



## **AMAZON'S STRATEGY FOR INDIA**

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### **ABSTRACT**

Amazon, the company that is changing the world retail landscape, is intent on becoming the leader of e-commerce in India. Global competitors like Walmart and Alibaba are also equally committed to dominate the e-commerce landscape in India. Domestic competitors like Jio Platform are also positioning to acquire a significant chunk of the growing e-commerce market in India. It will be interesting to see how Amazon fares in India and this research will examine the various strategies Amazon has deployed in India to continue its preeminent position in the field of global ecommerce in India.

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**JEL Classification:** L81, M16, N80, O30

### **Introduction**

Amazon is one of the largest companies in the world with a market value of \$1 trillion in January 2020 (Palmer, 2020). In 2019, Amazon's net revenue was \$ 280.5 billion U.S. dollars, up from \$177.86 billion dollars in 2017 (Clement,

2020a). Amazon's reported revenue in Q1 2020 reflected a 26% growth beating analyst estimates by 2% (Kim, 2020). This is directly attributed to people buying online to avoid physical stores during the pandemic. While overall retail sales have declined, the uptick in online sales has helped e-commerce companies like Amazon flourish (Amadeo, 2020).

By 2024, retail sales in the U.S. are expected to rise to around \$5.94 trillion from \$5.47 trillion U.S. dollars in 2019 (O'Connell, 2020). In 2020, overall retail sales are expected to decline but e-commerce sales are anticipated to climb by 18% to reach \$709.78 billion, representing 14.5% of total U.S. retail sales (Perez, 2020). In 2020, more than 4,300 stores are expected to close following 9,300 store closings in 2019 and about 8,000 stores in 2017 (Peterson & Taylor, 2020).

Ecommerce amounts to about 14.3% of total retail sales in the US: this is significant considering that ten years ago only 5.1% of total sales was attributed to ecommerce sales (Ali, 2020). The impact of Amazon on the retail landscape is now being referred to as the "Amazon effect." Specifically, Amazon with its vast selection, fast shipping, free returns, low prices, and Amazon Prime has obliterated many companies such as Sears that were considered to be a mainstay of the American landscape (Agrawal, 2019). Amazon, however, downplays the monopolistic impact of its presence by referring to the fact that it has only about 4% of the total retail market and 37.7% of the online commerce market (Day & Soper, 2019).

### **Amazon's Global Presence**

The worldwide ecommerce sales in 2019 amounted to about \$3.5 trillion: China was the world's largest e-commerce market with about \$1.9 trillion dollars followed by the US market with \$586 billion and then the UK with \$141 billion (Lipsman, 2019). Despite entering the Chinese market in 2004 and enjoying a market share of over 15% in 2011, Amazon has closed its operations in China (Kharpal, 2019). With less than 1% of the market, Amazon felt that its operations were no longer sustainable. Amazon underestimated the uniqueness of the Chinese market characterized by price-sensitivity for many goods, near instant delivery, and a focus on authentic foreign products (Wiese, 2019).

In 2019, Amazon's net revenue amounted to \$ 280.52 billion which was up from \$177.86 billion dollars in 2017 (Clement, 2020c). Within a 2-year span, Amazon was able to increase their revenues by more than \$100 billion. During 2019, only \$74.7 billion of the revenues were generated through international revenue channel while North America accounted for more than \$170.77 billion (Clement 2020c).

More than two-thirds of Amazon’s sales are from the US market. Additional breakdown of Amazon’s sales in leading markets, from Clemet (2020b), is provided in Table 1.

