ECOMMERCE APP

A Sustainable Investment

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Contents

Introduction

India has been at the helm of commerce from the ancient times. Trade lines like the silk route and spice route connected India to rest of the world thousands of years ago. Today these routes have become redundant with commerce being digitalized. Still, India remains the second largest market (in terms of numbers) for ecommerce in the world.

In this insight we will cover the Indian Ecommerce industry and its future prospects for investors and entrepreneurs. But first let us understand what ecommerce is.

Ecommerce is the exchange of goods and services using internet. Mostly the payment is done electronically, but this might not be the case always. The use of internet and online platform to buy and sell goods is what qualifies a transaction as ecommerce. Some examples of ecommerce websites in India are Amazon.com and Flipkart.com.

The reason world giants like Amazon and Walmart have invested billions of dollars in Indian ecommerce are clear. With a population of over 664 million internet users and a scope for increased ecommerce penetration, India holds promise of being the biggest market for these giants. Meanwhile the domestic players are also eyeing the market to take home ground advantage.

With over 4,757 active ecommerce startups in India the market is dynamic and brimming with opportunities. In this insight we will look at players in Indian ecommerce market, market segmentation and discuss the best ways for a new player to enter this multi-billion dollar market.

Country	Internet User Base *as of 2019	Online Sales as a % of total retail sales
China	854 million	15%
India	664 million	1.6%
USA	321 million	12%
France	54 million	9.5%

An Overview of Ecommerce Market

India's total retail market (including offline market) is estimated to be worth $600 billion. Today, ecommerce comprises of only 5% of that huge market. This is much lower compared to developed countries like USA where the e-tail forms more than 15% of the total market.

Ecommerce revenue in India stood at US$ 38.5 billion in 2017 and is projected to grow to US$ 200 billion by 2026. According to IBEF, the market will cross US$ 120 billion by 2021 itself.

Total internet users in India stands at 664 million although only 20 million out of those are active monthly purchasers on ecommerce sites. That presents a huge potential for ecommerce businesses in coming years.

Total Internet Users

636 million

Ecommerce Users

20 million
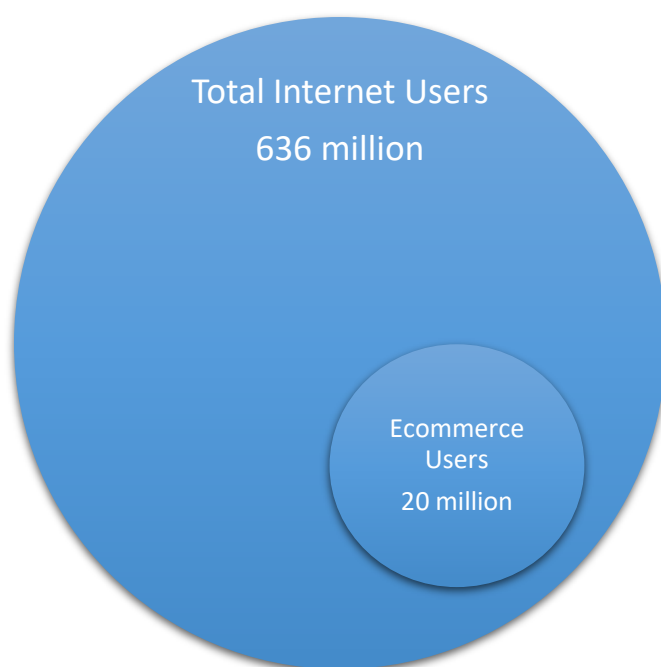
If we look at the market players, two players dominate the market. Ecommerce behemoths Amazon and Flipkart control 75% of market share collectively. Another big player, Reliance, is expected to enter the market in 2021. Going up against these existing big players in the market is impossible unless you are backed by billions of dollars. However the good news is that the market is huge with many categories and promising opportunity for niche players. After all, even Flipkart started only as a book selling platform back in 2007. Also, as you will see in the following sections Indian government is doing its bit to level the playing field for other players.

Electronics and Fashion are the leading categories in e-tail. Another exciting category is financial services which are expected to grow the fastest in coming years.

The market is not without its set of challenges. Despite high revenue, low profitability plagues the market and there are very few players who are actually making profit. Other issues include unorganized logistics market and reluctance of rural population to adopt ecommerce.

Ecommerce Business Models

An ecommerce business is complex and huge because of involvement of multiple stakeholders. Ecommerce businesses have to collaborate with suppliers, manufacturers, logistics, online payments and of course the customers. There are many ways to partner with these stakeholders and each variation produces a different model. It's impossible to discuss all the models as innovative models are coming up every day in this dynamic industry.

Understanding businesses based on who they serve and how they manage their supply is an effective way to learn about business models. Here are some popular ecommerce models in market today:

Business Model	Example
B2C e commerce Marketplace	Amazon.in; Flipkart
B2C e commerce Inventory lead	BigBasket.com; Firstcry.com; Healthkart.com
B2C e commerce aggregator	Uber.com; Olacabs.com
C2C e- commerce	Quikr.com; olx.in
B2B e-commerce	Amazonbusiness.com; cloudBuy.com

Business-to-Customer Ecommerce Marketplace
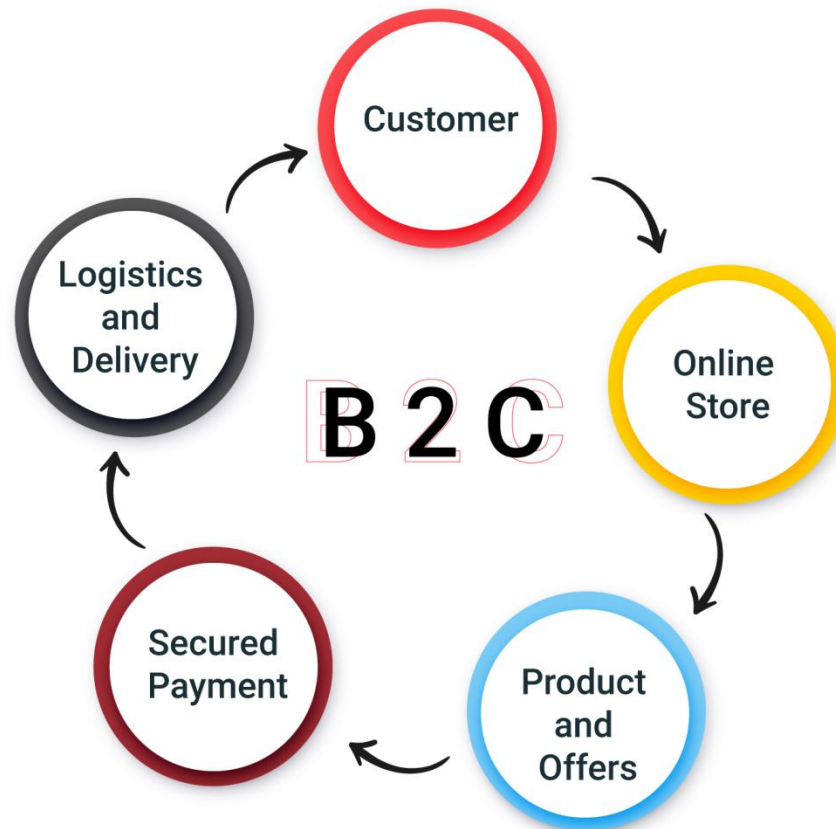
Under this model ecommerce serves retail customers. The platform serves as an online market meaning that various retailers can register on the platform to be part of this online market. These ecommerce websites sell products from established brands to even small time suppliers. It is up to the ecommerce website to choose who can sell on their website.

