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Online Retailing in India

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Abstract:
India has experienced a recent transformation in the field of shopping. The retail sector in India was made up of organized retail and unorganized retail. But recently, a new form of retail has come to focus. This is known as Online Retailing or e-tailing. With the widespread use of internet and change in the socio-economic structure of India, it has emerged as the ideal place for Online Retailing. The Online Retailing companies initially started with selling books online but now there are many Online Retailers which are providing specialized and customized products. Over the last few years, there has been a drastic change in the way Indians are shopping. This paper presents the Online Retail scenario in India and how it has become popular. It explains the reasons for acceptance of Online Retailing in India and also states the problems that Online Retailing is facing. It also gives suggestions for making Online Retailing more beneficial to consumers in India.

Keywords: Online Retail, E-tailing, Internet, E-CRM, Online Malls

1. Introduction

Retailing is the largest private sector industry in the world economy. It is the final stage of economic activity. It occupies an important place in the world economy. It is a dynamic industry. In the past decade the retail industry has undergone a transition in the world. Some countries of the world have made rapid progress in the retail sector while some others have rebounded. Some new retail companies have emerged and some of the leaders have gone out of the race. There have been new advances in technology that has led to the transformation of business models. New business practices have been incorporated to keep up with the changing business environment.

The latest or the most recent format of retailing is Online Retailing. This is also known as e-retailing or e-tailing. It is a business model that executes a transaction between the business man and the final consumer. These transactions are conducted over the internet through electronic means.

E-tailing is defined by Meuter et. Al (2000) as a virtual realm where products and services exist as digital information and can be delivered through information based channels. This is the most innovative and challenging contribution to the retail industry. The last two decades have witnessed a remarkable growth in the Online Retailing business globally.

2. Transition from Traditional Retailing to Online Retailing in India

The earliest form of retailing in India is barter system. It is the exchange of goods between two parties for the mutual benefit of each other. Retailing has evolved over time and various formats of retail like departmental stores, super markets, and hyper markets etc have become popular. India has more than 12 million retail outlets and it is the source of income to many people. The main reason is that it is comparatively easier to set up a small shop than to do a job in industrial sector. Today, customer is considered as the king so the companies are not only providing them with goods but also services. Thus, we can say that retail is the first point of customer contact for the company.

With the widespread development of modern technologies and internet, Online Retailing or E-tailing has gained popularity. The main objective of E-tailing is the use of electronic data for planning and executing the distribution, pricing and promotion of goods and services. It creates exchange that satisfies individual and organizational objectives. It includes a variety of activities like online advertising, e-mail marketing, search engine optimization and online networking.

Internet is a vast web of public networks that connects the users all around the world. It is also a repository of information. According to Gnanasambandam et.al. (2012), there are about 120 million internet users in India and this is the third largest in the world. It also states that India is likely to have the second largest user base in the world, and also has the largest incremental growth. Bisen (2013) estimated that India will have about 330 million to 370 million internet users in 2015. This shows that India has huge growth potential in internet. The pace with which internet is being adopted in India indicates that there is an internet boom. The cost of internet access, devices to access internet are decreasing and they are slowly fitting in the budget of the

common man. This is leading to the widespread use of internet by people of all sections of the society. Gnanasambandam (2012) forecasted that by 2015, 75per cent of new users will access internet only through mobile or tablet. He also mentioned that approximately 12% of the global total number of internet users will be from India. The projected growth in India's Internet users is likely to be the highest incremental growth in the world. In recent years, India's rate of growth of Internet users has been faster than that of many countries like Malaysia.

The following figure shows the estimated number of Internet users in 2015 in India and other countries like China, Japan and the United States.
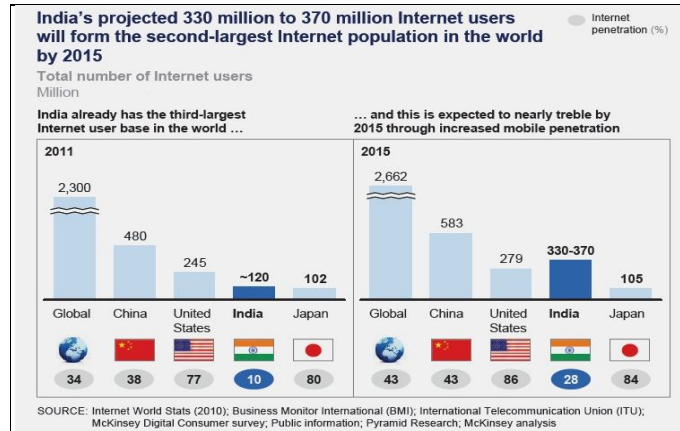

Figure 1

The figure shows that in the year 2011, India had about 120 million internet users and in 2015 it is estimated that the number of internet users will increase to about 330-370 million. The estimated increase in the number of internet users in other countries like China, USA and Japan is very small when compared to the estimated increase in number of internet users in India. Among these four nations, India is the only developing country while the other three are developed countries. Thus, it is clear that the estimated increase in the number of internet users is showing maximum increase in developing countries as compared to developed countries.

