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Title

E-TAILING:

TAPPING THE CUSTOMERS ONLINE

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Abstract:

The word 'retail' is derived from the French word 'retaillier' meaning 'to cut a piece off' or 'to break bulk'. In simple terms it involves activities whereby product or services are sold to final consumers in small quantities. Retailing is emerging as one of India's most dynamic and fast paced sectors. The drivers of its upward growth trajectory hardly need rehearsing, but they nonetheless help to explain why the Indian retail market is seen by both domestic and international retailers, as one of the globe's greatest untapped market. The Indian companies face competition from not only the local markets but also strong global competitors who are utilizing the technology to capture the customers worldwide. The only solution to be successful in this global contest is embracing e-tailing. E-tailing or electronic retailing may be defined as use of internet to sell goods and services online. During the past decade, the popularity of the Internet has been growing explosively. We have left behind traditional retailing concepts. Internet offers numerous features (capacity, speed, precision and convenience) that help firms attract a large number of potential customers. With the advent of internet more & more companies are using it for carrying out their retailing activities. The time is not far off when the entire corporate world will be digitized to an extent that these technologies will create major competitive advantages. In this paper, the researcher will discuss about the present scenario of e-tailing, the benefits & goals of e-tailing, how it is different from traditional retailing & how it can be used effectively. The paper further discusses the business models of e-tailing along with the future prospects.

Keywords: E-tailing, Internet Technology, Electronic Media, Retailing.

Introduction:

E-tailing (is the selling of retail goods on the Internet. It started out way back in 1997 when Dell Computer got multimillion dollars orders on the website. The trend was followed by Amazon.com who are today the market leaders in selling books online. The use of one-click technology has taken away the privacy and security concerns from the minds of people.More and more marketing dollars are moving online, raising the bar for corporate expectations of traditional Web sites. According to a recent study by eMarketer, U.S. Internet advertising spending reached $30 billion in 2009, a nearly 31 percent increase over 2008. In its current U.S.-

based forecast, Jupiter Research says that email marketing spending will grow to $1.1 billion by 2010, "fueled by spending on retention, acquisition, and transactional email." There is no doubt that the Internet is a critical component of marketing and retailing strategies for organizations large and small.

"The choice of a store location has a profound effect on the entire business life of a retail operation. A bad choice may all but guarantee failure, a good choice, success."

For retailers "location, location, location" is a familiar mantra and a vast literature has emerged to substantiate the importance of this variable in determining success.While pricing and assortment are important as well but location is thought to account for the majority of the variation in outlet choice in most retail settings. Moreover, the attractiveness of an outlet to a shopper declines exponentially the further the individual is from the store. For the Internet retailer the physical location of the store relative to a particular set of potential customers is of almost no consequence. A Web site is one of the most multi-faceted communication tools that marketers have at their disposal. It is immediate, dynamic, and globally accessible. It is now at the center of most offline and online retailing activities. More importantly, it can be personalized, optimized for multiple search engines, integrated with leading-edge analytics, and used as a primary lead generation engine that integrates with sales force automation (SFA) and customer relationship management (CRM) systems.

The big players of industry have realized the importance of internet as a powerful medium to enter into unexplored markets. They have shown their presence online through websites (E.g. LG, Samsung etc.) but then they are not giving the opportunity to the consumer to buy the products online from their websites. Though few of their products are available on the online shopping portals. There is mixed feeling among the companies for opening up online stores. Few are embracing the medium with open arms like Dabur while few are still reluctant to use it full fledgedly like LG.

Why E-tailing ?

International Scenario

During the past decade, the popularity of the Internet has been growing explosively. This trend is manifested in several ways. First, according to Cyberatlas.com (2002), the Internet in the United States is growing at a rate of 2 million new Internet users each month; 143 million Americans (54 percent of the population) used the Internet in September 2001, a 26 percent increase over August 2000. Second, the number of companies that create web presence to communicate with customers as well as other firms has been dramatically increasing. Third, the Internet has been accepted by broad consumer segments for various purposes, such as information search and online purchasing.

Also, as reported in Cyberatlas.com (2002), 36 percent of Americans use the Internet to search for products and service information, a 10 percent increase over 2000. Among Internet users, 39 percent are making online purchases and 35 percent are searching for health information.

