CHAPTER 1

OVERVIEW OF INTERNET SHOPPING IN INDIA

1.1 Introduction
1.2 History of Internet Shopping
1.3 Need for Internet Shopping
1.4 Characteristics of Online markets
1.5 Global Internet Shopping Scenario
1.6 Growth of Internet Shopping in India
1.7 Categories of products in Internet shopping
1.8 Drivers of Internet Shopping
1.9 Problems in Internet Shopping
1.10 Payment Options in Internet Shopping
1.11 Trends in Internet Shopping
1.12 Challenges in Internet Shopping
1.13 Future of Internet Shopping in India
1.1 Introduction

Online shopping is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the Internet. It is a form of electronic commerce. The sale or purchase transaction is completed electronically and interactively in real-time such as in Amazon.com for new books. However in some cases, an intermediary may be present in a sale or purchase transaction such as the transactions on eBay.com.

An online shop, e-shop, e-store, internet shop, webshop, webstore, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping centre. The process is called Business-to-Consumer (B2C) online shopping. This is the type of electronic commerce conducted by companies such as Amazon.com. When a business buys from another business it is called Business-to-Business (B2B) online shopping.

A large percentage of electronic commerce is conducted entirely in electronic form for virtual items such as access to premium content on a website, but mostly electronic commerce involves the transportation of physical items in some way. Online retailers are sometimes known as e-tailers and online retail is sometimes known as e-tail. Almost all big retailers are now electronically present on the World Wide Web.

Online marketplaces such as eBay and Amazon Marketplace have significantly reduced financial and reputational barriers to entry for SMEs wishing to trade online. These marketplaces provide web presence, marketing and payment services and, in the case of Amazon, fulfilment. This allows SMEs to focus on their core competencies e.g. managing supplier relationships. Moreover, SMEs have choices online, as these marketplaces compete with each other (some retailers sell across several marketplaces) and retailers’ own websites. They also compete with paid search providers and others in providing marketing to SMEs.
Customer ratings are a key element of the marketplaces, enabling SMEs to build a reputation at low cost relative to the offline environment. This element of reputation may be achieved quickly (just one piece of feedback generates a rating) and is tied to particular platforms (i.e. ratings are non-transferable).

1.2 History Of Online Shopping

In 1990, Tim Berners-Lee created the first World Wide Web server and browser in UK. It opened for commercial use in 1991. In 1994 other advances took place, such as online banking and the opening of an online pizza shop by Pizza Hut. During that same year, Netscape introduced SSL encryption of data transferred online, which has become essential for secure online shopping. Also in 1994, the German company Intershop introduced its first online shopping system. In 1995, Amazon launched its online shopping site, and in 1996, eBay appeared.

Originally, electronic commerce was identified as the facilitation of commercial transactions electronically, using technology such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These were both introduced in the late 1970s, allowing businesses to send commercial documents like purchase orders or invoices electronically. The growth and acceptance of credit cards, automated teller machines (ATM) and telephone banking in the 1980s were also forms of electronic commerce. Another form of e-commerce was the airline reservation system typified by Sabre in the USA and Travicom in the UK.

From the 1990s onwards, electronic commerce would additionally include enterprise resource planning systems (ERP), data mining and data warehousing.

In 1990, Tim Berners-Lee invented the World Wide Web browser and transformed an academic telecommunication network into a worldwide everyday communication system called internet/www. Commercial enterprise on the Internet was strictly prohibited by NSF until 1995. Although the Internet became popular worldwide around 1994 with the adoption of Mosaic web
browser, it took about five years to introduce security protocols and DSL allowing continual connection to the Internet. By the end of 2000, many European and American business companies offered their services through the World Wide Web. Since then people began to associate a word "ecommerce" with the ability of purchasing various goods through the Internet using secure protocols and electronic payment services.

