



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

International Journal of Recent Scientific Research
Vol. 10, Issue, 07(J), pp. 34007-34010, July, 2019

**International Journal of
Recent Scientific
Research**

DOI: 10.24327/IJRSR

Research Article

ORGANIZED RETAIL & E-COMMERCE TRENDS IN INDIA

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DOI: <http://dx.doi.org/10.24327/ijrsr.2019.1007.3799>

ARTICLE INFO

Article History:

Received 13th April, 2019

Received in revised form 11th May, 2019

Accepted 8th June, 2019

Published online 28th July, 2019

Key Words:

Digital India, e-business, e-commerce, m-commerce, online purchases

ABSTRACT

India seems to be the only rising economy which has more than half of its population which is not yet part of this growth to full extent. The most important fact of India is about population which is second highest in world and more over out of this huge population major part is again young population.

With many transitions of retail over period of time, retail in urban area which constitutes to 1/3rd of India's population is moving on the fast growing e-commerce platform. More and more products and services are getting sold on this platform. Even home based businesses are getting more reach due to e-commerce platform and this unorganized sector is also getting growing market share.

The digital India Initiative is the initiative which has potential to transform the India completely and then no one can stop India becoming world leader. With digital India initiatives, remaining 2/3rd of the Indians will become party to the growth. The growth of these people in India will be in all aspects since they will be digitally connected to rest of the India and in turn rest of the world. All the villages are targeted to be connected digitally and will be brought in main stream of growth.

Digital connectivity is the key element of e-commerce. With just 1/3rd population connected digital, India is experiencing such a huge growth in retail, once remaining 2/3rd population gets digitally connected, retail will have such a huge market which will be easily accessible at the cost of government investment in infrastructure.

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INTRODUCTION

In current where most of the countries are struggling to maintain its economic condition, India is looking for fast growth with various initiatives by government. Among many initiatives, digital India is that initiative which connects entire nation digitally and brings every village and far east states in main stream of growth. Moreover, world is also looking at India as the biggest market segment which is still untapped.

Currently e-commerce which is growing just on 1/3rd of the population from urban area, is in such a fast pace of growth where in there is constant growth of number of products trading on e-commerce platform and also value of transactions happening on e-commerce platform. Already Organized retail sector has started experiencing the pinch on turnover and profitability and also footprint to sell ratio.

Once Digital India initiative completes successfully, remaining 2/3rd will be part of growth.

Digital India initiative beings Government of India's one of the most critical initiative where by government want to bring digital revolution in the country. This is flag ship project of Prime Minister of India Mr. Narendra Modi.

With digital India reaching all the villages, retail in villages is likely to be shifting to e-commerce directly from unorganized retail skipping the Organized sector growth in this area.

Objectives

There is a considerable impact of digital India initiative on e-commerce potential in India and hence future of Organized retail in India. Thus objectives for the study are summarized as below:-

1. To study the initiatives of Digital India which are important from e-commerce perspective.
2. To study the trends in e-commerce in India

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Research Question

Trends in e-commerce in India and study the potential impact on organized retail sector.

The study is based on both customer and retailer point of view

Hypothesis 1: Low value items (< 10K) are preferred on e-commerce platform

Hypothesis 2: The cost/price of the products is same or low for online purchase than that for the products in mall / company owned shop.

LITERATURE REVIEW

Government of India has launched its website <http://digitalindia.gov.in> giving its vision and mission statement. It also showcases all of the initiatives which are part of this massive movement. The primary focus of the initiative being improved infrastructure, increasing the digital literacy across the country, simplification of government approval processes, etc. with aim of transforming India.

Based on data from 2018 Digital Yearbook by Hootsuite, in the population of 1.3 B, there are only 0.5B internet users as of now in India again with 34% urbanization, internet penetration is also 34%.

According to Forrester, with increase of smart phone users, by 2020 every 1 in 5 sales will originate from data collected through mobile devices using internet.

As discussed by Channana, N., & Goel, S. in their paper on Future of E-Commerce in India, has discussed future of e-commerce in India and various factors that are essential for the growth. According to the authors, most pessimistic projections also indicate e-commerce boom in India. Essential factors identified primarily are convenience, return policy, location based services, payment options, price comparison etc.

