

“Study on future prospects of E-commerce and its impact on FMCG sector in India”

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Abstract:

Indian FMCG sector has been raising at a dynamic pace due to growing income levels, increasing internet penetration, varying customer lifestyle and increasing e-commerce marketplace. At present, the FMCG industries have moved their focus on Electronic Commerce because of the rising mobile internet penetration, globally. Food and Beverages section has the smallest shares in E-Commerce market of India; though, because of change in customer shopping habits and considerable growth has been observed in pay for food and beverages by online channels. The trades of FMCG by E-Commerce medium have been rising because of increasing sales of Smartphone leading to grow in the amount of mobile internet customers and the rate of internet penetration in the nation that developed from around 10 to 25 percent between the year 2014 and 2015. Online shopping has appeared very quick in current years. E-Commerce websites like Flipkart, Amazon and Grofers are creating the FMCG products gladly obtainable to the customers in India. The FMCG industry of India prompted with steady growth from the wide of use E-commerce technologies. This chapter explores the effectiveness of E-commerce in FMCG sector and attitudes of consumers towards E-commerce usage. It is required to figure out the factors associated with consumers like age, education level, the standard of living and their adequate computer literacy. As Indian consumers became more viable to the use of E-commerce tools and innovative technologies, the future of FMCG is foreseen from the online shopping attitude of the Indian consumer. Accelerating growth in the E-commerce industry and internet penetration of India decide the future of FMCG.

Review of Literature:

PWC Report (2016) has deeply dived into the strategy reforms that needed to generate an ‘*Ease of running Business*’ network in the retail sector, E-Commerce space and FMCG. Together with this report has analysed different Laws and Acts, which require some reformation of their strategies to motivate the development of these sectors. There are several key technology trends, which may influence the peak line in the Retail and FMCG sector as follows:

- Interconnectivity
- Customer pleasure and individualization in control

India has appeared as the most attractive investment goals in the universe with quick industrialization, considerable swing in the demographic prototype and rising disposable incomes. Between the key suppliers in this development story have been customer-centric industries like E-Commerce, Retail and FMCG sector.

BCG Report (2015) has noticed that FMCG constantly delivered better shareholder returns when compared to other sectors. E-Commerce will reveal exponential growth and also it can report to the extent that 10 to 15 percent of sales in the selected categories. Many FMCG industries are vague on the stance and the opportunity to obtain.

KPMG Report (2015) has identified that FMCG Company discussions in India have resulted in suggestions and particular action points for the different stakeholders of these industries to deal with the challenges and opportunities across five extensive themes. Key between these suggestions is the early passage of GST Bill (Goods and Service Tax), Rehabilitation, the Land acquisition and Resettlement Bill and the generation of nodal ministry for retail sector in accordance with conceding as a company status. It has been believed that execution of these suggestions were helped Indian retail and FMCG sector to attain growth i.e., sustainable in long-standing, while shifting beyond customer demand as the significant source of growth. In India, the multifold developments in internet penetration, united with ever-increasing objectives of Indian customers have modified the retail backdrop, particularly with meteoric increase of E-Commerce. Integrating technology is the greatest opportunity for the retail and FMCG sector in order to scale their relation and reach, both between customers and in supply chain, delivering higher value by resultant effectiveness in the value chain.

Future prospects, opportunities and challenges of E-commerce:

Devaraju (2016) determined the challenges, opportunities and future prospects of E-Commerce in India. The players of E-Commerce in India required dealing with eight key factors of their business both internal and external. In accordance with Indian population their huge scope for electronic commerce because presently in India around 19 percent of people utilizing internet for selling and buying products and remaining percent may considered having extent in Indian marketplace. The growth of E-Commerce has been proposed in urban and rural region capable cost for use, due to more people are obtaining related with e-commerce and the ratio of which is increasing on a daily basis.

