

IMPACT OF E-COMMERCE ON RETAIL BUSINESS IN INDIA

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ABSTRACT

E-Commerce has revolutionized the way companies do business. E-Commerce offers buyers and sellers a new form of communication and provides opportunities to create new marketplace. In this paper an attempt has been made to highlight the impact of the increasing trend of e-commerce over the various fixed shop retailers. Retailers comprise of a large section of the population and a larger population is dependent upon these retailers. But the advent of e-stores with their attractive incentives and wide varieties has slapped on their face the fear of uncertainty and helplessness. This study looks into the various aspects about how retail businesses are being affected and also the various recovery mechanisms they are coming up with to counter those e-stores in their race of survival. This paper also unravels the effect upon the profitability of the various concerns due to increasing trend for online shopping.

Key Words: EDI, GMV, E-stores, E-tailing.

Citation of this article

Kumar, P. (2017). Impact of E-Commerce on Retail Business in India. *International Journal of Higher Education and Research*, 7(1), 41-50. www.ijher.com

Introduction

E-Commerce is a paradigm shift. It is a disruptive innovation that is radically changing the traditional way of doing business. Electronic Commerce is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. E-Commerce is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the

Internet. These business transactions are business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The term e-tail is used in reference to transactional processes around online retail. E-commerce is conducted using a variety of applications, such as email, fax, online catalogs and shopping carts, Electronic Data Interchange (EDI), File Transfer Protocol, and Web services. It can be thought of as a more advanced form of mail-order purchasing through a catalog. E-Commerce is the movement of business onto the World Wide Web.

Objectives of the Study

These are as follows:

- To study the effect on profitability of retail business houses due to the advent of e-commerce.
- To study the current market structure of e-commerce in India.

Methodology of the Study

The methodology of the present research work comprises of the sources of data, methods adopted to collect such data, sampling techniques, statistical tools for analysis, data interpretation etc. The data for the study have been collected from primary sources. Secondary data have also been used wherever it is necessary. Primary data have been collected through Direct Personal Interview method where interview took place with the owners of different retail business houses. Investigation has been done through schedules at the various units for appropriate information. The universe consists of all the retailers situated in different parts of India from which 50 retailers have been selected at random for the purpose of the study. For the purpose of the study convenient sampling technique method has been applied on the basis of suitability for the availability of information and which has a substantial share in the market so as to give more accurate picture of the impact of e-commerce.

Current Market Structure of E-Commerce in India

The Indian economy has been consistently showing good signs of growth, with the average GDP growth rate at 7.5% in 2015-16. The retail sector is showing a promising trend of 11% CAGR, growing from an estimated size of USD 600 Billion now to USD 1 Trillion in 2020. Although,

currently the total e-commerce spend in India accounts for less than 2% of the total retail spending, e-commerce has become a key driver to create new markets in erstwhile unreachable geographies. The Indian consumers are rapidly advancing towards adopting technology. While the overall tele-density is 81.8%, the mobile tele-density is also high at 79.8% as of November, 2015. Additionally, during the same time, India beat the United States of America to become the 2nd largest market after China for smartphones with 220 Million users – This was attributable to the availability of highly affordable smartphones and with easy-to-use features which helped first-time smartphone users leapfrog from the desktop/laptop phase. Internet penetration is also significantly rising with the number of internet users at 354 Million as of September, 2015. In addition, there is a shift in mobile usage from voice to data. Mobile internet spend has risen from 54% to 64% from 2014 to 2015. This is due to an availability of high-speed 3G & 4G internet connectivity at affordable prices which has led to an increase in transactions done via mobile. India's rank for ease of doing business went up by 12 in just one year due to an improved regulatory framework thus creating a conducive business-friendly environment. These factors have positively impacted Private Equity and Venture Capital Investments into the country touching USD 20 Billion in 2015. Majority of these investments have been in e-commerce industry.

The e-commerce industry is expected to form the largest part of the Indian internet market with a value of approximately USD 100 Billion by 2020. In addition to transforming and revolutionizing the retail sector in India, it is also facilitating MSMEs to jump the evolution loop by providing means of financing, technology and training. Advent of technology enabled innovations such as Digital Payments, Hyper-local Logistics, Analytics Driven Customer Engagement and Digital Advertisements have enabled the e-commerce industry to grow at a much faster rate. Within the e-commerce industry, the Gross Merchandise Value (GMV) is an important metric for valuations especially during the early stages of growth. The majority of B2C e-commerce companies, globally, despite being operational for 5-20 years, report low profitability. The situation in India is no different i.e. a growing GMV but at an overall loss as the e-commerce companies establish themselves. The GMV for B2C segment in India was approximately USD 16 Billion in 2015. This trend however does not hold true for the B2B e-commerce companies which are profitable with greater GMV values. The Indian B2B e-commerce market potential was valued at USD 300 Billion in 2014, and is expected to reach

