E-TAILING IN INDIA: ITS GROWTH, ISSUES, OPPORTUNITIES AND DEVELOPMENT

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ABSTRACT

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. E-commerce and e-marketing are the two important terms in the new Internet-based business domain. E-commerce can be defined as a way of conducting business by companies and customers performing electronic transactions through the Internet. E-marketing, (also known as Internet Marketing, Web marketing, and Online Marketing etc.) can be defined as the promotion of products or services through the Internet whereas; e-tailing can be defined as selling products and services by using the Internet. E-tailing is defined as retailing conducted online, over the internet. The present scenarios of e-tailing opportunities, its market, the viabilities and trends etc., have been discussed in this paper.

Keywords: *E- tailing, E - Commerce, E- Marketing, Trends, Opportunities.*

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 status of e-tailing in India, analyze the issues and challenges involved, and also examine the future prospects.

LITERATURE REVIEW:

- According to the latest report by IAMAI and IMRB International, the E-Commerce industry in India reached a value of INR 81,525 crore (US$13.5 billion) in 2014**,** The rapid increase in the use of smart phones and internet services has earned India a place among top 20 developing countries on the global

forum, as stated by AT Kearney in its 2014 Global retail development Index (GRDI). Consumer behavior has changed rapidly and visiting a local store to buy a mobile phone is now more of a pain.

- Again on the recent report of Internet and Mobile Association of India (IAMAI), the Indian e-commerce market will gallop at an impressive growth rate of 47 per cent to over Rs 46,000 crore in the year 2011.
- Riccardo Di Nisio et al. (2010) explained the application of structural equations in customer satisfaction and customer loyalty measurement i.e. in ACSI and ECSI models. This study was a great help in designing the Indian adaptation of ACSI model, as is explores the antecedents of customer satisfaction and customer's loyalty.
- 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. Ratchford (2001) have told that through Internet, consumers can gather information about merchandise and they compare a product across suppliers at a low cost.
- 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.
- Myerson (1998) expressed that consumers are getting smarter in using e-tailers (and online search engines and agents) for convenience and comparison shopping.
- Guttman (1998), describes Several unique elements make online shopping different from the traditional in-store retail model. Besides offering convenience and expanded product variety, the online model also makes it easy for consumers to access and compare data from multiple sources.
- Meeker (1997), retailers might cry foul, but the new shopping paradigm they have to face is that as premium customers begin to accept the e-tail alternative in larger numbers.
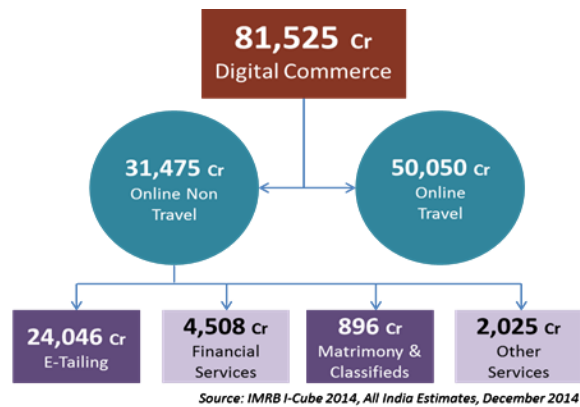
E-TAILING IN INDIA

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 recognize 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, comScore, 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, comScore, 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.

Source: IMRB I-Cube 2014, All India Estimates, December 2014

OBJECTIVES OF THE STUDY:

- To understand the evolution of E - tailing in India
- To draw out, the driving factors for growth of the e-tailing.
- To study the emerging e - tail trends in India
- To find out the popular e – tailers
- To study the challenges, barriers and opportunities of the e-tailing.
- To study the future prospects of e - tail sector in India

RESEARCH METHODOLOGY

This paper purely depends on secondary data. To collect the statistical data we have used various sources like annual report, research articles from e-journals, reference books, research articles from news papers and off-line journals and sources from Internet etc.

Research Design: Exploratory

Type of data: Secondary data

Sources of data: Books, Journals, Magazines, Internet, etc.

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.

FIVE CONSUMER TRENDS THAT WILL SHAPE E-TAILING

1. Crowd-Shaping
2. The Social Marketplace
3. Gamification
4. Guilt-Free Consumption & Sustainability
5. Hyper-Connectivity

TOP E-TAILERS IN INDIA AND WHAT THEY SELL

Flipkart.com	Books, mobile phones, digital cameras, laptops, watches, clothing and other products
Snapdeal.com	Mobiles, laptops, appliances, clothes, shoes
Fashion and you.com	Branded clothing, shoes, hand bags, watches, home décor, accessories for men and women
Myntra.com	Apparel, branded footwear, accessories
eBay	Consumer electronics products, fashion apparel, collectibles, sporting goods, digital cameras, baby items, watches, coupons, etc
Homeshop18	Mobiles, cameras, home and kitchen appliances, jewellery, fashion products, health and beauty products
Rediff Shopping	Gifts, mobiles, electronics, clothes and shoes

Note: Myntra.com was acquired by Flipkart.com in May 2014

FACTORS FOR THE GROWTH OF E-TAILING IN INDIA

Electronic Payment System: E- tailing encourages the buying and selling products, information and services on the internet and other online environment. In this environment, payment take the form of money exchange in an electronic form, and are therefore called Electronic Payment.