Mukesh, Bansal founder of Myntra.com in his article on “e-commerce in India – Present and Future” talks about game changing factors in e-commerce industry like Cash on delivery, customer experience for building trust etc. along with the huge potential for growth.

RESEARCH METHODOLOGY

Data collection: Primary data was collected using online questionnaire prepared. Sample was randomly selected by sending questionnaire digitally through social media in public domain and received responses from 556 consumers. Secondary census 2011 data was collated from the census site of government of India. Also information related to Digital India was sourced from Digital India web site of government of India.

Statistical Tools Used: The various types of statistical tools like SPSS, excel were used in this project for data collection, tabulation and analyses. Pie-Chart and Multiple bar diagram were used for graphical representation of data.

Digital India

Digital India Vision

The vision statement of Digital India initiative is

To transform India into a digitally empowered society and knowledge economy.

There are 3 key areas of for achieving Digital India Vision

1. Digital Infrastructure as a Core Utility to Every Citizen
2. Governance and Services on Demand
3. Digital Empowerment of Citizens

As a part of digital infrastructure as a core utility to every citizen, basic need of high speed internet availability for e-business is being taken care of with stated vision ensures safe and secure digital environment. Mobile phone and bank account enabling the citizen for digital payment.

For governance and services on demand, initiative focuses on seamless integration of services across various departments or jurisdiction. Its other main objective is also of digitally transformed services and improving for ease of doing business.

The third key focus area is on citizens to make them digitally empowered. This will be achieved by educating masses on digital enablement.

With the objective of transforming India, government of India, e-Kranti program has been approved with the vision of “Transforming e-Governance for Transforming Governance”.

The basic mandatory requirement of all the new projects and existing projects which are being revamped as part of e-kranti is

1. ‘Transformation and not Translation’ which means there has to be value add
2. ‘Integration by default’ i.e. new system should not run in isolation but should be integrated with existing systems
3. ‘Government process reengineering’ – to some extent similar to point ‘a’ above of transformation and not just translation but more stress is on process improvement.
4. ‘Cloud by default’ i.e. reaping all the benefits of cloud along with cost saving
5. ‘ICT infrastructure on demand’ which again would be extension of point ‘d’ through which this may be achieved
6. ‘Mobile first’ enforcing maximum usage by simplifying the access on mobile.
7. ‘Fast tracking of approvals’ is again an extension of point ‘a’ and ‘c’ removing the unnecessary bottlenecks
8. ‘Mandating standards and Protocols’ is Standardization resulting into ease of integration and other benefits
9. ‘Language localization’ ensures maximum usage inspite of India being multi cultured multi language country. India is probably the country having maximum no. of approved languages of communication in the world though Hindi is national language and English being equally widely used
10. ‘Security and Electronic data preservation’ is the most critical aspect of any system

How Digital India will impacts e-commerce

Though Digital India initiative has its own agenda, it certainly has created huge market potential for online business i.e. e-business and e-commerce. The main challenges for e-business are

1. Availability of high speed network
2. Knowledge to use digital media

 - Highly integrated services
 - Ease of operations
 - Online payment option

If we look at the vision for Digital India, its been carved to reach every individual across India to become digitally literate with required infrastructure support made available. Hence with digital India, very huge market will be open for e-commerce retailers directly may be avoiding organized retail sector.

The current status in the urban areas with regards to e-commerce

Low value Products preferred on e-commerce platform

The current status in India with regards to e-commerce depicts high potential in urban area itself for variety of products and services which are still not that preferred categories for online purchases. The primary observation is that the amount of one time purchase of items is still low i.e. low value products are preferred for online purchase

Table 1 Category-Wise Maximum Amount For One Time Online Purchase The frequency distribution of respondents according to Maximum Amount they are Okay to Spend One Time along with its bar diagram is given below

