Global, Helion Ventures, Accel	12	Apr'13
Shopclues	Helion Ventures, Nexus Ventures	10	May'13

Source: Sharma and Phadnis (2014)

**Table 3 . Internet Penetration in India**

Year	Users	Population	% Penetration
1998	1,400,000	1,094,870,677	0.1 %
1999	2,800,000	1,094,870,677	0.3 %
2000	5,500,000	1,094,870,677	0.5 %
2001	7,000,000	1,094,870,677	0.7 %
2002	16,500,000	1,094,870,677	1.6 %
2003	22,500,000	1,094,870,677	2.1 %
2004	39,200,000	1,094,870,677	3.6 %
2005	50,600,000	1,112,225,812	4.5 %
2006	40,000,000	1,112,225,812	3.6 %
2007	42,000,000	1,129,667,528	3.7 %
2009	81,000,000	1,156,897,766	7.0 %
2010	100,000,000	1,173,108,018	8.5 %
2012	137,000,000	1,205,073,612	11.4 %

Source : Internet World Stats (n.d.)

to such investments (Nair, Gooptu, & Julka, 2014). The Table 2 gives a clear picture of investments in leading e-commerce firms during 2013-14, showing how Indian e-commerce is back on the investors' radar.

**(2) Increasing Internet Penetration Means Increased Online Buying in the Future :** When we look back at India of a decade ago, the broadband penetration in India was very low and the Internet experience was restricted to those living in larger cities. Since then, with the growth of the telecom industry and broadband penetration increase, the Internet in India moved beyond offices and cyber cafes to individual homes. The Table 3 gives a clear idea of increasing Internet penetration in India during the last decade. This quickly changed the ways of communication and business. Online platforms developed to include services that ranged from distance learning to e-commerce and a new generation of entrepreneurs emerged. As the Internet changes India and the world in ways never seen before, it throws up challenges and opportunities. The Internet is a great leveler providing more transparency and equal opportunity for everybody. It is also an excellent enabler of entrepreneurship (Bansal, 2014).

As over 200 million Indians log onto the Internet, the country will surpass the United States as the second largest web market in the world after China, according to the I-Cube report 2012 by IAMAI and IMRB. While it took a decade to move from 10 million to 100 million, the next hundred million users have been added in just 3 years. This phenomenal growth will spark off new web-based startups in the consumer Internet space, with travel and e-commerce going to be the most important growth categories. The dramatic growth of the Internet in India is also attracting overseas Indians to the country's thriving web based businesses startup ecosystem, similar to what happened in China a decade ago (Julka, 2013). Internet growth will be the key driver of e-commerce growth. There is a direct positive correlation between Internet growth and e-commerce growth in India (Ganguly & Sheth, 2012).

**(3) Increasing Access of Internet via Smartphones and Tablets will Increase Online Shopping in India :** By 2015, mobile phones are expected to help unlock Internet access, with more than half of the anticipated 350 million Internet users accessing the Internet from their mobile phones (Ketchum, 2011). The same trend will follow in India. Although India was a late entrant to the world of smartphones and tablets, it now seems to be moving in line with the global trends. PCs occupy a lot of space, normally require a UPS, and are immobile. A customer can buy a

tablet at a similar price and not face all that inconvenience (Doval, 2013). Another growing trend in the Indian smartphone market is the sales of 'Phablets'. These are bulky devices with a screen size of 5-7 inches that combine the functionalities of a smartphone and a tablet. Phablet sales grew 17-fold in the second quarter of 2013. Phablets are being sold increasingly as they are ideal for web surfing. In this regard, they are being used for social media, watching videos, online buying, and users tend to associate big screen with premium quality (Singh, 2013a).

A study conducted by McKinsey and Co. identified 12 technologies that could have a huge economic impact on the world in 2025. The first immediate impact technology is mobile internet. Pulakkat (2013) discussed the role that mobile internet could play for India. India's rapidly rising middle class with increased spending power will drive the rapid adoption of many technologies, although India will still not be a leader in technology innovation by global standards. This adoption will drive tremendous change across some sectors. Banking and retail will switch to mobile in a big way (Pulakkat, 2013).

