



Emerging dimensions of e-tailing in India

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We are living in the 21st century where technology is not an aid but a necessity as everyone is adopting it for their growth in each and every aspect of their life. So, the latest and the most used technology is the internet. Now the retailers in India are more alert to capture the market share by luring the customers with using the platform of Internet, it has led to the emerging of e-commerce in India which has taken the Indian business by storm. It is creating an entire new market which has become beneficial for both buyers as well as sellers. It is estimated that E-Commerce revenues in India will increase by more than five times by 2016, jumping from US\$1.6 billion in 2012 to US\$8.8 billion in 2016. Even US\$8.8 billion is still less than other Asian countries like China and Japan but India's CAGR is much higher than any other country as per Forrester forecasts. Earlier the retail sector was restricted to the brick-and-mortar model but now they are adopting the technology for connecting with the customers. Retailers are sending personalized messages via sms or emails to attract the customers. E-tailing in India will grow from the current USD 0.6 billion to USD 76 billion by 2021, i.e., more than hundredfold. The key reason for this disruptive growth lies in the fact that the market-enabling conditions and ecosystem creation for e-tailing in India i.e. the increase in the literacy rate, increase in the number of internet users, rising income levels 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. At present Indians spend 25.2% of their time on social networking websites that is why the business houses are targeting the customers through various social networking websites in this era of cut throat competition. The various drivers for eco-friendly ecosystem are M-commerce, Internet Penetration, Device penetration, increasing annual disposable income, discretionary vs. non-discretionary spending of Indian population etc. is posing a huge opportunity for the business houses. So, E-tailing is also viewed with suspicion from the standpoint that its growth will be at the cost of traditional retail due to which the challenges are faced by the Indian retailers as well as global retailers who want to enter into the fastest growing Indian Industry.

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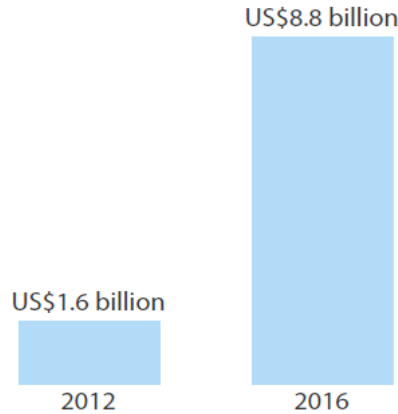
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Introduction

E-Commerce is the use of the Internet and the Web to transact business. More formally, digitally enabled commercial transactions between and among organizations and individuals i.e. buying and selling of goods is done via the use of Internet. Digitally enabled transactions include all transactions mediated by digital technology. For the most part, this means transactions that occur over the Internet and the Web. Commercial transactions involve the exchange of value (e.g.,

money) across organizational or individual boundaries in return for products and services. Exchange of value is important for understanding the limits of e-commerce.

Figure 1 Forecast: India Online Retail Revenues (B2C And C2C), 2012 And 2016



Source: Forrester Research Online Retail Forecast, 2011 To 2016 (Asia Pacific)

Components of E-Commerce

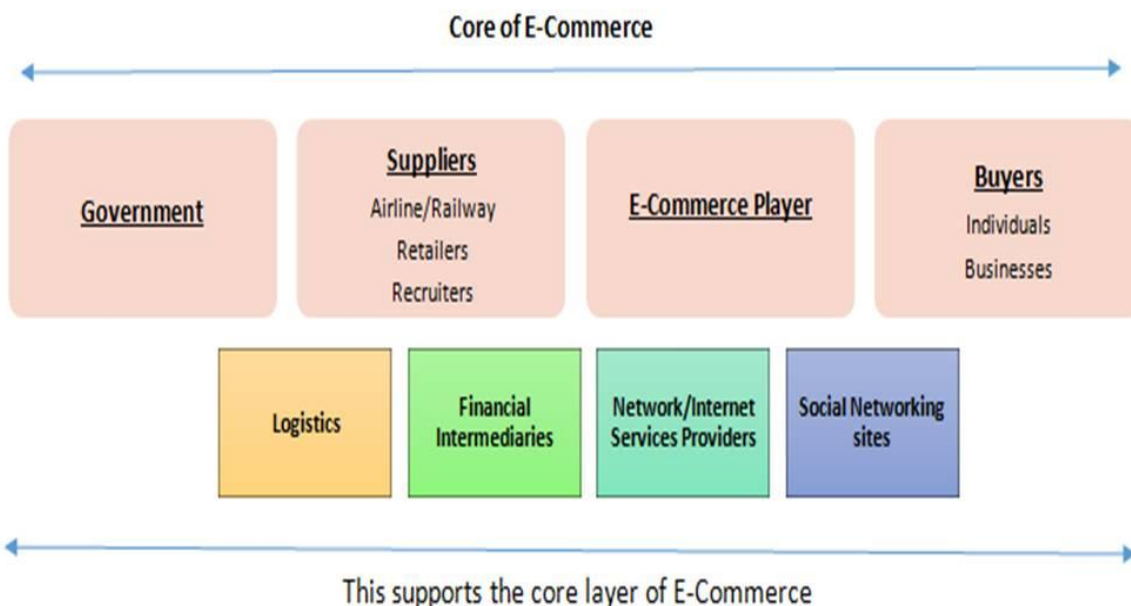
Following stakeholders are a part of E-Commerce sector:

