



## **The Development of a Competitive B2B E-Commerce Market in India**

**Jiten Sonowal**

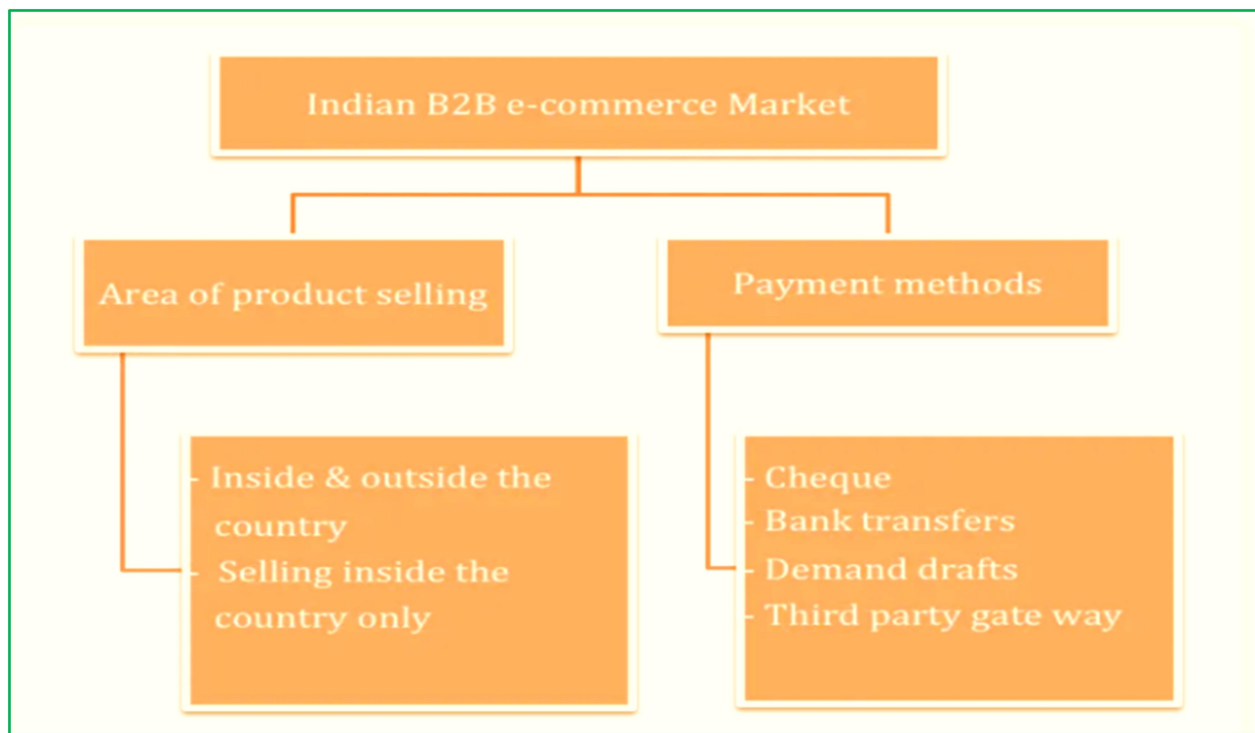
Assistant Professor  
Department of E-Commerce & IT (Commerce Stream)  
Pragjyotish College, Guwahati

India's B2B e-commerce industry reached a value of USD \$5.06 billion in 2021 and is projected to hit USD \$60 billion by the year 2025. The market's growth is expected to be driven by a compound annual growth rate (CAGR) of 32.6% between 2020 and 2025, fueled by the increasing adoption of mobile platforms, rising investments in B2B trade, digitalization initiatives, and the presence of operational B2B e-commerce websites.

### ***Definition / Scope***

B2B e-commerce involves the buying and selling of goods and services among business entities through online platforms and supply chain systems. Wholesalers typically place product orders via phone, email, or website, which are then fulfilled by manufacturers or businesses. Revenue for B2B e-commerce platforms is generated through trade facilitation, logistics services, financing and credit options, as well as value-added services like online advertising and analytics, enhancing the efficiency and effectiveness of commercial transactions.

