



## Online retailing: Challenges and opportunities

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### Abstract

Online retail business continues to grow at an impressive rate of more than 20 percent per annum (Marketline report, 2015), with the revenue of \$ 996.8 billion in 2015, and expected to reach \$2014 billion by 2019 (an increase of more than 100 percent). The phenomena that world is fast shrinking into a Global Village because of Internet and other communication mediums. Internet has brought nearly the entire world just a click away from us. The retail industry canvass has been repainted by Internet and the rules of the game in retailing are fast changing. There were six major incentives for the firms to adopt Internet retailing, including improving internal communication, improving operational efficiency, facing competition, enhancing customer services, reaching out to a wider audience, and improving relation with suppliers. Online sales in India are still tiny, at \$16 billion last year, but the country is the world's fastest-growing e-commerce market and is prized by America's and China's internet titans. This paper deals with the challenges and opportunities online retailing and future of internet retailing in India.

**Keywords:** internet, online shopping, delivery, retailing

### 1. Introduction

Indian market is dominated by unorganized players but there is a huge potential in the area of organized retail as well. Entry of bigger players such as Big Bazar, More, Metro etc., to even the rural areas has paved the way for growth in this sector. There has been rise in the earnings of Indian middle class due to rapid economic growth. Indians disposable income is expected to increase at an average of 8.5 % per annum until 2015. The two giants of Asia i.e. India and China are leading the way. India has seen some dramatic changes in the way internet has affected the lives of the people. Though the internet using population in India is low in terms of overall percentage of total population but, in absolute numbers it is very high. This gives great opportunities for various ecommerce sites to reach this segment. The number of consumers who purchase online is expected to cross 100 million by 2017 end with e-retail market likely jumping 65% on year in 2018, an ASSOCHAM-Resurgent India study said on Monday. "The year 2017 will see large scale growth in the Indian e-commerce sector with increased participation from people across the country. This industry will continue to drive more employment opportunities and contribute towards creating more entrepreneurs through the e-commerce market place model," the report said. The report also added that demonetisation and a reduction in cash transaction, along with improvement of net banking facilities, can be opportunities for the Indian e-commerce sector.

The study suggested that in 2016, about 69 million consumers purchased online which is expected to cross 100 million by 2017 with the rise of digital natives, better infrastructure in terms of logistics, broadband and Internet-ready devices to fuel the demand in e-commerce. The report added that by the end of 2018, Indian e-retail is expected to touch \$17.52

billion. "The total retail sales is growing at an impressive rate of 15%, registering a double digit growth figure year after year," it said. Mobile commerce is likely to jump to 45-50% in 2017 against the current 30-35% of e-commerce sales. The study added that 50% sales come from mobile with majority being first time users. It also observes a surge in the number of people shopping on mobile across India with tier II and III cities displaying increased dominance.

About 12% of the market is contributed by online classifieds like matrimonial and job portals. Our area of focus is the remaining INR 1100+ crores market which is set to see tectonic growth given the right environment is built. This market is poised to grow at 30% per annum for next 5 years but, long term sustainability will depend on how must the market fabric changes. Market players have to be more proactive and innovative in their approach and offering to make serious inroads. In the current market bulk of online sales is in books, gifts, small electronic items. This market in India needs to jump to the next level. More than 32 million internet users makes the market lucrative but, the question is how the market players make the online retail mode viable and competitive. Flip Kart says it had revenue of 500 million rupees (\$11 million) in its last fiscal year, and is now clocking sales of about 10 million rupees a day. The top executives of the Future Group, India's largest retail company, says its daily online sales are on pace to triple in the current financial year.

### 2. Objectives of the Study

- To review the present status of online trading in retailing in India.
- To identify the key drivers responsible for growth of e-retailing in India.
- To provide for SWOT Analysis of e-retailing in India.