Chaithralaxmi and Shruthi (2016) presented a report on e-commerce challenges as well as opportunities in India. The future prospect of E-Commerce is very complex to predict. There are different aspects that responsible for the development of e-commerce. There are several critical challenges to be tackled by the e-commerce sector. Nowadays businesses should always struggle to generate the next most excellent thing, in which customers need to persist to desire their services, products etc to incessantly be faster, cheaper and better, in general. By the arrival of new technologies in the world, businesses want to provide accommodation to the new kinds of customer trends and needs because it will show to be significant for their survival and success of business. E-commerce is constantly succeeding and also developing into progressively more significant for businesses as technology persists to promote and obtained benefit. E-commerce has its drawbacks including customer uncertainties, but not anything that can't be avoided or resolved by better business and decision making

practices. If the accurate practices and techniques are followed, a business will flourish in a setting of e-commerce with more profitability and success.

Rina (2016) talked about the future scope and challenges of e-commerce in India. The future prospect of electronic commerce isn't easily predictable but as stated by the current scenario e-commerce Company is increasing very rapidly. There are several significant aspects that contribute to the bane of the e-commerce company in India that includes multiple payment options, location based services, m-commerce services, shipment options, quick services, terms and conditions must be obvious as well as product quality must be the same as revealed on the sites. E-commerce challenges in India include: branding and marketing; touch and feel; e-infrastructural concerns; declining margins; tax related problems; and logistics and supply chain.

According to Chanana and Goele (2012), the future scope of e-commerce is very complex to forecast. There are several sectors, which would develop in the future such as electronic appliances, travel and tourism, hardware apparel and products. There are some important aspects that considerably contribute to the bane of E-commerce firm in India such as replacement guarantee, mobile commerce services, right content, legal requirement of creating demands for online dealings and quick services. People might identify different opportunities of job. In support of aforementioned experts and reports vision revealed that the e-commerce future scopes in India would be intense in the forthcoming years if all significant aspects would be implemented.

KPMG Report (2016) identified that India provides a variety of benefits for food service sector, as the fastest rising economies in the world. The most important demand factors driving the growth of industry may be categorized under four main buckets include: huge share of young population; rising disposable level of income; varying customer lifestyle; and India's urban women labor force. Supply factors include liberal reforms, rising travel, technology and promising retail formats and procurement through direct farm-firm relation. A quickly rising young population, rising use of technology in customer space, health awareness, brand and style consciousness and urbanization, increasing income levels, raised social media activity and hectic life routines etc have caused a shift in customers' food buying products.

EY (2013) talked about regeneration of electronic commerce in India. This report has looked for providing an insight into e-commerce marketplace in India. Also, this report has concentrated on the different sub-sectors of e-commerce marketplace and emphasized factors driving growth across these sectors. E-commerce transactions may be divided into three extensive modes or categories depend on participants taken part in the transaction includes: B2C (Business to Customer); C2C (Customer to Customer); and B2B (Business to Business). The buyer or customer has turn out to be the center point for the e-commerce players. In this backdrop, enablers like call centers and logistics players are broadening and developing their contributions to line up them with the policies of e-commerce players. In order to attain a boundary and delineation power, all key stakeholders are involving in creativity to give a rich knowledge to their consumers.

Raghnath and Panga (2013) studied about the problems and prospects of e-commerce in India. With the new technologies, there are negatives and positives related with its use and adoption. At last, an e-market may help as an information agent, which gives sellers and buyers with information on goods and other partakers in the marketplace. E-Commerce generates new opportunities for business and it generates new opportunities for

academics and education. It emerges that there is a great potential for giving e-business education. E-Commerce gives great opportunities in various regions but it needs careful application for customer protection problems. Development of e-commerce would be based on a great scope on efficient IT (Information Technology) security networks for that essential legal and technological provisions need to be set in position and reinforced constantly. While most of the industries, communities and organizations in India are starting to obtain benefit from the potential of e-commerce and the significant challenges remain to be triumphed over before e-commerce would develop into a benefit for people.

Vikram (2012) reviewed the opportunities and challenges of e-commerce in India. Internet based electronic commerce has great benefits, posed more number of threats due to its being what is universally known to be borderless and faceless. All of the following instances are ethical problems, which are distinctly linked to e-commerce such as great cash burn rate, cash on delivery, poor supply chains, high inventory and ethical problems like security and privacy concerns. Within these great confrontations recline huge opportunities as well as the maturation of e-commerce ecosystem in India is no different. The internet provides unprecedented simple access to a huge array of products and services.