Amazon and Flipkart function on this model and retailers can register on these platforms for free. Ecommerce platforms usually charge a percentage of sales in fee from each registered retailer. This is the primary source of income for these online marketplaces. For example Amazon charges its seller a referral fee of anywhere from 2% - 45% for every sale closed on their website. In addition they also charge a fixed closing fee and shipping charges depending on item weight and distance of shipping.

The main job of such a player will be to manage sellers and get traffic to the website. Quality control of products becomes essential as the site's reputation depends on customer experience. Online and offline marketing to pull traffic ends up being major expense in this type of model.

Because these players have very little control over what is sold online, this model risks customer experience. Hence, major part of their quality control is to monitor sellers and set standards for products. On the other hand these players don't have to worry about inventory, procurement and pricing.

Business-to-Customer Ecommerce Inventory Led
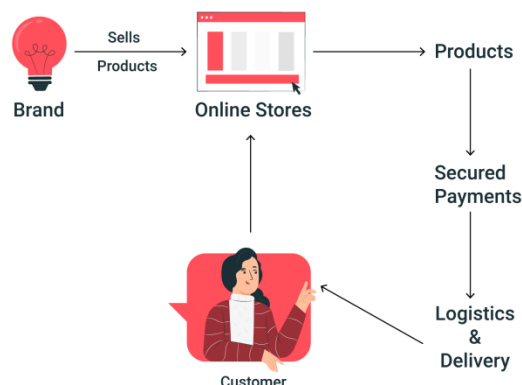
These sites cater to retail customers but they own the products sold on their site. Example of this is Pepperfry.com and Bigbasket.com. These businesses either sell their own brands or purchase established brands on wholesale. This model integrates supply side into its model and does not have to depend on external sellers. They have more control over products sold online and can decide their own pricing strategy.

Unlike marketplace model, inventory led players do not have to manage multiple sellers. Another advantage for these players is that they can easily get into the brick and mortar stores to build an omni-channel presence.

There are many options when it comes to integrating supply chain in ecommerce. Here are some of the popular ways ecommerce websites are procuring products and managing deliveries.

- **Private Label** – Here the player manufactures its own products or ties up with an external manufacturer to make the products exclusively for them. Products can be customised as per specification and standards requested. Picing, branding and packaging is controlled by the ecommerce player.

  Customization allows player to differentiate their product in the market and build a distinct brand that people are ready to pay for. Because nobody else in the market will have exactly the same product, private labels can charge a premium and make good profit from it.

- **White Label** – Not everyone can afford a private label as it can be expensive and complex process to get a trusted manufacturer. Another possibility is to buy products that are mass manufactured and stick your label on it. This is known as white label. Because the products are generic there is little product differentiation possible here. This means that other ecommerce websites will be selling the exact same product with a different label. This usually results in price wars and low profitability.

- **Drop shipping** – This the most efficient way to start an ecommerce with zero capital or inventory. Here the ecommerce website forwards its orders to a drop shipper (product manufacturer) who ships the product directly to customer. The ecommerce player can specify product standards and branding however there is no way to do a quality check as products are shipped to customer directly from manufacturing facility. With dropping shipping option you can pay your costs only after you receive order. However the main challenge in this model is to find a trusted supplier. Problems related to product quality, sipping delay and customer experience are common in this type of arrangement.

Business-to-Customer Ecommerce Aggregator

This model is most popular with service industry. B2C aggregators also provide products or services from various partners to their customers. However they unify all services and products under their brand name and decide the price for these services/products. Examples could be Uber.com and Ola Cabs in India. Here the cabs are registered with Uber but they drive under brand of 'Uber' and follow their pricing. This model allows players to control service quality and pricing without the need to own products or equipment. You can say that this combines the advantages of both marketplace and inventory led model although it's mostly not viable for product industry.

Training of partners and standardization of services are some of the added responsibilities that aggregators have to take up.

Customer-to-Customer Ecommerce
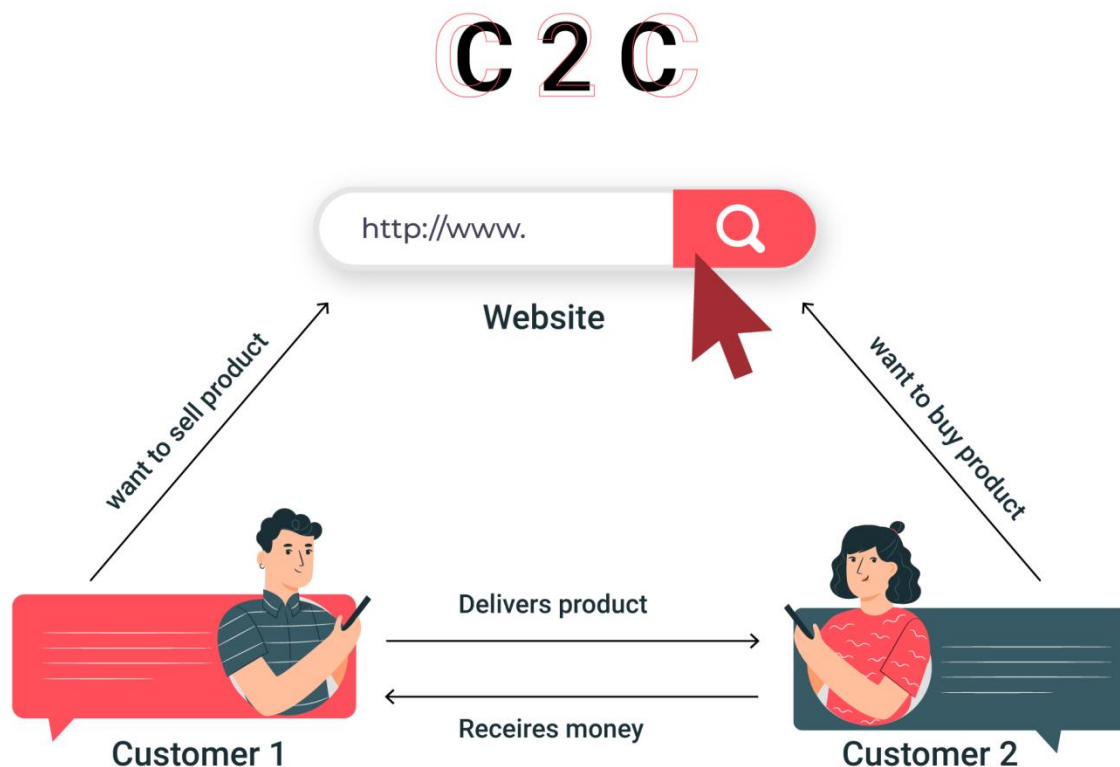
Here individuals buy, sell or exchange products from each other and the player only facilitates these transactions on their platform. Examples include olx.com and ebay. These players neither have to control pricing nor standardize products and services. However they do have to ensure that enough sellers and buyers are coming to their platform by ensuring that the market on their website is profitable for both parties. For this they may set some pricing caps and standardization guidelines but these are usually minimal.

