CHAPTER - VI

EMERGING PROBLEMS IN E-RETAILING

Purchasing goods from the comfort of own living room certainly is more convenient than actually driving to a store, while offering a virtually unlimited array of choices and the ability to compare prices. While online payment and security technology have come a long way, still some may experience problems with online shopping from time to time. Online shopping is in, but it is fraught with problems.

E-commerce is sweeping the world today, and our country is experiencing an exponential growth in online shopping. The greatest benefit of e-commerce is the time saved, and the fact that the consumer is able to complete his transaction with a single click of the mouse. Product information is more extensive and price / product comparisons are also possible, enabling consumers to make informed choices.

E-commerce is the latest catchword in Indian consumers' world. Online shopping is a phenomenon that is fast catching up with the masses as it is fast, convenient and most importantly, cheap. With heavy discounts, attractive schemes and offers, online shopping is evidently the best bet for the rapidly emerging net savvy generation of Indian consumers.

Analysts reckon online retail accounts for only 1 per cent of India’s $450bn consumer market, but they project growth of 14 per cent over the next decade as millions of young, tech-savvy Indians adapt to the virtual shopping experience. The number of internet users in India is expected to triple to 300m by 2015, with online transactions doubling to 50m, according to Boston Consulting Group.
As e-commerce start-ups mushroom, early birds like Flipkart face fierce competition from local companies. Bangalore-based Flipkart began on 2007 as an online book retailer, but has ever since expanded by selling into electronic goods and other products. US-based Amazon remains its biggest rival, recently launching a push into India with its price aggregating website Junglee.

Much of the optimism about the online sector is based on the immense popularity of the cash-on-delivery model, which caters to customers without bank accounts or credit cards. Avendus Capital says up to 80 per cent of online purchases rely on this method of payment. The downside emerges when customers refuse to pay due to delays in delivery or simply a change of heart, causing up to 30 per cent of goods to be returned, says Aashish Bhinde, executive director at Avendus Capital.

“Besides the incremental cost, [the cash on delivery model] is often indicative of lower buyer commitment, and managing the reverse logistics significantly adds to the cost,” says Mr. Bhinde. In addition, the convenience and choice that such a model offers customers comes at the expense of working capital that companies could otherwise pump into improving and expanding delivery networks or much-needed advertising to build a loyal customer base.

Companies such as daily deals website Snapdeal.com and Redbus.com, an intercity travel website, have also seen their revenues grow more than 200 times in three years on the back of a growing culture of shopping online, not just in Mumbai or Delhi, but also in mid-tier cities like Hyderabad and Jaipur. But having to rely on third-party logistics, poor road transportation, and sometimes a lack of addresses poses difficulties in delivering to more remote cities, while millions of potential customers go untapped due to minimal financing for broader marketing.

“It is fairly easy to operate in one city but to reach mid-tier cities is far more problematic,” says Pradeep Tagare of Intel Capital, a venture capital fund for technology start-ups. “Many of these companies will see some sort of
consolidation because they will not be able to raise money as easily as last year or meet projections.” Industry members remain confident about the sector given rapidly increasing internet usage in India, especially via cheap smartphones, and as the government stalls on reforming India’s largely unorganized physical retail space.

“It’s true we’re facing evolutionary issues because there isn’t much of a legacy of internet usage. But internet penetration is about to boom here in India,” says Kunal Bahl, co-founder of Snapdeal.com. That means “the opportunity is immense and the space to expand is here and now”. Despite the positive aspects, on-line shopping also presents several risks that need to be dealt with. Thanks to higher exposure of credit cards, there are grave theft and fraud issues, besides the frustrating problem of information misuse for marketing. There are also issues of wrong, damaged or delayed delivery.

Despite frequent complaints about products, long delivery times, or the refund process, Indian consumers continue to be enticed by the access to goods and brands that the e-commerce industry has brought the emerging market. These start-ups, not unlike other ventures in India, are scrambling to overcome poor infrastructure and logistical networks, low brand loyalty, and recurring problems with payment options in a country where less than half the population has bank accounts.

