Status of online retailing in India

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Abstract
EC presents one of the greatest opportunities and challenges in retail sector. E-retailing should be understood as a service that delivers different goods, ordered through the internet, fax or phone to the defined address by the customer. E-shopping is a form of virtual retailing as opposed to the usual stationary business. EC provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time and fuel. People can buy goods with a click without moving out of their house or office.

Keywords: e- commerce, e-retailing, B to B e-commerce

Introduction
The internet has caused dramatic change since its inception. It has enabled flows of information including entertainment, news, financial and academic material. It has brought people closer together by enabling various forms of interpersonal communication through instant messaging, video conferencing and social networking. It has allowed consumers to purchase virtually anything at any time through electronic commerce. The buying and selling through internet is called as online retailing or e-tailing. Consumers may shop a variety of products by visiting the website of retailer directly with the use of desktop computers, laptops, tablets and smart phones.

Research Methodology
Objective of the study
The primary objective of this study seeks to investigate the status of online retailing in India.

Research Design
The present study is a descriptive cum exploratory study based on review of literature and secondary data on status of online retailing in India.

Literature Review
Jain and Kulhar (2015) [5] conducted a study in India to know the status of e-commerce in retail sector and found that easy availability of low cost smart-phones and promotional schemes by e-retailers as an app attract a major part of India's population to purchase online. Generally the features of online shopping such as time and energy saving, convenience, comparable prices, easy payment and return policies becomes it more attractive. Increasing education especially women education influencing online shopping positively. Rout and Jain (2012) [6] found that customers have become more techno-savvy and the rate of adoption of technologies is very fast in retail sector. Therefore retailers should provide value to the customers not only in terms of price but also in ambience, appearance, quality, information, selection, convenience, service and entertainment. They concluded that with an efficient IT system in core retailing items like store-operation, merchandising, inventory control, retailers can plan its sourcing and customer promotions more effectively to increase customer loyalty and customer satisfaction. Agwu and Murray (2014) [2] revealed that companies in developing countries have limited understandings of the full range of benefits of electronic commerce due to the lack of awareness. The study found various obstacles in achieving benefits of e-commerce are inadequate investment in skills, the relative high initial costs in setting up e-commerce businesses, lack of government policy frameworks and the lack of micro finance from the banks. Ghosh (2014) [4] found that technological complexities regarding online system usage, poor delivery channels, lack of social interaction, privacy, penetration of internet including broadband across India is still very low. Moreover non serious attitudes of Indian online vendors towards quick and efficient after sales services made online consumers dissatisfied. Cho and Sagynov (2015) [3] found that ease of navigation through the online store and a fast checkout process are important factors in attracting customers to shop online. Price perception also significantly affects perceived usefulness. If online stores sell products with lower prices than brick-and-mortar stores, people are likely to perceive online stores as useful. Lack of trust was found negative effect on intention to shop online. Agwu (2012) [1] found that the major drawbacks of online shopping that some consumers may find it difficult to locate some of the items they wish to purchase, due to poor site usability. The usual feelings of pleasure, variety of products, and so many things to see with the pomp and pageantry are non-existent. Moreover, the need to feel and touch is the dominating disadvantage for all online shopping services.

Stages of E-Commerce in India
The evolution of e-commerce in India can be broadly divided in to three phases based on the emergence of various sub segments.

First Phase (1991-2000)
The introduction of internet in India in 1995 marked the beginning of the first phase of e-commerce in the country. The economic reforms launched in 1991 attracted MNCs and brought about the growth of the IT industry by introducing

FDI up to 51 per cent under the automatic route in selected priority sectors in country. The implementation of liberalization policies led to the demise of the license regime and high taxes and import restrictions, as well as facilitated the growth of small and medium enterprises. The IT industry and SMEs were the early adopters of internet. This led to the emergence of business to business e-commerce online portals, job searches and matrimonial portals. India's first online business to business (B2B) directory was launched in 1996. It enabled buyers and sellers to easily connect with their global counterparts. In the same year, a unique concept was launched in India as first online matrimonial portals which transformed the perception about the matchmaking process from "marriages are made in heaven" to "marriages are made in cyber space." The growth of the services sector, following the launch of economic reforms in 1991, resulted in the creation of additional jobs. Online recruitment industry took shape in 1997 and job portals replaced the traditional practises of weekly government magazines such as *Employment News* and newspaper notifications (Rebirth of e-Commerce in India, 2011 by Ernst & Young). In 1997, FDI up to 100 per cent was allowed under the automatic route in cash and carry model for wholesale businesses.

