

## 1. An e-commerce blueprint for India's 'Next Half Billion'

### Context:

- ▶▶ By 2022, half a billion Indians are expected to come online through their mobile phones, a population we refer to as India's Next Half Billion (NHB).

### What is E-commerce?

- ▶▶ E-commerce is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet.
- ▶▶ Electronic commerce operates in all four of the major market segments in India - business to business, business to consumer, consumer to consumer and consumer to business.
- ▶▶ India's e-commerce sector has grown quickly despite an uncertain policy environment.
- ▶▶ While online retail accounted for less than 1% of the retail market in 2013, it is reckoned to have crossed 3% in 2018.
- ▶▶ In several categories of electronics such as personal computers and smartphones, e-commerce holds a far larger market share.
- ▶▶ Even in non-traditional items such as furniture and high-end fashion labels, growth has been phenomenal.

### Background:

- ▶▶ The internet journey of NHB starts with them gaining internet access, then moving forward step by step to eventually making commercial transactions online.
- ▶▶ The Next Half Billion differs considerably from the initial waves of internet users. They have very different income profiles, education levels, language skills, and social/cultural milieus.
- ▶▶ In the last 18-24 months, there has been considerable progress in addressing various barriers they face in their internet journey, due to efforts by entrepreneurs and various government initiatives. The NHB is now at an inflexion point for online shopping.
- ▶▶ E-commerce 2.0 will expand the market beyond the relatively small 40-50 million sticky customer base of e-commerce 1.0.
- ▶▶ However, the new version will look, feel, and operate differently from the first wave of online shopping.

## Types of E-commerce models:

1. **Marketplace based model:** A true e-commerce marketplace adheres to the standards and directions of a zero-inventory model. Some classic examples are Naaptol, eBay and Shopclues. The e-commerce marketplace becomes a digital platform for consumers and merchants without warehousing the products. Marketplaces do offer shipment, delivery and payment help to merchants by tying up with some selected logistics companies and financial institutions.
2. **Inventory based model:** Shopping websites where online buyers choose from among products owned by the online shopping company or shopping website take care of the whole process end-to-end, starting with product purchase, warehousing and ending with product dispatch. A few examples of such are Jabong, Yepme and LatestOne.com.

## E-commerce 1.0 and its Performance:

- ▶▶ Considering e-commerce 1.0, existing e-commerce platforms are better suited to sell structured and branded products (mostly electronics like mobile phones, televisions and air-conditioners).
- ▶▶ They mainly appeal to relatively sophisticated shoppers, for whom convenience and selection are important.
- ▶▶ Their English-first approach and user interfaces are constraints for the NHB segment.
- ▶▶ Moreover, the format does not enable an important mechanism for building trust, such as information on what others are doing on the platform.
- ▶▶ For sellers too, e-commerce is designed to cater to larger, organized players, whereas most sellers in India, even online, are small.
- ▶▶ Overall, online shopping is at present more about price discovery than product discovery.
- ▶▶ E-commerce has made important strides, but its penetration is still low in India.

## e-commerce 2.0 and it's Augmentation Drive:

- ▶▶ E-commerce 2.0 needs its building blocks. One enabler is affordable data. Frugal innovation is helpful as well, with low-cost digital payment infrastructure as the prime example.
- ▶▶ A lack of trust and confidence acts as a barrier, but communities on social media are helping generate trust in the internet.
- ▶▶ Another barrier is women staying away from the internet, which is being addressed by women-centric digital platforms such as Healofy, WhiteHat Jr and CENTA.
- ▶▶ In adapting to the NHB's context, solutions include using a relatable language and creating inclusive user experiences such as mobile number-based log-ins, apart from simple

navigation and purchase recommendations. This is typified by enterprises such as RailYatri, Doubtnut, and Scripbox.

- ▶▶ Inadequate Indian language content for e-commerce is another barrier, though vernacular platforms and videos have recently emerged as the dominant mode of content consumption. Startups such as MyUpchar, Pratilipi and Dailyhunt have been leaders here.
- ▶▶ Local apps for social communication have been few, but new players such as Sharechat have emerged in this space.
- ▶▶ With these solutions, the average Indian mobile phone user now consumes more data than most Europeans. These enablers have created the building blocks for e-commerce 2.0.

### What will e-commerce 2.0 look like?

- ▶▶ It will leverage these solutions to tackle three important issues relevant to the NHB.
  1. **Value consciousness:** E-commerce 2.0 will be dominated by smaller, unbranded items catering to value-conscious buyers.
  2. **Trust and confidence:** This is best built by social validation. To achieve this, e-commerce 2.0 players will leverage social communities and influencers on WhatsApp, Facebook, Instagram, and YouTube. Initially, virality will be created through social platforms.

On this base, players will then craft the elements that social platforms cannot provide, such as amplifying the mindshare of the e-commerce content, logistics, tracking, returns and customer support.
  3. **Resonance with the NHB context:** Products will be “pushed” to users instead of being discovered through search. This replicates the NHB’s offline shopping experience of being actively assisted and served by shop assistants on retail premises. Apps will be Indic-language heavy or in Hinglish.

### Challenges:

- ▶▶ Due to mandatory supervision of Competition Commission of India on Merger and Acquisition and regulation on discounts have led to apprehensions of return of license raj.
- ▶▶ Data localization norms in draft policy hasn’t been taken kindly by international firms as that would increase the cost and also raise IPR concerns.
- ▶▶ Curb on discounting in online retail may lead to loss of customer for many established and new firms
- ▶▶ Many State governments have shown their reservation towards Centralized registration of e-commerce as subject of commerce falls under State list.
- ▶▶ The FDI provision restricted to Indian firms may Influence the much the needed FDI in general and e commerce industry in particular.

## Way Ahead:

- ▶▶ E-commerce 2.0 will differ from its earlier version in many ways. It will be intent and “impulse-driven”, rather than being only intent-driven; make product discovery easier by offering a curated selection instead of a wide selection; focus on smaller and unbranded items instead of larger, branded ones; prioritize value over convenience; leverage influencers and social media; offer bulk-buying for better pricing; use Hinglish and Indic languages with a user interface built for India, and use the viral nature of content and social media platforms to drive customer acquisition.
- ▶▶ The second wave of e-commerce could change the way Indians shop online, which will evolve from being a hobby to a habit. We also expect a significant rise in women shoppers in smaller cities.
- ▶▶ Most importantly, e-commerce 2.0 could significantly expand India’s online market and make it truly inclusive.

