E-tailing in India - Growth, Challenges and Opportunities

Ms. Ruby
rubykansal24@gmail.com
Assistant Professor in Department of Commerce & Management,
S.D.P College for Women, Ludhiana (Pb.) India.

Abstract

The Indian Online Retail segment is changing rapidly by the impact of technology. Smart phones and internet enabled customers to connect e-tailing in a huge manner. E-Tailing has become extremely popular over the last decade. Today is the Era of Globalization and the consumer is not bound within a particular place to access products available anywhere in the world. Now he can go beyond the boundaries of any market area where he lives, to access the things of his interest. The medium holds many virtues favorable for the retail industry including a higher customer penetration, increased visibility, and convenient operations. The current web-based models for e-tailing are part of an embryonic phase preceding an era of rapid transformation, challenge, and opportunity in Indian retail market.

This paper is an attempt to evaluate and highlight the potential E-Retailing holds and the role it can play in context of emerging Indian consumers and economy. The author has also tried to explore the issues & challenges in the path of E-Retailing & the future perspective of E-Retailing in India. The formalization and growth of E-Retailing will play a pivotal role in bringing sustainability and economic viability to many facets of the economy. My inferences in this chapter support that E-Retailing needs to be viewed objectively and individually as it a strong driver of Sustainable Economic Development.

Key words: Internet, Retailing, E-retailing, Challenges and Opportunities.

Introduction

India has an internet user base of about 270.2 million as of June 2015. The penetration of e-commerce is low compared to markets like the United States and the United Kingdom but is growing at a much faster rate with a large number of new entrants. The industry consensus is that growth is at an inflection point.

The online retail market has evolved and grown significantly over the past few years. Asia Pacific is emerging as the fastest growing region for online retail with China showing tremendous potential. In India, online retail or E-tailing market represents a very small fraction of the total retail market India, but holds immense business potential driven mostly by growing internet penetration, increasing usage of smart phones, cost advantages and huge funding by private equity.
investors. Popularity of cash-on-delivery (COD) and rising working women, growing acceptability of online payments, favorable demographics, and lack of organized retail market are the other key factors driving the growth of online retail in India.

In the Indian online retail market, major e-tailing firms like Flipkart, Snapdeal and Amazon have adopted asset light model and hence moved away inventory based model to marketplace model. Private equity players and venture capital firms have shown their faith in the growth of online retail in India and it is evident with Flipkart receiving eight rounds of funding over the last seven years.

However, with immense growth opportunities, the online retail market faces the challenges in terms of logistics services as the key to online retail is to deliver products on time. Logistics and infrastructure, huge maintenance cost of warehouses, costly middlemen, and error in online payments are a few of the bottlenecks in the growth of the industry.

**Review of Literature**

There are a number of research works have been done by researchers but only a few has been given, related to the paper.

**Brown (1987)** has suggested that the costs of a retail format refer to consumers’ costs. Consumers incur non-monetary costs - time, effort and psychological costs - as well as monetary costs. Savings in non-monetary costs are especially emphasized by non-store formats. Their appeal to consumers has been the ease and convenience of shopping, freed from location and other constraints.

**According to Rao (1999)**, E-commerce offers increased market activity for retailers in the form of growing market access and information and decreased operating and procurement costs. The consumers can gain better prices due to the competition and also can enrich their knowledge on goods and services.

**Zhang and von Dran (2000)** have found that certain aesthetic elements of a web-site are considered as purchase motivators, while other aesthetic elements serve as hygienic factors (i.e., necessities) in purchase decisions from e-retailers. The colour and background images of web-page are also found to affect consumer choice

**Namita Bhandari and Preeti Kaushal (2013)** in their study on online consumer behaviour using factor analysis and found the reasons for using online shopping like trust, information about the product and services, convenience, effortless shopping.

**Nagesh (2011)** describes that Indian retailing will see a sea of change in the next five years driving consumption boom never seen in the history of any country. From a drought situation we will see a flood of modern retail, So Indian retail will be on a steady ground of sustained growth year after year and thereafter.

**Mohanty & Panda (2008)** opines about retailing as a sector of India occupies important place in the socio-economic growth strategy of the country. India is witnessing retailing boom being propelled by increasing urbanization, rising purchasing power parity (PPP) of ever growing India’s middle class, changing demographic profiles heavily tilted young population, technological revolution, intense globalization drive etc.

