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India

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The digital boom that India is currently experiencing is one of the most remarkable. In fact, it is impossible to ignore the country's potential, as the figures below show:

- **India is the second most populated country in the world (1.28 billion inhabitants in 2013)**
- **It has 250.2 million Internet users**
- **In 2013, revenue from e-commerce increased by 85%, reaching almost 13 billion euros**
- **In 2014, e-commerce had a penetration rate in India of 25%**
- **The country is expected to be home to 128 million e-shoppers by the end of 2018**

1. The consumer

The rapid development of Indian e-commerce is strongly associated with the **rise of the middle class**.

It should also be noted that in India, cities are classified according to their population density (Tier I being the most populated cities and Tier VI the least populated). A few years ago, 43% of e-commerce purchases were made by Tier I inhabitants. The remaining 57% was distributed between Tiers II and III, but these Tiers are growing significantly today.

As different languages are spoken in the different regions of India, **Internet users generally browse in English**.

An e-shopper stimulated by a broad range and better market

Rising Internet penetration rates and increasing payment options make access to e-commerce easier for the consumer. The factors underlying the Indian appetite for e-commerce are **the time saving** that comes with home delivery, **24/7 accessibility** of online stores and the feeling of **being able to find online everything that is being sought**.

However, studies carried out with e-tailers show that it is **greater discounts and a wider range of products** that stimulate sales.

The products that have seen the greatest growth in expenditure:

It should be noted that external factors also indirectly favor the appeal of e-commerce to Indian consumers. For example, the **very intense traffic in urban zones in the country**, and the **large concern over parking** in commercial zones and at shopping centers, as well as the **increasing price of fuel**.

A maturity that increases the amount of expenditure

10 million credit card holders making online purchases

In 2005 **discretionary expenses** (expenses not associated with vital needs such as food) only represented 52% of the expenses of Indian households, but these are expected to reach **70% by 2025**.

The amount that Indian consumers are prepared to spend online is also increasing. Previously, it ranged from 32 to 81 euros, whereas now, Indian consumers are **prepared to pay up to €500** for an online purchase.

The maturity of the Indian e-shopper is also resulting in **a diversification of payment methods**. Up until recently, the lack of confidence and youthfulness of Indian e-shoppers meant that they preferred payment upon delivery, once they were in possession of their purchases (for 80% of e-shoppers). Now, e-commerce purchases are increasingly being paid for by **credit card** and **bank transfer**.

E-commerce has thus been able to solidify its reputation in India, and now of the 200 million credit card holders, 10 million use one to pay for their online purchases.

This is a shift in preferences that will also have positive consequences in terms of logistics given the challenges involved in managing payment upon delivery.

One last example highlights the advanced development of Indian e-shoppers. They already have their own version of “Cyber Monday.” In fact, since December 2012, India has had its own cyber-shopping event. Created by Google, during this online sales festival (original name “Great Online Shopping Festival”), Indian e-shoppers were enticed by more than 400 online stores that offered their most competitive promotions for a 72-hour period.

2. The market

The Indian economy is made up of many start-ups; the country is **the third most significant market in the world as an incubator for start-ups**. The online economy has not escaped this trend and each year some 800 new digital companies emerge. At this rapid rate of growth, it is expected that by 2020 the number of start-ups will exceed 11.500. Good news for the economy as start-ups currently employ 75.000 people.

Favor a marketplace business model

Know how to bypass avoid the challenges of local legislation

E-tailers who wish to embark in India need to do so being fully aware of the challenges involved in complying with local legislation. The most important of these is without doubt local policy on foreign direct investment.

The Indian government has decided to **prohibit foreign direct investment for online companies that are active in B2C sales**, in order to protect local businesses from competition with large foreign companies. However, it is not impossible to penetrate the Indian market. It just needs to be done using alternative methods and B2B models—in other words, market places portals. Thus foreign direct investment no longer applies.

Another way of bypassing the foreign direct investment legislation for when being active in Indian e-commerce involves making investments in so-called back-end operations, namely, logistics, inventories and technology. Thus, companies that are 100% Indian at the front-end can use these skills.

Between local domination and increasing attraction

It has just been shown that the economic policy in the country doesn't really facilitate the arrival of foreign players, however, as in the majority of markets, the top five players in the Indian e-commerce market include two world giants. One of them, Amazon (which arrived on the market in June 2013), seems determined to engage in a real showdown with the local colossus, Flipkart.

Top 5 Indian e-commerce players

1. Flipkart
2. ebay India
3. Snapdeal
4. Amazon India
5. Myntra

Given that India is just as attractive a market as China, **Flipkart** could certainly take on the role of the "Indian Alibaba" with its **22 million subscribers**. Of these, **four million visit the site each day**. However, the Chinese giant has not taken hold in India where the web is more accessible to the competition, which is eager to make significant investment.

And once again it is **Amazon** that has been most discussed with **planned investment of more than a billion and a half euros** (two billion dollars), after Flipkart announced that it had raised funds of half this amount. In the same order of magnitude, but with amounts that are slightly lower, names such as eBay and Snapdeal are also extremely keen to see their activities in India grow.

3. Trends

Significant investment in logistics

The colossal investment plans referred to above will mainly focus on improving logistics. This is very often the Achilles heel of emerging economies. Currently, in India, **90% of the goods purchased online are transported by air**. However, the growing maturity of consumers who are also becoming more demanding, the competition that has to differentiate itself, the consumers in the various tiers who want access to delivery in their zone—all of these consequences of the development of e-commerce require significant investment in the optimization of logistics. The number of regional storage warehouses and suppliers is therefore on the increase.

100
million 3G and 4G mobile connections expected in 2015

The emergence of a “mobile-only” profile

According to Forrester, half of Indian Internet users are what is known as “mobile only”, in other words, their **first and only access to the Internet is via a mobile device**. They are particularly prevalent in rural areas. There is nothing surprising about the fact that the main e-commerce sites, such as Flipkart and Snapdeal, are seeing their sales grow in the region of **40–50% in terms of transactions made via mobile**; when only 18 months ago, those sales were in the single digits. In India, 900 million inhabitants have a mobile telephone and a third of them have a subscription with mobile data. The 2015 forecasts predict 1.200 million mobile users with 100 million 3G and 4G connections.

It can therefore be seen that the Indian e-commerce landscape is a worthy investment and that the market still has a lot to offer. In the future, it remains to be seen whether the Indian government will soften its policy or whether foreign investors will need to continue to be clever. One thing is certain, however. The staggering growth of the Indian online economy is not about to stop any time soon.

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