

# E-Tailing – A Revolution in the Success of Retailers

Mr. Hemant Mulajkar  
Assistant Professor  
B. V. Raju Institute of Technology  
Narsapur, Telangana, India

Dr. N. R. Mohan Prakash  
Assistant Professor  
GITAM Institute of Management  
GITAM University,  
Visakhapatnam, AP, India

**Abstract:** The Indian retail market is witnessing a revolution. India is witnessing a massive digital revolution. Ever since the increased penetration of mobile telephones and launch of 3G & 4G services has decreased the subscription rates. Internet has become an integral part of growing population being connected with family & friends through emails, ordering food, buying tickets, social networking sites. The current web-based models for e-tailing (retailing) are part of an early stage of rapid transformation, challenge, and opportunity in Indian retail market. The changing lifestyles of the country's urban and rural population have also led many people relying on the internet for their shopping needs. The convenience of shopping from the comfort of one's home and having a wide product assortment to choose from has brought about increased reliance on the online medium.

In rural India there is brand awareness but no availability of products and services is also adding to growth. Online retailing portals such as flipkart.com, amazon.in, eBay.in, Snapdeal.com, etc., are registering anywhere between 40 and 60% of their sales from rural areas apart from the tier II and III cities. The penetration rate is quite low in comparison to other countries worldwide; however the number of users is significantly high, the present scenario of e-tailing opportunities, its market, the viabilities and trends, etc.

E-tailing in India has truly arrived, going by a recent report by the Internet and Mobile Association of India, ecommerce market in India reached USD 12.6 billion in 2013—a 34% growth since 2009. "In India, e-tailing has the potential to grow more than hundredfold in the next 9 years to reach a value of USD 76 billion by 2021. The country's growing Internet-habituated consumer base, which will comprise 180 million broadband users by 2020, along with a burgeoning class of mobile Internet users, will drive the e-tailing story." The study claims that "the key reason for this disruptive growth lies in the fact that the market-enabling conditions and ecosystem creation for e-tailing will outpace the same for corporatized brick & mortar retail." The outlook seems optimistic given the rapid penetration of internet and mobile / smartphone usage in the country.

**Keywords:** E-tailing, Online Shopping, Multichannel, Product Diversity,

## 1. INTRODUCTION



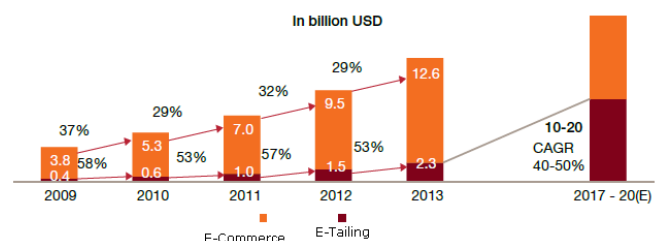
Remember those days, when grocery basket in one hand and your tiny fingers in the other, momma used to walk across to the neighborhood store with the list of essentials for the week! Invariably there were some items in the list that used to get omitted for lack of availability or mere oversight.

Similarly there were many items piled in the basket, not falling in 'essential buys' category – a new flavor of jam or pickle, or even a newly launched toiletry and of course stuff on 'discount'. The carefully crafted budget was hard to adhere to, given the temptations of array of products, provocatively placed.

Not far back, may be less than a decade ago, the neighborhood grocer had more or less a monopoly on the householders' budget. And then came the 'value offers' from big players in the form of Supermarkets that made it difficult for him to keep the lure of 'round the corner convenience' alive. His charm further waned with mushrooming of 'online grocers' with the promise of 'same day delivery' of 'fresh produce' at 'competitive prices'. A householder was never such a prized customer ever before, with all large and small, retailers and e-tailers vying for their share of her wallet!

E-tailing in India has truly arrived, going by a recent report by the Internet and Mobile Association of India, eCommerce market in India reached USD 12.6 billion in 2013—a 34% growth since 2009. However these are still early days. Many online market places are struggling to break even, let alone profit. But this has not stopped investors from pumping in more funds. And that is because the huge possibilities that this sector promises. According to a study by Technopak, "In India, e-tailing has the potential to grow more than hundredfold in the next 9 years to reach a value of USD 76 billion by 2021. The country's growing Internet-habituated consumer base, which will comprise ~180 million broadband users by 2020, along with a burgeoning class of mobile Internet users, will drive the e-tailing story." The study claims that "the key reason for this disruptive growth lies in the fact that the market-enabling conditions and ecosystem creation for e-tailing will outpace the same for corporatized brick & mortar retail." The outlook seems optimistic given the rapid penetration of internet and mobile / smartphone usage in the country.

