



## IMPACT OF SMARTPHONES ON ECOMMERCE

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### ABSTRACT

After the advent of Internet i.e. on August 15, 1995 the lifestyle, the knowledge quotient and interactive communication has taken a giant leap as compared to what it was 20 years back. The Social media has acted like rocket fuel to communication, which was a monologue till, facebook was launched in 2004, and got into fast lane with the launch of Twitter (2006) and Whatsapp (2009). Each information which is of public interest goes viral within minutes, is dissected, postmortem is done of all the dimensions from all the directions.

"Word of Mouth", was replaced by "Word of Mouse" and it acts like a catalyst to tilt the behaviour or swing the mood of the Consumers of Digital Media. Internet in India took more than a decade to move from 10 million to 100 million, and 3 years to move from 100 million to 200 million. However, it took only a year to move from 200 million to 300 million. Similarly Ecommerce took a jump of more than 500% from 3.8 bn to 21.7 bn from 2009 to 2015. There is an intermediary who is catalyzing the growth of Internet users as well as contributing as a direct agent to the growth of eCommerce also. This intermediary is Smartphone. In the following study based on authentic data from experts and reliable sources, it has been inferred that with every 36.6% growth of Mobile internet, there is a growth of 31.1% on eCommerce.

**KEYWORDS:** Internet, Consumer Behaviour, Mobile Internet, Smartphone, eCommerce,

### INTRODUCTION

#### Understanding Consumer Behaviour

The consumer market consists of all the individuals and households that buy or acquire goods and services for personal consumption. Consumers vary tremendously in age, income, educational level, mobility patterns and taste. Marketers find it useful to distinguish different consumer groups or segments and try to develop products and services tailored to their needs.<sup>1</sup>

"Consumer behaviour can be defined as the decision making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services". The process of buying starts in the minds of the consumers, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. This leads to internal and external research. Then follows the process of decision making for purchase and using of goods, and then the post purchase behaviour, which is also very important, because it gives a clue and the much desired feedback to the marketers whether his product has been a success or not.<sup>2</sup>

To understand the likes and dislikes of the consumers, extensive consumer research studies are being conducted, to find the answers to the following questions -

- 1) What the consumer thinks of the company's products and those of its competitors?

- 2) How can the product be improved in their opinion?

- 3) How the consumer uses the product?

- 4) What is the customer's attitude towards the product and its advertising?

Earlier, which used to be a cumbersome process to answer the above questions, has now been reduced to one to one communication, through blogs, emails, or through Social media.

#### Researcher's Observation on Current Consumer Behaviour

"The other things that are impacting Indian consumers are the need to deal with the pace and complexity of modern living. Urbanization, increasing mobility, water tight work routines and globalization of information and business continue to fuel busy life styles. Advances in technology are enabling immediate and constant access to information.

Consequently, consumers are increasingly looking for solutions which help them manage personal resources of time, energy and information to get the most out of their day. Of the five consumer currencies---Information; Time; Energy; Money; Space - the Indian consumer by and large stresses on Money, Time and information. In fact, in the last couple of years' Time has become a pressure point. Consumers increasingly look for solutions to help them manage their time

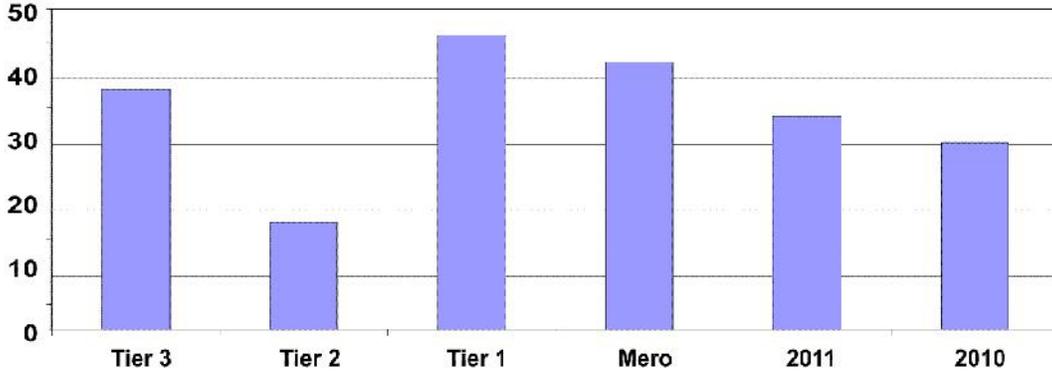
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and energy levels in order to cope with the demands of everyday life, and are willing to pay a premium for it."<sup>3</sup>

