

E-Tailing Market Scenario In India

- A Bird's Eye View

**D.Muthamizh Vendan Murugavel*

INTRODUCTION

Electronic retailing, most commonly known as E-tailing, is nothing but shopping through the Internet and other media forms. E-tailing is “retailing conducted online, over the internet”¹. E-tailing is synonymous with business-to-consumer (B2C) transactions.

E-retailing comes under e-commerce. E-tailing helps retailers to build loyal customers and is aimed at selling in areas where they do not have a physical presence. E-commerce and E-tailing, from a business perspective, offer an opportunity to cater to consumers across geographies, with no operational timings, unlimited shelf space - and all this with miniscule quantity of infrastructure. Most growth drivers are in India's favour - demographics, economy, changing lifestyle, exposure to new ideas. There is no doubt that India is moving towards broadband, and is experiencing strong growth in Web-based sales.

The increase in the PC and internet penetration along with the growing preference of Indian consumers to shop online has given a tremendous boost to e-tailing - the online version of retail shopping. An estimated 10 per cent of the total e-commerce market is accounted by e-tailing. With the progress made on e-commerce, various corporations selling different products and services considered setting up e-stores on the Internet to bring more customers closer to them. In fact, there has been a continuous rise in the number of people accessing the Internet. According to online research and advisory firm Juxt Consult's 'India Online' 2008, there are over 49 million internet users in India. Significantly, internet penetration (as a percentage of population) has grown to 12 per cent, up 3 per cent from last year's 9 per cent. Today, as Indians are making online purchases like never before, both the number and variety of products sold online has grown exponentially. More and more retailers are starting to realize the benefits of e-tailing².

E-tailing is not a regular extension of conventional retailing. It stands on its own rules and companies should engage in these rules. Apart from that, each customer perceives differently from other customers. E-tailing deals with different types of individuals and the goods and services sold on the Internet and should be flexible to all customers. The knowledge about how to achieve successful e-tailing may be the key to survive the competition in the 21st century³.

TYPES OF E-TAILERS

Two distinct categories of e-tailers are - pure plays and bricks and clicks. A pure play e-tailer uses the Internet as its primary means of retailing. A brick and click e-tailer uses the Internet to push its goods or services but also has the traditional physical storefront available to customers.

E-TAILING MODELS

- ✿Specialised E-store.
- ✿Generalised E-store.
- ✿E-mall.
- ✿Direct selling by the manufacturer.
- ✿Supplementary distribution channel.
- ✿E-broker.
- ✿E-services.

**Lecturer, PG& Research Department of Commerce, Gobi Arts & Science College, Erode District, Tamil Nadu.*
E-mail: mvm_gasc@rediffmail.com

REVIEW OF LITERATURE

Lovelock (1996), in his study, said that services require confidence, since they can only be described rather than experienced prior to being consumed. The Internet as an information medium is highly suitable for this, and will ultimately revolutionize services even more than product businesses⁴.

Zeithaml et. al. (1996) concluded that the developments foreseen will massively reduce direct human interaction in the provision of services. In many areas, service without a face may at first take people aback. But, whether we like it or not, we are confronted with a "brave new world" of services⁵.

Fernandes et. al. (2000) exposed that most E-tailers lose money on every transaction. Even the flagship E-tailer, Amazon, loses about US\$7 per order on its non- book sales after taking into account product, shipping, and fulfillment costs. Its book sales generate about US\$5 an order⁶.

Saran (2001) in his study revealed that selling of products on the Internet has not been too successful and even the major players like Amazon.com and e-Bay are suffering losses after marketing capitalization of US\$5 billion and US\$12.5 billion and revenue growth of 68 and 92 per cent respectively⁷.

OBJECTIVES OF THE STUDY

The following are the specific objectives of the study:

- 1) To bring out the Features, Benefits, Common Advantages and Disadvantages of E-tailing.
- 2) To identify the Factors Favourable for the growth of E-tailing market.
- 3) To study the size of the E-tailing market.
- 4) To identify the Barriers to E-tailing market.
- 5) To analyse the Critical Success Factors for improving E-tailing Market in India.
- 6) To study the Future of E-tailing market in India.