### Growth in E-Commerce and E-Tailing



Source: CRSIL, IAMAI, PWC Analysis and Industry Experts

India has an internet user base of about 243.2 million as of January 2014. Despite being third largest user base in the world, penetration of Internet is low compared to markets like the United States, United Kingdom or France but is growing at a much faster rate, adding around 6 million new entrants every month.

The essence of e-tailing is in the ability to transcend physical boundaries and reach customers in a manner different from the traditional retailing, to their doorstep. However, the base of the e-retailing model is technology and logistical solutions that facilitates the customer purchase and the final 'reach' process. E-commerce further brings to the table varieties in customer orders accompanied with difficult scenarios such as free delivery, order rescheduling, cancellation, returns and cash-on-delivery.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. However, COD may harm e-commerce business in India in the long run and there is a need to make a shift towards online payment mechanisms. Demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorised distributors and e-commerce offerings.

It is now widely recognised that the Internet's power, scope and interactivity provide retailers with the potential to transform their customers' shopping experience [Evanschitzky et al, 2004; Wolfenbarger and Gilly, 2003], and in so doing, strengthen their own competitive positions [Doherty & Ellis-Chadwick, 2009; Levenburg, 2005]. The Internet's capacity to provide information, facilitate two-way communication with customers, collect market research data, promote goods and services and ultimately to support the online ordering of merchandise, provides retailers with an extremely rich and flexible new channel [Basu & Muelle, 2003]. In so doing, the Internet gives retailers a mechanism for: broadening target markets, improving customer communications, extending product lines, improving cost efficiency, enhancing customer relationships and delivering customised offers [Srinivasan et al, 2002]. By and large, consumers have responded enthusiastically to these innovations [Eng & Kim, 2006; Soopramanien & Robertson, 2007], and on-line retail sales have grown significantly over the past fifteen years, and are predicted to continue rising into the future [Ellis-Chadwick & Doherty, 2002; Ho et al, 2007].

## 2. LITERATURE REVIEW

According to Turban (2006), e-tailing is defined as retailing conducted online, over the internet. Wang (2002) has provided a broad definition of e-tailing by defining it as the selling of goods and services to the consumer market via the internet. Zeithaml (2002) has defined that the success of e-tailing depends on the efficient web site design, effective shopping and prompt delivery. The other e-store services are delivery on real time, return and replacement process, period of filling out online orders form, speed of response time to e-customers queries. Ratchford (2001) have told that through Internet, consumers can gather information about

merchandise and they compare a product across suppliers at a low cost. Rao (1999), E-commerce offers increased market activity for retailers in the form of growing market access and information and decreased operating and procurement costs. Myerson (1998) expressed that consumers are getting smarter in using e-tailers (and online search engines and agents) for convenience and comparison shopping. Guttman (1998), describes Several unique elements make online shopping different from the traditional in-store retail model. Besides offering convenience and expanded product variety, the online model also makes it easy for consumers to access and compare data from multiple sources. Meeker (1997), retailers might cry foul, but the new shopping paradigm they have to face is that as premium customers begin to accept the e-tail alternative in larger numbers.

The essence of e-retailing is in its ability to transcend physical boundaries and reach customers in a manner different from the traditional brick-and-mortar stores, to their very doorstep. However, the base of the e-retailing model is technology and logistical solutions that facilitates the customer acquisition and the final 'reach' process. E-commerce further brings to the table vagaries in customer orders accompanied with difficult scenarios such as free delivery, order rescheduling, cancellation, returns and cash-on-delivery.

Additionally, an expected minimized turn-around-time (TAT) which will potentially lead to word-of-mouth publicity, feedback and customer retention to the e-portal or website. An information network which shares updated information with respect to inventory status, demand schedules and forecasts, shipment schedules and promotion plans among all the stakeholders of the supply chain will form the backbone of an e-retailer.

