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Shift of brick and mortar store retailers towards ecommerce

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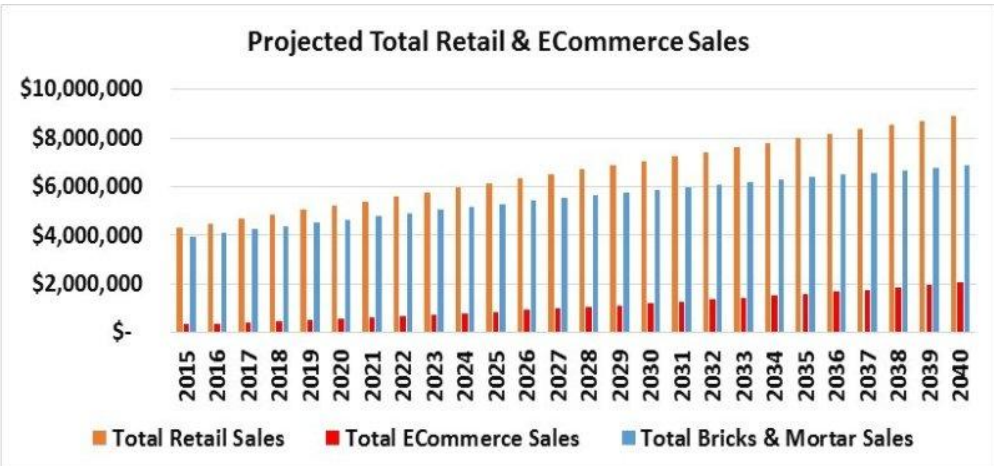
Abstract
Interactions in the real world shopping are mainly based on face-to-face activities between consumers and service personnel's, interactions in electronic commerce take place mainly through the retailer's Web site. By 2020, India's market for Business to Business (B2B) e-commerce is expected to reach US$ 700 billion. E-tailers very well recognize that greater understanding of customers' convenience can enhance customer satisfaction and retail performance. This article through light on the competitive threat it poses to the brick-and-mortar retail industry.

Keywords: Brick-and-mortar stores, ecommerce, customer satisfaction, retail-consumer interface

Introduction

The Indian retail industry is emerging as one of the most forceful and fast-paced industries due to the entry of several new players. Retailing in India accounts for over 10 percent of the country's Gross Domestic Product (GDP) and also contribute around 8 percent of the employment. India's retail market is expected to grow at a Compound Annual Growth Rate (CAGR) of 10 percent to US$ 1.6 trillion by 2026. India stands as world's fifth-largest global destination in the retail space. E-commerce was introduced in India through shopping sites like Rediff, Indiatimes, Sify and HomeShop18 in the early 2000s but they failed to register themselves in Indian masses due to their limited range of products and payment options. In the past couple of years e-shopping has gained substantial achievement and popularity with the advancement in technology and growing manpower.

By 2020, India's market for Business to Business (B2B) e-commerce is expected to reach US$ 700 billion. Similarly in the next year, online retailing is expected to be at par with the physical stores. According to a study by Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Institute of Foreign Trade (IIFT), India's total potential of Business to Consumer (B2C) is estimated to reach at US$ 26 billion; out of which $3 billion can be achieved in the next three years from 16 product categories. The major benefits of internet are its speed and convenience which makes e-business more customer-friendly.



Source: Retail & E-Commerce, 2016

That is plenty of business to go around, but, if these projections prove out, within 25 years Ecommerce will be getting over half of the growth in the retail pie. The major benefits of e-business that makes it more attractive are:-

- **Worldwide Presence:** A firm affianced in e-business can have a nationwide or a worldwide presence. The success story of Amazon.com expresses how people buy internationally from third parties.
- **Cost Effective Marketing and Promotions:** Firms engaging in e-business have managed to use cost effective online advertising strategies to their advantage.
- **Developing a Competitive Strategy:** Companies strive to have a competitive strategy in order to ensure a competitive advantage. Without an effective strategy, they will find it impossible to maintain the advantage and earn profits.
- **Better Customer Service:** E-Business has resulted in improved customer service. Moreover, payments can be made online. A physical location is restricted by size and limited to only those customers that can get there, while an online store has a global marketplace with customers and information seekers already waiting in line.
- **Reduces Time and Money Spent:** In e-business, there is often a reduction in costs required to complete traditional business procedures. This eliminate many of the traditional business approaches.
- **Heightens Customer Service:** With e-business customers receive highly customizable service. There is far more flexibility, availability and faster response times with online support. There is also a faster delivery cycle with online sales, helping strengthen the customer/business relationship.
- **Provides Competitive Advantage:** Easy access to real time information is a primary benefit of the internet, enabling a company to give more efficient and valid information and helping to gain the competitive advantage over those that are not online.

Objectives

1) To analyze how e-commerce is changing the business landscape in India.
2) To analyze the change in the perception of customers towards retail market.

Methodology

It is mainly dependent on secondary data but supplemented by the discussion with some MNC's officials, academicians & some consumers. Different research articles reports have been reviewed to make this study more relevant.