Enhanced communication with the client: E-tailing enables personalized interaction with customers.

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.

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

Any time accessibility: The online store is accessible 24×7 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.

BARRIERS TO THE GROWTH OF THE E-TAILING MARKET

EXTERNAL BARRIERS TO E-TAILING

There are many external barriers to the diffusion and implementation of e-commerce. These barriers include:

1. The high cost of internet access;

2. Lack of effective payment facilities and banking services;

3. Advanced retail network;

4. A cultural lack of trust;

5. Lack of government policy and legal frameworks;

6. Lack of education in e-commerce;

7. Customers' need for the physical shopping experience.

INTERNAL BARRIERS TO E-TAILING

Barriers to the implementation of e-commerce implementation not only exist in the external environment, but also in the internal organizational environment. These barriers are:

1. Business processes;

2. Strategic direction;

3. Senior management commitment to e-commerce;

4. Senior management knowledge of e-commerce;

5. Investment;

6. IT/IS expertise;

7. Organizational mission;

8. Profit objectives;

9. Information systems;

10. Integration;

11. Organizational culture;

12. Product categories and prices.

CHALLENGES TO THE GROWTH OF THE E-TAILING MARKET

We have 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,
(iv)   customer service is often poor and
(v)   Returns can be difficult.

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

- **No negotiations possible:** Online shopping does not allow negotiations or bargaining, which price conscious Indian consumers love doing.
- **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.
- **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.
- **Increased competition:** Big e-tailers are already dominating the Indian market, making the entry and survival of small e-retailers tough. Privacy concerns. Consumers fear that the information they provide may lead to spam e-mails or identity fraud.

- **Possibilities of fraud:** Unscrupulous e-tailers can damage the faith of the common consumer. No direct interaction. In e-tailing, there is no face-to-face interaction between the customer and seller. Some consumers are not comfortable about this.
- **No direct interaction:** in e-tailing, there is no face-to-face interaction between the customer and seller. Some consumers are not comfortable about this.
- **Delivery of products:** E-tailers who do not deliver on time spoil the market for other genuine e-tailers
- **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.
- **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.
- **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.
- **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.
- **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.
- **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.
- **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-tailing 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.

OPPORTUNITIES ON E-RETAILING IN INDIA

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. 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. Therefore, it will be a great opportunity for Indian companies to promote their businesses.

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.

THE FUTURE HOLDS FOR E-TAILING

Source: Z_punkt The Foresight Company, Cologne

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. Sachin Bansal and Binny Bansal, the founders 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 2 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 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 etailer, 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.
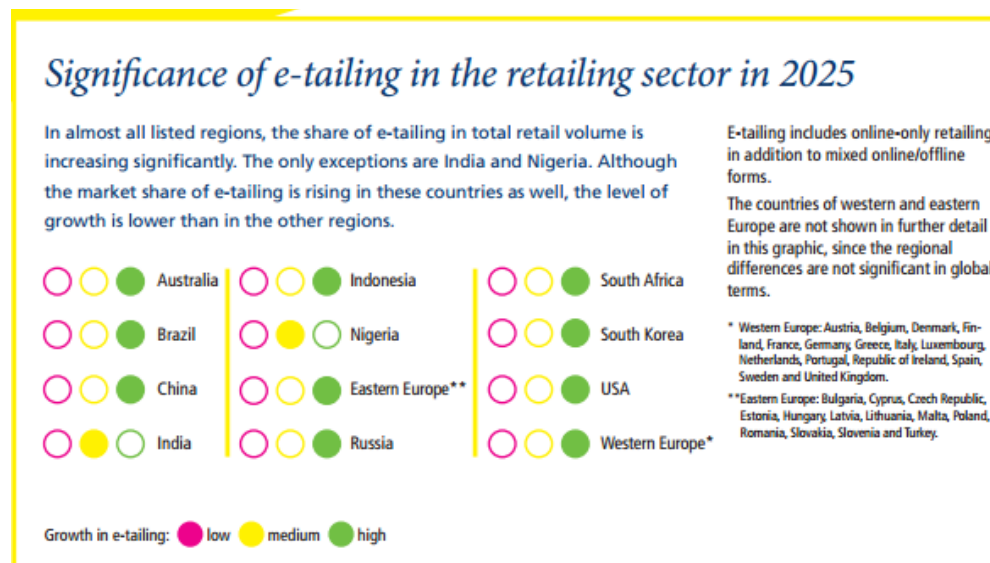
CONCLUSION

Consumers are always hungry for modern ways of shopping. Indian retail sector is growing fast and its employment potential is growing fast. The retail scene is changing really fast. Retaining the e-customer is a tough challenge. The internet customer is very hard to predict and is different from the normal customer. The current growth in e-tailing was driven by start-ups, and backed by venture capital and entrepreneurship. While the Indian e-tailing market is yet to achieve a steady state, these initial entrants have succeeded in capturing the imagination of a sizeable consuming class. These have also acted as a catalyst in the creation of an ecosystem necessary for the growth of e-tailing. E-tailing is an integrator of technology, logistics, and infrastructure, and creates a relatively efficient marketplace for vendors and consumers. At present, the Indian e-tailing market is limited by its incapability to play the role of an efficient integrator. E-tailing possesses the potency to create new capabilities which India needs and offer viable employment to Indian youth over the next decade.

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