

A Study on Changing Landscape of e-Retailing in India

* *Rajesh P. S.*

** *S. K. Prasad*

Abstract

Consumer perception towards shopping experiences has been changed with the introduction of internet media. The life style of the customers in metro cities and the time and distance is a major setback for consumers moving towards online platforms as busy scheduled life doesn't provide much time to go and search through brick and mortar stores. This has even challenged the offline stores to create their online presence. Almost all online transactions of customers are happening through mobile and internet which involves bank information or personal data. E-commerce sites are vulnerable to cyber attacks, so security measures need to be escalated. Consumers still have a propensity towards shopping offline mainly when it comes to purchasing home appliances, considering the touch and feel factors, but with all we can say that outlook of e-retailing market is bright in India. Internet knowledge of the consumer and wider use of internet with cyber security are some of the remarkable factors which are vital for the justifiable development and growth of e-retailing in India.

Keywords: Brick and mortar, consumer perception, cyber-attacks, e-commerce, e-retailers

I. INTRODUCTION

The Indian electronic retailing business is having bigger scope which is yet to be exploited. Consumer perception regarding online trade has been changed with the introduction of electronic media. The rules of retailing are fast changing with the launch of IT. E-retailing is the model of selling of retail goods using electronic media with the help of internet. e-Retailing is a subset of e-commerce.

The growth in the electronic retailing market in urban India is based on less time available with the changing lifestyle of people along with convenience to shop, range, and availability of products with lower price that have exposed the developed markets, and given a fillip to the e-retailing industry.

Electronic retailing serves consumers 24*7 in a hassle free manner. It has pros of e-retailing, some major cons associated with e-retailing, such as lack of personal touch, cybercrime, bargaining is not possible, and knowledge about electronic retailing among rural India. However, with all these problems, we can say that e-retailing market can witness better outlook in India by 2025. The recent struggle between Walmart and

Amazon, two of the biggest retail sector giants in the world over the acquisition of Indian electronic commerce retail giant Flipkart is the proof of importance of e-retail trade in India.

According to a study by Boston Consulting Group, India is expected to become the world's third largest consumer economy with the size of USD 400 billion in consumption by 2025. Growing disposable income, expandable middle-class, and rapid digitalization through Smartphones, and internet penetration have contributed significantly to the development of such a scenario. Electronic retailing sales in India are expected to see 31% growth this year and are expected to touch \$ 32.70 billion led by e-commerce players such as Flipkart, Amazon India, and Paytm Mall, according to a report by marketing research firm eMarketer.

As per Morgan Stanley, India's online retail is set to grow by 1200% to \$ 200 billion (30% CAGR) by 2026 from \$ 15 billion in 2016. Average wages are rising by 2% annually, and internet penetration is also growing as data costs are becoming more competitive. This makes e-commerce space interactive.

The lifestyle of customers in metro cities, time, and distance are major setbacks for consumers moving

Manuscript received December 19, 2018; revised January 12, 2019; accepted January 20, 2019. Date of publication March 6, 2019.

*Rajesh P. S. is Assistant Professor with Reva Institute of Science and Management, Rukmini Knowledge Park, Reva University, Kattigenahalli, Yelahanka, Bengaluru - 560064, Karnataka. (email: sitrajeshps@gmail.com)

**S. K. Prasad is Professor with School of Management Studies, Rukmini Knowledge Park, Reva University, Kattigenahalli, Yelahanka, Bengaluru - 560064, Karnataka. (email: drskprasad09@gmail.com)

DOI: 10.17010/ijcs/2019/v4/i2/144270

towards online platforms as their busy schedule doesn't provide much time to go and search through brick and mortar stores. Secondly, huge discounts on merchandise are almost available throughout the year, which motivates the consumer to buy merchandise at any time of the year. This has even challenged the offline stores to gear up to make their online presence felt.

