“THE STRATEGIC ANALYSIS OF THE ONLINE RETAIL INDUSTRY IN INDIA”

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ABSTRACT

In the present scenario, it has become imperative for companies operating in India to deeply analyze and react to the changing dynamics of the business environment in which they are operating. The present paper focusses on the Online Retail Industry which, in spite of showing an impressive growth rate, is still in its nascent stages in India. The objective of this paper is to study the impact of macro and micro business environment on the e-retail Industry in India and its competitive forces analysis by using Porter’s five forces model. The study has implications for the present firms as well as the potential new entrants for the e-retail sector in India. By utilizing the results of the study, the government agencies can frame better policies for further growth of e-retail Industry along with its substitute and complementary industries. It also provides a useful basis for future empirical research.

Keywords: Business Environment Analysis, Macro Business Environment, Micro Business Environment, Online Retailing, Strategic Perspective Based on Porter’s Five Forces Model.

INTRODUCTION

The business environment in India has gone through a rapid transformation, and it’s very significant for the companies operating in India to understand it. By analyzing the environment well, companies can identify the opportunities and threats well in advance and can use the information in gaining competitive advantages. It is indeed even more important for the industries like online retailing (e-retailing) which are there in their initial stage, to understand their environments which are changing in an unprecedented manner. India cannot sustain a high
growth momentum of e-commerce without addressing the business environment within which it operates.

According to Singhi (2016) size of the e-retailing in India during 2015 was $10 Billion which was less than two percent of the total retail, growing a CAGR of 34% (Ladda, 2015), and the size of e-commerce stands at $24-26 Billion, e-retailing has shown this fast paced growth in India due to several different reasons such as increased internet penetration, as per Statista, (2016) India is having around 375 million internet users; low operation costs online; convenience of online shopping; its ability to change prices and visual presentation instantly; increased opportunities for customization etc. The whole retail sector is getting reconfigured due to the advent of online retailers in the existing market. In turn reshaping the business from macro and micro perspectives.

According to Technopack (Gugnani & Chhillar, 2016) e-commerce segmentation category wise is 44% Electronics and accessories; 30% Apparel and lifestyle; 5% Home and Living; 1% Food and grocery; and 20% Others. And as per IBEF (2017, January) category wise division in overall retail is 66.30% Food and grocery; 8.7% Apparel and lifestyle; 8% Jewellery; 5.2% Consumer durables; 2.7% Pharmacy; and 9.1% Others. This study may help retailers in understanding the reasons behind these differences and tapping it for their own growth and advantage.

Davis & Blomstrom (1971) defined environment as the aggregate of all conditions and influences that surround and affect it, and these factors can be divided into external (which are beyond the control of individual enterprise) and internal (which can be controlled by individual enterprises). According to Shaikh (2010), the internal environment includes all the factors within an organization, like financial and technological capabilities; organizational resources; physical assets and facilities, all of which provides either strength or weakness to the organization. But when it comes to ‘Business Environment’, we generally consider external environment i.e. factors external to the firm which can lead to opportunities and threats to the firm. It is further divided into micro and macro environments. Important factors of micro business environment, which directly and regularly affects the business of the firm, includes suppliers, customers, market intermediaries, competitors, government agencies. These generally affects the individual firm or few firms. Whereas important factors of macro business environment, affecting indirectly and distantly the business of the firm, which includes political, economic, socio-cultural, technological, legal, and environmental. These generally affects the industry as a whole, and are uncontrollable.

