E-RETAIL: ITS GROWTH AND PROSPECTS

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ABSTRACT

With the internet becoming the part of life of a common man, there exists a vast opportunity for the retailers to use new forms of retailing besides traditional retailing. Among these new forms, e-retailing is all set to become the most common & popular form. Almost every major retailer is striving to use e-retail more and at the earliest to grab more of the market share. The customers shopping behaviour has witnessed a sea change over the last couple of years. Convenience, choice, options, flexible mode of payments, door-step delivery and customization are among some of the key concerns for customer’s expectations while shopping. And e-retailing has made it happened for the retailers. But before using this sensitive tool of marketing, its advantages, disadvantages, flexibility and applicability for the business has to be analyzed comprehensively. So this paper aims to
highlight some of the key issues which can prove to be very useful to the marketers as well as customers before practicing e-retailing.

**KEYWORDS:** Electronic Retailing, Ecommerce, Virtual Store, Net-banking, Active users etc.

Consumers are increasingly going on-line to shop for and purchase products, arrange financing, arrange shipment or take delivery of various products, and get services after the sale. Business-to-consumer (B2C), commonly known as e-business includes retail sales, often called e-retail (e-tail), and other online purchases such as airline tickets, entertainment venue tickets, hotel rooms and shares of stock (Joseph, 2009). E-retail or electronic retail is the sale of goods and services via Internet or other electronic channels, for personnel or household use by consumers. This formal definition encompasses all the activities of B2C (Dennis et al., 2002). Two distinct categories of e-tailers are pure play and bricks and clicks. A pure play e-tailer uses the internet to push its goods or services but also has the traditional physical storefront available to customers (Murugavel, 2010).

**OBJECTIVES OF THE STUDY**

- To critically evaluate the suitability of business environment for e-retailing in India.
- To find the factors responsible for the success of e-retailing in India.
- To suggest a suitable business model for e-retailers in India.

**REVIEW OF LITERATURE**

*Hansun, J. V. (2001)* in his study highlighted the fact that when a corporation begins exchanging business transactions over the internet, the internet becomes part of the corporate computer network, and then the scope of security concerns expands...
significantly. A variety of useful security software is available for controlling unauthorized intrusion, data corruption, and other potential vulnerabilities. Bush et al., (2000) in his study provided initial insight as to marketer’s perceptions of ethics and marketing on the Internet. The major impediment to business is the issue of security and privacy. The result showed that perceptions about security were still a major concern and that these perceptions insights be difficult to change. Over 80% of the respondents in his study indicated that organizations should develop a code of ethics for the Internet. Sahoo, S.C. et al., (2010) in their study identified six decision–making styles in Indian environment. These are price consciousness, quality consciousness, recreational, confused by over choice, novelty consciousness and variety seeking. They do not confirm other four dimensions proposed i.e. fashion consciousness, brand consciousness, impulsiveness and brand loyalty. Young consumers between the age group of 11-20 years are most recreational in their shopping. Rao, A.S. et al., (2010) in their study indicated that development of information technology and the growth of the communication network have radically transformed the local networks and connected them to international markets. Online buyers could gain the ability to search for products not on display, gather information without taking up are the salesperson’s time and even purchase or pay for products for immediate delivery. When conducting online shopping security, reliability and trust are the factors which restrict the employees to go online. Murugavel, D.M.V. (2010) concluded that Indian market and their reports have gone away. Many companies, who have entered both e-tailing and direct retailing based on their reports, are winding up their operations. The online retailing raises more issue them the benefits it currently offers. The quality of products offered on line and procedures for service delivery are yet to be standardized although e-tailing has lagged in India, but hopefully in future, it would see a lot more actions as internet habit of Indian online users is on a rise and many factors are in favor of its growth. Nathan, C.S. (2009) in his research paper highlighted the fact that telecommunication department is focusing on
implementing 3G and Wi-max technologies in India. So there is greater scope for internet and mobile phone penetration in the country. These technologies cannot only enable e-marketers to enhance existing ‘e-marketing’ method, but also innovate new methods such as user created commercials for internet. As companies are going latest technology in all functional areas of business to overcome competition, they should understand that ‘Technology’ is a double-edged sword. Technology is essential to improve employee’s performance for long term survival of the organization in the market and at the same time it should not be overused to substitute and replace manpower. This will lead to economical problems and increase in crime rate in the long run.