### 3. The key drivers for significant growth of e-retailing in India

- Provision of Anywhere Anytime Services: People nowadays find it easier shopping online, as the products get home-delivered coupled with the facility to shop 24x7. Thus, an online buyer saves precious time, extra efforts and money while buying online as compared to buying from physical stores.
- Best Price with Better Bargains: e-Retailing 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'.
- Rising trend of cyber cities: The rising trend of internet shopping has taken off more noticeably in metropolitans such as Delhi and Mumbai where both consumers and merchants have become equally net savvy. There is also rise in internet shopping in small cities such as Chandigarh, Ludhiana, Jalandhar, puducherry etc.
- Mobile Governance: Moreover the growth of the mobile communication i.e. mobile governance has led to the growth of the online retailing as people are more accessible to internet 24 x 7.
- Increased use of Net banking/credit cards/ debit cards: The electronic transactions have been made secure by the use of various technologies. The banks (RBI and others) are bringing out new guidelines (like one time passwords, security questions) so that the online transactions can be made safe for the consumer.
- Emergence of Nuclear Family in modern era: In the present era, nuclear families are increasing and both husband and wife are working, as they have less time to go to the market for purchasing commodities.
- E-Retailing attraction for NRI's: Online shopping is a big attraction for the NRIs (non-resident Indian), the apparel and gifting business online has maximum NRI consumers.
- Emerging Rural India: With increased internet and broadband penetration and schemes like e Choupal for the convenience of farmers, the rural India is awakening. If farmers have to purchase any such thing they have to come all the way to a nearby city. The online stores can offer them these products and many good deals in a convenient way.
- Mechanism of Product Comparison: Most of the websites are providing product comparison facility wherein shopper can choose the product which exactly suits him.
- Government – Online Initiatives: Online shopping trend is not just for consumer market. The Government is another rising user of the online buying under the overall theme of e-Commerce. A series of initiatives from the government, public sector banks and Indian Railways embracing the net, have helped to boost the confidence of users to trade online in this sector as well.
- Latest trend of Social Networking: In the age of 21st Century, everyone wants to be in touch with friends and latest trends of technology by using the social networking websites.
- Internet Shopping Portal for e-Retailing: Internet shopping portal are also responsible for incremental growth of e-Retailing industry.

e-Retailing Portals	Description
www.amazon.com/	Amazon.com started as an online bookstore, but soon diversified, selling DVDs, CDs, MP3 downloads, software, video games, electronics, apparel, furniture, food, toys, and jewellery. Amazon.com also produces consumer electronics—notably the Amazon Kindle e-book reader and the Kindle Fire tablet computer—and is a major provider of cloud computing services.
www.asos.com/- United Kingdom	Everybody can discover the latest in women's fashion and men's clothing online. Shop from over 40000 styles, including dresses, jeans, shoes and accessories from ASOS
www.ebay.in/	eBay Inc. (stylized as eBay) is an American multinational internet consumer-to-consumer corporation, headquartered in San Jose, California. eBay.in is India's most popular online shopping mall providing free online auctions for products like Mobiles/cell phones, Cameras, Computers etc.
www.futurebazaar.com/	It sells a variety of products including mobile phones, accessories, consumer electronics, apparel, computers and general merchandise.
www.hindustanlink.com/	It is a family portal of India provides services such as Beauty Care, Mehendi, Free classifieds, Classified Ads, Gift Services, Shopping, greetings.
www.quikr.com	This online portal buy and sell new & used Mobile phones. Compare prices, models... Nokia mobile phones, Samsung Mobile phones, Ig Cell phone, blackberry cell phone ads.
www.Flipkart.com	It facilitates Online Shopping of Books, MobilePhones, DigitalCameras, Laptops, Watches, Clothing & Other Products at Best Price in India. Free Shipping etc. Prospect of E-Retailing In India
www.alibaba.com/	On this website, find quality Manufacturers, Suppliers, Exporters, Importers, Buyers, Wholesalers, Products and Trade Leads from our award-winning International Trade Site.
www.naaptol.com/	It provides Online Shopping in India for Cameras, Mobiles, laptops, tablet, pen drive at naaptol.com, an online shopping mall   store in India.
www.infibeam.com/	It is an online retailer for books, electronics, and automobiles in India. Started in 2007, the company has offices in Delhi, Mumbai and Bangalore, and has a total of 600 employees. In 2011, Infibeam launched Build a bazaar, an e-commerce platform which allows users to create their own web store.

