

**Project Dissertation**  
**on**  
**Options to startup an e-commerce website**  
**A technological perspective**

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## Certificate

This is to certify that the Project Report titled "Options to startup an e-commerce website - A technological perspective", is a bonafide work carried out by Mr. Diwakar Loomba of MBA 2012-14 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

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(Prof. P. K. Suri)

Seal of Head

Place: Delhi  
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## Declaration

I Diwakar Loomba, student of MBA 2012-14 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that Project Dissertation Report on “Options to startup an e-commerce website - A technological perspective” submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.  
This Report is not being submitted to any other University for award of any other Degree, Diploma and Fellowship

Diwakar Loomba

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Date: \_\_\_\_\_

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## Executive Summary

To develop a comprehensive e-commerce planning model, it is essential to investigate the planning aspects of e-commerce models in all the related disciplines. i.e. finance, law, marketing, operations and IT infrastructure. This report is an attempt to present the IT aspect of the planning. The type of technology and systems used for creating e-commerce solution is among one of the important critical success factors that can affect the success of e-commerce venture. The report discusses about the current IT trends e-commerce companies (small, mid & large) are following to maintain their systems.

### **A brief Overview**

Depending upon the company strategy, budget, business and other requirements, a company has following options to implement the e-commerce solution

#### Option 1: Fully Outsource

Totally outsource the platform and website development and maintenance to the third party company. Fully outsourcing have advantage of low risk, less capital requirement, no extra workforce required, no worries to update existing systems and 24\*7 support. But on the other side, they have to stick with the offering of the provider and their capabilities. They have very less control over the design, look and feel and internal structure of the system.

#### Option 2: Maintaining e-commerce platform

Purchase propriety/freeware individual system and do integration/maintenance from their own end. This approach has more control over the previous one as we have complete control over designing, controlling and in-depth knowledge of the internal systems and we can modify the system as per our own requirement anytime. But it takes more investment than fully outsourcing because it requires buying the servers/ or hosting fees, purchasing individual components (their license), hiring skilled people.

Various individual components when combined together form a complete e-commerce system. Some of the essential components are:

- E-commerce platform
- Domain name
- Communication platform
- Payment gateway
- Hosting (Shared/Dedicated)
- Server virtualization
- CRM
- Business Analytics
- Web Analytics

- Email marketing
- Online Fraud Prevention

#### Option 3:

This options includes building the whole system from the scratch. Investment level is the maximum in this route as with the hiring of developers, testing team and supporting team. Sometimes to make further profits they also let their modified versions of their core systems available to the open market by charging some fees against it. This option gives the maximum flexibility to do changes in the system and everything is under control, the whole developer team is there to support and make changes.

We have focused more on the propriety/freeware systems that are basically the individual components of the e-commerce system. They need to be integrated first and then fully utilized. There are many vendors available who provide these individual units compatible to the main core system.

In this report we have discussed about key developments in e-commerce technology; their recent trends; options available to the companies while deciding the system; functionality & merits/demerits of individual units. All these factors has been discussed by taking into account the working model of five e-commerce companies Ebay, Amazon, Flipkart, Elitify, & Education Publishing House. A comparison has been made among the offerings, business model adopted and other criteria by these companies to better understand the trend of technology adoption.

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## 1 Industry at a glance

Market value of retail industry is estimated as \$516 billion (Indian Brand Equity Foundation, 2013). India is home to one of the top five retail markets in the world and offers immense scope of growth and opportunities in this arena. As of now, almost 92 per cent of the Indian retail sector is controlled by tiny family-run shops i.e. the unorganized segment. Thus, organized retailers have a lot of room for further penetration in this flourishing economy. In 2010, larger format convenience stores and supermarkets accounted for about 4 per cent of the industry, and these were present only in large urban centers. Now the trend is changing, and such concepts are mushrooming in smaller cities and towns as well. Organized retail segment is expanding at 20 per cent a year, driven by the emergence of shopping centers and malls and growing middle class.

India allowed overseas investment in its supermarket sector in September 2012. Since then, the retail landscape is witnessing a flurry of foreign investments.

Physical stores retailers in India (India in Business, 2014)

Retailer	Stores
Pantaloon Retail	Big bazaar, Food bazaar, Hometown, furniture bazaar, collection-I,e-zone, shoefactory, Depot, Futurbazaar.com, Bowling co.
K Raheja Group	Shopper's Stop, Crossword, Homes stop, Mothercare.
Tata Group	Westside, Star India Bazaar, Croma, Titan, Tanishq.
RPG Group	Foodworld, Spencer's, Music World
Landmark	Lifestyle, Home Centre, Landmark International, Max Retail, Funcity.
Piramal Group	TruMart, Priamyd Megastore
Reliance	Reliance Hyper-mart
Aditya Birla Group	Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town.

Major Online retailers in India

Retailers	
Flipkart.com	Yebhi.com
ebay.in	Snapdeal.com
tradus.com	Pepperfry.com
Shopclues.com	infibeam.com
Myntra.com	Amazon.in
homeshop18.com	futurebazaar.com

## **1.1 Online Retail Overview**

Indian consumers are demonstrating an increasing interest in online shopping, thanks to the surging number of online users. The growing online retail market has become a very lucrative business for international majors as well. For instance, internet giant Amazon, which was dedicated to the biggest markets until now, has commenced an India-centric website in June 2013.

India has surpassed Japan to become the world's third largest Internet user after China and the United States with almost 74 million Internet users, stated global digital measurement and analytics firm ComScore. (The Hindu, 2013)

In addition to that, online retail web sites have witnessed a 65 per cent rise in the traffic from the previous year, according to a survey by the Associated Chambers of Commerce and Industry of India (Assocham).

The survey indicated that the market for online shopping in India, estimated to be around Rs 52,000 crore (US\$ 8.19 billion), is expanding at a very fast pace. The trend is not only catching up in metros, but in smaller towns and cities as well.

Indians, on average, spend between \$24 and \$35 per online transaction, a figure dwarfed by the \$150-\$160 spent by U.S. shoppers online per transaction, according to data from U.S. based analysts ComScore and Retail Decisions (UK Reuters, 2014).

## 1.2 Online Retail Industry: Key Developments and Investments

Amazon India is casting a snare to draw more small merchants into its fold as it battles India's top online retailers Flipkart and Snapdeal for supremacy in the country's booming ecommerce industry. Now merchants can sell their wares on the same day they register on Amazon's portal compared with the nearly two weeks it takes on competing platforms. Market leader Flipkart, which just reached the milestone of \$1 billion (over Rs 6,000 crore) in sales, also has about 4,000 sellers on its marketplace. But it follows an invite-only model to sign on sellers which is more time-consuming.

Amazon India latest delivery service, 'easy ship', will allow sellers to ask for a product to be picked up and shipped by Amazon. It will also provide cash-on-delivery for these sellers' orders, an option so far available only to those who stocked products with Amazon. The service, which has 400 sellers already registered, will be available in 30 cities to start with.

Last December, Amazon launched in-a-day delivery service forcing Flipkart and Snapdeal to follow suit. Flipkart and Amazon also launched their Apple iPhone and iPad applications within a day of each other. "Amazon is forcing Flipkart to push ahead with its customer and seller services," said Ashish Jhalani, head of advisory services firm eTailing India. In Delhi and Mumbai, Amazon.in is piloting pick-up services where customers can pick up their orders from In & Out stores located at BPCLBSE petrol stations.

"Amazon is pretty much the trend-setter," said Mahesh Murthy, founding partner at early stage venture fund Seedfund. "When Amazon started charging for delivery, Flipkart did the same." Industry experts said Amazon India has done right by first focusing on backend processes instead of blindly chasing customers upon entry. "They built the logistics network, warehouses and built up a large selection of products that is helping them win customers now," said Technopak's Singhal.

The company now has about 1.5 crore products listed on its site and two warehouses, each measuring over 150,000 square feet, in Mumbai and Bangalore.

Earlier this month, Flipkart said it had millions of products across 21 categories and 40 sub-categories. At peak times, the Bangalore-based company ships 1.3 lakh products a day.

Amazon said its strong backend infrastructure is helping it scale up fast. "When we decide on areas of focus, we always work backwards from the customer," said Deshpande of Amazon.in. "Selection, delivery experience, logistics, payments and website experience are areas we are super-focused on."

Merchants are happy with their experience on the site. "Margin cut at Amazon is about 6-7%, compared with 10-12% at Flipkart," said Hysteria's Arif.

While these indicate that Amazon is chipping away at the fortress that Flipkart has built, overtaking the market leader will take some doing.

While prices in categories such as books are similar or Amazon.in is cheaper, in areas such as mobiles and tablets, Flipkart is cheaper in most models and brands. Flipkart is able to do this as WS Retail, a seller on Flipkart, is its subsidiary and gets most of its inventory directly from brands.

"Flipkart's WS Retail also buys outright from us and accounts for about 80% of our volume on Flipkart," said Vivek Prabhakar, co-founder of design merchandise firm Chumbak, for whom online sites account for 18% of overall sales.

Experts too believe that Flipkart has been able to fight back, for now. "Flipkart has the people and has built processes and technology. They are fighting back powerfully," said eTailing's Jhalani.

Many believe the battle will only truly begin when Amazon.in launches apparel. Flipkart is believed to be in talks to acquire rival fashion portal Myntra to shore up its defences.

Amazon, which launched other fashion categories lately, the most recent being shoes, is expected to launch apparel in the first two weeks of May.

India's slowing consumption story has meant a decline in the interest shown by private equity (PE) and venture capital (VC) investors in consumer product, retail, and restaurant companies, even as it has meant a revival of their interest, which appeared to be fading, in e-commerce firms.

Investments in retail, e-commerce, consumer packaged goods and quick service restaurants rose to \$1.142 billion (across 94 deals) in 2013-14, from \$855.53 billion (across 107 deals) in 2012-13, according to investment tracker VCCEdge.

Of this, investments in e-commerce firms rose 258.31% to \$805.36 million in 2013-14 from \$224.85 million a year-ago.

The total digital commerce market in India grew by 33% to reach Rs.62,967 crore (in sales) in 2013 from Rs.47,349 crore in December 2012, according to industry lobby Internet and Mobile Association of India.

In 2013-14, Flipkart.com raised \$360 million from existing investors Tiger Global Management Llc, Accel Partners and Iconiq Capital, and MIH (a part of South African media company Naspers Group); this is the largest investment in online retail in India thus far.

Mumbai-based online and mobile classifieds firm, Quikr India Pvt. Ltd, said it has raised \$90 million from Investment AB Kinnevik of Sweden. "The proceeds (of the \$90 million) will be used for marketing, talent acquisition and improving customer experience," said Pranay Chulet, co-founder and chief executive of Quikr.

On 26 February 2014, Snapdeal.com, one of India's largest online marketplaces, said it was raising \$133.7 million from existing investors, including eBay Inc., a company that has struggled in India despite being an early mover.

