

ONLINE RETAILING: THE FUTURE OF EMERGING INDIAN RETAIL SECTOR

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ABSTRACT

There is no denying the fact that e-commerce has re-entered India and is here to stay. Even the small and medium retailers of the country want to ride the wave and are ready to make a fortune out of the market place concept. It may be now that online shopping has become popular but the concept of e-Commerce was introduced long back in the 20th century.

Consumer's perception regarding shopping has been changed with the introduction of internet media. Retail industry has witnessed major revolution in the changing technology oriented business scenario of 21st century in India. Internet has shrunk the entire World. The rules of the game in retailing are fast changing with the introduction of Information Technology. The e-Retailing website is the front door of the online store that interacts between the e-retailer and consumers. The electronic retailing (e-Tailing, e-Retailing, internet retailing etc.) is the model of selling of retail goods using electronic media, in particular, the internet. E-Retailing is a subset of e-Commerce (Electronic Commerce). E-Retailing accounts for about 10% of the overall growth of e-Commerce market.

In the current study, an attempt has been made to study the current scenario of the online retail sector in India and with such a study, some of the recommendation and suggestions are derived for the online retailing to be prosperous in India.

KEYWORDS:

1. *E-tailing*
2. *Mergers & Acquisitions*
3. *Payment Gateway*
4. *Phishing*
5. *Consumer Psychology*

INTRODUCTION:

Now-a-days, online retailing has gained the momentum. The online retailing market is in a booming phase as more and more people are entering into online retailing by one form or other. Online retailing has provided a common platform for both the seller and buyer along with other intermediaries like logistic partners, payment gateways, Credit/Debit card companies and so on. Now buying or selling products have become hassle free and only takes a few clicks to complete a transaction.

ROADMAP OF E RETAILING IN INDIA:

Between 2000 and 2005: The first wave of E-Commerce in India was characterized by a small online shopping user base, low internet penetration, slow internet speed, low consumer acceptance of online shopping and inadequate logistics infrastructure. Thereafter, the IT downturn in 2000 led to the collapse

of more than 1,000 E-Commerce businesses in India. Following this, there was muted activity in the space in India between 2000 and 2005.

Between 2005 and 2010: There were basically two major transitions that took place that aided in the build of E-Commerce story in India. They were:

- **Online Travel:** The entry of Low Cost Carriers (LCCs) in the Indian aviation sector in 2005 marked the beginning of the second wave of e-Commerce in India. The decision of LCCs to sell their tickets online and through third parties enabled the development of Online Travel Agents (OTAs). They developed their own websites and partnered with OTAs to distribute their tickets online. The Indian Railways had already implemented the e-ticket booking initiative by the time LCCs started their online ticket booking schemes.
- **Online Retail:** The growth of online retail was partly driven by changing urban consumer lifestyle and the need for convenience of shopping at home. This segment developed in the second wave in 2007 with the launch of multiple online retail websites. New businesses were driven by entrepreneurs who looked to differentiate themselves by enhancing customer experience and establishing a strong market presence.

2010 onwards:

Group buying: Starting in 2010, the group buying and daily deals models became a sought after space for entrepreneurs in India, emulating the global trend. Group-buying sites have seen a significant rise in the number of unique visitors and membership.

Social Commerce: It is a key avenue for E-Commerce players to reach out to target customers. Companies have started establishing their presence in the social media space for branding activities, connecting with customers for feedback and advertising new product launches.

KEY HIGHLIGHTS:

