

## **E-Retailing: Challenges and Opportunities in India**

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### **Abstract**

The impact of the Internet and E-Commerce on traditional forms of retailing has been enormously observed and discussed. The concept of E- Retailing is not restricted to the young generation only but in this modern era almost one and all is acknowledging it and directly or indirectly deals with it. Without doubt, the existing ways of operating and the associated cost structures within retailing will be reassessed under the onslaught of new technology and new retail structures. This paper is an attempt by the researchers to discuss the challenges and to find out further opportunities in the field of E-Retailing in India. It reviews the situation as well as the introduction of new strengthens. This research is micro and descriptive in nature; the data collection is secondary in character. The data has been gathered from various secondary sources such as research journals, articles, news papers, magazines and E- Resources as well. Three conclusions are drawn. First, the largest retailers are now pursuing Internet-enabled advantages and cost reductions in operations, which could translate to enhanced competitive position in process, structure and relationship terms. Secondly, consumer reactions to the new real and virtual offers will be fundamental to their success and failure, but as yet consumer reactions are not fully understood. Thirdly, existing retail floor space will need enhancement in quality and presentation if it is to continue to provide retail functions.

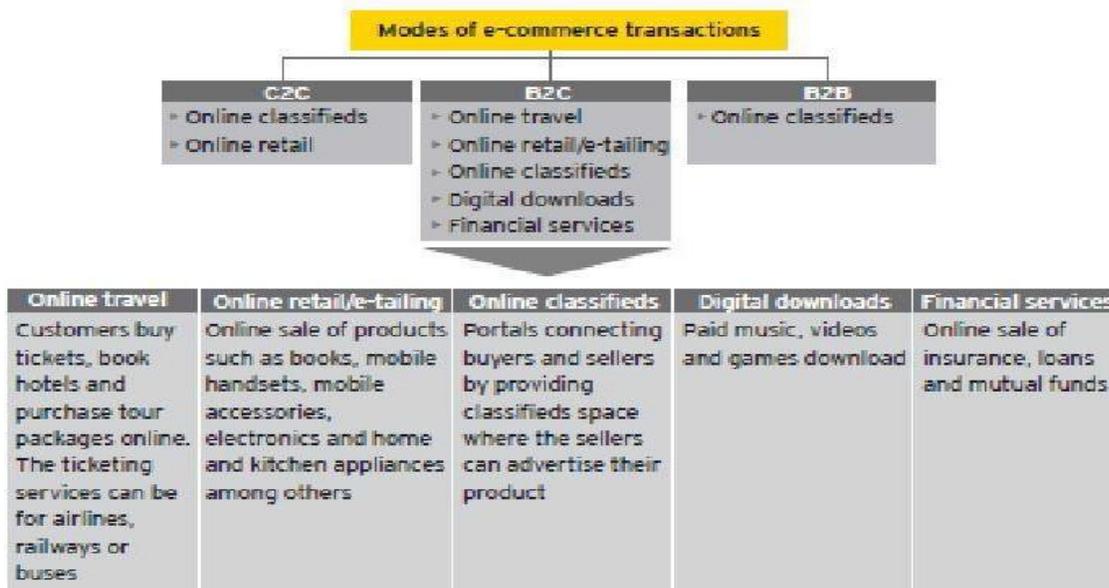
**Keywords:** E-commerce; E-Retail; Retail; GDP; Retail Management

### **Introduction**

Recent years have been a remarkable transformation in the way of Indian Retailers. E-Retailing has taken the world of retail by storm and captivated the imagination of an entire generation of entrepreneurs, with E-Retailing ventures with various business commercial models.

The explosive growth in the last few years has already covered the biggest firms among these ventures hit the billion – dollar territory. The sector has grown three times in four years to nearly 12.6 billion USD in 2013. Various industry estimates project that the sector will further growth five to seven times over the next four to five years.

