NIET Journal of Management

Summer 2013

THE SECOND DOTCOM BOOM: A STUDY OF INTERNET USAGE AND MOBILE PENETRATION CATALYSING THE ONLINE COMMERCE

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Abstract

Penetration of Internet has conceived a new era of online economy, the techno savvy young population of the world as well as India is enthralled by the Virtual world of Internet. It is the fantastic telecom and broadband infrastructure that has given a rebirth to the dotcom era. People use Internet for multipurpose but gradually they have started to use it as a mode of shopping over the traditional mode of shopping. The usage has increased manifold in the current decade only. Another contributing factor for the online commerce is the mobile penetration. Internet usage, which was earlier a tool of communication only but IT and telecom has made it an easy way to go for the shoppers and sites. The mobile penetration is enhancing the internet usage and ultimately facilitating the online commerce.

Introduction

A decade ago when dot com era came and flooded away a large number of online business companies in its disaster, investors lost billions, and avoided dotcoms like a pariah for much of the decade. Barely a handful in India, such as Makemytrip.com's Deep Kalra and Naukri.com's Sanjeev Bikhchandani, persevered through the traumatic years and went on to create unique business models and robust revenue streams. That dotcom era started by the Dell computers when they received the orders of millions on the website only. The fall of first dot com era gave rise to many questions which have got the solution in the span of last ten years. The time has gone far away when mobile was a luxury; now mobile with operating system is a common necessity for the people. That flop show has given rise to dramatically fortified business models with the techno savvy solutions and gadgets. E-business all over the world has become a popular medium for buyer-seller transaction as a means that complements and supplements the experiences of a physical store. Since the last two–three years

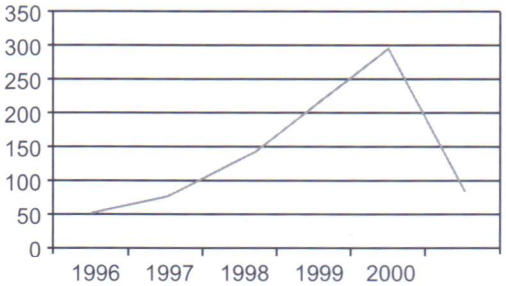
online shopping has taken off as an increasing number of consumers purchase increasingly diversified products on the Internet. According to one report (www.webmergers.com, 2003), since January 2000, nearly 900 US online firms have shut down and 31 per cent of those firms were online retailers. In addition to other factors, such as stiff competition among rivals and entrenched customer shopping habits, failure of online retailers is primarily due to poor quality services rendered to their customers (Zeithaml, 2002).The year 1995 and 1996 are the crucial years of e-tail when Amazon and eBay started their online business operations respectively.

Reasons for the failure

The Internet may well be the most interesting phenomena to have happened in many many years. Undoubtedly, its benefits are innumerable and it's also true that it has made many people's lives a whole lot easier. Even though the development of Internet has favored the online business but along with that there are a number of causes which lead to the demise of dot com companies.

- Ineffective business Models
- Short Term Goal Setting
- Bad Strategic Planning
- Misdiagnosed Market Applications
- Extreme Competition
- Technical Issues
- Promoting the site rather than business

And there is no doubt that the findings of those dotcom failures have led to the second phase of dot com business. The lessons have been learnt by this decade entrepreneurs that online retailing is accelerating at a glamorous rate. Here we can analyze the situation of those last five years i.e. 1996 to 2000, that number rose up very rapidly and fell down with a jerk to the bottom.



The Number of Internet and Technology Start-Up Companies That Emerged From 1996 through 2000

Objectives of the Study:

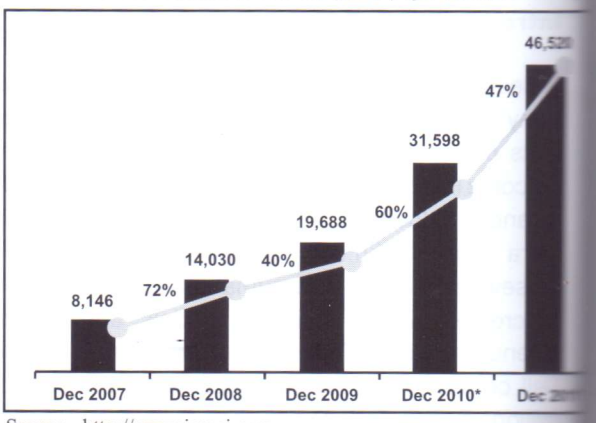
- To study online commerce activities and their growth in the last few years.
- To study the primary factors of Internet usage and Mobile usage affecting the online commerce.

