

ONLINE RETAILING IN INDIA: CURRENT SCENARIO DEY DASGUPTA

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ABSTRACT

Indian consumers are familiar with the concepts about the quality of products and services. These demands are discernible features in the retail sector of India. The retail sector is going through the stage of tremendous transformation. The impact of the changes in the format of the retail sector has changed the lifestyle of the Indian consumers radically. With the swift growth of the internet and globalization of the market, the retail sector has become an increasingly competitive and dynamic business environment. The developed countries have already started to reap the benefits by transforming the old form of offline retail to online retailing but it is still in nascent business in India. The Online Retailing is described as transactions that are conducted through interactive online computer systems, which link consumers with sellers electronically, where the buyer and merchant are not at the same physical location. E-Retailers serve the consumers 24X7 in a hassle-free manner. Thus, online retailing has set a new platform for the expansion of business and has witnessed steady growth over the years. E-Retailing accounts for about 10% of the overall growth of the e-commerce market and constitute about 4.5% of the overall retail market. This paper attempts to provide a clear picture of the online retailing in India in recent times, its growth, prospects, and challenges faced by it.

KEYWORDS: *Indian Consumers Radically, Platform for the Expansion of Business, Sale of Goods and Services*

INTRODUCTION

Online retailing refers to the selling of goods and services through the internet. All over the world, internet users, buyers, and businesses are growing at an exponential rate. The pervasiveness of computers and internet as one of the most influential technologies and its integration with business has made the sale of goods and services through websites a profitable and low-cost affair (Doostar, Akbari, & Abbasi, 2013). Businesses have realized that they can use the internet as a powerful tool to increase overall service offerings (Griffith & Palmer, 1999). In India, online consumer base is increasing radically, as gadgets like smartphones and tablets are available at reasonable prices and access to 3G, 4G and broadband is easy. This technology adoption by masses has fueled the success of domestic e-commerce players like Flipkart and Snapdeal and lured international players like Amazon and Alibaba into the Indian market. While domestic companies are tweaking their business models to attract and expand their customer base (Awad, 2012; Chaffey, 2013; Kalia, Kaur, & Singh, 2015; Laudon & Traver, 2007; Schneider, 2012), Transnational companies are relying on their monetary muscle, strong domain knowledge, and international exposure. One of the fastest growing segments of e-commerce is online retail. Young population, growing internet penetration and upwardly mobile middle class will propel e-commerce and overall retail business in India in the coming years (PWC, 2016). But this opportunity can only be exploited by e-commerce business if they have a significant understanding of evolution and current scenario of the Indian e-commerce market which

has seen a dot com burst earlier in 2000 (Kumar & Mahadevan, 2003).

Online Retailing in India: Current Scenario

In spite of its huge population and alluring forecasts, India fails to reach among top 30 countries of Global Retail E-Commerce Index because of meager internet penetration, infrastructure constraints, low credit card penetration, complex tax laws and scarcity of funds. The first wave of e-commerce in India in (1996-2000) petered in 2000 due to similar reasons like low internet penetration, paltry online shopper base, sluggish internet speed, poor infrastructure support and little recognition for internet shopping concept. During 2000-2005 hundreds of e-commerce business in India crumpled. The next wave, continuing till date, has been dominated by online travel throughout its evolution, but online retail is catching up and more and more online users are showing interest in making a purchase online and it claims nearly fifty percent share of non-travel B2C e-commerce. Despite problems discussed above, a potential of India's online retail industry is huge and it can be predicted from the fact that currently, it is just 7.9% of organized retail and 0.5% of overall retail. Adoption of western lifestyles and growing internet penetration in the last few years are propelling India's online retail industry.

