

E-COMMERCE GUIDE

An exhaustive guide on E-commerce sector



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The logo for Chandrawat & Partners, featuring the company name in white text on a red square background.

Chandrawat
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PREFACE

Electronic commerce ("E-commerce") refers to companies and individuals that buy and sell goods and services over the Internet. E-commerce operates in different types of market segments and can be conducted over computers, tablets, smartphones, and other smart devices.

Nearly every imaginable product and service is available through E-commerce transactions, including books, music, plane tickets, and financial services such as stock investing and online banking.

E-commerce is the process of buying and selling tangible products and services online. It involves more than one party along with the exchange of data or currency to process a transaction.

E-commerce has helped businesses (especially those with a narrow reach like small businesses) gain access to and establish a wider market presence by providing cheaper and more efficient distribution channels for their products or services.



WHY E-COMMERCE?

E-commerce offers consumers the following advantages:

Convenience: E-commerce can occur 24 hours a day, seven days a week. Although E-commerce may take a lot of work, it is still possible to generate sales while you are away from your store.

Potentially lower start-up cost: E-commerce companies may require a warehouse or manufacturing site, but they usually don't need a physical storefront. The cost to operate digitally is often less expensive than needing to pay rent, insurance, building maintenance, and property taxes.

International sales: As long as an E-commerce store can ship to the customer, an E-commerce company can sell to anyone in the world and isn't limited by physical geography.

Easier to retarget customers: As customers browse a digital storefront, it is easier to entice their attention towards placed advertisements, directed marketing campaigns, or pop-ups specifically aimed at a purpose.



TYPES OF E-COMMERCE

Depending on the goods, services, and organization of an e-commerce company, the business can opt to operate in several different ways. Here are several of the popular business models -

1) Business-to-consumer ("B2C")

B2C E-commerce companies sell directly to the product end-user. Instead of distributing goods to an intermediary, a B2C company performs transactions with the consumer that will ultimately use the good.

This type of business model may be used to sell products (like local sporting goods stores' websites) or services (such as a lawn care mobile app to reserve landscaping services). This is the most common business model and is likely the concept most people think about when they hear the term E-commerce.

2) Business-to-business ("B2B")

Similar to B2C, an E-commerce business can directly sell goods to a user. However, instead of being a consumer, that user may be another company. B2B transactions often entail larger quantities, greater specifications, and longer lead times. The company placing the order may also need to set recurring goods if the purchase is for recurring manufacturing processes.



3) Business-to-government ("B2G")

Some entities specialize as government contractors providing goods or services to agencies or administrations. Similar to a B2B relationship, the business produces items of value and remits those items to an entity.

B2G E-commerce companies must often meet government requests for proposal requirements, solicit bids for projects, and meet very specific product or service criteria. In addition, there may be joint government endeavors to solicit a single contract through a government-wide acquisition contract.

4) Consumer-to-consumer ("C2C")

Established companies are the only entities that can sell things. E-commerce platforms such as digital marketplaces connect consumers with other consumers who can list their products and execute their sales.

These C2C platforms may be auction-style listings (i.e., eBay auctions) or may warrant further discussion regarding the item or service being provided (i.e., Craigslist postings). Enabled by technology, C2C E-commerce platforms empower consumers to both buy and sell without the need for companies.

5) Consumer-to-business ("C2B")

Modern platforms have allowed consumers to more easily engage with companies and offer their services, especially related to short-term contracts, gigs, or freelance opportunities.

For example, consider listings on Upwork.

A consumer may solicit bids or interact with companies that need particular jobs done. In this way, the E-commerce platform connects businesses with freelancers to enable consumers greater power to achieve pricing, scheduling, and employment demands.

6) Consumer-to-government ("C2G")

Less of a traditional E-commerce relationship, consumers can interact with administrations, agencies, or governments through C2G partnerships. These partnerships are often not in the exchange of service but rather, the transaction of obligation.

For example, uploading federal tax returns to the Internal Revenue Service ("IRS") digital website is an E-commerce transaction regarding an exchange of information.

MARKET DYNAMICS



Online shopping platforms transcend and trespass all physical barriers to find, interact and impress the target audience. This is an evolution of the traditional market system and explores new horizons. It has given businesses unexplored user-friendly platforms. This was never imagined by the market to draw a parallel business rendition.

