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Impact of Online Selling of Cement on Retail Trade- Study of JK Lakshmi Cement Ltd.

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Abstract:

With the increasing busy schedules now a day's, marketers keep on experimenting and try innovations, to make life more simple and easy for their customers, online shopping is also one of such gift to customers by marketers, with just one click whole collection is in front of you and by sitting in your ac living room in cozy environment without wasting much of your time and fuel you can do lot of shopping, whether you want a new wardrobe collection or you want any electronic appliance or interior decoration item or furniture, all of these are just a click away. Today online shopping has taken astep ahead if you are making your dream home you can even purchase cement for your dream house sitting at your home as on 1 May 2015 a cement company "JK Lakshmi" tied up with snap deal to sell entire of its range on Snapdeal, and became the first cement company ever to sale its product through online retailer in India.

The purpose of this research paper is to study the impact of online selling of cement on distributors, dealers and retailers, and to analyse that the marketing strategy of selling cement online will create a success story for the cement organizations or not and finally it gives suggestions to the organization to boost up the online selling strategy, so that they can leverage by being a first cement company adopting a globalised, technology driven strategy .This is an exploratory research, total 50 respondents were surveyed which includes distributors, dealers retailers, and interview of 5 marketing employees of the company

Keywords: *Ecommerce, Cement, JK Lakshmi, Channel of distribution*

1. Introduction to E-Commerce

The chapter of Ecommerce was started in 1991 in the world, at that time nobody had ever imagined that ecommerce will be hot trend in India in the coming years, India was introduced to E-Commerce through Indian government's initiative of IRCTC's online ticket booking system in 2002 for the convenience of common man which proved to be a boon for everyone as now people don't have to stand in long ques for reservation ,then with the success of IRCTC, Airline's online ticket booking system also started in 2003. In 2007 with the discount model of Flipkart online shopping trend was relaunched in India as online shopping was started back in 2000 only, but people were hardly aware of it and were hesitated to do online shopping. With the introduction of discount coupons, cash on delivery options, fast delivery option, return guarantee schemes by online portals like Jabong, Snapdeal, Flipkart, Shopclues etc online shopping became buzzword in India.

1.1. Introduction to Cement Industry of India

Indian Cement industry (224.4million tones per annum) is the second largest cement producer in the world after china, Indian cement industry has seen fantabulous growth post deregulation, as the industry was under the control of the government till the economic liberalization process started, with the rise in infrastructure development in India industry grew at 8.1% CAGR in terms of production in the last decade. As per a study by Global Construction Perspectives and Oxford Economics, India is expected to become the world's third largest construction market by 2025, adding 11.5 million homes a year. Given this, the growth potential for the cement industry is huge. Domestic cement consumption is expected to rise from around 265 MT currently to 400 MT in the next three years.

1.2. E-Commerce and Cement Industry

Cement in India is primarily sold through dealer and distributor network, cement industry is now a days adopting to go online for selling its products by showcasing product on ecommerce websites like E Construction Mart, Apna Stock and Central Mart which is

actually online construction material bazaar on which all type of construction material are available this is one kind of Ecommerce selling model, with which some of the cement companies are associated like JK Lakshmi Cement Ltd, Ultrar Tech Cement Ltd and Ambuja Cement Ltd. But none of the Cement company was visible on online retailer giants like Amazon, Flipkart and Snapdeal but recently on 1 May 2015 JK Lakshmi has tied up with snap deal to sell entire of its range on Snapdeal. If we talk about global scenario of Ecommerce and cement industry just like any other common product cement is being widely sold on online retailing giants like Alibaba.com ,Amazon.uk and Amazon .USA but there is huge difference between Indian Market and International market, In foreign countries Labor is very expensive so people over there do all of the work on their own for e.g. if there is any leakage in house they will order small packet of cement online and will do repairing work on their own, but in India labor is cheap so we all call mason for such work we definitely don't order cement online for such work. That is the main reason that cement in India on online is being sold in bulk quantity but in foreign retail websites they are available in small packets of 1 kg also.

