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Digital India: A Study of New-Age e-Entrepreneurship in India

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ABSTRACT

Digital India helps to change. Broadband in India is currently defined as a connection with a minimum download speed of 512 kilobytes per second (KPPS) and India's broadband penetration is a lowly 2%. As per a World Bank report, a 10% increase in country's broadband connections leads to a 1.38% rise in its GDP (Gross Domestic Product). The other key initiatives are as (i) National Optical Fiber Network: It has conceptualised in 2011, the programme plans to connect all 2.5 lakh gram panchayats in the country at a cost of Rs 20,000 crore. The government set up the Bharat Broadband Network to execute the programme. Now, Smartphone can be a good starting point for the government's 'Make in India' programme. The average number of Interest users in India is 10 out of 100 on comparisons to an average of 34 across 7 other emerging economies. But with the increasing penetration of smart phones and broadband connections, patterns of Indian users on Internet are rapidly changing. India's mobile connections have risen to about 90 crore in fiscal 2014 from 26 crore in fiscal 2008. With the increasing availability of affordable smartphones and rollout of third and fourth generations services, as well as higher social media usage and government initiatives to promote broadband. With rapid increase in penetration of smart phones and the new government's renewed thrust on making broadband reach for and wide through its 'Digital India' Project.

Keywords: Digital, Broadband, e-Entrepreneurship, Internet users smart phones, Project, Penetration

INTRODUCTION

About a third of India's 252 million Internet users and a fourth of mobile Internet users are in rural areas. But Internet penetration in villages, at 8.6% compared to 37.4% in cities, has a long way to go and is Statistic Digital India helps to change. Broadband in India is currently defined as a connection with a minimum download speed of 512 kilobytes per second (KPPS) and India's broadband penetration is as low as 2%. As per a World Bank report, a 10% increase in country's broadband connections leads to a 1.38% rise in its GDP (Gross Domestic Product). The other key initiatives are as (i) National Optical Fiber Network: It has conceptualised in 2011, the programme plans to connect all 2.5 lakh gram panchayats in the country at a cost of Rs 20,000 crore. The government set up the Bharat Broadband Network to execute the programme. The other is (ii) National Digital Literacy Mission (NDLM): It has set up in 2012 by IT industry body NASSCOM and companies like Intel and Microsoft, NDLM will complement the government's efforts and intends to make 10 lakh people digitally literate by the end of 2015. The other private-sector initiative like ITC's e-choupal links farmers to the web. The government should allow private players to do the last-mile connectivity as Internet and mobile association in India. The government should look at the PPP model to ensure robust last mile connectivity. But first, it is up to the government to flesh out its plans and bring millions of India's rural folk onto the information superhighway.

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According to a McKinsey report, manufacturing in China is even more expensive now than several European nations, including the United Kingdom (except London). The report says India is one of the best designations for manufacturing. This is due to cheap labour, low cost of capital and more importantly an undervalued currency.

Mobile technology and an army of banking correspondents who wield mobile interfaces between customers and banks are needed to achieve functional financial inclusion. The Jan Dhan Yojana leverages the achievements of the unique identity project and the National Payments Corporation of India as well as the banking network's own inclusion efforts of the past. The effort will also draw in the RBI-mandated Rupay service that will complement and compete with visa and master card do by way of facilitating payment transactions involving the card issuing bank, the merchant and the bank that supplies the card swipe machine. Access to a bank account and other financial products can have a transformative effect on poor Indians. Around 100 million families are out of the formal financial system, severely limiting their opportunities. Bringing them in helps, the government puts in place future economic reform such as direct cash transfers to correct the prevailing subsidy regime. Earlier this year, the RBI accepted one of the major recommendations by the Nachiket Mor Committee. To turbo-charge financial inclusion, the committee recommended that a new class of banks – to be called payment banks – be created. These banks, meant to reach hitherto unbanked customers, can accept deposits and handle remittances. To drive financial inclusion, RBI also gave two new banking licenses – one to Infrastructure Development Finance Corporation (IDFC) and other to Bandhan. A committee, headed by RBI board member Nachiket Mor, has drawn up to plan to overhaul Indian banking landscape. According to the committee, by 1 January 2016, all resident Indians above 18 years will have full service bank accounts, and every account holder will have an electronic payment access point within 15 min of walk. Furthermore, the financial inclusion programme cannot be completed without the inclusion of other instruments such as insurance and pension.

