



Growth Story of Online Retailing & E-Commerce in India

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Abstract: *On 14 September 2014 business standard has highlighted that “Cash may no longer be king”. Growth in transactions has happened on the back of a huge network expansion from 98074 ATM in May 2012 to 164491 now. In the same period the number of POS terminals, too, jumped from 671834 to over a million now. 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.*

Keywords: *Online Retail, Growth, Internet, E-commerce, Technology, Cash*

I. INTRODUCTION

Indian market is dominated by unorganized players but there is a huge potential in the area of organized retail as well as entry of bigger players such as Big Bazar, More, Metro etc., to even the rural areas has paved the way for growth in this sector. There has been rise in the earnings of Indian middle class due to rapid economic growth. Indians disposable income is expected to increase at an average of 8.5% per annum until 2015. The two giants of Asia i.e. India and China are leading the way. India has seen some dramatic changes in the way internet has affected the lives of the people. Though the internet using population in India is low in terms of overall percentage of total population but, in absolute numbers it is very high. This gives great opportunities for various E-Commerce sites to reach this segment. 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. Wang (2002) has provided a broad definition of e-tailing by defining it as the selling of goods and services to the consumer market via the internet. Like general marketing activities of an organization, E-tailers have also stuck to the same 4P's of marketing activities. They are: Product, Price, Promotion and Place. With regard to the right products, e-stores can offer a larger spectrum of products 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 as e-customer can connect and purchase products and services from the Internet at any time and place.

As per the estimates of Indian Retail Report 2011, the modern retail in the next five years is expected to contribute to a minimum of one third of the market of 40 trillion. This report estimates that by the year 2016, the modern retail would have 19.3 percentage share of the total retail market. For some leading consumer product companies, modern retailers contribute about 10% of their total sale nationally and about 20% in top 10 cities. The prominent outcome of the development of modern retailing in India is an increase of choice among consumers. With the advent of modern retailing in the emerging markets have witnessed developments in the areas of Technology Transfer, enhanced quality levels of produce, products at competitive prices, better procurement practices and enhanced employment opportunities. The development and growth of modern retailing is connected to the lower prices resulting from the functional efficiencies in the supply chain Studies in the developing countries have also

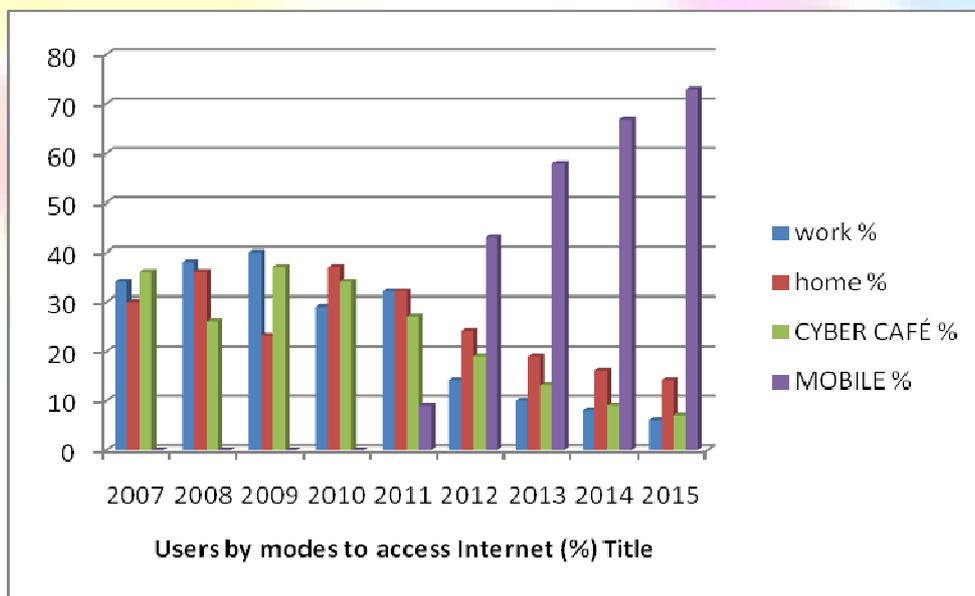
indicated that there is no evidence of modern retailers exploiting the producers or consumers and it is more to do with policy paralysis than the actual practices of modern retailers. While modern retailing is fast penetrating in a developing country like India, it is significant to understand that it is quite complicated to accurately assess its impact. Even though modern retailers have invested in the supply chain in varying degrees, there is mixed evidence that consumers ultimately fetch lower prices in the modern formats. As a result of this, it has been critical for the modern retailer to understand the local consumption pattern to offer the right mix in the rapidly changing Indian market. Some habits are unique to the country. Modern retailers in India find it quite challenging to sell meat products because a large number of Indians would deliberately avoid visiting stores dealing in meat, fish and poultry. There is a separate channel for these fresh produce which is largely in the traditional format. With the increase in disposable incomes, abundant media choices, internet penetration and modern amenities, the shopping activity which used to be mundane necessity has become a pleasant activity for many consumers (Sinha, 2003). On one hand impulse buying and brand switching behavior has become more evident (Sinha and Uniyal, 2005), On the other hand unnecessary shopping has increased leading to consumers buying goods which are non-essential. With a greater focus on supply chain efficiencies, modern retailing could do go better for both consumers and farmers.