C2C players have to be innovative with their monetization strategies. Since they control nothing of the supply side they cannot charge much from sellers on platform. Besides today people can meet on free platforms like FB groups and online forums. Because of this, charging sellers might drive them away. Instead players use advertising, freemium model or in-app purchases for monetization. For example, olx.com allows users to post classifieds ads for free. However a user can choose paid service to boost their ad and feature on top.

Business-to-Business Ecommerce
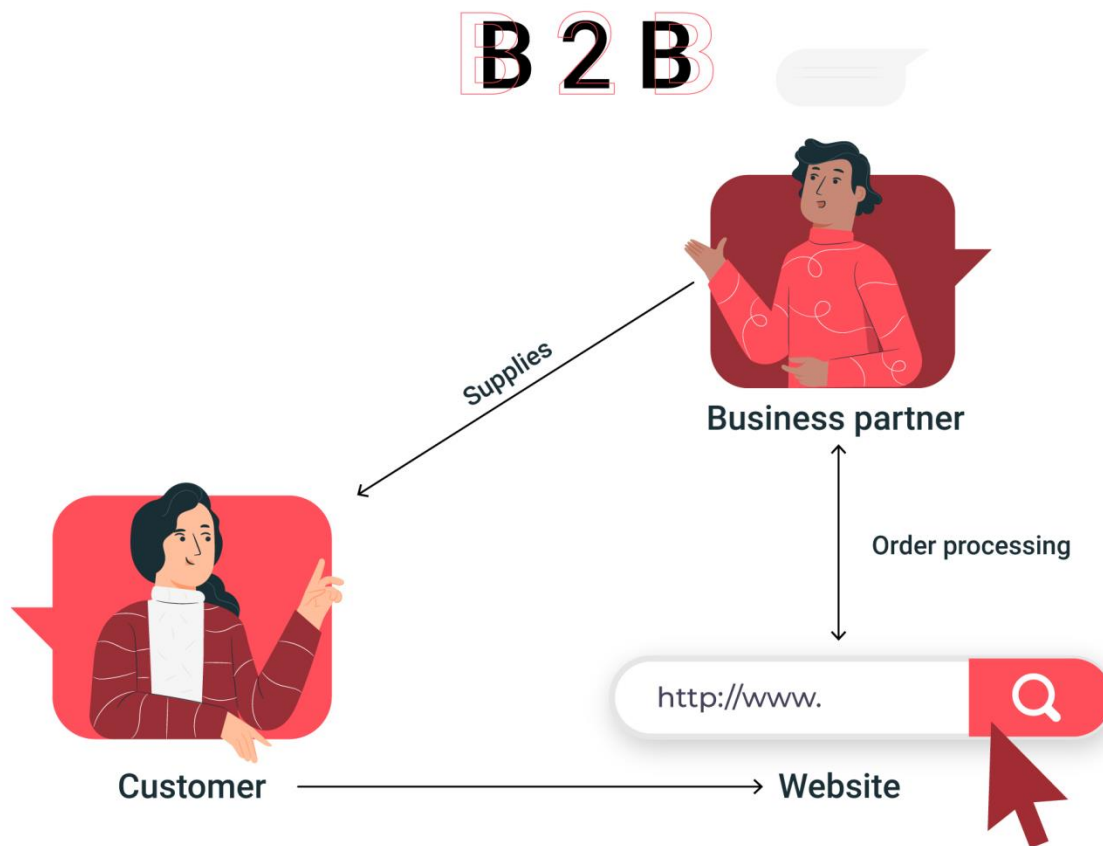
Here the ecommerce players sell to other businesses like wholesalers and retailers. You may not have heard much about this segment however B2B ecommerce is projected to be even bigger than B2C market. The Indian B2B market is currently at $525 billion and projected to be worth $700 billion by the end of 2020. More than 14 million retailers in India fuel the growth of this segment.

Amazon jumped into the B2B category in 2017 and has seen 200 percent YoY growth in this segment. The ticket size in the model is much bigger than B2C channel which drives up the profitability of these players. Buyers can only buy in bulk for a standardised batch of goods in B2B model.

Alibaba from China is the biggest player in the world in B2B market. Indian players like Indiamart and Udaan are also doing well in this market. In fact Indiamart started operations back in 1999 and had a successful IPO in 2019. Government initiatives like demonetisation and implementation of GST have given a boost to this sector and more players are looking at this profitable business model.

The choice of model for an ecommerce business depends on many factors like its niche, budget, target customers and competition. Moreover as business grows it is possible to expand into other models. For example, Amazon has entered in three of these models. Originally a B2C market place, Amazon has expanded into B2C inventory led with its own brand of Amazon Basic products. With Amazon Business they have successfully entered the B2B market too.

Another way to classify ecommerce websites is single product and multi product ecommerce. Single product sites only sell products in a niche or industry specific services. Examples are Nykaa that only sells beauty and cosmetics products for women and Matrimony.com for matrimony services. Multi products websites like Amazon sell every product under the sun.

Market Drivers

Ecommerce ecosystem is very large with involvement of many industries and stakeholders. The internet and digital economy acts as the backbone for this industry. Players in logistics, data management, banking services and government all support ecommerce industry.

Besides this the population of country, readiness to shop online and internet penetration are also important for future growth of the ecommerce. Here are the important market drivers in India

Population

India's large population is a plus point for every industry. With a population of over 1.3 billion every big ecommerce company in the world is interested in capturing this market. This is the reason US retail giant Walmart acquired Flipkart for US$ 16 billion in 2018.

Young people are more likely to adopt online transactions and have higher aspirations to meet. This is good news for Indian market as more than half of the country's population is below the age of 30.

Rising urbanisation has led to rising income among migrating tier II and tier II population of India. This has given rise to middle class which is high in consumption. According to a PWC report India's emerging middle class stood at a figure of 930 million in 2017. By 2022 more of the population from lower income and emerging class is expected to move

India Population clock (live)	
1,393,357,377	Current population
719,427,202	Current male population (51.6%)
673,930,175	Current female population (48.4%)
9,823,913	Births year to date
49,510	Births today
3,566,644	Deaths year to date
17,975	Deaths today
-197,345	Net migration year to date
-995	Net migration today
6,059,925	Population growth year to date
30,540	Population growth today

Figure 1 India population data as on 6th May 2020 (source: https://countrymeters.info/en/India)

up into middle and affluent income sections. It is projected that by 2027, India's middle class number will cross that of US and Chine and dominate the global consumer market.

Rising population of middle class with disposable income and high consumerism is positive sign for ecommerce. The boom in ecommerce will be when it reaches the rural and semi-urban population in India. All the players in the market are poised to take advantage of this and this is the reason they are investing billions of dollars despite making losses.

