

## **A STUDY ON THE CHALLENGES POSED TO E-RETAILING MARKETS IN INDIA**

R. Balaji\*, G. Kannan\*\* and J. Vijayadurai\*\*\*

***Abstract:** E-Commerce is the most used technique of buying and selling goods and services online. With the hectic and busy schedule that everyone is going through it becomes very difficult for the consumer to spend time in mails in order to select his or her desired product. At such situation the e-commerce or widely known as the e-business proves to be great help for all of us. With the rising needs of consumer based products and services the need for e-commerce is also increasing in a progressive manner. India has also developed the trend of e-commerce and has emerged out as one of the leading nations to make use of e-commerce for online selling and buying of products. According to EBay's census guide there are around 2.471 e-commerce hubs in our country and the states like Andhra Pradesh, Tamil Nadu, Maharashtra and Gujarat are the most active areas in terms of online trading. The paper aims to discuss about the impact of e-retailing market in India.*

***Keywords:** E-Commerce-Retailing, Retail, Supermarket, Kirana*

### **INTRODUCTION**

The Internet commerce industry in India has seen a manifold increase in the last couple of years, with the total market size increasing from Rs19,688 crore by the end of 2009 to an estimated Rs 31,598 crore in 2010. E-retail business is generally defined as the selling of one product, to a consumer, or group of consumers, via the Web. These days, merchants can pick and choose all different types of products to sell. E-retailing offers the most convenient and easiest way to shop through the internet. The use of e-commerce business is conducted in the way, spurring and drawing on innovations in electronic funds transfer, supply chain management, Internet marketing, online transaction processing electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce and online store business typically uses the World Wide Web at least at some point in the

---

\* Associate professor, DOMS, Bharath University, Chennai and Research Scholar, Bharathiar University, Coimbatore

\*\* Assistant Professor, DOMS, SRM University, Chennai and Research Scholar, Manonmaniam Sundaranar University, Tirunelveli

\*\*\* Associate Professor, DOMS, Madurai Kamaraj University

E-mail: mahamayabala@gmail.com, govardhanan\_kannan@rediffmail.com, jeyarajojey@gmail.com

transaction's lifecycle, although it can encompass a wider range of technologies such as e-mail as well.

A large percentage of Internet selling are conducted entirely electronically for virtual items such as access to premium content on a website, but most electronic commerce involves the transportation of physical items in some way. And online retailers are sometimes known as e-tailors. Almost all big retailers have electronic commerce presence on the World Wide Web. Online consumers in India recognize the convenience of online shopping as reflected in the high percentage of Internet users who buy a wide range of products, from those for everyday use to the occasional high-value item online. The online shopping market in India is on the rise and e-retailing services India will definitely give a new edge to online business.

### **CURRENT SCENARIO**

The Internet commerce industry in India has seen a manifold increase in the last couple of years, with the total market size increasing from Rs 19,688 crore by the end of 2009 to an estimated Rs 31,598 crore in 2010. By the end of 2015, the net commerce market size is expected to grow and touch Rs 21,30,318 crore, the study by the industry body said.

The report also highlights that other areas like digital downloads and e-retailing are showing promise and growing rapidly. These sectors are predicted to grow by 62 per cent and touch Rs 1,100 crore and Rs 2,700 crore, respectively, this year. E-tailing, which includes purchases of durable products such as electronic items, home and kitchen appliances, as well as personal items like apparels and jewellery, constitutes 8 per cent of the overall e-commerce market in the country. Bullish on the growth prospects of the online market, the report, however, observed that in the last few years, online spending has been skewed toward specific categories such as travel or certain products in e-tailing.

The behavior has evolved recently and is expected to blanket different kinds of products and services purchased over the internet and mobile networks. While online travel will continue to comprise a major proportion of the overall market, e-tailing and digital downloads could experience a high growth," it noted. According to the study, around 7.4 million people in the country bought products over the Internet in 2009. "Barring few services such as online ticketing, broadly speaking, Indian consumers aren't shopping online. Large number of surfers uses the Internet to look for information about the product or service they want to buy followed by a physical visit to a shop for buying," it observed.

