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IMPACT OF FDI ON RETAIL ENVIRONMENT OF INDIA AND FACTORS INFLUENCING THE CONSUMER ATTITUDE & BEHAVIOUR TOWARDS ONLINE AND OFFLINE SHOPPING

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ABSTRACT

India has witnessed a gradual albeit steady metamorphosis over the last decade alone. Despite the myriad advances over the years, the Indian retail sector continues to remain highly fragmented. FDI in retail was criticized for a good amount of time but so far FDI has proven to be one of the fastest means of, with the highest impact on, development. India has been ranked at the second place in global foreign direct investments in 2010 and will continue to remain among the top five attractive destinations for international investors during 2010-12 period (United Nations Conference on Trade and Development (UNCTAD))'World Investment Prospects Survey 2009-2012'). Leeds University Business School, commissioned by UK Trade & Investment (UKTI,February 2010) ranked India among the top three countries where British companies could do better business during 2012-14. Foreign direct investment in Indian market is quite easy through the Governmental and Automatic Routes. It is a well-known fact that markets have already been opened for 100% FDI in single-brand retail and 100% in wholesale cash and carry and 51% in multi-brand retail. FDI in Retail Sector has proved to be quite beneficial for Indian consumers as they get a variety of products and services at a reasonable price and new employment opportunities along with economic balance energy, money and time. With the entry of retail giants, both national and international, conventional stores might seem to vanish in the near future just like the replacement of desktops with laptops and tablets. Inspite of various benefits of FDI for both firms and countries and the large jumps in development with best practices followed, eking out advances with even moderate long-term impacts often has been a struggle in India.

Organized Retailing in India is still a partly success and a failure story. Internet holds many virtues that can be turned favorable for the domestic retail industry including a higher customer penetration, increased distinguishability, and expedient operations. This paper attempts to provide a clear picture about the retailing environment in India. It explores various issues, opportunities and attempts to draw an effective retailing strategies in the county based on extensive literature reviewed and factors assimilated on retailing models from Indian and global studies. Technology adoption models like Theory of Planned Behaviour, Theory of Planned Behaviour (TPB) and Technology Adoption Model (TAM) and applied in the Indian and global context to analyze the changing typology of e-consumers. This study focuses on a conceptual analysis about innovative practices in retail marketing by using the benefits of FDI along with the consumer attitude and behaviour towards retailing and also the combined impact of these two aspects on Indian economy. The contributions of the findings would attempt to assist policy makers, e-marketers and provide an insight for further research exploring the gaps in this important social and commercial economic discipline which impacts each and everyone of us.

KEY WORDS: *FDI,Retailling, Technology Adoption Models, Consumer Behaiour*

1. INTRODUCTION

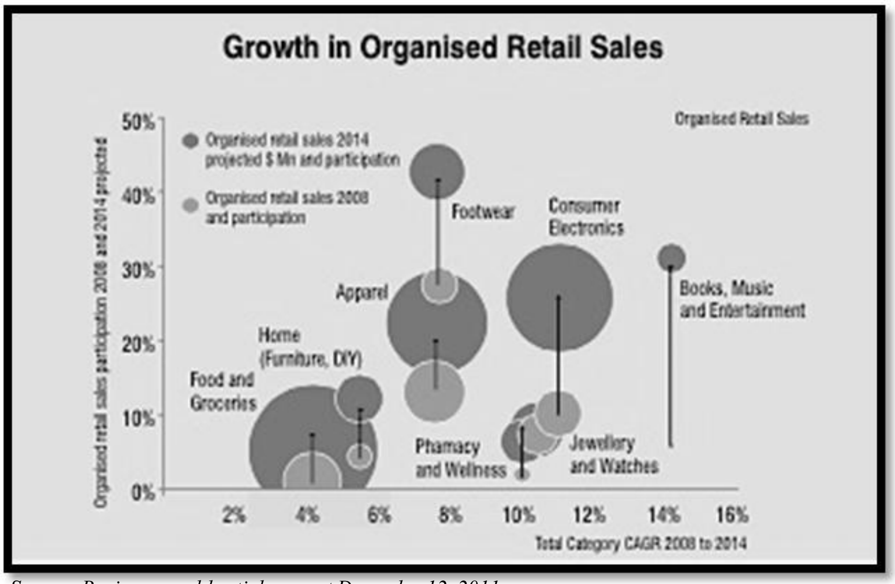
1.1 Foreign Direct Investment (FDI) in India:-

During the April-January period of the current fiscal year, the foreign inflows of India have grown by 36 per cent, year-on-year, to USD 25.52 billion, according to data from Department of Industrial Policy and Promotion (DIPP, 2015). In January 2014, India had received USD 2.18 billion in FDI. India has been attracting FDI worth USD 4.67 billion since September 20, 2012 when the Government of India (G.O.I.) approved 51% FDI in Multiband retail and 100% in Single Brand retail sector through Government Route with some riders. G.O.I. was quite firm in implementing FDI in multi Brand Retail which caused much agitation which was largely criticized by various political parties and even led to strikes and no trade days in many places of the country (Kaushik, Bansal, 2012). However, ex-Prime Minister of India tried to highlight the necessity and obligation under WTO agreement to allow FDI in Retail Sector in the county. But the outcome of all the efforts since 2012 led to a mixed response from the marketers and economists.

FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. It can be a subsidiary, joint venture or merger or acquisition and includes Greenfield and Brownfield projects (Bansal & Kaushik, 2012). OECD has defined FDI as investment by a foreign investor in at least 10% or more of the voting stock or ordinary shares of the investee company. The High Court of Delhi defined the term retail as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale). Retailing is the last link of the long distribution channel of marketing that connects customers directly with the seller. Retail industry is one of the largest sectors of Indian economy. Unorganized retail sector in India occupies 97% of the retail business and the rest 3% is contributed by the organized sector. The unorganized retail sector contributes about 13% to the GDP and absorbs 6% of our labour force.India is one of the fastest growing retail markets in the world, with 1.2 billion people (Census, 2011). Hence, the issue of displacement of labour consequent to FDI Retail Sector is of primal importance in India. Also, there is a divided opinion on the impact of FDI in the retail sector in India. Some experts believe that FDI in the retail sector in India will lead to economic growth and creation of new jobs along with rural infrastructure development. Others believe that mass scale job loss will happen particularly in manufacturing sector with the entry of the big MNCs like Wal-Mart, Carrafuer, Metro PLC and IKEA etc.