From the very beginning, the potential of the Internet as a radically different and a highly effective communications channel appeared obvious: global reach; ease of access; enhanced interactivity, flexibility and speed; ability to communicate large amounts of information, cost efficiency and ease of maintenance [Pyle, 1996; Jones & Visayasarthi, 1998]. Such capabilities were soon to be harnessed in a wide variety of sectors, such as defence, banking, manufacturing, healthcare and education. However, it was quickly recognised that it was amongst retailers that the most significant impact of the Internet was likely to be experienced. More specifically, retailers soon realised the Internet's potential to provide information, facilitate two-way communication with customers, collect market research data, promote goods and services and ultimately to support the online ordering of merchandise, provides an extremely rich and flexible new retail channel [Doherty & Ellis-Chadwick, 1999]. According to Pyle (1996), the Internet's global connectivity opens up new avenues for business in a manner that traditional commerce conduits cannot match.

Although electronic shopping didn't emerge in any organised and substantive way until the mid 1990s, its arrival had been widely heralded for many years, beforehand. Indeed, almost

thirty years before it did eventually burst onto the retail scene, Doddy and Davidson [1967] had presented a powerful vision of how the future of retailing lay in consumers directly using computer terminals to order their goods directly from central warehouses. Despite experiencing a lengthy period of gestation, and a significant amount of prior hype, when electronic-commerce did eventually become a reality, its actual arrival still generated a huge amount of interest amongst academics, politicians, industrialists, bankers, managers, entrepreneurs, and particularly retailers. Ultimately, it was the Internet's unique '*capacity to deliver tangible economic gains*' [Vijayasathy and Tyler, 1997] that was the primary catalyst for the explosion of interest and activity in electronic business. Particularly when it became clear that the Internet could deliver: distribution efficiency; assortments of complementary merchandise; collection and utilisation of customer information; and the ability to offer unique or unusual merchandise [Alba et al, 1997].

The Internet has changed the way many consumers shop, not just in the digital domain, but also in the physical world. Imagine a prospective book-buyer who spends an hour or two browsing the aisles of his or her favorite neighborhood bookstore, and who also perhaps spends some money on a coffee at the store. In addition, this prospective customer makes a mental note of interesting titles which he or she might likely buy. Later that evening, this same person gets home, and places an online order for the very same books at an online bookstore.

The great advantage of a retail store is that the customer can pay for the item and receive it immediately. Other forms of retailing tried to match this great advantage by offering the convenience of shopping from home. Thus, mail order catalogues emerged, often in conjunction with large retail chains (for example, Sears).

When it was recognized that the mail order catalogue was an effective means of presenting products to customers, televised shopping channels emerged which exploited the medium of television to enhance and convey details of the products to customers. The advent of credit cards also made this process of payment even easier. It also made it possible for the customer to pay for an item, even though the customer did not, at the specific time of the sale, actually have the money in hand to pay for it. Another practice also set the stage for online retailing: cross-border shopping. In the United States, where every state and region may have a different rate of sales tax, it is common for customers to drive across a state line in order to purchase items at a lower sales tax rate. In Europe, the same may apply by crossing national borders to purchase items such as liquor, cigarettes or perfume where tax or duty is lower: customers enjoy tax-free shopping. As soon as online shopping became available, customers immediately recognized the great advantages of being able to ignore state or national boundaries.

### 3. OBJECTIVE OF THE STUDY

- To draw out, the driving factors for growth of the e-tailing.
- To examine the Barriers of E-tailing Market in India

### 4. NEED OF THE STUDY

Retailers are increasingly leveraging their presence across channels of catalogue, web, stores and kiosks, to increase their share of the customer's wallet and expand across consumer segments. Recent studies on consumer shopping behaviour indicate that multichannel shoppers show a significantly higher value and frequency of purchase than single channel shoppers. Thus, the focus of modern retailing shifted to 'e-tailing', one of the most adoptive channel. Few 'Live Bytes' of organised retailers are quoted to emphasize the need of "e-tailing".

