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## Online Retailing Paired with Kirana – A Formidable Combination for emerging Markets

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### Abstract

The World Wide Web was launched in 1991 by Tim Berners Lee and shortly after that, in 1994, Pizza Hut delivered its first pizza after receiving an online order. Electronic commerce is one of the boons of internet and the one that is speculated to alter how businesses will grow in the competitive world. India stands third in the world with over 130 million internet users. This has positively shaped the growth of electronic commerce in the country, from booking tickets to buying clothes to paying bills. Four major factors have advocated the growth and expansion of electronic commerce in India. First and foremost is the rapid penetration of technology, be it the broadband or the smart phones or online banking, has empowered the consumers to access the World Wide Web very easily.

Previous research has also highlighted how this impact of internet penetration is magnified specifically in the emerging economies. Second is the fast adoption of the online medium by every major brand as a part of their sales as well as the marketing strategy. Large retailer have also opened stores in the virtual space. The third factor is the convenience consumers derive through online shopping. More and more members of a typical Indian family are joining the workforce which leaves little time regular shopping errands. Consequently people have shifted to buying items online and this is further facilitated by services like cash-on-delivery, buy-back policies and many more. Finally growing real estate prices and low penetration of large format retailing have been indicating for a need to innovate to increase business.

In the light of the convenience provided by online and the omnipresent Kirana (mom-and-pop equivalent) stores, it is proposed that these two would be the dominant formats of retailing as a mix of brick and click models.

**Keywords:** Electronic commerce, emerging markets, Omni Channel

## Online Retailing Paired with Kirana – A Formidable Combination for emerging Markets

The concept of electronic commerce (e-commerce) dates back to as early as 1970s when Wigand (1997) described e-commerce as any form of economic activity conducted via electronic connections. This definition may even include the conduct of any commercial transaction over an electronic email (Killian et al., 1994). Gray Eichorn, President and CEO of Open Market, refers to e-commerce as 'using the Internet to do business' (High Latitude, 1999). Holsapple and Singh, (2000) define e-commerce as using technology to enable buy-sell transactions. It is difficult to trace the website which could be credited for being the first website to sell a product or service on the internet but it has been understood that the first item purchased via a website was the album "Ten Summoner's Tales" from Sting in 1994. It was believed that New York Times had chronicled the transaction that could be believed as the starting point of electronic commerce in the world (Gilbert, 2004). A few days later of this historic moment, Pizza Hut launched PizzaNet, a web portal, through which residents of Santa Cruz in California could order their favourite Pizzas. All this happened within a very short time of the public launch of the internet in 1991 by Tim Berners Lee, highlighting the fast adoption of the World Wide Web in electronic commerce. (Gilbert, 2004)

### Electronic Commerce in Emerging Economies

It was in 1980s, that the term, emerging economies was introduced by Antoine Van Agtmael. It was used to represent newly industrializing and fast growing countries from Asian and Latin American parts of the world. Today an emerging economy can be defined as a country that satisfies two criteria: a rapid pace of economic development, and government policies favoring economic liberalization and the adoption of a free-market system (Arnold & Quelch, 1998). The Dow Jones enlists 21 countries belonging to the group of emerging economies and the list includes the popularly referred BRICS (Brazil, China, India and South Africa) as a part of the group (Djindexes.com, 2014).<sup>1</sup>

Name of country	GDP					
	Average 1994-2003	2005	2008	2011	2013E	2017E
Brazil	2.5	3.2	5.2	2.7	4.1	4.1
Russia	0.6	6.7	5.4	4.9	4.1	4.2
China	9.4	11.3	9.6	9.2	8.8	8.5
India	6	9	6.2	7.2	7.3	8.1
South Africa	3	5.3	3.6	3.1	3.4	3.7

<sup>1</sup> <http://www.djindexes.com/symbolsandcalendars/?go=watchlist> [Accessed: 1 Jan 2014].

Brazil, Russia, China, India and South Africa more popularly referred to as the BRICS countries, coined by Jim O’Neill, have a combined GDP of over \$ 14 trillion in 2012.<sup>2</sup> The Global Retail Development Index puts BRIC countries among the top 30 in terms of market attractiveness and several macroeconomic and retail specific variables.<sup>3</sup>

Country	GRDI Rank (2013)
Brazil	1
Russia	23
China	4
India	14

Developing markets have witnessed higher growth in internet retailing. However, even though the total size of the internet retailing industry in developed nations like USA would be bigger as compared to the developing nations but the developing markets, like China, have started overtaking other matured markets like that of Japan. As per a report by Bain and Company (2012), China grew from market of \$10 billion in 2007 to an estimated value of \$ 230 billion in 2013 at a growth rate of 100% compounded annually.