#### Counseled Consumption

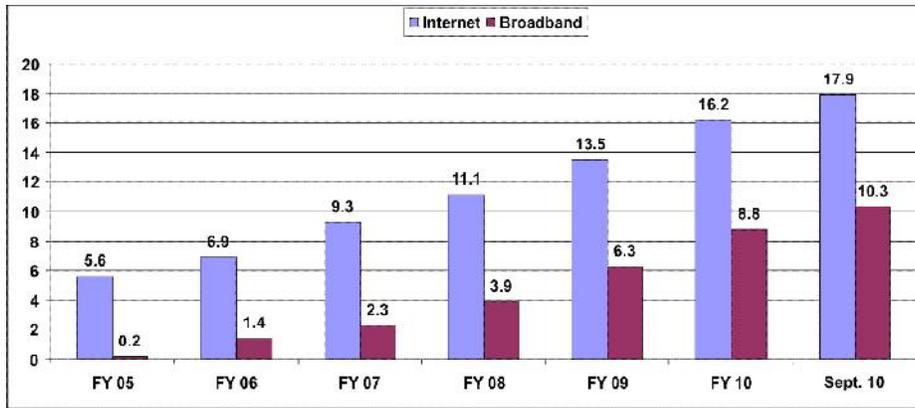
Consumers are looking for reassurances from expert advisers and peer groups to avoid bad choices. They are using multiple

sources like expert opinions, family/ friends and technology and find information about the product and solutions. This trend of seeking technologies help is fast spreading to Tier 2, and Tier 3 cities also, as can be seen in the following illustration-



Source: TNS India Monitor 2011, the Futures Company, Global Monitor 2011.  
Note: Scores are standardised, % agree.

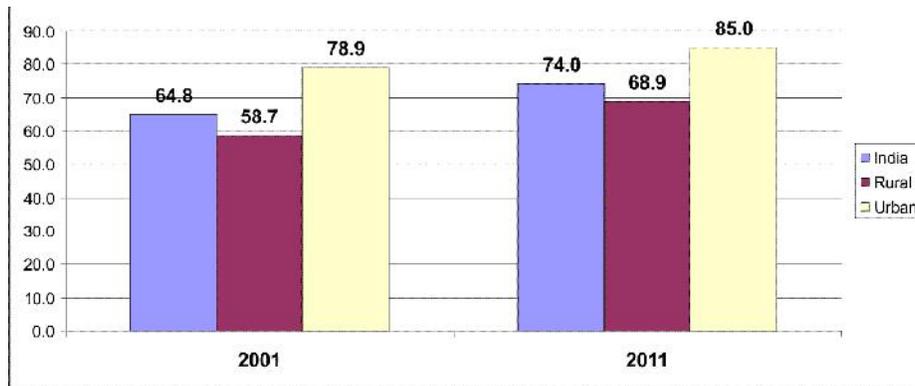
At this stage the internet and Broadband scenario in India was as following



Source: TRAI

Note: Figures in millions

As Literacy is a primary determinant of the consumer behavior, the literacy according to census 2011 was as following



The number of literates had increased by 38.82 percent from 560 million to 778 million between two rounds of Census

2001 and 2011. What's interesting is the gap between literacy rates in rural and urban areas has narrowed. The literacy rate