Internet Penetration

Internet penetration in India is currently at 52%. This is low compared to developed markets like USA where the penetration is 78%. However, a report by Credit Suisse showed that the Indian digital payment sector is expected to grow five-fold to reach $1 Tn by 2023.
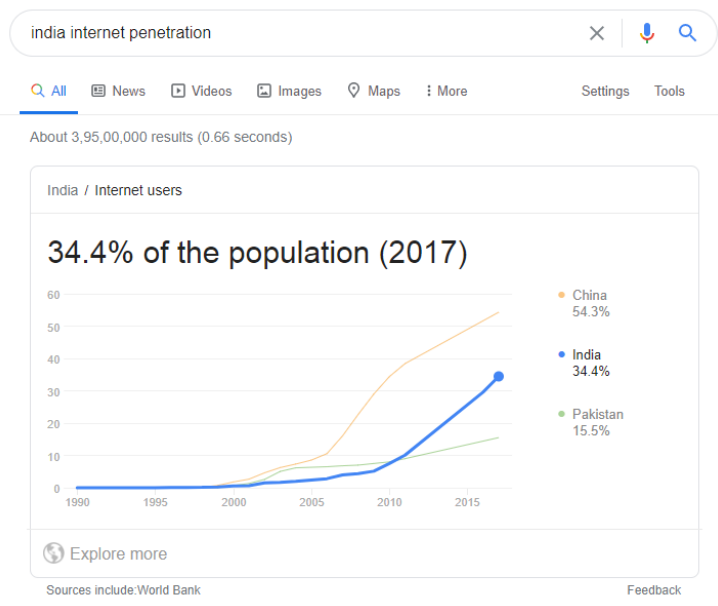

Figure 2internet penetration in India in 2017 (source: google.com)

Just a decade ago internet penetration was in single digit. A growth from 4% in 2007 to 52% in 2019 is promising. Current internet user base is 665 million and expected to rise to 829 million by 2021. Deeper internet penetration will widen the market for ecommerce in the coming years.

Most of the growth is expected from tier II and tier III cities in near future. Current rate of internet usage in these areas is only 25%. This is expected to grow to 45% by 2021. As internet and smartphone reach the growing young population in the hinterlands of country, ecommerce is expected to grow 1200 percent by 2026.

Government Role on e-Commerce

Here, let's look how our Government supports this online business and what are the policies they have kept forward.

Government Support

Indian Government is aware of the role that ecommerce can play in creation of jobs, development of infrastructure and boost to domestic SME businesses. It is estimated that ecommerce will create 1 million jobs by 2022 and support more than 20 million SME

businesses. Not to forget the FDI that ecommerce gets from global players boosts economy and investor sentiments.

In view of these benefits, Indian government is doing its bit to support this industry. Digitalization and 'Make in India' initiatives of government and have directly benefited the industry. To build a conducive environment for online businesses government has taken following steps.

- Government draft National e-commerce policy hiked the limit of foreign direct investment (FDI) to 100 percent in the ecommerce B2B model.
- Government has taken up digitalization of rural India on priority. Union budget of 2018-19 has allocated US$ 1.24 billion to expand broadband services to 150 panchayat
- With internet project 'Saathi' the government reached over 26 million women in 2.6 lakh villages across 20 states.
- The government is also strengthening infrastructure for 5G network in India by rolling out fibre network across country.
- Draft National e-commerce Policy has been published to support e-commerce and provide for safe environment for business to flourish. The draft addresses key points on e-commerce data infrastructure development, e-commerce marketplaces, taxation and regulatory issues.

Government Policy

Indian government is both an aid and a challenge for ecommerce industry. On one hand Indian government is doing much to boost the digital economy. On the other hand government regulations for ecommerce players have been a deterrent to their growth many times.

Ecommerce players have always had a tough time navigating complex government guidelines in the industry. In February 2019, the government barred ecommerce companies from selling products via firms in which they have equity interest. This move was in the interest of local SMEs and to stop the practice of deep discounting and predatory pricing that some of the ecommerce were using against small businessmen. In US Walmart has eaten all of 'mom and pop' shops with their predative strategy and India did not want this to be repeated in the country.

Amongst the many restriction is the prohibition to enter into exclusive selling agreements with sellers. The policy also prohibited 100% FDI in inventory based models. GST was a relief to the

sector but for a long time ecommerce players made losses because of complicated tax structure in India.

Many industry experts have called for better collaboration between government and ecommerce industry. Players have been hit hard with these regulations and called them regressive. While the government is right in thinking of the small sellers in retail, it should bekept in mind that ecommerce practiced ethically can help MSMEs too. In this regard government, ecommerce businesses and MSMEs must all work together to find solutions.

Investor Interest

Ecommerce sector has seen some of the biggest mergers and foreign investments in India. Thanks to government's nod on 100 percent FDI in the sector, e-commerce industry in India witnessed 21 private equity and venture capital deals worth US$ 2.1 billion in 2017 and 40 deals worth US$ 1,129 million in the first half of 2018.


Walmart's US$ 16 billion acquisition of Flipkart was the biggest M&A deal in Indian commerce history. Indian conglomerates are not behind either. Reliance is set to invest US$ 24 billion in its digital services company with an ecommerce platform to induct 1.2 million retailers. Tata group has also shown interest in digital economy by collaborating with Google on a project called 'Saathi'. The project envisages to improve internet penetration among rural women in India.

As the ecommerce industry in India develops, market is expected to go through many mergers, acquisitions and deals. As of 2020 there is a lot of investor money flowing in and big players are eyeing right companies that can become assets and bring in steady traffic in future. This is good news for entrepreneurs of niche ecommerce websites that want to exit and sell off to big players. Since niche websites have loyal customers, horizontal players are interested to acquire them to demand space in respective category. Flipkart's takeover of Myntra is one such case in point.