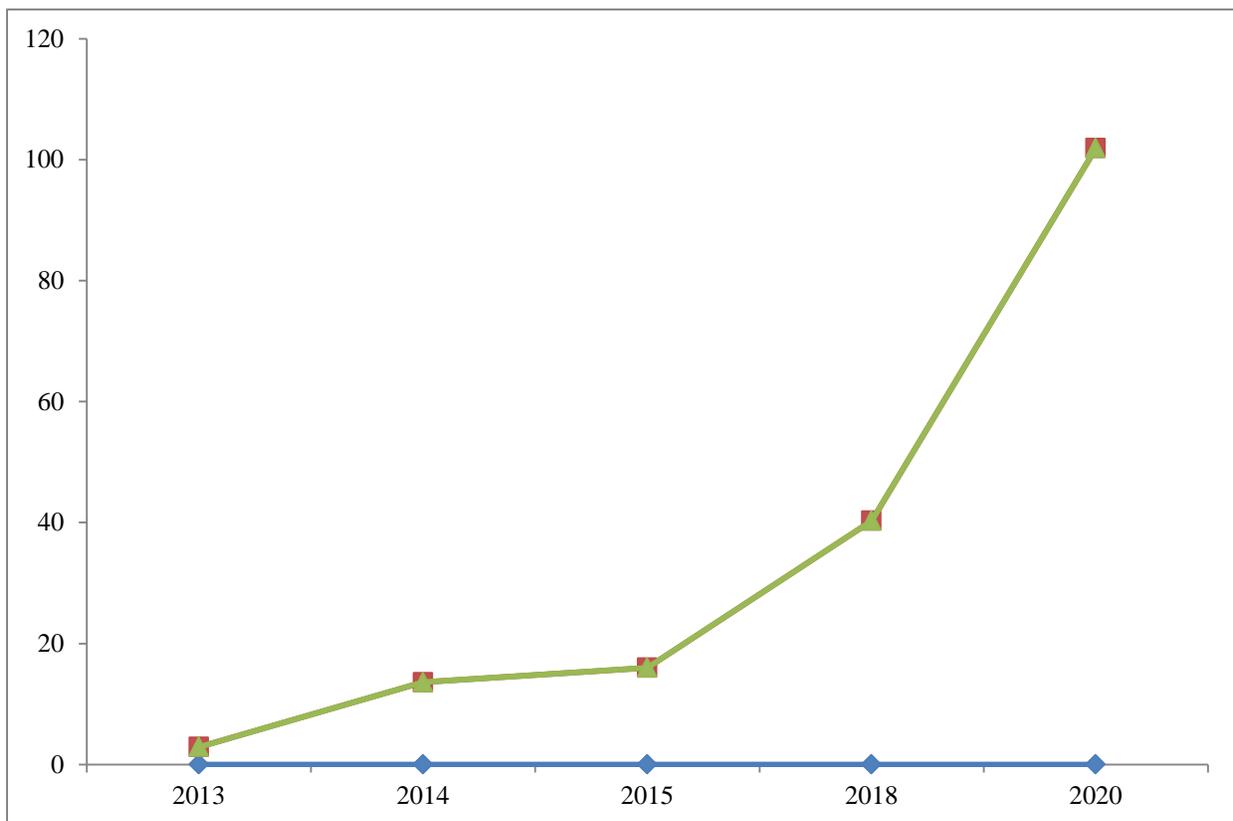
USD 700 Billion by 2020. The higher profitability in the B2B segment is attributed to reasons such as lack of heavy discounts, greater emphasis on quality rather than on price, and higher volumes of purchases.

