

E-TAILING IN INDIA- MYTHS, REALTIES & MARKETING IMPLICATIONS***Prof.Pallavi Sharda Garg,**

ABSTRACT

Internet and broadband penetration has diminished the national boundaries and have made the world as a huge market for the marketers. India is a developing nation with strong economical growth and the companies view it as potential destination for good business. In the era of globalization, e-tailing is beneficial approach to tap the global markets. The Indian companies face competition from not only the local markets but also strong global competitors who are utilizing the technology to capture the customers worldwide. The only solution to be successful is by embracing e-tailing. This paper is an analysis of secondary data to uncover the hidden prospects for the e-tailing market in India. The findings may be utilized by marketers to plan the future strategies keeping in mind the common myths and realities associated with the e-tailing market in India. The paper also proposes a conceptual model for the success of e-tailing websites.

Keywords: E-commerce, Management, Strategy development, Marketing Implications, e-tailing, myths, realities,

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INTRODUCTION:

India has seen a phenomenal increase in the number of internet users. This can be attributed to the penetration of broadband services both by Government and private players in most of the parts of the country. This has given an opportunity to the retail sector to analyze the new medium ("Internet") through which they can reach the customer.

According to the Internet and Mobile Association of India (IAMAI) and IMRB report, the E-tailing market was worth Rs 850 crore for 2006-07 and went on to achieve 30% growth by registering a turnover of Rs 1,105 crore in 2007-08 and is expected to show growth in future too. According to the annual report 2009-2010 of Department of telecommunication the internet users and broadband users are estimated to reach 40 million and 20 million respectively (source: www.dot.gov.in).

Indians have started using internet not only for checking mails and for social networking but also for online shopping. According to an article on www.expressindia.com on Jan 28, 2008 "Indian netizens are world's third largest online shoppers." While online shopping globally is growing at around 8-10%, in India the growth rate is upwards of 30 %.(Economic Times, 17th Dec 2009).

The Indian customer has started viewing shopping as a memorable and enjoying experience and therefore convenience is a major factor to facilitate this. They have money but don't have time but also want the best brands and deals offered to them. This is the juncture where marketers have found the clue to increase the customer base with the help of web.

The Indian customer has shown a major inclination towards online shopping during diwali season. In a survey conducted by Associated Chambers of Commerce and Industry of India (ASSOCHAM) growing number of shoppers prefer to shop online during Diwali season. While about 40 lakh people logged on internet for shopping in 2007 the figures are expected to cross 1 crore shopper this season.(<http://profit.ndtv.com>, 3rd Nov 2010). The staggering increase in the figures can be

attributed to increased internet penetration(Refer Table 1), better connectivity, good shopping deals by online portals and customer convenience. This trend has been seen not only in metros but also in tier II cities.

In India we have got retail giants like Big Bazaar, Shoppers stop, Spencers, Vishal Mega Mart to name a few, who have got online presence, but people are more interested in buying from the offline store instead of buying from their online store.

There are large numbers of online portals which have products from various brands and give good deals on purchasing. The Indian customer has started showing interest in buying from these online stores but still they prefer to buy product which has low price value like flowers, jewellery, CD's , books etc.

The big players of industry have realized the importance of internet as a powerful medium to enter into unexplored markets. They have shown their presence online through websites (E.g. LG, Samsung etc.) but then they are not giving the opportunity to the consumer to buy the products online from their websites. Though few of their products are available on the online shopping portals. There is mixed feeling among the companies for opening up online stores. Few are embracing the medium with open arms like dabur while few are still reluctant to use it full fledgedly like LG.

LITERATURE REVIEW

Childers, Carr, Peck & Carson (2001) have concluded that motivations to engage in retail shopping include both utilitarian and hedonic dimensions. Navigation, convenience, and the substitutability of the electronic environment to personally examining products were found to be important predictors of online shopping attitudes. Sweeney, Soutar & Johnson (1999) have shown in their research that interest perceived risk was found to play an important role in the perceived product and service quality-value for money relationship and was found to be a significant mediator of this relationship.

Perceived value for money was also found to be a significant mediator of perceived quality, price and risk and willingness-to-buy. Macintosh and Lockshin (1997) have shown in their research existence of multi-level relationships between customers and stores and how those relationships link to store loyalty.

Swinder, Trocchia, Gwinner (2002) have identified five dimensions important to consumers in their assessment of the quality of Internet retailers : performance (how well an online retailer does in terms of meeting expectations regarding order fulfillment), access (Internet retailer's ability to provide a variety of products from anywhere in the world), security (relating to perceptions of trust in the online retailer's integrity regarding financial and privacy issues), sensation (interactive features of the e-retailer's Web site) and information (quantity and credibility of information provider by the online retailer).

