E-tailing in India- Growth, Challenges and Opportunities

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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. The Indian retail market is witnessing a revolution.

This study focuses on understanding e-tailing growth and opportunities in Indian market. The study further concentrated on different challenges in front of e-tailors.

Key words: Internet, Retailing, E-tailing, growth, Challenges and Opportunities,

Introduction:

India has an internet user base of about 250.2 million as of June 2014.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,

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favourable 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.

What is 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

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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.

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.

E-tailing in India and Growth:

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 teaches 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, Spicejet, 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.

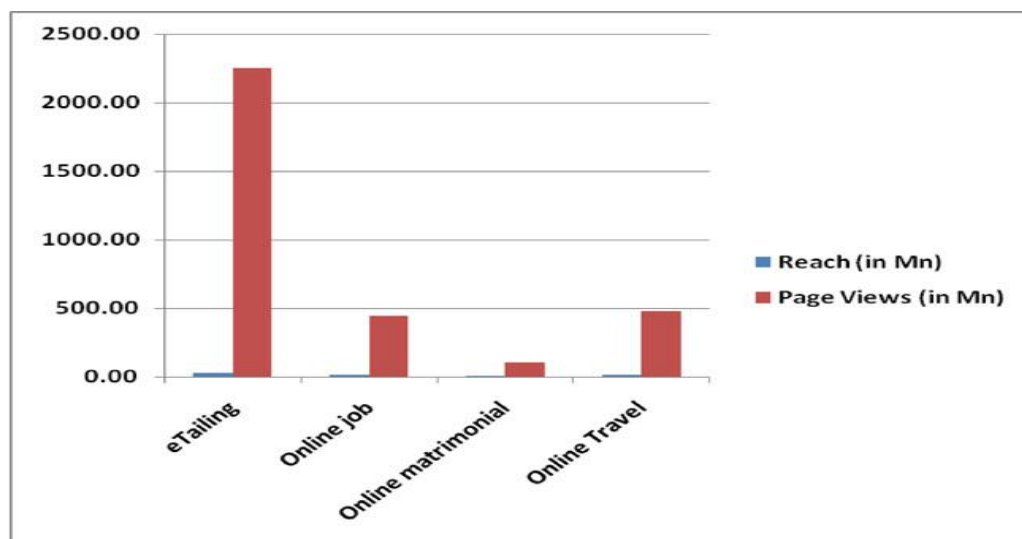**2007: The Deep Discounted model of Flipkart**

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.

2014: 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
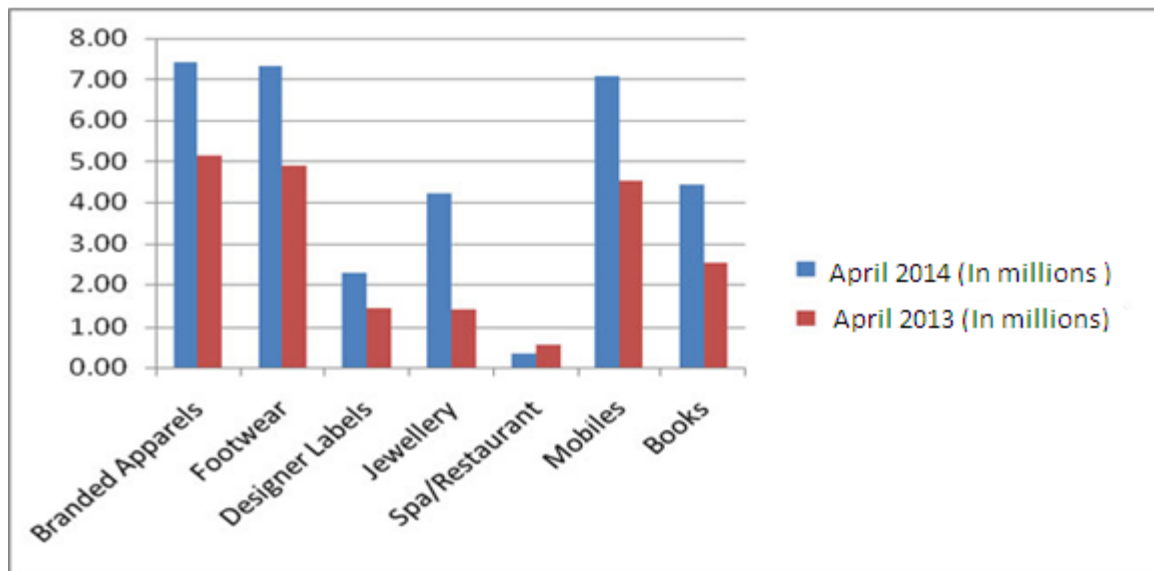
The Internet Economy Watch Report for the month of April 2014, released by the Internet & Mobile Association of India (IAMAI), indicates 24.84 million people accessed various e-tailing sites. There were 2253.35 million page views in the category. The user reach for job and matrimonial websites is 13.28 million and 7.17 million respectively with 447.68 million and 104.99 million respective page views. As compared to e-tailing and job and matrimonial websites, online travel segment has less reach with 11.14 million reach and 477.52 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.

Source: IAMAI/ Different websites

According to the data captured from major e-tailing sites in the monthly tracker, online visits to designer labels and book segments has increased by 58 percent and 76 percent respectively, when compared to the numbers of the corresponding month last year. A significant increase has been

registered in the online users visit to mobile segment. The number of visits has increased to 7.07 million in April 2014 from 4.52 million in April 2013. The online users visit to spa and restaurant segment decreased from 0.57 million in April 2013 to 0.57 million in April 2014, a y-o-y decrease of 38 percent.

Source: IAMAI/e-Commerce sites

E-tailing Opportunities in India:

- **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, and Infibeam.

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 e-tailer 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 1,07,800 crores (US$24 billion) by the year 2015 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

E-tailing Challenges in India:

Bruke has identified about several impediments for the growth of e-tailing. They are: (i) consumers can not touch and feel products, (ii) orders can take several days to be delivered,(iii) shipping costs are often excessive and (iv) customer service is often poor and (v) Returns can be difficult, Deighton

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.

(I) Controlling Customer Data: As the delivery services are becoming more modern in using information technology, e-tailers 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.

(II) 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 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

(III) 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 be mentioned.

(IV) Handling Returns The problem of returns is very much prominent in e-tailing 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.

(V)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-tailing as it encompasses with high volumes and wide variety of package shapes and sizes.

(VI) 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

(VII) 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.

(VIII) 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-tailing platform include the monthly hosting and ISP bills. With a web-site, an online retail has the adaptability to gauge the market condition and market attractions accordingly. The opportunities of e-tailing industry in India are as follows:

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

(ii) **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.

(iii) **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.

(iv)**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 personalised 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.

 (v)**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.

(vi)**Marketing Tool:** 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.

Conclusion:

E-tailing in India seeing a tremendous growth as it has proven by the flipkart billion day 600 cr worth sales. Now many organizations are focusing on Indian online market. Retaining the e-customer is a tough challenge. The internet customer is very hard to predict and is different from the normal customer. While a normal customer expects strong loyalty, such a loyalty on the Internet is difficult to obtain. To attract and retain the customers, the retailers particularly the e-tailers have to take more efforts than to just attract. They must also provide reluctant consumers with compelling reasons for accepting the Internet as a new way to shop. Some of these reasons might include the use of consumer assurance brands and enhanced levels of convenience, customization, selections, service and pricing. While skills like speed, differentiation, and branding are very more important in the digital world-tailors are need to focus about challenges and legal issues of online retailing.

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