

# E-RETAILING: A Paradigm Shift in Marketing Communication

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**Abstract**—Retail industry has been continuously increasing its boundaries since the past decade from a small scale unorganized kiriyana store to a multi-operational organized format of supermarket and hypermarket to a format of “world without walls” that is “online shopping”. With the continuous advancements in technology, increased internet penetration, upgradation in living style, availability of more number of brands, retail industry have faced many unforeseen and unpredictable trends which are attracting more and more consumers to shop online. The expansion of retail chain business strengthens the country’s economy and is an indicator of country’s overall growth globally. E-retailing or E-tailing or electronic retailing is the selling of retail goods and services on the internet. It is a play of the two words: Retail and E-commerce. This paper will focus on the emergence of e-retailing in India, its scope and its impact on country’s economic growth. Following are some of the recent trends in retail business which are covered in this paper:

- 1) Emergence of Virtual Storefronts
- 2) Integrated Multi Channel Retailing Approach
- 3) Increasing impact of social media
- 4) Development of E-Tailwares
- 5) CRM initiatives in the form of loyalty programs

The attractiveness of internet as a communication tool to reach to the end customer has made this 360 degree shift in the retail industry which has created more customer satisfaction and retention. This paper will show some of the reasons of emergence of E-tailing in India and its scope in Indian market. Discussing these changes is very crucial to understand the retail industry from inside which will help in serving the last part of retail chain that is “the customers” in a better way and provide a holistic view to the overall changing impact on the economy and the country’s growth on global perspective.

**Keywords:** E-Tailing, E-Tailwares, Virtual Storefronts, E-commerce

## 1. INTRODUCTION

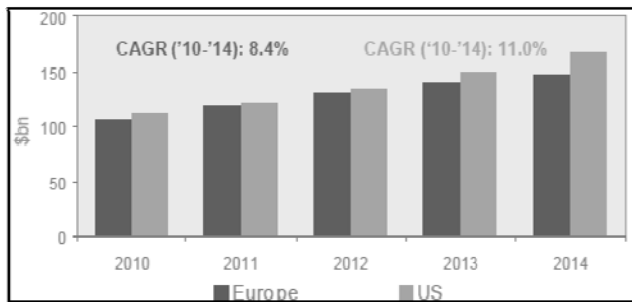
Retail Management is the process of promoting greater sales by the retailers and creating valuable customer satisfaction by gaining better understanding of the consumers’ goods and services produced by a company. It includes all the steps required to satisfy the buying needs of the customers and making shopping a pleasurable experience for them. Indian Retail Industry is one of the largest in the world and is

estimated to be over USD 450 billion. It is in a high growth phase and is expected to grow continuously for the next two decades. In 1990’s retailing was done through either fixed locations like small kiriyana stores or through door-to-door selling or by delivery at homes. This market is increasingly being taken over by large retail chains which are being re-grouped at single locations called malls and are more defined and planned spaces for retail stores and brands. Retailing has now taken new forms and shapes which is because of new management techniques, marketing techniques and also due to ever changing and dynamic consumer psychology. In 2000s, retailing has taken a 360 degree shift and has become a platform of display of varieties of products using the supermarket, hypermarket, megamarket format of retailing. Due to rapid growth in retail sector, global retailers like Wal-Mart, GAP, Tesco, J.C Penney and Carrefour are trying to establish themselves in the Indian market.

These days retailing has turned its phase to online retailing which is done using internet for selling and purchasing of goods and services. On the one hand, main reason of shifting of the traditional retailers to the use of latest technology of going online is that they have seen internet as a low cost distribution channel to reach to the end customers. On the other hand, convenience and ease of purchasing are the main factors that have attracted customers to shop online. It is believed that online shopping now accounts for almost a fifth of all purchases in developed markets and this figure is growing at a rate of between 15% - 20% a year. The US is currently the largest e-retailing market in the world with 170 million users spending on average \$1,000 each a year. Forrester Research estimates that the US e-retail market could be in the region of \$279 billion by 2015. Growth of E-tailing in US and Europe region:

More and more number of virtual storefronts is being opened to cater to the customers’ needs and preferences. These virtual storefronts or E-Retailers are more focused about customers’ preferences and satisfaction and therefore are using various CRM (Customer Relationship Management) activities to

retain the customers and building a long term relationship with them. The use of Social Media as a communication tool to influence customer buying pattern has also been increased by the e-retailers since social media creates a greater impact to influence customers buying decision when they shop online. The recent changes of inclination towards the use of technology should be clear to the retailers, so that they can provide more personalized form of shopping experience to the customers during online sales and can focus on increasing the number of customers' footprints to their virtual retail storefronts.