### 1.3 Government Regulatory framework

Foreign Direct Investment (“FDI”) in India is regulated by means of the Foreign Exchange Management Act (“FEMA”). Amendments to the investment policy are made by the Ministry of commerce in consultation with the Department of industrial Policy and Promotion (“DIPP”) and then notified by the Reserve Bank of India (“RBI”) by means of Press notes/Press releases and Circulars. Current FDI regulations have been detailed in circular 1 of 2012, “Consolidated FDI policy” which came into effect from 10th of April, 2012. The policy was further modified by Press notes 4 and 5 of 2012 which allowed 100% FDI in single brand retail trading and up to 51% in multi brand retail trading, requiring mandatory sourcing of 30%, with other conditions being:

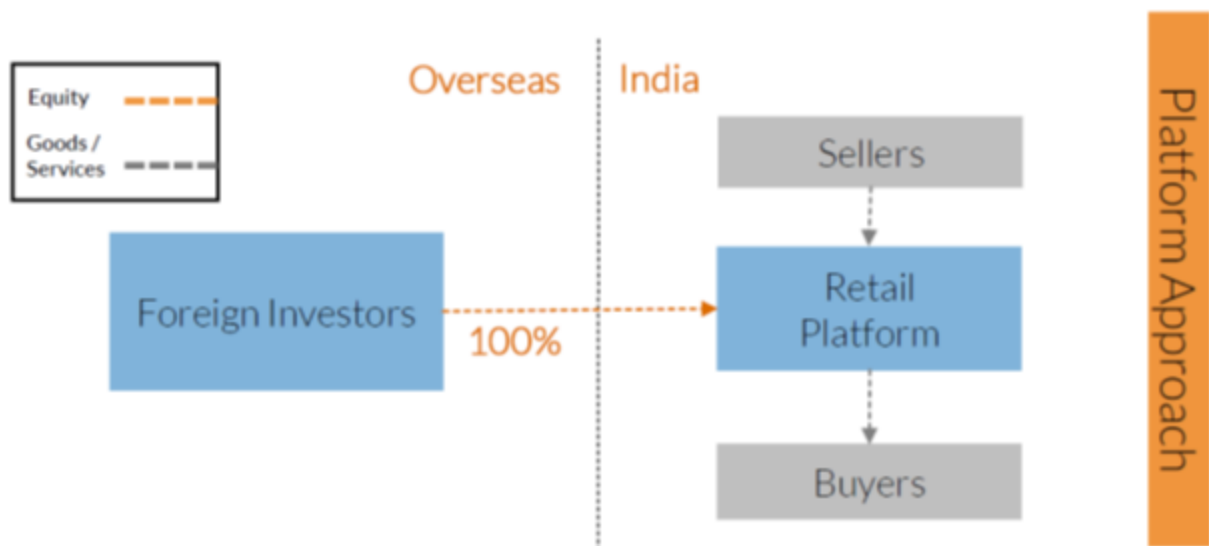
- a) Companies with such FDI can open retail outlets only in cities with a population of more than 1 million.
- b) At least 50% of the FDI brought in has to be invested in “backend infrastructure”.
- c) Such stores can only be opened in states which explicitly allow such FDI

While 100% FDI is allowed under the automatic route in companies engaged in Business to Business (B2B) trading. The policy re-iterated the previous position, which stated that companies with FDI would not be allowed to engage in retail e-Commerce activities.

It is true that FDI is flowing in to Business to Consumer (B2C) companies, for there exist a number of models used to structure FDI in such companies, in compliance of the law of the land.

#### Possible FDI Models

Figure 1.3-1 : Platform Approach



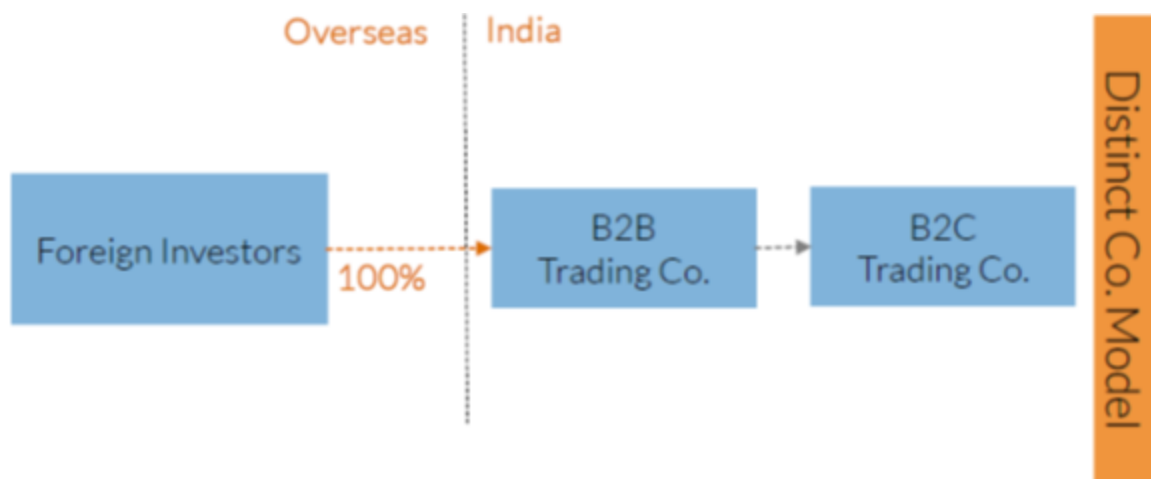
Source: (Arkay & Arkay, 2013)

Under the current policy, FDI in multi brand retail is capped at 51% with a minimum investment threshold of \$100 million. Of such investment at least 50% has to be invested in the “back end” infrastructure of the retail company. Such back end infrastructure includes supply chain and warehousing facilities but does not include rental costs or land.

One of the ways to tip toe around these limitations and to avoid the huge entry cost is to enter the market as a trading platform rather than a trader. Since there are no restrictions on investment in a technology platform 100% FDI can be brought into companies which own such platforms via the automatic route. As part of the trading platform model, the Indian company functions purely as an online market place whereby sellers can canvass their products to potential customers and secure sales through the Indian company. The actual customers of the company are the retailers who use the platform to make such sales, the platform owner earns a cut from the sales in the form of either a commission or carriage fee.

This model is within the letter of the law since there is no active retail activity carried out by the company receiving FDI. This model allows companies to function with the greater confidence than other comparable models. Further, in case of any relaxation in policy with respect to 100% FDI in ecommerce, such companies can readily change their business model utilizing the customer database and foraying into retail commerce. Companies operating through this model include Amazon (Through Jungle.com and soon Amazon Seller Services) and Ebay

Figure 1.3-2 : Distinct Co. Model



Source: (Arkay & Arkay, 2013)

The existing FDI policy permits the infusion of up to 100% FDI in a wholesale trading company through the automatic approval route. While there are caveats related with such investment it offers a potential entry into the ecommerce market in India via an ingenious model.

This involves the setting up on two distinct entities, not connected with each other in any way. One of the entities is designated as the B2C entity while the other is classified as a B2B trading company. The B2B Company owns the trading platform (the ecommerce website) and maintains inventory etc of goods to be sold to “business customers”. The B2C Company engages the services of the B2B Company in a franchise based model and uses the trading platform, management services and acquires inventory from the B2B Company. It is the B2B Company that the foreign investment flows in compliance with the letter of the guidelines.

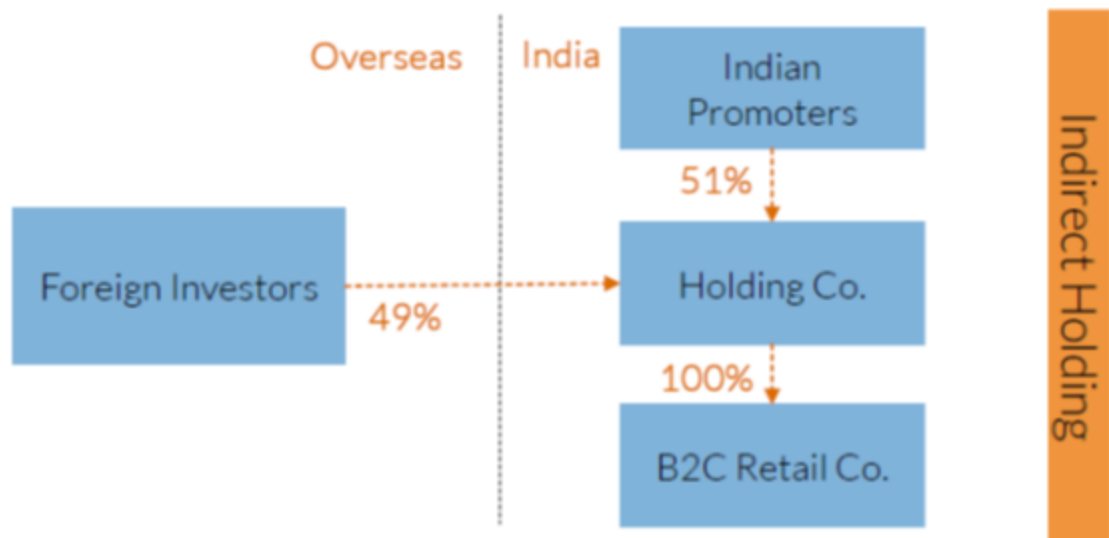
The B2B Company needs to comply with the FDI policy by:

- a) Obtaining requisite registrations and licenses for wholesale trading
- b) Ensuring that all sales are made only to “valid business customers”
- c) Keeping record of all sales maintained on day to day basis

d) Ensuring that sales to group companies do not exceed 25% of the total turnover of the wholesale venture.

While the term “group companies” has not been defined by the policy or other strictures of law they are generally understood to be companies controlled, directly or indirectly, by a common management or where one company wields significant influence on the day to day operations of the other. Therefore it is important to maintain a clear distinction in ownership and control of the B2B and B2C entities to avoid falling on the wrong side of the law.

Figure 1.3-3 : Indirect Holding



Source: (Arkay & Arkay, 2013)

An Indian company is defined by the FDI policy as “A company, incorporated in India which is owned and controlled by Indian residents”. As per the policy a company is considered as ‘Owned’ by resident Indian citizens if more than 50% of the capital in it is beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens, similarly, a company is considered as — controlled by resident Indian citizens if the resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens, have the power to appoint a majority of its directors in that company. Therefore if more than 50% of the share capital of a company incorporated in India were to be held by Indian residents or other Indian companies any downstream investment by such companies would not be considered while computing the cap with respect to FDI investments. Taking advantage of this provision, FDI injections up to 49% may be made in an Indian company where the majority ownership would be held by Indian resident Indian Citizens. This option is most preferred in JV arrangements where the foreign players chooses to align with a local partner for its Indian business. While exploring this structure, like all other structures, one must be mindful of the circumstances surrounding the retail sector in India wherein models proposed by the incumbent businesses may find themselves subject to increased levels of scrutiny in the hands of the regulators and the Enforcement Directorate

## **2 Research Methodology**

### **2.1 Significance of the Study**

The study has been conducted to identify the current technological trends that e-commerce companies are following. Each company has its own goals and vision and thus accordingly create an investment plan and future strategy for renovation in technology side (servers usage, system usage, applications usage, IT professional hiring etc.). In this report we have tried to find out the different trends that company follows and categorized them accordingly. Further plethora of options has also been discussed that company can choose before making a decision in IT investment.