E-RETAIL IN INDIA

E-retail has picked up pace in the western countries but in developing countries like India still it is not a common phenomenon, in India there are several factor which favour the growth of e-retail. There are five major types of on-line retail business models followed World Wide

- **Virtual Merchants** are single –channel web firms that generate are of their revenues from online sales. Buy.com is an example of a general merchandiser virtual merchant and Ashford.com is an example of a niche merchandises virtual merchant.
- **Clicks and Mortar** companies have a network of physical stores as their primary retail channel, but have also begun online operations. JC Penney.com is an example of a clicks and mortar company.
- **Catalog Merchants** are established companies that have a national offline catalog operation as their largest retail channel, but who have recently developed online capabilities. Landsend.com is an example of catalog merchant.
Online Malls are a variation on the virtual merchant business model like other offline counterparts, they generate revenue by collecting ‘rent’ and by charging for services they provide to merchants who sell on their site. Fashion mall.com is an example of an online mall.

Manufacturer Direct Merchants are either single or multi-channel manufacturers who sell to consumers directly online without the intervention of retailers. Dell.com is an example of this category (Laudon, 2003).

This section of the paper discusses common practices of e-retail followed in India. There are different Internet portals providing services in India. There are been classified in the following manner

A) Multi-product e-retail: In this category, the service provides almost all categories of goods and services in a single site; hence, they are targeting buyers of every possible product/service. The most popular examples are www.indiaplaza.com, www.thebestofindia.com, www.khoj.com, www.sify.com, www.rediff.com, www.indiatimes.com and so these various goods and services are apparel and accessories for men and women, health and beauty products, books and magazines, computers and peripherals, vehicles, collectibles, software, consumer electronics, household appliances, employment, travel tickets etc.

B) Single-product e-retail: The e-retail service provides in this category has specialized in category of products or services. According to the nature of the product, there are different service providers in India:
1) **Automobiles:** Examples of this category are [http://www.indiacar.com/](http://www.indiacar.com/) and [http://www.automartindia.com/](http://www.automartindia.com/). On these sites we can buy and sell four-wheelers and two-wheelers, new as well as used vehicles, online. Some of the services they provide are car research and reviews, online evaluation, technical specifications, vehicle insurance, vehicle Finance, dealer locator etc.

2) **Stocks and Shares:** In India today, we can even deal in stocks and shares through e-Retail. Some of the sites are: [http://www.equitymaster.com/](http://www.equitymaster.com/) and [www.5paisa.com/](http://www.5paisa.com/). Some of the services offered to registered members are: Online buying/selling of stocks and shares; Market analysis and research, company information, comparison of companies, research on Equity and Mutual Funds, tracking Market Trends, Hotline for advice on Risk Management etc.

3) **Real estate:** Portals like [http://www.indiaproperties.com/](http://www.indiaproperties.com/) facilitate online dealing in real estate. They offer either outright purchase or lease of a property through their portal. They provide information on new properties as well as properties for resale. One can deal directly with developers/builders or through consultant/brokers. Allied services: Housing Finance, Insurance companies, architects & Interior Designers etc.

4) **Travel & tourism:** India has a rich history and heritage and e-Retail is instrumental, to a large extent, in selling India as a product, encouraging Indians as well as foreigners to see its multifaceted culture and beauty. A major Government of India portal, [http://www.tourisminindia.com/](http://www.tourisminindia.com/), has a vast variety of information for a potential tourist. The tourist destination sites are categorized according to themes like: hill resorts, pilgrimage sites etc. There are also sites that highlight the tourist destinations of a specific region in India, like [http://www.incredibleindia.org/](http://www.incredibleindia.org/), which covers North East India.
5) Gifts: In the bygone days, one had to plan what to gift a loved one, trudge across to your favorite shop, and browse for hours before purchasing a gift. Today there are specific Indian websites making the act of gifting quick and easy to suit ones lifestyle. One such site is http://www.indiangiftsportal.com/. The gifts are categorized as: collectibles like paintings and sculptures, luxury items like leather goods, perfumes, jewelry boxes, etc.

