Trends in Consumer Behavior towards E-commerce and its Impact on Indian Economy

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Abstract: Electronic commerce, commonly known as e-commerce, refers to the buying and selling of products or services over electronic systems such as the internet and other computer networks. Internet is the rapidest growing media during the past decade. Especially, online shopping is a rapidly growing e-commerce area. Online stores are usually available for 24 hours a day and many consumers have internet access both at work and at home. A successful web store is not just a good looking website with dynamic technical features, listed in many search engines. This study aims to establish a preliminary assessment, evaluation and understanding of the characteristics of online shopping. The growth in technology offers good opportunities to the seller to reach the customer in faster, easier and in economic way. Online shopping is emerged very soon from last few years. E-Commerce and e-shopping create opportunities for businesses to reach consumers globally and directly – indeed, they are transforming retailing. Consumers now have various online and offline options from which to choose, and, without a compelling reason to choose one retailer over another, they rotate purchases among multiple firms. The Indian economy has been consistently showing good signs of growth, with the average GDP growth rate at 7.5% in 2015-16. The retail sector is showing a promising trend of 11% CAGR, growing from an estimated size of USD 600 Billion now to USD 1 Trillion in 2020. Although, currently the total e-Commerce spend in India accounts for less than 2% of the total retail spending, e-Commerce has become a key driver to create new markets in erstwhile unreachable geographies. This trend however does not hold true for the B2B e-Commerce companies which are profitable with greater GMV values. The Indian B2B e-Commerce market potential was valued at USD 300 Billion in 2014, and is expected to reach USD 700 Billion by 2020.

Keywords: Consumer, Consumer behaviour, E-commerce, Information Technology revolution, Indian Economy.

INTRODUCTION

Internet is changing the way consumers shop and buy goods and services and has rapidly evolved into a global phenomenon. Many companies have started using the Internet with the aim of cutting marketing costs, thereby reducing the price of their products and services in order to stay ahead in highly competitive markets. Companies also use the Internet to convey, communicate and disseminate information, to sell the product, to take feedback and also to conduct satisfaction surveys with customers. Customers use the Internet not only to buy the product online, but also to compare prices, product features and after sale service facilities they will receive if they purchase the product from a particular store. Many experts are optimistic about the prospect of online business. In addition to the tremendous potential of the E-commerce market, the Internet provides a unique opportunity for companies to more efficiently reach existing and potential customers. It has been more than a decade since business-to-
consumer E-commerce first evolved. Scholars and practitioners of electronic commerce constantly strive to gain an improved insight into consumer behavior in cyberspace.

**Consumer Behaviour**

Consumer behavior plays a crucial role in the design of promotional campaigns. With science of the behavior of the audience can choose appropriate media and message. In addition, study consumer behavior can help to understand the concept of social sciences that affect human behavior. Accordingly, the analysis of consumer behavior in areas such as design, marketing mix, market segmentation and product positioning and differentiate the necessary and vital.

**Consumer Buying Behaviour**

Consumer buying decision making means a consumer make a choice between more than one option of goods or services. The field of consumer behavior covers a lot of ground. It is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires. The consumer behavior is based on decision-making of individuals when spending their own resources (i.e. time, money and efforts) in order to obtain items associated with consumption. This form of behavior involves reasons why, when, where, how and what people buy, how they use the purchased items, how they evaluate them are the purchase and in which way these factors influence their future purchases. Our economy gets stronger depending upon the wealth of goods and services produced within the country. The main objective of the seller is please the consumer at all times. In order to be successful, a seller needs to identify the customer, what they buy, when they buy, why they buy and how they buy. Consumer behavior plays a crucial role in the design of promotional campaigns. In addition, study consumer behavior can help to understand concept of social sciences that affect human behavior. Accordingly, the analysis of consumer behavior in areas such as design, marketing mix, market segmentation and product positioning and differentiate the necessary and vital.