Because of large population and tremendous growth scope in tier II and tier III cities ecommerce in India is hot favourite for every investors. As more funds flow into the market, the ecommerce infrastructure will only improve and benefit all stakeholders.
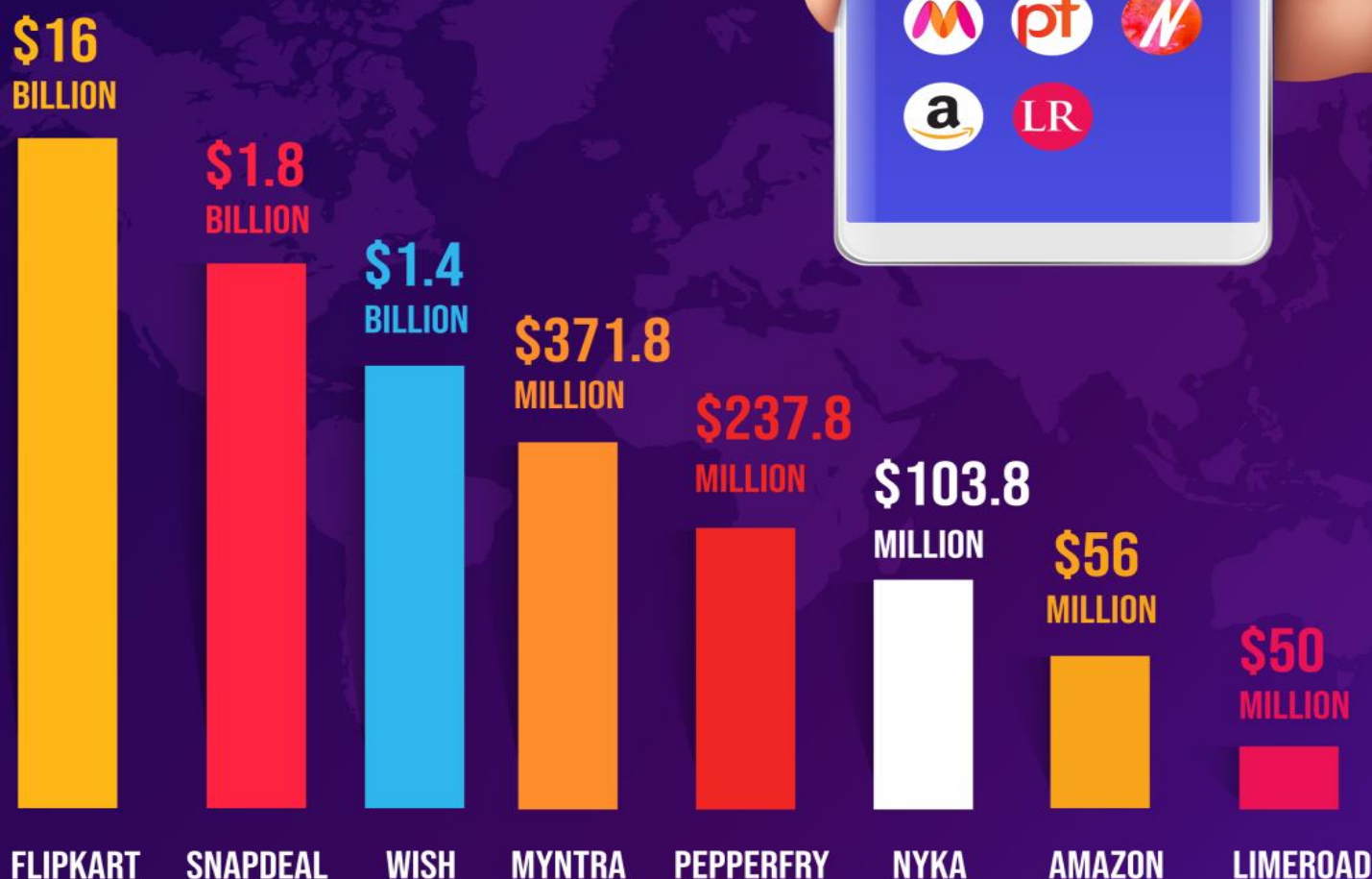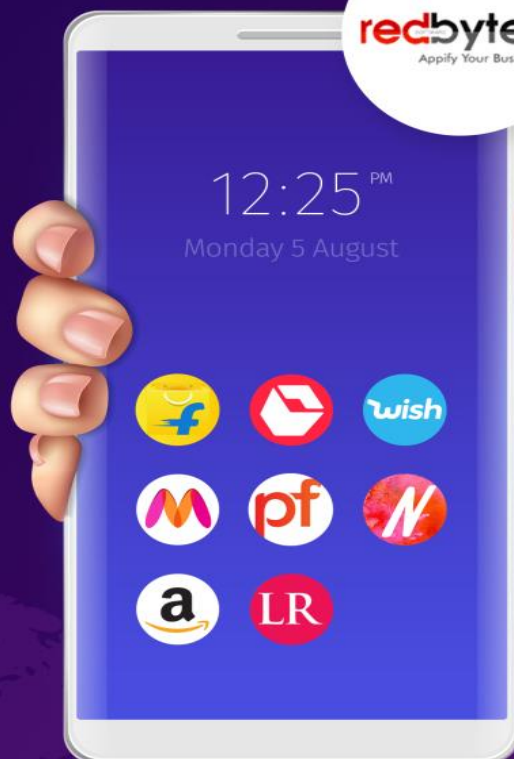
Ancillary Industries

An ecommerce business needs support of many industries to run its operations. Lack of development in these industries can limit ecommerce whereas their development can be a boost. Logistics infrastructures, supply of SMEs, data management are all market drives for ecommerce.

Logistics

Delivery of products requires a strong logistic infrastructure. Our country has its own advantages and limitations when it comes to logistics.

On the positive side we have a robust railway infrastructure that connects long distances. Another positive news is the growing investment in infrastructure by both government and private investors. Currently the overall logistics market is at US$ 160 billion but is expected to grow at 36% CAGR. Many entrepreneurs are aware of demand for a good logistics infrastructure and are jumping in to exploit this opportunity. The sector received and investment of US $ 6.25 billion in the first half of 2019 itself.

Coming to its limitations, logistics is an unorganised and fragmented sector in India. The inter-modal connections are weak and storage facilities are sub-par. Cost of logistics in India is amongst highest in the world. India spends 14 percent of its GDP on logistics whereas in developed countries it is as low as 9.5 percent (USA) and 8 percent (Germany).

Professional players and big investments can turn around the industry and in turn provide a strong support to ecommerce.

Of course service industry does not have to depend on logistics so service based ecommerce, like financial services, employment search websites, e-booking etc., are free from this challenge.

SMEs

Ecommerce and its retail suppliers form a symbiotic relationship in this industry. Each partner's growth depends on the success of other. SMEs not only provide products for sale but also many other services like digital marketing, data management, research, etc.

As majority of retail market is unorganised, development of SMEs will provide a standardised and reliable supply chain to ecommerce players. In return, SME's who adopt internet for business activity report 51% higher revenues.

By supporting SME's, ecommerce players can improve their product offerings and build a robust supply chain. Many ecommerce have realised the importance of nurturing SME and are

hence investing in them. For example,Amazon India launched the Amazon Marketplace Appstore which will provide solutions to sellers.

Data Management

Application of data management and big data are clearly an advantage in ecommerce today. For example, Amazon's market leadership is due to their phenomenal data mining and predictive analysis. Their patented anticipatory shipping model uses big data to predict which products are most likely to be bought in future and in which region.

Realising the importance of data management Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way in 2018. Analytics driven customer engagement is also being used by most big players in the market.

Availability of data storage infrastructure and data analytics capability are big drivers for the market. National policies on data storage and data sharing also affect ecommerce market. In its draft ecommerce policy in 2019, government of India proposed restrictions on data flow outside the country and storage of local data outside the country.

Market Segments

Market Segment is a group of consumers and prospects who share common characteristic. Ecommerce market can be segmented on many parameters like age, gender, region, life cycle stage and need. For example, Amazon is for the masses and their target market is wide and large in numbers, whereas Firstcry.com has a smaller market targeting only pregnant women and new mothers.
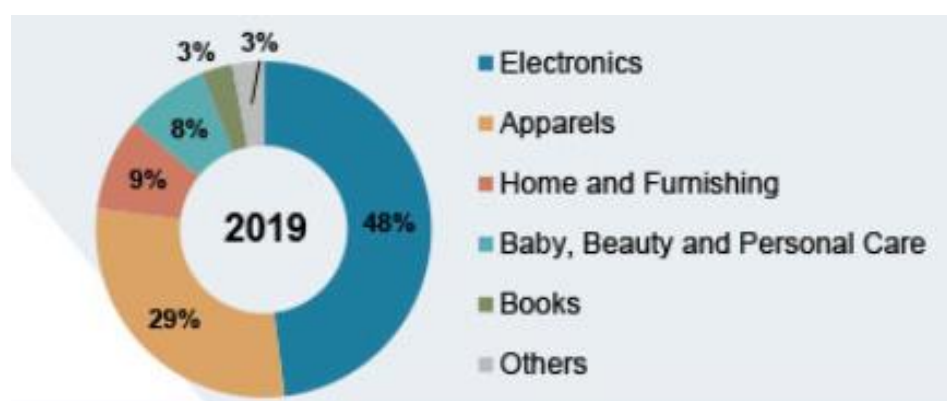
Figure 3. E-tail market segmentation. Source: IBEF report

When the mass market is taken up by big brands, as is the case in India, it is a good idea for new players to focus on niche markets by narrowing down their target segment. Another good move would be focus on tier II and tier II cities which is expected to bring most of the ecommerce growth in near future. Metro cities are saturated with competition and it is difficult to build a

brand there. On the other hand big companies have not been able to capture mind share of population in smaller cities yet.