The purpose of this research paper is to study the impact of online selling of cement on distributors' dealers and retailers and to analyse that the marketing strategy of selling cement online will create a success story for the cement organizations of India? And does online selling of cement have future in India

2. Research Objectives

- To study the impact of online selling of cement on offline selling
- To study the impact on profitability of retailers, dealers and distributors
- To analyse the brand switching of dealers, retailers and distributors due to online selling if any

2.1. Methodology

This is an exploratory study, Primary data collection method was used and instruments used were questionnaire and interview, total 50 respondents were surveyed which includes dealers, retailers and distributors of JK Lakshmi Cement with convenient sampling method. Along with this 5 marketing employees were interviewed.

2.1.1. Relevance of the Study

This study will help the cement organizations in understanding the impact of introduction of online selling in cement industry and can help them for their future marketing strategy

2.2. Limitation of the Study

- This study is confined to Jaipur region only thus it cannot be generalized.
- Besides that, the detailed study has been conducted taking on 50 respondents on the basis of convenient sampling.
- Time is also a limiting factor as the study is conducted in a very short span of time.
- It's been just 5 months that company started online selling on online portal0 Company started its online selling from 1 may 2015

3. Review of Literature

Amit Saha (2015) studied the impact of online selling on retail trade business, through his research he analyzed the effect of online selling on various aspects like the profitability of retail trade, pricing pattern of retail store, business pattern of the retail trade business. His research clarifies the real scenario of present retail trade, what problems today retail stores are facing and in future what more they can face. Author through his research guide small retailers to take step to survive in the competing environment he suggest retailers to give better quality, better pricing and better service so that customers get attracted towards your store.

You Quinghe et.al(2014) in his research entitled "The online shopping change the retail business model: A survey of the people use online shopping in China." he reveals the consumer behavior approach towards online shopping, what factors influence consumers to shop online, so that marketers can understand consumer and can make strategies accordingly. He tries to find out the gap with which marketers can improve their further strategies to gain competitive edge over others. Through his study he found out that low price, discount schemes, feedback from precious customers, quality of product are all considered to be important factors which influence customers while shopping online.

Rachna Gayal et.al (2012) in her research paper entitled "Impact of E-Business on the Retail Market: A Short Study" author throws light on the importance and adoption of E-Business and she analyses the impact of E-Business on the retail trade and she also put an effort to find out the type of customers who are more likely to participate in E -Business. In Concluding lines she says that today E-Business has high impact on retail industry, and it has become most important part of human life and the consumer who grow around computers and technology are more likely to get involved in online shopping. And she admits that future of E- Retailing is very strong as it saves time , money , energy it access the market across the globe it reduces the production cost by reducing the overheads.

K. Mahur et.al (2014) in her research paper she examined the habit of online shopping of Indian consumer she tries to identify why Indian consumer are moving online for shopping and why the trend of online shopping in India is increasing with the subsequent research she finds out that retail shopping is time consuming so prefer online shopping and the customer base for online shopping is between 26-30 yrs and more of IT professionals, main reason of increasing trend of online shopping is availability of internet at cheap rate in phone.

4. Presentation of Data Analysis and Interpretation of Data

Dealers and distributors is the only network through which cement industry sell its cement post liberalization, as formerly cement was being sold by ration but with the increasing market competition companies are hoarding to bring differentiation, J.K Lakshmi cement has also taken a step to bring differentiation in its channel of distribution. The study has been made on several grounds to understand the impact of online selling of cement on various dealers’ retailers and distributors.

