CHAPTER 1

INTRODUCTION

1.1 Online retailing

The explosive growth of internet infrastructure and its allied services has radically transformed the retailing landscape throughout the global economy. Online shopping has grown like never before after the dot com bubble burst in 2000 (Grunert and Ramus, 2005). Internet has helped organizations to uncomplicated business operations and enables companies to deal directly with consumers by removing dependence on middlemen or agents. Removal of middleman reduces the overall cost of delivering product to consumer. In addition to this, online retailing improves communication between marketers and consumers through interactive feedback system (Yu, 2006). Interactive capability of internet has increased competitiveness of online retailers by revolutionising consumers’ online shopping experience (Doherty and Ellis-Chadwick, 2009; Levenburg, 2005).

Internet facilitates two way interactive communication with consumers, provide extensive and detailed product information, fast and cost effective collection of consumers information, broadens target market, helps to offer personalised services and enhance customer relationships (Basu and Muylle, 2003; Srinivasan et al., 2002). Busy lifestyle makes it difficult for consumers to shop at traditional retail stores which makes online retailing a viable alternative of traditional retailing (Celik and Yilmaz, 2011; Coker et al., 2011; Chang and Samuel, 2004). Consumers now have large number of online and offline retailing options to shop from without a compelling reason to prefer one retailer over another.

Online retailing has witnessed unprecedented growth by offering distinct advantages to both retailers and consumers, such as round the clock shopping convenience, saving travel cost, wider target market, lower expenses and broad range of services. After the event of global financial crisis in 2008, consumers’ confidence and budget for shopping have reduced significantly and all the businesses look to expand their operations globally for future growth prospects. Internet encourages globalisation by reducing political and economic barriers, which in turn acts as great encouragement for online retailing (Lee et al., 2001; Reynolds et al., 2012; Liu and Forsythe, 2010). Consumers have become more powerful than ever before while making purchase decisions due to accessibility to large number of products and
services at a single place, easily accessible information, large number of retailers to choose from and highly interactive communication platform between marketers and consumers. Earlier retailers had to remain dependent on consumers of nearby areas for sales. But now due to advancement in information technology and internet, marketers can reach to large number of consumers scattered all over the world across various geographic locations without physically going to that place (Strauss and Frost, 1999).

Consumers can order items ranging from groceries, mobiles, medicines, apparels, homes, tickets, even consultancy from doctors etc. through online retailing which was unimaginable in earlier times. Now-a-days people are reading newspapers and magazines online, learning through online tutorials, booking tickets online, and buying and selling used products over internet. Internet has provided a new shopping channel to the consumers in which shopping has become virtual form physical and it is no longer a time consuming process. The entire buying process ranging from need recognition, searching information about products and services, evaluation of alternatives, purchase decision, delivery, and post purchase behaviour (Kotler et al., 2009) can be conducted on internet in a much more efficient and effective manner. Internet has become a boon for the trading of out-of-the-way products like out-of-print books, classical music records, handcrafted items and rare collectables which were earlier very difficult to find. Internet has benefitted the sellers with higher margins and consumers with lower prices by eliminating middlemen who used to swallow a major chunk of profits. Online retailing existence and phenomenal growth truly reflects consumers’ need and want.

Retailing encompasses all the activities including selling of goods and services to the final consumer for their personal, family or household use. It includes every sale made by the retailer to final consumer ranging from cars, household items, movies tickets, travel packages, apparels, meals at restaurant and travel tickets. Retailing focuses on providing best services to the consumers in order to earn profit over a long period of time by retaining loyal consumers in a highly competitive environment. Retailer can be divided into two categories on the basis of place of operations, store based retailers and non-store based retailers. Store based retailer offers products and services to the end consumers through physical retail outlets. Physical retail stores can be of various types depending on size of store, nature of ownership and retail strategy mix. Most common type of retail stores on the basis of retail strategy mix are speciality stores, department stores, supermarket, convenience store, traditional department store, warehouse store, discount store, off-price retailer, superstore,
catalogue showroom, factory outlet, membership club, flea market and on the basis of ownership are independent store, chain, franchise, vertical marketing system, consumer cooperatives (Berman & Evans, 2007).

Non-store retailing or non-traditional retailing is a kind of retailing in which consumers do not visit a store physically to complete sales transactions. Some common forms of non-store retailing are direct marketing, direct selling, automatic vending machines, video kiosks and electronic or online retailing. In direct marketing goods and services are presented to consumers through non-personal medium like TV, radio, newspaper, computer and mobile and then consumer places order using phone, mail or computer. Online retailing includes buying of goods and services through electronic data transmission using online shopping websites and applications through internet and World Wide Web (Grandon and Pearson, 2004).

1.2 Online retailing buying process

Online shopping process starts by consumer’s opening and logging on, if necessary, to the online retailer website or application. Then shoppers search the desired product or services through search procedure. Price and product comparison are commonly used by the buyers to ascertain the pros and cons of a product or service with respect to other items available. If consumer is satisfied with that product or service then he or she places the order by adding that product to shopping cart. The buyers may return to retailer website again to choose more products. After selecting all the items buyer heads for checkout option, and fills shipment and payment options. Consumer finishes the purchase process by finally submitting the order after checking all the details for accuracy. The place where all this process of selling takes place is known as online marketplace or e-marketplace. Online marketplace is a virtual electronic marketplace where online retailers and shoppers meet, and complete the transactions (Turban et al., 2015).