- **1991: Introduction of E-Commerce-** The year 1991 noted a new chapter in the history of the online world where e-commerce became a hot choice amongst the commercial use of the internet. At that time nobody would have even thought that the buying and selling online or say the online trading will become a trend in the world and India will also share a good proportion of this success.
- **2002: IRCTC teaches India to Book ticket online-** India first came into interaction with the online *E-Commerce via the IRCTC*. The government of India experimented this online strategy to make it convenient for its public to book the train tickets. Hence, the government came forward with the IRCTC Online Passenger Reservation System, which for the first time encountered the online ticket booking from anywhere at any time. This was a boon to the common man as now they don't have to wait for long in line, no issues for wastage of time during unavailability of the trains, no burden on the ticket bookers and many more. The advancements in the technology as the years passed on have been also seen in the IRCTC Online system as now one can book tickets (tatkal, normal, etc.) on one go, easy payments, can check the status of the ticket and availability of the train as well. This is a big achievement in the history of India in the field of online E-Commerce.
- **2003: Introduction of Low Cost Airline with Air-Deccan-** After the unpredicted success of the IRCTC, the *online ticket booking system was followed by the airlines* (like Air Deccan, Indian Airlines, Spicejet, etc.). Airline agency encouraged, web booking to save the commission given to agents and thus in a way made a major population of the country to try E-Commerce for the first time. Today, the booking system is not just limited to the transportation rather *hotel bookings, bus booking* etc. are being done using the websites like Makemytrip and Yatra.
- **2007: The Deep Discounted model of Flipkart-** The acceptance of the ecommerce on a large scale by the Indian people influenced other business players also to try this technique for their E-businesses and gain high profits. Though online shopping has been present since the 2000 but it gained popularity only with deep discount model of Flipkart. In a way it re-launched online shopping in India. Soon other portals like Amazon, Flipkart, Jabong, etc. started hunting India for their businesses.

PRESENT SCENARIO:

India's E-Commerce market grew at a staggering 88% in 2013 to \$16 billion, riding on booming online retail trends and defying slower economic growth and spiralling inflation, according to a survey by

industry body ASSCHOM. India's E-Commerce market was about \$2.5 billion in 2009, it went up to \$6.3 billion in 2011 and to \$16 billion in 2013 and is expected to grow huge \$56 billion by 2023 that would be 6.5% of the total retail market.

Today, the market place is flooded with several e-commerce options for shoppers to choose from. A variety of innovative products and services are being offered spoiling customers for choice. Online shopping is no more a privilege enjoyed by people living in the US or UK. Today, it is a reality in India. In the last couple of years, the growth of e-commerce industry in India has been phenomenal as more shoppers have started discovering the benefits of using this platform. There is enough scope for online businesses in the future if they understand the Indian shopper's psyche and cater to their needs.

Indian e-commerce industry has evolved over a period of time with innovations that have changed the rules of the game globally. Cash on delivery (COD) is one such example. In a country where credit card penetration is much lower than other developed markets and where e-commerce companies are still working hard to build trust among shoppers, introducing cash on delivery has been one of the key factors for the success of the segment. At present, COD is the preferred payment mode for close to 55-60% of all online transactions in the fashion and lifestyle segment in India. COD is here to stay owing to its convenience and its cultural affinity and will be a major part of payment mechanisms for at least the next four to five years. Executing COD efficiently and painlessly for the customer is critical to the success of any e-commerce player in the country.

TABLE- 1. KEY E-RETAILING PLAYERS IN INDIA

SN	Name of the Firm	Year of Inception & Founder(s)	Headquarters, Trade Revenues (2014) Total Assets	Subsidiaries
1	Flipkart.com *#	2007 Sachin Bansal Binny Bansal.	HQ-Bangaluru, India (Registered in Singapore) TR- □ 2,846 crore TA- US\$ 1 billion	Myntra.com
2	Amazon.com *#	1994 (Amazon.in- 2013) Jeff Bezos	HQ-Washington, US TR- US\$ 88.988 billion TA- US\$ 54.505 billion	1. Amazon India 2. a2z 3. A9.com 4. Amazon Web Services 5. Alexa Internet 6. Audible.com, 7. comiXology, 8. Digital Photography Review 9. Goodreads 10. Internet Movie Database, 11. Junglee.com 12. Twitch 13. Zappos
3	Shopclues.com *#	2011 Sandeep Agarwal & Sanjay Sethi	HQ- Gurgaon, India NA (Private) NA (Private)	-
4	Homeshop18.com *# ^μ	2008 (TV Channel) 2011 (E-portal) Network 18 & Sundeep Malhotra	HQ- Noida, India NA (Private) NA (Private)	-

