



Retailing in the Era of Information Technology: An Indian Prospective

Anuj Kumar Singh (UGC-JRF), M. Phil (Perusing), M.B.A., C.S.J.M. University, Kanpur.

Alok Kumar Singh Asst. Professor, GNIT-Management School, Gr. Noida

Dr. Avijit Kumar Dey Asst. Professor, GNIT-Management School, Gr. Noida

ABSTRACT

Retailing is the activity of selling the products and goods direct to the public usually in small quantities in comparison to wholesaling. Growth in the field of information technology has generated many opportunities and challenges for retailers in India and in the rest of the world. In India growth in the area of information technology has opened new doors for retail companies and also creating new challenges and high level of competition. The population of internet users in India is around 124 million. The growth in the numbers of internet users in India is also providing new opportunities for E-commerce especially for E-tailing. The profile of internet users is increasing drastically not only in metros but also in small towns in India. Internet usage growth in the world has been extensive especially in Asia. The number of internet users in the world has reached 1.5 Billion i.e. around 21% of the world population. However the internet penetration in India is around 10% of the whole population which is way below the world internet user population. On the other hand world's retail penetration has been around 72.3 % among the internet users of the whole world and in India it is around 60% among online users. This paper discusses how retail business in India has been impacted by the high growth rate of the internet users and also tries to identify the opportunities and challenges in the retail sector in the era of information technology.

Introduction-

Electronic commerce, commonly known as E-commerce is the process of buying and selling of goods and services over electronic system. And selling the retail goods on the internet is the phenomenon which is known as E-tailing which is a part of E-commerce.

Under E-commerce there are different business types. Which include - Brick and Mortar -

A Brick and Mortar company is a company which has a physical presence in the real world. Example of brick and mortar companies are grocery stores, auto shops etc. Brick and Mortar companies have higher overhead and less flexibility than online companies; they can often provide more personalized services to customers.

Bricks and Clicks-

A company which has a presence in the real world and also has an online presence is known as Brick and click company. A brick and click company has both flexibility of an online company and personal service availability of Brick and Mortar company.

Pure play company- A Pure Play Company is a company which is established for the web but does not have a prior physical presence.

E-commerce versus traditional commerce –

The main difference between E-commerce and Traditional commerce is the use of information technology, internet and telecommunication. The main difference between E-commerce and traditional commerce are here under-

E-commerce versus Traditional commerce-

Activity	E-commerce	Traditional commerce
Information	Website, Online	Magazine, Flyers
Communication	E-mail, SMSs	Regular mails, phone calls
Product Availability	E-mails, Websites	Phone calls, Fax, Letters
Invoice Generation	Website, E-mails	Printed
Flexibility	High	Low
Administration and Transaction cost	Low	High

E-commerce- Global trends versus Indian trends in Retail Sector-

Growth in online retail worldwide has been on a fast track among internet users. In India as well there has been a fast growth in the online retail.

The worldwide online visitation has been 72.3% worldwide. On the other hand there has been around 60% penetration among internet users and in India

However the worldwide growth rate has been 13% Y-O-Y. AND India has seen a whopping 43% growth in E-tailing.



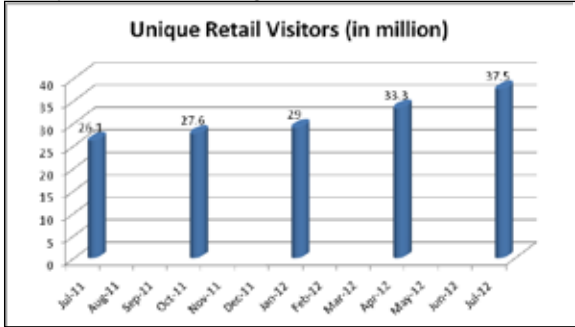
A 43% growth in comparison to a 13% growth worldwide shows that there is a great scope as far as online retailing in India is concern. Companies which are lagging behind and follow Brick and Mortar business format will have to reconsider their strategy. The phenomenal growth in online retailing has open up new doors for the companies and at the same time posing big challenges for the companies which are not able to adapt with the changing environment.

Online retail in India: an insight-

The population of internet users in India is around 124 million (inclusive of shared device and mobile) which is around 10% of the whole population. India has a growth rate of around with around 60% retail penetration among internet users . India is among top 3 fastest growing internet markets in the world.