TOP 20 COUNTRIES WITH HIGHEST NUMBER OF INTERNET USERS

#	Country or Region	Population, 2010 Est	Users Latest Data	%Population (Penetration)	Growth 2000-2010	% of World Users
1	China	1,330,141,295	420,000,000	31.6 %	1,766.7 %	21.4 %
2	United States	310,232,863	239,893,600	77.3 %	151.6 %	12.2 %
3	Japan	126,804,433	99,143,700	78,2 %	110.6 %	5.0 %
4	India	1,173,108,018	81,000,000	6.9 %	1,520.0 %	4.1 %
5	Brazil	201,103,330	75,943,600	37.8 %	1,418.9 %	3.9 %
6	Germany	82,282,988	65,123,800	79.1 %	171.3 %	3.3 %
7	Russia	139,390,205	59,700,000	42.8 %	1,825.8 %	3.0 %
8	United Kingdom	62,348,447	51,442,100	82.5 %	234.0 %	2.6 %
9	France	64,768,389	44,625,300	68.9 %	425.0 %	2.3 %
10	Nigeria	152,217,341	43,982,200	28.9 %	21,891.1 %	2.2 %

11	Korea South	48,636,068	39,440,000	81.1 %	107.1 %	2.0 %
12	Turkey	77,804,122	35,000,000	45.0 %	1,650.0 %	1.8 %
13	Iran	76,923,300	33,200,000	43.2 %	13,180.0 %	1.7 %
14	Mexico	112,468,855	30,600,000	27.2 %	1,028.2 %	1.6 %
15	Italy	58,090,681	30,026,400	51.7 %	127.5 %	1.5 %
16	Indonesia	242,968,342	30,000,000	12.3 %	1,400.0 %	1.5 %
17	Philippines	99,900,177	29,700,000	29.7 %	1,385.0 %	1.5 %
18	Spain	46,505,963	29,093,984	62.6 %	440.0 %	1.5 %
19	Argentina	41,343,201	26,614,813	64.4 %	964.6 %	1.4 %
20	Canada	33,759,742	26,224,900	77.7 %	106.5 %	1.3 %
TOP 20 Countries		4,480,797,760	1,490,754,397	33.3 %	417.8 %	75.8 %
Rest of the World		2,364,812,200	475,760,419	20.1 %	551.2 %	24.2 %
Total World - Users		6,845,609,960	1,966,514,816	28.7 %	444.8 %	100.0 %

National Scenario:

India has seen a phenomenal increase in the number of internet users. This can be attributed to the penetration of broadband services both by Government and private players in most of the parts of the country. This has given an opportunity to the retail sector to analyze the new medium ("Internet) through which they can reach the customer. According to the Internet and Mobile Association of India (IAMAI) and IMRB report, the E-tailing market was worth Rs 850 crore for 2006-07 and went on to achieve 30% growth by registering a turnover of Rs 1,105 crore in 2007-08 and is expected to show growth in future too. According to the annual report 2009-2010 of Department of telecommunication the internet users and broadband users are estimated to reach 40 million and 20 million respectively (source: www.dot.gov.in). Indians have started using internet not only for checking mails and for social networking but also for online shopping. According to an article on www.expressindia.com on Jan 28, 2008 "Indian citizens are world's third largest online shoppers." While online shopping globally is growing at around 8-10%, in India the growth rate is upwards of 30 %.(Economic Times, 17th Dec 2009).

India
Internet Usage Stats and Telecommunications Market Report

Internet Usage and Population Statistics:

YEAR	Users	Population	% Pen.	Usage Source
1998	1,400,000	1,094,870,677	0.1 %	ITU
1999	2,800,000	1,094,870,677	0.3 %	ITU
2000	5,500,000	1,094,870,677	0.5 %	ITU
2001	7,000,000	1,094,870,677	0.7 %	ITU
2002	16,500,000	1,094,870,677	1.6 %	ITU
2003	22,500,000	1,094,870,677	2.1 %	ITU
2004	39,200,000	1,094,870,677	3.6 %	C.I. Almanac
2005	50,600,000	1,112,225,812	4.5 %	C.I. Almanac
2006	40,000,000	1,112,225,812	3.6 %	IAMAI
2007	42,000,000	1,129,667,528	3.7 %	IWS
2009	81,000,000	1,156,897,766	7.0 %	ITU
2010	81,000,000	1,173,108,018	6.9 %	ITU

Source:http://www.goospoos.com/2011/01/india-internet-broadband-users-gender-age-statistics-2010/

The Indian customer has started viewing shopping as a memorable and enjoying experience and therefore convenience is a major factor to facilitate this. They have money but don't have time but also want the best brands and deals offered to them. This is the juncture where marketers have found the clue to increase the customer base with the help of web.

The Indian customer has shown a major inclination towards online shopping this diwali season. In a survey conducted by Associated Chambers of Commerce and Industry of India (ASSOCHAM) growing number of shoppers prefer to shop online during Diwali season. While about 40 lakh people logged on internet for shopping in 2007 the figures are expected to cross 1 crore shopper this season.(http://profit.ndtv.com, 3rd Nov 2010). The staggering increase in the figures can be attributed to increased internet penetration, better connectivity, and good shopping deals by online portals and customer convenience. And this trend has been seen not only in metros but also in tier II cities.