The Indian online landscape

On 27th April 2012, The Hindu Business Line reported a conversation with Mr Subho Ray, President, Internet and Mobile Association of India (IAMAI) about the trends and challenges of the Online commerce industry. The paper says that the total e-commerce market in India is $10 billion and is growing at 70 per cent, year on year. Five years ago, the e-commerce segment used to cater to airline, railway and cinema ticket bookings. We have come a long way from there. Now, newer categories, such as books, and electronic and luxury items have flooded the e-commerce space.

According to the Internet and Mobile Association of India (IAMAI), last year in 2011, they pumped in $850 million in digital ventures and more than half in e-commerce portals. The Internet statistics of India 2011 concludes that 4 out of 5 internet users 'shop' online (search or buy online), translating into a 50 million strong online consumer base. The online buyers of non travel products (13.5 million) have succeeded the online buyers (8.6 million) of travel products. Most popular 'non-travel' products were

Growth of Net Commerce over the years (Figures in INR Crore



Source - http://www.iamai.com

mobile phones & accessories (56%), computer hardware and consumer electronics (35% each) and movie tickets (30%). Most bought 'travel' products were train tickets (83%) and air tickets (58%). The online business is picking momentum because of the young Indian population and as per the census India is a young country and 55% of its population will be under 20 years of age by 2015. As per the findings of the survey conducted in June 2011 by Juxt New Age Market Research there are 65 million active internet users in India, and Internet has a reach to 29 million households, and home is the single largest place of access. This is PC driven growth because only 1 out of 4 Internet users access Internet through Mobile.

In spite of the growing shopping mall culture in the country, more and more net savvy Indians are now shifting towards online shopping. And if comScore report is to be believed then there is exceptional rise in the numbers of online retail visitors in India this year. Latest comScore data figures that nearly 60 per cent of online users in India visited a retail site in November 2011 and the number of online shoppers increasing 18 per cent in the last year. Coupons, consumer electronics and comparison sites are the top three most popular sites in India with coupon sites witnessing a growth of 629% during November 2010 to November 2011. The total market size of Internet commerce was 31,598 crores in 2010 and it is estimated at a level of 46,520 crores till December 2011. The online travel Industry has seen a growth

The second phase of dotcom business

It is hard to believe that the cycle of online entrepreneurship would repeat itself so precisely just after a gap of 8 to 9 years and that too with a dramatic success of about 18% growth in a financial year.

of 81% in 2011 in comparison to the previous year 2010 while the online non travel industry has a growth of 19% (8630 cr) in comparison to the year 2010 which was 6340 crores. The figure below shows the Internet commerce trends of the last five years from 2007 to 2011.The total percent change in

Top ten online retail sites (November 2011)	Total unique visitors (000)	% Reach
Total Internet visitors	46,390	100
Retail sites	27,171	58.6
Amazon sites	6,805	14.7
Apple.com	6,805	7.4
Flipkart.com	2,675	5.8
Homeshop.com	2,286	4.9
Naaptol.com	2,145	4.6
Myntra.com	2,110	4.5
Priceindia.in	2,047	4.4
Alibaba.com	1,973	4.3
Bookmyshow.com	2,125	4.6
Samsung Group	2,759	5.9

Source - http://www.iamwire.com/2011/12/3-of-5-indian-internet-users-shopping-online-coupons-and-apparels-lead-e-tail-growth-charts/

the number of visitors to the Internet has increased by 13% which was 41,169,000 in Nov 2010 and in November 2011 it was 46,390,000 with a growth percentage of 13. And among this growth the maximum was in the coupons field which has noticed a growth of 629% with a figure of 7,647,000 in November 2011 in the previous number of 1,048,000 in November 2010.

