



GROWTH AND CHALLENGES OF E -TAILING IN INDIA

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Abstract: *E-tailing is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the internet without intermediary service. The global e-tailing industry has undergone a lot of transformation over the past two decades. The Indian retail experience has gone beyond the traditional brick-and-mortar store and E-commerce in India has been experiencing remarkable growth, successfully changing the way people transact.*

Transformation in the trends of shopping is taking place because of the changing lifestyle of the consumers in India and expansion in online activity. Major draw card of online shopping is the ease and discounts given on different products. Today, the online shopping has become a trend in India and the reason behind the adoption of this technique lies in the attractive online websites, user friendly interface, bulky online stores with new fashion, easy payment methods, no bound on quantity & quality, wide choice regarding the items based on size, color, price, etc The present paper studies about the role and growth of E-Commerce in India. The reasons for its fast growth and the advantages of online shopping are briefly discussed. The study is made through literature survey.

Keywords: *Cash on Delivery, Challenges E-tailing, E-commerce, Growth.*

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INTRODUCTION

E-tailing or e-retailing or online retailing is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the internet without intermediary service. Alternative names that are used for this are Internet Shop, Web-Shop, Web-Store, E-Web-Store, E-Shop, E-Store, Online Store, Online Storefront etc. English entrepreneur Michael Aldrich invented online shopping in 1979. His system connected a modified domestic TV to a real-time transaction processing computer via a domestic telephone line. The global online retail industry has undergone a lot of transformation over the past two decades. The Indian retail experience has gone beyond the traditional brick-and-mortar store and E-commerce in India has been experiencing remarkable growth, successfully changing the way people transact. Customers are attracted to online shopping for various reasons like high levels of convenience, broader selections, competitive pricing, and greater access to information. Business organizations seek to offer online shopping because of much lower cost compared to bricks and mortar stores, offers access to a worldwide market, increases customer value, and builds sustainable capabilities. Nowadays virtual stores in India are not limited to one or other kind of a specific product but sell all kinds of material ranging from home décors, designer clothes, highly expensive products like jewelers. E-commerce has become very popular in the areas of computers, electronics and their accessories, apparel, arts and handicrafts, books, car rentals, matrimonial, cosmetics, financial services, gifts and novelties etc. The E-retailers are successful in maintaining the faithful relations with online consumers in the internet by being able to integrate the conventional supply chain with order management from the web.

TYPES OF E-COMMERCE SYSTEMS

There are multiple types of E-Commerce systems namely

- **Business-to-Consumer (B2C):** Companies sell their online goods to consumers who are the end users of their products or services.
- **Business-to-Business (B2B):** Companies sell their online goods to other companies without being engaged in sales to consumers
- **Consumer-to-Business (C2B):** Consumers usually post their products or services online on which companies can post their bids. A consumer reviews the bids and selects the company that meets his price expectations.



- **Consumer-to-Consumer (C2C):** Consumers sell their online goods to other consumers.

Of all the above, the B2C (Business to Consumer) constitutes most important part of online shopping.

GROWTH OF E-COMMERCE IN INDIA

The new chapter began in the history of the online world in 1991 when e-commerce became a hot choice amongst the commercial use of the internet. IRCTC (Indian Railway Catering and Tourism Corporation), a subsidiary of the Indian Railways, is the first ever application of e-commerce in India. The government of India has made an experiment for internet based rail ticket booking through its website and from mobiles via GPRS (General Packet Radio Service) and SMS (Short Message Service). This Online Passenger Reservation System, facilitated the public to book their tickets from anywhere and at anytime in the country just with a click and through easy payment. Also, they can check the status of the ticket and availability of the train as well. This is a big achievement in the history of India in the field of E-Commerce. After the unpredicted success of the IRCTC, the online ticket booking system was followed by the several airlines such as Air Deccan, Indian Airlines, and Spice jet. This online booking facility is now available with almost all transport organizations both in private and government sectors.

The success of online booking of tickets on a large scale by the Indian people motivated other business players to try this technique for their E-businesses, to expand sales volumes and thereby to gain high profits. Though online shopping has been present since 2000, it has gained popularity only with the introduction of deep discount model of Flipkart in 2007. After that, several other portals like Amazon, Jabong, etc. started hunting Indian consumer for the expansion of their sales. . On 7 March 2014 e-tailer Flipkart claimed it has hit \$1 billion in sales, a feat it has managed to achieve before its own target of 2015. India's e-commerce market was worth about \$3.8 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail market was worth US\$ 2.3 billion. About 70% of India's e-commerce market is travel related. India has reached close to 10 million online shoppers and is growing at an estimated 30% CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. According to an Associated Chambers of Commerce and Industry of India survey, the online retail market in



India may grow to Rs 70 billion (over \$1.30 billion) by 2015 from Rs 20 billion in 2011 as internet access improves.

The reasons for the fast growth of Online Shopping in India

There are multiple reasons for the fast growth of ecommerce in India. The changing consumer lifestyles, supported by the younger population base of India, have given a boost to the e-commerce business. More than half of the total 1.2 billion population of India falls under the 'below 25 years of age' bracket. The typical Internet user of the twentieth century is young, professional, and affluent with higher levels of income and higher education (Palumbo and Herbig,1998). E-Commerce was also changing with mobile payments taking shape.

