

# A Survey on Retail Marketing Boom in India due to Internet Growth

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**Abstract**— In the recent year common Indian who has been a sincere buyer at local markets is now found to be sitting at home, while shopping with his latest Smartphone, thanks to the technological boom in Indian Telecommunication. Telecommunication was a biggest challenge in India about 50 years ago. There was hardly a post office in villages. Telegraph was the only way of emergency communication in this huge land where pigeons were used as messengers. Technical advancements in the field of telecommunications have given birth to many new devices and gadgets. The Indian Government making the right move at the right time, invested huge in Telecommunications. As a result, every single home has multiple mobile connections, with at least one being a Smartphone user with Internet connectivity. The huge Indian Market is now shopping in Smart phones. Let us discuss this phenomenal change in this paper.

**Keywords**— Retail marketing, Online shopping, Smart Phones

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## 1. INTRODUCTION

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US\$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

## 2. EVOLUTION OF RETAIL MARKETING

Over the past few months, footfalls at retail stores have been impacted. The slowdown isn't only to be blamed for this, but sales have evidently been shifting online, and this demand is hurting the larger ecosystem of offline retailers," the executive said on condition of anonymity. Camera manufacturer Canon, for instance, has stopped selling its products on some websites.

We are not doing direct business with online sites where price disruptions are the core proposition, said AlokBharadwaj, executive vice-president at Canon India Pvt. Ltd. The company pulled out its products from a few shopping portals a few weeks ago. We do have some partners who are adhering to our terms and requirements, and have been authorized to sell, he said. Offline backlash The boom in e-commerce has particularly hurt small and regional offline retailers, some of which are lobbying with the government for a ban on foreign direct investment (FDI) in e-commerce firms.

India doesn't allow FDI in online retail, but allows foreign funds in marketplaces. Late last year, HariRastogi, who used to distribute Samsung and Dell products to bricks-and-mortar retailers in Karnataka, got over 4,000 small offline retailers selling books, electronics and apparel together, and formed an industry body called We Will Act to lobby against e-commerce firms. Rastogi shut his business as retailers demanded lower prices and he is now volunteering with the

Aam Aadmi Party partly because the party has publicly opposed FDI in retail. Margins have almost vanished and all offline retailers, especially the small, regional ones are feeling the pain.

It's not possible for offline retailers to compete against the predatory pricing of online retailers and there are several firms, including mine, that have shut shop because of that, he said. According to Rajan Malhotra, CEO at Future Group-owned electronics and gadgets retailer Ezone and group president, retail strategy at Future Group, e-commerce is bound to have an adverse impact on sales and footfalls at bricks-and-mortar stores. It is a new industry and clearly flush with money. We are seeing multiple instances of predatory pricing. However, it is not sustainable in the long run," he said. However, instead of feeling threatened, the company plans to step up its own online business.

### 3. EVOLUTION OF ONLINE RETAIL MARKETING

Indian online retail market is estimated to grow over 4-fold to touch \$ 14.5 billion (over Rs 88,000 crore) by 2018 on account of rapid expansion of e-commerce in the country.

According to research and consultancy firm RNCOS, the online retail market is projected to grow at a compound annual rate of 40-45 per cent during 2014-18.

E-commerce boom hurts brick-and-mortar retailers. E-commerce firms including Flipkart, Snapdeal, Myntra and Jabong are confronting resistance from all stakeholders of modern retail—from consumer goods makers and distributors to offline retailers—as they try and grab a larger share of the consumer's wallet by dangling attractive discounts. Wholesalers and brick-and-mortar retailers, the worst hit by the boom in online shopping, are putting pressure on brands to help them compete more effectively with e-commerce websites. While some electronic goods makers such as Lenovo Group Ltd and Toshiba Corp. warned last month that e-commerce sites weren't their authorized resellers, several apparel makers are in talks with online markets to get them to reduce discounts, ranging from 20-40%, said three executives working for online retailers.

The problem is not nearly as big as it is with electronic retailers, but brands are talking to us about reducing the quantity of 'coupon' discounts, said Ganesh Subramanian, chief operating officer at Myntra, one of the top two online fashion retailers in India along with Jabong. Coupon discounts refer to price-offs that all major online retailers and marketplaces offer customers if the purchase value of goods exceeds a certain amount (usually about Rs.1,500-2,000 across online retailers).

Although e-commerce accounts for less than 1% of the total retail market in India, it is by far the fastest growing retail channel. It is estimated to grow to as much as \$22 billion (excluding travel) in five years from \$3.1 billion currently, according to a report by CLSA. Last week, India's largest online retailer Flipkart said it was on course to sell goods worth as much as \$1 billion annually on its website in the year to 31 March, achieving its target a year in advance. With a large supply chain and logistics network that does not require middlemen in most cases, online shopping sites have been enticing consumers with aggressive discounts, putting market share ahead of profitability.

### 4. PROCEDURE

With the high penetration of phones in India and with improving Internet connectivity, e-commerce firms are expected to reach millions of new users in the coming years.

Unique to India, cash on delivery is a preferred payment method. India has a vibrant cash economy as a result of which 80% of Indian e-commerce tends to be Cash on Delivery. However, COD may harm e-commerce business in India in the long run and there is a need to make a shift towards online payment mechanisms. Similarly, direct imports constitute a large component of online sales. Demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorized distributors and e-commerce offerings.