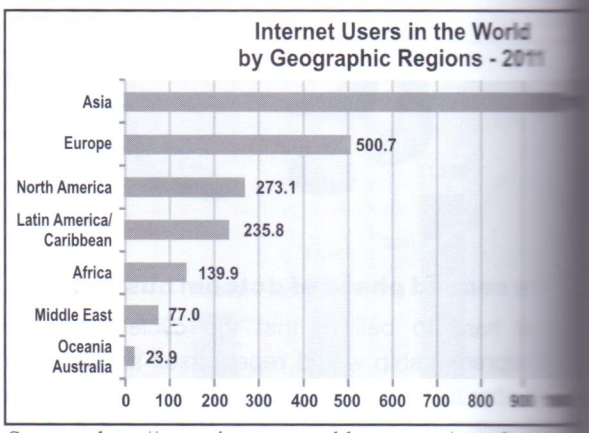
Internet usage promoting the online retailing business

Fabmart.com is India's first online retailer which is growing with a fast leap with the increasing usage of Internet by the Indians.

The year of 2010 can be a silver line in dark clouds as far as the Internet in India is concerned.

According to Rajan Anandan, Google's country head in India, the country currently has about 100 million Internet users, and the number will increase to 300 million by 2014, reports The Wall Street Journal. With the increase of internet application by non-professional users in India, many retailing companies tend to sell their goods or services online instead of the traditional ways. An online selling system can make opportunity for the organization to introduce its goods and services, advertise its new items, sell easily and quickly, and receive money online. Also, the company reaches customers in remote places and this can extend the area of its business. Even with just 8% of its 1.2 billion population online, India is outranked by only the USA and China in the list of countries with the most Internet users. And Google thinks that the proliferation of high-speed third- and fourth-generation telecom networks in the country, coupled with the spread of low-cost smart phones, will further the spread of Internet use in India. Internet is emerging at a rapid pace and it's already been a part in the field of business, economy, entertainment, social groups all over the globe. The rise of Internet usage all over the world unlocked various new businesses, products, services. Internet is constantly changing the way consumers shop and businesses sell their products.

According to the data released by the IAMAI, there are an estimated 73 million active Internet users as of December 2011 in urban India, according to the "I-Cube 2011" report. Increasing Internet penetration and a growing e-commerce economy are positive trends. As per the statistics about the Internet usage and penetration Mumbai has the maximum number of Internet users followed by Delhi with 2.66 million users. If we analyze the browsing habits of Indians it is found that 94% of total users use internet for emailing purpose and 72% of total users for downloading music. The total market size of Internet commerce was 31,58 crores in 2010 and it is estimated at a level of 46,520 crores till December 2011. The online travel Industry has seen a growth of 81% in 2011 in comparison to the previous year 2010 while the online non travel industry has a growth of 19% (8630 cr) in comparison to the year 2010 which was 6340 crores. The figure below shows the Internet



Source - http://www.internetworldstats.com/stats.htm

commerce trends of the last five years from 2007 to 2011. The online retail industry in India is likely to be worth Rs 7,000-crore by 2015 due to easy availability of broadband services and increasing internet penetration, according to industry body ASSOCHAM. The figure below showing the maximum number of Internet users in the Asian Countries supports the statement given by the ASSOCHAM. India is set to become the third largest nation of internet users in the next two years with a large chunk of youngsters eager to adopt new technologies with rapidly changing lifestyles.

Mobile Penetration : A catalyst of online commerce

It is difficult today to find a man without a mobile phone; the time of treating the mobile phone as a luxury has passed away. The young generation has become a techno savvy generation which is completely trapped by the net of gadgets. It is not so that only the young generation is trapped by it but the professionals, students, housewives, executives and every common man is carrying it. Nowadays mobile is not just a tool of communication but it is replacing the personal computers by the introduction of smart phones. The people are accessing the internet by their mobile phones and doing their shopping online.

The data reflects India as the second largest country succeeded by China. And according to Google around 14 billion WebPages were viewed by Indian mobile internet users in February 2010. Actually the Mobile Internet field needs to be explored more so that WebPages can be accessed more easily on the mobile; most of the popular social websites have developed a mobile friendly version of their sites. The Internet Usage by mobile is ready to fly at an incredible rate because of the supporting Telecom and Internet Infrastructure.

Cheap 3G mobiles

The low cost 3G mobile handsets availability has promoted the internet accessibility, the affordable range of these internet accessible phones has made it easy and prompt for the users to use internet. Almost every player in mobile industry is offering these handsets with reasonable price range.

