



E-RETAILING IN INDIA: AN ANALYSIS OF KEY SUCCESS FACTORS AND FUTURE PROSPECTS.

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ABSTRACT

The development of e-retailing has changed the retail environment in India, giving customers more convenience and access to a bigger selection of goods. In India, the use of mobile devices, rising internet penetration, and the availability of inexpensive data plans have all contributed to the expansion of e-retailing. Due to the shutdown of physical establishments and government-imposed lockdowns, the COVID-19 epidemic has further accelerated the expansion of e-retailing in India. As a result, more and more people are choosing to shop online. However, the expansion of e-retailing has also brought with it several difficulties, such as the effect on conventional brick-and-mortar merchants, worries about data privacy, and the requirement for a strong logistics and supply chain infrastructure. This paper explores the effects of COVID-19 on the industry and provides a summary of the development of e-retailing in India, highlighting its primary drivers and obstacles. The prospects for e-retailing in India are also covered in the paper, along with the consequences for the retail sector and the Indian economy as a whole.

KEYWORDS: E-commerce, Internet, Retail, Covid-19, E-Shops, Online Marketing.

1. INTRODUCTION

The online purchasing and selling of goods and services are referred to as e-retailing, sometimes known as electronic retailing or e-commerce. E-retailing offers ease and accessibility by enabling customers to shop whenever they want, from any location. The retail sector has undergone a revolution thanks to e-retailing, which has also changed how customers shop and given businesses new options. E-retailing has grown in popularity as a result of the expansion of the Internet and mobile technology, and this trend is anticipated to continue.

Retailing is the act of selling goods and services to customers for their personal use. Retailing is the final step in the distribution process and can occur via various channels, including traditional stores, online marketplaces, and mobile applications. Retailers purchase merchandise from wholesalers or manufacturers and mark it up before selling it to customers. Retailing can be done by businesses of all sizes, from small neighbourhood shops to massive global conglomerates. Retailing has changed to e-retailing, primarily due to the rapid adoption of technology and the increasing prevalence of the internet and mobile devices. E-retailing provides consumers with the convenience of shopping from anywhere at any time and access to a wider range of products. E-retailers can offer products at competitive prices due to lower overhead costs and can reach a broader customer base through their online presence.

Electronic retailing (E-tailing) is the sale of goods and services through the Internet. E-tailing can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services. (*Electronic Retailing (e-Tailing)*, n.d.)

2. TYPES OF ELECTRONIC RETAILING (E-TAILING)

There are two types of E-Retailing

B2C (Business - to - Consumer) E-Tailing

Business-to-consumer retailing is the most common type of e-commerce Company and is familiar to the majority of Internet users. This category of retailers includes businesses that sell finished goods or products to consumers directly through their websites. The products could be shipped and delivered directly from the manufacturer or the company's warehouse. Maintaining good customer relations is one of the most important requirements for a successful B2C retailer.

B2B (Business - to - Business) E-Tailing

Businesses that sell to other businesses are involved in business-to-business retailing. Consultants, software developers, freelancers, and wholesalers are examples of such retailers. Wholesalers sell their products in bulk to businesses from their manufacturing plants. These companies, in turn, sell the products to customers. In other words, a B2B firm, such as a wholesaler, may sell products to a B2C firm. (*What Is E-Retailing?* n.d.)

E-Retailing in India (Past, Present, Future)

E-commerce has changed the retail landscape in India, giving customers more convenience and access to a wider range of products. Large players such as Amazon, Flipkart, and Reliance dominate the Indian e-commerce industry, but numerous smaller players cater to niche markets. E-retailers sell a wide range of products, including electronics, clothing, and household goods, and they frequently offer attractive discounts and deals to entice customers. Due to the closure of physical



stores and government-imposed lockdowns, the COVID-19 pandemic has accelerated the growth of e-commerce in India, with consumers increasingly turning to online shopping. India's retail sector is dominated by small mom-and-pop stores. Indian retail one of the fastest growing markets in the world due to Economic growth. Wholesale and retail trade are important components of India's economy. The online retail market in India is estimated to be 25% of the total organised retail market, with a 37% growth rate predicted by 2030. In 2020, India had the third-largest online shopper base, trailing only China and the United States. The Indian e-retail industry is expected to exceed 300-350 million shoppers over the next five years, propelling the online Gross Merchandise Value (GMV) to US\$ 100-120 billion by 2025.

The retail industry reached US\$ 950 billion in 2018 at a CAGR of 13 per cent and is expected to reach US\$ 1.1 trillion by 2020. Retail industry reached to US\$ 950 billion in 2018 at CAGR of 13 percent and expected to reach US\$ 1.1 trillion by 2020. India is the world's fifth largest global destination in the retail space. (Retail-March-2020.Pdf, n.d.)

