



A CRITICAL LOOK INTO E-TAILING IN INDIA

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ABSTRACT

The Internet revolution has brought about a sea-change in the Indian retail space. E-tailing in India has evolved significantly over the last decade. E-tailing, a sub-set of e-commerce can be described as the selling of retail goods through the internet, where the buyers and merchants are not at the same physical location. It is business-to-consumer (B2C) transaction model of e-commerce. Cash on delivery (COD) is an important feature here. In this backdrop, the objectives of the study are: a) To explore the key growth drivers of e-tailing in India; b) To study the advantages and challenges of e-tailing in the Indian context; and c) To outline the future road-map of e-tailing in India in view of the present trends. The study is based on secondary data which are collected from various journals, business magazines, newspapers, reports, web materials and research studies. Analysis of data has been made keeping the objectives of the study in mind.

Significant factors contributing to the growth of e-tailing in India include growth of mobile communication, increase in net-savvy customers, rapid urbanization, emergence of the nuclear family, emerging rural India, increased use of net banking, debit and credit cards, and emergence of 'Young India' because of changing demographics. However, the key challenges before e-tailing in India are increasing competition, inadequate infrastructure and trust-related issues. The future of e-tailing in India is promising with many sites like Flipkart, Snapdeal, Amazon, e-Bay, Infibeam etc. providing good services. In India, e-tailing has huge potential. But positive mindset, fresh and modern thinking, favourable environment, and sound infrastructure are essential for its future growth. It is needless to say that growth of e-tailing will promote entrepreneurship, generate employment, and facilitate growth of allied sectors.

KEYWORDS: B2C, COD, E-commerce, E-tailing, Online retail.

1. INTRODUCTION

The Internet revolution has brought about a sea-change in the Indian retail space. E-tailing in India has evolved significantly over the last decade. E-tailing, a sub-set of e-commerce can be described as the selling of retail goods through the internet, where the buyers and merchants are not at the same physical location. It is business-to-consumer (B2C) transaction model of e-commerce.

An increasing tech-savvy population, rising credit card penetration, improved internet access and the emergence of double income families; all suggest a great Indian online story. With the government and the financial institutions chipping in with funds for efficient and cost-effective delivery of services, the external environment couldn't have been better than this (Paul, 2010).

The growth of e-tailing in India will positively have four broad impacts: 1) Generation of employment, 2) Facilitating growth of allied industries, 3) Promotion of entrepreneurship, and 4) Reduction in transaction costs. E-tailing is an integrator of technology, logistics, and infrastructure, and creates a relatively efficient marketplace for vendors and consumers (Technopak White Paper, 2013).

Major players in this segment are Flipkart, Amazon, e-Bay, Snapdeal, Naaptol, Yebhi, Infibeam, Homeshop 18, Shopclues, Pepperfry, Firstcry, etc.

2. REVIEW OF LITERATURE

A brief review of literature is presented below.

Zhang and von Dran (2000) found that some aesthetic elements of a website acted as purchase motivators, while other aesthetic elements played the role of hygienic factors (necessities) in the buying decisions from e-retailers. Consumer choice is also affected by the colour and background images of the webpage. **Nayyar et al. (2011)** investigated the online buying behaviour of Indian customers. The study identified whether four categories of online buyers viz. Trial buyers, Occasional Buyers, Frequent Buyers and Regular Buyers perceive various website factors differently. Results indicated that online shoppers perceive different factors affecting online purchase activity differently. **Banerjee & Banerjee (2012)** found that in India, consumers who purchase online are mostly young people comprising of students and people in services within the age group of 21-40 years. The study also indicates that most of the consumers who shop online have a graduate or post-graduate degree and financially well off. The majority of the consumers use the internet every day and spent around 1-2 hours per internet session. The marketer's integrity was found to be the most important factor influencing consumers' online trust. **Ranganath (2012)** stated that e-tailing industry of India has the potential to grow exponentially because most of the key growth drivers of the industry like demographics, economy, changing lifestyle, exposure to new ideas etc. are in India's favour. **Baskar (2013)** opined that a prospective growth of electronic retailing in India will be possible if more number of rural people are brought under the fold of internet accessing and such people are properly trained to use the sophisticated way of shopping. **Arora (2013)** highlighted some factors like consumer's cognizance; internet literacy of consumer and wider use of the internet with cyber security etc. which are vital for the sustainable development and growth of e-Retailing in India. **Mann (2013)** suggested that Indian e-tailers should provide more information on their websites for facilitating decision-making of the customers. In addition, the online payment system should be made more secure. In India, the main focus of the customers is on the price of the product. As such, to increase online sales, e-tailers should set competitive prices. **Gupta (2013)** tried to measure the customer satisfaction in case of E-Tailing. The sample size taken for the study constituted of 200 respondents. Convenience sampling technique was used for data collection. The study observed that in Indore the online shoppers are satisfied by their respective service providers and online vendors. **Limbore & Nalkol (2013)** analysed the effectiveness of e-tailing with special reference to Baramati region of India. They observed that people hesitate to buy online due to confusions on security and payment methods. It was revealed that the online shopping in Baramati region is not much effective but it has great future in India. This apart, it was noticed that the probability of customers making a purchase on the net from a cyber cafe is very low. The authors were of the view that the cultural factors and Indian traditions are a key barrier to the development of e retailing in India. Another interesting observation was that for the traditional Indian housewife purchase of vegetables or groceries by bargaining with the shopkeeper is an important event. **Mir (2014)** pointed out that almost 68% of Indian Population is living in rural areas and these areas have yet to experience the online shopping. Further, there are no near future plans of investors to invest in e-tailing sector in rural India. **Reddy and Mallikarjuna (2014)** opined that in order to make the consumers more convinced about the online medium of purchase two important factors need to be addressed: trust and security. **Rao and Sunil (2018)** identified the problems and challenges that the Indian e-tailing sector has to overcome.

