# INTERNATIONAL JOURNAL OF ENGINEERING AND MANAGEMENT SCIENCES

# ON-LINE RETAILING IN INDIA: OPPORTUNITIES AND CHALLENGES

**[1]Manish Dwivedi, [1]Kumawat Mahesh & [2]Verma Sanjeev**
[1]Pratap University, Jaipur Rajasthan
[2]IMS, University of Lucknow, Lucknow – 226021 India

## ABSTRACT

The phenomena that world is fast shrinking into a Global Village because of Internet and other communication mediums is not completely reflective in the Indian context. While developed and fast developing countries have understood the power of Internet, India still has a long way to catch up. Internet has brought nearly the entire world just a click away from us. The retail industry canvass has been repainted by Internet and the rules of the game in retailing are fast changing. The western culture has affected each and every aspect of our Indian society. The life is becoming fast not only in the metros but also in the normal cities. The number of nuclear families is increasing and both husband and wife are working, as they have less time to go to the market for purchasing every now and then. Some other reasons like these, say shortage of time, traffic jams, late working hours, versatility of plastic money and above all the approach of internet at the door step of whosoever desires it. Online retailers have improved their service and are providing more and mire convenience to the customers. From advance payment options they moved on to payment on delivery. From fixed delivery timings they have moved on to convenient delivery timings at the choice of the customer. India has opened the doors for foreign direct investment in retail.

**KEYWORDS:** Internet, Online Shopping, Delivery, Retailing

## INTRODUCTION

Indian market is dominated by unorganized players but there is a huge potential in the area of organized retail as well. Entry of bigger players such as Big Bazar, More, Metro etc., to even the rural areas has paved the way for growth in this sector. There has been rise in the earnings of Indian middle class due to rapid economic growth. Indians disposable income is expected to increase at an average of 8.5 % per anum until 2015. The two giants of Asia i.e. India and China are leading the way.India has seen some dramatic changes in the way internet has affected the lives of the people. Though the internet using population in India is low in terms of overall percentage of total population but, in absolute numbers it is very high. This gives great opportunities for various ecommerce sites to reach this segment. AT Kearney's annual Global Retail Development Index (GRDI), in 2008, puts India as the fifth largest retail destination globally. Currently the retail industry stands at 390 billion and growing at decent rate. Internet penetration rate in India is 7.1% which is one of the highest in the world. Moreover a very high percentage of the population accessing internet in India is in the age group of 20-45 years. In spite of all this online retailing forms a meager 0.08% of the total Indian retail market. The ecommerce industry stood at roughly INR 9200 crores by end of 2008. If we ignore the big travel portals which contribute roughly 75-80% of this market the rest of the market is formed by online classified, etailing (online purchase of goods) and digital downloads.

About 12% of the market is contributed by online classifieds like matrimonial and job portals. Our area of focus is the remaining INR 1100+ crores market which is set to see tectonic growth given the right environment is built. This market is poised to grow at 30% per annum for next 5 years but, long term sustainability will depend on how must the market fabric changes. Market players have to be more proactive and innovative in their approach and offering to make serious inroads. In the current market bulk of online sales is in books, gifts, small electronic items. This market in India needs to jump to the next level. More than 32 million internet users makes the market lucrative but, the question is how the market players make the online retail mode viable and competitive. Flip Kart says it had revenue of 500 million rupees ($11 million) in its last fiscal year, and is now clocking sales of about 10 million rupees a day. The top executives of the Future Group, India's largest retail company, says its daily online sales are on pace to triple in the current financial year.

## OPPORTUNITIES

A quick survey of average Indians who have access to Internet showed that most of them hardly could recall 1-2 on-line retail portals and most of their responses were travel site. In comparison an average Indian settled in America could recollect more than 5 on-line portals. This clearly indicates the huge gap between the retail setup between India and other developed countries. Internet penetration rate of 7.1% in India is one of the highest in world and we have one of the highest numbers of Internet users in absolute terms. India is considered as one of the prominent IT hubs in the world but, all these have somehow not translated into positives in the retail space. Retail industry in India stands at $390 billion (Source: India retail blitz, A T Kearny) and organized retail is fast catching up. Many of the big retailers have forayed into the on-line mode without much success. On-line retail forms a meager 0.47% of the total retail market. This shows the plethora of opportunity for on-line retailing in India. The Indian e-commerce market at INRI 9200 core is heavily tilted towards travel sites. More than 75-80%

of this market is constituted by travel portals like Makemytrip.com, Yatra.com etc. About 12% of the rest is contributed by on-line classifieds like matrimonial and job portals.