5	Indiatimesshopping.com ^{*#μ}	2000 The Times of India group, Gautam Sinha, Saurabh Malik, Vivek Pandey	HQ- Gurgaon, India NA (Private) NA (Private)	Gitanjalishop.com
6	Ebay.com ^{*#μ}	1995 (2011 in India as ebay.in) Pierre Omidyar	HQ- San Jose, USA TR- US\$ 17.90 billion TA- US\$ 45.13 billion	Ebay.in
7	Magicbriks.com [@]	2013 The Times Group	HQ- Noida, India	-
8	Quikr.com [@]	2008 Pranay Chulet	HQ- Bangalore, India NA (Private) NA (Private)	-
9	Olx.com [@]	2006 NASPERS Inc. Fabrice Grinda and A.C.F. Oxenford	HQ- New York, USA NA NA	Olx.in
10	Naaptol.com ^{*#μ}	2008 Manu Agarwal	HQ- Mumbai, India NA (Private) NA (Private)	-
11	Snapdeal.com ^{*#μ}	2010 Kunal Behl & Rohit Bansal	HQ- New Delhi, India NA (Private)	-

*Interpretation of Symbols: # Apparels; μ Consumer Goods; * Electronics; @ Buy, Sell & Rent services.*

Online shopping has seen a lot of traction in the last 12-18 months. India has almost 130 million online users at present, out of which as many as 10% are engaging in online transactions. The online user base is expected to cross 300 million in the next 2 – 3 years and a larger percentage of people are expected to transact online by 2015. This large base will provide vast scope for e-commerce businesses to establish themselves in India.

E-COMMERCE DRIVING FACTORS:

E- Commerce has various significances as compared to traditional retailing. Some of the features are listed as:

- Reduced Search and Transaction Cost
- Reduced Process Lead-Time and Faster Time to Market
- Increased Customer Service
- Improved Convenience and Shopping Experience
- Increased Information Transparency
- Knowledge Generation
- Novel Products and Services

TABLE – 2 TOP 10 ECOMMERCE AS PER ASSCHOM

SN	Name of the Company	Year of Inception	Founder(s)	Head Quarter	Products
1	Flipkart	2007	Sachin Bansal Binny Bansal	Bangaluru, India (Regd in Singapore)	Apparels (with Myntra) Electronics Consumer Goods
2	eBay India	1995 (2011 in India)	Pierre Omidyar	San Jose, USA	Apparels Electronics Consumer Goods
3	Snapdeal	2010	Kunal Behl Rohit Bansal	New Delhi, India	Apparels Electronics Consumer Goods
4	Amazon India	1994 (2013 in India)	Jeff Bezos	Washington, US	Apparels Electronics Consumer Goods
5	Myntra	2007	Mukesh Bansal Ashutosh Lawania	Bangaluru, India	Apparels
6	Shopclues	2011	Sandeep Agarwal Sanjay Sethi	Gurgaon, India	Apparels Electronics Consumer Goods
7	Dominos (Jubilant Food)	1960 1995 (India)	Ypsilanti Michigan	Michigan, USA	Food Products (Pizza)
8	freecharge	2010	Kunal Shah Sandeep Tondon	Mumbai, India	Mobile, DTH Recharge Bus Ticketing, DMRC
9	Jabong	2012	Vishist Jain, Gautam Pande, Vineet Baid, Rishi Patnaik Arun Chandra Mohan Praveen Sinha	Gurgaon, India	Apparels
10	Tradus	1997	Tim Jackson Ricardo	London, UK	Apparels Electronics Consumer Goods

Source: Economic Times (Lucknow Edition) Dated 24.05.2015 & Wikipedia

MERGERS & ACQUISITIONS IN THE RECENT PAST:

In recent past, various mergers and acquisitions have taken place in the online retailing sector. One of the notable mergers is the Flipkart-Myntra Combination.

Flipkart - Myntra Combination:

The market leader flipkart has come with a combination strategy with the leader of Apparels, i.e., Myntra to grab a lion share in the online retailing. Flipkart buys out Myntra for \$300 Million. Flipkart is a leader in selling multiple product categories online and Myntra is India's leading fashion retailer with strong brand recall. Their combined might also places them in a better position to take on the likes of Amazon, which has become increasingly aggressive in India's booming e-tailing market. Flipkart is into a number of categories, Myntra is focused on fashion e-tailing. With Myntra's share of 30% of online fashion sales, Flipkart now has a 50% share in a segment that's clocking nearly 100% annualized growth. With this deal, Flipkart effectively has stolen the thunder from Gurgaon-based Snapdeal, which was looking to be the first e-tailer in India to cross Rs 1,000 crore in fashion sales by the end of this year.

