



## Indian E-Retail Industry and Its High Growth Drivers

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### ***Abstract***

*E-retail sector is in a big boom and has shown high exponential growth in the concluded years Online shopping is trending to a great extent in the tier I cities and very soon the tier II and tier III cities are catching up very fast with the penetration of internet and mobile telephony in the remote rural areas. The vulnerability of the changing demographics, varying lifestyles, increasing income and internet exposure act as a great inducement to the e-retailing sector. This paper deals with exploration of challenges in the e-retailing industry of India, and how innovators are constantly coming up with novel ideas to keep the customer interested. The study reveals the high growth drivers to boost the Indian e-retail industry as a whole and study the critical success factors which are prerequisite for the potential growth of e-retailing in India.*

***Key words:*** E-tailing, Web Portals, Online Shopping.

### **1. Introduction**

Indian retail industry is the fifth largest in the world. It is one of the most promising arenas in Indian economy that comprises about 14-15% of the nation's GDP. With the ever changing technological aspects, retail industry has strides into larger footsteps to mould itself to the needs of the hour. Online shopping is the latest trend in retailing that is meant for accessing complete knowledge and availability of the product with a single click by sitting at the home. Now, people have the facility to avail the delivery of their ordered freight right to their doorstep. E-retailing or online retailing is shopping through the internet. It supports the non-store shopping by providing convenience to the customer but threat to take away the potential of the on store shopping. The on-job and net savvy customers are important segment of such online stores

due to unavailability of time and increased traffic on actual stores.

Indian retail Industry is highly unorganized as it connects back to the times where retail stores were found in the village fairs or in the weekly markets. These stores were highly unorganized. The maturity of the retail sector took place with the establishment of retail stores in the locality for convenience. After liberalization of the economy in the 1990s, led to a boom in the "consumer goods" Industry with reduction in custom duties and shifts from quota to tariff based system. With the advent of World Wide Web and its accessibility to the large population in the 21st century, the companies have understood the need of interacting the customers through a digital make up. The Internet establishes a tool to the retailers for minimizing costs, diversifying their markets, stretching business lines, developing



customer relationship management and delivering specified products with bundle of promotions. The vulnerability of the changing demographics, varying lifestyles, increasing income and internet exposure act as a great inducement to the e-retailing sector. As a result, the organized e-retail sector is keeping fast pace in the market.

Online web portals are having a cut throat competition among themselves as each one of them wants to tap maximum share of online sales from the potential emerging Indian market. Some of the major retail web portals are:

#### Major Web Portals: E-Retailing Portals



It is an online retailing site that sells several particulars including mobile add-ons, books, cameras, games, electronics items, home and household appliances and many others, at discounted prices on a digital marketplace.

It provides multiple payment options for customers: debit card, debit card, and cash on delivery and net banking.



It is a virtual retailer selling fashion and lifestyle products. It deals in selling original branded products in apparels for men and women including kids and much more.



It is an online fashion destination running in a multimedia workspace that lets in the latest catalogue of web and television to sell directly to its customers. Its products ranges from mobiles, books, gifts, electronics, computers, games and many more.



The online retailer is boasted to be one stop shop for availing 40-90% discounts to its customers in major cities of

India that includes special coupons/vouchers for gyms, travelling packages, restaurants and much more.



It is one of India's leading virtual retailers operating in online environment where the



customers can trade anything. It provides a trading platform in more than

50,000 categories including computer accessories, books, magazines, electronics, sports, jewellery and much more; is an online marketplace where anyone can trade practically anything.



It is an online lifestyle and fashion shopping portal selling a diverse range of products including apparels, mobiles, watches, sunglasses, laptops, shoes, bags and much more.



It is a world internet retailer giant selling a diverse range of products on a digital marketplace including books, DVD's, apparels, furniture, jewellery etc.



It is an online retail site founded in the Silicon valley, USA in 2011 by Sandeep Aggarwal, a renowned Wall Street journal analyst, and Sanjay Sethi, an eBay's former Global Product Head.



It is an Indian fashion and lifestyle web portal, headquartered in Gurgaon, selling beauty products, apparels, home accessories, footwear, glasses and others.

## 2. Research Objectives

1. To analyse the factors that amounts to the successful growth and boom in the e-retailing sector in India.
2. To explore the challenges and bottlenecks associated with the e-retailing business in India.

## 3. Research Methodology : (a) Sources of

**Data:** The secondary data is used for the analysis purposes and the information is retrieved from the data sources like magazines, various business reports, reputed journals, newspapers and various web portals.



(b) **Analysis of data:** The deduction and inferential analysis is done from the data collected while exerting the integrity of the objectives in mind.

