

Casting the net wider

Sandeep Saxena, a young professional living in Delhi, is a regular online shopper. A gadget freak, Sandeep's virtual mall trips are rather international these days, including visits to the likes of Global Easy Buy and 20North. These are among the many cross-border online retail destinations that shopaholics in India are frequenting for the ease of transaction and range of products. And the numbers are growing.

Online retail or e-shopping, a minuscule proportion of the total retail pie in India, is growing 35 per cent annually. Against the total retail sales in India at around \$395 billion now, online sales stand at \$400 million. But armed with iPads, 3G-enabled smartphones, buying power, a wide range of plastics, and of course hunger for bargain, Indians are all out to make online retail a success story. And if Amazon, the world's biggest online retailer, throws its hat into the ring as media reports suggest, the stakes will only get higher.

Making the best of the opportunity are the pure play online companies, as well as the brick and mortar ones waiting to enter the digital world. Also in the game are loyalty programme service providers, finance firms targeting eyeballs on social networking sites, thousands of advertisers, and entrepreneurs of different hues.

Vijay Bobba, CEO and managing director, India, Payback, a Germany-based loyalty programme leader, says 80 per cent of the profit usually comes from 20 per cent of the customers. And it is here that some of the online retailers play an important role in identifying the best customers and offering them 'compelling customer experience'.

Online books major Amazon is one such example. By giving active references to its regulars, the company makes it a compelling experience for the customers, which helps increase its sales, points out Bobba.

Convenience is key

Customer experience matters. And online marketers are pulling out all the stops to get consumers on board. FlipKart, the biggest online bookseller in India, for example, is addressing concerns regarding online privacy and credit card use for internet shopping in its "Sagar just doesn't get it" ad launched recently. Through a water-cooler banter between two kids, it brings out the fact that if you are weary about using your credit card online, you can pay for what you buy in cash and that too after you take delivery. In another ad it addresses another concern: What if the product turns out to be damaged, inferior, or simply not up to the mark? Well, FlipKart backs up the products with a 30-day replacement guarantee.

Then take the case of Global Easy Buy, which was introduced less than two years ago by eBay, a popular American online haunt for anything from a funky key-chain to a heavy duty electronic appliance. What makes Global Easy Buy attractive is the fact that Indian shoppers can buy directly from international ebay merchants on that platform. Also, the prices are given in Indian rupees and include the international shipping, handling and customs duty charges, thereby saving the shopper from any post-buy harassment.

“Shop in the US from your home in India,” screams 20North on its website. Like in the case of Global Easy Buy, 20North too shows all product prices in Indian rupees, along with customs and shipping charges, freeing the buyer from hidden-cost fears. Geographically speaking, India’s address on the planet is 20 degrees North and 77 degrees East, and therefore the name, the site explains.

According to Pinaki Ranjan Misra, partner & national leader, retail and consumer product practice at Ernst & Young, cross-border online transactions are picking up significantly in India. Global online marketplace eBay has figures to vouch for it. Indian sellers on eBay export an item internationally every 32 seconds, according to the company’s Asian exporters’ index. While 44 pieces of jewellery are sold every hour by Indian sellers on this platform, a coin or a stamp is picked up every 12 minutes, home furnishing items every 23 minutes, article of clothing every six minutes and 11 musical instruments every day.

Estimates suggest that over 7,300 sellers from India have traded internationally in the last 12 months on eBay. While books, fashion earrings, pendants, Indian stamps, computer games, films and DVDs top the list of categories that Indians are exporting on the eBay platform, other items selling in big numbers are herbal remedies, bed sheets and motorcycle parts.

Among other sites, Misra finds Borderlinx interesting, where anyone in India can buy from the US or the UK through Citibank credit cards. The concept here revolves around a virtual address in the US or the UK, which is like a warehouse base, where the products can be kept for up to a month before shipping to India.

Anand Ramanathan, manager, KPMG Advisory, points out that when it comes to buying big ticket items, touch and feel becomes all important for Indians. So, while the pace of online retailing in India is a function of internet penetration — there were 12.32 million internet users in the country as of June 30, 2011, according to Telecom Regulatory Authority of India — the model that works is a mix of gadgets, electronic items, games and books, says Ramanathan. Globally, clothes and apparel are a big hit.

Misra says while there’s a new focus on apparel and footwear in India, in the immediate future, it’s the electronics items that will continue to score. And of course, discounts, bargains and deals will continue to be a rage online.

Bargains and discounts

With the shopping mall in their palm, thanks to smart devices, the tech savvy lot is tracking big bargains and discounts offered on sites like snapdeal.com, tradus.in, and fashionandyou.com. Experts say it’s the men between the age of 25 and 34 who are ruling in this space and the discounts often go up as much as 95 per cent.

As Rahul Sethi, president, e-commerce, Tradus.in, says, the player offering the highest discount to the end customers will win it all. According to Sandeep Komaravelly, head, marketing, Snapdeal.com, merchants tie up with them for new customer activation, to liquidate inventory and for marketing investment. “If a restaurant is not doing well on Tuesday evenings, for instance, they give heavy discounts through our website and work on volumes”, he explains.

The discount and the pricing are decided through meeting between the merchants and the retail websites. “We at Tradus have made huge investments in acquiring the talent which helps us outshine our competition when it comes to signing deals with brands and vendors to get the best rates in the market,” says Sethi.

In the US, the concept seems to be losing steam among the merchants at least, as they complain that websites like Groupon and Levelup help consumers save cash, but bargain hunters rarely return after scoring a cheap meal or service. Is the concept here to stay in India? “Yes,” says Komaravelly of Snapdeal. “The business model proved (itself) within the first six months of launch in February 2010. A lot of brands are adopting this channel, and the merchants are coming back to us.”

Apart from deals and discounts, it is innovation that online retail is looking at for a successful run. Consider aaramshop.com. It offers you the convenience of ordering your grocery while you are updating your Facebook status. While you place the order online without making any payment, the neighbourhood kirana or mom-and-pop store will make the delivery at your doorstep and also receive the payment. “The revenue does not come from the transaction, but from the brands that advertise on the website and the market response and analytics we provide to the companies,” says Vijay Singh, CEO & managing director, Aaramshop.com.

Social networking is playing a major role in boosting online shopping in the country. “We are leveraging Facebook using its targeting capabilities to reach our audiences. We have seen good results from the medium,” according to Sethi of Tradus. Snapdeal echoes similar sentiments.

Realising the potential of online transactions and the popularity of social networking, a micropayment service provider, Beam, is waiting to offer Facebook credits to netizens. Only once it gets the RBI permission. With the FB credits, one can easily buy gifts and games from the social networking site. According to Beam CMD Anand Shrivastav, online retailing holds much promise for a payment infrastructure company like his own.

While the online retailing business is still very young, experts point out that there could be some buyouts in the near future. Private equity firms are sure watching this space with interest.

Answer each of the following questions (approx. 300 to 400 words)

1. “In a country where 70% of the people still live in rural areas.” In light of this statement, discuss the challenges faced by online retailers.
2. Tangibility is something which is missing in virtual shopping. How can retailers make up for this in online retailing.
3. “Experts say it’s the men between the age of 25 and 34 who are ruling in this space”. As an online retailer devise a strategy to expand the customer base.