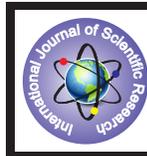


e-Tailing – a Contemporaneous Dimension in E-Commerce



Commerce

KEYWORDS: e-tailing, e-commerce, e-business, e-entrepreneur, venture capitalists.

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ABSTRACT

The internet user base has skyrocketed in India in last decade. It is the third country in the world having highest internet users followed by USA and China. The exponentially growing internet user base in India provides e-commerce and its organ e-tailing immense scope to accelerate in future. E-tailing is an untrodden path for entrepreneurs and venture capitalists and calling the talent to cash in the burgeoning online demand. Therefore the present study attempts to gain an insight of e-tailing business in India. The study is descriptive in nature and speaks in three core areas. The first section gives an overview of e-tailing in India. The second section explains the various e-tailing models. Third section explores on the basis of substances how it throws an opportunity for entrepreneurs, venture capitalist and retailers. Lastly discusses the challenges in e-Tailing.

Introduction

e-tailing, a sub set of E-commerce, facilitates online shopping with few clicks. It has mushroomed with online shopping websites in past few years in India. (Khitoliya, P) Almost all big retailers now have presence on the web. A report by FICCI explored some of the popular Indian online retailers are Staples Inc, Home Shop 18, Indiaplaza, eBay India, Future Bazaar, Indiatimes and Rediff. Easy availability of broadband services and increasing internet penetration is supporting the growth of online retailing. The increasing purchasing power of the Indian customers is set to bring an online shopping boom in India¹. Moreover technology is the key driver of e-tailing and e shopping. Khitoliya,P also said that the present age is exploded with technology in whatever we do. Rapid internet penetration has made consistent access to technology possible. Altogether changing the way we used to live our lives.

1. Overview of E-commerce and its subset e-tailing in India

India's e-commerce market rose 88% in 2013. It stood at \$2.5 billion in 2009, reached \$8.5 billion in 2012 and rose 88 per cent to touch \$16 billion in 2013. The survey estimates the country's e-commerce market to reach \$56 billion by 2023, driven by rising online retail².

It is the increasing usage of technology such as 2G & 3G services, laptop, internet, and the desire to shop online altogether accelerate the e-tailing and led to the mushrooming of e-tailers in a very short span of time.

Digital Commerce industry has seen a significant increase from INR 19,249 Crores in the year 2009 to INR 47,349 Crores in 2012 In 2013, the market is estimated to mature and reach INR 62,967 Crores showing a year-on-year CAGR of 34% since 2009. Facilitators like low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market are expected to keep fueling the e-commerce growth in the same way. The figures, below, illustrates the growth in the market size since 2009.³

Table 1 illustrate the total market size of e-commerce and its subset's from 2009 to 2013 (Figures in Crores)

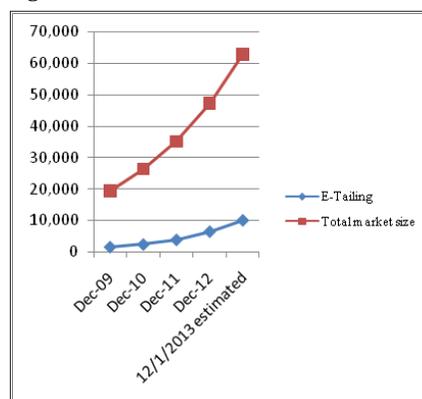
Table 1

Year	Online Travel Industry	E-Tailing	Financial Services	Classifieds	Other Online Services	Total market size
2009	14,953	1,550	1,540	775	431	19,249
2010	20,440	2,372	1,848	1,085	518	26,263
2011	26,572	3,842	2,255	1,682	792	35,142
2012	34,544	6,454	2,886	2,354	1,110	47,349
2013 Estimated	44,907	10,004	3,607	3,061	1,388	62,967

Source A report by IAMAI AND IMRB International "DIGITAL COMMERCE" April 2013

Figure 1 exhibit the growth of e-tailing and E-commerce from 2009 to 2013. The figure shown on the y-axis specify the market size (in crore).

Figure 1

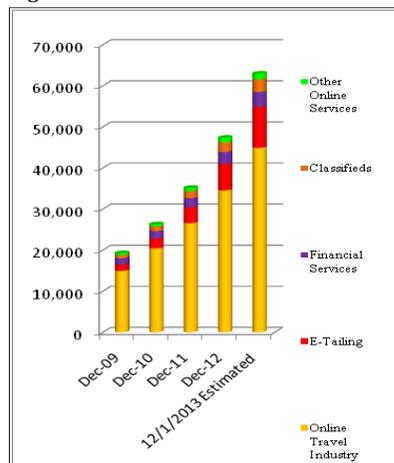


Source A report by IAMAI AND IMRB International "DIGITAL COMMERCE" April 2013

E tail increased by 53 % in 2010, 62% in 2011, 68 % in 2012, and 55% in 2013 over the previous year whereas the total e-commerce market size increased by 36% in 2010, 34% in 2011, 35% in 2012 and 33% over the previous year. This makes very clear that e-tail will dominate the e commerce in no time.

