



Issues and Challenges in Emergence of Online Retailing in India

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ABSTRACT:

Online-retailing is becoming an important segment of economy of India. This paper is an attempt to show the present state and trend of Online-retailing and internet penetration in India. Besides this research paper also highlights the present prevailing situation, trend, growth, model, issues and challenges of online-retailing in India. In this study the information has been collected through the secondary sources such as article, journals, books, newspapers etc. written on concerned domain. Online-retailing or online is growing at faster pace in India. It has witnessed steady growth of 60-70 % over the years. Online-retailing accounts for 10 % of e-commerce activities in India. Even though there are growth prospects for online retail in India we have challenges which need to be addressed. The article focuses on the opportunities and challenges for online retailers in Indian business environment.

Key words: E-retail, Online retail, Logistics, Assortment, Internet, Mobile internet.

Introduction

These days e-commerce has become a major contributor to the economy, and it is significant for businesses that sell goods or services online. E-commerce, as opposed to traditional retail, allows businesses to access a larger audience. It is the fastest-growing retail market, with many customers making purchases via the internet. Online-Retailing is a sub-part of e-commerce. It consists of the buying and selling of products or services over electronic systems such as the internet and other computer networks. It gives transformation from traditional piling up of stock system in big warehouses, godowns to classic non-store formats resulting into successes for business now a days. It is used an easy means to transact business without any hurdles. Electronic retailing will set a new platform for the expansion of the business. The rapid growth of online-retailing in India is being driven by greater customer choice and improved convenience.

Concept of Online-Retailing: -

Online-Retailing is mainly known as e-tailing. It means shopping through the Internet and other types of media forms. Retailing is the most important channel of distribution of the goods and services. Now a days, the Indian industries which is related to Online-retailing is growing speedily. The market size of Online-retailing has been grown from \$600 million two years back to \$2.3 billion. It is expected to reach \$ 32 Billion up to 2020. It creates job opportunities by opening their stores in different states of the India. It has emerged as new opportunities to customers for shopping. Pure Play e-retailers and Brick and Click Online-retailers are the two types of e-retailing. Pure Online-retailers are present only online outlets and do not have any physical outlet for the customers. For e.g. Amazon. In Brick and click Online-retailers, they sell computers through internet. It has physical outlet for the customers.

E-retail and Major online retail players in India

E-retail or online retail is defined retailing activities done through internet. We have many online or e-retailers in India who provide a variety of merchandise to customers. In general retail business is referred as Business to Consumer (B2C). Online retail players are classified into two types category focused players and multi category focused. Category focused players provide particular merchandise with deep assortment. Ex: - Myntra, Jabong (Apparels and Lifestyle products), Bigbasket, Local banya (Grocery segment) and Fabfurnish, Pepper fry (Furniture), Carat lane, Juvalia and you (jewellery), First cry, my baby cart (baby products). Multi category players provide variety of merchandise with limited assortment. Ex: - Flipkart, Amazon, Future bazar and Snapdeal etc. For better understanding we look at some of the categories and the major online retailers in these categories. Retailers provide categories like books, stationery, electronics, furniture, apparels, personal care, grocery, flowers, sports goods and services also. The major players in book category include Amazon, Flipkart, Naaptol and Land mark. Stationery items are sold by online players like Flipkart, Amazon, Stationery shop, Snapdeal and Homeshop 18 etc. In Electronics segment we have specialised players like Croma (Tata group) and E-zone (Future group) along with other players like Flipkart, amazon, Infibeam, Snapdeal, Future bazar, Naaptol who sell electronics items like mobile phones, computers, tablets, television and other durables. In Furniture category we have players like Fabfurnish, Pepper fry, Urban ladder, Home town, Zansaar and Homeshop18 etc. In Apparel and personal care segment we have Myntra, Jabong, Zovi, fashion and you, Flipkart, Amazon and Yebhi.com etc. In grocery category the major players include Bigbasket, Greencart, ekstop, Local banya, Nature's basket etc. We have specialised players like Ferns n

Petals, Tilia and Floraindia for flowers and birthday cakes etc. In sports goods the major category players include Decathlon, Playground online, Khelmart and Sports 365 etc. Service retailers include lenskart which provide eye tests along with eye lens, glasses and well forte for some limited medical service. Some retailers like Apollo pharmacy, Healthkart and Buydrug which do online sales of medicines.

