Present and Future of E-Retailing in India: A Case Study of Flipkart

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Abstract: Few years back technology brought the shopping information on to the laptops, today it brings the products right to the doorstep. With the use of internet as a medium a person can buy products from a virtual store (shopping website). Though detractors to this technological advancement thought that this would take the joy off shopping, it has only added a whole new perspective to shopping. Electronic retailing (e-tailing).E-Retailing is a buzzword for any business-to-consumer (B2C) transactions that take place over the Internet. Simply put, e-retailing is the process of selling retail goods using the internet. Companies like Flipkart, Amazon and Dell created the online retail industry by putting the entire customer experience - from browsing products to placing orders to paying for purchases - on the Internet. The success of these and other companies encouraged more traditional retailers to create an online presence to augment their brick-and-mortar outlets. The penetration rate is quite low in comparison to other countries worldwide; however the number of users is significantly high. The Indian e-tailing sector has matured enough to deal with the rapid transformations from the era of offline to online platform to be used by the consumers and addresses the challenges faced in this process. The paper examines the growth and opportunities in the Indian e-tailing sector by focusing on the current and future wave of the big giant e-tailer in India, Flipkart.

Keywords: E-tailing, Multichannel, Product, Diversity, Service.

I. INTRODUCTION

In the twenty-first century it becomes increasingly difficult to run a business without internet. The internet has become an essential tool for many business activities including marketing. Some businesses do not exist in bricks-and-mortar form, and therefore the internet, in terms of website, etc., represents the entire storefront they present to the customers. Other businesses use internet to facilitate their business activities such as internet advertising. The usage of e-commerce has increased rapidly across the developing countries like India. The Indian e-tailing sector has matured enough to deal with the rapid transformations from the era of offline to online platform to be used by the consumers and addresses the challenges faced in this process. The paper examines the growth and opportunities in the Indian e-tailing sector by focusing on the current and future wave of the big giant e-tailer in India, Flipkart. The World Wide Web has opened a set of new opportunities for organizations. From the traditional brick and mortar firms, we now have click and mortar firms, i.e., firms are these days present online besides the physical store that you can actually go visit. There are also organizations that have presence only in the virtual world, i.e., they are present only online and don not have physical stores, for example, amazon.com (Dutta, 2012). Retailers use the Internet as a medium to market their goods and services and try to keep in touch with them. With advancement in the field of technology and Internet, e-retailing or e-tailing has become a household thing today. The electronic retailing also called as e-tailing or internet retailing, is the process of selling the goods and services through electronic media, particularly the internet. Simply, the sale of retail goods and services online is called as electronic retailing. Appliance Retailer (2015) reported that In the latest Top 100 Most Valuable Global Brands ranking, the top two most valuable retail brands are the Chinese e-tailer Alibaba in the number one spot with $66.4 billion and Amazon, coming closely behind with $62.3 billion. The annual ranking, released by Millward Brown, shows these two e-tailers are now more valuable than Walmart which now comes in at number three in the retail
ranking at $35.2 billion. Another key difference to keep in mind is the fact Walmart has 11,000 stores worldwide and both Alibaba and Amazon have none. The Hindu (2016) Global e-commerce sales made via mobile devices are expected to cross $638 billion by 2018, according to the joint study brought out by Assocham and Deloitte on Monday. E-tailers like Flipkart, Amazon and Jabong now get 50 per cent of their revenues from consumers shopping on their mobile phones. Predictive analytics is helping e-tailers provide better solutions real-time, enabling compelling user experience even on mobile screens.

II. REVIEW OF LITERATURE:

Khan and Rahman (2016) studied to examine the influence of e-tail brand experience on e-brand trust and e-brand loyalty. The study also tests whether gender moderates this influence. In all, 429 responses were collected using both offline and online survey methods. Empirical results confirm the impact of e-tail brand experience on e-brand trust and e-brand loyalty. Gender was found to moderate the relationships. It was further found that e-tail brand experience developed almost same levels of e-brand trust in both males and females. However, males became more loyal to e-tail brands when they received positive e-tail brand experiences.

Das (2016) conducted a study to examine the antecedents and consequences of trust in online shopping from an e-tailer branding perspective. A structured questionnaire was used to collect data online from Indian e-tail shoppers and 309 samples were used for data analysis. The results found e-tailer awareness, e-tailer associations, and e-tailer perceived quality as antecedents of trust in online shopping. The results also showed online trust positively influences the behavioural intentions, namely, purchase intention, repurchase, and recommendation.