Another common way to look at market segmentation is to look at categories of products and services sold. As of January 2020, electronics and apparels make up 77% of the e-tail sales in India. Another strong category is e-travel which is expected to grow to a market share of 34% of total e-commerce market. Online financial services is set to grow the fastest with an expected CAGR of 59% by 2022.

Challenges in Ecommerce

Profitability in E-commerce

Let's address the elephant in the room. Most of the big players in ecommerce are making huge losses today. Flipkart is in losses worth US$ 211 million and Amazon posted losses close to US$ 740 million in FY 2019. Other top players like BookMyshow, Ola, Uber, are all in losses. At first, it may look like ecommerce is a loss making business but there is more to the story beneath the surface.

To understand why big companies in the world are investing billions of dollars in Indian ecommerce we need to understand their strategy and think long term.Their strategy is to acquire maximum users with aggressive pricing and advertisement. Sometimes this means supporting unprofitable product lines and selling below cost price. The initial years of the business are looked at as gestation period or investment period.

Yes, Amazon India is into losses but if you look at the financials closely you will observe reversal trend in their financials. In FY16 Amazon's had losses of US$ 479 million against a revenue of US$ 296 million. In FY19 the revenue of US$ 989 million is larger than the losses US$ 749 million. Flipkart is showing similar trend where the losses as a percentage of revenue are shrinking.

	Amazon		Flipkart	
	Revenue	Loss	Revenue	Loss
FY 16	US$ 296 million	US$ 479 million	US$ 254 million	US$ 300 million
FY 19	US$ 989 million	US$ 749 million	US$ 551 million	US$ 211 million

According to their strategy, these players should turn profitable in future. However the road to profitability it is not without challenges. India is a price sensitive market and it is feared that as soon as these players stop giving discounts customers will turn to traditional retail. With the

lockdown situation due to COVID 19, the losses for these players are only going to mount in FY2020. Only time will tell if and when these companies in India become profitable.

The good news is- not all players are making losses. Those with a strong focus on profitability and sustainable business practices are making profits. Examples include Snapdeal and Swiggy. These players and their strategy is covered in the following section of Top Ecommerce Apps in India.

Rural Penetration

So far ecommerce players have seen growing users mainly in urban cities. Reaching the semi-urban and rural areas has been a challenge for all. For India to reach its full potential in ecommerce it is necessary to include the rural areas too.

The challenge is that market is very different outside the urban pockets of the cities. According to PWC's report on ecommerce, the next 100 million customers that will enter ecommerce will be very different from existing 50 million. Whereas currently 70% of customers are male with an average age of 25 years the demographic will shift to 50% males with an average age of 28 years. Future customers will also prefer local languages, perform voice search and need education on digital transaction.

Some parts of India also have micro-markets with a demand for products unique to that area. This might mean a complete change in product listings, marketing and logistical networks for ecommerce players. International players like Amazon will have to tackle a market like no other they have faced before.

Low exposure to online payments, weak internet network and reluctance to adopt digital channels remain some of the challenges of rural penetration in India.

Quality Control

In 2018, Amazon employee and ex-delivery boy of the company operated a theft racket where they would whisk off returned goods and sell them in street markets of Delhi. There have been numerous cases of fraud on Amazon and their logistics partners since the beginning of ecommerce. Amazon has also been accused of brazenly selling poor quality counterfeit goods on its site. Not to forget numerous fraudulent ecommerce sites are launched every year that dupe customers of their money.

These practices are detrimental to ecommerce ecosystem as customers lose trust and avoid online transaction. Ease of selling from a remote and obscure location has encouraged many counterfeit product dealers to set up an ecommerce shop. Customers complain they do not get what they see on the website or that the quality of products is not up to the mark. This also increases return cost for the businesses.

Building trust, especially among rural population, is a real challenge that ecommerce players need to solve. The competition from kirana shops and micro markets in India can ward off entry of online players in rural India. Ecommerce needs to build strong quality control for products and take fraud cases very seriously or else they will lose out on millions of customers.

Other challenges include weak logistics infrastructure in the country which has already been discussed under Market Drivers.

Top 10 Ecommerce Apps

Let's look at the tops ecommerce applications in India.

Actually the ecommerce space is huge and online applications from numerous sectors are a part of this industry. For the purpose of this insight we are keeping our definition limited to retail ecommerce in India. We are excluding other categories that also form part of ecommerce such as online apps in education, job search, booking, entertainment, matrimony, financial services, delivery and food apps.

We are just covering the top grossing apps in this listing. However, keep in mind that many apps beyond this list are worth studying too. In fact many of the app in top seven list are actually loss making whereas apps not covered in this list might be profitable with an innovative business model. For the sake of studying the biggest players in market, we are limiting our view to these apps.

TOP-10
ECOMMERCE
APPS

JOOM
100,000,000+
4.7 ★★★★★

NYKA
10,000,000+
4.6 ★★★★★

ALIEXPRESS
100,000,000+
4.6 ★★★★★

FLIPKART
100,000,000+
4.5 ★★★★★

WISH
100,000,000+
4.4 ★★★★★

LIMEROAD
50,000,000+
4.4 ★★★★★

MYNTRA
50,000,000+
4.4 ★★★★★

AMAZON
100,000,000+
4.3 ★★★★★

SNAPDEAL
100,000,000+
4.2 ★★★★★

PEPPERFRY
5,000,000+
3.9 ★★★★★

Joom

There are deals and offers for thousands of fashion accessories, clothes and other lifestyle products for free delivery with Joom. The price is low with offers and there is no registration for the offers to get the offers reflected on your purchase.

Features:

- In-app purchases is made easier

- Free shipping available to all cities for certain countries

- New offers are ordered every week

- More than 4,000,000 products from verified sellers

- English speaking customer support team

Nykaa

Nykaa sells beauty and personal care products for women. Today the app has also expanded into apparel. The company which turned profitable in 2019is valued at US $724 million. In 2019, Nykaa acquired 20Dresses to strategically expand into apparel category. The ecommerce business is also investing in omni-channel presence and has opened more than 60 stores across the country.

Features:

- Offers are available on purchasing.
- Customers can earn rewards on shopping
- 24x7 customer support
- Easy tracking and COD is also available

Aliexpress

With the AliExpress app, users can find thousands of brands and millions of products at the best competitive prices. Right from the recent fashion fad which celebrities took it to the internet a couple of days ago and a new chaise lounge for your living room to the latest tech gadgets, you can find anything and everything.