Country	Internet Retailing (in US\$ million)		
	2007	2012	% growth
US	102,404	177,397	73
Japan	20,329	52,038	156
Canada	3,141	5,286	68
China	1,366	64,378	4,613
Brazil	4,543	11,110	144
Mexico	452	2,700	497
India	426	1,591	273
South Africa	180	398	120

In India the online market stands at about at 1% of the total retailing market but its growth is expected to grow more as more people start getting access to technology and considering that the country is expected to house the largest internet user population, the growth in electronic commerce may happen more rapidly than expected.<sup>4</sup> This makes online

<sup>2</sup> <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD> [Accessed: 1 Jan 2014]

<sup>3</sup> [http://www.atkearney.com/consumer-products-retail/global-retail-development-index/full-report/-/asset\\_publisher/oPFRgkblkz0Q/content/2013-global-retail-development-index/10192](http://www.atkearney.com/consumer-products-retail/global-retail-development-index/full-report/-/asset_publisher/oPFRgkblkz0Q/content/2013-global-retail-development-index/10192) [Accessed: 1 Jan 2014]

<sup>4</sup> [http://www.atkearney.com/documents/10192/760890/The\\_Mobile\\_Economy\\_2013.pdf](http://www.atkearney.com/documents/10192/760890/The_Mobile_Economy_2013.pdf) [Accessed: 1 Jan 2014].

presence a good business proposition in the emerging economies where the sales are increasing at an exceptionally fast rate.

The emergence of online B2C business can be attributed to travel companies like irctc.com (Indian Railway Catering and Tourism Corporation) for railways and makemytrip.com for airline tickets that started in early 2000. IRCTC had launched online railway ticket booking facility on August 3 in 2002 at Delhi and booked 3343 tickets in the first month. In less than 2 years, it had sold 1,04,363 tickets in April 2004. In 2008, 40,000 tickets were being sold daily through IRCTC.<sup>5</sup>

Taobao, China's biggest online consumer-to-consumer (C2C) platform, testifies this pace of growth. It was launched May 2003 in order to counter the growing presence of eBay in China's C2C marketplace.<sup>6</sup> It holds 80% share of the C2C market. In 2003 the total electronic commerce market in China was less than \$0.5 billion dollar<sup>7</sup> and today the number is in excess of \$98 Billion.<sup>8</sup> Taobao holds over 45% of this electronic commerce market share. Its success can be attributed to 3 major reasons. First and foremost its ability to attract small retailers and consumers on the same platform. It claims of over 500 million registered accounts and 800 million product listings.<sup>9</sup> Secondly Alipay, its escrow payment service, which had initially hampered the growth of EachNet (China's first online C2C website which was later acquired by eBay). And finally the rise and consumption of internet through both computers and mobile devices enabled shoppers to derive convenience in shopping. Electronic payments happening through the mobile alone amounts to approximately \$6 billion in 2013.<sup>10</sup>

### **Factors Determining Growth of Electronic Commerce in Emerging Economies**

This growth of buying of goods and services online could be attributed to four major factors, which have cumulatively led to the progress of electronic commerce in the emerging markets – the rapid penetration of technology, the fast adoption of the online medium both by businesses and consumers, the convenience consumers derive through online shopping and the present-day retail landscape. This paper provides a fresh perspective in examining these factors and to conclude that online shopping will be one of the most dominant forms of retailing in the emerging markets in the coming decade.

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<sup>5</sup> [www.indianrail.gov.in](http://www.indianrail.gov.in) [http://www.indianrail.gov.in/mobile\\_bkng\\_eng.pdf](http://www.indianrail.gov.in/mobile_bkng_eng.pdf) [Accessed: 1 Jan 2014] and [http://nisg.org/knowledgecenter\\_docs/C10020001.pdf](http://nisg.org/knowledgecenter_docs/C10020001.pdf) [Accessed: 1 Jan 2014]

<sup>6</sup> <https://gsbapps.stanford.edu/cases/documents/ib88.pdf>

<sup>7</sup> [http://www.atkearney.de/documents/856314/1214566/BIP\\_Chinas\\_E-Commerce\\_Market\\_The\\_Logistics\\_Challenge.pdf/f40a1ef8-8849-41fe-823b-b5e752079acc](http://www.atkearney.de/documents/856314/1214566/BIP_Chinas_E-Commerce_Market_The_Logistics_Challenge.pdf/f40a1ef8-8849-41fe-823b-b5e752079acc)