### 5. E-TAILING

Seeing huge potential in the e-tailing market, early entrants like Shoppers' Stop, Globus, Gitanjali and Futurebazaar are looking at expanding their online presence. Shoppers' Stop is also looking at increasing its reach to more delivery locations, convenient payment methods, and better integration with its stores. Vivek Mathur, vice-president, corporate planning and e-commerce, Shoppers' Stop, says, "We are working on plans to grow this channel more actively over the next few months, including large additions to the product range in terms of the brands and options available to the customer. And also continually working to streamline and improve the user experience and service levels. We are actively engaging with customers on various social media platforms and essentially working towards making a truly integrated multichannel experience."

**GROWTH DRIVERS OF E-TAILING:** The key global e-tailing drivers includes, increasing broadband penetration. Expansion in e-tailing services is closely correlated with an increase in broadband penetration. Continuing growth in broadband uptake, as well as faster connection speeds, provides support for growth at internet companies. Continuing increased broadband penetration will remain a key factor in the ability of e-tailers to acquire market share at the expense of general retailers.

### **BETTER TECHNOLOGY = BETTER SERVICES:**

Increased internet connectivity and lower costs of computer processing power are making the mechanics of conducting an e-tailing business easier. The advent of sophisticated software and supporting hardware has allowed e-tailers to study consumer behavior more efficiently, facilitating targeted sales and increased product cross-selling. This gives e-tailers a major and increasing competitive advantage compared to their B&M competitors. Extensive product search, instant product comparison, wide scope of brand selection, easy transacting, and free shipment and flexible sale return policies (within 1-3 weeks time) are more petals of this service flower.



**INCREASED PRODUCT DIVERSITY:**

With e-tailers better understanding customer requirements, online shopping has responded by providing a greater diversity of products and services, include more specific, niche offerings. In the case of a number of very small specialist markets, regarded as either too small or specific for traditional retail outlet viability, the development of online retailing has improved their commercial feasibility, increasing the range of products available online.

**MORE CONFIDENCE IN PAYMENT OPTIONS:**

Another crucial driver has been improvements in processing payments for transactions. For example, Amazon allows payment using either credit cards or electronic funds transfer. eBay has implemented PayPal, through which shoppers run a personal online account, enabling them to shop online without disclosing their financial details to retailers. Credit card providers have made advances in security, and increasing consumer familiarity has also improved confidence.

**REDUCING THE INCREMENTAL MARK-UP:** Majority of Intermediaries are feeling the pinch from manufacturers as the Internet threatens, disintermediation in channel networks allowing the manufacturers to sell direct to the consumers. It is possible to enjoy the cost advantages of direct selling while still maintaining an effective and economic customer service without passing the expense for either on to the consumer. Such a business model sounds too good to be true yet its configuration is simple. The manufacturer initiates a web strategy allowing it to sell direct to the customer reducing the incremental mark-up at intermediate levels.

**Recession: A Key Driver:** The protracted weakness in consumer spending has continued to threaten B&M retailers with significant numbers having filed for bankruptcy. Recent B&M bankruptcies are expected to drive more consumers towards e-tailers. According to the Centre for Retail Research, UK consumers spent £38bn online in 2009, a record high 10% of total retail sales. We expect this share to continue to increase, both in the UK and globally. The mobile revolution Smart phones are fast emerging as an alternative computing platform. According to Morgan Stanley, global mobile data users will increase at a CAGR of 29%, reaching 1.1 bn by 2013. This trend could change the dynamics of the e-tailing sector, while there is no consensus on the exact impact.

**THE ROLE OF SOCIAL SITES IN SHOPPING RESEARCH:**

Today's shopper is savvy with almost black belt certification in researching product and pricing. There is a method to their madness where they are willing to make a significant investment in time when the reward reaped is finding the right product at the right price. Concept of research via social sites and given their continued influence and time spent by consumers in these communities, it appears to be a divide between community and commerce as just significant number of customers take advantage of social sites for research.

