
UNIT 13 E-TAILING

Structure

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13.0 OBJECTIVES

After studying this unit, you should be able:

- explain the concept of E-tailing;
- understand the advantages and disadvantages of E-tailing to the retailers and buyers;
- understand the models of E-tailing;
- understand the E-retail mix; and
- understand the E-tailing in India.

13.1 INTRODUCTION

E-shopping or Online Shopping is the process of buying goods and services from merchants who sell their products on the Internet. Finding a product online is much easier than looking for it in the local store. Electronic retailing (E-tailing) is the sale of goods and services through the Internet. It can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services. It requires companies to tailor their business models to capture Internet sales, which can include building out distribution channels such as warehouses, internet webpage, and product shipping centres. Notably, strong distribution channels are critical to electronic retailing as these are the avenues that move the product to the customer. It includes a broad range of companies and industries. However, there are similarities between most E-tailing companies that include an engaging website, online marketing strategy, efficient distribution of products or services, and customer data analytics.



Fig 13.1: E-tailing

Successful e-tailing requires strong branding. Websites must be engaging, easily navigable, and regularly updated to meet consumers' changing demands. Products and services need to stand out from competitors' offerings and add value to consumers' lives. Also, a company's offerings must be competitively priced so that consumers do not favour one business over another on a cost basis only. E-tailers need strong distribution networks that are prompt and efficient. Consumers cannot wait for long periods for the delivery of products or services. Transparency in business practices is also important, so consumers trust and stay loyal to a company

13.2.1 E-TAILING

Retail is the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand identified through a supply chain. The term "retailer" is typically applied where a service provider fills the small orders of many individuals, who are end-users, rather than large orders of a small number of wholesales, corporate or government clientele. Thus, Retail is the sale of goods on a physical location where the seller and the buyer meet in person. Whereas e-tail is the sale of goods on the internet where the transaction happens in a digital environment. Various popular players of E-tailing are Amazon, Flipkart, Zomato, Swiggy, MakemyTrip etc, and for retailers are Walmart, Mcdonalds, Big Bazaar etc.

E-Tail Vs. Retail



E-Tail



Retail

Fig 13.2: E-Tail v/s Retail

E-tailing stands for E-retailing also known as e-retail as “*sales of goods and services via the internet or other electronic sources, for personal and household use by consumers*”.

The term E-Retailing was first developed in the European countries. It has both passive and interactive retail system while all e-tailing is generally limited to passive, air ticketing and other entertainment booking is designed in interactive system mostly. E-tailing has various features as stated below:

- Saves time and efforts.
- Convenience of shopping at home.
- Wide variety/range of products.
- Good discounts / lower prices.
- Get detailed information about the product.
- Easy comparison of various models/brands.

There are many types of E-tailers most popular of these two are:

1. **Pure Play (Virtual) e-retailers-** Retailers that only do the electronic transactions and do not have any physical outlet for the customers. For example- Amazon & Flipkart
2. **Brick and click (Click-and-mortar) e-retailers-** Retailers who do the both online and offline transactions i.e. through internet and physical outlets. For example, Dell.

E-tailing has various advantages as well as disadvantages both for there tailers as well as buyers as explained below:

Advantages of E-tailing for retailers:

1. **Location utility:** Location is utmost important for the conventional retailing process to provide convenience utility to its consumers. However, in e-tailing location is not important. Retailers and customers need internet for e-tailing and transaction can happen from anywhere from within the country or overseas.
2. **Less expensive:** As compare to organised retailing, e-tailing is less expensive as it saves wages of salesmen and premises cost and maintenance. These expenditures are low as compare to internet cost.
3. **High Reach:** Integration with customers is high in e-tailing as customers can be local, national and international. Through internet, e-tailers can reach to large audience.
4. **24*7 businesses:** The time utility for customers is high in e-tailing as customers can buy the products and services from anywhere and anytime.
5. **Feedback:** It's easy to manage customer relationship management in e-tailing on the basis of feedback of consumers.

Disadvantages of E-tailing for retailers

1. **Lack to infrastructure:** The issues of accessibility and connectivity of internet causes problems in functioning of e-tailing activities. Also, the initial investment cost is very high in e-tailing.
2. **Lack of technological expertise:** To start an online retailing project it is important to have technological expertise and not all retailers have it.
3. **Complex logistic management:** Intrinsic and extrinsic challenges increase the complexities in e-tailing logistics. Like cash on delivery increases the operational cycle, managing high rates of returns, poor logistic management in rural areas and problems in cross-nation shipments.
4. **Customers' expectations:** In terms of flexibility in delivery, detailed product descriptions, cost and security of delivery, flexible payment options sets high expectations of customers.
5. **Lack of personal touch:** The lack of face-to-face interaction, persuasion and handling the customers' query is a major disadvantage in e-tailing.
6. **High competition:** E-tailers have to compete with other e-tailers as well as the organised and unorganised retailers in the market that increase the competitions for them.