LITERATURE REVIEW

MACRO BUSINESS ENVIRONMENT
ECONOMIC ENVIRONMENT

Economic Environment includes factors such as taxes, employment rates, demand, and supply etc. With GDP of $2.3 trillion, India has become a 5th largest economy in the world (Zulfi, 2016). But still in spite of being such a large economy, Grant Thornton, Global Dynamism Index (GDI) has ranked India 53rd in Business operating Environment and 34th in Business Growth Environment; out of the top 60 of world’s largest economies. The size of e-commerce in India (2015) was $24-26 Billion (Singhi, 2016) and Goldman Sachs has projected that it will be $100 billion markets by 2020 (Mookerji & Seth 2016). The size of e-retail in the USA is $270 Billion i.e. 9% of its total retail, the size of e-retail in China is $300 Billion i.e. 14% of its total retail, the size of e-retail in India is $10 Billion which is less than 2% of its total retail (Singhi, 2016). Chinese online commerce has shown a growth of 600 percent in four years between 2010 and 2014; leading it to be the largest e-commerce player, but the problem with India is that its low per capital income and poor infrastructure (The Economist, 2016). In spite of such a high growth rate, still, all companies are making losses. Alone Amazon.in’s losses were around $1 Billion for the year 2016 (Peermohamed, 2016). According to UBS reports e-commerce in India will start making operating profits, by the year 2020 (Asthana, 2015). And as per Vijay Govindarajan, a professor at Harward Business School, only any two e-retail companies can survive profitable in long run (Govindarajan, 2016). But right now e-retailers have different objectives of increasing number of new customers, not just profit making.

100% FDI is allowed in in e-commerce under the ‘marketplace model’ where the foreign-backed companies cannot have their inventories (Mishra, 2016). Leading to huge investments, in 2014 shortly after Flipkart getting $1 Billion funds, Mr. Bezos invested $2 Billion in India e-retail suggesting companies are ready to invest anything to gain market share (Business Standard, 2014). Indian electronic commerce industry did witnessed 21 private equity and venture capital deals worth USD 2.1 billion in the year 2017 and six deals worth USD 226 million during January-April 2018 (IBEF, 2018, June).

E-commerce and tech startup companies will show 23.6% growth in jobs, the sector will dominate in the number of hiring (PTI, 2016). With jobs, it also promotes entrepreneurship. Jariwala (2015) considered e-retailing synonymous to entrepreneurship, especially for first generation entrepreneurs. It is also helping its complementary industries to grow. E-retailing has helped in the revival of Indian post, which in 2014 itself collected 2.8 billion INR through ‘cash on delivery’ option; E-retailing is currently the biggest demand driver for the warehousing sector, consuming more than 25% of its total capacity (Khan, 2015). Not only the logistic and warehousing industry but manufacturing sector in India has also started showing growth and could reach $ 1 Trillion by 2025 (Tecnova, 2015). Its impact is seen not only in its complementary and substitute services but also on Product lifecycle management, it has become
increasingly complex, a product introduction in one corner of the world immediately leads to a consumer demand in other regions. But according to few studies, e-retail can also lead to losses in the brick and mortar segment and decrease revenues collected through taxes (Gopalkrishnan, 2014). As per Enders & Jelassi (2000), it can lead to the cannibalization of the traditional retail market.

SOCIO-CULTURAL ENVIRONMENT

The socio-cultural environment includes cultural norms, demographic information etc. In India Urbanization, the size of middle class, expectations of consumers, desire for convenience, aspirations to the western lifestyle, and a number of internet users; has raised at a fast pace. Major sales in e-retail are coming from smaller cities, Flipkart’s more than 50% sales come from small cities and Snapdeal claims it to be more than 60% (Business Standard, 2014). Key drivers of e-commerce in India are its young population, high technology acceptance and high increase in internet penetration (Asthana, 2015). E-retail firms have started services in local languages (The Economist, 2016) Snapdeal recently launched seven regional language versions of its websites, and saw a sudden jump in its revenues and Paytm is coming in 10 different languages.

