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An Overview of Changing Trend of Traditional Retailing to i-Retail in India

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Abstract: Retailing may be distinguished as the sale of goods and services from producers / manufacturers or businesses to the end-users. Retailing in simple term can be understood as, selling of goods to consumers, usually in small quantities and not for resale. It is one of the mainstays of economy of any country and in India, it accounts for approximate 10% of the GDP. Thus, the growth of the Indian economy is quiet dependent on the growth of its retail sector. Organized online retail is a new prodigy in India and the market is growing exponentially. With economic growth, resulting in rising per capita income, bringing Indian masses into the consuming classes. The organized retail sector, especially online retail is enticing more and more existing shoppers into its ambit. Compared to traditional retailing, organised online retail in India is highly sporadic, out of order and is at a nascent stage. This article emphasises on online retail service and e-commerce. The key focus of the paper is nurturing online retail sector as an effective tool for business excellence and also for growth of the country at large. An effective retail is expected to help India orient itself effectively for gaining competitive advantage expressed in contemporary business format.

Keywords: e-shopping, online retail, segmentation, FDI

I Introduction

Since early 1990s, the globalization of retail capital was becoming an important phenomenon, dramatically altering both the commercial landscape and nature of consumer society in the emerging markets of East Asia, Latin America, Central and Eastern Europe [18]. Retail has played a major role world over in increasing productivity across a wide range of consumer goods and services. Retail is being the second largest industry in the USA, both in number of establishments and number of employees. Appropriately, the emergence of electronic commerce ('e-commerce') was seen to be revolutionary, involving an 'Upsetting Technology'[6] that had the capacity to bypass (or dis intermediate) incumbent firms, refigure the competitive basis of markets, and in turn, stabilize the emerging economic geographies of globalizing retail [27]. In spite of being at a nascent stage worldwide, technology of Internet-based distribution system continue to refigure and transform the retail industry, albeit in an *evolutionary* manner rather than a revolutionary. However, e-retailing is no longer regarded as a threat, sufficient to displace incumbent firms in the retail industry, but, at the same time, it is by no means an insignificant or transient phenomenon. Indeed, e-retail has arguably underpinned a broader shift towards a 'new economy', characterized by the networking and moulding of online and offline forms of distribution and consumption.

It is important to know how internet retailing differs from conventional retailing method. Adversely there is no accepted classification of different types of retailing in the literature [3]. However, one common distinction is between retailing, where customers come to stores to buy goods and in e-retailing, like direct mail, telephone and television sales, brings stores to the customers [13]. A global management & consultation firm, places India at 6th on a global retail development index. The country has the highest per capita outlets in world i.e. 5.5 outlets per 1000 population. Therefore, approximate 7% of the population in India is engaged in retailing as compared to approximate 20% in the USA [20]. This should not worry the statisticians, as with rising income, Indian consumers have started spending more on non-food items, compared to food products. Thus, there exist an opportunity for online retailers to explore and fathom the potential. In this paper, we discuss the concept of i-retailing, as well as examine the various opportunities and challenges related to the Indian context. The paper is divided into six sections. The second section deals with i-retailing in Indian context. The third section includes the description of the emergence of i-Retailing in India. The fourth and fifth sections include Segmentation of e-Retailing and subsequently challenges of i-Retailing in India and improvement needed is discussed. In the sixth section, the general conclusion is drawn in the last section.

II I-retailing in Indian context

In India, the accelerated growth in modern retail is expected to continue for next few years. With consumer demand and business potential, there is a rapid growth in online retail outlets. India's copious 'Young'

population and high domestic consumption have manifested favourably to the growth of the sector. According to [24] and others, the market of 21st century will be dominated by multimedia and multi-channel, with customers having a wide range of media and channel options to obtain goods and services. The factors responsible for the development of online retail sector in India can be broadly summarized as:-

- a) **Liberalization** of the Indian economy has led to opening up of online market for consumer goods and has helped the Multinational Corporation like e-bay.com and Amazon.com etc. to make significant inroads into this vast consumer market by offering a wide range of choices to the Indian consumers.
- b) The **Internet Revolution** is making the Indian consumer more accessible to growing influences of domestic and foreign retail chains. As India continues to get strongly integrated with the world economy, riding the waves of globalization, the online retail sector is bound to take big leaps in years to come.
- c) There is a shift in **Consumer Demand** for foreign brands.
- d) Rising in **Income** and improvements in easy accessibility are enlarging consumer markets and accelerating the convergence of consumer **tastes**.