**Table 1: Net Sales of Amazon in Leading Markets 2014-2019**

(Billions of Dollars)					
	United States	Germany	United Kingdom	Japan	Rest of World
2014	54.72	11.92	8.34	7.91	6.1
2015	70.54	11.82	9.03	8.26	7.36
2016	90.35	14.15	9.55	10.8	11.15
2017	120.49	16.95	11.37	11.91	17.15
2018	160.15	19.88	14.52	13.83	24.51
2019	193.64	22.23	17.53	16	31.13

Source: Clemet (2020b)

Amazon dominates the U.S. e-commerce market with a market share of 38%. Table 2 reveals the wide disparities in the market share of the leading companies in the U.S. e-commerce (Lashbrook, 2020):

**Table 2: Top 5 E-Commerce Companies in 2020 (U.S.)**

Company	Market Share (in %)
Amazon	38.7
Walmart	5.3
eBay	4.7
Apple	3.7
The Home Depot	1.7

Source: Lashbrook (2020)

Growth for Amazon in the U.S. e-commerce sector has been phenomenal but Amazon’s performance in other parts of the world has been less than stellar. In fact, in the 11 of the last 14 quarters, Amazon’s ecommerce growth in N. America has been great for the most part when compared to the growth of sales from the rest of the world (Ovide, 2019). Despite being the dominant force in the e-commerce market in the U.S., Amazon has not been able to duplicate its success in overseas markets. Although, Amazon does not report its profits and losses from each country in the International markets. It does report consolidated numbers and the

International division of Amazon is yet to record any profits (Amazon Annual Report, 2019; Pappageorge, 2017). Table 3 lists the continual loss of Amazon in International markets.

**Table 3: Amazon Losses in International Markets**

Year	Losses (in Millions of Dollars)
2014	\$640
2015	\$699
2016	\$1,283
2017	\$3,062
2018	\$2,100
2019	\$1,600

**Source:** Amazon Annual Report (2019); Pappageorge (2017)

The losses keep mounting from International markets and it is quite apparent that Amazon must change its focus to other countries in order to maintain a global presence. A recent report by Strauss (2019) identifies the following markets with the most potential for Amazon's growth: India, Brazil, Mexico, Australia, and Turkey. Forecasts from the report suggest that sales across the five countries could account for more than \$25 billion in revenue by 2023 with international retail growth outpacing North America's by 2021. The report also states that of these five countries, India has the most potential with a \$18 billion revenue opportunity for Amazon and by 2023 India could for 13% of Amazon's international sales, and 4% of the company's total revenue.

## **India**

India is one of the fastest growing economies amongst the world's larger economies and is expected to be the third largest consumer market behind the U.S. and China: India's retail market is anticipated to grow from \$1.5 trillion in 2019 to nearly \$6 trillion by 2030 (Tedeneker, 2019). With a population of 1.3 billion and a rising middle-class that is younger than any of major economies, India is attracting a lot of attention from all corners of the world.

According to a report by Morgan Stanley, India's online retail is expected to grow from \$15 billion in 2016 to \$200 billion in 2026 (Sushma, 2017): this is a growth rate of over 1,200% and this would account for 12% of India's overall retail market. This is attributed to the following: rising internet penetration, a drop in data access costs, a shift to smartphones, and a flow of credit to consumers and

micro enterprises is driving India to be the fastest growing e-commerce countries when compared to markets such as China, U.S., Japan, and European countries.

Worldwide Mobile Data Pricing (Cable.co.uk, 2020) indicates that India has the cheapest data pricing in the world. The availability of 4G access at such low rates has helped Indian consumers to embrace the Internet. Table 4 compares data costs between India, China, and the United States.

**Table 4: Cost of Mobile Internet**

Rank	Country	Cheapest Price for 1 GB	Average Price of 1 GB	Most Expensive Plan 1 GB
1	India	.02 cents	.09 cents	\$2.75
13	China	.14 cents	.61 cents	\$1.76
189	U.S.	\$2.20	\$ 8	\$60

**Source:** Cable.co.uk, 2020

This is, perhaps, one of the main reasons for the growth of the e-commerce sector in India especially with the fact that India is a mobile first nation. In 2010, the number of Internet users was around 50 million and the number of internet users has gone up 450 million in 2017 (Purnell et al, 2018). When the availability of cheaper data is further complemented with one of the cheapest smartphone prices, the explosive growth of Internet users in India should not be a surprise to anyone. Average smartphone prices in 2017 varied considerably: In the U.S., the average was \$567, in China it was \$184 and in India it was \$157 (Purnell et al, 2018). Despite this growth in smartphone ownership, 66% of India's population was still offline in 2017 and this is an indication of the growth potential in India (Purnell et al, 2018). It is estimated that by 2020, 650 million Indians will be on the internet with 500 million connecting with their smartphones (Tickoo & Girotra, 2018).