Timeline

1979: Michael Aldrich invented online shopping in UK
1981: Thomson Holidays, UK is first B2B online shopping
1982: Minitel was introduced nationwide in France by France Telecom and used for online ordering.
1984: Tesco is first B2C online shopping and Mrs Snowball, 72, is the first online home shopper
1985: Nissan UK sells cars and finance with credit checking to customers online from dealers' lots.
1987: Swreg, an online payment processor that is the best Paypal alternative for global businesses begins to provide software
1990: Tim Berners-Lee writes the first web browser, WorldWideWeb, using a NeXT computer in UK.
1992: Terry Brownell launches first fully graphical, iconic navigated Bulletin board system online shopping using RoboBOARD
1994: Netscape, US Computer Services Company releases the Navigator browser in October under the code name Mozilla. Pizza Hut offers online ordering on its Web page. Netscape 1.0 is introduced in late 1994 SSL encryption that made transactions secure.
1995: Jeff Bezos, CEO of Amazon Inc., USA launches Amazon.com and the first commercial-free 24 hour. Internet-only radio stations, Radio HK and NetRadio in US start broadcasting. eBay is founded by computer programmer Pierre Omidyar as AuctionWeb in US.
1998: Electronic postal stamps for people residing in US can be purchased and downloaded for printing from the Web.

1998: Alibaba Group is established in China. Alibaba Group is a family of Internet-based businesses which makes it easy for anyone to buy or sell online anywhere in the world.

1999: Business.com sold for US $7.5 million to e-Companies, which was purchased in 1997 for US $149,000. Business.com helps small-to-medium enterprises discover, compare and purchase products and services to run their businesses.

2000: The dot-com bust.


2002: eBay acquires PayPal for $1.5 billion. PayPal is the faster, safer way to send money, make an online payment, receive money or set up a merchant account.

2003: Amazon.com posts first yearly profit.

2004: DHgate.com, China's first online b2b transaction platform, is established, forcing other b2b sites to move away from the "yellow pages" model.


2009: Zappos.com, an online shoe and apparel store acquired by Amazon.com for $928 million. Retail Convergence, operator of private sale website RueLaLa.com, acquired by GSI Commerce for $180 million, plus up to $170 million in earn-out payments based on performance through 2012. GSI Commerce is an eBay company specializing in creating, developing and running online shopping sites for brick and mortar brands and retailers.

2010: Groupon reportedly rejects a $6 billion offer from Google. Instead, the group buying websites plans to go ahead with an IPO in mid-2011. Groupon, is a deal-of-the-day website that features discounted gift certificates or discount coupons usable at local or national companies.
2011: US eCommerce and Online Retail sales projected to reach $197 billion, an increase of 12 percent over 2010.\textsuperscript{10} Quidsi.com, parent company of Diapers.com, acquired by Amazon.com for $500 million in cash plus $45 million in debt and other obligations.\textsuperscript{11} GSI Commerce, a company specializing in creating, developing and running online shopping sites for brick and mortar businesses, acquired by eBay for $2.4 billion.\textsuperscript{12}

1.3 Need for Internet Shopping

Few developments have altered India’s lifestyle more quickly and more completely than the Internet. Online access has enabled people from all walks of life to bring entire libraries, entertainment venues, post offices and financial centers to a workplace, to a desktop or to a shirt pocket. The Internet’s largest and most meaningful impact may very well be on the way consumers shop for everything from gifts, gadgets and groceries to clothing, cars, and cruises.

The ease and selection that the Internet provides to shoppers has changed the face of retailing. More and more, consumers visit a store’s Web site to make their choices before traveling to the store itself; and in a rapidly swelling tide, many shoppers are bypassing the store altogether and ordering online directly from the Web sites of their favorite brands and outlets. Companies like Sephora, Sears and Crate & Barrel have increased the range and quantity of products available at their online stores and are sending online coupons and sale announcements via e-mail directly to their customers.

Because online stores are open 24 hours a day, seven days a week, and their inventories are often more complete than those of their brick-and-mortar counterparts, the Internet makes it easy for shoppers to compare products within or between stores, to read product reviews from other customers, to access vendor return policies and to find warranty information.
1.4 Characteristics of Online Markets

Online markets are “dynamic”. Online markets are part of the information and communications technology-intensive service sector which has exhibited an acceleration of labour productivity growth in many countries.\textsuperscript{13}

A qualitative indication of the dynamic character of online markets is given by evidence of the range of experimentation in terms of business models, the rate of growth of successful platforms and the level of ongoing innovation and “disruptive” change in areas such as growth of mobile internet and devices and of the social web.

The dynamic character of online markets may result in greater risk of failure for some start-ups but spectacular success for others. “Normal” returns for the market as a whole may therefore correspond to ex post returns that are high for successful firms.