3. OBJECTIVE OF THE STUDY

The objectives of the study are:

- a) To explore the key growth drivers of e- tailing in India;
- b) To study the advantages and challenges of e-tailing in the Indian context; and

c) To outline the future road-map of e-tailing in India in view of the present trends.

4. DATA SOURCE AND METHODOLOGY

This study seeks to highlight the growth drivers, benefits, challenges and trends of e-tailing in the Indian context. The study is based on secondary data which are collected from various books, business magazines, journals, newspapers, reports, web materials and research studies. Analysis of data has been made keeping the objectives of the study in mind. The entire discussion has been made in the light of published literature.

5. DISCUSSION

5.1 Growth Drivers

The key growth drivers of e-tailing in India are:

- 1) Rapid growth in internet access infrastructure driven by increasing broadband penetration
- 2) Growth of mobile communication
- 3) Adoption of different payment infrastructure like net banking, debit cards, credit cards, cash on delivery etc.
- 4) Improvement in logistics and delivery infrastructure
- 5) Changing attitude and lifestyle of consumers, particularly in urban areas
- 6) Mass media campaigns to educate the consumers about online shopping
- 7) Emergence of 'Young India' because of changing demographics
- 8) Soaring real estate costs
- 9) Availability of various brands at cheaper prices online
- 10) Increasing annual household income of Indians
- 11) Emergence of 'nuclear family' and 'working couple' in urban India
- 12) Emerging rural India
- 13) A series of initiatives from the government
- 14) 'Better bargain' possibility

5.2 Benefits

The advantages or benefits of e-tailing in the Indian context are enumerated below.

Convenience: Online stores are usually available 24 hours a day, and many consumers have internet access both at work and at home. Further, increasing fuel costs and large mall crowds are motivating buyers to shop online.

Time-saving: E-retail saves a lot of time for the customers.

Removing space barriers: The e-retail channels remove space barriers.

Big discount: Discounted prices are a big crowd puller for online stores across the globe. The Indian consumer is price sensitive, and discounts are one of the major incentives for shopping online. E-Tailers offer products at reduced prices since their operational and inventory costs are much less than those of offline retailers (Ernst & Young, 2012).

Value-added service: E-Tailers in India are providing various value-added services such as free shipping, product returns, product and price comparison, user reviews and demonstration videos (Ernst & Young, 2012).

Wider choice: Customers have a much wider choice at their fingertips. One advantage of shopping online is being able to quickly seek out deals for items or services with many different vendors. Search engines, online price comparison services and discovery shopping engines can be used to look up sellers of a particular product or service.

Ease: The new start-ups in e-retailing can be launched from a small room with one PC attached to the outside world through the Internet.

Insights into shopping behaviour: The e-commerce software that also traces the customer's activities on the net enables e-tailers to gain valuable insights into their customers' shopping behaviour.

Quick delivery: Products like DVD, CD, books etc. are being delivered to the customer in 2-3 working days and the goods which are required to be produced like special print sarees, customized bags etc., are usually delivered within 5-6 working days.

Cost saving: E-tailing helps retailers save on the real estate cost since they do not have to maintain expensive showrooms or warehouses in prime locations. Also, an e-tailer does not have to carry huge inventories and can cut supply chain costs. The real estate costs in the metropolitan cities are sky high. This apart, maintenance costs of a virtual store are much less in comparison to physical stores.

5.3 Challenges

Major challenges before e-retailing in India are presented below.

Fraud and security, privacy concerns: As consumers are unable to inspect the product before purchase, they are at higher risk of fraud on the part of the merchant than in a physical store. Also, there is a risk in divulging out one's credit card and personal information. Online customers are unwilling to part with their credit card details on the net, fearing they may be misused. The customers are not yet fully convinced about the foolproof status of this method, especially in the Indian environment.