India's online retail boom is expected to grow the e-commerce space by 20-25% over the next two-three years, creating at least 1.5 lakh jobs. The industry, which now estimated at about Rs 18,000 crore, is expected to reach Rs 50,000 crore by 2016. Market experts believe that with this the demand for talent is set to grow.

As of 2012, most of the e-commerce companies are yet to start making money. However, due to their growth prospects, many venture capital firms such as Accel Partners have invested considerably. In one of the biggest fund raising, Flipkart.com, till November 2014, has raised about USD 2.3 billion. Entertainment ticketing website BookMyShow.com raised 100 crores investment by Accel Partners.

At least 10 e-commerce firms, including Flipkart, Snapdeal, Jabong, Pepperfry and Limeroad, have announced fund-raising over the past two months and investors and analysts say that several other sites such as online marketplace Shopclues and fashion retailer Yepme are likely to receive money within the next six months.

"India is going to be the third biggest e-commerce (market by value) in the world (after the US and China) going forward," Flipkart CEO Sachin Bansal said. "It's a capital-intensive business. If you want to build a large e-commerce business, capital is required." E-commerce sales in India are currently dominated by local sites such as Flipkart, Snapdeal and Jabong. They caution that while India's consumer spending power has been compared with that of China in the past, it hasn't

ever worked out that way in reality. They also point out that no e-commerce firm is profitable, or anywhere close to reaching profitability

Most e-commerce firms, including Flipkart, have now moved to the marketplace model from the inventory-led model. This is partly because of the current bar on FDI in direct online retail. Recently, Chinese smartphone maker, Lenovo has set a history in a way of selling their latest budget smartphone A6000" through Flash Sale in Flipkart. The first sale happened on January 28th saw a huge response and that has made the smartphone maker to continue with the second and third phase of Flash sale.

Though there are multiple comments on this Flash Sale, the Indian Consumers have extended their warm welcome to such Flash sales where the demand for a particular product is increased to many times. Lenovo has announced that there will be 30,000 Lenovo A6000 units on Flipkart's sale on Wednesday 2pm. Prospective buyers were advised to get themselves registered for Flipkart flash sale.

Though there are 30,000 units up for grabs on 11 February, the inventory capacity is too miniscule to satiate the demand. Last week, all 20,000 units were sold in record 3 seconds and on 28 January sale too, 10,000 units got over in 2 seconds. However, Lenovo has to be appreciated for trying to increase the number of units with each passing week. We still believe Lenovo has to push for more by scaling up its inventory capacity to 50,000 units or more and occasionally try to host open sale like its Chinese peer Xiaomi which has gained a formidable foothold in the Indian market within seven months of its debut in mid-2014.

Similarly there are multiple FMCG manufacturers who now tie up with Online retail marketers like Flipkart, Snapdeal, Jabong, Myntra and many others to sell their products. Certain products are made unavailable in the brick and mortar shop while those products are exclusively available for sales in these online retailers.

## **5. THE INDIAN RETAIL SCENE**

India is the country having the most unorganized retail market. Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailers function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer.

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

There is no doubt that the Indian retail scene is booming. A number of large corporate houses have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category. The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies, or having a well thought out branding strategy.

### **A. STRATEGIES, TRENDS AND OPPORTUNITIES 2007**

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centres, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

### **B. GROWTH OF RETAIL SECTOR IN INDIA**

Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of Indianan's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the countrysides GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

### C. ONLINE RETAIL CHALLENGES IN FUTURE

Leading Indian online retailers including Snapdeal and Fashion portal Myntra, expect to turn profitable in next two years signaling a seismic shift in an industry where so far growth has been pursued at the expense of the bottom line. Snapdeal, an online market place wants to be India's first profitable e-commerce company and its largest mobile commerce company. This suggests that mobile will be a big driver in future. This company expects to reach about Rs.6220 cr. in gross merchandise sales by the next financial year.

Flipkart is an Indian e-commerce company founded in 2007. It is considered as an e-commerce company that made online shopping popular in India. It deals with selling of variety of items, started with books and now home and kitchen appliances, mobile phones, digital cameras, watches, clothing and others. Flipkart India, the wholesale cash-and-carry entity of the online retail firm reported a loss. However the company claims that their business is growing at 100% annually. The sales target for 2015 is to reach \$ 1 billion or about Rs. 6200 cr. Now, it is making good business and. sees \$1 billion sales. It is a reply to U.S. online giant Amazon. It is really an achievement in countries exploding e-commerce market. It is expected to reach the e-merchandise retailing sale at \$14 billion by 2018 and \$60 billion by 2023.

## 6. CONCLUSION

In the race to acquire customer, e-commerce sites offer deep discount and these discount vary from site to site depending upon its capacity to negotiate with the supplier. To get the best discounts, buyer needs to search a plethora of sites. Here, Price comparison sites come in like mys martprice.com, pricedekho.com, reekamal.com and Jungles etc.,

The website compares prices over the entire web and provides users with the best available price. E-Commerce sale through these website are increasing and will further increase as consumers get more and more discount savvy. *Online grocery stores* are gaining popularity in India due to absolute convenience, ease of shopping and a fast-growing market. Punexpress.com, Milestore.com, Atadaal.com have already entered the market and are gaining popularity. They provide discounted product and free home delivery. All of these stores are targeting the Indian housewife, who is yet to move to e-commerce way of shopping. Thus, India has a promising future for e-commerce for all class of people with quality products, ease of buying from home, secured payment options and above all customer satisfaction.

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