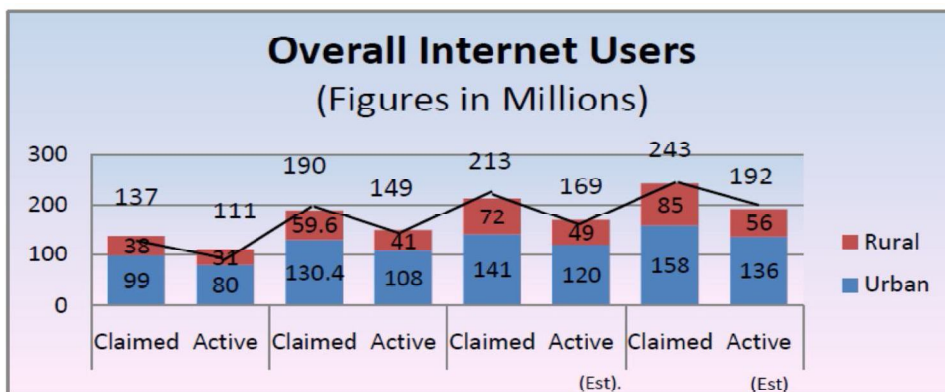
(c) **Study Coverage:** The research design is explorative in nature. The study will try to explore and address the motivational forces behind the boom and future of e-retail sector in India.

**4. Drivers of E-retail Growth in India**

E-com companies and experts believe that several factors will drive e-retailing growth in India. Briefly the motivational drivers for Indian e-retail sector growth are discussed:

- ❖ **Increasing aspirations of youth towards adopting e-commerce:**

❖ **Figure 1: Break-up of overall internet users in India**



Source: *IAMAI, January, 2014*

In a report by Internet and Mobile Association of India (IAMAI), the Internet user base stood at 213 million at the end of December, 2013 of which the rural contribution was amounted to be around 33%. Further the statistics are estimated to be reaching to 243 million on June, 2014.

- ❖ **Increment in customer’s disposable Income:** As the booming economy enabled the customers to high disposable income,

India has the highest youth population in the world and is marked by the early adopters of advanced technology, thereby, giving a boost to the e-commerce by e-shopping.

- ❖ **Heavy internet penetration among rural and urban areas:** The internet has tremendous impacted the consumer’s attitudes and lifestyles. It has dissolved the boundaries between the rural and urban areas and provided equal opportunity in the rural areas to access the quality brands and branded products.

the aspirations for buying different products (groceries, electronics, books, apparels etc.) has reached heights. Now, the contemporary products like books, music etc. are not purchased more by e-shopping but it has been replaced by electronics goods, apparels etc.

- ❖ **Emergence of nuclear families:** The modern era is marked by the shift from the joint families set up to the nuclear families in which mostly both the parents are working and lack time to purchase



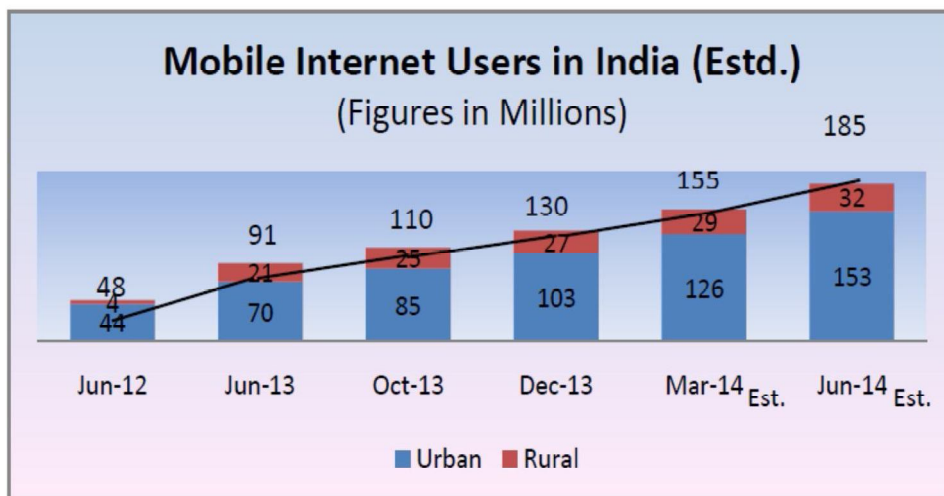
products by visiting a physical store. This has resulted into the indulgence of nuclear families into e-shopping.