As in [11] report, Indian online retail sector is estimated to have a market size of approximately more than 50 billion INR. Most of the organised online retailing in the country is at its nascent stage and more or less been concentrated mainly in the metros. India is one of the last Asian economy, to liberalize its retail sectors, thus, organised e-retailing in the country has a huge potential, waiting to be harnessed, more so, with the growing awareness, the price war, product quality and services coupled with heavy discounts, free delivery / shipment and host of other features have attracted probable buyers towards online shopping. It is expected that, the organized e-retailing industry will continue to grow rapidly, especially with the help of joint ventures and proper distribution channel partners, thereby, increasing their footprints in smaller cities and B-class towns.

III Emergence of i-retailing formats in India

The following format may be cited as *opportunities* available to the i-retail firms, for adoption of formats / models to increase their level of penetration into the market.

- I. **Prominent Format-** This type of market (hypermarket, supermarkets, convenience store) are already prevailing in India, besides, online e-retailing and virtual market is a new phenomenon for country like India. Traditional retailers are trying to reinvent their business by introducing online format of retailing, as well as value added services such as credit facility and free home delivery.
- II. **Food Retailing-** When it comes to food retailing, there is lack and variety of e-retailers in this sector. The reasons could be that, traditional retailers, who operate small single outlet, mainly using family labour, dominate the sector. However, consumers with disposable income prefer to visit supermarkets / convenience store for higher standards of hygiene and attractive ambience.
- III. **Health & Beauty Products-** Off late, with increase in come and emergence of neo middle class in the country, spending on health and beauty products have increased many folds. The e-retail business is expected to grow significantly in near future due growing quality consciousness among buyers for such products.
- IV. **Clothing & Footwear-** The traditional footwear and clothing outlets stock limited range of cheap and popular items, in contrast, e-shopping gives a choice of wide diversity under one roof.
- V. **Home Furniture & Household Goods-** In our country, small time retailers dominate the market. In spite of having a huge potential, very few modern e-retailers have established specialized e-retail for these products. However there is considerable potential for the entry and expansion of specialized e-retailing chains in the country.
- VI. **Leisure & Personal Goods-** Consumer expenditure on leisure and personal goods in the country have increased manifold. There are specialized e-retailers for each category of product such as books, music & etc.

Model of i-Retailing

Internet retailing is commonly termed as e-retailing or 'e-tailing'. It actually covers retailing, using variety of different technologies or media with a choice for the Internet retailer to use one or more of the available technologies. To understand e-retailing more effectively, a particular model has been examined as shown in Fig 1 [25].

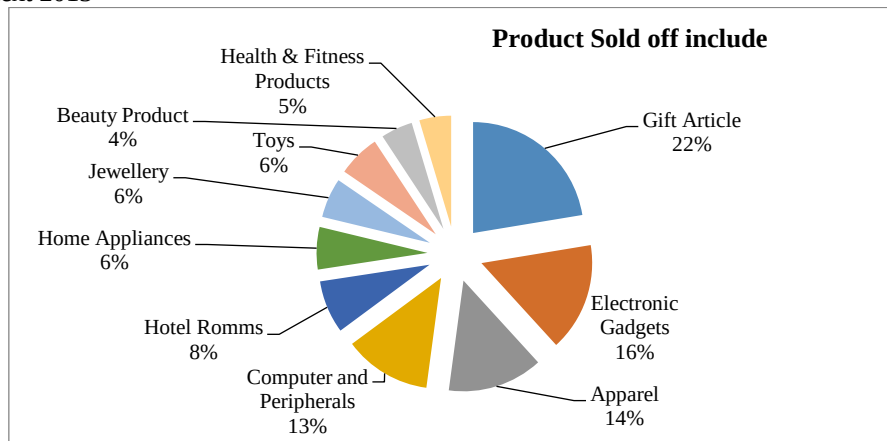
Furthermore, traditional retailers are facing increasing competition from two new sources i.e. dis-intermediation by suppliers and new intermediaries in the form of internet retailers [22] Table 2 below:-

Table 2- Advantages and Disadvantages of Retailers, e-Tailers and Suppliers

Possible Advantages	Possible Disadvantages
1. Established Retailers	
Existing brand name	Channel conflict
Existing customer base	Cultural conflict
Existing supplier contacts	
Existing distribution system	
Existing store	
2. Start-Ups	
Knowledge of internet technology and market	Lack well-known brand name
Less constrained by existing systems and culture	Lack customer base
	Lack supplier contacts
	Lack distribution system
3. Suppliers	
Existing brand name	Channel conflict
Existing customer base	Cultural conflict
Existing distribution system	