### **Competitive Dynamics**

Given that India is an attractive destination for e-commerce, it is quite reasonable to expect the world's leading e-commerce players to be jockeying for position. Companies like Walmart, Amazon, Facebook, and Google have realized that China is out of bounds in the e-commerce sector. So, it is imperative that these

companies do get to plant their flags in one of the last remaining frontier markets for e-commerce. There is simply no other country that is as attractive as India at this point in the e-commerce sector.

### *Amazon*

Amazon has committed itself to be all in for the Indian market since entering India in 2013. It is estimated that Amazon has spent more than \$5 billion to ensure that it will have its share in the fastest growing market (Chaudhary, 2019). Amazon is developing the entire infrastructure needed for the e-commerce sector. It starts with educating sellers about the merits of the Internet and ultimately gaining the trust of its customers in regions where Internet is still a new phenomenon in many parts of India.

### *Walmart/Flipkart*

In 2018, Walmart made its intentions very clear by spending \$16 billion to acquire a 77% stake in Flipkart, the leading e-commerce company in India making it the largest acquisition in e-commerce history (Gilchrist, 2019). Although Walmart has been active in India for quite some time their foray was limited to just the wholesale market due to government regulations. However, with the opening of the e-commerce sector for multinational companies, Walmart dove into the market with the largest acquisition in the e-commerce world. In addition to their equity stake, Walmart is planning to infuse another \$2 billion into Flipkart (Ghosh, 2018).

### *Jio*

Jio Platform is the most recent entry to the e-commerce sector. Jio took the telecom sector by storm by introducing 4G in 2016 (Purnell, 2018). Fast forward to 2020 and Reliance, the parent company of Jio raised \$15.2 billion in 10 weeks and that too amid a pandemic (McGregor, 2020). Table 5 below lists the investors and their investment in Jio:

‡ **Table 5: Investors in Jio**

Investor	Stake	\$ Million
Facebook	9.9%	5.7
Silver Lake	2/1%	1.3
VISTA	2.3%	1.56
General Atlantic	1.3%	873
KKR	2.3%	1.5
Mubadala	1.85%	1.2
Abu Dhabi Investment Fund	1.16%	750
TPG	.93%	600
L Catterton	.39%	250
Public Investment Fund of Saudi Arabia	2.3%	1.5

**Source:** McGregor, 2020

In addition to these investments, Google and Microsoft are also examining the possibility of buying a 6% stake in the company (McGregor, 2020). These investments have been made with the assumption that Jio will be able to establish a significant presence in the Indian e-commerce sector. Facebook, with about 650 million combined users in India (250 million Facebook and another 400 million Whatsapp users), decided to invest \$5.7 billion for a 9.98% equity in Jio (Antony et al, 2020). Reliance Retail, a part of the Jio family, operates 10,415 stores in more than 6,600 cities and towns, with 500 million annual footfalls (Arora, 2019). Complement this with the Facebook and Whatsapp users and you have the perfect combination for a rapid entry to the Indian e-commerce sector.

### *Softbank*

Given the relative attractiveness of the Indian market, Japanese telecom and internet major Softbank has invested about \$10 billion in India in about 5 years (TNN, 2019). The only exit for Softbank has been its investment in Flipkart which was sold off to Walmart. Softbank has been able to build up a significant shareholding in India's most valued internet and technology companies. Table 6 lists some of the significant investments by Softbank in the e-commerce sector.