Consumers in India are accustomed to the concepts of quality of products and services. These demands are visible impacts in the retail sector of India. The retail sector is going through the phase of tremendous transformation. The developed countries have already started to reap the benefits by transforming the old form of offline retail to online retailing but it is still a nascent business in India. Flipkart has changed the retail landscape in India by introducing online retailing starting just a decade back. As the number of online shoppers is swelling across the world, the developing countries like India have also started to take special interest by liberalizing their foreign direct investment (FDI) policies. India has relaxed several key FDI regulations, like 100% FDI in single-brand, 51% in multi-brand retail and, in e-commerce, the government now permits 100% FDI for online marketplaces (Ernst & Young, 2016). On the whole, the changing policies are expected to boost market entry in online space and it is highly interesting that the government of India has taken a big step by allowing 100% FDI in online marketplace model. Before Amazon entered the Indian market in 2013, the local retailers were the dominant players in the online retail scene. Although companies like Alibaba have had a stake in the fray via Paytm, etc. but the reforms came as a welcome relief for foreign online retail players who have been eyeing the Indian market for their business expansion. At the moment, the major online retailers are, Flipkart, Myntra, Snapdeal, Amazon, eBay, Jabong, and Rediff etc. The acquisition of Flipkart by Walmart has been the biggest such deal in the entire world in the retail industry, the value of the acquisition being \$100 billion. This speaks volumes about the confidence reposed by the global online retail industry on the potential of the Indian online retail business. Furthermore, the growth of internet and smartphone users changed the way how online retailing operated in India. However, online retailing till date is limited to only major metros, tier-II and III cities due to relatively slow penetration of the internet, complex taxation rules, unsecure transaction, and a paltry number of operational credit or debit cards in the market. Furthermore, many Indian online buyers are unwilling to reveal their financial information online, which impedes the growth of online business. Many people still access information online but buy their products from offline stores.

In the Global Retail Development Index 2017, India bagged the numero uno position beating competition from countries like China, Malaysia, Russia etc. As a consequence retail space demand is expected to increase at the rate of

81% to 7.8 million sq ft by the end of 2018. Joint efforts of financial houses and banks with retailers are facilitating consumers to go for high ticket items with easy credit. Goods and Service Tax (GST) has been introduced in India simplifying the tax structure as a form of the single unified tax system. Cumulative FDI inflow in retail is slated to reach US\$ 1.42 billion by June 2020. The Indian retail industry has come up as one of the most dynamic and high growth industries due to the entry of several new players. Total consumption expenditure is expected to reach nearly US\$ 3,600 billion by 2020 from US\$ 1,824 billion in 2017. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global retail powerhouse.

Market Size

India's retail market is estimated to increase by 60% to reach US\$ 1.1 trillion by 2020 supported by factors like rising incomes and lifestyle changes in the last couple of years, burgeoning middle class and increased digital connectivity. While the overall retail market is expected to grow at 12% per annum, its online variant would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent. Last year, the organized retail market contributed 7 per cent of the total revenue. Remarkably, online retail is expected to grow in leaps and bound in the in the next five years and has grown by 23% to \$17.8 billion in 2017. With time, India is projected to develop into the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users with the e-commerce revenue expected to reach US\$ 200 billion by 2026 from US\$ 39 billion in 2017. As per ASSOCHAM, a luxury market of India is expected to contribute significantly which is slated to reach US\$ 30 billion by the end of 2018 from US\$ 23.8 billion 2017 supported by increasing availability of globally famous brands amongst Indian youth and growing purchasing power of the upper class. The size of modern retail in India is estimated to touch US\$ 11.25 billion in 2019 from US\$ 13.51 billion in 2016. The Indian retail trading has witnessed Foreign Direct Investment (FDI) to the tune of US\$ 1.42 billion during the 1st quarter of FY 2018, according to the Department of Industrial Policies and Promotion (DIPP). Some notable instances are listed below:

- Google and Paytm Mall to acquire 7-10 per cent stake in Future Retail with an investment of Rs 3,500-4,000 crore (US\$ 522.08-596.66 million).
- Investments by private equity firms and wealth firms in Indian retail sector reached US\$ 800 million in 2017.
- India's retail sector attracted Rs 9.5 billion (US\$ 147.40 million) investments in FY18, at a growth rate of 35 per cent year-on-year from Rs 7 billion (US\$ 104.34 million) in FY17.