**The Advent of the Internet**

The new millennium has brought us on the brink of the Information Technology revolution. This revolution has been aided by the advent of the Internet in a big way. Internet is fast changing the way people used to do things. The Internet has been accepted as the most powerful media for advertising due to the absence of geographical barriers. The advent of the Internet and its subsequent acceptance has once again challenged the traditional forms of advertising. Advertisers are trying to use the 'net' to advertise their products and hence 'net' their customers. Thus, with the Internet gaining prominence, advertising equations are fast changing. Internet marketing, also referred to as web marketing, online marketing, or e-Marketing, is the marketing of products or services over the Internet. Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sale. The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting responses, is a unique quality of the medium. Internet marketing is sometimes considered to have a broader scope because it not only refers to digital media such as the Internet, e-mail, and wireless media; however, Internet marketing also includes management of digital customer data and electronic customer relationship management (ECRM) systems.

**E-commerce and E-Commerce Marketing**

Today there are over 100 popular e-commerce websites are providing online services worldwide. An e-commerce opens the global market to the customer, it helps the customer by providing huge options while buying a product or a service, the online searching and comparing facilities enables customer to select right product or service, another major advantage of e-commerce is that it is 24x7 available to the customer can shop almost anything within his/hers comfort zone just by sitting at home, office, during travel or almost from any place at any time. E-commerce is trading of services and products with the help of internet. E-commerce introduced in the end of 70s and became popular during the 90s in western countries like USA and UK. E-commerce introduced new possibilities in trading and attracted attention of many traders.

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Due to the above reasons the e-commerce progressed very slowly in Indian market. In mid-2000 the e-commerce industry in India grown rapidly offering online services like travelling, many airline companies started providing the travel services online to customers, even today online travel booking holds a major share of e-commerce space. Today almost everything is sold online in India.

**E-Commerce and Its Impact on Indian Economy**

The Indian consumers are rapidly advancing towards adopting technology. While the overall tele-density is 81.8%, the mobile tele-density is also high at 79.8% as of November, 2015. Additionally, during the same time, India beat the United States of America to become the 2nd largest market after China, for Smartphone’s with 220 Million users – This was attributable to the availability of highly affordable smart phones and with easy-to-use features which helped first-time Smartphone users leapfrog from the desktop/laptop phase. Internet penetration is also significantly rising with the number of internet users at 354 Million as of September, 2015. In addition, there is a shift in mobile usage from voice to data. Mobile internet spend has risen from 54% to 64% from 2014 to 2015. This is due to an availability of high-speed 3G and 4G internet connectivity at affordable prices which has led to an increase in transactions done via mobile.

The e-Commerce industry is expected to form the largest part of the Indian Internet market with a value of approximately USD 100 Billion by 2020. In addition to transforming and revolutionizing the retail sector in India, it is also facilitating MSMEs to jump the evolution loop by providing means of financing, technology and training. Advent of technology enabled innovations such as Digital Payments, Hyper-local Logistics, Analytics driven Customer Engagement and Digital Advertisements have enabled the e-Commerce industry to grow at a much faster rate. Within the e-Commerce industry, the Gross Merchandise Value (GMV) is an important metric for valuations especially during the early stages of growth. The majority of B2C e-Commerce companies, globally, despite being operational for 5-20 years, report low profitability. The situation in India is no different i.e. a growing GMV but at an overall loss as the e-Commerce companies establish themselves. The GMV for B2C segment in India was approximately USD 16 Billion in 2015.

**Revenue Generation of Indian E-commerce**

According to Assocham study the Indian e-commerce market is likely to touch $38 billion mark in 2016, a massive jump over the $23 billion revenues clocked by the industry in 2015. "Increasing internet and mobile penetration, growing acceptability of online payments and favourable demographics have provided the unique opportunity to companies to connect with their customers," While the buying trends during 2015 witnessed a significant upward movement due to aggressive online discounts, rising fuel prices and wider and abundant choice will hit the e-commerce industry in 2016. On the other hand, mobile commerce (m-commerce) is growing rapidly as a stable and secure supplement to the e-commerce industry.