Nature of customers: Online consumers are goal-oriented shoppers. If they don't immediately find what they are looking for when they reach the site, some of them don't wait further and are gone within a few seconds.

Lack of full cost disclosure: It is easy to compare the base price of an item online, but it may not be always possible to see the total cost up front as additional fees such as shipping costs, cash on delivery charges etc. are not often visible until the final step in the checkout process.

Poor broadband speed: Average broadband speed in India is among one of the lowest (0.9mbps in 2012 as against South Korea at 16.7mbps, Japan 8.9mbps and the US at 6.1mbps).

Increasing competitive pressures: Indian market for online buying is swarmed by the players selling their or third party's products online. To attract customers, online players are adopting all means to provide products and services at the lowest possible prices.

Moreover, the growth potential of the Indian e-retail segment is attracting leading international players. As a result, competition increases. The advanced technology capabilities of global players in areas such as customer analytics and recommendation engines would pose a big challenge for local players. International players tend to have larger financial resources than their Indian counterparts. This enables them to bear losses and restrict supplies to their competitors by buying out supplies from vendors. This could drive out smaller domestic players from the market (Ernst & Young, 2012).

Lack of personal and emotional touch: It lacks an emotional shopping experience that the customer can get in a personal shopping store.

Language problem: Most e-tailers use English as the medium of communication. But English may not be comprehensible to the majority of Indian population.

Problems with shipping: Delayed delivery results in loss of customers.

Problems with complaint resolution: After receipt of wrong or defective goods or in case of delayed delivery, customers lodge complaints. In many cases, customers are not happy with the complaint resolution mechanism of the e-tailers.

Absence of 'touch-and-feel' factor: It does not provide sensory support to the customer. The customer cannot hold, smell, feel, or try the product. Lack of touch-and-feel in online shopping could lead to issues such as wrong product sizes (in shoes and clothing). This creates a mental barrier for consumers to shop online.

Absence of family shopping experience: It cannot provide family shopping experience. Some Indian customers enjoy shopping with the family on the weekends, and particularly during festive seasons and marriage marketing.

Poor logistic: Logistics infrastructure is one of the weakest links in the Indian e-tailing story. Logistics models developed in India usually target the metropolitan and the Tier-1 cities where there is a mix of affluent and middle classes and the internet penetration is adequate. Most e-tailers used to depend on third-party delivery firms. Moreover, issues like the problems associated with fake addresses, cash-on-delivery and higher expected return rates have made e-tailers consider setting up their captive capital intensive logistic businesses. For example, Flipkart has its logistics arm E-Kart; whereas Amazon India is building capacities with its logistic arm Amazon Logistics (PWC-ASSOCHAM Report, 2013).

Profitability: Long-term profitability of the e-tailing industry in the country is still under question. After so many years of operations, all the major e-tailers are yet to start making profits. In the wake of wafer-thin margins and sub-optimal infrastructure resulting in higher delivery cost, the long-term profitability still seems a distant possibility (PWC-ASSOCHAM Report, 2013).

Food & Grocery segment: World over, e-tailers have struggled to develop a successful business model for Food & Grocery (F&G). The nature of consumer behaviour, product perishability, and supply chain issues relating to sourcing and storage are some of the issues due to which F&G has not found a viable e-tailing route. In India, the consumption patterns and supply chain issues pertaining to F&G are even more complex. Consequently, e-tailing's growth in India will mirror the trends of more mature e-tailing markets and will be driven by non-food categories (Technopak, 2013).

Problems with "Cash on Delivery": Online buying through COD option increases the probability of returns. The implementation of COD adds another layer in the supply chain in the form of cash handling. This increases the settlement period for online retailers and courier companies to 2-3 weeks, which stretches the cash collection cycle of online retailers (Ernst & Young, 2012).

5.4 Trends

1. The rising trend of internet shopping has taken off more noticeably in metropolitans such as Delhi and Mumbai where both consumers and merchants have become equally net-savvy.
2. A series of initiatives from the government, public sector banks and Indian Railways embracing the net, have helped boost the confidence of users to trade online.
3. Online shopping is a big attraction for the non-resident Indians (NRIs). The apparel and gifting business online has maximum NRI consumers,
4. 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 2012-13, translating into a compounded annual growth rate (CAGR) of over 56%. The 9-fold growth came on the back of increasing internet penetration and changing lifestyles, and was primarily driven by books, electronics and apparel (CRISIL Opinion, 2014).
5. To stay in the game, traditional retailers are forced to move online. Examples include Shoppers Stop, Croma, Titan Industries, Aditya Birla Nuvo etc. (CRISIL Opinion, 2014).
6. Online food and grocery retailing, fairly mature in the West and showing lot of potential in growth markets like China, has not been able to capture the fancy of Indian shoppers yet. Things, however, may be changing as a new generation of well-funded online firms (like Bigbasket.com) are using simple end-to-end technology solutions to offer deep discounts on grocery items, predict customer behaviour and keep a tight leash on expenses. With technology playing a key role, they are trying to make a dent in the estimated \$343-billion food and grocery market in India (Jayadevan, 2012).
7. The online retail segment has evolved and grown significantly over the past few years. Cash-on-delivery (COD) has been one of the key growth drivers and accounted for 50% to 80% of online retail sales (Ernst & Young Report, 2012).