Table 1

TOP 20 COUNTRIES WITH THE HIGHEST NUMBER OF INTERNET USERS (updated June 30,2010)

(source: <http://www.internetworldstats.com/top20.htm>)

TOP 20 COUNTRIES WITH HIGHEST NUMBER OF INTERNET USERS						
#	Country or Region	Population, 2010 Est	Users Latest Data	% Population (Penetration)	Growth 2000-2010	% of World Users
1	China	1,330,141,295	420,000,000	31.6 %	1,766.7 %	21.4 %
2	United States	310,232,863	239,893,600	77.3 %	151.6 %	12.2 %
3	Japan	126,804,433	99,143,700	78,2 %	110.6 %	5.0 %
4	India	1,173,108,018	81,000,000	6.9 %	1,520.0 %	4.1 %
5	Brazil	201,103,330	75,943,600	37.8 %	1,418.9 %	3.9 %
6	Germany	82,282,988	65,123,800	79.1 %	171.3 %	3.3 %
7	Russia	139,390,205	59,700,000	42.8 %	1,825.8 %	3.0 %
8	United Kingdom	62,348,447	51,442,100	82.5 %	234.0 %	2.6 %
9	France	64,768,389	44,625,300	68.9 %	425.0 %	2.3 %
10	Nigeria	152,217,341	43,982,200	28.9 %	21,891.1 %	2.2 %
11	Korea South	48,636,068	39,440,000	81.1 %	107.1 %	2.0 %
12	Turkey	77,804,122	35,000,000	45.0 %	1,650.0 %	1.8 %
13	Iran	76,923,300	33,200,000	43.2 %	13,180.0 %	1.7 %
14	Mexico	112,468,855	30,600,000	27.2 %	1,028.2 %	1.6 %
15	Italy	58,090,681	30,026,400	51.7 %	127.5 %	1.5 %
						Cont.

16	Indonesia	242,968,342	30,000,000	12.3 %	1,400.0 %	1.5 %
17	Philippines	99,900,177	29,700,000	29.7 %	1,385.0 %	1.5 %
18	Spain	46,505,963	29,093,984	62.6 %	440.0 %	1.5 %
19	Argentina	41,343,201	26,614,813	64.4 %	964.6 %	1.4 %
20	Canada	33,759,742	26,224,900	77.7 %	106.5 %	1.3 %
TOP 20 Countries		4,480,797,760	1,490,754,397	33.3 %	417.8 %	75.8 %
Rest of the World		2,364,812,200	475,760,419	20.1 %	551.2 %	24.2 %
Total World - Users		6,845,609,960	1,966,514,816	28.7 %	444.8 %	100.0 %

Van Slyke, Communale and Belanger (2002) have empirically suggested that men are more inclined towards online shopping than women and marketers should focus on them. Eroglu, Machleit & Davis (2003) have empirically tested a model that proposes that the atmospheric cues of the online store influence shoppers' emotional and cognitive states, which then affect their shopping outcomes.

Ballantine (2005) suggests that the level of interactivity and the amount of information provided by the web site has a significant effect on consumer satisfaction. Ming-Hsien, Chandrees, Binshan, Hung-Yi (2009) have shown in their research that consumers will trust the website if they feel the site keeps a good Electronic Commerce ethical performance such as practicing the privacy policies and stating it explicitly, describing products or services in an appropriate way.

Gounaris, Dimitriadis, & Stathakopoulos (2010) have concluded that e-service quality has a positive effect on e-satisfaction, while it also influences, both directly and indirectly through e-satisfaction, the consumer's behavioral intentions, namely site revisit, word-of-mouth communication and repeat purchase. Marketers should make their sites easy-to-use and easy-to navigate and place extra

emphasis on providing fast, accurate, and uncluttered information through their web sites. Also they should direct marketing activities with the aim to enhance satisfaction from e-shopping.

