"A STUDY ON OPPORTUNITIES AND CHALLENGES OF ONLINE SHOPPING IN INDIA"

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ABSTRACT

The phenomena that world is fast shrinking into a Global Village because of Internet and other communication mediums is not completely reflective in the Indian context. While developed and fast developing countries have understood the power of Internet, India still has a long way to catch up. Internet has brought nearly the entire world just a click away from us. The retail industry canvass has been repainted by Internet and the rules of the game in retailing are fast changing. The western culture has affected each and every aspect of our Indian society. The life is becoming fast not only in the metros but also in the normal cities. The number of nuclear families is increasing and both husband and wife are working, as they have less time to go to the market for purchasing every now and then. Some other reasons like these, say shortage of time, traffic jams, late working hours, versatility of plastic money and above all the approach of internet at the door step of whosoever desires it.

The purpose of study is to understand the influence of normative beliefs, age, and gender on online shopping attributes and consequently on consumers' online shopping behavior. Indian consumers' attitude toward online shopping being "convenient" is determined by their "perceived usefulness" and "ease of use" of the Web site. Online shopping behavior is moderated by normative beliefs and gender. Consumers' attitude toward online shopping differs across age categories and a Web site's "ease of use" attribute. The findings can enable online retailers to improve consumers' perceptions toward a Web site's "convenience" attribute. Online retailers targeting Indian consumers should make the Web sites user friendly and easy to understand

Online retailers have improved their service and are providing more and more convenience to the customers. From advance payment options they moved on to payment on delivery. From fixed delivery timings they have moved on to convenient delivery timings at the choice of the customer. India has opened the doors for foreign direct investment in retail.

KEYWORDS: Internet, Online Shopping, Online shopping decision making ,consumer online shopping fears, opportunities, factors attracts consumers, Delivery, existing regulations, security in electronic payments,challenges –specific and common, creating trustworthy relationship, and Foreign Direct Investment.

INTRODUCTION

Indian market is dominated by unorganized players but there is a huge potential in the area of organized retail as well. Entry of bigger players such as Big Bazar, More, Metro etc., to even the rural areas has paved the way for growth in this sector. There has been rise in the earnings of Indian middle class due to rapid economic growth. Indians disposable income is expected to increase at an average of 8.5 % per annum until 2015. The two giants of Asia i.e. India and China are leading the way. India has seen some dramatic changes in the way internet has affected the lives of the people. Though the internet using population in India is low in terms

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of overall percentage of total population but, in absolute numbers it is very high. This gives great opportunities for various ecommerce sites to reach this segment. AT Kearney's annual Global Retail Development Index (GRDI), in 2008, puts India as the fifth largest retail destination globally. Currently the retail industry stands at 390 billion and growing at decent rate. Internet penetration rate in India is 7.1% which is one of the highest in the world. Moreover a very high percentage of the population accessing internet in India is in the age group of 20-45 years. In spite of all this online retailing forms a meager 0.08% of the total Indian retail market. The ecommerce industry stood at roughly INR 9200 crores by end of 2008. If we ignore the big travel portals which contribute roughly 75-80% of this market the rest of the market is formed by online classified, e-tailing (online purchase of goods) and digital downloads. About 12% of the market is contributed by online classifieds like matrimonial and job portals. Our area of focus is the remaining INR 1100+ crores market which is set to see tectonic growth given the right environment is built. This market is poised to grow at 30% per annum for next 5 years but, long term sustainability will depend on how must the market fabric changes. Market players have to be more proactive and innovative in their approach and offering to make serious inroads. In the current market bulk of online sales is in books, gifts, small electronic items. This market in India needs to jump to the next level. More than 32 million internet users makes the market lucrative but, the question is how the market players make the online retail mode viable and competitive. Flip Kart says it had revenue of 500 million rupees ($11 million) in its last fiscal year, and is now clocking sales of about 10 million rupees a day. The top executives of the Future Group, India's largest retail company, says its daily online sales are on pace to triple in the current financial year.