Advantages of E-tailing for buyers

1. Time utility as consumers can shop 24*7
2. Place utility as consumers can shop from anywhere
3. Convenience utility as consumers can shop from any mode via computer, laptops or mobile
4. Option utility as consumers can get wide range of option via e-tailing

Disadvantages of E-tailing for buyers

1. Customers may be uncertain regarding the quality of the products and services offered online
2. Fear regarding online fraud and loss of money
3. Every time not every product is available.
4. Lack of technological know-how

13.3 E-tailing Models

Two models of E-tailing are explained below:

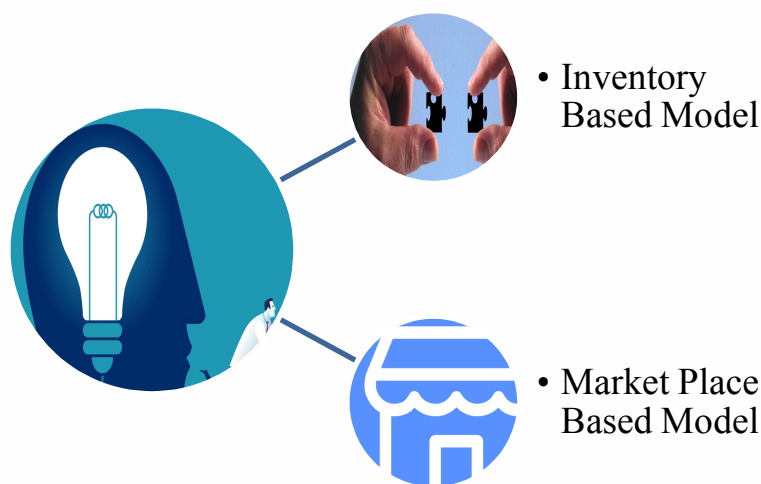


Fig 13.3: E-tailing Business Model

1. **Inventory based model:** According to the FDI policy in India, “Inventory model of e-commerce means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly.” It includes the e-tailing activities where inventory of products and services is owned by e-tailers and it is directly sold to customers. The main feature of this model is end to end process i.e., from initiating from product purchase to managing logistics and finally dispatching the products. Example- Alibaba, Jabong.
2. **Marketplace based model:** According to the FDI policy guideline, “Marketplace model of e-commerce means providing of an information technology platform by an e-commerce entity on a digital and electronic network to act as a facilitator between buyer and seller.” This model provides a platform where buyers and sellers do the transactions in efficient, transparent and trusted environment. Here, buyers can compare the prices and accordingly place the orders to the authorized sellers on the website. Majorly, e-tailers like Amazon, Patym mall and Flipkart practice the marketplace-based model. For example, when buyer login to Amazon India and place an order to a registered seller, Amazon India act as a mediator here. Subsequently, the registered seller takes care of logistics and dispatching of the products to the customers.

Check Your Progress A:

1. What do you understand by pure play E-retailer?

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2. What are the disadvantages of E-tailing for retailers?

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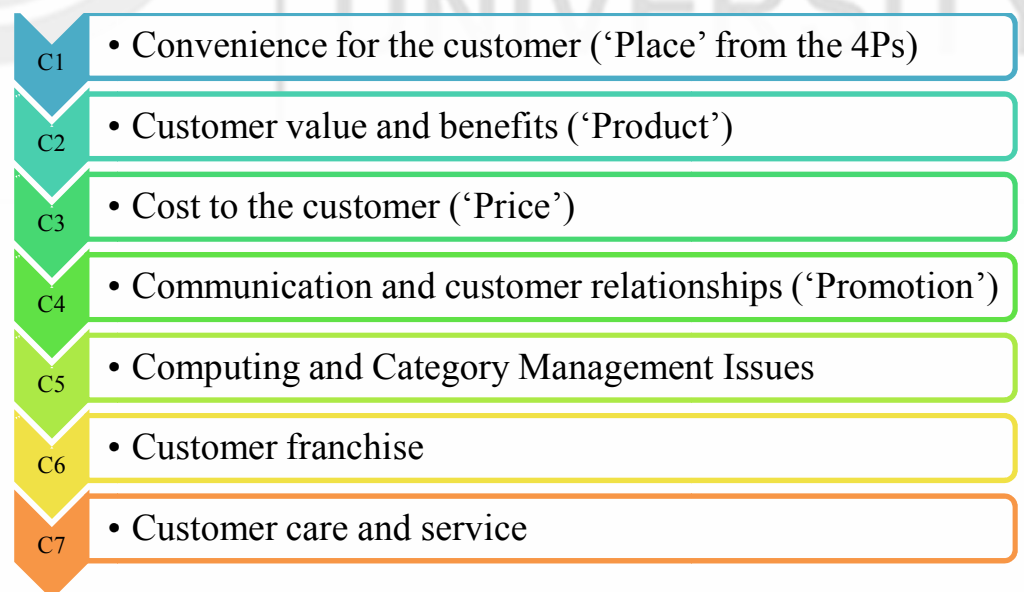
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3. What are the advantages of E-tailing for buyers?