Chocarro, et al. (2015) conducted a study with a target population of online shoppers in Spain to identify customer-specific differences in a general model of e-loyalty taking into account the existence of unobserved heterogeneity. A sample of 1,200 online shoppers was selected using sex and age quotas based on data and found that e-loyalty and e-satisfaction is significantly determined by consumers’ shopping styles.

Shobeiri, et al. (2014) to investigate how an E-retailer’s assistive intent impacts the perceptions and behaviours of online shoppers, a survey on the most recent e-purchase experiences of more than 600 individuals in North America was conducted. Structural equation modelling was used to assess the measurement and structural models. Results of the study indicated that customers’ impressions of an E-retailer’s assistive intent positively impact web site patronage intentions both directly and indirectly through two key constructs of e-shopping, including web site involvement and web site attitudes.

Najafi and Morshedlou, (2013) conducted a study with aim a scientific assessment of use of E-branding in E-commerce that is one of reasons for developing E-commerce in countries. For this 100 questionnaires were delivered to research society that 70 questionnaires were received and the same analysed with Analysis Hierarchical process method use of e-branding in developing of e-commerce is 7 times higher than un using of e-branding.

Chen and Mathews, (2013) conducted a study in Taiwan to examine web site service quality on brand attitude toward e-branding. For this data was collected in an offline environment where the 500 questionnaire were distributed by quota sampling approach. Out of a total sample of 500, 431 questionnaires were returned. Researchers concluded that portal website attitude have indirect effect on e-retailer brand attitude through portal e-service quality. Further, the study highlighted those portal intermediary site e-services components such as e-service quality impacts the e-retailer brand.
Bruhn et al. (2012) conducted a study to investigate the relative impact of brand communication on brand equity through social media as compared to traditional media. A total of 393 participants fully completed the questionnaires from three different industries, namely tourism, telecommunications, and pharmaceuticals, were generated using a standardized online-survey. The results of this empirical study show that both traditional communications and social media communications have a significant impact on brand equity.

Dash et al. (2008) conducted a study to understand drivers of customer satisfaction, trust and loyalty towards web sites. The research sample was composed of 198 post-graduate students from the Indian Institute of Management at Lucknow in India. The results of the study indicate significant preference for the local web site in almost all design categories. Further, the study revealed that the local site instilled greater trust, satisfaction and loyalty.

Christodoulides and Chernatony, (2004) conducted a comprehensive review of the literature on online branding and online customer behaviour and also conducted 16 (semi-structured) depth interviews were undertaken in the UK with online branding experts and found that branding on the Web needs to address the unique characteristics of computer-mediated environments, it was posited that classical measures of brand equity were inadequate for this category of brands.

Wolfinbarger and Gilly (2003) conducted a study in United State and found that quality is expected to be a determinant of online retailer success as well. This study suggested that four factors—website design, fulfillment/ reliability, privacy/security and customer service—are strongly predictive of customer judgments of quality and satisfaction, customer loyalty and attitudes toward the website.

III. NEED/RELEVANCE OF STUDY
The management of brand has attained more importance due to the change in the global market and increasing competition. Satisfied and loyal end users are vital to any organisations continuing viability. Online retail today is becoming one of the fast paced growing segments in the e-commerce space. The Economic Times (2014) mentioned that the Indian e-tailing market to expand to $8.5 billion in 2016 from $2 billion in 2013. To maintain this growth in Indian e-tailing marketing, building customer trust and loyalty is very important. With e-commerce growing rapidly and online shopping becoming a trend and has become an important topic for marketing researchers and practitioners (Santouridis and Trivellas, 2010).

IV. OBJECTIVES OF THE STUDY
1. To review the present status of e-retailing in India.
2. To analyse the opportunities for e-retailing in India.
3. To study the case of flipkart: its history, growth and current position.

V. METHODOLOGY
The present study is descriptive in nature and is based on secondary date. The secondary data is availed from various journals and internet.