In India we have got retail giants like Big Bazaar, Shoppers stop, Spencers, Vishal Mega Mart to name a few, who have got online presence, but people are more interested in buying from the offline store instead of buying from their online store.

Goals of E-tailing:

Targeted lead generation

Maximized lead conversion

Consistent retention for upsell opportunities

Goals of E-tailing

Continual, closed-loop improvement

Precise analyses for affectivity measurement

How E-tailing is used:

- It can **Identify** needs from customer comments, enquiries, requests and complaints solicited via e-mail and the website's contact facility, bulletin boards, chat rooms, on-line searches and sales pattern (seeing what's selling and what's not, recorded in the web log, which reveals insights into interests determined by pages visited).On-line surveys ask how to improve the site or products. Finally, there is a proliferation of on-line secondary sources of research, many of which provide free in-depth insights into customer needs.

- **Anticipate** customer needs by asking customer's questions and engaging them in a dynamic dialogue built on the trust of opt-in e-mail. Collaborative filtering, as used by Amazon, helps to identify and anticipate what customers might like given that buyers of similar books have similar interests.

- **Profiling techniques** allow many companies to perform data mining to discover and anticipate buyer's needs. Cookie-based profiling allows companies to analyze a visitor's interests without even knowing your name – courtesy of a piece of code sent to the visitor's PC. It recognizes your PC and records which types of sites (interests) you have and can serve adverts and offers based on predicted interests.

- **Satisfy** needs with prompt responses, punctual deliveries, order status updates, helpful reminders, after-sales services and added value services, combined with the dynamic dialogue. The dialogue maintains permission to continue communicating and then adds value by delivering useful content in the right context (right time and right amount).

- **Efficiently** means in an automated way (or partially automated) an efficient, yet hopefully not impersonal, way (i.e. it allows tailor-made technology to improve service quality and increase the marketer's memory to help maintain the customer relationship through time).

It is apparent from these applications that e-marketing extends beyond the website to include all use of digital technology to manage the customer relationship. Databases are increasingly used to manage and record all interactions with customers, whether sales transactions, inbound enquiries via phone or other media.

E-tailing Business models:

The internet business models can be classified as follows:

- The degree to which the retailer is online

  ➢ **Pure Play e-tailers :**

These types of e-retailers have only one channel for doing business and the channel is internet. E.g. Amazon.com

  ➢ **Clicks and Bricks (or click and mortar or bricks and clicks)**

These types of e-tailers have their presence online as well as offline. E.g Wal-mart., Indian Railways (www.irctc.co.in)

> **Catalogue retailers**

Catalog Retailing is the concept of buying from your home browsing through the retailers catalog - hard copy or online. E.g E-Bay.com, IndiaPlaza.com, Rediff.com

- Variety of products

> **Vertical e-tailers or category killers**

They focus on selling a specific type of product online. E.g etoys.com for kids, yatra.com

> **Broadline e-tailers**

They keep a huge variety of products. E.g Amazon.com, E-Bay

- The degree to which e-tailers group with others in the market

> **Stand alone website**

> **Cybermalls**

How E-tailing differs from traditional retailing?

- **Reach**: The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, E-tailing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

- **Scope:** Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. E-tailing includes, among other things, information management, public relations, customer service and sales. With the range of new technologies becoming available all the time, this scope can only grow.

- **Interactivity:** Whereas traditional retailing is largely about getting a brand's message out there, e-tailing facilitates conversations between companies and consumers. With a two-way communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

- **Immediacy:** Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you're reading your favorite magazine. You see a double-page advert for some new product or service, maybe BMW's latest luxury sedan or Apple's latest iPod offering. With this kind of traditional media, it's not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition. With e-tailing, it's easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen regardless of normal office hours. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the consumer's buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

- **Demographics and targeting:** Generally speaking, the demographics of the Internet are a marketer's dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes. Buying power is not all though. The nature of the Internet is such that its users will tend to organize themselves into far more focused groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect environment for niche marketing to targeted groups.

- **Adaptivity and closed loop marketing:** Closed Loop Marketing requires the constant measurement and analysis of the results of marketing initiatives. By continuously tracking the response and effectiveness of a campaign, the marketer can be far more dynamic in adapting to consumers' wants and needs. With e-tailing, responses can be analyzed in real-time and campaigns can be tweaked continuously. Combined with the immediacy of the Internet as a medium, this means that there's minimal advertising spend wasted on less than effective campaigns.

Benefits of E-tailing:

- **Branding** – An organization's products, services, offers and logos can be displayed visually and sometimes with streaming video and audio, on the Internet

- **Direct Response** – E-tailing is very fast; users can respond to marketing instantly. This allows business to receive more immediate results from promotional and advertising efforts via the Internet

- **Targeting** - Technologies – such as personalization and geo-coding where users are visiting from - can help marketers target very niche audiences, quite often speaking to a very hard to reach group. This allows businesses to tailor different promotional and advertising messages and offers to each group.

