

# E-Retail Industry in India–Problems and Prospects



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## Abstract

The E-Commerce channel in India has witnessed a phenomenal growth in the recent years. It is driven by demand led factors such as increased access to internet, high speed broadband connections, techno savvy youth, up surged use of smart phones, and on supply front- growing number of young and ambitious new breed entrepreneurs, high proliferation of Venture Capitalists, privately funded start ups. The Country is witnessing a revolution in the way the retail shopping was done. Traditional Brick and Mortar culture is gradually getting slow and is looked down upon by the younger population who look upon ease of access techno savvy shopping as a better option. The leading example, of course, is Amazon.com, which began operations in 1995 as a relatively small online bookseller before growing rapidly to become a multinational e-tailer with a highly diverse and extensive product portfolio. Based on revenue, Amazon.com is now the largest e-tailer in the world, with growth also reflecting the acquisition of multiple e-tailers to expand both geographical penetration (e.g. joyo.com, enabling access to China) and product portfolios (e.g. netflix.com, providing entry to the lucrative DVD rental market and online video services). Similar is the success story of infamous online retailer Flipkart.

This paper is an attempt to identify and analyze the growth in the retail sector in the last five years and also to highlight the factors that have led to the growth of e-tailing in India. The researcher also wants to find out the problems and prospects of e-tail sector in India.

**Keywords:** E-retail Sector, E-Commerce, Employment Force, B2C

## Introduction

Retailing is the biggest private sector industry in the world. The India retail industry is considered as one of the sun-rise sector in the economy. It can generate huge employment opportunities and can lead to job-oriented economy growth. In most economic service sector from the largest sector for creating employment for example in USA over 16 percent, 15 percent in Brazil, 12 percent in Poland, 7 percent in China and its workforce is engaged in retail sector. In the Indian retail sector employees 8 percent of the total workforce.

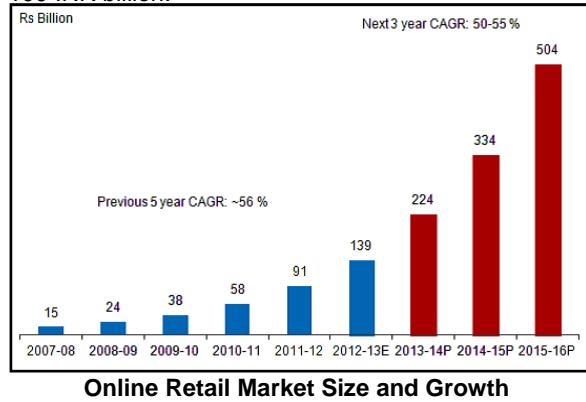
Retail means selling goods and services in small quantities directly to customers. Retailing consists of all activities involved in marketing of goods and services directly to the customers for their personal, family and household use.

Electronic retailing to consumers (B2C) was first developed on a large scale in 1980. The area is advancing at a rapid rate with retail organizations realizing the growing importance of the sale of products through these new distribution channels. Electronic delivery system do not necessarily require direct human interaction and as such, they offer specific advantages in principle, quality can be assured, the cost are lower, there is consumer convenience of access and distribution can be wider than normal retail channels.

The online retail sector had witnessed a phenomenal growth in the recent years driven by various demand and supply side factors which have made the environment conducive for online markets. India has around 1 million online traders that sell their products through online portals.

The e-tailing industry is expanding rapidly with strong early life cycle growth. In U.S. between 2003 and 2008 industry revenue rose at a CAGR of 20%. Even in 2009, when total retail sales fell 7.2%, online sales grew 4.3%. Despite the recent economic slowdown, the e-tailing sector enjoys continued growth due to increasing worldwide internet penetration and other factors. Long term trends driving increases in online activity remain positive. India's online retail industry has grown at a swift pace in the last 5 years from around Rs 15 billion revenues in 2007-08 to Rs 139 billion in 2012-13, translating into a compounded annual growth rate

(CAGR) of over 56 per cent. The 9-fold growth came and was primarily driven by books, electronics and apparel. According to a KPMG report "Retailing in India" via CRISIL it has been estimated that by the end of 2015, the online retail market would be worth 100 INR billion.