1.3 Historical development of online retailing

During early nineties no one would have imagined that we would be able to shop anything from anywhere sitting in our bedrooms. Activities related to purchase decisions like information seeking, searching for bargains and expressing dissatisfaction about services by visiting retail store is matter of past now. Online retailing has completely altered the activities related with buying process. Internet and World Wide Web are behind this significant transformation. Internet has created a significant impact on the way we work, purchase
products and services, make payments, and the way we socialize with each other. Internet is a globally connected electronic highway of computer networks linked with each other through satellites and telecommunication lines. Internet is believed to be most important communication tool since the invention of T. V. World Wide Web is a tool to access information on internet through easy to use web addresses and web-pages. Web can be browsed using browsing softwares like google chrome, opera, safari, firefox etc.

Now it is widely acknowledged that internet has ability to transform consumers’ shopping experience due to its wider reach and interactive capabilities. Internet assists retailers to broaden target market by bringing a large number of consumers within its ambit. Internet provides real time information and facilitates like two way communications between retailer and consumers. Internet allows retailers to serve their consumers more efficiently and effectively through better customer relationship management, extended product lines, cost effectiveness and customised offers (Basu and Muylle, 2003; Srinivasan et al., 2002). By doing so it offers unique competitive advantage to the online retailers over traditional retailers (Wolfinbarger and Gilly, 2003; Doherty and Ellis-Chadwick, 2009; Levenburg, 2005; Turban et al., 2015).

A glimpse at the evolution of online retailing is necessary to better understand the current scenario of online world. Online retailing has its roots with development of online commerce in nineteen sixties. Online commerce was introduced around forty years ago in nineteen sixties in the form of electronic fund transfer and electronic data interchange among organisations. These technologies facilitated electronic information exchange and online transactions of purchase orders and invoices from one organisation to another using standardised data formats for orders, invoices and business transactions. Electronic data interchange and electronic funds transfer act as the foundation for online commerce (The history and evolution of e-commerce, 2008; Turban et al. 2015).

Michael Aldrich English inventor and entrepreneur developed the concept of teleshopping in 1979 by connecting televisions with order processing computer and telephone line and coined the term teleshopping (Roos, 2008). It can be observed from the widespread use of electronic data interchange and electronic funds transfer by professionals that online commerce would have a great future ahead. There were certain roadblocks which were obstructing the reach of online commerce to the masses. Factors like higher cost and difficulty to use computers prevented widespread use of online commerce until precursor to the internet named minitel was not launched by France in 1982. Minitel interconnected
millions of computer users to a computing network and its services were free to the telephone subscribers. Development of credit cards, telephone banking and ATM machines was the next step which assisted the evolution of online commerce (Miva, 2011).

In 1990 CERN scientist Tim burners lee developed World Wide Web, URL, HTML and HTTP essential to avail web services. Tim also developed first web server and designed first web browser (Source: http://www.internetsociety.org/internet/what-internet/history-internet/brief-history-internet). Internet shopping saw phenomenal growth when restrictions on commercial use of internet were removed by National science foundation (Source: http://webfoundation.org/about/vision/history-of-the-web/). From starting of online commerce there were serious concerns about safety and security of data transmission among users. But with the development of secure socket layers (SSL), a security protocol and encryption certification by Netscape browser in 1994 offered safe and secure transmission of data and information over internet. With the help of Netscape secure socket layers browsers were able to detect the authenticity of a website and also it can be ascertained whether a particular website can be trusted or not for online transactions (Source: http://www.internetsociety.org/internet/what-internet/history-internet/brief-history-internet).

In 1995, two biggest names Amazon and eBay in the online retail history were introduced to the world. Amazon started as online book store and eBay started as holding online auctions where anything can be sold. Amazon and eBay was the pioneer in making online retailing brands and truly the most recognisable name in the online world. Amazon which started with selling books gradually started selling large variety of products and services like electronics, softwares, music, games, apparels, beauty products and household items. Amazon was the first company to use referral advertising on webpages containing ads and pop-up messages depicting products and services offered by Amazon and in return amazon pays commission to other websites. Amazon was the pioneer in affiliating third party merchants and offered them to sell their products and services on Amazon’s website. Amazon earns thirty to forty percent of its revenues thorough affiliate marketing. Initially business model adopted by Amazon required huge amount of investments to create physical infrastructure and that is the reason why Amazon can only make its first profit in 2003 almost eight years after the start of the company (Miva, 2011; Tuban et al., 2015).

Computer and hardware retailer giant dell initially sold its products through online channel only and was highly successful in doing so. Success of dell with selling products through online medium made it one of the largest online retailers at that time (Source:}
http://sellitontheweb.com/blog/history-of-e-commerce/). In 1995, search engine yahoo was launched which allowed larger population to connect with internet. In 1998, Google was launched and it completely changed the information seeking behaviour of internet users (Source: http://www.spirecast.com/history-of-e-commerce/). During this period many entrepreneurs came up with some brilliant ideas and most of them were able to get generous investments from venture capitalists. This leads to speculation in the online market and this was named as dot come bubble. Anything starting or ending with e or .com was a great hit and stock markets were at great height. When this speculation was over, it wiped off billions of dollars of investors’ money and leads to one of biggest stock market crash worldwide.