Figure 2 illustrate the growth of E-commerce shared by e-tailing, online travel and others from 2009 to 2013.

Figure 2



Source A report by IAMAI AND IMRB International "DIGITAL COMMERCE" April 2013

E tail increased by 53 % in 2010, 62% in 2011, and 68 % in 2012 over the previous year whereas online travel increased by 37% in 2010, 30% in 2011, and 30% in 2012, over the previous year.

The above figures clearly exhibit that e tail which constitute the substantial part of E -commerce after online travel is going to surpass it in the coming few years. A report by Ernst and Young also states that travel is the largest segment among all the internet commerce categories, internet retail would reportedly match the travel segment, by the value of goods sold, within three to four years and, thereafter, surpass it.

Table 2 illustrates the share of each product category in % of the total e-tail for the year 2012(Total: INR 6,454 Crores Jan-Dec 2012)

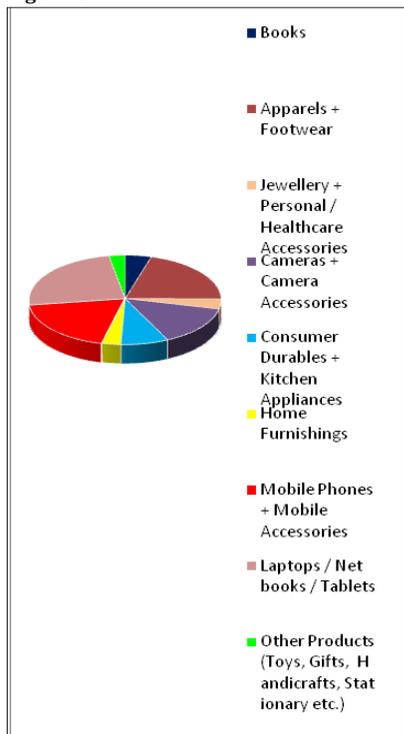
Table 2

Components	% of total market size	market size in crore
Books	4.50%	288
Apparels + Footwear	20.60%	1,331
Jewellery + Personal / Healthcare Accessories	3.70%	240
Cameras + Camera Accessories	14.10%	914
Consumer Durables + Kitchen Appliances	7.80%	500
Home Furnishings	3.10%	200
Mobile Phones + Mobile Accessories	18.90%	1,217
Laptops / Net books / Tablets	24.50%	1,579
Other Products (Toys, Gifts, Handicrafts, Stationary etc.)	2.80%	185
Total	100.00%	6454

Source - A report by IAMAI AND IMRB International "DIGITAL COMMERCE " April 2013

Figure 3 gives a clear view of the product categories sold via online mode. The pie chart below explains that laptop/ tablets, apparel & footwear, mobile phones and cameras are purchased majorly via online mode.

Figure 3



Source - A report by IAMAI AND IMRB International "DIGITAL COMMERCE " April 2013

1.1)Merger and Acquisition in e-tailing

Top lines of tier- 1 retailers are growing multifold year on year but bottom line is getting a hit. Reason is intense competition and every company is trying to grab the customers resulting in huge marketing cost and upfront discount. This is the driving force for many investors to Consolidate - join the two firms into one. The benefit - it will lower down the fixed cost and improve operational efficiency. Many acquisitions happened to increase the product lines and it can give an inorganic growth to these companies.⁴

Table 3 The list of Recent Acquisitions

Acquirer	Acquire
Flipkart	Letsbuy
Snapdeal	Grabbon, Esportsbuy
Yebhi	Stylishyou.in
Myntra	SherSingh, Exclusively.in
HealthKart	Madeinhealth
Fashionandyou	UrbanTouch

Source- www.retailopia.com last accessed 18 June 2014

Table 3 exemplifying that intense competition and desire to tap market potential led the e tailers grow inorganically and thereby going for acquisition strategy.

1.2)FDI and e-tailing

The Indian government had disapproved FDI in e-commerce. Literature revealed the mix comment and doesn't arrive at consensus that whether it's a good or a bad signal for Indian players but this had certainly shielded the exiting e-tailers from the intense competition thrown by the international giants for the coming few years at least. This decision has also allowed them to build rapport with customers and gain customer loyalty.

2. e -tailing Business Models

The study gives a graphical representation of the e-tailing business models. These models would serve the entrepreneurs and new entrants in starting up their own business. The following figure gives a comprehensible view of the e tailing business models

Figure 4 shows that the e tailer tie up with merchandiser of many brands and displays the consortia of brands on web page. e-tailers of this model have to invest substantial amount to start up

the business but at the same time offer wide variety to the web visitors.