⊕ **Table 6: Selected Softbank Investments in Indian e-commerce**

Year	Company	Amount (\$ millions)
2014	Snapdeal	\$650
2015	Snapdeal	\$500
2015	Grofers	\$120
2017	Paytm	\$1,400
2017	Flipkart	\$2,600

**Source:** Sengupta & Dalal, 2017

### *Alibaba*

Alibaba, the leading e-commerce company in China has been active in India for the past 5 years. The strategic importance of India from an e-commerce perspective is huge and Alibaba has invested more than \$2 billion in companies like One97 Communications which operates Paytm (digital payment platform), BigBasket (online grocery delivery startup), Snapdeal (e-commerce company) and Zomato (online food delivery firm) (Jain, 2018). These investments, as shown in Table 7, reveal that Alibaba has not been as aggressive as Amazon and Walmart.

**Table 7: Alibaba's Selected Investment in India**

Year	Company	Amount (in millions)
2015	Paytm	\$680
2015	Snapdeal	\$500
2017	Paytm Mall	\$200
2018	Paytm Mall	\$450
2018	Xpressbees	\$35
2018	Big Basket	\$200
2018	Zomato	\$150
2019	Big Basket	\$50

**Source:** Sriram, 2019a



*Tencent*

Tencent is a huge Chinese technology company: WeChat messaging app had about one billion monthly users in 2018; QZone, a social networking site, reported 629 million users; QQ, an instant messaging service, had 820 million monthly users (Ross, 2020). Tencent is also eyeing the Indian e-commerce sector and has made significant investments in that area. In recent years, Tencent has become more aggressive than Alibaba when it came to investments in India (Gooptu & Srivastava, 2020) Table 8, below, highlights some of the investments by Tencent in India:

**Table 8: Notable Tencent Investments in India**

Year	Company	Amount (\$ millions)
2016	<u>Ibibo</u>	\$250
2017	Flipkart	\$1,400
2017	Ola	\$1,100
2018	<u>Swiggy</u>	\$1,000
2018	<u>Gaana</u>	\$150
2018	Dream11	\$100

**Source: Sriram, 2019b**

**Amazon's Strategy in India**

Amazon's foray into India can be dated back to 1998 when a database technology provider, Junglee, was acquired. Then in February 2012 a website, Junglee.com was launched (BBC, 2013). This was an aggregator website which enabled customers to find and review products and then compare prices for both online and offline sellers. India, at that time, had 50 million active users and only 40% of them had ever purchased anything online.

On June 5, 2013 Amazon entered the e-commerce market in India: the Indian e-commerce market was about \$1-2 billion dollars in addition to about \$6-\$7 billion in online travel booking (Dharmakumar, 2013). What probably prompted Amazon to enter India was when they were confident that the market was at least \$1 billion and that the domestic competitors were scrambling to raise cash to scale up their operations (Dharmakumar, 2013).

The Indian e-commerce market was forecasted to grow at a compounded growth rate faster than any other country in the Asia-Pacific region. Amazon in India started with books and then added 15 categories within just 7 months and crossed the \$1 billion sales mark in the first year itself. Figure 1, from Azur Digital (2017), below states the timeline for Amazon's entry for the first ten years looked like this:

**Figure 1:** Amazon's India Entry for the First Ten Years.



**Source:** Azur Digital, 2017

With the goal for Amazon to find a way to sell everything: Amazon's entry into the Indian market was remarkable (Sen, 2014): 15 categories in seven months with the largest catalogue of books, e-books, watches, toys and games, and fashion jewelry. A further breakdown reveals that the site had more than 440,000 products, 12 million books, and 2 million e-books enabled by the 2,300 sellers. Several strategies were adopted by Amazon to attract buyers and sellers to its online marketplace. These strategies have helped Amazon emerge as one of the top companies in India's growing e-commerce landscape.

### *Buyers*

The major cities of India are already on the digital bandwagon but there are about 800 million consumers that need to be brought online if Amazon and other online e-commerce players are to succeed. These buyers needed a certain amount of “assist” for them to move from just surfing the internet to actually making purchases on the internet. It is a cultural mindset shift and there are several issues that need to be addressed.