4.1. Presentation of Data

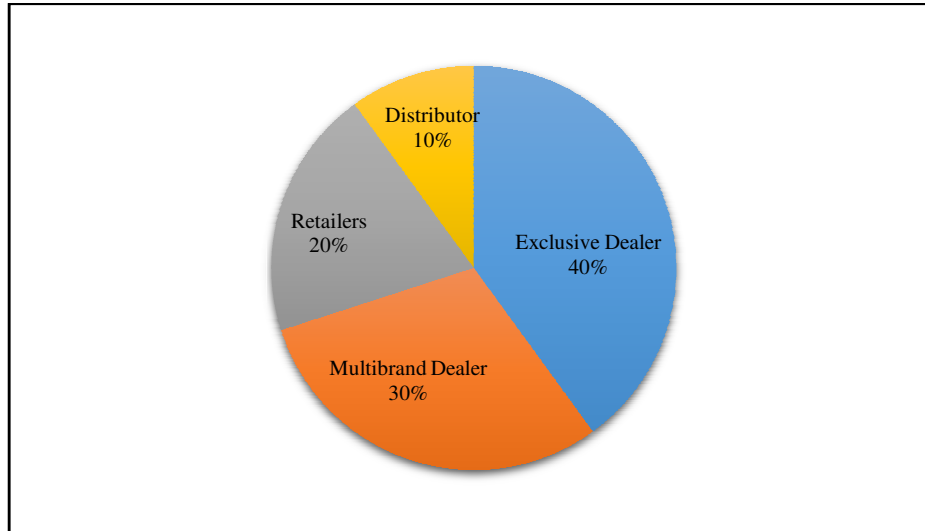


Figure 1: Sample Population

Figure 1 depicts the profile of sample population total 50 respondents covering dealers, retailers and distributors. Out 50 respondents 20 were exclusive dealers of J.K Lakshmi Cement.15 were multibrand dealers i.e. they sale cement of all the major cement brands.10 were retailers and 5 distributors.

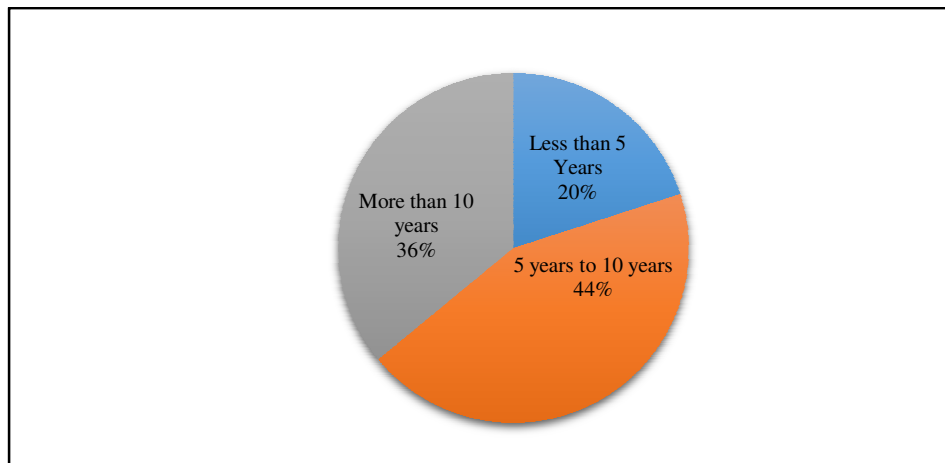


Figure 2: Years of Association

Figure 2 depicts the years of association of respondents with J.K Lakshmi Cement out of 50 respondents 10 were associated with less than 5 years, 22 were associated from last 5 to 10 years and 18 respondents were associated from more 19 years.

List of Questions	Yes	No
Are you aware that J.K Lakshmi signed up with Snap deal to sale it cement online?	49	1
Do you think that after online tie-up offline sales are being affected?	2	48
Are you facing any adverse effect on your profitability after tie-up?	1	49
Have you offered any discount scheme to attract customer?	3	47
Have you ever thought of switching to any other brand or you have started keeping brand of other competitor company also?	2	48

Table 1: analysis of various aspects of impact of online selling of cement on offline sellers

4.2. Interpretation of the Table

The table highlights that the online selling of cement has no impact on offline selling of cement as 98% of respondents says that online tie up with Snapdeal of Jk Lakshmi cement Ltd. has not affected the sale and their profitability too.