6) Hobbies: The most popular hobbies from time immemorial are reading, music and films. On the Indian website http://www.firstandsecond.com/ one can buy more than 300,000 titles of books, cassettes, VCDs and DVDs.

7) Matrimony: It is said that marriages are made in heaven, but in the world of E-Retail they are made on marriage portals like http://www.jeevansathi.com/ (meaning life-partner.com in Hindi) and http://www.shaadi.com/ (meaning marriage.com in Hindi).

8) Employment: Two major portals like www.Monsterindia.com and www.naukri.com (meaning job.com in Hindi) are instrumental in providing job seekers with suitable employment at the click of a mouse. They have directories categorized under the headings Employers and Job Seekers. The service for job seekers is free and for Employers they charge a nominal fee. (http://www.chillibreeze.com/articles/ThestatusofecommerceinIndiaanditspotential.asp)

RESEARCH METHODOLOGY

To achieve the above stated objectives the extensive review of different studies is being done. The research design is qualitative in nature. The source of data is all secondary in nature. Published data in the form of journals, magazines and online- sources are being consulted. From those resources, articles, research papers and research studies conducted
by various agencies are taken into consideration for the present study. The following hypothesis are set and verified by available data.

**Hyp1:** The business environment of India is suitable for the development of e-retail.

**Hyp 2:** The retailers in India will be benefitted from e-retail.

**WHY E-RETAILING? (CONSUMER’S VIEW POINT)**

This section answers the question that why the consumer should opt for e-retailing rather than traditional retailing:

- E-retailing helps the customer to save cost and time. For purchasing online, customers are not supposed to visit the store physically. They also don’t need to stand in queue and wait for their turn. E-retailing has eliminated their travel time and cost.
- E-retailing has facilitated the customer to shop-at-ease. It means that they can do shopping the way they like and according to their choice.
- While doing shopping online, the customer can simultaneously do other important activities like cooking food, watching TV, discussion with family members etc.
- The customers can have access to wider and deeper assortments while shopping online. They can also search for many other similar options available.
- Customers, through shopping online, are in a position to personalize the process of purchase according to their convenience.
- Payments can be done in different ways as and how it is convenient for the customers. For example, they can pay on delivery, pay in EMIs (Equated Monthly Installments), through credit cards or debit cards etc.
This section discusses various types of drawbacks for the customers associated with online shopping:

- Security of cash and personal information are the important consideration for almost every customer in India. Customers do not feel secure about the cash transactions done in online shopping through credit/debit cards or internet. They are also afraid of the fact that their personal information can be misused by the companies or the shopping sites.

- Mostly the people in India are technologically backward. Generally, they do not have access to the computer systems. If they have, they do not know how to conduct online shopping.

- Instant delivery of the product and services is also the major concern for customers. Indian customers want to touch-feel-see and sometimes, use the product immediately after purchasing the product. This is not possible through e-retailing. Although, the delivery time has decreased manifold but still instant delivery is not possible.

- Sometimes the Indian customers are reluctant to pay delivery charges. They can pay the cost of goods but not the cost of delivery. It also discourages the customers to go online.

- Replacements of goods and the refund for the defective products is also the next important concern for Indian consumer. Most of the shopping sites do not have the facility for the replacement of goods and refund of the money. And this has discouraged the use of online shopping.