- ❖ **Reforms in government initiatives relating to e-commerce:** The government is also continuous user in e-commerce field may be the public sector banks, various government web portals etc. and works same under the e-commerce. Therefore, the security is well administered by the various steps taken by the government to enable secure transactions so that online trust remains within the customers.
- ❖ **Enhanced Transactions Security mechanisms:** The online security mechanisms are highly tightens up by the regulatory bodies and the banks itself.

New guidelines are issued properly so that the transactions are done smoothly. Various security check ups like OTP, payment gateways etc. are maintained by the banks to ensure secure transactions.

- ❖ **Emergence of Mobile telephony:** With the emergence of mobile telephony, the online shopping has been a big hit due to the 24\*7 accessibility of internet on the mobile phones. IAMAI anticipated the number of users using internet on mobile phones to reach the figure to 185 million by the end of June, 2014 that would amount about 76% of total internet user base in India. Moreover, the of the total internet users, mobile Internet users amounts to 130 million in 2013, an increase of about 92% from 68 million in 2012.

Figure 2: Break-up of Mobile internet users in India



Source: IAMAI, January, 2014

- ❖ **Great deals and best offers:** Online shopping allows the marketers to focus heavily on satisfying the needs

of targeted customers by providing discounts, deals and customized



products in spite of putting a huge investment on the physical stores.

- ❖ **Recent Technology Trends:** The latest advancements in technology viz. social networking sites allow different people to connect and share their feeling with one another, thereby, encourage e-shopping through word-of mouth communication.
- ❖ **24\*7 Availability:** E-retailing is supported by all the time e-service quality leaving no time constraint for the customers.
- ❖ **Low advertising cost:** As various free platforms and social networking sites are present to do the promotion of various e-retails web portals, no huge money is required in investing in highly paid channels. But, recently the tight competition has shifted the gear of various e-retailers to advertise heavily in T.V advertisements to show the maximum presence among the mass customers.

### 5. The Present Scenario: Indian E-retail Industry

Due to emerging media convergence and spread of IT enabled services and facilities through internet in rural areas and the range of online payment alternatives have worked as catalyst to the e-retail industry and as a result different range of product categories has seen an influential shift in 2013-14.

Assocham figures the rise of Indian e-commerce market to attain \$56 billion by 2023, repelled by the booming e-retail. The e-commerce market valuation stood at \$2.5 billion in 2009, totaled to \$8.5 billion in 2012 and grew 88% to reach \$16 billion in 2013. The study was conducted by Assocham in four metro cities (Delhi,

Mumbai, Chennai and Kolkata), Bangalore and Ahmedabad. The study cited out reasons behind the rise of e-retail industry in 2013 as being the high online discounts, secure payment options and variety available in digital marketplace. Mumbai tops the list as the highest shoppers followed by Delhi and Kolkata. The study cited certain valuable demographic insights in context of age, as 35% of online customers were aged between 18 and 25 years, 55% falls in 26-35 years category, 8% lies in the 36-45 years while only 2% were in the 45-60 years cohort. Moreover, 35% of online customers were females while a large 65% were males. These days the companies are continuously engaging the customers with attractive deals, discount coupons to make the fullest use of the changing market trends. Most of the products sold are of different categories that include mobile phones, apparels, and electronic goods.

### Recent Updates of E-tailing in India

The E-tailing industry in India is experiencing some tumultuous times, and sites are either acquired or being closing down. Some of the top events occurred last years in Indian e-tailing sector were as below:

1. Flipkart, an online retail giant, bought smaller online retailer lets buy in a cash and stock deal probably worth \$20 million.
2. Flipkart was forced to close down its online music store, Flyte, due to the poor customer engagement.
3. Snapdeal bought Shopo.in, an online marketplace for handicrafts products in March, 2013.
4. Myantra acquired San Francisco based virtual fitting room startup Fitiquette.



5. Fashion retailer Zovi.com acquired local opponent Inkfruit.com.

6. FashionandYou.com. acquired online fashion retailer for men, Urban touch, within just one year of its establishment.

7. Tradus.com bought Buytheprice.com, a website providing platform for buyers and sellers

8. Recently, Flipkart and Myantra are in close talks in carrying out their operations in partnership in near future besides the option of acquisition by Flipkart is also on the table.

9. Babyoye.com got merged with Hoopos.com, an online web portal selling baby products.

10. 21Diamonds.com has to shut its business operations in India because of inescapable business circumstances.

## 6. Bottlenecks/challenges of E-Retailing in India

**Lack of efficient logistics:** The infrastructure needed to deliver the shipment efficiently has certain loopholes in Indian context as the supply chain is not up to the mark in the rural areas as desired. Therefore, the e-retailers miss the chance to cater the needs of people living in remote rural areas.