4. What is Inventory based model?

13.4 E-RETAIL MIX- SALE THE 7Cs

E-retail mix is defined as the different techniques and tools e-retailers use to provide values for customers. The e-tailing mix is the combination of 7Cs and first four Cs are similar to the 4Ps proposed by E. Jerome McCarthy's (1960) i.e. Place, Product, Price and Promotion. In 1990 Lauterborn proposed 4 Cs namely Convenience for the customer; Customer value and benefits; Cost to the customer; and Communication. However, with paradigm shift, more Cs added in the list i.e., Customer relationships; Computing and category management issues; Customer franchise and Customer care and service. Customer relationship is emphasis on long-term relationship with consumers and follows continuous interaction with them. Therefore, customer relationship merged with communication and finally there are 7 Cs.



***Source:** The authors, developed from McCarthy's (1960) 4Ps and Lauterborn's (1990) 4Cs.

Fig 13.4: E-Retail Mix- Sale the 7cs

The following table briefly describes **the 7Cs – the (E-) Retail Mix**.

C1: Convenience for the customer ('Place' from the 4Ps)

- Physical location
- Multi-channel options: browse the web, buy in store or *vice versa* – or buy on the web, return to the store for a refund
- Virtual location and ease of finding the website: registration with search engines, location in e-mails and links from associates
- Website design: connectivity; navigation; 'shelf' space allocation and ease of purchase.
- Layout: 'free-flow'; 'grid'; or 'free-grid'

C2: Customer value and benefits ('Product')

- Satisfaction wanted by customers
- Solutions to problems or good feelings
- Specify (sometimes design) products reflecting closeness to the customer and benefits that customers want
- Selecting the range of products offered for sale – assembled for target markets from diverse sources
- Wide and/or deep range – where the 'clicks' e-retailer can score relative to the 'bricks' retailer
- Content: describing a compelling offer of products clearly in customer value and benefits terms
- Customisation of products to match the wants of customer segments as closely as possible

C3: Cost to the customer ('Price')

- The real cost that customers will pay including transport, carriage and taxes
- Costs of Internet telephone access
- Customers' perceptions that prices should be cheaper online than in store

C4: Communication and customer relationships ('Promotion')

Communication is a two-way process also involving feedback from customers to suppliers, including:

- Marketing research surveys
- Public relations (PR)
- Direct mail
- E-mail
- Internet
- Offline advertising such as magazines and 'click here' sections of newspapers

- Online methods include banner ads and pop-ups (often incentivised); paid-for listings in search engines and directories; and affiliate programmes
- Atmospherics and Web atmospherics: visual (décor, colour management, video clips, 3D), oil factory (perfume and samples), touch (smooth and cool or soft and cuddly – communicated by visuals or samples) and oral (music). (But need to avoid long download times – ‘click here for broadband’).
- Customer relationships
 - In store sales representatives use verbal and non-verbal (body language) communication
 - Marketing database and loyalty schemes
 - The e-retailer can enhance product value using Customer Relationship Management (CRM) and data mining to tailor products specifically to individual customers.

C5: Computing and Category Management Issues

- Supplying the products that customers want, in the right sizes and quantities, at the right time and in the right place
- Efficient supply chains with computer network links between suppliers and retailers Minimising stocks and speed of response: QR or ECR
- Co-operation between suppliers and (e-) retailers aiming to improve the efficiency of satisfying customers whilst minimising stocks and costs. On the larger scale, this is ‘Category management’ (CM), the retailer/supplier process of managing categories as strategic business units
- Efficient logistics systems are an important component of Customer care and service

C6: Customer franchise

- Image, trust and branding – long-term investment in quality, corporate communications and Customer care and service
- Safeguards including fraud protection and dispute resolution
- Safe shopping icons, e.g. Webtrader