Online retail, while today representing a small fraction of the E-Commerce space is one of the fastest growing segments. It is also the most challenging in fulfilling its fundamental proposition of transcending physical boundaries to deliver a variety of products to the customers door step. Logistics and infrastructure in e retailing becomes the very backbone. The E-Retailing market in India has enjoyed phenomenal growth in the last six years. Although the trend of E-Retailing has been making rounds in India for more than 15years, the appropriate ecosystem has now started to fall in place. The considerable rise in the number of internet users, growing acceptability of online payments, the increase of Internet-enabled devices and favorable demographics are the key factors driving the growth story of E-Retailing in the country. The number of users making online transactions has been on a rapid growth line, and it is expected to grow from 11 million in 2011 to 38million in 2016-17. Venture capitalists (VC) and private equity players have demonstrated their faith in the growth of E-Retailing in the country.



Source: <http://dazeinfo.com/2015>

**Review of literature**

**Sundar Bharathidasan (2002)**, in this article the researcher emphasized that the Indian retailing industry is becoming intensely competitive, as more and more payers are Vying for the same set of customers. The major retail players are Pantaloon Retail, Shoppers Stop, Reliance, etc.

**The Economic Times(2006)**, It's not only customers that are flocking to malls in India, marketers are all making a beeline to malls as they are the perfect connecting place to their target audiences. Banks, credit card companies, cars, and airline companies are all focusing on co-branding activities with retailers who are selling every little inch of space for signs; carry bags, end caps, trolleys or in-store TV promos

**Deccan Herald (2006)**, India's retail sector is estimated to be worth \$350 billion, of which organized retail accounts for only \$8 billion. This organized part of the retail industry is growing at 30% annually.

**Namratha G & Nazia Hasan (2006)**, during the presentation the author discovered the fact that the organized sector is expected to grow faster than GDP growth in next few years driven by favorable demographic patterns, changing lifestyles, and strong income growth. This organized retail sector mix includes supermarkets, hypermarkets discounted stores and specialty stores, departmental stores.. The top 10 retailers account only for 2% of total market, today modern retailing is expected to enter a boom phase, which has major players and these players might capture 10% of total market, within next five years.

**Vaishali Agarwal (2007)**, Over a period of last few years Indian Retail Sector has undergone rapid changes and Indian Economy is ready to see the dawn of Retail on the new „Retail's cape“. Indian Retail industry, the industry which stands second in terms of employment generation after agriculture is undoubtedly characterized by the widely dispersed retail outlets situated at each nook and corner whether its urban India or rural.

**Sumant Sinha (2008)** , In his speech he throws light upon benefits that organized retailing present to the society as improvements in supply chain management, benefits to farmers in terms of faster payments and increased productivity and yields; employment generation and benefits to consumers in terms of variety and quality. "With Indian retailing becoming more mature, there will be retailing outlets to satisfy all types of customer requirements"

**Shyamak Tata (2008)** Delivering the speech in the same above mentioned session, Out of the Indian GDP of about \$1,036 billion in 2007, retail is about \$295 billion. Organised retail penetration has increased from 3 per cent in 2004 to 8 per cent in 2007. He further elaborated on some key trends in the Indian retail industry as real estate, innovation, retail formats and consolidation and collaboration.

**Anirban Sengupta (2009)**, in this paper researcher has tried to focus light upon the fact that a variety of factors seem to influence the growth in the retailing industry. `Consumer Pull', however, seems to be the most important driving factor behind the sustenance of the industry.

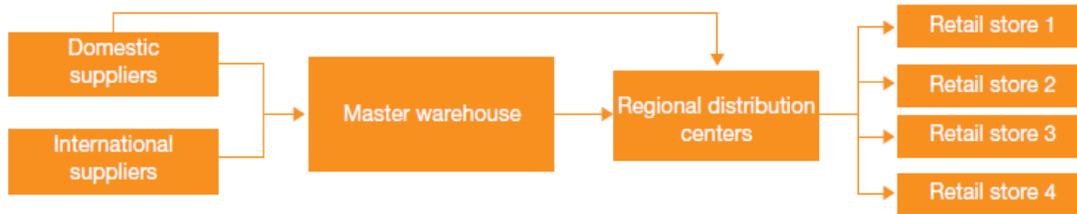
### **Objective of the Study**

- To highlight the concept of E-Retailing in India.
- To provide suggestive measure for further improvement in the field of E-retiling.