### **2.2 Data Collection**

The data collection was done both through primary and secondary sources.

Primary data is a type of information that is obtained directly from first-hand sources by means of surveys, observation or experimentation. It is data that has not been previously published and is derived from a new or original research study and collected at the source such as in marketing.

Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all.

Secondary data was referred in order to gain the knowledge and information through internet. White papers, articles, journals, reports were referred in order to obtain the desired information.

Primary sources includes interviews from the Marketing Head of the company or the founder of the company depending upon the availability. Each of the participants provided detailed verbal biographies of his/her e-commerce work experiences in a collaborative reflective process through several interviews to ascertain, clarify, illuminate, and develop a richer understanding of their informal learning. This collaborative reflective process involved the participants and primary researcher working together collaboratively through specific questions about their experience, spontaneous commentary, and emergent concepts over their narrative accounts and findings.

Secondary source consists of already published papers, economic times articles, company's website and other related websites.



### **2.3 Sample**

For data collection many of the e-commerce companies were considered for interview (from top level companies to mid-level and smaller ones). But due to difficulty in reaching the participants, we were able to collect data of only following 5 companies by primary and secondary research:

- Amazon
- Flipkart
- E-bay
- Elitify
- Educational Publishing House

Criteria for inclusion of participants in the study were: they have to be in the top most position such that they can us tell us about their competitive position, their marketing strategy, a glimpse of future growth strategy and information about other important areas. e.g. Marketing heads or top level executives.

### **2.4 Tools of Analysis**

For the analysis part we have used case study method for qualitative analysis. Interviews were taken which include all information about current deployed technology, their further strategies (financial wise and technological wise), threats, opportunities and their current stand on e-commerce (Questionnaire attached in Appendix section).

A qualitative instrumental case study design was used to gain a deeper understanding of the process of informal learning (Ellinger, Watkins, & Marsick, 2005). This design was deemed most appropriate for this study because, “case studies help us to understand the processes of events, projects, and programs and to discover context characteristics that will shed light on an issue or object” (Merriam, 1998) . Similarly, (Stake, 1995) indicated that the study of a particular case, or collection of cases, might capture the complexity and facilitate an in-depth understanding of a specific phenomenon. Further, as (Yin, 2003) acknowledges, case studies offer a distinct advantage for addressing a 'how' or 'why' question that is “being asked about a contemporary set of events, over which the investigator has little or no control”. According to Yin, case study as a research strategy is most appropriate for illuminating processes, which was the intended purpose of this study.

### **3 Technology in Retail**

Over the years as the consumer demand increased and the retailers geared up to meet this increase, technology evolved rapidly to support this growth. The technology behind this that has now become almost essential for every e-retailing can be divided into 3 broad categories:

#### **3.1 Option One: Fully Outsource**

This option includes totally outsourcing the website development and maintenance to the third party company. This approach is adopted generally by small companies who already have a good off-store presence but due to evolving nature of retail and to keep up with the pace of the world, they also want to establish their online presence.

By fully outsourcing the website maintenance they have advantage of low risk, less capital requirement of high cost servers and systems, no extra workforce/skills required for maintenance, no worries to update existing systems as new patches/modules arrives, 24\*7 support.

But on the other side by outsourcing, they have to stick with the offering of the provider and their capabilities. They have very less control over the design, look and feel and internal structure of the system.

#### **3.2 Option Two: Maintaining e-commerce platform**

Maintaining own e-commerce platform and do all the installation and maintenance of the various systems require a greater expertise level. This approach has more control over the previous one (i.e. fully outsource) as we have complete control over designing, controlling and in-depth knowledge of the internal systems and we can modify the system as per our own requirement anytime.

Maintaining own system takes more investment than fully outsourcing because it requires buying the servers/ or hosting fees, purchasing individual components (their license), hiring people who have expertise in e-commerce platform but give better results in long term. This option is adopted by serious companies who are looking forward to make a considerable investment and commitment to compete with other players and create a niche of their own in the market.

Various individual components like payment gateway, CRM, web analytics when combined together form a complete e-commerce system. All the components are described in detail under next section "Online channel dynamics".

### **3.3 Option Three: Self - Development**

This options includes creating the whole system from the scratch. A special dedicated team is required for the development of main system (e-commerce platform). Investment level is the maximum in this route as hiring of developers, testing team and supporting team requires quite a lot of investment. This approach is followed by top level companies who have plenty of capital and who don't only want to create a niche but also gain a leader position in the general market.

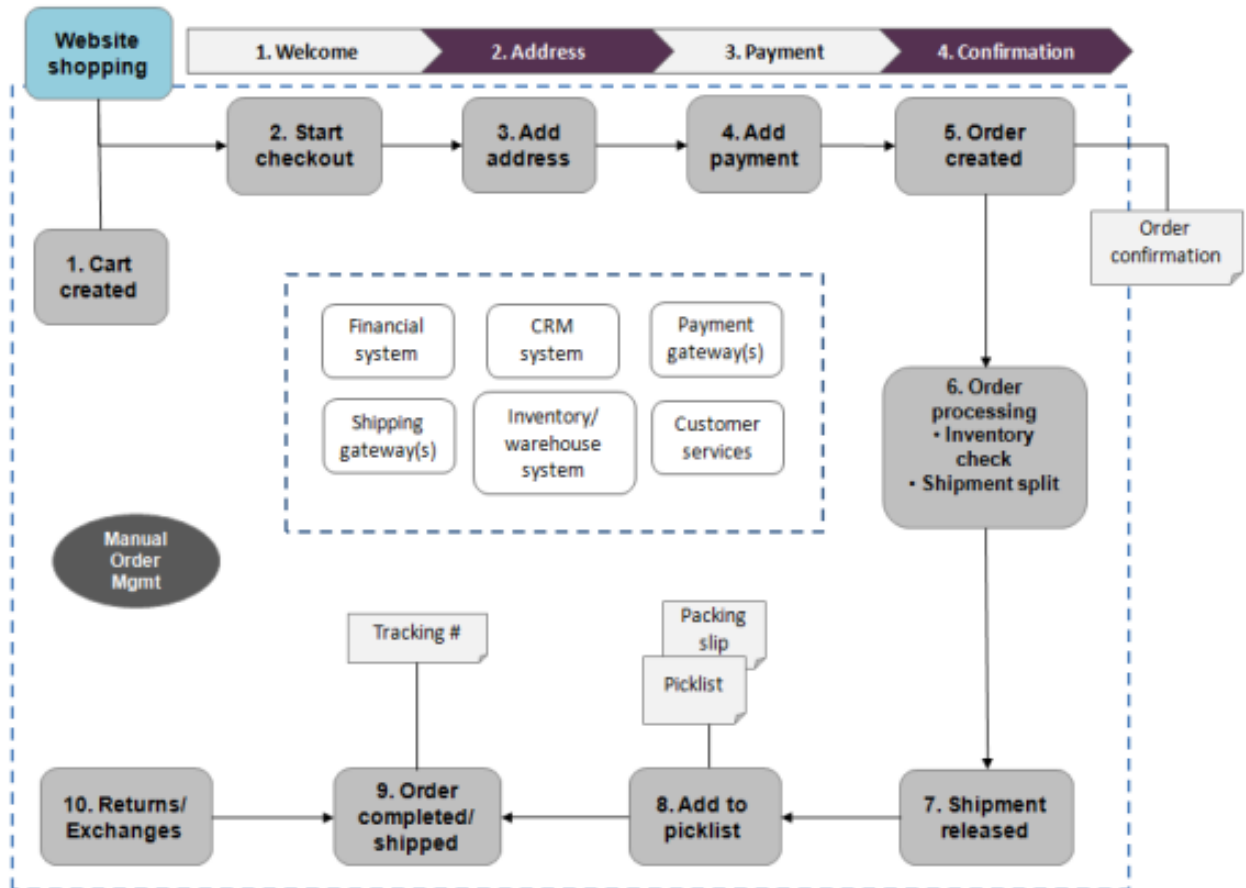
Sometimes to make further profits they also let their modified versions of their core systems available to the open market by charging some fees against it.

This option gives the maximum flexibility to do changes in the system and everything is under control, the whole developer team is there to support and make changes.

## 4 Online channel dynamics

### 4.1 Online business transaction flowchart

Figure 4.1-1 : Online business transaction flowchart



Source: (EPiServer, 2014)

## 4.2 Setup up an online store

After setting up of an legal entity i.e. registering your company in government records(in case of a new company) and a thorough and robust business plan that consists of target audience, sales forecasts, future plans for the company ,costing, financing etc a company needs to focus on IT and other hardware requirements for setting up a online store. While creating a business plan, it is a good practice to identify a niche; a USP (Unique Selling Point) to set your business apart from the rest, whether you're planning on selling goods or services.

### **IT infrastructure**

- Mandatory
  - E-commerce platform.
  - Setting up a domain name
  - Setting up a communication platform
  - Payment system to use (payment gateway).
  - Shared hosting or dedicated hosting.
- Special apps
  - CRM
  - Business Analytics & Business Intelligence
  - Web Analytics
  - Email marketing
  - Online Fraud Prevention

### **Other infra requirement**

- More advanced Shipping (label printers, printing stamps, etc.)
- Packaging: boxes, stickers, labels
- Warehouse

### **Management**

- Marketing & PR
- Get wholesale pricing(suppliers)
- Trademarks
- Shipping(Logistics)
- Setting up bank accounts

### 4.2.1 E-commerce platform

The basic definition of an e-commerce platform is 'a software that enables transaction via the internet', these platforms have quickly developed into comprehensive, all-encompassing online retail solutions. Allowing retailers to target, capture, engage and retain customers, though not just the traditional web store, but also via offline, mobile and social media channels.

Most of the e-commerce platform have integrated payment gateway available and are SaaS based.

#### **The SaaS e-Commerce Advantage**

Software as a Service gives small and medium sized businesses easy and affordable access to a robust and scalable software platform, training, and support. SaaS is already a \$10 billion industry and is expected to double by 2015 as more and more companies shift to on-demand SaaS solutions for everything from e-Commerce to HR, CRM and Accounting.

Industry growth is driven by the many benefits the Software as a Service model has over traditional "software as a product" models.

Some of the advantages of SaaS based E-Commerce platform for your business are:

- *Nothing to install:*  
All you need is a current web browser and an internet connection.
- *Fast implementation:*  
Most projects are completed in 12 to 16 weeks with some in as little as 6 weeks.
- *Scalability:*  
Pay only for the infrastructure you need.
- *Nothing to upgrade or patch:*  
Company looks after it for you and release updates several times a year. It is all included in license fees or subscription.

