

The Indian kaleidoscope: emerging trends in M-Commerce

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Abstract: India is the second largest cellular market in the world after China, with a massive subscriber base of 867.80 million, as of March 2013. Majority of smartphone users are still on 2G network. Budget 4G smartphones coupled with affordable plans, can very well drive 4G growth in India. The most obvious mobile commerce trend is further development. Yearly m-commerce sales are forecasted to increase fourfold billion in the next few years. Businesses are beginning to realize that m-commerce is key to enhance their brand, boost sales, and keep up with competitors. India's retail market is expected to cross 1.3 trillion USD by 2020 from the current market size of 500 billion USD. Modern retail with a penetration of only 5% is expected to grow about six times from the current 27 billion USD to 220 billion USD, across all categories and segments. India is set to witness proliferation of the fourth-generation wireless data services, or 4G services shortly with slashed data plans. Being the second largest mobile market in the world, India needs to take its place in the forefront of providing innovative services and applications to its citizens. Recent eMarketer study, by the year 2017 more than 25% of all online retail transactions will happen in the mobile paradigm. Adweek explains that statistic with information that 18-34 year olds are very likely to use their mobile devices as a shopping tool. Their process is to visit their favorite retail stores not to shop but to view a product and compare prices, and then to compare prices at various online locations using their phones. They then buy the product using their mobile device. The future looks very bright for mobile commerce, although businesses are still experimenting with how to use the mobile commerce concept to their best advantage.

Keywords: m-commerce, trends, future, e-tail

INTRODUCTION

"Broadband and digital services will no longer be a luxury item - a scarce commodity - to be rationed amongst the privileged few," Forbes magazine

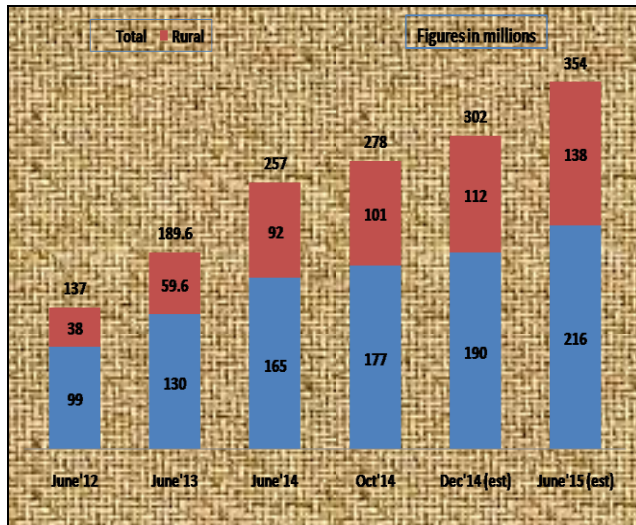
Indian internet user is becoming the second largest in the world next to China surpassing US, which throws open plenty of e-commerce opportunities, not only for Indian players, offshore players as well. Chinese firms coming forward for investments in Indian e-tail market, product launches through flipcart, Rupay, development of broadband infrastructure, etc, evidence revolutionary growth in the days to come. E-commerce explosion through mobile devices is discussed with special emphasis to Indian scenario.

INDIA: SECOND BIGGEST INTERNET USER IN THE WORLD

The number of Internet users in India reach 302 million by December 2014, registering a Y-o-Y growth of 32% over last year, according to a report 'Internet in India 2014', published by the Internet and Mobile Association of India (IAMAI) and IMRB International. For growing from 10 million to 100 million it took a decade for India, where as within three years it has doubled to 200 million and just one year to become 300 million to become the second largest market of the world. Growth profile is indicated below with the breakup of rural market which is considered to be quite promising.