There are basically 3 transactions that take place in an E-Commerce system:

Product flow: Movement of goods from suppliers to end consumers through E-Commerce and logistics players.

Information flow: Information transmission of orders from customers and subsequent information flow of order status through the value chain.

Monetary flow: It involves payments from consumers to e-Commerce players and suppliers and vice-versa through financial intermediaries.

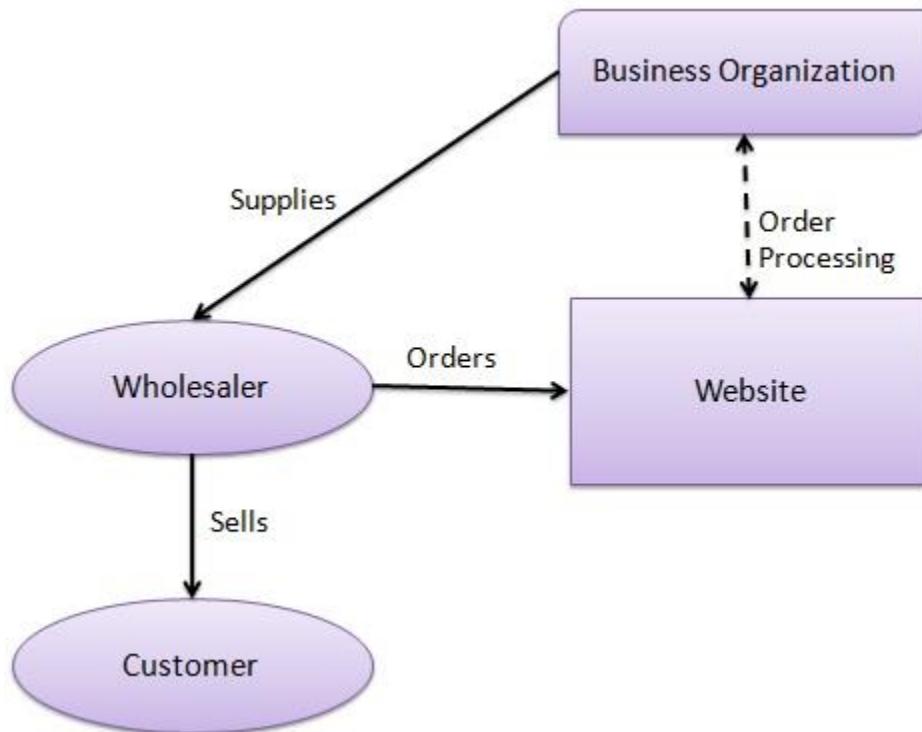


Models of E-Commerce

1. Business - to - Business (B2B)
2. Business - to - Consumer (B2C)
3. Consumer - to - Consumer (C2C)
4. Consumer - to - Business (C2B)

