E-Tailing in India Present and Future

Rev.Fr.Dency Varghese, V.SHAMINI

Asst. Prof. of Commerce, St.Alphonsa College of Arts & Science, Karinkal, Tamil Nadu, India
M.Com, St.Alphonsa College of Arts & Science, Karinkal, Tamil Nadu, India

Abstract

Internet is a potent medium that can serve as a unique platform for the growth of retail brands in India. The Indian retail market is witnessing a revolution. 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. It is not just the metros that are fueling the online scene in India the demand supply gap in tier 2-3 cities where there is brand awareness but no availability of products and services is also adding to growth. Online retailing portals such as eBay.in, Snapdeal.com, and Naaptol.com are registering anywhere between 40 and 60% of their sales from rural areas apart from the tier II and III cities. The penetration rate is quite low in comparison to other countries worldwide; however the number of users is significantly high. This paper highlights the essentials of e-tailing, e-tailing in India, factors for gorwth of e-tailing in India and barriers to growth of e-tailing in India.

Keywords

E-tailing, Multichannel, Product Diversity, Service, Strategy.

Introduction

Electronic retailing or e-tailing, as it is generally being called now, is the direct sale of products, information and services through virtual stores on the Web, usually designed around an electronic catalogue format and auction sites. There are thousands of storefronts or e-commerce sites on the Internet that are extensions of existing retailers or start-ups. E-tailing is synonymous with business-to-consumer (B2C) transactions in online stores, where a customer can shop for apparel, cell phones, cameras, computers, books, magazines, music

CDs and DVDs, shoes, furniture, health equipment, flowers, etc—the list being pretty long and exhaustive. Electronic retailing has emerged as a new avenue for consumers to shop in. With the Internet spreading across India at a fast rate, online selling is becoming attractive for e-retailers. Let's take a look at the factors that have led to the growth of e-tailing in India, analyse the issues and challenges involved, and also examine the future trends. (*Note:*

In the course of this study, data has been collected from secondary sources like books and journals, and also from the Internet.).

Objectives of The Study

The following are the important objectives of the study:
• To study the essentials of e-tailing.
• To study the e-tailing trends in India.
• To analyse the factors for the growth of e-tailing in India.
• To analyse the barriers to the growth of the e-tailing market.
• To study the future hold for e-tailing.

Essentials of E-Tailing

To be successful, an e-tailing business must have a few ingredients. It is important to focus on these components before setting up a virtual store. These essential components are:
1. Attractive business-to-consumer (B2C) e-commerce portal.
2. The right revenue model.
3. E-catalogue: This gives a database of products, with their prices and the available stock.
4. Shopping cart: The customers select their goodies and put them in a virtual shopping cart. Finally, as in a real store, at the time of checkout, the system calculates the price to be paid for the products selected.
5. A payment gateway: Customers make payments using their credit/ debit cards or with e-cash through this gateway. Therefore, this payment mechanism must be fully secure.

E-Tailing in India

According to a recent e-commerce survey by Visa, the credit card company, eighty per cent of Internet users in the Asia Pacific made an online transaction, and spent an average of over US$ 3,000 each in the past 12 months. The survey revealed that, in India, digital downloads were the most popular form of consumer ecommerce. Seventy-six per cent of respondents from India, the highest among Asia Pacific countries (including Hong Kong, Singapore, Japan, Korea and Australia), have bought some form of digital entertainment over the Internet in the last year; music downloads (63 per cent) emerged as the most popular digital entertainment purchase. Indian consumers recognise the convenience of online shopping as reflected in the high percentage of Internet users who buy a wide range of products online—from those for everyday use to the occasional high value item. According to the Visa report, the top draws for shopping online were airline tickets, online travel agents, and travel accommodation. Clothes and shoes grabbed the fourth spot. However, the food and groceries segment was positioned seventh in this survey.

The preferred source of digital business analytics, com-Score, reports that coupon (daily deal) sites are also a part of the e-commerce craze. In November 2011, around 16.5 per cent of the Indian online population visited sites such as Snapdeal. Kedar Gavane, director, com-Score, said, "The online channel is playing an increasingly important role in connecting retailers with potential customers in India. The rapid growth of online coupon sites suggests that consumers in India are looking for deals, highlighting the need for online retailers to adopt effective marketing and pricing strategies."

A report by the Internet and Mobile Association of India (IAMAI) revealed that India's e-commerce market is growing at an average rate of 70 per cent annually!

Factors For The Growth Of E-Tailing In India

The following are the important factors for the growth of e-tailing in India
1. 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.

2. Enhanced communication with the client.
E-tailing enables personalised interaction with customers.

3. 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.

4. Effortless and joyful shopping.
Online shopping saves time. Shopping in the comfort of your home through the Internet is a huge attraction for customers.

