

RISE OF ONLINE SHOPPING IN INDIA AND CUSTOMER FEEDBACK ON THE ONLINE BUSINESS MODEL OF FLIPKART

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INTRODUCTION

According to an Associated Chambers of Commerce and Industry of India (ASSOCHAM) survey, *the online retail market in India may grow to Rs.70 billion (over \$1.30 billion) by 2015 from Rs.20 billion in 2011 as internet access improves*

India has always been a land of great potential. The socioeconomic condition of the country has improved many folds after independence and India is now emerging as one of the leading countries in the world. Moreover with a population of over 100 crore and a growth rate of above 6%, it can be compared to a marketing giant. Hence it can be well judged why online shopping in India is rising at fast pace over the days. As technology is spreading to the remotest villages and many job opportunities are presenting themselves to the unemployed youth more and more people are gaining awareness and the money to purchase expensive and luxurious items over the internet.

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ONLINE SHOPPING

Which company flashes in your mind first? Flipkart, Amazon, eBay etc.

Well, let us talk about the home-grown, Indian, e-commerce site ‘Flipkart’, also considered as the Amazon of India

A Company which started with just 4 lakhs is now worth over more than 2000 crores According to the data Flipkart has provided to Ministry of Corporate Affairs; the company’s revenue in 2001–12 was \$77 million (Rs. 500 crore). For the fiscal 2012–13, their revenue is estimated to be \$350 million. With this huge success flipkart is becoming the fate of online retail in India this paper attempts to throw light on the growth of online retail business in India with special reference to flipkart (analyzing the consumer feedback about the online business model of flipkart)

Purpose of the study:

- 1) To study the growth of online retail business in India
- 2) To explore the online business model of flipkart
- 3) To analyze the Customer feedback of flipkart over the other available online retail store in India

DATA COLLECTION METHOD:

PRIMARY SOURCE

Primary data was collected through the survey method (**questionnaire observation and interview**) from the respondents. Observations regarding the rise of online shopping trends. The questionnaire aimed at studying the costumers preference and feedback for the online shopping sites flipkart Unstructured interview was conducted for some of the repondents to find out te drawbacks of the online model of flipkart

SECONDARY DATA: Internet, Magazines and Journal on the related topic.

3. SAMPLE DESIGN:

Sample size: For the research the sample size of

- 200 respondents were taken for the Age group of 16 to 40 in which 80% of the population are the frequent users of online shopping
- Thearea of NCR was covered that to Noida and Gaziabad

Sampling technique: Convenient sampling technique is used

LITERATURE REVIEW

ONLINE SHOPPING IN INDIA:

The invention has opened a whole new world of possibilities for us. Not only we can communicate with the person we love within moments but nowadays many vital tasks like jobs, shopping, socializing and many others can be done easily at the convenience of our homes. The concept of online shopping is a relatively new one and it enables us to buy all our favorite goods and accessories over the internet. This not only saves time but also we can get the products at a much discounted price and that too at our homes. There are many online stores that have developed in recent times like letsshop.in, flipcart.com and many others. These stores host a wide range of products like bags, shoes, books, gadgets and many others. To purchase any product you have to visit the site and click on the product that you would like to purchase and the product will be delivered to you within a week maximum. It's that simple.

Online shopping in India is rising at fast pace over the days. This is mainly because the people are becoming more aware about the concept of online shopping and the advantages of it. So they are opting for it.

Some of the advantages of online shopping are:

1. **Saves time:** Online shopping saves us a huge amount of time. We can buy any of our favorite products from our home only and need not visit the malls.
2. **Cost Effective:** The products can be bought at a much discounted rate by shopping online. This is because online stores offer huge discounts and lucrative offers on the purchase of each and every product. This is done to attract more customers from all over the world.
3. **Other Facilities:** The products are freely shipped and delivered at our doorstep without any extra charge. Moreover if we find them not suited to our purpose we can return them without purchasing any time. Apart from that if we do purchase these items and find them to be defective then we can return them within fourteen days of the purchase and we will get all the money back.
4. **Shop any store worldwide.** Never again be limited geographically. Many merchants do not have physical stores in every state, and certainly not in every country. When you shop online, you can browse through stores around the block or around the globe! Discover amazing new items from exotic places that you perhaps have never even heard of before.
5. **Ship your gifts directly.** When you order online, you can send gifts or even have gift baskets delivered directly to their recipient. This means you can avoid long waits at the post office and

you can get your gift delivered faster. Many stores even offer customized cards and gift wrapping to go along with your present.