**Akash (2009)** states that Retail business in India, as anywhere else in the world, plays a crucial role in an economy. Retail in India has the potential to add value over USD 76 billion businesses in the coming years generating employment for some 2.5 million people in various retail operations and over 10 million additional workforces in retail support activities including contract production and processing, supply chain and logistics, retail real estate development and management.
Sahu (2010) describes that a rise in consumer confidence, improvement in profitability and aggressive expansion plans signal better tidings for listed players in the organized retail space. Moreover, analysts believe listed retailers could attract foreign investments by spinning off their subsidiaries into separate companies which can provide a great opportunity for the improvement of this sector.

According to Turban (2006), E-tailing is defined as retailing conducted online, over the internet.

Wang (2002) has provided a broad definition of E-tailing by defining it as the selling of goods and services to the consumer market via the internet.

Zeithaml (2002) has defined that the success of E-tailing depends on the efficient web site design, effective shopping and prompt delivery. The other e-store services are delivery on real time, return and replacement process, period of filling out online orders form, speed of response time to e-customers queries.

Delone and Reif (2004) have found that at present customers are more likely to continue shopping online when they have a greater experience of online shopping. It is also found that young adults have a more positive attitude towards online buying.

Lavie and Tractinsky (2004) have expressed the expressive aesthetics of web-sites that convey a sense of creativity and uniqueness. This type of aesthetics is likely to serve an important role when shopping for specialty goods. The expressive design is relevant to specialty goods because of their unique characteristics that emphasized the shopping experience.

Bauer et al., (2006) have compared the services of online retail service vs. traditional retail services. They have identified that the online retail services are broken into two rather distinct phases: the client interaction phase taking place online and the fulfillment phase taking place offline. They also have suggested that web-site quality is a matter of delivering both hedonic and utilitarian elements.

Need of the Study

Electronic retailing has emerged as a new avenue to consumers for shopping. Internet penetration spread across India at a faster rate, gaining attractiveness for online buying. E-retailers intend to take advantage on it in spite of impediment and escalated competition of e-tailing. Thus, this study is undertaken to access the factors for growth and barriers of e-tailing in India.

Objectives of the study

1. To study about e-tailing in India and growth in modern marketing.
2. To study about Challenges and opportunities of e-tailing in India.

Meaning of e-tailing

E-tailing or e-retailing refers to the selling of retail goods electronically over the Internet. The term is a short form for "electronic retailing", and surfaced in the 1990s for being frequently used over the Internet. The term is an inevitable addition to other similar terms such as e-business, e-mail, and e-commerce. E-tailing usually refers to the business-to-consumer (B2C) transactions. E-tailing is gaining ground. Online retailing is classified into three main categories:

1. Click – The businesses that operate only through the online channel fall into this category. Prominent examples in this category include: Dell, Amazon.com and e-Bay.
2. **Click and Brick** – The businesses that use both the online as well as the offline channel fall into this category.

3. **Brick and Mortar** – This is the conventional mode of retailing. The businesses that do not use the latest retailing channels and still rely upon the conventional mode belong to this category.

E-tailing offers the consumers huge amounts of information in the form of web sites with useful links to similar sites that allows consumers to compare products by looking at individual items. The convenience of online shopping is unmatched indeed. Shopping out of your home or office reduces the stresses of waiting in lines and dealing with irritating sales people. However, E-tailing causes problems with fit, since the consumer cannot try the items on. Return policies may also act as turn offs and items can be difficult to return. The shipping and handling costs may turn the customers away. E-tailing requires technology savvy customers and this puts a limit on its potential reach. We can see that E-tailing is emerging as an interesting phenomenon in the retail industry that is on a rise despite the disadvantages associated with it.

**Structure of E-Retail Market in India**

The internet retail sector in India broadly comprises two categories of players:

- Vertical focused players: Deal in specific category of goods such as apparels, electronics and baby products.
- Multi-category players: Deal in multiple categories of goods.

**Evolution of E-tailing in India**

There is no denying the fact that e-commerce has re-entered India and is here to stay. Even the small and medium retailers of the country want to ride the wave and are ready to make a fortune out of the market place concept. It may be now that online shopping has become popular but the concept of e-Commerce was introduced long back in the 20th century.

**1991: Introduction of E-Commerce**

The year 1991 noted a new chapter in the history of the online world where e-commerce became a hot choice amongst the commercial use of the internet. At that time nobody would have even thought that the buying and selling online or say the online trading will become a trend in the world and India will also share a good proportion of this success.