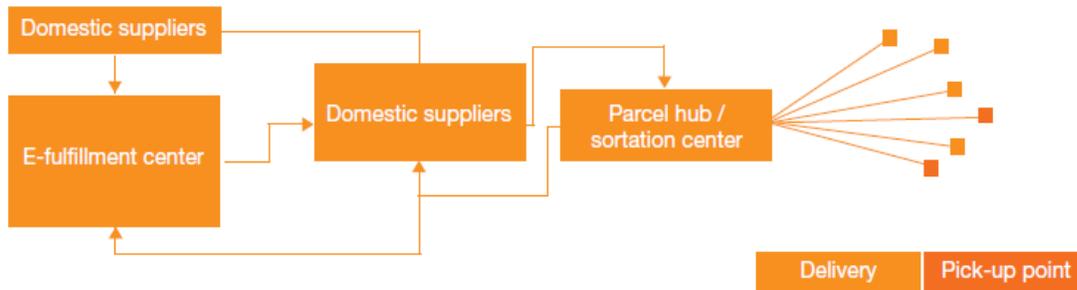
## E-Commerce in India at a glance

According to the latest report by IAMAI and IMRB International, the E-Commerce industry in

### Conventional retail model



### E-tail model



India reached a value of INR 81,525 crore (US\$13.5 billion) in 2014. The rapid increase in the use of smartphones and internet services has earned India a place among top 20 developing countries on the global forum, as stated by AT Kearney in its 2014 Global retail development Index (GRDI). Consumer behavior has changed rapidly and visiting a local store to buy a mobile phone is now more of a pain. While Flipkart, Snapdeal and Amazon have been touted as the major players in this industry, the report shows that Travel industry comprised almost 61% of the total E-Commerce market. Similarly, e-Tailing grew by 1.4 times since 2013 taking up almost 29% of the E-Commerce market share in India.

### Smartphones are driving the E-Retailing industry

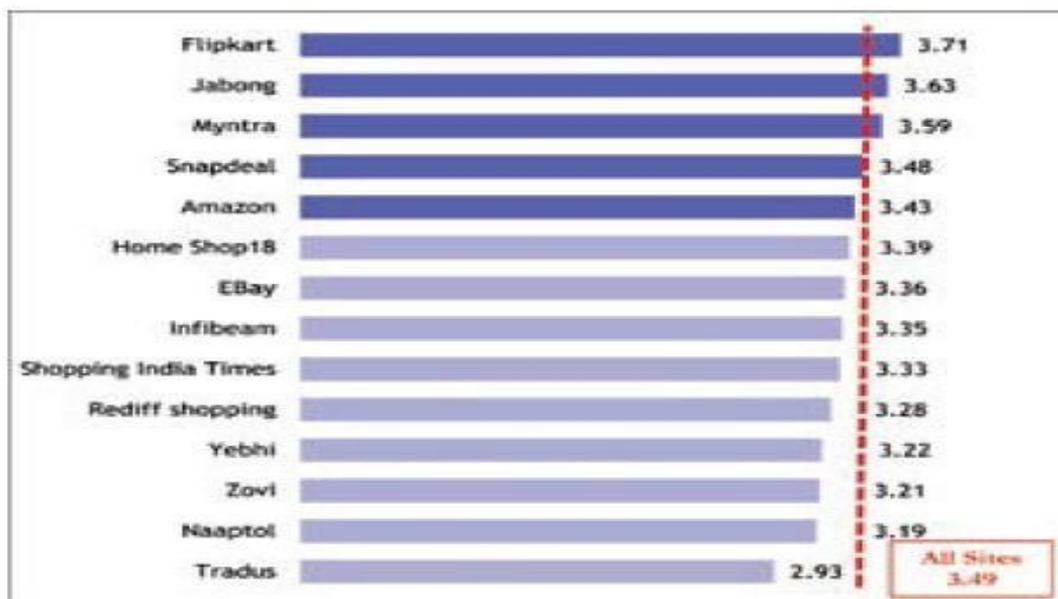
The most important contributing factor to the rapid growth of digital Retailing in India is the increase in the use of smartphones. Mobiles and mobile accessories have taken up the maximum share of the digital retail market in India. E-Retailing sector had a share of 41% of the total revenue, closely followed by Apparels, Footwear and personal items, in total, having 20%