Now, Smartphone can be a good starting point for the government's 'Make in India' programme. The average number of Interest users in India is 10 out of 100 on comparisons to an average of 34 across seven other emerging economies. But with the increasing penetration of smart phones and broadband connections, patterns of Indian users on Internet are rapidly changing. India's mobile connections have risen to about 90 crore in fiscal 2014 from 26 crore in fiscal 2008 – with the increasing availability of affordable smartphones and rollout of third and fourth generations services, as well as higher social media usage and government initiatives to promote broadband; with rapid increase in penetration of smart phones and the new government's renewed thrust on making broadband reach for and wide through its 'Digital India' Project.

Table 1 & 2 reflects the latest data on Internet access released by a UN-backed initiative shows India's broadband penetration remains abysmally low.

Digital could mean different things to different people. Apart from setting up websites, services such as SEO (Search Engine Optimization) paid search marketing, social media, analytics, blogs, display, video content creation and mobile advertising all constitute a part of the digital strategy. The role of Internet for business has evolved from the storefronts (websites) of the late twentieth century Table 3 shows, current companies connect with their customers and partners through mobile web applications. Companies are now able to track conversations with and between customers on Facebook, Twitter, LinkedIn, YouTube, P interest and more. Presently, global Internet users have now exceeded 2 billion. Mobile subscriptions have surpassed 5 billion, Google responds to over 3 billion search queries daily. Facebook has half billion daily active users. Therefore, India is second in terms of total number of users next to the United States. According to Social Media Brand Equity Ranking (SMBER) index, launched by NM Incite, a Nielsen/Mckinsey company, study the public sentiments on the online world. The

Table 1: India vs. other developing markets

1.	Average bandwidth capacity in developing countries for every 10,000 people	28 mbps
2.	Average Indian bandwidth capacity for every 10,000 people	6 mbps
3.	Contribution of Internet to developing countries GDP	1.9%
4.	Contribution of Internet to India's GDP	1.6%

Source: McKinsy & Company Report, December 2012.

Table 2: Emerging economies with fixed wired digital penetration

Rank	Economy	Rank	Fixed (wired) penetration	Economy	Rank	Active mobile
1	Monaco	1	44.7	Singapore	1	135.1
2	Switzerland	2	43.0	Finland	2	123.5
3	Denmark	3	40.2	Japan	3	120.5
4	Netherlands	4	40.1	Australia	4	110.5
5	France	5	38.8	Bahrain	5	109.7
6	South Korea	6	38.0	Sweden	6	108.7
7	Norway	7	36.4	Denmark	7	107.3
8	UK	8	35.7	South Korea	8	105.3
9	Iceland	9	35.1	HongKong	9	95.4
10	Germany	10	34.6	United States	10	92.8

Broadband Subscription per 100 inhabitants, 2013.

Table 3: BRICS countries fixed broadbrand internet access

S.No.	Country	Rank	Fixed broadband internet access	S. No.	Country	Rank	Active mobile internet access
1	Russia	50	16.6	1	Russia	29	60.1
2	China	59	13.6	2	Brazil	37	51.5
3	Brazil	73	10.1	3	China	78	21.4
4	Africa	106	3.1	4	India	113	3.2
5	India	125	1.2	5	South Africa	N/A	–

Source: Broadband Commission for Digital Development.

study across 400 brands found Samsung mobile phones to be top-of-mind for consumers; second is Ford India; followed by Maruti Suzuki and finally Nike and Flipkart came in next to round off the top five. According to Google study titled 'Women and Web', the number of women Internet users grew from a mere 4 million in 2008 to 60 million at present is projected to reach 120 million by 2015. According to study, women searched mostly for premium apparel brands, skincare and baby products online before deciding their final purchase. Skincare, haircare, food and drink were the fastest growing search categories as stated in Table 4, with queries coming from mobile phones growing rapidly and accounting for almost 25% of total query volumes

Table 4: Model of e-commerce/online business in India

First model	To buy the products and stock them
Second model	To produce after receiving an order
Third model	To buy bulk inventory which is later stored in ware houses

in these categories. Indian e-commerce/online business covers three models.

