

## **The Great Indian RETAIL Trick or a Global Shop Charmer**

**Author Prof. Srikant Kapoor, PhD Scholar-Bharathiar University MBA, PGDBM, UGC Net (Management), Amity Global Business School, Chennai**

**Dr. T. Suganthalakshmi, PhD, M.Phil, MCA, MBA**

**Information Contributor Elizabeth Mary Mathew, Amity Global Business School, Chennai**

### **Possible outcomes**

- i. The development of brand new and innovative retail marketing strategies (pertaining to sales Promotion tools) assisting both International and Indian players to emerge from downturns.
- ii. Retail innovation strategies that seek to enhance value by researching changing consumer demands, Purchasing trends, and a focus on sales promotions efficacy.
- iii. Overall to advance the knowledge of retail marketing strategies that promotes value, superior Performance, cost-effectiveness or simply convenience.

### **Abstract**

The article deals with this enigma and explores the retail marketing practices today in both brick and mortar and point and click formats.

*Retail in Modern India is in a state of flux and the inflexion point to organized retailing raising--- expectations. One of the definition of Retail to cut through, can we suggest that how organized retail has to cut through the maze /clutter of kirana stores. Can we say that India is a land of shopkeepers? Of course, it is an emphatic yes. It has long been realised that in India there is no single right formula that fits the retailing format. Retailing enthralls myriad hues, symbolically like rainbow colours, distinctive and unique, reflecting the rich and vibrant Indian culture. If the aim is to delight the consumer, it should start with keeping the consumer perspective in mind and action. Multiple brands choice/confusion, shifting brand loyalties examples pertaining to breakfast cereals, deodorants, soaps or is it in these affordable luxuries do we find happiness- hedonistic pleasure?*

**Key Words: Discounts, Online retailing, sales promotions, Flipkart, Amazon**

In India contradictions are inherent and it is no surprise that consumer segments purchase from a variety of outlets, modes even for similar or same brands and products, cracking the *Indian da Vinci code especially in retail* is anything but easy! But many fail to understand how online retailers have managed to capture the attention of the masses. How do online retailers assess themselves and draw in their customers? The answers to these questions will be looked into in this study.

### Research Objectives

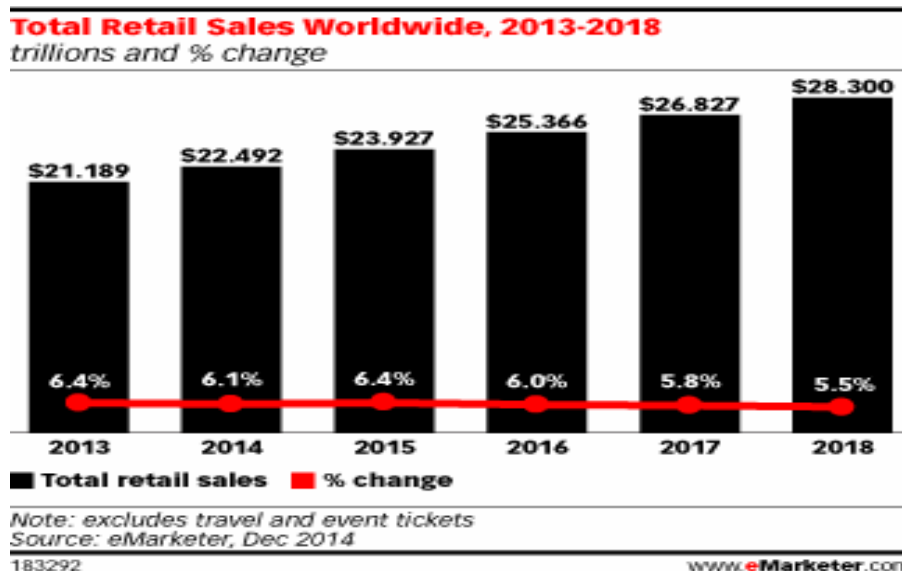
1. To establish the decision making criteria on online sales promotion strategies for the buyer/shopper and the e-tailing firm.
2. Identify newer ways to promote products-offering higher value in terms of convenience, recyclable materials etc.

