

Growth of E-tailing in the present scenario

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Abstract: The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy. The growth rate of super market sales has been significant in recent years because greater numbers of higher income Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience. With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market.

Keywords: RE-tailing, Offline stores, GDP growth, Business model.

Introduction:

During the dotcom boom – Ecommerce was the sunrise industry, the one that would change the face of the world. While E-bay and Amazon – the twin pillars of Ecommerce in US did bring about paradigm shift in USA, the tech pundits in India are still a bit iffy about Ecommerce in India. The Ecommerce market is expected to touch 10300 Crore INR in 2010-11, E Tailing or E RE-tailing market is only about 1150 Crore INR according to a survey conducted by Internet and Mobile Association of India and Indian Market Research Bureau (IMRB). E-tailing is defined as Ecommerce sites including auction sites that sell groceries, apparel, CD's, books, electronic items, gifting item etc but exclude travel, digital downloads and online classifieds sites. The top E-tailers in India are indiatimes.com,

fabmart.com, rediffshopping.com. They have managed to retain their lead due to innovative business strategies, supply chain model and changing urban lifestyles.

Retailing on the net is known as E- tailing. Internet has changed the way we do shopping. It has brought the commerce will play a crucial role in shaping the future of Indian retailing. The real challenge for retailing would be launching and managing a highly innovative click business that works along with a more stable bricks business. For shoppers and retainers it is increasingly a hybrid world. Merchants that reach consumers through different sales channels, stores, websites catalogues, find that they enjoy key advantages over competitors that operate in just one world. E-tailing is still a nascent business model all over the world and it is to be seen how it emerges in the future. E-tailing will also work best as an adjunct and supplement to brick and mortar set up. On the flip side, retail stores can make consumers more comfortable with internet shopping since most traditional merchants allows customers to return on-line purchase to their offline stores.

Indian Retail Sector— an Outlook

Retailing is still in its infancy in India. In the name of retailing, the unorganized retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97% presence whereas the organized accounts for merely 3%. Industry has

already predicted more than a trillion dollar market in retail sector in India by 2011. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country.

A McKinsey report on India (2004) says organized retailing would increase the efficiency and productivity of entire gamut of economic activities, and would help in achieving higher GDP growth. At 6%, the share of employment of retail in India is low, even when compared to Brazil (14%), and Poland (12%). Govt. of India's plan of changing the FDI guidelines in this sector speaks of the importance attached to retailing. Recently moves by big corporate houses like Reliance Industries has further fuelled the major investments in retail sector. A strategic alliance, land acquisitions in prime areas give the essence of the mood in this sector.

Both MNCs and Indian firms want to get their share of this burgeoning pie. Notable in Indian firms are Pantaloons Retail & Big Bazaar, Trent's Westside, Shopper's stop, Reliance and Subhiskha, Wills Lifestyle stores, Café Coffee Day, which are present in India in different retail formats. Wal-Mart stores have just started operations in India. Some leading retail coffee chains of the world like Starbucks, Barnies are planning to expand in a major way in India.

Description: According to this year's Global Retail Development Index India is positioned as the leading destination for retail investment. This followed from the saturation in western retail markets and we find

big western retailers like Wal-mart and Tesco entering into Indian market. India's retail industry accounts for 10 percent of its GDP and 8 percent of the employment to reach \$17 billion by 2010. There are about 300 new malls, 1,500 supermarkets and 325 departmental stores being built in the cities very soon. A shopping revolution is ushering in India where, a large population between 20-34 age groups in the urban regions is boosting demand by 11.1 percent in 2004-05 to an Rs. 23,308 purchasing power. This has resulted in huge international retail investment and a more liberal FDI.

This market research report "The Indian Retail Sector – An Outlook (2005-2010)" analyzes the greatly divided Indian retail market and the trends in its business. Issues such as foreign investment restrictions, modern merchandizing in India, logistics and payment terms for distribution, role of channel members and growth trends in different regions are discussed. The market research report further analyzes the sustainability of the Indian retail sector and on the basis of 25 domestic and international companies the report has given a suitable business model.

India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailer's function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the

waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer.

Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. There is no doubt that the Indian retail scene is booming. A number of large corporate houses —Tata's, Raheja's, Piramals's, Goenka's — have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category.

In recent years, a few retail chains specialised products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products .Numerous clothing and footwear shops in shopping centers and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers. With rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the traditional outlets

will survive the test of time. Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

There seems to be a considerable potential for the entry or expansion of specialized retail chains in the country. The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector. Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers. A strong impetus to the growth of retail industry is witnessed by economic boom and driver of key trends in urban as well as rural India.

Retail Information Systems in India:

Retailing in India, however, is still in its infancy and though is no immediate need for very advanced technological tools in the country, the success of a retailer would definitely depend, to a large extent, on the adoption of a viable integrated retail-specific solution. The retail environment in India is changing rapidly and many analysts are predicting an absolute repeat of performances that have actually taken place in most of the south eastern Asian countries in recent years. Organized retailing is fast becoming a reality in India and it is being made possible only with the

adoption of the latest retailing technologies borrowed from the west.

