

E-RETAIL:A NEW AGE PLATFORM FOR TRADITIONAL RETAILERS AND RESELLERS

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Abstract

Electronic Retailing (E-Retail) has seen a tremendous growth over the recent years due to accessibility of computers and internet by the masses. According to a research report by CRISIL, Indian E-commerce growth is expected to grow by 50-55 percent per year with revenues of Rs. 504 billion in 2015-16. Moreover, the changing dynamics of the consumer market from traditional shopping in retail outlets to retail websites has given ample opportunities for many companies to setup their own venture within a very short span of time. A true indication of positive growth of the economy, but not for offline or traditional retailers and resellers. The E-Retail market growth in India is estimated at Rs.5,513 crore in Financial Year (FY13) with a robust Compound Annual Growth Rate (CAGR) of 30.5% (FY08-FY13). The size of the e-retail industry is poised to be 10 to 20 billion by 2017-2020 according to the Internet and Mobile Association of India research (IAMAI). In recent days of heavy online offers and discounts extended by major E-Retail companies, (Flipkart, Amazon, Snapdeal) the retailers and resellers are facing tough competition in the current Internet era. This paper is an attempt to find probable solutions and reasons, which would help the traditional retailers and resellers to join the Internet market where existing players provide a platform to transform and extend traditional business to a mass market presence.

Keywords: E-Retail, E-Tail, Marketplace Model, Inventory Model.

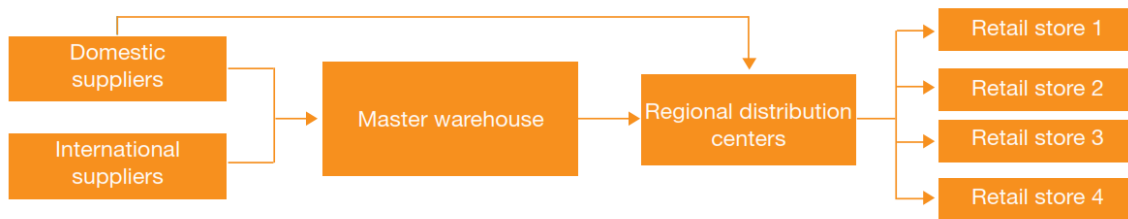
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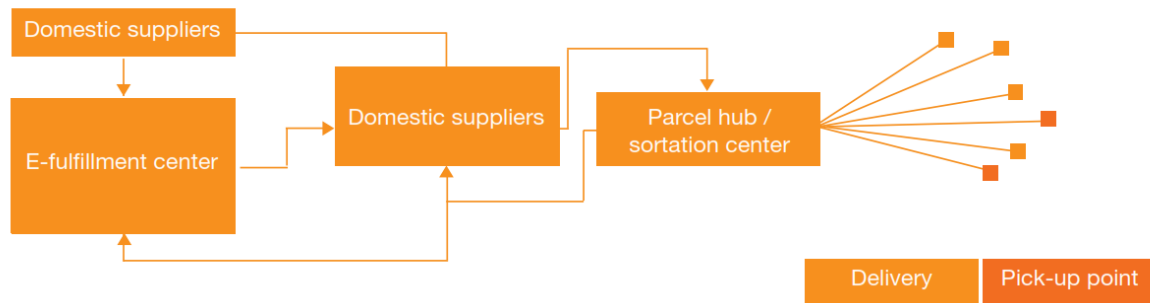
Introduction

Retailing is simply the efforts and activities undertaken by a Retailer to sell goods and services to final consumers or to the non-business use. Reseller on the other hand is the individual/company who purchases products with the intention to be sold for other party and not necessarily for personal consumption.

Traditionally, the Indian consumer market is acquainted to Brick and Mortar stores where everyday purchase is made on easy terms and conditions. Facilities in Brick and Mortar stores include easy payment system, credit based system and also home delivery options are available. The recent surge of E-Retail business is due to numerous factors, mainly increase of mobile internet user base, in Broadband Internet penetration, others including competitive pricing by E-Retailers and comfortable payment options.



