Emergence of M-commerce in India

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Abstract—*In the contemporary times, mobile commerce or m-commerce is getting a huge attention of academicians and researchers and has become a buzzword in India. With recent developments happening in wireless and mobile technologies, m-commerce is expected to change the business landscape. With increasing number of mobile subscribers, India is now second largest mobile cellular market, next to China only. Hence, opens up a huge scope for business players to step in to this arena.*
This paper through secondary data exploration is an attempt to delineate the diffusion of m-commerce in India, factors affecting growth & adoption and transition from e-commerce to m-commerce in Indian context. This paper also discusses the benefits and drawbacks of m-commerce to business players in India. This paper has important implications for marketers as well as academicians as this study will contribute to the existing body of literature.

Keywords: *m-commerce, e-commerce, Trends, India.*

1. INTRODUCTION

Mobile Commerce or m-commerce can be referred as a wireless electronic commerce in which user can be involved in any kind of transaction including buying and selling of goods, seeking services, transacting and transfer of money over mobile devices using wireless internet.

2014 had been remarkable year for Indian e-commerce Industry and huge investments were made into mobile space by notable and key market players which include Amazon, Flipkart, Snapdeal, Myntra and Paytm. With Rapidly growing mobile subscribers and mobile internet users, India is likely to overtake USA in terms of Internet users in very short span of time [1].Currently India holds third largest internet user base in world, which will increase over the time.

At present, number of mobile subscribers in India stands at 952.34 million on January 2015 [2]. Indian mobile commerce market is expected to grow up at CAGR of 71.06 percent by year 2016 and is likely to become $19 billion Industry by 2019 [3]. It is also expected that by 2016 India will be second largest Smartphone market after China and will surpass USA. In current Scenario, as the number of Mobile Internet users are increasing and with availability of low cost affordable handsets especially Smartphone m-commerce is likely to be next generation mode of business.

India is experiencing rapid rise both in terms of mobile internet users and Smartphone users and therefore providing vast potential to e-commerce and subsequently m-commerce sectors. In India, Mobile commerce market is still in nascent stage and is on growth path .Over a last decade mobile phones, especially Smartphone are becoming preferred mode of communication. Nowadays mobile phones are used for more than just a call purpose, people are using them to surf Internet, shopping, playing games and download content.
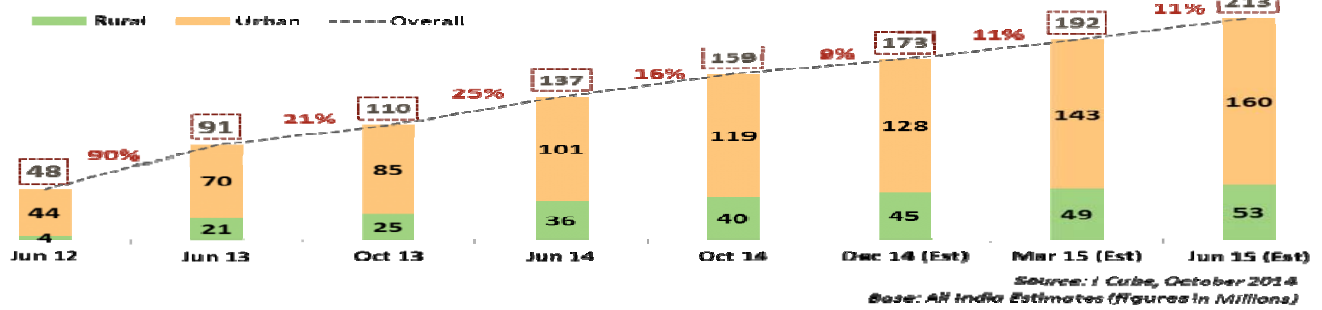
In India, rapidly growing Smartphone market is playing significant role in m-commerce which offers huge potential and is emerging arena in business landscape.

1.1 Growth of Internet in India

The face of online India is changing rapidly. As the internet population continues to increase, number of internet users had grown from 60 million in 2009 to 190 million in 2014 with internet penetration of 19%. At India digital summit 2015, Alpesh shah, senior partner and director –BCG quoted that India will have over 500 million internet users by 2018 [1].