Various payment methods are utilized in B2B e-commerce, including checks, bank transfers, application forms, and third-party gateways. Entrepreneurs in this sector have the opportunity to sell their products both domestically and internationally through online platforms, broadening their customer base and market reach.



### ***Market Overview***

From the perspective of the region where products are being sold, approximately 65% of Indian merchants involved in B2B commerce only have experience in domestic sales. This particular segment of the market was valued at USD 527.48 billion in 2019. The growth and advancement of the trading industry in India can largely be attributed to the increased utilization of mobile platforms, higher investments in B2B marketing, digital advertising campaigns, the presence of B2B e-commerce facilities, enhanced options for order customization through self-service, expanding international business opportunities, and reduced operating costs in B2B e-commerce.

However, challenges such as escalating cyber-attacks, limited computer literacy, internet disruptions, slow internet connections, and obstacles in digital payment acceptance may impede the progress and expansion of the B2B e-commerce market in India.

### ***Market Risks***

- **Rising number of Cyber attacks**

India is facing a growing number of cyber-attacks, with a 37% increase reported in the first quarter of 2020. The Kaspersky Security Network identified almost 52,820,874 social threats during this period, a significant rise from the previous year.

According to the Indian Security Council, India ranks as the second most targeted country for cyber-attacks. These attacks have resulted in substantial financial losses, with 53% exceeding US\$500,000 and Indian companies collectively losing around US\$4 billion annually.

This surge in cyber-attacks poses a threat to the growth and advancement of various online sectors, including B2B and e-commerce industries in India.

- **Low computer literacy among the Indian populations**

In India, there is a limited number of individuals who are proficient in using computers. Merely 6.5% of the Indian population is considered to have computer literacy and are capable of utilizing a computer. The percentage of individuals in India who have access to the internet is currently at approximately 10%. Despite the implementation of multiple initiatives aimed at encouraging digitalization and computer usage, the rate of internet penetration remains significantly low. Insufficient computer skills and knowledge, along with limited internet accessibility, can pose a threat to the growth and advancement of businesses.

### *Top Market Opportunities*

- **Increased usage of mobile platforms**

The internet user population in India is on the rise, with a significant increase seen over the years. In 2015, there were 259.88 million internet users in the country, which surged to 525.3 million in 2019. Projections indicate that the number is set to reach 564.5 million by 2020 and 666 million by 2023. A recent survey conducted among consumers revealed that a noteworthy 2% of participants utilize their mobile phones for B2B purchases. This trend is attributed to the ease and accessibility that mobile devices offer, along with the proliferation of app-based solutions, Artificial Intelligence, and Machine Learning. In fact, around 52% of B2B buyers now rely on their smartphones to research products before making a purchase.

The increasing prevalence of mobile platforms in online shopping signals promising opportunities for the expansion and advancement of India's B2B e-commerce market.

- **Innovative Digitalization initiatives**

The Indian government, along with various digital technology organizations, has initiated several groundbreaking digital acceleration initiatives in India. Through programs like Digital India, Make in India, Udaan, Umang, Bharat Interface for Money, Start-up India, and Skill India, the government aims to propel the country into the digital age.

In addition to these programs, the government has also introduced measures to streamline processes such as the abolition of GST and demonetization. The implementation of the Goods and Services Tax has improved the ease of moving goods across state borders, while demonetization has pushed businesses towards adopting digital payment systems.

Furthermore, the widespread adoption of 4G/5G networks by telecom companies has ensured that consumers and businesses have access to reliable high-speed internet connectivity. These digitization efforts have played a significant role in fostering the growth of the B2B e-commerce market in India.