Second Phase (2001-2005)
Although online businesses had begun to develop in the late 1990s, the supporting economic system had not been put in place. This phase of e-commerce in India was characterized by low internet penetration, a small online shopping user base, slow internet speed, low consumer acceptance of online shopping and inadequate logistics infrastructure. Thereafter, the IT downturn in 2000 led to the collapse of more than 1,000 e-commerce businesses in India. Following this, there was muted activity in the space in India between 2000 and 2005 (Rebirth of e-Commerce in India, 2011 by Ernst & Young).

Third Phase (2006 onwards)
The entry of low cost carriers in the Indian aviation sector in 2005 marked the beginning of another phase of e-commerce in India and online selling of tickets in travel emerged as the largest segment. People began relying on internet to search for travel-related information and to book tickets. As a ripple effect, the success of the online travel segment made consumers comfortable with shopping through the medium, thus leading to the development of online retail. The Indian Railways also initiated e-ticket booking by the time. This segment developed further in 2007 with the launch of multiple online retail websites. New businesses were driven by entrepreneurs who looked to differentiate themselves by enhancing customer experience and establishing a strong market presence. Online retailers launched heavy price discounts and lucrative offers to get attention of Indian customers. The great online shopping festival was introduced in December 2012 by Google India partnered with e-commerce companies including Flipkart, Homeshop18, Snapdeal, Indiatimes shopping and Makemytrip. In early June 2013, Amazon.com launched their Amazon India marketplace without any market campaigns. In the mid October 2013, Flipkart started its price discount campaign named as Big Billion Days sale, which was a huge success, therefore repeated every year. Recently in 2015, big online companies like Flipkart and Snapdeal has raised huge funds for making

acquisitions to further boost their capabilities with the right technology and talent (Future of e-commerce: uncovering innovation by Deloitte, 2015). The growth in online retailing is supported by the increasing use of internet by Indians. The number of internet users in country increased from 10 million to 100 million in a decade, then 100 t0 200 million in 3 years but it took only a year to move from 200 to 300 million users in 2015 (IAMAI, The Indian Express).

Social networking gained steam in the Indian online space and gradually become an integral part of people's lives. Initially social sites were used for staying connected with friends, have now emerged as an anchor in any company's digital strategy. Companies have started establishing their presence in the social media space for branding activities, connecting with customers for feedback and advertising new product launches. People have come to rely heavily on internet for activities ranging from accessing email and searching for information to keeping in touch with friends. Internet user base has been growing significantly, with an exponential increase in internet usage. This trend has been aided by the increasing personal computers and broadband penetration, coupled with the declining prices of all necessary supporting equipments. Tablets and smart phones have given a new meaning to connectivity and user experience. The adoption of 3G and launching of 4G in India, coupled with the declining prices of smart phones, is expected to further increase internet usage in the country. Improvements on the payment front have brought about the increasing use of plastic money by Indian consumers. Payment gateways have now been made more secure through multiple levels of authentication via one-time passwords (OTPs) and transaction passwords. This has helped strengthen users' confidence in carrying out online transactions.

Retail Sector in India
The total retail sector in India can be divided into organized and unorganised sectors. The trading activities undertaken by licensed retailers are categorized as organized retailing. Licensed retailers are those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains and also the privately owned large retail businesses. Unorganized retail or traditional retail on the other hand, include a large number of small retailers that consists of local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, etc.

The Indian retail market is in its nascent stage where organised retailers faced huge competition from the unorganised retailers or kirana stores (mom-and-pop stores) that generally cater to the customers within their neighbourhood. The unorganised retail sector constitutes over 92% of India's total retail sector till 2013 (fig. 1) and thus, poses a serious hurdle for organised retailers. If put numerically, the organised retailers are facing stiff competition from over 15 million kirana stores that offer personalised services such as direct credit to customers, free home delivery services, apart from the loyalty benefits. Generally, it has been observed that customers shop impulsively and end up spending more than what they need at organised retail outlets; however, in kirana stores, they stick to their needs because of the limited variety.

There is significant scope for expansion in organised retail and expected to account for 24 per cent of the overall retail market by 2020 (fig. 2).
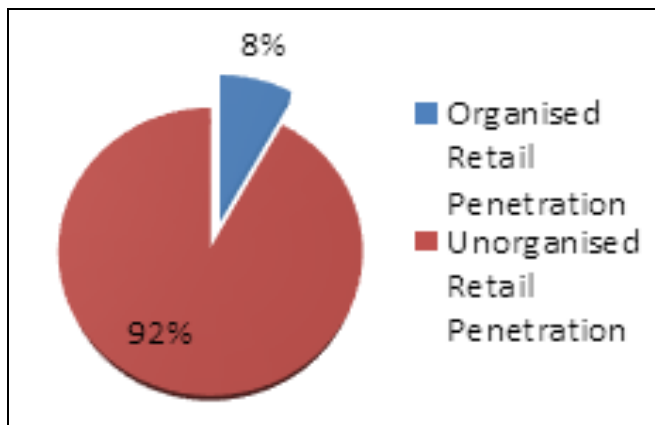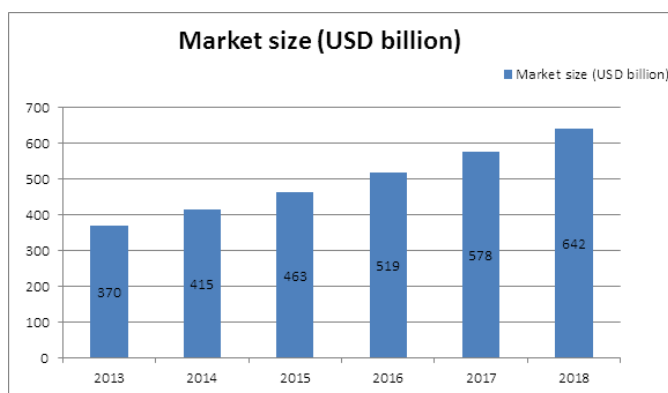