6.1 CHALLENGES FACED BY INDIAN CONSUMERS

While online shopping is a good place for bargain hunting and to get products at a very competitive price, it somehow has not worked its charm in India. The main reason for this is that Indian consumers do not get any real value or incentive from this trend. Also they are wary about fraud, delivery and customer service which is not far from the truth. Following are some of the few challenges consumer’s in India face:
6.1.1 Spread of Internet

The biggest problem in making online shopping a success in India is the limited spread of internet services. Due to low usage rate of internet online shopping will take time to become a common way to shop.

6.1.2 Language Barrier

As most of the online shopping portals are in English, so this has also posed a great problem in front of the prospective buyers. In a country like India where English is not the mother tongue, it's such a wide use in internet many times creates problem due to lack of understanding on the part of the customers. Most internet retail shops use English as their mode of communication. To increase the customer base, content in the online retail shops should be provided in local language. With the economic slowdown worldwide, many retailers who preferred having a presence are looking to go online at minimal costs and keep the sales increasing. Compare to a traditional brick and mortar store front which has a commercial address and where customers can transact face-to-face, e-store is relatively small, convenient and low-cost start-up. The only costs involve in the e-tailing platform include the monthly hosting and ISP bills. With a web-site, an online retail has the adaptability to gauge the market condition and market attractions accordingly.

6.1.3 Plastic Money

Less prevalence of credit card is one more reason for the consumer remaining away from this modern means of shopping. Although many sites are also accepting cheques, cash on delivery and bank demand drafts but still a larger section of the service provider rest on this plastic money.

6.1.4 Limited Choice

Online consumers in India are facing a narrow range and limited choice of merchandize. Even the leading sites like 'ebay.in', 'indiaplaza.in', 'indiatimes' or 'rediff' have very limited range of items and therefore are hardly attractive.
6.1.5 Inefficient and Delayed Service

Many cases of delayed delivery, damaged or inferior goods, quality issues and even instances of cheating where the goods were never shipped have been reported. The much proclaimed ease and convenience comes with a heavy price and overall, Consumers do not have a good experience with the results of online shopping.

6.1.6 Overpricing of Products

Most of the goods are overpriced and if at all any products are priced at a reasonable rate, its quality is compromised. Besides that, there is no feature like exciting prices, killer deals, delivery guarantee, after sales support nor replacement warranty.

6.1.7 Beware of "Gray Market" Items

So-called gray market goods may be either illegal in the U.S., sold in a way that sidesteps regulations, or unintended for the U.S. market. Customer may get something that doesn't work properly or which has instructions in another language. Also, gray market merchandise typically lacks a U.S. warranty.

6.1.8 Be Skeptical of Service Contracts

Extended-service packages from retailers or third parties usually are overpriced and generally are not a good value.

6.1.9 Make Sure You Understand Shipping Charges

A retailer may try to squeeze a profit from heavily discounted items by tacking on an extremely high shipping rate, most of it not actually used for shipping.
6.1.10 Know How to Spot the "U.S. Warranty" Scam

Sometimes gray market goods are sold with a warranty provided by a third party, but described only as a "U.S. warranty." This is not the same as a manufacturer's warranty and typically provides an inferior level of protection.

Other online scams include phishing and spoofing and identity theft (which is not limited to the Internet). Consider speaking with a consumer protection lawyer if you are unable to resolve one or more problems with online shopping.

6.1.11 Controlling Customer Data

As the delivery services are becoming more modern in using information technology, e-retailers may face some risks to properly handle on their consumer data. The data related to the socioeconomic status of customers to their buying patterns and preferences, helps intermediaries and shippers reduce costs.