<sup>8</sup> [www.euromonitor.com](http://www.euromonitor.com)

<sup>9</sup> <http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Newsletters/China-360/Documents/China-360-Issue15-201401-E-commerce-in-China.pdf>

<sup>10</sup> [http://www.bain.com/Images/BAIN\\_BRIEF\\_China\\_e-commerce.pdf](http://www.bain.com/Images/BAIN_BRIEF_China_e-commerce.pdf)

### The rapid penetration of technology

One of the most underscoring determinants of the development of electronic commerce is the proliferation of internet and related technology. E-readiness can be considered as one benchmark, among many, that represents the preparedness of a country in adopting e-commerce. Jointly computed by the IBM Institute for Business Value and the Economist Intelligence Unit, the E-readiness index is considered to exhaustively represent the preparedness of a country for digitization and thus paving way for the proliferation of electronic commerce. Most of the emerging economies, like Brazil, have enhanced their E-readiness ranks from 2006 to 2009 and others like India and China have maintained the level, despite economic slowdown, which had brought down the ranks of countries like USA and Germany.<sup>11</sup>

Country	Number of internet users in millions					
	2007	2008	2009	2010	2011	2012
USA	226	225	217	228	242	254
China	210	298	383	457	513	569
India	44	50	60	89	121	154
Brazil	58	64	75	79	88	99
South Africa	4	4	5	12	17	21

Even if the penetration of internet is relatively low as compared to developed nations but the in terms of number of internet users, the BRICS countries are witnessing exceptional growth year on year.<sup>12</sup> This is vital to the penetration of occurrence and proliferation of internet shopping in these countries. A report by Mckinsey estimates that the number of internet users in India will rise to 370 million, surpassing all developed countries by 2015. As a result, the internet's contribution to the GDP could increase to 3.3% in 2015 from 1.6% in 2012 (Gnanasambandam and Madgavkar et al., 2012, p. 66).

In Africa, by 2025, the improved Internet penetration is expected to drive private consumption 13 times higher than current levels of \$12 billion. The amount spent on Internet alone could increase from \$5.7 billion (2013) to \$35 billion in 2025. If only 10% of retail spending in Africa's largest economies were to move online then e-commerce activity could result in revenue of \$75 billion. (Manyika and Cabral et al., 2013)

China's e-commerce market formed less than 1% of total retailing market in 2007 and has grown 10 times in 2011. The Internet Retailing (e-tailing) market in India has reached almost

<sup>11</sup> <http://graphics.eiu.com/pdf/E-readiness%20rankings.pdf> [Accessed: 1 Jan 2014]

<sup>12</sup> [www.euromonitor.com](http://www.euromonitor.com)

\$2 Billion in 2013 with a CAGR of 37.4% (2007-2012) and is estimated that to cross \$3 billion by 2017.<sup>13</sup> In a report, released jointly by IMRB International and Internet and Mobile Association of India, the larger digital commerce market is expected to reach \$10 billion in 2013.

For countries like India, majority of electronic commerce is conducted in the urban areas where internet penetration is much higher as compared to the rural areas. However, this should in no way signify the inability of the villages to contribute in the digital commerce market of India. SREI SAHAJ e-Village Limited, a subsidiary of SREI Infrastructure Finance Limited, has launched one of the largest IT projects in rural India at an investment of over \$160 million (INR 10 Billion). This Information Technology (IT) infrastructure project aims to establish about 250,000 Common Service Centres (CSCs) (website) in the numerous villages of West Bengal, Bihar, Orissa, Assam, Uttar Pradesh and Tamil Nadu and over 27,000 have already been established (website). These CSCs will serve as a bridge between the rural India and the world thereby enabling services like e-governance, e-learning and even e-commerce and will service a rural population of over 210 million people (Mohanti, 2008). Such initiatives are likely to completely transform the face of IT-enabled services in India and consequently building a tremendous platform for the growth of electronic commerce in the coming years.