EXHIBIT NO.1. GROWTH OF INTERNET AND MOBILE SUBSCRIBERS IN INDIA

Internet users in India



Source: IMAI-IMRB I-cube estimates

Urban vs Rural growth

Period	Urban	Rural
Growth YOY	29%	39%
October 2014	177mn	101mn
December 2014 (Projection)	190mn	112mn
June 2015 (Projection)	216mn	138mn

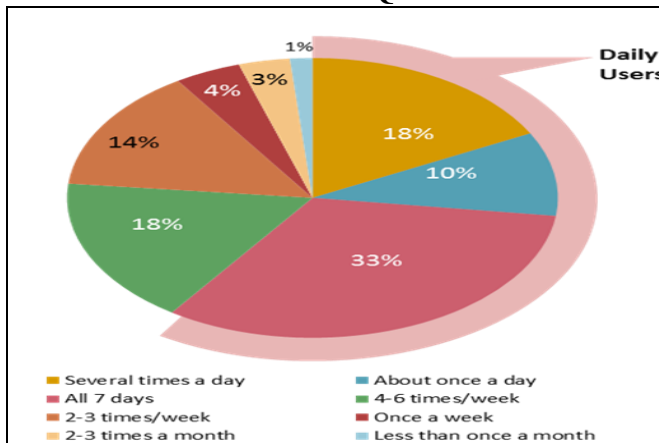
Growth of Mobile Telephones

Dec'12	864.72
Mar'12	867.80
Jun'12	873.36
Sep,12	870.58
Dec'13	886.30
Mar'14	904.51

Source : TRAI

China currently leads with more than 600 million internet users while the US currently has estimated 279 million internet users. As on June 2014, 31.5 million (61%) in 35 cities were using Internet on a daily basis. The daily user base has gone up by 51% from June 2013. 96% of the Internet users are accessing Internet at least once a week. Out of these, 18% access Internet 4 to 6 times a week and 14% access Internet 2 to 3 times a week.

EXHIBIT NO. 2. FREQUENCY AND PURPOSE OF ACCESS IN URBAN INDIA



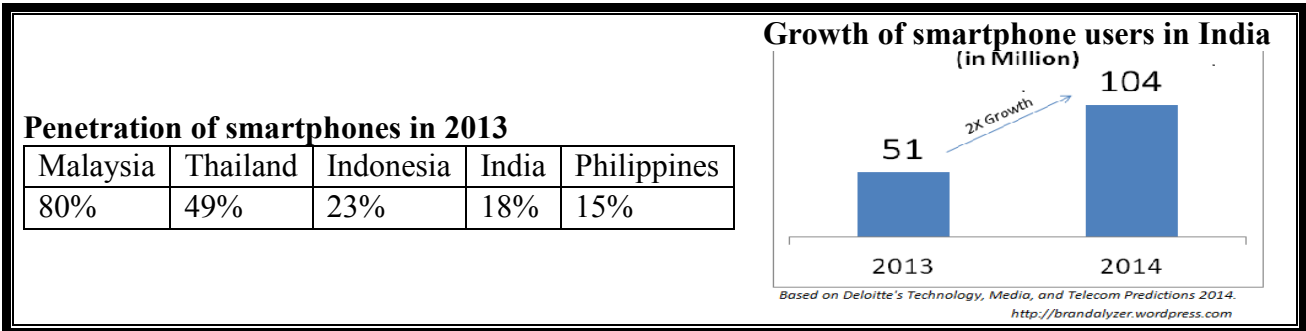
Base: 52.5 Mn Internet users, 35 cities

Purpose	Percentage
Search	93%
Online	86%
Social networking	84%
Entertainment	76%
Online transaction	63%
Online shopping	61%

Source: IMRB I-cube, June 2014.