According to Connolly (2011), heavy Internet use leads to greater impulsivity, less patience, less tenacity, and weakens the critical thinking skills. But on the positive side, Maier & Nair (2007) found in their studies that Information and communication technologies and e-retailing have a significant role in solving the problems of poverty, empowerment of historically disadvantaged groups. E-retailing to consumers and society are having an impact to the extent that, Purdy (2011) and Sameti & Khalili (2015) came to the results that e-retailing helps in reducing sexually transmitted diseases and population control as it helps in increasing sales of condoms in the areas and religions where it was banned. It has also become easier to buy and sell used products online, which makes it possible for the consumer to afford to use the product which earlier they could not even think of earlier, leading to increased standard of living.

TECHNOLOGICAL ENVIRONMENT

Changes in the Technological environment don’t only changes the products, but also how they are produced, promoted and distributed. But India is lagging on this front as Grant Thornton, has ranked India 41st out of top 60 of world’s largest economies, in science and technology (PTI, 2015), which is indeed not a very goog position, considering India to be a fifth-largest economy in the world. But, Honorable President of India, Pranav Mukherjee in his speech during his tenure told that, 100 smart cities initiative will transform India into a digitally empowered society and knowledge economy (PTI, 2016). In next 15 years, India is expected to see a maximum number of people coming online than any other country (The Economist, 2016). Key drivers of e-commerce in India are high technology acceptance and high increase in internet
penetration (Asthana, 2015). Technology helps in accessing of the large amount of customer data to the retailers, which they can use in providing personalized services to the customers. Technology has brought disruptive changes in the business models and marketing mix. Moreover, country with about 38 crore smartphones users leads to huge scope for e-retailers (Pandit, 2016).

POLITICAL AND LEGAL ENVIRONMENT

Political and legal environment majorly consists of political philosophy; morality; law and order conditions; the efficiency of government agencies and legislature; government’s policies etc. If we discuss about India’s political and legal environment, first thought which comes into our minds is the move of demonetization which had been supported by the e-commerce companies in India (ANI, 2016), but experts feels that it had a negative short to medium term effect as still 70-90% of sales were done through cash on delivery, and only services like online cabs, online payment, and mobile wallet companies were benefitted in the short run (Agarwal, 2016), USA based market research firm e-marketer has reduced its growth projection for Indian e-commerce from 75% to 55.5% for the year 2016 and reduced its forecast for 2020 to $ 47.45 billion from $ 79.41 billion. In fact, all major Indian e-retailers even missed targets which they had set for the year 2016 (Malik, 2016). But few researchers felt the decision should be good for e-commerce firms; mainly online retail and mobile wallet companies (Bennett, 2017). According to Forrester Research, cash on delivery sales which was increasing; operations cost, higher returns, and higher overhead costs will move down and online payment will increase (Forbes, 2016).

In terms of external policies, Honorable President of India, Pranav Mukherjee in his speech during his tenure had clarified that India will provide a conducive environment for Chinese investors and urged the neighbors to participate in Make in India program (PTI, 2016). Prime minister, Narendra Modi said that his government is constantly working to improve the business environment in the nation to encourage foreign investment (ANI, 2015). Department of Industrial Policy and Promotion(DIPP) is constantly working to improve policies and guidelines for increasing ease of doing business in India, and the development of infrastructures like smart cities, industrial corridors and green field projects (Tecnova, 2015).

Entry into e-retail is very easy and majorly unregulated. There were no separate tax laws for e-retail in India lately except in few states like Kerala, but in 2016 government framed some policies (Gopalkrishnan, 2014). Indian regulations bar foreign-backed e-retail firms from owning inventory, to put Indian retailers on the same ground, but it limits the control of e-retailers over the quality of products (The Economist, 2016). According to the new model GST law, e-commerce operators will have to deduct 2% TCS (Tax Collected at Source) and deposit it with the government (PTI, 2016). DIPP notified new rules to end the discount wars, to bring offline
retailers at level playing field, to stop predatory pricing, and to avoid negative competition (Mishra, 2016). They should not have an inventory based model, can’t provide discounts and offers and has to cap total sales originating from a group company or vendor at 25 percent, which could make shopping online costlier. As earlier WS Retail was the single largest seller on Flipkart of around 35-40 percent of sales and Cloudtail India accounted for over 40 percent of amazon sales (Singh, 2016).

