

SHOP TILL YOUR MOUSE DROPS

Online retail is being driven by Internet penetration, lifestyle changes, sky rocketing real estate prices and sheer consumer convenience. It is increasingly becoming a significant part of sales strategy for many Indian firms, writes **Arun Katiyar**.



Don't for a moment imagine that all the action in shopping and retail is at the glitzy local malls with their flashing billboards, loud music and air-conditioned ambience. There is another world of retail that is silent, quick, crowd-free and packed with bargains. In addition, it is open 24x7, 365 days a year. Just go online and look for it. And don't forget to keep that credit card handy to make payment.

Internet users in India are going online and ordering all kinds of things from the convenience of their homes: food, home provisions, groceries, automobiles, home electronics, appliances, computers and peripherals, CDs, DVDs, books, cinema tickets, clothes, jewellery, watches, cosmetics, perfumes, flowers, toys, sweets, dry fruits and gifts.

Hina Saiya, of Shop Imagine, an online lingerie store, which went live early this year, says she was pleasantly surprised by the response to her products, some of it from small towns in India that she had not even heard of.

According to an Internet & Mobile Association of India (IAMAI) report – titled the Consumer E-Commerce Market in India – the B2C industry, grew by 30 per cent to touch revenues of \$2.1 billion last fiscal (2007-08). The overwhelming response from consumers was triggered by the emergence of low-cost carriers and the online travel industry, which accounts for nearly \$1.6 billion in online spends.

Doubtless, much of this revenue was driven by the fact that online travel agencies like makemytrip.com, yatra.com and others made it simple to not only conveniently compare prices of airline tickets, but also book them easily.

Online retail stores account for just over \$250 million in revenues, but this is projected to grow at a rapid pace, driven by the presence of branded products and with the availability of consistent service delivery and after sales service, both online and offline.

Online retailing or e-tailing, once an esoteric concept in India, is growing rapidly with players like Reliance Retail, RPG Cellcom and Tata Woolworths



K Vaitheeswaran,
co-founder, IndiaPlaza

announcing their intention to go online. Others players that are making a foray into online retailing include Vishal Retail, Subhiksha and Spinach.

Many of these players have taken cues from the fact that Internet usage and penetration in the country has been growing rapidly. In addition, they could have been inspired by online retail success stories in other countries; UK-based Tesco, for instance, has seen \$1.2 billion in online sales.

Subhiksha, for example, is investing \$2.75 million in its online venture and expects to see three to four per cent of its total business coming from the online channel.

K Vaitheeswaran, co-founder of IndiaPlaza (formerly fabmall.com), one of the early pioneers of online retailing (and an online retail success story) in India, says there are several reasons for the online boom, including increased consumer comfort with Internet banking and online payments and secure payment methods.

About 15 per cent of his customers are NRIs. It is an astounding reflection of the growth of broadband in India, says Vaitheeswaran.

In his experience, the top product categories shopped online are books followed by electronic gadgets like mobile phones, digital cameras and MP3 players.

“For Indiaplaza.in books is the top category by volume followed by electronics,” says Vaitheeswaran. “But electronics is the number one category for us by value due to high ticket sizes.”

On the other end of the online retail

For us books is the top category by volume, followed by electronics, which is the number one category by value due to high ticket sizes.

spectrum is Stykist.com, a store with a select range of 70-odd products aimed at lifestyle addicts who “love design, style, fashion and being different.”

Says Maya Hari, who recently launched the swishy commerce-enabled website with an investment of \$60,000: “I see young urban Indian buyers delighted with a differentiated online shopping experience. We expect buyers to come to us through a mix of impulse purchases and some more planned gifting purchases. We expect that at times, sales may need to be assisted via phone conversations in addition to the information on the site.”

Hari, who has been in marketing and alliance leadership positions with online majors such as MSN and Google,

SECURE PAYMENTS : Consumer comfort levels with online sales are growing





Maya Hari,
founder of Stylkist

and has worked with Cisco in the US, believes that the right way to reach her audience is through marketing efforts in online properties such as Facebook. After witnessing an encouraging response from shoppers, some from smaller cities like Bhopal, Stylkist has plans to add to its online range of products.

The online retail boom has led to several related innovative offerings as well. Take the case of open2save.com, which offers information, discounts and the best deals from across 1,200 retailers in the country and assists buyers make the right decisions through information.

“Digital channels like the Internet have played a more significant role in most markets in influencing the consumer’s buying decisions, than being a sales channel,” says Vaibhav Tewari, ceo, AeNwis E-systems Pvt Ltd, the promoters of open2save.com. “We believe that it will be even more valid in India and the Internet will be a powerful influence, than just a sales channel.”

According to Tewari, India is structurally different from Western countries because the population density in Tier 1 cities is very high. As a consequence, there are stores in most categories within a five-km radius of consumers and, significantly, the stores have low-cost distribution models. The challenge for online retail in India, says Tewari, is to beat that model in terms of information and value to the customer.

To do this, it is important for online retailers to remember that structure information drives a buying decision;

We expect buyers to come to us through a mix of impulse purchases and some planned gifting purchases.



Vaibhav Tewari,
ceo, AeNwis E-Systems Pvt Ltd

online stores need a good combination of online and offline presence and the online store should be easy to use.

Comments Vaitheeswaran: “Starting with free browsing and email, consumers worldwide have graduated to transacting online and a similar trend is visible in India now.” It is clear that products that need touch and feel will be slower to grow than services that are paid for online and delivered off-line (like airline tickets) or products whose physical attributes are fairly predictable (like books).

One of the most important reasons why retailers will increasingly opt to expand using the online route is exorbitant real estate prices. Khan Market rentals in New Delhi, for example, are \$16 to \$23 per sq ft, while most retailers can barely afford anything above \$10. As more consumers go online, will Khan Market transform

itself into an up-market food court? Perhaps. “The stakes are getting high in the eCommerce space in India,” says Darpan Munjal, cto, Indiatimes, who has had previous retail experience with Fortune 100 companies. “As more online retailers enter the market, they are driving up the cost of customer acquisition. Although this level of entry in the eCommerce market is good from a long-term perspective, the challenge is that most entrepreneurs don’t have the resources or capital to wait for years before they can see some signs of profitability.”

Does this mean the big retail names with deep pockets will dominate the online space or will small players outsmart the bigger ones on the Internet which is, essentially, a level playing field? In reality, both should survive as the consumer will find it as convenient to buy from one as the other. 🚀

FACTORS FUELLING ONLINE SALES

There are several factors accelerating growth in online sales. They include:

- Improved purchasing power of consumers
- Significant growth in the “time-poor” consumer category
- Double income families with little time to spend on pursuits like shopping
- Increasing comfort with Internet features like banking and online payments
- Secure payment methods
- Increase in standardised products
- Propensity to buy international brands
- Ability of online retailers to provide aggressive bargains.