



INDIAN ONLINE MARKETSPACE LEADERSHIP INNOVATIONS AND GULLIBLE ENDUSER PERCEPTIONS

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Abstract

Unparalleled market reach and consumer attention being garnered globally with the advent of Internet as a strategic communication tool during the last two decades resulting in unequivocally disruptive product and service offerings enlightening the consumer more than ever. The outcome altered the economical inequalities by presenting market based methods more dynamically in the short run ofcourse in the shortest span too. Time and distance the ever significant variables to earmark the consumer engagement and continually hooked into the need pyramid and its fulfillment one way or other is happening in a swift and social manner which brings companies closer to consumer heart. On the other hand ineptitude companies either fallen back on the wayside or transforming themselves to meet both sides of the world the offline and online. This paper unfolds the ever changing consumer portrayal in a possibly an unprecedented manner to look into the discerning aspects of their continuing spree to fuel the likes of the leading ecommerce companies to dominate the marketplace at present and also in the foreseeable future. In addition to the above the decisive factors which make consumers to concisely and consistently to respond to the e-pitch and the touchpoints in a determinable manner unlike the earlier physical models.

Keywords: Customer acquisition costs, Lifetime Customer value, Cashburn, O2O.

1. Introduction

The Indian ecommerce evolution started in 1999 by Indiatimes.com, rediff.com, sify.com nearly four years after Amazon commenced in 1995. Then came the swirling of dot com bust in 2000 and the second wave of Indian ecommerce saw a labyrinth structure of ebay in 2005, flipkart in 2007, snapdeal in 2010, shopclues in 2011 and finally amazon in 2013. This is purely the non-travel ecommerce side which made serious impact in the lifestyle of Indian burgeoning techno savvy consumer base aided by the proliferating internet and gadget invasion into the heart and minds of the Indian population which saw robust growth in the post iphone era since 2007.

A relatively humble beginning with a ecommerce market size of 45000 internet users and US\$31 million revenue in 1999 to tumultuous overall 432 million internet users/browsing community (30% of India's 432 million internet users) of which 100 million users purchased online in 2017 ticking a modest US\$10 billion revenue and a modest forecasting by 2020 India this will eventually be hyped to touch staggering US\$100 billion in online sales roughly 8-10% of global ecommerce on the verge of increasingly inclined internet population the digital natives. In the article *India's Digital Leap-The Multi Trillion Dollar Opportunity*, Morgan Stanley forecasted like India's e-commerce market is likely to register a compounded y-o-y growth rate of whooping 30% for gross merchandise value to be crossing \$200 billion by resulting in market penetration to 12% in the next nine years, versus a meager 2% today. This is because of ever increasing internet user base supported by massive technological percolation down to tier II and tier III cities aided by data unleashing by ISPs in the recent past where 70% contribution of additional growth happened who are invariably first time online buyers as well as resulting in the ever increasing the frequency of purchase driving up the order values.

2. Objectives, Need and Scope of the study

The very purpose of this exploratory study is to hypothesize the changing consumer perception and continued increasing dependence and patronization of E-Commerce Companies and the top four have exceeded US\$35 billion in valuation as Dec2017 besides improving the investor confidence during the last three to four years. Many Indian Retail stalwarts have voiced that pure play models are no longer sustainable in the long range unlike the west now started O2O(Offline to Online as well as Online to offline).Needless to say these metamorphosing changes are invited into the respective business and revenue models to drive more and more loyal customers hooked to the brand for long term on the value proposition factors.

The major objectives of the study are

- To assimilate the various factors related to customer preference and choices on deciding the online purchase mode and method
- To factorise the effect of these on the leading Indian E-commerce players the top 4
- To extend the analysis into the harbinger of future strategy for these top players in India

This was purely necessitated in terms of increased boom of e-commerce industry and companies started their excessive cashburn the amount companies spend to run their businesses—is up to \$400 million, 60% higher than the \$250 million spent last year whereas the total the total GMV (gross merchandise value, or the total value of goods sold from a marketplace) of the Indian e-commerce sector this festival season to be about 60% higher than a year ago around Rs11,500 crore. The cash burn “could pay off if the industry is able to deliver a top-class experience to the millions of new shoppers this time around and retain them going forward,” acknowledged Anil Kumar, CEO of RedSeer Consulting.