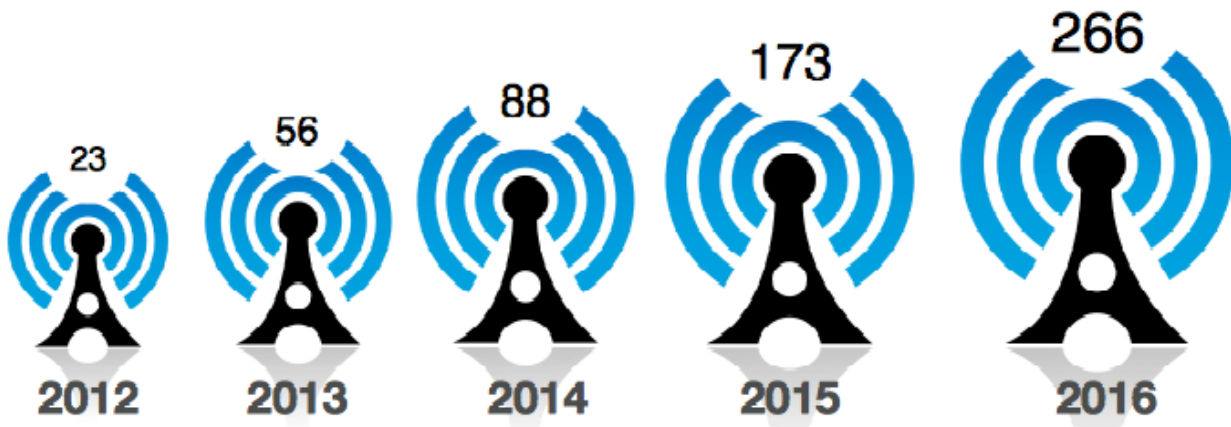
In urban India, for nearly 93% of the respondents, the primary use of Internet is Search, followed by Online Communication and Social Networking. However, in rural India, Entertainment is the primary reason for internet usage, followed by communication and social networking. The purpose of accessing Internet in rural India as per i-cube estimated is primarily for entertainment, communication and social networking.

EXHIBIT NO.3: INCREASING SMARTPHONE AND MOBILE UTILITY



In 2016, Asia-Pacific is predicted to account for 57.7% of the world's mobile phone users, and as much as 40% of global mobile data traffic by 2015. Given that in 2013, only 22% of Asian consumers had a mobile broad band subscription, there is a huge potential for growth in the market. According to data from Nielsen (2014), smartphone penetration in developing Asia Pacific markets is also gaining traction. Thailand's smartphone penetration is at 49 percent followed by Indonesia (23%), India (18%) and the Philippines (15%). In India, WiFi is often accessed by mobile users in community centers or internet cafes. This reflects the slow pick up of 3G connections in India, which have reached a penetration level of 3.4% in January 2014. This slow start in 3G adoption (the first 3G connections in India were launched in 2010) is a struggle that many nations face, as it takes time for mobile ecosystems (devices, connectivity, use cases) to fully develop.

Exhibit No.4 : 3G subscription in India (Mn)



(Source: Avendus,2013)

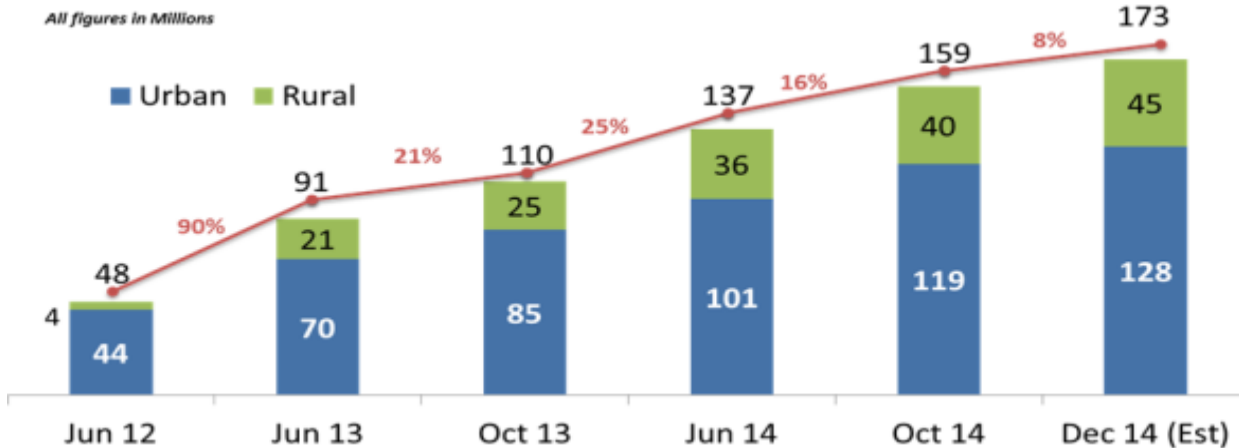
Factors influencing the growth of Mobile utility