6. **Find items you might not see in stores.** Since brick and mortar stores are limited on space, merchants usually don't carry all of the items they sell in store. Online, you can find their entire inventory, along with many choices of colors, styles, and even customization options. Shop on the Internet so you can find exactly what you want.

7. **No more waiting in line and pushing through crowds.** Malls and retail stores can be chaotic, especially during a big sale or a holiday season. Don't stress yourself out, just shop from home! You'll never have to stand in a long checkout line or weave your way through crowds just to get the items you want. Shop online and you can stay in the comfort of your own home

8. **The Internet never closes.** You can shop anytime online 24 hours a day 7 days a week. Online stores never close, so you never have to worry about making time to go to the store. Online shopping is perfect for night owls or anyone who is just too busy to make a trip to the store.

The act of buying things from websites and not shops certainly took a long time to blend in with the shopping mindset of the Indian customer. The current scenario is one, which is witnessing a change in this mindset. There have been many websites that have been launched with the objective of selling products to customers.

Products belonging to various product sectors are now being sold on these websites and the range is quite a large one right from expensive laptops and LCD televisions to mundane grocery items.

The frequency of B2C transactions has certainly increased over time in the Indian subcontinent. There are many shopping websites, which are now witnessing a decisive surge in traffic (this statement is being made while keeping in view the performance of shopping websites in the last five years). With an increase in the number of persons visiting these websites, they have also become ideal platforms for advertisements and banners of different brands.

Online shopping in India, is certainly witnessing a period, which entails things such as rising number of online sales and fantastic revenue and profit figures.

There have been many products, which have caught the fancy of online shoppers and one of them is a handset. Handsets, irrespective of the brand, are being sold in magnanimous numbers on different websites. All the major market players in the telecommunications sector, FMCG

sector, services, mobile sector etc. are doing quite well with the sales that they are getting from this online platform. The money that is earned is being put to good use by using it in the betterment of the respective R&D departments.

Apart, from the businesses doing well, the customers are also given many fantastic features. Some of them include things such as free gifts with every online purchase while some involve special offers that are quite economical and affordable.

Growth of online retailing in India

India e-commerce has grown at a compounded annual growth rate of 30% since FY09, and is expected to be \$18 billion (around Rs 1,116,00 crore) opportunity by FY15.

The findings part of report: Indian Ecommerce-Tip of the Iceberg, by Macquarie Equities Research back this high growth rate on rising internet population, over 300 million middle class population, increasing mobile penetration and low levels of e-commerce activity.

“Compared to the west, India’s ecommerce industry is still in its infancy. E-commerce contributes only 0.6% of the country’s GDP vs 1-3% for other countries, with only 12% of India’s online population transacting online vs 64% for the US and over 50% for China,” said Atul Soni and Nitin Mohta in the report. This growth will further be accentuated by companies going in for public listing. In the Indian context, only two internet-based companies are listed on the markets, including Infoedge, which runs India’s largest job portal (naukri.com), and justdial, which is India’s largest local search site.

The nature of Indian e-commerce is also different. Travel has the lion’s share of 71% of Indian e-commerce, but e-tailing has grown the fastest, at a 59% CAGR between FY09-13E, to reach 16% market share. Compared to the west, India’s ecommerce industry is still in its infancy, but we believe that it may become a bigger part of the entire retail universe than in the west.

“We believe that for many young Indians, Online shopping may become their primary way to shop throughout their lives. Whenever significant opportunities such as e-commerce present themselves, many market participants compete aggressively to try to emerge as undisputed leaders to gain brand recognition and customer loyalty, and oftentimes these players change their business model along the way to grow with the market,” said the report.