The rapid penetration of Internet-enabled phones in India has opened up several business opportunities. Two important monetization models – mobile advertising and user-paid apps are already coming to sizeable scale in India. The Indian mobile advertising market will cross ₹ 2,800 crores and revenues from paid mobile applications will touch ₹ 2,000 crores in 2016, according to the report *Mobile Internet in India, 2013* (Nair & Julka, 2013). Digital commerce is gaining traction with Indian smartphone users, with almost 68% of them having made an online purchase using their smartphone, said a survey by eBay. eBay India shared key habits of mobile commerce users in India. The findings are based on eBay India mobile commerce survey conducted with over 4,500 eBay India users in May 2012. Mobile commerce is starting to gain traction in India with the burgeoning smart phone penetration, and a large number of Indians now use their smart phone to shop as well as compare prices. Shopping is the third most popular category of search after emails and social networking, with 70% of smart phone users accessing online shopping websites. The survey further highlighted that over 94% of the Indian smartphone users accessed the Internet on their mobile. The survey results indicated that a large majority of Indian smart phone users were accessing the mobile Internet, and 49% of them stated that they 'mostly' found better deals online ("Indian smartphone users are smart shoppers too: eBay," 2012). Devices like smartphones and tablets are taking more women to e-commerce. This is more relevant to personal purchase categories such as apparel, fashion accessories, lingerie, footwear, and so forth. These devices also provide women an option to indulge in recreational, relaxed shopping (Sharma & Kurian, 2014).

**(4) Online Buying will Continue to Grow Fastest for Booking Tickets for Railways, Flights, Movies, and Hotel Accommodations due to Convenience and Safety :** According to a report of Associated Chamber of Commerce and Industry of India (ASSOCHAM), published in September 2012, e-commerce globally has been on the rise. Both travel and retail have grown faster than several other e-categories in India. Travel visitation has an overall reach of close to 40% worldwide, and has grown over 12% Y-o-Y in 2012 as compared to 2011. In India, travel has always been ahead of the curve in terms of visitations and transactions as compared to the world average, and is at 44% penetration and has grown over 41% in 2012 from 2011.

Online travel has seen growth across all subcategories including car rentals, online travel agents, OTS airlines as well as hotels and travel information sites. As the inter city migration has increased, a proportional upward trend is seen in usage of transport, including train and air. The top 10 sites among the travel category show a good mix of travel options as well as information sites showing online users seeking information on travel options on a regular basis. One out of five online users in India visit the Indian Railways site. Nearly one-third of all the bookings for travel are online now with \$7 billion out of the \$23 billion total industry value. Local players such as Makemytrip and Yatra dominate this market. In one subcategory called railway reservations, 40% is online due to the popularity of the Indian Railways IRCTC site. The online travel market is ideally suited to Indian conditions because tickets can be downloaded, and thus, the sector does not have to deal with transport and logistics problem that loom large for other categories (Kakroo, 2012).

After years of advertising the lowest possible fares, online travel sites like MakeMyTrip, Hotels.com, Goibibo, and Yatra are talking hotels. It is a business which remained largely untapped for several years, as Indian travelers preferred to book hotels over the phone or when they arrived at their destination, despite the convenience of the Internet. But now, Indian travelers are shifting focus from offline to online transactions. The Internet has broken down information barriers, creating unprecedented levels of transparency, and travelers can now get a true ideal of the value that one hotel has to offer versus another. Online travel sites have also increased advertising campaigns aimed at gaining the trust of existing and prospective customers. Revenue through online hotel bookings in India was up 28% to ₹ 3,369 crores in 2012 from ₹ 2,634 crores in 2011 (Sathyanarayanan, 2013).