5. Any time accessibility.
The online store is accessible 24×7 and delivers your products home. That saves time and effort.

6. 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.

7. 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.

Barriers To The Growth of The E-Tailing Market
The following are the barriers to the growth of the e-tailing market

1. No negotiations possible
Online shopping does not allow negotiations or bargaining, which price conscious Indian consumers love doing.

2. Lack of touch-and-feel experience of the products
Customers cannot physically examine the products they buy online. They get to do
that only when the product is delivered to them.

3. The trust factor
Sometimes, online consumers are unable to trust new e-retailers with respect to safe and timely delivery of a product that is ordered online.

4. Increased competition
Big e-retailers are already dominating the Indian market, making the entry and survival of small e-retailers tough.

5. Privacy concerns
Consumers fear that the information they provide may lead to spam e-mails or identity fraud.

6. Possibilities of fraud
Unscrupulous e-tailers can damage the faith of the common consumer.

7. No direct interaction.
In e-retailing, there is no face-to-face interaction between the customer and seller. Some consumers are not comfortable about this.

8. Delivery of products
E-tailers who do not deliver on time spoil the market for other genuine e-tailers.

9. Language
To reach a wider base of consumers in India, websites must enable communication in local languages. At present, most e-tailers use only English as the mode of communication.

Future Holds For E-Tailing
The e-commerce market in India is estimated to grow at 30 per cent year-on-year. E-retailing comes under e-commerce. E-tailing helps retailers build loyal customers and is aimed at selling in areas where they don't have a physical presence. Sankarson Banerjee, CEO of Future Bazaar (the Future group's e-tailing venture), says, "E-tailing accounts for 7-10 per cent of our worldwide sales. We expect this share to increase in coming years. Electronic goods and apparel are the most popular online purchases." He adds, "Besides international orders, we get orders from J&K, Andaman & Nicobar Islands, etc." Ambareesh Murty, country manager, eBay India, concurs, "Online marketplaces help create trade between metros and Tier II and III cities by bridging the demand and supply gap. Over a third of all products bought by eBayers in hilly areas (North East, Jammu & Kashmir and Himachal Pradesh) are tech gadgets (mobile phones, digital cameras and USB drives).

While women from the metros are buying a lot of sarees, the sellers are spread across various cities and towns of India, including manufacturing hubs and handicraft hubs like Davangere (Karnataka), Chittaurgarh (Rajasthan), Lucknow (UP) and Kunnamkulam (Kerala)." Moreover, e-tailing helps retailers save on the real estate cost. Also, an e-tailer does not have to carry huge inventories and can cut supply chain costs. However, Banerjee disagrees,

"E-tailing has other cost factors like delivery, technology, etc. It's not cheaper." Replicating the success such ventures have had in the developed world is a challenge, considering the broadband bottleneck in India. Anand Ramanathan, manager, Business Performance Services, KPMG, says, "E-tailing is a good complimentary service but I don't see it making a big contribution to sales in the near future." When asked if e-tailing is aimed at getting customers where retailers don't have a physical presence, Ramanathan says, "Not really. The retailer has to have physical presence for delivery."

Murty says, "We welcome the entry of reputed brands that consumers trust. The launch of IRCTC (Indian Railway's e-commerce arm) to power sale of railway tickets has encouraged a whole new demographic to shop online. We see new e-commerce entrants helping increase the size of the market by encouraging new non-shoppers to turn online shoppers." Incidentally, e-tailing is not limited to retailers. FMCG major, Amway, also launched its e-tailing portal in 2008. For the direct-selling company, the online medium is aimed at expanding the company's existing distribution network across 500,000 Amway Business Owners and also at tapping the vast semi-urban customers' base with direct access to Amway's product range.

But capitalising on India's growth online is no cakewalk. Sachiners of Flipkart, have set up delivery operations all across the country because Indian shippers do not have the delivery and package-tracking abilities that companies like FedEx provide for American customers. Sachin Bansal, the company's chief executive, says that by having its own staff, Flipkart avoids paying courier services commissions of more than two per cent to accept cash on delivery, which makes up about 60 per cent of its orders. It can also track packages more accurately. And because labour costs are relatively low in India, its delivery cost is a modest $1 a package. "More than 90 per cent of retail transactions in India are in cash. People like my dad and my uncle are much more comfortable with cash. If we have to increase our customer base, we have to accept cash," he says. Flipkart is not alone in tweaking its model to suit Indian

www.ijrmbs.com

49

conditions. Snapdeal offers customers the option of making partial payments online, and paying the balance directly to merchants whose products and services it sells.