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share. Consumer durable items along with kitchen appliances were estimated at around INR 3,404 crores (US\$531 million), and the remaining 25% was dominated by Laptops/Tablets/Net books (INR 2,780 crores or US\$434 million), Home Furnishing (INR 1,059 crores or US\$165 million) and Books (INR 648 crores or US\$101 million).

Using Plastic money to shop online is the setting in. Almost 45% of online shoppers reportedly preferred cash on delivery mode of payment over credit cards (16%) and Debit Cards (21%). Only 10% opted for Internet Banking and a scanty 8% preferred cash cards, mobile wallets, and other such modes of payment.

### Top 5 Sites with Highest Overall Satisfaction Score



### Classifieds and Online Service Market Gain Momentum

Along with travel, E-Tailing and other sectors, classifieds market grew remarkably, with a value of INR 896 crores (US\$139 million) by December 2014. Competing with the major players in the digital commerce sphere, online service market grew with a CAGR of 73% since 2010. It estimated a value of INR 2,025 crores (US\$316 million) by December 2014. Among online ticketing services, online commuting, online food and grocery delivery system, the food retail sector saw a boom of 40% over the last year, and by December 2014 estimated a value of INR 350 crores (US\$54 million).

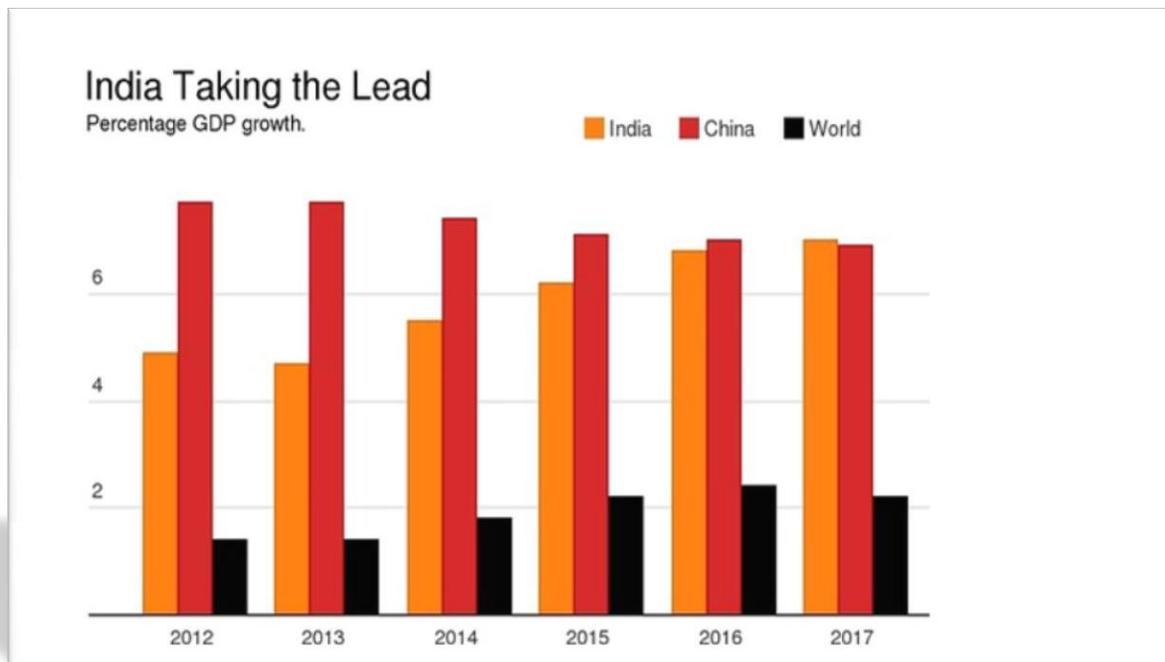
### Indian E-Retailing scenario is evolving rapidly