The figure also shows the percentage of internet penetration in each of these countries. The percentage of internet penetration in India is 10% in the year 2011 and the percentage is expected to increase to 28% in the year 2015. Other countries like Japan, China and United States have a higher percentage of internet penetration when compared to India. But these countries have a smaller increase in the expected percentage of internet penetration by the year 2015. The above data shows that internet is slowly gaining acceptance in India. Acceptance of internet implies acceptance of Online Retailing in India. This is the main factor that has contributed to the shift from Traditional Retailing to Online Retailing.

Retailers are making use of this acceptance of internet among the consumers and they are organizing marketing programs for acquiring and retaining consumers. This ensures that the consumers will remain loyal to them and they will receive revenue from them. Online Retailing has led to the emergence of Relationship Marketing. In Online Retailing the customer is in contact with the Company only through the Company's website. The business of Online Retailing works on faith and loyalty of the consumers. The usage of internet and electronic facilities helps to maintain customer relationship which is known as Electronic Customer Relationship Management or E-CRM.

The following diagram gives information about the revenues that Online Retailing has earned in India in 2012 and the expected revenues in the year 2016.

Figure 2
Source: Forrester Research Inc.

The revenue earned by online retail in India in 2012 is 1.6 billion U.S. dollars and in 2016 the expected revenues from Online Retailing is 8.8 billion U.S. dollars. This shows that the growth of Online Retailing in India will be so huge that the revenue will increase by more than five times from 2012 to 2014.

3. Types of E-retailers
The rise in online commerce has led to many business models. Online Retailing is being practiced by several Companies, but there are different formats of E-retailers. Gupta (2011) gives the different formats of e-retailers as follows:

3.1. Pure Play E-Retailers
The e-retailers who do not have an offline presence and sell their products only on the internet are included in this category. They are also known as click-only Companies. They do not have any brick and mortar shops. This can be an advantage as well as a disadvantage. It is an advantage because when a retailer sets up a brick and mortar shop, he has to incur a variety of costs. These include the real estate expenses, costs of employing sales persons etc. So, setting up a brick and mortar shop will be very expensive. The disadvantage of not having a brick and mortar shop is that there is no physical presence of the e-retailer. Generally, when a consumer is in the market and he is in search of a particular commodity then he will enter any shop which is nearby. So a brick and mortar shop will get consumers more easily due to their location and physical presence. But this is not the case with the e-retailers. They will have to get their own consumers. So they are continuously striving to get an edge over the other forms of retail by implementing various strategies. Example: Amazon.com, Ebay.com
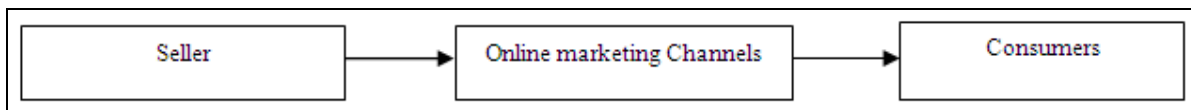This is represented as follows:

Figure 3

3.2. Click and Mortar E-Retailers
As the internet grew, the brick and mortar companies realized that to compete effectively with the others, they had to go online themselves. So, the brick and mortar companies have now become click and mortar companies. These companies have offline presence as well as online presence. They utilize both the online as well as offline stores for carrying out sales. By combining online marketing as well as brick and mortar operations, the click and mortar e-retailers can provide better service to the consumers. The consumers can order the goods online and can get the goods delivered to their house within one day and if they want to return any particular good then they can do so easily by going to a nearby store. Thus, the customer will be happy as he/she will be able to experience both online as well as in store shopping.
The advantage of this format is that they have a brand name and an existing customer base. The existing customer base is served better through the addition of the online channel. The consumers are attended by trained staff and so their service in the physical store will also keep the consumers happy. They have a warehouse to store the goods that they sell. So there is no delay in delivering the goods. In this format, acquiring consumers is less expensive as they can make the best utilization of both the physical stores and the online stores to get more consumers.
The disadvantage of this format is that it is difficult to co-ordinate the prices of the same goods across both the channels. In order to survive in the competition among the Online Retailers, the online website of the Company may show low prices, better deals and discounts. But the price of the product in the physical store may be higher than the online price that they are offering. The customer may identify this and it creates dissatisfaction among the consumers. This leads to losing the trust of the customer. It also becomes difficult for the Company to handle web purchases in the retail outlet. The Click and mortar e-retailers have to incur high costs as they have physical buildings, employ large number of sales persons and also incur online costs.
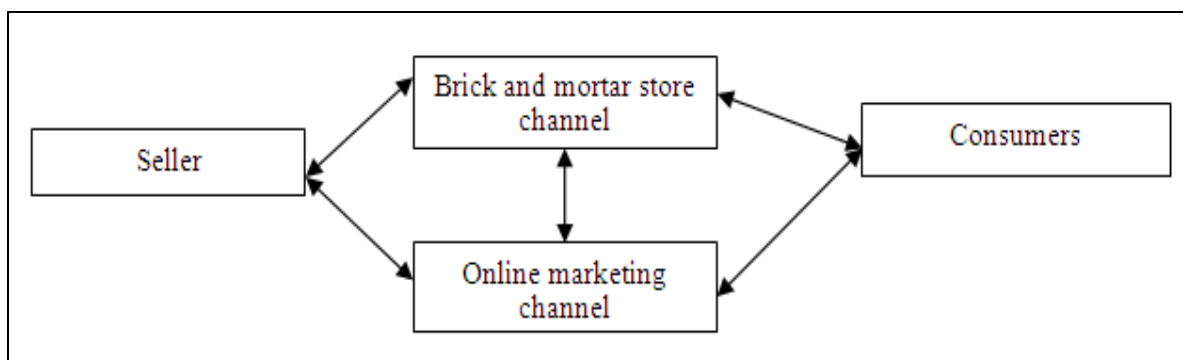This format is represented diagrammatically as follows:

Figure 4

3.3. Online Malls
This format is a variation of the virtual merchant business model. It is also known as e-mall. In this format, there are sellers who want to sell their products online and so they take cyberspace on rent. In this way they sell their products by being part of an online mall.
The concept of online mall is very similar to the concept of physical malls. In shopping malls some companies take some area in the mall on rent so that they can sell their products. Similarly, in case of online malls, smaller sellers can sell their products by being a part of the online mall and in return pay rent to the online mall. The online mall provides the web hosting services. It also provides the software tools that will be needed by the seller for maintenance.
The advantage of being a part of online mall is that it is grouped with other sellers on a well-known e-mall website. So, the seller will get more consumers easily as they are the consumers of the e-mall. Their sales will also increase and they will not have to incur more costs as the software tools needed for managing and maintenance of the e-store are provided by the e-mall.
Example: Yahoo! Store is an e-mall that provides cyberspace to the other sellers so that they can sell their products. They can customize their own format and they have to pay rent to Yahoo! for being a part of the e-mall.

4. Advantages of Online Retailing
Online Retailing is advantageous to both consumers as well as retailers.

4.1. Advantages to Consumers
Sharma (2011) gives the advantages of Online Retailing to consumers as follows:

4.1.1. Convenience
This form of retail is easily accessible as well as more suitable for the consumers. When compared to the other forms of retail, the options among the products are more. Consumers do not have to move from one shop to another to examine, select and buy goods. They can visit the site and shop for the goods they want at any time according to their convenience. The online retail websites are available round the clock and they have no opening or closing time like traditional retail stores. The best advantage of Online Retailing is that the customer can search for the product by the use of search engine. This will help in locating the website where the product is available and also provides necessary information like the price and features of the product. The product will be received by the customer at his/her home. So it is very convenient

4.1.2. Better Information
Online Retailers provide better information to the consumers. The consumers will be able to obtain information about the product from various websites and this will help them to create a better picture of the product that they want to purchase. The Online Retailer websites also have customer reviews. These are written by the customers who have bought and used the product. The reviews help the consumer to decide whether they should make the purchase or not.