Today, organized retailer are working very closely with their vendors to shorten lead times and thereby reducing inventory costs. They have established highly elaborate online networks within their stores and warehouses, which enables them to obtain up-to-the-minute information. Such retailers are able to dominate the markets in which they operate primarily because of the large volumes of sales that they are able to generate.

“With Electronic – commerce, we have reached the flash point” – says Ferguson. The internet throws many exiting trends under a light and accelerates the transformation to web years. There is an occupational hazard in the world of electronic commerce. There is an existing and confusing time. In some ways electronic commerce has already had profound impact – just the Wall Street brokers who have been watching their private clients flock to online discount brokers.

Retailing in India – Trends and Opportunities:

Retailing – no marks for guessing this is the most active and attractive sector of the last decade in India. While the Retailing industry itself has been present through history in our country, it is only the recent past that has witnessed hordes of players leaping onto it. The Emergence of Retailing in India has more to do with the increasing purchasing power buyers, explicable post- liberalization increases in product variety and the increasing economies of scale with the aid of modern supply and distribution management solutions. The current retailing revolution has been provided an impetus from multiple sources. The “Revolutionaries” include

many commotional stores upending themselves to modern Retailing, companies in competitive environment entering the market directly to ensure exclusive risibility for their products and professional chain stores coming up to meet the need of manufacturers. Attractiveness, accessibility and absorbability seen to be the key offering of the Retailing chain.

Emerging Trends:

The single most important evolution that took place along with the Retailing evolution was the rise and fall of the dotcom companies, more importantly; the very nature of the customer segment being addressed was almost the same. The computer – Savvy individual was also a scale- sector of the store. Internationally, the concept of net shopping is yet to be proven. Now ever, the size of the direct market industry is too limited to deter the Retailers, for all companies that it offers, electronic retailing does not suit products where “look” and “see” attributes are of importance.

Customers are also looking for convenience in shopping. This would continue more strongly in the next couple of years. In future the more dual income families, the consumer’s ability to spend will increase, but at the same time it is predicted that the time available for shopping will go down, in such scenario, the retailers will have to take steps to develop shopping as an experience, though the more successful retailers will be those that will provide faster service. Thereby to succeed in retailing, current and future retailers must be able to adopt a constantly changing environment, successfully retailers are able to anticipate and adapt to change. Thus retail marketing strategy would not only yield benefits for

consumers. Manufacturers and wholesalers but also creates economic utility.

Tough Economic Conditions – A Boon for E-tailing

The economic conditions across the world are becoming harsh day-by-day and it is making it tougher for companies to increase their franchisee sales or shop sales but it is definitely making headway into their online E-tailing footprint. This could be again confirmed with companies reporting impressive growth in their E-tailing businesses.

The main cost for companies in retailing business are floor space, human resources, and other floor maintenance cost but in E-tailing companies do not incur other severe cost rather than warehouse cost and transportation cost. The investment required in E-tailing is very low and do not incur subsequent heavy investments and could be up in very short period of time. The bargain hunting consumers can be brought forward with more discounts as the companies save huge cost in their operations.

The Hidden Challenges

Modern retailing is all about directly having "first hand experience" with customers, giving them such a satiable experience that they would like to enjoy again and again. Providing great experience to customers can easily be said than done. Thus challenges like retail differentiation, merchandising mix, supply chain management and competition from supplier's brands are the talk of the day. In India, as we are moving to the next phase of retail development, each endeavor to offer experiential shopping. One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores. The problem: retail differentiation.

The next problem in setting up organized retail operations is that of supply chain logistics. India lacks a strong supply chain when compared to Europe or the USA. The existing supply chain has too many intermediaries: Typical supply chain looks like:- Manufacturer - National distributor - Regional distributor - Local wholesaler - Retailer - Consumer. This implies that global retail chains will have to build a supply chain network from scratch. This might run foul with the existing supply chain operators. In addition to fragmented supply chain, the trucking and transportation system is antiquated. The concept of container trucks, automated warehousing is yet to take root in India. The result: significant losses/damages during shipping.

Merchandising planning is one of the biggest challenges that any multi store retailer faces. Getting the right mix of product, which is store specific across organization, is a combination of customer insight, allocation and assortment techniques. The private label will continue to compete with brand leaders. So supplier's brand will take their own way because they have a established brand image from last decades and the reasons can be attributed to better customer experience, value vs. price, aspiration, innovation, accessibility of supplier's brand.

Conclusion:

Though much is yet to be achieved, remember E-tailing is a new industry in India. With broadband internet access still accessible to entire population, this industry may see an explosive growth. Most growth drivers are in India's favor – demographics, economy, changing lifestyle, exposure to new ideas. It is just a question of creating a sustainable eco

system for E-tailing, which is at an inflection point.
Time to fasten the seat belts!

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