

INTERNA**J**OURNAL**O**F**E**NGINEERING **S**CIENCES**&**MANAGEMENT **A** STUDY ON GROWTH OF ONLINE RETAILING IN INDIA

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ABSTRACT

Indian Retail Sector is going through the phase of tremendous transformation; On-line shopping is definitely going to be the future of shopping in the world. The Online retail sector changed the lifestyle of the Indian consumers drastically. Online retailing is growing at faster pace in India. It has witnessed steady growth of 50-60 % over the years. Online retailing accounts for 10 % of e-commerce activities in India. Online retail both direct and through marketplaces has had a helluva ride, going from nascence to critical mass. So much so, today it has started to threaten the traditional brick-and-mortar retail. Recognizing the danger, many physical retailers have started to establish or beef up their online presence. Most of the companies are running their on-line portals to sell their products/services on-line. Indian online retail market is estimated to grow on account of rapid expansion of e-commerce in the country. This paper investigates Online retail developments and growth in this country. We also discuss the challenges, trends and opportunities available to the retailers to succeed in this country.

Keywords: Online retailing, E- Commerce, Retailers, Mobile internet.

I. INTRODUCTION

Improved Internet access, improved security measures, convenience of shopping are attracting more and more consumers to choose retailers and perform online shopping. The purchasing channel is extremely popular with consumers due to the convenience and low pricing online retailers can offer. Apart from the convenience and price, internet retailing has become one of the most sought-after channels due to the growth of smart phones in the country. In fact, the recently concluded Google's Online Shopping Festival (GOSF) saw some 16 million Indians shopping online within four days. Internet retailing continued to have strong growth in 2015. As almost all online retailers have mobile applications, and every consumer in urban areas has a smartphone, shopping online literally has become the most common form of shopping.

Products such as consumer electronics, consumer appliances and media products, which are perceived to be less risky amongst Indian consumers, are projected to lead the growth of internet retailing in India. These products are considered to be less risky because consumer electronics and appliances have a product warranty with the manufacturer, such as Dell, Samsung or LG, which is no different from buying them in a store-based channel.

II. RETAIL PRESENT SCENARIO IN INDIA

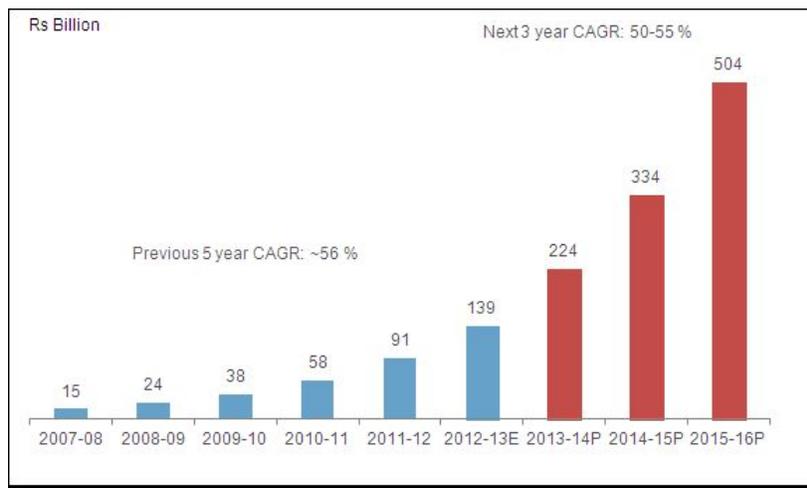
Indian retail industry is accelerating. India is an important player in the retailing market, as India is a developing nation. India with a high on cross culture factor, is allowing different companies to bring variety of products targeting different consumer segments.