Source: IBSI, World

## 2. LITERATURE REVIEW

According to Meeker (1997), retailers have to change their strategy of attracting customers, as the premium customers begin to accept the e-tail alternative of retailing experience. Guttman (1998), describes several unique elements that make online shopping different from the traditional in-store retail model. Besides there are several reasons like offering convenience and expanded product variety which is making the online model easy for consumers to access and compare data from multiple sources. Myerson (1998) also expressed that consumers are getting attracted and smarter in using e-tailers and online search engines for convenience & comparison shopping experience. Rao (1999), focused that E-commerce offers increased market activity for retailers in the form of growing market access and information. Ratchford (2001) have told that through Internet, consumers can gather information about different merchandise and they can easily compare a product across suppliers at a low cost. Zeithaml (2002) has defined some of the success factors of e-retailing that depends on the efficient website design, effective shopping and prompt delivery services. The other e-store services which can make shopping an enjoyable experience are delivery on real time, return and replacement process, period of filling out online orders form, speed of response time to e-customers queries.

Wang (2002) has provided a broad definition of e-tailing by defining it as the selling of goods and services to the consumer market via the internet. Ratchford, Brian T., Xing Pan, Venkatesh Shankar (2003) showed the effect of use of internet on purchasing style of the customers. It showed the changes

made in the efficiency of internet markets for Consumer Goods. According to Turban (2006), e-tailing is defined as retailing conducted online which is done over the internet. Retail has taken a major shift to online marketing and internet marketing which was studied by E&Y (2011) in their report Rebirth of e-Commerce in India.

According to Goldman Sachs (2012), the global e-commerce market could be worth around \$1 trillion in 2013. China, with more than 150 million online shoppers, is set to become a major ecommerce market, which is mainly due to an increasing number of middle class consumers bringing a greater demand for western products. A number of research studies predict that Europe's online market has grown substantially in 2012, with some reports estimated a growth of 16% in the year. The Indian Kaleidoscope: Emerging trends in retail in 2012; a report made by FICCI highlights the key areas to help global retailers entering the Indian market. It also talked about the new changing trends of Indians spending 25.2% of their time on social networking websites which will increase online retailing and mobile retailing. Forrester have estimated that the European market could be valued at \$184.6 billion by 2015. The Boston Consulting Group believes that this could be worth \$305 billion by 2015.

## 3. RESEARCH OBJECTIVE

Retail industry is currently experiencing a switch from traditional retailing to online sales at a rate of some 10% in the short term with most forecasts anticipating e-retailing to continue to replace conventional channels in the future with an expectations of longer term substitution of upto 30%. Traditional Bricks and Mortar retailers (B&M), after realizing the importance of online sales have acquired the model of Bricks and Clicks (B&C) platform both as a defensive strategy and to access market opportunities. Major objectives of this review paper are:

- To understand the major factors for the growth of E-retailing
- To understand the basic features of e-retailing.
- To understand the retailers adapting power according to the customers changing needs & preferences
- To focus on the key pushing forces for online selling.

## 4. DATA ANALYSIS

In order to accomplish the objective of the study secondary data is collected through various journals, papers, reports and studies. It has been observed that various studies have already been done to understand the changing trends of retail sector. Various reports have been published showing the trend forecasting in this sector. Since the retail sector is the ever growing sector in recent days, it has been observed that various papers have shown the changes made in concept of retailing with time. Some of the findings have been noted after studying various reports and journals. Based on the increasing

use of some of the particular techniques continuously in this sector, these findings have been observed.

## 5. FINDINGS

The retail industry over the past decade has been seen as an indicator of economic growth and individual spending power globally. It has transformed itself into global phenomena and has been a scene of constant change and innovation. The author will show some of the factors that lead to the emergence of e-retailing in India, its scope and its impact on traditional retailers. Following are some of the recent trends faced in retail business:

### 1) Emergence of Virtual Storefronts

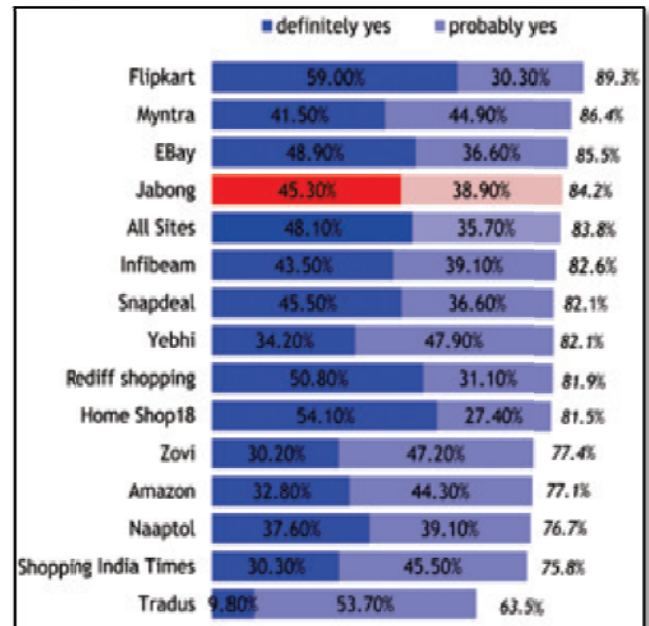
The Indian retailing scene from the FY 2010 has never been more exciting both from consumers' and marketers' points of view. What can be more exciting than a billion+ people contributing approximately \$700b to \$750b (FY15) of the retail market with a forecasted growth of about 13-16% by FY17. With the emergence of internet as a powerful communication tool to interact with the end customers, retail industry has taken a shift towards e-retailing, that is more and more number of virtual storefronts are being opened now-a-days. The main reasons of choosing internet to shop online are:

- Convenience
- Availability of range of products
- Ease of cost comparison
- Time free shopping experience
- Availability of attractive discounts and offers

A report on "Technopak E-commerce India 2014" showed that there is ever growing market opportunity of e-retailing in the coming years with a 30% increase in the internet users in India. With the use of latest tools and techniques, it has become imperative to the large retailers to provide an unforgettable shopping experience to the customers. A study conducted by gallup to understand the growth of e-commerce in India has shown that by 2015, E-tailing penetration in retail sector will reach to 1.41% as compare to .20% in 2011:

Parameter	2011	2015
Indian Population	1.14 Bn	1.27 Bn
Internet Penetration	80 Mn	376 Mn
Internet Penetration %	7.00%	29.50%
Online Shopping	8-10 Mn	38 Mn
Value of ecommerce	\$ 6.3 Bn	\$ 24 Bn
E-Tailing	2-3 Mn	8 mn
Value of e-tailing	\$1.1 Bn	\$ 12 Bn
E-tailing penetration of Retail	0.20%	1.41%

Statistical information from IMRB research has concluded that Flipkart and fashion portal Myntra are the major Indian online retailers expecting to turn profitable in the next two years too, signaling a seismic shift in retail industry. Consumer voice survey 2014 has showed some of the top most retailers which customers generally choose while they are shopping online:



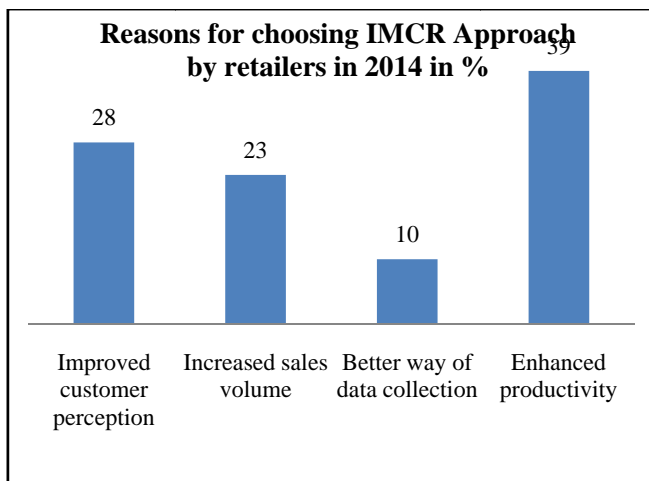
Source: Consumer Voice Survey 2014

### 2) Integrated Multi Channel Retailing Approach

Retailers traditionally maintained a single department, offering sales and support via a single mode of customer interaction from the physical store of distributing things. Over the time, with the emergence of E-tailing, this has expanded to include multiple ways of selling to, engaging, and interacting with the customer, via mail, catalogue and telephone. Latest tools and technology has led to a number of new ways of inter-personal interactions including internet, mobile phones, and interactive TV. Integrated Multi-Channel retailing (IMCR) approach refers to the delivery of customer propositions via multiple channels with at least some degree of cross channel integration in management, information and service, i.e. in a consistent and coordinated way across all channels.