3. Research Methodology

This paper focuses on the recent mind boggling festival sale commencing from September 2017 upto January 2018 new year sale by the leading players by market share Flipkart, Amazon India, Snapdeal and payrtmmall with respect to various factors time of sale, payment options, intention to buy and the brand choice of consumers covering metro cities only though Indian E commerce is penetrating as well as largely impacting the Tier-II and Tier-III cities covering semi-urban areas too,

4. Review of Literature

Let us briefly assess the existing e-business model (fig1.1) which has value proposition at the core in reaching the target audience in transferring capabilities and competencies in a series of inimitable strategic maneuvering process to build their business and revenue models.

According to Dellarocas et al. (2007) added online ranking of a certain film to their model and revealed that this factor has a strong predictive power of company revenue in the long run.. Bruyn and Lilien (2008) examined the run over effect of consumer communications to each other in the process of decision-making in the context of viral marketing which is a powerful e-Word of mouth propagating to reduce the procrastinating buyer interests. In another instance Simon and Sullivan (1993) asserted that marketing communications delivered an instrumental component as a determinant of brand equity of firms. Further Yoo et al (2000) indicated that marketing communications have a positive influence on brand equity, brand loyalty, brand awareness and brand value. However, previous works on the relationship between marketing communications and brand equity had lot more focused on traditional marketing communications (2000) which is the keystone of Indian E-commerce growth today. According to a 2015 report by Goldman Sachs, 30% of an Indian e-commerce company’s expenses go towards discounts. And with the latest increased fund raisen market leader Flipkart had immense firepower resulted in massive discounting spends to acquire new customers as well as to gain momentum over its arch and close rival Amazon.