According to a study conducted by Bain, Google, and Omidyar Network, language is one of the many barriers to increasing the number of online shoppers in India (Bain, et. al., 2018). With only 10% of India’s population having a working knowledge of English (Goel, 2018b) and 40 million Internet users being added every year (Bain, et. al., 2018), having a Hindi-language website was a no-brainer.

In 2018, Amazon India unveiled a Hindi version of its Android app and mobile website in a bid to reach out to a larger audience and trounce competitors like Flipkart and Paytm Mall, which don’t offer these services yet (Thakur, 2018). Of the 1.3 billion population in India, 40% of them speak Hindi and this base is expected to grow by an 18% cumulative growth rate average, bringing the total to 536 million users by 2021. On the other hand, the English language population is growing by about 5%. This is considered critical to Amazon’s growth as they plan to add the next 100 million customers to its orbit.

Many users, especially in the rural sector are experiencing the Internet for the first time and if the content is in a language they can easily identify with, they can be expected to jump onto the bandwagon of e-commerce within a short time. In many parts of India, Amazon realized that the magnifying glass which many of us easily identify as the search button is highly confusing (Bellman, 2018). Other internet lingo such as a “shopping cart” are completely unfamiliar to the masses in the rural sector of India. If Amazon is successful with this “localization” of its website then Amazon is expected to roll out other major Indian languages, such as Bengali, Tamil, Kannada and Telugu (Goel, 2018b). This is due to the realization that only 10% of the 1.3 billion speak English while 100% of the website was in English and this was not tenable if Amazon were to increase its user base in India.

Enabling shoppers to read product information, find deals and discounts, place the orders, pay for their orders, manage their account information, track their orders and view order history in Hindi (The News Minute, 2018) could be a game-changer for Amazon. Trust is one key fundamental building blocks in e-commerce and if this is in a language that people understand and comprehend then one can

expect to people to make this transition to the digital world in a much smoother way (Goel, 2018b).

It is quite a challenge when a quarter of the population lives in poverty, and a similar proportion is illiterate (Stone & Rai, 2018). Amazon undertook a massive translation project where 35,000 Amazon's most popular products had to be translated to Hindi. Amazon has also added icons for books or electronics or beauty products instead of words to make it simple for everyone to understand without it being tied down to a specific language.

### *Sellers*

Amazon had to adapt its business model in many fronts to compete effectively in India (Govindrajan & Warren, 2016): Education, Fulfillment by Amazon, Easy Ship & Seller Flex, Transportation. Many of these issues are being dealt with for the first time by Amazon. When operating in the U.S., these issues are also of concern, but they are not necessarily a make-or-break issue. In India, it is quite different. How do you bring sellers online when many of them have just become familiar with the digital world? This is especially significant when government regulations do not allow e-commerce players to sell any products directly on their own e-commerce sites (Goel, 2018a). Companies like Amazon could own affiliated companies and sell their products and this loophole is now apparently closed with the new regulations that were put in place in December 2018.

The Indian retail market was \$950 billion strong in 2018 and expected to grow to \$1.2 trillion by 2020 (Indian Brand Equity Foundation, 2020). This is an attractive market and companies such as France's Carrefour, Germany's Metro, and Walmart in the U.S. had tried to crack the Indian market but were largely unsuccessful until Walmart's acquisition of e-commerce leader Flipkart (Bellman & Agarwal, 2018). One reason being that the Indian retail market is completely fragmented with about 90% of the retail market in the hands of small mom-and-pop stores.

Amazon deliberately focused on these small retailers from the beginning to enter this market. These small outlets operate on razor-thin margins, but they serve their customers well: if a customer wanted an egg delivered to their doorstep NOW, their customers could have it. The challenge was to convince these retailers to embrace e-commerce without which the market would still be undeniably difficult to penetrate.