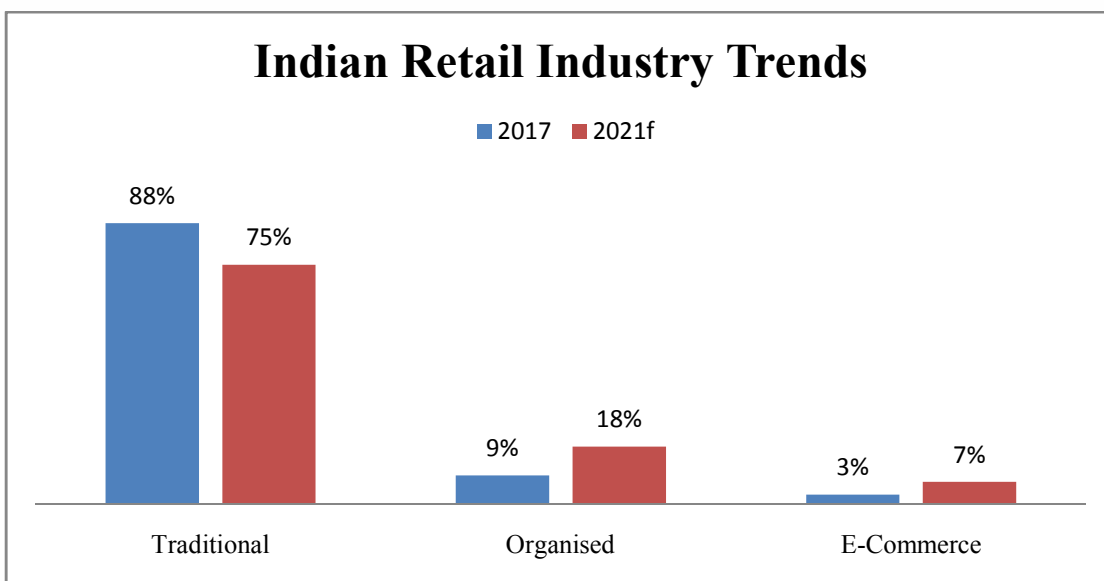
C7: Customer care and service

- Creating assortments at competitive prices in an accessible format
- Fast and reliable deliveries at times convenient to the shopper
- Availability of help; return and refund facilities
- For the ‘bricks’ retailer store personnel are crucial
- For the e-retailer click-through telephone help, bulletin boards and chat rooms make the experience more interactive and add community.

- Addressing customer concerns, particularly for credit card security, e.g., displaying the ‘padlock’ secure site logo.

13.5 E-TAILING IN INDIA

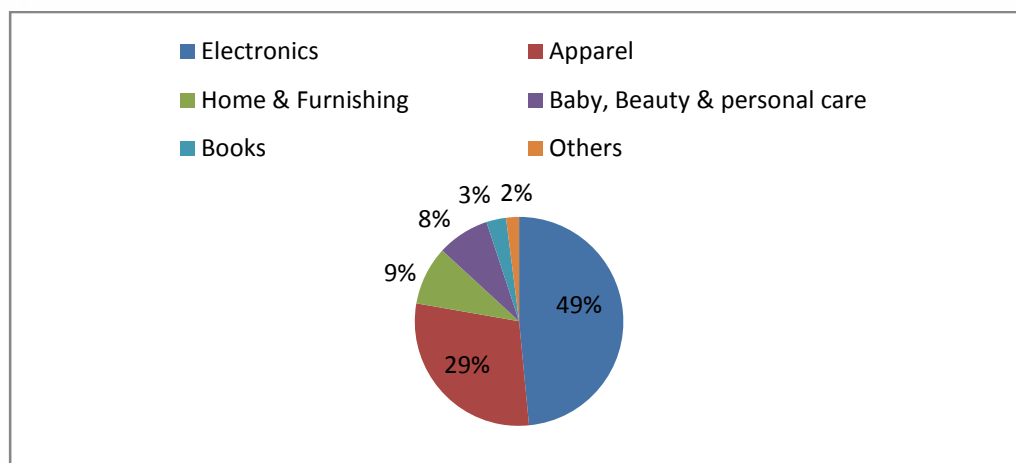
In India, e tailing has substantially grown and still penetrating in the market owing to internet accessibility and smart phone availability. In addition, e-banking services and digital wallets have fuelled the e-tailing trends in India. Hence, e-retailers are strategizing the approaches to gain the Indian market by Omni-channels method, celebrity endorsement, social media marketing and digital influencers.



**Source: KONECTED to consumers; Economist Intelligence Unit, accessed in April 2018; Media articles; Indian Retail Industry: Growth, Trends, Challenges, and Opportunity, India Retailing, 16 November 2017; Deloitte analysis.*

Fig 13.2: Indian Retail Industry Trends

As per the recent reports and analysis, the e-tailing market has been taken over by electronics and apparel. So, game changer events in E-tailing industry in India as are internet penetration, usage of mobile, advent of social commerce, adoption of technology, omni-channels and digital wallets. The following are the major categories of products sold in e-tailing.



**Source: Industry discussions, KPMG in India analysis*

Fig 13.3: E-Retail Market by Value

Key players

Following are key E-tailers in India, as brief of all are explained below:

1. Amazon: Amazon is an American multinational conglomerate technology company based in Seattle, with 750,000 employees. It deals in e-commerce, artificial intelligence, digital streaming and cloud computing. Amazon was founded by Jeff Bezos in July 1994 in Bellevue. The company initially started as an online marketplace for books but later diversified in selling electronics, software, video games, apparel, furniture, food, toys, and jewellery. Amazon when talked in terms revenue is the largest internet company and one of the world's most valuable company. Amazon offer different products, some of which are as following –

- 1) Consumer Devices – Echo Devices, Fire Stick, Fire TV, Kindle E-Reader
- 2) Streaming Services – Amazon Prime, Amazon Music, Twitch and audible subsidiaries
- 3) Cloud Computing services – Amazon web Services
- 4) Artificial Intelligence – Alexa (virtual Assistance)
- 5) Online payment portal – Amazon Pay



Fig 13.4: Amazon

2. Flipkart: Flipkart is an Indian e-commerce company based in Bengaluru, India. It was founded by Sachin Bansal and Binny Bansal in 2007, both ex-employee of Amazon. Just Like Amazon, the company started with focus on online book sales, and later expanding into other product such as consumer electronics, fashion, home essentials & groceries, and lifestyle products. Flipkart plays a dominant role in the sale of apparel after its strategic acquisitions of Myntra and Jabong.com. Its main rival is Amazon and Snapdeal. Flipkart also owns PhonePe, a mobile payment service. In August 2018, U.S.-based retail chain Walmart acquired a 77% controlling stake in bidding war with Amazon for US\$16 billion, valuing it at \$20 billion. Flipkart has launched video streaming named Flipkart Video in competition with Amazon Prime video services.