Indian digital Retailing space is fast growing. One big reason is the prominent shift to internet, via Smartphones, Tablets and/or laptops. According to the report by Mobile Internet in India 2014, India will soon reach the mark of 213 million mobile internet users by June 2015, indicating a jump of 23% in a time span of 6 months (January 2015-June 2015). The consumer mentality of Indian customers is changing fast, aiding to the growth of this industry. This high-end growth can be attributed to few recent facts –

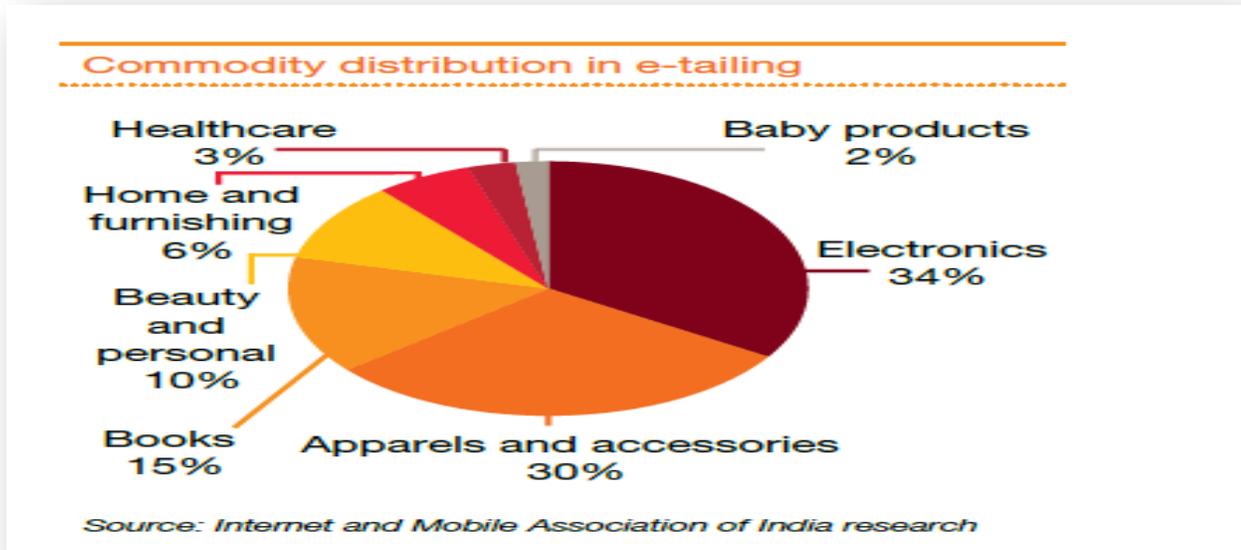
Low-priced smartphones and 2G/3G/4G networks have enabled internet access everywhere, even in the rural areas. Tier II and Tier III cities are growing fast. Rise of the middle-class people, who have less time. They are more prone to do everything on their smartphones, even shopping. Free home Delivery, deals, discounts, and offers of such have given a boost to this industry. Increase in the use of Mobile wallets. With people using technology to shop, more online retail stores are opening up, making way for more employment.

### Investments in E-Retailing Companies from 2014-2015

The latest numbers from Ministry of Statistics have shown India is to take a lead in terms of the fastest growing economy, beating out China next year. Economic status of the country is evolving and, as a result, E-Retailing industry is heading north without any traces of slowing down.