The threat that domestic players will be suddenly exposed to competition from large retail firms from abroad. Already, Reliance Fresh, Star Bazar, Big Bazar and a few other domestic large retail outlets have been successfully operating in Indian market. They have the proficiency of modern retailing and easily manage the volume procurements, logistics, and marketing. Thus, sequencing of opening up retail sector for foreign firms has been correct. Moreover, large domestic and foreign retailers will not be a threat to domestic kirana stores as been alleged. In fact, Kirana stores offer tough competition to the large retailers. For millions of Indians Kirana stores offer small volume sales, flexible credit, anytime home-delivery, and proximity shopping which large foreign retailers cannot. Furthermore, kirana stores also stand to pick-up some good practices from large retailers such as clean store and working environment, absence of child-labour, and better record keeping through automated billing counters. All in all, a healthy competition among foreign retailers, domestic retailers, and kirana stores will only generate more employment and more options for customers. FDI has been in debate not only because of the threat to the traditional stores but also its impact on SMEs and MSMEs was of much larger concern. India has a lot of scope for entrepreneurial activities. Increase in Retail giants would lead to a decrease in the upcoming new national ventures. Most of the FDI inflows are a result of M&As. So, FDI in retailing needs a proper management by the government otherwise Indian retail sector would become a puppet in the hands of foreign players.

Figure 1: Growth in the sale of organized retail sector



Source: Business world article report December12, 2011

1.2 Problem statement:-

FDI in retail sector needs to be implemented quite wisely in the Indian market. India has a lot of scope for earning foreign exchange but it can be achieved only if the policy makers formulate such strategies and plans that may prove beneficial for the nation and its citizens. The policies need not be so liberal that international players may start exploiting it. The hue and cry of both the politicians and the traders was not wrong completely. The fears related to FDI were quite genuine. In this study, various aspects of FDI in retail are considered from the economic point of view as well as the though process of Indian consumers. The major questions that arise from FDI in retail and consumer behaviour shall be considered in this study and relevant strategies shall be proposed further. This research paper would answer the following FDI in retail sector related problems:

- What is meant by FDI in retail sector?
- What are the positive implications of FDI in retail on Indian economy?
- What role does consumer behaviour play in the effective and efficient implementation of FDI?
- What strategies should be formulated by the Central Government in order to completely leverage the benefits of FDI in retail sector?
- What should be the plan of action by retail marketers to gain consumer attention and trust?

1.3 Research objectives:-

- To study the impact of FDI in retail sector on Indian economy
- To study the role of offline and e-consumers in the effective and efficient enactment of FDI?
- To study the plan of action of retail marketers in order to gain consumer attention and trust
- To develop a conceptual understanding of retailing and e-tailing by the help of extensive literature review
- To study the Technology adoption models like TPB, TRA,TAM,DIT, UTAUT and their applications for researching factors that influence the consumer behaviour in India
- To propose a consolidated list of factors that play a major role in influencing the behavioural intention to purchase a particular product or service
- To analyze the positive and negative implications of FDI in retail on Indian economy?
- To propose a SWOT analysis of FDI on retail sector of India
- To formulate and suggest new strategies that could be used by the Central Government in order to completely leverage the benefits of FDI in retail sector?

2. LITERATURE REVIEW

Retail comes from the Old French word tailer (modern French word for retailer) that means "to cut off, clip, pare, divide" in terms of tailoring (1365). Retailing refers to the sale of quantities of items. Retail modernization in developing countries and its effect on the broader food system has been a major focus of research since the early 2000s (Vaidehi & Alekhaya, 2012). Supermarket revolution in foreing markets and mall culture became the most challenging trend for traditional retailers who owned the general 'kirana' Stores at almost every corner of a street. Supermarkets existed in Latin America from at least the 1960s, but began to grow much more rapidly in that region during the economic boom and opening to Foreign Direct Investment (FDI) of the 1990s. Growth began later in East/Southeast Asia and Central Europe, followed by selected countries of Africa (Reardon et al, 2004). This growth, together with new procurement practices that the firms work to apply, has lead to a rash of studies attempting to document and anticipate the impacts of these firms on existing actors in the food system, and to draw policy implications for governments and donors. The growth in modern retail will get accelerated with the entry of global players and brands while Indian players continue to grow and create their own niche in the market on their own or in partnership with major global players (Tehcnopak report, 2012). Various studies have been conducted on the foreign direct Investment and it's impact on India's financial conditions and consumer attitude and behaviour. Some of the recent researches and their findings are mentioned as follows:

Hayden et al. (2003) said that according to the 'ten foot rule', the store employees must greet, smile and attend to a customer in a store within 10 feet distance from them. Customers not being used to this friendly service were put off and focused more on the incremental cost due to these additional services.

Arpita Mukherji and Nitish Patel (2005) had conducted a survey to analyse the status of retail market in India in 2005. They investigated the growth of retail market across different segments of this sector and evaluated the probable impact of FDI on retailing in India. This particular sector is poised to transform from small family owned businesses to large-scale chain retail in the near future and many international brands as well as new players are striving to enter India's retail market. The study of the structural, regulatory, fiscal and other barriers affecting the performance of retail sector suggested reforms for the removal of such barriers and provided a timeframe in which the Indian government could open its retail sector to FDI and the conditions that may be imposed on foreign retailers if FDI is allowed.

Joseph Methew and Soundararajan Nirupama (2009) have made a number of specific policy recommendations for regulating the interaction of large retailers with small suppliers and suggested strategies for strengthening the competitive response of the traditional retailers.

AT Kearney's (2012) study on global retailing trends found that India is the least competitive as well as least saturated of all major global retail markets. **Ranab Barua (2012)** in his article entitled "Organised Retailing Poised for Rapid Growth" expressed that the opposition to organised retailing has mainly been on the basis of a fear psychosis about the threat to the existence and livelihood of unorganised players.

Rajan Bharti Mittal (2012) pointed out that the dynamics of front end retailing have often been misunderstood, generating too many irrational fears among key stakeholders. The unorganised supply chain, with numerous middlemen between the source of production and the retailers, results in enormous wastage of food products.