Flipkart succes story :

When they were starting out, Sachin Bansal and Binny Bansal would get on a motorbike to make the rounds of book warehouses across Bangalore, ride back to their two-bedroom apartment and package orders for online customers.

It was a humble beginning for two former software developers for Amazon.com who set out in 2007 to beat their one-time employer at its own game long before Amazon entered India.

The firm's success mantra: employing technology for speedy and accurate delivery to customers. Sachin and Binny Bansal co-founded the e-commerce site in 2007 after resigning from their jobs at Amazon India. With Rs. 4 lakh in seed capital and just the two of them as employees, they were pouncing on a demand-supply gap in online bookselling. The duo initially did everything, from programming, forging supplier relationships and book procurement to logistics, packing and shipping. "It was a minimal start and a case of figuring out things as they came," Sachin recalls. "We started earning customer goodwill, and what followed was phenomenal word-of-mouth publicity. We became profitable in six months."

In 2007, Flipkart started by offering 50,000 titles. Today, it offers four million. It has 500,000 registered users, and has sold 750,000 books so far. Half the buyers have returned to buy a second book.

There are websites that offer better discounts, but Flipkart plans to focus on expanding logistics and adding value. "For now, we are not joining the pricing game. The discounts and free shipping are possible because of our sales volumes, and low expenses on overheads like rent — all of which we are passing on to the customer." The cash-on-delivery (CoD) scheme for those who hesitate to pay online owing to security fears now brings in 30 per cent of the revenue.

Flipkart also continually tweaks its website, for that is where customer satisfaction first meets the technology. A preview of select pages from books will soon be up. Users have been demanding a loyalty scheme, and that too is being worked out. A better search engine, a simpler payment mechanism...the wish list stretches.

When you browse the website, add items to the shopping cart, and confirm your order, you trigger Flipkart's automated communication system. It reads your postal address code and routes the purchase order to one of the company's four warehouses — in Mumbai, Delhi, Kolkata and Bangalore. If the book is not in stock, the nearest supplier is automatically queried. When the book is available, it is packed and picked up by a courier company within four to 24 hours. The book arrives at your address within one to three days.

According to Sachin, the company is “aiming at 24-hour delivery of most books because that's what the customer seeks. In the future, a customer can order a book in the morning and get it by evening.”

Regional market:

The company is also busy switching to selling music, movies, mobile phones and game, besides books. Flipkart is also deepening its presence in book selling by targeting the regional language book market, which has largely been untapped. “More books are read in regional languages. It is tough to get a book supplier on board, but once that is in place, this business will further explode,” says Sachin.

Things are easier said than done! To realize our dreams and that also in such a grand manner is really a tough task. The founders of Flipkart have probably conquered their dreams with the amazing success of Flipkart. Flipkart is something which has really opened up the Indian e-commerce market and that also in a big way.

Flipkart began with selling books, since books are easy to procure, target market which reads books is in abundance, books provide more margin, are easy to pack and deliver, do not get damaged in transit and most importantly books are not very expensive, so the amount of money a customer has to spend to try out one's service for one time is very minimal. Flipkart sold only books for the first two years. Flipkart started with the consignment model (procurement based on demand) i.e. they had ties with 2 distributors in Bangalore, whenever a customer ordered a book, they used to personally procure the book from the dealer, pack the book in their office and then courier the same. In the initial months the founder's personal cell numbers used to be the customer support numbers. So, in the start they tried their best to provide good service, focus on the website - easy to browse and order and hassle-free, and strove hard to resolve any customer issues. Since there were not any established players in the market, this allowed them a lot of space to grow, and they did in fact grew very rapidly.

The company started from 2 employees and now has around 4500 employees. Flipkart started with consignment model as discussed above, since most of the customer issues like delivery delays etc. result from procurement model, the company started opening its own warehouses as it started getting more investments. The company opened its first warehouse in Bangalore and later on opened warehouses in Delhi, Kolkata and Mumbai. Today the company works with more than

500 suppliers. As on date more than 80% orders of Flipkart are handled via warehouses which helps in quick and efficient service.

