Research Paper COMMERCE

E-tailing in India: Prospects and Barriers

Rakesh Chutia | Assistant, State Bank of India Margheita-786181, Dist.-Tinsukia Assam

ABSTRACT

Our nation India is witnessing a massive digital revolution. Ever declining broadband subscription rates, aided by the launch of 3G, 4G services, increased penetration of mobile telephony have been driving this trend. This has led to an ever-increasing number of "netizens" and consequently broadened the country's internet horizons. Internet has become an integral part of this growing population segment for remaining connected with friends through various social networking sites, accessing emails, buying air, rail, movie tickets or ordering food. The changing lifestyles of the country's urban population have also led many people relying on the internet for their shopping needs. The convenience of shopping from the comfort of one's home and having a wide product assortment to choose from has brought about increased reliance on the online medium. The following paper tries to throw lights on the prospects of E-tailing in India and the barriers it needs to overcome to establish itself as a vibrant retail segment in India.

KEYWORDS

Introduction:

Internet Retailing or 'E-tailing' as is usually referred to as is the selling of a range of products and services online to the world. Short for "electronic retailing" and used in Internet parlance as early as 1995, it presents one of the greatest opportunities and challenges for the retail sector. According to an ACNielsen study of 21,000 people in 38 countries, more than 627 million people have shopped online. The nature of retailing is changing and the Indian retail market is witnessing a revolution with the advent of numerous E-tailing sites such as Flipkart, Jabong, Myntra, Yebhi etc. As more and more Indians use the internet, revenues of E-tailing companies could triple over the next three years to 504 billion rupees ($8.13 billion), according to Crisil Research, a unit of Mumbai-based ratings firm Crisil Ltd.

Internet retail companies earned revenues of around 139 billion rupees ($2.24 billion) in the financial year that ended on March 31, 2013, according to the report. Though this is just 0.5% of the total revenues of brick-and-mortar retail companies, online retail sales have been growing much faster. The phenomenon of online shopping in India is immensely growing and is getting better and stronger day by day.

Key factors influencing the growth of e-retail in India:

1. Internet Boom: After 2005, a rapid growth has been seen in the number of people using internet. This is due to en hanced broadbrand internet services and penetration of 3G services that has given faster internet access.
2. Standard of living: The living standard of the people has made them inclined towards e-retail sites for shopping. The increased per capita income has also played its part in this inclination.
3. Availability of wider range: Online market offers a much wider range of products than any retail shop. People have wider options for the products online and even can buy those products that are not available at the retail shops.
4. Lifestyle: In this busy lifestyle, lack of time for offline shopping and urban congestion of traffic has also led to the boom of online shopping market.
5. Free classified sites: These sites have been launched where more consumers can buy and sell used goods as well.
6. Competition in online market: Competition among the online shopping websites has attracted more customers to go for online shopping.
7. Discounts and cheap rates: Through numerous offers these sites sell the products to the customers. Hence, products can be purchased at lesser price than the offline markets and that too without sacrificing the quality. Availability of different discount coupons on the sites also brings greater profit for the customers.
8. Improved online banking services: With improved and safer online banking services customers are now less hesitant to make payments online which in turn increase their confidence to shop more online.
9. Cash on delivery and home delivery: Cash on delivery along with home delivery has played a great role in the inclination of people toward e-retail sites.

E-tailers in India are also providing various value-added services such as free shipping, product returns, product and price comparison, user reviews and demonstration videos. All these

factors have driven the change in preference from offline to online shopping

Internet Retail Advantages:

- Lower supply chain costs
- Lower cost of distribution
- Ability to reach and serve a larger geographic market
- Ability to react quickly to changes in customers' tastes and demand
- Ability to change prices nearly instantly
- Ability to rapidly change visual presentation for goods
- Avoidance of direct marketing costs for catalogs and physical mail
- Increased opportunities for personalization
- Ability to gather information about consumers

Structure of e-retail market in India:

The internet retail sector in India broadly comprises two categories of players:

- Vertical focused players : Deal in specific category of goods such as apparels, electronics and baby products.
- Multi-category players: Deal in multiple categories of goods.

E-tailing prospects in India:

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. The country's growing Internet-habituated consumer base, which will comprise 180 million broadband users by 2020, along with a burgeoning class of mobile Internet users, will drive the E-tailing story.