MICRO BUSINESS ENVIRONMENT

CUSTOMERS

Key drivers of e-commerce in India are its young population, high technology acceptance and high increase in internet penetration (Asthana, 2015) especially after the launch of Jio. It is mainly attracting the consumers in smaller cities, because of unavailability of good brands to them locally. Due to the advent of online culture customer’s brand loyalty has reduced as now switching costs has become easier (DeBroff, 2015). Wolfinbarger & Gilly (2001) came to the conclusions that shopping online increases the sense of freedom and control in customers compared to offline shopping, and the consumers feel more strengthened and convenient. Kumar & Petersen (2006) showed that there is a direct correlation between the use of e-commerce and improved customer services, increased availability and accessibility of information, reduced processing errors, decreasing response times and a decline in costs of services which effectively raise customer satisfaction. But according to few studies despite all the benefits, the consumers remain displeased from their online purchase experience. The inability to provide face to face interactions with the retailer as well as the unpredictability of a product’s quality leads to the product uncertainty, Zemke & Connellan (2001) reported in their study that out of every four purchases made, at least one falls out in some kind of dissatisfaction. In e-retailing, it is easier to gain new customers, but it’s tougher to retain them.

MARKET INTERMEDIARIES

As already discussed that e-retailing must be one of the only industry with such a large impact on its substitute and complimentary industries. E-retailing has done great innovations in its operations. From 2015, Flipkart has started using the network of “Mumbai Dabbawallas” to drop off packages in the state of Maharashtra (The Economist, 2016). And Amazon has started pilot programs to let customers order online and have it delivered from the nearest Kirana Stores (The Economist, 2016). To cut the costs of buying e-retail uses disintermediation and online buyers purchase from manufacturers who are below excise limits (Gopalkrishnan, 2014), which not only reduces costs but also promotes small manufacturers.
COMPETITORS

Here the competition is not only with brick and mortar models, but, also with click model, and brick and click model. In the terms of a number of retail outlets in India, it is on the top with around 12-15 million retail outlets providing employment to 40 million, that is around six percent of the working population. According to Abheek Singhi, Boston Consultancy Group, in 2016, e-commerce has become half of what the organized market is and three years down the line it could be bigger than that (The Economist, 2016). E-retail can reduce sales in brick and mortar segment and decrease government revenues through taxes. It may lead to huge job losses in India (Gopalkrishan, 2014). As per Enders & Jelassi (2000), it leads to the cannibalization of the traditional retail market. Contradictory to that, Worzala, McCarthy, Dixon, & Marston (2002) and Jariwala (2015) found in their studies that e-retailing is having negligible impact on the brick-and-mortar stores if any and recommended entertainment as an important strategy for making shopping centers viable in a longer run and mentioned that the next stage of the retail revolution would be a collaboration between e-retail companies and small traders. Purchasing online has few benefits like purchasing from the comfort of your home, saves time and costs and gets a much greater choice, but have few drawbacks as well, like a product that seem attractive on screen may not look as good when actually received.

According to Gopalkrishnan (2014), Entry into e-retail is very easy and majorly unregulated. From Global giants to Indian entrepreneurs all are trying to show their presence in felt in India. But with a large number of players competition is also large. Major shares are distributed among players such as Flipkart (45%), Snapdeal (26%) & Amazon (12%) (The Economist, 2016). Flipkart, after its acquisition by the Walmart is planning to come up with more offline retail outlets in India for the promotion of private brands in the segments such as electronics and fashion (IBEF, 2018, June).

PORTER’S FIVE FORCES ANALYSIS

To understand and cope with competition it is important to understand five competitive forces which shape the nature of competitive interaction within the e-retail industry. We can include one more force which is complementary factors. The industry analysis has found that the e-retail industry in India may look attractive but doesn’t seem very profitable in near future.