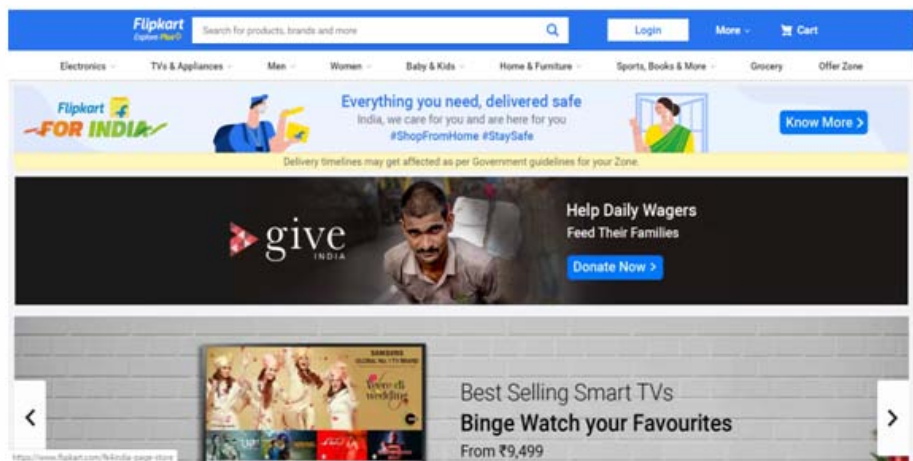


Fig 13.5: Flipkart

3. **Snapdeal:** Snapdeal is an Indian e-commerce company based in New Delhi, India. It was founded by Kunal Bahl and Rohit Bansal on 4 February 2010 as a daily deals platform, but later expanded in September 2011 to become an online marketplace and later became one of the India's largest market place. Over the years Snapdeal have done multiple number of acquisitions to strengthen their market intelligence, presence and upgrade their technological platform like mobile payment service freecharge.com. In April 2017 Snapdeal was actively in talks with Flipkart for the merger after Softbank, one of the major investors in Snapdeal wanted the company to merge. But finally, the deal was scraped due to reservation on Flipkart's terms by other investors. This breakdown of deal was followed by Snapdeal's founders taking a decision to continue operating Snapdeal as an independent company with Snapdeal 2.0 as their new version and vision.

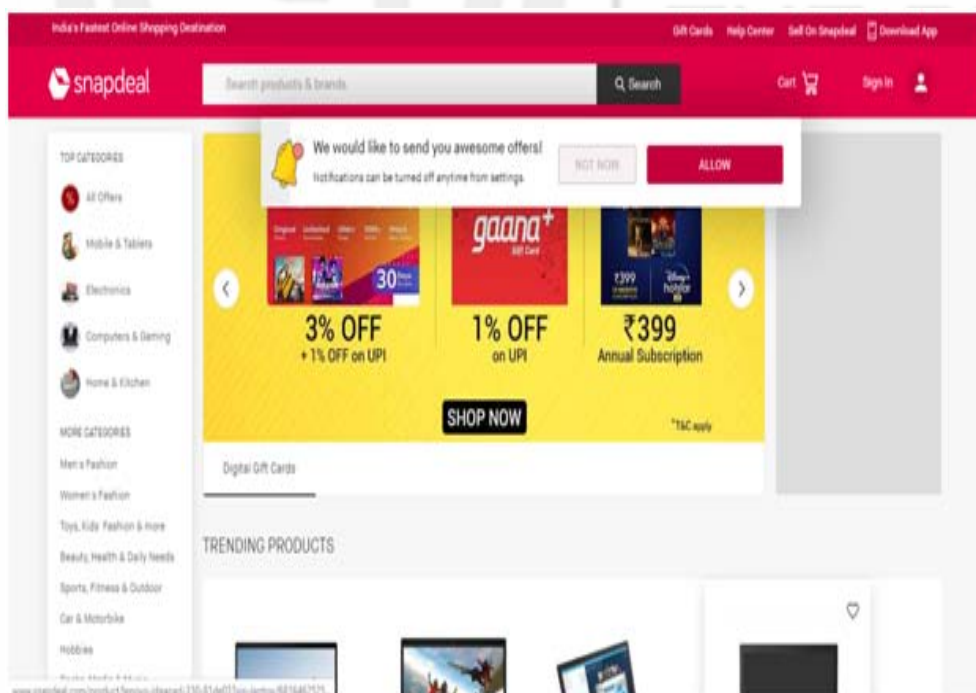


Fig 13.6: Snapdeal

4. **IndiaMART:** IndiaMART InterMESH Ltd. is an Indian e-commerce company that provides B2C, B2B and customer to customer sales services via its web portal. The company has headquarter in Noida, Uttar Pradesh, India. The group was founded in 1996 by Dinesh Agarwal and Brijesh Agrawal. Its main rival is Alibaba, a Chinese giant which deals in similar business model. Over the last 10 years, IndiaMART has become the largest e-commerce platform for businesses with about 60% market share. It handles more than 95,000 product categories ranging from machine parts, electrical components, medical equipment and textile products to cranes.