6.1.12 Problems with the Payment System

People in India are not accustomed to the online shopping system and moreover the online payment system through the credit card is also totally alien to them. Most of them do not avail of the transaction facilities offered by the credit cards. They are also frauds and manipulations committed regarding the online payment system through the credit cards. Companies should protect their system from hackers as customers often worry about theft of their personal information, such as a credit card number. Both technological and legal tools should be used to enhance the security of e-commerce.

6.1.13 Lack of Full Cost Disclosure

It is easy to compare the basic price of an item online, it may not be easy to see the total cost up front as additional fees such as shipping are often not be mentioned.
6.1.14 Handling Returns

The problem of returns is very much prominent in e-tailing businesses in India. The customers can return defective or unwanted merchandise which they receive. E-commerce retailers, with their emphasis on convenience and customization, must match this standard of service which at present, they do not.

6.1.15 Delivering the Goods Cost-Effectively

At present, every single transaction challenges e-tailors to deliver the goods quickly, cheaply and conveniently. The existing mode for home delivery works well for letters and flat packages but not for e-tailing as it encompasses with high volumes and wide variety of package shapes and sizes.

6.1.16 Problems with Shipping

The customers using the online shopping channel should be assured that the products that they have ordered would reach them in due time.

6.1.17 Offline Presence

The customers of India should be assured that the online retailers are not only available online but offline as well. This gives them psychological comfort and trust. The concept of e-retailing or online retailing in India has not gained prominence as Indians prefer to touch the products physically before buying them. Studies have also revealed the preferences of the customers towards the traditional shopping methods. Hence the online retailer in India should first make it a point to spot the potential customers and accordingly plan out the product.

6.1.18 What you See is not What you Get

The delivered product being different from the one displayed on the website is the one of the most common complaints that customers get when it comes to online shopping. The issues range from substantial variation in
physical appearance to delivery of product that is of a different size then ordered. In one of the extreme instances, a complainant who approached had ordered a Nikon Coolpix but the portal delivered him a Nikon L23, a completely different product. A lot of complaints also involve delivery of defective/broken products.

The consumers at large can take heart in the fact that this happens with consumers across the globe and is a necessary evil that may or may not befall on you depending on how lucky (or unlucky) you are. What an average consumer can do is to exercise utmost caution, buy only from portals that generally have a good reputation (user reviews though not always fair, still give you a good idea of the general reputation) and read the policies of the portal carefully before ordering.

6.1.19 Unfair Refund and Replacement Policies

Unfair as it may sound most online shopping portals tend to charge the consumers even for the issues that arise solely on their end. The charge is not direct but the consumers are supposed to bear the cost of shipping the defective product back if they want a refund or replacement. It is almost like a double whammy for a consumer already harassed by wrong delivery of products. In cases of refund, quite a lot of portals have an unreasonably long duration in which they process the refund, if at all. As a harassed consumer rightly pointed out, in the times of online money transfer, where a consumer can pay the portal in a couple of minutes, the portal needing 7-21 days to refund that very amount is beyond any logical justification.

Delivery of wrong/defective product is inevitable fallout of a concept that has done away with physical trial or testing products before finally buying them, a lot of trouble can be avoided if customers study the refund/replacement policy of the shopping portal in question carefully before deciding to buy anything. Avoid portals that have too complicated or long winding refund procedure. Also, take note of the fact of who is responsible for paying the
shipping cost when the product is returned. While this may not be viable at all times, as far as possible try and choose a portal that does not impose the shipping charges of returning a product on the consumer. The consumers should also pay close attention to the time span required by the portal to not only deliver your order but also process the refund/replacement if such an instance arises.

6.1.20 Promotional Schemes Alert

Promotional schemes and attractive discounts are one of the biggest attractions of online shopping. And undoubtedly, more often than not, the best deals are available online. But consumers need to be varying of schemes that seem too good to be true. As happened with one of the consumers who filed his complaint with Akosha. A prominent online shopping portal offered him diamonds worth Rs.30,000 for half their price. Too good to be true but the consumer fell for it. When the diamonds arrived, the consumer figured that they were not even worth Rs.1000.

