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E -retailing in India: Emerging Trends and Opportunities Ahead

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I. Introduction:

In today's cutthroat market, a growing percentage of Indian shoppers do their purchasing online. E-retailing has grown rapidly in India because customers may do their purchasing whenever they like, 24 hours a day, seven days a week. Since online stores don't need to keep expensive showrooms in malls, fancy neighbourhoods, congested locations, and organised markets, the "best pricing or best deals or bargains" and a large variety and range of products offered at affordable costs are what attract customers' attention to go for online shopping. Second, convenient payment methods including cash on delivery (COD), digital wallet payment, payment by debit and credit card; net banking, and etc. that feature secure transactions (one time password, security question) inspire consumer confidence. Indian e-commerce market leaders like Flipkart, Snapdeal, and Amazon all provide price comparisons on their websites and provide a wide range of products to appeal to different types of consumers. The ease with which a customer can return or exchange a product if it doesn't work properly or doesn't meet the customer's expectations is the fourth most critical aspect of a successful online shopping experience. Imagine, therefore, how critically the Indian consumer relies on online shopping, given that online grocery buying is already commonplace in major cities and consumers receive food delivery in a matter of minutes. But on the flip side, the growth of e-retailers over brick-and-mortar stores is closely correlated with the growth of the internet and related technologies, including the proliferation of smart phones and the dynamic engagement of internet users across a variety of social media platforms; the advent of sophisticate programmers; and the revolution in the IT sector. Sales of goods and services, as well as the recruitment of new customers and the maintenance of existing ones, are increasingly likely to take place on social media platforms like Facebook. The "Make in India" programme will also be essential in helping the Indian economy benefit from the expansion of online shopping. It is expected that several industries, including those dealing with information technology hardware and electronics, textiles and garments, leather and footwear, food processing, and medicines, will increase their product offerings and lower prices. Smart cities are being developed in India to accommodate the country's rapidly expanding urban population, which presents both exciting opportunities and formidable obstacles for the e-commerce industry.

Challenges of E-retailing in India

E-retailing, 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**:
- ✓ E-commerce would not be possible without the Internet. Since only 0.5% of Indians have access to the internet, only 3.5% of Indians have access to personal computers, and only 2.1% of Indians have access to telephones, E-Commerce is out of reach for the average Indian.
- ✓ **Branding & Marketing**:
- ✓ E-commerce branding and marketing are expensive endeavours since they attract customers to the site and encourage them to make a purchase. This is a large expense that can be reduced on a per-customer basis if sales volumes are high enough. The present e-Commerce ecosystem has an average of between INR 500 and 1000 customers, which isn't sustainable for even medium sized businesses, let alone startups.
- ✓ **Declining Margins**:
- ✓ With so many new entrants, the already fiercely competitive e-retailing business has lowered its profit margins by catering to the client with generous discounts, freebies, and return policies.
- ✓ **Logistics & Supply Chain**:
- ✓ A failure in any aspect of logistics can have a devastating effect on the future of a company and on the reputation of the brand as a whole. To that, a money-back guarantee is required. It's not easy to get this right.
- ✓ **Tax related issues**:
- ✓ The Indian market's tax rate system is another reason why E-retailing in India isn't growing as quickly as it is in the United States and the United Kingdom. Whereas the tax rates in such countries are consistent

across industries, India's tax system varies widely depending on which industry is being considered. Because of this issue, Indian e-commerce firms have trouble keeping accurate books.

✓ **Touch and Feel**:

✓ Physical stores are more popular among Indian consumers. Businesses selling items like clothing, handmade goods, and jewellery encounter difficulties satisfying customers who prefer to handle and examine the items in question before making a purchase.

✓ **Lack of trust on online payment:**

➢ There is a lack of consumer trust in online merchants, faulty items, delays in delivery of goods, and a limited penetration of using plastic money for transactions, hence the developing e-retailing business in India is beginning with Cash on Delivery (COD) as its payment method. While Cash on Delivery eliminates concerns about theft and payment, it adds significant costs to businesses in the form of cash handling, a delay in cash receipt, and a greater proportion of returned purchases. Online merchants' liquidity is threatened when logistics providers are slow to reimburse them for the money they've collected from clients. Because of this, the largest Indian e-commerce companies are opening delivery locations in the National Capital Region's (NCR's) metro stations, where clients can pick up their orders at their leisure and avoid shipping costs. As an added bonus, it will aid businesses in building a loyal consumer base.

➢ With so many options available, today's consumers can easily find the exact service or good they're looking for. They can seek for the product, see if it's in stock, read extensive product descriptions, compare prices at other online retailers, and search for deals and discounts. Customers not only obtain the products they want, but also feel they received good value for their money. From the point of view of online stores, the aforementioned features are crucial for staying competitive and expanding their customer base. Nonetheless, e-commerce businesses can't thrive unless they consistently turn a profit, month after month. This can only be achieved by raising brand awareness to encourage clients to visit the site and, perhaps, make a purchase. For online stores to survive and thrive in India, they must overcome these and other obstacles.

➢ **Margins:**

It is in the interest of every online merchant to have a healthy profit margin across the board. As a result of fierce competition and the need to increase sales, however, many of these businesses are reducing their profit margins and selling their products at steep discounts. The products are sold at MOP or a somewhat higher price. In the retail industry, minimum order quantity (MOP) refers to the lowest price at which a dealer or retailer is permitted to sell a product. As a result, shoppers can put more money in their pockets. For online stores, it might be difficult to maintain rock-bottom rates on products, yet doing so helps keep sales moving. In order to increase their profit margin, online stores always negotiate aggressively with suppliers. But if they keep pricing at MOP, they'll have less of a margin on their profits and will need to rely on the money in order to expand.