Managing channels separately may not only impair customer relationships but also result in cost increases resulting from running separate order-management and customer service operations, multiple warehouses and fulfillment systems, and buyers and merchandisers duplicating effort across the different channels. Numbers of online transactions are increasing rapidly and cash on delivery is the most preferred payment option with over 30% of buyers opting for it. Presence of omni-channel has become a highlighting trend in

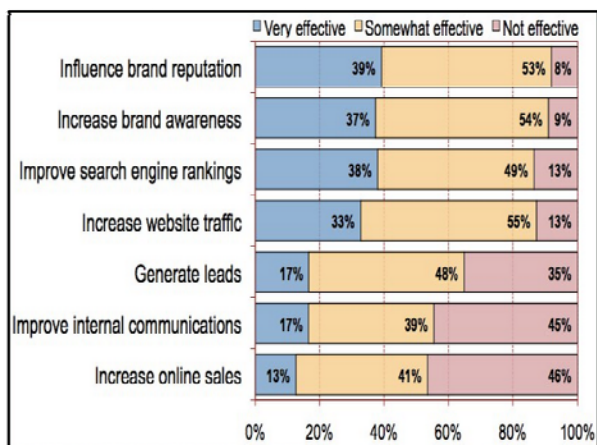
e-retailing in which if a customer wants to view an item online, purchase it using their phone, and return it by dropping by the store, he can do so in a smooth and seamless way. In 2014, with the emergence of more number of online retailers, customers have been given the ability to interact with the retailers and complete the transactions of purchase in their own terms which can give them the maximum satisfaction and a smiling shopping experience. The trend of IMCR approach has increased in 2014 because of following reasons:



Source: Study conducted by IBM

### 3) Increasing impact of social media

These days, with the increasing use of technology, social media have played a much bigger role in retail decision making. Currently, most retailers are using social sites to monitor feedback and connect with customers. In 2014 companies have taken the help of social media when developing products and in marketing campaigns. E-retailers have understood the impact of social media in maintaining a brand image in the eyes of the customers.



Source: PR Benchmark Survey on Social Media Marketing 2013

For example use of Pinterest has been made to decide which products to be displayed in various e-retail stores. According to Business Insider popular items on Pinterest is displayed with a red tag identifying them as popular in the women's shoe and handbag departments of Nordstrom's 117 stores. Similarly, Target launched Awesome Shop, a site that showcases Target's "best-reviewed" and "most-pinned" items. PR Benchmark Survey on Social Media Marketing 2013 has showed that social media plays an influencing role in building a brand reputation and awareness in the mind of the customers.

### 4) Development of E-Tailwares

E-tailing has resulted in the development of E-tailware software tools that helps in creating online catalogs and managing the business connected with doing e-tailing. E-tailware is software for creating online catalogs, ordering forms, credit checking, and similar services for various internet websites that sell goods and services to consumers. A new trend in the e-tailware software is the price comparison site that can quickly compare prices from a number of different e-tailers and link them. The presence of software like e-tailware has made it an extremely simple task for online retailers to keep upto date with the prices offered by their competitors.

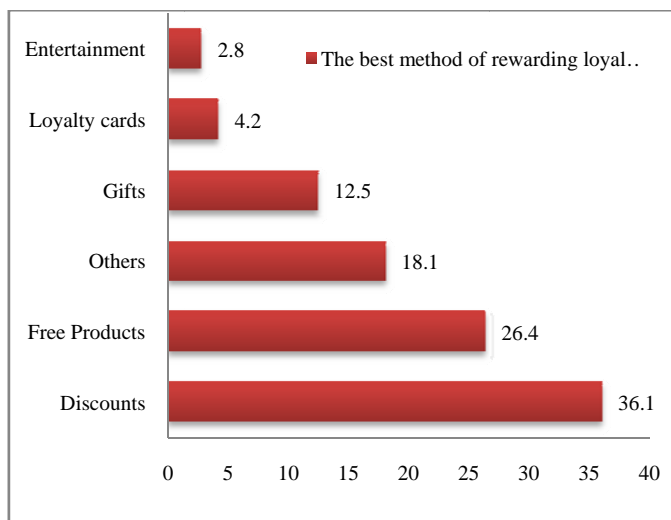
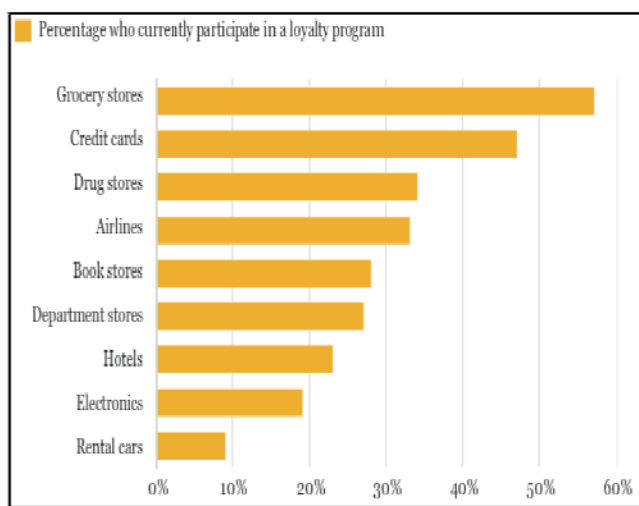
Launching an online store is easy, but setting up a successful shop is another story entirely. There are a large number of factors to consider when setting up shop on the Internet, factors that go far beyond the act of adding a shopping cart to an online catalog and offering appealing products. Retailers who are planning to go online, trust on a number of e-tailware software that claims to provide a complete range of support so that the retailers can add e-tailing capability to its website. With the help of e-tailwares, retailers are providing all of the services that customers have come to take for granted in brick-and-mortar shops, from processing credit cards to extended warranty service to accepting returns, in very smooth manner so that the services are duplicated when the shop online.