Online markets are also very much information intensive. The very nature of many transactions places rich sources of information about consumers (and perhaps also other market participants) in conveniently digitized form, at the disposal of companies providing services such as search, payment and social network services. Collection of information about customers is not unique to online markets, but the scale under which it has become possible is unprecedented. The industry is undoubtedly very much alive to the value of information and is in process of implementing strategies to acquire it and use it profitably. We believe the formulation of strategies for profiting from the information explosion is very much in its infancy and, therefore, this is one major respect in which the market is “dynamic”.

As the quantity and quality of information companies have about their customers and about the customers of their competitor”s increases, there arises scope for
provision of valuable new services but also for the exercise of market power. As purchase recommendations become well tailored to customers they become less like junk-mail and more like a personal shopping service. On the other hand, firms might be also able to use information to better price discriminate and extract surplus from customers, or to pre-empt putative rivals from entering a market. However, better informed consumers may also be more discriminating in their decisions, for example, in terms of price or quality.\textsuperscript{14}

Major platforms such as Amazon, PayPal, eBay, support and enforce a system of buyer and seller reputations which facilitates many valuable trades which otherwise could only take place in face-to-face markets. Hence, here is a vehicle for consumers and SMEs to benefit from the control of information by major platforms. However, there is also a possibility that an intermediary “certifies” parties to a transaction and extracts a large share of surplus whilst only minimally improving information flows in the market\textsuperscript{15}. Information will both create opportunities for adding value for customers and opportunities to extract value whilst adding little value if competition is limited.

A general implication of the highly dynamic nature of online markets is that the body of economics literature developed within a paradigm of static market analysis may fail to account for some of the observed characteristics of online markets and may be a poor guide to judging the efficiency of observed behaviour. For example, innovation can make defining relevant product markets difficult because business executives and government officials alike may not yet know what the future products will be.\textsuperscript{16}

\textbf{1.5 Global Internet Shopping Scenario}

The rapidly increasing popularity of online shopping is a truly global phenomenon. Online shoppers can be found scattered across the globe, but the world’s most avid Internet shoppers hail from South Korea – 99 percent of Internet users in South Korea have shopped online. German, UK and Japanese
consumers come in a close second. US consumers are slightly more recalcitrant, clocking in at number eight.

At the other end of the spectrum, the world’s slowest adopters come from Egypt, where 67 percent of the online population have never made a purchase over the Internet, followed by Pakistan (60%) and the Philippines (55%).

Chart 1.1: Chart showing Top 10 Countries who made purchase online

Source: Trends in Online Shopping, a Global Nielson Consumer Report, February 2010

1.6 Growth of Internet Shopping in India

Juxt today released their annual 'India Online 2011’ report which puts number of active Indian Internet users at 65 Million as compared to 51 Million last year. The report released by Juxt is based on land survey conducted among 201,839 individuals spread across all 4 regions of the country between Apr-Mid June 2011.

Interesting Findings of the Indian Online 2011 report

- 28% growth in Internet users (From 51 Mln last year to 65 Mln this year)
• Internet reaches 29 million Indian households
• 9 out of 10 ‘home’ and ‘office’ based online Indians log on to the net ‘daily’
• Net surfing is among top 3 favorite ‘indoor entertainment’ for 3 out of 4 of them
• 9 out of 10 of them (86%) use social media sites!
• ‘Home’ is the single largest place of access (58%), and the most preferred place of access (43%).
• 8 out of 10 mobile internet users are ‘dual’ users, ‘only mobile’ based usage a lowly 3% – 1.8 million users