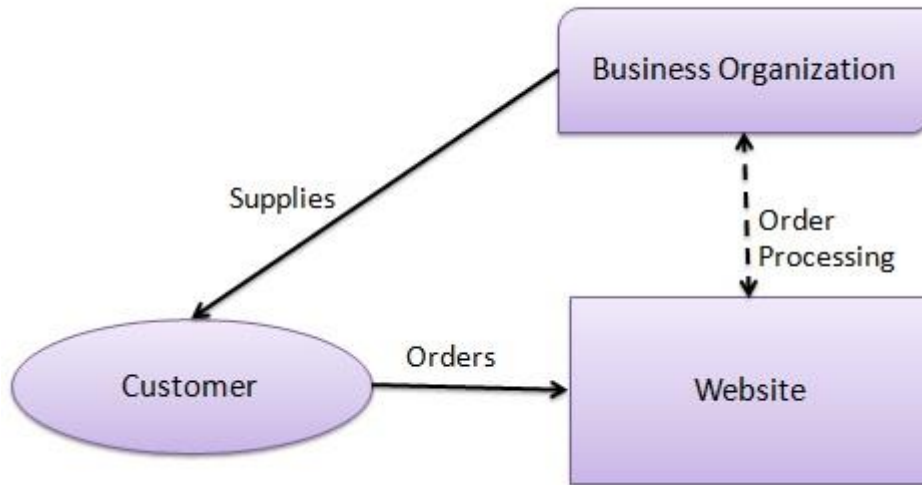
1. Business - to - Business (B2B)

Website following B2B business model sells its product to an intermediate buyer who then sells the product to the final customer. As an example, a wholesaler places an order from a company's website and after receiving the consignment, sells the end product to final customer who comes to buy the product at wholesaler's retail outlet.



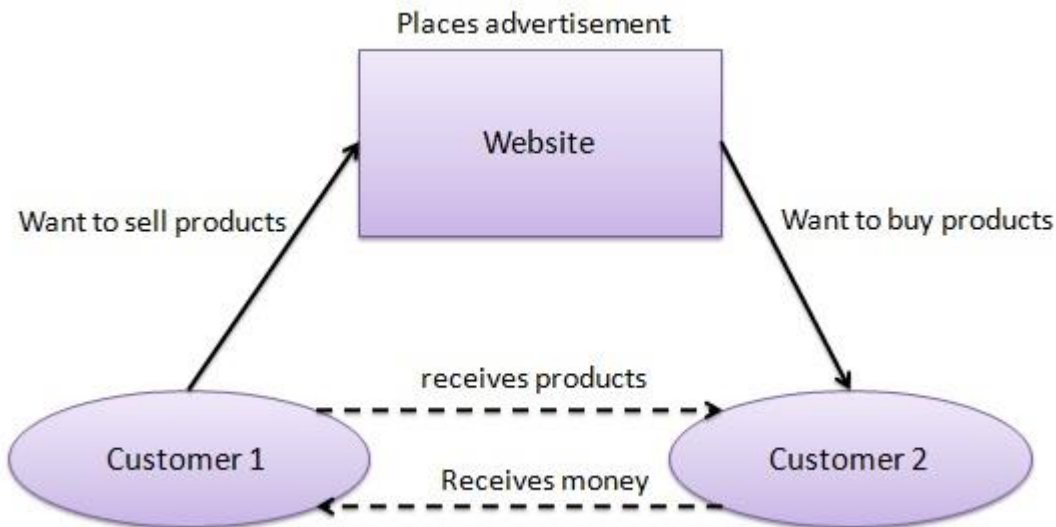
2. Business - to - Consumer(B2C)

Website following B2C business model sells its product directly to a customer. A customer can view products shown on the website of business organization. The customer can choose a product and order the same. Website will send a notification to the business organization via email and organization will dispatch the product/goods to the customer.