E-tailing can provide employment to 1.45 million people by 2021. Its growth will spur the creation of new capabilities and human skills in the areas of logistics, packaging, and technology. Additionally, such growth will promote the rise of service entrepreneurs who will have the potential to earn USD 7.5 billion, annually, 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.

The growth of E-tailing in India will be complementary to the growth of traditional retail, and in no way be at cross purposes. On the contrary, it will improve efficiencies and reduce transaction costs in retailing and thereby boost the productivity of manufacturers (SMEs) and service providers.

The formalization and growth of e-tailing will play a pivotal role in bringing sustainability and economic viability to many facets of the economy. It will provide both direct and indirect employment as well as support such infrastructure industries as logistics, telecom, etc. by creating demand. It will spur entrepreneurship by providing business opportunities to merchandise vendors and service providers, and reduce transaction costs (tax leakages, distribution costs, etc.) by providing accessibility to quality products / solutions in an efficient manner.

In summary, the growth of E-tailing in India will positively have four broad impacts:

- Generate employment
- Facilitate growth of allied industries
- Promote entrepreneurship
- Reduce transaction costs

Barriers for e-tailing in India:

- In many instances, the lack of touch-and-feel experience may cause a mental barrier for online shopping. Most Indian consumers prefer to sample a product before making a purchase. This applies across categories such as clothing, shoes, perfumes and accessories. 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.
- The growth potential of the online retail segment in India is attracting leading international players like amazon, eBay etc. The entry of international players would increase competition in the segment. The advanced technology capabilities of global players in areas such as customer analytics and recommendation engines would pose a challenge for local companies. International players 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.
- The value or price of the product is a major factor in deciding whether the product will be bought online or not. The fear of fraud and risk of loss are the major barriers to online shopping. The fear of fraud relates to the apprehensions about the transaction security (such as the credit card number being picked up by third-party hackers) or the Lack of trust in virtual sellers. The perceived financial risk may be either the risk of the product not being up to the mark or expectation; default by the selling party; or the risk of making a wrong choice and having to live with a product you do not like. In the later case, if the product is expensive a second purchase or the possibility of disposing it off for a new one may be restricted. The threshold limits for different buyer are different and may be linked to one's disposable income and risk taking ability or character.
- The buyer's apprehensions related to the delivery, installation, warranty, demo, regular maintenance and after sales service are classified under this factor. The lack of clarity regarding who will be responsible for providing the above is a major barrier for online shopping. The products that are relatively simple or standard in nature find more acceptance for shopping online. Conversely, if the product is more complex which requires a demo before using or it requires installation or regular service or maintenance, the acceptability will be less. Also in case of bulky products, if the location of the buyer is not covered by door delivery, it may act as a barrier to buying online as the buyer is faced with an additional burden of transporting it from the courier's office to his home.
- The majority of internet retailing companies are price players due to the stiff competition they face and the race to acquire the maximum number of customers. This results in very low margins or none at all. E-retail players must look to adopt new business models to increase their margins.

Conclusion:

The potential of India's E-tailing will continue to remain untapped if a mindset of exclusion and seeing E-tailing as a "passing fad" creeps in. E-tailing is different from retail and therefore requires a different mindset and fresh thinking from the policy makers as well as the private sector. For designing an effective E-tailing strategy in India, it is therefore needed to understand the needs of individual customers. Successful E-tailing is concerned with high velocity, flexible systems and procedures, extremely high service levels, and full electronic connections to the trading community. In order to develop the right E-tailing strategy, five points needs utmost consideration. They are: (i) prompt delivery, (ii) supply chain, (iii) demand nature, (iv) reverse logistics, and (v) accuracy.

Product delivery in online retail is not just the delivery of products to the doorsteps of consumers, but also an important cog in customer experience. Therefore, E-tailing players need to gear up their operating models to suit the needs of their online retail customers and work on the following factors:

- Increase their adoption of technology.
- Find investors to fund this technology adoption.
- Focus on last-mile delivery.
- Focus on time sensitivity by providing same-day delivery and specific day/time delivery
  options to customers.
- Focus on returns management and Cash-on-delivery (COD) services, which are key trends in the online retail market.
- Training delivery personnel to handle additional responsibilities such as taking feedback from customers.
- Making the customer experience paramount.

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