Table 1.1: Table showing No. of Internet Users

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>CHANGE FROM LAST YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTERNET USERS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>URBAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet using Households (millions)</td>
<td>15.21</td>
<td>18.27</td>
<td>3.06</td>
</tr>
<tr>
<td>Average Internet Users per Household</td>
<td>2.6</td>
<td>2.7</td>
<td>0.08</td>
</tr>
<tr>
<td>Internet using Individuals (millions)</td>
<td>39.56</td>
<td>48.96</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>RURAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet using Households (millions)</td>
<td>8.5</td>
<td>10.88</td>
<td>2.38</td>
</tr>
<tr>
<td>Average Internet Users per Household</td>
<td>1.34</td>
<td>1.48</td>
<td>0.14</td>
</tr>
<tr>
<td>Internet using Individuals (millions)</td>
<td>11.39</td>
<td>16.1</td>
<td>4.71</td>
</tr>
<tr>
<td><strong>All India</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet using Households (millions)</td>
<td>23.71</td>
<td>29.15</td>
<td>5.44</td>
</tr>
<tr>
<td>Average Internet Users per Household</td>
<td>2.15</td>
<td>2.23</td>
<td>0.08</td>
</tr>
<tr>
<td>Internet using Individuals (millions)</td>
<td>50.95</td>
<td>65.06</td>
<td>14.11</td>
</tr>
</tbody>
</table>

Source: India Online 2011 Report, Juxt

As per the India Online Report by Juxt, In urban areas, there has been 9.40% increase in internet using households (individuals) and 4.71 % increase in internet using households (individuals) in rural areas in year 2011 as compared to year 2010. Overall at all India level, there has been 5.44% increase in internet using households and 28% growth in internet using households (individuals) in year 20011 as compared to year 2010.
Chart 1.2: Chart showing PC-based and Mobile-based Internet users

From the above chart, we can come to know that 78% of the people use PC only, while 3% use mobile only and 19% of people use both PC and Mobile. Thus we can come to know that majority of the people use PC and access internet from them.

Table 1.2: Table showing % of users undertaking online activity

<table>
<thead>
<tr>
<th>ONLINE ACTIVITY</th>
<th>% Internet Users Undertaking 2008</th>
<th>% Change from 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emailing</td>
<td>95%</td>
<td>(+) 1%</td>
</tr>
<tr>
<td>Search or buy non-travel products</td>
<td>76%</td>
<td>(+) 32%</td>
</tr>
<tr>
<td>Web Info search (text, images)</td>
<td>74%</td>
<td>(+) 22%</td>
</tr>
<tr>
<td>Download music</td>
<td>69%</td>
<td>(-) 3%</td>
</tr>
<tr>
<td>Job Search</td>
<td>62%</td>
<td>(+) 6%</td>
</tr>
<tr>
<td>Social networking</td>
<td>61%</td>
<td>(+) 8%</td>
</tr>
<tr>
<td>Search or buy travel products</td>
<td>59%</td>
<td>(+) 25%</td>
</tr>
<tr>
<td>Instant messaging/chatting</td>
<td>57%</td>
<td>(+) 1%</td>
</tr>
<tr>
<td>PC to mobile SMS</td>
<td>54%</td>
<td>(-) 2%</td>
</tr>
<tr>
<td>Pay bills online</td>
<td>51%</td>
<td>(+) 22%</td>
</tr>
</tbody>
</table>

Source: India Online 2011 Report, Juxt
Email is still the most popular activity on the internet, however, online search of products has picked up significantly making shopping the 2nd most popular activity online. This sure will be music for the hordes of ecommerce sites that have sprung up in recent times. Usage of Social Networking sites has also witnessed significant growth with 86% of all users visiting them! While activities like downloading screensavers / wallpapers, online trading in shares and watching videos showed the most decline in usage. Contrary to the expectation, usage of ‘local language’ content gained only marginally (+2%) to reach 29%. Overall, it can be concluded that internet scene is rising in India significantly. Imagine, a time when we will have over 500 million internet users! 18

1.7 Categories of Products in Internet shopping

Consumers across the globe are increasingly swapping crowded stores for one-click convenience, as online shopping becomes a safe and popular option. According to a recent global survey conducted by The Nielsen Company, over 85 percent of the world’s online population has used the Internet to make a purchase, up 40 percent from two years ago, and more than half of Internet users are regular online shoppers, making online purchases at least once a month.

The Nielsen survey, the largest survey of its kind on the topic of Internet shopping habits, was conducted from October to November 2007 and polled 26,312 Internet users in 48 markets from Europe, Asia Pacific, North America and the Middle East.
When The Nielsen Company conducted its first survey into online shopping habits two years ago, only 10 percent of the world’s online population (627 million) had made a purchase over the Internet. Within two years, this number has surged by approximately 40 percent – to a staggering 875 million. Internet consumers continue to be a well-read lot, thanks to the early adoption of online commerce by large booksellers, but the diversification of the online shopping environment has resulted in significant growth in other categories. Books are still the most popular purchases online, followed by Clothing/Accessories/Shoes, Videos / DVDs / Games, Airline Tickets and Electronic Equipment. Other significant growth categories were cosmetics/nutrition supplies and groceries, which jumped nine and eight percentage points respectively.