Filmgoers are increasingly opting to book tickets online, spelling a rapid expansion of business for web-based ticketing platforms. With increasing access to the Internet, especially in the bigger cities and towns, filmgoers are switching to booking tickets online for a small fee. This saves time as well as money spent on visiting the cinema hall twice for a single screening. Market leaders in this category such as Bookmyshow are seeing an increasing demand for online movie tickets. Convenience is a major advantage in online movie ticket booking, and customers are ready to pay for it in terms of an additional amount per ticket. High end music concerts, sports events, and live entertainment shows are also seeing an increased ticket booking using Internet as the medium (Chumbhale, 2011).

**(5) Huge Discounts in Online Buying will Increase the Sales of Physical Products such as Books, Electronics, Clothes, and Footwear :** According to Asia Digital Marketing Association (2011), Indian online shoppers are more likely to buy books (41%) ; electronic items (36%) ; clothing, accessories, and shoes (25%) online out of the total products bought. The Table 4 shows the various product categories bought online and clearly shows an inclination towards these product categories. The product categories mentioned in this trend have been shown in bold fonts for easy reference. The other popular categories are travel, hotel bookings, and movie ticket bookings already mentioned in the last trend.

The Figure 1 also suggests books, electronics, apparel, and accessories as the most sought after product categories for online shopping (Gupta, Bansal, & Bansal, 2013). The reasons include heavy discounts on these products, as well as the ease and convenience associated with buying online. In India, the retail chains such as The Mobile Store, Reliance Digital, Future Group, and Next Retail are of the opinion that brands like Apple, Samsung, and others are offering higher margins to online shopping sites such as Flipkart, Infibeam, and Snapdeal, enabling them to pass on some benefits to consumers. This comes in the light of heavy discounts provided by e-tailers added with the one year return guarantee for a wide range of electronic products. Indiscriminate discounting by online stores affects the sales of physical retail chains in India. In India, for the electronic products, consumers come to physical stores with the online discounted price in mind and leave the store without concluding the purchases. For electronics, especially products such as smartphones and tablets, the margins are wafer-thin at 4-7%. It is impossible for physical stores to provide the prices provided by the online sellers. Hence, the sales of these products are increasing through the online medium (Mukherjee, 2013).

A study by MasterCard, the world's second largest payment and technology firm, has provided results that apparel is the top category of online shopping across all metros of the country (Tiwari, 2014). In metros, the reason for huge apparel and accessories shopping through the online medium include reasons such as working women and privacy of the online medium. Sales of such personal products soar for online stores as range of products on offer is wide and there is an added advantage of privacy of internet shipping (Nair, 2013b). A similar trend is seen in smaller towns, though the payment is not made electronically. Online buying of apparel and accessories in smaller towns of India is due to lack of organized malls with outlets for branded products.

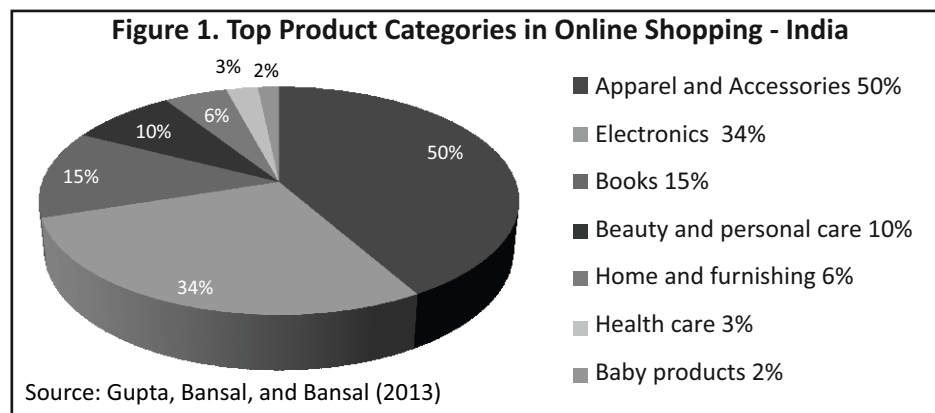
According to the 2010 Nielson report on top online shopping trends in India, books were at the top of the list of products and/or services which Indians wished to buy or were already buying online (Malhotra, 2010). Flipkart, India's biggest online store, started its online business by selling books. According to a report published in Business Today ("How Flipkart changed India's online shopping market," 2012), for all the multi category online

