

# e-commerce -- Past, Present and the Future

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*First they ignore you, then they laugh at you, then they fight you. Then you win."*

Mahatma Gandhi's famous quote has striking similarities to how e-commerce has panned out in the world.

Most of us wrongly assume that pure-play online technology firms are the key drivers of ecommerce. This was true in the early days but is no longer so; going forward offline retailers (who were the competitors of online retailers) will be the most important driver of global ecommerce in the coming decade.

Globally (and in India on similarly parallel lines with a slight lag) e-commerce can be broadly divided into three distinct phases - Surprise, Realisation, Pushback. The first phase from the mid nineties till (say) around 2005; the second phase till around 2015 and we are in the midst of the third phase now.

## **The first phase (worldwide 1994 - 2005, India 1999 - 2008) - Surprise**

The five year period from 1994-1999 triggered the e-commerce revolution globally when Jeff Bezos and Pierre Omidyar founded Amazon.com and Ebay.com in the USA followed quickly by Hiroshi Mikitani and Jack Ma who launched Rakuten and Alibaba in Japan and China respectively. During this phase, the visionary founders focused on: (1) building an ecosystem of infrastructure, merchants, online payment systems, logistics systems and processes from scratch since nothing existed (2) evangelising the benefits of e-commerce and attracting customer trials and (3) create an impression that e-commerce will sound the death knell for offline retail in the coming years.

While the first two were critical steps that set the phase for explosive growth of e-commerce, the third was really the most strategic. In reality, e-commerce is just another channel to retail products and services. Digitally integrating an e-commerce site or app with offline assets like stores and warehouses will significantly enhance customer experience. Pure-play e-commerce companies were the first to realise this and quickly understood that they were at a grave disadvantage. To counter this, they smartly crafted a competitive "Us vs Them" narrative. I daresay if Walmart had realised the significance of e-commerce in the previous century, Amazon may never have become the powerful force they are today.

Unfortunately, offline retailers initially ignored online retail as a passing fad and when it suddenly took off, they were all taken by surprise. Worse, many of the large retail chains swallowed the story put out by online retailers and assumed that all their offline assets including stores and warehouses were no longer assets but liabilities. It took them over a decade to realise how wrong they were.

In India, this first phase lasted till around 2008 and was quite similar. Apart from India's first e-commerce site Fabmart (which I co-founded along with five friends), the only other e-commerce startups of note were auction site Baazee and air-ticketing website MakemyTrip (which shifted focus to the overseas market), in addition to the Shopping Channels in portals like Rediff, Sify and Indiatimes. We faced a unique set of infrastructural challenges - lack of payment gateways, no content providers, no third party logistics firms, limited availability of merchants and merchandise and everything had to be built from scratch. Even the market was virtually non-existent - less than 3 million Indians were online and hardly 20,000 people shopped online, primarily for books shipped into India from Amazon USA. Essentially we were trying to squeeze water from stone using our bare hands and all that came out was blood.

## **The Second Phase (worldwide 2005-2015, India 2008 - 2018) – Realisation**

It took a decade from 2005 onwards for offline retailers worldwide to realise that their offline assets like stores, warehouses, depots, offices which seemed to have transformed overnight into "expensive liabilities" were still strong assets and if anything critical for online commerce and they started their own digital journeys in great earnest, thus starting off the second phase of global e-commerce which lasted till around 2015. The big story of this period was offline retailer brands led by the likes of Walmart and Tesco playing digital catch up rapidly with online retailers.

In complete contrast to the first phase in India, the second phase from 2008 till 2018 has been overwhelming. Driven by a set of young entrepreneurs who founded new e-commerce ventures like Flipkart, Myntra, Snapdeal, Bigbasket etc.; supported by aggressive overseas risk capital and venture funds and coinciding with the smartphone boom, over 50 million new shoppers went online with a vengeance. Global giants like Amazon and Alibaba started investing billions in their quest for market leadership. Offline retail chains and brands like the Future Group, Reliance and Tata, after initial hesitation, started devising their own digital strategies.

The seminal moment was Walmart's acquisition of Flipkart which in a sense brought the curtains down on the second phase and signalled the beginning of the third.

### **The Third Phase (worldwide 2015 onwards, India 2018 onwards) - Pushback**

This third phase will be the most crucial for the future growth and development of e-commerce both globally and in India. The underlying theme will be the integration of offline and online assets to deliver a high quality hyper-local, omni-channel customer experience while leveraging new technologies like DML, AI, Big (or small and medium) Data, Chatbots etc.

Here's a telling statistic. In the first decade and phase of e-commerce, any top 10 listing globally was dominated by pure-play e-commerce firms whereas in the second phase, a few big offline retailers started making their appearances in such listings. The next phase will see more of this and I won't be surprised if there are more offline than online retailers in future top 10 lists of e-commerce firms. Look at Amazon's moves - an offline bookstore, a hi-tech offline grocery store, the Whole Foods acquisition. These small steps are part of a large strategic play globally and are representative of the critical role offline assets are likely to play in future ecommerce success.

Even in India, while Amazon is investing big money to win online against Flipkart and Alibaba, there are crisp offline moves like investment in Shoppers Stop, a significant stake purchase in More chain of stores and talks of some stake in Future Retail as well. Amazon realises that continued leadership in global e-commerce will require strong offline integration and companies like Walmart with immense offline assets could take a lead here. Hence the urgency. In fact, all big players in India including Walmart / Flipkart, Alibaba are likely to make such moves while offline retail giants will keep investing into or acquiring digital assets.

### **Twenty Five Years of Ecommerce - Turning Full Circle**

In a sense, ecommerce has turned a full circle. In the mid nineties, e-commerce was first ignored by offline retail giants while burgeoning online stores treated offline assets as "old economy" businesses with a dismal future. Today, the name of the game is a partnership and both offline and online players are getting locked into tight embraces.

*"First they ignore you, then they laugh at you, then they fight you. Then we all win together."*

If the Mahatma was around today, maybe he would have said this about e-commerce!

The bugbear though continues to be sustainability. E-commerce is now 25 years old and despite so much hype and investments, profits are inconsistent. Amazon makes most of their money from other lines while Alibaba benefited from a protected market. Amazon, Alibaba, Walmart, Reliance, Tata and other big daddies have to figure out how to continue to deliver great customer experience while making money. The "it is still early days and we are not thinking of profits" excuse is starting to wear thin now.

### **About the author**



K Vaitheeswaran is referred to as the "father of ecommerce in India" and the best-selling author of "Failing to Succeed - the story of India's first ecommerce company" He is a serial entrepreneur who co-founded India's first ecommerce company. He also co-founded the Fabmall chain of supermarkets which subsequently got acquired by the Aditya Birla group and re-branded as "More" which has been recently acquired by Amazon. Vaitheeswaran's latest startup is an FMCG venture in beverages called AGAIN drinks. He lives in Bangalore and his twitter handle is @vaitheek

### **Jeff Bezos, Founder of Amazon on e-commerce**

"We see our customers as invited guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better."

We want eCommerce especially when people are shopping from our store and buying our product to have a seamless and enjoyable experience. The more people feel at ease the more they shop, that is why shopping malls are planned in such a pleasant way. Also, as the 'host' as Mr. Bezos calls retailers we need to ensure that:

- Customers get what they paid for in a timely fashion
- Are satisfied and know how to operate our products
- Are updated at every point of the purchase and shipping process