"A study by the World Bank on E-commerce platforms concludes that it will capture nearly 40% of market share by 2027.

This essentially broke the distance barrier which then led to a new age of business. The market dynamics have changed a lot since the arrival of online shopping platforms and it is not likely to slow down anytime soon. As per the market analysts, the E-commerce growth rate is destined to grow exponentially for the next few years.

The E-commerce market is expected to grow at a compound annual growth rate ("CAGR") of 15.2% during the forecast period, 2022-2027. The global smartphone user population is increasing as the internet's penetration increases. Digital content, financial services, travel and leisure, and e-tailing, to name a few, are among the E-commerce possibilities available to the internet-connected client base, which is growing in popularity as internet usage rises. As a result, customers' technical knowledge is projected to impact market growth positively.

Due to the lower cost of communication and infrastructure, established businesses and giant corporations are gravitating toward online business. E-commerce allows the organization to reach out to clients more efficiently, resulting in essential exposure to the firm. Online marketing tools such as Google advertisements and Facebook ads also drive E-commerce.

Small and medium-sized businesses are expanding significantly, especially in India, China, South Africa, and Russia. Initiatives like Make in India and Start-up India have increased the number of start-ups that use the Internet marketplace to conduct business, boosting market growth. The absence of deployment of technical infrastructure in rural parts of nations such as India, China, and Brazil is predicted to stifle market expansion.



ECONOMIC OVERVIEW

E-commerce has affected every sector of the economy, especially finance, retail, communications, and business services. Today, many organizations have adopted E-commerce to increase the speed to market their products and services. Innovations promoting E-commerce include electronic catalogs and search engines for finding information on the Internet; software agents or robots that automatically search for goods and services; systems that recommend products to users based on their personal data; and digital guarantees of Internet identity certification services.

The rise of online shopping is fueling the new economy and spurring innovation by merchants, encouraging them to identify what makes their products unique and creating engaging experiences that keep shoppers coming back. The trend is being driven by technological advances, social media, and a desire for convenience on the part of consumers. It's a busy world we live in, and the rise of online shopping has convenience at its core. There are a variety of reasons driving the trend

E-commerce continues to prove to be a lucrative and vital part of the future economy, but sectors are already being impacted by "The future of E-commerce will be shaped by technology 10-15 years from now. And there's the only thing that will stand out, the emergence of a new Future of E-commerce: 10 trends for the coming years;

- 1) Revenue of \$ 3,4 trillion in 2025;
- 2) Delivery drones;
- 3) Omnichannel.

As online shopping continues to grow, merchants will need to find ways to stand out from the competition. They'll need to identify what makes their products unique and create engaging experiences that keep shoppers coming back.

This creates a greater incentive for customers to shop online and boosts the overall economy. E-commerce stimulates the economy by increasing productivity, encouraging innovation, and improving the shopping experience.

This indicates that the use of E-commerce can significantly boost the country's economy. In addition to accelerating economic development, the growth of E-commerce has also increased the income and consumption of people around the world.

There is a positive relationship between the number of E-commerce businesses and economic growth, which indicates that as a country's economy continues to grow and E-commerce levels continue to improve, the number of E-commerce businesses continues to grow, and commerce and user engagement will continue to grow.

The use of modern technological means of the exchange of states increases the strength of their economy and its growth, and it is beneficial for the social sphere, health, and education, through the use of modern technological means in relations, and within the framework of E-commerce, it is possible to develop products according to its electronic nature, which increases sales. and increase business profits.



EMERGING TRENDS



1. More choices for consumers-

With the pandemic forcing people indoors, E-commerce businesses have had to make adjustments to their strategies and allow customers greater freedom while looking for and ordering products, along with tools to help them make the right choice while shopping. Several features which had previously been niche are now being actively pushed into the forefront of online shopping. Some of the most convenient and significant of these tools include: -

A) Augmented Reality ("AR")

As brick-and-mortar stores closed down, customers needed a way to get the feel of the product before they pressed the buy button, and this is where A.R. came to play. While not completely tangible, Augmented Reality provides a fairly accurate visual representation of the product the customer is ordering, without having to go to a store in-person.



B) Chatbots

Not going to physical stores also means not being able to discuss or interact with store clerks to make queries about products. To bypass this, many E-commerce platforms have devised chatbots to help customers with their shopping experience and address whatever queries they may have.