A humble beginning from books, Flipkart now has a gamut of products ranging from: Cell phones, laptops, computers, cameras, games, music, audio players, TV's, healthcare products, washing machines etc. etc. Still, Flipkart derives around 50% of its revenue from selling books online. Flipkart is the Indian market leader in selling books both offline and online, it enjoys an online share of around 80%. The electronic items have a large number of players like Naaptol, Letsbuy, Indiaplaza, Tradus, Infibeam, Yebhi etc. The electronic market share is distributed among them in different unknown proportions.

India has around 13.5 crore internet users today where as the number of homes with Cable and Satellite (C&S) television is 10.5 crore. The expected internet users will reach a figure of 30 crore by 2014 and C&S homes are expected to be 14 crore by 2014. Thus India has a tremendous internet growth and with the customers getting accustomed to e-commerce, the future of e-commerce sector is definitely rosy. An approximated 25 lac people have transacted online this year, the number is all set to increase with time.

Also to mention most of the Flipkart customers use internet from PC's/Laptops to order goods. The use of mobile internet is very less at the moment, but with the advent of smart phones the use of mobile internet for e-commerce transactions will soar with time. India has 8 crore mobile net users at the moment, the number is expected to swell to 22.5 crore by 2014.

Factors that lead to the grand success of Flipkart:

- 1) They always strove to provide great customer service. Flipkart customers are happier than with some of their competitors like Tradus.in, Indiaplaza.com; i have myself experienced this a couple of times.
- 2) Their website is great, easy to use, easy to browse through the products, add products to wish list or to a cart, get product reviews and opinions, pre-order products, make payments using different methods, in short hassle- free and convenient.
- 3) A very important point is that they introduced the option of cash on delivery and card on delivery, this way people demonstrated more confidence in buying products. An interesting is that fact, today Flipkart sells 20 products/min and have a massive customer base, still more than 60% of the Flipkart's customers use Cash on Delivery and card on delivery methods. This is because of two reasons, one is many people do not know how to make payments online. And

secondly people do not have immense trust in e-commerce in India. Flipkart also provides a 30 day replacement guarantee on its products and EMI options to its customers for making payments.

4) Flipkart's reason of success is that it has a great customer retention rate, it has around 15 lac individual customers and more than 70% customers are repeat customers i.e. they shop various times each year. The company targets to have a customer base of 1 crore by 2015.

Flipkart marketing strategy:

Flipkart has been mostly marketed by word of mouth advertising. Customer satisfaction has been their best marketing medium. Flipkart very wisely used SEO (Search Engine Optimization) and Google Ad-words as the marketing tools to have a far reach in the online world. Flipkart.com official Facebook page has close to 9 lac 'likes'. Flipkart recently launched a series of 3 ads with the tag line - "No Kidding No worries". Kids were used to create the adverts to send out the message - if a kid can do it, you can also do it. The message is very clear to make people more comfortable with Flipkart, to generate a great customer relationship and loyalty on the basis of great product prices and excellent customer service. All in all to create a great customer experience.

Future road map:

Going forward electronics will be given more focus. Flipkart has recently added a string of electronic items like calculators, water purifiers, microwave ovens, washing machines, dish washers, vacuum cleaners etc.

Flipkart has opened a music store which sells CD's and DVD's of movies' music releases and music albums. Flipkart has also acquired Bollywood movie content from Chakpak. Since digital media is going to rise in near future, Flipkart is geared up for the same. Soon it will start offering digital content like movies and songs online, as in the customers can pay and stream online digital content. Flipkart will also provide e-books very soon.