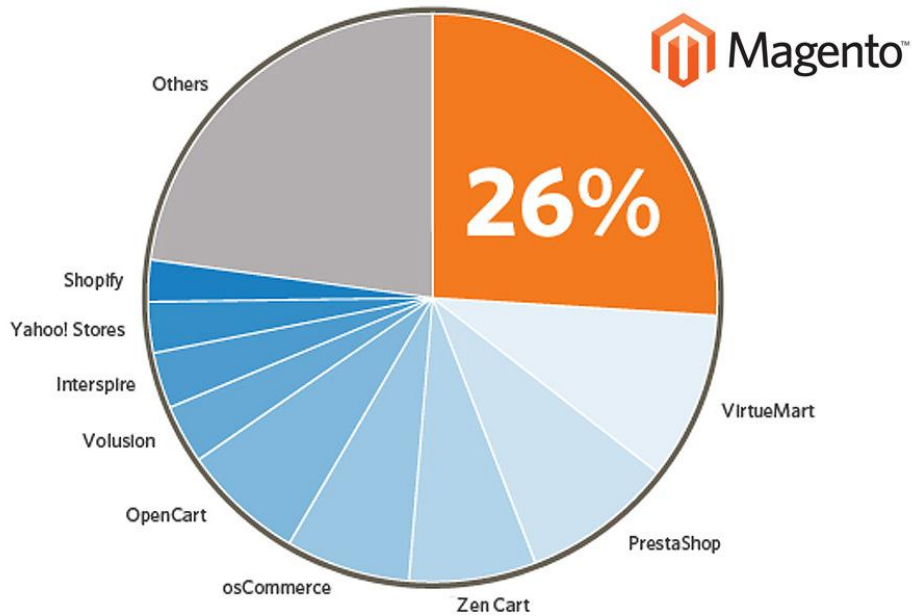
Some of the prominent e-commerce platforms are:

Sno .	E-commerce platform	Clients	Type	Features
1	Phantom and HostDB	Flipcart	Opensource	Flipcart's own Technology platform (Economic times, 2013)
2	Magento	BING LEE, Paul Smith, city chic, franklin	Enterprise Edition(Paid) and Community Edition(Free)	<ul style="list-style-type: none"> <li>• Marketing Promotions and Tools</li> <li>• Analytics and Reporting</li> <li>• Search Engine Optimization</li> <li>• Site Management</li> <li>• Catalog Management</li> <li>• Catalog Browsing</li> <li>• Product Browsing</li> <li>• Mobile Commerce</li> <li>• International Support</li> <li>• Checkout</li> <li>• Shipping</li> <li>• Payment</li> <li>• Customer Service</li> <li>• Customer Accounts</li> <li>• Order Management</li> </ul>
3	Shopify	Litter, BlackMilk	Paid	<ul style="list-style-type: none"> <li>• Beautiful storefronts</li> <li>• Running your store</li> <li>• Shopping cart</li> <li>• Unlimited hosting</li> <li>• Marketing &amp; SEO</li> <li>• 24/7 support</li> <li>• Mobile commerce</li> </ul>
5	Buildabazaar	Airtel, Crossword, TheMobileStore , VIP, HiDesign, Bombay Dyeing, TVC Sky shop and Prestige	Paid	<ul style="list-style-type: none"> <li>• Zero IT cost</li> <li>• Manage your products</li> <li>• Customize your store</li> <li>• Manage your orders</li> <li>• SEO and Online Marketing</li> <li>• Social network integration (Share information about your store on facebook, twitter and Google+)</li> <li>• Payment Gateway (DirecPay, Billdesk, TechProcess, CCAvenue, HDFC, Axis and PayPal.)</li> </ul>

Figure 4.2-1 : Most Popular e-Commerce Software

### Most Popular eCommerce Software

(Top 1M Sites) Feb 2013



Source: (advantec-internet, 2014)

#### Other providers

Hybris By Sap, Oracle's Atg Web Commerce, Websphere Commerce By Ibm, Shopify, Tradeit, Volusion, 3dcart, Bigcommerce, Magento, Oscommerce, Opencart, Zen Cart, Zeuscart, Prestashop, Loaded Commerce, Wp E-Commerce For Wordpress, WoocommerceForwordpress, Zepo, PowerStores



### 4.2.2 Setting up a domain name

**Domain name:** Your domain name is your address on the internet and gives you an online identity or brand. It's a valuable part of your business identity and an important marketing tool. Naturally, it should be a name that can be recalled easily and one that is easy to spell and pronounce. The name should help consumers associate your company with its products or services.

### 4.2.3 Setting up a communication platform

**Communication platform:** For handling emails, voice, internet and other communication channels within the company and outside the company a communication platform is needed. Some of the big email providers are google, yahoo, hotmail, rediffmail etc.

For handling voice, IP telephony, messaging and other services a company can use Unified communications services or individual services offered by various players such as Mitel, Microsoft, Syntel, Cisco etc

For internet connectivity in India the players are Airtel, Reliance, Vodaphone etc.

#### 4.2.4 Payment gateway

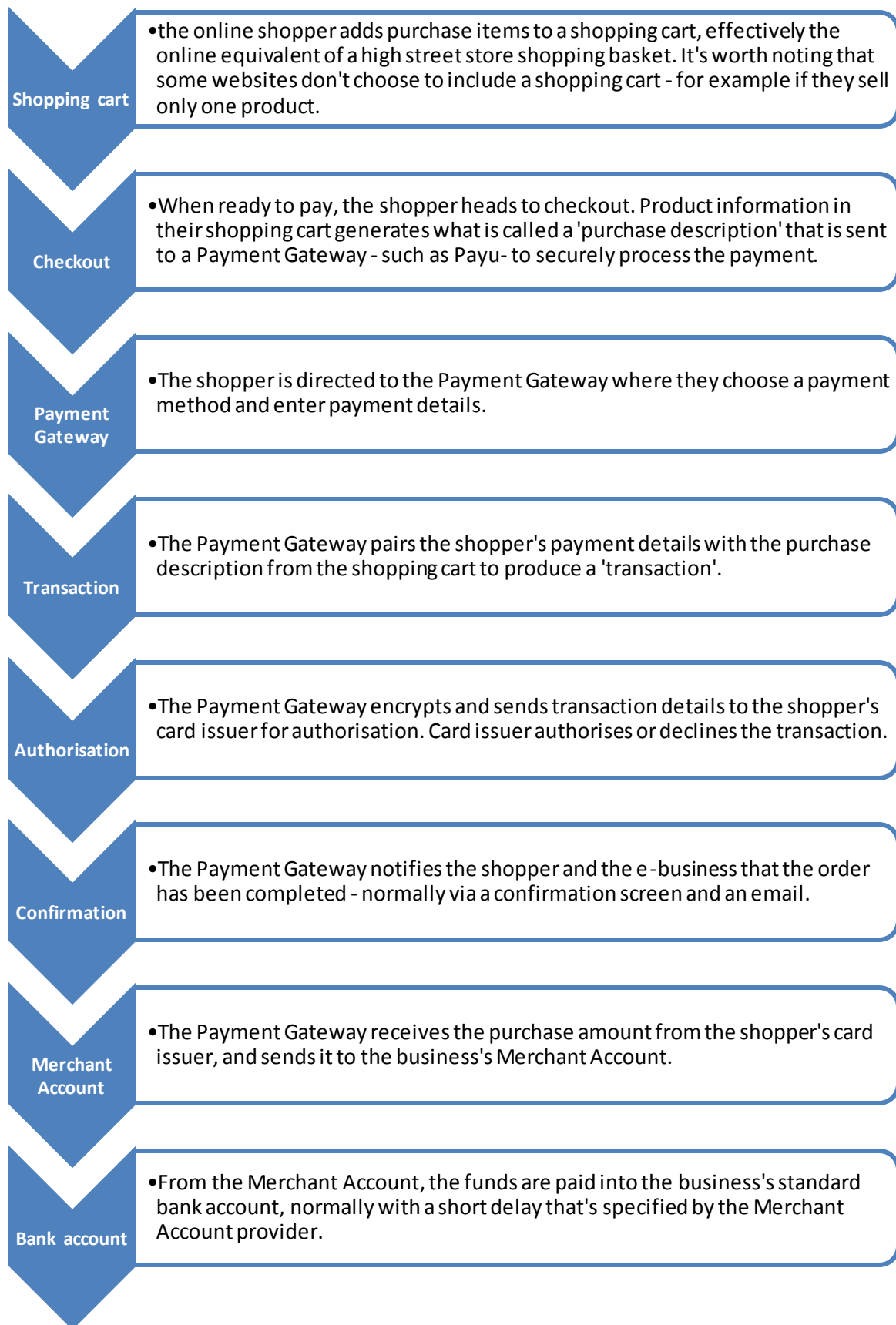
For operating an e-commerce website, online payment gateway is required for collecting the funds on website concerned to some products and services for the payment made by customers. Such payment gateways are beneficial for paying money easily without inessential troubles.

Sno.	Payment gateway	Clients	Comments	Type
1	PayZippy(flipkart own)	Flipkart		Opensource (Economic times, 2013)
2	Bank's own payment gateway(eg. Axis)	Yebhi	Card payments are processed viap Axis Bank's payment gateway, while Net banking payments are processed directly on the respective banks sites.	
3	Payuindia	Fashion and you, snapdeal, jabong, bookmys how		

#### Other payment gateways

EBS, Paypal, Directpay, ICICI Payseal, ABC Payments, Paysignet, HDFC Payment, Gateway, IndiaPay, CCAvenue, Transecute

The full process of payment is shown below:



Source : (Worldpay, 2013)

#### 4.2.5 Shared or dedicated hosting

Following are the options for web hosting a site:

##### *Shared Hosting*

Option 1: Companies that act as third party hosts - hosting your website on their servers - include ISPs, domain registration companies and dedicated web hosting companies. They can host many sites on the same server and are responsible for server maintenance and management. For most start-up and SME online businesses this lower cost option makes more sense than dedicated hosting.

##### *Dedicated Hosting*

If your site attracts thousands of visitors a day, you'll probably need a dedicated server. You can:

Option 2: host this yourself, providing you have enough technical resource and a high-speed internet connection. The advantages are that you have complete control over the site, and can add extra websites at no extra cost.

Or

Option 3: A third party can host your web pages on a server dedicated to your website, taking responsibility for maintenance, connectivity and security. If you don't have a specialist IT department to maintain the server 24/7, this probably makes sense.

Many hosting companies offer extra services - sometimes included in their monthly/ annual rates, such as:

- Supplying and registering domain names
- Web page authoring software to create web pages yourself
- Shopping cart software: many hosts can provide the shopping cart functionality and/or template websites
- Site statistics: most hosts can provide you with statistics on the number of visitors you receive. Look for more advanced reporting such as analysis of where traffic to your site arrives from/ leaves to etc
- Website promotion: some hosting services help publicize your site by listing it with internet search indexes and searches.

Some of the top hosting providers are:

- Amazon Web Services
- Rackspace
- Peer1 Hosting
- Zerolag
- Nexcess
- Simple Helix
- Anchor
- Hostway
- Neoverve
- Maxcluster

#### **4.2.6 Server virtualization**

Server virtualization is the masking of server resources, including the number and identity of individual physical servers, processors, and operating systems, from server users. The server administrator uses a software application to divide one physical server into multiple isolated virtual environments.