India has one of the largest number of mobile phones in the world with over 870 million subscribers.<sup>14</sup> Smartphones would play a significant role in providing access to high speed internet to the user. Globally the use of smartphones is projected to keep increasing at 20.5% over 2012-2016. In case of India the smartphones penetration is projected to increase with CAGR of 57.5% over 2011-2016.<sup>15</sup> According to the Telecom Regulatory Authority of India (TRAI) the number of mobile internet capable devices has drastically increased, from 25 million in 2006 to 431 million in 2012, a CAGR of 61%.<sup>16</sup>

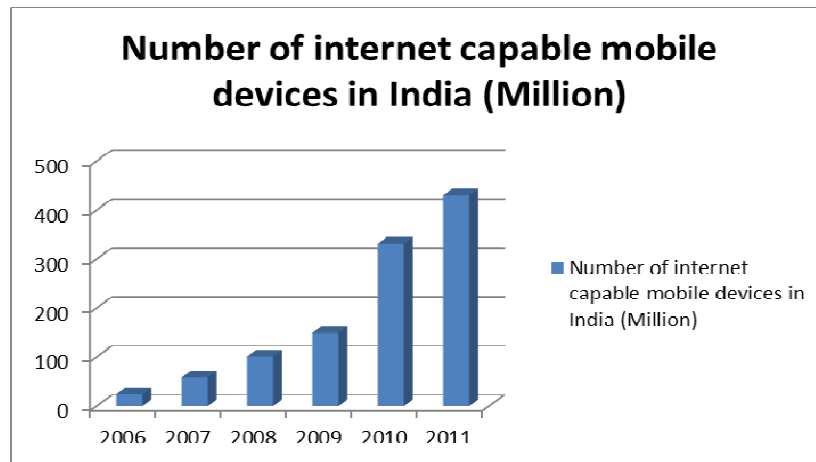
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<sup>13</sup> [www.euromonitor.com](http://www.euromonitor.com)

<sup>14</sup> <http://mobithinking.com/mobile-marketing-tools/latest-mobile-stats/a> [Accessed: 1 Jan 2014]

<sup>15</sup> <http://www.idc.com/getdoc.jsp?containerId=prUS24418013>

<sup>16</sup> [http://www.trai.gov.in/Content/PerformanceIndicatorsReports/1\\_1\\_PerformanceIndicatorsReports.aspx](http://www.trai.gov.in/Content/PerformanceIndicatorsReports/1_1_PerformanceIndicatorsReports.aspx)



Although the average amount of time spent daily on the internet by smartphone users is 2.5 hours and 75% of this time is spent in surfing social media sites, playing games and accessing entertainment, it is expected that a majority of the commercial transaction would also start happening through the smartphones (Page and Molina et al., 2013). Presently some 86 million users access the internet using their mobile devices and since the launch of 3G in India in 2008, the number of people accessing internet through 3G has reached 22 million. Bookmyshow.com registered that 25% of all the ticket bookings are now happening through its mobile app. Similarly one-fifth of searches and almost 12% of the booking for cleartrip.com comes from its mobile app (Bhinde and Sharma et al., 2013). Even though the smartphone penetration in China is near one-fourth that in USA but the penetration of mobile commerce spending as a percentage of e-tailing is more than one-third than that of USA (Dobbs and Chen et al., 2013). China not far behind has 38% of its internet user population is accessing internet only through a mobile phone. The number of people shopping online using mobile internet has surged from 39 million in 2011 to 55.5 million in 2012.<sup>17</sup>

An average smartphone is cheaper than a personal computer or a laptop. 45% of the mobile-only-internet-users claim that they access internet through their mobile phones because they do not have a computer. 40% of the rural internet users in China are accessing internet through the mobile phones, signifying the role of mobile phones in promoting in online shopping.<sup>18</sup>

### Consumer and their preferences

The second enabler of the penetration of online retailing has been the convenience and the ease of access. Physical stores always have a limitation in reaching its customers, whereas virtual stores can be accessed from anywhere with an internet connection and a computer.

<sup>17</sup> <http://www1.cnnic.cn/IDR/ReportDownloads/201302/P020130221391269963814.pdf>

<sup>18</sup> <http://www.slideshare.net/OnDevice/post-pc-eratthe-mobile-only-internet-generation-china>



According to a survey 25% of the participants, representing the global shopper, shared that they enjoy shopping online because they can shop whenever they want.<sup>19</sup>

Despite its diverse population, disposable income has increased in India and is expected to increase at the rate of 8.5% per annum till 2015.<sup>20</sup> The number of working women has also increased, thus increasing the number of households, where both husband and wife are working. Consumers have larger disposable incomes, greater purchasing power and less time to spend on daily shopping. This will lead people to buy daily goods online rather than waste time and fuel to shop from a hypermarket.