Data Analysis and interpretation

Figure 1



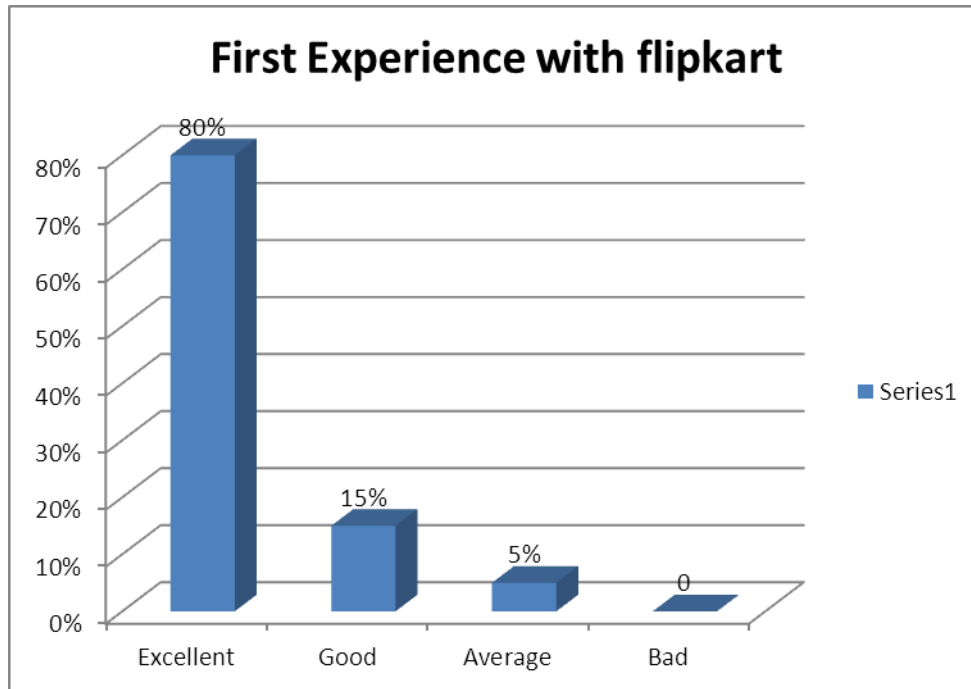
From the above figure 1, it can be concluded that 85 %of the population prefer online shopping while remaining 15 % does not prefer online shopping

Figure 2



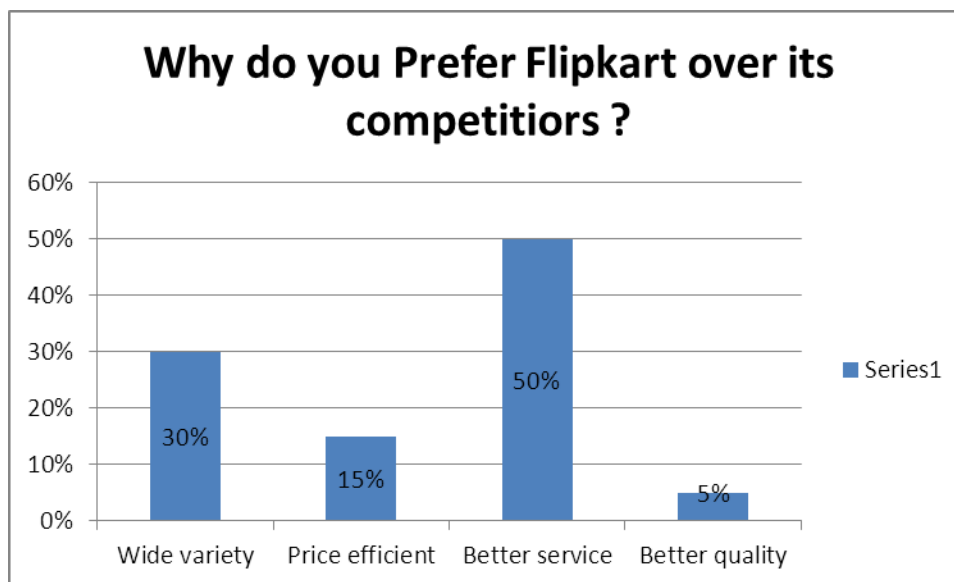
The above figure 2, clearly shows that 90% of respondents feel that shopping online is a safe affair ,While 10% among them are still conservative an avoid shopping online due to fear of quality of products and payment options

Figure 3



The above figure 3, shows that 80% of the respondents shows that they have excellent first time experience with flipkart while 15 % said they have overall good and reaming said that they have average experience while shopping first time with flipkart

