

## GROWTH AND PROSPECTS OF E-RETAILING IN INDIA

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### ABSTRACT

Despite of economic, political and social situations, Indian retail sector is growing and becoming huge. E-retailing is selling of retail products and services through internet. There are many factors which are responsible for the growth of e-retailing market. This has made e-retailing threat for offline retailers and is affecting its sales globally. It is also a challenge due to negative customer perspective and issues of reverse logistics. E-retailing is considered as an opportunity today but it might become necessity for tomorrow's market. This exploratory research paper attempts to provide a clear picture of the e-retailing in India. It also attempts to describe certain key trends that the e-tailer need to take care of. The main source for data collection is secondary.

**Keywords:** E-retailing growth and prospects, e-retailing trends, e-commerce

### I. INTRODUCTION

Globalization and Information Technologies are radically changing the face of business, organization and their working. It is also changing the purchase behavior of the consumers. There is a growing interest among businesses to use Electronic Commerce as a means to perform business transactions. Using Electronic Commerce, companies are able to connect with their trading partners for "Just-in-time Production" and "Just-in-time Delivery", which improves their competitiveness globally.

E-commerce or electronic commerce, deals with the buying and selling of goods and services, or the transmitting of funds or data, over an electronic platform, mainly the internet. These business transactions are categorized into business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C), consumer-to-business (C2B) or the recently evolved business-to-business-to-consumer (B2B2C).

E-commerce processes are conducted using applications, such as email, fax, online catalogues and shopping carts, electronic data interchange (EDI), file transfer protocol & web services and e-newsletters to subscribers. E-Travel is the most popular form of e-commerce, followed by e-tail which essentially means selling of retail goods on the internet conducted by the B2C category.

Using Electronic Commerce, companies are reaching out their valued customers 24\*7\*365. E-retailing or e-retailing is the use of technology such as computers and the internet to sell a range of products and services online to the world. E-

retailing revenue can come from the sale of products and services, through subscriptions to website content, or through advertising.

In 2013, Asia-Pacific emerged as the strongest business-to-consumer (B2C) e-commerce region in the world with sales of around 567.3 billion USD, a growth of 45% over 2012, ranking ahead of Europe (482.3 billion USD) and North America (452.4 billion USD). The top three were followed by Latin America, and the Middle East and North Africa (MENA) region, B2C e-commerce sales increased by 24% over 2012. (E-commerce in India, 2015). This reflects the huge untapped potential of e-commerce by retail companies, both in their country of origin and across borders.

Country-wise, the US, UK and China together account for 57% of the world's total B2C e-commerce sales in 2013, with China having total sales of 328.4 billion USD. As against this, India had sales of only 10.7 billion USD, 3.3% of that of China in 2013 with fifth position in Asia-Pacific. This is despite the fact that India enjoys high demographic dividends just like China. India's internet penetration with total e-households at 46 million against China's 207 million is one of the reasons behind India's poor B2C sales growth. (E-commerce in India, 2015)

There can be two types of e-retailers exist into the market 1) Pure-Clicks e-retailers: A pure play e-retailer uses the internet as its primary means of retailing. Some of the pure play e-retailers are flipkart.com, amazon.com, myntra.com, jabong.com, snapdeal.com etc. and 2) Brick and Click e-retailers: uses the internet to push its goods or service but also has the traditional physical storefront available to customers. Like general marketing activities of the organization, e-retailers also have to attach 4P's of marketing activities with it. As there are stores for retailers, there are e-stores for e-retailers. E-stores are the Internet version of stores that set up electronic storefronts on the Internet (Dawn, Kar, 2011).

With regard to offering Products, e-stores can offer wide spectrum of products ranging from electronics, books, clothes, shoes, groceries etc. About Price, e-retailers work with very low profit margins because of the lower cost and high volume sale. For right Place, the location is unimportant for e-retailers, customers can purchase from e-store at any time and from any place. For Promotion, the doors of direct-marketing and advertising are wide open. And by this e-retailers can create unlimited selling opportunities.