Increasing participation from foreign and private players to boost retail infrastructure.

Online retail sales are forecasted to grow at the rate of 31 per cent year-on-year to reach US\$ 32.70 billion in 2018.

Amazon, Flipkart, and Paytm are the leading companies in the Indian e-commerce scene. With over 60% of the market share held by Amazon and Flipkart, these businesses dominate the industry. With more than 70% of transactions occurring on mobile devices, India's e-commerce business is significantly tilted towards mobile commerce.

Growth Prospects

In the upcoming years, India's e-commerce business is anticipated to expand quickly due to the country's expanding middle class, rising disposable income, and a shift towards online purchasing. In India, there will be 329 million e-commerce consumers by 2025, up from 190 million in 2020, according to research by eMarketer.

Revenue generated from online retail is projected to grow to US\$ 60 billion by 2020

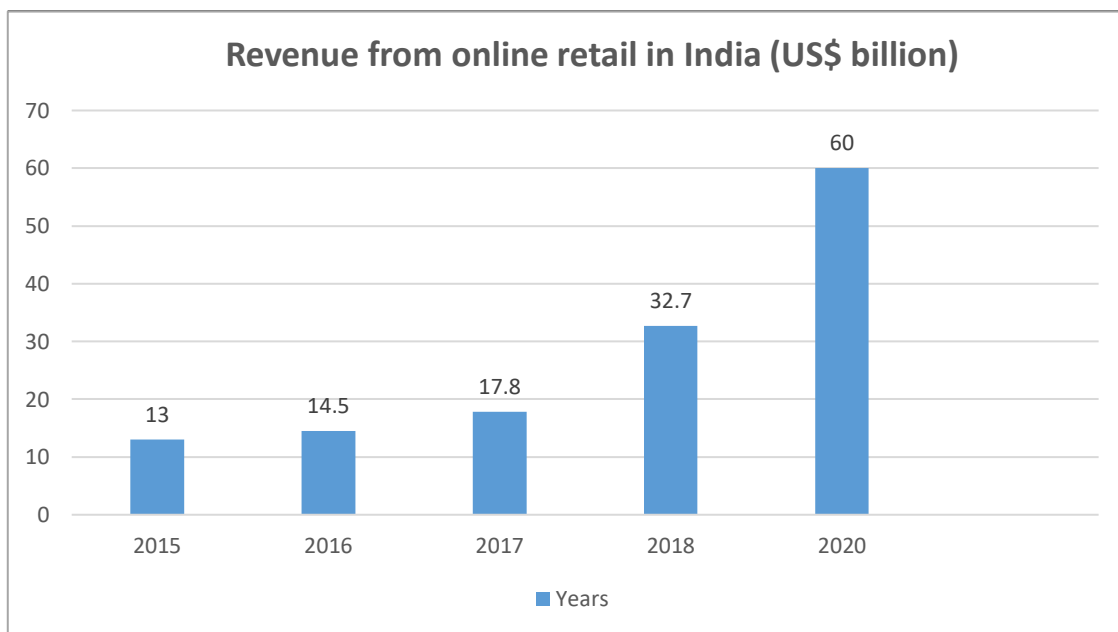


Figure 1: Revenue from online retail in India (US\$ billion)

Source: <https://www.ibef.org/download/Retail-March-2020>

E-commerce in India has grown at an exponential rate in recent years, with a CAGR of 28% from 2015 to 2020. According to an IBEF report, the Indian e-commerce market is expected to grow to USD 200 billion by 2026, up from USD 38.5 billion in 2017. (E-Commerce in India, n.d.)

The Indian e-commerce sector is expected to reach \$50 billion by 2022, up from over \$40 billion in 2021. The Indian e-commerce sector is expected to grow to \$150-\$170 billion by 2027. This predicts yearly growth of 25%-30% and market penetration of 9%-10% over the next five years (How India Shops Online 2022, 2022). Strong underlying factors are what

underpin this secular growth: a sizable customer base with rising incomes, albeit from present low levels; expanding Internet and smartphone adoption; and inexpensive shipping costs.

There will be a shift in the balance of online shopping categories. Fashion, general merchandise, and groceries will increase disproportionately and make up two thirds of the e-retail industry since they have the biggest penetration headroom compared to mature e-retail markets.