1. Increase in rural income as well as urbanisation
2. Increase in easy access to credit and consumer awareness
3. Growth of modern trade format across urban, Tier I, Tier II and Tier III cities and towns
4. Rapid urbanisation and growing
5. Trend towards nuclear families

According to economic times, Providing access to faster broadband speeds and easing of payment norms in the country can play an important role in further boosting growth in e-commerce sector in India - Internet & Mobile Association of India (IAMAI).

Urban rural digital divide : According to the report, the number of mobile internet users has also witnessed a steady rise, with 159 million mobile internet users in October, and is estimated to reach 173 million by the end of December. In October, there were 119 million users accessing the Internet on mobile devices, in urban India. Rural India is not that far behind in this regard with a base of 40 million mobile Internet users in October 2013 as indicated below.

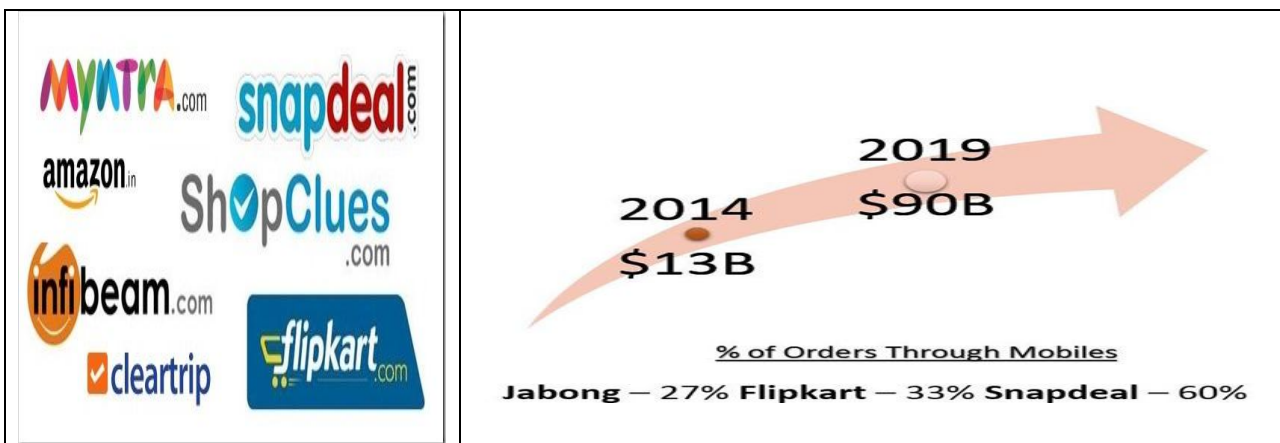
Exhibit No.5: Mobile Internet users in India



(Source: i-cube IMRB, October 2014)

According to The Times of India, among the Indian cities, Mumbai tops the list of internet users followed by Delhi, Kolkatta, Bangalore and Chennai. The reason for rapid growth of Kolkatta is that Kolkata and its suburbs are well covered by 3G and have witnessed more than 200% growth in 3G internet users.