1) FEATURES, BENEFITS, ADVANTAGES AND DISADVANTAGES OF E-TAILING

A) FEATURES OF E-TAILING

- ✿ On-line catalogue for goods linked to the order process.
- ✿ Provision of a search engine for products.
- ✿ Shopping cart for good selection and automatic price update.
- ✿ Personalization of store layouts, promotions and marketing.
- ✿ An online contact person.
- ✿ Order status checking facility.
- ✿ Use of forums and customer communities.

B) BENEFITS OF E-TAILING

Table 1 : Benefits of E-Tailing

To Customers	To E-tailers
Convenience	Global reach
Better Information	Better customer service
Competitive pricing	Low capital cost
Customisation	Mass customisation
Shopping anywhere, anytime.	Targeted marketing
	More value added services.
	New forms of specialised stores and niche marketing.

C) ADVANTAGES OF E-TAILING

✿Customers have a much wider choice at their fingertips (many e-tail sites etc.) .Thus, the web creates a global bazaar style marketplace that brings together many consumers and many retailers.

✿With web search capabilities (which need further development), it is easier to find the types of goods a customer is searching for, catalogs are received passively, at the behest of the retailer.

✿Customers can execute transactions via the same medium the information is provided, so there is no disconnect between the desire to purchase and the ability to purchase. (Payment schemes are still evolving and ,therefore, this advantage is likely to become more apparent in the future.)

✿E-tailers can use price discrimination more efficiently than catalog retailers (which may use coupons to lower certain "fixed" prices). E-tailers can use previous transactions to identify the likelihood of products being purchased at certain price points.

✿E-tailers can change the product placement (user display) based on previous transactions, to increase the visibility of goods that the user is more likely to purchase based on their close relationship with previous purchases. Thus, placement can be designed based on the context of the previous purchases.

Table 2 : Advantages of E-Tailing

To E-tailers	To Customers
Location is unimportant.	Cost effective
Size does not matter.	Convenient
Saves on the wages and premises costs.	Easy
Reach a larger audience.	Saves time
Higher disposable income profile than average.	Fits it with other activities.
Accepts orders 24 hours a day.	Breadth and depth of products.
More opportunity for : --CRM and micro-marketing. --Cross and up-selling.	Easy search of many alternatives. Personalization of presentation and merchandise. Prices are favourable.

D) DISADVANTAGES OF E-TAILING

✿Not all customers have access to the web, as they do to the postal system. This is a temporary issue as the evolution of the web continues.

✿Ease of use is a problem, as the web design is still complex, or at least somewhat chaotic. E-tail stores are not standardized in design in the way catalogs and retail stores have become. Therefore, different user behaviours (navigation schemes) need to be learned for each e-tail store. This is a temporary issue as the evolution of the web continues.

Table 3 : Disadvantages of E-Tailing

To E-tailers	To Customers
May lack know-how and technology.	Credit card and security worries.
Substantial set -up, investment and ongoing costs.	Lack of personal and social interactions. Cannot see or feel the merchandise.
Complex logistics of fulfillment.	Do not know how.
E-selling less powerful than face-to-face.	Cannot be in to receive delivery.
Uptake slows for goods selected by taste or smell.	Premium charged for delivery. Difficulties with returning goods for refund.
Less impulse purchases.	
Legal problems.	
Fewer roles for traditional high street retail expertise.	
Pressure on margins and prices in-store.	
After sales care difficulties.	

✿Trust, security and privacy concerns prevail. Consumers are concerned with the use of the data they provide during transactions.

✿Graphic presentation is not as compelling for the web as it can be for catalogs. This is a temporary issue as the evolution of the web continues.

2) FACTORS FAVOURABLE FOR THE GROWTH OF E-TAILING MARKET

✿**No Real Estate Costs:** E-tailers do not have to maintain expensive showrooms or warehouses in prime locations; they operate through their websites and thus save drastically on the real estate costs. The real estate costs in the metropolitan cities are sky high. Besides this, maintenance costs of a virtual store than a physical store is much less. The soaring real estate costs in India have certainly inspired many an online venture.

✿**Increase In The Number Of Buyers And Sellers:** The success of a marketplace depends on the presence of a large number of buyers and a large number of sellers. Over the years, there has been a sharp increase in the number of buyers and sellers in this segment. In addition to online buyers, many offline stores have begun to sell their products in the online marketplace. The greater the number of sellers and buyers, the faster the market grows.