#### 4. Swot Analysis of E-Retail

The overall evaluation of strengths, weaknesses, opportunities, and threats is called SWOT analysis. SWOT Analysis is employed by an e - retailer in the analysis of strategic planning. The SWOT analysis builds the company objectives more realistic. To understand future risks it is essential to know strengths and weaknesses, opportunities and threats.

##### SWOT analysis of e-retail

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>▪ Convenience</li> <li>▪ Time saving</li> <li>▪ Price/product comparison</li> <li>▪ Cost effective</li> <li>▪ Direct communication with consumer</li> <li>▪ Improved customer interaction</li> <li>▪ Flexible target market segmentation</li> <li>▪ Simple and easier exchange of information</li> <li>▪ Easy arrangement of products</li> <li>▪ Faster buying procedure</li> <li>▪ Easy transactions</li> <li>▪ Niche products</li> </ul>	<p><b>Weaknesses Security</b></p> <ul style="list-style-type: none"> <li>▪ Fake websites</li> <li>▪ Fraud</li> <li>▪ Long delivery timing</li> <li>▪ No idea about quality and physical condition of the product</li> <li>▪ Limitation of products</li> <li>▪ Lack of personal services</li> <li>▪ More shipping cost</li> <li>▪ Limited exposure</li> <li>▪ Customer's satisfaction</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ Changing trends</li> <li>▪ New technologies</li> <li>▪ Global expansion</li> <li>▪ High availability</li> <li>▪ Wide business growth</li> <li>▪ Cut down on local competition</li> <li>▪ Advertising</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Competitors</li> <li>▪ Changes in environment, law and regulations</li> <li>▪ Innovation</li> <li>▪ Privacy concerns</li> <li>▪ Fraud</li> <li>▪ Risk</li> </ul>

#### 5. Strengths

An e-commerce company's strengths are unique points which show their difference from their competitors which are competitive advantages can increase a company's strength.

- **Convenience:** e-Retailers are moving towards enhancing the convenience factor and thus attracting the shoppers to use this channel. Moreover the growth of the mobile communication has led to the growth of the e-retailing as people are more accessible 24 x 7. Like in the case of purchasing from the physical market, we have to wait for the shop to open and certainly we try to get our merchandise before the shop closes, but in case of online retailing there is no time limits involve all you need is an internet connection and money in your pocket to pay the price
- **Time saving:** A shopper saves a good amount of time by shopping online. In the metros and even in the smaller towns which are growing fast, the life of an average person has become very fast. He has very little time after his normal routine office schedule to go to the market and purchase even the daily needed items.

- **Price/Product comparison:** Helps consumers to compare prices and product without having to move from one shop to another for comparing the benefits of the product, the shopper gets the benefit of comparing the features and cost analysis at one place. Most of the sites are providing this facility where in shopper can choose the product which exactly suits him
- **Cost effective:** Reduces logistical problems and puts a small business on a par with giants. Lowers transaction cost can be automated in a well implemented online store. If an online download facility is available, then distribution cost can be cut off. Eretail business startup costs is more economical because both kinds of new startups have low income at the start.
- **Direct communication with consumer:** Social networking sites, online advertising networks can be mediums to buzz about online store. With an effective technology it is possible to direct communication to each consumer, either by using personalized email or through customized web pages when access is made by registered user.
- **Improved customer interaction:** Quick feedback and comment forms are main features to interact with customers. Establishing a functional interaction between the e-consumer and e-retailers to attract attention, assess, and experience, and also to provide enough confidence for a purchasing transaction at a distance. When sufficient support for these factors has been established, all product categories can in principle be handled electronically.
- **Flexible target market segmentation:** Target market segment here in e-retail is flexible can be modified any time. Deciding which market to target is a key strategic consideration. E-retailers need to target customer groups with highest propensity to access, choose and buy online. 126
- **Simple and easier exchange of information:** Improves information sharing among e-retailers and e-customers and enables prompt quick just in time deliveries. Expanded models see e-retail as an opportunity to expand its line of business to target consumers previously out of reach. It can include functions that provide the exchange of information, facilitate business transactions and completely integrate the shared that it is faster, cheaper, and easier to modify and expand according to changing market dynamics.
- **Easy arrangement of products:** Products can be arranged in the shelves within minutes. With online store it is quite easy. It takes seconds to purchase a product from a vendor that you've done business with in the past and it can even be done from the convenience of a smartphone. E-retail makes it easy to quickly find exactly what you're looking for. Faster buying procedure: E-retail means better and quick customer services. Online customer services make customer happier. Due to absence of intermediaries for buying products. So buying procedure will be fast and quick.
- **Easy transactions:** Financial transactions through electronic fund transfer are very fast and can be done from any part of the world. E-retail puts the need for paperwork

at minimum as most procedures are done electronically and also saves time for both e-retailer and e-consumer as it reduces manual business transaction.