Further, the Government of India has also taken various initiatives to promote the retail industry in India. The Government of India could change the restrictive FDI rules in food processing to encourage e-commerce companies and foreign retailers to sell consumer products that are made in India. A government of India has already permitted 100% FDI in online retail through the automatic route, thereby providing clarity on the businesses of e-commerce companies currently operating in India.

Competitive Scenario: Online Retail Market

In India, many national and global online retailers are waking up to the current and future market opportunities. The following list comprises of category wise online retailers:

All Product Categories

- Amazon India (Online Shopping: Shop Online for Mobiles, Books, Watches, Shoes and More)
- Flipkart (Online shopping Site: Shop online for mobiles, electronics, fashion & more @ Flipkart)
- Snapdeal (Snapdeal.com)
- ShopClues (Online Shopping Site India: Buy Mobiles, Electronics, Fashion, Clothing, Shoes, Laptops, Tablets at Best Prices - ShopClues.com
- PayTM (Online recharge | mobile recharge for prepaid & pay postpaid bill@Paytm.com)

Fashion

- Myntra (Online Shopping India - Shop Online for Branded Shoes, Clothing & Accessories in India | Myntra.com)
- Jabong (Online Shopping India- Shop for Shoes, Clothing, Bags, Watches Online in India)
- YepMe (Buy Shoes, Clothing & Watches in India at Yepme)
- Voonik (Online Shopping Site: Shop for Women Clothes, Shoes, Bags, and Watches in India)

Grocery

- BigBasket (Online Grocery Shopping and Online Supermarket in India)
- Grofers (www.grofers.com)
- ZopNow (ZopNow - The Online Grocery Shopping Store)

Wholesale Items

- IndiaMart (<http://www.indiamart.com>)
- ShopClues (Online Shopping Site India: Buy Mobiles, Electronics, Fashion, Clothing, Shoes, Laptops, Tablets at Best Prices - ShopClues.com)

Directory Sites

- JustDial (<http://www.justdial.in>)
- Sulekha Yellow Pages (Sulekha US - Indian Events, Roommates, Day Care, IT Training, Classifieds, Jobs, Local Services)

Traveling

- MakeMyTrip (MakeMyTrip, India's No 1 Travel Site)
- Yatra (Flight, Cheap Air Tickets, Hotels, Holiday, Trains Package Booking - Yatra.com)
- Goibibo (Online flight booking, Hotels, Bus & Holiday Packages at Goibibo)

- Hotels (<http://www.hotels.in>)
- Trivago (<http://trivago.com>)
- Trip Advisor “Not Indian but Helpful” (TripAdvisor: Read Reviews, Compare Prices & Book)

Matrimonial Sites

- Shaadi (<http://www.shaadi.com>)
- Bharat Matrimony (Matrimony, India Matrimonials, Matrimonial Sites, Marriage, Brides)
- Jeevansaathi (Matrimony, Marriage, Matrimonial Sites, Match Making)

Classified Sites

- OLX 'Mostly Indian' (Free classifieds in India, Classified ads in India, Online Classified Advertising)
- Quikr (Free Classifieds India, Post & Search Ads Online| Quikr)
- Customized Items
- Printvenue (India's #1 Customized Printing Services For Businesses & Individuals)
- VistaPrint (<http://www.vistaprint.in>)
- PrintLand (Online Printing Services India, Digital Photo Printing Company, Print Shop)

Online Jobs

- Truelancer (Hire Freelancers & Find Freelance Jobs Online - Truelancer)

Furniture Stores

- Pepperfry (Online Furniture Shopping Store: Shop Online in India for Furniture, Home Decor, Furnishings, Kitchenware, Hardware, and Kids Products @ Pepperfry)
- Urban Ladder (Furniture Online: Home Wooden Furniture Sale @ 40% Off)

Car Information and Enquiry

- Carwale (New Cars, Used Cars, Car Prices, Reviews & Photos in India)
- CarDekho (CarDekho - Cars in India, New Cars Prices 2016, Buy and Sell Used Cars | CarDekho.com)