Wang (2002) has compared the traditional market with web market and it differs along three main dimensions:

- 1) Technology infrastructure;
- 2) Channel integration and
- 3) Information intensity

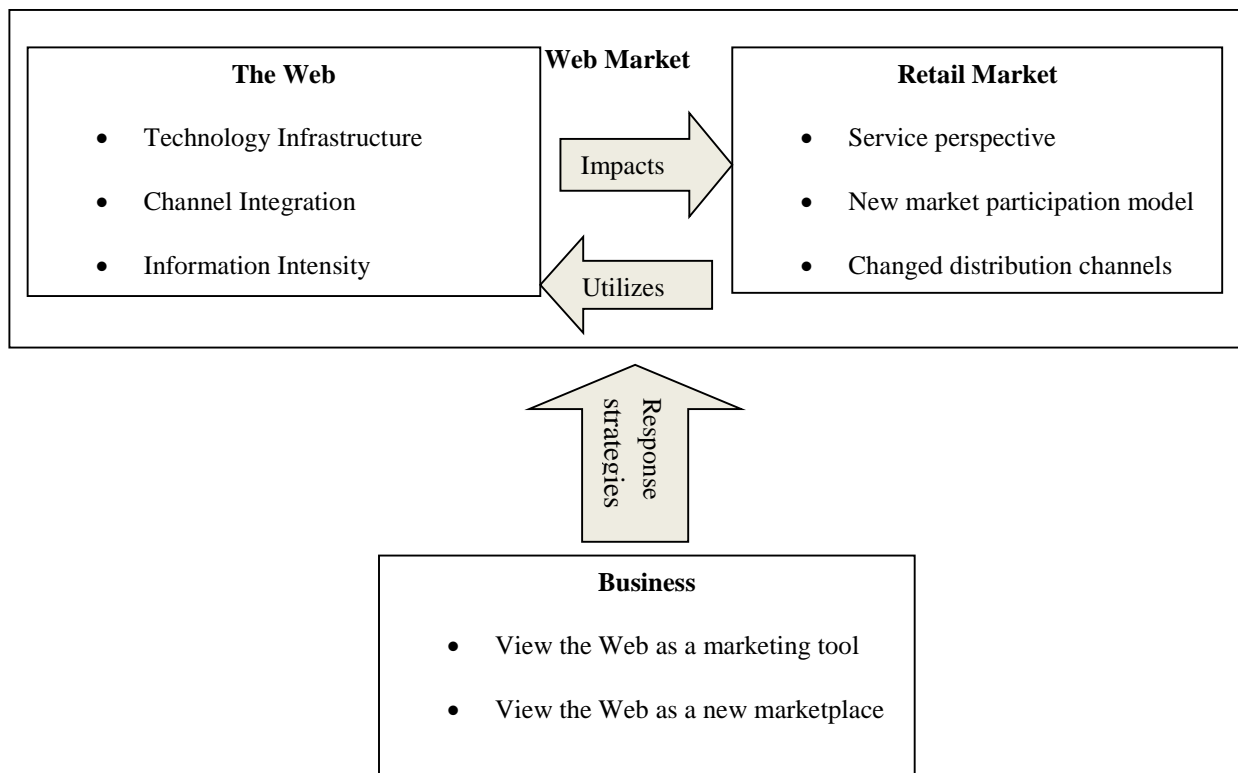


Figure 1 :WEB MARKET FRAMEWORK

(Source: 'E-tailing- An Analysis of Web Impacts on Retails market', Fan Wang(2002)*Journal of business strategies*, Vol 19,No.1)

E-TAILING

E-tailing (less frequently: etailing) is the selling of retail goods on the Internet. It started out way back in 1997 when Dell Computer got multimillion dollars orders on the website. The trend was followed by Amazon.com who are today the market leaders in selling books online. The use of one-click technology has taken away the privacy and security concerns from the minds of people.

Rao (2000) has concluded that that organizations need to orient their businesses to this new market paradigm to tap potential customers. It is only a matter of time before the waves of this change wash on Indian shores. Adapa (2000) has intention of internet shopping as measured with the perceived attributes significantly influences the actual adoption of internet shopping. Singh, Zhao & Hu (2005) have stressed that marketers need to culturally customize their international web sites as the web is emerging as global medium impregnated with local cultural values.

Spiller and Lohse (1997) have classified the online stores into five distinct Web catalog interface categories: superstores, promotional stores, plain sales stores, one-page stores, and product listings. Online stores differ primarily on the three dimensions: size, service offerings, and interface quality. Bakos (2001) has suggested that internet technologies help in reducing the search costs for buyers and sellers.

Kim and Eom (2002) have emphasized that online stores have to make a sincere effort towards specifying on time delivery, risk free, hassle free return clearly on their web pages. This will increase customer satisfaction. Dash and Saji (2007) have done study in the Indian context and concluded that the consumer self-efficacy and website social-presence affect trust, perceived usefulness and perceived risk in the online customers, and in turn positively influence the customer's intention to purchase products online.