**Table 4. Products and Services that Indians Buy Online**

What Indian internet users buy online	
Purchased online in the past six months	% of Internet Users
<b>Desktop Computer</b>	<b>3.5</b>
<b>Portable media player e.g. I pod</b>	<b>7.8</b>
<b>Mobile phone</b>	<b>16.6</b>
<b>Flat screen TV</b>	<b>6.2</b>
<b>Gaming console</b>	<b>4.3</b>
<b>DVD player</b>	<b>6.0</b>
White goods	4.9
Car/automobile	3.4
Motorcycle	4.5
Furniture/Home equipment	7.2
Holiday (in own country)	10.6
Holiday (abroad)	4.0
<b>Laptop</b>	<b>6.6</b>
<b>Net book</b>	<b>2.9</b>
<b>Tablet</b>	<b>3.7</b>
<b>Clothes</b>	<b>22.7</b>
<b>Shoes</b>	<b>15.1</b>
Travel	17.7
Music	17.9
Film tickets	15.5
<b>Books</b>	<b>19.2</b>
Financial products e.g. insurance	8.7
<b>Accessories e.g. watch, sunglasses, handbags, artificial jewellery</b>	<b>12.6</b>
<b>Healthcare products</b>	<b>12.2</b>
<b>Gifts like books, electronics, apparel</b>	<b>21.4</b>
Skin, hair, and beauty products	6.3
Pet food	5.3

Source: Globalwebindex waves 3 & 4 (September 2010 and February 2011).

www.globalwebindex.net Published in the ADMA Digital Marketing Year Book 2011, page 22.





stores in India, books are a prominent sales category. The most important reason for books bought online is the heavy discount offered by e-tailers. Though all booksellers get 50-60% discount from booksellers, the low overheads – one of the virtues of online stores, enables the e-tailers to pass on these discounts to the customers. As the young Indian population continues to form the largest segment of India's total population, the young readers will use the convenience of online buying to buy books. This segment of the population also constitutes students, and new entrants in several professional areas, who could form a large market for buying books online.

**(6) Large Online Companies with Technology Aided Delivery Services, Own Delivery Staff, and Shortest Delivery Guarantee, and Smaller Ones with Own Delivery Staff are Likely to Increase Online Sales Faster :**

According to Transport Intelligence's Asia Pacific e-commerce Logistics 2013 report, India's burgeoning e-commerce industry could be subjected to considerable strain and stifled growth due to lack of efficient logistics support systems in place. As the e-commerce market begins to mature, companies are investing more in supply chain and back-end systems in an effort to improve the movement of goods from suppliers to consumers. An average of over 20,000 order transactions and 50,000 transactions are conducted daily from the top 10 websites. As such, warehouses are established closer to customers, usually in the large cities. On-time deliveries, limited delivery locations, and high delivery charges are major concerns for e-commerce companies in India. For many, delivery is kept in-house. Large delivery providers such as DHL, FedEx, Aramex, and Blue Dart are also perceived as charging higher rates for delivery. In many cases, different carriers also have to be used for different regions of the country.

Large players in the Indian e-commerce market are using strategies such as technology-aided delivery, alliances with local grocery stores, and postal services and shortest delivery guarantee to overcome the logistics barrier to e-commerce growth. Technology-aided delivery is the use of an algorithm for faster delivery – the moment a customer places an order online, the algorithm starts whirring and selects the company which is best placed to deliver it from the list of registered suppliers. For each registered supplier, the data includes which pin codes they will service, how much they will charge for each pin code, and how much time will they take to deliver. Big e-commerce firms use such algorithms- SnapDeal's logistics market place is 'Safeship,' eBay's similar function is titled 'Powership,' and Amazon India's logistics arm is titled 'Easyship'. Flipkart has taken the physical route by using its own delivery and logistics arm known as 'eKart'.

