

## **E-Tailing In India: Its Issues, Opportunities And Effective Strategies For Growth And Development**

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### **Abstract**

*The Indian Online Retail is a rich segment waiting to be exploited. Internet is a potent medium that can serve as a unique platform for the growth of retail brands in India. The medium holds many virtues favorable for the retail industry including a higher customer penetration, increased visibility, and convenient operations. The current web-based models for e-tailing are part of an embryonic phase preceding an era of rapid transformation, challenge, and opportunity in Indian retail market. The Indian retail market is witnessing a revolution. The growth of internet has enabled the new retail format of the virtual retailer to emerge and forced the existing retailers to consider e-tailing model of retailing as well. Online retailing or e-tailing is described as transactions that are conducted through interactive online computer systems, which link consumers with sellers electronically, where the buyer and merchant are not at the same physical location. In a short space of time, internet retailing or e-tailing has firmly established itself as a viable alternative to store based shopping. This paper attempts to provide a clear picture about the e-tailing in India and its various issues, opportunities. It also attempts to draw an effective e-tailing strategy in India based on the detailed survey of e-tailing companies.*

**Introduction:** With rapid growth of the Internet and globalization of market, the retail sector has become an increasingly competitive and dynamic business environment. Business and marketing activities are affected by the invent of Internet technologies and the Internet is revolutionizing commerce, marketing, retailing, shopping and advertising activities of products and services. There are several attractive attributes of Internet to not only e-customers but also companies on time and money saving, communicate, convenience, easy accessibility, selection from a wide range of alternatives, and the availability of information for making decisions and all marketing activities can be performed via the Internet efficiently. In the era of globalization, companies are using the Internet technologies to reach out to valued customers and to provide a point of contact **24 hours a day, 7 days a week. E-commerce and e-marketing** are the two important terms in the new Internet-based business domain. E-commerce can be defined as a way of conducting business by companies and customers performing electronic transactions through the Internet. E-marketing, (also known as Internet Marketing, Web Marketing, and Online Marketing etc.) can be defined as the promotion of products or services through the Internet whereas; e-tailing can be

defined as selling products and services by using the Internet. E-tailing can be defined as the selling of goods and services to the consumer market via the internet. E-tailing can also be defined as retailing conducted online, over the internet. In general, the activities of e-tailing encompass three main activities. They are:

- (i) A product search facility (often referred as a product evaluation or information gathering facility)
- (ii) An on-line purchase function and
- (iii) A product delivery capability

Like general marketing activities of an organization, e-tailers have also stick to the same 4P<sup>s</sup> of marketing activities. They are: Product, Price, Promotion and Place. With regard to the right products, e-stores can offer a larger spectrum of product offering like traditional retailers in categories ranging from electronics to shoes. E-store is the Internet version of stores that set up electronic storefronts on the Internet. It provides all kinds of products and renders service to the e-customer at the click of a mouse button and makes money by selling products directly to e-customers. When it comes to the right price, e-stores can be operated with low profit margin because of the lower cost and higher sales volume. As for the right promotion, e-stores have unlimited direct marketing, advertising and selling opportunities. Finally, with regard to the right place; the location of e-stores is not important in the Internet and e-customer can connect and purchase products and services from the Internet at any time and place. E-store is defined as a commercial web site on which e-customers can shop and make purchases. E-commerce offers increased market activity for retailers in the form of growing market access and information and decreased operating and procurement costs. The consumers can gain better prices due to the competition and also can enrich their knowledge on goods and services. According to a survey conducted by Internet and Mobile Association of India (IAMAI) and Indian Market Research Bureau (IMRB), the e-commerce market in India has garnered Rs. 9210 crore in 2007-08, whereas e-tailing market was only about Rs. 1150 crore). In general, e-tailing industry, from a business perspective offers an opportunity to cater to consumers across geographies, no operational timings, unlimited shelf space – and all this with miniscule quantity of infrastructure. For a country like India, the growth in the e-tailing market is driven by the need to save time by urban India. Besides with over 2.5 billion internet users, access to internet has also played an important role in growing the markets. Consumers’ decision-making process has considerably changed with the introduction of the Internet as an alternative channel for shopping. The new wave of consumerism coupled with increasing urbanization and burgeoning middle class with paradigm shifts in their demographic and psychographic dynamics have driven consumers frequently to use retail websites to search for product information and/or make a purchase of products. In India, the shift from physical stores to e-store takes place due to the in-adequacy of time of consumers and the relatively high disposable incomes as well as due to a high need for labor-saving goods and services.