ONLINE SHOPPING

Online shopping encompasses buying and selling of products and services through electronic systems such as internet and other computer related networks. Recently, rapid global growth in online shopping has increasingly become necessary component of business strategy for efficient transaction. E-commerce technology in business could revolutionize relationships within organizations and individual transaction settings .

The Internet has improved traditional brick and mortar stores through the development of e- commerce web sites. Nowadays, especially online shopping had widened the access to their products through new methods of marketing via electronically mediated e-commerce.

Good understanding of the requirements, expectations and the operational concept of internet shopping could an advantage to effective online retailing and as well help the manufacturers in developing more effective and targeted online retailer operations.

ONLINE SHOPPING DECISION MAKING

Online shopping decision-making includes information seeking, comparison of alternatives, and choice making. The results bearing on this factor directly influence consumers purchasing behavior. In addition, there appears to be an impact on users satisfaction. Though it is important, there are only five studies that include it.

According to Haubl and Trifts (2000), potential consumers appear to use a two-stage process in reaching purchase decisions. Initially, consumers typically screen a large set of products in order to identify a subset of promising alternatives that appears to meet their needs. They then evaluate the subset in greater depth, performing relative comparisons across products based on some

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desirable attributes and make a purchase decision. Using a controlled experiment, these authors discover that the interactive tools designed to assist consumers in the initial screening of available alternatives and to facilitate in-depth comparisons among selected alternatives in an online shopping environment may have strong favorable effects on both the quality and the efficiency of purchase decisions (Haubl and Trifts 2000, p. 4).

CONSUMER ONLINE SHOPPING FEARS

Key Insights 1. Nearly 9% in Online Sales are Lost Annually Due to Consumers' Security Concerns Roughly $21B in online sales revenue is lost annually because victims of identity theft have stopped shopping online (12%) or because consumers do not believe that the Internet is safe enough for online shopping (13%).

2. Most Consumers Would Blame Merchants for Identity Theft 60% of consumers would blame the online merchant if the consumer were a victim of identity fraud as a result of shopping online.

3. Secure Web Site Logos Indicate Trustworthiness of Web Site 86% of consumers stated that they look for a secure web site logo, such as VeriSign or TRUSTe, to determine whether a web site is trustworthy.

4. Consumers Need Security Assurances from Merchants 83% of consumers indicated that online merchants' assurance of secure processing of payment and personal information would be the most motivating factor for shopping online in the future.

5. Fraud Victims Would First Seek Assistance from Payment Providers Nearly half (47%) of consumers stated that they would seek assistance first from their payment provider (e.g. bank or credit card company) if they were a victim of identity fraud.

OPPORTUNITIES

A quick survey of average Indians who have access to Internet showed that most of them hardly could recall 1-2 on-line retail portal sand most of their responses were travel site. In comparison an average Indian settled in America could recollect more than 5 on-line portals. This clearly indicates the huge gap between the retail setup between India and other developed countries. Internet penetration rate of 7.1% in India is one of the highest in world and we have one of the highest numbers of Internet users in absolute terms. India is considered as one of the prominent IT hubs in the world but, all these have somehow not translated into positives in the retail space. Retail industry in India stands at $390 billion (Source: India retail blitz, A T Kearny) and organized retail is fast catching up. Many of the big retailers have forayed into the on-line mode without much success. On-line retail forms a meager 0.47% of the total retail market. This shows the plethora of opportunity for on-line retailing in India. The Indian e-commerce market at INRI 9200 core is heavily tilted towards travel sites. More than 75-80% of this market is constituted by travel portals like Makemytrip.com, Yatra.com etc. About 12% of the rest is contributed by on-line classifieds like matrimonial and job portals. The above mentioned data is motivating enough for both buyers and sellers, who are willing to use internet as a source of their commerce, as always we are focused on the customer centric market where the customer is god, and every dance on the stage of market is performed according the tune of customer.

FACTORS WHICH ATTRACTS THE CUSTOMERS PREFERRING THE ONLINE PURCHASING:

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1. Convenience Factor: Online retailers are moving towards enhancing the convenience factor and thus attracting the shoppers to use this channel. Moreover the growth of the mobile communication has led to the growth of the online retailing as people are more accessible to internet 24 x 7. Like in the case of purchasing from the physical market we have to wait for the shop to open and certainly we try to get our merchandise before the shop closes, but in case of online retailing there is no time limits involve all you need is a internet connection and money in your pocket to pay the price and everything is at your door step.