From the time VSNL first introduced internet service in India in 1995, it took more than two decades for India to reach first 100 million users, however next 100 million users were added in another 3 years and third is less than a year. With this exponential growth, India is becoming second largest internet market in the world. At present China leads with 620 million internet users. India have more than 100 million active facebook users next to USA and Canada 152 million users and is second largest market for social networking sites such as facebook and linkedIn.
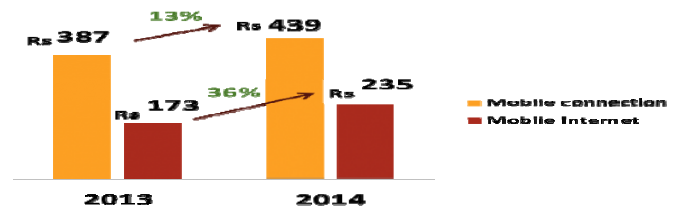
Future estimate of Mobile Internet Users

(Source:http://www.iamwire.com/2015/01/india-213-million-mobile-internet-users-june-2015-iamai/108607)
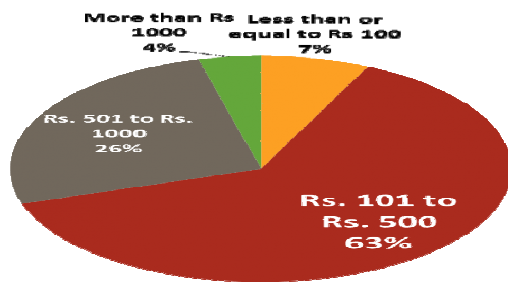
(Source:http://www.iamwire.com/2015/01/india-213-million-mobile-internet-users-june-2015-iamai/108607)

Currently, close to 40 million Indians use internet on daily basis and spend 40-45 hours per month on internet. By June 2015, it is estimated that number of internet users in India will touch 213 million with y-o-y growth of 14% over past year [4]. In rural areas, mobile internet penetration is expected to grow from 45 million users in Dec 2014 to 53 million users in June 2015.Rural India clocked impressive 39% y-o-y growth in 2014 on the other hand urban India witnessed 29% Y-o-Y growth in 2014 over 2013and internet penetration is expected to be 143 million users by march 2015 and eventually 160 million users by June 2015 [5].
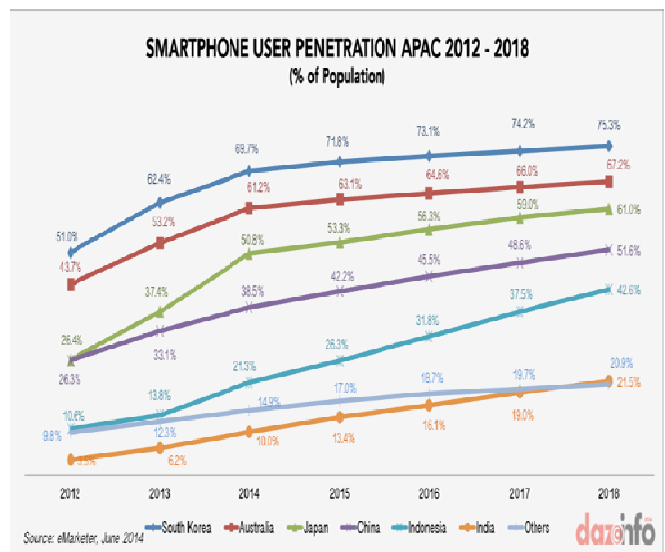
In India, average money spent on mobile internet connectivity increased by 36% in 2014 over past year [4]. This shows increased expenditure on mobile internet usage which is likely to increase in coming years.
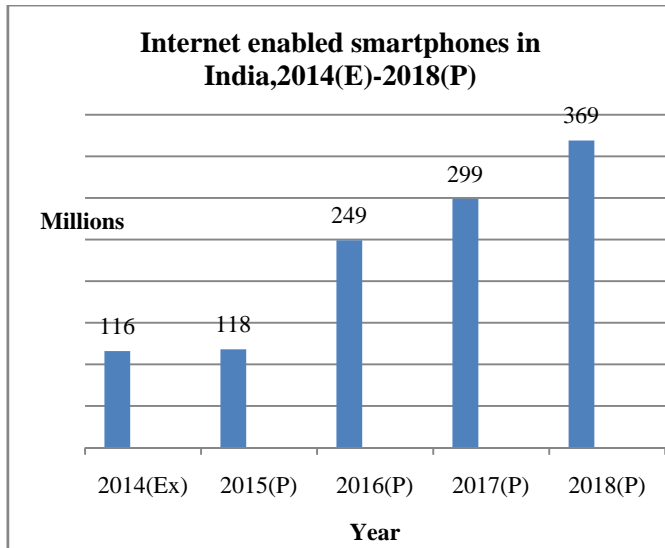
1.2 Smartphone Penetration

In year 2014, India topped as fastest growing smartphone market in world and is expected to overtake USA second largest smartphone market in world only after china.

