

Online Shopping and Logistics in India

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Abstract

Managing Logistics is the greatest challenge for any eCommerce company especially in a country like India with a vast territory. With the advancements in eCommerce, even the logistics industry is witnessing innovation and implementing technological support to cater to such high demands. And now it is possible for online buyers to track their consignment from the date of dispatch from the factory or warehouse till its' delivery at the consignee's address. The task of delivering shipments becomes even more strenuous during weather disturbances such as rainy season or when extensive areas get flooded and many bridges are damaged. Before the advent of the eCommerce industry, retailers sourced goods either from manufacturers or distributors. And now that we have a plethora of online shopping stores, the intermediaries cease to exist, leading to deals directly done between the supplier and end-user: C&F (clearing and forwarding agents), distributors, dealers, and retailers have no role in this direct selling process.

Keywords: E-Platforms in India, E-Commerce in India, E-Services in India

Introduction

Logistics is a congregation of various processes such as inventory management, warehousing, packaging, labeling, billing, shipping, payment collection, return, and exchange. All these put together turn into an exigent task, that requires a full-proof strategy to be accomplished. Apart with these, logistics also requires thorough knowledge about territories, roads and road conditions, regulations regarding the movement of goods, and transport laws. The principal purpose of creating a logistics unit is much to deliver parcels much faster, safer, and more accurately.

For an eCommerce company logistics in the forward direction involves receiving an online order, arranging for the item, packaging, preparing its invoice, arranging the payment, dispatching, and delivering the item to the customer's doorstep. The time between receiving the order and its distribution depends on the availability of the material and location of the consignee. For specific locations, a separate delivery charge could be applicable

From the time of dispatch until delivery of a consignment, it is the responsibility of the seller to notify the exact location of a shipment to its respective consignee through tracking SMS or email notifications.

Payment collection is essential for any eCommerce business owner, analogous to a retailer. An online retail company should have multiple payment options for better customer experience such as debit/ credit cards, bank transfers, and COD (cash on delivery). In a country like India where buyers are more comfortable with dealing in physical money, COD option is of utmost significance.

India's interest and curiosity in the e-commerce retail logistics segment is on a rise. The e-commerce retail market is among India's fastest-growing markets and is expected to grow at a CAGR (Compound Annual Growth Rate) of 52 per cent to touch \$36.7 billion by 2020. This growth continues to be driven by various supply and demand-side factors. The increasing penetration of Internet and smartphones across the country, increase in the number of urban households, ease of payment and compelling commercials and discounts combined with the convenience, access and variety that online shopping offers, act as market drivers.

E-commerce retail companies continuously work to introduce innovative business models and technology-driven approaches. Convenient payment options, customer-friendly policies, speedy deliveries and easy returns drive customers to online channels. Further, concepts such as 'online and application (app) only' sales, 'by invite only' discounts, special discount coupons, cash-back policies and special online festivals continue to drive customers to shop online. Retail e-commerce drives significant investment and value for the Indian logistics sector and has emerged as an important segment in this spectrum. Growth in this industry has resulted in the emergence of new service requirements and hence, a new class/ section of logistics operators. Several e-commerce retail companies have also invested in building their logistics networks and capability, recognising logistics as a key variable to drive customer experience and reach. Logistics is thus a key enabler for the growth of the e-commerce retail sector and is increasingly emerging as a differentiator in terms of customer service and satisfaction. To build-up their scale, while sustaining business margins, e-commerce companies and logistics providers need to work in collaboration to drive the industry forward

Overview of the Indian e-commerce industry

The e-commerce market in India was estimated at \$17.6 billion in 2014 and is expected to grow at a CAGR of 40 per cent to touch \$136 billion by 2020. The online travel segment at \$12 billion alone comprises about 68 per cent of the e-commerce industry in India, including travel and e-

ticketing websites. Ticketing accounts for the largest share of the online travel market, with domestic air ticketing driving growth. At \$3 billion, e-commerce retailing is the second-largest and fastest-growing segment. This is followed by the financial services and classified segments, job searches and online matrimony which contribute to about 15 per cent of the market by value.

