

## **Impact of E-Business on retail in India**

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### **Abstract**

E-business is a relatively new concept to the Indian market but it has enormous potential given the internet base of the country. E-business has a major impact on the retail industry in many ways and that has made retailers to look out for various techniques to stay in the business profitably. The e-business arena has got opportunities for both consumers and businesses to create a new marketplace but of-course it has to go with consumer protection and data safety. This paper seeks to highlight the importance of e-business and its impact on the retail industry of India, a brief outline of E-Business and its effect on various scenarios of Indian economy, the shift from retail to online retail shopping and it also outlines the future of e-business in India.

**Keywords:** e-business, e-commerce, retail industry, e-shopping

### **Introduction**

Electronic Business is a broader term and is more than just buying and selling products online. E-business includes all aspects of running a business that sells goods and services, including marketing, earning and retaining customers, procurement, developing business partners and customer education. Any brick and mortar store can become an e-commerce business by adding a virtual storefront with an online catalog. In most cases, e-business refers exclusively to Internet businesses, but it may also refer to any business that uses Internet technology to improve productivity and profitability.<sup>1</sup> E-commerce is not just about merchants and consumers. It is also about enabling businesses that are experiencing tremendous growth. It is only a matter of time when digital commerce companies contribute to a significant portion of India Post's shipping volumes, thus leveraging such significant infrastructure the government has created. The integration of information and communications technology (ICT) in business has revolutionized the way companies undertake business activities. The Indian marketing scene has never been more exciting both from consumers' and marketers' points of view where e-business activities are luring more and more consumers by its sheer charm and on the other hand retailers are trying to snuggle out various ways to boost their sales and face the imminent threat from e-businesses head on. From a marketer's point of view, retail premise continues to be the battle ground and e-business is an exciting new opportunity having huge potential to expand their business and bring in more customers than they ever had or are likely to have with only offline stores. Thus today, many big companies are rethinking their business models by inculcating the services of ICT via procuring orders from other companies on web, selling their own products with the help of an online catalogue, collaborate with similar business corporations benefitting both the businesses, using social media as a viable mean to promote their brands with a worldwide reach. The following table enumerates the challenges and concerns faced by e-businesses in India particularly.

**Table 1**  
E-Business Challenges and Concerns

<b>Challenges</b>	<b>Concerns</b>
The internet penetration rate in India is still one of the lowest in the world	Lack of awareness and interest in internet based applications and businesses
Average broadband speed in India is among one of the lowest	Access Control, User identification and authentication techniques
Increasing cost of operations	Data Integrity, Non repudiation
Lack of quality talent pool	Privacy, Confidentiality
Policy uncertainty at macro level	Trust issues on web modeled shopping

### I. Literature review

E-business has been an intriguing subject matter of numerous research from various disciplines because of its great significance and influence on the economy as a whole. There have been various researches on the topic of 'e-business and impact on retail' ranging from the economical to social and ethical angles. Some of these researches retrieved through internet searches have been reviewed here.

Malhotra and Singh examined the determinants of internet banking adoption by banks in India. This study is an important contribution to the literature as it has dealt with the problem of adoption of technology in businesses in developed countries.

Tarafdar and Vaidya examined the organizational inclination to adopt e-commerce and proposed a framework based on qualitative data on four financial firms in India. The study found that both leadership and organizational characteristic influence ecommerce adoption.

Steve Burt reviewed e-commerce and retail marketing and concluded that the largest retailers are now pursuing Internet-enabled advantages and cost reductions in operations, which could translate to an enhanced competitive position in process, structure and relationship terms. Also, consumer reactions to the new real and virtual offers will be fundamental to their success and failure, but as yet consumer reactions are not fully understood.

Empirica GmbH in their final report titled ICT and e-business impact in the retail industry surveyed trends, challenges, barriers and drivers of e-business and studied their impact on the retail industry and recommended that policy implications play a very important role in further developments in E-business and thus should be framed with utmost clarity.

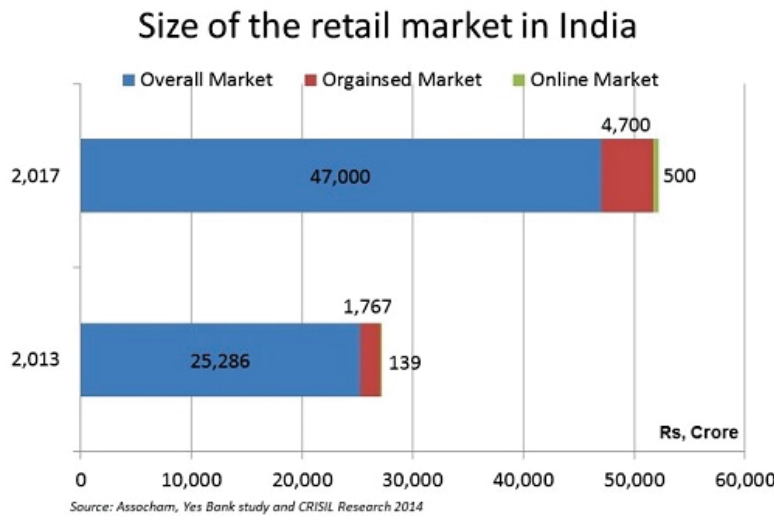
Rachna Ghayal & Madhavi Dhingra did a short study on impact of e-business on retail markets and found that Companies responded to demands by providing web sites that could not only display information, but which could interact with their inventory systems online and allow them to take orders over the Internet.

