Final Dissertation on

Benchmarking Online Shopping Portals & Analyzing their scope in India

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“Benchmarking Online Shopping Portals & Analyzing their scope in India”

Certificate

This is to certify that Disha Ahuja – 2K11/MBA/16, student of Delhi School of Management has pursued research project under guidance of Prof. S.K. Garg. She worked diligently to propose meaningful conclusion under the research title " Benchmarking Online Shopping Portals and analyzing their scope in India. All the research and 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.

We wish her success in the future.

Prof. S.K. Garg	**Prof. P.K. Suri**	**Prof. P.B. Sharma**
Professor	Head of Department	Vice Chancellor
(Dean Academic, DTU)	Delhi School of Management	DTU

Declaration

I Disha Ahuja – 2K11/MBA/16, student of Delhi School of Management would like to state that I have pursued has pursued research project under guidance of Prof. S.K. Garg. She worked diligently to propose meaningful conclusion under the research title "Benchmarking Online Shopping Portals and analyzing their scope in India. Under the guidance of Prof. S.K. Garg, Dean academic Delhi Technological University. The data is true and the research work is original. 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 my knowledge.

15th May 2013 **Disha Ahuja**

2K11/MBA/16

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Disha Ahuja

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Abstract

India has an internet user base of about 137 million as of June 2012. The penetration of e-commerce is low compared to markets like the United States and the United Kingdom but is growing at a much faster rate with a large number of new entrants.

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

Key Objectives-

- To understand the key criterion Customer selects an online shopping portal.
- To understand the retailers perspective on improving shopping experience.
- To understand the threats & opportunities for the e-retailers specific to Indian context.
- Benchmarking the top retailers against the key performance factors.
- Understanding the future of online shopping for India 2020.

Key Drivers of the industry -

Indian online retailing growth is at an inflection point with key drivers being- Increasing broadband Internet (growing at 20% MoM) and 3G penetration. Also, the rising standards of living and a burgeoning, upwardly mobile middle class with high disposable incomes. Then we can not neglect the growing availability of much wider product range (including long tail and Direct Imports) compared to what is available at brick and mortar retailers. Also,the busy lifestyles, urban traffic congestion and lack of time for offline shopping. In addition Lower prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs. Increased usage of online classified sites, with more consumer buying and selling second-hand goods· Evolution of the online marketplace model with sites like ebay, Flipkart, Amazon etc.

Key performance factors from customers perspective-

After interviewing and surveying 100+ odd respondents we found that the their were few key factors that determined the customer choice of buying or not buying the from the online shopping portals. These were-

- Product Quality *It still remains the most crucial factor for the customer. Attributes included are accuracy of product description in terms of quality,size, taste or color, reverse pickup services.*
- Product Range *Is one of the key determining factors for the success of an online shopping portal.Attributes included here are various product ranges, sub categories, variety with them for different price points.*
- Competitive Pricing *Has always been the discrimination factor, but has never been easier than times today. Attributes included are -Offers, Loyalty Discounts,Seasonal offers etc.*
- Timely Delivery *Throughout the market customer is sensitive to the on time delivery of the products and the services. Where generic products offer delivery time to 2-5 days, generoc products may take 7-30 days.*
- Brand Value *It was easy to expect the brand value as a key determining factor as that could be one of the ways to ensure a good quality product.Attributes included are the presence of differnent known brandsin product portfolio.*

While creating the performance matrix we used these performance indicators to judge the various online shopping portals.

Key performance factors from retailers perspective-

After interviewing studying various industry reports[1] we tried to understand what are the key areas each of the retailer is trying to excel. Our study found that few retailers performed quite well on the benchmarked areas while few terribly failed. It was also evident from their overall performance. So the goals from the retailer's pint of view were- Supply Chain Expertise: Is one of the key factor that defines the profitability

[1] Billett, S. (2010). Constituting the e retail workspace, Best practices in the online supply chain *38,* 31-48

of any online retailer. Attributes includes - Investment in inventory planning, JIT system, 3PL etc. Then its Delivery Efficiency: Has become critical for not the customer but also the retailer. Attributes includes - Owning their freight, In transit delivery etc. Third important criterion was Improved Merchandising: Includes the retailer's ability to large product lines. Attributes include - Large No. of Brands, Large product range etc. Also, Customer Experience need to be enhanced for greater repeated sales. Attributes include- Easy user interface, reverse pickup services etc. And finally the call for tomorrow- Differentiation: Is one of the attributes that would distinct the portals from each other. Attributes include -e service, product portfolio etc.

