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E-commerce poised for a leap in 2012

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After the social media revolution, is e-commerce the next big thing in India? Recent reports indicate so. Online retailers have registered an average 18 per cent growth this year, but are they prepared to handle the influx of online shoppers? The year 2012 may come as a year of surprises to cynics of the industry who believe that online shopping cannot become an Indian reality. The argument that is often given is that buying behaviour of Indian consumers is non-virtual.

The first report that showed data contrary to this argument was the Internet data released by IMRB and IAMA. The report claimed that the number of Internet users has touched the 100-million mark and is likely to grow exponentially. The number of active Internet users has reached inflection point. But has this growth also translated into growth of online shoppers? Latest figures say so. A recent pan-India report released by comScore Inc reveals that online shopping in India has touched a growth rate of 18 per cent and is only likely to grow further. The report found that nearly 60 per cent of netizens in India visited a retail site in November 2011, with the number of online shoppers increasing by 18 per cent in the past year.

"To take advantage of this growing opportunity, retailers must ensure they are addressing the needs of potential customers, which include attractive pricing and the convenience of ordering online. The rapid growth of online coupon sites suggests that consumers in India are looking for deals, highlighting the need for online retailers to adopt effective marketing and pricing strategies for their goods," remarked Kedar Gavane, Director- India, comScore.

Online shopping initiatives are increasingly luring working professionals, women and children. What has added most to online shopping is household appliances and apparel goods. The data of online shoppers here does not take into account the users of mobile phones and public computers who bought products from mobile shopping applications or public computers. Therefore, actual e-commerce figures are likely to be higher. As more comprehensive digital data measurement techniques evolve, such studies are expected to shed light on the consumption pattern of online shoppers.

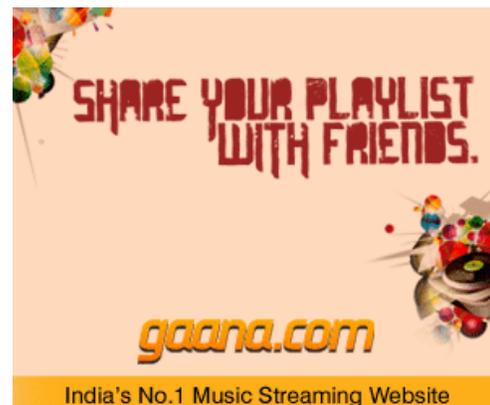
Segments that recorded growth

Online channels are playing an important role of connecting with consumers of unexplored markets. The journey of online spending that started with an increasing number of buyers of travel and holiday plans in the last decade has now extended to an increase in spends on household appliances and luxury products. While segments like apparel and luxury products have registered unprecedented growth in 2011, jewellery, electronic appliances and hardware products have shown promising growth trends as well. "Indian consumers are showing greater appetite to transact online, fuelling the e-commerce boom," said Anuj Kumar, CEO, Affle.

The report also found that coupon sites are rapidly gaining popularity, with 16.5 per cent of the Indian online population visiting the category in November 2011 – 27.2 million online users in India aged 15 and older accessed the retail category from a home or work computer, an increase of 18 per cent from the previous year, as consumers continue to turn to the web to shop for and purchase items and retailers continue to increase their online visibility through active marketing campaigns.

Increase in shoppers of the coupon sites indicate that pricing is playing the role of catalyst in bringing more and more shoppers online. Many of these shoppers have shown affinity towards affordable online goods, which was priced lesser than the market price. Some of the largest retail subcategories revealed that coupons category was the largest with 7.6 million visitors as consumers rapidly adopt daily deal sites. Consumer electronics ranked next with 7.1 million visitors, growing at 12 per cent over the previous year, while 5.8 million online users visited comparison shopping sites, an increase of 25 per cent from the previous year.

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Challenges ahead

However, this growth story is not devoid of challenges that the industry is confronted with, both global and local. As more global players enter the e-commerce space, lack of common taxation rules can also hinder growth in future. "In the online shopping industry, especially, the need of the hour is a uniform goods and services tax (GST) across the country. Currently, inter-state movements of products often pose a problem, given the different taxation rates. This would need to be resolved in order to extend the reach and improve the e-commerce experience," stressed Sachin Bansal, Co-founder and CEO, Flipkart.

On the local front, online shopping predominantly remains a practice of urban and middle class consumers. Though consumers in small towns have started using Internet actively, conversion from visitors to shoppers would take some time. Then there is logistical and supply constraint for retailers. While online shopping is expected to find some share in smaller Indian towns too, increasing supply of products and lack of logistics like warehouses can be a challenge for retailers.

What experts have to say

Sachin Bansal, Co-Founder and CEO, Flipkart: "One of the bigger challenges being faced by the online shopping industry is a fragmented back-end. Greater attention from the government and private entities, more investment and the entry of serious players would be needed to create a better structure for payments and logistical infrastructure."

Gulshan Verma, Vice President and Country Head, Ad Network, Komli Media, India and USA: "2011 is the year that retail e-commerce finally came of age in India with customers from all over India buying in multiple categories from fashion, books and gadgets to infant products. There have even been instances of young adults getting themselves a credit card to primarily shop online."

Anurag Gupta, Managing Director, DGM India Internet Marketing Pvt Ltd: "Indian e-shoppers will have a good time getting great deals and services online, online retailing will explode in 2012 and beyond. More users will access the Internet through smart phones, tablets, net books, etc. With this, there will also be an explosion in usage of mobile applications."

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