Entertainment and Food

- Book MyShow (BookMyShow)
- Food Panda (Order Online with foodpanda India) “Not Indian, but playing separately in India”
- Ticket Please (ticket please)
- Zomato (<http://www.zomato.com>)

- Faasos (Faasos - Order Food Online in Seconds, Get it Delivered in Minutes)
- Swiggy (Order food online from India's best food delivery service. Order from restaurants near you. Swiggy.com)

Household Services

- UrbanClap (www.urbanclap.com)
- HouseJoy (www.housejoy.in)

Online Retail Growth Factors & Opportunities

Online retail in India has been experiencing remarkable growth, successfully changing the way people transact. Online retail represents a very small fraction of the total retail market of India i.e. US\$ 16 billion out of US\$ 641 billion in 2016 (IBEF, 2017), but holds immense business potential-driven mostly by growing internet penetration, increasing usage of smartphones, cost and time advantages etc. Eager consumers for modern ways of shopping, the popularity of cash on delivery (COD) and growing acceptability of online payments, favorable demographics are the other key factors driving the growth of online retail in India.

Road Ahead

E-commerce is making rapid strides in the country as customers are lapping up the ever-increasing choice of products at the cheapest rates. E-commerce is possibly creating the biggest disruption in the retail industry which is expected to continue in the coming years. India's e-commerce industry is projected to notch up US\$ 60 billion by the end of 2018. E-commerce provides a unique cost-cutting option for the retailers as makes it possible for them to minimize investment on real estate while reaching out to more customers spread all over the country. Retailers should wake up to this opportunity and leverage the digital retail channels. Both organized and unorganized retail companies have to work together to ensure better prospects for the overall retail industry while generating new benefits for their customers. The long-term outlook for the industry is positive, bolstered by rising incomes, favorable demographics, entry of foreign players, and increasing urbanization.

CONCLUSIONS

There are divergent views on the future of online retailing in India. But from the studies examined above it is possible to conclude that online retail business will have exponential growth in India, though much is yet to be achieved. Most growth drivers such as demographics, economy, changing lifestyle, payment systems, increase in internet users & mobile subscribers etc. are in India's favor. Also, the government of India has further relaxed restrictions on foreign investment in a communications network and taken measures to reduce communication cost effectively. India has a massive population with relatively young median age. As this group of people joins the labor force, they will also add to the country's new, expanding consumer class. Online retailers have opened up for the consumers with a range of options and offers in products and services, which the traditional brick and mortar businesses were unable to do. The ease and sheer convenience of browsing and buying whatever a consumer wants from any given location at any time have added to the popularity of online retail. Secure payment systems knowledge may encourage customers to transact online with less hesitation. And the unique offer of cash on delivery (COD) has proven to be the perfect alternative for those with

remaining uncomfortable with online payments in India. As the number of players continues to grow, competition will become even fiercer, and markets must develop according to the customer psyche for better segmentation, targeting perspectives and a stable market share. Online retailers should continuously monitor customer lifestyle trends and further, understand factors that impact online consumer behavior. In order to improve their chance of success, companies are learning and adopting certain strategies. The successful companies in India are focusing on strong customer service and establishing trust with buyers. This leads to repeat buyers, lowers customer acquisition and retention costs and improves profitability. In addition, some companies are differentiating themselves by focusing on niche product categories and market segments. To outlast their competition retailers will also need to build a strong brand. This is what Amazon was able to do in the USA, and probably what Flipkart, Amazon India and some of the other larger players are emulating and trying to do in India. Convenience, choice, discounts and payments options all goes in accordance with the generation next requirements. With all these the online is bound to be the next phenomenon in India. The trends that would be followed in future would be increased use of smartphone and tablets for shopping. Delivery lead time can be reduced with the development of new warehouses and logistics network. With the great potential and opportunities, there are many pitfalls and challenges along the way and it enhances the prospects for further research in the areas to examine the trends, challenge, and innovations which are taking place in the online retail business in India.

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