2. Payment Mode: As compare to the earlier days where we have to make the payment in advance and wait for our order for weeks, now we make the order first and make the payment when the goods are delivered to us, WatchKart.com, lenseKart.com, FlipKart.com, etc. are some of the examples.

3. Delivery: For general type of products line DDV, CD, Goggles, books etc., are being delivered to the customer in 2 to 3 working days and the goods which are required to be produced like special print sarees, customized bags etc., are delivered within 5-6 working days. Moreover single unit of any product chosen by the customer can also be delivered trans- border, which may not be possible to import in case of physical purchase.

 4. Product Comparison: without having to move from one shop to other for comparing the benefits of the product, the shopper gets the benefit ofcomparing the features and cost analysis at one place. Most of the sites are providing this facility wherein shopper can choose the product which exactly suits him.

5. Cost and Time Saving: a shopper saves a good amount of time and money by shopping online. In the metros and even in the smaller towns which are growing fast, the life of an average person has become very fast. He has very little time after his normal routine office schedule to go to the market and purchase even the daily need items.

EXISTING REGULATIONS ONLINE SHOPPING IN THE COUNTRY:

As per extant FDI policy, FDI, up to 100%, under the automatic route is permitted in B2B „e-commerce activities". The relevant paragraph 6.2.16.2.1 of „Circular 1 of 2013- Consolidated FDI Policy", effective from 05 April, 2013, is given below:

"E-commerce activities refer to the activity of buying and selling by a company through the e-commerce platform. Such companies would engage only in Business to Business (B2B) e-commerce and not in retail trading, inter-alia implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well."

Paragraphs 6.2.16.4 (2) (f) and 6.2.16.5(1) (ix) further provide that " Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of single brand retail trading or multi-brand retail trading." As such, extant FDI policy does not permit FDI in B2C e-commerce.

5.2 Information Technology Act, 2000 provides legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper-based methods of communication and storage of information, to facilitate electronic filing of documents with the Government agencies.

5.3 India has the Consumer Protection Act 1986. However, nothing in the Act refers explicitly to e-commerce consumers. It provides for regulation of trade practices, creation of national and state level Consumer Protection Councils, consumer disputes redressal forums at the National,

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State and District level to redress disputes, class actions and for recognized consumer associations to act on behalf of the consumers. The Act provides a detailed list of unfair trade practices, but it is not exhaustive.

5.4 The legal requirements for undertaking e-commerce in India also involve compliance with other laws like Contract Law, Indian Penal Code, etc. Further, online shopping in India also involves compliance with the banking

DIPP – Discussion Paper on E-Commerce – 2013-14 5 and financial norms applicable in India. For instance, take the example of PayPal in this regard. If PayPal has to allow online payments receipt and disbursements for its existing or proposed e-commerce activities, it has to take a license from Reserve Bank of India (RBI) in this regard. Further, cyber due diligence for PayPal and other online payment transferors in India is also required to be observed.

SECURITY IN ELECTRONIC PAYMENTS

Two main issues need to be considered under the topic of payment security: what is re- quired in order to make EC payments safe, and the methods that can be used to do it. Security requirements.

1. Authentication. The buyer, the seller, and the paying institutions must be assured of the identity of the parties with whom they are dealing.

2. Integrity. It is necessary to ensure that data and information transmitted in EC, such as orders, reply to queries and payment authorization, are not accidentally or maliciously altered or destroyed during transmission.

3. Non-repudiation. Merchants need protection against the customer's unjustified denial of placing an order. (Such denial is called repudiation.) On the other hand, customers need protection against merchants' unjustified denial of payments made.

4. Privacy. Many customers want their identity to be secured. They want to make sure others do not know what they buy. Some prefer complete anonymity, as is possible with cash payments.