### Introduction

#### The Retail Industry-Global Online Retail

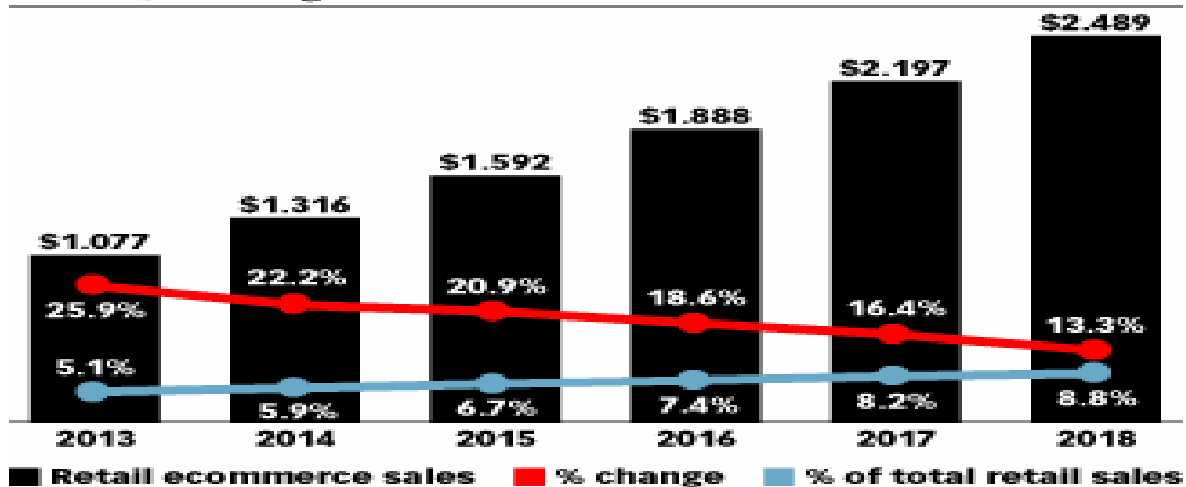
Increased Internet penetration, improved security measures, convenience of shopping in lives pressed for time, and, of course, dozens of retailers to choose from – these are a few factors that are attracting more and more consumers to shop online.

Retail sales worldwide—including both in-store and internet purchases—will reach \$22.492 trillion this year, according to new figures from eMarketer. The global retail market will see steady growth over the next few years, and in 2018, worldwide retail sales will increase 5.5% to reach \$28.300 trillion.