THREATS OF NEW ENTRANTS

It is a major threat to the industry because of easy entry and exit, unlike in retail, plus very low capital is required in startup and operations. Many major retailers have started entering e-retail space. Walmart having 21 cash and carry stores in India, is trying tie-ups with existing e-commerce companies in India (Mookerji & Seth, 2016). The future group, Reliance industries
etc. after their hypermarkets have started entering online space (The Economist, 2016). Not only a retailer but manufacturer itself i.e. Hindustan Unilever Limited (HUL) started its first online retail initiative with humarashop.com, by having tie-ups with neighboring ‘Kirana’ stores to reach out consumers (Pani, 2015. But still Flipkart, Amazon have Incumbency advantage.

BARGAINING POWER OF SUPPLIERS

It’s more difficult to switch suppliers in e-retailing than traditional retail as it takes time in developing faith on the suppliers due to the quality control issue. It’s important to manage suppliers well as it’s easier for suppliers to integrate forward into the industry and becoming e-retailer themselves. In India, the power of suppliers is high as there is strict regulation of inventory storage. (The Economist, 2016) Indian regulations bar foreign-backed e-retail firms from owning inventory, to put Indian retailers on the same ground, but it limits the control of e-retailers over the quality of products, as they have to rely on the suppliers. Moreover, suppliers have differentiated themselves on the basis of different factors such as packaging, time of delivery, the degree of reliability etc.

BARGAINING POWER OF BUYERS

Online buyers are powerful, highly price sensitive and information rich. Bargaining power of buyers, in the case of the e-retail industry, is maximum, as customers have the option to buy from multiple sources. Moreover, the products are undifferentiated as the same brand, same product at a similar price is available at several different sites, and the switching cost online is almost nil. (DeBroff, 2015) With the advent of online culture customer’s brand loyalty has reduced as now switching costs has become easier, customers have started giving more weight to factors like blogs websites and social platforms, in influencing their buying decisions.

THE THREAT OF SUBSTITUTES

The threat of substitute is also very high in e-retail as the customers have the option of buying from other channels of retail, like an offline retail outlet, click and mortar models etc. But it’s not easy to switch to substitute options such as offline retail stores as switching cost would be quite high. According to Abheek Singhi, in 2016, e-commerce has become half of what the organized market is and three years down the line it could be bigger than that (The Economist, 2016). But businesses running brick and mortar and manufacturing are asking Government to intervene against very competitive strategies of e-retailers and big retailers have started to enter the online market (Mookerji, 2014).

INDUSTRY RIVALRY
Rivalry among existing competitors may take many forms including price discounts, the introduction of new service, service improvements etc. A number of existing players currently in the market are too large making the profitability very low. Price wars are very high in e-retailing, because of no major differentiated products or services. Industrial rivalry from existing competitors is quite high as entry and exit barriers are very low in India. (Asthana, 2015)

Grewal, Iyer, & Levy (2004) concluded that e-retailing might lead to an increase in intertype competition, channel conflicts, price competition, attention to standardized products and brand names; leading to greater consumer sovereignty. E-retailing accelerates competition, increase new entrants with innovative products, services, and business designs (Wang, Head, & Archer, 2002). With competitors just a click away, loyalty and trust are harder to build in a web environment. Due to which despite increasing sales many e-businesses are in losses and are shutting down more swiftly than they were opening. The great paradox of the internet is its own benefits, which makes information widely available; reduce the difficulty of purchasing; allows easier transactions for buyers and sellers, which in turn make it more difficult for retailers to convert those benefits as profits (Porter, 2001).

COMPLEMENTARY

These are the factors which increase the value of industry when combined together, like an increase in the internet, smartphones industries and helps in the growth of the e-retail industry. The increase in complements also reduces the threat of substitutes. (The Economist, 2016)In next 15 years India will see a maximum number of people come online than any other country, in 2015, smartphones accounted for one in four mobiles in India and this number is growing exponentially. (Asthana, 2015) Key drivers of e-commerce in India are high technology acceptance and high increase in internet penetration.