For Flipkart, setting up a huge fashion vertical means boosting margins, because fashion has the highest margins - 35 to 40 per cent - among all products sold online. Myntra has big plans with its private brands like Anouk, Dress berry and Roadster, which promise margins as high 60 per cent. Myntra will continue to operate as a separate brand, and its founder Mukesh Bansal will occupy a seat on Flipkart's board, heading all fashion at the new entity. Flipkart will bring in its capabilities in customer service and technology. Both companies will also net customers that have shopped on both portals - about 80 per cent of the country's online shoppers have shopped on either Myntra or Flipkart. However, the companies will not integrate the back end. The two teams will also function separately.

CHALLENGES OF E-COMMERCE IN INDIA:

A.T. Kearney's 2012 E-Commerce Index examined the top 30 countries in the 2012 Global Retail Development Index™ (GRDI). India is not ranked. India, the world's second most populous country at 1.2 billion, does not make the Top 30, because of low internet penetration (11 percent) and poor financial and logistical infrastructure compared to other countries. Some of the infrastructural barriers responsible for slow growth of e Commerce in India are as follows. Some of these even present new business opportunities.

1. **Payment Collection:** When get paid by net banking one has to end up giving a significant share of revenue (4% or more) even with a business of thin margin. This effectively means parting away with almost half of profits. Fraudulent charges, charge backs etc. all become merchant's responsibility and hence to be accounted for in the business model.
2. **Logistic:** You have to deliver the product, safe and secure, in the hands of the right guy in right time frame. Regular post doesn't offer an acceptable service level; couriers have high charges and limited reach. Initially, you might have to take insurance for high value shipped articles increasing the cost.
3. **Vendor Management:** However advanced system maybe, vendor will have to come down and deal in an inefficient system for inventory management. This will slow down drastically. Most of them won't carry any digital data for their products. No nice looking photographs, no digital data sheet, no mechanism to check for daily prices, availability to keep your site updated.
4. **Taxation:** Octroi, entry tax, VAT and lots of state specific forms which accompany them have serious tax implications. These can be confusing at times with lots of exceptions and special rules.
5. **Limited Internet access among customers and MSMEs:** In a country where population is nearing to 150 crore, providing internet connectivity to all is a big challenge. Though, the internet penetration has increased with the advent of smart phones, yet a large part of the population is still deprived of having basic internet facilities. With the step of "Digital India" taken in September, 2015, there is a ray of hope that the internet connectivity will reach to the far- flung remote India.
6. **Poor Telecom And Infrastructure for Reliable Connectivity:** When we talk about infrastructure to provide telecommunication and internet, it gets even worse in the rural areas. Telecommunication and Internet are the two main facilitators of online retailing. While Internet provides a platform for product choosing and ordering, telecom provides its extended help in the logistics by facilitating delivery mechanism. Lack of proper infrastructure in these sectors creates chaos in the penetration of such services in a large part of India.
7. **Multiple Gaps in the Current Legal and Regulatory Framework:** Though we have some regulatory mechanisms like Consumer Protection Act, MRTP Act, etc for the protection of consumers through retailing, it gets practically very difficult to maintain and apply such provisions at online platforms. In a platform of virtual buyers and sellers, to sue and be sued becomes very difficult. There is no such comprehensive legislature till date to exclusively handle and control the e-retailing activities in India. Only several Consumer Laws and Cyber laws are in force to take care of this sector which is growing at a compound rate of more than 50% CAGR in a year.
8. **Multiple issues of trust and lack of payment gateways:** There are several instances of online frauds. Now-a-days, phishing and Vishing attacks have become common for the consumers transacting online. Privacy of personal and business data connected over the Internet is not assured and security and confidentiality of data is not in place. Sites can be hacked and made to look like official, which gets very difficult for a common man to identify whether it is a genuine website or not.