Source: <http://dazeinfo.com/2015>

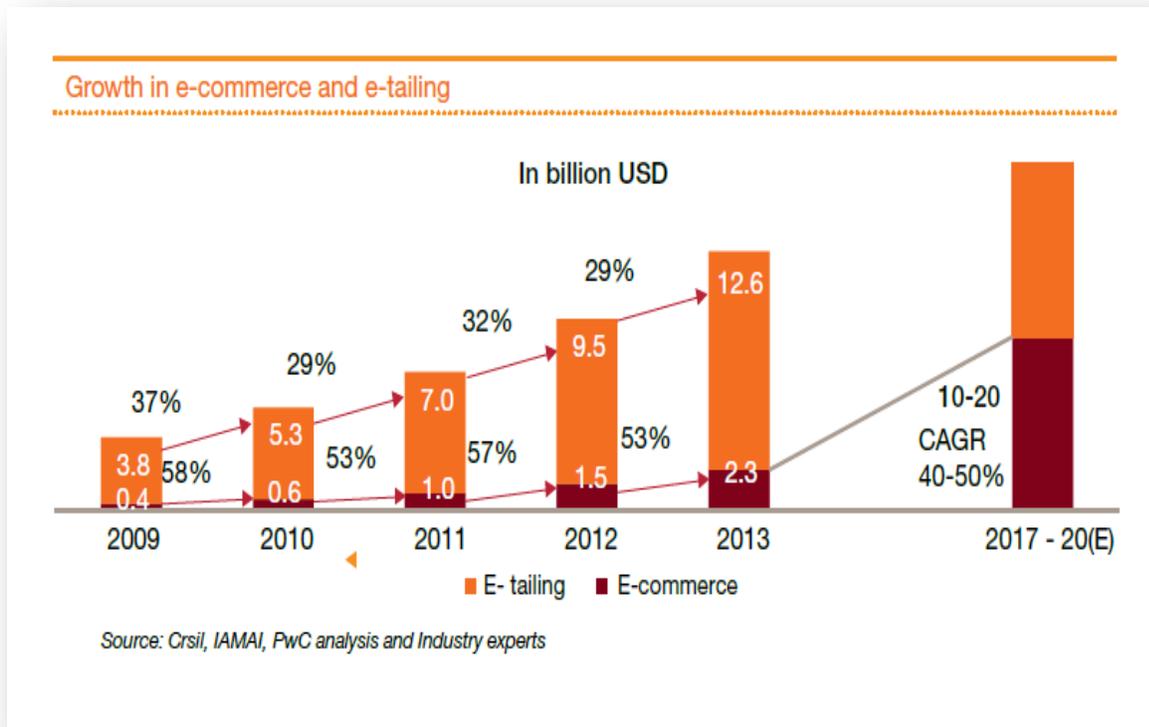


Investors prefer E-Retailing companies in India to invest their money. In the food retail industry, BigBasket, a leading grocery retail store received \$32.7 million in September 2014 from Helion Ventures, Ascent Capital, Zodius Capital and Lionrock Capital. In order to maintain their grounds, big daddies of E-Commerce are indulging into acquisitions. For instance, leading fashion retailer, Myntra that reportedly has 60% of its sales happening from mobiles, got acquired by Flipkart in 2014. Similarly, baby care retailer BabyOye, that had acquired its competitor Hoopos in late 2013, itself got acquired by Mahindra groups in February 2015. However, with Flipkart, Amazon taking up the maximum market, most of the player in baby care section has faded with time. Currently, only Hopscotch and FirstCry have managed to survive. One of the recent investments to happen in 2015 is that of Quikr. Quikr, an online classifieds platform has very recently entered the billion dollar club after it received a funding of \$150 million from new investor Stead view Capital along with existing investors Tiger Global and eBay. The startup is now valued at \$1 billion, according to the reports.

### **E-Retailing: The future of India**

Another trend that is fast growing to dominate in the E-Retailing industry is that of social shopping. It means shoppers' friends can indulge in shopping experience. At present India have only two players in this area- Limeroad and Xarato, who have integrated social shopping with online product discovery.