METHODOLOGY

There are few studies done by the researchers such as Narchal, Kittappa, & Bhattacharya (1987) in the past which have studied different aspects of business environments in India but as per researcher’s knowledge obtained through literature review only few have ever tried to study the impact of Business Environments on the Online retail industry and researcher found no study which was discussing the impacts which the advent of online retailing has brought to various Macro and Micro Business environments in India, hence it was a relatively new area of research, therefore, researchers used qualitative, exploratory research design. The study used methods of data collections like Reflective Journal Logs, conducting in-depth interviews, and undertaking an extensive literature review of secondary sources. The study was cross-sectional and applied in nature. As being a qualitative research, with the exploratory purpose of the investigation, hypothesis are neither used nor is any importance given to them. Qualitative research was
undertaken because the objective of the researchers was to define the situation and develop a base for further studies. It will help in generating hypotheses and identifying variables in future researches.

Sampling strategy used was purposive sampling, with a sample size of 35 was used for in-depth interview using semi-structured questionnaire where Informants were questioned about the influence various macro and micro business environments have on online retail industry in India and on how that industry is impacting its business environment, after 35 interviews, researchers almost reached the data saturation point. Informants were of widely diverse experiences and occupations such as Research Scholars and students from different fields of studies, Professors of different departments, Marketing Professionals, Entrepreneurs, and Homemakers/housewives to gain their valuable broad perspectives and develop deeper understanding of the issue; of the age group ranging from 24-40, average age of 30, and the male-female ratio of 20 male and 15 females. The average experience of Informants with the internet was more than ten years and with online retailing was 3 years. The only basic requisite eligibility of the interviewee required was that it should be the extensive user of online retail and use it for more than two years. The research was carried between the months June 2017 and February 2018.

The whole research was divided into two parts; in the first phase 10 interviews were conducted by the first author and the results were used to make minor variations in the wordings of the semi-structured questionnaire and in the second phase 25 informants were interviewed by the second author. All interviews were audio recorded which were later transcribed, each interview lasted for 20-30 minutes. As per according to Kvale (1996) steps covered for in-depth interviews in this research were thematizing, designing, interviewing, transcribing, analyzing, verifying, and reporting. Data reduction, analysis, the interpretation was done manually without the usage of any major statistical tool or method, the overall method used was narrative qualitative research.

OBJECTIVES AND PRACTICAL IMPLICATIONS

The objective of this paper is to study the impact of macro and micro business environment on the e-retail Industry in India and its competitive forces analysis by using Porter’s five forces model, through extensive literature review and to explore the consumer’s perspectives on the same through an in-depth interview.

The study has implications for the present players as well as the potential new entrants for the e-retail sector in India. By utilizing the results of the study, the government agencies can frame better policies for further growth of e-retail Industry along with its substitute and complementary industries. It also provides a useful basis for future empirical research.

FINDINGS AND DISCUSSIONS
IMPACTS ON CONSUMERS

28 out of the total 35 informants believed that e-retailing has strengthened the consumers by giving them better choices, information, prices, and most importantly total control over their transactions. 18 informants mentioned that it helps them in more effective time management in this fast paced life, now online buyers can spare time for their hobbies, self-development, and personal growth activities, rather than going to distant shops and standing in queues or traffic jams (informants from Metropolitan cities like Delhi and Mumbai also specially mentioned about parking problems which they face while going for physical retail buying). Mostly the working informants told that it has reduced the search cost a lot; buyers can gather better information about products, models, prices, suppliers very conveniently, enabling customers to find low-cost products and forcing sellers, in turn, to reduce prices and improve customer services. E-retailing companies can provide a distinctive experience, like communication with authors and manufacturers; real-time customer reviews; and recommendations by other users, which was an important motive for online buying. Several informants also focused on the point that here they can well personalize/ customize their goods and services. The demise of middleman has led to cutting costs and prices. It can help companies in offering a multi-channel retailing experience. As per few Informants, it has also assisted in improving computer literacy, influencing the people to use the internet and leading to various technological innovations.