E-commerce retailing in India

The e-commerce retail market is among India's fastest-growing markets. It is poised to be worth \$36.7 billion by 2020, from \$3 billion in 2014, growing at a CAGR of approximately 52 per cent. This industry has come a long way since its inception and is continuously gaining momentum and value. The Indian market is driven by factors such as increased penetration of Internet and smartphones, focus on advertising, ease of shopping for customers, innovative payment options, deals and discounts and the rapidly changing lifestyle needs. Large players are diversified across categories and are building their capabilities to service several of these categories. In the coming years, the e-commerce retailing industry is expected to witness the consolidation and emergence of a few big players. Further, changes in the FDI regulations could also boost the penetration of major players and help them gain higher market share by FY20.

Electronics is currently the largest segment in e-commerce retail, projected to grow at a CAGR of approximately 43 per cent till 2020. The share of electronics in online retail is, however, expected to decline with higher growth in other segments such as apparel (CAGR approximately 50 per cent) and home furnishings (CAGR approximately 68 per cent) in the coming next four to five years. At present, the e-commerce retailing industry is witnessing approximately 1 to 1.2 million transactions per day, led by categories including apparel (approximately 43 per cent), electronics (approximately 24 per cent), and books (approximately 22 per cent).

Online retail in India as a percentage of total retail

Indian retailers are yet to capitalise upon the power of the online space due to lack of internet penetration, along with a much smaller population of online shoppers and low transaction sizes.

Internet penetration is rapidly growing in India. The total number of web users in the country is over 243 million. The top four metros have a 23 per cent penetration, while the other four metros have gained 11 per cent internet penetration over the years. Despite the growth, only 19 per cent of the total Indian population has access to the internet compared to more than 40 per cent in other peer countries, such as Brazil, Russia and China. Moreover, out of this 19 per cent, only 14 per cent of the population has indulged in online shopping, compared to more than 30 per cent in other peer countries. While the numbers are currently low, there is a steady increase in internet and mobile penetration, presenting an attractive opportunity for e-commerce retailers.

Changing the lifestyle of the Indian consumer seeking convenience, comfort and variety:

Online shopping in metro cities is often associated with ease and convenience, saving time and hassle-free options. Besides, products are delivered to customers either on the same or the following day of placing an order. For medium to small towns, online shopping stores provide a wide range of domestic and international brands, which may not otherwise be easily accessible. Also, e-commerce retailing sites offer better deals and discounts round the year, which may not be the case with retail store shopping.

The rapid growth in affordable electronic devices to access the internet, including personal computers/laptops, mobile phones (particularly smartphones), internet television and tablets are driving growth for e-commerce retailing in the country. Mobile phones (including smartphones) internet users are likely to grow 2.5 times by 2019, thereby enabling a corresponding growth trend for the online shopping industry in India. More than 50 per cent of the orders for e-commerce retail giants is generated via mobile apps. In terms of traffic, bigger e-commerce retail

companies draw as high as 50 to 70 per cent of their total traffic through mobile. In the coming years, potentially 40 million shoppers in the age group of 19 to 24 years are expected to spend time and money online. This trend is rapidly aligning with e-commerce retailing, to facilitate the sector's growth.

Logistics is a key enabler for the growth of the e-commerce retail industry and is increasingly emerging as a differentiator in terms of customer service and satisfaction. Logistics in e-commerce retail is evolving with growing business requirements and is acting as an important lever for business growth. The logistics sector-specific to e-commerce retailing in India was valued at \$0.2 billion in 2014 and is projected to witness a CAGR of ~48 per cent in the upcoming five years to reach \$2.2 billion by 2020.

Conclusion

While many e-commerce retailers have partnered with logistic service providers to fulfil their business requirements, some players have also invested in building in-house logistics capabilities. While a large share (as much as 50 per cent) of the e-commerce logistics market is commanded by in-house logistics players, the other 50 per cent is controlled by third-party logistics (3PLs) service providers including traditional Logistics Service Providers (LSPs), e-commerce focussed logistics providers and India Post. However, apart from increasing competition and the rising demand from tier-III and remote locations, an addressable market is expected to be about 45 per cent of the total, which could be close to \$1 billion in 2020. Also, the focus is now shifting from standard to specialised deliveries, which requires 3PLs to invest in new capabilities and building infrastructure.

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