According to the Global Retail Development Index 2012, India is in 15th position among the 30 emerging markets for retail. India rises behind solid growth in retail sales and strong prospects for future GDP growth. India's retail market is expected to grow to \$1.3 trillion by 2020, and consumer and investor sentiment have seen an uptick, as the pro-reform government under Prime Minister shri Narendra Modi sets out on an ambitious goal of improving its the ease of doing business in India. India represents a good opportunity for international retailers in single-brand retail, cash-and-carry, and e-commerce, as the country appears to be on the cusp of a strong growth phase over the next five years. India's Population is 1.25 billion and the total Retail Sales are \$925 billion as per CAGR i.e. 5.8% .There are many factors contributing to the boom in this sector. Some of them are increased consumerism with the ability to afford luxury items. Even there is increase in the spending power of Indians. Indian's are travelling abroad and they are exposed to different cultures, their way of living, their style and thereby more brands. Worldwide retailers eye the Indian market because in our culture there is lots of give and take for marriages, festivals and other important events. Hence it's imperative for people to spend on gifts as a part and parcel of life irrespective of caste and creed and economic status. As there is no limitation to the spending power and has fine market for about all product or service which offers a good proposal for a brand to penetrate Indian market.

III. ONLINE RETAIL IN INDIA

The Indian online retail market has been striding leaps and bounds over the past few years on account of digital revolution. The fact that world is fast deteriorating into a universal community for the reason that of Internet and other communication mediums through technological developments. Retail industry promotion has been repainted by Internet and the rules of the game in retailing are fast altering by the western culture that has affected each and every aspect of our Indian Society. The life is becoming fast not only in metros but also in the normal cities too even numbers of nuclear families are increasing day to day and both husband and wife are working, as they have less time to go to the market for purchasing every now and then. Not only these some other reasons like shortage of time, traffic jams, late working hours, versatility of plastic money and above all the approach of internet at the door step of whosoever desires it. Online retailers have improved their service and consumers have found it convenient and also due to the transformation in payment mode, an advance payment has been moved to cash on delivery (COD). The delivery pattern also changed i.e. fixed delivery timings have been replaced to convenient delivery timings at the choice of the customer. More number online purchasing belongs to the age group of 30 years.

Online retail market size and growth



Source: CRISIL Research

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. 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. This speaks volumes of its potential. We expect the industry's revenues to more than double to around 18 per cent of organised retail by 2016 from around 8 per cent in 2013. Yet, its share of the overall retail (organised + unorganised) pie will be just over 1 per cent. That compares with 9-10% in the US and UK, and around 4-5% in China.

IV. ONLINE RETAILING INDUSTRY GROWTH DRIVERS

- Increase in the number of buyers and sellers and rising Internet Penetration to Speed up Online Shopping
- Increasing Impact of Social Media that has led In addition to online buyers, many offline stores have begun to sell their products in the online marketplace.
- Change in the customer's attitude and are ready to experiment to suit his convenience. An average user is buying a variety of products online.
- Shopping online is easier as the products get home-delivered coupled with the facility to shop 24x7. Convenience appears to be a big attraction as most online shoppers finds the crowded high streets too

stressful. Thus, an online buyer saves time, effort and money when buying online as compared to buying from physical stores.

- E-Tailing eliminates the need to maintain expensive and fancy showrooms. Instead, what attracts customer attention to online stores is the ‘great deals’ ‘best prices’ and ‘better bargains’. For an industry player, Online retailers can manage to offer attractive offers as they operate out of websites and thus save on inventory handling and maintenance costs.

E-retail and Major online retail players in India retailing activities are done through internet. Online retailers in India provide a variety of merchandise to customers. In general retail business is referred as Business to Consumer (B2C). Online retail players are classified into two types:

- **Category focused players**

Category focused players provide particular merchandise with deep assortment. Ex: - Myntra, Jabong (Apparels and Lifestyle products), Bigbasket, Local banya (Grocery segment) and Fabfurnish, Pepper fry (Furniture), Carat lane, Juvalia and you (jewellery), First cry, my baby cart (baby products).

- **Multi category focused**

Multi category players provide variety of merchandise with limited assortment. Ex: - Flipkart, Amazon, Future bazar and Snapdeal etc. For better understanding we look at some of the categories and the major online retailers in these categories.