**2002: IRCTC taught India to Book ticket online**

India first came into interaction with the online E-Commerce via the IRCTC. The government of India experimented this online strategy to make it convenient for its public to book the train tickets.

**2003: Introduction of Low Cost Airline with Air Deccan**

After the unpredicted success of the IRCTC, the online ticket booking system was followed by the airlines (like Air Deccan, Indian Airlines, Spice-jet, etc.). Airline agency encouraged, web booking to save the commission given to agents and thus in a way made a major population of the country to try E-Commerce for the first time.

**2007: The Deep Discounted model of Flipkart**

The acceptance of the ecommerce on a large scale by the Indian people influenced other business players also to try this technique for their E-businesses and gain high profits. Though online shopping has been present since the 2000 but it gained popularity only with deep discount model of Flipkart. In a way it re-launched online shopping in India. Soon other portals like Amazon, Flipkart, Jabong, etc. started hunting India for their businesses.
2015: Current Scenario

Online shopping in its early stage was a simple medium for shopping with fewer options. The users can just place an order and pay cash on delivery. But, in last few years this field has been renovated to a high extent and hence fascinated many customers. Today, the online shopping has become a trend in India and the reason behind the adoption of this technique lies in the attractive online websites, user friendly interface.

The Internet Economy Watch Report for the month of April 2015, released by the Internet & Mobile Association of India (IAMAI), indicates 28.84 million people accessed various e-tailing sites. There were 2453.35 million page views in the category. The user reach for job and matrimonial websites is 16.28 million and 9.27 million respectively with 460.68 million and 110.19 million respective page views. As compared to e-tailing and job and matrimonial websites, online travel segment has less reach with 14.10 million reach and 490.22 million page views. The total time spent by users on the e-tailing, online job portals, online matrimonial portals and online travel portals was 52014276 seconds, 25687398 seconds, 7281667 seconds, and 22959918 seconds respectively.

![Graph showing e-commerce sales in April 2014 and 2015](image)

Source: IAMAI/e-Commerce sites

Managerial implications of the Study

- **India E-Learning Industry to Reach USD 1.29 billion by FY’2018**

The E-learning industry is witnessing a strong demand in the academic sector with changing teaching methods and courseware likewise in schools and colleges. Technological advancements in teaching methods has made it possible for students in the country to attend customized tutoring from teachers anywhere in the country or even in the world. Additionally virtual and blended-learning programs will facilitate mass customization in education. E-learning is a rapidly growing segment. The reason behind this upsurge is due to the advancements in school curriculum, technological developments such as use of computers, projectors to teach students and rising popularity of instructor led training programs.

India's e-commerce market was worth about $3.8 billion in 2009, it went up to $12.6 billion in 2013. In 2013, the e-retail market was worth US$ 2.3 billion. About 70% of India’s e-commerce market is travel related. India has close to 10 million online shoppers and is growing at an estimated 30%. Electronics and Apparel are the biggest categories in terms of sales.
Key drivers in Indian e-commerce are:

- Increasing broadband Internet and 3G penetration.
- Rising standards of living and a burgeoning, upwardly mobile middle class with high disposable incomes
- Availability of much wider product range compared to what is available at brick and mortar retailers
- Busy lifestyles, urban traffic congestion and lack of time for offline shopping
- Lower prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs
- Increased usage of online classified sites, with more consumer buying and selling second-hand goods
- Evolution of the online market place model with sites like Jabong, Flipkart, Snapdeal etc.

- India's retail market is estimated at $470 billion in 2011 and is expected to grow to $675 Billion by 2016 and $850 Billion by 2020, – estimated CAGR of 7%. According to Forrester, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012–16.
- On 7 March 2014 Flipkart claimed it has hit $1 billion in sales, a feat it has managed to achieve before its own target (2015). Overall e-commerce market is expected to reach Rs 1,47,800 crores (US$24 billion) by the year 2016 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile/DTH recharge with nearly 1 million transactions daily by operator websites

Factors behind the Growth of E-tailing in India

- No rent or land costs: E-retailers do not require sophisticated showrooms in prime locations, and operate through their websites or portals. This significantly saves the store maintenance costs, which are pretty high for physical store retailers.
- Enhanced communication with the client: E-Retailing enables personalized interaction with customers.
- Universal reach: A supermarket has a limited geographical area of operation. It caters only to a limited number of customers of a particular locality, but a website can be accessed from any part of the globe, which increases its market multifold. Such websites also serve as a good medium of advertising at a minimum cost, and reach out to the world.
- Effortless and joyful shopping: Online shopping saves time. Shopping in the comfort of your home through the Internet is a huge attraction for customers.
- Any time accessibility: The online store is accessible 24x7 and delivers your products home. That saves time and effort.
- Prices can be compared: Online shoppers can compare the prices of the products they want to buy with competitive sites, and then go for the purchase.
- No duplication of products: Branded products are sold at competitive prices on credible online portals. This reassures the consumer that no duplicated, low quality products will be sold on these sites.
**Internet Boom:** After 2005, a rapid growth has been seen in the number of people using internet. This is due to enhanced broadband internet services and penetration of 3G services that has given faster internet access.