- **Niche Products:** Almost everything can be sold on internet. Even if products targeted to smaller markets the buyer will be somewhere on net. E-retail is ideal for niche products. Customers for these products are usually few. However, even niche products could generate viable. When starting out, most online business owners find it infinitely easier to sell products that cater to a small niche market.

#### Weaknesses

- **Security:** Security matter confuses customers especially about the integrity of the payment process. In an electronic environment where market needs, technology requirements, and security challenges change very rapidly, proactive risk-handling is essential. Unfortunately, no matter how strong your extranet defenses are, it is always possible that a new exploit could defeat your best efforts to secure the web.
- **Fake websites:** Fake websites can not only disgrace e-retail but bring bad name to e commerce also. Fraud: Concerns about misuse of financial and personal data is a great weakness in e-retail.
- **Long delivery timing:** Delivery time can be in days or weeks which one cannot wait for. Supplier selection is extremely important in purchasing management to enhance quality, reduce delivery time, and to curtail purchasing cost. No idea about quality and physical condition of the product: Online products cannot be touched, wear or sit on the products. So neither the consumer nor retailer is actual aware about the physical condition of the product.
- **Limitation of products:** Limited number of products can be available. All products and SKU's availability cannot be possible in e-retail. Since there is products limitations in e-retail.
- **Lack of personal services:** Physical products can be available but lack in personal services which are intangible.
- **More shipping cost:** Shipping cost increases if we order online. E-retail makes buying a more convenient experience but did not fully appreciate how much of an effect shipping charges can have on their bottom line.
- **Limited exposure:** In developing areas where internet is not accessible will have no or little exposure to e-retailers. Availability in remote locations is rare because of unavailability of distribution network.
- **Customer's satisfaction:** There is no interaction between customer and the seller. Therefore the scope of convincing the customer does not exist. Many times customers prefer to buy the product by reaching personally to the market rather than purchasing through internet.

#### Opportunities

- **Changing trends:** E-retail is fast and effective even financial transactions can be made from any part of the world. People of tomorrow will feel more comfortable to buy products through internet only.
- **New technologies:** Daily number of internet users is

increasing. People feel more comfortable to shop online. Due to the rapid growth of the e-retail and consequently the increase of the competence, a special interest adopting & upgrading new technologies play an important role. 128.

- **Global expansion:** E-retail business can be operated anywhere any time without any interruption. The fast technological development and the sustained revenue growth in emerging markets are likely to be critical to the future expansion of e-retail in the global market.
- **High availability (24 hour and seven days a week):** Along with each and every click of the mouse business is in operation.
- **Wide business growth:** E-retail has wide scope and broader vision to grow.
- **Cut down on local competition:** Online customer services is a competitive advantage for the company. E-retailer can cut down on local competition through discounted pricing and through local e-retail acquisition.
- **Advertising:** Advertising is cost effective as compare to conventional offline system. Advertising through different media channels can create product awareness. While the primary objective is the build the brand and create top of mind brand recall value, industry observers say e-retail companies also use television commercials to attract talent and investors. Mainly in countries like India that online brands need to use traditional media to propagate the use of the online service, especially if the larger pie of the consumers is not necessarily online. Some e-retail companies are catching up with top offline rivals in spending big on advertising.