Dot com collapse leads to closure of many information technology and online commerce companies. This epic collapse of online companies guided others by providing valuable Do’s and Don’ts of online world for making alternative business plans to serve consumers. In 2004 payment card industry security standards council (PCI) was established to ensure compliance of security and safety standards of account data by online businesses (Source: https://www.pcisecuritystandard.org/). Online retailing has been growing by leaps and bounds thereafter due to strict compliance of safety standards and improvement in consumers’ trust in online retailers. Online retailing will continue to grow and expand in the near future due to improvement in internet infrastructure, highest ever consumers’ confidence and unprecedented sale of mobile and another internet enabled devices (Turban et al., 2015).

Internet which was started as experiment to interconnect government and other organisations of national importance in United States of America has now reached to every corner on planet. Internet has connected large number of people around the world through decentralized networks of computers having around 2,520 million users till the end of 2015 (Ecommerce Foundation, 2016).

1.4 Recent global trends in online retailing

In its early times online retailing was dominated by companies like Amazon, e-bay, yahoo and AOL. Now online marketplace has been flooded by huge number of online retailers offering customised products and services. Social networking websites and search engines like facebook, twitter, LinkedIn, Google are taking online retailing world to a whole new level. Theses websites are providing new ways to promote and sell products and services online. Features like brand groups, fan pages are helping companies to join more and more consumers with them. Social networking sites and search engines have become major growth drivers for online retailers by attracting large number of online buyers. Companies like
Amazon, eBay, Pandora, Google, Yahoo, Facebook, PayPal, LinkedIn, Cisco, IBM and Intel are just a few names of online world which have witnessed tremendous growth due to spread of online commerce in every corner of the world. Revolution in technology has made online companies as big and powerful as their traditional counterparts. No other company has made a significant impact in the online world like Google did. Google promote advertisements of various third party online retailers and other companies in a better way. Google has made this promotional activity so much effective that no other competitor is able to do it that way (Turban et al. 2015).

A new terminology has emerged in online field named social networking commerce. It utilises the popularity of social networking sites like Facebook for promoting products, services or any other cause. Social networking sites provide dedicated web spaces to users for developing their promotional web space to promote their desired content. In return social networking sites and search engines earn healthy amounts from promoters (Turban et al. 2015). Innovation of augmented reality has opened many new ways to promote products and services in the online marketplace. In this technology a real like copy of physical world is presented to the consumers with the help of computer supported sensory inputs like audio, video, animation and graphics. Such an arrangement in online marketplace makes the consumers feel like real world purchasing and takes the overall buying experience to a whole new level (Turban et al. 2015).

Global Online Retail Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in Billion Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1895</td>
</tr>
<tr>
<td>2015</td>
<td>2273</td>
</tr>
<tr>
<td>2016 (forecast)</td>
<td>2671</td>
</tr>
</tbody>
</table>


Fig. 1.1: Global online retail sales in billion dollars
Online retailing market is growing worldwide consistently on a steady pace especially in BRICS (Brazil, Russia, India, China and South Africa) countries. At the end of 2015, around 2,520 million people were using internet worldwide and 1,436 million people purchased goods and services online. Online retailing contributed around seven percent of total worldwide retail sales in 2015. Out of total global GDP of USD 73,106 billion, 3.11 percent was contributed by online retail.

Global online retail sales reached at USD 2,227 billion in 2015 and expected to reach USD 2,671 billion at the end of 2016. Services contributed 38 percent and goods contributed 62 percent in global online retail sales and average online spending by a shopper was at USD 1,582 in 2015. China maintained its position at number one in online retail sales at USD 766.5 billion, followed by USA USD 595.1 billion and Britain USD 174.5 billion. These three countries collectively account for 68 percent of total global online retail sales worldwide. While India is not even in the top ten having only 82.3 million online shoppers, USD 25.5 billion online retail sales, average spending per online shopper at just USD 205, e-GDP ranking at 32th and 1.7 percent share of online retail in total retail sales. Whereas China had 413.3 million online shoppers, USD 766.5 billion online retail sales, e-GDP ranking at 1st and average spending per online shopper USD 1,855 (Ecommerce Foundation, 2016).

1.5 Evolution of Online retailing in India

In early nineties when internet witnessed remarkable growth in commercial usage, no one ever imagined that buying and selling of product and services online would be feasible and would become a global trend. In India online retailing was started way back in 1999, when rediff.com started selling products through its web portal. In 2000 indiatimes.com entered in online market. Both rediff.com and indiatimes.com could not produce any significant impact in online space. Burst of dot com bubble in 2000 led to halt in online commerce activities throughout the world. In the same year unknown online marketplace named baazee.com was introduced to Indians to sell and buy pre-owned products and it became very popular in India until it was acquired by eBay in 2004 (Dudhewala, 2017).

Indian first time truly interacted with online commerce when Indian railway offered online reservation of tickets to the masses in very convenient manner through IRCTC online passenger reservation system in 2002. Indian population very first time witnessed the benefits of online system and very soon majority of the population accepted it. After the success of Indian railways online reservation system many airlines like Air Deccan, Indian Airlines and
Spicejet came forward with the idea of online booking of air tickets in 2003. In 2005 and 2006 two highly successful online travel web portals make-my-trip and yatra.com was launched, and these two web portals completely transformed the tourism and travel industry. Make-my-trip and yatra.com started selling holiday packages, hotel bookings and other related services to the travellers. These two websites encouraged the traditional Indian to make payments through online mediums like debit or credit cards. In 2007 entertainment ticketing website bookmyshow.com was launched in India and became India’s largest online ticketing websites. It sells tickets of every kind of events ranging from movies, sports, theatres and rock shows. Bookmyshow.com makes its consumers delighted by offering them the facility to choose the desired seats (SoftwareSuggest, 2016).