Educating small vendors about the virtues of ecommerce required Amazon to initiate several new concepts: Amazon Chai Cart, Amazon Tatkal, and Fulfillment

by Amazon (Govindrajan & Warren, 2016). Amazon Chai Cart is essentially a mobile tea cart that would go to various cities, serve refreshments to small-business owners, and educate them about the merits of e-commerce. Amazon Tatkal is essentially a “studio on wheels” where small businesses are coached on how to be a seller on Amazon within 60 minutes. Fulfillment by Amazon (FBA) is another service to help small businesses on inventory management, store, pick, pack, ship to the fulfillment centers. Amazon couriers pick up packaged goods from a seller’s place of business and deliver them to consumers with another program called “Easy Ship”. “Seller Flex” is another program where sellers designate a section of their own warehouses for products to be sold on Amazon. Amazon Transportation Services Private Limited then steps into augment delivery by utilizing bicycle and motorbike couriers for last-mile deliveries in both urban and rural communities. Prior to these Amazon initiatives, many mom-and-pop retailers assumed that their market was limited to just a mile or so.

With razor-thin margins and resource crunch many small businesses could not fathom jumping on the digital bandwagon. Exporting is a term that was completely foreign to many of these small businesses. With an “assist” by Amazon, India has exported more than \$1 billion worth of goods with this number is likely to go up to \$5 billion in the next 4 years or so (Business Today, 2019). Given the strategic role of these mom-and-pop stores, Amazon has enlisted them as partners in their quest to be the e-commerce leaders of the world.

Customers can go to their local stores and use the owner’s internet connection to browse and select goods from Amazon.in. The owners of these mom-and-pop stores record orders, alert customers when their products are delivered to the store, collect the cash payment, and pass along the money — minus a handling fee — to Amazon. If a customer is NOT satisfied with their product, they can then return it to their favorite corner store with proper credit. These mom-and-pop owners do act as consultants where they advise the customers with their preferences. For example, if a customer walks in with a request to buy a phone that can take better selfies and has a higher battery life then the store owner can show them what is available (Keyes, 2019b). This is especially important for customers who are shopping for the first time and are very apprehensive about typing in the wrong things.

Amazon is relatively new to the customers especially to those in the rural areas and for them when the local store owner who have been there for generations is there to guarantee the purchase then the deal can be closed. Store owners also report increased sales of their own while customers are on-site to browse, place an order, and or to pick up an order. Sellers do seem to appreciate all the help they are

getting from Amazon. When Amazon first started in 2013, it had about 100 sellers and then by 2016 the seller group grew to 100,000 and in 2019 the number of sellers amount to about 500,000 (Pillai, 2019).

In the U.S., Amazon buys items in huge bulk at wholesale prices, then selling these items retail online. However, this is not an option in India since laws forbid foreign companies, Amazon included, from direct sales to customers. Also, in another break from the way they usually operate, Amazon takes telephone orders for goods from sellers across India, packs these goods, and delivers them straight from the sellers' stores on Amazon motorbikes (Walt, 2015). These incentives for sellers have worked: there are more than 200,000 active sellers on Amazon's platform in India (Clement, 2020d).

#### *Amazon Prime*

People go online for many different reasons than to just shop. Would it be beneficial if all the "desirable" content is available on one platform? This is where Amazon Prime comes in with unlimited free, fast delivery on eligible items, video streaming, ad-free music, free reading, exclusive access to deals & more (Amazon Website, 2020). In fact, Amazon Prime has emerged as the single largest differentiator for the e-commerce giant in India since Flipkart, Amazon's main competitor does not have this ability yet. Amazon Prime has completely encircled the customer with Amazon Music (ad-free music streaming with unlimited offline downloads), or Prime Video (latest Hollywood, Bollywood, and regional blockbusters in about 7 different languages), or Prime Reading (hundreds of e-books in many different local languages) or Prime selection is about 40 million products. The customer-engagement process with Amazon Prime in India is considered to one of the highest in the world.

The price for Amazon Prime is about \$14 a year but Amazon is very aggressive with its pricing by running specials for its membership. Amazon is aggressively courting the younger generation by offering a \$7 per year for anyone between 18 and 24 years old (Times of India, 2019).