Rao K. and Manikyam K. (2013) argued that small-scale retailers dominate the Indian retail sector. The organised sector occupies only 5 per cent share in the total retail sector. The presence of millions of small-scale retailers in different product categories makes one realize that a large number of people are dependent upon this activity. In the light of ongoing severe competition from the fast growing and more challenging big retailers, the survival and growth of small-scale retailers depends upon their ability to provide customer satisfaction. Customer loyalty and support are the pillars of success for these retailers.

Swamynathan Mansurali and Chandrasekhar (2013) pointed out that shopping from organised retail outlets i.e. shopping malls has become a buzzword for Indian youth. A significant change in the lifestyle of Indians with the commencement of mall culture has made shopping as a status symbol and an one stop retail solution.

Mahadevaswamy & Nalini (2014) have examined the perceptions of the common man about foreign direct investment (FDI) in multi brand retailing. Their study revealed that the impact of allowing FDI in multi brand retailing would be favourable for the government as well as producers. However the claim of the government that allowing FDI in multi brand retailing would create more employment opportunities could not be proved in this study, as the mean score of this factor as compared to the other factors was low.

Nikhil Shailesh Thakkar et al. (2015) conducted astudy in which survey was done in Bangalore and Mangalore. The research suggested about the quality of the products sold under brand names for gaining consumer attention and increasing sales. The consumers in the lower income group were found to be more concerned about the prices and bulk buying seemed as a way to increase their savings. Buying behavior was found to be different for different age groups in the same city. The younger generation had significantly different buying patterns. The study also revealed that Walmart's failure in Germany and South Korea signifies the need for adapting to the local consumer behavior and prevailing market trends. Walmart should develop different strategies for different Indian cities. Walmart and other retail stores should also consider the expectations of the local customers and ensure that their marketing strategies are in sync with the local community.

2.1 Changing Typology of Consumers (Retail consumers to Online consumers):-

Various studies on e-tailing have used different technology adoption models like Theory of Reasoned Action (TRA), Theory of Planned Behaviour (TPB), Technology Adoption Model (TAM), Diffusion & Innovations theory (DIT) and Unified Theory of Acceptance and Use of Technology (UTAUT) to analyze the factors that influence retailing, online shopping, shopper behaviour, consumer attitude and perception regarding retailing and e-tailing. A dynamic shift in consumer behaviour has been observed since the boom of Internet and the development of various new innovative marketing practices like mobile marketing (by laptops, smartphones and tablets), web-based shopping or e-tailing, e-marketing and promotions, etc.

As the government has made new rules regarding FDI, retailers need to focus upon the e-tailing activities as well because online presence of retailers has become the need of the hour. Payment activities in mall through credit/debit cards have become quite easy owing to the facilities of online banking services. Today, many customers wish to sit at home and shop. Some find malls and supermarkets as a means of recreation and simply go for window-shopping. Retailers need to understand that Indian consumers are quite different from the rest world because of the diverse traditions and culture of this country.

Effective and efficient strategies are required to be formulated by the government as well as the traders in order to tap the right market for the right product and right consumer. It is very important to develop a deep understanding about the Netizens who are present on the internet almost 24*7. Thus, it can be concluded that E-marketing tactics often require a detailed study on typology of online consumers for creating an effective e-tailing strategy.

Media Matrix and McKinsey (Hamilton, 2000) examined online shopper typology and classified them into six categories:

- Simplifiers -Net users who are impatient but lucrative.
- Surfers -Consummate browsers who spend 32 percent time online.
- Connectors -New internet users who may also prefer brick-mortar brands.
- Bargain shoppers-Consumers who wish to bargains and enjoy finding good deals.
- Routine followers –Information addicts.
- Sportsters- E-consumers who visit sports and entertainment sites.

Kau, Tang and Ghose (2003) studied the Asian online consumers and categorized them into six e-consumer classes:

- On-off shoppers-Online shoppers who collect information from internet but shop offline.
- Comparison shoppers-These consumers compare product features, brand, prices, offers etc. before making the real purchase.
- Traditional shoppers-Consumers that buy only from retail stores and don't surf internet for information.
- Dual shoppers- Consumers who prefer to compare brands and product features and seek information online, however they are not particularly deal prone.
- e-Laggards-They have less interest in pursuing information from the Internet.
- Information surfers: Consumers who love and click on banner ads frequently and also use internet for information along with having an online purchase experience.

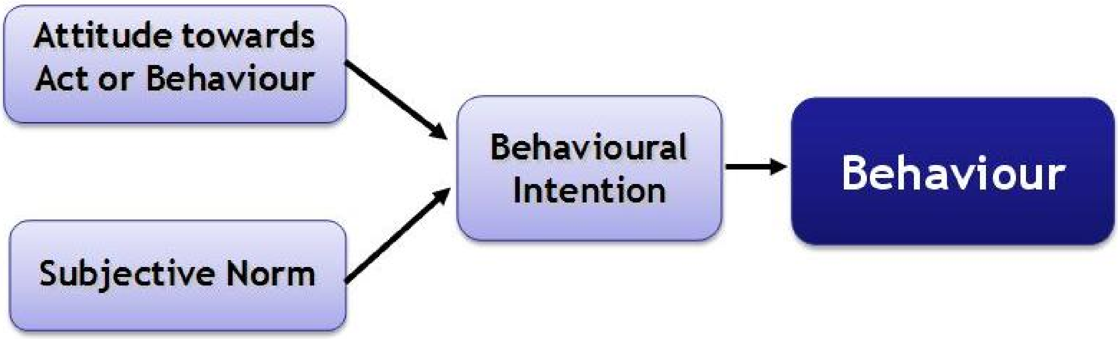
The critical success factor for retailers is to know their customers well. The ability to gather as much data as possible about consumers, and to analyze and interpret it accurately, allows marketers to always be one step ahead with the help(of predictive purchasing technologies. To enhance consumer satisfaction and purchase intentions, retail stores should start improving the reliability dimensions, such as capability of delivering products as promised, providing up-to date and accurate information, and strengthening the security of online transactions. **(Lee & Lin, 2004).** Online retail players have a scope to focus on new product delivery models and payment mechanisms, since customers are facing problems with the options available **Ernst & Young (2012).** Consumers expect varieties and alternatives including promotions, vouchers and discounts which may intrigue them to purchase online **(Vegiayan, et al, 2013). Karve, Sunil (2014)** hinted that India's big retail companies should start with virtual 3D online shopping.