### Retail Ecommerce Sales Worldwide, 2013-2018

trillions, % change and % of total retail sales

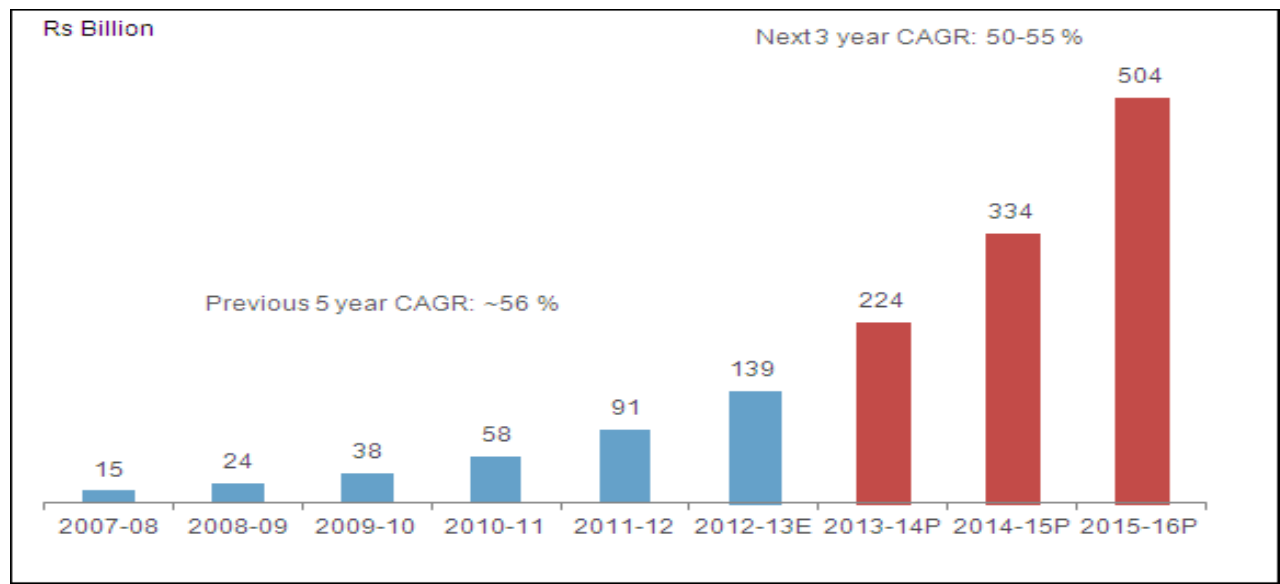


Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets  
Source: eMarketer, Dec 2014

183293

www.eMarketer.com

### Indian Online retail market size and growth



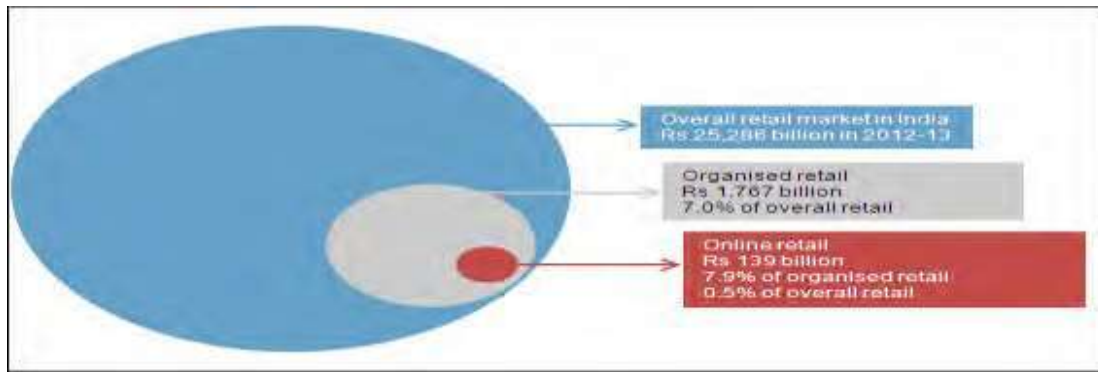
### Source CRISIL Research 2014

India's online retail industry has grown at a swift pace in the last 5 years from around Rs.15 billion revenues in 2007-08 to Rs.139 billion in 2013-14, translating into a compounded annual growth rate (CAGR) of over 56 per cent. The 9-fold growth came on the back of increasing internet penetration and changing lifestyles, and was primarily driven by books, electronics and apparel.

---

## Literature Review

According to '*India Online Retail Market Forecast & Opportunities 2016*', India will witness changing shopping trends in the next few years. India is set to become the third largest nation of internet users in the next two years itself. The online retail market in India is expected to grow immensely, given the rising middle class in India, with growing disposable income in hands and lesser availability of time to spend the same.



According to a BCG report, 37 percent of the customers valued the convenience of shopping from home.<sup>19</sup> The report also stated that 30 percent of online buyers were drawn to internet shopping for discounts. The same report stated that 29 percent customers appreciated the expanded variety of products available online compared with what was available at an average brick-and-mortar store (BCG, 2013).<sup>20</sup> Thus, though convenience and assortment have acted as pull for the Indian customers to shop online, discounts and online promotions provide an extra incentive for the shoppers to shop online.