Online portals used for the Competitive Landscape Analysis[2]

Out of more than 750+ local online shopping portals we studied 5 of them in detail and marked them against each other to identify the best practised followed by them and identify the best and worst performer against various indicators. The portals identified for the same were-

-Jabong.com (The recent success story, trying to make a mark in 18 months of its inception).

-Flipkart.com (First Indian online shopping portal founded by Bangalore based Sachin Bansal and Binny Bansal in 2007)

-Amazon.com (A recent venture in Indian market, yet to make its mark but stands strong in International presence)

-ebay.in (An international brand in Online shopping but yet to discover its full potential in Indian markets)

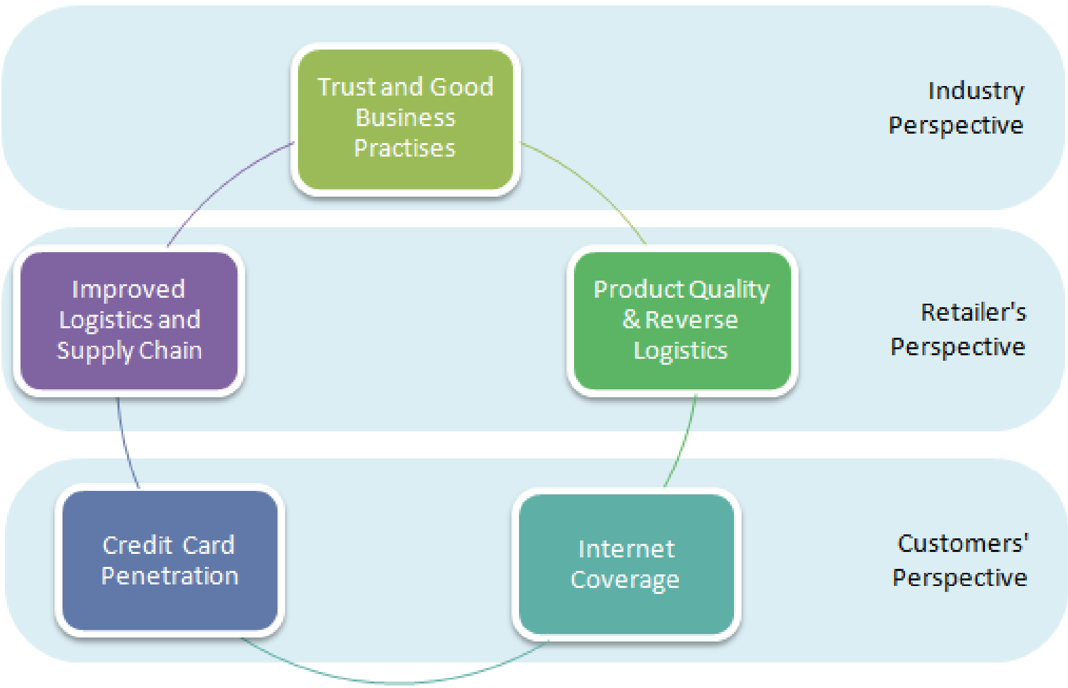
-Myntra (Indian by origin and famous for unique products at an exceptional value for Indian households)

[2] Is a consulting tools developed by Zenesys Consulting to benchmark industry competitors.

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 up to 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 indentify that the reasons correspond to 3 levels forming a Scope Pentagon. Three levels are-

- General market perspective and best practises 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.



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Introduction

As e-commerce sales skyrocket across the developing world, building an online presence is a low-risk way to test new markets or complement existing store footprints. Gaining maximum advantage from such strategies requires knowing a country's true e-commerce potential and its online market challenges.