As the e-commerce logistics is a ₹ 600 crore segment growing at 50% a year, many new entrants such as Delhivery, Chottu.in, IndiaOnTime, DotZot, and Ecom Express have entered the e-commerce logistics field as the delivery algorithm partners. Such partnerships between e-commerce and logistics firms can incentivize courier companies to offer lower prices and faster deliveries, which will be beneficial to the growth of e-commerce in the future (Singh, 2013b). As large online companies see themselves as technology enablers for businesses, they are offering their logistics marketplace to rival firms also. Flipkart's 'eKart' is open to rivals and Snapdeal is planning to offer 'Safeship' to others in the market. This can further improve the logistics part of Indian online sellers, many of whom may not have the capacity to set up such individual logistics marketplace platforms (Julka, 2014).

U.S. online retailing giant Amazon has also come up with several new trends in logistics for online buying in India. Amazon, which already sends packages by India Post, is planning to use the channel to collect payments from recipients as well, using the cash-on-delivery model. A partnership between India Post and Amazon would intensify competition in the still-nascent but burgeoning e-commerce industry of India. Amazon would gain reach as India Post has more than 1, 50,000 post offices in India, out of which 89% are in rural India. It delivers to all the 25,000 pin codes in India, whereas private couriers reach at the most 10,000 pin codes in India. Amazon India also plans to invest and set up warehouses for electronic buyers in India (Mandaviya, 2013).

In offline buying, one of the greatest advantages is the instant pleasure and gratification of getting a product as soon as the payment is made. Online retailers are now trying to give its customers as near an experience to that as possible. Online retailing giants such as Flipkart and Amazon have started next day delivery since 2013. Now,

Amazon, Flipkart, Snapdeal and online fashion retailer Myntra have all launched same day delivery for products bought online in one or several Indian cities as pilot testing projects. Though companies charge for faster deliveries, buyers are ready to pay for it, especially in case of high value categories such as laptops, cameras, and mobile phones. When customers spend a lot of time researching the product in case of high involvement purchases, they want it to be delivered very quickly (Phadnis & John, 2014).

Many small online companies serving niche markets are using their own staff for delivery of products. They are working on a business model which is based on tight control of costs. Such firms use own delivery as the costs are much lower than third party logistics. Courier companies charge 2-8% of the product cost as charge for cash-on-delivery. Such firms are expecting growing revenues as they benefit from the rise of online shopping across urban India (Nair, 2013c).

**(7) In Online Buying, the Cash-on-Delivery Method of Payment will Continue to be Very Popular as it is Very Safe :** Cash-on-delivery is a payment mechanism for online buying wherein the customer books an order online. Whenever he receives the product parcel at his doorstep, he makes the payment for it. Cash-on-delivery (COD) is the most popular payment mechanism for online shopping in India. According to Ernst & Young (E&Y), COD accounts for 50% to 80% of online transactions in India. For the larger e-retailers, this payment mechanism is available in 600 cities and towns, and has helped them acquire first-time customers rapidly.