Server virtualization benefits for your business. Server virtualization has proven itself to be a revolutionary technology solution for IT management, presenting capabilities that would never be possible within a physical infrastructure. At an economic stance, the benefits of server virtualization are focused on cost savings because it allows multiple applications to be installed on a single physical server. According to vendor VMware, each virtualized server workload saves more than \$3,000 per year. Server virtualization leads to a variety of positive benefits within your company's IT department, especially if you have a wide variety of applications working on a significant number of servers. Top 5 benefits of server virtualization for your business are:

1. Reduce hardware costs from server virtualization

It is said that humans theoretically only use 10 percent of their brain command; most of the servers in a strictly physical environment are heavily underutilized, using an estimated 5-15 percent of their capacity. When you implement a virtualized server / cloud computing approach, hardware utilization is increased because one physical server can now hold multiple virtual machines. Applications no longer need their own server because each virtual machine on the physical server now runs them. In 2011, IDC reported a 40 percent reduction in hardware and software costs for IT departments that adopted a server virtualization strategy.

2. Faster server provisioning and deployment

Server virtualization enables system provisioning and deployment within minutes, allowing you to clone an existing virtual machine without the hours and costs normally spent installing a new physical server. Companies with virtual environments already look back and cringe at the grueling process of filling out a purchase order, waiting for the server to arrive and then waiting hours for the operating system and applications to finish installing. Time and cost add up substantially, not to mention the growing number of racks and cables you would have to purchase to accommodate for the increasing number of physical servers. Datacenter virtualization is most certainly necessary for most businesses to keep up with the explosion of data resources needed to keep pace with competitors.

#### 4. Server virtualization greatly improves disaster recovery

Perhaps the greatest benefit of server virtualization is the capability to move a virtual machine from one server to another quickly and safely. Backing up critical data is done quickly and effectively because your company can effortlessly create a replication site. Most enterprise virtualization platforms contain software that helps automate the failover during a disaster. The software also allows you to test a disaster recovery failover—think of it as your data center’s own fire escape plan. If a data center disaster occurs, your infrastructure is already set up to take appropriate measures for a swift and safe recovery.

#### 4. Virtualization saves significant energy costs

Among other server virtualization benefits, the migration of physical servers to virtual machines allows you to consolidate them onto fewer physical servers. Cooling and power costs are significantly reduced, which means not only will you be “going green”, but you will also have more green to spend elsewhere. According to VMware, server consolidation reduces energy costs by up to 80%. Another major plus is the ability to power down servers without affecting applications or users.

#### 5. Increase staff productivity

Having fewer physical servers means there are less of them to maintain and manage. As discussed in benefit #2, applications that used to take days or weeks to provision are now done in minutes. This leaves your IT staff more time to spend on more productive tasks such as driving new business initiatives, cutting expenses and raising revenue.

Some of the top players providing server virtualization are:

- VMware
- Citrix
- Oracle
- Microsoft
- IBM

### **4.2.7 CRM (Customer Relationship Management)**

CRM (customer relationship management) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. For example, an enterprise might build a database about its customers that described relationships in sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so forth.

Benefits of CRM:

- Maintain buyer/customer contact records
- Identify customer segments (location, purchase history, returns, customer support issues)
- Improve customer retention
- Know your top buyers for each product and group
- Improve customer service
- Create marketing campaigns
- Send coupons and incentives to specific buyer segments
- Track and report on effectiveness of marketing campaigns
- Analyze and create reports on customer trends in correlation with marketing and product

Top players of CRM are

- Oracle, including its Oracle Siebel, PeopleSoft and Oracle On Demand products
- SAP CRM
- Microsoft Dynamics CRM
- Salesforce.com

Other providers:

Right Now, SageCRM and SalesLogix, Pivotal from CDC Software, Talisma, SugarCRM, Impel CRM, C2 CRM v. 10 – by Clear C2, Inc



#### **4.2.8 Business Analytics & Business Intelligence**

Business intelligence, or BI, is an umbrella term that refers to a variety of software applications used to analyze an organization's raw data. BI as a discipline is made up of several related activities, including data mining, online analytical processing, querying and reporting.

Companies use BI to improve decision making, cut costs and identify new business opportunities. BI is more than just corporate reporting and more than a set of tools to coax data out of enterprise systems.

Some of the players in this domain are:

- SAP BusinessObjects
- SAS Business Analytics
- QlikView
- BOARD Management Intelligence Toolkit
- Prism
- GoodData
- Birst
- TIBCO Spotfire
- Yellowfin
- TARGIT Decision Suite

### 4.2.9 Web Analytics

#### Track your store's performance

When a store is online and not at a physical address, it's difficult to get the feedback that you would when standing behind a counter and talking to each customer that walks through the door. Tracking the store's performance is extremely important as it advises on what's working, what's not, where traffic is coming from, what countries are visiting your store, who's buying and much, much more. With resources like **Google Analytics** we can now know exactly what's happening in and around your online store. Some of the useful statistics to follow are:

**Conversion Rate (%)** – It is the percentage of visitors that actually purchase.

**Traffic Sources** – Locations of where visitors are coming from.

**Unique Visitors** – Total number of unique visitors to a site.

**Bounce Rate (%)** – Percentage of visitors that leave from the page they enter.

**Map Overlay** – Countries/States that are visiting a site.

**Product Performance** – Signifies most and least popular products.

Other web analytics providers

- Omniture
- Mondosoft
- Coremetrics
- Webtrends
- Unica Corporation
- Fireclick
- Lyris Technologies
- ClickTale Ltd.
- VisiStat, Inc.
- OneStat

#### **4.2.10 Email marketing**

Email marketing is directly marketing a commercial message to a group of people using email. In its broadest sense, every email sent to a potential or current customer could be considered email marketing. It usually involves using email to send ads, request business, or solicit sales or donations, and is meant to build loyalty, trust, or brand awareness. Email marketing can be done to either sold lists or current customer database.

Some of the providers are:

- Mailchimp
- Aweber
- Constant Contact
- iContact
- Benchmark Email
- PinPointe
- Mailigen
- Campaigner
- Vertical Response
- Emma

#### 4.2.11 Online Fraud Prevention

Separate suites are also available for tackling online fraud.

Types of Fraud Present in Online Retailing:

*Malware Attack* – Malicious software (trojans, botnets, worms) that has the purpose of stealing identities or data from unsuspecting businesses or consumers. Malware can be used to collect financial data, contact data or passwords to commit fraudulent purchases or set up fraudulent lines of credit.

*Pharming* – It is systematic redirection of a consumer's web browser to a fraudulent Web site. That Web site may have the look and feel of the actual merchant Web site, but is designed to capture the consumer's information for malicious use.

*Phishing* – Fraudulent e-mails sent to consumers disguised as a credential verification request from the merchant. Similar scams exist that involve text messaging (SMSishing) and voice mail scams (vishing).

*Amateur Fraud* – Unsophisticated fraudsters use stolen consumer information to make one-off purchases on merchant Web sites. These amateur fraudsters tend also to use similar shipping address information and common data elements (such as billing address and customer name information).

*Card Testing* – The use of a merchant's Web site to actively test the validity of stolen credit cards. This is a common scheme where a low ticket item or service is purchased in an effort to test whether or not the stolen card is still active.

Some of the players in this domain are:

- Accertify
- Volance
- ThreatMetrix(for Magento)
- Chase Paymentech

## 4.3 Recent trends in India

### 4.3.1 Payzippy

A free payment gateway introduced by Flipkart which enables you to accept Credit/Debit Card, Net Banking, EMI and Wallet payments. It is fast & convenient zip through online & mobile payments *without having the user to type his card number, expiry date, name or billing address*. User has to save these details only once. Card details always remain encrypted and secure with PayZippy.

PayZippy's advantages:

- Higher Conversions - Benefit from our smart transaction routing and intuitive payment experience that drives higher success rates and lower cart abandonments for your online store.
- User Experience Redefined - Let your customers enter their card details without leaving your website. Offer the fastest checkout experience by enabling your customers to use their cards saved in their PayZippy wallet.
- 100% Secure - PayZippy has undergone stringent security audits (including PCI DSS) by industry experts. PayZippy's real time risk engine analyses every transaction across 50+ risk parameters and notifies you about suspected fraudulent transactions by email/sms.

### 4.3.2 Release on Delivery (RoD)

PayU India's online payment solution PayUPaisa has launched a new payment option called Release on Delivery (RoD) using which customers can release the payment for the product purchased online after receiving the product.

The company states that this option has been launched with the intent of helping customers gain more trust on the merchants, while also helping merchants reduce the high transaction cost incurred through third-party Cash on Delivery (CoD) services. PayUPaisa claims that the average cost per CoD transaction borne by a merchant is as high as 8% to 10% as compared to an online transaction which costs 2% to 2.5%. Therefore CoD continues to be a challenge although it constitutes 60% of the transactions done through e-commerce sites such as Myntra and FashionAndYou.

#### How does it work?

During check-out, customers are shown multiple payment options such as credit card, debit card, netbanking or CoD to choose from. On selecting CoD, RoD payment option is also offered to customers. On selecting RoD, payment can be made through credit card, debit card or net banking. PayUPaisa releases the payment to the merchant either on receiving information from the buyer or by default after 3 days of product delivery.

Figure 4.3-1 : Release on Delivery



Source: (NEXTBIGWHAT, 2014)

## 5 Case Studies: Online Retailers in India

### 5.1 Case: Amazon

Founded in 1994 and headquartered in Seattle, Washington. The world's largest online retailer Amazon.com Inc. which debuted here with local brand Jungle.com in February 2012, launched its own digital marketplace in June 2013. The company, which has been biding its time to enter the fledgling e-commerce market, launched Amazon.in with books, movies and television shows on sale.

Amazon operates marketplaces in 10 countries including United States, Canada, France, Japan and the UK. There are more than 2 million third party amazon sellers worldwide.

Figure 5.1-1 : Amazon's Online Marketplaces Today



Source: (Amazon, 2014)

India Development Centers: Bangalore, Chennai, Hyderabad (Amazon, 2014)

Customer Service Center: Hyderabad

In just over 10 months of existence in India, Amazon, has become the largest in the country, too, in the number of products its e-commerce sites stock (i.e. 15 million products).

#### Technology in use

Own proprietary systems for e-commerce platform, analytics etc.