Global e-commerce is thriving as infrastructure, laws, and consumer preferences evolve. Global e-commerce has grown 13 percent annually over the past five years (see figure 2).3 Retail expansion is increasingly occurring through online channels as a way to tap into growth markets, build brands, and learn about consumers while investing less capital than traditional formats. For example, American luxury retailer Neiman Marcus acquired partial ownership in a Chinese fashion website to test China's market, learn about Chinese consumers' likes and dislikes, and capitalize on the country's increasing demand for luxury goods. Neiman Marcus got all the information it needed without entering into expensive real estate contracts or trying to navigate the complexity of tier 2 and tier 3 cities. French luxury retailer Louis Vuitton Moet Hennessy (LVMH) used a similar strategy, acquiring Sack's, Brazil's leading online beauty retailer, to develop local recognition of its Sephora cosmetics line.

E-commerce Index rank	2012 GRDI rank	Country	Region	Online market attractiveness (50%)	Online infrastructure establishment (20%)	Digital laws and regulations (15%)	Retail development (15%)	2012 score
1	3	China	Asia	100	56	55	58	78
2	1	Brazil	Latin America	84	56	67	90	77
3	26	Russia	Eastern Europe	83	39	23	48	60
4	2	Chile	Latin America	35	78	100	71	59
5	28	Mexico	Latin America	53	41	75	26	50
6	7	United Arab Emirates	Middle East	22	100	77	49	50
7	11	Malaysia	Asia	27	78	79	46	48
8	4	Uruguay	Latin America	23	40	71	100	45
9	13	Turkey	Eastern Europe	25	76	65	33	43
10	8	Oman	Middle East	13	61	97	51	41
				0 = low attractiveness 100 = high attractiveness	0 = poor infrastructure 100 = developed infrastructure	0 = no digital laws 100 = strong digital laws	0 = undeveloped retail market 100 = developed retail market	

Note: Scores are rounded.
Retail development score includes online and bricks-and-mortar retail.

Table 1: 2012 E commerce Index

E-Commerce: A Ripe Growth Opportunity

Global e-commerce is thriving as infrastructure, laws, and consumer preferences evolve. Global e-commerce has grown 13 percent annually over the past five years (see figure 2).3 Retail expansion is increasingly occurring through online channels as a way to tap into growth markets, build brands, and learn about consumers while investing less capital than traditional formats. For example, American luxury retailer Neiman Marcus acquired partial ownership in a Chinese fashion website to test China's market, learn about Chinese consumers' likes and dislikes, and capitalize on the country's increasing demand for luxury goods. Neiman Marcus got all the information it needed without entering into expensive real estate contracts or trying to navigate the complexity of tier 2 and tier 3 cities. French luxury retailer Louis Vuitton Moet Hennessy (LVMH) used a similar strategy, acquiring Sack's, Brazil's leading online beauty retailer, to develop local recognition of its Sephora cosmetics line.

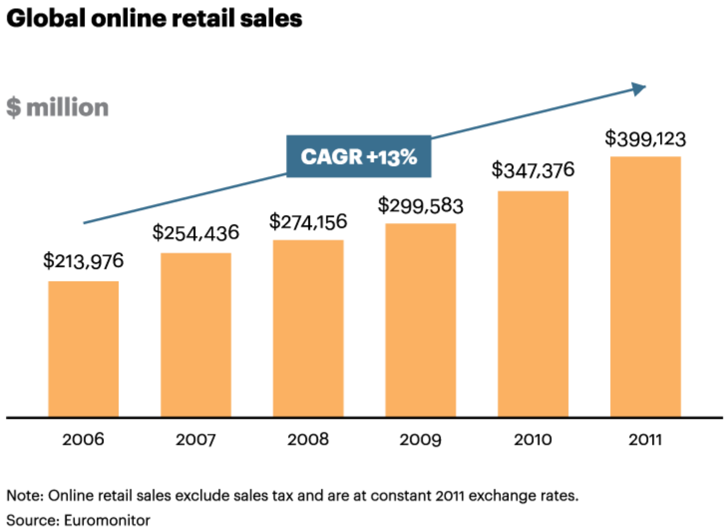


Figure 1: Global online retail sales

E-commerce is playing a vital role in multichannel retail strategies, which are new to many developing markets. In late 2011, U.K.-based Argos partnered with Chinese electronics manufacturer Haier to create a new multichannel operation in mainland China. Argos plans to open a showroom in Shanghai and take advantage of Haier's existing franchise network of 6,000 stores to serve as delivery points for online orders.