Last year Gartner Inc. had estimated E-Commerce market in India worth \$6 billion in 2015, projecting a 70% growth from 2014 revenue of \$3.5 billion. However, according to the latest report by IMAI and IMRB International, the Indian E-Commerce industry is expected to grow at a rate of 33% and cross INR one lakh crore (US\$16.3 billion) by the end of 2015 – little over 2.5X predicted by Gartner.



Flipkart co-founder Sachin Bansal hopes Indian E-Retailing market to reach approximately \$50-70 billion by 2020. With the way people are getting dependent on their smartphones and the rapid penetration of internet, E-Retailing is undoubtedly the future of India.

### **Retail E-Commerce sales in India (outline and Prediction)**

The fast development of telecommunications technology in the past few decades is changing many aspects of our lives – how we search for information, how we travel and not at least how we buy products or services. Although classic shop-based retail is still preferred, E-Commerce or electronic commerce, namely the buying and selling of products and services exclusively through electronic channels, is gaining ground. The most well-known form of E-Commerce or electronic commerce is online shopping, also known as business to consumer E-Commerce (B2C), where private customers can order various products which they then receive by courier or

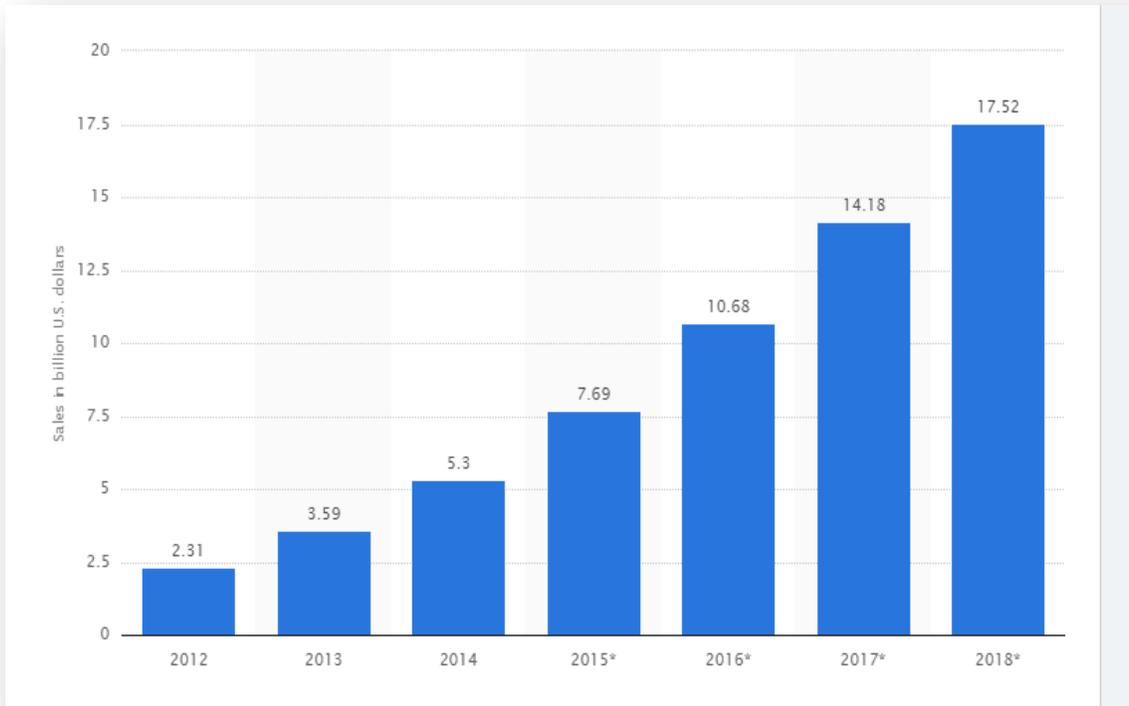
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postal mail. Another category of E-Commerce focuses on transactions between companies, such as manufacturers and a wholesalers or wholesalers and retailers and is called business to business E-Commerce (B2B). The third category of E-Commerce involves transactions from consumer to consumer (C2C), as in the example of eBay or other similar websites.