5. Safety. Customers want to be sure that it is safe to provide a credit card number on the Internet.

CHALLENGES RELATED TO PRIVACY, SECURITY AND PROTECTION - HOW TO SOLVE THEM

The problems associated with online shopping are more to consumer's protection in transaction that requires privacy and trust between different geographical locations or countries. There is increasing concern over online shopping because of insecurity, lack of customer's protection and trust which are vital elements for a successful online transaction between countries, organization as well as individual.

Major problem faced by consumers in an online transaction is security. From survey report, it is obvious the most reports acknowledged that transaction base on e-commerce have been constrained by security.

In addition, consumers are concern about their privacy especially when their personal information are required to facilitate transaction besides, potential risks are also posed to those using credit cards to make purchase online.

Secured system is needed enhance online shopping since consumers cares for their privacy and security.

Furthermore, online shopping paves way to fraudulent act and unworthy credit orders which is also attributed to unsecured services. Trust also plays an essential role on consumer's choice for online purchase.

Trust in online businesses determines consumers' willingness to engage in online business.

However, consumer's behavior towards online shopping includes and not limited to concern over unauthorized sharing of personal information, unsolicited contacts from the online retailer, and undisclosed tracking of shopping behavior.

Besides, system security-consumers who are concern about illegal bridging technological protected devices to acquire consumer's personal, financial or transaction- related information. Concern over online retailer fraud cause by purposeful misrepresentation or non- delivery of goods paid for are among the potential threat over online purchase. Security such as the use of digital signature and certificates could be helpful in controlling risk of fraud for online-based transactions

Improved security system for online shopping could reduce unworthy behavior of consumers' with increase intention for online transaction .Disposing of the customer's personal detail and credit card information during and after online transaction should be avoided as it gives more room for illegal use of customer's information.

Trust in online transaction could be enhanced through policies that incorporate legal, technical, rigorous standards for security, data protection and as well as certificates of independent trusted third parties.

HOW TO CREATE AND MAINTAIN TRUSTWORTHY RELATION IN ONLINE TRANSACTION

In addition, online sellers should encourage trustworthy relationship in order to increase and attract consumers to online transaction by ensuring that every transaction is kept within the scope of agreement.

a. Reduce high costs associated with internet access, such as pronounced in service connection charges, tariff on subscription and hosting charges for websites with sufficient bandwidth.

b. Credit cards issuance should be regulated to monitor and control fraud through predetermined security code and features.

c. Transportation infrastructure through which goods and services are delivered should be enhanced through adapting good maintenance and change of outdated facilities.

d. Transaction should be carried out only through secured network besides; parties embarking on online transaction should be acquainted on security-related issues to ensure reliability.

SOME COMMON CHALLENGES

There could be a huge difference in the click to sale ratio of many online store sites if they make the browsing experience hassle free. One of the biggest challenges is to offer merchandise to the consumer in such a manner that he "feel like buying" instead of the site "trying to sell." Most of the e-tailers want the customer to register first; only then one can enter the site. It's like covering the windows of a showroom and asking the window-shopper for personal details if he wants to even window-shop.

1. Slow change in the buying behavior: Indians are still reluctant to buy on-line and prefer brick and mortar models. Indians still like to have a feel of product and spend time in buying.

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2. Inability of on-line retail players to sway customers from offline mode to on-line retail channel: Lack of proper marketing and advertisement, inability to create a brand image, lack of proper usage of all possible on-line means like search engines, paid marketing, on-line ads, social networking, blogs etc. to reach the customers. Inability of on- line retailers to drive the values a customer can derive by shopping on on-line channels.

3. On-line portals are not up to the mark: There have been few lacuna's in the exiting on-line websites like poor front ends, website search options are not good, lack of sufficient information about products and terms and conditions, slow websites etc.

4. Lack of seriousness: A lot of on-line portals have come up in India backed by major retail distributors but, for many it seems to have been just a one-time setup. Post this there hasn't been enough drive to propagate the brand and services of the portals among potential clients. Our discussion with few portal owners gave us a feel that many big retailers have opened a website because their peers are doing so.

5. Issues concerning security and transaction frauds. In addition many of the web portals don't support all on-line modes of payments. There are high occurrence of failed payments and this if often a deterrent for clients to revisit the portal.