Availability of Products

Customers who shop online tend to be very goal focused. They would quickly go on to an other site if they couldn't discover what they needed. Online stores form partnerships with a variety of suppliers to ensure they always have the inventory they need on hand. The demand for some expensive goods is shaky. No online store is likely to make a substantial purchase of expensive goods from a vendor and keep them in stock. To ensure timely delivery of any orders for expensive goods, these businesses often retain only a small number of these goods in stock, or often none at all, and instead rely on partnerships with distributors and suppliers who maintain such inventories. One such difficulty is when a product's usual distributors or supplier does not carry a certain item and a replacement must be obtained from a different distributor. Each product requires its own forecasts. In light of this information, online merchants will know how much stock to keep on hand at their suppliers to prevent stock-outs.

Logistics and supply constraint for e-retailer

Orders come from both major urban centres and more rural areas. Online stores may have difficulties due to an increase in product supply and a lack of logistics in far-flung locations. Only a small fraction of online merchants operate their own intra-city logistics network, with the vast majority using outside companies for inter-city shipments. Others are wholly reliant on outsourcing to external service providers (TPSP). It's also not a good idea to set up storage facilities everywhere. In order to keep distribution costs down, e-tailers often let TPSPs choose to use the surface network to ship products to their customers. It would be more expensive to use the air network for distribution. Making on-time deliveries to remote areas is a major difficulty for online merchants. Different TPSPs excel in different areas because of their respective distribution systems and coverage areas. Only select TPSPs are able to provide service to a given zip code. Based on his suitable location pin code, the online merchant should partner with three or four service providers. It is possible for online stores to create a one-of-a-kind mapping between zip codes and service providers. As a result, when a client places an order, the appropriate TPSP will be notified immediately depending on the customer's address pin-code. By giving the Way Bill number or Order number, customers will be able to track their orders on the website of the third-party service provider.

Risk in digital transactions and payment gateways

Increased usage of online payment methods by Indian consumers has led to a corresponding increase in the number of payment gateways and mobile wallets, many of which are vulnerable to abuse by dishonest businesses. Online payment methods are become commonplace as e-commerce expands in India. Recently, a number of payment gateways have entered the market, simplifying and securing online financial transactions. These payment systems provide a convenient and all-inclusive gateway for customers to make purchases, allowing businesses to accept a wide range of payment types (not just cash, checks, and demand draughts) from customers. Service providers like Citrus Pay and PayU say that a number of small merchants are taking advantage of the low interest rates offered by payment gateways (typically 1%, compared to up to 3% charged by credit card companies) by opening online stores and withdrawing funds citing fraudulent transactions. Features, risk management histories, MIS, speed, dependability, and security are highly valued when selecting a payment gateway. On the other hand, in India, where both awareness and competition are low, pricing is the decisive factor in selecting a gateway. As a result, the service has become commoditized. Those that are serious about their internet business endeavours will be impacted by the aforementioned aspects.

High Rate of Failure in E-Retail Business

Given the low preference for making payments online, the smaller number of online shoppers with adequate disposable income, and the presence of several early players spoiling the market for later entrants by setting a bad precedent, Indian e-retailing companies continue to struggle towards breakeven. Akosha, an online consumer complaint forum, reports a 300% increase in reports of online fraud in the country during the past two years. Despite the low barriers to entry, many e-commerce businesses have failed because of the high costs associated with expanding their operations to meet rising consumer demand. About 100 to 150 e-retailing businesses have closed their doors in 2013, according to a number of online resources such as Next Big What and consulting organisations such as Technopak and Grant Thornton. To date, this year has seen the closure of more than a dozen businesses. Death rates are extremely high, especially among online stores, and we anticipate those figures to skyrocket this year. There is not a single company in this field that is profitable because of the current market structure. Many of the companies engaged in a price war, and as a result, either went out of business or were acquired by those with a higher market share. Companies like Flipkart and Snapdeal's bottom lines are harmed by cash on delivery because of the additional costs involved. While it's exciting to see the meteoric rise of e-commerce businesses, the fact that so many of them rely on the unprofitable cash-on-delivery payment method is cause for concern, especially in the Indian market. Internet and Mobile Association of India and auditing company KPMG found that cash-on-delivery (where buyers pay for things when they receive them) still accounted for up to 60% of transactions. Despite some of these businesses seeing annual revenue growth of 500%+, this is what has happened. Cash-on-delivery orders have a lengthier payment cycle, more frequent return occurrences, and associated charges, all of which reduce profits. Online merchants face an additional 3% in transaction expenses, amounting to at least $30 more for each purchase. Cash-on-delivery purchases incur more expenses due to the need for follow-up verification calls, collection fees levied by couriers, and round-trip shipping prices in the event that the product is returned.

II. Conclusion:

If Indian e-commerce businesses want to grow and compete with global giants like Amazon and Alibaba, they must immediately phase out cash-on-delivery as a payment option.

Business-to-business and business-to-consumer are the two most important e-retailing categories, as they form the backbone of any company's structure. This jargon provides a high-level description of the key players in the economic process and the final benefactors of these activities.

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