Online commerce continued to grow with improvements in internet infrastructure, innovation by online vendors and ever increasing rate of adoption of online services by consumers. Consumers were readily buying services online but there was hesitation to buy physical goods online due to lack of trust in delivery systems. Payment for product in India is followed by closer inspection of product and hand to hand delivery of goods, but this feature was absent in online retailing. Scenario in online retailing marketplace persisted in the similar trend until flipkart.com was launched in 2007. Flipkart offered cash on delivery to overcome the trust issues related to transit facilities for delivery of products. Cash on delivery is most used payment method by Indian online consumers. In addition to this, flipkart offered convenient return and replacement services, and free and quick home delivery. All these offering from flipkart helped to gain the trust of online buyers and brought confidence in consumers with online retailing which leads frequent online purchases and positive word of mouth for flipkart. Very quickly flipkart became a buzzword in online world through its offerings and became India’s biggest online retailer and a billion dollar company. Flipkart has established warehouses all across the country in order to reduce cost of inventory, time and cost of delivering products to consumer. Flipkart has also started its own logistics company e-Kart to reduce cost and solve problems of late and faulty delivery of products which helped to minimize consumer dissatisfaction and product returns (Ernst & Young, 2012).

Myntra.com and Mydala were launched in 2009. Initially Myntra used to sell personalised products, later on in entered into fashion and apparels segment. Mydala was first group buying site. Snapdeal was launched offering daily deals on various products in 2010, but later on in 2011 it become a full fledged online retailer. Today it is one of the largest online retailers in India. Infibeam created online platform for small business owners to sell
their products and services through online marketplace named Buildabazaar.com in 2011. Infibeam offered customised webpages to business owners to create their individual web stores where they can upload their products, customise their webpages and sell their products at desired market places. Flipkart acquired digital platform company Mime360 and bollywood news site Chapk.com in 2011 (PWC, 2014).

Flipkart acquired letsbuy.com in 2012 and also launched flyte digital music store which was subsequently closed in 2013 due lesser than expected sales. Jabong promoted by rocket internet launched its operation as Indian lifestyle and fashion online portal. Jabong targets mostly small towns and its mostly sales are coming from tier 3 and sub-urban areas. Myntra acquired Shersingh and Exclusively.in specializing in sports and ethnic wear in 2012. Amazon launched its initial online services by creating a shadow online web marketplace in India, named jungle.com, due to uncertainty in FDI regulation. Indian postal department started its major modernisation drive to consolidate its operations to become preferred partner of Indian online retailer to reach widest areas in India (Dudhewala, 2017).

Amazon launched its full fledged services in 2013 under its parent brand name Amazon.in. It started with selling electronic items and now it offers 15 millions products by expanding its offering to every possible product category. Amazon which is known for its very strong last mile delivery has seven distribution centres in India. Amazon is first online retailer in India which offered same day delivery options. Amazon launched cash on delivery option for its consumers first time in the world in compliance with online market norms in India. Myntra acquired fitiquitee virtual fitting room service provider web portal form San Francisco to offer virtual trial rooms to its online shoppers to overcome the issues of size or fitting with fashion apparels (Source: http://www.statista.com/topics/2454/e-commerce-in-india/).

Flipkart acquired Myntra in 2014 and raised USD 1 billion making whopping valuation of Flipkart at USD 7 billion making it the most valued online retailer of India. Amazon joined hands with Narayan murthy in order to bring offline small retailers and SMBs under the ambit of online retailing to take the advantages of ever growing number of online shoppers in India. Later on Amazon announced to invest USD 2 billion in its Indian operations (Ramalingegowda and Shrivastava, 2014). Currently Flipkart is ranked as number one online retailer in India followed by amazon and snapdeal (Source: http://economictimes.indiatimes.com/industry/services/retail/amazon-pips-snapdeal-to-become-indias-2nd-largest-online-marketplace-after-flipkart/articleshow/52017176.cms).
1.6 Major online retailers in India

Table 1.1 exhibits prominent online retailers in India across various products and services offered.

Table 1.1: Prominent online retailers in India across products and services offered

<table>
<thead>
<tr>
<th>Name of Online retailers</th>
<th>Products and Services Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flipkart.com, Amazon.in, Snapdeal.com, ShopClues.com, Homeshop18.com, eBay.in, Naaptol.com, Futurebazaar.com, Rediff.com, Sells everything ranging from mobile, clothing, T.V., Gift vouchers, home appliance</td>
<td></td>
</tr>
<tr>
<td>Myntra.com, Yepme.com, Jabong.com, Inkfruit.com, Jovi.com, Yebhi.com, Fashionandyou.com, Koovs.com</td>
<td>Fashion items, footwear, accessories, jewellery and beauty products, Apparels and other wearable</td>
</tr>
<tr>
<td>Makemytrip.com, Yatra.com, Trivago.com, Thomascook.com, Coxandkings.com, Goibibo.com, Expedia.com, SOTC.com, Akbartravels.com, Travguru.com, IRCTC.com, Bookmyshow.com, Nearby.com</td>
<td>Tour &amp; Travel packages, Hotel reservation, Events and movies tickets, restaurant, SPA</td>
</tr>
<tr>
<td>BigBasket.com, Zopnow.com, Amazonkirana.com, Grofers.com, Localbanya.com</td>
<td>Online Groceries</td>
</tr>
<tr>
<td>Urbanladder.com, Pepperfry.com Home and office furniture and modular supplies</td>
<td></td>
</tr>
<tr>
<td>Babyoye.com, Firstcry.com Baby care products</td>
<td></td>
</tr>
<tr>
<td>PayTM.com, freecharge.com Mobile/DTH recharge, bills payment</td>
<td></td>
</tr>
<tr>
<td>Lenskart.com Eye glasses</td>
<td></td>
</tr>
<tr>
<td>Olacabs.com, Uber.com Cab/Taxi booking</td>
<td></td>
</tr>
</tbody>
</table>