Online retailers provide categories like books, stationery, electronics, furniture, apparels, personal care, grocery, flowers, sports goods and services also. The major players are:

- In book category include Amazon, Flipkart, Naaptol and Land mark. Stationery items are sold by online players like Flipkart, Amazon, Stationery shop, Snapdeal and Homeshop 18 etc.
- In Electronics segment we have specialised players like Croma (Tata group) and E-zone (Future group) alone with other players like Flipkart, amazon, Infibeam, Snapdeal, Future bazar, Naaptol who sell electronics items like mobile phones, computers, tablets, television and other durables.
- In Furniture category we have players like Fabfurnish, Pepper fry, Urban ladder, Home town, Zansaar and Homeshop18 etc. In Apparel and personal care segment we have Myntra, Jabong, Zovi, fashion and you, Flipkart, Amazon and Yebhi.com etc.
- In grocery category the major players include Bigbasket, Greencart, ekstop, Local banya, Nature’s basket etc. We have specialised players like Ferns n Petals, Tilia and Floraindia for flowers and birthday cakes etc.
- In sports goods the major category players include Decathlon, Playground online, Khelmart and Sports 365 etc. Service retailers include lenskart which provide eye tests along with eye lens, glasses and well forte for some limited medical service. Some retailers like Apollo pharmacy, Healthkart and Buydrug which do online sales of medicines. If we look at the whole sale market (B2B) we have players like best price (Wal-Mart) who is operational in online space.
- In C2C (Customer to Customer) we have E-bay, Olx which serve as an on-line shopping space and for auctioning of different products.

V. IMPACT OF ONLINE RETAIL MARKET ON RETAIL MARKETS

Organized retail in India is still in a nascent stage with a retail penetration of 7.5% in 2013 (E&Y, 2013). Online retail forms 7.9 % of organized retail and 0.5 % of overall retail in 2013. It has witnessed steady growth of 50-60 % with a projected value of 3.2 billion USD in 2014. Online retailing has affected the sales turnover of the brick and mortar stores. With the advent of online retailers the biggest impact was the entry of traditional retail players into online space. This is evident from the trend of online store additions by traditional retail players. If we look at the trend we can witness steady increase in the growth of online stores by traditional retail players in India. From 2010-2012, there was decreasing trend in net store additions but we can find an increasing trend in the subsequent year. For example, Shoppers stop has entered the online space in 2008. We have other players like Future bazar, Croma (Tata group), Nature’s basket (Godrej) and Aditya Birla nuvo entered the online space to compete against the online retailers. According to research and consultancy firm RNCOS, the online retail market is projected to grow at a compound annual rate of 40-45 per cent during 2014-18."The Indian online retail market has been striding leaps and bounds over the past few years on account of digital revolution. The trend is expected to continue as the online retail

market in India is estimated to touch the mark of \$ 14.5 billion by 2018," a report by RNCOS said. The current market size of online retail sector has been pegged at \$ 3.5 billion (over Rs 21,000 crore), it added. As per the 'White paper on Indian Online Retail Industry: The War of Clicks', India is among the most swiftly emerging online retail market across Asia-Pacific region although the expanse of e-commerce is at a sprouting stage. Some other factors helping the online retail industry seeing good growth include smartphones offering accessibility to online shopping, aspirations of tier II & III cities, women becoming more tech savvy, evolving perception around branded products, impulsive buying and logistical convenience.

VI. ONLINE RETAILING INDUSTRY TRENDS AND OPPORTUNITIES

- The Kid's Products are boosting Online Retail in Future.
- Online Grocery Sales Picking up has increased using efficient logistics
- Foreign Players Eyeing Online Retail & Big Retailers Venturing into Online Space.
- Increase in the number of Internet users and online buyers
- Smart phone revolution and Mobile Internet
- India is one of the markets which is witnessing growth in smart phone customers. In 2013, there were 51 million smart phone users in India which is expected to reach 104 million by 2014. But this forms about 10 per cent of the total mobile users currently. The availability of cheap smart phone can enhance the growth rate in future. Access to 4G, 3G and 2G mobile data networks and availability of cheap smart phones can enhance the customer transaction using mobiles. Most of the online retailers are developing their mobile applications to enhance the shopping experience. According to 2015 projection, out of 300 million internet users 200 million users will be accessing internet using mobile phones which can enhance e-retailing opportunities in India.
- Increase in transaction by Debit cards, Credit cards, Net and mobile banking
- Rising disposable Income and Rapid urbanization.
- Annual disposable income in India is expected to increase at CAGR of 5.1% and expected to be USD 3823 by 2015. According to 2011 Census, the urbanization showed an exponential growth rate of 2.76% . We have around 337 million people who live in urban areas in 2011. The census data shows that the no of statutory towns increased at the rate of 6.37% during 2001-2011. There is steady increase of urban agglomerations at the rate of 23.7% during this period. These trends can enhance the prospects of online retailers.