E-retailing also has substantial negative impacts as per the Informants, like they find the quality of e-retail products as less assured and less guaranteed. 14 out of 35 informants believed that counterfeit goods are more prevalent in the online market space. The majority of informants that is 29 of them believes that companies sell customer database information to marketing companies, which in turn start sending unsolicited promotional call and emails, making consumer’s lives less secure and less private especially after Facebook data leaks. The absence of human contact makes online medium less sympathetic. Complex cashback policies and processes of different companies create inconvenience to the customers. And from telecom point of view companies have started charging higher for data packs and started challenging net neutrality by motives of forming tie-ups with telecom companies, although views of Informants changed with the advent of Reliance Jio in the market, which made major changes in the data consumption in India.

“My mother learned computer only for doing online shopping, she loves shopping now and keeps sitting on her laptop.” (Informant’s details: Age 30, Female, and Marketing Professional)
“Counterfeit products is a big problem online; sometimes we don’t realize its fakeness even after using it, and fake products are flooded in the online market.” (Informant’s details: Age 24, Male, and Post-graduation student).

IMPACTS ON SOCIETY

As per the Informants, e-retailing has affected social environment broadly; it has improved the lifestyle especially in rural areas and small towns. 80% of the informant females, i.e. 12 out of 15; but just 50% of the males i.e. 10 out of 20 believes that online retailing has empowered the consumers; they are now able to even purchase products which had taboos attached earlier, like sex toys, even condoms which were prohibited in few societies’ culture and religion are now selling well online, which in fact helps in reduction of sexually transmitted diseases and controlling the issue of population explosion. Even females who were not allowed or elderly people who were unable or working individuals who had no time, to go for shopping at far off places can now purchase things safely and comfortably while sitting at home, that too privately without disclosing their identity. E-retailing also helps in shifting the balance of opportunity, wealth, and complete socio-economic inclusion.

At the same time few Informants also believed that people are becoming more unsocial, as earlier, they used to go shopping with friends and now shop while sitting lazily at their homes. 20 out of the total 35 informants believes that people have started avoiding social interaction due to the advent of online retailing.

“Youth have now become addicted to e-retail sites and APPs even more than social networking sites; it has even worsened the social interaction culture. It has made people shallower than before. But it has also empowered particular sections of the societies which are commendable.” (Informant’s details: Age 39, Male, and Professor Management Studies).

IMPACTS ON BUSINESS ORGANIZATIONS

Brand awareness and brand loyalty may increase with e-retailing as all of the brands will be accessible at all the places and all the times, which was impossible earlier. Due to small expenses incurred by a virtual shop, even small companies are confronting with the major players in penetrating markets which were already dominated by the larger companies. The presence of automation helps in removing the need to employ additional personnel leading to cost reduction and bigger profits. It helps companies like BigBasket, LensKart, MagicBricks in concentrating on their niche products and markets with differentiation. In fact, it will change the whole definition of niche marketing. Access to ICTs allows producers to sell their products in the most profitable markets and determine the optimum timing of the sale. According to seven out of total
35 informants, e-retailing has forced Shopping malls to become major entertainment hubs now they focus more on experiential shopping, places catering only goods are getting extinct, although markets in tourist destinations are not that much affected by e-retailing.

With so much positive impacts on business organizations, it has negative effects as well as it will lead to perfect competition but less than perfect profit margins. Currently, most of the e-retail business models are based on a series of very complex arrangements, and most of them are unproven yet. Which makes none of the models profitable or sustainable. 11 out of 35 informants believed that brand awareness and loyalty would increase, but maintaining it will become difficult because of availability of various choices will make brand switching way lot easier. No retailer is left in a position to sell any product at a higher price than its competitors, in fact, they are forced to reduce prices. Majorly traditional retail is left only for high end costly or high involvement products or for clothing segment rest all are having huge competition from e-retailers.

