Change in Marketplace “The Virtual World”

Anubhav Kaistha

Abstract: E-commerce is one of the most important facets of internet to have emerged in recent times. With the technology boom and “online shopping” companies popping up literally every week, one has to look into the various aspects of this new form of market. Do we still prefer the experience of shopping or are we looking for time-saving options in this ever running life of ours. This paper deals with the concept of e-commerce and looks to cover the actual buyers in shopping online.

Keywords: Virtual market, e-commerce, online shopping

1. Introduction

E-commerce is a modern business methodology that addresses the needs of merchants, organizations and consumers; it cuts the costs while improving the quality of goods and services and increasing the speed of service delivery. It can also reduce the cost of managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services [Rajiv Rastogi]. Businesses are increasingly using the Internet for commercial activities. The ubiquitous nature of the Internet and its wide global access has made it an extremely effective mode of communication between businesses and customers [Rowley (2001)]. The introduction of e-commerce has seen a drastic impact on the traditional ways of doing business. It has brought both ends of the market closer (i.e. the producer and the consumer) the long supply chain has been axed. With the number of internet users growing at a rapid pace (6,498.6 % growth from yr 2000 to 2014, source internet world stats) and maximum being in Asia (45.7 % ), e-commerce is not related to the internet alone. Electronic transactions such as business calls over your cell phone, sending a fax, money withdrawal from the ATM machine, paying for your shopping’s using a credit card are different examples of e-commerce

India’s e-commerce market was worth about $3.8 billion in 2009, it went up to $12.6 billion in 2013. Although the market penetration rate is slow but with the current growth rate India is set to lead the world market in terms of e-commerce. With this growth comes the responsibility of providing a secure platform for e-commerce. Recently Target Corporation suffered a cyber attack that has put it under litigation threat in multiple jurisdictions. E-Commerce demand highly secure, stable and protected hosting. Cyber security issues of e-commerce business in India would be required to be managed by Indian e-commerce stakeholders in the near future. In fact, Indian government is planning to introduce cyber security breach disclosure norms in India very soon, but only time will tell how secure can this online market be made.

Evolution of E-commerce

E-Commerce has evolved over the centuries. Prior to the evolution of money, it was a simple “barter process” where things could be exchanged, say milk for grains. The evolution of money brought with it, the concept of a “marketplace”. In a marketplace, Commerce is function of 4 P’s – Product, Price, Place and Promotions. All these four components play a vital role in a transaction to take place.

Different combinations of 4Ps determine different forms of Commerce. Once the marketplace came into existence, a few pioneers realised that people would be ready to pay extra if they could deliver products to customer’s doorsteps. A slight modification on Price and Place led to the convenience of getting products at their homes. This concept delighted the customers and thus, the concept of “Street Vendors” was born.

When the Postal System came into being the sellers decided to cash in on the new opportunity and started using mailers giving description of their products. It led to the networks was inevitable with the development of media vehicles. The latest generation of commerce is one that can be done over the internet. Internet provides a virtual platform where sellers and buyers can come in contact for sale and purchase of goods and services. They can be thousands of miles apart, may belong to different parts of the world, might speak different languages, “E-Commerce” emerged as the boundary-less trade medium in the era of globalization.

Last year, smartphone shipments doubled to 80 mn from a year-ago period. The prospect of connecting 1.24 billion people to the internet may be an opportunity in itself. But what analysts are excited about is the prospect of selling products and services to this digital population. Investment banks believe India is on the way to becoming one of the largest internet markets in the world, with implications for consumers and investors.

E-commerce In India

Zia and Manish (2012) proposed that e-commerce revenues in India will increase by more than five times by 2016, jumping from US$1.6 billion in 2012 to US$8.8 billion in 2016. Internet and Mobile Association of India (IMAI) reveals that India’ an e-commerce market is growing at an average rate of 70 percent annually, and has grown over 50 percent in the past three years alone [geocart.com].