The electronic retail growth of Indian market as estimated by Euro-monitor report, has already touched Rs. 2700 crores in the year 2010 from Rs. 400 crores in 2005. Again on the recent report of Internet and Mobile Association of India (IAMAI), the Indian e-commerce market will gallop at an impressive growth rate of 47 per cent to over Rs 46,000 crore in the year 2011. Comprising about 81 per cent of the total e-commerce in the country, the online travel market, which includes booking rail and air tickets, hotel accommodations and tour packages, is estimated to grow by 50 per cent and touch Rs 37,890 crore by December, 2011. E-tailing sector in India is expected to grow by 34 per cent and touch Rs 2,650 crore in the year 2011.

Bullish on the growth prospects of the online market, the Indian retail market has observed that online spending has been skewed toward certain products in e-tailing. E-tailing, which includes purchases of durable products such as electronic items, home and kitchen appliances, as well as personal items like apparels and jewellery, constitutes 8 per cent of the overall e-commerce market in India. The top E-tailers in India are [indiatimes.com](http://indiatimes.com), [fabmart.com](http://fabmart.com), [rediffshopping.com](http://rediffshopping.com). They have managed to retain their lead due to innovative business strategies, supply chain model and changing urban lifestyles.

**Broad Differences between Traditional Retailing and E-Tailing:** In India, at present, most retailing occurs through physical stores, with existing operators. The importance of location has been stressed in traditional retailing. The physical location of a store is seen as a source of competitive advantage as it attracts the customer attraction. Similarly, the new version of web based retailing is growing all over the world. They provide virtual shopping space to the customers. With the help of the power of information technology through large and accurate data warehouses, both traditional retailers and e-tailers have been able to reduce and manage inventory and respond accurately to customer demand.

**The most prominent difference between traditional retailing and e-tailing is the replacement of human-to-human interaction with human-to-machine interaction.** While store layout is one of the decisive factors in traditional retailing, screen depth, browse and search functions, indices, image maps and e-store design quality are an integral part of e-tailing. Moreover, many buying functions seem personal and have no correspondence in the e-store, which should drive us to conclude that e-customer satisfaction is one of the major concepts in e-tailing industry in this Internet Age. In traditional retail environment, retailers can use the aesthetic design to create a desired possible design aspect that would help generate a favorable store atmosphere. On the case of e-tailing, the e-tailers use the visual aesthetics. To get these things, they use and designs better websites. The websites are considered most important because lack of aesthetics sense in the websites consumers may switch to another store. Secondly, manipulating websites is relatively easier, cheaper and can be done more flexibly. In the traditional retailing system both the retailer and manufacturer control over the presentation of the product. The manufacturer controls the packaging, but the retailer executes the visual

merchandising and signage that provide the context for the package. On the e-tailing system, the e-tailer controls the product representation as the product is not physically present in front of the customer. Instead, the e-tailer decides how to represent the presence of the product as part of the information mix for the site: images, text and hyperlinks among other elements. The e-tailer totally depends by the distribution of screen and window size and screen resolution in the target.

The table 1 depicts the differences between the traditional retailing and online retail.