Indian consumers are much more cautious about shopping online as compared to the West. They are reluctant to divulge credit card details. The cash on delivery (COD) service has helped a lot of traditional consumers turn to online shopping. It is believed that more than 50% of all online transactions in India are based on the Cash on Delivery (COD) payment methodology. The most important reason, above all, for the fast diffusion of online shopping is increasing broadband Internet and 3G penetration. India has an internet user base of about 250.2 million as of June 2014. The penetration of e-commerce is low compared to markets like the United States and the United Kingdom but is growing at a much faster rate with a large number of new entrants. The industry consensus is that growth is at an inflection point. The internet can provide consumers with up-to-the minute information on prices, availability etc. (Franz 2000).

Consumers may benefit from the shopping process being faster in the market space than in the market place as a result of the rapidity of the search process and the transactions (Wigand & Benjamin 1995, Krause 1998). People today can shop literally everywhere within minutes, be it their workstations or homes, and most importantly, at any time of the day at their leisure. The online market space in the country is rapidly expanding in terms of offerings ranging from travel, movies, hotel reservations and books to the likes of matrimonial services, electronic gadgets, fashion accessories and even groceries.

The increasing number of middle class with high disposable incomes and rising standards of living is another reason for its growth. Confirmatory work shows that income and purchasing power have consistently been found to affect consumers' propensity to shift



from brick-and-mortar to virtual shops (Co-mor, 2000). Another reason is - busy lifestyles, urban traffic congestion and lack of time for offline shopping. They value time more than money which automatically makes the working population and dual-income or single-parent households with time constraints better candidates to be targeted by non-store retailers (Burke, 1997).

Availability of much wider product range compared to what is available at brick and mortar retailers. By allowing consumers to shop in many places and conduct quick comparisons of offerings and prices (Hoffman et.al. 1995, Hart et al. 2000), Internet market places have the ability to reduce search costs for price and product information (Bakos 1998, Strader & Shaw 1999, Rowley 2000, Bhatt & Emdad 2001). Lower prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs, increased usage of online classified sites, with more number of consumers buying and selling second-hand goods multiplied its applications. The introduction of Return Policies ranging from 7–30 days, free home delivery and the “cash on delivery” model have led to a lot of momentum in Internet sales and changed people’s perception towards online shopping as shoppers can now purchase without disclosing their credit/debit card details. The e-commerce sector in India is estimated to have hundreds of players. To capture a larger pie of the growing Indian e-commerce market, most of these e-tailers are constantly innovating, increasing their offerings and providing better deals. Further, the addition of discounts, coupons, offers, referral systems, 30days return guarantee, 1-7 days delivery time, etc. to the online shopping and the E-Market have added new flavors to the industry.

Challenges and Future of E Tailing in India

Most people in India don’t trust in online shopping till now because of several solid reasons, which contains some rumors and some bad experiences of the people too. Many are of the opinion that their cash cards or debit cards may be hacked. But this is an illusion only. This can be completely avoided by using own computers or laptops instead of doing it in cybercafé. Only trusted browsers like *Internet Explorer*, *Google Chrome* or *Mozilla Firefox* should be used to make a purchase online. It is suggested to all online sellers, having doubts in their mind, to give an option of Cash on Delivery. The pioneer in e-tailing in India, the Railway department, has also made available this option to its passengers. Now, a rail ticket can be booked online and get it delivered at home where the payment can be made.



Initiating this “cash on delivery” (CoD) system rail ticketing, IRCTC is targeting those customers who are reluctant to use their credit or debit cards as well as those who don't have net-banking facility. This scheme has been launched on pilot basis in February 2015 and the service will be available in more than 200 cities initially. Customers can book a ticket 5 days prior to commencement of journey. While Rs 40 will be charged for the delivery of each Sleeper Class ticket, Rs 60 will be charged for an AC class ticket.

Apart from the above, several new customers are afraid of additional shipping charges. They should compare these charges with other sites, if all other things remain same. There are some e tailers who are shipping at free of cost while some others are charging nominal charges. Prospective customers can search for such sites while making a purchase.

Another major challenge is lack of opportunity for physical verification of the product. This will lead to the fear of receiving fake or used or broken products. But in most cases this kind of things will take place only by mistake. In such instances, customer care team can be contacted. Otherwise, almost all the companies are providing with ‘Return and Refund’ facility. But the terms and conditions should be carefully read before the purchase itself. There is less possibility of mistakes in case of branded products. Moreover, Customer Reviews can help the people in reducing risk.

Online shopping is still at its budding stage in India. But economists are forecasting a very significant growth in this field in the coming years. It is estimated that online shopping industry will probably touch USD 34.2 billion by 2015. At present, people shop online not only through laptops and desktops but use their mobile phones as well for the same and the coming years will see a huge consumer base in this category, India's *retail market* is estimated at \$470 billion in 2011 and is expected to grow to \$675 Billionn by 2016 and \$850 Billins by 2020. In order to survive, e-commerce players need to make a quick turnaround and minimize fixed costs as much as possible. Accordingly, different companies are resorting to different business models. Nevertheless, operating in a highly competitive environment with very low margins is not an easy job.

CONCLUSION

Today, the online shopping has become a trend in India and the reason behind the adoption of this technique lies in the attractive online websites, user friendly interface, bulky online stores with new fashion, easy payment methods, no bound on quantity & quality, wide



choice regarding the items based on size, color, price, etc. In spite of being a developing country, India has shown a commendable increase in the ecommerce industry in the last couple of years, thereby hitting the market with a boom. Though the Indian online market is far behind the US and the UK, it has been growing at a fast phase. Today, the booking system is not just limited to the transportation rather *hotel bookings, bus booking* etc. are being done using the websites like Makemytrip and Yatra. Overall e-commerce market is expected to reach Rs 1, 07,800 crores (US\$24 billion) by the year 2015 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile/DTH recharge with nearly 1 million transactions daily by operator websites. Thus, the online shopping may become a way of life in the years to come.

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