E-Retail is a system of buying and selling of products and services via the Internet. It includes Business-to-Business (B2B) and Business-to-Consumer (B2C) segment. The term E-Retail not only extends to the sale of goods and service but includes subscription to a website content and online advertisement. Retailers and resellers who operate their website for product or service sales are also part of E-Retail system. In simple words, E-Retail is going beyond the physical boundaries of traditional Brick and Mortar stores to the doorstep of the consumer



E-Commerce, on the other hand, goes beyond E-retail where customer orders are complimented with facilities such as, order cancellation, free shipping/delivery, Equated Monthly Installment option (EMI), return policy and cash-on-delivery (CoD)

Objectives

The objectives of this paper are:

1. To understand the concept of E-retail and its business models.
2. Growth and opportunities for the traditional retailers and resellers.
3. Significance and factors which affect the growth of online retail business.
4. How brick-and-mortar can utilize the existing e-retail portals for their online presence.

Literature Review

A significant review which revolves basically around e-commerce has been made.

In an article titled “*E-Commerce in India: Issues & Remedies*”, in Business Spectrum (Vol-1, No. 3, January-June 2012) published by Prof. S .M. ImamulHaque and MdAnisur Rahman. Identifies issues such as legal, taxation, online security threats, and other shortcomings which hinder the growth of e-commerce in India.

In a white paper titled “*Evolution of e-commerce in India: Creating the bricks behind the clicks*” by ASSOCHAM and PwC (August 2014) provides a conceptual framework about e-retail in India, existing business models followed by market leaders such as “Flipkart”, “Amazon”, and other services extended by these online retailers.

In an article titled “E-Commerce impact on Indian Market: a Survey on social impact”, in International Journal of Advanced Research in Computer Engineering & Technology (Vol-2, issue 2, March 2013) by TryambakHiwarkar analyses the impact of e-commerce on indian consumer both economically and socially.

The Growth Factors

The consumer market in India is currently looking at a phase where purchase made is not necessarily physical. Rather, virtual availability has made consumer market to ignore the traditional brick and mortar markets. There are many factors which have contributed to the growth in E-Retail.

- **The Broadband Internet penetration**

The internet connectivity to the masses provides a backbone support to all Internet businesses. Last mile connectivity of internet in rural areas is crucial for extending E-retail service. According to a recent telecom subscription report by the Telecom Regulatory of India (TRAI), the number of broadband subscribers increased from 65.33 Million at the end of May-2014 to 68.83 Million till June-2014 with a monthly growth rate of 5.35%. The Mobile device based usage has also seen a significant change within the time duration of 1 month i.e., 6.93% from May-2014 to June-2014 (See Table 1 for details).

Table 1: Table showing the detailed Broadband Subscribers base.

Sl. No.	Segment	Broadband Subscribers (in million)		% Change
		May-2014	June-2014	
01	Wired Subscribers	14.95	14.97	0.13
02	Mobile devices users (Phones + Dongles)	49.97	53.44	6.93
03	Fixed Wireless (Wi-Fi, Wi-Max, Point-to-Point Radio and VSAT)	0.41	0.42	2.51
	Total	65.33	68.83	5.35

- **Competitive Pricing**

Competitive pricing has been one of the major factor for E-Retailers. This has been mainly achieved by following the direct marketing of goods and services which avoids intermediaries such as, distributors, wholesalers etc.

The business model (Warehouse Model and Marketplace Model) followed by some e-retailers has an additional factor in deciding the price of the available products on their portal. Many of the key players in online market such as, Flipkart, Snapdeal, and Amazon also provide festive and occasional offers and discounts which gives more value per product either tangible (product bundling) or intangible (one day delivery, free delivery). This has surely changed the buyer's behavior towards the online market compared to that of the traditional market.

- **Comfortable Payment methods**

Payment methods has been one of the significant factor during online purchase. Usually the payment for online transaction is preferred through Credit cards or Debit cards, but their usage especially in India has been a major issue. In a report released by the Reserve Bank of India (RBI) in April 2014, said that out of total 369 million, (350 million debit and 19 million credit cards) debit and credit usage in India are only 10-15%

But e-retailers have provided alternate solution through Cash-on-Delivery (CoD) system, where consumers have the option to pay product cost during the time of delivery. In fact, the Indian consumer psyche prefers cash purchase more often.