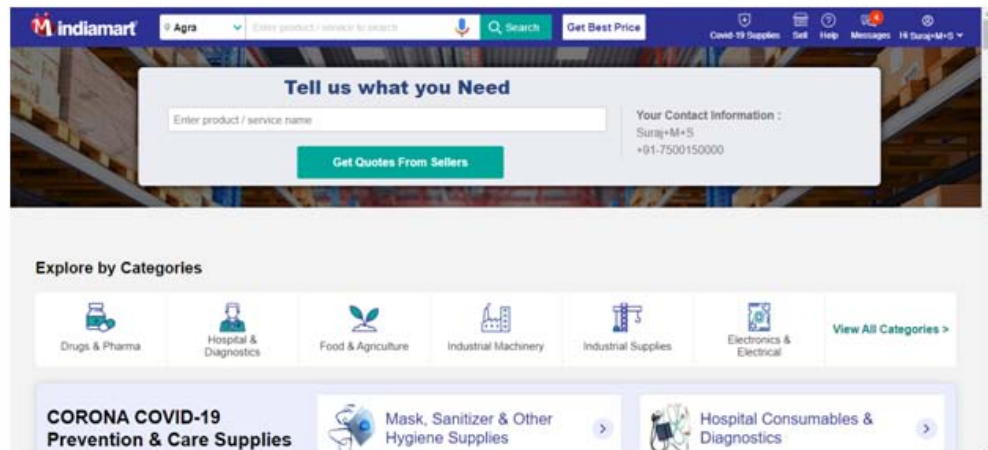


Fig 13.7: IndiaMART

5. **Bookmyshow.com:** BookMyShow is the leading show ticketing portal and retailer in India. Bookmyshow is operated by Bigtree Entertainment Private Limited. Bigtree Entertainment Pvt Ltd. was founded in 1999 by Ashish Hemrajani. In 2007, sensing growth of multiplexes and the increased popularity of plastic money, Ashish launched BookMyShow. Bookmyshow instantly became a brand and was a quick success taking the market by storm, bringing Cinema biggies like PVR, INOX and Cinapolis on the portal. Again, to gain early mover advantage Bookmyshow mobile app was launched, foreseeing consumers favouring mobile over computer. Now Bookmyshow is the largest ticketing platform, offering tickets for movie, games, live events, plays and concerts. BookMyShow has expanded its operations to New Zealand, UAE, Indonesia and Sri Lanka.



Fig 13.8: Bookmyshow.com

6. **Firstcry:** FirstCry is an Indian online store which deals in baby product retailing. Firstcry was founded by Supam Maheshwari in 2010, when he

realizes choices for baby products in India online were quite limited and he used to buy a lot of them for his son only on his business trips abroad. Thus, he discovered an opportunity for such platform and conceptualized FirstCry.com. He is also the founder of Xpressbees which today is one of the largest logistic companies in India. FirstCry acquired BabyOye in 2016, a brand that was owned by the Mahindra Group. The merged entity now does business under the name - FirstCry.com, a FirstCry Mahindra Venture. Firstcry also operates total of 380 offline stores and franchises stores. It is Asia's largest online shopping store for kids & baby products.

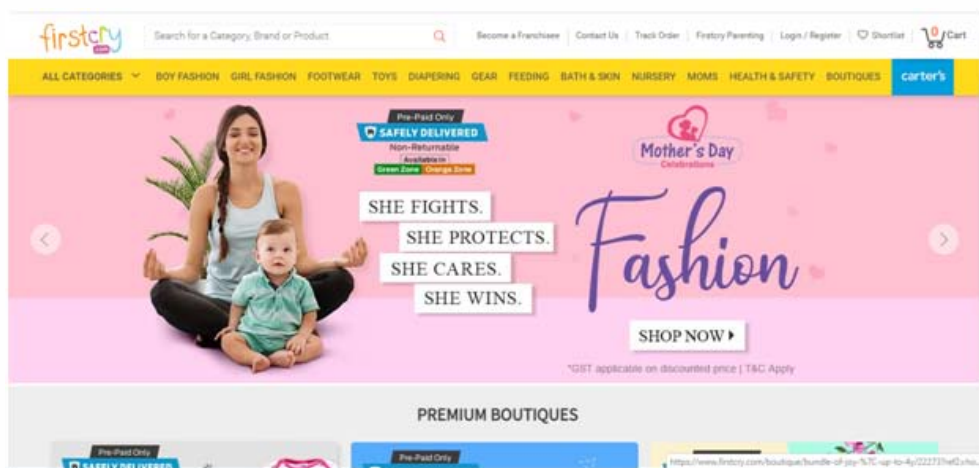


Fig 13.9: Firstcry

7. **Paytm Mall:** Paytm is a Noida based Indian e-commerce payment portal and financial technology company. One97 Communications parent company of Paytm was founded in August 2010 by Vijay Shekhar Sharma. In February 2017, Paytm launched its Paytm Mall app which use B2C model which allows consumers to shop from registered sellers. To ensure customer trust and quality, product is passed from registered sellers to Paytm-certified warehouses and channels. Paytm Mall has set up various fulfilment centres across India and ensure fast deliveries partnered with various couriers. Paytm Mall app which use B2C model which allows consumers to shop from registered sellers