VI. WORLD’S E-COMMERCE INDUSTRY
The e-commerce industry comprises of four segments: the business-to-business (B2B) segment, the business-to-customer (B2C) segment, the consumer-to-business (C2B) segment and the customer-to-customer (C2C) segment. E-retail is a part of the B2C segment. All these modes of e-commerce, including e-retail, crucially depend on internet and mobile penetration. The number of internet users is 3.6 billion, representing around 50.1% of the world's population in 2016 (http://www.internetworldstats. com /stats.htm). Live mint (2016) reported that the e-commerce
market that was valued at Rs.1.2 trillion at the end of December 2015 will touch Rs.2.1 trillion by December 2016, according to the Digital Commerce Report 2015, by the Internet and Mobile Association of India (IAMAI) and IMRB International. Between December 2011 and December 2015, the market has grown at a compound annual growth rate (CAGR) of 30%.

VII. INDIA’S E-COMMERCE INDUSTRY

Table 1 reveals that in 2016, India had the second largest number of internet users in the world, impressive rates of growth in the number of internet users, low growing penetration rates and a relatively lower share of world internet users (at 12.57 per cent) compared to its 17.25 per cent share of the world population. Thus, India offered scope for substantial growth in potential internet usage. The number of internet users is 462 million, representing around 36.5% of the India's population in 2016 (http://www.internetworldstats.com/stats.htm).

Table 1. Top internet user country statistics: 2016

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Country</th>
<th>Global rank</th>
<th>Country’s share of world population</th>
<th>Country’s share of world internet users</th>
<th>Penetration (% of population with internet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>China</td>
<td>1</td>
<td>18.78</td>
<td>19.6</td>
<td>52.3%</td>
</tr>
<tr>
<td>2.</td>
<td>India</td>
<td>2</td>
<td>17.25</td>
<td>12.57</td>
<td>36.5%</td>
</tr>
<tr>
<td>3.</td>
<td>United States</td>
<td>3</td>
<td>4.41</td>
<td>7.80</td>
<td>88.6%</td>
</tr>
<tr>
<td>4.</td>
<td>Brazil</td>
<td>4</td>
<td>2.80</td>
<td>3.78</td>
<td>67.5%</td>
</tr>
<tr>
<td>5.</td>
<td>Indonesia</td>
<td>5</td>
<td>3.51</td>
<td>3.61</td>
<td>51.4%</td>
</tr>
<tr>
<td>20.</td>
<td>Italy</td>
<td>20</td>
<td>.84</td>
<td>1.06</td>
<td>63.2%</td>
</tr>
</tbody>
</table>

Source: Internet Live stats

The penetration of e-commerce in India is going at a faster rate with a significant number of new entrants such as Flipkart, and Snapdeal. The Economic Times (2016) mentioned that the e-commerce market in India is expected to nearly double to Rs 2,11,005 crore by December, according to industry body Internet and Mobile Association of India (IAMAI) and IMRB. The market grew 30% between December 2011 and December 2015 and was valued at Rs 1,25,732 crore by the end of December 2015. Live mint (2015) reported that the e-commerce market will account for 2.5% of the India’s GDP by 2030, growing 15 times and reaching $300 billion, from the current market size of e-commerce is $20 billion. “Further, India's attractive demographics – the youngest population in the world – should lead to over 300 million new online shoppers in the next 15 years, making e-tailing the largest online segment,” it said.

VIII. GROWTH AND OPPORTUNITIES IN E-RETAILING: AN INDIAN PERSPECTIVE

The Economic Times (2016) according to 2016 Global Retail Development Index (GRDI), which ranks top 30 developing countries for retail investment worldwide, a pickup in GDP growth and better clarity regarding FDI regulations have helped India achieve a second ranking. India's retail sector has expanded at a compound annual growth rate of 8.8 per cent between 2013 and 2015, with annual sales crossing the USD 1 trillion mark, according to A T Kearney, a London-based business consultancy. A retailer selling goods via electronic transactions on the Internet called e-tailer. A gradual increase in shopper base, coupled with steady increase in online spends can help the Indian e-tailers reach gross merchandise value of USD 28 billion by FY 2020. We assume buyer penetration to improve to 18 per cent by FY 2020 from 12 per cent in FY 2016, with annual average online spend to increase by 10-15 per cent year-on-year (The Economic Times, 2016).
IX. CASE SCENARIO: FLIPKART