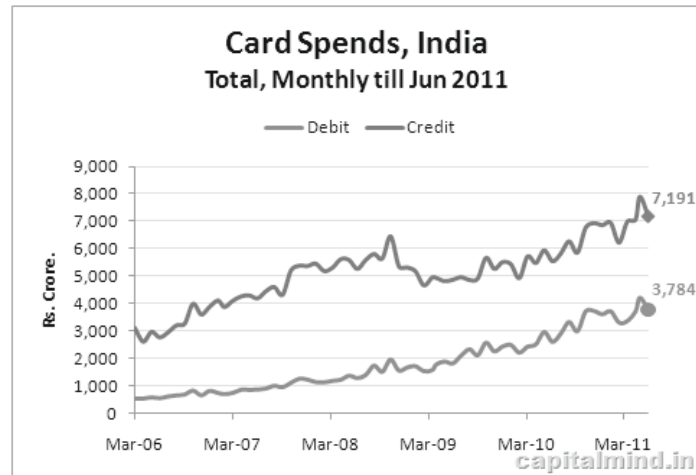
According to the Ernst and Young research report (2012), COD is very popular in India for several reasons. Firstly, plastic card penetration in India is low. In August 2012, former Reserve Bank of India governor, D. Subbarao noted that in comparison to other emerging markets such as Brazil, Mexico, and Russia, the value of banknotes and coins in circulation in India, at 12% of GDP, was high. The number of non-cash transactions per person in India is six per year - low compared with other emerging economies. Many cardholders avoid paying with plastic money because of security concerns. Another reason for popularity of COD is black money, which prompts people to use cash for purchases. People want to pay by cash for high value purchases. Customers in tier II cities also want to use cash for online buying payments. Thirdly, e-commerce companies also use COD to build trust. E-commerce is young in India, and COD bridges the gap between online and brick-and-mortar retail by allowing consumers to touch and feel the product before they pay up. COD offers a fairly risk-free trial process for a new user, and therefore, it has helped unlock a huge amount of demand. Lastly, COD is also being used as a marketing stunt by online retailers in India (Das, 2014). However, it is not free from pitfalls. COD poses several issues for online retailers. It can be expensive for the seller if the buyer returns a product, as the company pays two-way courier charges. The return rates in online shopping in COD transactions averages around 40%, the E&Y report says. There are also working capital issues. The report notes that COD adds a layer to the supply chain, because of cash handling. This can increase the settlement period of online retailers and courier companies to as much as three weeks. This stretches the online retailers' cash collection cycle. Besides more supply-chain costs, from a control perspective, it is not the best environment as there are chances of pilferage in cash handling (Das, 2014; Nair, 2013d).

The biggest impact comes in the form of direct costs. For every order delivered via COD, third party courier companies charge a fixed fee, ranging from ₹ 45- ₹ 75, or 2.5-3% of the order value, whichever is higher. To avoid this, companies like Flipkart have their own delivery staff. However, they cannot deviate from the COD model as the Indian e-commerce is in the growth mode. Now, a large company like Flipkart may be able to afford it, but can others? Besides, India has over 40,000 PIN codes; how many can be covered through a self-owned delivery network? COD insidiously works its effect behind-the-scenes in other ways. Because customers who place COD orders haven't incurred any cost, they usually turn out to be much more fickle at the time of delivery (Dharmakumar, 2012).

In the early 2000s, online shopping sites such as Indiatimes.com tried to use COD as a payment mechanism to lure Indian buyers to online shopping. However, they failed. It was when the current Indian online retailing



**Figure 2. Debit and Credit Card Spending in India-2006-2011**



Source: Reserve Bank of India (2012a)

leader, Flipkart was launched in 2007 and started COD in 2010, it took the Indian online retailing by a storm. This facility revolutionized the market and changed its face forever. It led to the 're-birth of e-commerce in India'. Even if COD could drain the online companies in the long run, they have no option to COD in the near future. Only when the Indian online buyers get acquainted with other modes of payment, feel trust for plastic money, and feel the inconvenience associated with COD on the buyers' part too, this addiction for COD could dilute.

**(8) Payment Through Debit Cards and Credit Cards for Online Buying will Increase in the Future :** A credit card allows the person to pay for goods and services based on a promise to repay the money to the bank with some interest costs, while a debit card facilitates payments from the actual amount lying in the customers' bank accounts. As the debit card numbers continued to increase from 2006 to 2011, the spending increased more on this front (see Figure 2).