Pursuing international online expansion **often means doing battle with domestic e-commerce players** that already control a large portion of a market.

Pursuing international online expansion often means doing battle with domestic e-commerce players that already control a large portion of a market. Chilean retailers Falabella and Cencosud combined own nearly 40 percent of their home country's online retail market, and Brazilian retailers B2W and Magazine Luiza own 30 percent of the Brazil market—similar trends are occurring across Asia, Eastern Europe, and the Middle East. Competing against these domestic players requires understanding online consumers within each market and tailoring e-commerce operations accordingly.

Build It and They May Come

A country's prospects for online retail success are closely related to how many people use the Internet and how many are comfortable purchasing products online. The matrix shown in figure 3 compares these two factors for all 30 countries ranked in the 2012 GRDI. We've identified four types of online markets:

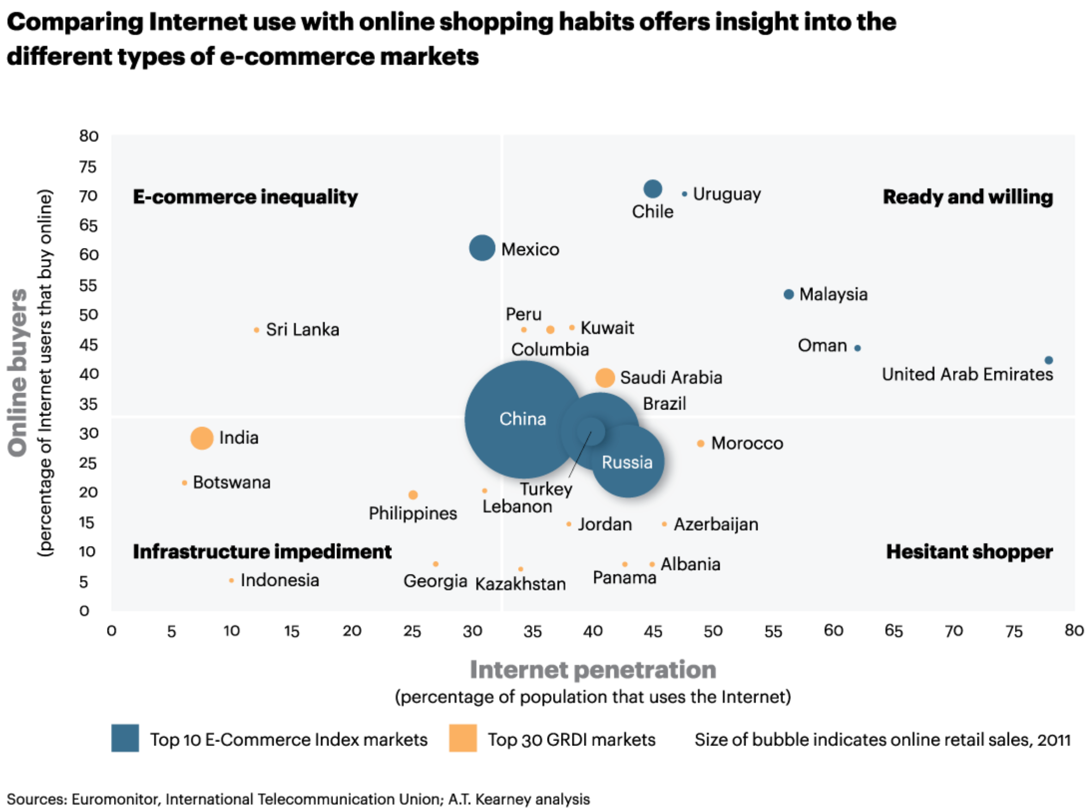


Figure 2: Global e commerce markets

Infrastructure impediment. These markets lack the technological and logistical infrastructure for high-volume e-commerce. For example, most consumers in India, ranked 5th in the GRDI but unranked in the E-Commerce Index, lack the technology to connect to the Internet, and those who do have the technology still avoid e-commerce because of a poor infrastructure that prevents reliable delivery and returns. Succeeding in these markets may require collect-on-delivery (COD) payments to overcome constraints in the financial infrastructure and better communications with customers to help them understand delivery timeframes.