Maximum Amount in INR you are Okay to Spend for Online Purchase at One Time	Upto 2000	Upto 5000	Upto 10000	Upto 25000	Above 25000
Grocery, Fruits & Vegetable, Food & Beverages	425	94	28	8	1
%	76.4	16.9	5.0	1.4	0.2
Home Care & Personal Care	358	137	45	14	2
%	64.4	24.6	8.1	2.5	0.4
Health & Beauty, Skin Care, Pharma	386	113	45	11	1
%	69.4	20.3	8.1	2.0	0.2
Books & Music	404	96	39	14	3
%	72.7	17.3	7.0	2.5	0.5
Fashion - Cloths & Accessories	239	210	78	19	10
%	43.0	37.8	14.0	3.4	1.8
Home & Living	227	170	94	44	21
%	40.8	30.6	16.9	7.9	3.8
Computer Accessories, Data Storage, Camera & Optics	190	148	108	71	39
%	34.2	26.6	19.4	12.8	7.0
Mobile phone & Accessories	149	122	141	100	44
%	26.8	21.9	25.4	18.0	7.9
Audio, Home Entertainment & Other Electronics	191	145	114	63	43
%	34.4	26.1	20.5	11.3	7.7
Baby & Kid Care	336	142	53	15	10
%	60.4	25.5	9.5	2.7	1.8

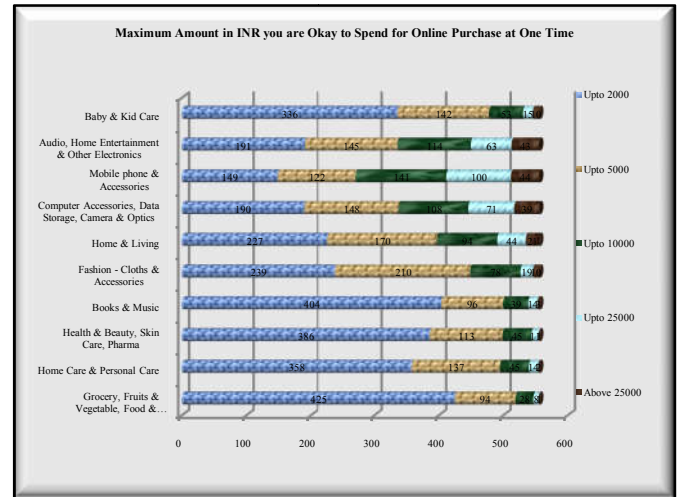


Figure 1 Category-Wise Maximum Amount for One Time Online Purchase

The Table 1 above depicts that almost for all the categories maximum amount people are okay to pay one time is less than INR2000. For few it is less than INR5000 but majority is less than INR10000/-.

To test the hypotheses 1

Hypothesis H1: Low value items (< 10K) are preferred on e-commerce platform is less than or equal to 50%.

The test used is z test for proportion.

Maximum Amount in INR you are Okay to spend for Online Purchase at One Time	Less Than Equal to 10K	Sample Proportion	Z Statistic	P value	Significance
Grocery, Fruits & Vegetable, Food & Beverages	547	0.9838	22.82	0.0000	Significant
Home Care & Personal Care	540	0.9712	22.22	0.0000	Significant
Health & Beauty, Skin Care, Pharma	544	0.9784	22.56	0.0000	Significant
Books & Music	539	0.9694	22.14	0.0000	Significant
Fashion - Cloths & Accessories	527	0.9478	21.12	0.0000	Significant
Home & Living	491	0.8831	18.07	0.0000	Significant
Computer Accessories, Data Storage, Camera & Optics	446	0.8022	14.25	0.0000	Significant
Mobile phone & Accessories	412	0.7410	11.37	0.0000	Significant
Audio, Home Entertainment & Other Electronics	450	0.8094	14.59	0.0000	Significant
Baby & Kid Care	531	0.9550	21.46	0.0000	Significant

The population percentage of respondents spending less than 10K for Online Purchase at One Time is greater than 50% for all items. Hence low value (<= 10k) items are preferred items for e-commerce platform.

Hence Hypothesis 1 is accepted.

Comparison between organized retail and e-commerce website for cost / price

With reduced cost due to retailers direct connect to customer, there is already cost saving in distribution cycle. Due to this there is perceived benefit in cost / price for e-commerce products which is one of the reasons for people to shift on e-commerce platform.