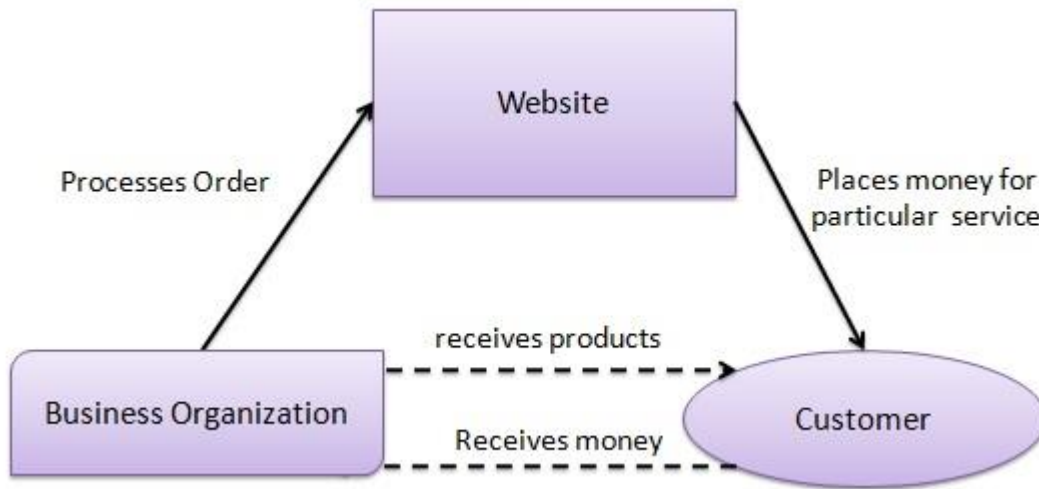
3. Consumer - to - Consumer (C2C)

Website following C2C business model helps consumer to sell their assets like residential property, cars, motorcycles etc. or rent a room by publishing their information on the website. Website may or may not charge the consumer for its services. Another consumer may opt to buy the product of the first customer by viewing the post/advertisement on the website.



4. Consumer - to - Business (C2B)

In this model, a consumer approaches website showing multiple business organizations for a particular service. Consumer places an estimate of amount he/she wants to spend for a particular service. For example, comparison of interest rates of personal loan/ car loan provided by various banks via website. Business organization who fulfills the consumer's requirement within specified budget approaches the customer and provides its services.



A Decade of E-Commerce in India

Started in India in the year 1996 with the introduction of B2B portals, now E-Commerce is all set to become one of the successful medium for business transactions.

The changes came across the decade from 2000-2010 i.e. in the initial phase of e-commerce in India it has been a small online shopping user base, low internet penetration, slow internet speed, low consumer acceptance of online shopping and inadequate logistics infrastructures it came towards downfall due to the downturn of IT support. But later in the year 2005 the major changes took place in the 2 areas of e-commerce in India in Online Travel (which is the entry of Low Cost Carriers - LCCs) and Online Retail (which is partly driven by changing urban consumer lifestyle and the need of convenience of shopping from home).

As from the starting of 2010 the new strategies that helps the entrepreneurs to influence their retail business by Group Buying – As Group-buying sites have seen a significant rise in the number of unique visitors and membership and Social Commerce –As Companies have started establishing their presence in the social media space for branding activities, connecting with customers for feedback and advertising new product launches.

Present and Future Prospects in India

E-Commerce market grew at a staggering 88% in 2013 to \$16 billion, riding on booming online retail trends and defying slower economic growth and spiraling inflation, as per the survey of ASSOCHAM.

India's E-Commerce market was about \$2.5 billion in 2009, it went up to \$6.3 billion in 2011 and to \$16 billion in 2013 and is expected to grow huge \$56 billion by 2023 that would be 6.5% of the total retail market.