Figure 4 e-tailer displays multi-brands

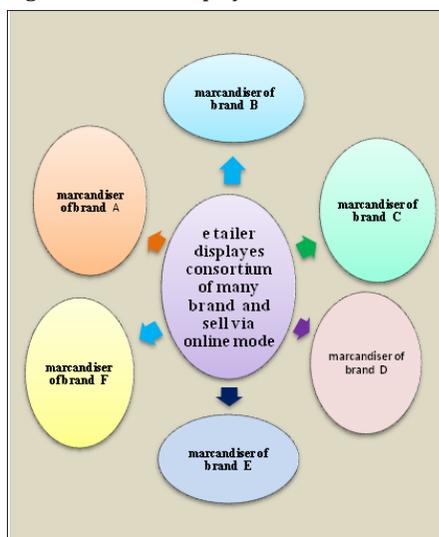


Figure 5 represent the multichannel e-tailer who sell goods through both the mode. i.e online and offline. Moreover he may focus on specific items or in many items of consumer use.

Many existing retailers are set to offer their products virtually too.

Figure 5 retailers sell via virtual and traditional mode

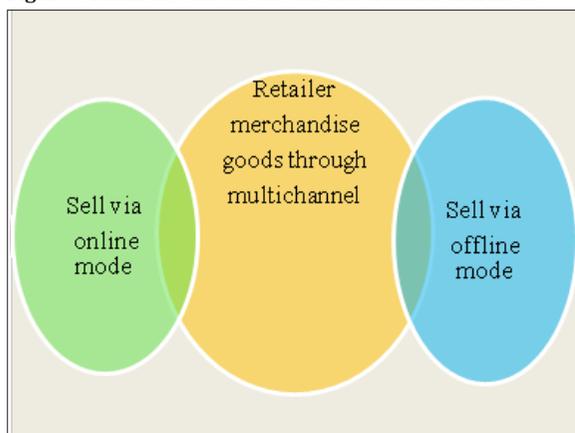
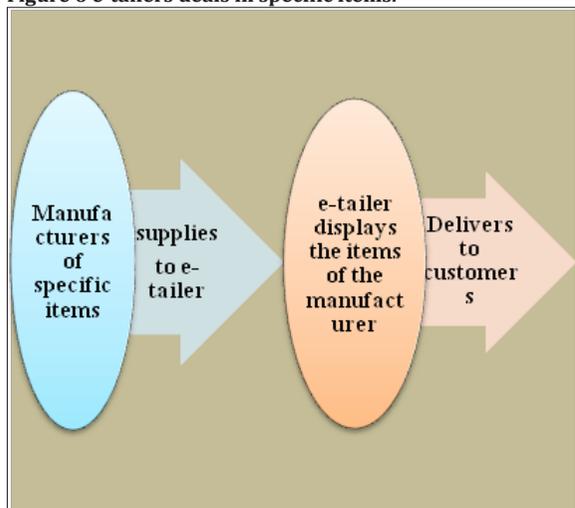


Figure 6 present a model wherein the e-tailer deals in specific items and focuses in providing broad range of those items. This model is usually followed by new entrants.

Figure 6 e-tailers deals in specific items.



3. e-tailing an untrodden path for e-entrepreneurs and venture capitalists

3.1) Untapped potential for entrepreneurs

The Indian e-Commerce market as of December 2013 stood at INR 62,697 though only 25 million of over 231 million internet users transact online.⁵ This wide gap will enable “e-entrepreneurs” to harness the potential by creating utilities at each stage.

It also presents an attractive opportunity for entrepreneurs too, since it is growing rapidly and still forms only a minuscule portion of organized retail. Ernst & Young (2012). Internet is perhaps the greatest revolution in science and technology that our generation can imagine. Its ability to connect people through the communication network irrespective of their physical location give birth to Netpreneur or e-entrepreneur. The Netpreneur is a premium member in the Community. He provides service to the community including employment. Netpreneurs add up to build other higher value added economic units in the society either joining hands with other similar Netpreneurs or with other Brick and Mortar entities. Balachandran, V & Sakthivelan, S.M

Moreover Huge potential for growth in e-tailing, signaling entrepreneur to cash in the burgeoning online demands. It's the time to consistently eyeing on the changing trends of retailing and consumers online buying behavior to get along.

3.2) Promising Investment Avenue for venture capitalists.