#### Presence

- ✓ Website
- ✓ App available on iOS
- ✓ App available on android

### **Amazon Timeline in India** (Amazon, 2014)

- 24/04/2014: Amazon.in marks its entry into Apparel with Women's Ethnic wear; also announces the launch of Sunglasses
- 23/04/2014: Amazon India launches Self-Registration and Assisted Shipping service for sellers
- 16/04/2014: Amazon.in launches Shoes Store
- 08/04/2014: Amazon.in launches Health & Personal Care store on its marketplace
- 31/03/2014: Kindle devices now available on easy EMI
- 20/03/2014: Amazon.in launches Sports, Fitness and Outdoors equipment store
- 06/03/2014: Amazon.in launches Branded Handbags & Clutches Store
- 05/02/2014: Amazon.in launches India's largest selection for Video Games, Music and Luggage
- 15/01/2014: Amazon opens its second Fulfillment Center in Bangalore
- 15/01/2014: The All-New Kindle Paperwhite - The 6th Generation of Kindle - Now Available in India
- 08/01/2014: Amazon.in released the readers' choice list of most popular books in 2013
- 27/11/2013: Amazon.in introduces guaranteed 'One Day Delivery' service
- 27/11/2013: Amazon India launches App for iPhone and iPad
- 12/11/2013: Amazon.in launches Children's Corner to Celebrate Children's Day
- 29/10/2013: Amazon.in launches Beauty Store
- 09/10/2013: Now shop on Amazon.in using Amazon App for Android phones
- 07/10/2013: Spread the cheer - 'Light up a Child's Diwali'
- 26/09/2013: Amazon.in announces the launch of the Home and Kitchen store
- 19/09/2013: Amazon.in makes its debut in fashion and lifestyle with the launch of two new stores: Fashion Jewellery and Watches
- 12/09/2013: Amazon.in launches new store for Toys & Games, Baby products, Personal Care appliances and Health Care devices
- 12/08/2013: Amazon.in launches Computers and Accessories store
- 07/08/2013: Amazon Appstore Now Accepting HTML5 Web Apps – Making it Easy for Developers to Reach Millions of Kindle Fire and Android Customers Worldwide
- 08/07/2013: Amazon introduces "Amazon Associates Program" in India
- 25/06/2013: Amazon.in launches Mobiles & Accessories, Camera & Photography, and Portable Media Players stores
- 13/06/2013: Introducing Kindle Fire HD and Kindle Fire HD 8.9" on Amazon.in
- 13/06/2013: Introducing Kindle, Kindle Paperwhite and The Kindle Store on Amazon.in
- 05/06/2013: Amazon Launches In India



## Strategies Adopted

1. **Amazon Associates program** in India –a premier marketing program that lets online publishers of all sizes effectively monetize their content by advertising contextually relevant products and referring visitors to Amazon.in. Publishers can select from over 17 million books, tens of thousands of DVDs and Audio CDs, thousands of genuine items in Consumer Electronics, and the entire Kindle range of devices. It's completely free to join and an easy and effective way to improve experience for visitors and make money at the same time.

Figure 5.1-2 : Amazon Associates Program



Source: (Amazon, 2014)

2. **Amazon Fulfillment Centers** (Amazon, 2014) are warehouses where online retailers who use Fulfillment by Amazon (FBA) services, stock their inventory of their products. Amazon has created one of the most advanced fulfillment networks in the world and sellers in India have been benefitting from Amazon's expertise in fulfillment, reliable nationwide delivery and customer service. When using FBA, sellers across India send their products to Amazon's fulfillment centers and once an order is placed, Amazon packs and ships the order to the customer without the sellers having to do anything. Orders fulfilled by Amazon are not only eligible for **Cash on Delivery, Free Delivery promotions, and Guaranteed Next-Day delivery** but also benefit from Amazon's customer service and returns management, enabling sellers to focus on their core business.

The company's first such fulfillment center was set up in Mumbai in 2012. Second center is located near Bangalore and is spread over 150,000 square feet with both inbound and outbound services.

Sellers save money by replacing their upfront capital expense with low variable cost and pay only for the storage space they use and the orders Amazon fulfills. Sellers always have the flexibility to choose the number of products they want to have fulfilled by Amazon and scale according to their business requirements. Globally, sellers converting items to FBA generally see a 30-40% uplift in sales.

3. **Amazon Self Service Registration (SSR)**, (Amazon, 2014) enables sellers- irrespective of their size, location and size of catalogue, to self-register on the Amazon marketplace and start selling within a day without any third party intervention, making the process

quick, easy, and transparent. Sellers can register on Amazon.in by visiting the Selling on Amazon section on services.amazon.in and clicking on the “register now” button. FAQs have been provided at each step to guide on how to self-register. Sellers can even sign-up for Fulfillment by Amazon (FBA) through this channel. Currently the service is open for sellers across categories like books, music, movies, video games (games and consoles), mobiles and tablets, computers and accessories, camera, audio and video electronics, home and kitchen (except large appliances), toys, sports, fitness & outdoor and luggage.

4. **Amazon Easy Ship**, is an assisted shipping service that delivers a worry free shipping experience for sellers shipping products from their warehouse to buying customers. With Amazon Easy Ship, sellers can manage both prepaid and COD orders. All that the seller has to do is pack the shipment and confirm to Amazon that they are ready to ship. Amazon Logistics collects the shipment and ensures that the product is delivered to customers in 2-4 days. Sellers benefit from low shipping rates, pre-paid and COD orders, shipment pickup, fast delivery and automated shipment tracking. Customers benefit from track-able shipments, option of placing COD orders and faster and predictable delivery times.
5. With the introduction of the Amazon.in marketplace and launch of two new programmes – ‘**Sell on Amazon**’ and ‘**Fulfillment by Amazon**’

Figure 5.1-3 : Sell on Amazon



Source: (Amazon, 2014)

## 5.2 Case: Flipkart

Flipkart—founded in 2007 in Bangalore by Sachin Bansal and Binny Bansal with initial capital of INR 4 lakh. It is the largest B2B e-commerce platform in the country. Having started with books, it has now diversified into a wide range of other products like electronic goods, Air Conditioners, Air coolers, stationery supplies and life style products and e-books. The first product sold by them was the book, “Leaving Microsoft To Change The World”, bought by VVK.Chandra from Andhra Pradesh. Flipkart started from 2 employees and now employs more than 4,500 people, and is ranked among the top 20 Indian websites. Flipkart's offering of products on Cash on Delivery is considered to be one of the main reasons behind its success. Flipkart also allows other payment methods- Credit or Debit card transactions, net banking, e-gift voucher and Card Swipe on Delivery.

The company opened its first warehouse in Bangalore and later on opened warehouses in Delhi, Kolkatta and Mumbai. Today the company works with more than 500 suppliers.

### Financial figures (for the financial year 2012-13)

Profit/Loss: Loss of Rs.281.7 crore

Revenue: Rs.1, 180crore

Expenses: Rs.1, 366crore

Cash balance: Rs.166.2 crore

(Livemint, 2014)

### Technology in use

Technology platform – **Phantom and HostDB**

Payment Gateway –**PayZippy**

Business Intelligence tool –**QlikView** by QlikTech

### Presence

- ✓ Website
- ✓ App available on iOS
- ✓ App available on android

**Product features**

<b>S.No.</b>	<b>Product feature</b>	<b>Description</b>
1	Wishlist	<p>When you look at page after page of items you can find many things that you find interesting. By the time you finish the lists you probably have forgotten all of the ones you liked. By putting items in the wish list you can go back and review the different items and decide at that time which ones you might want to actually buy.</p> <p>or</p> <p>You can also identify items you would like for a future purchase. When you view details of an album on our site, you can select "Add to my Wishlist".</p> <p>This purchase can be made by you or you can share your list with someone else so they can purchase one or more of the items in your Wishlist. The price of an item is determined at the time of purchase. Adding an item to your Wishlist does not guarantee that it will be in stock at a later date.</p>
2	E-gift voucher	<p>E-Gift Voucher is a credit based voucher for user to use towards paying for the transaction when purchasing at flipkart.com</p> <p>E-Gift Voucher can only be redeemed against WS Retail seller. Voucher value can be anything between Rs. 25 and Rs. 10000.</p>
3	Electronic Wallet feature	<p>Flipkart launched a new that allows shoppers to purchase credit to their Flipkart account using credit or debit cards, and can subsequently be utilized to make purchases on the site, as and when required.</p>
4	Affiliate feature	<p>The Flipkart affiliate program is a great way for to earn commissions by placing product banners or links on your website to refer users to the Flipkart.com website. You can earn up to 15% every time a user clicks on the banner/link and makes a purchase on our site.</p>
5	In a day guarantee	<p>In-a-day Guarantee is faster delivery service, where orders placed before 6PM will be delivered the next business day. Orders placed after 6PM will be delivered the day after. Delivery is charged at Rs 90 per item.</p> <p>In-a-day Guarantee is available only for orders placed with selected sellers. As of now, this service is available only for deliveries in Bangalore, Chennai, Delhi, Hyderabad, Mumbai, Noida and Pune.</p>
6	EMI Option	<p>Flipkart's EMI scheme is available for American Express, Citi, HDFC and ICICI bank credit card holders only. One may choose to pay in 3,6,9,or 12 month installments. The minimum order value to avail the EMI payment option is Rs 4,000. This option is available only when the cart contains items from a single seller.</p>

## Strategies adopted

- 1) Books are the core selling product of Flipkart.com right from the start because of
  - a. Lower transaction size.i.e, Books approximately startswith Rs.100, so it becomes easy for the consumer to trust the new Flipkart.com for 1st transaction rather than mobile phones/cameras,
  - b. Better shelf life
  - c. Shipping and handling of books is easy
  - d. To emerge as a pioneer in book retailing rather than venturing comparison shopping engine  
(It derives around 50% of its revenue from selling books online.)
- 2) Website is great, easy to use, easy to browse through the products, add products to wishlist or to a cart, get product reviews and opinions, pre-order products, make convenient payments using different methods and better Search Engine Optimization
- 3) 30-day replacement guarantee for faulty products.
- 4) A very important point is that they introduced the option of cash on delivery and card on delivery. This way people demonstrated more confidence in buying products. Today Flipkart sells 20 products/min and have a massive customer base, still more than 60% of the Flipkart's customers use Cash on Delivery and card on delivery methods. This is because of two reasons, one is many people do not know how to make payments online. And secondly people do not have immense trust in e-commerce in India. Flipkart also provides a 30 day replacement guarantee on its products and EMI options to its customers for making payments.
- 5) Flipkart as a brand has already differentiated itself as a pioneer in book retailer, trustworthy in terms of swift services and secure payments, quality-oriented products with lower price offerings than retail market), innovative product line, customer delightful service which has helped them to form its own distinctive image better than few unheard competitors such as Tradus.in and Indiaplaza.com.
- 6) Products are packed in such a way that they are Tamper proof, weather proof and breakage proof
- 7) QR codes – every parcel has QR code embedded on it. The user can scan the QR code to unlock discount for the next purchase.
- 8) Warehouses are located in the following cities, often near airports.  
Bangalore, Chennai, Delhi, Hyderabad, Mumbai, Noida, Pune, Kolkata
- 9) Differentiated themselves by giving best selections, best services at lowest best possible prices
- 10) It is the only customer support division in India having 24x7 customer support functioning for issues such as regarding choice of the product to purchase, shipping, courier, how to order on website, mode of payment, gift voucher, order status & cancellation and returns.

- 11) Marketing strategy : As internet/web strategy used Google Ad-words, blogs, socialnetworking sites such as twitter, facebook, e-mail campaigns

Flipkart has been mostly marketed by word of mouth advertising. Customer satisfaction has been their best marketing medium. Flipkart very wisely used SEO (Search Engine Optimization) and Google Ad-words as the marketing tools to have a far reach in the online world. Flipkart.com official Facebook page has close to 9 lac 'likes'. Flipkart recently launched a series of 3 ads with the tag line - "No Kidding No worries"

Kids were used to create the adverts to send out the message - if a kid can do it, you can also do it.