Rank	Country or region	Number of mobile phones	Population	% of Population	Last updated date
	World	Over 5.6 billion	7,012,000,000 [1]	79.86	2011 [2]
1	China	1,010,000,000	1,341,000,000 [3]	75.32	March 2012 [4][5][6]
2	India	911,168,193	1,210,193,422 [7]	75.42	Feb 2012 [8]
3	United states	327,577,529	310,866,000 [9]	103.9	June 2011 [10]
4	Brazil	250,800,000	192,379,287 [11]	130.36	April 2012 [12]
5	Indonesia	250,100,000	237,556,363 [14]	105.28	May 2009 [13]
6	Russia	224,260,000	142,905,200	154.5	July 2011 [15]
7	Japan	121,246,700	127,628,095	95.1	June 2011 [16]
8	Pakistan	114,610,000	178,854,781 [17]	66.5	Jan 2012 [18][19]
9	Germany	107,000,000	81,882,342	130.1	2009 [20]
10	Nigeria	90,583,306	140,000,000	64.7	Feb.2011 [21]

Source - http://en.wikipedia.org/wiki/List_of_countries_by_number_of_mobile_phones_in_use

Affordable Internet Plans

Almost every telecom company is now offering the handsome plans which allow cheaper usage rates to the public. The high speed of internet and high amount of downloading amount is offered in these low cost packages by these companies.

Mobile supported Web Services

The large numbers of mobile friendly WebPages have made it easy for the users to access them over the mobile; almost every company is developing these web friendly pages.

Technological advancements in mobiles

Today's mobiles are not just communication modes but they are multi-purpose gadgets replacing the cameras, music systems, PCs, laptops, wrist watches and many more. These smart phones are enabled for everything and after 2-3 months you can find a new model knocking out the other one. The phones with powerful OS offered by Blackberry, Apple, Samsung, Nokia, Sony etc. have made it easy to access Internet.

Though the share of mobile based users is just 22% to the total internet usage but this share is expected to grow with large laps because of the latest technology enabled phones and the pace with which the mobiles (smart phones) are replacing the PCs. According to the Gartner's report the current mobile penetration in India is 51% and that is expected to reach 72% by the end of year 2016, and even then we are far off from the leader in mobile penetration which is China, China has already achieved 71 per cent mobile penetration and it will reach 119% by the year 2016.

Conclusion

The efforts made by the government to promote internet connectivity will surely accelerate this boom of online commerce. The Department of Information Technology expects to add 175 million broadband users by 2014, which will result in 700 million Internet users. India has over 100 million internet users and the number of broadband users according to the latest data is just over 13 million. The report, jointly prepared by the Indian Council for Research on International Economic Relations (ICRIER), The Internet and Mobile Association of India (IAMAI) and the Department of IT, said as the number of internet users goes up, the growth impact of the internet will improve significantly. According to the report - a 10 per cent increase in internet penetration can increase the GDP by 1.08 per cent. This will help the country add $17 billion annually. As the new avenues for online surfing are increasing such as online gaming, eBooks, online medical consultation, online trading, real time technical expertise and many more, the trend of doing the tasks online is shooting up.

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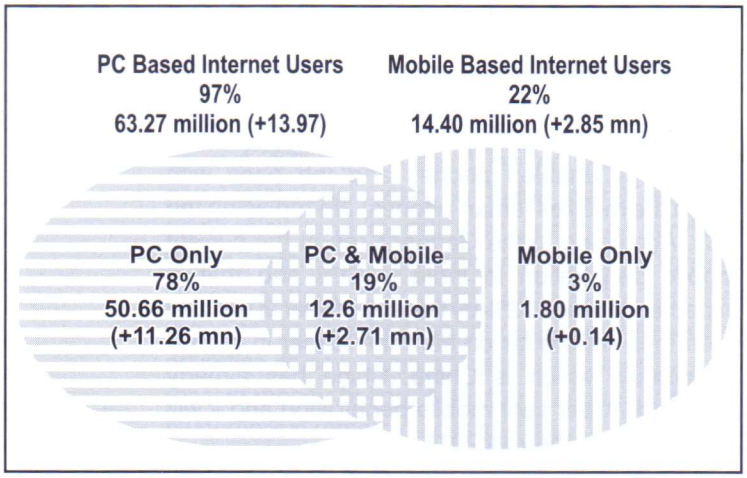

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