Source: The-Shopaholic-Diaries (2011)

1.7 Current scenario of online retailing in India

Around a decade ago when there were no flipkart, amazon and snapdeal, consumers in India used to visit frequently at convenient neighbourhood stores even though facing traffic, weather problems, long lines etc. Online shopping was available too but people did not trust online shopping as they felt uncomfortable using credit or debit cards and giving personal or financial information to the online retailers. That all has changed with advent of cash on delivery started by flipkart and followed by other online retailers. Online shopping spree has started in a full swing though it started late than other emerging economies like China but it will be at par with major online retailing markets in the world in the near future.

There were 92 million internet users in India in 2010, internet users’ number surged to 354 million till 2015 and it has increased to 462 million in June 2016. Out of these 354 million internet users only 55 million are online shoppers who have purchased something...
Online. This number is expected to reach 80 million online shoppers with improvements in internet infrastructure and ever growing sales of Smartphone (PTI, September 2016).

![Indian Online Retailing Sales (In Crores)](image)

Source: IAMAI-IMRB, 2016

**Fig. 1.2: Online retailing market size in India**

Online retailing has witnessed phenomenal growth in recent three to four years with improvements in internet infrastructure, wide scale acceptability promotion activities by online retailers. Online sales were Rs 26263 crores in 2010 and in 2015 it reached at a whopping level of Rs 125732 crores. Online retailing sales were expected to reach at Rs 211005 crores till the end of 2016 (A lawadhi, 2016; IAMAI-IMRB, 2016).

Online travel industry shared major portion of online retailing by contributing 61 percent to total online retail sales. Online tickets booking and hotel booking were major services availed by online shoppers under online travel category. E-tailing followed online travel by contributing 30 percent to the online retail sales. Financial services, matrimonial services and classified services accounted for 6 percent of online retail sales. Other online retailing services like entertainment, commuting, grocery and food delivery contributed 3 percent to total online retail sales in 2015 (Alawadhi, 2016; IAMAI-IMRB, 2016).

Online ticket booking has been major contributor to the online travel sales in India. It contributed Rs 67,801 crores in online travel sales followed by hotel booking (Rs 5200 crores), bus booking (Rs 1952 crores), tour packages (Rs 702 crores) and travel insurance (Rs 741 crores). Mobile phone and its accessories (Rs 14109 crores) is highest selling item in E-tailing category. Mobile sale is followed by apparels, footwear, healthcare accessories (Rs 7142 crores), consumer durables, kitchen appliances (Rs 6452 crores), laptops, net books, tablets, desktops (Rs 4726 crores), home furnishing (Rs 1468 crores), jewellery (Rs 1120...
crores), other products (voucher, coupons, toys, gifts, flowers, handicrafts, stationary (Rs 994 crores), books (Rs 875 crores), and camera and accessories (803 crores). Financial services contributed Rs 5231 crores, matrimonial market contributed Rs 2592 crores, online entertainment contributed Rs 1100 crores, online commuting contributed Rs 878 crores, online grocery delivery contributed Rs 145 crores and online food delivery contributed Rs 1700 crores to Indian online retailing sales in 2015. (Alawadhi, 2016 and IAMAI-IMRB, 2016).

When it comes to making payments for products and services purchased online cash on delivery (COD) is undoubtedly the most preferred choice for Indian shoppers. Approximately 45 percent of online shoppers made payments through cash on delivery followed by 21 percent paid by debit cards, 16 percent paid by credit cards, ten percent paid by internet banking and eight percent online shoppers made their payments through cash cards, mobile wallets and such mode of payment (Assocham, 2016).

Online retailers have taught sceptical Indian buyer to make digital payments before getting actual products and services in hand. Indian buyers are shopping online using digital payments like never before. There were 19 million credit cards and 350 million debit cards in India as at December 2015 (Goyal, 2013).

Resurgence in online retailing sales in India is heavily supported by strong rise in demand of smart phones. Out of total purchases made with online retailing, more than 50 percent were made through mobiles (Tang & Ann, 2015; https://www.statista.com/statistics/388917/india-mobile-commerce-retail-share/). This sudden rise in m-retailing is supported by 100 million smartphone shipments in India in 2015 alone. Online consumers feel more comfortable using mobile for online retailing than computers (IDC, 2016).