8. Electronics is the largest category of products selling online in India, with a market share of 61%. Electronics include computers, peripherals, televisions, cameras and mobiles. While electronics goods enjoy the maximum popularity in India, apparel and accessories seem to be the largest-selling categories in leading markets such as the US, the UK and Germany. This is because of the fact that this category generates higher margins for e-Commerce players. As is the case in leading e-Commerce markets, we can expect online retailers to shift to selling higher-margin products such as apparel (Ernst & Young, 2012).
9. People shop online for convenience, range and availability of products, and lower prices. Other reasons like attractive ads, discounts and offers, good quality products or cash on delivery turned out to be insignificant (Joshi & Upadhyay, 2014).
10. In India, e-tailing has the potential to grow more than hundredfold in the next 9 years to reach a value of USD 76 billion by 2021. E-tailing can provide employment to about 1.45 million people 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 (Technopak, 2013).
11. Despite e-tailing's strong growth, traditional retail will grow in value from USD 455 billion in 2012 to USD 1152 billion in 2021. It is estimated that another 9 million people will get added to traditional retail in the next decade, taking the number of direct employees from 22 million in 2012 to 31 million by 2021. Thus, e-tailing will neither impact traditional retail value growth, nor cause employment loss in any notable manner. E-tailing can bring down the cost of distribution and can complement the growth of traditional retail (Technopak, 2013).
12. Security of payment gateway is a major concern, which has to be taken care of by the retailer by putting up proper security layers.
13. Improved convenience and the wider availability of various brands at cheaper prices online led Indian consumers to shift towards internet retailing during 2013. Internet retailing now poses huge competition to store-based retailing, especially apparel and footwear specialist retailers, electronics and appliance specialist retailers, beauty and personal care specialist retailers, leisure and personal goods specialist retailers and health and beauty specialist retailers, among others (<http://www.euromonitor.com/retailing-in-india/report>).

6. CONCLUSION

A consumer's motivation to shop online may be either due to a utilitarian motive as a 'problem solver' or a hedonic motive in terms of fun, fantasy...and enjoyment (Hirschman and Holbrook, 1982).

Compared to countries like UK, US, Australia, Canada and others, India is still in its nascent stage of e-shopping. But the real growth of online retailers in India lies in penetrating smaller towns and cities that have no access to modern retail (Goswami & Mathur, 2011).

There should be more focus on back-end system. Customers keep coming back only if earlier shopping experiences have been pleasant and successful. Issues that need to be resolved for e-tailing growth are logistics, distribution and customer service issues. Many e-tailers have not focused on the aspect of keeping the customers by facilitating flawless delivery. The process of product delivery is the first point of customer service. Customer service should offer a medium for the customer to dialogue with the e-tailer. Customer service should be considered a profit centre since it impacts the long-term relationship of the customer with the e-tailer.

The new wave of consumerism coupled with urbanization with paradigm shifts in the demographic and psychographic dynamics have driven consumers frequently to use the retail website to search for product information and make a purchase of products (Arora, 2013).

Continuous investment in IT is necessary to make website attractive, user-friendly, informative and capable of generating customized discounts and promotions based on purchase history (Paul, 2010).

E-tailing is different from retail and therefore requires a different mindset and fresh thinking from the policymakers as well as the private sector. E-tailing possesses the potency to create new capabilities which India needs and offer viable employment to Indian youth over the next decade. It has the prowess to act as a catalyst and support the growth of new skills and industries (Technopak, 2013).

As the sector is bound to grow in future, it is a green area for the budding entrepreneurs to innovate and excel (Agarwal, 2014).

The government could provide some respite in the form of tax benefits by taking cues from the US Government, which provided tax benefits to e-Commerce players. E-Commerce players in the US are exempt from paying sales tax on their sales to consumers located in states where they do not have a physical presence. This gives them a pricing advantage over brick-and-mortar retailers — a major impetus for companies and entrepreneurs looking to enter the e-Commerce space. The online retail market presents an attractive opportunity for entrepreneurs since it is growing rapidly and still forms only a minuscule portion of organized retail. Moreover, there are a number of underpenetrated segments such as online groceries in online retail (Ernst& Young Report, 2012).

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