6. Competitors are just a click away. When consumers search, they have multiple options available, and many use search to navigate the Web rather than type in or bookmark specific sites.

7. Visitors can disappear in 15 seconds or less. Online consumers are goal-oriented shoppers. If they don't immediately find what they're looking for when they reach your site or landing page, they're gone in under 15 seconds.

8. Shopping is a multistep process. Online consumers love to browse. Many spend a fair bit of time visiting several sites just to gather information. They may also compare the offerings of several competitors before hitting the "buy now" button.

9. Time between initial visit and purchase has increased. Increasingly financially challenged consumers may wait longer before buying.

10. Customers wait for merchants' best offer. Having been seduced during the holiday season with free shipping and handling and other price-driven offers, consumers have been trained to wait for a special deal.

FOREIGN DIRECT INVESTMENT AND ONLINE RETAILING

51% FDI has been given cabinet approval in multi brand retailing that paves the entry of global retailing giants like Wal-Mart, Carrefour, Tesco and many others who have been waiting in sideline to venture in to juicy Indian market. In order to gauge FDI's impact on online retail we should consider the following points:

✓ It will easy out investment route in online retailing, earlier the online companies tried to work their way out and get FDI investment by making various different companies. However with some relaxation in the guidelines looks to be a good sign.

✓ Organized retail has got the much awaited foreign wing, hence will grow thick and fast and online retail can become an enhanced face of organized retailing. However, growth of offline stores would evolve with its own time but we may see a lot of organized retailing via online channel.

✓ Backend processes and infrastructure of organized retail will get stronger. 50 percent of every FDI in India would be dedicated for backend processes such as warehousing,

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logistics and cold storage. Investment in to back end process would surely make the inroad of online retailing easier and efficient.

✓ Most likely, a large chunk of the possible investment will go to expand the Food & Grocery (F&G) category that constitutes about 35% of total retailing. Other category that will get benefitted is fashion and lifestyle. Online retail is expected to jump start these categories beyond top metros and tier I cities in India. Above all, these categories are online friendly therefore we would be able to experience vibrant actions online Amidst, cabinet approval for FDI in multi branded retailing, online expects to grow as an alternative sales channel, however, yet there are various bottlenecks on the way. Following challenges seem to persist with it.

✓ According to guidelines FDI in multi brand retailing would be limited only to cities which have population of 1 million or above. Under the view of this guideline pure play retailers will have access to 53 cities – how it would be viable for online retailing with limited reach for pure play online retailers.

✓ Another guideline laid by cabinet is 30% sourcing of manufactured and processed goods from MSME / SME industry could be another serious challenges for retailers operating in online retail ecosystem

✓ The minimum Investment of $100 million for foreign players to enter Indian market could be too high for pure play online retailers to get benefited .

CONCLUSION

For retailers in India, online shopping is gaining recognition as it entails many benefits for them. Some of these include, No real estate costs, Enhanced customer service, Mass customization, and Global reach, Niche marketing and specialized stores. In the next 5 years, online retailing in India will strengthen even further. However, long-standing sustainability directly depends on factors like changes in the market, innovations and interactivity by market players. Owing to increased penetration of credit cards and easy access of computing facilities to a wider population, Internet retailing in India has witnessed a promising growth. Moreover, bargain-hunting consumers are latching on this trend as Internet retailers are known to offer products at special discounted prices compared to store-based retailers. Consumers in the country can now truly expect a well streamlined, efficient and world-class shopping experience supported by the best technology. The effect of security, protection and trust towards consumers as well as attitudes plays a key role in e- commerce implementation however, if well implemented, instantaneous flow of goods and services internally and externally. Besides, vital information could also be simultaneously processed to match with data flowing from external online shopping transactions which could allow for efficient and effective integration into organizational processes. Online shopping is a revolutionary tool with the potential to transform Indians present business transaction. Integration of its benefits to Indian economy will facilitate business services around the globe. The actual information of the security, protection and trust among consumers in India need to be investigated owing to consumers' perspective on the online shopping.

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