



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR2016; 2(7): 532-536
www.allresearchjournal.com
Received: 13-05-2016
Accepted: 14-06-2016

Urooj Ahmad Siddiqui
Ph.D. Research Scholar,
Babasaheb Bhimrao
Ambedkar University
(A Central University),
Lucknow-226025, Uttar
Pradesh, India.

Dr. MS Khan
Head/Coordinator, MBA
Program, Babasaheb Bhimrao
Ambedkar University.
(A Central University),
Lucknow – 226025, Uttar
Pradesh, India.

Online retailing: The value proposition and trends in India

Urooj Ahmad Siddiqui and Dr. MS Khan

Abstract

The massive Indian Retail Market is changing fast. Customers are moving fast from Brick and Mortar Retailing Stores to E-Stores or E-Retailing or E-Tailing. The E-Retailing or online retailing sector in India is undergoing far-reaching changes with the advent of modern information technology specifically increased internet penetration, increased confidence in online payments and improved security measures. – These are some of the factors that are attracting more and more consumers to shop online.

First of all, this study focuses on the basic composition of online retailing and the different online retailing models. The centre theme of the article is the value proposition offered by the online retailing. The value proposition provided is also the factors which are attracting the customers to the virtual world of browsing and buying online. Along with the technology – these factors are convenience of shopping from anywhere-anytime along with course dozens of retailers to choose from and plethora of choices available in each category with the facility of comparison of products, low prices and discounts, different payment options with cash on delivery options. The next issue discussed is the trends in the online retailing in India which is moving from consumer durables and apparels to groceries and e-retailing to m-retailing. The methodology followed is the qualitative analysis of the secondary data and literature available through different research articles, reports and documents. Different researches have been collected and content analysis is done to bring about the findings and drawing conclusions.

Keywords: E-tailing, online retailing, value proposition, trends in e-tailing

1. Introduction

The reason for undertaking this study is very much obvious. Today online retailing or e-tailing is very pervasive and growing thick and fast. So much so, today it has started to threaten the traditional brick-and-mortar retail that many physical retailers have started to establish or beef up their online presence. If not all pervasive it is going to give quite a competition to traditional retailing. It is going to be a giant phenomenon in coming years. Thus in current scenario it becomes imperative to study the existing state of affairs in online retailing industry so that sufficient information is present for industry and researchers related to the value proposition, factors attracting customers to buy online and the upcoming trends in the markets.

The study is organised into the following sections i.e. the introduction, objectives, methodology, discussions and findings, conclusion.

1.1 Online Retailing Defined

According to Kotler *et al.* (2009)^[10] retailing includes all activities in selling goods or services directly to final consumers for personal, non-business use. Retailing can be broadly divided into two categories store and non-store retailing. Store retailing refers to all forms of retailing through physical establishments. It includes standalone retail stores or small convenience stores in residential areas, the specialty stores with narrow product lines, the departmental stores with wide product lines, supermarkets involving very large product lines with low cost, low margin high volume, self-serving stores like Walmart operational worldwide, Big Bazaar and Spencers in India. The other forms of stores may be discount stores, off-price stores and super stores etc. Non-store retailing could fall under three categories:

Correspondence

Urooj Ahmad Siddiqui
Ph.D. Research Scholar,
Babasaheb Bhimrao
Ambedkar University
(A Central University),
Lucknow-226025, Uttar
Pradesh, India.

1.1.1 Direct Selling: it includes selling directly to customers through company sales persons or through network or multilevel selling as adopted by companies like Eureka Forbes and Amway etc.

1.1.2 Direct Marketing: it includes selling through television and internet websites or online stores.

1.1.3 Automatic Vending: ATMs used to sell products like magazines, chocolates, softdrinks, milk and other beverages. ATMs have also been used widely to dispense money. In some countries there are automatic vending machines which even dispenses gold and other products.