“Companies can sell its products in all the seasons as the whole world will be its market, costs will also be reduced. Direct dealing with customers will help in getting immediate feedback. But pressure to cut prices will be very high, with an uncertain market. It will be also difficult to sell in the areas with no broadband services.” (Informant’s details: Age 31, Male, and Entrepreneur).

IMPACTS ON NATIONAL ECONOMY

According to the majority of informants, the maximum positive impact of e-retailing can be seen in the nation’s economic environment, they believe it can increase the circulation of money; it could result in almost perfect competition; would make the economy more of organized; can make globalization successful in its true sense; it will improve the standard of living of the people; it has given jobs to thousands of skilled professionals, promoted entrepreneurship especially in SMME and reduced brain drain from the nation; it has success spillover effect over other industries as well like in logistics, warehousing, web designing, etc. E-retailing promotes corporate e-governance which in turn increases access to information and thereby reducing corruption. More transactions are done through banks (credit/debit cards) making it more legitimate and moves away from country’s expensive and inefficient addiction to cash; it will shift focus of investors towards Rural India, which was earlier considered too costly or unprofitable for business development, which will promote Rural development, reduction of migration to cities and overburdening and exploitation of urban India.

Few informants i.e. 15 out of 35, believes that till now government and banking system only has encouraged cash payment by leaving Merchant Discount Rates. People are using cash not only to evade taxes but to evade this extra charge, which they have to pay while paying through cards or
other non-cash modes in railways to movie tickets and online shopping, consumers had to pay several surcharges, internet handling charge, convenience fee, payment gateway charges etc. In place of forcing for the cashless economy the government should try to remove these extra charges then the market will move towards it more freely without the need for enforcement. There should be incentives for electronic payments and disincentives for the cash payment, rather than moves like demonetization.

But e-retailing may make tax collection and control tough for the authorities. It may also force millions of unskilled labor or people engaged in traditional retail to lose their jobs.

“It has reduced the brain drain, now students can get good jobs in India itself, many new companies are coming into action every day. National talent can be used for nation’s development and growth.” (Informant’s details: Age 28, Female, and Research Scholar of Journalism Department).

CONCLUSIONS

It is evident that the need of customers is same but the way customers fulfill it is changing and technology is reconfiguring Point of Sale. The online channel works and functions completely differently from the traditional retail channels. Hence different set of strategies is required to manage the e-store compared to operating a traditional retail store. The government should increase investments in infrastructure, education especially IT, and on the promotion of complementary industry to help the e-retail industry. As the industry is there in its initial stage, the government should not burden it with strict regulations, but some regulations on entry are important to avoid unnecessary competition. Mergers and acquisitions are evident from industry analysis for competing offline retailers. Companies should use focus strategy having forward and backward linkages with the suppliers and intermediaries for better efficiency and efficacy. Companies should tap the opportunities, which demonetization has created in the recent past. India’s major strength is its unorganized Kirana stores, hence for better results, companies can tie up with them and through which problem of unemployment will also not generate. Companies should start services in Local languages, which can really produce better results.

LIMITATIONS AND FUTURE SCOPE OF RESEARCH

Lack of prior studies on this topic and unavailability of relevant data will limit the scope of this analysis, as e-retailing is still in its infant phase. Strategy formation and impact analysis are the important domains of top management levels which were not easy to access, which also hampered the study. Most importantly India’s population is very diverse in all the aspects; hence it will be difficult to generalize any impact to the overall population. In future, a more extensive
research is suggested on the same topic in much more detail, with larger and bigger sample size with also including quantitative techniques for generalization.

REFERENCES


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