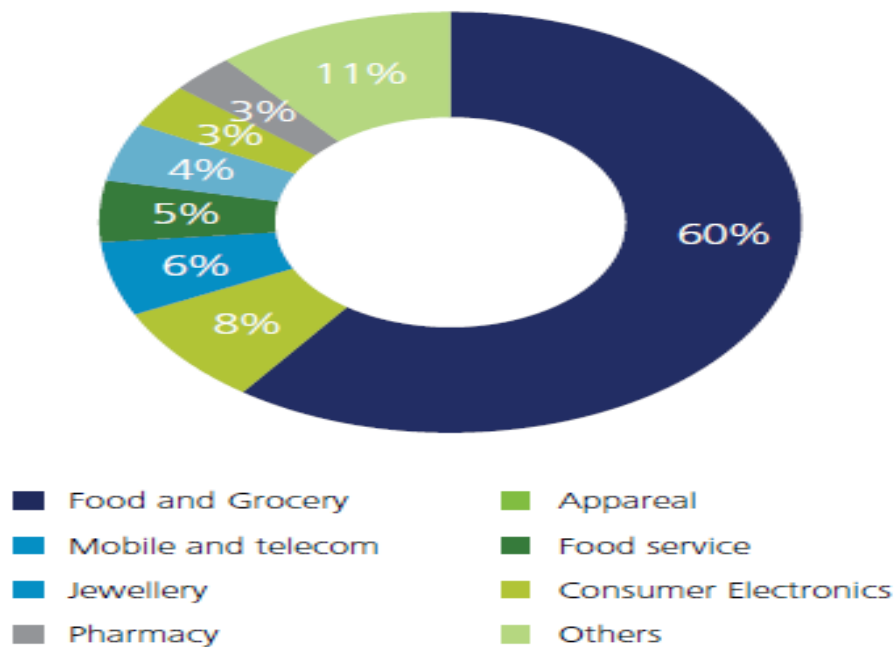
Retailing

Retailing is a distribution channel function where one organization buys products from supplying firms or manufactures the product themselves, and then sells these directly to consumers. A retailer is a reseller (i.e., obtains product from one party in order to sell to another) from which a consumer purchases products. For consumers the most important benefits relate to the ability to purchase small quantities of a wide assortment of products at prices that are considered reasonably affordable. For suppliers the most important benefits relate to offering opportunities

to reach their target market, build product demand through retail promotions, and provide consumer feedback to the product marketer.

Retail is the sale of goods and services from individuals or businesses to the end-user. Retailers are part of an integrated system called the supply chain. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations like stores or markets, door-to-door or by delivery. Retailing includes subordinated services, such as delivery. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as for the public. Shops may be on residential streets, streets with few or no houses or in a shopping mall. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing.

Retail Market Share in India - The Indian retail industry has experienced growth of 10.6% between 2010 and 2012 and is expected to increase to USD 750-850 billion by 2015. Food and Grocery is the largest category within the retail sector with 60 per cent share followed by Apparel and Mobile segment.



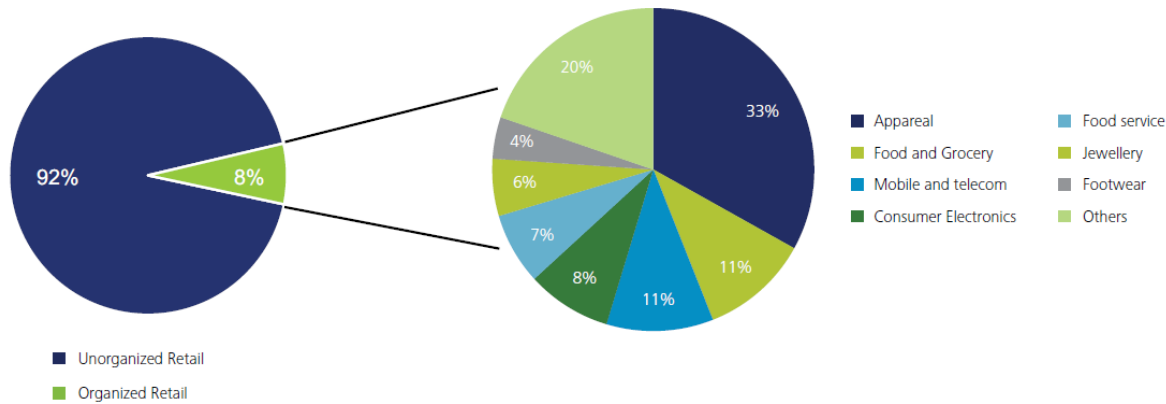
Source: India Retail Report 2013, Images Group

Types of Retailing

1. Organized Retailing
2. Unorganized Retailing

Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned

large retail businesses. Organized retail, which constitutes 8% of the total retail market, will grow much faster than traditional retail. It is expected to gain a higher share in the growing pie of the retail market in India. Various estimates put the share of organized retail as 20% by 2020. Within the organized retail sector, Apparel is the largest segment. “Food and Grocery” and “Mobile and telecom” are the other major contributors to this segment.



Source: © Bradstreet retail sector overview, India Retail Report 2013, Images Group

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Organized retailing was absent in most rural and small towns of India in 2010. Unorganized retailing is holding a major market share in the total Indian retail market and continues for the years.