4.1.3. Competitive Pricing
 Online Retailers fix the prices of the products in such a way that they are less than the prices of other sellers of the product. The most important criteria that are generally considered by buyers before they purchase a product are the price of the product. Since Online Retailers provide their products at cheaper rates more consumers are interested in buying from them. This is the main reason for offering deals and discounts on the products sold by Online Retailers. The Online Retailers sell the products at lower prices as they do not have a physical showroom and they do not have to spend money in hiring sales persons. So the Online Retailer saves money and these savings are passed on to the consumers.

4.1.4. Customization
Another important benefit of Online Retailing is that it provides the facility of customization of the product to the customer. The customer has to provide the list of the features that he desires to have in the product, then the retailer arranges for a product with the required features and sent to the customer. Thus, it allows the customer to get the kind of product that he wants. Example: Dell Computers.

4.1.5. Wide Range of Options
Online shopping provides a wide range of options to choose from. The consumer may or may not have a particular product in mind when they log on to the website of the Online Retailer. The website provides the consumer with a search option. He enters the product that he wants and the website gives him the option of filtering his search based on price, discounts, deals etc.

4.1.6. Round the Clock Shopping
The consumer can shop anywhere and at anytime. He need not be restricted to his local vicinity. He may purchase a product from an Online Retailer settled abroad and have it delivered at his domestic address.

4.2. Advantages to Business
Baker (2005) gives the advantages of Online Retailing to business as follows:

4.2.1. Global Reach
Retailing is now no longer limited to the consumers who can reach the store physically. Consumers from all around the world can shop for products from any Online Retailer. Goods can now be delivered in any part of the world due to the inter-connection with different modes of transportation.

4.2.2. Better Customer Service
The communication between the buyers and retailer is better with the use of modern means of communication. Online Retailers use e-mail to contact the consumers. The exchange of e-mails between the consumers and retailers allows better information exchange. This helps in dealing with customer's enquiries and complaints in a better way. This will eventually lead to better customer service.

4.2.3. Low Capital Cost
In Online Retailing, the retailers do not have to maintain any showrooms and the expenses related to the maintenance of a physical store are avoided. The warehousing costs are also less as an Online Retailer keeps an inventory of the most popular and frequently ordered products only. This leads to low capital cost.

4.2.4. Mass Customization
Online Retailers can customize their products on a large scale. This is known as mass customization. They can carry out mass customization in a short time span and then sell the customized products as and when ordered by the consumers.

4.2.5. Target Marketing
By the use of web history of the consumer, the Online Retailers are able to identify different segments of consumers and target the products to each segment. This is known as target marketing. In this way they are able satisfy the needs and wants of the consumers in a better manner.

4.2.6. Specialized Stores and Niche Marketing
Some of the Online Retailers specialize in products on the basis of the demands of the specific section of market. This helps them to meet the needs of the consumer in a better way and satisfy them. This kind of marketing for a specific section of consumers is known as niche marketing. Thus, Online Retailing is now creating new opportunities in niche marketing.

5. Influencing factors of Online Retailing

5.1. Change In Customer's Attitude
There has been a very significant change in the attitude of the consumers in the recent past. They are willing to experiment and try new things. Due to this the consumers are showing interest in Online Retailing. It is also more convenient than the other forms of retail for the consumer.

5.2 .Growth of Broadband
There has been a significant increase in the use of broadband internet connections over the last few years. This shows that the consumers are using internet more these days and that is a good sign for the spread of Online Retailing. If more number of people are using internet then it implies that more people are showing interest in use of online retail.

5.3. Shop Round the Clock
Consumers these days prefer shopping at their convenient timings. The traditional physical retailers allow the consumers to shop only within fixed hours of the day. But online shopping is available round the clock and this makes shopping very convenient. The consumers find it easier as the products they have ordered can be received at home.

5.4. Knowledgeable Consumer
The consumers these days have become very knowledgeable. They collect information about the products they want from various resources and compare the features and prices. They choose the best option and then place their order.

5.5. Better Bargains
The Online Retailers do not have to incur much expenditure on physical location and warehousing. So they save lot of money and this savings can be used by the Online Retailers in reducing the price. So, they can sell the products at better deals and provide discounts.