According to Boston Consulting Group (BCG), India's digitally influenced consumers are 40% of India's 90 million urban Internet users. BCG's centre for consumer and customer insight surveyed 25,000 Indian consumers on their online activities during each step of the purchase cycle in 101 different product categories. As per report, the number of Internet users in India is expected to nearly triple from 125 million in 2011 to 330 million by 2016. The demographics of Indian Internet users revealed that men are far more likely than women to be on the Internet (32% versus 12%) and more than three times likely to be digitally influenced (14% versus 4%). According to IAMAI (Internet And Mobile Association of India), it has reported that India's online advertising market is set to touch Rs. 2938 crore in 2013–2014 such as search, display, mobile, e-mail and video advertising as well as social media advertising. The mobile live stream launches like NexG TV, Ditto TV (launched by Zee), and Zenga TV is another player that has been seeing ad revenues. The mobile wallet companies like Airtel money, ITZ cash, Oxicash and GI Tech have built a base of more than 3.5 million customers. Oxicash which tied up with the National Payments Corporation of India has a base of 2,00,000 customers reflected in Table 5.

E-TAIL BUSINESS AND NEW-AGE ENTREPRENEURSHIP

e-Commerce has had three waves in developed markets. Wave one: 'horizontals' like eBay and Amazon which got the bulk of their revenues from books, DVDs and electronics. Wave two was 'vertical' fashion portals like Zappos; and wave three was home and furniture

Table 5: Mobile application store downloads worldwide

Year	Paid for downloads	Free downloads	Total
2011	2893	22,044	24,936
2012	5018	40,599	45,617
2013*	8142	73,280	81,422
2014*	11,853	1,19,842	1,31,695
2015*	16,430	1,88,946	2,05,376
2016*	21,672	2,87,933	3,09,606

Source: Gartner-Sept 2012; *Estimated figure

Table 6: New-age entrepreneurs and focussed areas

S.No.	Companies name	Founder name	Focusses	Funded
1	Urban Ladder, HQR: Bangalore started: July 2012	Ashish Goel	Furniture lighting segment	Steadview Capital, SAIF Partners and Kalari Capital
2	Fab Furnish, HQR: Gurgaon started: March 2012	Vikram Chopra	Furniture to towels	German VC Rocket Internet
3	Pepperfry, HQR: Mumbai started: Jan 2012	Ambareesh Murty	Furniture	Bertelsmann India Investments & Norwest Venture Partners
4	Poretea Medical, started: 2013	Mr Ganesh & Meena	Home, health care	Ventureeast, Accel, QualComm Ventures
5	Avagmah.com, started: 2013		Online education provider	Capital 18
6	Bigbasket.com, started: 2011, HQR: Mumbai		e-Grocery	Ascent Capital, LionRock, Helicon Ventures, Zodius Advisore
7	Bluestone.com, started: 2012		Online fine jewellery	Accel, Sama Capital, Kalari Capital, Ratan Tata
8	Pokkt.com		Mobile payments in markets with low credit card	Jafco, Singtel, Innov 8, Jungle Ventures

portals. By end of 2011, horizontal portals like Snapdeal, Flipkart and eBay were already established in India. Reflects Table 6&7 under vertical space, Myntra and a few other players were around. The third wave was yet to like Pepperfry started shipping home products in January 2012. Today, none of the companies will comment on their revenues. All of them are private companies, funded by Venture Capital. The furniture and décor business in India are worth about $20 billion or 1.2 lakh crore. Ninety percent of this is unorganised and fragmented. Online retail can organise and consolidate this business, and there is plenty of held room for growth.

CHALLENGES OF E-TAIL BUSINESS

1. e-Commerce in India adds layers with unfavourable policies and tax structures and to achieve real value will require patience.
2. Logistics and delivery experience are also key challenges for e-commerce players. Indian e-commerce lacks supply chain companies that can provide competitive pan India services acceptable under the 'Service Level Agreement'.
3. Another challenge is mobile valet education awareness campaign to break traditional barriers and help the consumer adopt this technology quickly.