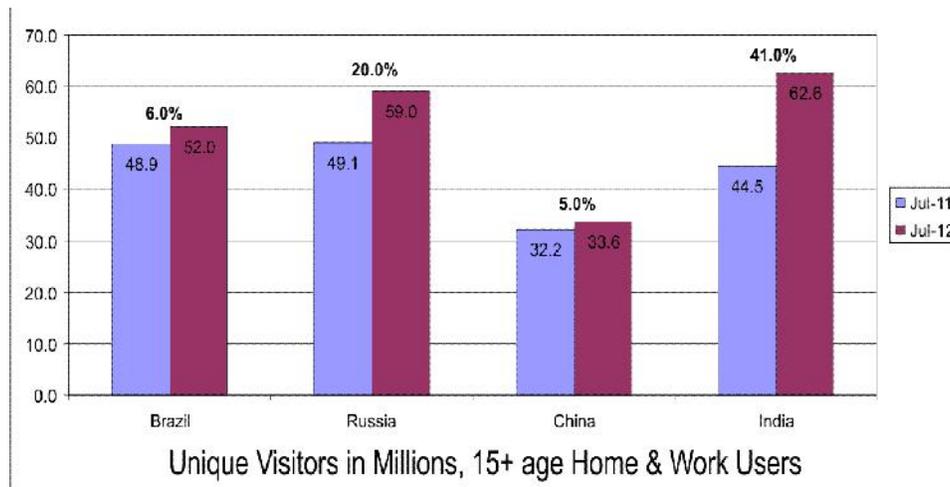
in rural India has increased from 58.7 percent in census 2001 to 68.9 percent in census 2011.

In context to the above data presented, it is impertinent to incorporate the statement of "Vathsala Ravindran" Director at Hansa Research Group, That, "Internet and mobile have redefined this generation in every aspect. Fifty one percent of youth access the internet over 50 percent access Internet from home followed by 32 percent on mobile phone. Online activity is marked by random, unstructured search, socialising and downloading (music/ movies/ games). Shopping, an activity pursued by a miniscule population thus, can be dubbed largely nascent. Key determinants are quality fears and the inability to provide a thorough product assessment

owing to lack of touch and feel. The most and perhaps the only driver are huge discounts."<sup>4</sup>

But this was her observation till 2012, on the other hand, comScore's study says, " The rise of India's Digital Consumer, Based on Internet usage pattern of Indians aged 15 and above in their home and work environments, provides some clues and points to trends that will define the picture of Digital Market in India."

The study was conducted over a period of 12 months ending in July 2012 data was obtained through complex software systems that focus on population samples, after which appropriate adjustments were made to estimate the views of larger masses.



Analysing the above data, we find that online audience has jumped 7 percent, with Asia-Pacific markets adding more than 40 million users. India is the fastest growing Online Market with 41 percent rise in user base. This is much higher than China (5 percent) Brazil (6 Percent) and Russia (20

Percent). With most online categories in India exhibiting an average reach below the global figures, the potential seems to be high. India's Internet penetration has been estimated at 10 percent, with 124.7 million users going online in 2012. The major categories they looked into are as following.

Categories	YOY Growth%	July 2012 Reach %
Games	60	41.0
News	54	80.3
Search	63	91.5
Retail	43	59.9
Health	43	21.1
Social Networking	43	95.5
Travel	41	44.0

Source : comScore

**Online Trends**

Travel, search, social networking and news arenas are growing sharply in India's online world, crossing worldwide averages. Key drivers are content and accessibility. Over the survey period, Google and Facebook topped the growth charts, at 59.7 and 52.1 million users. An interesting point to note is that data shows a rise of over 10 to 40 percent in frequency of user visit to top 10 sites, viz., Google, Facebook, Yahoo, Microsoft, Times Internet, Wikimedia, Bit Torrent, Network18, Ask and Rediff.in the decreasing order. Of all the above sites, only rediff showed a negative growth.<sup>5</sup>

The News category appears to be one of the most engaged, with upto 5 minutes spent on it by each unique visitor. A growth of 54 percent was noted in this category, with multiple means of accessing devices.<sup>5</sup>

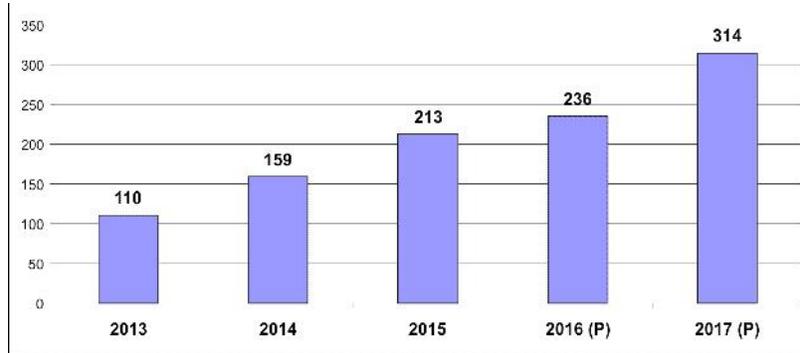
**The Change in Scenario**

The scenario changed quite drastically between July 2012 and July 2015, when IAMAI and KPMG came out with a report on current Internet users in July 15 and projected growth by Internet users by the year 2017.