If we look at the whole sale market (B2B) we have players like best price (Wal-Mart) who is operational in online space. In C2C (Customer to Customer) we have E-bay, Olx which serve as an online shopping space and for auctioning of different products.

Literature Review

The present study has made use of several books, research articles, websites etc. In the following paragraphs few reviews have been included in the paper as follows:

Sinha and Kim (2012) found that the majority of people who bought online more number of times were in the age of group of 40-49 years. They observed that Female although have a good opinion for online shopping but they do not want to do it because of inconvenience they perceive in online shopping.

(Rashmi Bansal, 2013) The purpose of this article is to examine how numerous social cultural elements. This article concludes that there are several factors like increasing vehicle, Migration of rural people to the urban will grow internet and broadband penetration in the future and will be helpful in connecting people to the online platform, secure payment policy and intervening step by the government of India regarding security will develop confidence and trust in them. It is hoped that these impediments will be removed, allowing India's e-commerce sector to shine.

Chandra and Sinha (2013) found that the demographical issues like age, education and income were responsibilities for online shopping but the rate is high when the respondent are young, when the education is higher the respondents were agree for the same and the higher income group respondents are strongly agree for the same. It means an awareness programme for online shopping is very necessary.

(Asa Romeo Asa, 2015) This study looks at the elements which can influence the growth and extension of e-commerce in emerging countries. The examination took place in numerous cities, particularly in more rural locations. They have many issues that are the hindrance in diffusion in e-commerce. According to the findings of this research that the E-commerce's expansion represents many benefits. Implementing e-commerce in developing countries faced many more difficulties and challenges than in developed nations due to lack of reliability and access, poor infrastructure, high cost and low level of ICT penetration throughout the country etc.

(Subhadeep Mukharjee, Hudrom Michal, 2016) This paper discusses that E-commerce is a modern and recent trend in India in the last two decades. The rapid expansion of e-commerce has been aided by technological advancements and revolutions in the IT sector. Electronic business has taken place of traditional business. E-commerce provides many benefits to wholesalers as they can link their business online and contact reputed producer. it also helpful for retailer and they can provide information to consumers anytime, also for consumers and producers.

(Anand Vyas, Sachin Gupta, 2017) This study paper examines the difficulties that the Indian ecommerce market has. There are still extensive segments of the Indian e-commerce industry that have remained untapped, particularly in rural areas. According to the survey, India ranked 4th in the number of internet users in 2017, and it is projected that it would be one of the top e-commerce Centre by 2020.

(Dr.Ramesh, Dr.Pawan, 2020) In this study rightly pointed out the issue and challenges in the growth of e-commerce in rural areas of Haryana. According to findings, world has become a global market as a result of technological progress we are trying to make our country digital, here are some challenges and need a legal Framework for E-commerce to allow the expansion and the future of e-commerce in rural sector would be bright.

Research Methodology

The data for this study consists of secondary sources such as Books chapter, Research Journals, Government Publications, Newspapers, Articles, and Reports. Since, the research topic is broad and the data sources are scattered across many areas, the study is relied on secondary sources. Finding answers to study questions by reviewing and analyzing current data will be a helpful and positive result in order to arrive at a conclusive image on "Issues and challenges in emergence of online retailing in india."

Need of the Study

Online retailing has emerged as a new avenue to consumers for shopping. Internet penetration spread across India at a faster rate, gaining attractiveness for online buying. online retailing intend to take advantage on it in spite of impediment and escalated competition of e-tailing. Thus, this study is undertaken to access the factors for growth and barriers of online retailing in India

Objectives of the Study

The major objectives of the study include:

- 1) To understand the online retail market in India and its impact on Indian retail.
- 2) To analyse the opportunities for online retailing in India
- 3) To study the major challenges for online retailers in India

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BENEFITS OF E-RETAILING TO CONSUMER AND RETAILERS:- Now-a-days the importance of e-retailing is increasing. Indian retail industry is one of the fast growing industries and it contributes a lot for the development of the country. The internet is playing vital role in the consumer's life for online shopping. Such are as:-



1. Consumer Convenience
2. Better information for customers
3. Promotional tool for business
4. Desirable Price and Selection
5. Virtual showroom bearing less cost
6. Market research On-line interaction customer service
7. Heavy discounts and schemes
8. Large customers

Difference Between Traditional Retailing And E-Retailing

1. In Traditional retailing customers can use all their senses to enhance their selection criteria whereas the visual presentation is even more important in retailing.
2. Traditional retailing operates on longer time frames .On the other hand, changes and modification to an online store can be made any time.
3. The technology used to run in traditional business has been around for years and rarely changes but most online store owners find that their technology is constantly changing.
4. In traditional retailing, retailers must hire, train and manage staff for face to face service but in e- retailing they also use staff to provide a pleasant experience even if not face-to-face.