- **Increased customization in product order through a self-service system**

The B2B e-commerce platform operates on a self-service model that facilitates in-depth communication between buyers and wholesalers regarding product orders. This system allows buyers to place orders in a more convenient, controlled, and secure manner. For instance, buyers can specify product details such as size, color, and location, ensuring that manufacturers receive accurate and complete orders. The self-service system enhances the relationship between the sales sector and individual orders from wholesalers, ultimately fostering a conducive environment for the expansion of the B2B e-commerce market in India.

### *Market Trends*

- **Increasing investment of the B2B e-commerce**

In the Indian market, manufacturers are increasingly investing in B2B e-commerce activities. Small and medium-sized businesses have already allocated around \$1.5 billion towards digital services, with

expectations to reach \$10 billion by 2023. A survey by Digital Commerce 360 shows that nearly 80% of manufacturers are planning to boost their spending on B2B e-commerce operations. Additionally, it is predicted that approximately 38% of manufacturers will increase their investments in this sector by over 20%. The rising focus on B2B e-commerce by product manufacturers is fueling the growth and expansion of this market in India.

- **Availability and use of operational B2B e-commerce websites**

In India, the majority of companies involved in B2B commerce have established e-commerce platforms. A recent survey by E-consultancy on the status of B2B e-commerce revealed that a significant 82% of B2B firms in India have online platforms for conducting transactions. This percentage is notably higher than the average seen in other Southeast Asian countries. Furthermore, close to 69% of B2B companies in India have dedicated websites for their B2B operations, showcasing a strong presence in the digital marketplace.

Comparatively, around 68% of B2B distributors in Australia and New Zealand also have transactional websites, indicating a similar trend of digital adoption in these regions. The prevalence and effective utilization of online platforms for B2B transactions is playing a pivotal role in the expansion and advancement of the Indian B2B e-commerce sector.

- **Growth in global business penetration**

By utilizing an online platform to facilitate transactions between companies, businesses can broaden their selling opportunities beyond their local area. A prime example of this is Alibaba, a leading B2B platform headquartered in China, which connects millions of users globally, including those in India. The introduction of online marketplaces in the realm of B2B commerce has allowed for the distribution of specialized products worldwide, contributing to the expansion and enhancement of the B2B e-commerce sector in India.

- **Reduction in Inventory cost**

Acquiring products through online platforms is much more cost-effective than traditional offline methods. Small businesses have seen a nearly 10% decrease in storage expenses when using online procurement systems compared to traditional business-to-business transactions. As a result, products can

be purchased at a discounted rate of approximately 5-7% compared to regular market prices. The reduction in inventory and procurement costs is conducive to fostering growth and advancement in the B2B e-commerce sector in India.

- **Difficulty in acceptance towards the digital services**

In India, rural merchants are hesitant to embrace digital transactions due to their unwillingness and inability. Despite the government's efforts to promote a cashless economy, cash still dominates about 72% of consumer transactions in the country. Some digital payment applications, like WhatsApp, payment service on Facebook, are not approved by the government. The CEO of Hitachi Payment Services' digital business revealed that digital payments are not widely accepted in 70-80% of locations where transactions take place. These challenges in utilizing and accepting digital payment services could impede the growth of the B2B e-commerce market in India.

- **Delay in products shipments**

The COVID-19 pandemic has had a significant impact on the B2B e-commerce market, causing a surge in online orders but also leading to shipping delays. Data from transportation sources indicates that the average shipping time for large items weighing 150 pounds or more and measuring 8 inches or longer has doubled since March 2020, increasing from 32 hours to 68 hours. These delays may be attributed to social distancing measures implemented by manufacturing companies. Despite changes in lockdown strategies and the reopening of manufacturers with safety precautions in place, it is expected that delivery delays will persist. The slowdown in product deliveries by manufacturers could potentially hinder the growth and progress of India's B2B e-commerce market.

### ***Industry Challenges***

- **Advanced pricing system**

Within a business-to-business setup, the prices of products are set before any transactions take place and are visible on the online platform. B2B enterprises have the ability to sell their goods to major retailers in large quantities. This means that the e-commerce platform facilitating these transactions needs to have different pricing tiers based on the volume of products being ordered. As a result, creating adaptable

pricing structures that cater to various customer segments poses a significant obstacle for B2B e-commerce platforms.