- **Tracking** – The strongest element of E-tailing is that everything is track-able and results can be seen almost instantly. This means if something is not working, you can stop it. If it is working, you can do more of it!

- **Return on Investment** – Because tracking E-tailing is so strong, you can ensure that you can always stay on top of your return on investment. Being able to determine how many people clicked on a banner advertisement or email link allows business owners to calculate their return on investment quite easily and provide accountability often not associated with other forms of marketing.

- **Inexpensive** – E-tailing, particularly email and buying keywords on Internet search engines can be very inexpensive. Email costs are usually incorporated into the connection fee to an Internet Service Provider by including unlimited emails as part of the service whereas purchasing keywords on a search engine such as Google or Yahoo can cost as little as 1 cent per word per click.

Future of E-tailing:

Realities that encourage the development of online retail in India:

1. **The increased use of Internet and gadgets like blackberries and web enabled mobile phones**: The world seems to be very small as we are connected all the time with others through the use of internet. The consumer is getting all the latest information up-to date.
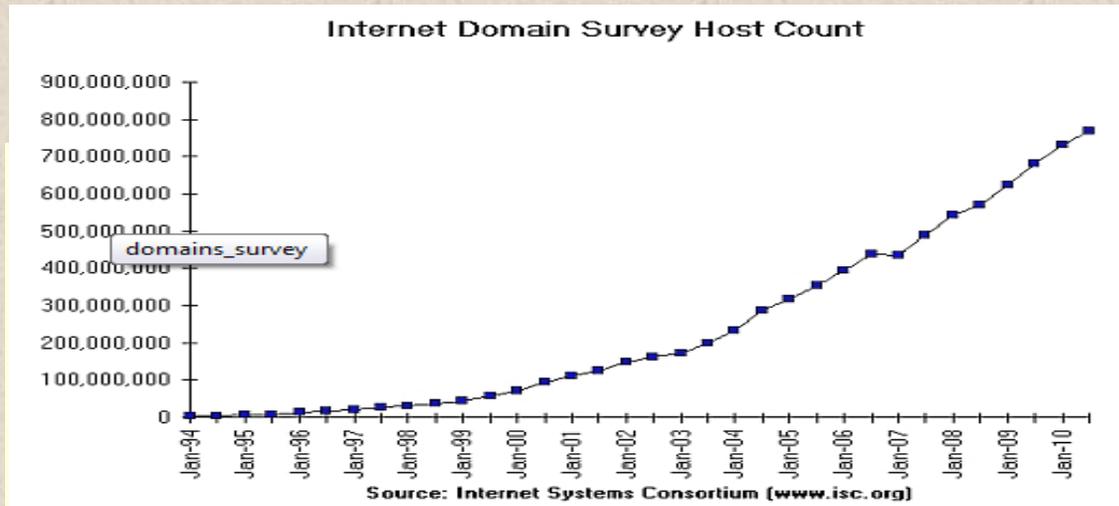
2. **The rise of a new Indian Middle class:** The Indian middle class is slowly emerging as the major buyers/customers. The double income families have more of disposable income. They are the new target group for the marketers. They have money, increased spending power but less time to go for shopping. They want good brands, high quality and good deals. The online retails should target this part of the population.

3. **Increased use of Net banking/credit cards/ debit cards:** The online transactions have been made secure by the use of various technologies like SSL. The banks (RBI and others) are bringing out new guidelines (like one time passwords, security questions) so that the online transactions can be made safe for the customers.

4. **The decision making power of Indian women:** There is a rise in the number of working women. They are career oriented. This independence has impacted the role of women as decision makers. There is also an increase in the number of single women. They have good spending power also.

5. **Emerging Rural India:** With increased internet and broadband penetration and schemes like e-choupal the rural India is awakening. They have the spending power but they don't have access to physical stores and the good products. If they have to purchase any such thing they have to

come all the way to a nearby city. The online stores can offer them these products and many good deals.

6. **Social Networking:** Today everyone wants to be in touch with friends and latest trends by using the social networking websites. This has led to the emergence of a new form of advertising medium or popularly known as social media.

Conclusion:

The advent and development of internet has created new opportunities for companies to make better their current retailing practices. Internet for retailing to consumers depends to a large extent on the characteristics of the products and services being sold. The customer should be given a complete shopping experience by enhancing the design and navigation of the website, security, and customer support, quality of product and return back policy. Moreover, e-tailing can be a time and cost-saving supplement to marketer overall marketing strategy. The organizations which will implement e-tailing effectively will emerge as true business leaders in the industry whereas other companies, which lag behind in implementing e-tailing, will slowly die their natural death.

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