6. Getting full potential from Online Retailing:
Online retail business should be built in such a way that they fulfill the following conditions.
- It should save time. This means that the Online Retailing business process should be efficient.
- It should save money. This can be done by selling the goods at lower prices and providing good deals and discounts.
- It should enhance well being and self esteem. This will give ego support of the consumers.
- It should also give a good experience and also lead to create social contacts
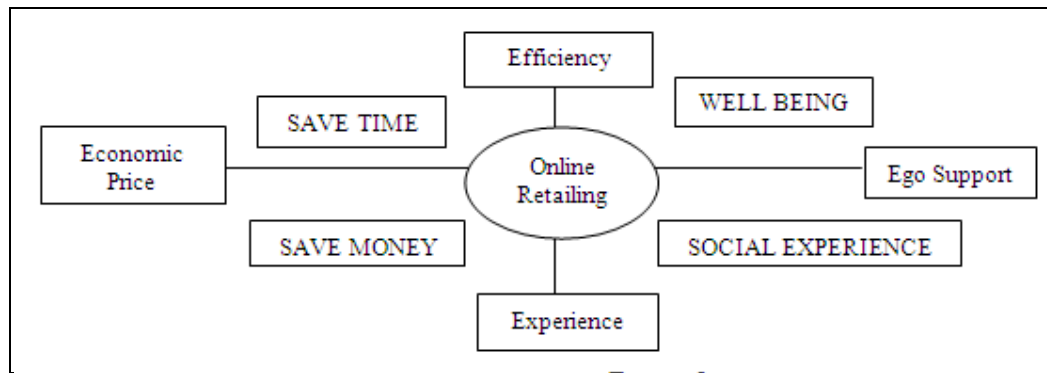
This is explained by the following diagram:

Figure 5

The above diagram shows that Online Retailing has multi-dimensional effects. It influences the factors like ego, experience, economic price and efficiency. The advantages that the consumer can enjoy by online shopping are the result of the influence on these factors. Some of the advantages are saving time, saving money, having a good experience and ultimately promoting the well being of the consumer.

7. Limitations of Online Retailing in India
In spite of all the advantages that Online Retailing provides to the consumers and retailers, it has not been able to penetrate into the Indian market to a very large extent. The barriers to the growth of Online Retailing in India are:

7.1. Lack of High Speed Internet Connection
High speed internet connection is needed for Online Retailing. But in India the speed of internet is very slow and it also gets disconnected frequently. This prevents people from shopping online as they fear that the disruption of Internet connection will lead to loss of money.

7.2. Less Usage of Credit Card
The usage of credit card in India is less when compared to the other countries of the world. The most common fear in the minds of the credit card users is that of an unsuccessful transaction. This prevents consumers from making purchases online and hence it is a barrier to Online Retailing.

7.3. Preference for Cash Payments over Credit Card Usage
Most people prefer to make payments in cash for the products they want to purchase. This tendency leads to decrease in the credit card usage and it indirectly affects the Online Retailers. Cash on Delivery is the most commonly chosen payment option by the customer but it has a negative impact on the Online Retailer. Most of the times it has been noticed that the consumer orders the product with the Cash on Delivery option but when the product is delivered to them then they do not accept it. This is a loss to the Online Retailer as they have to bear the expenditure on the transportation of the product.

7.4. Concern for Authenticity of Goods Purchased
As the consumers cannot touch and feel the products in Online Marketing, they do not have the faith that product that is being sent to them by the Online Retailer is genuinely of good quality. This leads to creation of anxiety among the consumers. Many cases of fraud and delivery of bad quality product have been experienced by the consumers previously due to which they do not prefer buying products online.

7.5. Uncertainty about the Delivery of Products
Consumers are generally worried about the delivery of the product. Most of the Online Retailers have the payment facility as credit card or debit card or net banking. This means that the consumer has to pay the money first and then on a later date he will receive the product that he has ordered. This also creates anxiety in the consumer's minds as they have the fear that though the money has been paid, they may not receive the product. Sometimes the consumer may not be at home to take the delivery of the product and in such situation, the product will be sent back to the company.

7.6. Security for Online Transactions
The most prevalent fear in the minds of the consumer during online shopping is the fear of loss of sensitive information about their bank accounts when they are making payment for the product. There have been several cases of hacking and fraudulent transactions since the beginning of the practice of online banking and online shopping. This is one of the main barriers to the growth of Online Retailing in India.

7.7. Other Limitations
Some of the other limitations of Online Retailing in India are:
- Online shopping can be done only by those people who are computer literate and can operate a computer.
- It can be done only if the consumer has internet banking or debit card or credit card facility in his bank account.
- Many consumers fear that the product they will receive could be different from the product that they had ordered.
- All products cannot be bought online like grocery and other products of daily needs.

8. Suggestions for Making Online Retailing Beneficial to Consumers
The following suggestions are offered for making Online Retailing beneficial to consumers, attracting more consumers and retaining the existing ones.

