Dissertation on

Sustainability Study of Pricing & Promotion Strategies for e-Retail in India

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"Sustainability study of pricing & promotion strategies for e-Retail in India"

Certificate

This is to certify that Neha Wahi – 2K12/MBA/39, student of Delhi School of Management, DTU, has pursued research project under guidance of Dr. Archana Singh. She worked diligently to propose meaningful conclusion under the research title **"Sustainability study of pricing & promotion strategies for e-Retail in India"**. All the research data gathered is true. This work has not been submitted in part or full to this or any other university as part of project work to the best of our knowledge.

The matter embodied in the report is original and has not been submitted for the award of any degree.

We wish her success in future.

Signature of Guide   **Signature of HOD (DSM)**

Dr. Archana Singh   **Prof. P.K.Suri**

Assistant Professor   Head of Department,
Delhi School of Management, DTU   Delhi School of Management, DTU

Declaration

I Neha Wahi – 2K12/MBA/39, student of Delhi School of Management would like to state that I have pursued research project under guidance of Dr. Archana Singh. The report of the project work entitled **'Sustainability study of pricing & promotion strategies for e-Retail in India'**, is based my own work carried out during the course of final semester.

I assert that the statements made and conclusions drawn are an outcome of the project work. I further declare that to the best of my knowledge and belief that the project report does not contain any part of any work which has been submitted for the award of any other degree/diploma/certificate in this Organization or any other Organization.

Date: 5th May, 2014   **Neha Wahi**

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Acknowledgement

"Successful passage and outcomes of every work comes with dedication, determination and team work. All these turn futile in absence of a visionary guidance."

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And last but not the least I am heartily thankful thanks to my beloved parents for their blessings and wishes for the successful completion of this project.

Neha Wahi

Executive Summary

As of 31st December 2013, India had an internet user base of about 238 million. The penetration of e-commerce is growing at a very fast pace with a large number of new entrants. India is staring at a new paradigm of digital consumerism. As the clocks ticks, the people of India are enthused and excited to get on to this digital bandwagon. They are connected, they are informed and they can't get enough of it. The e-Commerce industry is offering them their chance. However, the industry needs the required support from all stakeholders in its ecosystem to surmount the challenges and to embark on profitable growth.

Hence, it becomes inevitable to understand what drives the online shopping business. In the report we shall try to answer the following questions, some in brief and some in great detail

Key Objectives-

- To understand the current online shopping scenario in India.
- To understand the retailer's perspective about their primary goals: sales/revenue or profitability.
- To understand the investment scenario in e-commerce space
- To understand the retailers perspective future growth & profitability
- Study the pricing strategies adopted by e-retailers to compete with offline stores
- To study the sustainability of sales-oriented goals of e-retailers
- To identify best practices and opportunities in e-Retail in India
- Recommend possible solutions which leads growth of profitability in e-Retail; not just growing sales without profits
- Understanding pros and cons of market consolidation
- Understanding the future of online shopping for India 2020.

Even though the market is witnessing staggering growth rates, majority of the players are still facing dire shortage of funds. Raising capital funds to support daily business operations and online advertising expenses have become a major challenge for such players. Online retail operators, especially the inventory based players, are suffering from cost stack ups and charges incurred against customers opting for 'Cash on Delivery' mode of payment.

In an attempt to tackle these problems, players are now constantly focusing on gaining customer loyalty and trust. Some of the most prominent trends in the market in this regard include a host of loyalty schemes, promotional offers, flash sales and high rate of discounts. Additionally, tweaking business models and turning into mainstream online retailers, opening up of 'Brick and Mortar' stores to tap the 'offline' customer base, opting for a 'market place' approach, consolidation and self-owned brands are some other major trends observed so far in the market.

Methodology-

- Secondary research by studying various reports from consulting firms such as KPMG, McKinsey, etc; news articles and interviews of big shots of e-commerce industry in India.

- Study the latest VC investments and mergers & acquisitions (moving towards market consolidation) made in the Indian e-commerce industry and identifying the profitability speculations for the investors. We tried to study the recent investments in the e-commerce space in the recent past, identified major and common investors in this space and tried to find the reasons for such huge investments despite lack of profitability.