✿**Easy Information:** Easy and comfortably obtained information is another advantage that shopping on the Net offers. On the Internet, product information is just a few clicks away, all accessed in the comfort of a home. Traditional retailing stands out in stark contrast -such as the consumer searches frantically, runs up and down, and grills a poorly trained store assistant who is unable to help him out. In the bargain, valuable time is lost. Simply put, shopping on the Internet for, say 15 minutes could save a two-hour trip to the mall. Consumers prefer to save this time so that they can devote more time for their professional and domestic priorities.

✿**Change In The Customers' Attitude:** There has been a significant change in the attitude of an average Internet user. He is ready to experiment to suit his convenience. Truly, an average user is buying a variety of products online. These may vary from low-end items like books to high-end items like laptops; less involving items like flowers to high involvement items like jewellery.

✿**Better Interaction With The Customers:** The greatest benefit of online commerce is its ability to establish interaction en-masse. Interaction refers to the ability of reaching customers on an individual basis and reacts appropriately to responses of individual customers. Interaction is a vital tool for mass customization. Examples are many and include online marketing of flowers, software books and education. This has also led to greater satisfaction among the online buyers. According to a research agency, 82% of the online buyers have been found to be satisfied with their purchases.

✿**Better Bargains:** E-Tailing eliminates the need to maintain expensive and fancy showrooms. Instead, what attracts customer attention to online stores is the 'great deals', 'best prices' and 'better bargains'. Online retailers can manage to offer attractive offers as they operate out of websites and thus save on inventory handling and maintenance costs.

✿**Increasing Internet Penetration:** With over 50 million internet users, access to the internet has also played an important role in growing the E-tailing market.

✿**Need To Save Time In Urban Areas:** The growth in the E-tailing market is driven by the need to save time by urban India as they have a very busy schedule.

✿**Mass Media:** A supermarket has limited area of operation. It caters to customers of a city (and/or its suburbs), but a website can be accessed from any part of the country or for that matter, from any part of the world, thus increasing the potential customer base.

✿**Other Parameters:** Changing demographics (youthful India), changing lifestyles and exposure to the developed markets sure give a fillip to this fledgling industry. Also, E-tailers have developed many innovative promotions to lure customers and thereby, growing the market.

✿**Other Reasons Given By Shoppers In Buying Through Internet Are** saving time and effort, convenience of shopping at home, availability of a wide variety / range of products, good discounts / lower prices, possibility of getting detailed information of the product and comparison of various models / brands.

Table 4 : Internet Usage and Population Statistics

Year	Users	Population	% Penetration
1998	1,400,000	1,094,870,677	0.1 %
1999	2,800,000	1,094,870,677	0.3 %
2000	5,500,000	1,094,870,677	0.5 %
2001	7,000,000	1,094,870,677	0.7 %
2002	16,500,000	1,094,870,677	1.6 %
2003	22,500,000	1,094,870,677	2.1 %
2004	39,200,000	1,094,870,677	3.6 %
2005	50,600,000	1,112,225,812	4.5 %
2006	40,000,000	1,112,225, 812	3.6 %
2007	42,000,000	1,129,667,528	3.7 %
Source: Internetworldstats			

3) SIZE OF E-TAILING MARKET IN INDIA

E-tailing, the online version of retail shopping has finally come of age. With online community growing in strength, there's a larger platform for retailers to scout for potential e-shoppers. These are online shops where a customer can choose from a variety of items like Apparel, Accessories, Mobiles/Cell Phones, Cameras, Computers, Books, Magazines, Music CDs and DVDs, Electronic Goods, Shoes, Furniture, Health Equipments, Flowers, Jewelry, etc. For a country like India, this business model is a good way of growing the consumption driven economy. E-tailing is a new industry in India. With increased broadband internet access, this industry may see an explosive growth.

Table 5: E-tailing Market Size In India

Year	Market Size (in crores)
2006-07	850
2007-08	1105
Growth Ratio (%)	30
Source: Research, eTechnology Group@ IMRB, IMRB	

According to the Internet and Mobile Association of India (IAMAI) and IMRB report, the E-tailing market was worth Rs 850 crore for 2006-07 and E-tailing contributed around 12% to the total E-Commerce Market size in the year 2006-07. The reasons that limit the growth of this online segment comprise of lack of trust, especially for unknown brands, lack of 'touch-feel-try' experience, higher chances for discrepancy in the product delivered, low margins, etc. It went on to achieve 30% growth by registering a turnover of Rs 1,105 crore in 2007-08 and is expected to show impressive growth in future too.