8.1. Customer Database
The Online Retailing companies should maintain a database of all the necessary information of consumers. This database will be useful to the Online Retailer in providing better customer service. The consumers of the company can be classified into different segments and each segment can be provided service according to their preferences. Thus, customer database is an essential factor for the success of Online Retailing.

8.2. Ease in Ordering
The Online Retailers should ensure that the process of ordering for the products is easy. The general fear of people regarding buying products online is about the process of ordering. This fear has to be removed for making Online Retailing more user-friendly. The Online Retailers should provide guidelines in a stepwise manner by which the consumer can easily order products online. They can also provide support to the consumers through customer care centre. The consumers may call the customer care centre when they face problems in ordering products online. In this way, the Online Retailers will be able to instill confidence in the minds of the consumers towards purchasing products online.

8.3. Quick Delivery
Many people avoid shopping from Online Retailers due to the fear that they may not receive the product that they have ordered on time. One of the major points of difference between the traditional and Online Retailing is the delivery of goods. When the customer buys the goods from a traditional retail store then the customer returns home with that product, but in case of Online Retailing, the product will be sent to the consumer and they will receive it after a few days of placing the order. This feature of Online Retailing is a matter of concern for consumers as it creates anxiety among them. They feel that the Online Retailer has received the price of the product and there is no guarantee that the product will be delivered. In order to make Online Retailing more popular among the consumers, the Online Retailers will have to take care of this concern.

8.4. Secure Payment System
The fear of losing money and hacking of bank account information is the biggest fear in the minds of the consumers. Since most of the Online Retailers have the facility of payment through debit card or credit card or net banking, the consumers feel that sharing information about their debit or credit cards may lead to hacking of their bank accounts. This is not an unreasonable fear. There have been several cases of fraudulent transactions where bank account information has been hacked and the money has been spent or stolen. It is important that the Online Retailers take proper measures to protect the information shared by the consumers. The main source of revenue for the Online Retailers is the amount paid by the consumers through their debit or credit cards, and if the consumers do not have faith in this process of Online Retailing then they will not buy goods online.

8.5. Privacy and Security in a Transaction
The Online Retailer should ensure that the payment process is secured. The privacy policy of the Company should be strong. The use of Verisign and Secure Socket Layer (SSL) to provide a secure connection makes the website more reliable and will attract more consumers.

8.6. Websites Should be User – Friendly
The website of the Online Retailer should be easy to use and navigate. The website is the only way by which the consumers are in contact with the Online Retailer. If this interface is easy to use then it will attract more customers.

8.7. Ease in Replacement of Goods
If the customer is not satisfied with the product he has bought online then he should be able to return the goods easily. The policy of the Company regarding the returning of goods should be simple and prompt. The Company should also provide money back guarantee if the consumer wants to return the product and get back his money.

8.8. Provision of Correct Information
The Online retailing Company should provide correct information about the product and its availability. This makes the shopping experience pleasant for the online consumer.

9. Managing Online Retailing

The most important factors in Online Retailing are value and customer service. If the Online Retailer is able to meet the value proposition then the consumers will automatically become loyal to the Online Retailer. Internet provides several options to the consumers regarding purchase of goods. There is too much clutter on the internet. There are too many websites that are selling goods online. So the consumers are fickle, value driven and search for new experiences. They are fickle because when they want to buy a product they will search for the product in a search engine and then based on their preference for speed of delivery or price offered, they order the product. There is no guarantee that the consumer will buy every time from one particular website only. They will search for the product and wherever the price is lowest, they will buy from that website only. But if the Online Retailer takes proper measures then they can retain the consumers.

10. Conclusion

The future of Online Retailing in India looks promising. There is growth in the market for Online Retailing. The acceptance of Online Retailing in India is increasing with the emergence of new technologies which are facilitating operations.

The youth of India is one of the major driving forces for the sales of Online Retailers in India. They have access to internet and they are ready to purchase products online. They are one of the major groups of customers that have boosted the sales in Online Retailing. India is one of the few countries in the world that have the advantage of demographic dividend. Around 64% of India's population is expected to be in the age bracket of 15–59 years by 2026. This is the age group that is ready to take risk, purchase latest products etc. So, Online Retailers should tap this section of the market and utilize the demographic dividend of India to their advantage.

The Indian online retail sector is evolving rapidly and those who enter the market now can learn local dynamics develop market insights and establish leadership positions. We can say that this is just the beginning for this emerging marketplace. Online Retailing in India will quickly match the growth of Online Retailing in other countries.

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