### **BOTTLENECKS FACED BY E-RETAILING IN INDIA**

#### **Problems with the Payment System**

People in India are not used to the online shopping systems and moreover the online payment system through the credit card is also totally alien to them. Most of them do

not avail of the transaction facilities offered by the credit cards. They are also dubious regarding the online payment system through the credit cards. Hence different payment option should be made available to them like the credit cards, cash on delivery and net banking to give them further assurance.

### **Problems with Shopping**

The customers using the online shopping channel should be assured that the products that they have ordered would reach them in due time. For this the retail companies have resorted to private guaranteed courier services as compared to postal service.

### **Offline Presence**

The customers should be assured that the online retailers are not only available online but offline as well. This gives them the psychological comfort that these companies can be relied upon.

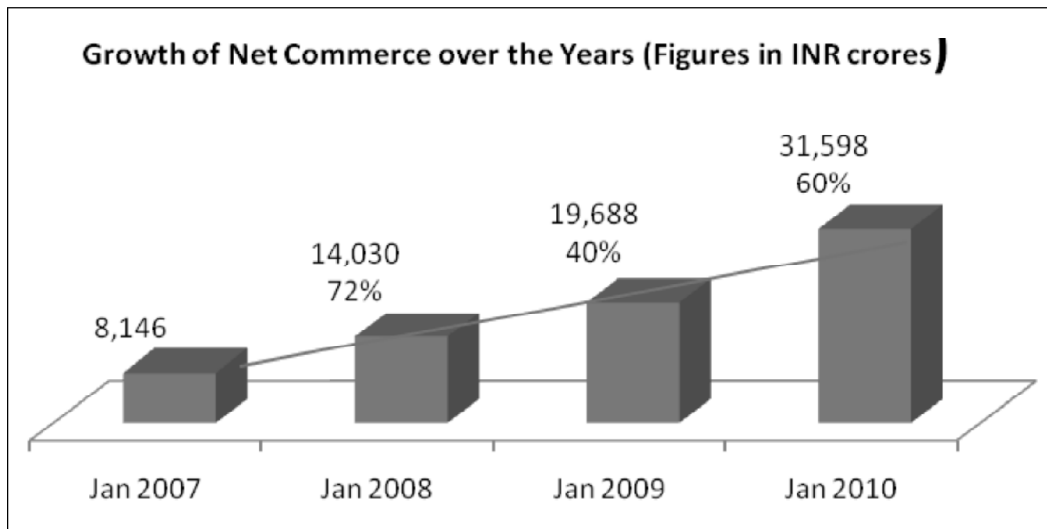
### **Products offered at Discounted Rates**

The online retailers save on the cost of building and employee salaries. Some part of this benefit should also be enjoyed by the online customers by a reduction in the price of the product. The customers should be conveyed this message that they are getting the products at a discounted price. Another reason why the concept of e-retailing or online retailing has not gained prominence in India is that the Indians prefer to touch the products physically before buying them. This facility is provided through the multi-brand outlets, not available online. Studies have revealed the preferences of the customers towards the traditional shopping methods. Hence the retailer online should first make it a point to spot the potential customers and accordingly plan out the product. If the customers are more open to online shopping, then nothing can be more beneficial. They save the time and effort to visit, departmental stores, shopping malls, etc., products can be delivered by a click of the mouse. Another problem is that the retail industry is standing on its point of inflexion and considering its infant stage, it would take time for the new concept of e-retailing to take off.

## **TRENDS AND INSIGHTS**

According to a report released by IMRB and IAMAI, the e-commerce market in India is expected to be a 31,598 crore valuation by end of 2010. A growth of almost 4 times of the market size back in 2007, the e-commerce industry is picking on the trend of the increasing number of Internet subscribers in India. Clearly the growth in the e-commerce industry has been tremendous with a larger audience accepting the ease of online payments.

The e-commerce market is projected to grow to 21, 30.318 crore by 2015, which then will be a 400% growth in the last 5 years. What is more interesting is the breakup of the market, which is primarily skewed towards the online travel industry. The



Sources:IMRB and IAMAI

following chart lays out the market size and breakup of the ecommerce industry in India from 2010 to 2014.