Source: BCG-KPMG- Indian Retail Next growth story 2014, indiaretailing.com

Fig 1: Retail sector Penetration in India in 2013
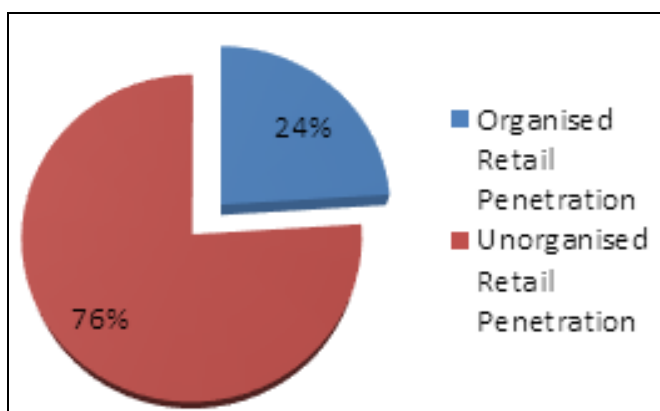
Source: BCG-KPMG- Indian Retail Next growth story 2014, indiaretailing.com

Fig 2: Expected Retail sector Penetration in India in 2020

Source*: India internet-Unlocking the potential of a billion digital user' Goldman Sachs, 04 may, 2015

Fig 3: Indian Retail industry's growth

The retail sector in India is emerging as one of the largest sectors in the economy. Total market size is increasing with 12.10 per cent compound annual growth rate form the year 2013 and retail industry is expected to grow to USD 642 billion by 2018 (fig. 3).

Migration of Traditional Retailing to Online Retailing
Today, the online shopping has become a trend in India. New generation of customers prefer to do online shopping on their electronic gadgets rather than to go for traditional shopping. The reason behind the adoption of this technique lies in the attractive online websites, user friendly interface and bulky online stores with new fashion, easy payment methods. Further, the addition of discounts, coupons, offers, referral systems, 30days return guarantee, 1-7 days delivery time, etc. are more than enough to induce traditional Indian customers. Moreover, s*ocial media* has now become the hub for the companies which enable them to analyze the customer choice based on their purchase activities. The advertising and promotions on these social sites has increased the chances of success of generating transactions to many folds.
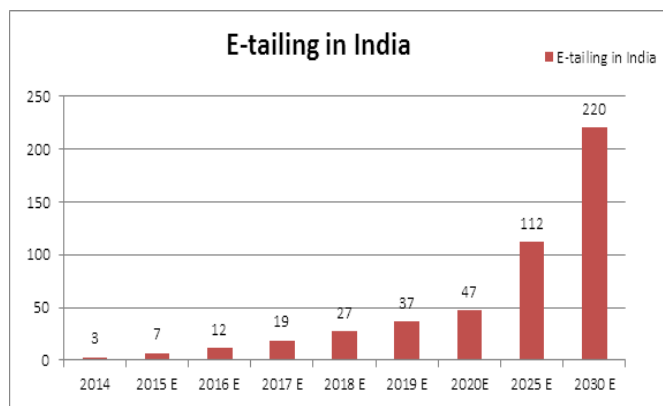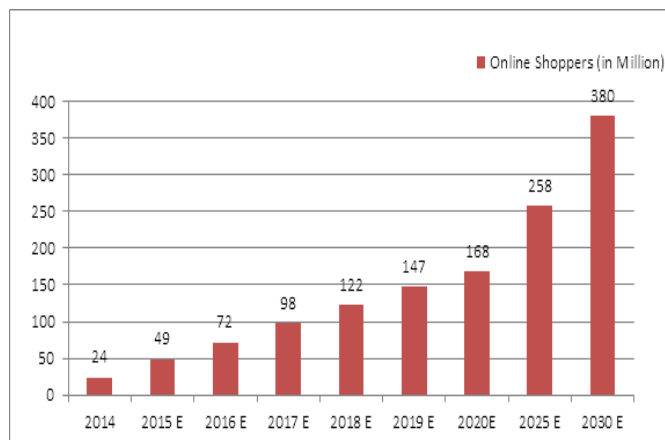