The High Street under Threat

The Indian e-commerce industry is characterized by its 'marketplace model' in which online portals do not have ownership of the goods being sold. E-commerce companies are carrying out B2B activities where they are not directly doing business with consumers but rather acting as facilitators or middlemen between the retailer and the consumer. The process of e-commerce is very modest; the retailer lists down there products on the e-commerce website and the consumer pick out the product from the website and places an order. The e-commerce firm's job ends as they inform the retailer about the placement of order. From that point the retailer's role comes to prevalence, they carries on with the delivery.

Sometime these e-commerce firms face huge grievances from retailer's side. Retailers Association of India (RAI) and the All India Footwear Manufacturers and Retailers Association (AIFMRA) at variance filed the petition that e-commerce companies have been acting like retailers which is in violation of the current FDI norms. Even questions were raised by Confederation of All India Traders (CAIT) about how these e-commerce platforms manage to offer such massive discounts when they have no inventory at their disposal. AIFRMA in their Delhi HC petition contended that e-commerce marketplaces in India operate as retailers since the payment, delivery, returns and refund are all handled by these companies.

Mobile Retailers' Association have raised a petition in Kerala High Court that accused e-commerce firms including Amazon, Flipkart, and Snapdeal of FDI norms violations, alleging that e-commerce firms enter into exclusive bulk deals with manufacturers to sell their Mobile phones only on their respective websites and nowhere else. These strategies would wipe out traditional sellers from marketplace.

Though there have been reports that Flipkart may have to pay a penalty of Rs.1, 400 crores, no such action was taken in the end, despite evidences. These points to a definite amount of policy capture where e-commerce groups are being protected. A clean chit was provided by Competition Commission of India (CCI) to all e-commerce firms. E-commerce sector got a favorable judgment citing a reason that e-commerce sector is still a growing market and holds only 5% share in the entire retail sector and therefore, it cannot be considered as a threat to its competitors.

The Demise of the "Middleman".

The "electronic intermediary" as a new class of "middleman". The new breed of "internet-only retailer" sought to sell its products directly to the consumer, whereas others were interested in the potential offered by a new breed of intermediary that sought to trade in information, rather than tangible merchandise. Electronic intermediaries plays an important role in areas like matching buyers and sellers, providing product information to buyers and marketing information to sellers, negotiating prices between buyers and sellers and managing/guaranteeing financial transactions.

Save money by eliminating the wholesale distribution link of the supply chain. Mobile apps, in particular, provide a convenient and familiar way for end-users to sample products and learn about new trends and applications in ways that were once the sole province of retail stores.

The "virtual merchant" is well-thought-out as new breed of "middleman". Market prediction speaks that completely new players – "virtual merchants" or "pure play" retailers – with no established high-street presence could, easily merge electronic commerce software with scheduling and distribution capabilities, to bypass traditional distributors. The internet could, be foreseen as threat to established retailers, by fundamentally changing the distribution channels for consumer products.

Retailers Cannibalizing Their Own Custom

The risk of cannibalization was heard in the early days of e-commerce. The same chatter appears to be making a comeback as online gains accelerate in-store traffic declines and store closings become epidemic. The online sales growth rate for 11 public department store chains has been declined from 39.3 percent in 2012 to 18.6 percent in 2015, while the online growth rate for 22 public specialty stores declined from 17.5 percent in 2012 to 9 percent last year. Even e-commerce face lot of challenge like high returns as well as unwanted orders returned late or in unsalable condition which leads to negative profitability. On the other hand, broad-based price-matching policies are causing additional margin leakage.

The Transformation of Marketing

Many smaller firms find it difficult to enter a market and remain competitive because of the winner-take-all nature of the B2C structure,. The main challenges faced by B2C e-commerce are building traffic and sustaining customer loyalty. In addition, online shoppers are very price-sensitive and are easily lured away, so gaining and keeping new customers is difficult. Trusted channel partners and long-time customers don’t just materialize out of thin air. Those relationships must be cultivated over time. In online platform every single customer and client are treated in the same way.

All the consumers want their items to arrive with lightning speed, but sometimes those deliveries never match the business expectations; sometimes they only contain one or two items as opposed to a bulk order. Companies in e-commerce platform are using smart logistics tools like IBM’s Sterling Transportation Management System so as to make orders delivery process streamlined. Now a days ecommerce sites are creating a unique microsite for each brand or product line, a manufacturer or distributor can maximize the return on the overhead costs associated with. Fundamentally, a microsite is just a small part of a bigger system, and because most enterprise-level ecommerce platforms, and many priced for the mid-market, can accommodate various smaller subset sites, business owners can manage as many sites as they need. Selling on ecommerce marketplaces is a great way to reach a broad consumer base. The ecommerce technology has become sophisticated to that an extent that it allows clients to not only configure but also view custom products in real-time. This technology represents one monarchy where manufacturers can learn from the retail industry. However, the way companies like Amazons and Flip kart pouncing and serving customers in the market disappoint the other marketers.

Conclusion

Rather than debating the extent to which the point of purchase might be shifted from the “physical market place” to the “virtual market space” ,there was also a great deal of discussion about how this new electronic market-place might operate, and in so doing, transform our shopping habits. The need of the time is that retailers should start re-examining the cost structures of their physical stores and infrastructure, and become more efficient Omni-channel operators to gather additional sales and mitigate extremely high online fulfillment costs

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