

## E-tailing: Changing paradigm of retail sector in India

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### Abstract

**Purpose:** The main purpose of the study is to understand & illustrate the changes in creating the right e-tail business model in marketing to ensure success and profits in the organisation. Further, the study will also cater to the impact of different marketing strategies across different industries in electronic media. The study will also enable us to understand the shift in customer loyalty & retention with the increasing usage of e-commerce.

**Methodology:** It is a descriptive research. The study is based on Secondary data.

**Results/Conclusion:** Changing market scenario puts pressure on business to adapt new and smart strategies to reach the pinnacle of success. New developments are rapidly becoming part of IT infrastructure. With digital environment in place, we will probably see changes in marketing mix for business operations *viz*; generating orders through e-commerce, enhancing customer relationship, and effective brand promotion strategies etc.s.

**Keywords:** E-tail, Retail, Marketing, Internet marketing

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## Introduction

Even after passing of some considerable time the so called Internet revolution and electronic commerce (e-commerce) continues to be a relatively novel, emerging and all the time changing area in the field of business management and information technology. It is emerging as the most vibrant and actively evolving sector; especially the last three years have been the most eventful over the last decade. The shape of this industry is constantly changing along with the new business models, new companies and new tools and technology growing in almost no time. The paces of this development and its impact have exceeded the expectations on marketing as one of the business functions. The rise of m-commerce is set to revolutionize the market [1]. Traditionally, the growth of online retailing has been held back by low Internet penetration, with just 27% of the population

benefiting from a fixed connection, but the 150% year-on-year growth rate in smartphone-based penetration is introducing a wider audience to e-commerce.

The Electronic Commerce sector has witnessed extraordinary growth in 2017. This growth was driven by swift technology acceptance as a result of increasing use of many portable devices such as smart phones and tablets. Another factor adding to the cause is the increase in the access to the Internet through expanding broadband, 3G, etc. These issues have given rise to online consumer base exponentially. As highlights, the growth exposed by Indian grown players such as Snapdeal and Flipkart and also the large investor base interest around such companies exhibited the immense prospectives of the market [2].

the year many changes could be seen in the fast rising e-Commerce. This sector in India has seen a growth of 34% (CAGR) since 2009 and has touched around 16.4

billion USD in 2014. The sector is further expected to keep growing at the fast rate of 30% by the year 2021.

### ***E-tailing***

E-Tailing, which includes online marketplace and online retail has seen a growth of 56% over 2009-2014 and has proved itself to be the fastest-growing sector among the larger market. The volume of the e-Tail online market was believed to be around 6 billion USD in 2015. The largest selling products among the different product range are books, accessories, apparels and electronic goods. They constitute around 80% of the total product distribution. The ever increasing usage of smart devices and broadband Internet facility and 3G has led to the development of a very strong consumer base which is likely to increase further. These factors in combination with a huge number of homegrown e-tailing companies has led to the establishment of a healthy e-tail market in India bound to grow and expand at an elevated speed [3].

The retail sector is dominated by glittering malls that showcase the best in terms of brands and service. In spite of the ambience, other attractions and incentives these retail malls have to offer, the consumer is gradually and smartly headed towards e-retail. The online retail industry is pegged to be a whopping Rs. 7,000 core by 2015, according to a report published in February 2012 by ASSOCHAM, the apex industry body.

### **Literature Review**

Internet is becoming vital and indispensable for almost every business organization for their activities. Moreover, at the beginning; people can't even thought of Internet being a successful platform for conducting businesses. The Internet along with its other technologies is only a few years old but still they are already being accepted as the world's most revolutionary development. Such Internet driven initiatives has given a boost to e-commerce as one of the finest business technologies. The technology has created a virtual and universal platform for business organizations to buy and sell their goods and services and also driving vital business processes in the organization using the technology. Various studies exposed that e-commerce is offering a huge business

start-up and expansion opportunities [4]. Small as well as large organisations are making use of the Internet to make available their product information, customer support, and ordering facilities make available to help their buyers and sellers [5]. Organizations are finding some of the greatest of this computer technology come from the e-commerce application that considerably lower their purchase transaction costs by removing the middlemen in the distribution channels. In some of the important categories like information services and digital products, the providers can drastically lower down their financial cost for distribution [6]. These factors of low cost and ease of use has increased the widespread adoption of the technology and high degree of interconnectivity between many parties and the richness of information that can be exchange between parties [7].