Challenges of online-retailers in India

Even though India online retailing has growth prospects, there are multiple challenges for e-retailers in India market. It includes



1. Logistics

Effective logistics play a key role in determining the operational success of e-retailers. If we look at the India our country is large and fragmented with poor infrastructure facilities. So, timely delivery and other priority services are the biggest challenges for online retailers in our country. Moreover cost of logistics in India is high due to lack of adequate infrastructure. This has forced some of the retail players like Flipkart and Amazon to build their own logistics arms. Flipkart has e-kart logistics which takes care for their delivery process. Some of the online retailers are tied up with logistics companies for fulfilling customer orders. One of the biggest problems faced by logistic companies is the limited airline feet size of logistic companies. We look at the Indian scenario we have limited fleet of freight carriers which can hinder the priority services like same day delivery for customers. Another important drawback is the limited technology investments and developments in Indian logistics sector. If we look at developed countries there is huge investment in technologies like GPS, RFID technology to enhance the tracking of shipment and delivery of customer orders.

2. Poor Internet speed

One of the biggest problems India facing is the slow speed internet connection which can affect the prospects of online retail in long run. The average internet speed is less than 1 mbps which makes it one of the low ranked nations in global scenario with respect to internet speed. This can affect the accessibility to shopping sites and online transactions which will in turn reduce the customer buying through online portals.

3. *Customer Trust and Loyalty*

Some of Indian online retailers lack trust among the customers. Even though we have trusted players like Flipkart, Myntra and Jabong, other retailers were not up to the mark compared with other players. The entry of foreign online retailers like Amazon has forced Indian players to enhance customer loyalty. Flipkart has started an initiative called Flipkart first which provides same day delivery, priority customer services, free shipments and exclusive offers.

4. *Overcoming touch and feel mental barrier of Indian customers*

Indian customers prefer to touch and feel products before they purchase. The biggest challenges faced by online retailers to overcome this barrier. Online retailers are trying to overcome this barrier by adding more specifications and information about products. They also share customer feedbacks to enhance the confidence of customers.

5. *COD and Returns management*

Cash on delivery has emerged as the preferred mode of payment by online customers. This has created certain critical issues for online retailers. Some of the logistics providers levy extra charges from the customers which can affect the retail business in long run. Delay in remittances of the Cash collected by logistics providers from customers can reduce the working capital for online retailers. Another important issue faced by online retailers is the customer returns and how to handle it. Some of the logistics players don't have the capacity to handle the returns. More over this can create an additional cost for the retailers which is an important issue faced by online retailers. This has forced some of the retailers to start their own logistic arm to address these issues in a better manner which can enhance customer trust and convenience. Moreover this can provide the cost advantage for online retailers in long run.

6. *Complex tax regime*

One of the major constraints faced by e-retailers is the complex tax regime in India. Non uniform VAT (Value added tax) are levied by different states. In some case state governments charge VAT for products sold with in a state in which warehouses are located. This has affected the cost for sourcing and delivering for products and services for online retailers. Multiple point taxation, Octroi and entry taxes are other major drawbacks in India which can affect the prospects of online retailing in India. It also forced some of the retailers to open warehouses in different states to reduce the entry and other taxes. Online retailers looking at implementation of uniform Goods and Services tax (GST) which can add operational convenience to online retailers.

7. *FDI policy in B2C ecommerce*

India's FDI policy restricts 100 % FDI in Multi brand retail which is applicable to e-commerce activities also. In online B2B e-commerce 100% FDI is allowed but this is not applicable to B2C ecommerce activities. Government allowed 51 % FDI in B2C e-commerce for retailers with brick and mortar operations. Currently most retailers are following a market place model in which online retailer provides a platform for potential buyer and sellers. This can result in limited margins, restricted control over product, service and speed of delivery. The restriction with respect to FDI is affecting the growth and expansion plans of online retailers.

Conclusion

Indian retail sector is witnessing dynamic changes over the years. With a steady growth rate of 50- 60% online retail can make significant contribution to retail industry and economy of our country. But to capitalise on these growth trends we need to improve our physical infrastructure, policy framework and operational environment in our country.

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