**Standard of living:** The living standard of the people has made them inclined towards e-retail sites for shopping. The increased per capita income has also played its part in this inclination.

**Availability of wider range:** Online market offers a much wider range of products than any retail shop. People have wider options for the products online and even can buy those products that are not available at the retail shops.

**Lifestyle:** In this busy lifestyle, lack of time for offline shopping and urban congestion of traffic has also led to the boom of online shopping market.

**Free classified sites:** These sites have been launched where more consumers can buy and sell used goods as well.

**Competition in online market:** Competition among the online shopping websites has attracted more customers to go for online shopping.

**Discounts and cheap rates:** Through numerous offers these sites sell the products to the customers. Hence, products

**Challenges and Opportunities of E-Retailing in India**

(I) **Challenges**

Bruke (1999) has identified about several impediments for the growth of E-tailing. They are:

- consumers can not touch and feel products
- orders can take several days to be delivered
- shipping costs are often excessive
- customer service is often poor
- Returns can be difficult.

Deighton (1997) have identified a number of consumer characteristics as potential obstacles to Internet growth, including consumer traditional shopping experiences, an aversion or lack of access to the required technology and the perceived risks of electronic shopping.

- **Controlling Customer Data:** As the delivery services are becoming more modern in using information technology; E-Retailers may face some risks to properly handle on their consumer data. The data related to the socioeconomic status of customers to their buying patterns and preferences, helps intermediaries and shippers reduce costs.

- **Problems with the Payment System:** People in India are not accustomed to the online shopping system and moreover the online payment system through the credit card is also totally alien to them. Most of them do not avail of the transaction facilities offered by the credit cards. They are also dubious regarding the online payment systems.
system through the credit cards. Companies should protect their system from hackers as customers often worry about theft of their personal information, such as a credit card number. Both technological and legal tools should be used to enhance the security of e-commerce.

- **Lack of Full Cost Disclosure:** It is easy to compare the basic price of an item online, it may not be easy to see the total cost up front as additional fees such as shipping are often not mentioned.

- **Handling Returns:** The problem of returns is very much prominent in E-Retailing businesses in India. The customers can return defective or unwanted merchandise which he receives. E-commerce retailers, with their emphasis on convenience and customization, must match this standard of service. At present, they do not.

- **Delivering the Goods Cost-Effectively:** At present, every single transaction challenges e-tailors to deliver the goods quickly, cheaply and conveniently. The existing mode for home delivery works well for letters and flat packages but not for E-Retailing as it encompasses with high volumes and wide variety of package shapes and sizes.

- **Problems with Shipping:** The customers using the online shopping channel should be assured that the products that they have ordered would reach them in due time.

- **Offline Presence:** The customers of India should be assured that the online retailers are not only available online but offline as well. This gives them psychological comfort and trust. The concept of e-retailing or online retailing in India has not gained prominence as Indians prefer to touch the products physically before buying them. Studies have also revealed the preferences of the customers towards the traditional shopping methods. Hence the online retailer in India should first make it a point to spot the potential customers and accordingly plan out the product.

- **Language Problem:** Most internet retail shops use English as their mode of communication. English may not be comprehensible to the majority of the Indian population. To increase the customer base, content in the online retail shops should be provided in local language.

With the economic slowdown worldwide, many retailers who preferred having a presence are looking to go online at minimal costs and keep the sales increasing. Compare to a traditional brick and mortar store front which has a commercial address and where address and where customers can transact face-to-face, e-store is relatively small, convenient and low-cost start-up. The only costs involve in the E-Retailing platform include the monthly hosting and ISP bills. With a website, an online retail has the adaptability to gauge the market condition and market attractions accordingly.

(II) **Opportunities**

The opportunities of E-tailing industry in India are as follows:

- **Convenience** Normally, online stores are usually available 24 hours a day, and many consumers have internet access both at work and at home.