The size of working middle class is also increasing. An OECD Development Centre working paper states that collectively China's and India's middle class is set to become the biggest consuming class globally in the next 25 years (Kharas, 2010). The largest consumers will also be one of the largest internet surfing population and will eventually become one the largest e-commerce markets in the world.

The demographic dividend of emerging markets will make them the youngest markets. Between 2010 and 2030, 1.4 billion people are projected to live on Earth and of these 95% will come from the developing nations, who will then contribute more than two-thirds to the then GDP growth. BRICS alone will contribute upto 40% to the GDP growth in the world (Brunke, 2012). Africa already houses the most youthful population in the world with over 200 million people between the ages 15-25 years. It would also be worth to notice that it is this group that uses technology the most and forms one of the biggest consuming age group (Manyika and Cabral et al., 2013).

With the median age of 26 years India has a fast growing youth population.<sup>21</sup> According to a report by NCAER on the 'Indian Youth', the population between 13-35 years was 459 million in 2009 and is projected to reach 574 million by 2020. About 73% of them are literate. Of this 75% expressed confidence in the internet for getting information (Shukla, 2010). A recent report by ASSOCHAM claims that close to 90% of the online shoppers in India are aged between 18 and 35 years.<sup>22</sup>

However, a majority of the Indian population is not very savvy when it comes to buying from the internet. E-commerce companies have acknowledged this hurdle and therefore are innovating business models to suit the needs of the typical India consumer (Gnanasambandam and Madgavkar et al., 2012, p. 66). Almost all of the e-tailers offer cash on delivery (COD) facility. In some cases upto 60% of sales are coming from COD payments.

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<sup>19</sup> <http://www.pwc.com/gx/en/retail-consumer/retail-consumer-publications/global-multi-channel-consumer-survey/index.jhtml> [Accessed: 1 Jan 2014].

<sup>20</sup> [https://www.pwc.com/en\\_GX/gx/retail-consumer/pdf/india.pdf](https://www.pwc.com/en_GX/gx/retail-consumer/pdf/india.pdf)

<sup>21</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2177.html> [Accessed: 1 Jan 2014].

<sup>22</sup> <http://www.firstpost.com/business/assocham-says-indian-e-commerce-market-grew-88-percent-in-2013-1315837.html> [Accessed: 1 Jan 2014]

Retailers like Jabong have advertised themselves as an alternative to in-store shopping by offering 100% cash-back policy, a facility that most brick-and-mortar retailers do not provide.<sup>23</sup> Online travel companies have introduced tele-booking system to complement their webstores.

Discount and other promotional offers are strongly believed to have led customers from the physical stores to virtual stores. Flash sales sites are credited with increasing online purchase substantially. Discounts and promotional offers have always attracted customers (Grewal and Krishnan et al., 1998). This is evident from sales figures of days when heavy discounts are available for the customers in both single and multi-brand outlets. Most of the e-commerce portals have started giving discounts around the year. With such availability of discounts throughout the year, more and more people are expected to shift their shopping from physical to virtual stores and thus paving the path increased buying on the World Wide Web.

#### *Brick-and-Mortar Retailers and Brands Going Online*

As customers start to spend more and more time on the internet, brands have also gone online to reach out their target consumer base. Companies carry out four major commercial functions on the internet. Firstly companies wish to market themselves and that too across the globe. Next, these websites become a platform for the companies to gain consumer feedback. Thirdly, the websites become a medium to share knowledge and provide support to customers. Fourthly, they conduct business transaction through their websites. A study in Singapore found that 61% of the respondents were using the internet for electronic commerce (Soh and Mah et al., 1997). The same figure is more than 70% in China and 50% in Mexico. In Brazil upto 95% of the businesses are expected to start using the internet by 2020.<sup>24</sup>

Brick and mortar retailers are identifying the opportunities offered by electronic commerce in India. Instead of struggling with them these retailers are now opening online stores. Big Bazaar through Futurebazaar.com, Shoppers Stop through Shopperstop.com, Wills Lifestyle through Shopwillslifestyle.com and TATA's Croma through Cromaretail.com have been trying to take advantage of the online shopping wave. A Bain report states that going online has become a must for physical retailers also, especially to win new and retail critical customers. Such an integrated omni-channel strategy is also expected to enhance the offline experience. This adoption of the online medium as platform to reach out to consumers in any part of the country by physical retailers and brands is accelerating the growth of electronic commerce.<sup>25</sup>

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<sup>23</sup> <http://www.jabong.com/support/faq/#Returns> [Accessed: 1 Jan 2014].