### **Technology Trends**

The rapid progress in technology is fostering a conducive atmosphere for the expansion and evolution of the Indian B2B e-commerce sector. Key technological advancements taking place in this industry include artificial intelligence, Internet of Things, customization, digital payment methods, block chain, and virtual reality.

In the realm of Indian B2B e-commerce, artificial intelligence and the internet have emerged as the most thrilling technological advancements. Below are several noteworthy technology trends shaping the landscape of B2B e-commerce in India.

**Artificial Intelligence and Machine learning algorithms:** This innovative technology aids companies in recognizing and classifying consumer behavior patterns. Additionally, it streamlines the process of categorizing products for social media marketing campaigns and analytics purposes.

**Augmented and virtual reality:** The use of this cutting-edge technology aims to improve the visual representation of products and create virtual images that closely resemble reality.

**Chatbots and virtual assistants:** Enhance your customers' online shopping experience by offering them access to real-time order status updates and detailed shipping information.

**Internet of things:** This sophisticated system combines mechanical, digital, and computing components to facilitate the transmission of data across networks without requiring direct human-to-human or human-to-computer interaction. It aids in analyzing consumer behavior within digital shopping platforms.

### ***Pricing Trends***

The cost of items in B2B e-commerce is determined by various factors such as the nature of the products, the specific online trading platform being used, the reputation of the brand, and the volume of products being purchased. In B2B e-commerce, there exists a sophisticated pricing system that allows for product prices to be visible and consistently updated prior to finalizing an order. It is important to note that the price of a particular product may vary across different B2B e-commerce platforms due to factors like the quantity being purchased and the bargaining tactics employed by the business entity.

### ***Regulatory Trends***

In the Indian setting, the government has established policies and programs focusing on the B2B e-commerce sector. In 2018, the Indian government introduced a Foreign Direct Investment (FDI) policy that permits B2B e-commerce traders to invest up to 100% in the Indian market.

Foreign entrepreneurs who are interested in establishing B2B enterprises in India can do so without incurring any initial investment costs. Additionally, they have the freedom to invest in this industry without the need for approval from the government beforehand.

As per this regulation, manufacturers have the permission to offer their goods for sale online in India. Furthermore, single-brand retailers who have physical retail stores can now also engage in retail transactions through online platforms.

### ***Market Size and Forecast***

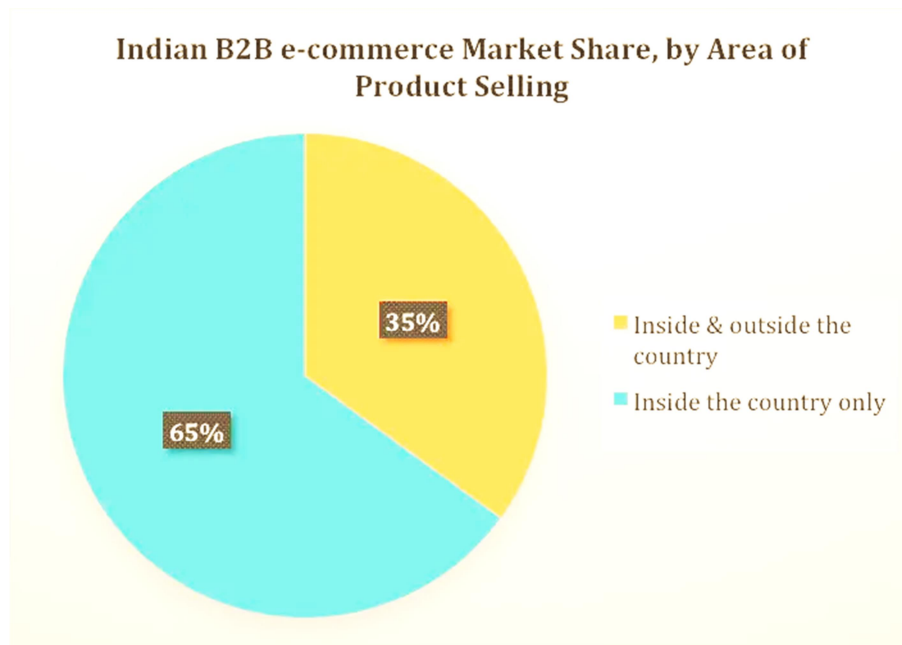
In 2019, the Indian B2B e-commerce market was valued at US\$527.48 billion, with projections indicating a growth to US\$2869.56 billion by 2025. This demonstrates the substantial size and potential of India's B2B e-commerce sector, which is significantly larger than its B2C counterpart.

