E-Tailing- A Digital Make-over of Traditional Retailing of India - Issues & Challenges

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Abstract:
Emergence of 3G, Broadband, WAP technology and the latest breakthroughs of Information & Communication Technology (ICT) gave birth to a quantum-leap change in customer-savvy business approaches. The ‘digital’ mode of business not only adds a new dimension to the dynamic spectrum of trade & technology interface but also sets a new milestone in order to be more customer focused for getting aligned with ‘survival for the fittest’ in competitive business war front. Business under digital framework through online route provides the fullest convenience to the customers at their fingertips thereby resulting in customer delight. Breakthroughs in internet & telecommunication technology have shrunked the entire world into a global village and brought it virtually to our mobile & PC. This paper attempts to pinpoint how retail, the sunrise sector of Indian economy, has started harnessing the power of ‘Going Digital’ through E-tailing route. The whole gamut of this work is built around the pioneering role played by the internet and wireless technology in scaling up the twin mottos of ‘user-friendliness’ & ‘customer convenience’ to ensure delightful store less shopping experience to the customers. The paper also tries to crystallize the key drivers that lure the value-seeking customers to be digitaholic and what prompts retail houses to catch the digital route either via internet or WAP based mobile. The article in addition, ventilates the current & future hindrances thwarting the momentum of the wheel of digital business in retail merchandising to build customer-centric competitive advantage in the domains of virtual shopping over internet. Finally the paper draws a visionary conclusion regarding the prospect of customer-savvy business strategy of delivering 24x7 – ‘Store less shopping’ experience within the framework of growing economy of India.

Keywords: Digital business, Customer convenience, User-friendliness, E-tailing, Store less shopping.

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1. Introduction

Currently Broadband, Wireless WAP-technology, 3G/4G, Smart phone and Tablet PC, have changed the whole business scene in driving better customer experience and revenue growth at negligible operational costs. Since today internet & mobile appears to be more addictive than alcohol in India, all the retailing panorama of India Inc. is striving to leverage such a globally digital space to deliver value to customers as the staggering volume & frequency of daily retail transactions are executed electronically in the digital and interactive marketing space. In the battle field of customer-savvy business, one of the most pioneering GDP boosting sectors of India, Retail has started harnessing the power of ‘Going Digital’ through mobile & internet to materialize the twin mottos of ‘customer convenience’ and ‘user friendliness’ at their fingertips. In pursuit of delightful shopping experience, ‘E-tailing’ over mobile or internet has brought the entire shopping plaza (virtually) on the web and the retail-store on user’s mobile/PC. The future of digital retailing (referred as e-tailing) can definitely ease the user’s pain and make financial transaction agile but still there exists lot more challenges to be addressed effectively in fraud detection, authentication for online money transfer and technological illiteracy. Due to the immense potential of online retailing and growing size of digitaholic shoppers, the Indian e-tailing spectrum gets flooded with plenty of e-tailing bigwigs like Flipkart.com, eBay.in, Futurebazaar.com, Snapdeal.com, Timtara.com, Letsbuy.com, 99labels.com, Beststylish.com. So, traditional ‘brick & mortar’ type business is facing its steepest challenge as a new tipping point has been reached with digital at its fulcrum.

2. Literature Review

Lu-Lien Tan and Beatty (2004) in their study opined that phenomenal advancement of internet technology happened to be a beneficial alternative shopping spectrum for time constrained consumers. Delone and Reif (2004) through their research have found that currently young adults are more inclined towards online buying. According to Lavie and Tractinsky (2004) the wide spread popularity of retailing over internet is chiefly contributed by the aesthetic value of website design which reflects uniqueness and innovative thoughts and this aesthetic web design finds importance specially when shopping for specialty goods because of their unique characteristics that emphasized the shopping experience. This aesthetic appeal of website design as per Zhang and von Dran (2000) motivates people to purchase online. Rabinovich (2004) and Cao and Zhao (2004) have pinpointed the challenges thwarting e-tailing industry which include response time of the web-server; the amount of time the customer must wait until the order ships; the time the shipping process takes. In the words of Kim and Lee (2002), design elements of e-store like website design, design of product