Pillars of e-Business Model

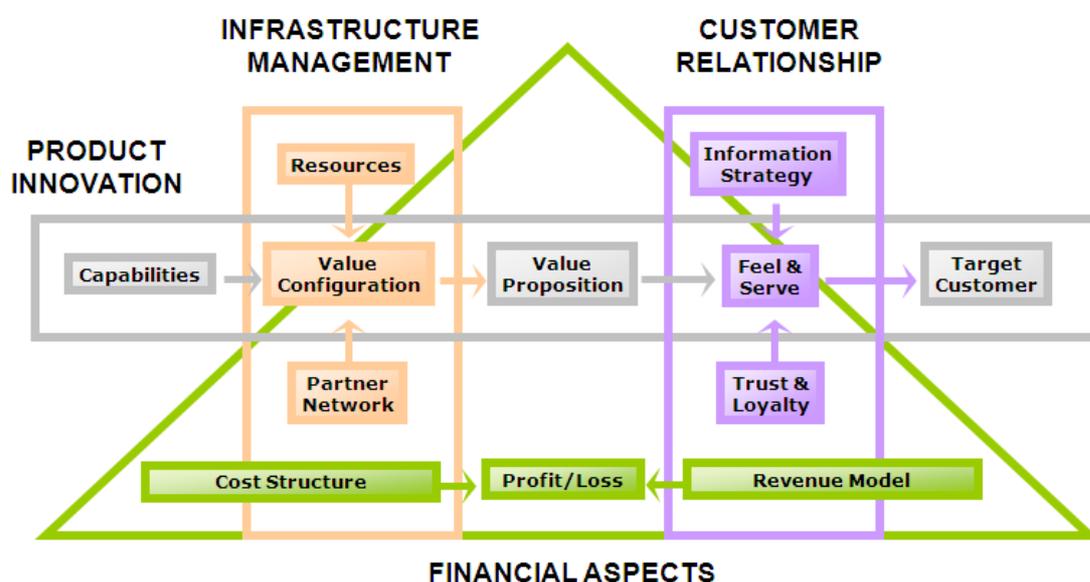


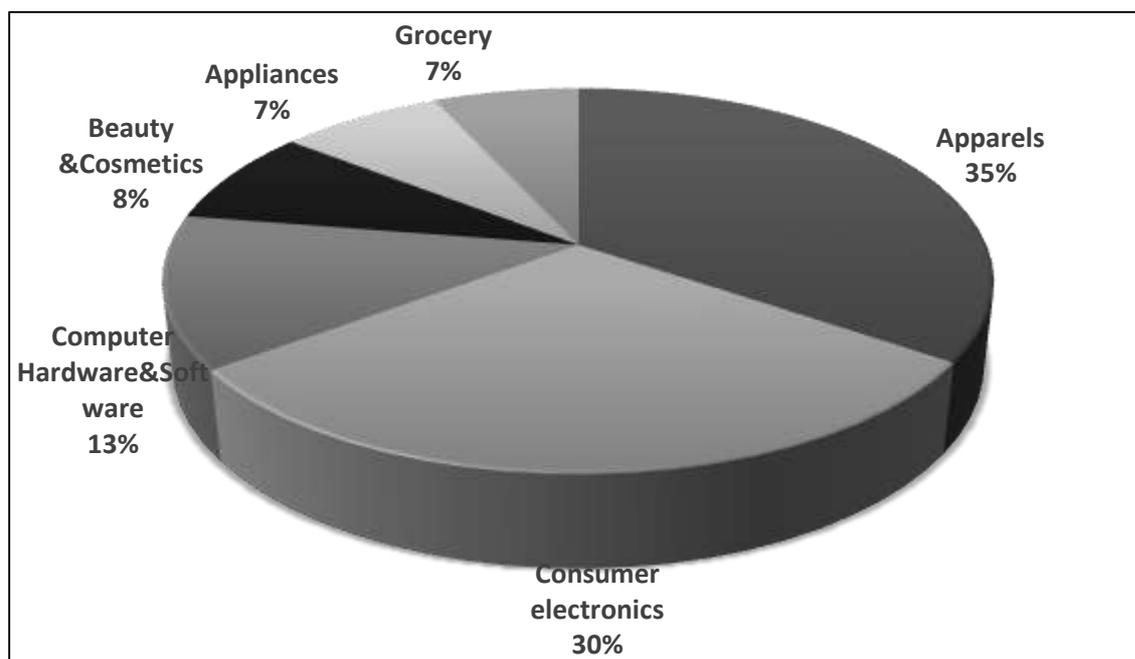
Fig 1.1 Source Dr.Kar extracted from <http://www.business-fundas.com/2011/e-commerce-e-business-strategies/>

There is no direct significant relationship between subjective norm and consumer behavior and it has been proven by Ajzen(1991) that personal considerations tend to overshadow the influence of subjective norm Most of the studies on subjective norm are mediated by purchase intentions before performing actual buying (Choo, Chung & Pysarchik, 2004; Limayem et al., 2000; Jamil & Mat, 2011; Zhou, 2011).Ajzen (1991)

suggested that intentions are presumed to be an indicator of to what extent people willing to approach certain behavior and how many attempts they are trying in order to perform certain behavior. According to the studies by He et al. (2008), lack of intention to purchase online is the main obstacle in the development of electronic commerce.

4. Indian E-Commerce lead present status

Amazon India when entered in Indian Market in 2013 the B2B and B2C segments were dominated disruptive players like Flipkart (2007 launch), OlaCabs and paytm. Amazon India (Amazon Seller Service Pvt. Ltd) primarily following a market place model unlike a retail model in India generated gross sales of Rs2,500-2,700 crore during the first round of its Great Indian Festival that was held between 21 and 24 September. There are 450 million Indian internet users; Amazon has 150 million registered customers Flipkart generated gross sales of more than Rs5,000 crore, driven by booming sales of Apple Inc.'s iPhones, Xiaomi phones and VU televisions, during its Big Billion Day sale. Fig1.2 sketches the sector wise distribution of Indian E-Commerce as on Dec2017. Like global scenario Fashion (apparels & garments) followed by consumer electronics and rest of the pie gets divided on appliances, cosmetics, groceries which also seeing surging growth



Between November 2016 and October 2017 – the 12-month period for which the latest data is available – Amazon was consistently ahead of Softbank-funded Flipkart on desktop and mobile browser visits, app downloads and average daily active app users. Amazon ended October last year with 5.4 million downloads for the month to Flipkart's 4 million, according to app metrics tracking website App Annie.

Mobile Web Browser Visits(Million Monthly)				
	Nov16-Jan17	Feb-Apr 2017	May-July2017	Aug-Oct2017
Amazon	580	625	696	868
Flipkart	241	266	311	389

Source: Appannie, Similar Web

Fig1.3 Mobile visits

5. Statistical Analysis and Interpretation

5.1 SEM Analysis

SEM was conducted by using AMOS 21.0 to assess fitness of the path model based on the proposed hypothesis. SEM is a combination of factor analysis and path analysis, and allows a more 'causal' explanation of findings (Byrne 2001). There are several criterion set by the SEM researchers to assess and identify the fitness of a model. Hu and Bentler (1999) suggest provocatively that for a model to have a good fit, the Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI) should be greater than 0.95, and the Root Mean Square Error of Approximation (RMSEA) should be less than 0.05. The RMSEA examines the probability of close model fit and is considered a more appropriate test, as it has been shown to be less affected by sample size (Byrne 2001; Floyd and Widaman 1995).The SEM analysis resulted in the structural model as given in Fig 1.4 reflecting a goodfit