### **Based on the area of product selling**

Approximately 65% of Indian vendors engaged in B2B e-commerce have prior experience selling goods solely through online platforms within the country. The market value of this particular group is calculated to be around USD 342.86 billion in the year 2019.

On the other hand, the remaining 35% of Indian sellers in the B2B e-commerce sector have experience in selling products both nationally and internationally. The estimated market size for this category is USD 184.61 billion in 2019.





### ***Market Outlook***

The B2B e-commerce industry in India is projected to experience a significant growth of 32.6% during the period from 2020 to 2025. This growth can be attributed to the rising adoption of mobile platforms, increased investments in B2B commerce, ongoing digitalization initiatives, and the expanding availability of operational B2B solutions. The sector is expected to witness a steady growth through the implementation of e-commerce solutions such as commerce websites and self-service systems, which will enhance the personalization of product orders. Furthermore, there will be an increased focus on expanding global market reach and reducing storage costs within the B2B e-commerce landscape.

### ***Technology Roadmap***

One of the most significant advancements in the B2B e-commerce industry is the integration of artificial intelligence, including Chatbot's, Internet of Things, customized personalization, digital payment options, block chain technology, and virtual reality. The adoption of these cutting-edge technologies in business transactions is fueling the expansion and progress of the B2B e-commerce sector in India.

### ***Distribution Chain Analysis***

The key stakeholders in running the Indian B2B e-commerce platform include large corporations, wholesalers, and distribution networks. Initially, wholesalers place orders through the manufacturer's or business group's website, via email, or over the phone, providing detailed instructions. The business

entity then fulfills these orders and ships the products to the wholesalers. B2B e-commerce involves the exchange of financial and commodity transactions between businesses and wholesalers.

### ***Competitive Factors***

Major participants in the B2B e-commerce sector are competing to exclude wholesalers from the online trading platform. Their primary goal is to reduce costs and improve profitability for both manufacturers and retailers. Additionally, their emphasis is on establishing the necessary online trading infrastructure and digital payment mechanisms instead of concentrating on marketing efforts.

### ***Key Market Players***

India Mart, TradeIndia, TradeKeyIndia, Udaan, Alibaba, and Ninjacart are the major players in the Indian B2B market.

### ***Conclusion and the Future of B2B e Commerce***

The B2B e-commerce sector in India experienced a significant growth of 32.6% driven by the increased adoption of mobile platforms, higher investments in B2B commerce, digitalization initiatives, the presence of operational B2B e-commerce websites, and the rise in personalized product orders. This growth trend is also attributed to the expanding global market reach and cost reduction in B2B e-commerce facilitated by self-service systems.

Despite these positive developments, challenges such as the escalation of cyber-attacks, declining proficiency in computer skills, issues related to internet shutdowns and slow connection speeds, and the obstacles in accepting digital payment services could impede the progress and expansion of India's B2B e-commerce market.

To overcome these challenges and foster growth, it is essential for businesses to remain adaptable and open to embracing emerging technologies like augmented reality, innovative digital payment methods, advanced AI-powered chatbots, and any upcoming technological advancements. This approach will not only enhance the efficiency and competitiveness of B2B e-commerce in India but also pave the way for future innovations and advancements in the industry.

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