According to an ASSOCHAM and Deloitte research report published in April 2011, electronic payments using credit, debit cards, and mobile payment systems will increase in India. Even more recent studies suggest the same trend. After seeing a peak in 2007-08, debit and credit card issuance in India saw a downfall. But it started to revive in 2012-13. Experts say that the companies are expanding market by reaching to customers in smaller cities and offering new products to them. Banks are also encouraging customers to use credit cards by offering rewards points, which fetch discounts for customers on the next shopping, on every purchase through cards. Unlike the decline in the number of cards issuance, spending through credit cards continued to increase in the past 5 years. It rose to 29% to ₹124,393 crore in 2012-13 from ₹96613 crore in the previous fiscal (Kumar, 2013).

The credit card economy in India went for a roller-coaster ride. It was not seeing a direct upward trend like the debit card economy. After they were re-born in India in 2012-13, they are seeing a considerable use through the online medium. Credit cards have a higher share in the discretionary category ; whereas, debit cards dominate in routine expenses like utility payments. About 30% of credit card spends are being done online. At least 10-15% of customers use their cards only online, many from smaller cities. Electronic payments dominate the credit card users in India: rail/airfare (71%), durable goods (61%), rent (49%), tele/mobile (47%), medical institutions (46%), clothing/footwear (44%), beverage and refreshments (35%) of the total payments in each category (Goyal, 2013).

RBI has also taken measures to boost electronic payments in India. These include reduced transaction charges for payments made online through debit cards from July 2012. The RBI paper, *Payment Systems in India: Vision 2012-15* was released on October 1, 2012. One of the key objectives of this paper was to depict the move towards

cash-less payment systems in India through several steps on the infrastructure and cyber security fronts. The move boosted e-commerce in India, Asia's third-largest economy, where use of the Internet for purchase of goods and services is growing at 30-35% every year. Nasscom had been demanding a reduction in transaction rate, arguing that payments made through debit cards are risk free for banks. Online retailers were absorbing the additional levy on debit card payments by banks to make the offers more attractive to the Indian online buyers. This can improve the bottom line for online retailers, as the Indian buyers will slowly shift from the cash-on-delivery addiction to use of debit cards for online payments (Singh, 2012).

Large online retailers in India are also starting their payment portals. In July 2013, Flipkart, India's largest online retailer, launched its own payment gateway, PayZippy that operates as a direct solution for merchants as well as digital wallet for consumers. The gateway authorizes credit card payments and processes them securely through a user's bank account. It also saves customer's credentials such as credit card information and buying preferences to speed up transactions. This payment gateway gives more flexibility and control to Flipkart. This platform also ensures that transactions do not fall through due to technical errors. In December, 2013, Snapdeal, another major online retailer in India, also announced such a payment gateway : Work- in- Progress. Such gateways will simplify online transactions for users and may also be licensed to other e-commerce companies. Such steps are expected to help wean Indians away from paying by cash for purchases made online (Gooptu & Nair, 2013).

Many telecom services, online grocery stores, recharge portals, and online sites selling durables have started giving 'e-wallet' as an alternative payment option. E-wallet is an online prepaid account where one can stock money, to be used when required. As it is a pre-loaded facility, consumers can buy a range of products from airline tickets to grocery without swiping the debit or credit card at that particular time. It can be used for online buying, recharging mobile phones, booking air tickets, paying utility bills, and so forth. E-commerce major Flipkart was one among the first few to start an e-wallet service in 2011. Flipkart introduced e-wallet service to its customers, in addition to their cash-on-delivery option. Consumers can create an e-wallet and fill it up to ₹ 10,000 at a time on Flipkart (Roy, 2013).

Many technology startups are offering newer payment solutions aimed at weaning people away from paying cash for buying online. Their improved technology helps make the process faster and safer for shoppers. Such payment solutions are offered by Citrus Pay, PayU, and ZaakPay, and so forth. They ensure that if payment does not go through one bank's gateway, it is automatically transferred to another, reducing the transaction failure rate. Such payment gateways can reduce COD dependence of Indian e-commerce (Shrivastava, 2014).