**TABLE 1: DIFFERENCES BETWEEN TRADITIONAL RETAIL AND E-TAIL**

	Traditional retailing	E-tail
Location and Presence	<ul style="list-style-type: none"> <li>• Physical branded goods easily identified and found.</li> <li>• Most traditional and oldest location for retail.</li> <li>• Commands attention In the retail landscape</li> </ul>	<ul style="list-style-type: none"> <li>• Location is the web address, available globally through internet connection.</li> <li>• Can establish a presence through cross promotions (links between sites)</li> </ul>
Merchandising	<ul style="list-style-type: none"> <li>• Use of store space and proper assortment.</li> <li>• Signage other product information tools.</li> </ul>	<ul style="list-style-type: none"> <li>• Web page layout</li> <li>• Relationship between product and text Signage and other product information tools</li> <li>• Category search and sorting</li> </ul>
Promotional Activity	<ul style="list-style-type: none"> <li>• Pricing strategies and campaigns can be implemented on a daily basis</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing strategies and campaigns can be implemented instantaneously depending on internal organizational constraints</li> </ul>
Inventory Management	<ul style="list-style-type: none"> <li>• Product must be available at multiple store locations to maximize purchasing opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple inventory ownership options, with most prominent being traditional, “just-in-time” and a hybrid of two.</li> </ul>

Overall, the trend for online shopping is very positive. The reasons for this optimism, according to dot-com players, are an increased availability in online payment options, a wider range of merchandise, online tracking of shipments, 24-hour, seven-day-a-week customer care, and a larger Internet reach at cheaper costs. Today, the customer has a choice of payment modes: credit cards, cash on delivery, Internet banking accounts, demand drafts and cash on order. Table 2 provides the comparative analyses of traditional retailing and e-tailing.

**TABLE 2: TRADITIONAL RETAILING VS. E-TAILING**

	Strength	Weaknesses
Traditional retailers	Established brand value/image Established quality Merchandising skills Consumer acceptance of current proposition	Lack of execution speed Lack of technology and its competence High advertising costs
E-tailers	Low overhead IT infrastructure Execution speed Low advertising costs	Concerns over security Lack of trust and dependency among the users Users are less due to high technology

**Challenges and Opportunities on E-Retailing in India:** There are several impediments for the growth of e-tailing. They are:

- (i) Consumers can not touch and feel products,
- (ii) Orders can take several days to be delivered,
- (iii) Shipping costs are often excessive
- (iv) Customer service is often poor and
- (v) Returns can be difficult.

There are number of identified consumer characteristics which are considered as potential obstacles in the growth of internet which includes consumer traditional shopping experiences, an aversion or lack of access to the required technology and the perceived risks of electronic shopping.

**(I) Controlling Customer Data:** As the delivery services are becoming more modern in using information technology, e-tailers may face some risks to properly handle on their consumer data. The data related to the socioeconomic status of customers to their buying patterns and preferences, helps intermediaries and shippers reduce costs.

**(II) Problems with the Payment System:** People in India are not accustomed to the online shopping system and moreover the online payment system through the credit card is also totally alien to them. Most of them 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. Companies should protect their system from hackers as customers often worry about theft of their personal information, such as a credit card number. Both technological and legal tools should be used to enhance the security of e-commerce

**(III) Lack of Full Cost Disclosure:** It is easy to compare the basic price of an item online, it may not be easy to see the total cost up front as additional fees such as shipping are often not be mentioned.

**(IV) Handling Returns:** The problem of returns is very much prominent in e-tailing businesses in India. The customers can return defective or unwanted merchandise which he receives. E-commerce retailers, with their emphasis on convenience and customization, must match this standard of service.

**(V) Delivering the Goods Cost-Effectively:** At present, every single transaction challenges e-tailors to deliver the goods quickly, cheaply and conveniently. The existing mode for home delivery works well for letters and flat packages but not for e-tailing as it encompasses with high volumes and wide variety of package shapes and sizes.

**(VI) 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.

**(VIII) 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 be provided in local language. With the economic slowdown worldwide, many retailers who preferred having a presence are looking to go online at minimal costs and keep the sales increasing. Compare to a traditional brick and mortar store front which has a commercial address and where address and where customers can transact face-to-face, e-store is relatively small, convenient and low-cost start-up. The only costs involve in the e-tailing platform include the monthly hosting and ISP bills. With a web-site, an online retail has the adaptability to gauge the market condition and market attractions accordingly. The opportunities of e-tailing industry in India are as follows:

(i) **Convenience:** Normally, online stores are usually available 24 hours a day, and many consumers have internet access both at work and at home.