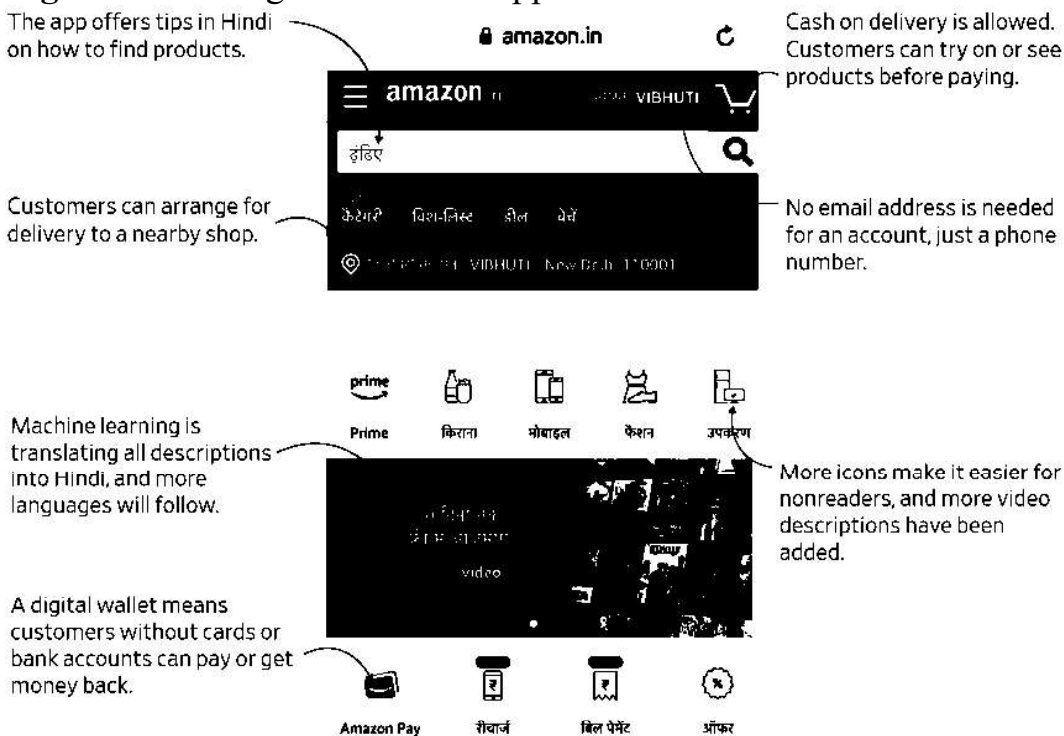
Fast delivery, a key component of Amazon Prime, is fraught with challenges when one considers the poor road infrastructure. Also lacking is a precise address system common in developed countries. Specifically, India's address system could be considered archaic, landmarks are used as reference points for residences. Incessant traffic jams in major urban areas and lack of roadway systems in rural areas can be insurmountable and Amazon dealt with by establishing 4,000 motorbike delivery centers in the country—the first such service in Amazon's 20-year history (Walt, 2015).

*Technological Adaptations*

Access to mobile data and internet connectivity is spotty especially in the rural parts of India. One of the ways by which Amazon has dealt with it is to launch a lite version of an Android based web browser app for emerging markets (Perez, 2018). When the basic smartphone (this is what many in India will have) is the primary mode of doing business this is crucial because the phone will be used to scan deliveries, record payments, arrange returns, and take signatures. When internet access is not available then the app works offline, and everything gets updated when access is available.

Amazon has also redesigned its app so that it is easier for those who are new to the world of online shopping: This is a deliberate strategy on the part of Amazon to bring hundreds of millions of shoppers online. Figure 2 below, from Bellman (2018), shows the redesigned Amazon's app:

**Figure 2: Redesigned Amazon App**



**Source:** Bellman, 2018

Small but meaningful tweaks such as signing on with just a mobile number without an email address, usage of icons with subtle insertion of Hindi words, notification of when and where to pick their orders is appealing to Indian customers.