Ecommerce provide effective and efficient ways in which corporate buyers can gather information rapidly about available P/S (Products and Services), evaluate and negotiate with suppliers, implement order fulfillment over communication links, and access postsale services [8]. Apart from having reduced purchasing costs, lowered inventory, competent customer service, decreased sales and marketing costs, their study further adds that e-commerce has given rise to new sales opportunities. These days, the organizations on the Internet can get to new markets that they possibly could not think of exploring effectively without its massive sales force or wide advertising campaigns. E-commerce provides a virtual space with no bounds in terms of time and distance making it possible for the firms to expand their target markets globally. Thus, the benefits of e-commerce technology is really very huge, as a result, organizations find it very difficult to ignore implementation of e-commerce in their organizations [9].

The goals behind an e-commerce strategy should include some or all of the following:

- Expanding the geographical reach.
- Boost the revenues and market share.
- Get better customer services.
- Rise brand awareness and improve brand image.
- Lower down the operating costs.

- Competing with rivals.

According to IBEF, 2018 Indian e-commerce is growing very fast, is seeing a positive growth and is expected to become world's second largest e-commerce market by 2034. Internet penetration is growing in India and by 2021 the numbers of users are expected to surpass 800 million by 2021. By the month of September 2018 the numbers of internet subscribers were 560 million people and the number is increasing month by month by 10 million. Even number of people shopping online is also increasing and by 2025 the number is expected to reach 220 million. Internet economy of India is also expected to reach at US \$220 million by the year 2025. By 2025 Indian government's Digital India campaign aims to create the online economy of trillion dollars. In fact the B2B e-commerce has been given permission of 100 percent FDI by the Indian government [10].

## Objectives

- To study the present state of e-tailing in Indian e-commerce market.
- To examine the various opportunities and barriers for e-tailers in India.

## E-Tailers in Indian Market

E-retailing is a vital component of the e-commerce industry. Travel continues to enjoy the top position as the most successful e-commerce category in India, with 40-45% year-on-year growth. Retail, which is second, only to travel, has an annual growth rate of 18%. It is fairly evident from the past trends that the retailers from the organized sector cannot ignore the exponential growth of the new technology and overlook the online space to promote themselves [11].

In 1999, the e-commerce primarily made its existence felt in India. At that time the internet was accessible to only about three million of the total population of the country. Today, however, with a base of 70 million internet users, e-commerce could potentially become an important channel for retail. The market may still be concentrated in a few key pockets owing to the digital divide. Today, broadband and mobile penetration, 3G rollout, internet banking and increasing number of online players could lead to re-emergence of e-commerce in a big way [12]. Increased disposable

income and connectivity has ensured that the Indian youth is a viable market for e-retail. With advanced user interfaces, e-retailers are able to provide a simple to use platform capturing the "discount friendly" mind gap of the existing youth. Additionally, the wave of e-retail is visible in the past two years where there has been significant private equity investments in India in this space, such as Indiaplaza.in, Fashion and You, Flipkart, Myntra to name a few. With many a new players coming in owing to low investment, high potential return on investment and ease of setting-up, the business environment of e-tailing is rising as a competitive platform today [13,14].

In a report published in 2012, the Boston Consulting Group predicts the organized retail sector to grow from USD 28 billion to USD 260 billion over the next ten years, with 21% penetration. India's retail industry continues to perform encouragingly, valuing at around USD 550 billion. By the end of 2020,

E-Tail is expected to account for 3% of the total retail sector in India. Surprisingly, the organised sector accounts for merely 4% of this fast-paced industry.

