

An Up-Swing of M-Commerce In India

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Abstract -

Mobile commerce is a broad term used for mobile banking, mobile ticketing, mobile coupons, purchasing of goods and services using mobile phones. India has huge potential as far as mobile commerce is considered. This paper tries to study the journey of Mobile-commerce (M-commerce) and the factors influencing the adoption intention of mobile commerce. Many companies, organizations, and communities in India are doing business using E-commerce and also are adopting M-commerce for doing business. But still M-commerce is at preliminary stage in India. The tremendous growth in mobile phone penetration shows that major Indian population has adopted to mobile phone and advancement in mobile technology and its usage is not limited for making basic phone calls, but can be used virtually in every sector of human activity—private, business, and government.¹

Key-words - M-commerce(MC), E-commerce(EC), Smartphones, Apps

Introduction -

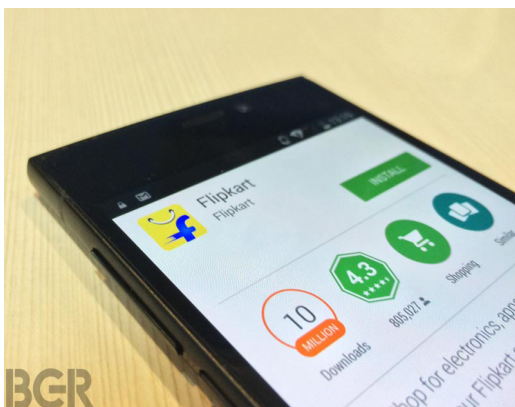
Advancements in wireless communication technologies and the new generation of mobile devices have increased the number of people using mobile devices, opening the door for rapid growth of M-commerce. The use of wireless handheld devices such as cellular phones and laptops to conduct commercial transactions online has increased. Mobile commerce transactions continues to grow, and the term includes the purchase and sale of a wide range of goods and services, online banking, bill payment, information



delivery and so on. Also known as M-commerce. According to researchers, MC is now seen as the business model that has the potential to have a greater impact on business communities and industries than E-commerce. It was estimated that the number of mobile phone subscribers is surpassing the number of Internet users in some countries. This growth has been related to the improved mobile broadband and mobile networks, the growing popularity of social networking, video services, as well as significant advances in mobile handset technology. Realizing the potential of Mobile Commerce, many retailers are considering Mobile Commerce as a new avenue for future growth and have invested significantly in the development of mobile-enabled sites for Mobile Commerce.²

The next generation of E-commerce would most probably be Mobile commerce or M-commerce. Presuming its wide potential reach all major mobile handset manufacturing companies are making WAP enabled smart phones and providing the maximum wireless internet and web facilities covering personal, official and commerce requirement to pave the way of M-commerce that would later be very fruitful for them.

Drivers of M-commerce - Widespread availability of Smart phones (mobile devices), the changing culture, the service economy, the mobile workforce, increased mobility, improved price and performance by service providers, improvement of bandwidth of internet. M-commerce has several major advantages over its fixed counterparts because of its specific inbuilt characteristics such as personalization, flexibility, and distribution. Mobile commerce promises exceptional business, market potential and greater efficiency.



India is often characterized as one of the world's fastest growing mobile commerce markets. The expansion of the mobile Internet throughout the country has made it possible for more consumers to participate in mobile commerce. As consumers become increasingly mobile, more startups and companies are beginning to emerge that aim to provide valuable services to these consumers.

E-commerce -

E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. These business transactions occur either business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The terms *e-commerce* and *e-business* are often used interchangeably. Recent years have seen a remarkable transformation in the way India shops and trades. E-commerce is relatively a novel concept. It is, at present, heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers. Online retail, while today representing a small fraction of the e-commerce space is one of the fastest growing segments. With 190 million internet users in the country, Indian e-commerce market pegs at \$13 billion.³

Now that consumers can make online purchases anytime, and in any place that has a mobile signal or wifi, the most successful companies are optimizing their mobile platforms to meet their customers' needs. Only a few years ago, retailers were beginning to think email marketing was a dying approach, but the recent boom in M-commerce is proving quite the opposite. Today's consumers take their smartphones and tablet with them everywhere. offering a quality mobile experience means access to your customers wherever they are.⁴

In India, the mobile internet traffic now outweighs personal computer traffic. With increasing penetration of Smart phones, India is all set to be a massive market for M-commerce. Mobile internet users in India are estimated to be 120 million compared to 100 million users using internet on their personal computers. "Close to 60 per cent of our orders are coming over mobile now. It is growing really fast. We get more traffic on the mobile than we get on personal computers. Within the next 12 months over 75 per cent of our orders will be on mobile," said vice-president of one of the leading e-commerce and m-commerce company.



Internet shopping, once a myth in India, is now a game changer. With the penetration of internet connectivity over broadband and mobile, the E-commerce market is booming, but nowhere is there more opportunity than in mobile commerce.