2.2 Theoretical Models:-

Evaluating the customer's attitude towards online shopping and the factors influencing it can assist the e-marketers and managers to plan appropriate strategies and gain profit (Halimi, et al, (2011).

Theory of Reasoned Action (Ajzen and Fishbein, 1975) suggests that behaviour is determined by behavioural intention, which in turn is a function of the individual's attitude toward the act and the subjective norms.

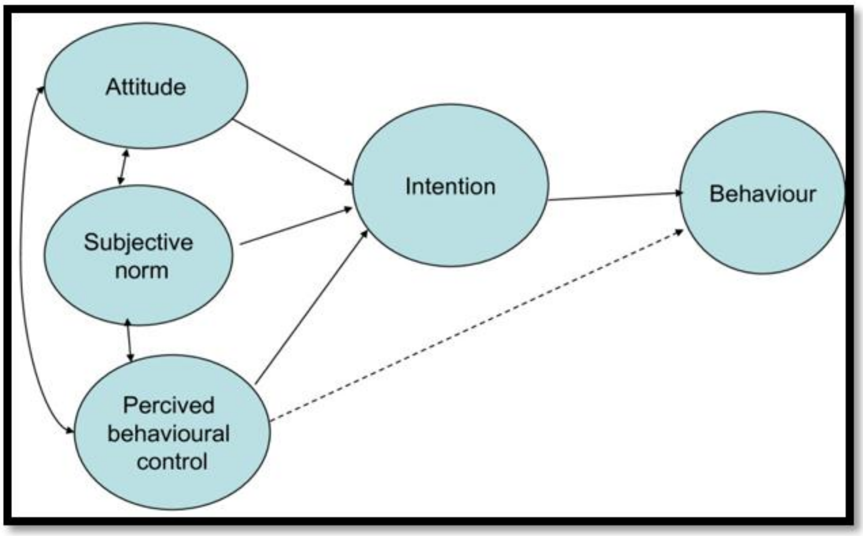
Figure 2: Theory of Reasoned Action



Source: Fishbein & Ajzen, (1975). Belief, attitude, intention, & behavior: An introduction to theory and research, MA: Wesley.

- **Theory of Planned Behaviour (Ajzen, 1985)** proposes that behaviour is determined by behavioural intention, which in turn is a function of the individual's attitude toward the act, the subjective norms and perceived behavioural control.

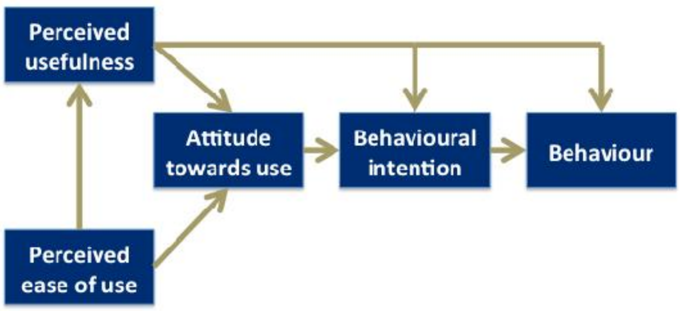
Figure 3: Theory of Planned Behaviour



Source: Ajzen (1985). From intentions to action: A theory of planned behavior. In J. Kuhl & J. Beckman (Eds.)

- **Technology Adoption Model (Davis, 1989)** comprises of the perceived usefulness and the perceived ease of use, which determine about the positive or negative behavior of consumers towards a new technology.

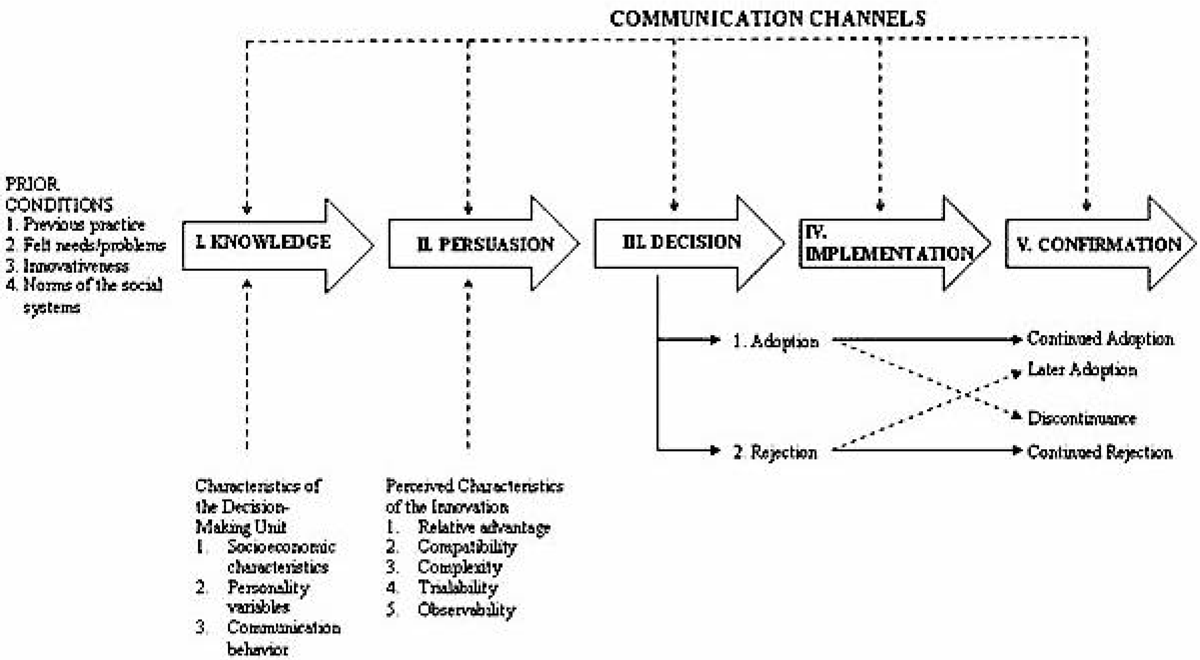
Figure 4: Technology Adoption Model (Davis, 1989)



Source: Davis, F.D., Bagozzi, R.P., & Warshaw, P.R. (1989). User acceptance of computer technology: a comparison of two theoretical models, Management Science, 35(8), 982-1003.