The above mentioned data is motivating enough for both buyers and sellers, who are willing to use internet as a source of their commerce, as always we are focused on the customer centric market where the customer is god, and every dance on the stage of market is performed according the tune of customer, here we will analyze some of the factors which attracts the customers preferring the online purchasing.

1. Convenience Factor: Online retailers are moving towards enhancing the convenience factor and thus attracting the shoppers to use this channel. Moreover the growth of the mobile communication has led to the growth of the online retailing as people are more accessible to internet 24 x 7. Like in the case of purchasing from the physical market we have to wait for the shop to open and certainly we try to get our merchandise before the shop closes, but in case of online retailing there is no time limits involve all you need is a internet connection and money in your pocket to pay the price and every thing is at your door step.

2. Payment Mode: As compare to the earlier days where we have to make the payment in advance and wait for our order for weeks, now we make the order first and make the payment when the goods are delivered to us, WatchKart.com, lenseKart.com, FlipKart.com, etc. are some of the examples.

3. Delivery: For general type of products line DDV, CD, Goggles, books etc., are being delivered to the customer in 2 to 3 working days and the goods which are required to be produced like special print sarees, customized bags etc., are delivered within 5-6 working days. Moreover single unit of any product chosen by the customer can also be delivered trans-border, which may not be possible to import in case of physical purchase.

4. Product Comparison: without having to move from one shop to other for comparing the benefits of the product, the shopper gets the benefit of comparing the features and cost analysis at one place. Most of the sites are providing this facility wherein shopper can choose the product which exactly suits him.

5. Cost and Time Saving: a shopper saves a good amount of time and money by shopping online. In the metros and even in the smaller towns which are growing fast, the life of an average person has become very fast. He has very little time after his normal routine office schedule to go to the market and purchase even the daily need items.

**Some Challenges**

There could be a huge difference in the click to sale ratio of many e-commerce sites if they make the browsing experience hassle free. One of the biggest challenges is to offer merchandise to the consumer in such a manner that he "feel like buying" instead of the site "trying to sell." Most of the e-tailers want the customer to register first; only then one can enter the site. It's like covering the windows of a showroom and asking the window-shopper for personal details if he wants to even window-shop.

1. *Slow change in the buying behavior:* Indians are still reluctant to buy on-line and prefer brick and mortar models. Indians still like to have a feel of product and spend time in buying.

2. *Inability of on-line retail players to sway customers from offline mode to on-line retail channel:* Lack of proper marketing and advertisement, inability to create a brand image, lack of proper usage of all possible on-line means like search engines, paid marketing, on-line ads, social networking, blogs etc to reach the customers. Inability of on-line retailers to drive the values a customer can derive by shopping on on-line channels.

3. *On-line portals are not up to the mark:* There have been few lacuna's in the exiting on-line websites like poor front ends, website search options are not good, lack of sufficient information about products and terms and conditions, slow websites etc

4. *Lack of seriousness:* A lot of on-line portals have come up in India backed by major retail distributors but, for many it seems to have been just a one time setup. Post this there hasn't been enough drive to propagate the brand and services of the portals among potential clients. Our discussion with few portal owners gave us a feel that many big retailers have opened a website because their peers are doing so.

5. *Issues concerning security and transaction frauds.* In addition many of the web portals don't support all on-line modes of payments. There are high occurrence of failed payments and this if often a deterrent for clients to revisit the portal.

6. *Competitors are just a click away.* When consumers search, they have multiple options available, and many use search to navigate the Web rather than type in or bookmark specific sites.

7. *Visitors can disappear in 15 seconds or less.* Online consumers are goal-oriented shoppers. If they don't immediately find what they're looking for when they reach your site or landing page, they're gone in under 15 seconds.

8. *Shopping is a multistep process.* Online consumers love to browse. Many spend a fair bit of time visiting several sites just to gather information. They may also compare the offerings of several competitors before hitting the "buy now" button.

9. *Time between initial visit and purchase has increased.* Increasingly financially challenged consumers may wait longer before buying.

10. *Customers wait for merchants' best offer.* Having been seduced during the holiday season with free shipping and handling and other price-driven offers, consumers have been trained to wait for a special deal.

**Foreign Direct Investment and Online retailing**

51% FDI has been given cabinet approval in multi brand retailing that paves the entry of global retailing giants like Wal-Mart, Carrefour, Tesco and many others who have been waiting in sideline to venture in to juicy Indian market. In order to gauge FDI's impact on online retail we should consider the following points:

- It will easy out investment route in online retailing, earlier the online companies tried to work their way out and get FDI investment by making various different companies. However with some relaxation in the guidelines looks to be a good sign.