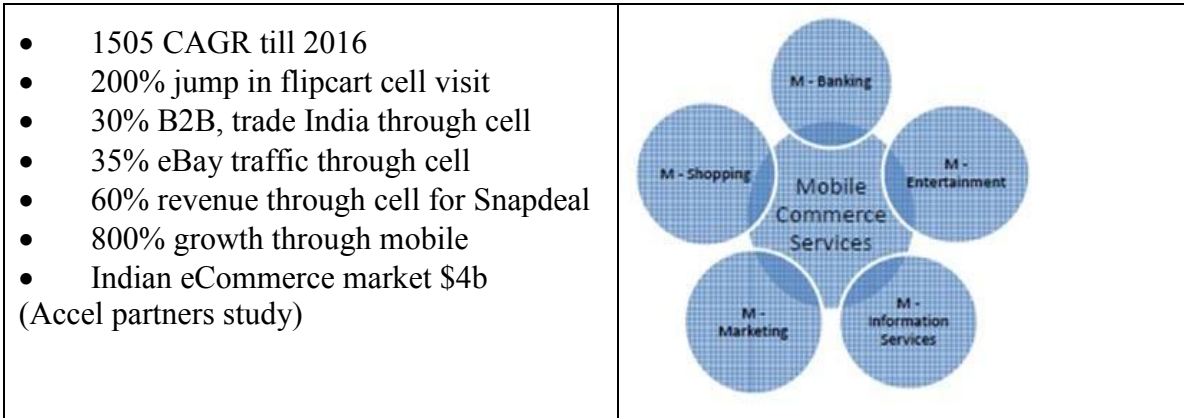
Exhibit No. 6: Growth of eCommerce in India



M-commerce becoming the trend

According to Hindu Business Line, India is the second largest mobile phone market with more than 930 million customers. IDC data says that the domestic Smartphone market grew 84 per cent in the second quarter of 2014 and is expected to grow rapidly. Major reason for the increase in mobile commerce is the penetration of smartphone into the rural markets, 45 per cent of the online users in India access internet only through their mobile phones.

EXHIBIT NO7: INDIAN M-COMMERCE – AT A GLANCE



(Source:<http://www.digit.in/telecom/mobile-commerce-in-india-ready-to-hit-mainstream>)

At Present, India has over 800 million mobile subscribers with 240 million subscribers with bank accounts which has a very strong infrastructure like 88,000 branches and 70,000 cash points. An amazing 200 credit card holders are in the country. The half of the Indian households is still unbanked, including 42% holding atleast one mobile phone. This opens a great opportunity for mobile phone industry and financial institutions to galvanize mobile commerce services in India. The latest BCG report has also projected that the fee-based revenue from mobile commerce could well over \$4.5 billion by 2015 in India. *"Banks, under the mandate of the Reserve Bank of India, have made significant efforts to improve security. Therefore, while cash-on-delivery continues to be a significant portion (50%-60%) of the mode of payment chosen by customers, usage of debit cards and net banking have also gone up steeply,"*-Ankit Khanna, senior VP Snapdeal

Mobile payment transaction growth, combined with biometrics, will ensure increased speed of mobile commerce. The following figure illustrates expected mobile transactions.