<sup>24</sup> <http://www.portal.euromonitor.com/Portal/Pages/Search/SearchResultsList.aspx> [Accessed: 1 Jan 2014].

<sup>25</sup> [http://www.bain.com/Images/BAIN\\_BRIEF\\_China\\_e-commerce.pdf](http://www.bain.com/Images/BAIN_BRIEF_China_e-commerce.pdf)

The launch of Futurebazaar.com, by the Future Group and Shopperstop.com by Shopperstop indicate the acceptance of internet retailing by major retailers of the country. Category specialist electronics retailers like Next and EZone are investing heavily on their websites to capture the growing trend of online shopping.<sup>26</sup> Moreover, single brand and multi brand outlets might find it difficult to compete head on with online retailers. Services and schemes, offered by online retailers, such as 100% cashback, free home delivery, wider stock range and many more will induce consumers to shift from store-based retailing to online shopping.

The emerging trend of going online has not been restricted to large businesses only. Almost all online retailers are shifting to becoming platforms from businesses. Infibeam.com leads the business in India with its build-a-bazar initiative that has attracted more than 15,000 small business, self-employed and even housewives to start online business. GoDaddy, a website hosting company, launched a campaign to provide a website to small and medium sized businesses (SMB) thereby facilitating the rise of SMBs to set up online business.

The social media has given a boost to this trend. Of the 150 million Indians using internet today about 51 million are on Facebook (Wigder and Bahl, 2012). The report also claims that social media is accelerating the e-commerce trend in India by aiding in the customer acquisition process. A strong presence of consumers in the digital world could be considered a motivation for brands to go online. Once a digital connect is established between the consumer and the brand, the channel can be explored for various benefits including sale of goods and services.

### Present Indian Retail Landscape

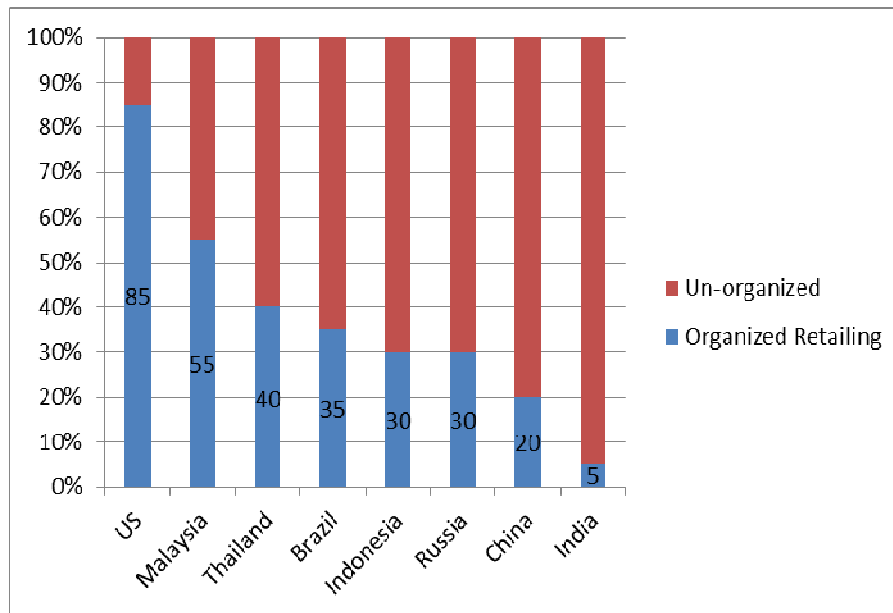
Most countries in the emerging markets have a low share of organized retailing. Consumption is on the rise. All formats of retail are growing. But the penetration of organized retailing in India has not crossed the 10% mark.