The consumer in question eventually succeeded in getting a refund and compensation through a consumer forum. But not all of us are that lucky or persistent. It is best for an average consumer to let a dream scheme be just that—a dream scheme.

There is no intent to scare the consumers away from online shopping. Customers love it as a concept. But what they do intend to highlight through this list is the number of issues that are inherent in the system which may surface anytime to haunt the consumers. All that consumers are required to do is to exercise a little more caution than an average shopper, read and understand the relevant policies and do a background check for the portal's reputation before taking the plunge.
6.1.21 Privacy Infringement

Privacy infringement and the non-negotiable nature of online shopping contracts are other areas of consumer dissatisfaction. Also, consumers cannot resort to conventional methods of grievance redressal as the seller is often anonymous, with no geographical location or address, and only a website.

6.1.22 The Information Technology Act, 2000

The Information Technology Act, 2000, last amended in 2008, reflects the growing importance of the Internet in an average Indian's life. The main issues that are looked into include hacking, privacy, regulating authority and punishments for wrongdoers. However, this law does not focus on the interest of online shoppers, and is, therefore, of limited use to consumers who face problems while shopping online.

6.1.23 The Consumer Protection Act, 1986

It is also difficult to use the Consumer Protection Act, 1986, to resolve online shopping complaints, given the need for documentary evidence (in online purchasing, the availability of documentary evidence is restricted).

6.1.24 Cyber Jurisdiction

Since the Internet has no geographical limits, establishing cyber jurisdiction is yet another difficult task. Suing a retailer based overseas can be difficult, expensive, time consuming and it might not be clear from the website where the supplier is based.

6.1.25 Legal Action

The contract may be governed by the laws of the country from where the goods were supplied, rather than where it was bought. Legal action could include having to start court proceedings in the retailer's country, thus inconveniencing the consumer to a great extent.
Our CP Act very clearly specifies the norms for deciding the jurisdiction
- where the seller / service provider resides or
- where the seller / service provider carries out business or
- where the cause of action arises.

6.2 MEASURES TO BE TAKEN TO MAKE ONLINE BUYING POPULAR

6.2.1 E-Commerce Awareness

One of the biggest challenges for Online Shopping has been the skepticism surrounding security aspects of e-commerce, which has lowered confidence levels. Only remedy to this is to strengthen the transaction security to gradually build up confidence in online payment.

6.2.2 Varied Payment Options

In order to attract more and more customers' e-tailers has to increase the payment options as there are only small sections of people in India who are having credit cards so this also hampers some who are willing to shop online. More options like -on-delivery, money transfer, cheques or demand drafts, end-to-end payment should be made available to the customer who can adopt the best-suited method.

6.2.3 Awareness Regarding Security Measure

Security issues still continues to be a major drawback and trends like AVS (Address Verification System), PIN for credit cards, smart cards, digital signatures, e-cards, and easier intra- and inter-bank transactions online need to be made more prominent. Teaching Consumers to transact only on secure internet connections is also necessary.

6.2.4 Highlight the Benefit of Shopping At Home

Potential customers should be convinced of the benefits of shopping from home without having the pain of going out in the crowded places.
6.2.5 Make the Prices More Competitive

The price offered for online shopping should be made more competitive as compared to the prices of the goods available in the shops then only the customers will feel motivated to buy online.

6.2.6 Stress on the Special Offers

Customers should be made aware about the varied sales promotion schemes, which will make this online buying more attractive and popular among the buyers.

6.2.7 Emphasis on After Sale Service

As online shopping is gaining popularity day by day, the biggest hindrance in its path is the question on whom to blame if the product is not functioning well. Therefore, there should be more stress on the quality of products and the durability of the products, which are offered for sales and along with that assurance for after sales service.

The next chapter deals with Analysis and Interpretation of data.