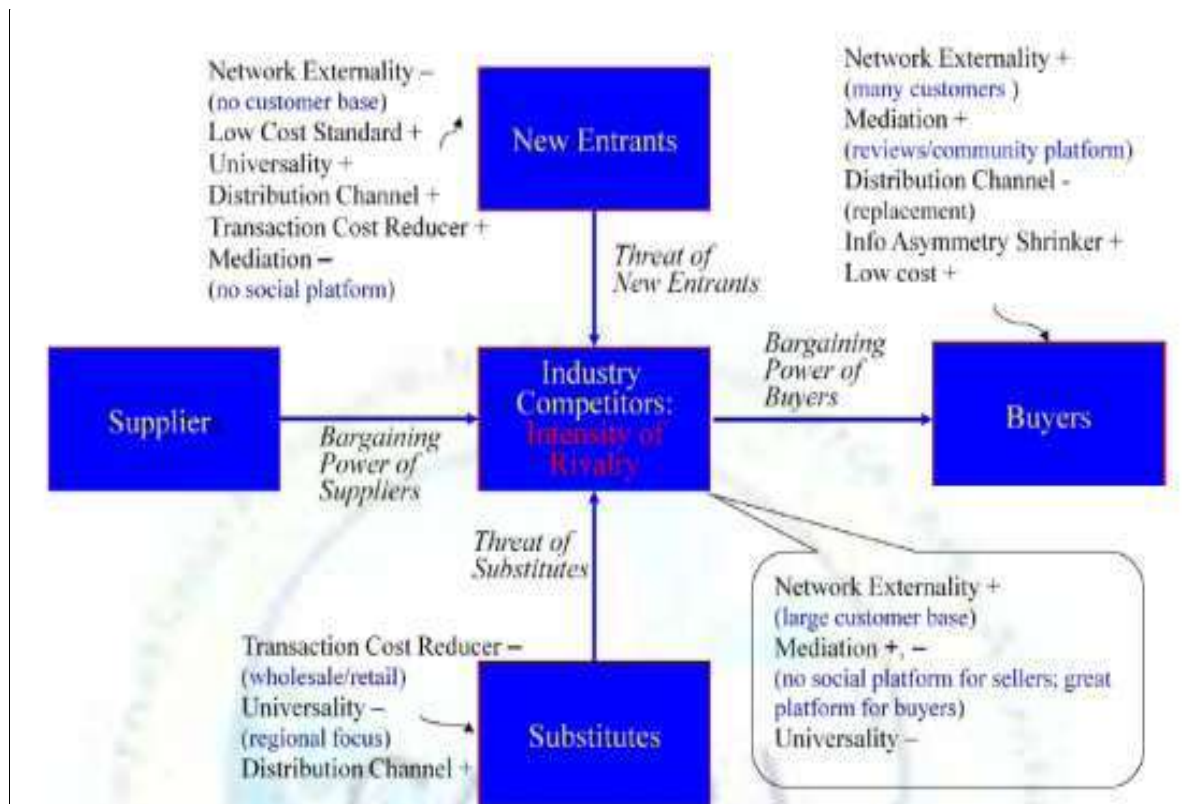
## Analysis of Online Retail Industry

### SWOT Analysis

Most of the time we see that the use of electronic techniques for doing business add value either by the reducing transaction cost or by creating some type of network effect, or by a combination of both. In SWOT analysis (the acronym is short for Strengths, Weaknesses, Opportunities and Threats), here we try to find out the strengths and weaknesses of ecommerce in respect of Indian business environment. Then we try to identify opportunities and threat presented by that environment.