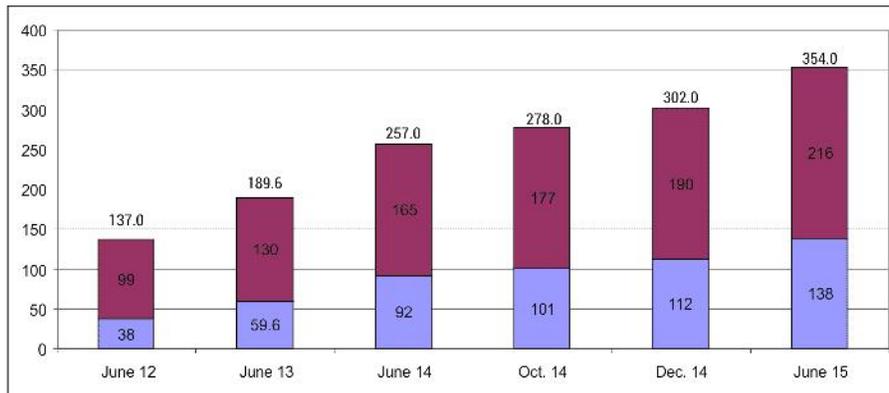
Some of their findings relevant to this paper are as following

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1. Led by an annual growth of 27.8% in mobile users, the internet users base in the country is likely to reach 503 million by 2017,
2. The over all internet user base (wireless and wireline) in the country stood at approximately 354 million as on June 2015 and is estimated to touch 503 million by 2017.
3. 4.4% of the total rural population used a mobile devise to access the internet; a figure that stood at a meager 0.4 percent in 2012.
4. In India more than 50% of internet users are mobile - only mobile internet users.
5. 3G users base in India is rapidly gaining market and is [projected to grow at a CAGR of 61.3% between 2013-17].<sup>6</sup>



Source : IAMA-IMRB Mobile Internet in India 2014 Report KPMG, FICCI M&E Industry Report 2015



The overall Internet users (landline and wireless) by IAMA (Internet and mobile association of India) presents a more rosy picture. They key findings of this report are,

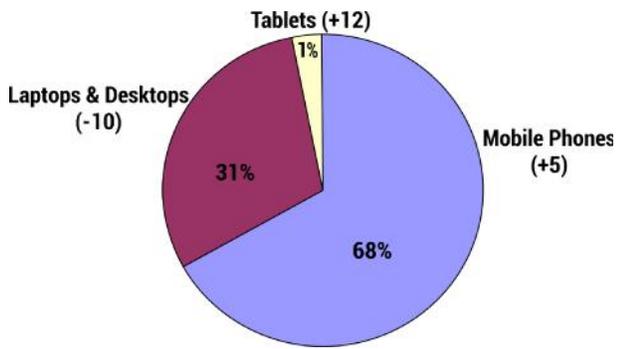
1. India has added 52 million Internet users in the first six months of the year, taking the total user base to 354 million as on 30 June 2015,
2. 26% growth in the number of internet users from 278 million in October 2014. The number of mobile net users has grown about 40% from 159 million users in October 2014.
3. Internet in India took more than a decade to move from 10 million to 100 million and 3years from 100 million to 200 million. However it took only a year to move from

200 to 300 million users. Clearly, Internet is the mainstream today.