(ii) **Price and Selection:** One of the biggest advantages of online shopping is to find out quickly deals for items at services with many different vendors. Search engines, on-line price comparison services and discovering shopping items can be used to find out sellers for a particular products or services. Some retailers also offer free shipping on sufficiently large orders. Searching an online catalogue can be faster than browsing the physical catalogue of a brick and mortar store.

(iii) **Market Research:** Retailers can use their online presence as a tool to gain valuable customer information to forecast future customer demand. Baker (2005) has pointed out that online market research has some powerful advantages, such as monitoring real-time buying decisions. In addition, online customers have the knowledge and experience necessary to answer the questions, which produces more accurate and reliable data.

(iv) **Online Customer Service:** In India, websites are becoming new channels for conducting customer service; therefore their general acceptance level will increase, due to the benefits provided to customers. For example, a customer could ask for a product introduction or a personalized product in the pre-purchase stage, and could also check the delivery status online.

All such services can be available uninterrupted online, which is almost impossible in the physical world, due to the cost.

(v) **Promotional Tool:** A website can be used as a medium to conduct promotional experiments, due to the wide reach of the internet, and the low cost (Rao 1999). Therefore, it will be a great opportunity for Indian companies to promote their businesses.

(vi) **Marketing Tool:** As indicated by Peterson et al. (1997), a website is also an effective channel to communicate with customers. Organizations do not need to rely solely on one-way communication media, such as TV and newspapers. The internet provides a two-way communication channel. As a new communication channel, the internet can provide benefits to retailers, such as low costs, interactivity, personalization, and continuous communication. In this connection, Wang et al. (2002) have suggested that by better understanding consumers through customer relationship management, marketers can employ relationship marketing techniques in the retail market to provide personalized services.

**Effective Strategies on E-Tailing in India:** Currently e-retailers in India are focusing on producing sustainable and profitable business strategies for their Internet-based operations. Established retailers in India are using physical channels as well as the Internet to market their products. Online shoppers prefer shopping at web sites operated by established high-street retailers. Generally retailers survive and prosper by satisfying customer needs more effectively than their competitors, addressing customer needs through effective. E-tailing in India has rapidly emerged, emulating non-store-based operations and demonstrate how the Internet can potentially completely redefine customer needs using the Internet and the web to create a virtual retail environment with extensive global coverage. For designing an effective e-tailing strategy in India, it is therefore needed to understand the needs of individual customers. Successful e-tailing are concerned with high velocity, flexible systems and procedures, extremely high service levels, and full electronic connections to the trading community. There are five major operations or services which help to develop successful e-tailing strategy. They are:

(I) **Prompt Delivery:** The first major challenge faced by e-retailers was high expectations for prompt delivery of Web orders by customers. One of several delivery options such as, express (next day), priority (three to four days) and regular (five to ten days) may be selected and paid for by the customer while ordering the product.

(II) **Supply Chain:** Ensuring supply of required amount of raw materials and products at the right time for the right price as well as proper slotting and picking methods are very much important for effective operating of e-tailing. E-retailers must have reliable supply-chain partners with the support of a back end supply-chain management systems. Proper slotting and picking methods based on the size, weight and demand nature must be devised to receive, slot, pick and pack properly. A warehouse management system should be a part of the supply chain management system to oversee the activities like order sorting, packing, and final bar coding for shipment.

(III) **Demand Nature:** Successful e-retailing companies will have to assess the supply and demand condition so that they can meet unpredictable demand. A news-worthy event can create a huge demand for a product within a short time. Some seasonality factor also contributes to the unpredictability of the demand nature. Popular items and may need to be assessed on its future demand to avoid processing delays. Proper use of seasonality factors in forecasting models may contribute to better demand forecasting for highly unpredictable items.