Over the last few years, retailers have taken huge steps to improve their Smartphone shopping platforms, making them more user-intuitive and more secure for customers. Coupled with greater connectivity, consumers are more confident than ever in using their Smartphone to make complete purchases and not just for online window shopping.

The potential impact of the Smartphone on the in-store shopping experience will be a key area of innovation and development in the coming months.⁵

As per the experts in E & M-commerce, close to 30 per cent of their revenue is coming from mobile. Penetration is increasing and existing users are coming back very strongly. M-commerce will drive the e-commerce growth going forward and right now it is a very strong enabler.

Flipkart officials stated that there is an increasing growth in commerce from the non-metro cities which is primarily driven through Smartphones.

In India almost 70-75 per cent of the people primarily access internet via their phones, which is driving a lot of growth for a lot of companies. It enables them to expand their market outside of the traditional metro regions where a lot of e-commerce players are historically focused on and that is one of the big driving factors why e-commerce companies are now focusing on the mobile segment.

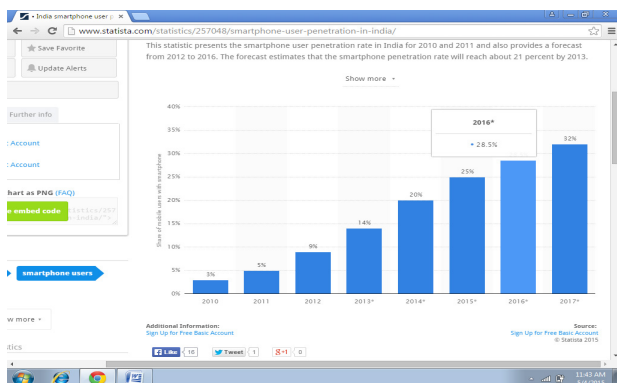
M-commerce story in India is proving to be a game changer at the global level.

Statistical growth of M-commerce

Smartphones are already outpacing the growth of feature phones and are expected to show a massive 36 percent CAGR over the next five years making it to the 651 million mark by 2019. The unstoppable surge of Smart phones in India continues with 29 percent of urban population with a base of 409 million users adding to its adoption.

Ericsson's report on growth of mobile broadband in India estimates that mobile subscriber base will grow from 795 million in 2013 to 1145 million subscribers

by 2020. Simultaneously, Smartphone penetration will grow from 10% or 90 million devices in 2013 to 45% or 520 million devices.⁶



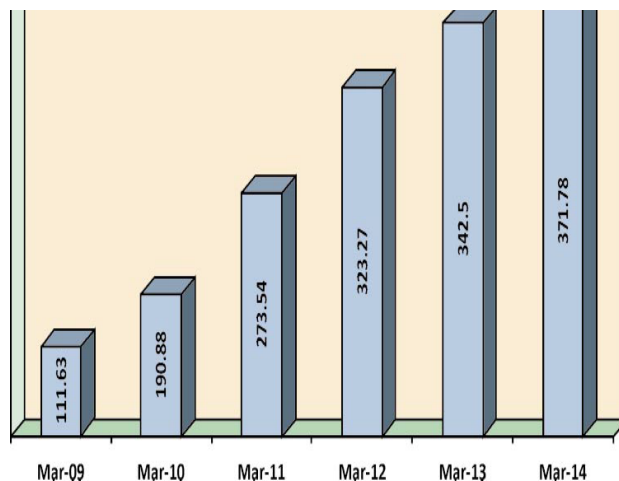
Source - statista.com

This statistic presents the Smart phone user penetration rate in India for 2010 and 2011 and also provides a forecast from 2012 to 2016. The forecast estimates that the Smart phone penetration rate will reach about 32 percent by 2017.⁷

The Asia Pacific region is one of the fastest growing mobile commerce market in the world. China continues to be a leading mobile commerce market, with India following closely behind.

According to the survey from Master Card, China continues to lead in terms of mobile shoppers, with approximately 70% of the country's mobile population using their devices to shop online. India may be the fastest growing mobile market, however, as Smart phone penetration is accelerating throughout the country. Many Indian consumers are beginning to favor shopping from their mobile devices and they are taking advantage of new mobile commerce services that have been launching in the country.

As on 31st March 2014, the Wireless rural [Mobile and WLL(F)] market has reached 371.78 million mark as against 342.50 million as on 31st March 2013. As per the Performance Indicator Report, 41.10% of total wireless subscribers are now in rural areas. The rural subscriber base since March 2009 is indicated in the following figure.⁸



Source - TRAI - Annual Report

The Mobile Commerce market in India is witnessing increasing collaboration between service providers and banks. Most of the mobile service operators are having tie-ups with leading banking service providers to provide mobile payment facilities. For instance, Bharti Airtel and Axis Bank have a partnership for providing banking services through the Airtel Money platform. Similarly, Vodafone India has signed agreements with ICICI bank to launch mobile payment services. Such collaborations and partnerships are expected to grow and will support the market to grow. Debit card is the preferred mode of payment of majority of mobile shoppers (over 52 per cent) and over 25 per cent of them shopped for products in the price points of Rs 10,000 and above. People are enhancing the shopping experience with Android operating system as 68 per cent are preferring the android OS for M-commerce followed by iOS.