Shopping online through smart phones is proving to be a game changer, and industry leaders believe that m-commerce could contribute up to 70 per cent of their total revenues. The study also noted that one out of three customers currently make transactions through mobiles in Tier-1 and Tier-2 cities. “In 2015, 78 per cent of shopping queries were made through mobile devices, compared to 46 per cent in 2013.” In 2015, the highest growth rate was seen in the apparel segment, almost 69.5 per cent over last year, followed by electronic items, up 62 per cent, baby care products, up 53 per cent, beauty and personal care products at 52 per cent and home furnishings at 49 per cent. Rapid growth of digital commerce in India is mainly due to increased use of smart phones. Mobiles and mobile accessories have taken up the maximum share of the digital commerce market in India. Moreover, almost 45 per cent online shoppers reportedly preferred cash on delivery over credit cards (16 %) and debit cards (21 %). Only 10 per cent opted for internet banking and a scanty 7 per cent preferred cash cards, mobile wallets, and other such modes of payment. The 18-25 years of age group has been the fastest growing age segment online with user growth being contributed by both male and female segments. The survey highlights that 38 per cent of regular shoppers are in 18-25 age group, 52 per cent in 26-35, 8 per cent in 36-45 and 2 per cent in the age group of 45-60. Nearly 65 per cent online shoppers are male and 35 per cent female. The products that were sold most in 2015 include mobile phones, iPad and accessories, MP3 players, digital cameras and jewellery, among others.²

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RECENT TRENDS IN E-COMMERCE

“Mobile Friendly Website and Apps”

Now a day’s large number of shoppers use smart phones, tablets and other mobile devices are the main tools for accessing Internet or browsing E–commerce company website for their convinace. In the recent few years we can see that majority of E–commerce sites will go “mobile-friendly” or “responsive design”. If online stores capable of operating well on mobile devices will get more visitors, customers , revenues and also save users time, effort and money. Responsive design emphasizes a better user interface and viewing experience, with easy reading and navigation enabled through resizing, panning, and scrolling. Today, majority of the top E-commerce sites use responsive design, as mobile becomes the prevalent platform for online shopping and E-commerce business.

More Personalization

Personalized product recommendations aid to customers discovers products and service more quickly according to their choice. It is the powerful marketing tool that may help better and long term customer relationships, exciting shopping experience, and also improve customers order and the sales. Now a day’s an increasing number of E-commerce vendors will start tapping into big data to deliver an extremely personalized shopping experience to visitors.

Impact of Social Commerce

Social commerce is a subset of electronic commerce that involves social media and online media that support social interaction and assist to online buying and selling of products and services. Social media may still only a small portion of total sales, but its impact is becoming impossible to ignore. In social commerce the customer enters the e-store, make comparison, makes questions and this communication helps select their products or services. Social networking services that allow customer to share their experience with their friends, receive their recommendations, reviews, advices and communication. In the recent years we can see that social media plays most important role and boost sales and popularity of E-commerce companies.

Video-Based Marketing

In the present era, video based marketing is inevitable or unavoidable in our shopping experience. Product videos can have an incredible capability to increase sales by better helping people perceive their choice. Video will become a center part to convey product details and also provided more information to the customers such as usage, comparison, specifications, reviewers, product description etc. now videos are great way to deliver high-quality content, and it benefits E-commerce by leading to increasing orders and sales. In the recent time more and more online stores will create and integrate videos on their sites.

“Always-On Shopping” Come to Reality

With the tremendous growth of communication, information technology and internet “Always-on shopping” come to the reality. It is the important feature of E-commerce now people are shopping wherever and whenever is convenient for them. This highlights how it important it is for merchants to provide a flexible buying experience that adapts to their customers buying habits and shoppers can use their time more efficiently.

Faster Service

E-commerce trends drive to constantly improve the customer experience. Now E-commerce companies are trying to reduce the processing time of search, selection order, customer service and delivery of products and service. E-commerce companies focus on improving the overall customer experience and reducing friction wherever possible, to drive and support sales. Delivery services are also improving, and customers can easily track their product at any point of delivery.