<b>Strengths</b> <ul style="list-style-type: none"> <li>➤ Global market</li> <li>➤ Time Saving</li> <li>➤ No time constraints (24x7)</li> <li>➤ Cost Effective</li> <li>➤ Flexible target market segmentation</li> <li>➤ Multiple Price/Product comparison possibility</li> <li>➤ Fast exchange of information</li> <li>➤ Quicker buying potential</li> <li>➤ Niche Market Accessibility</li> </ul>	<b>Weakness</b> <ul style="list-style-type: none"> <li>➤ Security concerns</li> <li>➤ Fraud risk</li> <li>➤ Long delivery timing (Not instant possession)</li> <li>➤ Lack of personal touch</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>➤ Advent of smartphone coupled with 3G/4G speeds</li> <li>➤ Global reach</li> <li>➤ Easy to build e commerce platform&amp;interface</li> </ul>	<b>Threat</b> <ul style="list-style-type: none"> <li>➤ Changes in environment, law and regulations</li> <li>➤ Privacy concerns</li> <li>➤ Competition</li> </ul>

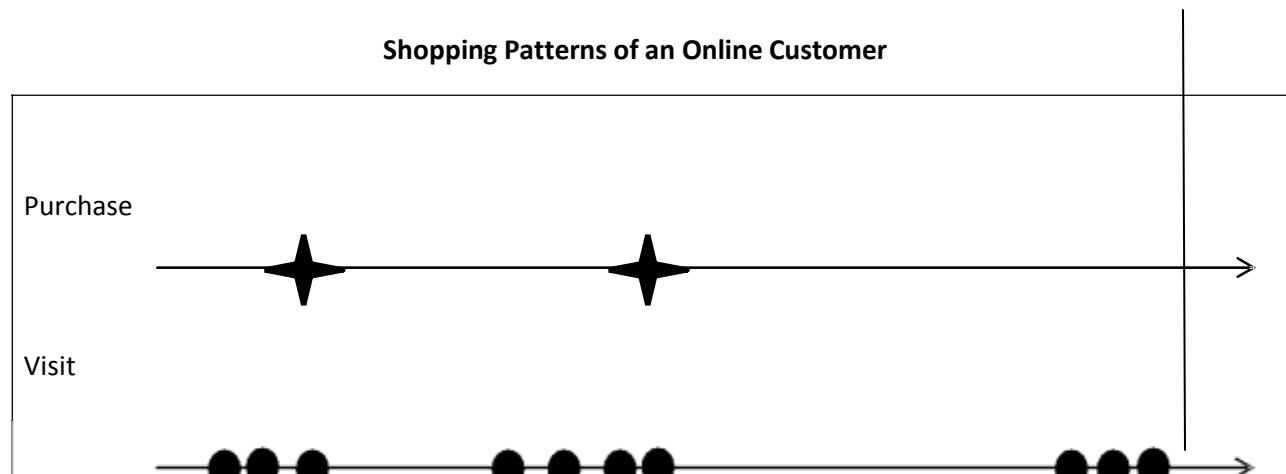
### FIVE FORCE Analyses



### Online Shopping Pattern Model

Consider a series of visit events made by an individual customer to an online store. It can be characterized as a point process on a one-dimensional (time) space. Everything with a location in a space inevitably creates or contributes to a pattern. These patterns, in point event processes, can be broadly classified as uniform, random, or clustered. A point pattern exhibits uniformity when the series of events occurs with the same intervals. Random patterns have no underlying regularity, such that the intervals between events are determined in a fully stochastic manner.

A clustered pattern refers to a process that exhibits local concentrations of events in close spatial or temporal proximity, with each cluster separated by empty or less dense patterns of events. Of these three types, clustered patterns attract our attention because of their prevalence in online customer behaviour. To explore clustered patterns and their importance in examining online customer behaviour, we consider an example of customer shopping patterns.



The above figure illustrates the sequence of visits (Internet sessions) and purchase conversions by a customer at an online retailer considered in this research.