- **Price and Selection:** One of the biggest advantages of online shopping is to find out quickly deals for items at services with many different vendors. Search engines, on-line price comparison services and discovering shopping items can be used to find out sellers for a particular products or services. Some retailers also offer free shipping on sufficiently large orders. Searching an online catalogue can be faster than browsing the physical catalogue of a brick and mortar store.
Market Research: Retailers can use their online presence as a tool to gain valuable customer information to forecast future customer demand. Baker (2005) has pointed out that online market research has some powerful advantages, such as monitoring real-time buying decisions. In addition, online customers have the knowledge and experience necessary to answer the questions, which produces more accurate and reliable data.

Online Customer Service: In India, websites are becoming new channels for conducting customer service; therefore their general acceptance level will increase, due to the benefits provided to customers. For example, a customer could ask for a product introduction or a personalized product in the pre-purchase stage, and could also check the delivery status online. All such services can be available uninterrupted online, which is almost impossible in the physical world, due to the cost.

Promotional Tool: A website can be used as a medium to conduct promotional experiments, due to the wide reach of the internet, and the low cost (Rao 1999). Therefore, it will be a great opportunity for Indian companies to promote their businesses.

Marketing Tool: As indicated by Peterson et al. (1997), a website is also an effective channel to communicate with customers. Organizations do not need to rely solely on one-way communication media, such as TV and newspapers. The internet provides a two-way communication channel. As a new communication channel, the internet can provide benefits to retailers, such as low costs, interactivity, personalization, and continuous communication. In this connection, Wang et al. (2002) have suggested that by better understanding consumers through customer relationship management, marketers can employ relationship marketing techniques in the retail market to provide personalized services.

E-Retailing Prospects in India

The formalization and growth of E-Retailing will play a pivotal role in bringing sustainability and economic viability to many facets of the economy. It will provide both direct and indirect employment as well as support such infrastructure industries as logistics, telecom, etc. by creating demand.

- In India, E-Retailing has the potential to grow more than hundred fold in the next 7 years to reach a value of USD 76 billion by 2021. The country’s growing Internet-habituated consumer base, which will comprise ~180 million broadband users by 2020, along with a burgeoning class of mobile Internet users, will drive the E-Retailing story.

- E-Retailing can provide employment to ~1.45 million people by 2021. Its growth will spur the creation of new capabilities and human skills in the areas of logistics, packaging, and technology. Additionally, such growth will promote the rise of service entrepreneurs who will have the potential to earn ~USD 7.5 billion, annually, by 2021. It will open up international markets for the SME sector and can become an important facilitator for the growth of the telecom and domestic air cargo industries.

- The growth of E-Retailing in India will be complementary to the growth of traditional retail, and in no way be at cross purposes. On the contrary, it will improve efficiencies and reduce transaction costs in retailing and thereby boost the productivity of manufacturers (SMEs) and service providers.

- The potential of India’s E-Retailing will continue to remain untapped if the current mindset, of exclusion and seeing E-Retailing as a “passing fad”, prevails. E-Retailing is different from retail and therefore requires a different mindset and fresh thinking from the policy makers as well as the private sector.
Suggestions and Conclusion

In modern scenario, E-tailing has become part and parcel of the people in India. Consumers are always hungry for modern ways of shopping. Indian retail sector is growing fast and its employment potential is growing fast. The new wave of consumerism coupled with urbanization with paradigm shifts in the demographic and psychographic dynamics have driven consumers frequently to use retail website to search for product information and make a purchase of products. It is suggested that internet firms that emphasize constant change with their strategic orientation may be positioned for success in this new form of entrepreneurship. In India, e-tailing has the potential to grow more than hundred-fold in the next eight years to reach a value of 76 billion dollars by 2021. This would be possible if more number of rural people brought under the fold of internet accessing and trained to use the sophisticated way of shopping and if the E-retailers change their business models and understand their consumers more because consumers are the real Kings. It is very easy to lose an e-customer. To retain, a mix of marketing tools such as public relations, advertising, promotions, direct marketing and Internet advertising should be used. Customer loyalty programs should be initiated. The e-retailers should also bring confidence among the online customers by prompt delivery of goods; allowing discounts for bulk purchases, reducing delivery charges etc. They must also provide reluctant consumers with compelling reasons for accepting the Internet as a new way to shop. Subsequently, the Indian market will attain a different outlook. It is necessary to create a sustainable environment mechanism for futuristic growth of E-Retailing in India.

References