Online Storytelling to Boost Sales

Storytelling is essential to any E-commerce business for great way of selling. In the present time E-commerce vendors discover this truth, more of them will incorporate stories around their products, by way of written text or videos, reviews and other suitable format on their online stores. It is boost up sales and confidence in e-business.

Increasing Trust in E-Commerce Companies

In the context of E-commerce trust is as great factor as anything. In the Past few years majority of the public looked upon equivocal about E-commerce business.
Now the situation is changing—E-commerce companies could build up trust between buyer and sellers, electronic payment system, better security mechanisms and delivery systems. It helps increase in trust and sales of e-commerce companies.

**Invention of New Technology, and Device**

New technologies like Facial Recognition, Virtual Fitting Rooms and the like play most important role in current E-commerce system. The modern device like Google Glass, I Watch and other electronic devices help to ecommerce is greater access to consumers, easy like smart phones, laptops etc. And also these devices will put the Internet within easy reach and customers can rapid updates on price changes, promotions, and marketing incentives offered to more consumers more of the time.

**Online Shopping**

The online shopping is a form of electronic commerce which allows the consumers to directly buy goods or services from a seller over the Internet using a web browser. The Consumers can visit many website through search engine and buy the products of their interest without much delay and they can easily access various sites through computers, laptops, tablets, smart phones and the like. Now days it can find many online retail stores which are coming up with large variety of products through various channels of distribution. Amazon, Flipkart, Snapdeal, Jabong, Myntra, Home shop are some of the leading online shopping websites currently in India. Website has become the important intermediate for all the business to come online and showcase their products and services; and also it gets the all competitors together in one place. In online marketing, the retail outlets will be fixed stores which will be located at one particular place in which it operates by selling large variety of goods and services to large number of customers.

There are various types of retail stores i.e., departmental stores, discount stores, super market, Kirana store, organized malls, unorganized malls. In coming next 10 to 15 years India will see more people come online than any other country.

Last year e-commerce sales were about $16 billion; by 2020, according to Morgan Stanley, a bank, the online retail market could be more than seven times larger. Such sales are expected to grow faster in India than in any other market. This has attracted a flood of investment in e-commerce firms, the impact of which may go far beyond just displacing offline retail.

**7 P’s of Internet Marketing**

**Product:** Product on the Internet usually changes form online, and the user experiences it electronically, in the form of text, images and multimedia. Physical goods are usually presented in the form of a detailed online catalogue that the customer can browse through. Technology allows the user to virtually touch and feel the product on the Internet - rotate it, zoom in or zoom out and even visualize the product in different configurations and combination. On the Internet, E-marketing will be based more on the product qualities rather than on the price. Every company will be able to bring down the cost of its products and hence competition will not be on price. It will rather be on the uniqueness of the product.

**Price:** Price has been drastically changed over the Internet. It lets the buyer decides the price. Also it gives the buyers information about multiple sellers selling the same product. It leads to best possible deal for the buyers in terms of price. Pricing is dynamic over the Internet.

**Place:** Place revolves around setting up of a marketing channel to reach the customer. Internet serves as a direct marketing channel that allows the producer to reach the customer directly. The elimination of the intermediate channel allows the producer to pass the reduced distribution cost to the customer in the form of discounts.

**Promotion:** Promotion is extremely necessary to entice the customer to its website, as there are currently more than one billion web pages. Promoting a website includes both online and offline strategies. Online strategies include search engine optimization, banner ads, multiple points of entry, viral marketing, strategic partnership and affiliate marketing. Presently, the cyberspace is already cluttered with thousands of sites probably selling similar products. The traditional mediums like print, outdoor advertising and television can be used to spread awareness.