Bakos (1997) has said that web can provide access to a wide range of products and services with low cost. As per Cross & Smith (1995) web helps the customers by providing extensive and tailored

information, at-home convenience for product comparisons, and enhanced interactivity. Armstrong and Hagel (1996) have concluded that it also facilitate the formation of virtual communities (Internet users with common interests) . Schlauch and Laposa (2001) have emphasized that marketers can benefit from lower real estate-related expenses and are further supported by Burke(1996) and Murphy et al.(2001) that it improves market research, leads to emergence of new retail models, increases sales, and enhances consumer relationships.

As per the survey conducted by JuxtConsult India Online in 2008 it was found that, in India **1 in 3 online shopper 'buys' online!** 80% of all regular online Indians 'shop' online. They either search or buy online.,23% have actually bought online in last 6 months - 8 million active online buyers,92% of all online buyers (23% of internet users) have bought a travel product online, 51% have bought a non-travel product online,80% of travel product buyers have bought train tickets, 52% has bought air tickets in last six months, Books, Clothes and CD/DVDs are the most bought non-travel products online (Mobiles and Computer Products most).There are many advantages of using web as a marketplace:

A) For Marketers

1. No real estate costs involved
2. They are able to reach global customer.
3. Removal of intermediaries, which leads to lowering of the product's actual price
4. Better customer relationships
5. Able to track the preferences of customers and can offer better deals and discounts.

B) For Customers

1. Can access the online store 24* 7 and at their own convenience.
2. Able to get better deals as compared to traditional brick and mortar stores
3. Access to user feedbacks and reviews.
4. Hassle- free shopping.

SUCCESSFUL E-TAILERS

Below is discussion of two successful e-tailers from the west who have conquered the global market.

Amazon.com

Amazon.com is known as the pioneer in the world of online retail. Amazon was conceptualized by its founder in Jeff Bezos in 1994 and started its services in 1995. They initially started as online book stores but now have diversified into offering CDs, movies, music, groceries, electronics. Key features of the websites include editorial and customer reviews; manufacturer product information; Web pages tailored to individual preferences, such as recommendations and notifications; 1-Click® technology; secure payment systems; image uploads; searching on websites as well as the Internet; browsing; and the ability to view selected interior pages and citations, and search the entire contents of many of the books offered with the “Look Inside the Book” and “Search Inside the Book” features. The community of online customers also creates feature-rich content, including product reviews, online recommendation lists, wish lists, buying guides, etc.

They also started online auctions in competition to their biggest competitor e-bay but were not able to compete against them. Now they offer one more place known as Amazon marketplace which brings buyers and sellers on the same platform.

E-bay.com

E.bay.com is the biggest competitor to Amazon.com. They used the unique business model of online auctions. It was founded by Pierre Omidyar in 1995 who had the vision of making it the world's biggest online mall. He wrote the code for e-bay while he was on vacation and did not get any response for 24 hrs but after that and till today there has been no stopping. They provided an online auction place where people can sell and buy anything. Its revenue model is based on the fact that it provides the sellers prospective customers and whenever a transaction is successful it levies service charge on that. Its USP lies in the security it provides through online transactions which are enabled by PayPal which it acquired.

It has expanded its wings across the globe and gets millions of buyers and sellers on its website every day. To sell anything on e-bay a seller just need to register with them, upload the photograph of the product, minimum bid and the number of hours the auction would run. The important fact is that the genuinity of a particular seller can be gauged by the feedbacks that are given by the buyers.

Today e-bay is trusted by millions of customers across the globe for selling their old and new things.

MYTHS HAMPERING THE GROWTH OF ONLINE RETAIL IN INDIA

- 1.Touch and feel experience help in the identifying the quality of a product** :The Indian customer is still inclined towards the touch and feel experience before purchasing any product
 - 2.They are not to be trusted as they don't have any physical presence:** The biggest problem with the success of online stores is that a customer is not able to establish trust as they don't have any physical presence. A larger number of frauds that happen this days online give strength to such a belief.
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3. Online stores provide low quality product: The consumers have a belief at the back of their mind that the products which are available from the online stores are not of very good quality. Also as the online stores lack the touch and feel factor therefore this perception gains momentum. Online stores are low on security and privacy of the customer.

4. They don't have a proper return back policy: The physical stores are in reach of the customer and if they face any problem in the product they can always exchange or return. But in the case of the web-store, customers feel trapped with the non-availability of physical store. They aren't able to trust the web stores.

5. After sales service cannot be expected: The popular online stores are actually online retailers stores. They are offering products of diverse range and none of the product is their own. In case of any problems in the product they would not be able to provide a resolution for that.

REALITIES THAT ENCOURAGE THE DEVELOPMENT OF ONLINE RETAIL IN INDIA

1. The increased use of Internet and gadgets like blackberries and web enabled mobile phones: The world seems to be very small as we are connected all the time with others through the use of internet. The consumer is getting all the latest information up-to date.