In 2015, smartphone penetration in India stands at 13% and is expected to reach 21% by 2018 in APAC region therefore

ensuring that large population is m-commerce ready [6].Indian smartphone market witnessed growth by whooping 186% y-o-y growth in Quarter1, 2014 in APAC and is expected to grow at 40% CAGR in next 5 years [7][9].

(source:http://dazeinfo.com/2014/06/22/smartphone-apac-market-forecast-2014-2018-india-china-australia-japan-growth/)

Internet enabled smartphones in India,2014(E)-2018(P)

369

299

249

Millions

116   118

2014(Ex)   2015(P)   2016(P)   2017(P)   2018(P)

Year

(Source: KPMG in India analysis, IDC and eMarketer estimates, 2014)
India has been witnessing growth in m-commerce [11][12]

The major reasons driving this growth is consumer preference for smartphones, emergence of low cost and affordable smartphones and home grown brand or local vendors such as Micromax, Karbonn and Lava mobiles.

Number of internet subscribers in India has grown from 23 million users in 2012 to 266 million by 2016 [10].

### 1.3 Factors Affecting M-commerce Growth in India

- **Affordable smartphone:** Low cost mobile internet enabled mobile devices like smartphone or tablets are available through local vendors like micromax, Lava. Consumers are increasingly using these devices to search information and shop online. This is critical element for m-commerce growth.
- **Mobile Apps:** With increasing internet penetration and affordable mobile devices, users are showing interest in mobile app categories. In 2015, 9 billion mobile apps were estimated to be downloaded in India up from 1.56 billion downloads in 2012 growing at CAGR of 79%. Currently 70% of mobile devices are used to access apps [9].This factor is guiding app market development which is supporting m-commerce in India.
- **Vendors investing in mobile platforms:** With huge investment happening in e-commerce sector new avenues for m-commerce are opening up. Apart from traditional formats of retail, new online business segments are growing up such as real estate, taxi booking, classifieds, healthcare and even grocery. Different companies have already opened their mobile platform such as amazon, flikart, jabong, snapdeal and paytm [8].
- **Affordable mobile internet:** With falling prices in data plans, growing no of 3G subscribers and advent of 4G services has made internet consumption affordable in

present times. Telecom companies are providing large range of inexpensive data plans, as a result of low mobile data tariff user are encouraged to use mobile internet more.

- **Growing Internet population:** India stands third behind China and US in terms of internet users at 243 million with 19% internet penetration [8]. This indicates the potential of internet use in India and as this figure increases, potential for growth of m-commerce industry will also increase.
- **Business from tier II, III cities:** Big brands are not present in tier 2, 3 cities. With the availability of low cost internet enabled mobile devices, youngsters buy their preferred brand online and with increasing penetration of 3G/4G services in tier 2, 3 cities the sales is expected to increase. At present, 30-40% of online transactions happen from these cities [8]. This is important factor contributing to growth of m-commerce growth in India.
- **Mobile Payments:** After cash on delivery (cod), mobile payments are becoming alternative to cash, credit or debit cards. Customer can use mobile devices to pay for services and transfer money as well. Payment can be made through sms, data connection and therefore increasing scope of m-commerce.

1.4 Indian m-commerce Industry at Glance

Mobile commerce market is witnessing increasing collaboration between service providers and different businesses. Whether it is airtel money, Vodafone m-paisa or mobile payment gateways like paytm or freecharge every other business is trying to have their own payment gateway based on mobile platform.
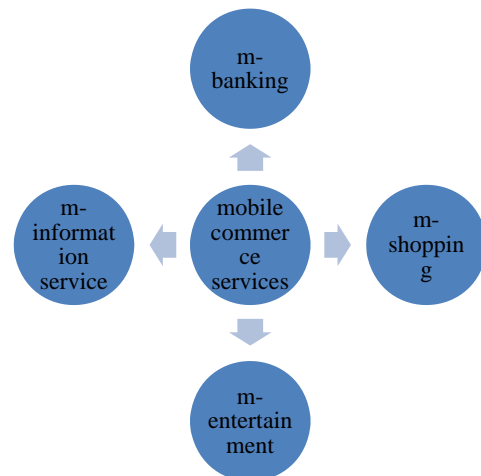
By 2016, it is expected to grow at150% CAGR
800% growth through mobile devices
30% traffic for b2b sites came from mobile devices
60% revenue of snapdeal from mobile
50% revenue of myntra from mobile
(Source: http://www.digit.in/telecom/mobile-commerce-in-india-ready-to-hit-mainstream-24405.html)

With increasing smartphone and mobile internet penetration India is set to become massive market of m-commerce and is expected to be $19 billion by year 2019 from $13 bilion in 2014 [3]. The primary reason for growth I m-commerce is smartphone penetration in rural market, majority of internet users in india access internet from their mobile.