In an aeon when volatility is a dominant characteristic of the global market, firms in all sectors of the economy have become more flexible—undergoing a number of structural changes in the face of increasing global competition [5]. Large retailers have also continued to invest heavily in the area of market analysis, research, and advertising, all in an effort to determine who buys, what they buy and where they live [4]. According to the Assoc ham report in 2013, web shopping have increased 250% than what it was five years back, which in turns means 5000 crore INR of transactions. It's been noticed that, 71% of the 'Neo Middle Class' prefers buying items online in comparison to conventional markets [19] see figure 3.

Figure 3 - i-next 2013



Thus, the **Pattern of Spending** through internet looks like:-

- 57% of the buyers, buys to avail the discount facility.
- 14% of them goes for gifts.
- Balance 29% are miscellaneous.

The **Reasons for Online Shopping** are:-

- Convenient and Time saving.
- Wider Variety.
- Avoiding Crowd.
- Cheaper to Buy Online.

Key Findings-

- (a) **Age Group.**
 - (i) 38% buyers on the net are from age group of 18-28 years.
 - (ii) 52% are from 29-38 years of age.
 - (iii) 8% are from 39-49 years age.
 - (iv) 2% belongs to 50-60 years of age.
- (b) **Preferences.**
 - (i) 78% Males preferred online shopping.
 - (ii) 22% Females preferred online shopping.

IV Segmentation of e-retailing

Transactions in traditional retailing are intrinsically open to scrutiny and are at risk of imitation and appropriation by competitors. There are three particular, yet interrelated, form of segmentation of the retail business. They are:-

1. **Societal Segmentation-** Social establishments are paramount to the birthplace of the firm and industry in question and instrumental in improving and development in provincial market and ventures abroad.
2. **Network Segmentation-** Alludes to the system; advance of the firm and around the business sector. Its impact on other firm and how others impact in the industry (e.g. the impact of inter-firm and extra-firm relations on their conduct).
3. **Territorial Segmentation-** It manages how firms are acquired in better places at spatial scales and face to face time and retention of firms inside the social order which are represent and compelled by the administrative schema and the social dynamism of the aforementioned spots (e.g. the degree and nature of relationships between e-retailer and retailer, purchasers and controllers). [12] alludes to, as the 'Placing Firms' inquiry. That is to say, the nature of e-retail identified with the particular places and showcases its characteristics. Hess' terms it as, key to investigate the persuasive relationship between types of societal dug in (The Birth place of the retail) and manifestations of territorial limits (or the attributes of the host situations in which the e-retail work).

Utilizing this conceptualization of separate market to shed light on the organizational challenges, which electronic trade postures for the e-retail, we not only focussing on Business-to-Customer (B2C) e-trade, but also, highlighting the percentage of challenge innate to the advancement of business-to-business (B2B) e-trade in the domain of retail supply and item sourcing. B2C e-business postures ability of e-retailers to play immaculate and enter worldwide advertises without bringing about the same levels of investments. e-Trade was seen to engage a type of 'Pure Play' (or non-store based) e-retailers, who could use the Internet to serve national and worldwide customer, showcasing his products without bearing the 'Set Up' and "Gathered" sunk costs / investments (Clark and Wrigley, 1997) of embedded store systems. E-trade intended to detour the accepted channels of retail conveyance and thereby, serves to open up and refigure the organizational challenges of the retail business.

V Challenges of i-retailing and improvement needed

I-Retailing as an industry in India has a long way to go. To make it a flourishing and a thriving industry, the key challenges are:-

- a) How best to capture and protect this potential source of local innovation and to transfer 'best practices' (notably, allusive knowledge) through its intra-firm networks, thereby fostering a process of what might be termed 'reflexive' or 'hybridized' retail globalization [8].
- b) The task of 'knowledge management' in the e-retail is made even more challenging by the large number of 'learning centers and asymmetries in knowledge, capabilities and interpretive frameworks across the firm [4].
- c) The pure play e-retailers (especially those in sectors such as food and clothing) had fundamental flaws in their business models [21] their 'fulfilment' expenses of picking and delivery were rapidly demonstrated to be 'killer costs', whilst issues of 'tangibility' and 'sociality' resulted in considerable consumer resistance to switching from existing channels [28].
- d) The e-retailers faced a competitive response from store-based retailers, who began to re-model themselves into a multichannel organizational form as 'bricks and clicks' retailers [10].
- e) The threat of pure play e-retailers to the e-retail has so far proved to be negligible. Certain pure plays (e.g. Amazon) have flourished, but only pose a competitive challenge to the e-retail in particular sectors of general merchandise.
- f) e-Commerce has yet to make a noticeable impact on the landscape of grocery retailing which, despite some significant niche operators [17] continues to be dominated by traditional store-based transactions.