## *Emerging trends and technology for e-tailers in India*

India has a lot of diversity between the states. They are different in demographics, culture, Internet usage, economy and logistical opportunities. To sell anything in the country first there is a need to work on these factors to identify the need of a particular state and its people. The Indian e-commerce market is experiencing a rapid growth. The reason for this growth is the increasing number of smartphone users in the country, having Internet access. This would let to the a number of orders by the customers coming from the mobile applications or website. The most popular mode of payment in India is Cash on Delivery. Hence the business organizations should take care and offer this payment method when starting an online mobile app for India [15].

Indian consumers show a tendency to buy from the websites they are already familiar with, as they find it more trustworthy. Hence to sell in the country like India, it is very important to acquire the trust of the consumers first. The organizations need to go for

mass marketing campaign to make the consumers aware about their web presence followed by frequent advertising. For example, you could consider a TV commercial as 70% of the Indian households have a TV [16]. Most of the Indian e-shoppers would buy their goods from marketplaces like Flipkart, Amazon, or Alibaba. So firstly there is a need to advertise your products in India, it might be a brilliant idea to first sell *via* a marketplace in order to explore the environment and gain brand recognition.

India is still leading the charts regarding the number of people who do not have access to banking facilities, such as Internet banking and debit and credit cards. That is why cash on delivery is still king in India. However, cash payments are expected to drop considerably in the next few years as the government is pushing for “financial inclusion”. Alternatives like net banking, the local debit card brand Rupay and wallets (such as PayTM and Mobikwik) are assumed to gear up and take a fair share of cash payments. For example, the number of Rupay cards grew from 17 million issued cards in 2014 to over 250 million mid-2016 [17]. Wallets allow for cash top-ups (for the unbanked population) and are especially designed for mobile checkouts. As there are more than 220 million smartphones in the Indian market and smartphone penetration rates are assumed to grow tremendously (with over 1.2 billion people living in India), one can understand the importance of mobile optimized checkouts and payment methods [18].

**Factors contributing to the growth of the e-retail industry in india**

There are several factors and developments in the past few years that are responsible for this growing disposition of the consumer towards e-retail as an outlet. Here are the most important ones:

- *Easy accessibility:* Computer hardware costs have plummeted over the years and a PC is no longer a luxury item. Added to this is the easy availability of broadband services across cities and tier 2 towns, making “browsing the net” a favourite hobby among the younger generatio.
- *Safety of payment:* Innovations in online transaction processing, electronic funds transfer and Electronic

Data Interchange (EDI) have led to better security of personal or banking details, dramatically curbing the menace of online data theft. The Indian customer is no longer apprehensive about sharing credit card details online.

- *Convenience of shopping online:* Buying your desired item is only a mouse click away. One can shop from the luxury of one’s home, without having to travel all the way to a mall, look for parking space and walk around with packets. Also this comforts is added more with discounts and EMI offered by these e-tailers.
- *Improved logistics:* Due to improved services in logistics, it has become much easier for the retailer to execute online purchase requests. Supply chain and inventory management systems as well as automated data collection systems aid the retailer to plan and deliver more efficiently.
- *Government initiatives:* Government of India is making an effort to motivate people to use online modes of commerce and Digital India is one such initiative. The government is constantly creating awareness among the users i.e. buyers, and sellers to use online modes of commerce.
- *Investment policies:* By allowing 100 percent FDI in B2B Ecommerce the flow of FDI investment will increase thereby becoming one of the most lucrative factors for the industry to grow.
- *Content is different language:* Since India is a country where people speak different languages therefore they are more comfortable with languages other than English. E-tailers see this as a new growth driver and also an edge over their competitors if they can offer services in local languages of India. Flipkart one of the largest marketplace available online in Indian market has acquired an artificial intelligence tool Liv.ai which converts speech to text in 10 different Indian languages.

**Barriers of e-retail industry in India**

- *Internet users:* Although the number of internet users in India is increasing day by day but still it is less as compared to the entire population. Internet penetration of Indians living in urban areas is more as compared to rural India. As the internet penetration

increases the number of internet users will increase but it is subject the availability of resources important for internet connectivity.