E-commerce inequality. Markets such as Mexico and Sri Lanka have low-to-moderate Internet penetration overall but have a wealthy class that uses the Internet extensively and regularly buys online. Adjusting the product mix, prices, and advertising will appeal to these high-income Web surfers. Having the flexibility to adjust products, prices, and ads for online buyers will become more important as low-income users become more accustomed to buying online.

Ready and willing. Five of the 10 countries ranked in our E-Commerce Index fall into the ready and willing category of markets because they have the full e-commerce package—the infrastructure to support high-volume e-commerce and users who are comfortable buying online. In these markets, it is important to thoroughly understand why customers buy online and to continually meet their expectations to ensure repeat purchases. Chile's Cencosud finds out what its online customers like and dislike by asking them to participate in an online post-purchase survey; participants are registered in a raffle for free gift cards after comments are posted.

Hesitant shoppers. Some markets have the technological infrastructure to support e-commerce, but poor in-country dynamics—such as logistics, digital laws, or cultural biases— that make Internet users wary of purchasing online. These markets require a combination of techniques to instill confidence in e-commerce, including in-store pickup, rebates for credit card transactions, online product promotions and value pricing, and 24-7 call centers. For example, Turkey's hepsiburada.com has overcome Turks' hesitancy to pay online by offering a pay-at-your-door option that allows customers to receive and inspect the product before paying for it with cash or card.

Top 10 Countries in the 2012 E-Commerce Index[3]

1. China: leader of the pack. China's $23 billion online retail market, second only to the United States, places it atop the E-Commerce Index.[4] With a 78 percent annual growth rate since 2006, its online retail market is expected to explode, reaching $81 billion over the next five years as the country's infrastructure improves and online purchasing behaviors evolve.

China has 513 million Internet users, the largest online population in the world, and 164 million online shoppers who are drawn in by lower online prices, promotions, and free shipping on transactions over a certain price. Chinese online buyers value the ability to read consumers' online comments and reviews of stores, products, and service quality. Consumer electronics and apparel are the two most popular categories among China's online shoppers. Apparel attracts more than half of all online shoppers (both men and women) in metropolitan areas, a higher percentage than in the United States. Beauty is also popular, as almost half of women online buyers in China's big cities purchase beauty products online.

Infrastructure challenges continue to stymie China's e-commerce potential; however, only 34 percent of citizens use the Internet, lower than other markets primarily because of a large rural population that is less likely to use the Internet. The quality of China's transportation infrastructure also varies outside of its metropolitan hubs, inhibiting deliveries. In tier 1 and tier 2 cities, online retail purchases are typically delivered by couriers, which are price-competitive with high-end express services offered by FedEx, UPS, DHL, and EMS.

With a 78 percent annual growth rate since 2006, China's online retail market is expected to explode, reaching $81 billion over the next five years.

Payment solutions such as Alipay are the most popular form of online payments and are frequently the first option offered by leading online retailers. COD exists but is less popular, and some retailers, such as U.S.-based amazon.com, cap the amount that can be paid via COD because of security concerns. Luxury goods sellers go even further. For example, Swiss-based Richemont has partnered with security companies

[3] Global Online expansion research by A.T Kearney. http://www.atkearney.com/paper/-/asset_publisher/dVxv4Hz2h8bS/content/e-commerce-is-the-next-frontier-in-global-expansion/10192

such as Brinks to ensure delivery and payments, while others send two couriers to deliver high-priced items and to guarantee that funds are deposited correctly.