- **Diffusion of Innovations theory (Rogers, 1995)** suggests that the adoption of a new idea is a process whereby some people adopt innovations easily than others and those who adopt an innovation early have different characteristics than the ones who adopt an innovation later. The adopters were divided into 5 types: Innovators, Early adopters, Early majority, Late majority and Laggards.

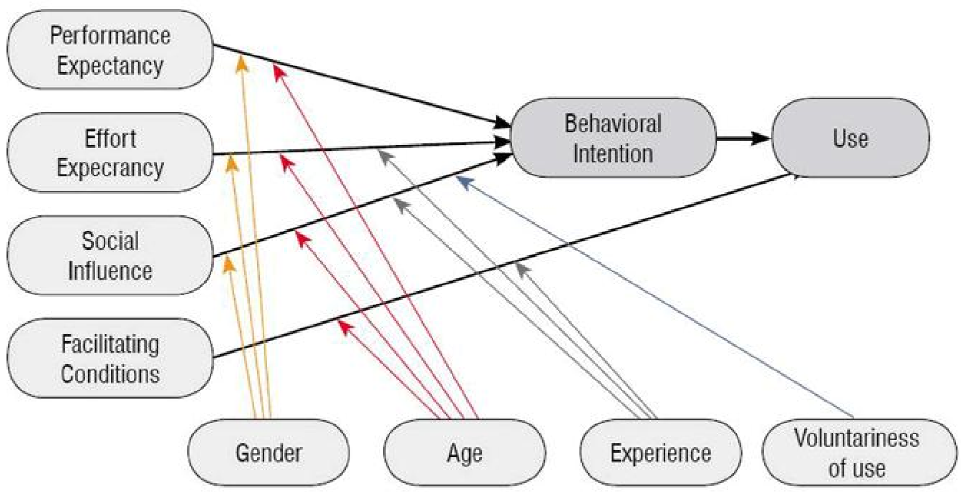
Figure 5: Diffusion of Innovations Model (Rogers, 1995)



Source: Rogers, E. M. (1995), Diffusion of Innovations. New York: The Free Press. (Original publication 1962)

- **Unified Theory of Acceptance and Use of Technology (UTAUT) (Venkatesh, Morris, Davis and Davis, 2003)** holds that four key constructs: performance expectancy, effort expectancy, social influence facilitating conditions; being the first three direct determinants of usage intention and behavior, and the fourth a direct determinant of use behavior. Gender, age, experience, and voluntariness of use are posited to moderate the impact of the four key constructs on usage intention and behavior.

Figure 6: Unified Theory of Acceptance and Use of Technology



Source: Venkatesh, V., Morris, M.G., Davis, F.D., and Davis, G.B. "User Acceptance of IT: Towards a Unified View," MIS Quarterly, 27, 2003, 425-478.

3. GROWTH & DEVELOPMENT OF MODERN RETAIL THROUGH FDI

During nineties Mr. P V Narsimha Rao lead Govt. allowed limited FDI in retail and as a result "Dairy Farm" a (MNC made entry in India. (In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. INDA Government was willing to introduce FDI in retail sector in May 2002 but it could not materialize due to unknown reasons. (51% Foreign Direct investment in single brand retail was also permitted in 2006. (In 2011, 100% FDI was allowed in Single Brand retail withholding the FDI in Multi Brand Retail due to various (political reasons. (100 % FDI in Single Brand (with revised guidelines) and 51% in Multi-Brand retailing with some conditions have (now been allowed in India w.e.f. September 20, 2012 with an option to the state Governments to allow or not to allow the FDI in retail sector in their states.

A recent report by Technopak (2014) stated that the modern retail in India has been primarily driven by the apparel & footwear category, with players like Raymonds, Madura Garments, Arvind Brands etc. setting up their outlets in 80s and 90s. The report also stated that while the margin offered by these categories was quite high, the back-end too was fairly organized, that is, strong supplier base, the consumers especially the men at that time were also graduating from ready-to- stitch to ready-to-wear segment, which helped these retailers in creating significant differentiation from the local mom & pop textile. Now, with the entry of large corporates, other categories have also started to make their presence felt and the momentum in modern retail is building across categories, with food & grocery expected to see a lot of action in the coming years. This growth is due to the entry of large Indian corporates like Reliance, Aditya Birla, TATA, Bharti, regional entrepreneurs and global retailers like Wal-Mart, Carrefour, SPAR, etc.

Retail modernization has gained momentum not only due to retailers like Croma, Reliance Digital, Next and e-zone, but also due to major investments made by giants in consumer products like Sony, Samsung and LG. As the current MBO's in the market are too small and cluttered, they do not provide a great experience to the consumers. Hypermarkets and cash and carry segment contributes significantly in the growth of Indian retail sector. In 2012, the hypermarkets, gained 30% to 40% of their revenues from apparel section and this retail format will continue to modernize across various tiers of towns (CRISIL report, 2013). The emergence of large EBO's of 4,000 - 5,000 sq. ft. is targeted at the family audience in the coming days. Other interesting categories to have a higher contribution in modern retail include footwear (with contribution from major sportswear brands, domestic footwear brands and hypermarkets), watches (brands as well as department stores) and impulse driven categories like books & music. The growth in modern retail will get accelerated with the entry of global players and brands while Indian players continue to grow and create their own niche in the market on their own or in partnership with major global players.

Various changes have occurred since the 90s when trade barriers were lifted by domestic as well as international policy makers so as to encourage more and more export-import businesses. Post LPG and WTO tie-ups worldwide, the world has become a global market and the idea of making every country a Global village is still in progress. Entry of new players, entrepreneurs, SMEs and MSMEs, SBEz, SBZs and virtual organizations has changed the complete format of traditional marketing model. Today, the old buyer-seller model hardly exists. In the era of innovation through IT, marketing models for retail sector have gone through a tremendous change. Supermarkets, Malls and even the modern retail stores now use internet, online banking facilities and have thereby, increased the credit-debit culture for general consumers.