4) BARRIERS TO E-TAILING MARKET IN INDIA

❖ **Problems With The Payment System:** People in India are not used to the online shopping system and moreover, Indian people do not feel quite comfortable with the online payment system through a credit card and most of the people do not avail of the transaction facilities offered by the credit cards. They are also dubious regarding the online payment system through the credit cards. Hence, different payment options should be made available to them like the credit card, cash on delivery and net banking to give them further assurance.

❖ **Problems With Shipping:** The customers using the online shopping channel should be assured that the products that they have ordered would reach them in due time. For this, the retail companies have resorted to private guaranteed courier services as compared to postal services.

❖ **Logistics, Distribution And Customer Service Issues:** E-tailing can facilitate the transaction, but

unless the transaction involves a digital product (software, music etc.), the delivery of the product needs to be considered. Many e-tailers have focused on significant marketing efforts to attract customers in order to execute transactions, but have not focused on the less glamorous, but equally important aspect of keeping the customers by facilitating flawless delivery. Not only is it important to follow through and make sure delivery is facilitated, but companies can use the web to enhance delivery via customer service by allowing customers to track the status of the transaction. So, it is not simply a case of allowing for delivery, but enhancing the delivery experience with the web. Once the relationship is formed (via the transaction), the e-tailer can follow up with a permission marketing program to keep the customer engaged. It is so important, in this era of high growth and increasing productivity, to be careful with scaling customer service. Customer service should be considered a profit center, since it impacts the long-term relationship of the customer with the e-tailer (rather than the short-term transaction). The process of product delivery is the first point of customer service. Customer service should be proactive to follow up to ensure delivery, satisfaction with the product, and offer a medium for the customer to dialog with the e-tailer.

✿**Consumer Bias:** Consumers will display a bias for brands that they know well and have had a good experience in the past. Thus, products of brands with a favorable bias will score over the products of less popular brands.

✿**Offline Presence:** The customers should be assured that the online retailers are not only available online but offline as well. This gives them the psychological comfort that these companies can be relied upon.

✿**Seasonality:** E-Tailing Market is faced by seasonal fluctuations. During the peak season, occasions that drive the sales are Diwali, Valentines Day, New Year, Christmas, Mother's Day, Friendship Day etc. On these occasions, the younger generations prefer buying and sending gifts online.

✿**Mounting Competitive Pressures:** The market for online buying is still at an emerging stage. However, at this early stage too, the market is swarmed by the players selling their or a third party's products online. To attract customers, the competing online players are adopting all means to provide products and services at the lowest prices. This has resulted in making the consumers choice-spoilt, who in turn surf various websites to spot the lowest price for the product. Thus, although the number of transactions is increasing, the value of the products sold is continuously falling owing to high competition and leaner margins.

✿**Products Offered At Discounted Rates:** The online retailers save on the cost of building and employee salaries. Some part of this benefit should also be enjoyed by the online customers by a reduction in the price of the product. The customers should be conveyed this message that they are getting the products at a discounted price.

✿**Language Problem:** Most internet retail shops use English as their mode of communication. English may not be comprehensible to the majority of the Indian population. To increase the customer base, content in the online retail shops should also be provided in the local languages.

✿**Other Constraints:** Another reason why the concept of e- retailing or online retailing has not gained prominence in India is that Indians prefer to touch the products physically before buying them. This facility is provided through the multi-brand outlets, and is not available online. Studies have revealed the preferences of the customers towards the traditional shopping methods. Hence, the retailer online should first make it a point to spot the potential customers and accordingly plan out the product. If the customers are more open to online shopping, then nothing can be more beneficial. They save the time and effort to visit departmental stores, shopping malls etc., products can be delivered by a click of the mouse. Another problem is that the retail industry is standing on its point of inflexion and considering its infant stage, it would take time for the new concept of e-retailing to take off.