2. BENEFITS AND DRAWBACKS OF M-COMMERCE IN INDIA

With Affordable internet plans and low cost internet enables mobile devices such as smartphones and tablets, mobile commerce market in India is growing rapidly. As a result there exist both advantages and disadvantages of m-commerce to business players in India.

2.1 Benefits of m-commerce in India[13][14]

Mobility associated with Mobile devices-user feel relaxed and it is very easy to carry mobile devices anywhere.

Flexibility-mobile devices can be used in real time to search and access information at any point of time.

Geo Localization and Targeting-companies can benefit using latest technologies and locate user, target them using ads and persuade them to make purchase.

User Friendly content-companies are designing website content which is user friendly and helps user to search a particular product extensively.

Safe and Secure transaction- companies can benefit from safe and secure transaction done through mobile payment gateway or through confirmation code on email and sms. This provides companies to persuade customer to shop and pay via mobile.

Low internet connectivity-mobile devices use less internet data and also resolve the issue of less internet connectivity or in case of website which are difficult to load.

2.2 Drawbacks of m-commerce in India[13][14]

Limited graphics- because of low graphic resolution in mobile devices, particular product is not properly visible and therefore reduces consumer interest.

Privacy concern- consumers still is concerned about their personal details and are not willing to share information and it leads to trust issue with m-commerce and with companies doing business with it.

Internet Education- People in India are still ignorant about m-commerce and its application, usefulness. With Literacy rate of 74% in 2011, India is lagging behind world literacy rate of 84% in 2011.

Language barrier- in India, not many people are comfortable with English as primary language and with internet enabled mobile devices, language becomes critical element while buying and selling goods or services.

Connectivity-Less data speed and unavailability of high speed bandwidth to most people is acting as a roadblock.

3. TRANSFORMATION FROM E-COMMERCE TO M-COMMERCE IN INDIA

Considering the factors which are behind the diffusion of m-commerce in India and with increasing smartphone use, it can be considered that radical shift is happening from e-commerce to m-commerce.

In India, as the number of mobile internet users are expected to touch 286 million by 2016, mobile internet traffic is already outweighing the personal computer traffic [9]. 70-75% of people access internet through their phones, thus providing ample of opportunity to companies in diverse sectors. The next wave of growth in internet penetration will be driven by the adoption of internet in the rural areas, which would be ultimately guided my mobile phones.

The opportunity provided by e-commerce players is no more limited to fashion, lifestyle and retail and is also extending to traditional brick and mortar stores and brands as they are investing in mobile platforms or mobile apps to increase their reach to acquire more customers and eventually increasing their sales. Internet usage of mobile payment gateways and features like mobile wallet in increasing instead of debit and credit cards for purchasing purpose and also for transfer of money. These changes are being driven by internet enable mobile devices.

By the year 2020, Internet economy will touch USD 200 billion and will contribute 5% of GDP. This shows that many companies will be shifting to m-commerce in coming years [1].

4. DISCUSSION AND CONCLUSION

Indian e-commerce sector witnessed boom in 2014 and has laid the foundation for m-commerce in coming years and is likely to replace or overtake e-commerce in next few years. M-commerce will play a significant role in conducting business in future. It is expected that more than 9 billion mobile app downloads will happen in India in 2015, making India fastest growing mobile app market [15]. Mobile app provides huge opportunity to businesses and acquire customers as large no of internet users are increasingly using smartphones. In present situation, not only retailers and e-commerce companies are moving towards mobile apps but real estate companies, healthcare, fast food companies, taxi booking and other service providers, companies are developing mobile apps.

M-commerce market is driven by increasing online shopping and increased use of mobile apps. With continuously falling mobile data tariff and availability of low cost, home grown smartphone companies, m-commerce will change the landscape of doing business in India in upcoming years.

Mobile commerce is changing the way of doing transaction and doing business, as new players are emerging in this area, and with increased awareness will give boost to m-commerce industry in India. Mobile payments are develop for user advantage and security and its will undergo better transformation in future.

Mobile commerce will play a crucial role of bridging gap between sellers and customers. It is mostly though m-commerce application people located at remote places in India will purchase good or products online through their internet enabled mobile devices. Mobile commerce is next generation mode of business.

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