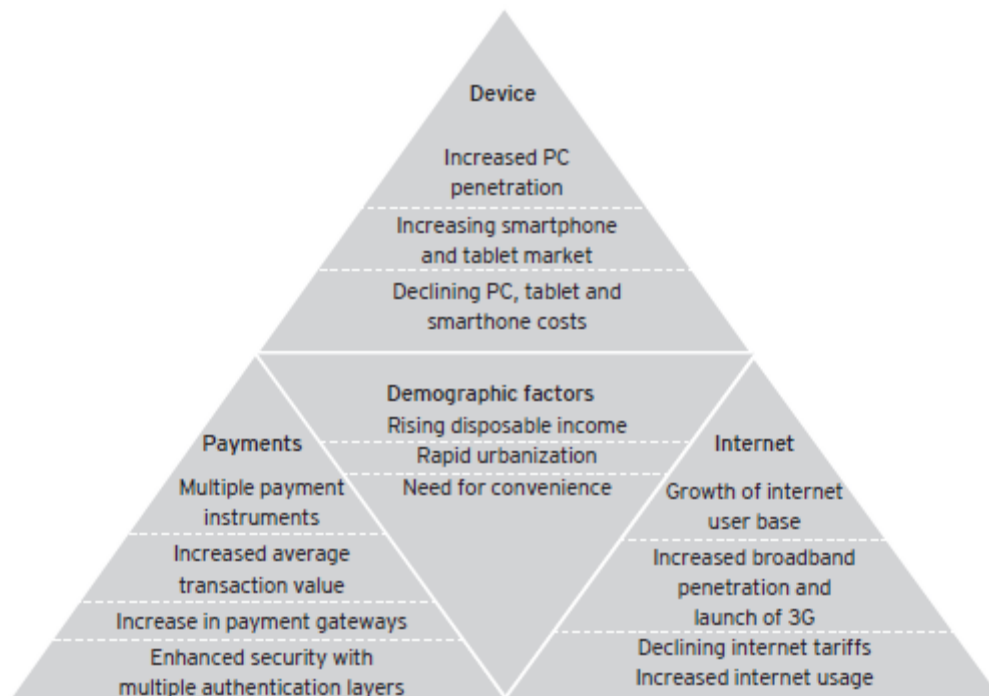
E - Retailing

Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing. The customer can shop and order through internet and the merchandise are dropped at the customer's doorstep. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However, it is important for the customer to be wary about defective products and non-secure credit card transaction. Examples include Amazon.com, Pennyful, and eBay.

The e-commerce market in India was largely dominated by the online travel industry with 80% market share while electronic retail (E-Tailing) held second spot with 6.48% market share.

It is realized by ASSOCHAM that "The increasing Internet penetration and availability of more payment options boosted the e-commerce industry in 2013," which will result in E-Tailing industry be worth US\$ 70 billion by 2015 with a steady growth of 35% CAGR.

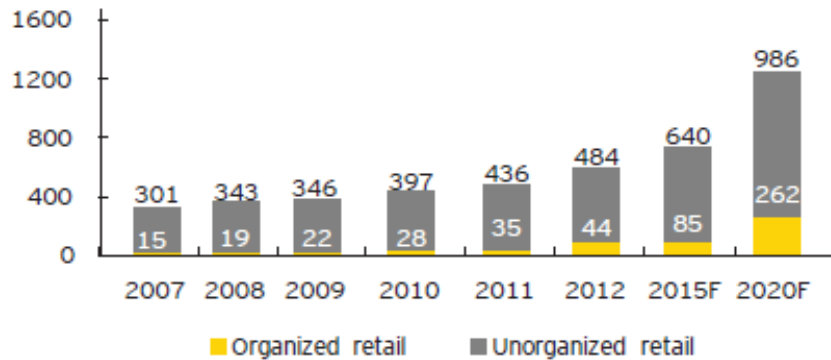
Drivers for the growth of E-Tailing in India



- Annual disposable income per household to grow by two-and-a-half times by 2015
- Discretionary spending expected to form a major portion of expenditure in India
- Proliferation expected in the sales of PCs, tablets and smartphones
- More Indians increasing time spent online i.e. Average time spent online of one person and month
- Probability of growth in internet user base, mirroring that of the voice user base
- Volume and average value of transactions higher for credit cards than debit cards
- Increase in the number of payment options like COD has emerged as a preferred choice for customers now
- Online retail players need to focus on innovative business models to increase their margins.
- Scope of M-Commerce (Mobile Commerce) is increasing day by day
- Internet penetration is increasing also
- Annual Disposable Income is increasing
- Social media is helping accelerate E-Commerce adoption

1. The total market share of organized and unorganized segments in retail market. It is expected that by 2020 the organized retail will be 262 \$ billion in the total retail market of 986 \$ billion.