They are friendly, and intuitive, and can greatly simplify the buying process for the customer. The use and adoption of chatbots by businesses have been on the rise, and will most likely grow even further.

C) Alternative payment options

Yet another consequence of the pandemic has been the shift to the digital payments ecosystem, and the reduction of the cash-based economy, even in a historically cash-dependent society such as India.

Customers now have the option of choosing from a variety of payment methods- card, net banking, UPI, and Buy-now-pay-later ("BNPL"). This allows customers to exercise their method of payment which they feel is convenient, thus ensuring the lack of on-hand cash is never an issue while shopping.

2. Blockchain and the metaverse -

Blockchain is all set to be the next big thing in the world of E-commerce. The applications are seemingly endless—cryptocurrencies, Non-fungible tokens ("NFTs"), and perhaps most significantly, the metaverse. It is an industry that is on the verge of a breakout, one with the potential to revolutionize the world as we see it, or so many people claim. It is revolutionizing the way many people are shopping, if not more. This revolution is being spearheaded mainly by two key drivers:

A) Non-fungible tokens ("NFTs")

Well-known brands such as Gucci and Coca-Cola have jumped onto the NFT craze, selling virtually branded goods and collectibles. Gaming platforms have long been in on it with exclusive skins and character outfits, and with the help of the blockchain, are set to delve even deeper.

B) Decentralization And web 3.0

Blockchain also paves the way for decentralization and removes monopolistic entities, thus allowing peer-to-peer ("P2P") platforms to emerge on a new, more equitable internet, or Web 3.0. These P2P marketplaces are becoming very popular, and more and more E-commerce ventures based on the blockchain have been popping up.

3. Rise of buy-now-pay-later-

Buy-now-pay-later ("BNPL") is one of the latest and most widely used alternative payment methods that have sprung up recently. As evidenced by the name, it essentially allows the customer to buy products and pay for them at a later period. Many platforms such as Simpl and Uni make the entire process very easy and convenient.

4. Subscription-based services-

Subscription models will grow even more as the years pass, providing their customers with a quick and effortless method of recurring payments without having to worry about their services being cut. Subscription services do an excellent job of enticing and locking customers within a specific ecosystem. Almost all online businesses, even outside the E-commerce sphere, have jumped on this trend.

The most notable examples, of course, are streaming services. Netflix, Hulu, Disney+, and many more have revolutionized the way we watch TV. Similar breakthroughs are long overdue in E-commerce, and Amazon Prime is the perfect case to study how an all-in-one subscription model should look like.

5. Digitization and Internet of Things ("IoT") -

The Internet of Things (IoT) has been nothing less of a boon for the logistics and E-commerce industries, greatly reducing individual workload and helping to automate many previously menial, time-consuming processes. It also helps to identify patterns and devise algorithms to serve the customers better. Some of its principal functions are: -

A) Display products and advertisements as per the customer's browser history

With the help of web cookies and trend-analyzing software, the IoT allows computers to interact with one another and list out the best and most relevant products for the user in the form of advertisements as he or she is browsing.

B) Conduct surveys to identify customer preferences

Digitization allows E-commerce businesses to get in touch with their customers, find out their needs and preferences, as well gather information and reviews of existing products. This leads to them using this data to better manage their production process and satisfy their customers.



C)Automate processes of pushing ads and promotions to internet users-

With advertising platforms like Google ads, amazon Ads, and LinkedIn ads gaining ground, pushing ads onto browser windows is a staple for many websites. For some, it is the primary source of revenue.

D)Automation in factories and warehouses-

Other than the above-mentioned use cases, digitization also pushes industries to be better, as evidenced by the increase in the adoption of robots and drones in factories to make operations smoother and reduce downtime.

6. Influencer and social media marketing-

With the pandemic having pushed whole lives online, influencer marketing has seen a sharp boost in popularity. People turn to social media influencers for advice and place their trust in them, which is why many businesses have adopted the route of striking agreements with these influencers.

7. Cross-border logistics

Cross-border shipping solutions have jumped significantly compared to the previous decade. With increasing globalization and interconnectedness, international boundaries do not seem to hold any tangible meaning outside the geopolitical sphere. Cross-border logistics helps both consumers and retailers- consumers by vastly increasing product choices, and retailers by allowing access to untapped markets.