**DISCUSSION AND RECOMMENDATIONS:**

Large e-tailers have adopted an aggressive M&A strategy in which they acquire specialty e-tailers in order to increase product and service offerings in their existing portfolio and achieve economies of scale. As a result, such companies are able to offer an integrated product portfolio to consumers and increase market penetration. Over the past five years, pure play e-tailers comprised 32% of total deal volume in the e-tailing sector. The sector is competitive, with a number of larger companies offering similar products. Although price competition (both with B&C and with B&M) is an important element, e-tailers are trying to avoid margin pressure by focusing on differentiation by products and services provided (e.g. through product ratings, product descriptions and pictures, payment options and shipping). For these reasons, e-tailers have become keen to acquire companies which either provide them with new and differentiated product lines or enhance the service they can offer. The leading example, of course, is Amazon.com, which began operations in 1995 as a relatively small online bookseller before growing rapidly to become a multinational e-tailer with a highly diverse and extensive product portfolio. Based on revenue, Amazon.com is now the largest e-tailer in the world, with growth also reflecting the acquisition of multiple e-tailers to expand both geographical penetration (e.g. joyo.com, enabling access to China) and product portfolios (e.g. netflix.com, providing entry to the lucrative DVD rental market and online video services).

**E-TAILERS CAN LEARN FROM THEIR COUNTERPARTS:**

Traditional retailers have several competencies which a pure e-tailer can be hard pressed to match, but which are equally important when competing in a digital format. Two such skills that can prove extremely important to retail success are outlined below:

**A) MERCHANDISING SKILLS AND ASSORTMENT**

**PLANNING:** One of the core strengths of a good retailer is the ability to plan merchandise assortments based on early detection of customer trends and to source products through a network of trusted suppliers. An efficient supply chain plus the ability to allocate adequate resources to merchandising needs in a timely fashion add to the ability to stay on top of competition.

**B) FORECASTING AND DEMAND MANAGEMENT:**

Although many retailers would like to get an accurate handle on future customer demand, only a few have succeeded in harnessing information technology to solve this problem. Matching supply to demand remains one of the most pressing problems for any retail organization. Harnessing the power of information technology through large and accurate data warehouses, and using focused data mining solutions should help both retailers and e-tailers reduce stockouts, manage inventory and respond accurately to customer demand. E-tailers are finding that the process of data collection is more dynamic in a digital environment, but not necessarily easier to analyze or act upon. They have to address problems which have been around in retail operations for a long time, and which critically impact success at the end of the day.

## 6. CONCLUSION

There are several important lessons to be learnt in the transition from bricks and mortar retail to the digital e-tailing world. While skills like speed, differentiation, and branding are equally if not more important in the digital world, it is the ability to transform core operations and practices to this new medium which might make the difference between success and failure. Retailers need to examine the viability of such a transition, and look into the synergies of using the new channel of e-tail. E-tailers, on the other hand, need to revisit some basic retail functions, and develop further competencies in the areas of merchandising and demand forecasting, then, it can be a new success mantra of any retailer.

## REFERENCES

- [1] Guttman, Robert H., Moukas, Alexandros G. and Maes, Pattie (1998), "Agents as Mediators in Electronic Commerce". *International Journal of Electronic Markets* 8(2): pg.no:22-7.
- [2] Haubl, G. & Trifts V (2000), "Consumer Decision Making in Online Shopping Environments: The Effects of Interactive Decision Aids". *Marketing Science*, 19 (1), pg.no:4-21.
- [3] Sathish Chandra P, G. Sunitha, (2012) "E-tailing – the mantra of modern retailer's success" *Journal of Arts, Science & Commerce*. Vol.- 3, Issue 2(3), pg.no:42-48
- [4] Kalyanam, K., and McIntyre, S (2002), "The E-Marketing Mix: A Contribution of the E-tailing Wars. *Journal of Academy of Marketing Science*", 30(4), pg.no:487-499.
- [5] Kim S.Y, Lim Y.J (2001), "Consumers' Perceived Importance of and Satisfaction with Internet Shopping", *Electronic Markets*, vol.11, no. 3, pg no:148-154.
- [6] Metters, R. & Walton, S (2007), "Strategic supply chain choices for multi-channel Internet retailers". *Service Business*, 1, pg.no: 317-331.
- [7] Rabinovich, E (2004), "Internet Retailing Intermediation: A Multilevel Analysis of Inventory Liquidity and Fulfillment Guarantees", *Journal of Business Logistics*, vol. 25, pg.no:139-170.
- [8] Rao, Bharat (1999), "The Internet and the revolution in distribution: a cross-industry examination". *Technology in Society*. 21(1), pg.no:287-306.