#### Threats

- **Competitors:** Competition is increasing day by day big companies have already entered in this field. They are making people habitual at the cost of their companies. The threat from online competitors is leading more traditional retailers to consider embracing even seemingly outlandish technologies.
- **Changes in environment, law and regulations:** Change in trends, fashion and fad can distress e-retail side by side change in law and regulations can also affect. Eretail industry usually cannot influence or change the macro environment and must adapt to changes as they arise. Government policies can also hinder e-retail businesses by imposing regulations that increase costs, such as requiring the development and integration of new systems or procedures.
- **Innovation:** Customers now a days are always in a search of innovative products. Innovation can be either in product, place, promotion and even price. If e-retailer doesn't innovate, its survival is at stake. Innovation in leveraging technology that 129 needs updated or replaced. Technology and system capabilities are changing and innovative solutions leave IT departments scratching their heads as to how to keep up. Privacy concerns: Fears that information can be misused lead to spam e mail or identity fraud. Many consumers have ceased purchasing goods online or have never started because of concerns over the privacy and security of their transactions and click habits.
- **Fraud:** Persons using unfair means to operate e commerce

can damage the confidence and faith of common people. E-retail so heavily on the Internet, many fraud examiners are consulted for fraud information.

- **Risk:** Nature of fraud and risk is different because when a customer relies on unseen set up, he trusts and makes transactions. In such a way he is ready to face risk. The degree of risk caused by network virus and flaw of electronic payment.

A quick survey of average Indians who have access to Internet showed that most of them hardly could recall 1-2 on-line retail portals and most of their responses were travel site. In comparison an average Indian settled in America could recollect more than 5 on-line portals. This clearly indicates the huge gap between the retail setup between India and other developed countries. Internet penetration rate of 7.1% in India is one of the highest in world and we have one of the highest numbers of Internet users in absolute terms. India is considered as one of the prominent IT hubs in the world but, all these have somehow not translated into positives in the retail space. Retail industry in India stands at \$390 billion (Source: India retail blitz, A T Kearny) and organized retail is fast catching up. Many of the big retailers have forayed into the on-line mode without much success. On-line retail forms a meager 0.47% of the total retail market. This shows the plethora of opportunity for on-line retailing in India. The Indian e-commerce market at INRI 9200 core is heavily tilted towards travel sites. More than 75-80% of this market is constituted by travel portals like Makemytrip.com, Yatra.com etc. About 12% of the rest is contributed by on-line classifieds like matrimonial and job portals. The above mentioned data is motivating enough for both buyers and sellers, who are willing to use internet as a source of their commerce, as always we are focused on the customer centric market where the customer is god, and every dance on the stage of market is performed according the tune of customer, here we will analyze some of the factors which attracts the customers preferring the online purchasing.

1. **Convenience Factor:** Online retailers are moving towards enhancing the convenience factor and thus attracting the shoppers to use this channel. Moreover the growth of the mobile communication has led to the growth of the online retailing as people are more accessible to internet 24 x 7. Like in the case of purchasing from the physical market we have to wait for the shop to open and certainly we try to get our merchandise before the shop closes, but in case of online retailing there is no time limits involve all you need is an internet connection and money in your pocket to pay the price and everything is at your door step.
2. **Payment Mode:** As compare to the earlier days where we have to make the payment in advance and wait for our order for weeks, now we make the order first and make the payment when the goods are delivered to us, WatchKart.com, lenseKart.com, FlipKart.com, etc. are some of the examples.
3. **Delivery:** For general type of products line DDV, CD, Goggles, books etc., are being delivered to the customer in 2 to 3 working days and the goods which are required to be produced like special print sarees, customized bags etc., are delivered within 5-6 working days. Moreover single

unit of any product chosen by the customer can also be delivered trans-border, which may not be possible to import in case of physical purchase.

4. **Product Comparison:** without having to move from one shop to other for comparing the benefits of the product, the shopper gets the benefit of comparing the features and cost analysis at one place. Most of the sites are providing this facility wherein shopper can choose the product which exactly suits him.
5. **Cost and Time Saving:** a shopper saves a good amount of time and money by shopping online. In the metros and even in the smaller towns which are growing fast, the life of an average person has become very fast. He has very little time after his normal routine office schedule to go to the market and purchase even the daily need items.

## 6. Conclusions

Online trading is here to stay and will be extensively used in future. Leading online retail traders are finding out the ways to retain profitability and long term sustainable development. Globally also the challenges are similar in nature. Indian entrepreneurs said this latest focus on business fundamentals points to growing maturity of the local market. In past, everyone was looking at who the leaders will be. Now the market leaders are emerging and no one doubts the viability of e-commerce.

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