



E-Tailing Boom – Impact on Retailing

KEYWORDS

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India is witnessing the rapid growth in its retail markets with fastest penetration in online retailing, which is nearly 60% now. (According to a research report by Comscore for ASSOCHAM-State of e-commerce in India). India's internet base which is already the third largest in the world after China and US is growing by nearly 40% every year. This growth is highlighted by some of its online retailers like Flipkart, Homeshop 18, Jabong, Myntra and Snapdeal. Evolution in the consumer market fueled by demographic shifts, behavioral changes and consumers' attitudes toward the economy has resulted into the growth of e-tailing which has hard pressed brick and mortar retailers making their recovery and growth at snail's pace. This paper is review of the latest trends in e-tailing and how it has impacted the business of retailers with physical presence. (Brick and Mortar stores). The paper concludes with some survival strategies for brick and mortar stores.

Overview of E-tailing

E-tailing or e-retailing refers to the selling of retail goods electronically over the Internet. The concept surfaced in the 1990s including prominent examples like Dell, Amazon.com and e-Bay. In the year 2009, clothing and apparel segment clocked online revenues to the tune of \$ 19.5 billion. E-tailing currently accounts for 12% of the retail purchases in the U.S. Amazon is clearly the leading e-tailer in terms of its reach, projected buyers and the unique users around the world. Online retailing can be categorized into:

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. Common example includes: Barnes and Noble's.

E-tailing / multichannel retailing offers unique advantages to the consumer that no other form of retailing can match like allowing easier comparisons across broad product categories with the evolution of shopping bots and similar mechanisms, flexible/dynamic pricing mechanisms, doorstep delivery of bulky durables and other products to the consumer. These evolutions reduce any friction in the online market place and stimulated the growth of e-tailers benefitting both marketers and consumers in the long-run. Some of the reasons contributing the boom in the sector are minimal investment like in case of Flipkart, comfortable and easy to use, savings in operating and fixed cost, customer interaction which helps to know the preferences, responses, complaints and mass customization. Very important among all is its global accessibility increasing customer base. Increases popularity and preferences of the

customers is favoring the e-tailing as it provides price discrimination, global reach, variety, customer empowerment and convenience. However there are various limiting factors like trust and security issues, customer retention, suitable for certain product categories, complicated medium, flaws in website designing, limited access to internet.

Recent growth trends in E-tailing

In order to overcome these limitation and barriers, leading e-tailers have adopted various strategies which has resulted into the growth of e-tailing in India. Some of the benchmarks set by these online marketers are cash on delivery along with some minimum days product return guarantee in case of any deviations introduced by Flipkart and has helped to do away with the limitation of trust on part of customers and has ensured security. Dell's intention of adopting online direct marketing was to offer mass customization, direct interaction with customers, knowing their responses and preferences and addressing the issues more effectively.

The innovative efforts of these big e-tailers have resulted into the remarkable growth of online retailing. The online retail industry which was valued at \$1 billion two year ago is expected to reach \$32 billion (1.9 lakh crore) in 2020 according to retail advisory firm Technopak. Due to the success stories of big e-tailers like Flipkart, Myntra, this sector has attracted large FDI's and has also interested various other investors. Year 2014 has witnessed flurry of deals in this sector and investors has pumped in \$1.6 billion (9700 crores) in across 24 deals as compared to that of about \$553 million (3300 crores) investment across 36 deals in the year 2013 (According to research firm Venture Intelligence) Large fundraises by industry leaders like Flipkart, Snapdeal and the entry of investors like Singapore's sovereign wealth fund GIC have boosted investors confidence. Their growth stories are heating up and have occupied space in every day newspapers.

Resulting Threats for Brick and Mortar Stores

Increasing growth of e-tailing has created a havoc for the brick and mortar stores. Already the unorganized retail sector was facing the heat from the organized sector and now these digital retailers have posed more threats making their recovery and growth more difficult. E-tailers are facing the problem of logistics management or delivery in backward or unorganized areas like Bihar, Uttar Pradesh, Jharkhand and like, due to improper pin codes and other postal address issues. Mobile penetration is high but companies in the sector are facing the problem of physical infrastructure which has restricted the sales to some cities. This lack of reach becomes critical when ecommerce companies are looking to smaller cities and towns for further growth. A study by Technopak last year showed about

50% of online sales are from consumers outside the top eight cities in India. In order to overcome these problems of reach, companies in the sector are building on their alliances and infrastructure and are also inviting more investments.

The biggest competitive strategy adopted by these e-tailers is low pricing which has remarkably increased their sales and reduced the sale of brick and mortar stores. Consumers' online pricing research, convenience of door step delivery and also competitive price has been competitive advantages for e-tailers. Moreover benefits of largest variety and also EMI are other unique advantages in online retailing.

Another severe problem faced by the brick and mortar stores is product positioning online wherein some brands are only launched online due to reasons which may be either they don't have capacity to be launched offline or they don't have bandwidth or they have the bad history or so on. But certainly this does not mean that pricing can be dictated by online retailers as they can afford to offer huge discounts which are possible only for them because they make bulk purchases from the manufacturers and can manage to make cash payments. The result is they have captured huge market posing big threats for offline retailers. Adverse effect is that the businesses of small retailers have suffered as they cannot manage to get the product at the prices enjoyed by these e-tailers.

Survival strategies

The growing interest of investors in this sector, ensures the growth of online retailing and also increasing access in non accessible areas. This is definitely going to have more adverse impact on brick and mortar stores in near future.

Some steps are already taken by the offline sellers like forming associations to fight collectively with manufacturers for not adopting much price discriminations and also restricting on number of units sold to such online retailers. Some companies are themselves promoting the products offline like Lenovo and Nikon. Canon has stated that they will give incentives to people who buy cameras offline, such as a 15-month warranty in lieu of the more standard 12-month warranty that will be given to people who buy products online at stores like Flipkart (as per one report). Similar strategies can be adopted by other manufacturers as for the progress companies should realize that online and offline both retailers are important. Some strategies which can be adopted by offline retailers like designing their website which can help customers to know about the variety of product they deal. This can also help them to take advance orders and make arrangement of different models and products in due course of time which helps them to optimize on stocking and other logistics. Dealers association should also focus on collective bargaining with manufacturers on pricing and other terms. In order to support small business enterprises government can introduce variable tax levy for online and offline purchasing and selling considering the interest of both the types of retailers. Good customer relations, interaction, enhanced after sale service, proper redressal of complaints and customization can help offline retailers in competition.

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