- Organized retail has got the much awaited foreign wing, hence will grow thick and fast and online retail can become an enhanced face of organized retailing. However, growth of offline stores would evolve with its own time but we may see a lot of organized retailing via online channel.

- Backend processes and infrastructure of organized retail will get stronger. 50 percent of every FDI in India would be dedicated for backend processes such as warehousing, logistics and cold storage. Investment in to back end process would surely make the inroad of online retailing easier and efficient.

- Most likely, a large chunk of the possible investment will go to expand the Food & Grocery (F&G) category that constitutes about 35% of total retailing. Other category that will get benefitted is fashion and lifestyle. Online retail is expected to jump start these categories beyond top metros and tier I cities in India. Above all, these categories are online friendly therefore we would be able to experience vibrant actions online

Amidst, cabinet approval for FDI in multi branded retailing, online expects to grow as an alternative sales channel, however, yet there are various bottlenecks on the way. Following challenges seem to persist with it:

- According to guidelines FDI in multi brand retailing would be limited only to cities which have population of 1 million or above. Under the view of this guideline pure play retailers will have access to 53 cities – how it would be viable for online retailing with limited reach for pure play online retailers.

- Another guideline laid by cabinet is 30% sourcing of manufactured and processed goods from MSME / SME industry could be another serious challenges for retailers operating in online retail ecosystem

- The minimum Investment of $100 million for foreign players to enter Indian market could be too high for pure play online retailers to get benefited from the existing cap.

**CONCLUSION**

For retailers in India, online shopping is gaining recognition as it entails many benefits for them. Some of these include, No real estate costs, Enhanced customer service, Mass customization, Global reach, Niche marketing and specialized stores.

**In the next 5 years, online retailing in India will strengthen even further. However, long-standing sustainability directly depends on factors like changes in the market, innovations and interactivity by market players. Owing to increased penetration of credit cards and easy access of computing** **facilities to a wider population, Internet retailing in India has witnessed a promising growth. Moreover, bargain-hunting consumers are latching on this trend as Internet retailers are known to offer products at special discounted prices compared to store-based retailers.** Consumers in the country can now truly expect a well streamlined, efficient and world-class shopping experience supported by the best technology.

**REFERENCES**

A.T.Kearney, Inc. (2004), *Emerging Priorities for Global Retailers*, Chicago: A.T.Kearney, Inc. Marketing and Communications.

Bell, David R., Teck Hua Ho and Christopher S. Tang (1998), "Determining Where to Shop: Fixed and Variable Costs of Shopping," *Journal of Marketing Research*, 35 (August), 352-69.

Bell, David R., and James M. Lattin (1998), "Grocery Shopping Behavior and Consumer Response to Retailer Price Format: Why 'Large Basket' Shoppers Prefer EDLP,"*Marketing Science*, 17 (1), 66-88.

Briesch, Richard A., Pradeep K. Chintagunta, Edward J. Fox (2005), "Assortment, Price, and Convenience: Modeling the Determinants of Grocery Store Choice," Working paper. Dallas, TX: Southern Methodist University

Food Marketing Institute (2002), *Trends – Consumer Attitudes and the Supermarket*, Washington DC: Food Marketing Institute.

Fox, Edward J., Richard Metters, and John Semple (2003), "Every House a Warehouse: An Inventory Model of Retail Shopping Behavior," Working paper, Dallas, TX: Southern Methodist University.

Fox, Edward J., Alan L. Montgomery and Leonard M. Lodish (2004), "Consumer Shopping and Spending Across Retail Formats," *Journal of Business*, 77 (2), S25-S60.

Information Resources, Inc. (2002), *IRI Insights on Channel Differentiation*, Chicago: Information Resources, Inc.

Metters, Richard, Michael Ketzenberg and George Gillen (2000), "Welcome Back Mom and Pop: Big Retailers Are Starting to Think Small Again," *Harvard Business Review,* 78 (3), 24–26

Sethuraman, Raj (2003), "Measuring National Brands' Equity over Store Brands," *Review of Marketing Science*, 1 (2), 1-26.

Sethuraman, Raj and A. Parasuraman (2005), "Succeeding in the Big Middle through Technology," *Journal of Retailing*, 81(2), 107-111.

Singh, Vishal P., Karsten T. Hansen, and Robert C. Blattberg (2004), "Impact of Wal-Mart Supercenter on a Traditional Supermarket: An Empirical Investigation," Working paper, Pittsburgh, PA: Carnegie Mellon University.

Top 150 Annual Industry Report (2004), *DSN Retailing Today*, 43 (13) 30-38.

Troy, Mike (2004), "Sales Rise 6.5%, Lending Credibility to Rebound," *DSN Retailing Today*, 43 (13) 15.