VII. ONLINE RETAILING INDUSTRY CHALLENGES

India online retailing has growth prospects but there are multiple challenges for e-retailing in India market. It includes the following:

- **Logistics:** Logistics play a key role in determining the operational success. India is large and fragmented with poor infrastructure facilities that are developing. Timely delivery is the biggest challenges for online retailing. Similarly the cost of logistics in India is high due to lack of adequate infrastructure which has forced some of the retail players like Flipkart and Amazon to build their own logistics arms like Flipkart has its e-kart logistics that takes care of delivery process. Most of online retailers are united up with logistics companies for fulfilling customer orders. One of the biggest problems faced by logistic companies is the limited airline feet size of logistic companies. In Indian scenario we have limited fleet of freight carriers that delay the priority services like same day delivery for customers but the Online retailers are investment in technologies like GPS, RFID technology to enhance the tracking of shipment and delivery of customer orders. There are more and more efforts from government and private players' end to meliorate the facility of logistics, increase the Internet penetration and facilitate better services for the end consumer
- **Internet availability and speed in rural:** One of the problems India facing is the non- availability of internet connection at rural areas that can affect the prospects of online retail in long run. The average internet speed was less than 1 mbps that is being increased by many network operators but the same is not available at every place. This can affect the accessibility to shopping sites and online transactions which will in turn reduce the customer buying through online portals.
- **Customer Trust and Loyalty:** Some of Indian online retailers lack trust among the customers. Even though we have trusted players like Flipkart, Myntra and Jabong, other retailers were not up to the mark compared with other players. The entry of foreign online retailers like Amazon has forced Indian players to

enhance customer loyalty. Flipkart has started an initiative called Flipkart first which provides same day delivery, priority customer services, free shipments and exclusive offers.

- **Overcoming touch and feel mental barrier of Indian customers:** Customers prefer to touch and feel products before they purchase as well as see its demo. The biggest challenges faced by online retailers to overcome this barrier. Online retailers are trying to overcome this barrier by adding more specifications and information about products even including functional videos of products etc. They also share customer feedbacks to enhance the confidence of customers.
- **COD and Returns/Replacement management:** Cash on delivery and product return / replacement has emerged as the preferred mode by online customers. But this facilities being provided are creating certain critical issues for online retailers. Some of the logistics providers levy extra charges from the customers that affect the retail business in long run. Delay in remittances of the Cash collected by some of logistics providers from customers can reduce the working capital for online retailers. Similarly one more issue faced by online retailers is the customer returns/ replacement that are creating loses to Online retailers and handling such issues are critical and addressing these issues in a better manner which can enhance customer trust and convenience. Moreover this can provide the cost advantage for online retailers in long run.

VIII. CONCLUSION

Indian retail sector is witnessing dynamic changes over the years. With a steady growth rate of 50-60% online retail can make significant contribution to retail industry and economy of our country. But to capitalise on these growth trends we need to improve our physical infrastructure, policy framework and operational environment in our country. Indian online retail market is estimated to grow over 4-fold to touch \$ 14.5 billion (over Rs 88,000 crore) by 2018 on account of rapid expansion of e-commerce in the country. The major reasons for this growth will include the increasing penetration of mobile Internet, higher purchases of smartphones, need for ease of shopping, time convenience and higher mobility. Heavy discounts offered by online portals will also propel the market growth. Better payment, security of online financial transactions and return policies will further fuel the increase of Online retailing. More and more efforts from government and private players' end to meliorate the facility of logistics increase the Internet penetration and facilitate better services for the end consumer that directly increases the growth of Online retailing Industry in India.

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