E-commerce and e-retailing, from a business perspective offer an opportunity to cater consumers across geographical boundaries, no operational timings,

unlimited shelf space – and all this with miniscule quantity of infrastructure. For a country like India, this business model is a good way of growing the economy. It is not an overnight phenomenon, as sudden surge attention it has received. Somewhere in mid-90s VSNL brought internet to India, and in 1999 K.Vaitheeswaran founded Fabmart.com (now IndiaPlaza)-India's first e-commerce site and the 2000's was the decade when internet penetration increased steadily, technological advancements enabled better online interfaces with more safe transactions and e-commerce entered into common man's life through travel retail(yatra.com, makemytrip.com etc), financial services (efianance.com, Wharton.com etc) and e-retailing (limeroadshopping.com, shopclues.com, naaptol.com).

## II. LITERATURE REVIEW

Sarbapriya Ray (2011) said that, the role of government should be to provide a legal framework for e-commerce so that while domestic and international trade are allowed to expand their horizons, basic rights such as privacy, intellectual property, prevention of fraud, consumer protection etc are all taken care of. According to Sana Rehman (2012), E-commerce has open up new routes for banking customers that will help in creating new forms of competition and compel banks to make choices about the services. Dr. Suman Kumar Dawn, Uttiya Kar (2011), was with the viewpoint that Customer care should be a top priority as with leading online companies. According to Mr. P Sathish Chandra and Dr. G. Sunitha (2012), Better Technology=Better Service. According to Jitendra Kaur (2012), although e-commerce is still in its infancy in India, there are many factors that point out towards the incoming boom. Some of these factors are the decreasing cost of personal computers, growing infrastructure for internet use and the highly competitive internet service provider market, all of which are helpful in the rise in e-commerce in India. E-commerce arrived in India in its true sense when the stock exchanges of the country became online. The lack of uniform credit agencies, relatively smaller population with credit cards, number of payment challenges are some of the problems faced by e-commerce. And Dr. Prakash M. Herekar (2011), agreed with the point that e-commerce has bright prospects in India. India needs to update itself to greet e-commerce and reap its benefits.

### III. RESEARCH METHODOLOGY

#### 3.1 Objectives of the study:

- To study the growth and prospects of e-retailing market in India.

#### 3.2 Methodology:

- The present study is exploratory in nature and analysis of secondary data. The secondary data is availed from e-journals, e-articles and books.

### IV. E-RETAILING MARKET IN INDIA

The size of Indian e-commerce market is Rs. 21,000 Crore and the projected size of e-commerce market in India is Rs. 88,000 Crore by 2018. The size of total Indian retail market is Rs. 23 Lakh Crore, in which the online market accounts for only 2.5%, and will make up 10% of the market by 2020. (The Economic Times, 2014). The e-retailing market will grow at a healthy rate of 50-55% CAGR to Rs.504 billion by 2015-16. (CRISIL Opinion, 2014)

E-retailing is not entirely new to India. Due to increase in internet penetration, credit card penetration, availability of more payment options, availability of wide range of products, this form of shopping has received a surge attention and it is well on its way to catching up pace with the rest of the world. In countries such as the US and China, e-commerce has taken significant strides to achieve sales of over 150 billion USD in revenue, the industry in India is, still at its infancy. (ASSOCHAM, 2014). However, the e-retailing market will grow at a healthy rate of 50-55% CAGR to Rs.504 billion by 2015-16. (CRISIL Opinion, 2014).

In India, e-retailing, which comprises of online retail and online marketplaces, has become the fastest-growing segment in the larger market having grown at a CAGR of around 56% over 2009-2014. The size of the e-retail market is pegged at 6 billion USD in 2015. Books, apparel and accessories and electronics are the largest selling products through e-retailing, constituting around 80% of product distribution. The increasing use of smart phones, tablets and internet broadband and 3G has led to developing a strong consumer base likely to increase further. (E-commerce in India, 2015). This, combined with a larger number of homegrown e-retail companies with their innovative business models has led to a robust e-retail market in India rearing to expand at high speed. (Please refer Chart-1 for more details) The Indian e-commerce and e-retailing market will grow at the healthy rate of 40-50% and 10-20% respectively by 2017.