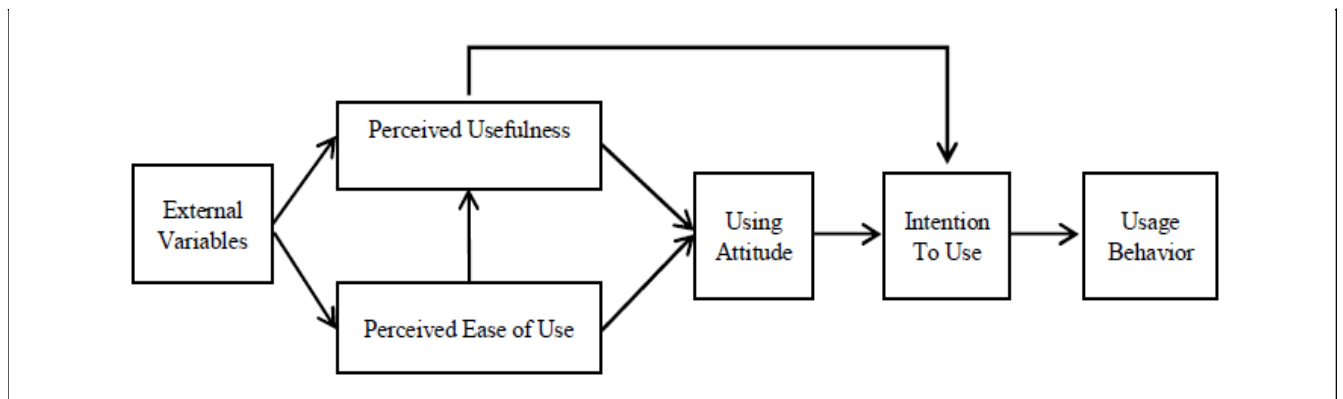
As shown, the customer made ten visits and two purchases during the data period. The first three visits, which she made in the early part of the data period, have relatively short inter visit times. Because these visits exhibit local concentrations of events in close temporal proximity and the concentrations are separated by periods of no visit, the three visits can be considered a cluster of visit events. Similarly, the next four visits by the customer constitute another visit cluster.

After all, her visit process exhibits clustered patterns with three clusters of visit events during the time period.

Online customers' visit timing process tends to consist of multiple visit clusters with considerably higher visit rates within clusters and lower visit rates between clusters. Conversion rates vary substantially, depending on the size of a visit cluster and the location of a visit event in a cluster. Overall, the conversion rates are higher at later visits in a cluster, compared with earlier visits. Thus taking clustered visit patterns into account plays an important role in predicting customers' propensity to make a purchase at a given visit.

### Technology Acceptance Model

The Technology Acceptance Model (TAM) is used to explain and predict users' acceptance of an information system over a period of time while interacting with it.



TAM is formed by two key variables Perceived Usefulness (PU) and Perceived Ease of Use (PEOU).

Perceived Usefulness is defined as the degree to which a person believes that using a particular system would enhance his or her job performance. Perceived Ease of Use refers to the degree to which a person believes that using a particular system would be free of efforts.

Online purchasing is conducted through the interface of a web browser over the Internet, and so consumers must be reasonably comfortable with the use of information technology in order to complete the purchasing process. As a result, online buyers exhibit the characteristics of both a traditional consumer and an information systems user.

**Company based models**

The strong emergence of e-commerce will place an enormous pressure on the supporting logistics functions. The proposition of e-commerce to the customer is in offering an almost infinite variety of choices spread over an enormous geographical area. Firms cannot compete solely based on sheer volumes in today's ever-evolving, information symmetric and globalised world of e-commerce. Instead, the realm of competition has shifted to delivering to ever-shortening delivery timeliness, both consistently and predictably. Negligible or zero delivery prices, doorstep delivery, traceability solutions and convenient reverse logistics have become the most important elements of differentiation for providers.

While the current logistics challenges relating to manufacturing and distribution of consumer products and organized retail are well-known, the demands of e-commerce raise the associated complexities to a different level. E-commerce retailers are well aware of these challenges and are cognizant of the need to invest in capital and operational assets.