UPCOMING TRENDS:

1. Internet Penetration:

With an exponential increase in internet usage, there's an increasing PC and broadband penetration, coupled with the declining prices of PCs. Tablets and smart phones have given a new meaning to connectivity and user experience. The adoption of 3G and upcoming 4G technology, along with the declining prices of smart phones, is expected to result in an additional increase in internet usage in the country. Improvements on the payment front have brought about the increasing use of plastic money by Indian consumers. Payment gateways have now been made more secure through multiple levels of authentication via one-time passwords (OTPs). This has helped strengthen users' confidence in carrying out online transactions. Feather in the cap is the announcement of "Digital India" scheme by Prime Minister Mr. Narendra Modi in September, 2015. In this regard, the PM has already met and discussed the issue with Mark Zuckerberg (CEO, Facebook), Sunder Pichai (CEO, Google), CEO of Apple INC and other leading IT firms. Mr. Sunder Pichai of Google INC has promised to provide broadband wi-fi connectivity to 500 selected railway stations in India. This Digital India programme has the aim of penetrating internet into rural India and encouraging rural people to access internet for their basic necessities and to keep a track of government's initiatives.

2. M-Commerce:

India has more than 900 million mobile users, of which around 300 million use data services. This is expected to grow 1200 million by 2015. Also, more than 100 million mobile users are expected to use 3G and 4G connectivity in the coming few years. Of the total 90 million mobile users, only 27 million are active on the Internet. Moreover, only 4 per cent of the active mobile internet users buy products through mobiles. However, mobile shopping is on upward trend and is expected to increase five-fold to 20 percent in the medium term.

3. FDI in E-Commerce sector:

Presently the Indian Government has allowed 100 per cent FDI in B2B e-commerce, while business-to-consumer (B2C) is prohibited. In addition to that there's a compulsory 30 percent local sourcing norms for foreign players.

Companies like Amazon, eBay, and Tesco are coaxing and holding meetings with the DIPP to invest in an emerging market India. They have even been investing some of the local start-ups here like Amazon entered India via Junglee.com.

The news that Department of Industrial Policy and Promotion (DIPP) has started consultations with stakeholders on allowing foreign direct investment in retail e-commerce before the end of this financial year, has nonetheless raised our expectations of expansion of Indian E-Commerce industry.

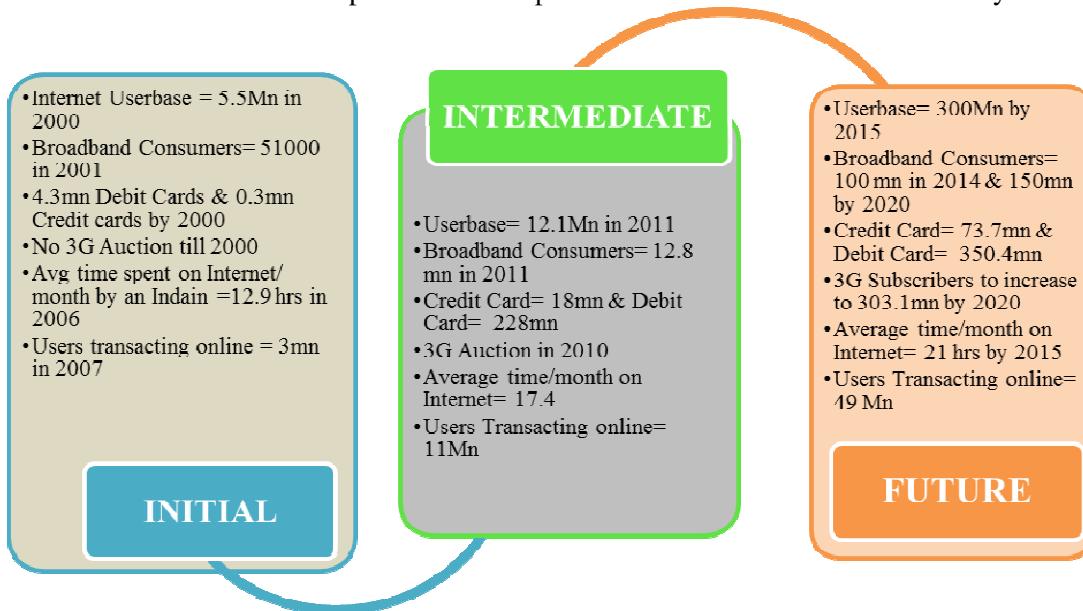


Fig1: Figure showing the trend of Internet Users & Online transaction with a projection of near future