Table 1

Total E-Commerce Market Size

Year	2013	2014	2015	2018	2020
Market Size (\$ Billion)	2.9	13.6	16.0	40.3	101.9

Source: IAMAI, Deloitte Analysis



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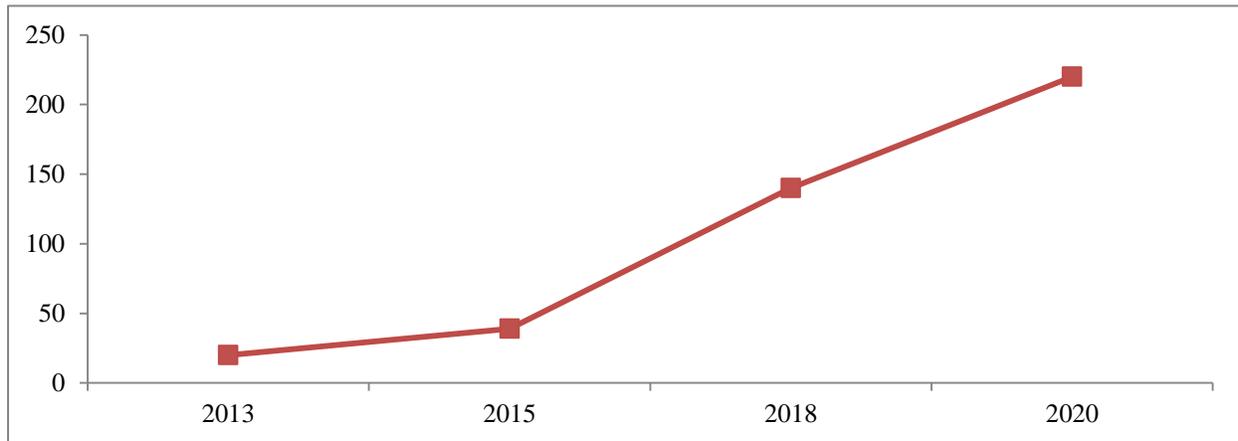
Figure 1: Total E-Commerce Size (\$ Billion)

Table 2

Number of Online Shoppers in India

Year	2013	2015	2018	2020
Number of Online Shoppers (in million)	20	39	140	220

Source: Euromonitor, IAMAI, Media Reports



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Figure 2: Number of Online Shoppers in India (in million)

Impact of E-Commerce upon Retail Business

Retail stores generally operated in the traditional lines of business except a few superstores that brought in certain modification in their business patterns, but the advent of online shopping in recent times has put an upon them because they had been losing on several ground. The study has been made on several grounds to understand the aspects of impact upon the business of various retailers that to some extent has led to a change in their strategies.

Presentation of Data

Table 3

Table showing the analysis of the various aspects of the impact of online shopping upon retail trade

List of Questions	Yes	No
Has there been any decrease in average turnover in the past three years?	40	10
Is there any decrease in profit margin?	48	02
Have you made any increase in discount rates offered to customer in recent times?	37	13
Do customers ask for discount before making purchases?	45	05
Do you keep more variety of stock at your store now-a-days?	05	45
Do you provide after sale services of personalized nature to your customers?	36	14
Do you advertise about your enterprise?	27	23
Do you provide home delivery services to your customers?	12	38
Is there an increase in window shopping in recent times?	40	10

The table highlights that there has been a decrease in turnover in most of the enterprises with a figure as high as 80%. Most of the retailers have also agreed to a decrease in their profit margin in recent years as more discounts are being given by them to the customers in order to ensure a higher amount of sales. More customers are seen to ask for discount in recent times. Retailers' now-a-days try to maintain a good variety of stock and also provide various types of customer oriented services in order to attain and retain customers. An alarming signal is the increase in window shopping which explains that prospective consumers do not turn into actual consumers.