Amendments in the shopper and seller's strategies have sunk in gradually owing to the liberal government policies. FDI allowance in retail has played a major role in bringing the retail-e-tail revolution. Figure 7 is an illustration that highlights the emergence of FDI in India.

Figure 7: Retail story: Global and Indian along with FDI formulation and implementation in India

YEAR	TREND	CHARACTERISTICS
1986	The foot soldiers	FMCG companies were set up to build robust chains with 1,275 depots, Brooke Bond's large field force was part of a unique cash-based direct selling system. Coupled with the Hindustan Lever network, it had India's largest retail distribution chain.
1990	Sachet revolution	Selling in rural India was near impossible. The answer came along in the mid-1990s in the form of sachets — 20 ml plastic pouches. With this, FMCG companies rapidly ramped up their rural plans.
1999	The Big Push	The big players in Indian industry wanted a slice of the retail pie — the Tata's, Piramal Enterprises, ITC and S Kumar's. Piramal Enterprises chairman Ajay Piramal who setup Crossroads, a 150,000-sq. ft mall in south Mumbai has since exited the business
2000	The Mall Bug	Suburbs in Delhi and Mumbai saw multiple malls of average size 250,000 sq. ft spring up. Tier-2 cities followed suit and retail-only real estate companies came up. About 600 malls were to come up by the end of the decade, from 20 in 2004.
2001	Second Movers	Competition began in full earnest. While it took Shoppers Stop over eight years to become one of the largest department store chains in India, Westside grew to about half its size within just two years of starting off.. While almost 75 per cent of Shoppers Stop sales came from brands supplied by other producers, 95 per cent of West side's sales came from its own in-store brands.
2004	Size Matters	For all the hype, through the 1990s, organised retail in India added just 1 million sq. ft of space a year. In 2003 alone, retailers picked up 10 million sq. ft.. The growth continued. In 2004, at least 50 new malls — of 100,000 sq. ft size and above — were slated to open.
2005	More Of The Same	Urban organised retail was getting crowded. To be different, a few specialty malls cropped up. While some focused on luxury brands, others went for gold, jewellery, furniture, and even weddings.
2007	Green Revolution	Reliance Industries (RIL), Aditya Birla Group, the Mittals of telecom fame, Pantaloon Retail and RPG Group — as well as a host of smaller players jumped into retailing of fresh vegetables, fruits and groceries. And with good reason. Of the retail pie that was worth Rs 12 lakh crore in 2006, 63 per cent was food and groceries alone.
2009	Shutters Down	Chennai-based value retailer Subhiksha Trading Services went neck deep in Rs 600 crore of debt (plus Rs 180 crore raised internally as shareholders' funds). It could not pay vendors, and employees. By 2009, perished, and there was a demand for the government to initiate an independent audit of its accounts.
2010	Foreign Hand	Big retail was at the doorstep, waiting for the still elusive green signal to foreign investment. Two years after it entered India, in partnership with Bharti, Wal-Mart was perfecting its back-end system at its five stores in India. Wal-Mart could operate in the cash-and-carry segment only. But in other countries, it sold directly to consumers. It had planned to invest Rs 500 crore more in the next five years to open 12 similar stores — if the retail FDI rules did not change that is.
2011-2015	The Gates Open	UPA government in 2012 announced FDI in retail — 51 per cent in multi-brand, and 100 per cent in single-brand retail. Political consensus was not achieved for a long time. But now, Central govt. has come up with new plans to encourage entrepreneurs and domestic trade in the Union Budget, 2015

Source: Business world article report December12, 2014

4. RETAILING TO ONLINE RETAILING: THE E-TAIL REVOLUTION

Business is now changed from commerce to E-commerce and retailing to internet retailing. According to Hoffman et al (2005), marketing communication model is driven by hypermedia computer aided environment promotes e-marketing on a large scale. Email marketing, blogs, Pay per Click, affiliate marketing, banner advertisements are different forms of Internet marketing. India is witnessing a massive digital revolution. Broadband subscription rates of 3G and 4G services increased penetration of mobile internet which has led to an ever-increasing number of "netizens" and consequently broadened the country's internet horizons. Internet has become an integral part of this growing population segment in order to connect with friends through various social networking sites, accessing emails, buying air, rail, movie tickets or ordering food. The changing lifestyles of the country's urban population have also to an increase in online shopping. India is on the verge of an Internet boom with a projected user base of 330 million to 370 million by 2015, which will be the second largest in the world, and the largest in terms of incremental growth (McKinsey & Company report).

India has witnessed an accelerated consumption of digital products over the last few years, which has led to growth of e-commerce. Today's shopper is tech-savvy with almost black belt certification in researching product and pricing. Concept of research via social sites and given their continued influence and time spent by consumers in these communities, it appears to be a divide between community and commerce as just significant number of customers take advantage of social sites for research. Large e-tailers have adopted an aggressive M&A strategy just like Flipkart and Myntra.com in which they acquire specialty e-tailers for an increment in product and service offerings in their existing portfolio and achieve economies of scale. Due to the success stories of big e-tailers like Flipkart, this sector has attracted large FDI's and has also interested various other investors. 2014 has witnessed flurry of deals in this sector and $1.6 billion (9700 crores) has been pumped in across 24 deals as compared to that of about $553 million (3300 crores) investment across 36 deals in the year 2013 (Venture Intelligence report).

Large fundraises by industry leaders like Flipkart, Snapdeal and the entry of investors like Singapore's sovereign wealth fund GIC have boosted investors confidence. Their growth stories are heating up and have occupied space in every day newspapers. Indian online population has overcome different mental barriers as socio-cultural conservativeness, feel and touch buying behavior, insecurities regarding payments on internet etc. and is accepting e-retailing model in a very fast way. online users' impulse buying behavior has increased the revenue earned from Indian e-tail market which led to a positive effect on country's economy, govt. revenues, urban and rural development, industrial growth and employment opportunities (Ghosh, 2014).