**Flipkart Model**

Flipkart has started as a price comparison online portal with an initial investment of 8,000 USD and later turned into an e-retailing giant which recently ticked the 1 billion USD in gross merchandise volume. It started with a consignment model where goods were procured on demand and turned into inventory e-retailer supported by registered suppliers since it provided better control on the logistics chain.

Flipkart established warehouses in Delhi, Bangalore, Mumbai and Kolkata managing a fine balance between inventory and cost of delivering goods.

Facing difficulties from the 3PLs in the form of higher delivery cost, late deliveries and faulty products delivered resulting in return and customer dissatisfaction, it has started its own logistics arm named e-Kart.

E-Kart provides a robust back-end support to Flipkart and ensures timely deliveries. To achieve the economies of scale, recently e-Kart started providing back-end support to other e-retailers. It has consolidated the market and added strengths by acquiring We Read, Mime360, Chakpak.com, Letsbuy.com and Myntra along the way. The company employs around 13,000 employees and plans to add 10,000 to 12,000 more in next one to three years after a recent acquisition of Myntra.

### **Amazon India Model**

Amazon started practicing the market place model by launching its site in early 2013 in India. It started registering electronics goods sellers and ended FY 2013 offering nearly 15 million products. Amazon India has two fulfilment centres in Mumbai and Bangalore and plans to start five new fulfillment centres across the country. Known for its strong last-mile delivery network, Amazon India has set up a logistics arm named Amazon Logistics and started offering same day delivery.

### **Conclusion**

Personalisation is the new battle ground for online retailing. With many consumers shopping using their smart phones, retailers have to ensure that their websites and apps are relevant and quick. The success of retailers will increasingly be decided by how well they target their range, not by how big it is.

Online retailers will soon have to look into ways to make profits. Only time will tell how retailers like Amazon will keep up their model of zero profits.

With the advent of analytics, there is no excuse for online retailers, large and small, not to know where their online sales are coming from and which pages are converting well. Even the humble start up retailer can install web analytics for free to find out which of their advertising campaigns or search engine keywords are driving sales. The major retailers will already be doing this by having dedicated online web analysts looking to squeeze more revenue from the right marketing channels and increase site conversion rates.

Retailers must also use their 'big data' and apply audience demographics to help consumers feel that retailers know what they're thinking and suggest relevant products in the online store and beyond. How much longer can online retailers continue the existing practise of high sales and low profit conversions.

Sales analytics will soon become an important part of an online retailer's model. Online shopping has come a long way since 1994, so far, in fact, that it is beginning to behave like traditional retail.

### **Suggestions**

#### **1. For better shopping experience**

Every action and inaction -- from what customers clicked on and how much time they spent looking at certain products to their social activity and response to email programs -- helped online retailers tailor each email, pop-up or recommended product to drive sales and provide a superior experience. For consumers, it was a welcome reprieve from the antiquated task of visiting a store, being treated as a stranger and receiving often-questionable customer service. This new customer journey had new engagement touch points across marketing, sales and service, and traditional retailers struggled to keep up.

##### **a. Personal shoppers for all**

Retailers will focus on transforming mobile apps into a personal concierge of sorts when shoppers enter a store. In-store beacons will automatically wake up consumers' apps to deliver highly relevant and personal content.

Shoppers will be welcomed upon entering a store or department. The "personal shopper" app features will point out where they can find favorite products, alert them of products they might like and tell them about items being considered, like which celebrity wore the sunglasses in question.

**b. Virtual reality stores**

With the aim of providing a more interactive shopping experience, Yihaodian in China developed augmented reality stores that can only be accessed in certain public locations. When customers point their smartphone in the right direction at locations such as public squares, a virtual store is displayed where items sit on shelves or hang from the walls. This app provides a simulation of a physical retail store so shoppers can feel more immersed in their online shopping trip.

**2. To retain customers****a. Get the last mile right**

Delivery can be a pain for online retailers. They may sell great products, provide an excellent online experience, yet the final step in the process is in the hands of third parties who don't necessarily share the company's values. Here, a reliable courier and close monitoring of service levels helps, but you can also keep customers informed on the progress of their delivery, and make the process as convenient as possible.