Flipkart was launched in October, 2007 by the duo, Sachin Bansal and Binny Bansal, both alumni of the Indian Institute of Technology, Delhi. As of today, it is the first Billion dollar company in the Indian e-commerce context with 30,000 employees, 36 million registered users, technology that enables 5 million shipments/month, 8 million daily page visits and 13 state-of-the-art warehouses (source: http://www.flipkart.com/about-us). Flipkart.com is India’s leading marketplace with over 20 million products across 70+ categories including baby care, books, clothes, games and toys, home and kitchen, footwear, jewellery, laptops, etc. Their journey commenced with selling books in the year 2007 and progressed to consumer support 24x7 in the year 2008, to including music, movies and mobiles, cash on delivery in the year 2010. In the year 2011, Flipkart incorporated features such as card on delivery, dedicated logistics for faster delivery, 30 day replacement policy to having an in-house brand Digiflip in the year 2012. In the year 2013, they sold one hundred thousand books in a single day and offered same day guarantee. In the year 2014, they had a billion dollar funding, acquired Myntra, provided In-a-day guarantee and scheduled delivery. Flipkart allows payment methods such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery (Source: www.flipkart.com). The Economic Times (2016) mentioned that Flipkart India’s turnover is now nearly double the country’s organised wholesale market that has players including Wal Mart and Metro Cash& Carry. Live mint (2016) report (Table 2) mention that online marketplace Flipkart remained India’s most popular e-commerce platform, just nudging ahead of arch-rival Amazon India, which has spent hundreds of millions of dollars to build loyalty with Indian shoppers, according to the third version of the RedSeer E-tailing Leadership Index (ELI). Paytm, a digital payments and commerce platform, is also making its mark as a strong Internet brand, mostly on the back of its digital wallet. Flipkart continues to lead the e-commerce rankings with a total score of 97, followed by Amazon(95), Paytm(75), Snapdeal(74), Shopclues(58) and Ebay(56).

Table 2.

<table>
<thead>
<tr>
<th></th>
<th>Great experience</th>
<th>Best value</th>
<th>Most trusted brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flipkart</td>
<td>49</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Amazon</td>
<td>49</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Paytm</td>
<td>44</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>Snapdeal</td>
<td>40</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Shopclues</td>
<td>32</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Ebay</td>
<td>30</td>
<td>24</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Live mint report(2016)
X. PROGRESS OF THE FLIPKART

2007: Flipkart founded by IITians Sachin Bansal and Binny Bansal, who used to work at Amazon in Bengaluru, with 4 lakh initial capital.

2008: Gets undisclosed angel funding from ashish Gupta, founder of jungle and Helion Venture partners.

2009: Raises first institution round from venture capital firm Accel India of $ 1 million, and 10$ million from Tiger Global Mgmt.

2014: After Myntra’s acquisition in march 2014, raise $210 million from DST Global.

2015: Co-founder Sachin and Binny Bansal, who are not related, become first Indian internet billionaires, projected net worth of $1.3 billion each.

In FY2015, Flipkart Ltd clocked Rs 10,245.8 crore in revenues, up 248.6% or Rs 2,937.7 crore a year ago.

In FY2016, Flipkart Ltd Clocked Rs 13177 crore in revenue, up 28.6% from FY2015.

XI. AWARDS AND RECOGNITION

- In December 2016, Sachin Bansal & Binny Bansal were named ‘Asian of the Year 2016’
- In April 2016, Sachin Bansal & Binny Bansal were named in 100 most influential people by TIME
- In September 2015, Sachin Bansal and Binny Bansal entered Forbes India Rich List debuting at the 86th position with a net worth of $1.3 billion each.
- Co-Founder of Flipkart, Sachin Bansal, got Entrepreneur of the Year Award 2012–2013 from Economic Times, leading Indian Economic Daily.
- Flipkart.com was awarded Young Turk of the Year at CNBC TV 18’s 'India Business Leader Awards 2012' (IBLA).

XII. CONCLUSION

The retail sector has experienced a remarkable change over a period of last few decades. The journey of consumer from kirana store shopping to e-portal experience has been enriching. The technology has added additional flavor to this experience with a strategic orientation. After considering all the aspects which has been discussed earlier it has been found that the e-commerce in India is still at its early stage and it has got huge opportunities in the upcoming future. With the help of the internet the companies like Flipkart, amazon.in, ebay are giving information and selling their products to the ultimate consumers. Because of the new advent of gateway payment i.e. online payment i.e. through debit and credit card it has become really an easy way to buy product.

Sachin Bansal co-founder of flipkart said it would be a “mistake” if Internet and technology are not considered as a “strategic sector”. “...we are making a mistake by not thinking of Internet and technology a strategic sector and depending too much on China and the US to build that for us... We have the capability, we have the know-how to do this in India ourselves for our markets,” he said.

REFERENCES


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