Online presence is seen more in metro cities. Consumers in tier 2 & 3 cities have relatively displayed fear when it comes to home appliances from e-retailers due to enormous reasons such as time of delivery, fear of damaged products, and warranty issues for their selected brands. Consumers still have a propensity towards shopping offline, mainly when it comes to purchasing home appliances because of the touch and feel factor.

Recent implementation of GST is also one of the reasons for consumers not to go for online shopping. This needs further clarity, hence, local stores become the first choice of consumers. Traditional buying behavior through offline store, manual demonstration are some prime factors for people in non-metro cities. Still, people don't prefer online stores for big purchases.

Consumers of metro cities in India are getting more comfortable towards electronic shopping due to easy payment options, fast delivery with good return policies, and various discounts throughout the year have attracted more consumers, but in non-metro cities, smartphone penetration is pretty high. Consumers prefer age old tradition, confusion around the policies and process may take another five to six years for online stores to reach them.

"Almost all customer interaction for online retailers occurs via phone or email and involves banking information or personal data. e-Commerce sites are particularly vulnerable to cyber-attacks. Sandeep Ladda, PwC India Partner said, "Given the recent episodes of data breaches and alleged misuse of consumer information, the need for adopting appropriate security measures has escalated significantly." There are several affordability initiatives during sales events like no-cost EMI, buy now & pay later, and instant discounts through banks, that help customers garner greater discounts in sales.

II. OBJECTIVES OF THE STUDY

The main objective of the study was to understand why Indian e-retailing market has not reached the desired goal in terms of market share and financial gains, to know the behavioral trend of Indian consumers towards online buying which explains why Indian e-retailing has not got

the desired success. Other specific objectives are :

1. To analyze the current status of Indian e-tailing market.
2. To study positive influencing factors responsible for online shopping and negative factors which stop Indian users from buying online in India.

III. RESEARCH METHODOLOGY

Secondary data sources were used for this research. Previous research papers, articles, journals, reviews on the research objectives were the main sources of secondary data.

IV. FACTORS FOR GROWTH OF E-RETAILING IN INDIA

The factors for the growth of e-retailing in India are:

A. Growth of Mobile Commerce

According to Internet and Mobile Association of India, the number of mobile commerce users were 173 million in December 2014. It is set to grow manifold by 2020. e-Retailing has seen growth in non-metro cities with the help of m-commerce. Shopping through internet is tripping off to other transaction mediums as well. Internet usage on mobile phones is growing at a blazing pace leaving foot steps to predictions that mobile internet usage will soon overtake desktop computers. Deep penetration of smart phones into consumer market and reducing internet chargers are the main concerns for growth of m-commerce in India.

B. Growing Usage of Plastic Money for Cashless Transactions

India had 36.2 million credit cards, and 846.7 million debit cards by January 2018. In the last few years, there has been a increase of nearly 140 million debit cards in the country. With more people using plastic money instead of cash, the number of debit and credit cards circulating in India has hit an all-time high and it is not just the volumes, transaction value too has shot up. The e-commerce boom is helping with more number of transactions happening online, the use of digital payments, including plastic money has become popular. With more people becoming comfortable with spending online, e-payments is expected to grow 10 times to \$500 billion by 2020, according to a Google BCG report.

C. Growing Investment in Logistics and Warehouse

Logistics play an important role in reaching to e-consumers on time as per the promise made by e-retailers. The present report says that they have extended their reach to 12,500 to 15,000 pin codes out of nearly 1,00,000 pincodes in the country. Further, online retailers trying to tie up with India Post and petrol pump stations to reach out to more customers. Mohit Bahl of KPMG says that many companies are estimated to invest nearly \$ 2 billion in logistics and warehouses by 2020.

D. Rising Disposable Income

The consumer story signifies that the rapidly rising Indian economy is domestic consumption driven with young demographics, rising disposable incomes, improved education, and rapid growth. 47% of the population is below 25 years, and the median age is about 27 years. Rising household income is resulting in higher disposable income. However, with the rise in SMEs, and FDI, domestic MNCs have created millions of jobs. Furthermore, most of the global, and domestic brands are only available in metropolitan cities. Therefore, we can see the growth of e-commerce in non-metro cities with good disposable income followed by increasing standard of living.