Local Chinese retailers, including Taobao, Paipai, and 360Buy dominate the online retail market. 360Buy, originally selling consumer electronics online, has expanded into clothes, food, cosmetics, and books. The company owns 16 percent of the market and is considered China's homegrown version of amazon.com. International retail leaders, including Carrefour, Tesco, and Wal-Mart are attempting to take online market share from the domestic players. Wal-Mart has a controlling stake in the Chinese e-commerce firm Yihaodian, allowing it access to the company's premium customer base and extensive logistics network. Other foreign retailers are close behind, with Spanish apparel retailer Zara and U.K. online luxury goods seller Net-A-Porter establishing an online presence.

2. Brazil: a not-so-distant second. Brazil has 80 million Internet users who spend $10.6 billion online per year, the largest total in Latin America, and are expected to spend $18.7 billion by 2017.

Brazil's strong and growing middle class shops online to get more "bang for the buck." These shoppers are price conscious, demand free shipping and interest-free payment terms, and frequent group-buying sites to look for the next big bargain: In 2011, 10 million Brazilians made more than 20 million transactions on Groupon-like websites. Appliances and consumer electronics are the most common products sold online. Online apparel sales remain marginal as fashion-savvy Brazilians still value the social experience of in-store shopping.

Local Brazilian retailers already have an online foothold, with B2W (owned by Lojas Americanas department stores) possessing 20 percent of the online retail market. Local electronics retailer Magazine Luiza is on a mission to increase its online presence by tapping into Latin America's largest social networking base. The company encourages consumers to open their own digital Luiza stores on Facebook and Orkut and sell products to friends and family. These social entrepreneurs are paid anywhere from 2.5 to 4.5 percent in commissions.

Although Brazil's e-commerce market is thriving, the country has issues with logistics and online payment security. To combat these, the Brazilian government has invested in air and shipping ports and is strengthening its digital commerce laws.

3. Russia: an online giant awakens. Russia has the largest online population in Europe (60 million users) and 15 million online shoppers. Russians also browse the Web regularly from their mobile phones—there are 1.8 mobile phones per person in the country. These market dynamics translate into a $9 billion online retail market, with growth projected to reach more than $16 billion by 2016.

To sustain online sales growth, Russia must address its poor financial and logistics infrastructure and consumers' lack of confidence in delivery. Russians primarily buy with cash, as only one in five households has a credit card. The country is also heavily reliant on rail for transporting goods, so products ordered online may take a week or longer for delivery to the outer provinces. As a result, 70 percent of Russia's e-commerce sales are concentrated in Moscow and St. Petersburg, and 20 percent are in second tier cities that have more than 1 million people.

Both domestic and foreign retailers are investing in e-commerce operations to position for future growth. Leading Russian grocer X5 Retail Group recently launched an e-commerce site, while French retailer Auchan plans to establish collection points for online orders. In April 2012, Spanish apparel chain Mango announced plans to continue its online expansion by selling through its own website and partner websites.

Russia's e-commerce market is hampered by poor digital consumer protection laws and active, regular censorship of digital content, so the key to growth is building trust with Russian consumers. This is most often done through promotions and customer service. Ozon, for example, operates a 24-7 call center to field inquiries and M.video offers a 5 percent discount for online credit card orders.

4. Chile: Latin America's hidden gem. Advanced technology and telecommunications infrastructure and an active base of online buyers have propelled Chile to a 27 percent e-commerce growth rate since 2006 (see figure 4). Seventy-one percent of Chilean Internet users shop online, highest among the 30 countries ranked in the GRDI. However, because of the relatively small size of Chile's online market—just $749 million in sales compared to Brazil's $10.6 billion— it is easy to overlook its vast potential.

Chile's Internet users are not afraid to purchase online. The average Chilean household has four credit cards and spends $158 per year online, compared to $44 in the rest of Latin America. Over the next five years, Chile's online retail market is expected to double to $1.5 billion as more people shop online.