The unique retail visitation has reached up to 37.5 million till July, 2012.

A comparative chart has been given below.



In India there are many companies which provide online retail services. Amazon, Flipkart, Snapdeal, Jabong, Myntra and Homeshop 18 are the major players. Amazon with 15.4% reach is the largest among all. A comparison of reach of top retail sites has been given below.



Flipkart has been the largest player in India with 7.4 million unique visitors a month with a growth rate of 431% annually. Snapdeal is second with 6.9 million unique visitors. Jabong and Myntra with over 5.3 million unique visitors each per month. HomeShop18 has over 4 million unique visitors a month.

This shows that there has been a whopping growth in the online retail with a huge growth rate of online retail companies.

Opportunities: E-tailing-

Since there has been a huge growth in the E-commerce and online retail. Indian market provides many opportunities to online retail companies.

With the introduction of fast speed internet services like 3G and 4G in India online purchase and retail visitation is on the move. India has around 39 million 3G subscribers as on Q4 2011.

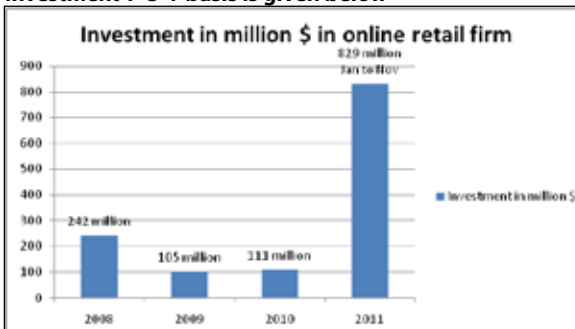
The 3G penetration is around 4% and the growth rate is 841% which is phenomenal.

As the number of internet users and the internet penetration will go deep, there will be a positive growth in the online retailing.

As far as retail companies are concerned there are multiple benefits of going virtual. Decreased cost, Price transparency, 24X7X365 day open, Global operation, Better reach are some of the major benefits.

If we look at the investment in online retail firms there has been an incredible growth. In 2008 it was \$ 242 million and in 2011 it surged up to \$ 829 million.

Investment Y-O-Y basis is given below-



Source: India goes digital -Aventus report, 2011

This shows a great surge in the investment in the year 2011 till November which is multifold then that of some previous year.

M-commerce- M-commerce or Mobile commerce is the business done on the mobile. It is based on WAP. Using mobiles, smart phones to conduct business transactions. E-commerce and M-commerce based enabled business transactions are going to take a big leap in the near future in India.

High percentage of young consumers- In India age of 75% population of online users is less than 34 years. This shows a great number of young populations uses internet. For retail companies young consumers have been the largest and most profitable consumers.

Challenges: E-tailing-

There are many opportunities in Indian market but at the same time there has been many challenges for the online retailers.

India is a country which still has a per capita income around \$ 1000 which is very low and is one of the hurdles in the sustainable growth. India still lacks a good infrastructure which is a big problem for retailers.

Low internet penetration- Internet penetration in India is still very low. Internet penetration is still less than 10% of the whole population and the high speed internet connections do not make a major part of this 10% which is not significant at all.

Supply chain and logistics- To be successful for the online retail companies it is very important to have a good supply chain and logistic system. Since E-tailing gives birth to disintermediation then it really requires a very good supply chain and logistic system.

Electronic Payment System- In India very few people use electronic payment system. Most of the people are not so keen to make electronic payment.

If companies are able to overcome these challenges then in a fast growing market there are good chances to succeed.

Conclusion -

Now this is the right time for the retail companies to go virtual and also provide online services. Today is the world where people need convenience, 24X7 availability, full information and communication. With the help of Information Technology this is not a big challenge. Indian E-tailing market with incredible growth has great scope and many opportunities.

India is among the fastest growing online market and has registered a 41% growth in the last 12 months. Internet usage has reached almost 10% penetration in India. With this trend, e-Commerce has shown a very exciting growth trend among travel and retail sites. Companies can expect a similar or even better growth in the coming years as more users come online through easier internet access and wider mobile internet penetration.

To conclude, e-Commerce has seen tremendous growth in the last 12 months. Models like Cash on Delivery and other consumer centric payment options and improved service quality will boost overall sales. It is definitely the most exciting phase among online retailers and consumers as this learning curve will put India on the global map as one of the largest e-commerce markets in the coming future.

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