### *Credit Cards*

Just 3.47 million credit cards with a population of 1.32 billion is a clear indication where cash rules (Chaudhary, 2019) and this poses a tremendous headache for e-commerce. In both urban and rural markets cash is the preferred option (Bhattacharya, 2016) and this could pose significant challenges for e-commerce. With barely 60% of Indians having bank accounts, and only a fraction of those having credit cards, Amazon had to craft its own payment system that is drastically different from any the company has attempted before and involve the kind of hand-holding that would be unimaginable in the U.S. (Walt, 2015).

According to a White Paper on E-payment Challenges (World Economic Forum, 2018), digital payments are the heart-and soul of e-commerce because it makes collections easier for sellers and offers the potential of selling to customers all over the world and it gives buyers greater convenience and choice. A 2018 report compiled by BCG and Google on adoption of online transactions among internet users reveal the following: in India only 1 out of 5 internet users are engaging in e-commerce and this is negligible when compared to the U.S. where 4 out of 5 and in China where 3 out of 5 are engaged in e-commerce. Payment mechanisms in India are still in the developmental process especially in rural India where the issue of trust is a major concern.

Amazon offers customers cash on delivery to overcome this problem and win their trust. In addition to Amazon Visa, Amazon has Amazon Pay in India where customers can “cash load” into their accounts with leftover change from their purchases and maybe even load up cash with the help of the store owner. The relationships that Amazon has with these store owners circumvents the problem of conducting e-commerce in a cash economy. Four out of five Indians earn wages in cash; credit cards are rare, and trust in transacting online has to be earned.

### *Brick-and-Mortar Presence*

Although the number of internet users have grown by leaps and bounds, only 25% of these users shop on the internet citing a lack of trust and no opportunity to touch and feel products (Keyes, 2019a). Without a brick-and-mortar presence, businesses will find it difficult to have a sustainable growth. An initial investment of \$200 million in Future Retail group gives Amazon a stake of around 3.5% and access to more than 2,000 stores (Abrams & Bellman, 2019). In 2018, Amazon teamed up with a local equity firm and spent about \$500 million to acquire the Aditya Birla Retail chain with more than 500 stores (Abrams, 2018). Amazon



spent about \$28 million to acquire a 5% stake in Shoppers Stop a retail outlet with more 83 outlets across India (Karve & Antony, 2017).

## **Conclusion**

India's e-commerce sector will continue to grow at a pace that hardly a handful of countries across the globe can match. The e-commerce sector is barely a few years old and the infrastructure needed for this market to develop is enormous. To many in India, the internet has brought the world to their doorstep, but habits have to change in order to ride the digital highway. It is literally about changing the way people think and buy. People who have for centuries relied on going to shop at their stores and ask to see, touch, and feel what they want to buy must now rely on digital guidance to do so. Companies with deep pockets such as Amazon have shown tremendous commitment to develop this market and infrastructure such as logistics, credit card usage, spotty internet, and low computer literacy.

Flipkart is the leader in the Indian e-commerce sector with a market share of 32% followed closely by Amazon with a market share of 31% (Sharma, 2018). This is an incredible achievement for Amazon since they entered the market only about 6 years ago. The optimistic scenario is that Amazon will be better positioned for explosive growth once its globe-trotting strategy takes hold.

Profitability in India for Amazon, as well as Flipkart, will have to wait in the backburner until the Indian market develops which could another 5 years or so. The ability to spend money, as Amazon has in India, does not necessarily guarantee profitability in the long run. With Jio's addition to the e-commerce sector, the competition is going to be fierce with each company opening the spigots for billion-dollar investments in all aspects of e-commerce to acquire more buyers and sellers. However, Amazon is intent on winning in India after losing out on the world's number e-commerce market, i.e., China and so far, they have deployed the appropriate strategies. Formidable competitors such as Flipkart and Jio will continue to furiously defend their turf, but the Indian market is large enough to accommodate 2-3 companies to effectively compete in the Indian digital e-commerce market.

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