Chile's domestic retailers control the market, but international players are gaining traction. As such, domestic retailer Falabella is trying to stay one step ahead of the competition through heavy investment in the online buying experience. It has developed a ground-up e-commerce logistics network, intelligent routing systems, online order tracking, and a strong reverse logistics system for returns.

5. Mexico: the next breakout star. Mexico is Latin America's second largest online retail market (after Brazil) with $1.2 billion in sales per year, and the fastest-growing Internet penetration rate in the world. As more Mexicans obtain Internet access, online sales are projected to nearly triple to $4.4 billion by 2016.

Despite its potential, a poor technological infrastructure hinders Mexico. The Internet penetration rate is 31 percent, with users primarily connecting at slow speeds to avoid paying for faster but higher-priced broadband connections. Still, Mexico offers some of the most unique e-commerce innovations, such as the BanWire system, which allows customers to purchase a product online, print a voucher, and pay for the product in person at a nearby convenience store.

International retailers are seeking to capitalize on Mexico's potential. The Gap offers international shipping to Mexico on its U.S. website; its long-term goal is to operate country-specific websites that fulfill e-commerce orders domestically. Wal-Mart's Superama chain allows customers to order products online and either pick them up (no charge) in the store two hours later or pay for home delivery within the hour.

The UAE serves as an e-commerce gateway to other oil-rich Middle Eastern markets with advanced technological infrastructures, strong retail sales, and a common Arabic language.

6. United Arab Emirates: gateway to the Middle East. The UAE boasts an advanced technological infrastructure, an active Internet user base, and strong retail development. The UAE's 76 percent personal computer household penetration rate is the highest of all ranked countries in the GRDI, and its 78 percent Internet penetration rate leads the Middle East. In addition, its retail sales per capita of $9,155 is on par with the United States and Sweden, which indicates that UAE residents have money to spend across retail channels.

While the current size of its online retail market ($227 million) is relatively small, the UAE serves as an e-commerce gateway to other oil-rich Middle Eastern markets with advanced technological infrastructures, high retail sales per capita, and a common Arabic language. Souq, a leading online retailer in the Middle East, has established websites in the UAE, Saudi Arabia, Jordan, and Kuwait as part of a regional strategy. International retailers, such as Carrefour and coffee brand Nespresso (a unit of Switzerland-based Nestle), are testing online sales in the UAE before expanding regionally. Carrefour's UAE website gives customers access to more than 3,000 items, some not sold in stores, with free delivery on purchases over a certain amount.

However, a few characteristics may hinder the UAE's e-commerce development. Credit card penetration is low among local residents (albeit high among expats), and bricks-and-mortar stores also offer free delivery as a customary service, diminishing the convenience of online shopping.

7. Malaysia: Asia's next e-commerce leader? Half of all households in Malaysia own a PC, and 56 percent of the population is connected to the Internet. Malaysians are relatively heavy users of credit cards (1.1 cards per household) and debit cards (5.6 per household), allowing for easier online shopping. Moreover, Malaysia's high-quality logistics infrastructure ensures that online retail purchases can be delivered in a timely manner. According to the World Economic Forum, the quality of Malaysia's transportation services is on par with the United States.

Malaysia's active online user base has embraced e-commerce. More than half of users shop online and rely on personal recommendations, search engines, and special Internet offers to make purchasing decisions. Today's online retail sales level of $250 million will double over the next five years. Some of the main challenges to e-commerce in Malaysia include cyber-security concerns and the need to touch and feel products before purchase.

Malaysia's online potential has drawn, among others, Germany's Rocket Internet GmbH, which designed and launched local versions of Zappos and Amazon, and Zalora, an online fashion retailer from Singapore that began e-commerce operations in Malaysia in February 2011 and offers 48-hour delivery, COD delivery payment, and 30-day free returns on all orders.

8. Uruguay: an urban stronghold. Uruguay has an active online user base in urban areas and a 48 percent Internet penetration rate—highest in Latin America. Uruguayans are proving ready to shop online—70 percent of Internet users make online purchases, second among GRDI countries only to Chile. A highly urban population also helps improve the reliability of deliveries. To date, Uruguay's online retail market—$43 million—is small, but sales are projected to double by 2016.