It is estimated Mobile Commerce market in India to grow at pace of 71.06 percent over the period 2012-2016.⁹

Snap deal acquired Free charge for an undisclosed sum. According to inputs from industry watchers and Ecommerce experts, E-commerce giants are going to invest huge amount of funds in Mobile Applications. The reasons may be -

i) Mobile is the Future -Its App, app and app now.. Mobile has become the differentiator. In fact, the new mobile centric approach that Myntra has recently closed their mobile web version and users can now only purchase from their mobile app!

ii) New Customers from Tier 2 & Tier 3 Cities: almost 70% of all orders on giant Indian M-commerce companies like snap deal and flip kart originate from Tier 2 & Tier 3 cities.

Biggest Ecommerce move ever: Flip kart is also to Shut Down their Mobile Website, Go Full Throttle on APP if the Myntra experiment works well.

Justifying their move, the Flip kart official said about traffic data on their portal: “A year ago, 6% of our traffic was coming from mobile web and mobile App. In less than 18 months, that traffic is 10-fold. That shows the significance of what a mobile phone is doing for the consumers and consequently doing for us”

Although the official didn't share the exact number of transactions which happen on their mobile app, but **right now around 80 lakh transactions happen on their platform**, out of which around 50 lakh or 2/3rd of all transactions originate from Tier 2 and Tier 3 cities. Considering that almost 90% of this traffic comes from mobile, Flipkart has tried hard to justify their decision of going full throttle on mobile app only mode of ecommerce business.¹⁰

The Road ahead -

India's M-commerce market to reach \$19 billion by 2019: Study

Indian retailers may be ahead of other companies when it comes to preparing for the rise of mobile commerce. Store Hippo, a platform that provides retailers with mobile e-commerce websites, has released the results of its latest survey concerning the retail sector and its engagement of the mobile space. The survey found that many retailers believe that mobile sites and applications are extremely important for all businesses. In other countries, retailers are lagging behind in mobile engagement.

Chinese e-commerce giant Alibaba is looking at acquisition of Indian e-tailers that have a large customer base as well as a robust network of merchants. India with its expanding Internet users and smart phone penetration is one of the largest online retail markets in the world and is seeing growing interest from investors globally. According to the consultancy firm PwC, the e-commerce sector in India is expected to grow by 34% to \$22 billion in 2015 compared to last year.

In January 2015, Alibaba signed a memorandum of understanding with industry body CII for greater business engagement between SMEs in India and China. In February, Ant Financial Services—part of the Alibaba Group—had announced acquisition

of 25% stake in One97 Communications, the parent of mobile commerce firm Paytm. In March, Alibaba pulled out of talks with Snap deal on stake purchase due to high valuations being sought by the homegrown online marketplace.¹¹

Mobile apps often lack the selection of products that can be found on conventional e-commerce sites. Apps also do not support large pictures, which can make it more difficult for consumers to see the products that they are interested in. Despite the problems of mobile apps, mobile commerce continues to thrive in India. More consumers are choosing to shop online with their smart phones and tablets than ever before. This trend is expected to continue gaining momentum over the next several years, making India one of the leading mobile commerce markets in the world.

According to Economic Times M-commerce is estimated to be 30 per cent of the \$ 3 billion e-tailing industry and is likely to grow to nearly 40 per cent of the industry that is expected to be 32 billion by 2020. Also With India having nearly 50% of young population indulging into mobile space, a growing number of Indian retailers are investing more in the mobile space in order to connect with a new generation of consumers.

The future of e-commerce is M-commerce. It will redefine the way consumers find, shop and pay.

Looking at the competition too, the race is on to empower small businesses. And the market is huge! Amazon is piloting with Amazon Business, a members only B2B website for small businesses. Snap deal is providing funding to small businesses to aid them along with other initiatives, Flip kart is scaling up its training initiatives and a lot more is brewing up for the time to come.¹²

Conclusion-

With mobile phones reaching the masses, mobile commerce is poised to bring the next e-commerce revolution in India – and perhaps beyond as well. The smart phone is turned into a window to virtual stores where one can shop from anywhere with personalized recommendations for what to buy in-store online or offline. The concept of window shopping is being changed by smart phones with lots of offers as to attract customers. The biggest barrier that remains for digital commerce in India - whether E-commerce or M-commerce - is the Indian consumer's confidence in the authenticity of the products they find online, and the supply chain's ability to deliver. But as confidence with online shopping grows enabled by easier access through mobile year 2015 promises to be a watermark year for

E-commerce and M-commerce in India, right along with dynamic shifts in Indian shopping behavior.¹³

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