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and service comparison and information, time to complete online order form, ease of searching products and services, screen layout, screen complexity, page composition, information retrieval methods, information display, use of colours and background, assistance to the user, and speed of accessing the e-store play leading roles to attract e-customers. Zeithaml (2002) has identified the list of major success factors of e-tailing that includes efficient web site design, effective shopping, and prompt delivery in addition to e-store services like delivery on real time, return and replacement process, period of filling out online orders form, speed of response time to e-customers’ queries. Bauer et al., (2006) have identified two distinct phases of online retailing - the client interaction phase taking place online and the fulfillment phase taking place offline. Ratchford et al. (2001) have studied that through internet, consumers are getting informed about merchandise and can make product comparison at almost no cost. In addition, they also can effectively analyze the offerings and easily locate a low price for a specified product. According to Zhang and von Dran (2000) certain aesthetic elements of a web-site act as purchase motivators, while other aesthetic elements serve as hygiene factors (i.e., necessities) in purchase decisions from e-retailers. The colour and background images of web-page are also found to affect consumer choice. Tractinsky and Rao (2001) have found that computer savvy users seeking online substitutes to the physical shopping experience, would value aesthetic designs just like consumers of other commodities. Eroglu et al. (2001) have identified the two major online constraints of e-tailing that are screen resolution and the hardware that exists at the consumer end of the channel. The hedonic factors as per them in designing the web-site interface can be enhanced with symbolic, nonverbal elements, which can be created by images, colours, fonts, videos, and music.

3. Research Objectives

The paper has been framed with the aim of fulfilling the objectives mentioned in the following section. The manuscript of the paper has been drafted with regard to various aspects of the role of digitalization in the retail sector. The concept of ‘going retail’ has been primarily focused in the paper with the following two research objectives:

- To appraise the evolution of retail business from the traditional trend towards the concept of digitization
- To identify the drivers of the concept of e-tailing in current retailing parlance
- To figure-out the presently evolved concept of digitization in the Indian market environment and draw-out the ‘warring success equation’ in the field

The above objectives designed in the research paper will be fulfilled with the help of qualitative approach and collecting data from secondary sources. The validation of selecting the research methodology has been provided in the next section of the paper.
4. Methodology

The interpretative form of research process has been followed in the present paper. This form of research mode has been followed because it provides ample scope of analyzing events in a very lucid manner. The findings derived from such research form help the readers in gaining insights into the research activities and its aim. The focus of interpretive research is to perform analytical research along with the broad objective of applying ‘connotation-generation’ practices. This type of research approach confers as to how these practices ultimately give rise to effective results that not only fulfills the aims of the researcher but also bestows its advantages to the society.

Considering the subject matter in the selected research arena, qualitative approach towards analyzing the data has been followed. Qualitative approach was followed because it provided the scope of conducting in-depth analysis into the concept of the chosen area. Various elaborative and intricate issues on the concept of digitization have been dealt with in the paper that was effectively possible through the follow-up of qualitative approach.

The value-aspect of the resources being utilized during the conduct of the research has been successfully contained. The work of other researchers on similar platform have been adequately appreciated and their research findings have been utilized for giving an edge to the topic in concern at present.

5. Interpretation of Data

5.1 Drivers behind Going Digital in Retail trade

Change in customer’s thought process - There are many factors patronizing digital make over in retail trade. First, customers of this millennium are reluctant to visit retail stores, standing in long queues to economize their busy schedule. They have started replacing over-the-counter transactions with cash or cheque with electronic payment mode over digital platform using internet and mobile to perform retail-shopping. Currently customers are becoming more and more tech-savvy as reflected by substantial internet & mobile penetration rates in India. Now they have become rapid response seekers and started getting involved in physical effortless dealings from home with simple ‘click or press’ approach.
The mammoth proliferation of several technological breakthroughs in the forms of 3G, broadband, VOIP, WAP, smart phones, tablets, and digital wallets has fuelled the retailers to opt for digital route. Now internet & mobile driven financial transactions carve out space in non-cash, store less transaction business, and electronic money transfer via internet or mobile backed by telecom vendors are used for utility bill payments to retail shopping. As the digital payment gains ground, RBI encourages digital e-transactions to avoid cash based over the counter transactions as cash is fungible, moves without a trace and boosts black money.

Contribution of Generation Y – the current trend of electronic retailing via mobile or internet is largely fuelled by the emergence of a niche customer group comprising of Generation Y customers who are tech-savvy and expect a rich digital experience in both social & mobile regimes. Such educated upwardly mobile customers lure the banks to shift into digital route as they seamlessly integrate their retailing needs with their tech-savvy lifestyles. Thus Generation Y adds more value to retailing firms with enhanced revenue at less operating outlays.