With the growth of disposable incomes, people have a lot more money to spend. They are finally opening up to shopping online and are willing to take a chance. Also, ecommerce companies are going out of their way to give the consumer not just a product but an online shopping experience. Credibility, too, does not seem to be an issue, with more and more branded players stepping into the e-commerce scene. The online retail segment in India is growing at an annual rate of 35 per cent, which would take its value from ` 20 billion in 2011 to ` 70 billion by 2015.

Online shopping has come of age in India, with people shopping through the convenience of online portals from the comfort of their drawing rooms. However, Indian marketers are also increasingly becoming aware about the need for a good policy for returned goods, in case a customer is not satisfied with the product. It has been estimated that about a fifth of the orders purchased online are returned to the vendor. Most online portals announce that money will be returned if a customer is not satisfied with the product. Customers who pay on delivery can also return a product if it does not come up to their expectations.

The Indian consumer base is supported by a vast rural market that accounts for 70 per cent of the country's population. With a rise in rural incomes, there has been a change in India's consumption basket. As consumer product companies compete among themselves to get a larger share of the consumer pie, technology and innovation will play a key role in their future growth. Conventional strategies of physical distribution and communication will no longer guarantee the pace of growth or success seen in the past.

Companies will try to find easier and cost-effective ways to reach out to a larger base of consumers. Online retail in India is expected to penetrate categories beyond apparel and electronics, as companies attempt to sell essentials such as grocery and personal care products online.

A few websites are now promoting social shopping, which enables an interaction between old and new customers on queries related to any of the products sold on the site. Social shopping helps to increase the credibility and popularity of an e-tailer, as a customer who has used a product from a site can advise another one who is planning to buy it from the same site.

Online shopping in India has created a new scope for retailers, too, as they can advertise their products easily on the websites of these e-tailers, and the amount paid is much less than they would pay for advertising on other media like television.

Conclusion

It is being concluded that e-retailing is associated with numerous benefits both for the e-retailers and the consumers. The important concern is that the technology and the concept has to be used cautiously and carefully. There are number of factors in the business environment of India that can prove to be useful to the e-retailers like changing consumer behaviour of Indian customers, Internet penetration, more use of sophisticated technology etc. So the e-retailers should lframe their strategies to capture more market share easily and quickly. They can make competitive marketing strategies with the help of e-retailing.

References

[1]. Baye, M. R., Morgan, J. & Scholten, P (2003), "The Value of Information in an Online Consumer Electronics Market". Journal of Public Policy & Marketing, 22, pg.no:17-25.

[2]. Guttman, Robert H., Moukas, Alexandros G. and Maes, Pattie (1998), "Agents as Mediators in Electronic Commerce". International Journal of Electronic Markets 8(2): pg.no:22–7.

[3]. Haubl, G. & Trifts V (2000), "Consumer Decision Making in Online Shopping Envi-ronments: The Effects of Interactive Decision Aids". Marketing Science, 19(1), pg.no:4-21.

[4]. Kalyanam, K., and McIntyre, S (2002), "The E-Marketing Mix: A Contribution of the E-tailing Wars. Journal of Academy of Marketing Science", 30(4), pg.no:487-499.

[5]. Kim S.Y, Lim Y.J (2001), "Consumers' Perceived Importance of and Satisfaction with Internet Shopping", Electronic Markets, vol.11, no. 3, pg no:148-154.

[6]. Metters, R. & Walton, S (2007), "Strategic supply chain choices for multi-channel Internet retailers". Service Business, 1, pg.no: 317-331.

[7]. Rabinovich, E (2004), "Internet Retailing Intermediation: A Multilevel Analysis of Inventory Liquidity and Fulfillment Guarantees", Journal of Business Logistics, vol. 25, pg.no:139-170.

[8]. Rao, Bharat (1999), "The Internet and the revolution in distribution: a cross-industry examination". Technology in Society. 21(1), pg.no:287-306.

[9]. Varadarajan, P. R., and Yadav, M. S. (2002), "Marketing Strategy and the Internet: An Organizing Framework". Journal of Academy of Marketing Science, 30(4), pg.no:296-312.

[10]. Michel Levy, Barton A Weitz & Ajay Pandit - Retailing Management, sixth edition(2008), Tata McGraw Hill, New Delhi.

[11]. Zeithaml V.A (2002), "Service excellent in electronic channels", Managing Service Quality, vol. 12, no.3, pg no:135-138.

[12]. P. Sathish Chandra and G. Sunitha E-TAILING – THE MANTRA OF MODERN RETAILER's SUCCESS, Journal of Arts, Science & Commerce, Vol.– III, Issue 2(3), April 2012, Pp:43-48.

[13]. Soumya Sreedhar V. and Jancy Davy "E-TAILING IN INDIA HAS A BRIGHT FUTURE, Facts for You, July 2014, Pp:9-12.