1.8 Drivers of Internet Shopping

Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home. Other establishments such as internet
cafes and schools provide access as well. A visit to a conventional retail store requires travel and must take place during business hours.

In the event of a problem with the item – it is not what the consumer ordered, or it is not what they expected – consumers are concerned with the ease with which they can return an item for the correct one or for a refund. Consumers may need to contact the retailer, visit the post office and pay return shipping, and then wait for a replacement or refund. Some online companies have more generous return policies to compensate for the traditional advantage of physical stores. For example, the online shoe retailer Zappos.com includes labels for free return shipping, and does not charge a restocking fee, even for returns which are not the result of merchant error.

Online stores must describe products for sale with text, photos, and multimedia files, whereas in a physical retail store, the actual product and the manufacturer’s packaging will be available for direct inspection (which might involve a test drive, fitting, or other experimentation). Some online stores provide or link to supplemental product information, such as instructions, safety procedures, demonstrations, or manufacturer specifications. Some provide background information, advice, or how-to guides designed to help consumers decide which product to buy. Some stores even allow customers to comment or rate their items. There are also dedicated review sites that host user reviews for different products. Reviews and now blogs gives customers the option of shopping cheaper org anise purchases from all over the world without having to depend on local retailers. In a conventional retail store, clerks are generally available to answer questions. Some online stores have real-time chat features, but most rely on e-mail or phone calls to handle customer questions.

One advantage of shopping online is being able to quickly seek out deals for items or services with many different vendors (though some local search engines do exist to help consumers locate products for sale in nearby stores). Search engines, online price comparison services and discovery shopping engines can
be used to look up sellers of a particular product or service. Shipping costs (if applicable) reduce the price advantage of online merchandise, though depending on the jurisdiction, a lack of sales tax may compensate for this. Shipping a small number of items, especially from another country, is much more expensive than making the larger shipments bricks-and-mortar retailers order. Some retailers (especially those selling small, high-value items like electronics) offer free shipping on sufficiently large orders. Another major advantage for retailers is the ability to rapidly switch suppliers and vendors without disrupting users' shopping experience.

1.9 Problems in Internet Shopping

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store. Merchants also risk fraudulent purchases using stolen credit cards or fraudulent repudiation of the online purchase. With a warehouse instead of a retail storefront, merchants face less risk from physical theft.

Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. Identity theft is still a concern for consumers when hackers break into a merchant's web site and steal names, addresses and credit card numbers. A number of high-profile break-ins in the 2000s has prompted some U.S. states to require disclosure to consumers when this happens. Computer security has thus become a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks.

Phishing is another danger, where consumers are fooled into thinking they are dealing with a reputable retailer, when they have actually been manipulated into feeding private information to a system operated by a malicious party. Denial of
service attacks are a minor risk for merchants, as are server and network outages.

Quality seals can be placed on the Shop web page if it has undergone an independent assessment and meets all requirements of the company issuing the seal. The purpose of these seals is to increase the confidence of the online shoppers; the existence of many different seals, or seals unfamiliar to consumers, may foil this effort to a certain extent. A number of resources offer advice on how consumers can protect themselves when using online retailer services. These include:

- Sticking with known stores, or attempting to find independent consumer reviews of their experiences; also ensuring that there is comprehensive contact information on the website before using the service, and noting if the retailer has enrolled in industry oversight programs such as trust mark or trust seal.

- Before buying from a new company, evaluate the website by considering issues such as: the professionalism and user-friendliness of the site; whether or not the company lists a telephone number and/or street address along with e-contact information; whether a fair and reasonable refund and return policy is clearly stated; and whether there are hidden price inflators, such as excessive shipping and handling charges.

- Ensuring that the retailer has an acceptable privacy policy posted. For example note if the retailer does not explicitly state that it will not share private information with others without consent.

- Ensuring that the vendor address is protected with SSL (see above) when entering credit card information. If it does the address on the credit card information entry screen will start with "HTTPS".