High in-store pilferage – The 450 billion Indian retail business has topped in highest retail in-store shrinkage/pilferage across the globe resulting in a hovering loss of Rs 3200 crores. Mall & other big retail formats happen to be the worst sufferers of such retail theft committed by outside shoplifters or internal employees due to large size and low attendant to customer ratio. Electronic Retailing completely eliminates this risk of stock pilferage as e-tailing over internet lacks the scope of touch and feel.

5.2 Going Digital – Route to get more Customer-centric
Retailing on digital platform, in pursuit of providing more convenience to customers at their fingertips, has undergone a major shift from product oriented accounting to customer centric accounting under the realm of customer profitability. Electronic retailing/E-tailing over mobile or internet focuses on three drivers of customer profitability and value – customer acquisition (its rate and cost), customer margin, and customer retention (its rate and cost). Digital retailing or e-tailing is striving fast to accomplish growth in the size of delighted customer bucket in one end and profit through up-selling (migrating customers to a higher price/profit product or service) & cross-selling of related offerings (providing a gold card/loyalty card/credit card to a bank customer) on the other end.

In case of e-tailing, firms are channelizing the inherent savings arising out of e-tailing platform (reduced inventory, no soaring real estate cost etc.) in incentivizing the online customers through other means such as cash on delivery, discounts, home delivery to compensate the perceived risk of
online ordering in absence of ‘touch & feel’. Customer savvy e-tailers are on a move to build up capex-heavy ‘fulfillment centres’ (warehouses) coupled with own logistics and delivery teams to provide 360-buy promise (as practiced in China) or same-day-delivery experience to the customers for achieving increased loyalty & retention as well as creating entry barrier for the newbies. For instance, Flipkart has built 8 fulfillment centres with 2.5 lakh sq.ft of space across India and has 1500 employees on its rolls delivering products in 30 cities. Its cloning-parent Amazon built an addictive & unbeatable network of 52 fulfillment centres with 26 million sq.ft of space in 6 countries. Indian e-tailers have also started designing bureaucracy-free, fanatically focused customer–support training programmes for their customer-service personnel where these people are empowered to act freely without any up line approval. Here they are trained to think themselves as customer-representatives in the company as if they belong to customer’s side not to e-tailer’s side.

As e-transactions come into picture omnipresent bank notes start becoming history and many newbies of the ether world have shown us the way to lead life on the wire. Airtel & Vodafone come to help us shop, pay, remit and make money out of their mobile banking facilities. This mobile-banking can get the unbanked and under-banked into the payment systems. Airtel has buzzed with Airtel Money and for this it has teamed up with over 1800 brands to carry out mobile based retail transactions.

6. Findings and Recommendations

6.1 Prevailing Models of E-tailing

Indian e-tailing panorama envisages operations of key four models –

(A) **Aggregator model** – propounded by eBay in 1995, brings online buyers & sellers together on aggregator’s digital platform but does not contribute to the delivery of products or inventory control. Followers of this model include Fashionandyou.com, Giftcardsindia.in, Snapdeal.com, and Flipkart.com during its initial phase. This model works on a margin of 2-5%. (B) **Stock & Sell Model** – Started by Amazon, this is both asset and capex-heavy model as it involves holding ready-to-ship inventory at own warehouses followed by delivery in tight time spans. It offers margin up to 20-22% having cost of warehousing & logistics borne by the e-tailing firms. (C) The third **Groupon model**, was started by Groupon in 2008 by selling discounted coupons initially and later morphed into coupon plus product selling platform. This model operates on a margin of up to 45% on services and 20% on goods. So far as Indian e-tailing war is concerned, Flipkart of Bansal brothers, Dhingra & Bajaj’s Letsbuy, M. Agarwal’s Yebhi, kid-item’s e-tailer Hoopos, and foot-wear e-tailer Bestylish are the strong patronizers of this stock & sell model. (D) **Hybrid Model** – It amalgamates the best of
eBay’s and Amazon’s models. As an example Tradus acts as an aggregator like eBay and handles logistical aspect too like Amazon. The other followers of this hybrid model are Timtara, Homeshop18.