Total retail market: market size of the organized and unorganized segments (US\$ billion)



Source: BCG

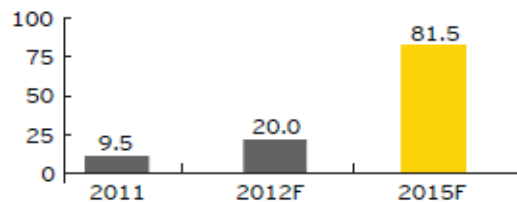
2. Annual disposable income per household is expected to increase at a CAGR of 5.1% from 2005 to 2025.



Source: ResearchonIndia

3. The sales of smartphone in India increasing in leaps and bounds. It is expected that it will reach 81.5 million by 2020.

Smartphone sales in India¹¹ (million)



Source: Trak, Gadgetizer

Note: Forecasted figure for 2015 is of smartphone shipments

4. A step forward towards increasing technology adoption in the country as the National Telecom Policy - 2011.

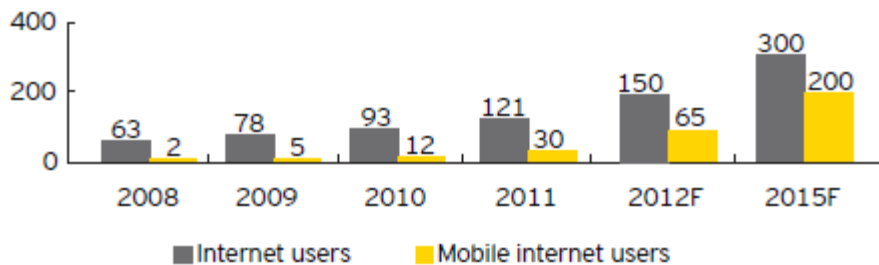
Deliver seamless voice, data, multimedia and broadcasting services on converged networks for enhanced service delivery to provide superior experience to users.

2014	2017	2020
<ul style="list-style-type: none"> ▶ High speed and high quality broadband availability to all village panchayats through optical fibre 	<ul style="list-style-type: none"> ▶ Target of 175 million broadband connections 	<ul style="list-style-type: none"> ▶ Target of 600 million broadband connections ▶ Target of minimum 2 Mbps download speed ▶ Plans to make 100 Mbps connections on demand.

Source: TRAI

5. The number of internet users for both web and mobile phones are increasing day by day. As it has seen continuous increase from 2008 and further it is expected to grow from 2 million internet users to 200 million users by 2015.

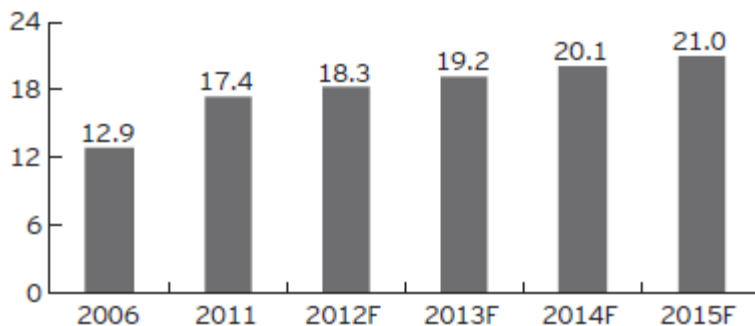
Internet users (million)



Source: I-cube, IIFL, IAMAI, Caris & Company, Ernst & Young estimates

6. On an average the time spent online per person per month in hours is increasing from 12.9 hours in a month in 2006 to 21 hours in a month by 2015.