- Using strong passwords, without personal information. Another option is a "pass phrase," which might be something along the lines: "I shop 4 good a buy!!" These are difficult to hack, and provides a variety of upper, lower, and special characters and could be site specific and easy to remember.
Although the benefits of online shopping are considerable, when the process goes poorly it can create a thorny situation. A few problems that shoppers potentially face include identity theft, faulty products, and the accumulation of spyware. Whenever you purchase a product, you are going to be required to put in your credit card information and billing/shipping address. If the website is not secure a customer’s information can be accessible to anyone who knows how to obtain it. Most large online corporations are inventing new ways to make fraud more difficult, however, the criminals are constantly responding to these developments with new ways to manipulate the system. Even though these efforts are making it easier to protect yourself online, it is a constant fight to maintain the lead. It is advisable to be aware of the most current technology and scams out there to fully protect yourself and your finances. One of the hardest areas to deal with in online shopping is the delivery of the products. Most companies offer shipping insurance in case the product is lost or damaged; however, if the buyer opts not to purchase insurance on their products, they are generally out of luck. Some shipping companies will offer refunds or compensation for the damage, but it is up to their discretion if this will happen. It is important to realize that once the product leaves the hands of the seller, they have no responsibility (provided the product is what the buyer ordered and is in the specified condition).

The lack of full disclosure with regards to the total cost of purchase is one of the concerns of online shopping. While it may be easy to compare the base price of an item online, it may not be easy to see the total cost up front as additional fees such as shipping are often not be visible until the final step in the checkout process. The problem is especially evident with cross-border purchases, where the cost indicated at the final checkout screen may not include additional fees that must be paid upon delivery such as duties and brokerage. Some services such as the Canadian based Wishabi attempts to include estimates of these additional cost, but nevertheless, the lack of general full cost disclosure remains a concern.
Privacy of personal information is a significant issue for some consumers. Different legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement. Many consumers wish to avoid spam and telemarketing which could result from supplying contact information to an online merchant. In response, many merchants promise not to use consumer information for these purposes, or provide a mechanism to opt-out of such contacts.

Many websites keep track of consumers shopping habits in order to suggest items and other websites to view. Brick-and-mortar stores also collect consumer information. Some ask for address and phone number at checkout, though consumers may refuse to provide it. Many larger stores use the address information encoded on consumers' credit cards (often without their knowledge) to add them to a catalog mailing list. This information is obviously not accessible to the merchant when paying in cash.

### 1.10 Payment options in Online Shopping

Online shoppers commonly use a credit card to make payments, however some systems enable users to create accounts and pay by alternative means, such as:

- Billing to mobile phones and landlines
- Cash on delivery (C.O.D., offered by very few online stores)
- Cheque
- Debit card
- Direct debit in some countries
- Electronic money of various types
- Gift cards
- Postal money order
- Wire transfer/delivery on payment

Some sites will not accept international credit cards, some require both the purchaser’s billing address and shipping address to be in the same country in
which site does its business, and still other sites allow customers from anywhere to send gifts anywhere. The financial part of a transaction might be processed in real time (for example, letting the consumer know their credit card was declined before they log off), or might be done later as part of the fulfillment process.

1.11 Trends in Internet Shopping

Online Shopping in India is in its nascent stages. However, more and more people are gaining confidence about purchasing products online. Consequently, online shopping trends are improving and promise a bright future. The internet has been around in India since quite some time now. However, e-commerce has picked up only recently. Shopping online is slowly growing up in India too. However, due to the relatively slow penetration of the internet in many part of the country, online shopping is limited to only major metros in India. Let us inquire about online shopping trends in this part of the world.

E-commerce can be thought of as an activity wherein the customer uses the internet to order a product or service. In most circumstances, the transaction may happen online also. Online shopping places a heavy demand on the use of the internet. One major hurdle that online shopping faces is the security of transactions, since it is necessary for shoppers to submit their financial details on the web too. Currently, only a limited number of merchants are doing business online due to the problems related to technology. The major hurdles faced are low penetration of computers in India, lesser amount of credit or debit card holders, and many adverse taxation rules. Also, many internet users are reluctant to reveal their financial information online, which hampers the growth of the onlinebusiness.