It is important for online Indian stores to come up with ways that they can encourage Indian people to shift from mainly relying on COD to using online payment options. One of the best ways to do this is to gain the trust of Indian shoppers. This can be done by always providing quality products and generally keeping their promises when dealing with customers. Indian ecommerce businesses should start offering incentives for online payments to entice Indian shoppers to give online payment options a shot. With introduction of mobile payments and cheaper portable PoS (Point of Sale) card readers, where instead of taking cash, the delivery guys will actually accept the payments using debit or credit cards at customer door-step, will bring down the negatives of handling cash.

As credit cards, debit cards, and prepaid payment instruments' penetration increases in India, infrastructure and legal framework is put in place, and trust for online buying increases among the Indian buyers, e-commerce firms are going to see an upsurge in payments through electronic mode rather than the conventional COD mode. It will help them break-even and see profits in the future.

## **Managerial Implications and Conclusion**

This study is a compilation of trends in B2C e-commerce in the Indian context. There are significant managerial implications from this study for e-commerce practitioners. Firstly, as online sales of products and services increase

in future, giant online players such as Amazon, Flipkart, and Snapdeal will have to enter all possible product categories in order to position themselves as one-step online shopping stores. Smaller players should cut down their offline presence in order to become strategically competitive. Secondly, as Internet penetration positively affects online sales in India, it throws up challenges and opportunities. New players in Indian e-commerce are viable in short run as they are fuelled by venture capital financing. They need to study their long-term viability and profitability prospects, not to repeat the history of dotcom bubble burst in U.S. Thirdly, as sales of smartphones and tablets fuel easy online shopping in India, there are several implications for e-commerce practice. Rise of mobile advertising and user paid apps and some online vendors planning shopping access only through their apps are the significant ones.

Fourthly, as online buying grows fastest for transport and movie ticket booking and hotel accommodations, competition in this category of online sales will be very strong. Companies will have to increase promotions and design strategies for customer loyalty to fight this competition. Fifthly, as logistics play a crucial role in success of online selling, partnering with technology, Indian postal and courier services, alliances with local vendors, and 'same day delivery promise' can help large online vendors. Small online vendors can rely on own delivery staff to cut costs and initially serve a limited market. Sixthly, COD is likely to continue as a popular payment mechanism in online retailing in India. As long as Indians are in the learning phase for online buying, lucrative offers such as COD would help online retailers continue with sales. However, payment for online buying through plastic cards can be a definite picture in the future. The Indian government should take steps to boost this through infrastructure and cyber security measures. Payment gateways of online retailers, 'e-wallet' facilities, and technology start-ups providing newer and faster payment solutions are few steps that online retailers can take to wean the Indian customer away from the COD obsession.

## **Limitations of the Study and Directions for Future Research**

As B2C e-commerce continues to grow in India at a neck breaking speed, these trends will continue to exist in the future. This work is a compilation of trends. However, this work has several limitations, providing pointers for future research. Firstly, in the long run, eventually, many more trends would emerge, and some of the existing trends would cease to exist. Such trends could be identified and studied. Secondly, trends in this study were identified from leading newspapers and business magazines. No experts were contacted in this regard. Therefore, these trends can be shared with experts in the field of e-commerce and then qualitative research technique such as Delphi technique could be used to gain insights and consensus on these trends. Thirdly, quantitative research to identify the perceptions of online buyers and non-buyers for these trends can be undertaken. Fourthly, this study is limited to trends in the Indian context. Similar studies can be undertaken for other emerging economies in the world and further, a comparison could be done. Lastly, some negative aspects on Indian e-commerce could be studied as trends, which have not been included in this study. These could include the Indian psychology of checking products and services online but not actually buying them through the online channel and the poor status of cyber laws in India, making online buying risky. As Indian buyers learn online buying and as Indian B2C e-commerce continues to expand, there is an ample scope for study on this topic in the future.

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