The interest of this study is Online Retailing – which is a form of non-store retailing where a seller offers products through virtual display on a website through internet. All the relevant information is provided to the customer on the website. Online retailing is also called as e-Retailing with representing its electronic form. Now days it is better known as e-Tailing.

2. Objectives of the study

- (i) To study the basic composition and the present status of online retailing in India.
- (ii) To study the value proposition offered by online retailing – the factors attracting customers to buy online.
- (iii) To study the up-coming trends in e-tailing.

3. Methodology

This study is based on secondary data. Different reports have been collected from a variety of sources like various publications of the government; various publications of national and international research organizations like CRISIL; books and newspapers; reports and publications of various associations connected telecommunication (mobile and internet) department like TRAI. Qualitative Analysis of various available literatures (documents and reports) has been done using the techniques of statistical compilations and manipulations, reference and content analysis. The next section discusses the objectives of the study accordingly with section 4.1 covering objective one, 4.2

discussed objective two whereas section 4.3 covers objective three.

4. Discussions and Findings

4.1 Online Retail – The Basic Composition

One of the basic questions in online retailing space is what it basically comprises of in the open E-commerce or E-business space. CRISIL Research defines online retailing companies as a part of e-commerce companies particularly those in the primary business of providing web platform(s) and website(s) through which individuals, using a computer or smart phone, can purchase a product or service. The definition excludes classifieds and information portals, online transactions between businesses, and websites offering online financial services. The most accepted or followed classification is that of CRISIL Research’s which includes *standalone online retailers* and *marketplaces*, but excludes segments such as online ticketing and online deals, which do not compete directly with traditional brick-and-mortar retailers. But they all are included in e-commerce. In a joint research paper by Deloitte and ASSOCHAM (2015) the online B2C market is being divided as market *Marketplace business model* and *Inventory based model*.

The Standalone retailers or the Inventory based retailers own the inventory and sell through their websites, in India Shopper Stop, Jabong, IKEA etc. are operating in this space. This model is basically exploited generally by established brands or by erstwhile supermarket retailers converting into online retailing platforms. In this model all the activities are managed by the online seller who takes the order and delivers it and earn the profit. On the other hand the Marketplace is a business model where numerous sellers place their products on online marketplace or marketing web portals, the inventory in this model is owned by the sellers who place their products on the online web portal, though in some cases some of the inventory may be owned by the web portal like Flipkart. In this model the presentation and order placement is done through the web portal whereas the products are dispatched by the sellers. The model operates on the profit sharing between the original seller and the marketing web portal. In India Flipkart, Snapdeal and Amazon are icons of this model.

Table 1: E-commerce Industry in India

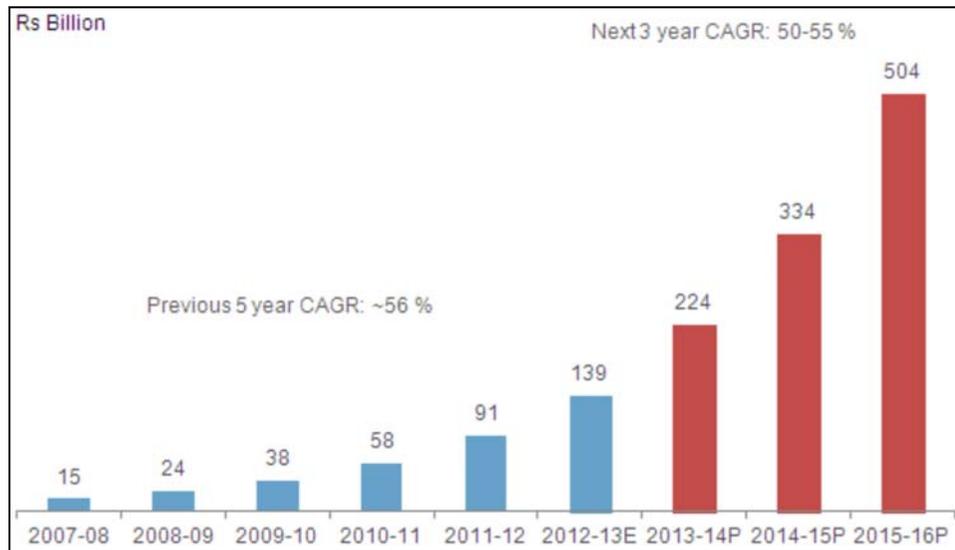
Online Retailing in India (more than Rs. 500 billion in 2014)		
Standalone Online Retail (app. 17%)	Online Marketplace (app. 18%)	Other E-Commerce activities
Retail products sold through online route	Platform where sellers and buyers transact online	Online ticketing, air, rail, bus, movie, events, tourism packages, online deals, online portals
Shopper Stop	Flipkart	Make My Trip
Croma	Amazon	Book My Show
Jabong	Snapdeal	Times Deal
IKEA	eBay	Olx, Quikr
Online Retail for purpose of this article		