**Net Commerce Market Size from 2011 to 2014**  
(Figures in Crores, Percentages indicate share of the overall market size)

Year	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Total Market Size	8,146	14,030	19,688	31,598
Online Travel Industry	6,250 (77%)	10,500 (75%)	14,953 (76%)	25,258 (80%)
Online Non-Travel Industry	1,896 (23%)	3,530 (25%)	4,735 (24%)	6,340 (20%)
e tailing	978	1120	1550	2050
Digital Downloads or Paid Content				
Subscription	238	290	435	680
Financial Services		1,200	1,540	2,000
Other Online Services (incl. Online Classifieds)	680	920	1,120	1,610

The above figure clearly states that the online travel industry accounted for 76% of the total e-commerce market in India in 2011. The study states that e-Tailing is one the primary growth drivers and will remain so in the near future too. The growth in the e-commerce sales is a clear indicator of the growing number of people using Internet to make purchases. But again, the online purchases are limited to a certain category of buying like travel purchases, electronic items, online classifieds, buying movie tickets,

food delivery, gaming subscriptions, etc. In spite of such growth in the industry, not many people amongst the total online audience is making online purchases as of now. The trend of hunting for information online and then being followed by a physical purchase is still prevalent.

The shift is gradually taking place where an increasing number of people are making online purchases too. But the majority of the Internet audience is still averse to the idea of making online purchases due to the following reasons:



Sources:IMRB and IAMAI

Besides for all these reasons, the E-commerce industry has shown great signs of growth due to the increasing awareness of the same amongst the net savvy Indians. The online travel industry seems like it will continue to dominate the e-commerce market, but e-tailing and digital downloads is expected to source the highest growth. The increasing number of mobile/digital downloads is in direct correlation to the high proliferation of mobile devices in the country among different users as well as introduction of interactive content over the Internet. Also many retail chains are opening up to embrace the medium to ensure there are sales over the Internet. This ensures reach in Tier-II and Tier-III cities where the early Internet users are being targeted for online purchases as well. The financial services sector is another area that holds promising growth in the future due to the ease and adaptability of online money managing services.

The Internet users in India have time and again adopted the advancements in the online space and are always seeking out to include digital interactions into their daily activities – making purchases and indulging in transactions being one of them. The e-commerce industry on its own is poised to be one of the biggest markets in India. It will be interesting to see how and when the e-commerce industry will shape itself into a mainstream giant being accepted by the masses in the online space. There are divergent views on the future of e-retailing in India. Some experts are of the opinion

that the giant, big brand retailers would dominate the small ones due to their wider investment capacities. It would be next to impossible for the small retailers and the kiranas to prove their existence in the battlefield of online retailing. Another viewpoint is that there would be an exponential growth in the online retailing business in India.

The recent survey conducted by Nielsen, India has emerged as the 3<sup>rd</sup> biggest nation when it comes to online shopping and using a credit card online. Drawn by the facilities offered by the Web and the diversity of products available on it, Indian citizens have emerged as the third biggest credit card users globally for online purchasing, next only to the Turkey and Ireland. The survey shows more than 85 per cent of Internet users in the world are purchasing goods or services online, with credit cards as the most used method of payment.

### CONCLUSION

Thus, the E-Retailing industry in India has been registering a tremendous, unprecedented growth at the same time facing many new challenges within and from outside India. There should be a concerted effort by the Government and all the stakeholders concerned to cope with these challenges and take the industry ahead.

### References

<http://www.chillibreeze.com/articles-various/E-tailing.asp>.

<http://www.businessdictionary.com/definition/electronic-retailing.html>.

*Mumbai Mirror*

[www.multilingual-search.com/india-ranks-biggest-e-shopping-nation-online](http://www.multilingual-search.com/india-ranks-biggest-e-shopping-nation-online).

<http://www.imediaconnection.in/ecommerce-in-india-statistics-trnds-and-insights>.

<http://www.answers.com/topic/e-services>.