With the median age of 26 years, India has a fast growing young population. According to a report by NCAER on the 'Indian Youth', the population between 13-35 years was 459 million in 2009 and is projected to reach 574 million by 2020. This young population uses technology the most and is one of biggest consuming age group (Manyika and Cabral et al, 2013). Social media has given a boost to this trend. Despite country's diverse population, disposable income has increased in India and is expected to increase at the rate of 8.5% per annum till 2015. The number of workingwomen and the size of working middle class are also increasing. Indian Consumers have larger disposable incomes, greater purchasing power and less time to spend on daily shopping. This will lead people to buy daily goods online rather than waste time and fuel to shop from a supermarket.

Brick and mortar retailers are identifying the opportunities offered by e-commerce in India and have started to open online stores. Big Bazaar through Futurebazaar.com, Shoppers Stopthrough Shopperstop.com Wills Lifestyle through Shopwillslifestyle.com and TATA's Croma through Cromaretail.com have been trying to take advantage of the online shopping wave. A Bain report states that going online has become a must for physical retailers also, especially to win new and retail critical customers. Such an integrated omni-channel strategy is also expected to enhance the offline experience.

Urban areas account for a majority of e-commerce where internet penetration is much higher as compared to the rural areas in India. However, this should in no way signify the inability of the villages to contribute in the digital commerce market of India. SREI SAHAJ e-Village Limited, a subsidiary of SREI Infrastructure Finance Limited, has launched one of the largest IT projects in rural India with an investment of about $160 million. This IT infrastructure project aims to establish about 250,000 Common Service Centres (CSCs) (website) in the numerous villages of West Bengal, Bihar, Orissa, Assam, Uttar Pradesh and Tamil Nadu and over 27,000 have already been established (website). These CSCs will serve as a bridge between the rural India and the world thereby enabling services like e-governance, e-learning and even e-commerce and will service a rural population of over 210 million people (Mohanti, 2008). Such initiatives in the country may build a tremendous platform for the growth of e-tailing in future. Online retailing in India is still in its infancy stage and the policy makers need to organize and channelize it properly and overcome the barriers in order to make it a success story.

5. FACTORS INFLUECING ONLINE AND OFFLINE RETAIL & E-CONSUMERS

Various studies have found different types of factors that contribute to offline and online shopping but none of them have done a combined analysis of different attributes of online buying behaviour of consumers. This study aims to bridge this gap and attempts to present a detailed study on factors influencing online purchase intentions of consumers. In this study, the parameters that lead to online purchase intention are divided into three broad categories based upon TPA, TRA, TAM DIT and UTUAT as shown in figure.

Customer-centric factors, website-related factors and perceived risk factors were found to cast a joint influence on internet shopping behaviour of e-consumers. E-marketers need to analyze the individual impact of these factors during sales in order to create innovative e-marketing strategies.

Figure 8: Factors affecting online buying behaviour of Indian consumers

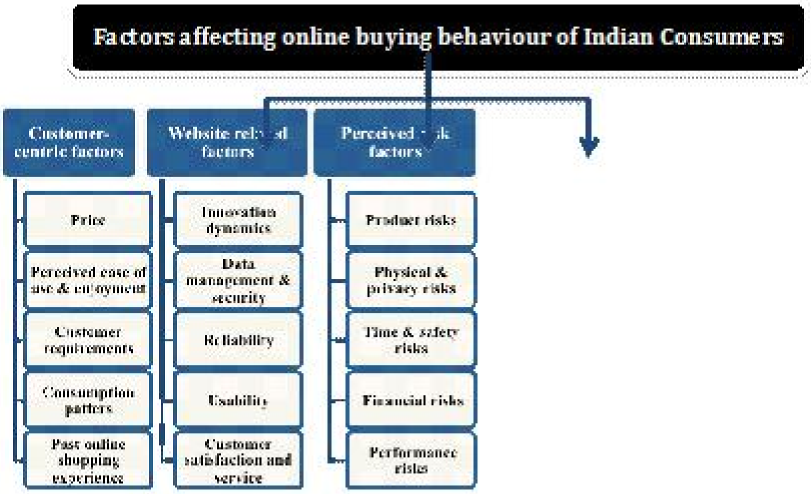
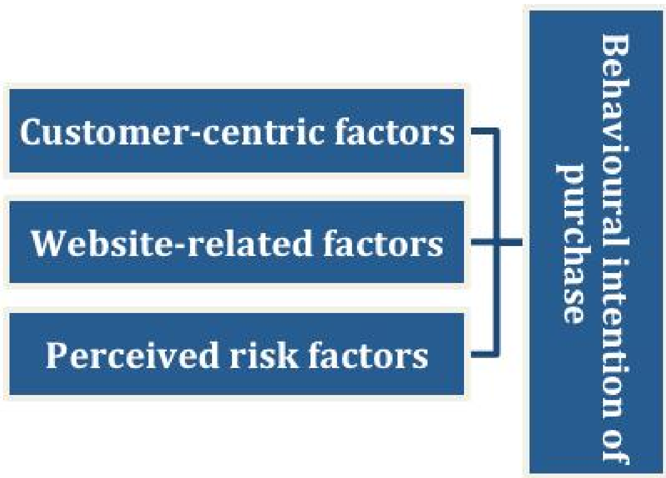
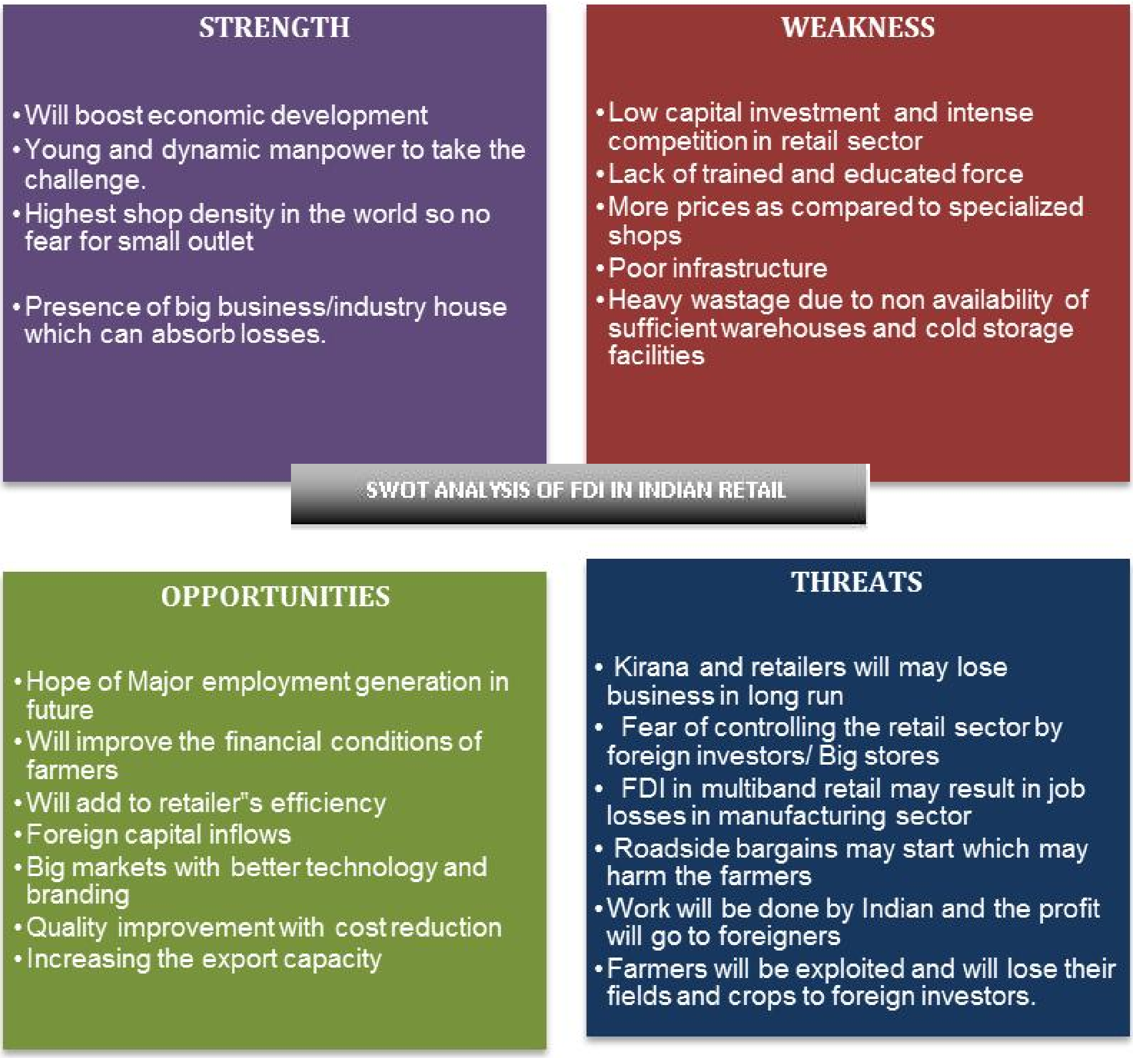