Online retailing has made information seeking task quite easier and convenient for consumers by offering huge amount of information in form of product specifications and consumer reviews to assist consumers in better decision making. It has become a trend in online world to search information about the product or service which an individual is going to purchase using internet and subsequently purchase that product through traditional retailers. This has led to development of a new terminology ROPO means research online purchase offline. Study conducted by IMRB & I-cube in 2015 indicated that less than 50 percent look for information shoppers actually purchased online and the remaining shoppers searched information about product and later purchased that product from offline retail stores (IAMAI-IMRB, 2016).
Fig. 1.3: Research online purchase offline behaviour of Indian shoppers

1.8 A new era of competition in retailing: Offline versus Online retailing

With the evolution of online retailing in 1990s it became evident that spread of online retailing will hurt traditional retailers. Advent of online retailers has created a new level of competition in the retail sector. Prices are falling, margins are squeezing and there is tremendous pressure on retailers to survive in the market. Many retailers have either gone out of business or will very soon go. Reason being, online retailers have become diversified and they have started selling everything in a very convenient manner. Amazon which started with selling books online now sells each and every household item with same day delivery options. Attractive prices, customised delivery time options (Ranging from Few hours to few days), lower distribution cost, abundance availability of relevant information, interactive shopping experience has given a edge to the online retailers to lure and retain consumers.

Online retailers persuade consumers with heavy promotional offers and interactive media platform and causing significant dent in traditional retailers’ sales and profits. Electronic retail chain croma has witnessed net losses for the first time since its inception due to stiff competition from online retailers. Other major offline retailers are also feeling the pinch with aggressive spread of online retailing in form of decreasing sales. It has become a trend for online retailers to hold aggressive sales and discounted offers during festival seasons. Retailers are bleeding as major chunk of festival sales are taken by online retailers.
by organising mega sales like flipkart big billion day and amazon great Indian sale. All this has forced traditional retailers to redraw their strategies in order to lure consumers (Malviya, 2016).

Offline retailers in India have approached central government for complaining about huge discounts offered by online retailers and directly or indirectly influencing selling prices. Retailers asked government to intervene and provide a level playing field as retailers accused online retailers like flipkart and amazon initiating advertisement war and holding mega sales by offering huge discounts. Online retailers having huge amount of foreign investments offered big discounts to the shoppers during festivals and selling million dollar products in a matter of days which has not been seen earlier in retail industry. This has shocked traditional retailers as online retailers are consuming their major chunk of festival sales and made them think about survival. In reply online retailers told government they do not influence prices as all the discounts are offered by the sellers. Government earlier this year issued norms regarding discounts offered by online retailers. Only sellers can offer discounts and limit has been fixed for vendors that a particular vendor cannot sell more than 25 percent of total sales of an online retailer (Bureau, 2016).

1.9 Omni-channel strategy

Omni word means all and omni channel means all channels. Changes in consumers’ preferences and buying patterns have forced marketers to reach consumers in every possible way. Retailers cannot remain dependent on any single channel to target consumers to grow and survive in this highly competitive retail scenario. Omni channel should not be misunderstood with just having several sales channels. Omni-channel is multi-channel approach which focuses on providing flawless shopping experience to the shoppers. Omni-channel is a collaborative marketing strategy where one channel of marketing supports other channels and helps to overcome the limitations of a particular channel in order to improve overall effectiveness and efficiency to boost sales (Kumar, 2016).

Omni channel retailing enables a consumer to perform one task in first channel and do the second task in another channel to improve overall shopping experience. Likewise consumer place order from online store and pick-up the product at off-line store after physically examining the product and vice versa. Retailers agreed that they have started investing in programs which provides facilities like purchase online and pick-up in store or delivered from preferred store. Consumers now prefer both touch and feel experience of conventional stores as well as convenience offered by online retailing. As we know online
shopping is exploding in India, it still represents tiny share of total retail sales. With majority of consumers still prefer to shop at traditional retailers, just focusing on one channel will not provide the desired results to the retailers. Online retailers like flipkart, snapdeal and amazon have persuaded the Indian consumers to shop online by various means. Online retailers have shifted their focus to offline channels to help consumers experience the product or service and educate consumers to shop online (Source: http://www.iksula.com/top-five-omni-channel-retail-trends-in-india/).

Retailers whether online or offline have understood that being present on only one marketing channel is not sufficient and they need to tap every feasible channel to serve consumers. During 2014-15, Indian online retailers started to focus on other than online retailing channels to target larger number of consumers having high disposal income and negligible loyalty with retailers. Major retailers in India like amazon, FirstCry, Pepperfry, Van Heausen, Raymond, Lenskart, Flipkart, CatrLane and Snapdeal have blended both online and offline retailing channels to serve consumers more effectively (Das, 2016).

Amazon has set up Amazon Kendra in smaller towns and cities of Maharashtra. Consumers not having internet access can shop at amazon kendra and pick up the products at the same store. Recently lifestyle brand Van Heusen launched its first digital technology enabled store where consumers can virtually preview the selected apparels using virtual trial mirror without going to actual trial rooms. Online furniture retailer pepperfry has launched six concept stores named as Studio Pepperfry. Salespersons at physical stores having detailed knowledge about extended range of pepperfry products and services assist consumers to purchase furniture as per the need and preference of consumers. Theses offline studios are generating 10-15 percent of pepperfry sales (Girish, 2016).