E. Universal Reach

A brick and mortar store has a limited geographical area of operation. It can reach out only to a limited number of customers of a particular locality, but with the emergence of e-commerce, access from any part of the globe is possible. Online shopping saves time. Shopping from the comfort of your home through the internet is a huge attraction for customers.

F. Increased Product Diversity With Reducing the Incremental Markup

E-tailors have better understood customers' requirements and responded to them by providing a wide variety of products and services including more specific niche offerings as compared to traditional stores which had space constraint to carry diversified products. Disintermediation in channel networks has reduced the cost of goods sold through the internet. Manufacturers sell products directly to consumers by reducing the number of intermediaries, which leads to reducing incremental markup pricing as a result of which customers enjoy huge discounts on e-tailing trade which increases interim sales.

V. BOTTLENECKS FACED BY E-RETAILING IN INDIA

The bottlenecks faced by e-retailing in India are:

A. Language Problem

To connect with wide spread consumers in India, e-retailers should start local language for communication. At present, most websites use only English as their mode of communication. The majority of the Indian customers may not be comfortable with English. To gain good market share, e-retailers need to start communicating in local language.

B. Lack of Trust

Special focus on privacy and data security along with transparent business terms and conditions will ensure increase trust of online customers in those portals. Durability and functionality of the products need to be confirmed beforehand by the suppliers to increase trust. E-commerce sites are particularly vulnerable to cyber-attacks. So, people are most concerned about personal data and banking information. Therefore, there is lack of trust on e-retailers.

C. Digital Payment Failures

Whether a customer is paying by card, online banking, or any one of the several digital wallets that exist today, the failure of digital payment occurs a number of times while doing online transactions. Technical problems often result in the payable amount being debited from account of customers, but it is not credited to the account of seller. To retrieve this information, the customer needs to inform the website and then wait for 7-10 working days to get a refund. Now this issue is gradually being getting addressed as the sector is focusing more on cashless transactions.

D. Offline Presence

The e-retailers should assure their customers that they are not only available online but offline as well. This develops psychological confidence for these companies to be relied upon. Studies have shown preference towards traditional shopping methods Hence, the e-retailers in India are concentrating more on omni-channel retailing which will be the next change in retailing concept in India.

E. Untimely Delivery of Products

Effective logistics play a key role in identifying the operational success of online retailing. Poor infrastructure is the biggest challenge for e-retailers in our country for timely delivery of products. So, logistics in India is more costly due to lack of adequate basic infrastructure. Indian government should provide better physical infrastructure across the country to curb down the logistic problems for Indian online vendors who then can deliver products in time.

F. Internet Penetration is Low

Internet penetration in India is still a small fraction of what we would find in several western countries. There is poor internet connectivity in several areas, but this will not be a challenge to e-commerce in India in days to come as this problem will disappear. We see strong growth towards making digital India dream come true.

VI. CONCLUSION

In the modern scenario, online shopper is getting greater acceptability with urbanization through paradigm shifts in the demographic and psychographic dynamics, which have driven consumers to use online portals to search information, and to make purchase. Even in non-metropolitan cities, acceptability of online selling has been noticed after deep penetration of smart phones in the consumer market. If appropriate security measures are considered to protect personal data of consumers, then it will create a sustainable environment for future growth of e-retailing in India. Omni channel retailing would be the perfect way for leading to convergence of online retail with traditional brick and mortar retail.