4. The most important finding of this report is "the digital commerce market was valued at Rs. 81, 525 crores by the end of December 2014 and registered a growth of 53% over 2013. The industry is estimated to grow further at 33% and cross Rs. 1 lakh crores by the end of 2015."<sup>7</sup>

#### Growth Drivers of Internet in India

26.5 million Smartphones shipped to India in the second quarter of 2015, up by 44% for the same period last year. Double digit growth for smartphone market in India is expected over next few years, and India would be second largest smartphone market globally and would overtake US by 2017.<sup>8</sup>



Every good purchased online or offline entails a transaction of money to complete the purchase process. With the introduction of Internet and mobile banking, the online sale and purchase has become quite easier for the buyer and safer for the seller.

A recent report prepared by KPMG says, India has the youngest population of mobile banking users across the Globe. Key Findings of the report are –

- Average age of mobile banking users
 

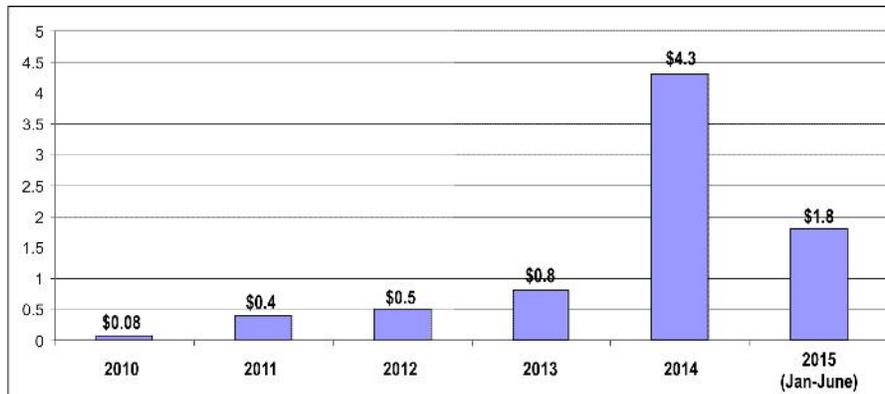
India	30 years
Australia	35 years
Japan	37 years
China	37 years
- India ranks 5th as mobile banking penetration is concerned after China, South Africa, South Korea, and

Singapore followed by Brazil, Kenya, Sweden, Nigeria and Thailand.

- Adoption rates are the highest in so called developing countries-- reaching 60-70% in China and India, rather than developed nations such as the US, Canada and the UK. (Adoption to mobile banking from traditional banking)
- Banks are increasingly adopting "MobileFirst" strategy.
- Large banks are already acquiring technology start-ups to keep pace with the rapid pace of change.
- Within E-Commerce, hot more verticals well beyond groceries and fashion and items like mobile phone are expected to be created. Online food orders and cinema ticketing are already generating good volumes. As net penetration increases in smaller cities, the trend is set to catchup the study noted.<sup>9</sup>

KPMG report on Mobile Banking – [www.kpmg.com](http://www.kpmg.com)  
 India is likely to produce at least a dozen more billionaires and several new millionaires by 2020 as the Country's Start Up scene lots up, fuelled by sectors like "E-Commerce, Financial Services and other Technology driven fields, an "Assochem Study"<sup>10</sup> has projected.

**STARTUPS IN E-COMMERCE IN INDIA**



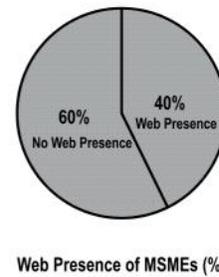
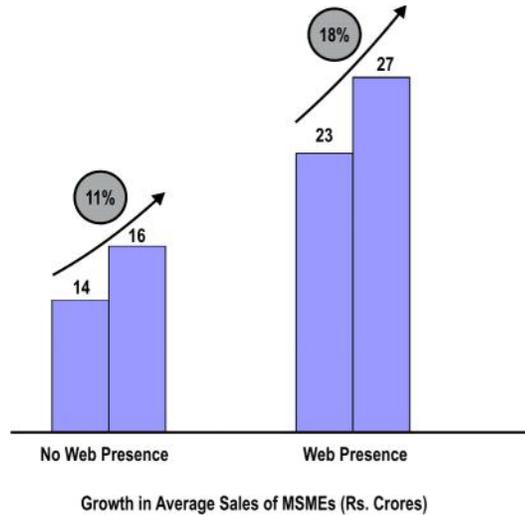
**How Internet is influencing the Business:-**  
 Based on a survey of 500 businesses across verticals like banking, financial services and insurance (BFSI), manufacturing retail and agriculture, the report analyses the digital engagement of Indian SMBs to understand how digital technology can help them. Indian SMBs contribute to nearly 8% to the GDP. In 2013, the SMB sector in India employed more than 106 million people around 22% of India's labour force. The ICT sector will grow at an average annual rate of 7% between 2014 and 2040. The report said digitally advanced SMBs can help India achieve, to its national objective of higher economic growth