Source: CRISIL Research

For the purpose of this paper, online retailing includes selling of products through both online standalone and the marketplace business models. This study also excluded online ticketing and online deals, which do not compete directly with the traditional brick-and-mortar retail.

In the last five years, online retail -- both direct and through marketplaces – has had a helluva ride, going from nascence

to critical mass. India’s online retail industry has grown at a swift pace in the last 5 years from around Rs 15 billion revenues in 2007-08 to Rs 139 billion in 2012-13, translating into a compounded annual growth rate (CAGR) of over 56 per cent. The 9-fold growth came on the back of increasing internet penetration and changing lifestyles, and was primarily driven by books, electronics and apparel.



Source: CRISIL Research

Fig 2: Online Retail Market Size and Growth

CRISIL Research expects the buoyant trend to sustain in the medium term, and estimates the market will grow at a healthy 50-55 per cent CAGR to Rs 504 billion by 2015-16. The entry of new players in niche segments such as grocery, jewellery and furniture, along with large investments by existing players in the apparel and electronics verticals, will be the drivers. In terms of size, India's online retail industry is very small compared with both organised and overall (organised + unorganised) retail in the country.

4.2 The e -Tailing Value Proposition (Factors attracting customers to buy online)

4.2.1 Convenience – Browsing/Availability at a click of a mouse

First and the foremost reason for the modern consumer for online buying is convenience of browsing anything anywhere at any time of the day. This anything refers to products and services available online. You just need to have a device that can connect to internet and the world is at your feet. Moving online also removes the barrier of time. One can browse and shop round the clock 24x7x365 – no closing of shops or closure of markets on particular occasions when you have the time or mood to shop or browse.

4.2.2 Choices – Large Selection and Research Experience-Exhaustive Information

Online customers have scores of e-Tailers to choose from. Starting from Mass Merchants offering almost everything like *eBay*, *Flipkart*, *Snapdeal* and *Amazon* to Vertical Merchants catering to a particular category of products like *Myntra*, *Zovi*, *Yepme* and *Inkfruit* consumers have plethora of choices. Not only consumers have the choices of retailers but also they have the choice of selecting the variants in each product category with e-Tailers having tens of brands, hundreds of variants with respect to product features and thousands of products in each category.

4.2.3 Comparison Shopping

The best facility available online is that of comparison at a click of a mouse. Customers online can compare different products and their prices on an e-tailing website. These

comparisons include detailed features of the products and price of different models of same brand and products of different brands. There are some websites that compares prices of the products with different e-tailers like *Junglee.com*, *PriceDekho.com*, *Comparethebazaar.com* and *Where-to-buy.com* along with Comparison Shopping Engines (CSEs) like *Google Shopping*, *Shopping.com* (*eBay*) and *Bing Shopping* that offer comparison services to the customers. Whatever customer wants to buy these websites search the products wherever it is available online with the e-tailers and list them to compare the prices and offers.