- The Indian customer is very social. They enjoy talking and socializing with the retailer before the purchase. This activity is lacking in e-retailing.
CRITICAL EVALUATION OF BUSINESS ENVIRONMENT FOR E-RETAILING IN INDIA

According to study conducted by Internet and Mobile Association of India, an industry body, India’s demographics provide ample reason to get excited about the Internet market’s potential for stellar growth. India’s economic growth rate is one of the fastest among the world’s largest economics, but only 52 million people (just 5% of total population) were using the Internet in 2009, still, this is more than double the total three years ago, showing the potential in rapid urbanization and a predominantly young society. A World Bank study shows every 10 percentage point increase in broadband penetration leads to 1.38 percentage point increase in per-capita gross domestic product growth in developing economics. This shows that economic pay off could be great. Others waiting to benefit include companies offering Indians everything from online travel booking, recruitment and matrimonial portals. The country’s Internet retailing market will reach 2 billion by 2014 with consumer electronics, toys and games growing the fastest, forecasts by euromonitor show. The travel segment sales will grow at a compound annual growth rate of nearly 38% in five year from 2009, and total $5.7 billion in 2014, according to Euro monitor. The number of active internet user rose to 52 million in Sep, 2009 from 42 million in sept, 2008 registering year-on-year growth of 19%. Claimed user (those who said they had used the internet in some from say for checking results online, during the year) is an important category for understanding further web trends, the study added. The number of people who claimed to have used the internet in 2009 stood at 71 million. Internet usage has also gone up from 9.3hrs/week to 15.7 hours/weak, a steep 70% rise, the report said. This can be attributed to innovative contact delivery, better applications and its increased use for entertainment purposes, which comprises downloading music or videos, socializing through social networking sites and expressing one’s own opinions and views through
microblogging and uses generated content sites, The people in smaller town are taking Internet seriously, for deeper engagement. The survey showed that 20 million Indians use internet everyday. Out of this 36% of all web users are from small town.

The business environment of India is best suited for e-retailing. The factors which prove to be suitable for the development of e-retail are briefly discussed below:

- India economic growth rate is one of the fastest among world’s largest economies.
- Internet penetration is 70% for the last two years.
- World Bank study shows every 10% age point increase in broadband penetration leads to 1.38% age point increase in per-capita GDP growth in developing economies.
- India’s internet retailing market will reach 2 billion by 2014.
- Increase in number of internet user is two-fold for the last year.
- Increase in number of active internet user in 2009 is 19% Y-o-Y basis.
- The number of claimed users who have used internet in 2009 was 71 million.
- Internet usage has gone up by 70%, a steep rise.
- 20 million Indian uses Internet every day.
- 36% of all was users are from small towns.
- These are various internet portals which provided all categorizes of goods are services in a single set www.khoj.com, www.indiaplaza.com are some of the examples.
- There are different information directories available in India which provide details of almost every product like apparels, toys, gems, heavy machinery, food, employment, gifts, books, music’s, movies etc. In these portals the products and services are classified in a user friendly manner for example www.indiainfo.com, www.indiamart.com.
- In India, almost all the most used banks offers internet-banking facilities to their account holders. This facility has helped a lot for the transactions of payment while shopping on-line.
• All the banks in India has a mechanism to secure the transaction the internet payment frauds are very less in India. And this has encouraged the Indian customers to go on-line for purchasing the product.

• The banks have provided credit card and Debit card facility to the customers. And these cards can vibe easily suede the customers for payments when they on shopping online.

• The Central Bank of India (Reserve Bank of India) has taken appropriate step to minimize the cyber crimes and frauds regarding the transaction from the internet. And this has increased the faith of a common user of Internet on the banking system.

• Most of the users of internet are young people. In India the number of young and middle aged population is more.

FACTORS DISCOURAGING FOR THE GROWTH OF E-RETAIL IN INDIA

• Mostly Illiterate population.

• Not averse with computer systems.

• Reluctant to use online payment systems.

• They don’t feel secure about their personal information.

From the above discussion, we can conclude that the factors that favor the growth of e-retail are sufficiently more than the factors that discourage the growth. Hence hyp.1 is true and proved.

CRITICAL ANALYSIS OF E-RETAILERS IN INDIA

The e-retail has not been developed up to the desired level. The retailers in India are relatively slow to take up e–retailing. The major factors which contribute for this slow pace are:
DISADVANTAGE OF E-RETAILING FOR RETAILERS

- Most of the retailers lack knowledge of processes and technology required to understand and conducting e-retail.
- There are also some legal problems involved in using e-retail in India. Like how the taxes will be calculated, how the commissions will be distributed, how the accounts can be retailed etc.
- The traditional Retailers are providing lots of discount and services in India which e-retailer are unable to provide like free home delivery, instant replacement of defective goods, free samples, discounts etc.
- The e-retailer business involves a large amount of set-up, investment, logistics and other payment processing costs.
- E-retailing is less powerful in many products and services especially the products for which touch-feel-smell is associated.