2. The rise of a new Indian Middle class: The Indian middle class is slowly emerging as the major buyers/customers. The double income families have more of disposable income. They are the new target group for the marketers. They have money, increased spending power but less time to go for shopping. They want good brands, high quality and good deals. The online retailers should target this part of the population.

3. Increased use of Net banking/credit cards/ debit cards: The online transactions have been made secure by the use of various technologies like SSL. 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 customers.

4. The decision making power of Indian women: There is a rise in the number of working women. They are career oriented. This independence has impacted the role of women as decision makers. There is also an increase in the number of single women. They have good spending power also.

5. Emerging Rural India: With increased internet and broadband penetration and schemes like e-choupal the rural India is awakening. They have the spending power but they don't have access to physical stores and the good products. If they 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.

6. Social Networking: Today everyone wants to be in touch with friends and latest trends by using the social networking websites. This has led to the emergence of a new form of advertising medium or popularly known as social media.

MARKETING IMPLICATIONS

- The marketer can take the advantage of this internet revolution and can reach the potential customers through emails, online advertisements and online yellow pages.
 - They should focus on the growing spending power and convenience shopping expected by the middle class families.
 - The online stores can increase the trust of the customer by collaborating with banks which provide secure transactions with the use of SSL (Secure Socket Layer).
 - They should explicitly mention on the website about the expected delivery time, return policy and security of customers data. It should also encourage happy customers to post feedback on
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the website. Customer feedback is an important tool to drive prospective and potential customers.

- The website design is also an important factor and the website navigation should be simple and customizable. They can also use 3D technology to give the user an experience similar to touch and feel.
- Rural India is also an important part of population which is still untapped by online retailers.
- As the use of social networking websites has increased a lot, the marketers can reach the potential customers by advertising on these websites, creating fan pages etc.

PROPOSED CONCEPTUAL MODEL

- $R + C - M = S + HC$

Where R = Realities,

C = Characteristics of e-tail website

M = Myths

S = Successful e-tail website

HC = Happy Customer

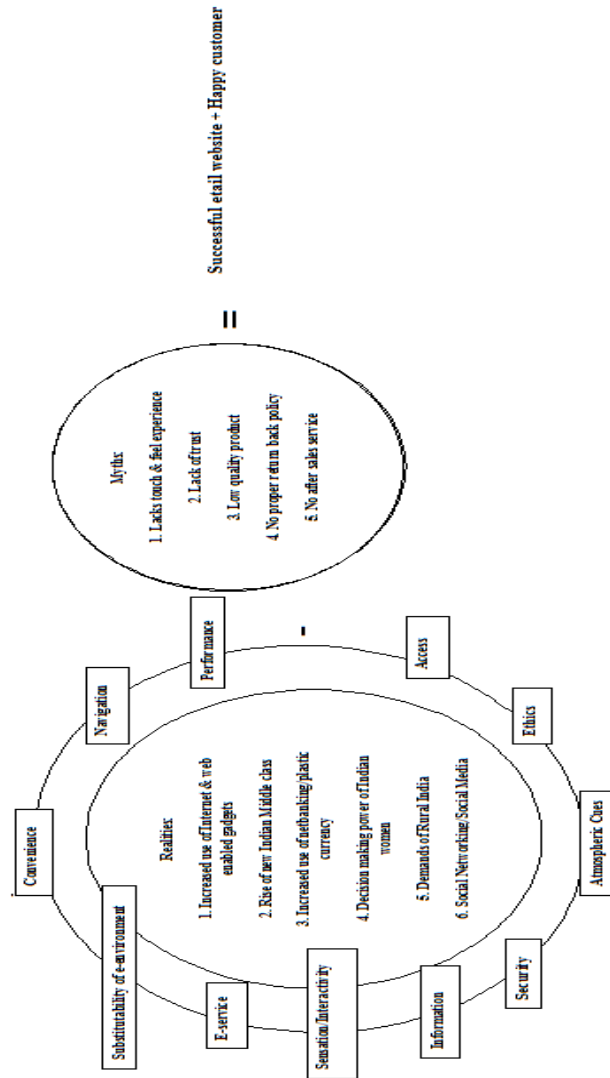


Fig. 2 Proposed Conceptual Model

CONCLUSION

The Indian online retail market is witnessing a huge potential and it is the right time to tap this market. The marketers have to make sincere efforts so that the right customer traffic can be diverted to the website. The customer should be given a complete shopping experience by enhancing the design and navigation of the website, security, and customer support, quality of product and return back policy. This will help in increasing loyalty of online customer.

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