(Please refer Chart-2 for more details) Electronic products are contributing more (34%) in e-retailing than apparels and accessories (30%), books (15%), beauty & personal (10%), home & furnishing (6%), healthcare (3%) and baby products (2%).

As, the government has already permitted 51% FDI for multi brand retailers and 100% FDI for single retailers (India Briefing, 2012), it is good news for e-retailers as they will get more fund now as large players are going to enter and the perceived risk is going to be low instead of greater exit options.

### **I Key Drivers to growth of E-retailing market in India.**

1) The considerable growth of the sector depends upon the growth of the internet users' base. As the number of internet users is increasing upon time, the e-retailing is also increasing.

In absolute terms India's internet users are short by only 36 million as compared with 279 million in the US and higher than that in Japan, Brazil and Russia. However, in relation with its population, only 19% Indians use the internet. This indicates the potential of internet use in India and as internet penetration increases, the potential of growth for the e-commerce industry will also increase. (Please refer Chart-3 and Chart-4 for more details)

2) E-retailers have started using social media as a medium of advertisement and that result in increase in the number of customers visiting e-stores.

3) The sudden and consistent rise of internet-enabled devices, smart phones and tablets that gives both portability and mobility to consumers who can purchase the products anytime, anywhere, even on the go. According to some industry players, over 50% of the orders are being placed through mobile apps, which is not only leading to substantial customer acquisition but also building customer loyalty for various brands. (E-commerce in India, 2015)

4) Increase in the real estate costs which makes setting up the physical stores an expensive affair as compare to set up e-store. So the retailers prefer to become e-tailer.

5) Increase in the general tendency of the customers towards saving time and cost which leads to customers preferring e-stores.

6) In India, around 75% of Indian internet users are in the age group of 15 to 34 years. This category shops more than the remaining population. Peer pressure, rising aspirations with career growth, fashion and trends encourage this segment to shop more than any other category and India, therefore, clearly enjoys a demographic dividend that favors the growth of e-commerce. (Please refer Chart-5 for more details)

7) The confidence of customers is getting increase in payment option of Cash on Delivery and Electronic Funds Transfer, while shopping online.

8) The limited availability of brands at retail outlets in Tier-II and Tier-III cities is making customers with high aspirations to look towards e-stores. According to

e-commerce companies, in India, these cities have seen a 30% to 50% rise in transactions. (Note: Tier-II cities are having population between 50,000 to 99,999 and Tier-III cities are having population between 20,000 to 49,999)

9) In coming years, as internet presence increases in rural areas, rural India will yield more e-commerce business. It can be clearly (Please refer Chart: 6 for more details) that geographical distribution of internet users are increasing day by day in urban and rural areas.

10) Decrease into the cost of personal computers, growing infrastructure for internet usage, highly competitive internet service provider market, etc are the factors which is creating opportunities for Indian e-retailers.

11) With the new government being elected, business confidence has significantly improved. The e-commerce businesses will continue to attract new investors. Flipkart (July 2014), invested 1000 million USD and the investors were Morgan Stanley, GIC, Tiger Global, Accel India, Iconiq Capital, DST Global.

## **II Upcoming Trends in e-retailing market**

1) The logistics revolution is very important factor determining the success of e-commerce and e-retailing. Identification and realization will be important for the growth of the businesses.

2) FDI in the inventory-led retail will also be an important factor in shaping up the future of the industry. Amazon has recently announced a 2 billion USD investment operating on marketplace model.

3) Evolution of taxation policies in the country will in a large way affect the way industries practice warehousing.

4) The evolution of the existing logistics providers and more players entering the 3PL (3rd Party Logistics) domain will result in realization of the huge potential of the e-retailing industry.

5) The changing demographics of the customers, who are seeking convenience in shopping, transactions, timings, decision making and payment; which will make customers to prefer e-store more than physical store.

After taking a holistic view of the industry trends, e-retailing is poised for an exciting period of exploding growth in a period of three to five years. This is expected to lead to substantial investments in supporting infrastructure and innovative and game changing business models.