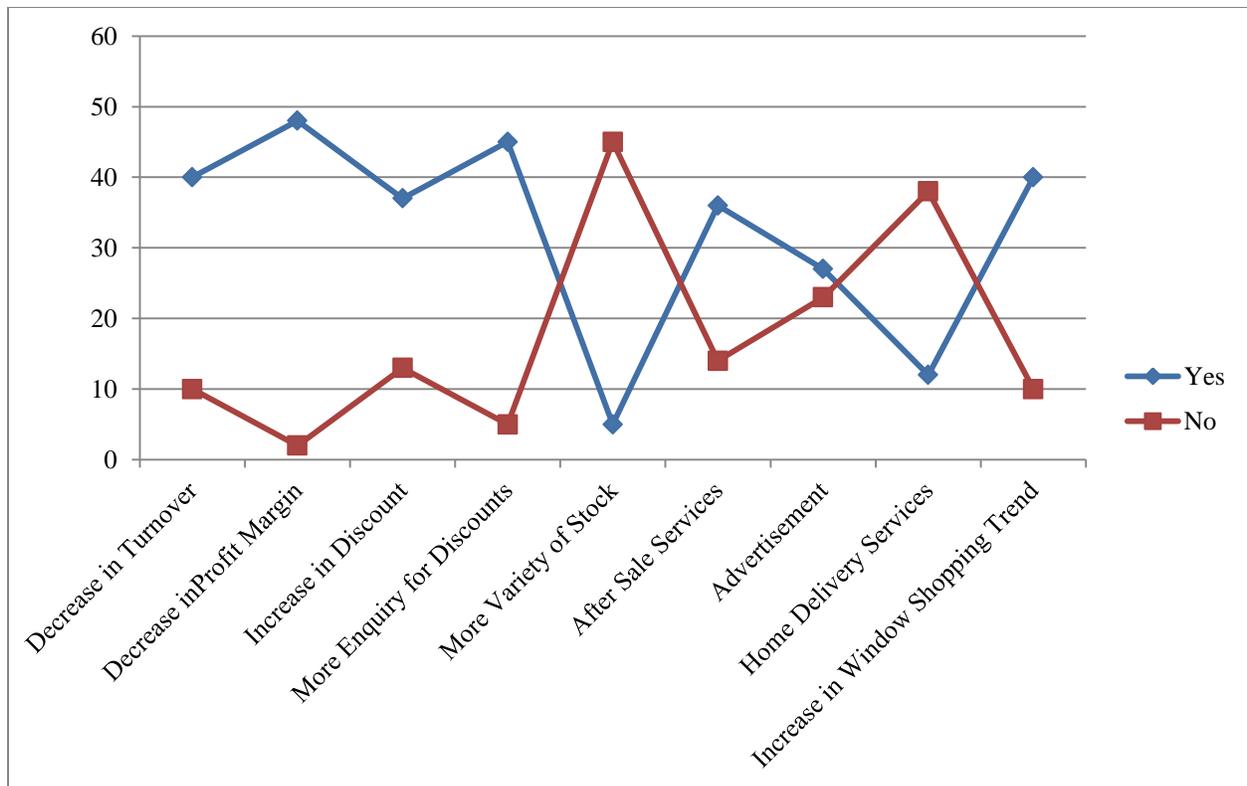


Figure 3

Analysis and Interpretation of Data

(a) Turnover: Retailers over a period of three years under study has noticed a considerable decline in their turnover as compared to years back. Some has reported if not decline but stagnancy in their growth which is a warning signal for the enterprise.

(b) Profit Margin: E-Commerce has brought in a price war in the market and the main sufferers of this price war are the retailers. In order to survive, most of these retailers too have made an attempt to lower their prices but considering their high cost of operation these retailers have to sacrifice on their margin.

(c) Discount: The retailers are at an alarming rate increasing their discounts in order to stand with the online stores who woos the customers with unbelievable discounts. Although the retailers cannot compete with the online stores in terms of discount but it has to lower its prices to a relative extent to survive the market.

(d) Variety of Stocks: Online stores maintain a wide variety of stocks and retailers fail in this context to the e-stores by a wide margin but most of the retailers as found by the survey has no inclination to compete with the online stores in this regard. The defeat is accepted. Retailers cannot maintain a large stock as that might have a negative impact of unsold stock at the end of the year which in turn might bring in huge losses to the concern.

(e) Customer Services: More and more retailers are now opting for customer services to build upon a loyalty. Repair and maintenance to installation and insurance, retailers are leaving no stone unturned to specialize in areas in which online shops fail. Retailers are now starting up with home delivery services in the same line of the online shops. Also after sale services are provided with a smile.

(f) Window Shopping: There has been a trend in recent years for customers to browse the products in a physical store and buy it from an online store at a reduced price. Retailers now have more prospective customers than actual ones.

(g) Advertisement: The retailers now-a-days are more involved in advertisement campaign than ever before in order to increase their sales. Retailers leave no occasion to take advantage of the situation to advertise their firm.

The table and the diagram highlight the fact about all these aspects and it shows that there is a negative trend on all these aspects with regard to the retailers.

Findings

E-Commerce is consistently taking up a larger proportion of consumer time and spending. There are several driving factors for consumers to shop online with price, convenience in shopping and wide range of available products being the primary. The major findings of the study are as follows:

- Turnover and profit margin of the retailers has considerably decreased in the past few years.
- Retail stores are now-a-days more engaged in services related to customer satisfaction.
- Although the retailers are not able to keep a wide variety in their stock, they attempt to keep the best of them so as to affect more sales.

- Customers are seen to make window shopping at an alarming higher rate to have a physical look at the product and buy that product online at a reduced rate.
- Retail stores are now starting up with home delivery services of their various products at the door step of their customers.
- The consumers become more comfortable with the experience of purchasing online with the convenience and product range become relatively more important as a deciding factor for shopping online.

Suggestions

Retailers have to change their attitude towards the market. Today's is a consumer market and as a result the priority is the consumer satisfaction. The firm has to be in the good books of the consumer. Better quality products, fair price and friendly after-sale services are the basic areas in which the business has to concentrate to a remarkable extent. Additional services should be provided to the consumers to woo them and build upon a loyalty which in turn would ensure a stable sales in the years to come.

Conclusion

The face of retail has changed. The advent of technology in recent period being the primary reason for it. Today, retailing means going into shopping centers, going online and going mobile. In all these, small retailers miss out somewhere. But the nearby store is always the most important concern for all reason and seasons. It needs to revive not just survive. The retail stores needs to simply uplift its pattern of business and face the competitive world with a more positive outlook. E-stores and retail stores both have to survive, none at the cost of the other. It's not just about the livelihood it gives to the thousands of people but also the convenience and the steadfastness of a fixed retail store.

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