✿Other problems such as not sure of product quality, **no chance of bargaining/Negotiating, not sure of security of transactions /Credit card misuse** etc are some of the hurdles because of which prospective buyers prefer staying away from revealing their credit card and bank details. **Lack of 'touch-feel-try' experience i.e. need to touch and feel the product, non-availability of significant discounts and waiting for delivery i.e. untimely delivery are common in E-tailing.**

5)CRITICAL SUCCESS FACTORS FOR IMPROVING THE E-TAILING MARKET

✿There is a need to run the e-business like a bricks-and-mortar store by rigorously measuring performance against

classic retail and catalog metrics, such as gross margin and ticket size. Giving customers free shipping, for example, can have the effect of depressing the latter, and that in turn can destroy a retailer's economics. Therefore, on-line retailers should give free shipping only as an explicit vehicle for acquiring new customers or as a prize to loyal customers or heavy buyers.

- ✿Need to use experienced merchants, marketers, and operations executives. The on-line enterprise could bring in experienced merchants from the landed company and hire catalog experts to manage warehouse operations.

- ✿Need to watch closely all of the marketing investments related to E-tailing to make sure that they are properly focused. Expensive mass-media advertising might be a less effective way of acquiring customers than starting a catalog.

- ✿Need to begin reducing the fixed costs of E-tailing to a level that matches realistic current business projections. Monitor all of the company's key vendors and Web investments, and apply tough retailing standards of judgment to evaluate every proposed new feature and function on the Website.

- ✿Need to manage E-tailing as a truly integrated channel. Retailers can apply this integrated marketing vision in a number of ways, such as putting detailed information about their products and services on-line for the benefit of anyone who wants to browse and coordinating their on-line merchandise offerings with their catalogs and their stores (for example, by selling big-ticket, hard-to-bring-home items such as refrigerators and washing machines on the Web).

- ✿As more people purchase online, e-retailers need to adapt and continuously fine-tune their e-commerce sites to maintain high levels of scalability and service. It includes creating marketing partnerships among top brands, because by these relationships with other e-commerce companies, traffic to their sites increases, leading to greater revenue opportunities. One successful measure could be co-branding.

- ✿Need to refine the business model to seek revenue from high-margin referral and advertising commissions.

6) FUTURE OF E-TAILING MARKET IN INDIA

E-retailing, though at its nascent stage in India, is surely showing signs of significant growth. A majority of the retail sector in India is unorganised. Nevertheless, big brand retailers, with their investment capacities are likely to focus on e-retailing in the near future. With an ever increasing Internet population, the e-tailing market in India is expected to grow at an accelerated speed. E-tailing industries are expected to grow by 30% in sales every year, while the number of e-tail vendors is expected grow by 9% every year.

Recently, e-tailing in India has come a long way. Booming markets have witnessed several websites selling a host of products and merchandise over the net. Even as loose ends of retailing plans are being tied up, e-tailing has begun catching the attention of many entrepreneurs. Equity funds are also backing up e-tailers as other sectors of the Indian economy are expected to register nominal growth in the coming 3 years as compared to the Indian retail sector, especially the e-tail category. Not surprisingly, several e-tailers are expected to go for a public offer by year 2010. This is great news as there are many e-tailers who expect revenues to pour in from the public sectors as well.

CONCLUSION

E-Tailing has not picked up much business in India. The Indian market is totally a different kind than all western countries. This will gather momentum, may be in 2015, to its full swing if there is proper planning right now on a small scale and build up goodwill. Indians look for cheap, better products, branded, and door delivered. Most of the market research companies have miserably failed to address the needs of the Indian market and their reports have gone awry and 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 issues than the benefits it currently offers. The quality of products offered online and procedures for service delivery are yet to be standardized. In addition to above, efforts need to be taken to educate the online buyers on the steps that need to be undertaken while making an online purchase. Moreover, the feedback of an online buyer should be captured to identify flaws in service delivery. This can be done through online communities and blogs that serve as advertising and marketing tools and a source of feedback for enterprises. Thus, unless the issues surrounding the E-tailing market are addressed, the benefits provided by the industry would fail to attract high value and volumes of transactions. Although E-tailing has lagged in India, but hopefully in future, it would see a lot more action as internet habit of Indian online users is on a rise and many factors are in favour of its growth.