4.2.4 Low prices/Discounts & Offers

Price is a major factor for a large proportion of population in India to make buying decision. Low price is one of the major reasons to purchase online in India and world over. "We are a very price conscious nation, and online retailers continue raining promotional prices in the market, offering a significant boost to e-tailing in consumer durable sector" says a report (India Retail Trends 2014 by TATA Support Services Ltd. [IRT 2014]). All online retailers offer price discounts especially on consumer durables and branded products. This is mainly due to the reason that these e-tailers are sourcing directly from the manufacturer reducing the distribution chain by eliminating middle men.

These e-Tailers also offer a number of promotional schemes and offers like best buy, lowest price, and auction, inventory clearance sale, purchase point system. Recently Snapdeal has observed Big Sale Day and offered unusual high discounts and low prices on different products at different point of times starting from 7:00am to 11:00pm. Similar sale was organized by Flipkart during Diwali time and both of them managed to attract hoard of customers to buy the products overburdening the websites.

4.2.5 Different Payment Options

Online customers have many different payments tools and modes which make the issue of payment hassle free to quite an extent. Modern financial facilities like Credit/Debit Cards (CC/DC), Online Banking, Mobile Banking, EMI through credit cards, pre-paid cards, COD (Cash on Delivery) and

SOD (Swipe on Delivery) makes it convenient to make the payments for your shopping.

COD & SOD - Cash on delivery mode of payment is very popular in India. More than 30% of the deals online are closed on COD option (Source: Rebirth of e-Commerce in India, 2011 – E&Y). As online buying is relatively new concept in India customers are still wary of buying the products without observing it physically. So the option of COD makes them comfortable. It is easy for them to make the payment when the product is delivered. It gives them a psychological satisfaction that they are getting the product just after payment.

Some other factors attracting the customers online are:-

- Fast delivery, with e-tailers like Flipkart developing its own distribution network deliveries have become faster. Even some time back Same Day Delivery concept was also started, though not worked perfectly but still it is being in effect in some cities where same day delivery is possible.
- No crowd or long lines for payments in supermarkets saving the time and inconvenience.
- Branded original products with Manufacturer's Warranty.
- Replacement/Return of products within a specified period of time.
- Times saving along with no vehicle parking hassles and fuel savings.

4.3 Emerging Trends in e-Tailing

Some of emerging trends in e-tailing industry in India are:-

- About 80 per cent online shoppers are less than 30 years old.
- *E-tailing will increase significantly in the food and grocery space.* While groceries with moderate shelf life has worked well in the e-tailing model, perishable commodities such as fresh vegetables, fruits and meat in e-tailing format will begin getting popular. In this context, cold chain will gain significant thrust.
- *Another important trend is the use of mobile for shopping stuffs. The e-commerce is changing fast to m-commerce.*
- Competition from international brands and e commerce will intensify.
- Physical Retailers have started to establish or beef up their online presence.
- Expensive things like cars, jewellery will also start selling on a large scale online.
- Delivery lead time will reduce with the development of new warehouses and logistics network.
- E-tailers may have their own or shared warehouses and delivery networks.
- Investment from big groups will be poured into the industry.
- Different schemes like Earn Points, Best Buy e-waste will come up.
- E-Retailing Kiosks like (ATM Machines) will come up in Malls and other places.
- Pre-Installed e-retailer's applications with new purchased mobile phones.

5. Conclusions

It is evident in the light of above discussion that abundant opportunities galore for e-tailing in India. In 2014 online retail was only 7.9% of the organized retailing and a meager

0.5% of the total retailing in India. *This speaks volumes of its potential.* It is expected that the industry's revenues to more than double to around 18 per cent of organised retail by 2016 from around 8 percent in 2013. Yet, its share of the overall retail pie will be just over 1%. That compares with 9-10% in the US and UK, and around 4-5% in China. The value proposition discussed shows the need of the young generation in the present era. Convenience, choice, discounts and payments options all goes in accordance to the generation next requirements. With all these the e-tailing is bound to be the next phenomenon in India. The trends that would be followed in future would be increased use of smart phones for shopping, increase of vertical in e-tailing, extension of product categories from durables and apparels to groceries and big home appliances. Physical retailers have to beef up and extend their operations to online channels. Increasing competition is one of the most immediate challenges that e-tailers have to face and carve out a niche for themselves.