II. BEHAVIOR OF INDIA

Some of the characteristics that define e-commerce in India are: Cash on Delivery as a preferred payment method. India has a vibrant cash economy as a result of which 80% of Indian e-commerce tends to make payment On Delivery. Direct imports constitute a large component of online sales. Demand for international consumer products (including online purchases from international retailers) is growing much faster than Country supply from authorized distributors. E-commerce uses sophisticated technology and logistics to create a cross-border supply chain that allows consumers to shop online for international products that are delivered duty paid to their doorstep.

III. INDIANS ARE PERFORMING MUCH BETTER

It has been observed that Indian consumers have matured over the years and increased their acceptance for various payment approaches such as net banking and prepaid wallets. E-commerce horizon has thus widened owing to acceptance of online shopping as a safe shopping medium. Of the total 200.0 million credit and debit card holders, just about 10.0 million people transact online, indicating a huge untapped market. A study showed that there are around 150 million users willing to shop online.



Source: World Bank, IAMAI, Aranca Research

PATTERNS OF GROWTH:

Rising incomes and a greater variety of goods and services that can be bought over the internet is making buying online more attractive and convenient for consumers all over the country. We believe it's the simplicity of the transaction processes which will facilitate and encourage adoption of e-commerce. Hence we continually review and reengineer our processes to make them easier and simpler for our customers. For example, with First Data's global expertise we are in a position to offer multiple payment channels for our merchants ranging from e-commerce, Interactive Voice Response, POS terminals, e-POS and batch processing. Building consumer confidence is key and overcoming concerns about the risk of fraud is essential. The enhanced security measure introduced by the Reserve Bank of India through second factor authentication was an important development, making transactions safer by reducing fraud and risk. With comprehensive security standards in place, merchants must still be careful to choose an



acquirer with a proven track record of service reliability and transaction speed to ensure a high level of customer service is achieved. In addition to the assurance of increased security, consumers are also likely to be tempted online by new and more convenient ways to pay.

THE NEXT:

Mobile commerce is the next logical step for Indian merchants. With the growth of mobile phones and increased issuing and use of debit and credit cards, mobile commerce will deliver strong growth over the coming years. Mobile technology gives us the edge over our competitors. First Data's mobile commerce solutions can help businesses meet the growing demands of the mobile and social media revolution. Social media networks such as Facebook are likely to increasingly become channels for sales and consumer engagement. First Data already offers a loyalty solution for the Facebook social media network as well as mobile payments opportunities using our Trusted Service Manager (TSM) service, which powers part of the Google Wallet which has made headlines recently. With Google Wallet, millions of consumers will no longer need to carry their leather wallets. This mobile application securely stores credit cards, offers, gift cards and more on their mobile phone. This virtual wallet is changing the face of commerce by enabling customers to simply make "tap and go" payments with their mobile devices, while increasing loyalty at merchant locations. New and exciting developments in India will enable our merchants to attract new tech savvy customers who are ready to use their mobile devices for secure online transactions.

IV. CHALLENGES OF ONLINE RETAIL IN INDIA

Due to increasing E-commerce portals, Android phones and increasing internet usage on mobile phones is the trend in the IT sector. According to ASSOCHAM report, online retail segment is likely to worth Rs 7,000 crore by 2015 with an annual growth rate of 35% due to increasing broadband availability and increasing Internet penetration. Even though e-commerce is growing rapidly by the increase in number of internet and mobile users but there is a huge potential that has to be captured by the e-commerce retailers considering what all challenges are faced by the customers of non-metro or rural areas, some of which can be identified as:

Lack of Awareness: Though internet users are increasing but still people are not aware about e-retail and the product they sell.

Payment Option: Vary for rural and urban customers. Customers in the metros are provided with an option of cash on delivery while advance payment is required for non-metro customers or rural area customers. Customers have a fear that whether they will receive the product or not if advance payment is done.

Reliability: Majority of the customers have a fear of reliability as to whether the product displayed will be the same or not.

Delivery delay: It is mainly because of the logistics issues like either the companies have outsourced logistic company that does not consider the cruciality of on-time delivery or the online buyer is located in a small city/ rural area.

Service delay: What is claimed is not provided. Mostly there is a delay in the service provided for the goods purchased online due to small service team that is concentrated in big cities only like metro.

Home Delivery charges: Free home delivery option can be availed by customers residing in key/ metro cities.

V. CONCLUSION

India has seen drastic changes in the way in which internet has affected the life style of Indian people. The number of Internet users in India has reached 205 million in October this year, registering a Y-o-Y growth of 40 per cent over last year, according to a report by the Internet and Mobile Association of India (IAMAI) and IMRB International. The number is expected to reach 213 million by the end of this year. According to the report, named I-Cube 2013, India will have 243 million internet users by June 2014. It means that by that time, India will overtake the US as the second-largest internet base in the world. China currently leads with more than 300 million internet users, while the US has 207 million. Due to the youngest population in the world India has highest growth opportunity for organized retail. The online retailers have to focus on the challenges of the online retailing to be the king of Market.

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