Fig 13.10: Paytm Mall

8. **Alibaba Group:** Alibaba Group Holding Limited is a Chinese multinational technology company which exclusively deals in e-

commerce, retail, Internet, and technology. Jack Ma along with his team of 17 friends and students found Alibaba.com on 4th April 1999. The company operates largest B2B (Alibaba.com), C2C (Taobao), and B2C (Tmall) marketplaces in the world. Its online sales and profits surpassed all US retailers (including Walmart, Amazon, and eBay) combined since 2015. Just like Amazon, Alibaba also operates in different field as following –

- 1) E-Commerce and Retail Service Platforms
- 2) Internet Services
- 3) Cloud Computing and artificial intelligence technology
- 4) Financial technology and online payment platforms
- 5) Entertainment Services

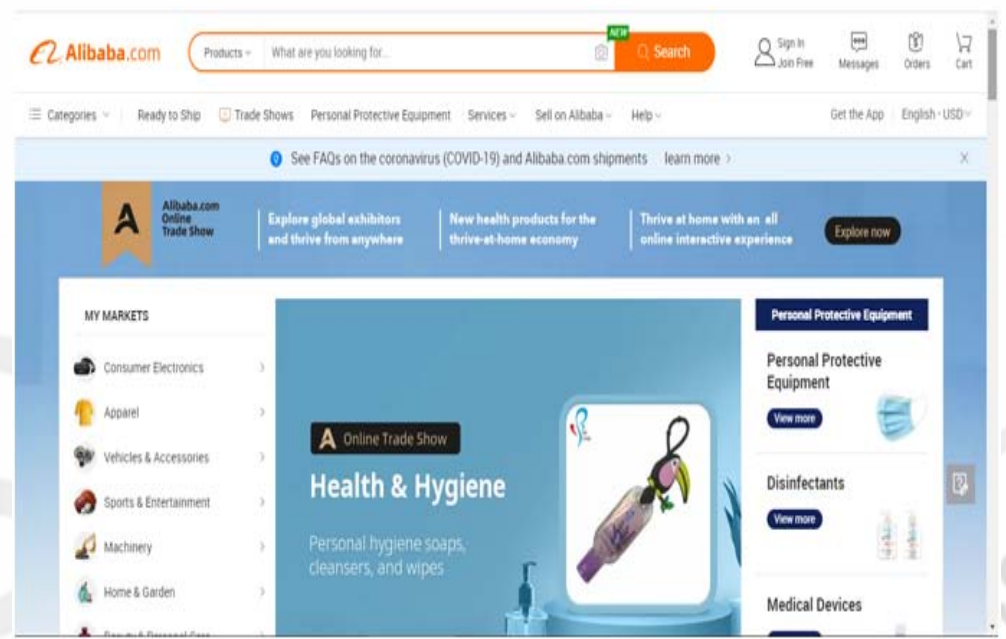


Fig 13.11: Alibaba

9. **E-bay:** E-bay is an American multinational e-commerce corporation operating in about 33 countries as of 2018 that facilitates C2C and B2C multi-billion-dollar sales through its website. It is based in San Jose, California and was founded by French-born Iranian-American computer programmer Pierre Omidyar in 1995. People buy and sell a variety of goods and services worldwide on E-Bay website which is an online auction and shopping website. E-bay is known for various acquisitions, some of major are Paypal, Craigslist, Skype, stubHub etc.

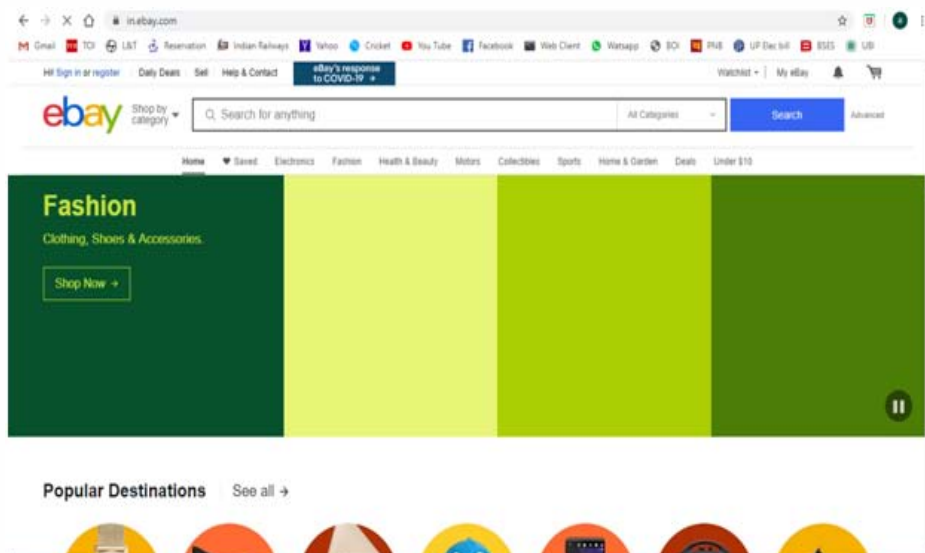


Fig 13.12: E-bay

Check Your Progress B:

1. Fill in the blanks:

- i) is an online auction and shopping website.
- ii) Alibaba Group Holding Limited is a company which exclusively deals in e-commerce, retail, Internet, and technology.
- iii) Paytm Mall has set up various fulfilment centres across India and ensure.....
- iv) Amazon initially started as an online marketplace for but later diversified in selling electronics, software, video games, apparel, furniture, food, toys, and jewellery.
- v) E-retail mix is defined as the different techniques and tools..... use to provide values for customers.
- vi) The e-retailer can enhance..... using Customer Relationship Management (CRM).

2. What are the various ways of communication and customer relationships components of 7C's.

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3. What are the 7C's of retail mix?

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13.6 LET US SUM UP

Electronic retailing (E-tailing) is the sale of goods and services through the Internet. E-tailing can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services. It requires companies to tailor their business models to capture Internet sales, which can include building out distribution channels such as warehouses, Internet webpages, and product shipping centres. Notably, strong distribution channels are critical to electronic retailing as these are the avenues that move the product to the customer. Electronic retailing includes a broad range of companies and industries.

There are two types of e-tailing model pure play e-retailers and brick and click e-retailers. Pure play e-retailers only do the electronic transactions whereas, brick and click e-retailers do transactions in both online and offline mode. Various Advantages of E-tailing for retailers are location utility, less expensive, high Reach, 24*7 business, feedback. Disadvantages of E-tailing for retailers are lack of infrastructure, lack of technological expertise, complex logistic management, customers' expectations, lack of personal touch, high competition etc. Advantages of e-tailing for buyers are time utility, place utility, convenience utility and option utility. Disadvantages of E-tailing for buyers are customers may be uncertain regarding the quality of the products and services offered online, fear regarding online fraud and loss of money, every time not every product is available, lack of technological know-how etc.

E-tailing has two types of business models: Inventory based and marketplace based model respectively. Inventory based model includes the e-tailing activities where inventory of products and services is owned by e-tailers and it is directly sold to customers, and Marketplace based model provides a platform where buyers and sellers do the transactions in efficient, transparent and trusted environment. Here, buyers can compare the prices and accordingly place the orders to the authorized sellers on the website.

E-retail mix is defined as the different techniques and tools e-retailers use to provide values for customers. In 1990 Lauterborn proposed 4 Cs namely Convenience for the customer; Customer value and benefits; Cost to the customer; and Communication. However, with paradigm shift, more Cs added in the list i.e., Customer relationships; Computing and category management issues; Customer franchise and Customer care and service. Customer relationship is emphasis on long-term relationship with consumers and follows continuous interaction with them. Therefore, customer relationship merged with communication and finally there are 7 Cs.

In India, e tailing has substantially grown and still penetrating in the market owing to internet accessibility and smart phone availability. In addition, e-banking services and digital wallets have fuelled the e-tailing trends in India. As per the IBEF 2018 report, India will reach to US \$ 200 billion market in 2034 which is more than USA's market. Hence, e-retailers are strategizing the approaches to gain the Indian market by Omni-channels method, celebrity endorsement, and social media marketing and digital influencers.

13.7 KEY WORDS

Brick and click (Click-and-mortar) e-retailers- Retailers who do the both online and offline transactions i.e., through internet and physical outlets. For example, Dell.

E-tailers: E-tailers are simply retailers who use the internet to sell their goods/services to their customers, rather than actual stores.

E-tailing: E-tailing also known as electronic retailing is the selling of retail goods on the Internet. It is synonymous with business-to-consumer (B2C) transactions.

Pure Play (Virtual) e-retailers- Retailers that are only do the electronic transactions and do not have any physical outlet for the customers. For example- Amazon & Flipkart.

Retailers: Retailer is known as any person or business that sells goods. They don't manufacture their own items typically. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities.

13.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress B

1. Fill in the blanks

- i) E-bay
- ii) Chinese multinational technology
- iii) fast deliveries partnered with various couriers.
- iv) books
- v) e-retailers
- vi) product value

13.9 TERMINAL QUESTIONS

1. What is E-tailing? Explain its advantages for retailers as well as buyers.
2. State the disadvantages of E-tailing for the retailers and buyers respectively.
3. Give the brief of E-tailing trends in India.
4. Explain the E-tailing models.
5. Explain the 7C's of retail mix.
6. Brief on the E-tailing key players in India.



Note

These questions are helpful to understand this unit. Do efforts for writing the answer of these questions but do not send your answer to university. It is only for your practice.