- **Increase in commodity distribution**

E-retail has not restricted itself to limited products as such, in fact it has large number and variety of commodities available than traditional retail. In a research report released by the Internet and Mobile Association of India (IMAI), commodities such as Electronics account for 34%, followed by Apparels and accessories which account for 30% of the total commodity distribution. Commodities such as Beauty and Personal Care, Home furnishing, Healthcare and Baby products constitute the remaining part. (See Figure 1 for more details)

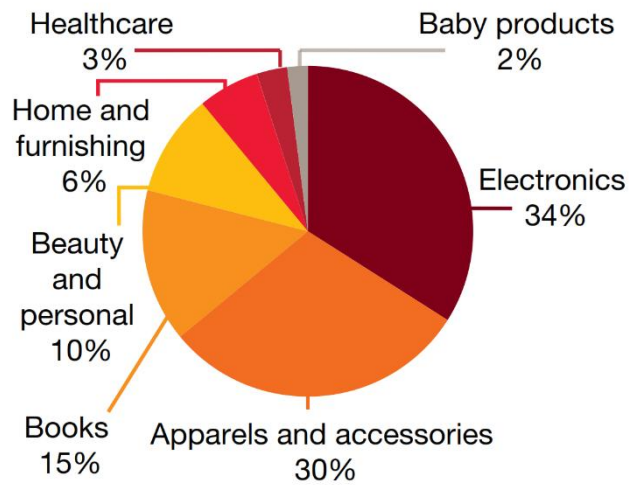


Figure 1: Image showing the commodity distribution in E-retail

Inventory Vs. Marketplace Model

Any e-retail business may follow two types of business models namely, Inventory-led model and marketplace model. In the inventory model a fine balance is maintained between commodities and delivery by establishing warehouses at key locations to commit customer fulfillment. This type of model is capital intensive but promises total control over product availability and product delivery. An independent logistics division can also be part of this to gain better control over the entire system.

Leading e-retail firm “Flipkart” follows this type of business model. It also has its own logistics division “e-Kart” which manages product delivery, cash-on-delivery, refunds and replacement service to the customer.

Marketplace model, on the other hand, provides opportunities and platforms for existing retailers and resellers to place their products on e-retailers web portal. Usually the e-retailer sets terms and conditions for retailers and resellers for their product placement. This system may or may not have an exclusive logistic arm. Other leading e-retail firms “Amazon” and “EBay” follow the marketplace model giving platform for thousands of retailers and resellers. Amazon also has its exclusive logistics division called “Amazon Logistics”. More recently even Flipkart has included Marketplace model as a part of their existing business model.

Opportunities for retailers and resellers:

E-retail in its business nature requires capital intensive resources like IT infrastructure, Logistics and distribution system, manpower, large number of commodities and most importantly value added services including payment system, refund and return policy. Thus, for an individual brick-and-mortar store it will be a mammoth task to even think about an independent system for their online business. At the least a website might help to achieve certain growth in online business. But this comes at the cost of losing control over the standard of packaging, on time delivery and refund and return policies. For instance, Flipkart initially had issues with their courier partners, where product delivered to customers were either damaged or faulty. This resulted in customer dissatisfaction and hence Flipkart was prompted to start their own logistics system named as “e-kart”.

So how can retailers, resellers and brick-and-mortar stores utilize the online market to sell their product? How can they create their web presence without much investment? How can they ensure customer satisfaction? How can they provide value added services to the customers?

The solution for these questions lies in the “Hybrid Model”, it simply means e-retail companies which follow both Inventory and Marketplace model together. The idea is to “piggy-back” over these e-retail behemoths. “EBay” and “Amazon” currently follow the Marketplace model while “Flipkart” follows the Hybrid model. The retailer or resellers have to simply register themselves as a member or registered seller. Certain conditions like product packaging, product dispatch, product quality, return and refund policy have to be fulfilled since the e-retail company guarantees its customers on behalf the registered retailer and resellers to provide best shopping experience. This method currently is the most viable platform than going for an independent system. It is also cost efficient and helps to increase the sales in untapped markets. The traditional retailer and resellers can use this system either for certain 50% of their products or even 100% of their product line.

Conclusion

Electronic retail provides retailers and reseller an opportunity and platform to the ever growing online retail market. Any business which wants to extend its sales or services to uncharted parts of the market can utilize e-retail business drive. It can divert a small or major part of its products or service to an online presence via piggy-backing over the existing e-retail leaders. In fact, most of the e-retail companies function by adding thousands or even millions of retailer and resellers as their business partners. It's a win-win situation for both the platform provider and the retailers, resellers.

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