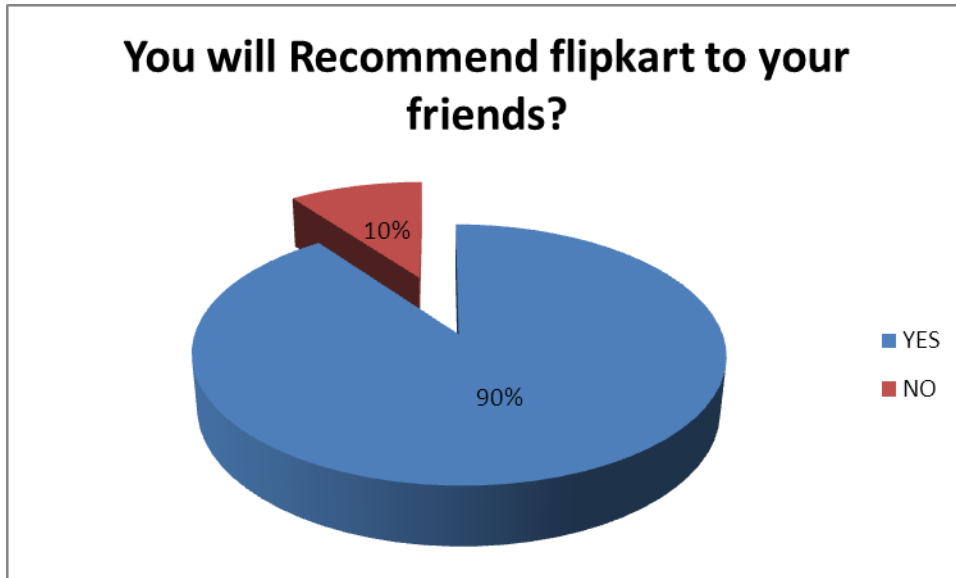
Figure 4



Above figure 4, shows that when the respondents were asked that why they prefer shopping on flipkart over the other online shopping sites, 50% said that flipkart provide them better and prompt service that's why they prefer it while 30% among them said that they get wide variety of

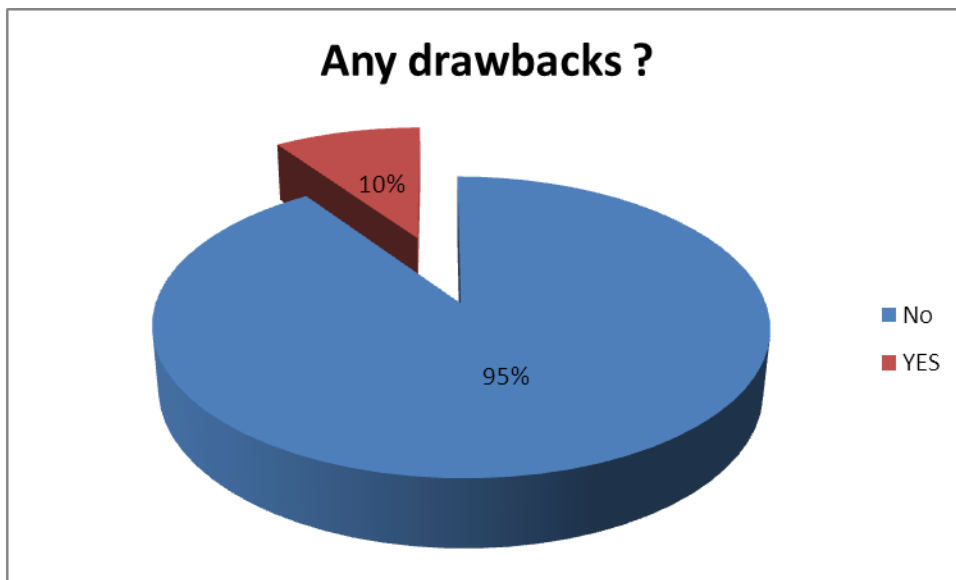
options on flipkart another 15 % said that they get goods in right price while remaining said that they get better quality product

Figure 5



Above figure shows that 90% among the respondents will recommend their friends and family members to shop with flipkart while 10% among them said that they will not recommend