Figure 9: Impact of online buying behaviour factors on behavioural intention of online purchase



6. SWOT ANALYSIS OF INDIAN RETAIL SECTOR

Figure 10: SWOT analysis for studying the impact of FDI on retail sector in Indian economy



6. CONCLUSIONS & RECOMMENDATIONS FOR RETAIL AND ONLINE RETAIL SECTOR OF INDIA

6.1 Conclusion:-

This paper attempts to provide a conceptual insight about the e-tailing scenario in India. It provides an in-depth study of the factors that contribute towards online buying behaviour of Indian consumers by the use and application of Technology Adoption Models. Also, this study presents a set of innovative practices that could be used by e-tailers in the convergent world of online retailing in India. It was found that customer-centric factors (price, perceived ease of use and enjoyment, customer requirements, consumption patterns and past online buying behaviour), website related factors (innovative dynamics, data management and security, usability, reliability and customer satisfaction) and perceived risks (financial, time, safety, physical, privacy, performance and product risks) positively or negatively cast an impact on buying behaviour of online purchase intention of consumers.

E-tailing strategies like providing secure online transactions, enhancing website usability and reliability, improving delivery performance and after sales service could be used by online vendors to gain e-consumers credibility and maintain brand equity. It was also observed that the growth of e-tailing would lead to a boost in country's economy and provide employment opportunities. The study suggests that e-marketers should focus upon the factors that influence consumers to go for online shopping which in turn would help them to improve their customer relationships by meeting the consumer demands as per their interests.

In India, organized retailing has many hurdles to overcome, such as rise real estate prices, lack of viable store locations, overhead costs, pilferage, lack of trained manpower and many more. Internet retailing, on the other hand, is accessible even through a smartphone, saves time, energy and fuel for the e-consumers and demands no expensive real estate investment for expansion. The government as well as the marketers should channelize FDI allowance in this sector very wisely and more emphasis should be made on domestic and regional firms that operate within the geographical boundaries of this nation. This would lead to a rise in the number of entrepreneurial companies, small firms, new small-scale manufacturing firms, handwork and handlooms and in short, a boom in small-scale and medium-scale enterprises. Indian marketers and policy makers should try to use the labour workforce of the country and provide employment opportunities for the same by the establishment of national organizations. If the policies of FDI could be implemented to encourage Indian citizens to opt for new business opportunities, then this could bring a complete reform in the retail sector. Instead of allowing foreign organizations to eat up the retail market just like electronics and other major consumer durable sectors, GOI should focus more and more on formulating strategies that would provide benefit to the domestic consumers and also create new employment opportunities.

6.2 Recommended strategies for Marketers, Retailers, E-tailers and Policy makers:-

- ✓ Opening up of e-tailing for international capital and knowledge infusion.
- ✓ Enhancing infrastructure for a wireless data access and broadband connectivity all over the country.
- ✓ Innervating B2C logistics and warehouse capability building.
- ✓ Implementing a proper Taxation policy on e-products and services.
- ✓ Capital deployment in B2C logistics, domestic air cargo services, and warehousing industries.
- ✓ E-tailing adoption as a key growth driver by retailers and consumer product companies.
- ✓ Promoting entrepreneurship for creating innovative technology, analytics and packaging solutions by initiating and implementing proper FDI policies.
- ✓ Building sustainable and Indian-specific e-tailing business models, especially in wholesaling and distribution.
- ✓ Aiming for "best in class" capabilities across the e-tailing value chain to compete in the global arena.

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