Table 7: Online shopping deal value

S.No.	Target	Buyer	Deal value and million
1	Awari Technologies	Sequoia Capital India Advisors Norwest Venture Partners Intel Capital Nokia Growth Partners	40
2	Jasper Infotech	Indo U.S. Venture Partners, LLC Nexus India Capital Advisors Bessemer Venture Partners India	40
3	Naaptol Online Shopping	Canaan Advisors Silicon Valley Bank New Enterprise Associates	25
4	TV18 Home Shopping Network	SAIF Advisors Pvt Ltd GS Home Shopping Inc	22
5	Myntra Designs	Tiger Global Lp	20
6	Flip kart Online Services	Tiger Global Management LLC	20
7	Wannamo Marketing	Mayfield Fund Norwest Venture Partners Nokia Growth Partners Intel Capital	17
8	Exclusively.in	Accel India Venture Fund Hellion Advisors Tiger Global Mgt LLC	16
9	Myntra Designs	Indo U.S. Venture Partners IDG Ventures India Advisors Pvt Ltd Tiger Global LP	14
10	MXC Solutions India	Canaan Advisors Tiger Global Management LLC	13

Source: VCC edge.com.

4. 'Cash on Delivery' (COD) system has helped e-commerce firms increase revenues and several struggle due to low margins.
5. Now 20 million people have transacted online transaction. The electronic payment mechanism needs to be enhanced and introduce payback loyalty points to attract buyers.
6. The great challenge is managing the balance between quality, size, supplier, dependency and the level of inventory in hand.
7. Another key issue when dealing with consumers from small towns is trust. Some of the companies have begun work on these issues. Quicker advocated 'word of mouth' as the best strategy to acquire consumers.
8. Another challenge is the department of Industrial policy and promotion (DIPP) is now examining the feasibility and implications of allowing FDI in e-commerce. It will intensify competition for domestic companies such as Flipkart, Jabong and Myntra.
9. Furthermore, India's e-commerce market is threatened by depressed valuations, lack of funding and confusion over regulations.
10. Another challenge by the Flipkart, Snapdeal, Amazon and Jabong can join hands with collectively fight two key battles; one is the dominance of the horizontal market place and the other is the dominance of the fashion vertical.
11. Companies admit that maintaining quality of products sold on the portals and delivery are major challenges.
12. The companies are tying up with local entrepreneurs, carpenters and training them on everything from assembly to customer service to after-sales servicing.
13. The ability to expand will also be determined by the ability to train and establish such networks and opportunity for growth.
14. Traditional retailers are going all out to declare war against their online counterparts because of online retailing is driven by discounts. Retailers like Univercell, Mobilestore, Spice Telecom, Reliance and Sangeetha Mobiles are coming together to form an industry body to fight 'unhealthy' modes of marketing.
15. Online retail is expanding fast in India. In the United States, for example, online retailers already pay sales tax in many states that have adopted state online laws, also called Amazon tax laws. So there is a reason, it makes eminent sense to tax e-commerce deals because India wants to adopt goods and service tax. Further, the government has to create procedures that make tax compliance easy for e-commerce operators and tax all value additions along the chain.
16. Another challenge is taxation jurisdiction and taxation applicability issues such as the one that is currently vexing both the Karnataka tax authorities and Amazon are poised to flare up in just about every state in India.

CONCLUSION

Now, Smartphone can be a good starting point for the government's 'Make in India' programme. The average number of Interest users in India is 10 out of 100 on comparisons to an average of 34 across 7 other emerging economies. But with the increasing penetration of smart phones and broadband connections, patterns of Indian users on Internet are rapidly changing. India's mobile connections have risen to about 90 crore in fiscal 2014 from 26 crore in fiscal 2008. With the increasing availability of affordable smartphones and rollout of third and fourth generations services, as well as higher social media usage and government initiatives to promote broadband. With rapid increase in penetration of smart phones and the new government's renewed thrust on making broadband reach for and wide through its 'Digital India' Project. According to Boston Consulting Group (BCG), India's digitally influenced consumers are 40% of India's 90 million urban Internet users. BCG's centre for consumer and customer insight surveyed 25,000 Indian consumers on their online activities during each step of the purchase cycle in 101 different product categories. As per report, the number of Internet users in India is expected to nearly triple from 125 million in 2011 to 330 million by 2016.

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