The message is very clear to make people more comfortable with Flipkart, to generate a great customer relationship and loyalty on the basis of great product prices and excellent customer service. All in all to create a great customer experience.

- 12) For better inventory management it is using BI tool QLIKVIEW.
- 13) When an order is placed they either serve the order from their inventory or procure the book on demand from various suppliers and then deliver the customer.
- 14) It has stopped delivering consignments worth more than Rs 10,000 to customers in Uttar Pradesh, including NCR regions of Noida and Ghaziabad.(Due to numerous instances of customers ordering expensive goods on the cash on delivery scheme and refusing to accept their orders) (Economic Times, 2013)

### 5.3 Case: e-Bay

eBay Inc. (NASDAQ: EBAY) is a global commerce and payments leader, providing a robust platform where merchants of all sizes can compete and win. Founded in 1995 in San Jose, California, eBay Inc. connects millions of buyers and sellers and enabled \$212 billion of commerce volume in 2013.

eBay India ([www.eBay.in](http://www.eBay.in)), India's leading eCommerce marketplace, is India's largest online shopping website where thousands of Indian entrepreneurs list a wide range of products across Electronics, Lifestyle, Media and Collectibles categories. eBay India has 2.1 million active users from 4,306 cities in India. eBay India is a 100% subsidiary of eBay Inc.

eBay has a global presence in 39 markets, including the U.S. Marketplaces have over 128 million active users worldwide. In Q4 2013, gross merchandise volume (GMV), the total value of all successfully closed items on eBay Inc.'s trading platforms, was \$21.5 billion. Marketplaces net revenues totaled \$2.2 billion in Q4 2013. eBay users worldwide trade \$2,767 worth of goods on the site every second. (e-Bay, 2014)

#### **Technology in use**

Own proprietary systems for e-commerce platform, analytics etc.

#### **Presence**

- ✓ Website
- ✓ App available on iOS
- ✓ App available on android

## **Strategies adopted**

**Entrepreneurial Opportunities:** eBay India offers entrepreneurs & brands the best eCommerce platform to trade products both nationally & across the globe. Over 30,000 sellers sell on eBay India annually to 2.1 million shoppers in 4,306 Indian cities. Over 15,000 sellers export a variety of Indian handcrafted products to 128 million customers in over 201 countries. Hundreds of Global & Indian Brands are listed on eBay India.

**Global EasyBuy :** Global EasyBuy ([www.ebay.in/geb](http://www.ebay.in/geb)) - The International Online Shopping Destination - provides Indian shoppers with instant access to an unprecedented 18 million international products at any given point of time. Global EasyBuy enables Indian shoppers to purchase directly from international eBay sites, pay a single price (inclusive of product cost, shipping and any applicable duties) in Indian Rupees and get assured doorstep delivery.

**eBay Check :** eBay Check is a Chrome Extension to enable consumers to shop smarter. eBay Check allows consumers to compare prices of products while browsing any website through automatic drop down displays of the same product's listings on eBay India. eBay Check also doubles up as a shopping search engine. Just click on the eBay Check icon on your Google Chrome bar and directly search for the best deals on any products on the eBay India site. Download the eBay Check extension from the Google Chrome webstore.

**Paisapay :** PaisaPay is a secure online payment gateway on eBay India. It lets buyers make payments online to eBay sellers, in a secure, convenient and cost-effective manner. PaisaPay support payments via credit cards, debit cards, net banking, EMI, mobile payments & cash cards. With PaisaPay, buyers can make instant payment for their online purchases and the money is released to the seller when the buyer confirms successful item receipt. Over 90% of all eBay India transactions are paid for via PaisaPay.

**eBay Guarantee :** eBay Guarantee offers all eBay buyers a replacement or refund on all transactions in case they are not 100% satisfied with the product they purchased. The eBay Guarantee is valid on all eBay transactions on eBay India ([www.ebay.in](http://www.ebay.in)) and eBay Global Easy Buy ([www.ebay.in/geb](http://www.ebay.in/geb)). The eBay Guarantee offers a replacement or refunds to buyers in case the buyer does not receive the item or the item is not as described in the listing. The eBay Guarantee covers the entire transaction amount (both the product price & shipping charges).

**PowerShip :** PowerShip is a logistics management service for eBay merchants which significantly enhance the efficiency of managing multiple item shipments and delivery of items to eBay India buyers in partnership with reputed logistic service providers for this initiative. The service includes product pick-ups from eBay Merchant's doorstep, automated tracking of shipments, faster item deliveries by Logistic Service Providers and coverage for the shipment from eBay India.



## 5.4 Case: Elitify

(Lavida Luxe Lifestyle Solutions Pvt.Ltd)

www.elitify.com (Launched on 4- Aug 2012)

Elitify.com has the largest range of branded apparel, clothing, accessories, watches, footwear, home furnishing and gadgets for men, women and Kids. It is India's premier style lounge, where the distinctive men and women of India can visualize and realize their style fantasies. They offer today's top designer labels and have hand-picked highly sought-after products from around the globe.

Some of the brands (designer labels) are:

Abercrombie & Fitch, Armani Exchange, Bally, Bath & Body Works, BCB Generation, Butter LONDON, Calvin Klein, Coach, DKNY, Dolce and Gabbana, Espadrille, Gucci, J.Crew, Jolidon, Juicy Couture, KAS New York, Kate Spade, Kenneth Cole, Marc Jacobs, Michael Kors, Rachel Roy, Ralph Lauren, Sally Hansen, Spanx, Ted Baker, Tory Burch, Viari, Victoria's Secret, Beauty, Vince Camuto

*Corporate Office:*#2, Sector-12, Mini Market, R.K. Puram, New Delhi- 110022, +91 - 11-26101412, India

*Target Segment:* Premium/luxury segment

**Technology in use**

S.no.	System used	Vendor Name
1	e-commerce platform	Magento (by E-bay) – Community edition
2	Payment Gateway	AMEX, Paypal
3	Analytics and Reporting Tool	RJ Metrics
4	Online marketing and Promotions	Facebook, google , yahoo , Affiliate program
5	Web Analytics	Google analytics
6	SEO	--Separate person hired for SEO (using no extra app for this purpose)
7	Email marketing	MailChimp, Mad Mimi
8	Server for hosting	Amazon
9	Inventory management	Unicommerce
10	CRM	Helpdesk

**Presence**

- ✓ Website
- ✓ M-commerce

Sales ratio - Website: M-commerce: 90: 10

**Product features**

- Free Shipping
- Cash On Delivery
- 1-4 days delivery
- 10 days Hassle free Returns
- Gift Personalization
- Personal Stylist

## Strategies adopted

- As the Magento (community edition) is free and open for modification but requires servers to host, the company has adopted this world wide accepted platform for e-commerce. All other systems are connected directly or indirectly with this platform (either via modules available or online application that regulates website like **Google analytics**).
- For Magento they already have 20+ extensions (modules) in use such as CRM, marketing tools, BI tools etc.
- Earlier the company has outsourced the development part but now it has its own developers to work with the Magento (E-commerce platform) which uses PHP5, MySQL etc.
- To counter attack the credit card fraud attempts they have blacklisted some IPs and informed their payment gateways about them.
- Using the services of Fedex and Bluedart for logistics.
- Investment criteria: As this company has no physical outlets and rely completely on online sales, the company invest heavily on technology part such as basic e-commerce functionalities and hardware (servers etc) and a medium investment on additional functionalities such as Security, analytics, CRM, M-commerce, web analytics etc.
- Financial status: Company will take another 3-4 years to be profitable (it is better performing than other players in terms of revenue generation), but right now they are focusing on heavy investment on technology, brand building and broadening customer base.
- Product categories:
  - Some of the **best performing categories** are women bags, man shoes, t-shirts, women cosmetics & beauty and other accessories.
  - **Low performing categories** include lingerie, under garments, kids apparel, fragrances, ties.
    - In order to promote these low performing assets they are using different marketing techniques such as additional discount, cross-selling, bundle up, special promotions along with existing modules(for Magento) and applications for marketing as mentioned in “Technology in Use”.
- As their customers are premium users (who have high disposable incomes and mostly are from metros), the company generally don't face problems associated with COD as return rates are negligible as compare to other e-commerce players.
- COD is still the preferred mode of payment. It accounts for >50% of the payment.

**Areas of concern (issues)**

- Maximum number of fraud attempts by credit card.
- Sometime due to customs check and duties the orders get delayed while importing.
- Peak time load problems are there (lag issues in servers).

**Future plan**

- Focus on faster and more efficient supply chain.
- Launching other categories like gadgets for tech, fitness and travel.
- Upgrading the existing IT systems for better performance.

## 5.5 Case: Educational Publishing House

Website: <http://ephbooks.com/>

'EDUCATIONAL PUBLISHING HOUSE' is the leading exporters of language books to, U.K, Mauritius, South Africa, Pakistan, USA, Australia, etc. It is an agent for Penguin Books, National Council for Promotion of Urdu Language, Urdu Academy, Sahitya Academy, National Book Trust etc.

'EPH BOOKS ' showroom has 1400 Sq.ft. area and has thousands of books on different fields & subjects viz., art, cooking, children, fiction, foreign languages ,dictionaries, poetry. etc.

### **Technology in use**

Website maintenance is fully outsourced to a third party:

E-Definers Technology

### **Presence**

- ✓ Physical Store
- ✓ Website
- ✓ E-mail

### **Strategies adopted**

- Introduced the e-commerce website last year only.(Earlier the mode of taking the orders was through e-mail only 10% email & 90% retail store). Due to the migration they are still dependent on email.
- After introduction of e-commerce now the share is 90% retail store + 9% email + 1% e-commerce sales
- For handling international customers they are using Paypal Account
- As logistics is handled by other players, they only tell customers the dispatch date for tracking. (Not responsible for late delivery).
- *Product Categories:*
  - Best Performing Categories: Fictional books, Dictionaries
  - Low Performing Categories: Regional Language books

### **Areas of concern (issues)**

- Once the whole site was hacked (No data at all)
- Migration of existing customers from email to e-commerce portal

### **Future plan**

- Make investment in the latest technology (Reporting tools, web analytics etc.)
- Selling books through Amazon
- Introduction of e-books

## 5.6 Comparison

		<b>Amazon</b>	<b>Flipkart</b>	<b>Ebay</b>	<b>Elitify</b>	<b>EPS</b>
1	Price range	Cheapest options	Cheaper than eBay, slightly more than Amazon	Expensive compared with the other two, but price might change daily as sellers change discounts	N.A. (As it mainly deals in men, women, kids wear)	N.A.
2	Book Preview option	Amazon allows one to preview a book before buying it. Some books on the site have a "look inside" sign, though a note reads "This is a preview. The number of pages displayed is limited".	Read Sample option in Flipkart	Not Available	N.A.	Not Available
3	Delivery charges	None (for first year)	Rs 50 delivery charge for books costing less than Rs 500	Charged for some products	Free shipping	Shipping charges are there
4	Delivery time	Fast; but if more than one product is bought deliveries may not happen together if buying from different sellers	Fast; two different products will also be delivered on same day	Fast; but if buying from different sellers might get products on separate days	If the item is not available then they import from USA (delivers within 14-21 days)	Within 4-7 working days
5	Model followed	Amazon follows marketplace model	Earlier Flipkart was buying books from publishers and maintaining its own inventory.  But from April 2013 Flipkart is also switched to marketplace model.	Ebay follows marketplace model	Own warehouse	Own warehouse