REFERENCES

- [1] G. S. Rao and R. Sunil (2018, January), "E-tailing in India: Prospects and Challenges," *Int. J. of Eng. Technol. Sci. and Res.*, vol. 5, no. 1, 2018. [Online]. Available: http://www.ijetsr.com/images/short_pdf/1516242772_571-576-SJ46_ISSN2.pdf
- [2] J. Arora, "Prospects of e-retailing in India," *IOSR J. of Comp. Eng.*, vol. 10, no. 3, pp. 1-5, 2013.
- [3] G. Sunitha and P. Sathish Chandra, "E-tailing - The mantra of modern retailer's success," *J. of Arts and Commerce*, 2012.
- [4] M. Swapna, "E-tailing a benchmark in modern marketing," *IOSR-J. of Bus. and Manage.*, vol. 17, no. 7, pp. 60-63, 2015. [Online]. Available: <http://iosrjournals.org/iosr-jbm/papers/Vol17-issue7/Version-2/H017726063.pdf>
- [5] S. Jayakrishnan, "E-retailing in India: Opportunities and challenges," *Int. J. of Res. in Finance and Marketing*, vol. 5, no. 3, 2015. [Online]. Available: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2592413
- [6] D. Varghese and V. Shamini, "E-tailing in India present and future," *Int. J. of Res. in Manage. and Bus. Stud.*, vol. 4, no. 3, 2017. [Online]. Available: <http://ijrmbs.com/vol4issue3SPL1/dency.pdf>
- [7] D. Ghosh, "Why Indian e-Retailing market is still a partly success and a partly failure story?," *J. of Accounting & Marketing*, vol. 3, no. 1, pp. 1-6, 2014. doi: 10.4172/2168-9601.1000113.
- [8] Indian Brand Equity Found., "E-Commerce," January, 2018. [Online]. Available: www.ibef.org
- [9] A. Daga, "The future of e-retail: Road to 2020," May 01, 2017. [Online]. Available: <https://retail.economictimes.indiatimes.com/retales/the-futue-of-e-retail-road-to-2020/2333>
- [10] A. Sharma, "Online vs offline - Is the consumer buying behavior ready for transformation," *ETRetail.com*, Dec 20, 2017. [Online]. Available: <http://retail.economictimes.indiatimes.com/retales/online-vsoffline-is-the-consumer-buying-behaviour-ready-for-transformation/2763>
- [11] R. Bhargava, "Trends that will reshape Indian e-commerce in 2018," December 22, 2017. [Online]. Available: <https://retail.economictimes.indiatimes.com/retales/trends-that-will-reshape-indian-e-commerce-in-2018/2767>
- [12] "E-Retailing in India," *Economy Watch*, June 29, 2010. [Online]. Available: <http://www.economywath.com/business-an-economy/e-retailing-india.html>
- [13] Boston Consulting Group, "India to become third-largest consumer economy by 2025," March 21, 2017. [Online]. Available: <https://www.bcg.com/d/press/21march2017-new-indian-changing-consumer-149010>

[14] Gupta, S., "India's e-commerce market to hit \$ 200 billion by 2026: Morgan Stanley report," October 13, 2017. [Online]. Available: <https://www.livemint.com/Industry/9iUxlQZ4iHwPiXRKscx3LK/Indias-ecommerce-market-to-grow-30-to-200-billion-by-202.html>

About the Authors



Rajesh P. S. is a Post Graduate in Business Administration (MBA) and he is pursuing Doctorate in Management. He has 10 years of teaching experience. He has 4 published articles to his credit. He has presented research papers in conferences and seminars. He actively participates in industry and academy interaction sessions.



Dr. S. K. Prasad is Professor with School of Management Studies, Reva University. He is a Post Graduate in Business Administration (MBA) and holds a Doctorate in Management discipline. He has over 32 years of teaching, research, and administrative experience of which close to 20 years is in the roles of Principal/Dean/Director with reputed institutions and new generation private universities in South India.

He has 30 articles, 4 books, viz., Management of Small Scale Industries, Strategic HRM, Talent Management, and Contemporary HRM to his credit. He has guided over 350 MBA Project Reports, 12 M. Phil theses, and guided 6 doctoral scholars in the areas of marketing, HR, and entrepreneurship in reputed universities in India