creating jobs and more exports. Compared with offline SMBs, those with higher digital engagement are more likely to increase employment by upto 84% increase access to international markets by upto 65% and likely to offer new products upto 4.5 times. Small and medium businesses (SMBs) in India using cloud and mobile tools can expect annual growth of upto 27%, says a "Study by Google and Deloitte"<sup>12</sup>  
 Almost same was the inference drawn by CRISIL for MSMEs (micro, small and medium enterprise) CRISIL has analysed the performance of about 6100 micro, small and medium enterprises rated on the basis of their 2013-14 (1 April to March 31) financials. The study revealed that the

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average sales of MSMEs that have a web presence in the form of their own websites grew by 18% in 2013-14 as against 11percent growth in the average sales of those that didnot have. Notably among the total number of MSMEs studied, nearly 60 percent did not have web presence, and of these, close to two thirds were partnership or proprietorship firms. The later mostly rely on the goodwill enjoyed by their promoters or proprietors in the market and word of mouth publicity to market their product or services.

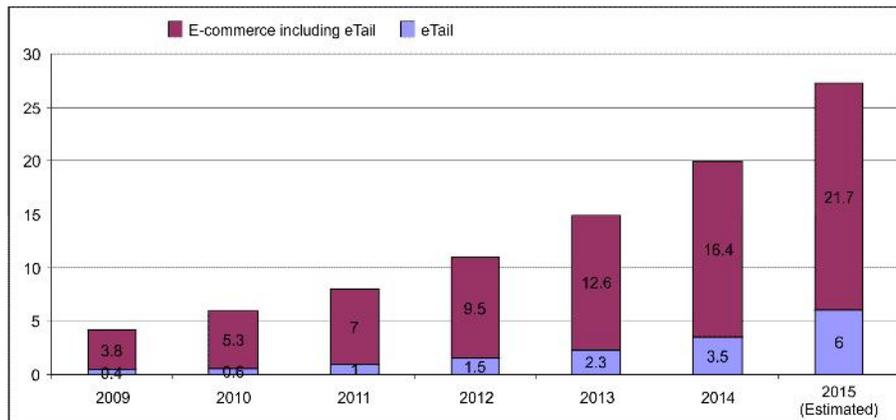
CRISIL believes that these MSMEs would benefit by having their own web presence, as it would help their products and /or services, technical expertise and client profile, as well as to receive and handle customer queries directly. It would also help them reach out to customers across a much wider are of operations and help diversify geographically, especially since the number of internet users in India is growing.



### Tracking E Commerce in India

Since the E Commerce industry is fast rising, changes can be seen Year on year. The sector in India has grown by 34%

(CAGR) since 2009 to touch 16.4 billion USD in 2014. The sector is expected to be in the range of 22 billion USD by the end of 2015.



Currently, eTravel comprises 70% of the total ecommerce market, etailing, which comprises of online retail and online market places, has become the fastest growing segment in the larger market having grown at a CAGR of around 56% over 2009-2014. the size of etail market is pegged at 6 billion USD in 2015. Books, apparels and accessories and electronics are the largest selling products through etailing, constituting around 80% of product distribution. The increasing use of smartphones, tablets, internet broadband and 3G has led to developing a strong consumer base likely to increase further. This combined with a larger number of home grown eTail

companies with their innovative business models has led to a robust etail market in India rearing to expand at high speed.<sup>13</sup>

### SUMMARY

Online sales is a two-way traffic, it facilitates the sellers as well as the buyers. You name a thing which you desire to procure and it is available online with complete details. It can start from items of your daily household needs, say vegetables, cakes or cookies to your lunch or dinner when you are on board a train, to the livestocks like dogs, cats and other animals permissible under law. Earlier a consumer had to choose from what was available at brick and mortar retailers

and get contented. Now a tech savvy and busy executive can just log in to his mobile and place order for Grocery items, which will be delivered at his door steps within 90 minutes at no extra cost but may get some additional discounts which his Grocery shop might not have parted with him.