Daru and Dhanjal (2015) determined the future visions and challenges of e-commerce in India. India is one of the developing nations and it is rising more because of e-commerce. The future visions of e-commerce are very intense; as well as there is no descending trend but there is just upward trend. E-Commerce is not only at global market but also at national marketplace. It generates new opportunities for business, education, academics in order to obtain the advantage of the opportunities it is essential that the problems that to be analyzed and steps must be obtained to resolve them. The main purpose of e-commerce include: easy reach, global trade, less costly, time savings, efficient performance, convenient, customer oriented and direct interactions with customers.

Kaur et al (2015) discussed about E-commerce and its different services provided to wholesalers who may obtain benefit from e-commerce and able to establish suppliers with reputed producers and relating their business with online. Retailers gather electronic orders and it must be connected with customers all time with e-commerce. Today, E-Commerce is considered as a broad consumption of computer network by means of internet. In this research, the researchers have analyzed various sectors, which would develop in the future such as electronic appliances, quick shopping, information saving, knowledge market growth, hardware products and tourism and travel. E-Commerce provides various benefit such as better consumer service and cost effectiveness etc. There are some necessary factors to be considered for the growth of electronic commerce like adoption of multichannel investments, customer convenience, multiple payment option, transparent and location based services.

PWC Report (2012) identified that the quick adoption of digital technologies and developing shopping activities are changing e-commerce into a necessary component of Omni-channel success in CPG (Customer Packaged Goods) industry. In order to succeed over digital shoppers as well as improve cooperative relations with clicks-bricks retailers and pure play online, CPG producers required to construct strong abilities to drive commitment and adaptation across the whole path to purchase. Certainly, the investment in e-commerce benefits include not

only higher influence over conventional retail sales, but also a bigger share of fairly small but fast growing online marketplaces in several CPG categories.

Impact of E-commerce on FMCG products in India

Mishra (2015) discovered that FMCG products sale and confectioneries like Orbit followed its versions using E-commerce. Increased internet access lead to distance is not a major issue so that the consumer could buy anything by one click of a mouse. Moreover, in FMCG sector, the e-commerce represents a mere share of 3.7% of sales in the market globally. E-commerce site like Big-basket, pepper fry, Ola store and Gropher practiced to keep check-in products section or reminding pop ups for the valid offers and attracting packaging like chocolates were used as gifting while packing. These bunches of creative ideas attract taste buds. Thus the researcher concludes that as far as FMCG concerned, in order to foster international growth and to broaden targeted market E-commerce is often seen as an ideal platform. Added to this the researcher pointed out that it enables the shoppers to reach the various assortment of product lines, promotions, convenient and quicker shopping experience and customized offer gives the consumers whole new experience.

Jain and Kulhar (2015) highlighted that FMCG consumption annual per capita continues to increase in Middle India's town more than the national average. By shifting the consumers' consumption pattern who are progressing to prosperity and their lifestyle purchases they tend to adopt new shopping channels provided through E-commerce. FMCG sector of Indian E-commerce industries highly influenced by women and main factor achieved through e-shopping in the categories such as home decor, fashion, jewelry, etc.

Higher penetration of internet and Smartphone's significantly contributed to the growth of E-commerce studied Kalita (2016). The advantage of speedy delivery, convenient payment process, high discount, easy returns and customer friendly policies are driving factors of online shopping. Further, the supply chain of E-commerce enhanced to several stages like bar-coding, procurement, storage of goods, packaging, quality checking, and easy dispatch and return promises both the consumers and E-business players. Hence the benefits of E-commerce applications uplift the FMCG sector to a higher extent.

Innovation and advancement in technology changed the business transactions and India is often considered as a rapid adaptor of technology thus E-commerce in India impacted traditional business operations. Panigrahi, Upadhyaya, and Raichurkar (2016) reported that apparels and electronics are the biggest categories in e-commerce business influenced by most of the online consumers. The attractive discounts and offers provided by e-commerce players increase more interest towards FMCG products.

Revolutions in ICT (Information Communication Technologies) fuel the growth of e-commerce globally. E-commerce integrates value chain components and the whole business. It allows the industries with reduced cost and improved customer services. Innumerable opportunities of E-commerce help the organizations to transform their business practices from the conventional one Raghunath and Panga (2013).