**Presentation:** The presentation of the online business needs to have an easy to use navigation. The look and the feel of the web site should be based on corporate logos and standards. About 80% of the people read only 20% of the web page. Therefore, the web page should not be cluttered with a lot of information. Also, simple but powerful navigational aids on all web pages like search engines make it easy for customer to find their way around.
**Processes:** Customer supports needs to be integrated into the online web site. A sales service that will be able to answer the questions of their customers fast and in a reliable manner is necessary. To further enhance after sales service, customers must be able to find out about their order status after the sale has been made.

**Personalization:** Using the latest software it is possible to customize the entire web site for every single user, without any additional costs. The mass customization allows the company to create web pages products and services that suit the requirement of the user.

**Understanding the Internet Customers**

Before adapting marketing practices to the Internet, the marketer needs to understand the characteristics of the online customers. The Net users can be classified into five categories depending upon their intention of using the Internet. The five categories of users are:

- **Directed Information Seekers:** They require specific, timely and relevant information about the products and services being offered.
- **Undirected Information Seekers:** These users require something interesting and useful. Something that can give them an edge, advantage, insight or even a pleasant surprise.
- **Bargain Hunters:** They are of two kinds: One who look for free items on the internet and other who are seeking better deals, higher discounts and the like.
- **Entertainment Seekers:** They see the Web as an entertainment medium of vast breath and potential and want to explore the medium before the mass gets there.
- **Directed Buyers** They want to buy something - now. They are sure what they require and just log on to the Web to purchase the item.

**Growing Trends of Online shopping in India**

According to the Boston Consultancy Group report, digital influence study 2013-14, online shopping is expected to rise to 14 per cent by 2016 from 6 per cent in 2013. Online shopping by urban consumers will be more than double over the next two years in the country to 14 per cent from 6 per cent last year. It also said already 25 per cent of travel and tourism-related sales are digitally driven in the country currently. Digital influence is rapidly expanding to small urban towns and rural areas, as the number of mobile users have increased. More than 34 per cent of total internet users in the country are from small towns, while 25 per cent are from rural areas. Of the total urban Internet users, around 57 percent are of 25 and above, and 45 per cent use only their mobile devices to access the Internet. The study also said by 2016, the urban Internet user base would rise to 47 per cent from 28 per cent in 2013. According to the report, discounts are not the only driving force for people to switch to online shopping, as was previously thought, but factors like convenience and access to wider assortment is also largely influencing shopping decisions. Another study shows that online shopping has risen by a massive 85 percent in 2013 as compared to last year’s figure of $8.5 billion on increasing Internet penetration, rising fuel prices and wider choices in the comfort of one’s home. “Online shopping-Review & Outlook in 2013,” released by industry chamber Assocham showed that India’s e-commerce market rose from about $2.5 billion in 2009 to $6.3 billion in 2011, $8.5 billion in 2012 and further to $16 billion in 2013. It is expected to touch $56 billion by 2023-- 6.5 percent of the total retail market. According to DNA analysis, a survey was conducted in 2013, over 3,500 traders and organized retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmadabad and Kolkata were interviewed for the survey. Mumbai was ranked first in online shopping followed by Delhi and Kolkata as those living in metros are attracted by factors like home delivery which saves time as well as 24x7 shopping. According to Muralikrishnan B, country manager, eBay India, metros contribute to 51% of transactions while Tier 2&3 cities contribute about 41% of transactions and rural India contribute to 9% of transactions on eBay India.

**CONCLUSION**

The e-commerce is one of the biggest things that have taken the business by a storm. It is creating an entire new economy, which has a huge potential and is fundamentally changing the way businesses are done. It is believed that electronic commerce will become a huge industry in the coming years and online shopping is now becoming a significant part of the consumer’s daily life to meet their never ending requirements in a convenient way. Online shopping is picking up and is becoming a trend. More consumers are indulging into internet shopping as seen by the research because of the value proposition it offers to a customer such as convenience, 24x7 shopping, doorstop delivery, a broad product selection
and the ever-expanding range of unique and unusual gift ideas as well as increased consumer confidence in shopping on the internet is increasing.

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