Consumers have become more powerful in terms of purchasing power due to availability of large number of retailers and channels to choose from. Retailers’ best interest lies in fulfilling the desire of consumers by offering services through multiple channels. Omni channel presence of both online and offline retailers has become a necessity and expected to grow in near future as targeting consumers through only channel will not bring desired results. Top retailers in India have already adopted omni channel presence. Omni channel has emerged as a boon for both retailers and consumers as it allows consumers to select the most convenient channel to buy and simultaneously helping retailers to retain their consumers. It can be expected in near future that there will be no such thing like war between offline and online retailers, as every retailer will occupy space on both channels.
1.10 Future prospects of online retailing

Online retailing in India has witnessed remarkable growth in the recent times due to large scale adoption of internet services. Internet has changed the way we used to live and it has affected the way consumers make routine transactions on a daily basis. Major enablers for this phenomenal growth of online retailing in India are convenient delivery options, easy returns and replacements, time saving, promotional offers, deals and discounts, quick price comparison, increased computer and smart phone penetration, growth in number of internet subscribers, declining internet tariffs and subsequent higher internet usage, rising disposable income, rapid urbanisation, lack of time to physically visit retail stores, need for convenience, various payment options specially cash on delivery, increased average transaction value and most important increased level of trust on online retailers by consumers through enhanced security features having multiple authentication layers while making online transactions (Malviya, 2015).

Online retailing growth and widespread acceptance by consumers across the world has provided never seen before opportunities to online marketers. Online retailing is the best thing that can take place for Indian middle class consumers, who always have focused on getting the best value for money. Online retailing has started a new era of bargain hunting, mostly sought by middle class all across the globe. Phenomenal rise and growth of online retailing in developed countries like China indicates that online retailing is the future of retailing. Even after so much fun fare about growth and future prospects of online retailing, online sales in India represented just 1.6 percent of total retail sales in 2015 and it was expected to be 2.5 percent at the end of 2016. Whereas for our neighbour China online retail sales was around 16 percent in 2015 and expected to become 20 percent at the end of 2016 of total retail sales (Chanchani, 2016).

Recently online retailers like Flipkart, Zona to and Snapdeal has been devaluated by investment firms and they are struggling for fresh investments. It has forced online retailers to scale down operations and removing low margin in brands from the selling list. Fashion apparels major Myntra has to revert back to desktop version from app only sales due to big cut in revenues (Nair, 2016). Cash on delivery and high rate of return, lack of personal touch and feel factor, cybercrime, logistics, lack of consumer loyalty and high cost of acquisition and tax rates are major challenges holding back the growth of online retailing in India and obstructing our ways to become a major online hub like other Asian countries Japan and China. (Mahajan, 2015; CII, 2016)
If these challenges are not taken care sincerely then it will be very difficult for retailers to survive in a highly competitive and dynamic online world. Online consumers are known for their low tolerance and loyalty. Managing challenges is necessary to avoid the possible negative effects on consumers leaving the online shopping channels. How effectively these challenges are managed by online retailer will lead to variation in services offered and can act as potential competitive edge to attract and retain consumers in a long run.

India has been considered as laggard in adopting innovative technologies, same is the case with online retailing as it represents a tiny fraction (1.5 percent) of India’s retail sector. Nevertheless strong growth is expected in the coming years through exponential increase in internet users, which stands at 350 millions and expected to reach 500 million in 2020 (PTI, September 2016). Online shopping is speeding up in India like never before. Big industry players have entered into online field like Birla’s Abof, Reliance Ajio life and Tata’s Tatacliq. Amazon has invested USD 2 billion in India and Tata has invested in online space through its newly launched online jewellery platform Caratlane. Online retailing will constitute around 25 percent of organised retailing in India and expected to reach USD 60 billion in 2020 (Nair, 2016).

Around the world consumers are shifting from desktop to mobile and in India we have skipped this transition altogether. India has become one of largest smartphone market after China. Combination of rising income, better internet connectivity and awareness among Indian buyers will assist online retailing to grow in the near future. Factors like better online connectivity and information sharing among online buyers, improvement in delivery methods, utilisation of artificial intelligence to understand consumers’ needs and preference will assist online retailers to gain some useful insights about online buyers and serve consumers in a much better way (Gaur, 2015). Online retailers are expected to invest six to eight billion dollars in warehousing and development of logistics infrastructure in coming years (PTI, June 2016). Implementation of goods and services tax will be a game changer for online retailing. It will create unified market across India, reduce documentation work for cross border transportation and improve taxation regime significantly (Goel, 2016). Despite slow growth of online retailing, India has the potential to become online retailing hub like China due to large and young population base. More Indian will join the online world in next 15 years than any other country in the world (The Economist, 2016). From the above discussion it can be said that future of online retailing in India looks really bright.
1.11 Rationale of the study

Consumer expresses his/her emotions or feelings with a particular product or service by liking or disliking it. By doing this consumer exhibits their attitude with that particular object. So attitude plays a crucial role to answer certain questions like how a consumer will respond to the advertisement and will he or she buy the advertised product or service. In short attitude can be referred as how a consumer is likely to respond in a favourable or unfavourable manner towards a products or services being offered. Formally attitude can be defined as *a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given object* (In original: Schiffman & Kanuk, 2004).

Online retailing has witnessed unprecedented growth by offering distinct advantages to both retailers and consumers, such as round the clock shopping convenience, saving travel cost, wider target market, lower expenses and broad range of services. Consumers have become more powerful than ever before while making purchase decisions due to accessibility to large number of products and services at a single place, easily accessible information, large number of retailers to choose from and highly interactive communication platform between marketers and consumers. Busy lifestyle make it difficult for consumers to shop at traditional retail stores and it makes online retailing a viable alternative of traditional retailing (Celik and Yilmaz, 2011; Coker et al, 2011; Chang and Samuel, 2004). Consumers now have large number of online and offline retailing options to shop from without a compelling reason to prefer one retailer over another.