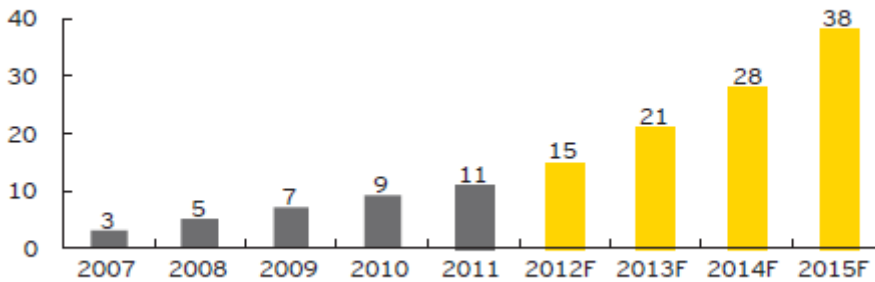
Average time spent online per person per month (hours)



Source: EY estimates

7. The number of users which are using the sources of online transactions are increasing every year and it is estimated that it will be 38 million by the end of 2015.

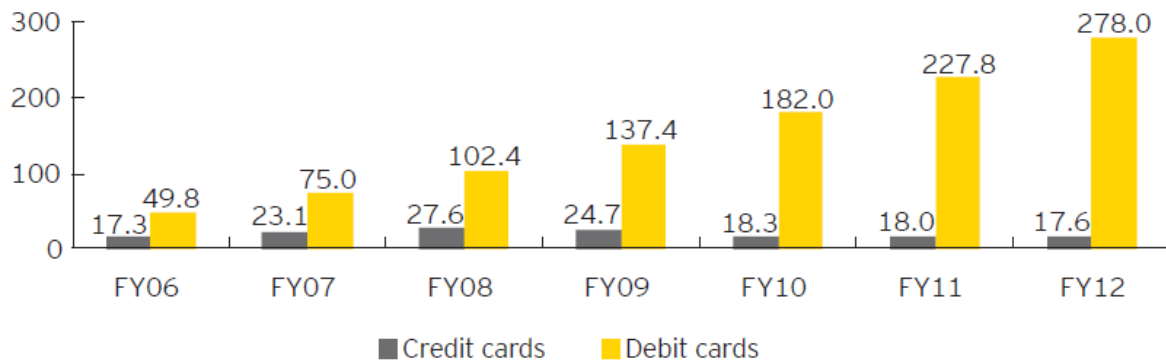
Number of users transacting online (million)



Source: Aventus

8. Financial Inclusion leads to the increasing number of debit and credit card holders in India. As per RBI number of debit cards user in FY12 is 280 million.

Number of cards in India (million)



Source: RBI

9. Social media is helping to accelerate E-Commerce adoption in India -India is ranked as Facebook's third-largest audience in the world after the US and Brazil. Social networks have not been major drivers of E-Commerce transactions in other markets, yet these sites play an important role in driving consumers online and getting them to engage with brands. The number of social media users in urban India reached 62 million by December 2012 and it is estimated to reach 66 million by June 2013, a report on social media in India by the Internet and Mobile Association of India (IAMAI) and Indian Market Research Bureau (IMRB) said. This sudden spurt in social media users in urban India is due to the availability of affordable smartphones and consequent mobile Internet use. The report said about 74 per cent of all active Internet users in urban India use social media. It ranks after email (80 per cent) in terms of usage. As per the findings, of the 80 million active Internet users in Urban India, 72 per cent (58 million individuals) have accessed some form of social networking.

Conclusion

The world is eyeing India as the biggest and largest market in the world so more and more companies are entering the Indian boundaries. As E-Commerce helps in creating the right buzz, as available on more than one platform or device and delivers the product to the customer instantly by IT support. The payments can be made online or through cash on delivery. The growth

in the number of social networking users can be attributed to the rising Internet penetration in India, through increasing affordability of smartphones and consequent mobile Internet use. The increasing purchasing power of the Indian customers is set to bring an online shopping boom in India. One of the latest additions to online retail is advertising through social media websites like Facebook, Twitter, Google+, etc. As most of the factors are accelerating and supporting the growth of E-Retailing business in India but there are many challenging issues that are required to be overcome like lack of trust in e-commerce enterprises, reliability issues of E-payment, Delivery of the same product as visualized online that too in the stipulated period, Consumer protection issues, Privacy and data protection issues, Cyber-crime, Low average broadband speed and flat average internet speed cause a concern, mere card holders in India, Complex transactions process etc.

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