(Contd. On Page 61)

BIBLIOGRAPHY

- 1) Bhagyalaxmi, J, 2004, Women Empowerment: Miles to go, Yojana.
 - 2) Das Prodeepta, Self service-development magazine.htm
 - 3) Hasemi, SM, 1996, Rural Credit Programmes and Women's Empowerment in Bangladesh, World Bank.
 - 4) Hashemi S M, Riley, 1996, Rural Credit Programme and Women Empowerment in Bangladesh.
 - 5) Holvet, N, 2005, The impact of Micro finance on Decision making Agency: Evidence from South India, Development And Change.
 - 6) Kabeer, Naila, 1999, Resources, Agency, Achievements: Reflections on the Measurements of Women Empowerment, Development and change.
 - 7) Madheswaran, 2001, Empowering Rural Women through SHGs: Lessons from MRCP, Indian Journal of Economics.
 - 8) Mayox, L, 2001, Taking the Down side: Social Capital, Women's Empowerment and Micro finance in Cameroon, Development And Change.
 - 9) National Policy For The Empowerment of Women, 2001.
 - 10) Rajput, T, 2005, Women Empowerment through SHGs, Lokrajya.
 - 11) Saving Grace, Coverage for Micro Finance News, A NABARD publication.
 - 12) Sen Amartya, (1995) Excerpts from address, Fourth World Conference on Women.
 - 13) The United Nations Summit Report, 2000.
 - 14) The World Bank Report, 2001, 2006.
 - 15) Website-The Activists for Social Alternatives.
-

(Contd. From Page 37)

BIBLIOGRAPHY

- ¹Turban, E., King, D., Lee, J. and Viehland, D. (2006) "Electronic Commerce A Managerial Perspective", International Edition. Prentice Hall.
 - ²Sullivan, L. 2004, 'E-commerce: Promise Fulfilled', Information week', Nov 8; vol. 1013, pp.70.
 - ³Ogden, J.R. 2005, "Retail: Integrated Retail Management", Boston: Houghton Mifflin.
 - ⁴Lovelock CH, "Services Marketing", 31st edition, 1966, New Jersey: Prentice Hall
 - ⁵Zeithaml, VA and Bitner MJ, "Services Marketing", Chapter 1, International Edition: Tata McGraw Hill, 1996.
 - ⁶Fernandes Michael, Chandrika Gadi, Amit Khanna, Palash Mitra, and Subbu Narayanswamy, "India's retailing comes of age", The McKinsey Quarterly, 2000, Number 4.
 - ⁷Saran R "Growth Engine", India Today, 19 February 2001, pp 44-48.
- BOOKS**
- [1] Lovelock CH, "Services Marketing", 31st edition, 1966, New Jersey: Prentice Hall
 - [2] Turban, E., King, D., Lee, J. and Viehland, D. (2006) "Electronic Commerce A Managerial Perspective", International Edition, Prentice Hall.
 - [3] Ogden, J.R. (2005), "Retail: Integrated Retail Management", Boston: Houghton Mifflin.
 - [4] Zeithaml, VA (1996), and Bitner MJ, "Services Marketing", Chapter 1, International Edition: Tata McGraw Hill.
- Journals**
- [5] Fernandes Michael, Chandrika Gadi, Amit Khanna, Palash Mitra, and Subbu Narayanswamy, 2000, "India's retailing comes of age", The McKinsey Quarterly, Number 4.
 - [6] Saran R "Growth Engine", India Today, 19 February 2001, pp 44-48.
 - [7] Sullivan, L., 2004, 'E-commerce: Promise Fulfilled', Information week', Nov 8; Vol. 1013, pp.70.
- Websites**
- [8] <http://www.free-press-release.com/>
 - [9] <http://www.iamai.in/>
 - [10] <http://www.udel.edu/alex/online/>
 - [11] <http://www.indianmba.com/>
 - [12] <http://goliath.ecnext.com/>
 - [13] <http://www.cids.ie/>
 - [14] <http://www.ebs.in/>
 - [15] <http://www.sify.com/>
 - [16] <http://www.economywatch.com/>
 - [17] <http://www.toostep.com/>
 - [18] <http://www.india-now.org/>
 - [19] <http://en.allexperts.com/>
 - [20] www.google.co.in