6. References

1. Cellular Operators Association of India, 2011. Mobile Money –Opportunity in India. Retrieved from <http://www.coai.com/Reports-and-Papers/COAI-White-Papers>.
2. Crisil Research. Crisil Opinion, e-tails eats into retail, 2014. Retrieved from <http://www.crisil.com/pdf/research/CRISIL-Research-Article-Online-Retail-Feb14.pdf>.
3. Dwivedi M, Mahesh V. On-Line Retailing in India: Opportunities and Challenges, International Journal of Engineering and Management Science, 2012; 3(3):336-338. Retrieved from http://www.ijarcsse.com/docs/papers/March2012/volume_2_Issue_3/V2I30029.pdf.
4. India to have 519 million mobile internet users by FY18: Morgan Stanley, Retrieved from The Times of India website, 2014. <http://timesofindia.indiatimes.com/tech/tech-ews/India-to-have-519-million-mobile-internet-users-by-FY18-Morgan-Stanley/articleshow/36656019.cms>.
5. India's telecom subscriber base rises to 933 million. Retrieved from The Times of India website, 2014. <http://timesofindia.indiatimes.com/tech/tech-news/Indias-telecom-subscriber-base-rises-to-933-million/articleshow/35024488.cms>.
6. Internet & Mobile Association of India (IAMAI). Mobile Internet to drive internet growth in India, Press Release, 2014. Retrieved from http://www.iamai.in/PRelease_detail.aspx?nid=3497&NMonth=11&NYear=2014.
7. Internet & Mobile Association of India (IAMAI). Mobile to be the most influential aspect of e-commerce, Press Release, 2014. Retrieved from http://www.iamai.in/PRelease_detail.aspx?nid=3499&NMonth=11&NYear=2014.
8. Joshi P, Upadhyay H. E-Commerce Report: e-Retailing in India, 2014. Retrieved from
9. http://www.consumeraffairs.nic.in_consumer_writeread_data_e-Retailingindia.
10. Khan, M. H., & Chandra M. (2012). A Review: Secure Payment System for Electronic Transaction.

International Journal of Advanced Research in Computer Science and Software Engineering.2012; 2(3):235-243.Retrieved from http://www.ijarcsse.com/docs/papers/March2012/volume_2_Issue_3/V2I30029.pdf.

11. Kotler P, Keller KL, Koshy A, Jha M. *Marketing Management: A South Asian Perspective* (13th Ed.). New Delhi, India: Pearson Education US, 2009.
12. McKinsey & Company. Online and upcoming: The Internet's Impact on India, 2012.Retrieved from http://www.mckinsey.com/~media/mckinsey%20office/s/india/pdfs/online_and_upcoming_the_internets_impact_on_india.ashx.
13. Sarkar J. Snapdeal logs onto rural India. The times of India, 2014. Retrieved from <http://timesofindia.indiatimes.com/tech/tech-news/Snapdeal-logs-onto-rural-India/articleshow/45142533.cm>.
14. Tata Business Support Services Limited. India Retail Trends, 2014.Retrieved from <http://www.tata-bss.com/pdf/whitepapers/india-retail-trends-2014.p>.
15. Telecom Regulatory Authority of India. Indian Telecom Services Performance Indicator Report for the Quarter ending, 2014; 7:68/2014. Retrieved from <http://www.trai.gov.in/WriteReadData/WhatsNew/Documents/quarterly%20press%20release%20-final.p>