(IV) **Reverse Logistics:** In any retail business, some products are returned from the point of consumption. Therefore, the challenge is setting up infrastructure and procedures for reverse logistics. The process is not only inevitable but also gaining importance as a viable, sustainable and profitable business strategy. Procedures need to be established for returning orders. Drop-off points must also be set up. A customer wanting to return merchandise should be encouraged to have authorization to do so through the Web site. The e-tailors need to have an understandable product return policy on the Web. A copy of the same policy may also be included in the shipped package. A customer must identify the reason for returning the item. Based on the reason, one of several actions such as restocks, recycle, remanufacture and send back to the supplier may be taken. A flexible sorting or packaging line in the warehouse may be used to handle returned items when needed.

(V) **Accuracy:** To achieve high levels of accuracy in e-tailing business, the firm must consider the right equipment to increase accuracy. This will augment the nature of its operations, and the level of adjustment that managers are willing to make to minimize human errors. But if companies gather and analyze warehouse performance statistics regularly, invest in automated data collection and verification systems and equipment to the extent possible, create efficient picking procedures, and train all employees thoroughly, then they can improve their accuracy level and streamline the customer fulfillment process. Order fulfillment rate, accuracy of order fulfillment and cost per order fulfillment are among important indicators need to be evaluated routinely.

**E-Tailing Companies in India:** Today, online shopping has become part and parcel of the people all over the world. Online shopping sites gives a wide range of products and more stuffs to choose based on ones needs. Shopping online always has the advantage of price; many of the products will be discounted to a cheaper price. Customers will also be given online coupons, gift certificates, promotional codes based on special offers through which a considerable amount can be knocked off. One of the major advantages of online shops is that they provide complete information about the products such as – features, product description, sizes, models, colors, prices and many more details, customer reviews and ratings and the best part is they are open 24/7 and one can shop at their convenience. Indiatimes, Fabmart, Rediffshopping give users a wonderful online shopping experience. Online shopping at these sites is quick and easy as the wide range of products are categorized in a very convenient and user friendly manner.



*Indiaplaza.in* is one of the largest book store selling over 3 Million titles. In 2003, 25% of their sales were for books and 15% for electronics. In 2007 there was a drastic drift from books & music to gadgets & electronic items. Today with E-commerce, their market for books is intact with @60% of their revenue from gadgets with market for electronics increasing significantly Sify technologies kept pace with the market & witnessed more than 70% growth year on year. Gadgets account for much of their sales, says S. Rajaram, Head – Ecommerce, Sify technologies, adding that lot of purchase happen around event. Books bought online increased by 7% in past 2 years & clothing, accessories, shoes increased from 20% to 36% to witness the largest growth.

**Suggestions and Conclusion:** Consumers are always hungry for modern ways of shopping. Indian retail sector is growing fast and its employment potential is growing fast. The retail scene is changing really fast. Retaining the e-customer is a tough challenge. The internet customer is very hard to predict and is different from the normal customer. While a normal customer expects strong loyalty, such a loyalty on the Internet is difficult to obtain. To attract and retain the customers, the retailers particularly the e-tailers have to take more efforts than to just attract. It is very easy to lose an e-customer. To retain, a mix of marketing tools such as public relations, advertising, promotions, direct marketing and Internet advertising should be used. Customer loyalty programs should be initiated. In addition to this, the e-tailers in India must attract a growing segment of customers who are technologically competent, place a high emphasis on convenience, and are willing to pay a premium price if they find the product they are looking for. Therefore, the e-tailers of India need to improve convenience and value for consumers and assist them in overcoming their fears around security. They must also provide reluctant consumers with compelling reasons for accepting the Internet as a new way to shop. Some of these reasons might include the use of consumer assurance brands and enhanced levels of convenience, customization, selections, service and pricing. While skills like speed, differentiation, and branding are very more important in the digital world, it is the ability to transform core operations and practices to this new medium which might make the difference between success and failure. Retailers of India need to examine the viability of such a transition, and look into the synergies of using the new channel of e-tail. E-tailers, on the other hand, need to revisit some basic retail functions, and develop further competencies in the areas of merchandising and demand forecasting. In a nutshell, the main suggestions of e-tailing business in India are:

- (i) Customer care should be a top priority as with leading online companies. Online customers are more aware, more sensitive and therefore more difficult to retain.
- (ii) The industry should ensure that customers must feel safe and secure while transacting online.

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