ADVANTAGES FOR E-RETAILERS

There are many favorable factors for e-retailers also and these are discussed with respect to India as:

- The e-retailers need to be concerned about the location because for e-retailing there is no need to have land to build showrooms, godwns etc. All they need is virtual store rather than a physical store.
- For e-retailers, reach is not a problem. They can sell to any customer located anywhere around the globe. All is needed to have a secure internet connection with other system utilized.
• The e-retailers are in a position to decrease their operating costs to a larger extent. They do not require to have a large number of employees. So their salaries, infrastructure costs and other operating expenses can be limited.

• The e-retailers are not confined by the number of customers. They can target as many customers as they want.

• For e-retailers, time is not a problem; they can accept orders late in the night and early in the morning. They can work 24 X 7 depending on the number of orders they receive.

• E-retailing involves better interaction with customers. The customers can place the order according to quality and quantity they needed. They can also order the product according to size, dimension, color, display features, etc. It means customization can be done with the help of e-retailing.

• E-retailing also facilitates the customer to bargain the prices. They can quote their price to the e-retailers and can send the product that best suits that price.

From the above discussion, we can conclude that the factors that can provide advantages to the e-retailers are sufficiently more than the factors that provide disadvantages to the e-retailer. Hence, hyp.2 is true and proved.
PROPOSED MODEL FOR SUCCESS FOR E-RETAILERS

EXPLANATION OF THE MODEL

For e-retailers, security concerns, collaborations and customizations are important factors which contribute a lot for the development of e-retailing.
CRITICAL SUCCESS FACTORS FOR E-RETAILERS (AS DERIVED FROM THE PROPOSED MODEL)

On the basis of proposed model, following strategies are suggested to the e-retailers:

- The e-retailers should analyze the characteristics of the product before offering it through online. If the product characteristic does not suit the e-retail then they should prefer the physical retail stores.
- The retailers should have sufficient knowledge and know-how of the hardwares and softwares being used, otherwise this can prove to be disastrous.
- The retailers should try to provide value to the customers through e-retailing.
- Customer’s attributes and attitudes should be taken into consideration before customization. Customization is very useful tool for providing customer value and economic value.
- Mostly, the firms have to collaborate with other service providers for e-retailing. The service providers should be chosen in a way that they are able to provide synergy effect.
- The security of the information and money of the customer should be prime concern for retailers. For this they should opt for good and reputed service providers.
- The retailers should try to get economic value from e-retailing by generating sufficient profits from the activity.
- They should try to make e-shopping an enjoyable activity.
- The retailers should not use too many graphics, text and data. This can lead to confusion to the customers.
- They should not load the web page with too much material as it can adversely affect the download speed.
CONCLUSION

From the hypothesis and proposed model it is being concluded that e-retailing is associated with numerous benefits both for the e-retailers and the consumers. The important concern is that the technology and the concept has to be used cautiously and carefully. There are number of factors in the business environment of India that can prove to be useful to the e-retailers like changing consumer behaviour of Indian customers, Internet penetration, more use of sophisticated technology etc. So the e-retailers should frame their strategies to capture more market share easily and quickly. They can make competitive marketing strategies with the help of e-retailing.

LIMITATIONS OF THE STUDY

- The study is conceptual in nature. It can be investigated empirically in future.
- The consulted secondary resources may not be sufficient to propose the model.
- Reliability and validity of the proposed model is not verified due to lack of time.

SCOPE FOR FURTHER RESEARCH

As this study is conceptual in nature, the outcomes of this study can be investigated empirically in future. The researchers can also take different samples from population in India and world-wide for conducting survey. The present study can be taken as basis for conducting further researches. The authors also suggest that the scope of the proposed model can be enhanced in future.
REFERENCES


WEB LINKS

- http://www.indianmba.com/faculty_column/Fc180/fc180.html
BOOKS