Conducted a survey of 132 respondents aging from 15 to 60 years, to know there online shopping habits in terms of importance of pricing, service, quality, time to delivery and credibility. The aim of the survey is to identify the consumer preference: low price or feeling the product before buying. It also identifies if consumers are cautious to find the lowest prices in offline market and compare them to on-line prices and vice versa. We also targeted the consumers to judge their awareness and brand loyalty (for their favorite

portals) i.e. how likely they are, to switch the shopping portal if some other portal offers lower prices. This would help us gauge the price sensitivity of Indian consumers.

It also measures the effectiveness of various promotional strategies used by e-retailers to increase their sales. It would help us conclude if on-line portals are correctly offering discounts to consumers, to make them habitual of on-line shopping and hence expecting huge sales and profits in future. Also in order to understand what most excites them most about online shopping, which are the favorite destinations for the same and reason for favoritism. It also tried to find the factors(such as price, QoS, time-to-delivery, payment options, etc) for which they are ready to switch to another portal leaving their favorite portals.

In the end we tried to deduce if the high CAC(Customer Acquisition Cost) incurred by these e-retailers in offering lower prices, discounts and other promotions gives them a loyal customer who comes around next time. If not, then is it a sustainable model of pricing a promotion, keeping in view the huge losses and high operational costs of these firms. Do these huge investments in acquiring customers offer those returns in future, which all the investors have been speculating?

To further suggest the upcoming trends, we tried to seek what would future of online shopping would look like.

What withholds Indian market to reach its full potential?

The domestic e-retail market has the potential to grow between $125 billion and $260 billion by 2024-25, according to an industry report. The report, 'E-retail: A boon for the current economic downturn' by First Data Corporation and ICICI Merchant Services, says urban Indian consumers are now confident enough to make online purchases of upto Rs.25,000, from Rs 2,000-5,000 in the recent past. Having said that, what withholds the market from reaching its full potential? We studied this aspect in detail to identify that the reasons correspond to 3 levels forming a Scope Pentagon. Three levels are-

- General market perspective and best practices followed.

- Limitations of the retailers in terms of logistics and product merchandising

- Limitations from customer's point of view i.e. low credit card penetration and

- Internet coverage
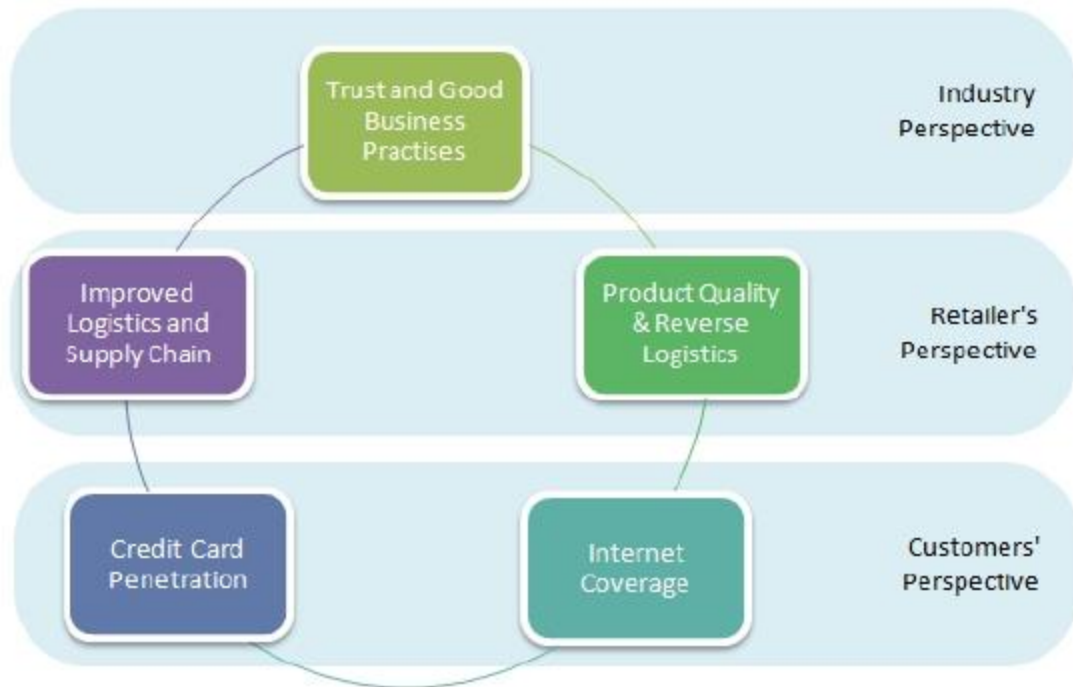
The Scope Pentagon Model

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