[Source: Business World, February 2012]

6.2 E-tailing scenario in India
As of now, Indian e-tailing sector has registered an annual growth of 30% with a market of Rs 2050 crore. Though Indian e-tailing moves made a slow start-off compared to online travel & advertising, it picked up a fast pace after capitalizing the dynamics of sheer size of addressable retail market of 430 billion US dollar in 2010. The Indian e-tailing conglomerate Flipkart notched up nearly 550 crore revenue earning in 2011-12 followed by eBay India, Futurebazaar, Yebhi, and Indiatimes. Flipkart raced ahead of its peers in India with diverse spectrum of product offerings, eight warehouses, 1500 delivery executives operating across 30 cities directly and targeting to reach 100 cities in next 2 years. According to industry experts, the stunning revenue ramp up of this 4 year old Bangalore based e-tailer is due to its 360-buy approach for ensuring superior customer delightment in fulfilling orders within 12 hours. For this Flipkart has pumped money into technology, user interface, commanding logistics backed by inventory & distribution support. eBay in 2005 acquired Bazee to get a foothold in the Indian market in the name of e-Bay India. eBay India census 2010 says about 296 Indian cities shopped on eBay in 2010. In 2009 Indian e-Commerce scaled up high due to huge venture capital funding and private equity interest. In 2011 nation’s e-tailing or electronic retailing business took an electrifying turn and in effect ushered in a new fortune to hundreds of new generation e-tailers like Indiaplaza.com, Jungle.com, Tradus.in, Homeshop18.com, Koovs.com, Dealface.com, Smartshoppers.in etc. In the year 2010 India saw a clutch of e-commerce sites in e-tailing after the launch of today’s Rs 250 crore Snapdeal. The deal of the day website Groupon entered India in 2011 and rebranded itself as Crazeal. This year Indian e-tailing war is fuelled up by Amazon’s entry in India with a new version Junglee.com. So far as Indian e-tailing market is concerned, Snapdeal gets Rs 15 lakh visitors a day and registered nearly 35% month-on-month increase in business. Again, Naaptol on an average gets 70000 unique visitors and handles 5000 transactions a day.

Till date e-tailing sector is dominated by the multi-brand dot com giants Flipkart, Snapdeal, eBay, Fashionandyou, Naaptol etc having average growth of 100-150% together in relation to the hovering growth of industry over Rs 4000 crore in 2011. Popular categories in e-tailing include mobile
phones, cameras, DVD players, video games and MP3 players, jewellery, shoes, toys, accessories like hard drives and pen drives, and kitchenware.

Traditional retail bigwigs like Bata, Reliance, TATA, Shoppers stop and Future group also have joined the Indian e-tailing race. Realizing the huge potential of e-tailing in India having 30-35% annual growth, Shoppers Stop, Futurebazaar, TATA’s Croma, Reliance-Timeout, Globus, Gitanjali etc. are looking at increasing their online presence through expansion of reach to more delivery locations, devising new convenient payment methods (cash on delivery), and improved integration with stores. Reliance has a major plan to enter into online retail segment with Reliance Timeout having varied merchandize-mix of books, music CDs, and electronic & mobile items at later stage. The e-commerce arm of Future Group, Futurebazaar.com, starts using the synergies from existing store retailing and linking its stores with eZone, Pantaloons & Bigbazaar online and delivers across 1500 cities and towns of India covering 16000 PIN codes. TATA Steel and SAIL also marked their online presence through Straightline.in – an e-tailing arm of TATA & SAIL’s 50:50 Joint ventures.

Among the biggest transactions from ‘brick & mortar’ based retail to e-tailing has been Reliance entertainment’s Big-adda. Today’s $12-billion Indian e-tailing sector is going to witness some tough battles ahead, with Wal-Mart set to enter the space soon.