Features:

- Millions of products to browse

- Free shipping on over 75 percent of their products

- Buyer protection on all products

Flipkart

Get your favorite products delivered to your doorstep by Flipkart. The app is absolutely free to download. By downloading this app, you can seamlessly browse their massive collection of more than 80 crore products from various categories which include electronic gadgets, fashion wear, etc.

 Features:

- Narrow down your product search using multiple filters such as price, color, brand, etc.

- Check ratings, reviews, and feedback from other consumers

- Add as many products as you want to your wish list with a single tap

Wish

 Shoppers can directly purchase from the manufactures through Wish. Even though there is no middle man, the price is low and the quality is same as that we buy from shops.

Features:

- Enables shoppers to find affordable goods

- Allows tracking your purchase

- Easy refunds and free returns is available

- Collect points and redeem them for reward coupons

- Great customer service team with quick response

LimeRoad

LimeRoad app is a wide-ranging store for personalized fashion and life style. There are numerous products with top brand offers available in the app. With real-time delivery updates and secure payments, LimeRoad makes your shopping experience smooth and easy.

Features:

- Enables easy and seamless login

- Secure and confidential checkouts

- Enables customized wish list

- Offers LR credits through purchases that can be redeemed

- Availability of unique self service for quick and easy support

Myntra

Myntra is one of the shopping apps that one must have to shop while on the go. With 5 lakh of products and 2500 brands of clothing, footwear, accessories, etc. categories, customers can get 100 percent original products.

Features:

- 30-day hassle free product returns
- EMI option included in the payment gateway option
- Get the best prices of products with Myntra coupon codes

Amazon

With more than 17 crore original products, Amazon is an app for every shopaholic person. Right from the latest electronics, apparels, beauty, health, and sports to movies, music, and video games, this app has got everything covered.

Features:

- Pay using credit, debit, EMI, or net banking
- Track your orders
- Cancel your order at any time

Snapdeal

This app is the perfect gateway option to impeccable online shopping experience for fashion wear, electronics, home appliances, and many more. Snapdeal is one of the largest shopping apps in India that gives customers an access to not only just buy what they need, but also all they want.

Features:

- Get personalized shopping recommendations from the app that fit your tastes
- Browse from top brands such as Hidesign, Vero Moda, etc.
- Get detailed descriptions of each and every product

PepperFry

One of the recent entrants into ecommerce has been PepperFry in the unique category of furniture and home products. The model is a mix of B2C marketplace and B2C Inventory-led. Almost half of the company's revenue comes from home brands of Pepperfry. The company is rightly bullish on growth from tier II and tier II cities and has already started expansion in these

locations with physical stores. Because the company realizes advantage of stores in brand building and shaping customer experience, Pepperfry has opened over 67 stores across 24 cities in India.

Features:

- Users van login via social media
- Interesting offers are available
- Multi-lingual customer support facility available
- User-friendly tracking portal

Comparisons of Various Ecommerce apps

TOP APPS	LOGIN TO PURCHASE	COD	OFFERS AVAILABLE	PAY LATER OPTION	FREE SHIPPING FOR ALL PRODUCTS	CUSTOMER SUPPORT	REWARDS ON ALL PURCHASE	TRACKING ON ALL COUNTRIES
FLIPKART	✔	✔	✔	✔	✘	✔	✔	✔
AMAZON	✔	✔	✔	✘	✘	✔	✘	✔
MYNTRA	✔	✔	✔	✔	✘	✔	✘	✔
ALIEXPRESS	✔	✘	✔	✘	✔	✔	✔	✘
SNAPDEAL	✔	✔	✔	✘	✘	✔	✘	✔
PEPPERFRY	✔	✘	✔	✘	✘	✔	✘	✔
NYKA	✔	✔	✔	✘	✘	✔	✔	✔
LIMEROAD	✘	✔	✔	✘	✔	✔	✘	✔
WISH	✔	✘	✘	✘	✘	✔	✔	✔
JOOM	✔	✘	✘	✘	✔	✔	✘	✔

How much does it cost to build an Ecommerce Business?

Building an ecommerce website or application from scratch can cost anywhere from US $2000 to millions of dollars. There are many options to build a website, from a do-it-yourself store on Shopify to hiring a full-fledged development team.

Putting up an online store on Shopify can cost you as low as US $29 per month. In addition they also charge 2.9% + 30 cents per transaction. This adds up to a substantial amount as your sales

scale up. Also, Shopify only allows you to choose from their templates and web designs putting a limit on how much you can customize your online store. There is no option for businesses that want to manage multiple vendor and sellers on their site. Due to this B2B Marketplace model is not supported on these readymade platforms.

Shopify and other SaaS based platforms are great for single brand retailers starting out fresh,but you may find them lacking in features and functionalities needed for a mature ecommerce business. Besides you need to rely on third party software and hosting when using these readymade ecommerce solutions.

A good ecommerce app must be scalable, secure and user friendly. A professional app developer must provide you with robust app architecture, simple design and hosting option where you can store and own your customer data securely. Here is a break up of typical costs in building up an ecommerce app. As you can see the range of cost is huge because the exact budget would depend on the complexity and capacity of the application. Here we have considered costs for a traditional ecommerce app with medium traffic and light custom programming.

Expense	Cost
Domain Registration	$20 per year
Hosting	$300 to $1,000 per month
App Design	$1,000 to $30,000
Wireframe Cost	$500 to $2,000
Development Cost	$1,000 to $100,000
Testing	$ 10,000 to $30,000
Software Licenses and other costs	$ 10,000

Above costs are only for development of a website or mobile app. Keep in mind that there are other costs like company registration, inventory costs, marketing budget, etc.

Marketing for Ecommerce Business

Getting traffic to your app or website is the most important part of kicking off your ecommerce business. Without grabbing the attention of your target market all the others efforts will be wasted. The field of marketing has seen a revolution in marketing in the digital era. Traditional marketing activities have given way to email marketing, inbound marketing, influencer marketing and many more strategies.

Image Credit: Google Images

Here are strategies you can apply to your marketing campaign to grab customer attention. Except for discount strategy all these are essential part of digital marketing.

Pay Per Click

Paid advertising on Google and Facebook is a sure shot way to get attention of your audience. With Google Ads and Facebook Ads you can buy views for your ads. This is just like buying ad space in a newspaper, however here you are buying space on user's screen and search results.