Given Tesco's relative success in the nascent online grocery market, the other e-retailers are now actively seeking to integrate B2C e-commerce into their transnational store networks. They have also, to varying degrees, begun to adopt another form of e-commerce, which is oriented around B2B (business-to-business) transactions, particularly in the area of retail supply and product sourcing. It is suggested that, a shift towards a multi-channel paradigm in the retail industry, which is emblematic of a broader shift towards 'networked' forms of organization will be the bedrock in the 'new economy' [7].

Improvement Needed for i-Retail

India consists of 29 states and 18 official languages. A bulk of its population, 66.1 %, lives in rural areas. The lack of adequate infrastructure makes it virtually impossible to reach this virtually untapped market. Distribution, or the lack of it, is a major hindrance for retailers in India. The lack of quality infrastructure across the country and a non-existent distribution sector results in inefficient logistics systems. Infrastructure is the weakest link in India's path to progress and there is an urgent need to address issues plaguing this area. Transportation is a major concern, deteriorating railway system and limited highway network / freight corridors add to the problem. In contrast to the global standards, the average load carried by trucks in India is around 7 tons, which is very low. Lack of a distribution sector and specialized distribution companies is a major obstacle for e-retailers to fully utilize India's retail potential. Meanwhile, private logistics companies offering specialized services, like, refrigerated transport and warehouse facilities across the country, along with timely distribution of supplies to retail outlets will create some of the much needed back-end support for retailers to enhance operational performance.

- (a) If addressed urgently and seriously, infrastructure can translate into India's biggest opportunity [14]. However, most Indian retail players are under serious pressure to make their supply chains more efficient in order to deliver the level of quality and services that consumers are demanding.
- (b) Logistical challenges, constant changes in consumer preferences & patterns, crowded marketplaces, efficient customer responsiveness and swiftly evolving retail formats are the hallmarks of today's retail environment in India. These factors pose a huge challenge for that all-important key to push growth in this hostile environment requiring an efficient and adaptable supply chain management system.
- (c) In last 2-3 years, several retailers, ranging from F&B operators to apparel, have implemented Supply Chain Management (SCM) solutions to improve core business processes such as global sourcing, distribution, logistics, innovation, transparency and visibility in financials & inventory, and compliance & management of point of sale (POS) data. Going ahead, India's FMCG and e-retail sectors are likely to see an increase in adoption of SCM.

We feel that fraud is going to be one of the retail sector's primary challenges in future. Fraud and theft, including pilferage by employees, shoplifting, vendor frauds and inaccuracy in supervision & administration will cost the Indian retail very dearly.

VI Conclusion

This paper has been a pioneering effort in developing an understanding of the recent transformation of i-retail concept. We have laid the necessary groundwork for a more detailed analysis of the increasing concentration of retailing and its locational consequences. Retailing is inherently a geographical phenomenon and market demand, rules the locational dynamics of retailers, which are largely controlled by accessibility. The interaction of threshold ranges from products they sell, cluster dynamics, consumer attitudes and perceptions. India is certainly not alone with regard to structural changes in its e-retail industry and their spatial consequences. Literatures tend to examine the adoption of e-commerce by small-to medium sized businesses. However, as we have attempted to show, it is still possible and indeed, conceptually fruitful, to interrogate the organizational challenge of e-commerce from the perspective of embeddedness. In this context, i-retailing remains considerable scope for theoretical and empirical research into the changing organisational and geographical contours of the firms.

Scope for Further Research

The scope for further research on the subject as identified and Recommended could be:-

- (a) **Case 1-** The concept of i-retailing has been adopted by the many retailers in India. The consumers in India are also showing positive response towards online shopping. Considering interest among consumers towards online shopping, future research studies may identify various factors and processes that affects consumer's buying behaviour towards online shopping.
- (b) **Case 2-** Scope of FDI in e-Retail in India.

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