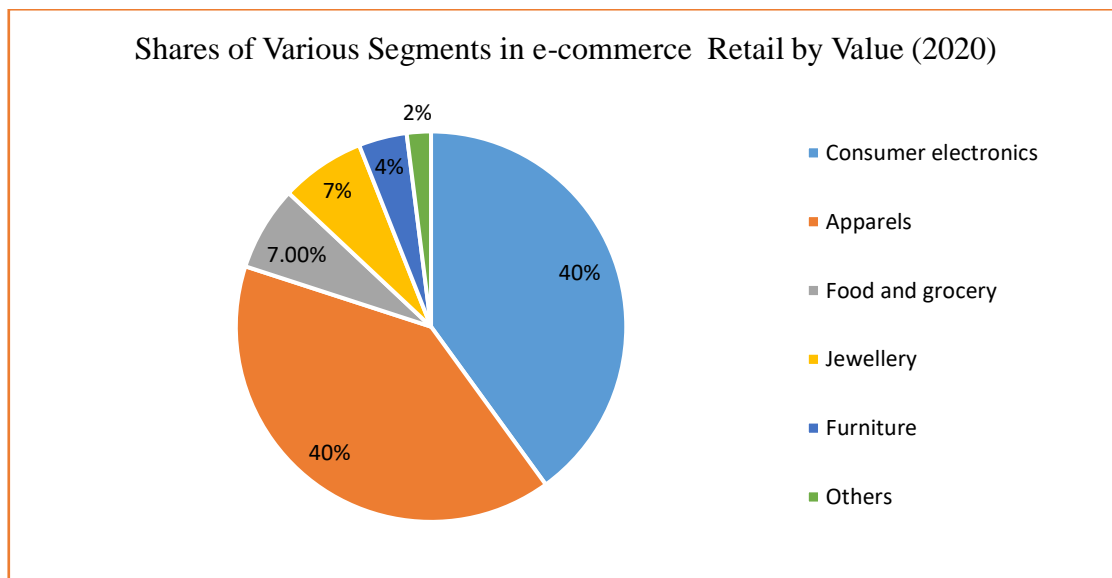


Figure 2: Share of Various Segments in Indian E-Commerce Retail by Value.

Data from India Brand Equity Foundation. Retrieved from <https://www.ibef.org/download/E-Commerce-March-2020.pdf>

India's e-retail customer base increased by 40–50 million customers just in 2021, bringing the total to 180–190 million. About 60% of these consumers are from tier-3 or smaller cities. Gen Z (18 to 25 years old), a new generation of digital natives, has begun conducting business. Shopper addition will continue to be at the heart of future e-retail growth. India's online shopper base is estimated to increase to 400–450 million by 2027. (*Bain_digest_how_india_shops_online_2022.Pdf*, n.d.)

The existing shopper base is simultaneously maturing. Overall engagement on retail platforms is increasing. The percentage of daily active users to monthly active users has risen to more than 25% in 2021, from 18% to 20% in 2019. Consumers now spend 20% more time per month on a retail platform, vs. last year.

The e-commerce business in India is expected to grow significantly in the future years, driven by factors such as rising internet penetration, rising disposable incomes, and shifting consumer tastes. Demand for e-commerce in India has surged, prompting increasing expenditures in logistics, warehousing, and last-mile delivery. Furthermore, the Indian government's emphasis on supporting digital transactions and developing a healthy e-commerce ecosystem is projected to accelerate the expansion of the e-commerce business. As more Indian consumers adopt online buying, the future of e-commerce in India is bright.

Key factors contributing to the growth of e-retailing in India during Covid-19

1. Increasing Internet penetration

Internet penetration in India has grown significantly in recent years, driven by the increasing availability of affordable smartphones and data plans.

There were 692.0 million internet users in India in January 2023. India's internet penetration rate stood at 48.7 per cent of the total population at the start of 2023. (*Digital 2023, 2023*)

The increasing internet penetration in India has provided e-retailers with a large customer base to tap into. E-commerce companies have responded by developing mobile-friendly platforms and apps.

The Indian government has also launched several initiatives to increase internet penetration in the country, including the 2015 Digital India campaign. The government has attempted to expand digital infrastructure in rural areas, provide digital literacy training, and encourage the use of digital services through this initiative.

2. Cashless transactions

E-retailers have encouraged cashless transactions to reduce the risk of virus transmission through physical currency. This has accelerated the adoption of digital payments among consumers, which is expected to continue even after the pandemic. Cashless transactions have become increasingly popular in India over the past few years, thanks to the government's push towards a digital economy and the growing adoption of digital payment methods by businesses and consumers. Due to the concerted efforts of the entire government and all interested stakeholders, the number of digital payment transactions has greatly increased, rising from 2,071 crore in FY 2017–18 to 8,840 crore in FY 2021–22. As the nation's favourite method of payment, BHIM UPI conducted 803.6 billion digital payment transactions worth ₹ 12.98 lakh crore in January 2023. (*Digital Transactions in India*, n.d.)