For example, here are the results for search term 'buy online mobile' on Google. On the right side of search page are paid ads where ecommerce website has paid to advertise on Google search page. Every time a user clicks on an ad he is redirected to ecommerce website and the advertiser is charged. This is known as pay per click advertisement. A similar model is followed by Facebook and Instagram ads.
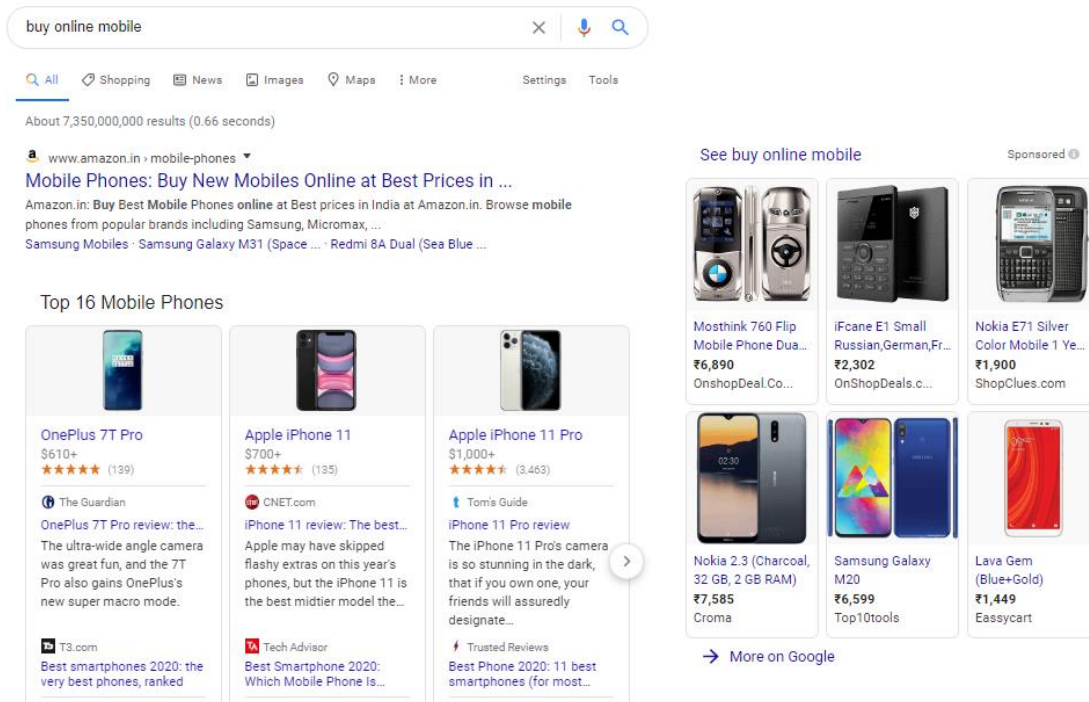
Return of investments on PPC ads can go as high at 500% depending on the competition for keyword. An experienced digital marketer can easily make paid ads worth your time and money.

SEO

In the above image, the first link of Amazon on the left side of page is an organic result. These organic results rank on Google due to their relevant content, website reputation and high traffic.

The process of improving your website to rank higher on search pages is known as search engine optimization. 90% of users never go to the second page of search results and hence it becomes crucial to rank on the first 10 listings in a search. When you follow best practices in SEO your organic ranking on search pages goes up and more customer land up on your ecommerce website or app. The best news is that SEO is for free and does not require huge budgets like in PPC ads. Here are some best practices that ensure you rank higher in Google.

- Low load time for your pages
- Mobile optimization
- Higher traffic
- Unique titles, meta descriptions and helpful content
- Image Optimization
- Internal and external backlinks to your page

Because SEO can take time to show results, a mix of SEO and paid ad is perfect combination to boost your rankings on Google.

Inbound Marketing

Inbound marketing is a process of converting potential customers into leads. Instead of you going out to the market, inbound market focuses on attracting the right customers to your site. Content marketing is at the core of this strategy because great content is how your market discovers you.

Here the focus is on churning out content that your target market finds entertaining or helpful. For example, a women's apparel ecommerce business can make a video on ' Top trends in women's Indian wear for summer'. This is something that the brand's customer will be interested in and will watch on YouTube. Once users are engaged with helpful content they can then be directed to ecommerce lead pages or app downloads button. These leads are nurtured further with more content, notifications or email marketing to finally convert into paying customers. Inbound marketing functions like a funnel that pushes users closer to a purchase at every stage.

A conversion rate of 3-5% is considered standard in digital marketing industry. This means that a profitable ecommerce company will have to reach million with its content to have a decent conversion. Inbound marketing takes time to build up, but it gives a good return on marketing spend over long term. Because of high competition in content, this strategy is best used combined with paid ads that put your content in front of relevant audience.

Influencer Marketing

Influencer marketing uses an already built following instead of building your own from scratch. It uses the brand equity of social media influencers who have huge following on platforms like YouTube, Instagram and Facebook. According to Influencer Marketing Benchmark Report 2019, every $1 spent on influencer marketing gives an average return of $18.

Although influencer marketing has been used mostly by single brand commerce platforms it can be used for multi-brand players as well. All you need to do is collaborate with an influencer your target audience connects to and develop engaging content. Your brand should be used in a non-sales and organic way and the post must be genuine to have maximum impact. You can also run giveaway contests and discounts through influencers to build excitement.

Discount Strategy

Discount strategy is used by all the big players in the ecommerce market and has proved to work well in Indian market. Amazon and Flipkart have competed in the mobile phone category with discounts as heavy as 40% at one time. Although it is a good way to attract customers, discount strategy is a quick way to losses. It is the reason most of the big players in ecommerce are burning cash at a fast rate.

A more balanced strategy could be to set a limited budget for discounts. This can be done by running discounts for a limited time or distributing discount codes to limited customers only.

Launching Ecommerce in India

Ecommerce as an industry has low barrier of entry. Ecommerce website can be setup with minimal budget by anyone on the internet. With drop shipping option e-tailers don't even need to own their products, although an inventory based model would give more control over business. The crucial part of ecommerce business is getting traffic to your website/app and then maintaining a good user experience. Let's look at budget required to launch ecommerce business and how to market a new ecommerce website.

Future of Ecommerce in India

India is a high potential market for ecommerce because of all the factors mentioned in market drivers. Here is what the market will look like in future.

Technology

We are in the middle of a technological revolution right now. New technologies like Internet of Things (IoT) and voice search will change how users search and order for products. For example, an IoT printer low on cartridge will be able to add it to shopping cart automatically.

Technology can also make logistics more reliable in India although it might take some time before we can see this change. As self-drive cars become mainstream it will increase logistical efficiency. Delays and fraud due to human element can be eliminated with delivery machines like drones.

Artificial Intelligence (AI) and Machine Learning (ML) is already making a difference in how ecommerce operates. AI powered bots are commonplace in customer service chats and most of the companies are using big data to find patterns in user shopping and online purchasing.

As AI and ML get advanced we can expect user experience to get more personalized. Marketing ads can be targeted at individuals needs rather than to a group of people. Customer complaints can be solved quicker and with more empathy. In short, ecommerce websites will know you just the way your local grocery store knows you personally.

Niche Segments

As ecommerce market develops in India, we can expect to see more niche players in all categories. Differentiating your brand and narrowing target market remains an effective strategy in a crowded market like ecommerce. Vertical players will gain a loyal and profitable customer based when compared to horizontal players.

Companies like Amazon and Flipkart are horizontal players, meaning they sell an array of products for everyone. Because they are not customizing their offerings for anyone in particular, their customer loyalty suffers. On the other hand vertical players who concentrate on a smaller group of demographic are able to tailor their experience to their target market and capture mind share with their brand. This strategy is known as niche marketing.

A successful example of niche business in ecommerce is apparel ecommerce website Purple Panchi which sells quirky prints in women's fashion. They are a small startup but have grown from 30 bulk orders to 600 orders a month.

Because it is impossible for big horizontal players to concentrate on one category, niche websites face lower competition.

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