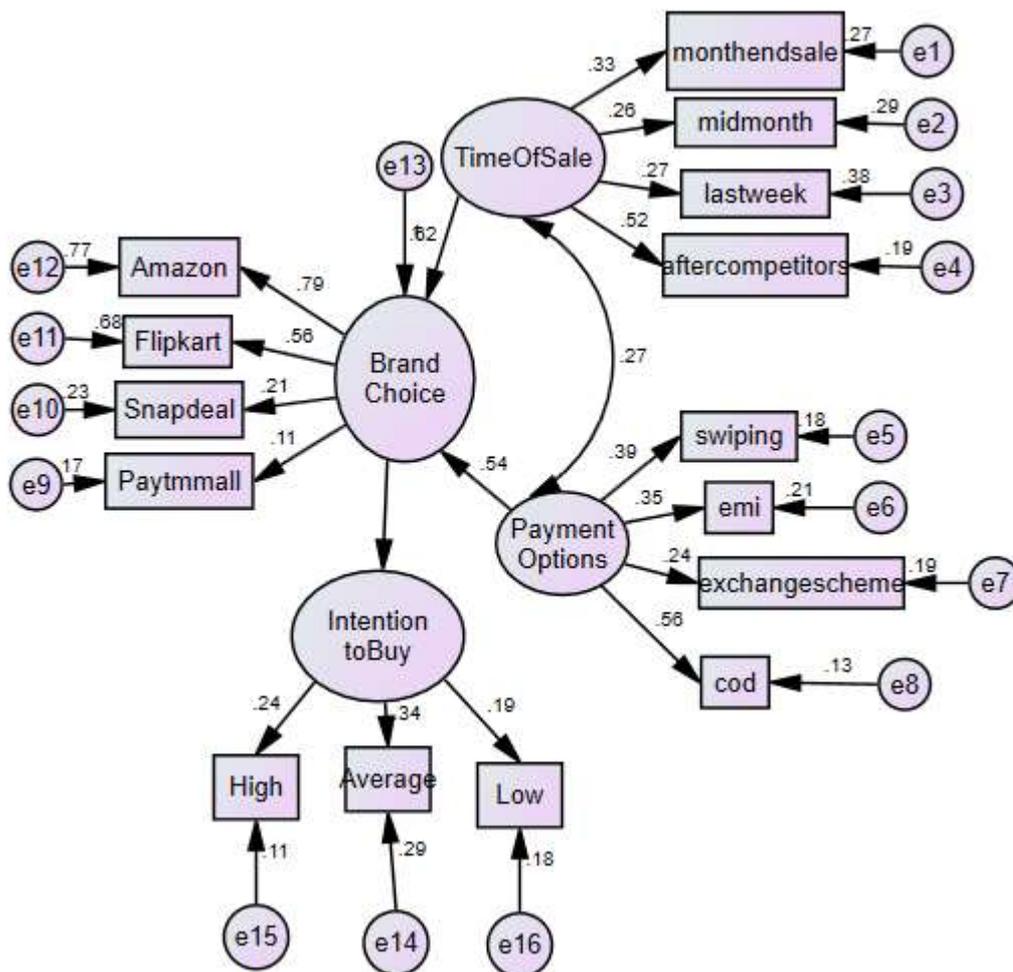


Fig 1.4 SEM analysis

From the SEM analysis the findings are listed below indicating moderately a good fit on the chosen variables and the Fitness Indices are indicated in Table 1.1

Table 1.1 Fitness Indices

	CMIN/DF	RMSEA	AGFI	GFI	CFI	NFI	IFI	TLI
Default Model	2.365	0.044	0.962	0.985	0.972	0.961	0.973	0.945
Acceptable	< 5	< 0.05	0.9	0.9	0.9	0.9	0.9	0.9