[Source: Financial Express-July’11; Economic Times-May’12, Business Standard – May’12]

6.3 The Warring Success Mantras for Indian e-tailers

Investment in building a strong technology backend is vital to speed up the procurement & delivery especially to avoid inventory-risks. Establishing a deep, reliable supply chain and strong logistics appear to be the winning spearhead for an Indian e-tailer since this logistics/supply-chain acts as a differentiating ball game and a vital infrastructural driver to provide maximum customer-convenience in the form of ‘same-day-delivery’ experience. To deal with the online buyer’s apprehension of timely delivery, e-tailers need to be equipped with ability to ship from warehouses within hours of receiving orders from the customers. In order to land up with customer-delightment
objective, e-tailers need to put a strategic refocus on 4Ps of e-tailing marketing-mix. In product category selection, those items are to be selected which seem to be least affected by the ‘touch & feel’ factor (like CDs, Books). Place in e-tailing that is the online digital store needs substantial warehousing support at cheap locations without heavy capital investments in physical infrastructure build up. In case of price, in comparison to living-physical store, e-tailing may set less shopping price to the netizen-buyers since working capital needs are less for online retailing. Regarding the promotion, building trust and security are the most crucial areas an e-tailer needs to look upon during promotion to fetch a sizeable customer basket from real-offline market.

6.4 Roadblocks Lingering on e-tailing Sector of India: As per the latest e-tailing consumer survey done by MouthShut.com, during January to October 2011, Indian e-tailers were flooded with customer complaints out of which 45% were shipment related and 195 due to poor service & bad customer support. Majority of such e-tailing disappointments are found to be with those banking heavily on courier firms. Even with top-notch players First Flight, Aramex, and Blue Dart, delivery within 72 hours was not happening. Some typical high margin goods like ‘apparel’ have long way to go for getting sold online as here ‘touch and feel’ factor is a major issue to the e-tailers. In online shopping the fearful traditional mind-sets of Indian shoppers hold the myth that ‘what you see may not be what you get’ as ‘touch-feel-hear’ experience is attached with trust, security and privacy concerns. Last but not the least is the problem with online grievance redressal and complaint follow-ups in cases of delivery of wrong or defective items ordered online or delayed delivery.

Recommendation
Deepa Thomas, a spokesperson of eBay India, opined that metros have a share of 50-55% of e-tailing business, while tier II & III cities are joining the race at a faster rate. With rising internet penetration and new modes of payment coming into vogue, rural India, alongside tier II and tier III towns, are breathing life into the country’s R2,050-crore e-retailing market, growing at 32% annually. Now eBay.in, Snapdeal.com, and Naaptol.com are registering 40 to 60% of their sales from rural areas apart from the tier II and III cities like Jaipur, Visakhapatnam, Kanpur, Lucknow, Vadodara, and Faridabad. According to Wirefoot, a research and analysis firm, in India there are about 40,000 transactions per day at an average ticket size between Rs.1000 and Rs.1500 in last 2 years. As per Forger (2000), e-tailing success is the function of high velocity and high service levels, flexible payment procedures, and popularity of electronic trading. In this connection, Feare (2002) suggested some cardinal e-tailing strategy-builders like - prompt delivery, supply chain, demand nature, reverse
logistics etc. Considering the growing prospects of the concept of e-tailing, it can be inferred that there is huge scope of future research in this field.

7. Limitations

The paper presented based on the study on digitization concept in retail sector has been kept limited within the perspective of Indian market. Inclusion of the present global scenario of retail industry could have enhanced the value of the paper. As the research paper has been conducted on the basis of secondary sources of data, inclusion of several other sources would have made it more acceptable. The findings then would have given rise to several other essential dimensions within the selected field of study. Nevertheless, this loophole in the present paper has paved the way for future research that would definitely add up to the contribution of the present research in the field of retail marketing.

8. Conclusion

Digital business in the field of retail shopping greases the economic engine, makes the flow of transaction smoother & fast and also builds efficient B2C/C2C e-commerce. E-tailing has provided a new milestone and inexpensive delivery channel for retailers to reach out to their customers. Such a digital shift in retail trade opens up fresh opportunities for engaging & interacting with customers, building relationships to attain customer-delight, and to grow revenues. The magical spell of today’s electronic age has let loose a reign of fierce competition among the corporate citizens across the globe. Today being Customer-savvy is not just a strategic move but has become a corporate mission. Customer delighting approach of digital business generates a loyal customer who will work as an Ambassador to the retailing firm and facilitate growth of business. In pursuit of customer delightment, business firms of this century have start embedding the mission of delivering value for money in their culture and practices for strengthening the loyalty base of their customers. The various researches & surveys carried out in India and other nations reveal that education is found to be a crucial factor for growth of e-tailing. Younger consumers and males are more comfortable in using E-tailing. The key growth drivers of digital business in India under the realms of retailing are convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility, and customization. Digital modus operandi aims at fulfilling these requisites for giving better shopping experience to the customers.
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