### 5) CRM initiatives in the form of loyalty programs

More than any other business driver, competition characterizes the retail industry. Customer Relationship Management (CRM) is the science of developing a customer-centric organization. With a CRM focus, a company utilizes every opportunity to delight customers, foster their loyalty and build long-term, mutually satisfying relationships. It is about understanding the nature of the exchange, which is both monetary and communication, between customer and supplier and managing it appropriately. The challenge to all supplier organizations is to optimize communications between parties to ensure profitable long-term relationships.

With the emergence of competition in the retail business, E-retailers are now focusing more to retain the customers and in

order to do so; e-retailers these days are launching various loyalty programs to gain customer satisfaction. Various Customer Relationship Management activities in the form of Loyalty programs are being introduced includes providing discounts, free products, and exclusive access to events and offers which captures the consumer attention and helps in relationship building with the customers. In 2014, loyalty program memberships totaled close to 2.65 billion in the U.S., an increase of 27% over 2012, according to research from COLLOQUY. A 2013 study by Maritz Loyalty Report found that consumers on average are enrolled in 7.4 loyalty programs. A study conducted by Gallup shows the % of different retailers who are involved in practicing Customer relationship activities in the form of introduction of various loyalty programs:



Companies are focusing on taking CRM initiatives and thus have introduced a great number of Loyalty programs by implementing a program that gives customers rewards based on their frequently bought items, shopping behavior and the

amount information they shared with the brand. Members will then receive personalized offers designed exclusively for them. More number of loyalty programs would be introduced in coming future too. Gallup research shows:

## 6. LIMITATIONS AND FUTURE RESEARCH

Today's e-retail market is highly competitive and the fulfillment and delivery aspects of the sales process have to be both cost effective and customer friendly to maintain competitiveness. This change in the working model of retailing is proving to be an exciting opportunity for many companies but at the same time will represent many challenges for some. The growth in internet sales results in a greater demand for dedicated e-fulfillment centers, at the expense of traditional physical outlets. This places a greater emphasis on operational tasks and a far higher level of personnel than the traditional standard store based warehouses.

- For new entrant retailers there are problems of adjusting in the distribution patterns which is now serving multiple channels.
- For the existing logistics companies there are problems of adapting premises, equipment and vehicles to cope with specific e-retailing requirements.
- Some problems are also associated with home delivery which requires enhancement of the 'customer delivery experience' at a competitive cost.
- For the traditional e-retailers in developed markets there are problems of continually expanding product lines and increased competition with 'big brand' retailers who are new to enter in the internet space.
- The great advantage of a physical retail store is that the customer can pay for the item and receive it immediately. On the other hand, electronic format of retailing is still trying to match this great advantage by offering the convenience of shopping from home.

## 7. CONCLUSION

The Indian retail market is witnessing a revolution. Internet has served as a unique platform for the growth of retail brands in India. Indian online retail market is estimated to grow over 4-fold to touch \$ 14.5 billion (over Rs 88,000 crore) by 2018 on account of rapid expansion of e-commerce in the country. Through this paper author has tried to focus on the latest trends occurring in retail sector. These trends have been observed due to the continuous advancements in technology, changes in customers' choices and preferences, upgradation in living style, availability of more technical tools and techniques. This sector has witnessed a significant development in the past 10 years from a small unorganized family-owned retail formats to large organized retailing formats to an era of online retailing. Its' very important to understand these trends since successful retailing is a mirror of

the society needs and preferences and serving it accordingly. The paper focus on some of these changes occurred in retail business due to internet penetration in retail industry and shows the increasing use of technology in gaining customers' satisfaction and retention.

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