## V. CONCLUSION

Indian e-retail industry is growing at a very fast pace and the competition issues are likely to rise in the future. If we compare India with other countries, like US, UK and China, India is still behind in terms of internet usage, internet users and e-retailing, but there are many drivers prevailing into market that are driving the growth of e-retailing market in India - like, increasing users, increasing confidence of customers towards e-payment, penetration of the internet in the rural areas etc. But, still e-retailers need to cross many impediments which are stopping the progress like - cyber security, touch-feel element, illiteracy of customers for internet etc. There are many forthcoming trends that will help Indian e-retailing market to touch the pinnacle of profit, - like logistics revolution, FDI, taxation policies, changing demographics of the customers, etc.

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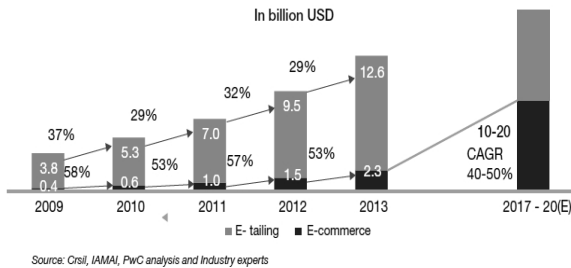


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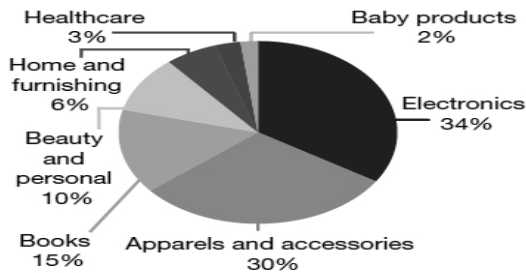
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**CHARTS**

**Chart 1: Growth in e-commerce and e-retailing- India, 2014**

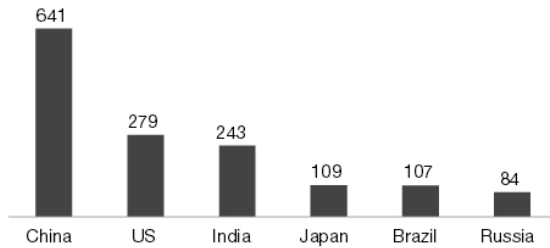


**Chart 2: Commodity distributions in e-retailing, 2014.**



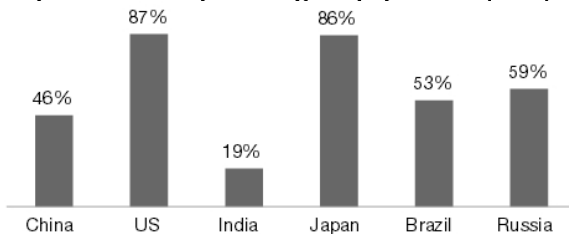
Source: ASSOCHAM India, 2014

**Chart: 3 Internet users by country: In million (2014)**



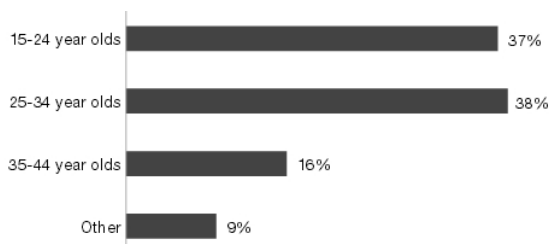
**Source:** E-commerce in India, 2015

**Chart: 4 Internet penetration as percentage of population (2014)**

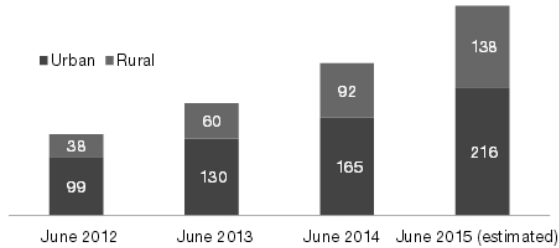


**Source:** E-commerce in India, 2015

**Chart: 5 Demographic profiles of India online users (as on September 2013)**



**Source:** E-commerce in India, 2015

**Chart: 6 Geographical distribution of internet users in India (in million)**

**Source:** E-commerce in India, 2015

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