Figure 6



Above figure 6, shows that when they were asked to suggest any raw backs 95 % of the respondents said they feel no drawback s in working of flipkart while 5% feel that they feel some drawbacks still in flipkart

Findings

- 1) 90% of respondents feel safe in online shopping they have no fear and have started shopping online while still 10% are hesitant of shopping online they are the late majority type of customers who adopt the technology and advancement in later stage
- 2) More than 80% of respondents prefer online shopping as they get variety of products of good quality at one place while remaining respondents feel that they prefer shopping in stores in which they get opportunity to physically observed the products and then buy
- 3) Even though flipkart doesn't have a big list of competitors but there are stores which have grabbed attention of buyers namely jabong, ebay, myntra, amazen, zovi
- 4) 80% of the respondents said that they have excellent first time experience with flipkart while 15 % said they have overall good and remaining said that they have average experience while shopping first time with flipkart
- 5) More than majority of respondents had an amazing first experience with the site and prefer flipkart over its competitors due to the quick services, wide variety safety reasons, cash on delivery facility, low prices and most importantly being an Indian venture which has wide availability of products.
- 6) Respondents are satisfied by the business model of flipkart as it is a very systematic organization
- 7) Flipkart is a very price efficient company because offers the products directly from the manufacture and eliminates the profit margin of the mediators' Products at prices lower than the market price
- 8) The respondents are very satisfied with the homogeneous list and options flipkart offers to its customers
- 9) More than 50% of the consumers feel that products of by flipkart are of excellent quality, durable and worth the cost
- 10) Flipkart is a consumer friendly site and offers special after sale services which includes replacement of goods in 7 days
- 11) Flipkart offers warranty for its goods, depending on the type of product. Flipkart is very punctual in delivery their goods on time but a very small percentage of respondents have faced problems regarding the timely delivery of goods. Similarly regarding the return policy a small percentage of the respondents have faced delays but the larger section of the respondents had a great experience regarding the returns policy of the goods

12) On a scale of 10, flipkart users have rated it behavior 6 points to 9.5 points depending on their personal experiences

13) Flipkart users are not hesitant in recommending the site to any friends

14) 2% of customers had a bad experience with flipkart, regarding the timely delivery and the delay in return of goods, which is not a bad ratio and can be improved further.

Recommendations:

1) As still in India large segment of population is untapped regarding the online shopping the available online shopping stores can widen their market by getting into expansion strategies

2) There is also need to remove the fear in the minds the customers regarding the product quality, durability and payments etc. in online shopping

3) Wide expansion of internet facilities in rural areas can bring the more customers for the online shopping sites

4) Through prompt service, wide variety and easy accessibility even consumers from the remote areas can be tapped

5) As Indian consumers are much more cautious about shopping online as compared to the West. They are reluctant to divulge credit card details. The cash on delivery service has will help a lot of traditional consumers turn to online shopping

6) India's e-commerce companies have far too often concentrated on the bells and whistles instead of focusing on deploying and customizing technology to serve customer needs, so their need more customer centric approach.

7) Calling facility to make an order and change an order as well as, Urgent delivery with no extra cost service can add a cherry on the cake and would help flipkart to perform even better than its competitors

CONCLUSION

Online shopping is the new mantra of this age and the people of India are applying this in their lives to a great extent nowadays. As we progress further, the growth rate of online marketing in our country will leap to the stars. According to a research report —State of e-commerce in India by Commerce for ASSOCHAM ,”India's Internet base, already the third highest in the world after China and the US, is growing by nearly 40% every year”. Hence, the rise of online shopping in the Indian subcontinent has been meteoric in the recent years. The number of

shopping websites has increased and so has the total number of persons who prefer shopping online

At the end it can be said that Flipkart has become the fate of online business in India. The company is currently valued at around 1 billion dollars i.e. 5000 crore. More importantly Flipkart has ushered in the e-commerce era in India. This has generated massive interest in e-commerce sector, people are opening websites to sell anything from shoes to apparels to jewels to baby care products etc. This has helped in creating a lot of job opportunities and thus helps the Indian Inc. growth story as well.

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