## II. Methodology

The specific types of information and/or data needed to conduct a secondary analysis will depend, on the focus of study. For this research purpose, secondary data analysis is usually conducted to gain a more in-depth understanding of ICT integration in businesses. Secondary data review and analysis involves collecting information, statistics, and other relevant data at various levels of aggregation in order to conduct a situational analysis of the area and mostly the paper is based on information retrieved from the internet via various journals and research papers on the same subject matter.

## III. E-Business in comparison with Retail Stores

Recently India has seen an exponential rise in e-business activities and particularly online trade. While the on-line retailers have recorded an explosive growth and is on track to keep growing very rapidly, the traditional retail has also been quietly nothing up impressive growth numbers. Not only that, spurred by the rapid growth of our economy, the entire retail market is set to grow very rapidly as well and in context, both organized retail and on-line retail together represent a paltry 7.5% of the estimated total retail market in the country.<sup>2</sup> Organised retail and the on-line retail together will still constitute just about 11% of the total retail market in the country even in 2017.



The on-line channel represents just 0.5% of total retail in India today. Even in a developed economy as the USA where the organized retail constitutes 88% the on-line retail is still at just about 9% of the overall retail per research by Crisil and McKinsey. That is approximately 11% of the total organized retail market as compared to our country where on-line retail is at about 7% of the organized retail. The China market perhaps merits a closer look, a market that has galloped away and made huge strides in the last two decades and is said to have some parallels with our economy. While the organized retail in China is approximately 25% of the total retail, the on-line retail is at 6%. India's retail market value was estimated at \$520 billion in 2013, and is expected to grow to \$950 billion by 2018. With a CAGR currently pegged at 13%, the Indian e-commerce

market is expected to grow the fastest within the Asia-Pacific Region – with its market size doubling every 2-2.5 years. While the global growth rate of online shoppers is estimated at 8-10%, India currently has more than 10 million online shoppers. Though 70% of India's e-commerce market is related to travel, electronics and apparels are by far the most important categories in terms of sales.<sup>3</sup>The key driver Indian e-business is the increase of broadband internet penetration growing at 20% every year. The rising standards of the mushrooming middle-class with high disposable incomes, coupled with the urban influence on rural aspirations, have led to an exponential growth of the internet culture in India which has in turn given the consumer access to wide variety of products and services arguably at places where retail stores have not been even built up. Also given the variety of products that e-businesses offers at relatively lower prices have had an huge impact on retailing industry. And this has led to the retail store owners asking the government to interfere with the creation of a regulatory agency to safeguard their interests. Meanwhile many retail store owners have also realigned their business models by foraying into e-business by making alliances with leading web based marketers which will in turn benefit both and thus utilizing the opportunities provided to them by the recent changes in the Indian commerce industry. Retailers will increasingly have to offer services through various mediums. However, e-business is still unlikely to completely replace retail in India as suggested by the study we discussed in this paper. One way brick-and-mortar retailers will stay relevant and continue to be successful in the future is by developing omni-channel capabilities. Online retail starts with pure-play online retailers, and on seeing the competition from online retailers, brick-and-mortar retailers transform themselves into omni-channel retailers.<sup>4</sup>Even in markets with high levels of online and omni-channel penetration, the online channel contributes a maximum of 15% to the retail market. As India's retail market is geared to scale up from \$650 million to \$1 trillion by 2020, the opportunity is great for all types of players in the retail industry.

### I. Conclusion

After an analysis of comparing both the sales medium with regards to India it is noticeable that M-commerce sales have increased significantly in India because of the easy accessibility of cheaper smart phones which adds to the convenience of buying online. And to add to it the internet penetration rate also helps the online businesses to flourish more and allure more customers. Given the fact that supply chain costs are significantly lower for online sales, it encourages more businessmen to take their businesses on a web based model. One more noteworthy point is that there is a sure shot increase in Food & Beverages being procured online but as compared to other product items its sales growth is relatively lower so retail stores do have an advantage and edge here in marketing. Lastly it is acceptable that if online businesses are blooming then in no way they are going to completely harm the traditional methods of selling but a mix of both being used to leverage the benefits of e-business.

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