MOBILE COMMERCE-CONSUMER PERSPECTIVE



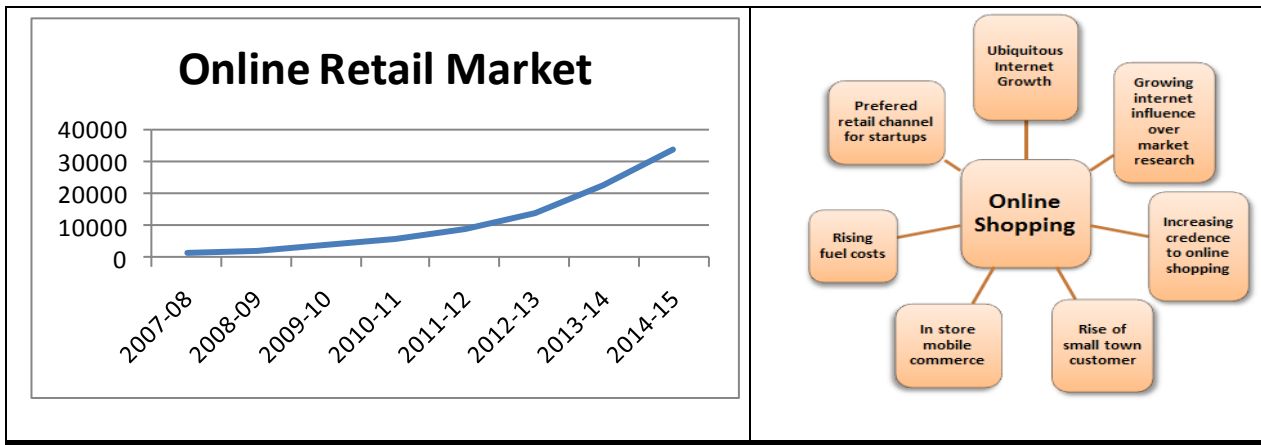
(Source: comscore)

Report suggests that in India 30 per cent come from mobile phones, however, presently less than 5per cent of total digital commerce happens through mobile. IT research and advisory firm Gartner, the eCommerce market is expected to grow 70 per cent and touch \$6 billion in 2015. Most leading players expect 90 per cent of their online shopping to come through smartphones and tablets within the next few years. Online frauds in India is low, the private sector and international banks grabbing a huge share of the market HDFC Bank and ICICI Bank, are miles ahead in supporting online purchases, right from providing payment gateways to offering financing options to users. A bigger opportunity is from offering EMI options to finance online purchases. In the case of online retailers, many banks have introduced EMI schemes, especially for high-value electronic durables and mobiles. According to market estimates, India's online credit market is worth about Rs 6,500 crore in terms of loan value and is growing at a CAGR of 200% over 2010-13. With the huge market potential offered by smartphones, companies such as Snapdeal, Flipkart, Myntra, among

others, have already launched mobile applications. According to Financial express, SoftBank become the largest e-tailer investor in the country for 2014, worth \$3bn investments in Snapdeal and Olacabs. A total investment in e-commerce firms during 2014 in India is about \$3005 mn. India is expected to move from 2G to 4G in the next three years adding 400 million more mobile internet users. China has over a trillion USD worth internet economy.

“Indians are using the internet to buy everything from provisions to electronic gadgets. India has 19 million credit card users, while the number of debit card holders is 350 million. The value of electronic transactions using credit cards is disproportionately large 21% of all transactions compared with about 32% through debit cards, The balance is through internet banking, mobile wallets and prepaid cash card”-Internet and Mobile Association.

Exhibit No.9: Growth of Indian Online retail Market



Closing thought

Indian e-commerce market is distinct that it has a large illiterate population, risk-averse consumer behaviour and difficulty in tracing postal addresses that challenges delivery system, especially in semi-urban and rural areas. Additionally, consumers here are found to be wary of the quality and after-sale. But, this trend is fast transforming with increasing penetration of mobile and internet in semi-urban and rural areas. In order to realize the true potential of the E-commerce all the stakeholders including Banks, Aggregators and online merchants need to contribute in building a conducive environment. All e-commerce companies, be it small or large understand the importance of going mobile and started offering mobile commerce solutions to their customers. M-commerce to contribute up to 70% of online shopping in India: experts '70% of e-commerce sales to soon come via smartphones' - The Times of India. The intrusion of information communication technology in our lives has changed our life completely. The whole world is coming closer. The mobile commerce is the future of globalization. The Issues in mobile commerce are numerous. Only a few are discussed here. The complication arises due to mobile commerce need newer cyber laws. Corporate good governance is evolutionary in nature. Hence, Mobile commerce is just towards the stage of corporate good governance. The paradigm shift from management to governance is taken ahead by the Mobile commerce.

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