Hypothesis 2: The cost/price of the products is same or low for online purchase than that for the products in mall / company owned shop

Table 2 Preferred mode for online purchase The frequency distribution of respondents according to The Price of Online Products as Compared With Products in Mall along with its pie chart is given below

The Price of Online Products as Compared With Products in Mall	Frequency	Percent
Very High	29	5.2
High	11	2.0
Same	145	26.1
Low	317	57.0
Very Low	54	9.7
Total	556	100.0

Table 2 above shows that almost 92.8% people belong to the category that prices are either same or low.

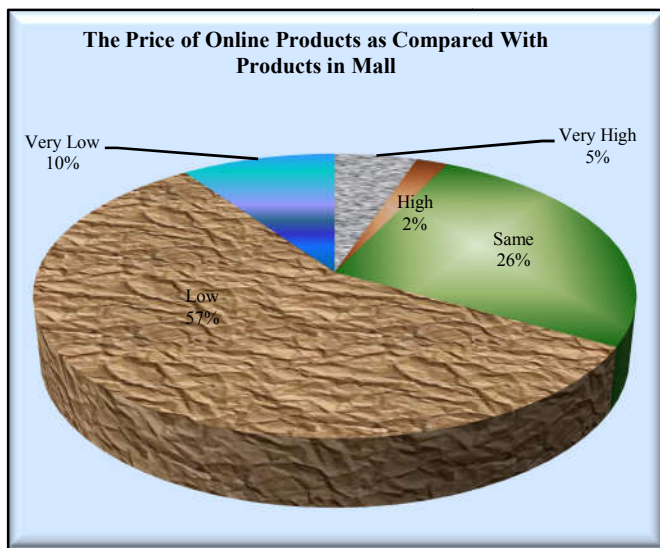


Figure 1 Prices of Online Product as Compared with Products in Mall

To test the hypotheses 1

Hypothesis H2: The cost/price of the products is same or low for online purchase than that for the products in mall / company owned shop

The test used is z test for proportion.

Calculation Table for Hypothesis 2

The Price of Online Products as Compared With Products in Mall	Frequency	Sample Proportion	Z Statistic	P value	Significance
Same/Low/Very Low	516	0.9281	20.19	0.0000	Significant

The population percentage of respondents experiencing the price of online products same or low is greater than 50%.

Thus Hypothesis 2: The cost/price of the products is same or low for online purchase than that for the products in mall / company owned shop is accepted.

Hence Hypothesis 2 is accepted.

Findings

1. There are many categories now are being traded through e-commerce platform. But the maximum traded amount in one transaction by most the customers is less than INR 2000/-. In some cases though this amount is more but for majority of the categories, preferred amount is less than or equal to INR10,000/-
2. 26% of respondents feel that cost of the products online is same as that of the products in mall / organized retail shop
3. 57% of respondents feel that cost of the products online is lower than that of the products in mall / organized retail shop
4. 10% of respondents feel that cost of the products online is very low than that of the products in mall / organized retail shop
5. 2% of respondents feel that cost of the products online is higher than that of the products in mall / organized retail shop
6. 5% of respondents feel that cost of the products online is very high than that of the products in mall / organized retail shop

CONCLUSION

Based on the data collected it is evident that people are still apprehensive about the online purchases. The maximum amount preferred one time for transaction is INR 2000/- for most of the categories. In some cases it is upto INR 5000/- and in very few cases upto INR10000/-. In exceptional cases thought this amount is above INR25000 but their percentage is in single digit. Thus to conclude, low value items are preferred for online purchase. Also almost 97% of the customer are of the opinion that online products are less costly than products in organized retail sector hence there high possibility of people moving on to e-commerce platform from organized retail store due to low cost of the online products. At same time for high value products organized retail would the preferred option.

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How to cite this article:

Omkar Gurjar and Kunal Bhattacharya.2019, Organized Retail & E-Commerce Trends in India. *Int J Recent Sci Res.* 10(07), pp. 34007-34010. DOI: <http://dx.doi.org/10.24327/ijrsr.2019.1007.3799>