Morgan Stanley expects the size of the Indian internet market to rise from $11 bn in 2013 to $137 bn by 2020 and market capitalisation of these internet businesses could touch $160-200 bn from the $4 bn at present [Business Standards, Feb 6th, 2015]. Times of India (2013) wrote that leading online stores such as Indiatimes Shopping, Jabong and Myntra say that almost half, and in some cases more than half, of their sales now comes from tier-II and tier-III towns and cities. E-commerce in the country grew 128 percent year-on-year in 2014, with 25 per cent traffic coming from places outside the top 20 cities, it says.
Major Companies in E-commerce business in India:

a) Tradus and BigBasket (Groceries): Tradus has recently pivoted from being a horizontal marketplace to selling only groceries. While it remains a marketplace, connecting local buyers and sellers in seven cities, BigBasket is not a marketplace and therefore has more control over the entire supply chain. BigBasket has presence in four cities and has its own warehouses and delivery network.

b) UrbanLadder, FabFurnish and Pepperfry (Furniture): UrbanLadder is a curated online marketplace for furniture and home decor products, and currently operates in seven cities. FabFurnish too is shifting from an inventory led model to a marketplace model, thus becoming more cost-effective and also covering more cities. Pepperfry is a managed marketplace that switched focus from initially selling products across multiple lifestyle categories to only furniture and home décor. It has the largest coverage, shipping to about 500 cities in India.

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

d) Jabong, FlipKart, Zovi and FashionAndYou (Lifestyle): The lifestyle categories consist of apparel, shoes, jewellery, accessories and home décor and accounts for a massive 45% of the entire e-retail market. With the acquisition of Myntra, the prominent players are Jabong, Zovi and FashionAndYou. They continue to face enormous competition from the horizontal players such as Flipkart, SnapDeal and Amazon that are focusing on fashion more and more. Jabong has been in existence since 2012 and follows both an inventory model and a managed marketplace model. On the other hand, Zovi designs and manufactures privately labelled lifestyle apparel and accessory products that it sells exclusively online. Lastly, FashionAndYou is a marketplace that operates in a flash sales model, offering products from retailers at discounts for only a limited period.

e) CaratLane, Voylla and BlueStone: Bluestone has an end-to-end approach to selling jewellery online that involves designing and manufacturing themselves. It also has a just-in-time manufacturing model where the jewellery is manufactured within days of an order being placed. CaratLane too designs and manufactures its jewellery in-house, but also has a marketplace model for solitaires sourced from vendors globally. While CaratLane and Bluestone sell precious jewellery, Voylla deals largely in imitation jewellery though an inventory-led model.

f) Cbazaar, IndianRoots and CraftsVilla (Ethnic Lifestyle): An emerging trend is niche players dealing in ethnic lifestyle products that have a huge demand outside India in the international market. Three of the prominent players in the space, Cbazaar, IndianRoots and CraftsVilla, have over 50% of their sales of ethnic apparel, home furnishing, home décor, jewellery, bags, etc. originating from abroad. Notably all of them work in a zero-inventory marketplace model.

g) LimeRoad and Xarato (Social Shopping): Another recent trend is social shopping where shoppers’ friends become involved in the shopping experience. There are two only players in India that have integrated social shopping into the online product discovery and purchasing experience: LimeRoad and Xarato and many more. Both are lifestyle category marketplaces and differentiate themselves from the rest of the competition by providing value to customers through superior user experience. They have set the benchmark for the next generation of e-commerce sites with social baked in from the start.

Over 70% of all consumer e-commerce transactions in India are travel related, comprising mainly of online booking of airline tickets, railway tickets and hotel bookings. But other segments like apparels, health and beauty products are catching up fast. With the onslaught of price wars among the existing players and increasing competition from the new players, it is going to be a win-win situation for the citizens. The year ahead is sure going to be full of promises. The biggest players in the travel category are Makemytrip.com, Yatra.com and the IRCTC website for railway bookings. Non-travel related online commerce comprises 25-30 percent of the B2C e-Commerce market. India has close to 10 million online shoppers and is growing at an estimated 30% CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. Times of India (February 12, 2013) had published that top motivators for online shopping were cash back guarantee, cash on delivery, fast delivery, substantial discounts compared to retail, and access to branded products, while barriers include inability to touch and try products before purchase, fear of faulty products, apprehension of posting personal and financial details online and inability to bargain.