RECOMMENDATIONS & SUGGESTIONS:

Though the economy of India is shining, yet we have a long way to go. E-retailing is no doubt prospering in India but when it comes to infrastructure and reach to an average Indian, we still are lagging behind. In this regards, certain recommendations and suggestions are proposed, so that the e-retailing sector can prosper and flourish in a comprehensive manner.

1. Encouragement in the usage of Digital Devices:

The Government should take adequate steps to encourage the usage of digital devices like Smart Phones, Tablets, Laptops, and Palmtops etc. for the public, so that the awareness and urgency can be created. Further, the government should give tax benefits for manufacturing and selling of such digital devices, so that they can be available in cheaper terms for a common Indian.

2. Initiate Nation-Wide Digital Programmes:

The Government should initiate various nation-wide digital programmes for creating awareness and knowledge about computers and internet. The public must be taught to avail various services with the help of the Internet. Digital India Programme is a flagship project in this regard. Several Government portals have become active and services are being provided also, but it is still out of reach for a common Indian. Therefore, it is highly suggested that the Government should take the initiative to sponsor various Public Awareness programmes for promoting the use of various portals to get the services on internet platform.

3. Improved Wi-Fi Connectivity at Public Places:

Another important suggestion to improve online retailing is to have improved wi-fi connectivity at important public places. This will help the consumers to find various services nearby with a few clicks and abnormal delay and stampede can also be avoided. In the recent past, the CEO of Google Inc. has agreed to provide hi-speed wi-fi connectivity in 500 selected railway stations in India. The Prime Minister, Mr. Narendra Modi has also taken the initiative of providing wi-fi connectivity in all the Ghats of his constituency, Varanasi. If all important public places will get connected, then the demand for e-commerce will certainly increase.

4. Benefit Package for Rural Area:

The Government should announce special benefit packages for providing internet services to rural India. This may encourage the service providers to penetrate the services into far-flung remote area in India and in turn can help in the wide each of connectivity, which in turn may prove vital in creating a base for e-retailing even in the remote parts of India.

5. Making Computer Education Compulsory at Primary Level:

Currently, education is in the Concurrent list of the constitution, where the Central as well as the state Governments have equal rights of modifying and initiating a structure. It has been observed that in most of the states, the basic computer education is missing till high-school level and students hardly know about operating a computer at this level. Therefore, a policy should be taken by the central govt. in consultation with the state education boards to compulsory impart computer education at primary level in order to inject the necessity of computers for the younger generation of our country.

6. Other Suggestions:

- A. Free availability of Basic internet Services
- B. Tax subsidy to be given to Online Players for promoting E-Retailing
- C. Bring adequate legislations & policies to protect consumers for E-retailing
- D. Government should allow e-retailing in MSMEs for promoting marginal e-retailers
- E. India Post can act as a logistics partner by providing special packages for e-retailing, in turn, making the postal department efficient and profitable.
- F. Reduction of Service tax for internet services to make it reach to a common Indian
- G. E-Commerce service providers should equally focus on delivering services to all 21000 odd PIN codes without any bias and preferences.
- H. More number of Non-banking firms should be given license to hold petty monetary transactions for smooth payment of online services.

CONCLUSION:

The supporting ecosystem for E-Commerce has evolved significantly from what it was a decade ago. Internet is the key to the development of E-Commerce and has become prevalent in daily life. People depend heavily on internet for activities ranging from accessing email and searching for information to buy products and services. E-retailing in this regards is a welcome step for exercising consumers' intelligence by comparing products online and take the most out of it. With the existent growth, this sector is expected to grow in the future but is also dependant on various factors. It is still early to tell the success story and only time will tell the success of this sector in the future times to come.

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