Fig 4: E-Commerce in Retail sector in India (in USD Billion)

Source: India internet-Unlocking the potential of a billion digital user' Goldman Sachs, 04 may, 2015

E-tailing market in India is expected to reach US$7bn of gross merchandise value in 2015, more than double the US$3bn market in 2014. It is going to be at US$220bn in 2030 and consisting 1.8 per cent of India's nominal gross domestic production (GDP) and many domestic companies may emerge as multi-billion dollar revenue business models (fig. 4). E-tailing companies are creating supporting system by establishing logistics solutions, warehousing and distribution centres to enhance the internet shopping experience of Indian customers.

Source: India internet-Unlocking the potential of a billion digital user' Goldman Sachs, 04 may, 2015

Fig 5: Online Shopping Penetrations in India

The shopping habits of Indian customers is going to shift from traditional mode to online mode due to the increased number of smart phones, internet penetration etc. The online shoppers are expected to grow from 24 million in year 2014 to 380 million till the year 2030 (fig. 5).
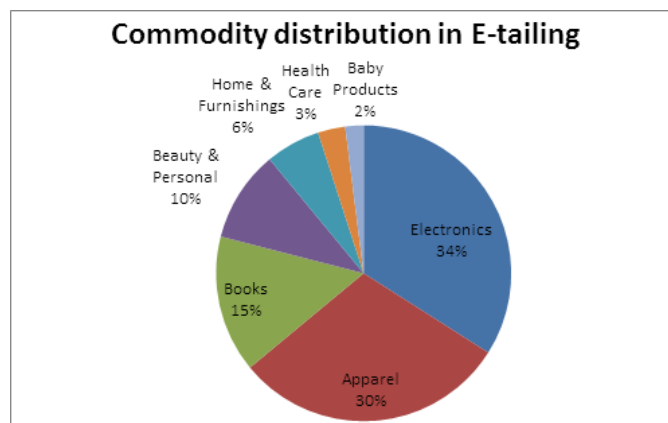
Source: Internet and Mobile Association of India research, 2015

Fig 6: Share of Products in E-retailing in India

The Electronic segment has the highest share in sale volume of e-commerce in retail sector, followed by clothing, books and beauty items etc (fig. 6).

Conclusion

The Indian e-commerce story has witnessed a lot of action in the last so many years with sites like Flipkart, Bookmyshow, Makemytrip becoming household names. This growth has inspired many to launch their own e-commerce start ups to get a slice of this multi-billion dollar opportunity. Many have succeeded but the number is nowhere close to the number of businesses that have failed. There are various issues still to be addressed before taking the full benefits of e-commerce in India.

India's ecommerce path is not only affected by low purchasing power and fractured market, poor infrastructure is another stumble block for India. India is one of the least E-Commerce friendly country globally, the country ranked 83rd out of 130 countries in terms of its e-commerce environment, judged by factors such as the number of Internet users, availability of secured servers, credit card penetration, logistics and trade facilitation, and legal and regulation framework (United Nations' Information Economy Report 2015). Broadband penetrations remain low in India and not growing rapidly. Less than 5 per cent Indians have access to a computer, so as a result seven out of eight Indian access to the internet on mobile phones. There are only 69 percent of those who have access to the internet have broadband connectivity. Moreover they are often discouraged by its slow speed and access their internet with only 2 Mbps average speed, if compared with average speeds of 18.3 Mbps to 60.1 Mbps in developed markets. According to AT Kearney's Global retail E-Commerce index 2015, India ranks 116th worldwide in terms of internet access. India's underdeveloped financial and physical infrastructure also poses daunting challenges to e-commerce. The emergence of e-commerce put enormous pressure on the country's supporting logistics and transportation facilities. Terrible roads make deliveries difficult, while warehouse space in India's densely packed cities is next to impossible to obtain, due to a scarcity of land and can cost more than in the developed world. Another problem with the payment options required for e-commerce transactions. Majority of online buyers prefer cash on delivery method, which is not suitable for e-commerce firms. According to PWC report, credit cards are used by only 1.8 per cent of the population and it is estimated that 50 - 80 per cent of purchases are paid via cash on delivery basis. In addition, a lot of uncertainty surrounds the nation's laws on foreign direct investment (FDI) into the e-commerce sector. In general, India has been resistant to foreign retailers coming in, even in brick and mortar formats, because they are seen as threats to local retailers.

Unquestionably, the India market is changing and showing more promise than ever before. However it's a market with a 'long runway', especially where return on investment is concerned.

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