Existing Literature indicates that e-tail has grown dramatically in last decade with the spread of technology. Profit potential enticing the existing retailers to offer the product online too. Many retailers have launched the web portal for their store items and others are set to appear online in order to reap the profit element. Though e tailing forms only a minuscule part of the total digital commerce yet going to dominate later with its rapid growth rate. The increasing propensity to shop online makes the segment lucrative for private equity players and venture capitalist. Many VCs have already joined the hands with e-tailers and funded their business to be a part of the success of e-tailing.

With an aim to tap the “huge opportunity” in the Indian e-commerce space and be a part of its growth story, a host of global players and private equity funds have been showing interest in the sector of late.⁶

Glimpse of some recent VC funding in e-tailing have been enlisted hereunder :-

The latest case in point is Snapdeal. In Feb 2014, US-based online retailer eBay led a group of investors, including Kalaari Capital, Nexus Venture Partners, Bessemer Venture Partners, Intel Capital and Saama Capital to invest USD 133.77 million (about Rs 830 crore) in the New Delhi-based Snapdeal.⁶

E-tailer Flipkart raised USD 360 million in 2013 only in two rounds through host of investors, like Tiger Global Management, Accel India Venture Fund, Iconiq Capital, MIH Holdings, Morgan Stanley and others⁶

Myntra raised about Rs 300 crore (USD 50 million) led by Premji Invest, Tiger Global, Accel Partners in February 2014. It had raised USD 25 million in May 2013 also to strengthen its technology infrastructure and fund its growth initiatives.⁶

4. Challenges in e tailing

1. Trained personnel to implement the e-tail business model successfully.
2. Coping with vibrant technological environment.
3. Meeting the expectation of youthful India on web is difficult for e-tailers. Similar study by Khitoliya, P also found that Satisfying the iGen and working family class in online buying and attracting them for repeat purchases is yet another challenge. Meeting their expectation on the web would be tough task for e-tailers .
4. Evolving a system for Risk free transaction so that the customers can have secured and personalized shopping experience. Sajjad et. al. also explored the prime obstacles in the way back-up of online shopping is that people usually get petrified when the other computer demands the complete details of the customers. Due to which a customer gets anxious that his or her personal details may get disclosed and their precious money and account details get damaged.
5. Lack of preparedness among customers for online shopping due to lack of trust and reliability.
6. Intense competition from international and national players proves as a entry barrier for new entrant. Khitoliya,P The growing number of players in e-tailing will make the competition stiff. Beating the competition thrown by Organized retail players by penetrating into e-tailing will be a big challenge.
7. Developing the technical capabilities to adapt easily the changes stem from the dynamic technical environment.

Resolving bottleneck

E-tailing differs from retailing and therefore it requires a different mindset and vision to get along. New and upcoming players in this business have to make Strategies and policies consider-

ing the factors that affect the perception and attitude towards online shopping. Various studies and models evolved in past could be instrumental in formulating the e-business strategy e- CO model by Khitoliya, P present a comprehensive consortia of factor that a e-tailer may consider while molding the website. (Ranganathan, C., & Ganapathy, S.) (2002). Stated that Determining how To create B to C web sites that can effectively attract and retain consumers so that key objectives, such as online purchase, web visitors satisfaction, repeat visits, and online customer loyalty are attained is an important step in developing an overall e business strategy of an organization. Vegiayan, et al. (2013) retailers can give more importance to purchase quality to maintain their relationship with their existing customers as well as to attract new potential customers. Moreover, it describes that, retailers should continue to offer customer with wide range of products rather than selling one or two items. Khitoliya, P (2014) revealed that disclosure of personal, credit card and debit card information is the biggest concern in online shopping. The second concern that troubles the respondents is the misrepresentation on web by the e-tailer. It has been shown by Liebermann and Stashevsky (2002) that both demographic and usage behavior traits have their own effects in terms of perceived risk formation. These multi-attribute findings can be used by marketers along the personalization process. Thereby each individual can be approached more efficiently according to his or her expected specific perceived risk structure. This way, personalized advertising messages and promotional offers can be adopted to reduce perceived risk by Internet users.

Lee & Lin (2005) suggests that to enhance customer purchase intentions, online stores should develop marketing strategies to better address the trustworthy, reliability, and responsiveness of web-based services. Enhance customer satisfaction and purchase intentions, online stores should start improving the dimensions of reliability, such as capability of delivering products as promised, providing up-to-date and accurate information, and strengthening the security of online transactions

Conclusion

E tailing is contributing in the development of the country by optimizing the unemployment condition. It is creating opportunities across the value chain for entrepreneurs.

Digitized transaction will increase the standard of people's life-style and facilitates execution of numerous transactions in a moment which would further speed up the growth of business.

Customers' growing affinity towards e-shopping will flourish the e-tailing. Moreover Indian consumers have shown the preparedness for online shopping over the past few years while many e-tailers evolved a system that offers safe payment and maintains transaction secrecy to provide the seamless virtual shopping experience to e-shopper.

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