- ❖ **Gaining customer's Trust:** Biggest problem in India for e-retailers is building trust among the mass public about the use of web portals for their transactions of a product. Customers do not easily accept the promotions done by the companies for e-shopping instead they do more rely on the word of mouth communications by their friends and relatives.

- ❖ **High shipping costs:** The e-retailers have to bear in mind about the high shipping costs involved in delivery of products. So they have to adjust their capital in such a way that it would sustain them in the longer run unless break-even is reached.

- ❖ **Ill-timed delivery of products:** Various factors forbids the timely delivery of products in the remote areas as the supply chain is marked by various barriers viz. inefficient infrastructure of the Indian economy, lack of reach in remote areas etc.

- ❖ **Managing the margin:** Indian retail industry is accompanied with a cut throat competition between various players in the market. In order to gain maximum sales, the e-retailers have to make special discounts, offers and deals in different categories of products for the survival. In most cases, the marketers have to sale on margins or on the market operating price to the customers. Therefore, it is a challenging task for e-tailors to manage their margins well in such market scenario.

- ❖ **Lack the facility of touch, feel and try:** In e-tailing the products are sold in a virtual market place, therefore leaving no chance for the customers to experience and try the products before buying. Sometimes due to this drawback of the digital make-up, the customers feel hesitated in actually purchasing the products.



- ❖ **Customer's loyalty towards specific brands:** e-Tailors have to keep in mind about the loyalty of certain customers towards specific brands and therefore, have to customize their offerings according to the specific needs of the range of the customers.
- ❖ **Inaccessibility of internet:** In the remote rural areas, still where the internet penetration is not high, the e-tailors face the problem of getting any business from the customers.
- ❖ **Linguistic communication:** In India, the major e-retail web portals are operating in English as a mode of communication language, therefore, depriving the large population who's preferably mode of communication is other than English.
- ❖ **Issues concerning secure transactions:** Most of the web portals still do not accompany all modes of money transactions, therefore, losing customers trust if any transaction failed in between the process. The customers feel hesitant to visit the portal again after disturbance in payment system hampers.

### 7. Future of E-retailing in Indian perspective

The Indian e-retail sector witnessed a revealing and soaring success in 2013 as the online sales broke all previous records supporting to the premise that the e-commerce sales will outpace total retail sales in the forthcoming years. According to a recent report from Internet and Mobile Association of India (IAMAI), total Indian market for e-com is around

Rs 50,000 crore, of which 80% or Rs 40,000 crore is captured by travel e-commerce (online train, bus and airline tickets) while non-travel or retail e-com is only 20% or Rs 10,000 crore. Experts hope that by the year 2025, the total e-com market will reach at least Rs 4,00,000 crore and the share of retail will be half at Rs 2,00,000 crore. Initial bottlenecks and constrictions inhibited the e-commerce growth to a considerable extent but the confidence generated in Indian buyers has paved the way to the even ever astounding achievement slowly and steadily. Experts and analysts believe that the changed behaviour of Indian buyers will continue to generate handsome growth rate and profits for the online web portals.

Therefore, the consumer behaviour of the online buyers is highly studied presently by the e-marketers so that the best customization of the products and services would be offered to the online buyers. E-retailing has evolved to a great extent from the last two years and many websites are giving tough competition to one another by their specific positioning and attractive discounts offers. According to a report by Alexa, Flipkart, Snapdeal, Jabong, E-bay, Yebhi, Myntra, HomeShop18, Tradusin, Na aptol, and Fashion and you are the top ten e-commerce websites in India.

Now, it is quite evident that the Indian online retail market future seems to flourish, more and more giants are keeping up pace in launching their online retail stores, designing the websites and promoting the web retail for the future.

### 8. Conclusion and Recommendations

E-retailing is a different experience for retailers as well as customers supported with heavy internet





user base in India. But there are a lot of anxieties about e-shopping to the customers doing online shopping for the first time. The reasons may be due to cultural and perceptual background of the customers. This will come down as the customers engage themselves more and more to the web portals experience the digital environment and remove the hesitation. It is very apparent that if the fundamental principles are set right, the e-shopping becomes more.

Online shopping has inspired and largely overturned the society as a whole. The use of advanced technology has led to open up doors and opportunities to the changing lifestyle in the present world. Safest payment methods, different range of products and lesser price are the three substantial ways by which the variety of products, quicker services and reduced price are the three significant ways in which online shopping influenced people in India and world as a whole. Although the e-shopping is associated with frauds and disputes, motivates the criminals to fudge the system and access secret information; the advanced technology helps in blocking the hackers and crooks to the internal information.

This will certainly help in curbing the ill facets associated with the e-retailing and boosting the confidence in customers to emerge e-retailing as an enormous success in the future.

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