STUDY OF FUTURE SCOPE AND CHALLENGES OF ONLINE RETAIL MARKETING IN INDIA

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ABSTRACT

Online and offline were once two very separate worlds. But with the rise of e-commerce and in particular mobile e-commerce, the distinction between online and offline is blurring rapidly.

E-retailing or online is growing at faster pace in India. It has witnessed steady growth of 50-60% over the years. E-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.

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

Introduction:

One of the internet’s early effects was to foster a much greater proliferation of specialty retailers than ever before — retailers with a unique point of view but not necessarily a need for a tremendous amount of floor space. The internet has allowed retailers to connect with potential customers and express their brand in entirely new ways, and physical stores have become a part of their communication and sales strategy instead of being their only or primary way to reach consumers.

While logic would suggest that this downgrade in the importance of physical stores would lead to less interesting designs, on the contrary the ability of retailers to communicate and build brands online has actually led to more focused and impactful physical store identities as well. If you look at a successful mall today versus twenty years ago, you will see a much stronger and more varied collection of tenants now than ever before, and shoppers have the internet and e-commerce to primarily thank for this more tailored collection.

Meanwhile, omni-channel retailing has converged the online and offline shopping experiences. For retailers who practice this approach, prices are consistent in all formats, and consumers can choose between numerous options: shopping online with home delivery, shopping online and picking up at a store, shopping at a store and taking merchandise away, or shopping at a store and having it delivered to their home.
Many retailers are also attempting to make elements of their online experiences similar to their stores, and some retailers, most notably Burberry in the UK, are going the other way, attempting to integrate elements of their online presence into their physical stores — through software that allows virtual trying on of clothes, or live links to events in other stores or even other countries.

The internet has also impacted retailers in ways that go far beyond their physical space or their online presence. Fast-fashion retailers like Zara, Uniqlo, Top Shop, H&M and Forever 21, who are harnessing the power of internet-based technology in all aspects of their business — design, manufacturing, and logistics — are growing very rapidly and in many cases taking over larger spaces once inhabited by big box retailers like department stores and large home electronics showrooms. Along with convenience, these stores offer the latest styles, reasonably priced, updated quickly and continuously, in ways that simply weren’t possible before.

Scope of online Retail Marketing:

Electronic Commerce is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. India has shown tremendous growth in the E-commerce segment. With an internet user base of over 300 million, India has third largest internet population after US & China (see info-graphic below).
India has witnessed a major breakthrough E-commerce success stories particularly in e-retail in Consumer Electronics & Fashion Apparel & Home Furnishing segments. E-commerce creates new opportunities for entrepreneurial start-ups. Ease of Internet access, Safe and secure payment modes coupled with aggressive marketing by E-Commerce Giants has revolutionized this segment. Rapid development in mobile technology has given way to Mobile Commerce with many E-Commerce companies shifting to App only model.

Challenges in front of online marketing:

E-Commerce, in-spite of the opportunities it presents also has poses certain challenges which are sometimes too much to handle for start-ups:

- **E-Infrastructural Issues:** Internet is the backbone of e-commerce. Unfortunately, in India internet penetration is so far dismally low at 0.5 per cent of the population, penetration of personal computer (PC) as low as 3.5 per thousand of population and penetration of telephone only 2.1 per cent of population, **e-commerce remains far away from the common man.**

- **Branding & Marketing:** To get people to come on an e-Commerce site and make a purchase involves heavy cost due to branding and marketing. This cost is significant and can be brought down to cost per customer, if the volumes permit to do so. **Experts say that the average figure for this metric in the current e-Commerce ecosystem is between INR 500 – 1000 customer,** which isn’t sustainable for even medium sized companies, let alone early stage ones.

- **Declining Margins:** With the introduction of a large number of players in the already competitive e-commerce market, **the customer is pampered by offering huge discounts, offers, taking returns etc. resulting in razor-thin margins.**
Logistics & Supply Chain: Logistics failure in any area can mean detrimental damage to a startup’s future and can hurt the brand overall. Add to this the need for a guaranteed return policy. Getting this right is a challenge.

Tax related issues: Tax rate system of Indian market is another factor for lesser growth rate of e-Commerce in India in comparison to other developed countries like USA and UK. In those countries, tax rate is uniform for all sectors whereas tax structure of India varies from sector to sector. This factor creates accounting problems for the Indian online business companies.

Touch and Feel: Indian customers are more comfortable in buying products physically. Companies dealing with products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

Future of online marketing in India:

E-Commerce is here to stay:

Social Media: Majority of online buying decisions are made on Social Media. Social network like Facebook, LinkedIn, Twitter, Google+, Pinterest etc have become a medium for easy log-in and purchase. Moreover, the clients can stay updated via the posts published on this media. Further, the advertising & promotions on these social sites has increased the chances of success of generating transactions to many folds.

Drone Delivery: Companies have been working their way around to innovate the delivery process to shorten human effort as well as time. The answer to these problems is Delivery by Drones. DGCA is now fast tracking the process of issuing guidelines for the use of drones for civil purposes in India. If everything goes as per the plan, then India might become the first country in the world to allow the use of drones for civil purposes.

App only Approach: Statistics suggest the future of internet lies in mobiles. Experts say more than 580 million people in India will use the Internet by 2018, and 70-80% of them will access the Web on mobile phones. This will cause all major players to switch to app only model. About two-thirds of its online traffic of Flipkart comes from users in small cities and towns. Flipkart’s app-only approach assumes larger significance in these places where most people don’t own desktop computers and have limited access to broadband.