In 2012, the store based retailing contributed to about Rs. 20,000 billion whereas non-store retailers stood at about 175 billion. This signifies a growth of 74% in store-based and 223% growth in non-store between 2007 and 2012. There are more than 14 million physical stores. Of these 12 million are small grocery outlets.<sup>27</sup>

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<sup>26</sup> [www.euromonitor.com](http://www.euromonitor.com)

<sup>27</sup> <http://www.portal.euromonitor.com/Portal/Pages/Search/SearchResultsList.aspx>, accessed on January 5, 2014



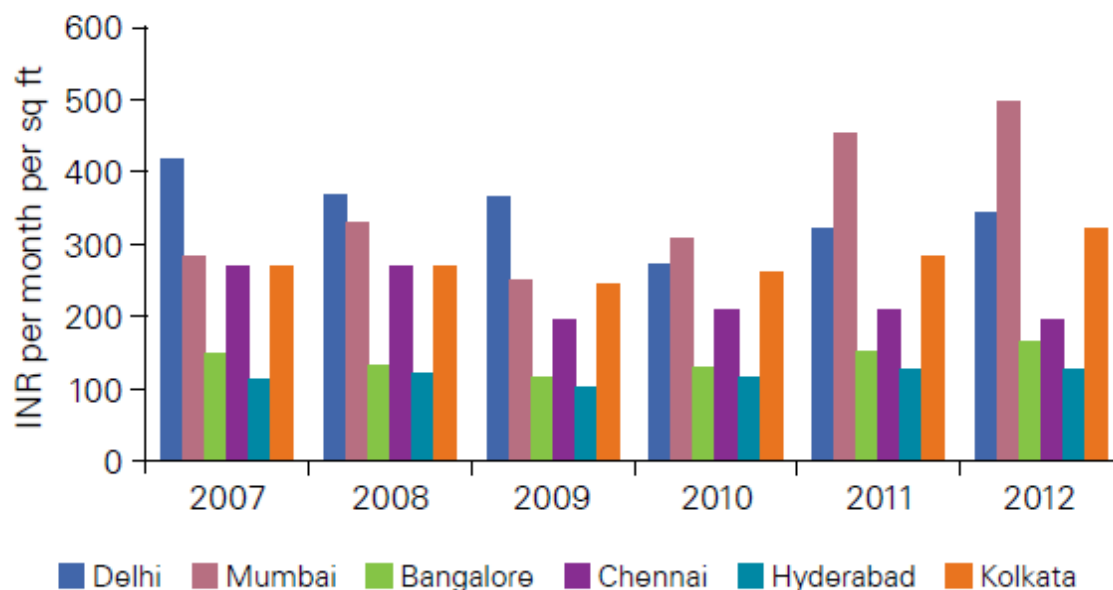
There are multiple reasons for it. One of the prime factors has been the steep rise in real estate prices that has discouraged retailers from opening more and more stores. Real Estate costs comprise upto 10%, and sometime more, of sales in India and this same component is about 3%-4% in the case of the developed economies<sup>28</sup>. The average retail real estate price in metropolitan cities has increased from 2007 to 2012. The availability of good retail space is limited, despite more properties being developed. The average vacancy rate for high quality retail space is only 7%.<sup>29</sup> All this data hints that the growth of organized retail has major hurdles to overcome and favours small stores.

The smaller stores are also very high value formats. The ubiquitous Kirana store provided adequate merchandise mix, home delivery credit and personalised services. Consumers do not find the prices very high as they sell at the price printed on the pack and do not give discounts unless offered by the manufacturers. Their merchandise mix is also localised, especially with regard to food and edible products. Their mix consists of many local brands and products that gives them better margins as similar to private labels. Their operating cost are low and in most cases they own the shop and consider this as an investment that will appreciate over time and thus not as a cost. Retailing employs about 40 million people. Almost 95% of them are in the informal sector. It has also been recognized as the sector that has the largest share of disguised unemployment.

<sup>28</sup> FICCI, The Indian Kaleidoscope: Emerging Trends in Retail, 2012

<sup>29</sup> <https://www.kpmg.com/CN/en/.../Asian-Real-SnapShot-O-201304.pdf>

## Retail prime rents



The funding scenario favours e-commerce in India. Flipkart is believed to have gained the maximum funds in 4 different rounds of funding since 2009 with the total disclosed amount being \$180 million. Snapdeal has also managed to raise close to \$52 million in 3 rounds of funding in the last 2 years. Online retailer Myntra has not been far behind and has been able to raise a total of \$39 million from Accel Partners, Mumbai Angels, Tiger Global, IDG Ventures and Indo US Ventures. Online category killers, like Zivame also raised a capital of \$5 million from IDG ventures and IndoUS Ventures partners in 2012. More than 50 e-commerce companies having received over \$700 million in funding since 2010 establishing that e-commerce happens to be one of the most sought after investment sectors in the industry today.<sup>30</sup> On the other hand the physical retailers are finding it difficult to raise money. Only large corporations find it a little easy.<sup>31</sup>