- *Device availability:* India is a country where a large number of population lives in rural India. Although mobile services and usage of mobile phone has seen a high growth in rural as well as urban India but still there is a large number of population which do not possess smart phone or even a computer which is very important for the connect to Internet and then only it can lead to reach to these e tailing web sites.
- *Computer literacy:* Population of our country in very high and the number of computer literate as compared to population is very low therefore even if the basic requirement of connecting with these e tailing web sites is present still the people will use them is subject to the knowledge person have about the devices and internet.
- *Trust on payment services:* Users who purchase online usually fear about the fraud they can face while sharing their payment details like credit card numbers etc. It is a long way where trust on these payment services offered by these e tailing websites need to be built up and enhanced. The customers need to have full confidence on the security of payment services.
- *Touch and feel the product:* This is a mental barrier where people want to touch and feel the product and at this juncture companies need to come up with the ideas of e trial which can decrease the mental barriers of the customers.

### **Managerial implication**

There are three other important aspects for merchants to take into consideration when looking to tap into the Indian payment market. First, all card payments are required to be performed with two-factor authentication and one-time passwords. This government mandate especially complicates card payment checkouts on mobile devices. Second, the constant network drops hinder successful payment processing and especially impact net banking approval rates [19]. And third, a domestic merchant entity is required by local legislation. However, the Indian banking authority is drafting a framework that would allow non-India-

based businesses to process in Indian Rupee and remit funds internationally [20].

To be able to accept payments through Rupay, net banking and Indian local wallets, and to be able to offer installments on local credit cards, merchants are recommended to team up with a Payment Service Provider that is locally present and has direct and local processing connections and know-how. As compared to the traditional retailers the e-retailers have to work more on their marketing strategies so as to bring the customers on their website. These options can be considered for acquiring site traffic [21].

### **Search engine optimization**

Search engine optimization aims at revamping a website's structure with the aim to make the content of that website easier for search engines like Google, Bing etc. to both understand and index.

### **Pay-per-click advertising**

Pay-per-click advertising can be tremendously successful for e-commerce businesses, these ads may be purchased at a very small budget, results are effortless to quantify, and much can be done to monitor and maximize conversions.

### **Content marketing**

Content marketing is a technique which helps to increase traffic on the website as there is simply much more content on a site for search engines to index and searchers to find.

### **Social media marketing**

Social media marketing proves to be a good technique to engage potential customers, make them familiar with the business, and earning the trust and respect for the business organisation. The shoppers would stop looking at the retailer as a business, and start to think of it as communities who have similar values as the shoppers and who also happen to sell products online.

### **Display as well as video advertising**

Display ads online or in print and video advertising are good tactics for building awareness letting potential

shoppers know that a store exists and what it has to offer. Zappos, the online shoe and clothing retailer known for its great customer service, frequently bought print advertising as it was starting out. More recently, YouTube has greatly expanded its pre-video advertising options.

### ***Selling through multiple-channel***

Online retailers are generally not limited to their own websites. They usually make their sales *via* a number of marketplaces or at times even offline channels. Amazon, Sears, Newegg, eBay and other similar channels allow merchants to sell products on their sites for a fee. Often these marketplace sites get significantly more traffic than a merchant's own site and may lead to many new sales.

### **Conclusion**

The paper takes an in-depth approach to discuss the concept related to e-commerce, e-marketing and e-retailing. It further highlights the factors contributing to the expanding role of e-retailers in India and the different risks associated with their online existence. This paper comprehensively summarizes different marketing strategies which the e-retailers should adopt for attracting, converting and retaining the customers. Integrating these suggestions in the e-commerce website business organizations can also motivate the customers to keep using the online channel [22,23].

To conclude this paper discusses the major factors responsible for the popularity of e-retail in India including increased convenience of the customer, Government policies, and technological advancements. But at the same time there are a number of issues such as low literacy rate, absence of physical touch and feel and less trust on the payment services have put a sealing to the rise of this sector in a country like India. The new initiatives like free trial of the product are also not a very good or workable concept for developing country [24]. The framework developed by this paper, provides a conceptual basis for further quantitative analysis. It also gives some important implications, both for practitioners and for future research in this area. For future research quantitative analysis can be done to analyze the effect on e-retailers on adapting the recommended suggestions.

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