Once a consumer gets satisfactory Goods and services, he starts taking bigger risks. The time constraint and penetration of internet has given birth to the local online grocery and vegetable vendors viz, Bigbasket.com, ZopNow.com, AaramShop.com, Localbanya.Com, Grofers.Com.

Launch of 4G and new technologies such as virtual mirror will further help the retail customer's experience, there by encouraging greater consumption. Virtual mirror, lets shoppers "TRY On" cloths and accessories virtually before making buying decisions. A key outcome of the technology revolution in India has been connectivity, which has fuelled Unprecedented access to information, and impacts the decision making process in overall.

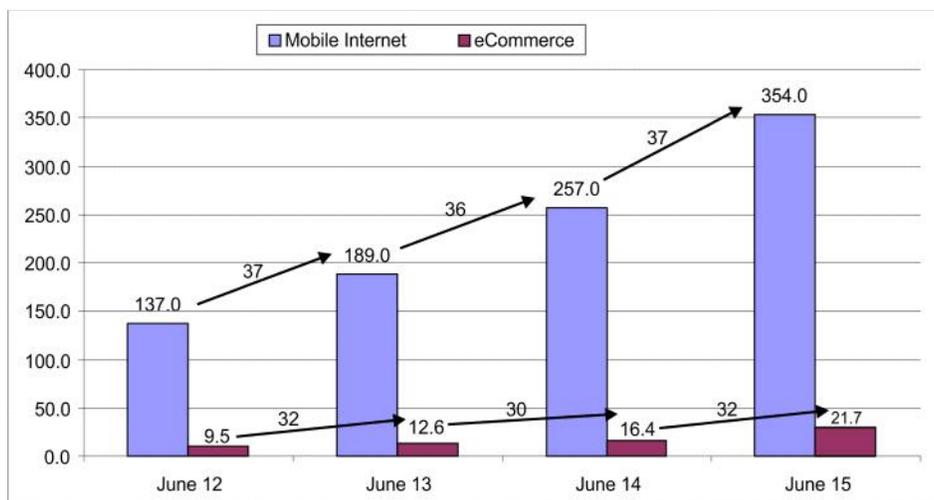
Now consumers understand Global standards of product and service quality. Farmers know the crop prices. Rural Indians have started recognizing the difference between the opportunities available to their urban counterparts and citizens for expressing their social, political or economic opinions. The upshot of this connectivity has revolutionized the mindset of the consumers and public at large.

Still there are more factors and segments, where online motivation is not possible as observed by a large number of leading share broker firms. "Online Brokers have most active Clients, while this route is the way forward, experts say,

Offline presence is needed to tap High Net-worth clients and traders; also online presence hasn't moved up much in the years"<sup>13</sup> reads Business Standard issue dated Sept 9, 2015. <sup>14</sup> What differentiates the Indian Market from that of a country like china is that while market concentration in China is largely on account of Alibaba - owned Taobao and Tmall (with these players holding a higher percentage of market share than the top players in most of the major markets), in India the market share is divided amongst several ecommerce companies, each coming up with its own business model. As a result, customers have wide range of products and services to choose from.

There is humongous potential, for Ecommerce companies owing to the growth of internet user base and advancement in technology. However, this will not be without its share of challenges, be it operational, regulatory or digital. A glaring example of this successful failure is the "The Billion Day sale" on 6th October 2014 by Flipkart, where its server couldn't cope up with the heavy traffic, it ran out of products within seconds giving an impression that company was making a fool, there were immediate price revisions of the products advertised. and the last straw on the camel's back is these online companies is the high attrition rate and non-availability of delivery boys, though the delivery boys are paid reasonable salaries but the attrition rate is as high as 50% thus which puts an extra pressure on the logistics of the company.

Keeping the growth of Mobile Internet and eCommerce from the data given above -



If we take out the averages, we reach a conclusion that every 36.6% growth in mobile internet users there is 31.1% growth in eCommerce.

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