The advantages of E-commerce analyzed by Franco and Regi (2016) and stated easy to compare price of the products, coupons and deals, time saving, more convenience, increased customer base, expanded business reach, instant transactions, easy to find ratings and reviews, brand selection etc made E-commerce industries to gain competitive advantages in global market. Further, most of the consumers of India prefer more convenience in their shopping as compared with conventional direct shopping. As they move towards branding option E-commerce found to be the best solution for all their needs at their own convenience.

As the online retailers often provide significant discount through E-commerce channels, this attracts a number of consumers to engage in online shopping. Consumers make their purchase for their convenience since the comfort of being delivered to their doors (Mohiuddin, 2014). The innovation of E-commerce technologies and their holistic approach to funding transfer, internet marketing, electronic data interchange, online transaction processing and automated inventory management lead to new business strategies which keep the consumers more engaged in E-commerce platform.

The trend of personalization offered by E-commerce applications enables the industries to make the proposal to specific consumers with respect to their interest, content, shopping history and their activity in social networks described Pogorelova et al (2016). The FMCG products included and –used goods to be delivered through traditional logistic channels and the information of the product and their services to be delivered on appropriate internet channels. The trade and tracking information could be easily maintained. Through reliable E-commerce applications, multiple data are aggregated which are related to consumer behaviors such as purchase and order content, list of products on waiting list often known as the wish list, the time of shopping, and buyer location can be tracked. The accumulation of information even from external sources about the consumers is also possible.

Many E-commerce studies reveal that it creates the significantly positive relationship with customers which serves as a foundation for the long-term sustainability and FMCG industries have to stick with E-commerce to combat with the global market. The FMCG industries are able to make the positive relationship with their consumers by using E-commerce technologies which encourage repeat purchases.

Murphy and Narkiewicz (2010) investigated E-commerce and the fulfillment of consumers' need. They exemplified amazon.com and its first-class customer experience in which the personalization, one click ordering technologies, multiple order confirmation, and secured payment are considered to be the features highly valued by worldwide customers. The most customer centric approach is focused on the applications of E-commerce. The FMCG industries with E-commerce use were benefited by enabling the consumers at lowest price, fastest delivery, reliability and efficient customer services.

Shanthakumari and Priyadarsini (2013) focused on the e-promotional strategies of E-commerce for the effective e-marketing. General online marketing components like banner advertising search engine marketing, blogs, podcasting, widget, e-mail marketing, and social networking attract a number of consumers. These strategies encourage consumers to remain connected for longer duration and thus reinforce the industries name. Added to this, consumers are encouraged repetitive visits and gradually built relationships.

Budhiraja and Mittal (2016) assessed factors affecting consumer purchase intentions based on online grocery shopping. The online grocery fulfills requirements of the consumers and helps them to reduce their effort and time. The online grocery shoppers of India felt comfortable, hassle free and more convenience. With Smartphone penetration consumers apply the offers and online grocery becoming more popular in India due to the ease of shopping, convenience, and fast-growing market. Young Indian working professionals highly benefited through E-grocery applications.

Conclusion:

The current state of FMCG segment of India would be impacted by E-commerce techniques and tools. The reshaping of FMCG sector is progressed through new channels of E-commerce along with the proliferation of internet access and digital media consumption. The consumption of FMCG product through E-commerce became more promising since the commercial transaction among buyer and seller provided the ideal economic environment. Thus FMCG sector benefited with the use of E-commerce. Based on the consumption FMCG products of consumers the following were identified. Consumers had shown much interest in electronics, apparels, and accessories and the other categories which are books, home and furnishing, personal care products, baby products and healthcare. E-commerce in FMCG sector hypes the sales through product positioning, branding, and awareness of new products and their features.

As far as FMCG industry concerns, E-commerce has undoubtedly shown exponential growth. The online sale will be analytically forecast a break-out growth in the online sales of FMCG products over the next decade. A profitable E-commerce business entailed with the choice of channels, marketplaces or vertical specialist. The FMCG companies created substantial value by leveraging the value chain for the enhancement of effective E-commerce operations.

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