With an expected 33 percent of the global market in 2015 and over 37 percent in 2018, the Asia Pacific region is becoming the leader of the E-Commerce industry. In fact, China, due to its unprecedented economic boom, is not only driving the region's leadership, but is also set to outdo the United States as the single country with the largest E-Commerce market in the world. Another emerging Asian market in terms of E-Commerce is India. Recent statistics shows that retail E-Commerce sales in India have grown tremendously, from 2.3 billion U.S. dollars in 2012 to an estimated 17.5 billion U.S. dollars, representing an almost eight-fold growth. As of 2015, the retail E-Commerce sales as a percent of total retail sales in India are set to account for 0.9 percent of all retail sales in India, but this figure is also expected to grow in the near future, reaching 1.4 percent in 2018

By 2016 a number of 653 million people in the Asia Pacific region are expected to buy goods and services online, a figure which translates into over 48 percent of internet users in the Asia Pacific region purchasing products or services online. Some of the most popular product categories among online shoppers in the region include airline tickets and reservations, baby supplies, cosmetics, clothing, accessories and shoes, as well as computer hardware and software. According to recent data, the number of digital buyers in India alone is expected to reach 41 million by 2016, representing some 27 percent of the total number of internet users in the country. Furthermore, a growing number of people in the Asia Pacific area are increasingly using their mobile devices for online shopping. In India, some 9 percent of the country's population had made a purchase via mobile phone within the past month, as of the fourth quarter of 2014. The most successful e-retailer in India is Jabong.com, a fashion and Lifestyle Company specialized in apparel, footwear, fashion accessories, beauty products, home accessories and other fashion and lifestyle products. With 26.26 million unique in October 2014 alone, Jabong.com manages to surpass Amazon, the world's most successful e-retailer.

This statistic gives information on retail E-Commerce sales in India between 2012 and 2014 and provides a forecast until 2018. In 2013, retail E-Commerce sales amounted to 3.59 billion US dollars and is projected to grow to 17.52 billion US dollars in 2018.



**Source:** <http://www.statista.com/statistics/289770/india-retail-e-commerce-salesE-retailing.docx/>

### Problems in E-Retailing

- Non-delivery/delay in delivery
- Product out of stock
- Finding the address
- Ambiguity

### A Note of Caution to E-Consumers

- ✓ In 1 out of 10 cases, consumers have faced some problem related to delivery, poor customer response or defective product that may disappoint you – so in case you shop online, be cautious and prepared to complain and claim a refund or replacement if dissatisfied.
- ✓ Read the terms and conditions carefully before making the purchase.
- ✓ Make sure you have the customer care number/email ID in hand.

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- ✓ Prefer to pay by „cash on delivery“ and check the product on delivery before signing or paying for it.
- ✓ If you pay online, make sure the payment gateway is secure. (Look for the image of a lock at the bottom-right corner of computer screen.)
- ✓ In case of any problem with the product, make the complaint on the same day.
- ✓ If you need guidance on how to complain, call the National Consumer Helpline toll-free number (1800-11-4000) during office hours.

### CONCLUSION

E-Retailing players are banking on the Indian internet growth story. The fact that an average online user is spending more time online gives these players the opportunity to draw more users to their websites through innovative marketing strategies such as those revolving around social media. Furthermore, to fully utilize the opportunity, players need to leverage the growing number of mobile devices in the country. They should focus on developing mobile-compatible websites and applications. This would allow customers to log on to easy-to-access platforms and browse E-Commerce websites on their mobile devices .E-Commerce players also need to focus on innovation to tackle challenges arising from low credit and debit card penetration. They could consider working with financial intermediaries to develop payment systems, such as escrow services, for resolving issues around security and product delivery. The RBI could step in and reduce the number of online transaction failures by defining service metric quality and monitoring it at regular intervals. This would enable it keep a close eye on the performance of financial intermediaries and plug gaps as soon as they occur.

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