6	COD	Doesn't allow such payments for all items.	For those looking for cash-on-delivery, Flipkart could be a better option. It mentions cash-on-delivery as a mode of payment, along with credit cards, debit cards and net banking. The maximum order value for a Cash on Delivery (C-o-D) payment is Rs50,000	the cash-on-delivery option is available only if a seller offers it	Available on all items	Available on all items
7	Registration	From Amazon, one cannot buy as a guest user; to be able to complete a transaction, it is mandatory to register with the site or make an account there.	Flipkart allows one to buy as a guest user. After the guest user provides details (name and e-mail ID), it makes an account (with the e-mail ID) and mails the details to that id.	eBay, also allows purchases by guest users. But, guests would miss out on benefits such as coupons and other discounts.	Allows purchases by guest users	Allows purchases by guest users
8	Working model	Have fixed price on their products.	Have fixed price on their products.	Allows sellers to list their products either at a fixed price or have an auction for their products. The company offers buyers 'eBay guarantee' so they can be secured that they get only genuine products.	Have fixed price on their products.	Have fixed price on their products.
9	Products Offered	At 15 million products, Amazon India has overtaken home-grown e-commerce portals.	Flipkart offers close to 10 million products	ebay offers over 1.5 million products in India		



## 6 Limitations & Future Scope of the study

### **Limitations**

#### *Limited number of interviews*

We have confined this study to five companies only through case study method. As it is really very tough to get the availability and interview from people from prominent positions of e-commerce companies, we have limited our study to five organizations only.

#### *Focused only on the industry leaders*

All the mentioned providers of different individual components (such as payment gateway, ecommerce platform, server virtualization, CRM, Analytics) are the industry leaders throughout the world. So local players that are not so common are being ignored in this study (which can provide economic solutions or better performance but not so popular due to poor marketing).

#### *Pricing analysis*

Study does not include price range of different individual systems. So comparison on the basis of price can't be done through this research.

## **Future Scope of the Study**

### *More focused approach on developing the system from the scratch*

This report mainly covers the option to maintain existing e-commerce platform. So there is lot of scope in researching about the systems which companies can create from the scratch. Although it would take a lot of investment but for the long run and to gain a major market share this can be a wise approach.

### *Country wise break-up study*

A further study can be conducted based on country wise trends such as a comparison between the adoption rate of IT by e-commerce companies of US and India. It would throw some light on the differences and future of the e-commerce in India.

### *Pricing analysis*

Pricing analysis will enable to distinguish different systems on the basis of price also. So along with benefits, brand name and price one can better make decisions while doing investment in these systems.

### *Increase the sample size*

By increasing the sample size, we would have a wide range of data and a more intensive research about the current IT trends following in e-commerce industry.

## 7 Conclusion

A basic fact of Internet retailing (E-tailing) is that all websites are created equal, competitors offering similar goods and services are only a mouse click away. This makes it vital that businesses find ways to build customer satisfaction, loyalty, and relationships, to keep customers coming back to their Web stores. The key to e-tailing success is to optimize factors such as:

- Selection and Value – businesses must offer attractive product selections, competitive prices, satisfaction guarantees, and customer support after the sale.
- Performance and service efficiency– fast, easy navigation, shopping, and purchasing, and prompt shipping and delivery.
- Look and feel of the site– attractive web storefront, website shopping areas, multimedia product catalog pages, and shopping features.
- Advertising and incentives to purchase– targeted web page advertising and e-mail promotions, discounts and special offers, including advertising at affiliate sites.
- Personal attention– personal web pages, personalized product recommendations, Web advertising and e-mail notices, and interactive support for all customers.
- Community relationships– giving online customers with special interests a feeling of belonging to a unique group of like-minded individuals helps to build customer loyalty and value. Promote virtual communities of customers, suppliers, company representatives, and others via newsgroups, chat rooms, and links to related sites.
- Security and Reliability – security of customer information and website transactions, trustworthy product information, and reliable order fulfillment.

All these factors require efficient management, well maintained logistics, robust IT systems and other required infrastructure. Organizations do invest in the IT infrastructure according to their capabilities as we have observed in the case studies. They require a platform to sell their offerings and along with the platform there comes the other individual supporting components. Following is the list of all of the IT systems along with the prominent players that can be used by e-commerce Company:

<b>S.No.</b>	<b>Basic Solution</b>	<b>Players</b>	
<b>1</b>	<b>E-commerce platform</b>	<i>Magento</i>	<i>Martjack</i>
		<i>Shopify</i>	<i>Volusion</i>
		<i>Buildabazaar</i>	<i>PowerStores</i>
<b>2</b>	<b>Payment gate way</b>	<i>Payuindia</i>	<i>Transecute</i>
		<i>Paypal</i>	<i>IndiaPay</i>
		<i>CCAvenue</i>	<i>HDFC Payment</i>
<b>3</b>	<b>Share d/Dedicated hosting</b>	<i>Amazon Web Services</i>	<i>Anchor</i>
		<i>Rackspace</i>	<i>Hostway</i>
		<i>Simple Helix</i>	<i>Neoverve</i>
<b>4</b>	<b>CRM</b>	<i>SAP CRM</i>	<i>Zoho</i>
		<i>Microsoft Dynamics</i>	<i>Help Desk</i>
		<i>Salesforce.com</i>	<i>SugarCRM</i>
<b>5</b>	<b>Business Analytics &amp; Business Intelligence</b>	<i>SAP BusinessObjects</i>	<i>Prism</i>
		<i>SAS Business Analytics</i>	<i>GoodData</i>
		<i>QlikView</i>	<i>Birst</i>

6	<b>Web Analytics</b>	<i>Google Analytics</i>	<i>Coremetrics</i>
		<i>Omniture</i>	<i>Webtrends</i>
		<i>Mondosoft</i>	<i>Unica Corporation</i>
7	<b>Email marketing</b>	<i>Mailchimp</i>	<i>iContact</i>
		<i>Aweber</i>	<i>Benchmark Email</i>
		<i>Constant Contact</i>	<i>PinPointe</i>

Integration of other modules representing CRM, Analytics, marketing and other apps can be a constraint with the E-commerce platform. So only after deciding the E-commerce platform (the main backbone) other software must be decided.

Some of the big E-commerce platform vendors (like Magento and Shopify) have tie-ups with the other vendors which provide other functionalities (CRM, Analytics, marketing etc). All these apps can be viewed and purchased directly from the respective e-commerce platform website in the form of modules/plugins. Some of the links are:

Magento: <http://www.magentocommerce.com/magento-connect/>

Shopify: <http://apps.shopify.com>

Some of the other systems are

S.No.	App	Vendor	Description
1	<b>Online Fraud Prevention</b>	<i>ThreatMetrix for Magento, Volance</i>	For tackling online fraud like Malware Attack ,Pharming, Phishing ,Card Testing
2	<b>Performance Booster</b>	Magento Booster by Aitoc,PageCache powered by Varnish	Increase the performance(speed) of website by caching or some other method
3	<b>POS systems</b>	Shopify POS , Microsoft Dynamics RMS (POS), IWD POS System, X-POS	The POS solution enables existing e-commerce platform users to unify their online shops with their physical locations, sharing information on inventory, sales and more seamlessly between both.
4	<b>Inventory Management</b>	Unicommerce, JDA , Lettuce	For efficiently managing end-to-end warehouse operations(procurement, warehousing, drop shipments, shipping, inventory and returns)
5	<b>Shipping Management</b>	ShipStation , ShippingEasy	Print Shipping Labels and Packing Slips in Batch, Automate order processing, Get shipping rates

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## 9 Appendix

### Questionnaire

Name _____	Contact No. _____
Position _____	
<b>Company profile</b>	
Name _____	Business of concern _____
	(Niche area)
Target group _____	Physical outlets _____

1) What is the sales ratio of selling through physical store(if any) : E-commerce : M-commerce(if any)

\_\_\_\_\_ : \_\_\_\_\_ : \_\_\_\_\_

2) Please check the modules used by your e-commerce platform :

Modules	Tick	Vendor	Modules	Tick	Vendor
Embedded basic ERP functions (Stock Management, Order Fulfillment and Purchasing)			Web Analytics		
Site & Catalog Management			Search Engine Optimization (SEO)		
Payment gateway			Online fraud prevention		
Mobile Commerce			CRM		
Analytics and Reporting (BI tools)			F-commerce		
Online Marketing Promotions and Tools			Email marketing		

i) e-commerce platform vendor \_\_\_\_\_

ii) Other functionalities /comments

\_\_\_\_\_  
\_\_\_\_\_

3) Security threat

a) Indicate the payment types where your organization experienced the highest number of online fraud attempts (regardless of actual financial losses) and rank the top three of them

Payment method	Rank
Credit cards	
Debit cards	
Net Banking	
Prepaid cards, e.g., gift voucher etc	
Promotional Code	

No payment fraud attempts experienced

b) To overcome online fraud attempts (Malware Attack, Pharming, Phishing, Amateur Fraud, Card Testing) or to prevent future security threats what are the steps taken by your management?

\_\_\_\_\_

4) What are the most frequent problems informed by consumers and time taken to resolve by your team?

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5) Are there any IT hardware/software related issues such as peak time load problems, lag issue?

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6) Do you face any challenges in website maintenance?

- a) Yes, we usually face problems such as \_\_\_\_\_
- b) No
- c) Website maintenance is outsourced to a company.

7) What is the criterion of Investment decision (i.e. buying hardware and software system)?

- a) \_\_\_\_\_%(fix) of investment
- b) Depends upon the requirement
- c) No limit as such(Priority is always given to quality and standards)

8) Please rate the investment level that you made/will make on purchasing the software system

	V Low	Low	Medium	High	V High
Basic e-commerce functionalities					
Hardware(servers etc)					
Security					
Analytics					
CRM					
M- Commerce					
SEO and web Analytics					



9) Product categories :

a) Please rank the three best and low performing product categories in your retail business :

Best performing	Low performing
_____	_____
_____	_____
_____	_____

b) What are the steps taken by you to increase the sales of low performing products or what will be your future plans?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

10) What are the other challenges that your organization is facing?(Multiple choice –you can select more than one option)

- a) Online visibility is less due to more number of players (Less online visibility on the first page of search engine, people generally prefer to buy from leading players).
- b) Difficulty in analyzing huge data for decision making process. e.g. inventory levels (more time consuming and less efficient for forecasting and other purposes).
- c) Hard to maintain customer choices and their tailored made offerings.
- d) Others \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11) What will be your future approach to go with the business (introduce new services, extend product portfolio/offerings etc, introduction of any new trend or technology)?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_