#### Objectives of the Study

1. To study the growth and development e-retailing in India.
2. To identify the factors that has led to the growth of e-retailing in India.
3. To trail the growth in e-retailing in last five years
4. To identify and analyze the problems associated with e-retailing in India.
5. To find out opportunities for e-retail in future

#### Research Methodology

The research is descriptive in nature. Secondary sources for data collection are extensively employed. The data for the present study has been made by extensive reference of various books, Journals, Articles, Working papers of various Companies, Research papers on the similar theme, surveys made by various research agencies are also studied in order to understand and articulate the present paper.

#### Review of Literature

According to Turban (2006), e-tailing is defined as retailing conducted online, over the internet. Wang (2002) has defined it as the selling of goods and services to the consumer market through the internet.

Zeithaml (2002) has propounded that the success of e-retailing depends on the effective designing of the website, effective follow up and prompt delivery, Besides this, speedy response to consumer complaints, real time order tracking and delivery, continuous improvement in the services through feedback from customers are also important characteristics for effective e-tailing. Ratchford (2001) has also identified the other important use of Internet to compare the offerings of various Companies in order to get the product and service at the cheapest possible rate. Rao (1999) had stressed upon the benefits of E-commerce in the form of increased market activity for retailers and decreased operating and procurement costs. Myerson (1998) expressed that E-Commerce is an effective tool for consumers for convenience and comparative shopping. Guttman (1998) has outlined various differences between the traditional and online retail model. Besides offering convenience and wide product variety, the online

# Remarking

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model also makes it easy for consumers to access and compare data from multiple sources.

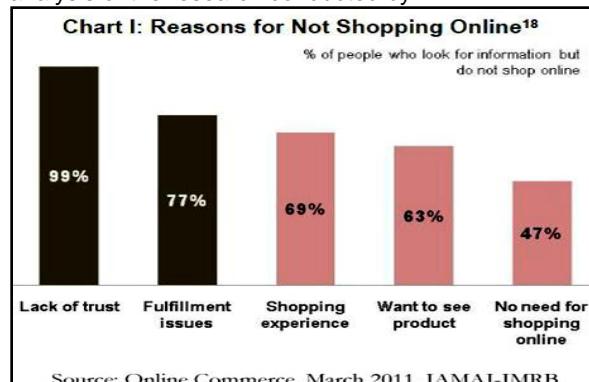
#### Factors Affecting Growth of Retail Sector in India

1. Growing Youth Segment and Working Women
2. Rising Incomes and Increasing Purchasing Power
3. Higher brand consciousness
4. Changing consumer preferences
5. Growing Urbanization
6. Increasing Number of High Net worth Individuals
7. Substantial rise in internet Penetration
8. Increasing speed of broadband connections
9. Rapid infrastructure development
10. Research and development innovation and new product development
11. Ease of access through increased use of smart phones
12. Proliferation of Venture Capitalists
13. Private equity funded start-ups

#### Challenges faced by Online Retail Sector in India

A report of IAMAI-IMRB done in March 2011 revealed that there are a considerable number of internet users who do not shop online. Majority of them said that they do not trust virtual Companies. The other reasons for not shopping online are it does not give the sense of fulfillment and experience that physical shopping gives.

Given below is the chart that shows the analysis of the research conducted by IAMAI-IMRB:



Besides the basic attitudinal problem of Indian consumers, some of the other challenges faced by the e-tailers in India are:

1. Diverse and complex market
2. Tough competition from unorganized sector
3. Lack of internet access in many places
4. Lack of logistics and other infrastructure facilities
5. Higher instances of goods returned due to Cash on Delivery facility
6. Incorrect deliveries
7. Increased instances of e-frauds

#### Opportunities in the Online Retail Sector

1. Vast and unexplored rural market
2. Increased attraction for Online markets in Urban areas
3. Higher demand for consumer goods due to large Volume of young population
4. Increasing affluence of the consumers leading to buoyant opportunities in the Luxury market.

#### Conclusion

Thus from the above study it is evident that online retail sector has revolutionised the way retailing is done and is gradually taking over the

traditional brick and mortar stores because of the increased visibility of the internet and ease of access and it also helps in managing the scarce time resource as the ratio of working population is increasing day by day. For the retailers too, it has become a viable source of doing business as it provides increased market access and information and reduced operational and procurement costs.

It has a huge potent rural market which can be explored to the fullest extent provided the bottlenecks are removed. Even the large retailers like Wal-Mart are now pursuing Internet-enabled advantages and cost reductions in operations, which could translate to an enhanced competitive position in process, structure and relationship terms. It is estimated that by 2018, the Indian retail sector is likely to grow at a CAGR of 13 per cent to reach US\$ 950 billion.

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