Conversely, online shopping has a great potential to become big in India. According to Rayport & Jaworski in their book on e-commerce, ecommerce has the potential of reaching $100 billion in the year 2008. Accordingly, many enterprises both big and small, are opening to the idea of having their B2B and
B2C portals on the internet in a big way. The internet is also proving to a boon in disguise for many small and medium enterprises, which are joining hands with major Indian online portals to display their products and advertise their services. Analysts predict that in the next 18-24 months, several national brands and retailers will have their online shops ready for B2B and B2C transactions. This indicates that the total number of merchants online would go up to nearly 50,000 and the total number of users would go up to around 50 million. Analysts also predict that the online shopping market could go up to nearly USD $ 50 million.22

One way of looking at online shopping trends is examining the figures - air and rail tickets estimated at INR 30 crore (INR 300 million) are sold online in India every day. Already, a jewellery piece sells every five minutes, and a mobile handset every eight minutes, and a car every nine hours on the popular commodity site eBay.com. Another popular site Indiamart.com materialised business over INR 5,000 crore through leads generated by it. Today many Indians purchase goods like books, electronic gadgets, air and rail tickets, apparel, gifts, mobiles, computer peripherals, audio cassettes and CDs. There are more products which are capable of being sold over the internet.23

Many people still locate information on the internet, but purchase their products offline at traditional stores. This means that people still are lacking in confidence to purchase products online. This trend can be countered by providing secure sites for transactions, and prompt customer service. Online shopping is truly catching on in India, traditional brick and mortar stores are also getting the hand of doing business online. The trends demonstrate that traditional stores will keep on doing sufficient business while the online stores increase their virtual presence on the internet.

1.12 Challenges in Internet Shopping

After the social media revolution, is e-commerce the next big thing in India? 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 IAMAI. 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.24

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. 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.
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.

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.\(^{25}\)

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.\(^{26}\)

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.

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. 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.

1.13 Future of Internet Shopping

People use the Internet to shop online for mobile phones, laptops and other consumer goods. If the Internet is anything to go by, India’s technological and economic growth has moved into the top gear. With more India’s online shopping registering a phenomenal 100 per cent annual growth, many retail chains and consumer durable companies are joining the Web bandwagon to tap the e-shopping market. The online shopping industry in India is fast catching on, not just in the larger metros but also in the smaller cities. At present the market is estimated at Rs.46,000 crore and is growing at 100 per cent per year.27

According to Google, India has more than 100 million Internet users, out of which around half opt for online purchases and the number is growing every year. With such a large market size, companies, right from retail shops to consumer goods, are entering the Web space to attract potential customers. Even traditional retailers like Shoppers Stop, Westside and Pantaloons are looking at the online shopping space for growth. According to the Associated Chambers of Commerce
and Industry of India (Assocham), the size of the online retail industry is expected to touch Rs.7,000 crore by 2015, up from Rs.2,000 crore now, at an annual growth rate of 35 per cent.  

According to industry leaders, portals offering daily deals and discount offers with good delivery services attract the largest number of online shoppers. The companies that provide daily deals or discount offers are doing brisk business. People are looking for value shopping that saves their money as well as time. The customer behaviour is changing dramatically. People are not only using the Web to book air tickets and movie tickets but also do not hesitate in placing orders for mobiles, laptops and other consumer electronics and home appliances.

Seeing this bold consumer behavior, more companies are collaborating with such daily deal and discount sites. All the top consumer electronics and home appliances companies are listed with us. In the growing competition space companies with good delivery services score points over others. Keeping in mind this growing potential, not just large brands but even general retail chains are upgrading their sites for ecommerce, making it more convenient for customers to place online purchase orders. According to eBay, Indian online shoppers remain brandsavvy, even when they are shopping online. The eBay India Census has found that brands such as Sony, Nokia, Samsung, Apple and Reebok continue to top buyers' charts. Category-wise lifestyle products, such as cosmetics, jewellery, watches, fashion products and fitness equipment contribute over 45 per cent to eBay's sales in India.

Thus it can be concluded that online shopping holds a great future ahead.
References:

1. http://en.wikipedia.org/ wiki/ online shopping#cite-ref-kimpalmer_0_1
17. Global trends in online shopping, a Nielsen global consumer report, June 2010,
18. India Online 2011 Report, Juxt,


23. www.ebay.com


27. http://pages.ebay.co.uk


29. http://www.amazon.co.uk