5.2 Conjoint Analysis:

Conjoint analysis is one of the most popular tools used for market research purposes. As we aware .It is an advanced exploratory technique used to determine how people make decisions and on what factors do they place real value in real life situations to buy/ adopt various products and services. It has been widely employed for product/services analysis purposes since 1970s. Kotler (2000) defines Conjoint Analysis as "...a method designed to show how various elements of products or services (price, brand, style) predict customer’s ways of deriving the utility values that they attach to varying levels of a product’s attributes”. Churchill and Iacobucci (2002) refer to Conjoint Analysis as “conjoint measurement, which relies on the ability of respondents to make judgments about stimuli”. These stimuli represent some predetermined combinations of attributes, and during a laboratory experiment, respondents are asked to make judgments about their preferences for various attribute combinations. The basic aim, therefore, is to determine the features they most prefer. From the definitions given above, it is clear that conjoint studies centre on certain attributes of products and also various levels within each attribute.

This is applied on the chosen four e-commerce firms and their offerings on sale offer period, Branded items sale, payment mode, return/refund options, delivery speed.

Model Description

	N of Levels	Relation to Ranks or Scores
Etailer	4	Discrete
saleOffer	4	Linear (more)
Brand	4	Linear (more)
Payment	4	Discrete
Returnable	2	Discrete
Delivery	4	Linear (less)

All factors are orthogonal.

Importance Values

Etailer	I ← 31.799
Payment	III ← 16.303
Returnable	4.259
saleOffer	IV ← 15.885
Brand	V ← 15.139
Delivery	VI ← 16.635

Averaged Importance Score

Fig 1.5 Importance Values

Fig 1.5 reveals consumer place the importance in this order

Etailer, Sale offer, Delivery payment as the top priorities followed by Brand and returnable or refund items. But in Indian E-Commerce . For product categories such as clothing, shoes, handbags, eyewear, watches, and luggage, the returns policy is 30 days (Flipkart and Amazon India). Whereas, for the rest such as books, mobile phones, tablets, computers & accessories, home & kitchen items, large appliances, it is around 10 days. Snapdeal has a 7-day returns policy. Even in 2017 Sellers are still asking the trivial question of the relevance of extending 30-day return policy which is alive and kicking since 2015.

Utilities			
		Utility Estimate	Std. Error
Etailer	Amazon	5.858	2.362
	Flipkart	-3.688	2.362
	Snapdeal	2.379	2.362
	PaytmMall	-4.549	3.001
	COD	.429	2.362
Payment	UPI	1.719	2.362
	EMI	-3.617	2.362
	Exchange	1.470	3.001
Returnable	No	-.697	1.415
	Yes	.697	1.415
saleOffer	BillionDay	6.923	1.359
	OnPaydayoftheMonth	3.462	2.719
	endofSeasonSale	5.192	4.078
	Couponbased	1.731	5.438
Brand	PremiumBrand	1.652	1.359
	Ownbrand	3.303	2.719
	NewBrand	6.606	5.438
	Unbranded	4.955	4.078
Delivery	Sameday	1.815	1.359
	NextDay	7.259	2.719
	withinaweek	5.444	4.078
	Morethanaweek	3.629	5.438
	(Constant)	21.077	5.598

From the utilities fig we could identify (i) E tailer category –Amazon (ii) Payment –UPI, (iii) Returnable –Yes

(iv) Sale offer –Billion day sale periods (v) Brand –New Brand and (vi) Delivery –Next day is having high utility values

6. Conclusion

Since 2014-15 Top 4 Indian internet etailers are flush with funds in, meticulously pampered customers with deep discounts, often subsidising buyers from their own pockets. It was a convenient arrangement for these cash-rich companies thanks to the competitive spirit of the

venture capital funds like Alibaba, Softbank, Sequoia Capital and Naspers made Indian e-tailers to go around offering bigger discounts led to more transactions, translating to higher GMV figures that could be flaunted before investors and the media.

In the coming years when big fortunes are predicted possibly a few big horizontal players (across all product categories) will remain as they can achieve higher basket size and 'economies of scale' quickly. Incidentally niche vertical players for fashion and lifestyle categories (such as apparel & jewelry products) could also sail through with ease as they command higher profit margins. However, the customer analytics study largely reveals once a consumer has been online for over five years, they are more likely to buy online. Right now, that's roughly 30% of India's 432 million internet users. With enormous penetration happening in distant areas which were so far less connected, thanks to Jio Telecom the future looks bright and a lot of fresh initiatives are designed by these e-tailers in harnessing this to reach US\$200 billion in 2020 with proposed financial inclusiveness seeing 85% of the population is brought under online banking and UPI interfaces with ease.

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