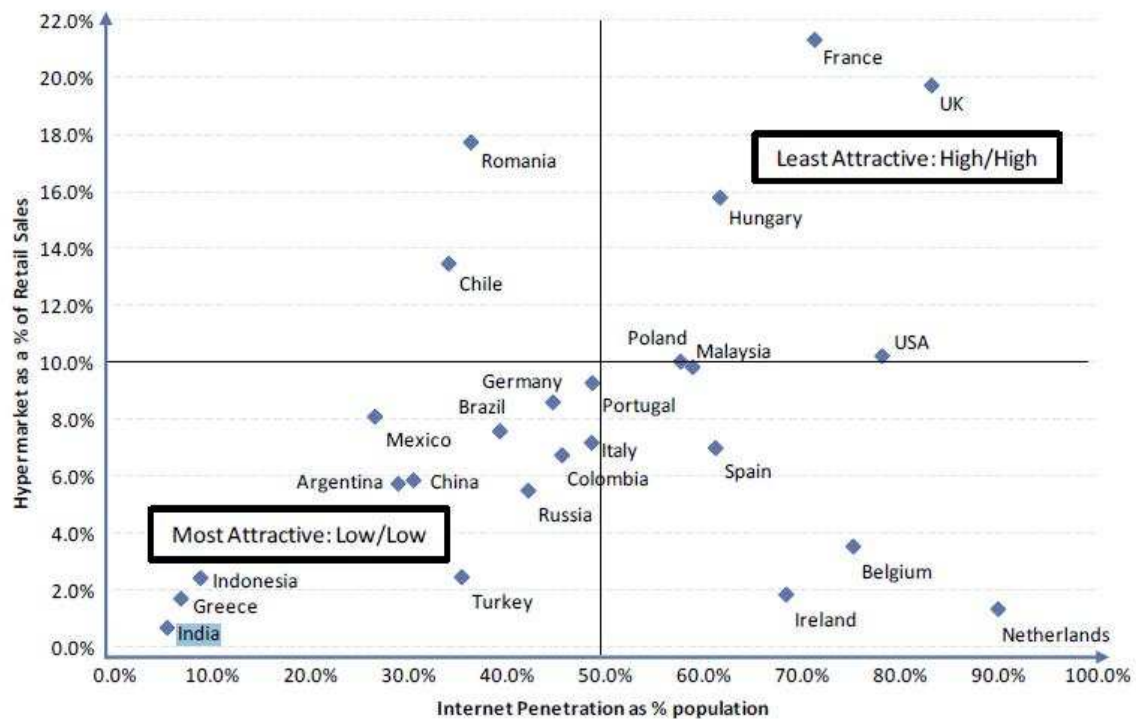
## Conclusion

Organized retailing has many hurdles to overcome, such as rise real estate prices, lack of viable store locations, overhead costs, pilferage, lack of trained manpower and many more. On the other hand internet retailing is accessible even through a smartphone, saves time and fuel for the consumers and demands no expensive real estate investment for expansion. The increasing disposable income along with rise in consumption needs to be catered and this leaves huge scope for growth of e-commerce in a country like India. The limitations of a

<sup>30</sup> <http://www.retailopia.com/2012/09/List-funded-online-retail-companies-India.html> [Accessed: 1 Jan 2014]

<sup>31</sup> <http://www.livemint.com/Specials/LAWR7PgAXzxCpN3HhsV2xO/Why-funding-seems-elusive-to-startups.html> [Accessed: 1 Jan 2014].

large format retailing in countries like India and China would facilitate the explosion of online retailers.<sup>32</sup>



Another striking feature of the growth story will be that such a growth will not remain confined to the urban centers of any nation but will rather spread more rapidly in the rural areas, where both organized retail have found difficulty in serving this base of the pyramid. Small retailers are going to be the dominant formats. They provide convenience but maybe limited in providing a large and mixed assortment. Online retailers have the advantage of range and accessibility. There is also very low overlap in the merchandise sold by kiranas and the online retailers.

Therefore, it is expected that developing nations that have had a low penetration of internet along with a low penetration of organized retail, will poise to become the most attractive market for electronic commerce in the coming decade. The inability of organized retail to make a strong presence in these countries will be tapped by the growing number of internet users who will largely prefer to either shop through the internet and or shop from nearby traditional store. A firm with an omni retail strategy that merges the two formats may prove to be formidable in service a diverse and large country like India and China.

<sup>32</sup> www.euromonitor.com

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