3. Lock-down by the Government

The Indian lockdown significantly affected the e-retailing market, presenting opportunities and difficulties for enterprises. Consumers went to online retailers for their purchasing needs as a result of physical stores closing and the need to reduce personal touch, which increased demand for online shopping. The adoption of digital payment systems was also expedited by this trend, which benefited e-retailers who were already



prepared to accept digital payments. To adapt to the shifting demands and preferences of customers during the pandemic, e-retailers likewise increased the size of their delivery networks and varied the products they offered. Because of this, several Indian e-retailers saw tremendous growth during the lockdown, and the trend towards online purchasing is likely to continue even after the pandemic passes.

4. Shift towards digital marketing

E-retailers have increased their focus on digital marketing during the pandemic, as traditional marketing channels such as billboards and print media have become less effective. This has led to a more targeted approach to marketing, which has helped e-retailers reach their desired audience. Digital marketing enables e-retailers to reach a larger audience than traditional marketing methods. With the use of social media platforms, email marketing, and paid advertising, e-retailers can target a specific audience and get their products in front of potential customers who might not have known about their brand otherwise. Digital marketing is more cost-effective than traditional marketing methods. E-retailers can save money by not having to print flyers, posters, or pay for TV or radio ads.

5. Rise In Smart phone Users in India

India has experienced a remarkable rise in smartphone users in recent years. According to Ministry of Information and Broadcasting secretary Apurva Chandra on Wednesday said that India has over 1.2 billion mobile phone users and 600 million smart phone users. Along with very low data rates, this penetration of smart phones has resulted in users consuming high amount of information and entertainment via mobile devices (Anand, 2022). This rise in smartphone users has also led to a surge in demand for digital services such as e-commerce, mobile banking, and digital payments, making these services more accessible and convenient for a larger segment of the Indian population.

6. Rise in hyperlocal e-retailers

The pandemic has led to the emergence of hyperlocal e-retailers, which cater to specific regions or cities. These hyperlocal e-retailers have been able to offer faster delivery times and better customer service, which has contributed to their growth. Hyperlocal e-retailers are online retailers that focus on delivering goods and services within a small geographical area, typically a city or a neighbourhood.

7. Increase in consumer trust

E-retailers have taken steps to improve customer trust, including offering easy returns and refunds, improving customer service, and providing detailed product information. This has led to increased trust among consumers, which has contributed to the growth of e-retailing in India.

Challenges and Barriers

E-retailing has also brought challenges, including the need for a robust logistics and supply chain infrastructure, data privacy and security concerns, and the impact on traditional brick-and-mortar retailers. Many traditional retailers have been forced to adapt to the changing retail landscape by establishing an online

presence or partnering with e-retailers to remain competitive. Overall, the shift from traditional retailing to e-retailing has been driven by changes in consumer behaviour and the adoption of technology. The COVID-19 pandemic has further accelerated this shift, with consumers increasingly relying on e-retailers for their shopping needs due to the closure of physical stores and government-imposed lockdowns. E-retailing is expected to continue growing in India, and the retail industry will need to adapt to this changing landscape to remain competitive.

E-retailing has also introduced difficulties, such as the requirement for a strong infrastructure for transportation and supply chains, worries about data privacy and security, and effects on conventional brick-and-mortar merchants. To stay competitive, many conventional shops have been obliged to adjust to the evolving retail environment by creating an online presence or collaborating with e-retailers.

Overall, alterations in customer behaviour and the use of technology have been the driving forces behind the transition from traditional retailing to e-retailing. Due to the shutdown of physical stores and government-ordered lockdowns, the COVID-19 epidemic has further hastened this change, with customers turning more and more to online retailers for their buying needs. In India, e-retailing is anticipated to continue expanding, and the retail sector will need to change to keep up with this evolving environment.

CONCLUSION

India's e-retailing growth has been nothing short of extraordinary. E-retailing has integrated itself into India's retail scene as a result of the increase of digital payments, the ubiquity of the internet and smartphones, and the accessibility of reasonably priced gadgets. With more and more people flocking to online purchasing for their daily requirements, the pandemic has hastened the rise of e-retailing. With the ability to offer customers quicker and more individualised services, hyperlocal e-retailers have also aided in this rise. The e-retailing sector is anticipated to experience ongoing development, innovation, and transformation as India's digital economy develops. This will present exciting prospects for both consumers and enterprises. The growth of e-retailing in India has also been driven by the increasing availability of logistics and supply chain infrastructure. E-commerce companies have invested heavily in building their logistics networks and partnerships with local delivery partners, allowing them to reach more customers and deliver products faster and more efficiently. This has helped overcome some of the logistical challenges faced by e-retailers in a country as vast and diverse as India.

However, despite the many benefits of e-retailing, there are still some challenges that need to be addressed. These include the need to improve cybersecurity and data protection, address the issue of counterfeit products, and ensure compliance with regulatory frameworks.



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