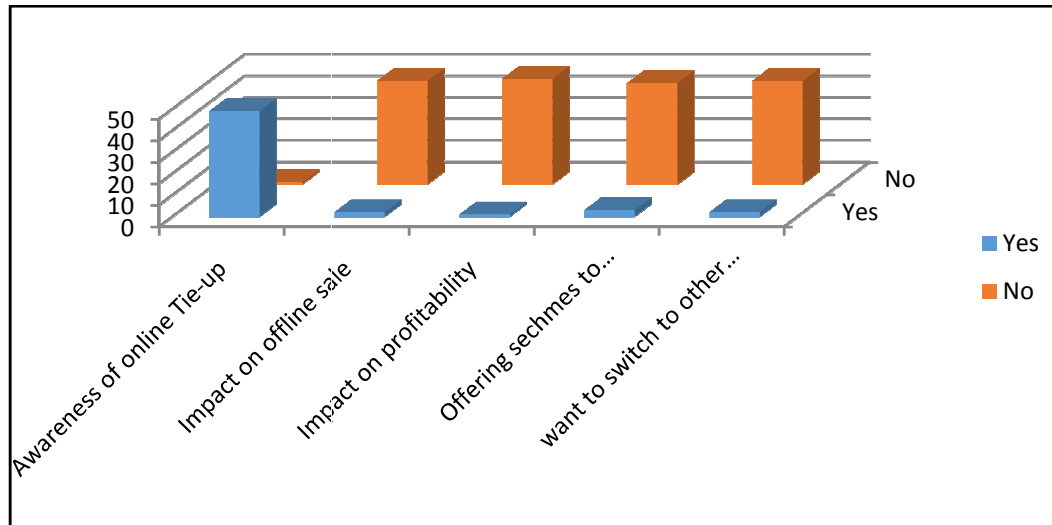


Figure 3

4.3 Analysis and Interpretation

99% of the respondents were aware of the fact that the company they are associated with, has tied up with Snapdeal to sale its product online. Figure 3 reveals that tie-up has not affected the sale of traditional channel of distribution and their profitability too; they don't need to put extra efforts to boost up their sale or they are not required to offer any discount schemes to attract any customer, Dealers are not losing any customers also so that they even think of switching the brand.

5. Finding Suggestions and Conclusion

5.1. Findings

Ecommerce has not been able to put any differential impact on the cement industry, customers are still purchasing cement from its traditional channel of distribution, while the survey (as per the interview of employee of the company) it was being found that from 1 may 2015(day when JK Lakshmi tied with Snapdeal to sale cement online) to 1 October 2015 only one customer enquired for online purchase of cement but deal was not finalized it got cancelled in the end and he purchased finally from local dealer only. This situation proves the accuracy of the figure above that there is no impact on offline selling due to the tie-up of Jk Lakshmi with Snapdeal

- No impact on sale of distributors, dealers and retailers
- No Impact on the profitability of channel of distribution
- There is no fear of dealer switching another brand

5.2. Suggestions

Ecommerce is definitely abuzzword in India in almost all the spectrum of our life but the same has been on back foot in the cement industry because of many reasons like awareness, pricing, availability

- Awareness: Common people is less aware of online availability of cement, company should do mass advertising in order to reach people.
- Pricing: At present online price of cement is 10 Rs to 15 Rs per bag higher than the offline market. Company should try to bring prices at par and should introduce some attractive discount schemes for online market.
- Availability: If you order online cement you will be able get the same after 2-3 business days, this will increase the labor cost at the construction site, in the offline market same is being delivered in some hours. Company should try to introduce JIT in online purchasing of cement.
- Liasoning: The main buyer of cement is mostly the contractor for both personal construction and commercial construction, and contractors have a direct liasoning with dealer, they have their commission tied up with dealers so they will not go for online shopping. For this the company should directly target the end customer to enhance online selling of cement.

5.3. Conclusions

Ecommerce is the need of marketing environment today each and every company is technology driven all companies are selling their product online as it saves time and fuel in order to fight global competition cement companies need to bring trend of online selling J.K Lakshmi has taken initiation of taking cement selling online but company need to take some strong steps to encourage the same and to take the leverage of entering first on online portal of selling cement in India.

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