8. Direct-to-consumer model ("D2C")-

Interestingly enough, many E-commerce platforms are now opting for D2C services to bypass marketplaces and troublesome third parties. It is being embraced by small and large manufacturers alike, as it allows them to save on margins previously eaten up by the middlemen. As the consumers are now buying directly from the manufacturers, it also saves both time and costs on the extra shipping processes required for conventional models.

The D2C model is set to be the biggest change in the industry if it plays its cards right. This is evidenced by how well Amazon's Seller Fulfilled Prime program works. It essentially allows the merchant to ship directly to the consumer, making way for small but significant perks like personalized packaging.

All in all, D2C makes businesses more data-focused and more open to experimentation as compared to traditional retail marketplaces. It creates a personal relationship between the buyer and the seller, which might not seem like much, but always creates a positive impression on the customer's mind.

9. Increased focus on environment and Sustainability-

Arguably the most important effect of COVID-19 on the world has been the renewed effort and awareness of sustainable development. On the E-commerce front, it means many businesses are now choosing to 'go green', making use of renewable packaging, reducing their carbon footprint, and so on. Several logistics platforms have also caught on, campaigning on 'green logistics' and sustainable delivery practices.

This is because consumers have now become much more conscious about where they shop and the impact it has on the environment and related effects.

MAJOR INVESTMENTS

Currently topping the list of top e-commerce companies is a retail giant- Amazon. As on December 2022, its market value is at a whopping \$867.58 billion. The E-commerce company's revenue has been growing steadily for over a decade. In the 12-month period ending in the first quarter of 2023, its revenues reached \$5524.9 billion, a 9.9% year-over-year increase.

Amazon's current market value is also more than double that of its closest rival, Walmart, which has a market value of \$387.72 billion. Like Amazon, Walmart is also headquartered in the US. This is followed by The Home Depot, another US-headquartered firm, in Third place, with a market value of \$324.85 billion. Incidentally, Amazon, Walmart, and The Home Depot also rank among the five largest retailers in the US.

Fourth on the list of the top e-commerce companies in China's Alibaba, with a market value of \$226.76 billion. Jack Ma's company has grown rapidly in recent years, more than tripling its net revenue in the five years spanning 2018-2022 from approximately \$35.2 billion to \$120 billion.

The fifth-biggest online retailer in the world is- Reliance Industries, a multinational conglomerate headquartered in Mumbai, India. Its market value as of December 2022 is \$206.31 billion.

These five biggest online retailers have a combined market value of over \$2 trillion. This makes up more than 70% of the total market value of the top 10 e-commerce companies worldwide.

HOW WE CAN HELP

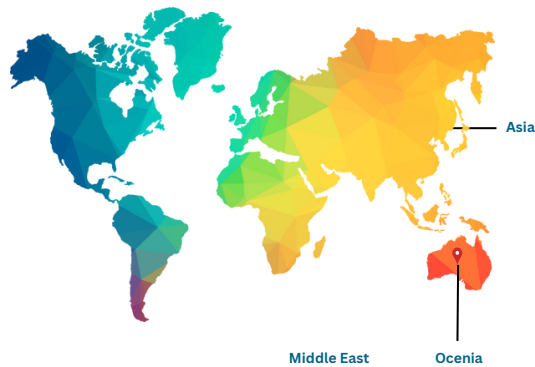


The team specializes in assisting businesses in expanding their E-commerce fulfillment actions by providing strategic guidance, developing a well-thought-out roadmap, and setting achievable goals that ultimately lead to success. With a team of highly skilled and knowledgeable multi-channel experts, the team possesses extensive experience in tailoring E-commerce fulfillment solutions to suit the unique requirements of each business.

The team's approach begins with a comprehensive evaluation of the business, sales, and marketing goals, as well as an in-depth examination of the existing technological infrastructure. Through careful inspection of diverse possibilities, the team aims to understand the specific needs and challenges faced by businesses in the realm of digital commerce. By gaining a deep understanding of these factors, the team can effectively guide businesses in adopting the most appropriate platform that aligns with their E-commerce needs.

The team of experts is well-versed in the ever-evolving E-commerce landscape and stays updated on the latest industry trends, advancements, and best practices. This enables the team to provide informed recommendations and insights to businesses, ensuring they make informed decisions when it comes to selecting the right platform for their E-commerce operations.

SERVING CLIENTS WORLDWIDE



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