Google's Buy Now Button: Google is reportedly working on its own “Buy Now” style button that would allow e-shoppers search for products on Google and purchase them with a single click, right through Google’s own search results page. The button will be displayed near sponsored search results beneath a “Shop on Google” heading at the top of the page. When users click on the Google’s “Buy Now” button, they will be re-directed to another Google page that will allow them to choose specific item details, such as color and size, and then select a shipping route. Google would then
pass on order information, including the customer’s name and shipping address, to the retailer.

- **Artificial Intelligence**: As the ecommerce space gets saturated, investors looking for innovative use of technology are zeroing in on companies developing artificial intelligence (AI) solutions. Jet Airways is experimenting with one such solution devised by Vizury. It sifts through the individual’s public content on the internet, as well as the customer’s previous searches and creates an instant profile. Based on this information, the airline knows whether to package hotel deals, or simply stick with airfare discounts. The system also allows them to predict how likely is it for the customer to upgrade, and how flexible would the customer be to change travel location or date.

E-Commerce gives improved user experience, flexibility and control to users to buy a product or service when they are ready to purchase – irrespective of time and location – This is the key for growth. Due to fast adoption of Internet enabled devices like smartphone and tablets we have seen an unparalleled growth in E-Commerce. The avalanche of telecommunication technology has completely changed the way of our living, communication methods, shopping etc. It has a huge impact on how we communicate with friends and relatives, how we travel, how we access the information and the way we buy or sell products and services.

Even though India has low Internet penetration –about 19% in comparison to other economies where it is up to 90%; size and potential are epicenter for the attraction of the Indian E-Commerce market. India has a third largest user base with 159 million mobile
Internet users—followed by America’s 250 million and China’s 550 million—have ample opportunities. The number of mobile Internet users in India is projected to be twice and cross the 300 million by 2017.

Major Challenges of E-Commerce in India:

1. High Return Rates: Though the trend is changing still E-Commerce players are experiencing heavy product return rates, which are incurring losses for them, as reverse logistics presents unique challenges.

2. Consumer prefer COD (Cash on delivery): Due to trust deficiency; still lots of people don’t prefer to use a credit/debit card or internet banking methods for transaction, rather they opt for “Cash on Delivery” which is risky and leads less business margin.

3. Payment gateways Inefficiency: Consumers usually experience a high failure rate of payment gateways. Usually once a customer does not reattempt after a transaction failure. It leads to loss of businesses.

4. Quality Internet penetration: India has an internet penetration of about 19% in comparison to countries like US & UK where it is up to 90%. However, that is not the concern for E-Commerce players it is prospecting, the major challenge is about quality of
connectivity. The speed and frequent drops cause frustration and restrict user from using E-Commerce for their major source of buying.

5. Feature phones still rule the roost: Majority of the population resides in villages and rural areas where the majority of residents use feature phones, not smartphones. However, this shift is being changed and with a steady rate it is growing up.

6. Reliable Logistic and Supply Chain: India is a large country which has thousands of cities and areas which are not easily accessible. Though the Metropolitan cities and other major urban centers have not issue with supply chain, but the attraction lies in market size due to its large population. Through E-Commerce consumer want to buy a product in not just efficient manner but also expect to get it delivered at their place in least possible time.

7. Computer/Internet literacy and effective reach: India has poor reach of personal computer (PC) which is very low as 3.5/1000 of the population, compared to Five Hundred/1000 US cause of digital illiteracy. The internet is still accessible by half of the internet user population through PCs with the help of telephone lines. Given the penetration of telephone only 2.1 per cent of the population, e-commerce remains far away from the common man. It is difficult for e-commerce to reach to 1,000 million populations spread over 37 million households in 6, 04,374 odd villages and 5,000 towns and cities. Besides, both cost of PCs and internet access in India are quite high.

8. Tax norms and compliances: Yet a lot of initiatives have to be taken by government to simplify complex tax norms which have different rates at different states.

9. Overfunded competitors are driving up cost of customer acquisition: The vibrancy in the Indian startup ecosystem over the past couple of years has channeled a lot of investment into the E-Commerce sector. The long-term prospects for E-Commerce Companies & players are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope, and I expect more rational behavior in 2014.

10. Too many Players, startups have to struggle: Due to physical/infrastructure/technology and customer acquisition has challenged a startup doesn’t just need to raise huge amounts of capital rather they have to cultivate new ideas to gain popularity and win trust. Also, there are
big chances that some big players who are currently brick and mortar business and have huge support of infrastructure, people, warehouses can use their money to evangelize the market.

**Conclusion:**

E-commerce is changing the way of buying & selling of product & services in India. E-commerce is future of shopping. Due to E-commerce the gap has been reduced between manufacturer & consumer. According to Indian population their vast scope for e-commerce because currently in India only 19% people using internet for selling & buying goods & services so remaining percentage we can considered that we having scope in Indian Market. There is weak Cyber security Law in India that is why Indian People are facing challenges toward e-commerce. The future of e-commerce in India would be bright in the upcoming years if all essential factors would be implemented, by establishing cyber & have their benefits as per people wish. The role of government is to provide a legal framework for e-commerce so that while domestic & international trade are allowed to expand their horizons, basic right such as privacy, intellectual property, prevention of fraud, consumer protection etc. are all taken care of. The expansion of e-commerce has been developed in rural as well as urban area in reign able cost for consumption, because of that more people are getting linked with e-commerce & the ratio of that is getting increase day by day.

**References:**


