

Topic of the week for discussion: 16th to 22th Oct. 2014

Topic: The Big, Bigger, Biggest Online sales are here!

Flipkart's much hyped and advertised "**The Big Billion Day**" offer on 6th Oct 14 created a stir online both for positive reasons such as record sales of about \$100 million in 10 hours flat and negative reasons such as non processing of orders, flipping of prices & bargains, non availability of stock, non connectivity of server, etc.

It was being billed as the mother of all discount sales and designed to capture the imagination, mindshare as well as the share of the consumer's wallet in the now cluttered but growing world of e-commerce. But what it lead to is an irate customer and a perception that online purchase is a sour experience, which is a big blow, specially to the biggest online portal of India; flipkart and otherwise to the entire e-commerce industry in India.

So, what went wrong?

Did Flipkart, by far the biggest e-commerce player in the country, underestimate the shopping prowess of the over 25 million online shoppers in India? Or was it just a case of bad planning?

It is pertinent to analyse it because every other online retailer is offering huge discounts to woo customers due to the festive season in India, though in different manner, for example, **Myntra's "Cracker of the Sale"**, **Snapdeal's "Diwali Fashion Sale** etc.

But the discussion here is not what went wrong in one particular online sale, but about the prospects and problems of a fast growing, everyday expanding, and highly competitive e-commerce industry in India.

Prospects:

India is a country with a booming economy, rapid growth of internet penetration, and a market of 1.2 billion.

The most evident factor is the "**huge young population of India**" (65% of its population is 35 or under, and half the country's population of 1.25 billion people is under 25 years of age), who is earning to spent rather than save and is an impulse buyer and experimental by nature"

Moreover, it's also a place where consumers have a lot to gain from not going to the stores. A shopping trip can mean being packed into trains like sardines, navigating streets jammed with stalls and cow herds, or haggling with aggressive rickshaw drivers. The city centers are chaotic, and the contents of a shopping list are distributed over dozens of different stores or street stands. It seemed the perfect place to build a robust online economy.

The "**Click & Click**" Companies can offer discounts, which obviously please customers as against the "Brick & Mortar" companies, in which inventory & infrastructural costs pose a major hindrance against such discounts.

Topic
Introduction

Problems:

Indian e-commerce companies have had to overcome serious hurdles. Among the largest of them is logistics. While major multi-nationals like DHL and FedEx operate in India, goods are normally shipped through smaller and much cheaper third party carriers. The difficulties and unreliability of the carriers has forced some of the largest and best funded players to develop their own logistics arms to deliver their packages. The decision however, carries massive capital expenses in an industry that is still not standing on its own feet. It also means a huge increase in exposure, and a business that is now seeking success in two industries instead of one.

Another difficult problem is that the Indian market demands a cash on delivery (COD) option, in which the consumer pays the courier once they have received the product. It's a hard problem to get around, because credit card penetration is relatively low in India, and consumers are still not trusting of putting financial information into online forms.

Moreover, Despite a country of 1.2 billion people, there aren't very many customers to go around right now. India has 150 million registered internet users as of December 2012, but perhaps only 50 million access the internet through PCs. The estimates are that the most active group of e-commerce customers numbers only 2-3 million. Moreover,

Yet the greatest hurdle of all is the fierce competition that has been spurred by the glut of investments over the last few years. There can be as many five different well-funded players battling it out for the same small niche, which ultimately lead to price wars.

Future Story:

- **Foreign Direct Investment:** A comprehensive yet sensible FDI policy in retail is the need of the hour.
- **Organised Retail:** Most of the retail is unorganized in India, which leads a deep impact on online procurement & delivery.
- **Alliances & Partnerships:** From being dismissive about the potential of e-commerce in India to joining hands with the sector, leading 'brick and mortar' retailing entities seem to have had a change of thinking on the former. Kishore Biyani's Future Group has made a tie-up with Amazon to sell its private labels in the fashion category. Last month, Tata Group's Croma entered into an alliance with Snapdeal. These partnerships are not the ones between two retailers but of vendor and technology platforms offering technology and logistics services.

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