**b. Set and beat customer expectations**

There's something to be said for under promising and over-delivering. For example, Flipkart will state that a delivery will take three or four working days but they frequently arrive sooner than later.

**c. Easy repeat purchases**

Amazon's one-click payments are a big part of its success online, as it makes purchases incredibly simple so encourages shoppers to keep coming back. In combination with next day delivery via Prime, it makes it almost too easy to buy from the site.

**d. Retargeting via display ads**

Retargeting can be a pain for web users, but when used effectively, it is a valuable tactic for retaining customers.

A well timed and well executed offer can be enough to tempt customers back to a website to purchase items they were looking at.

**e. Social media customer service**

Offering great customer service via social media can help customers to avoid the pain of the call centre queue, and offer a more personal touch. For example, Blackberry offers the personal touch by including pictures of the people 'manning' the profile

**f. We come to you**

Already Jewellery NAC provides a chauffeur driven air-conditioned sedan to take you to their exclusive showrooms, shopping in comfort and style.

**3. Crowded stores attract more** and offer feeling of surety, inquisitives, confidence, (if so many then it should be OK), The underlying emotions felt by the buyer during the security search can well decide on the repeat visit to the retail outlet. In non-verbal communication, Proxemics (study of space), people communicate with the space around them; private intrusion by a uniformed person is not always welcome. Retailers need to be sensitive to this fact as they are dealing with people, and people have feelings! Physical checks, bill, receipts, the security frisking helps little to maintain a person privacy, automation, x-ray, electronic tags on products, marketers must appreciate and make an attempt that different customers perceive the security services differently. Understanding the functional and emotional significance of queuing-waiting line is crucial.

4. There should be no conditions on purchase/promotions 25-30% on any product/merchandise category at any time. Eco-friendly vehicles, with customized packing (especially for perishables) for vegetables, fruits, milk, milk products, meats, frozen desserts, /Organic food veg,, this ensures higher visibility for the brand to be executed in front of the customer. Moreover a need to develop a network of vegetable cart (Thela) vendors can offer Value added Services, VAS. Firms can recruit the existing vendors and cultivate a win-win collaborative force .Especially suitable for high rise apartment dwellers, possibility to look at mobile purchases and spot door delivery.

**References****Books, Journals, Magazines**

1. Joseph P T, E-Commerce An Indian Perspective 4 Edition
2. Richard L. Brandt, One Click Jeff Bezos and the Rise of Amazon.com
3. Emmett Cox, Retail Analytics The Secret Weapon (Wiley and SAS Business Series)
4. Dr.L.Natarajan, Retail Marketing
5. Business World, Marketing Whitebook 2014-2015
6. Cheng, H.,& Bao, G. "The Determinants of Online Shopping Intentions An Empirical Study," Quantitative & Technical Economics Research
7. Singh, Pragya. Retail E-commerce – The 'Channel' Forward
8. Images Retail, December 2014, Vol. 13 No.12, Pg. 36, pg.88-90.
9. Call of the Mall-Paul Underhill
10. The Hindu , Beyond Times, "Timeless Game Changers", Thursday, December 11,2014
11. Rama Bijapurkar, A Never –Before World – Tracking the Evolution of Consumer India, Penguin Books
12. Veena Veugopal, Online Bargain , Outlook Business ,19 January 2013, pg.32
13. Business Standard- The Strategist, Monday 1 July, 2013, "Big ticket Events". Pg.3.
14. The Week, December 29, 2013, Voices- " Careful about the two Cs", K.V. Sridhar
15. BW| Business World, Vol. 33, Issue 18, 22 April-5 May 2014
16. The NEW Sunday Express Magazine, 10 August 2014, Sunday, "App and About".
17. Business India, May 12-25, 2014, "Creating a lifestyle". Pg. 80-81.
18. Business Standard-The Strategist, Monday 17, 9 November 2104, "Recreating the magic".