Advanced economies like America and Europe are facing slowdown in consumers spending, which is hampering the revenues of major retailers. So organisations are now searching for new markets with high growth potential. Luckily for them there are certain countries with large population base and significant internet penetration like India and China offering large number of potential consumers. Chinese government has been very infamous about its strict censorship policies, which makes it very difficult for online companies to operate in china. In addition to this, home grown Chinese online retailers like alibaba give very tough fight to foreign retailers, so online retailers have left with only one option that is to tap India’s under penetrated online market. Indian middle class is largest consumer segment after China, even much bigger than whole population of United States of America. In addition to this India is now welcoming the companies from all around the globe to make investments and major organisations are fighting to find a suitable space in rapidly growing Indian economy.
India is no more a third world country, as it has been investing huge sums of money on infrastructure development and raising living standard of its people. Internet infrastructure is also improving in India, and more and more people are joining the online world every day. With 462 million internet users and 55 million online shoppers, India truly has the potential to become one of the major online retailing hot spot in the world. This unprecedented leap in number of internet users has attracted many organisations and motivated them to market products and services online to Indian consumers (PTI, March 2016). Online retailing has witnessed phenomenal growth in recent three to four years with improvements in internet infrastructure, wide scale acceptability of online retailers and aggressive sales promotion activities by online retailers.

Online retailing has attracted prominent researchers and marketers to understand and predict consumers’ online retailing behaviour. Understanding the consumers’ characteristics about this new medium of shopping is crucial for businesses, because it will help marketers to accurately target potential consumers. Online marketing strategies, decisions and technologies should be designed as per the understanding about the factors motivating consumers to shop online. Earlier research have identified that adoption of online retailing by consumers really depends on type of product being purchased, perceived risk and past online shopping experience (Liang and Huang, 1998), convenience (Kim & Kim, 2004; Khatibi, Haque, & Karim, 2006; McKinn ey, 2004), lower prices (Chua et al., 2006), fun (Parasuraman, Zeithaml, & Malhotra, 2005), wider selection (Chua et al., 2006) and better customer services (Shergil and Chen, 2005).

Attitude plays a critical role to influence purchasing intention of consumers over internet and there exist ample evidence for positive association between consumers’ attitude and purchase intention (Chen and Dibb, 2010; Jalilvand and Samiei, 2012; Jarvenpaa et al., 2000; Li et al., 2008; Tsai et al., 2011; Zimmer et al., 2010; Shu and Chuang, 2011). Davis (1993) found that consumers’ attitude towards online retailing firstly depends on online retailing features, these features depicts consumers’ perception about utilitarian and functional dimensions of online retailing like usefulness and perceived ease of use and hedonic dimensions like emotions and enjoyment (Menon and Kahn, 2002; Childers et al., 2001; Mathwick et al., 2001).

In addition to these online retailing features some exogenous factors also moderates consumers’ attitude and purchase intention towards online retailing. Related exogenous factors are consumers’ traits and demographic information (Burke, 2002; Dabholkar and Bagozzi, 2002; Brown et al., 2001; Eastin and LaRose, 2000), product characteristics (Elliot
and Fowell, 2000; Grewal et al., 2004), previous online retailing experience (Shim et al., 2001; Eastlick and Lotz, 1999) and trust in online retailing (Yoon, 2002; Lee and Turban, 2001), expertise (Novak, Hoffman, and Yung, 2000), perceived privacy (Cheung and Lee, 2001; Flavian and Guinaliu, 2006), perceived security (Cheung and Lee, 2001; Ranganathan and Ganapathy, 2002), electronic word of mouth (e-WOM) (Rose et al., 2012), perceived behavioural control (Ajzen, 1991, 2002; Shim et al., 2001), personalisation (Rose et al., 2012), perceived risk (Tan, 1999; Stanton and Eckford, 2004), delivery service (Vijayasarathy, 2002; Gurau et al., 2001), subjective norms (Ajzen, 1991, 2002; Teo and Pok, 2003), and satisfaction (Khalifa and Liu, 2007. All these important dimensions which play a key role in predicting consumers’ online retailing behaviour have been utilised in the current study.

Online retailing is still a new phenomenon for a larger section of population in India. Majority of the Indian population learned to shop online when flipkart was launched in 2007 and it offered cash on delivery services first time in India. Prior to that online retailing was alien for majority of the Indians. In the recent times lots of things have taken place in Indian online retail space, many of new retailers have joined the online world and many of them have perished, but still marketers are highly optimistic about the future prospects of online retailing in India.

Research studies examining consumers’ online retailing behaviour are still at its infancy in India even after a decade of phenomenal growth, as most of the studies in online retailing have been conducted and available in the current literature are from outside Indian context. Even significant numbers of studies have been carried out in China to explore consumers’ online shopping behaviour (Sun and Wu, 2004; Willis and Worthington, 2006; Worthington et al., 2007). In addition to this, researchers in India still lack adequate understanding about how important attributes like consumers’ attitude and demographics would influence online retailing behaviour. The current study focuses on identifying the factors affecting consumers’ online retailing behaviour and association of consumers’ demographics with online retailing behaviour, which would be of immense use for online marketers for promoting products and services. Current study would also provide useful insights regarding consumers’ attitude towards online retailing and assist marketers to take key decision pertaining to target online shoppers more effectively.