9. Turkey: a quiet success. Turkey features a strong logistical infrastructure that allows consumers to make online purchases and receive their products within one or two days. In fact, most online purchases made within 350 miles of Istanbul arrive within 24 hours. The country also boasts an engaged base of Internet users who spend an average of 30 hours online per month; half of all users make purchases online. The Turkish government has also aided the e-commerce boom by enacting digital laws that protect online consumers and oversee e-commerce companies.

Turkey's $1.3 billion online market has already drawn interest from many retailers and investors. For example, Turkey-based Dogan Online, which operates hepsiburada.com, has recently purchased evmanya.com (a Turkish home decorating site), and is in talks with as many as four other online retailers. In 2011, Naspers, the South African media conglomerate, acquired 70 percent of Markafoni, one of Turkey's largest private online shopping sites.

10. Oman: small but important. Oman has an advanced technological infrastructure to support e-commerce and an active Internet user base. Half of Omani households own a PC and 62 percent of the population (roughly 1.7 million people) are connected to the Internet. Omani citizens own, on average, more than one phone, including smart devices that connect to the Internet. Still, Oman's online market remains small at $111 million.

As more Omanis are buying consumer electronics online, the bricks-and-mortar retailers are noticing. Domestic retailer OHI Electronics launched e-commerce operations in 2011 as part of a multichannel strategy, and its website is notable for offering customers a unique and interactive shopping experience.

The Path to Profits

Success in online retail requires patience, persistence, and an ability to adapt to local markets.

Success in online retail requires patience, persistence, and an ability to adapt to local markets. There are four main success factors for entering new markets either online or as part of a multichannel strategy.

Develop a customized value proposition. As in bricks-and-mortar retail, e-commerce requires adaptation to local markets. A one-size-fits-all approach will not work because online consumers in different countries exhibit unique behaviors and make Internet purchases for different reasons. Success requires adjusting websites, payment methods, shipping options, and business models according to the needs of each market.

Manage the customer experience. The convenience of ordering products at the click of a button and having them delivered to your home is a main benefit of online shopping. Thus, managing the customer experience from online browsing and product purchase to delivery and return is critical. In markets where logistics are a challenge, constant communications with customers about shipping timelines can help manage expectations and build trust.

Do not underestimate local players. Domestic companies dominate online retail in developing markets because they understand local consumer preferences and the e-commerce challenges and have well-honed online retail skills developed in their home countries. Even as foreign retailers enter, these local firms will continue to be formidable competitors.

Have a long-term focus. Launching e-commerce operations in developing markets demands patience. It takes time to navigate a market, learn about online consumers, and build a reputable online brand.

Expansion and Long-Term Rewards

The race to expand online retail in developing markets has already begun for both international and home-grown retailers. E-commerce and multichannel integration in emerging markets offer tremendous opportunities—at potentially lower risk and investment than building bricks-and-mortar stores. The best path to online retail success is the one that creates an immediate impact in developing markets and builds a growing, long-term advantage.

Research Methodology

For this project the framework used is “Competitive Landscape Analysis”. This framework helps to 5 important criterions on the same platter. Hence, gives a comprehensive view of the situation. The 5 important criteria are-

- Customer Preferences
- Seller’s objectives
- Interdependence between customer preferences & seller’s objectives
- Identifying the Top Sellers to compare
- Ranking each seller corresponding to each buyer and seller preference cross-section.

Understanding the Framework used-

Competitive Landscape Analysis is a 3 dimensional framework where left axis we state the Consumer Preferences and top axis we have the Seller’s goals and objectives. More than often Sellers goals and objective strive to fulfil consumer preferences in order to achieve higher customer acceptance. But, many a time’s sellers are not able to score fair against the customer preferences. Hence, the framework first defines the interdependence between the two. Then, the final task is to mark each competitor for each of the cross section point. This framework not just gives the relative ranking of the competitors participating, but also the opportunities and threats in the market.

> *The framework helps to rank competitors against each other and against the customer preferences. It also identifies the opportunities and challenges in the market*

Find below a snapshot of the CLA[4] model used for the project. On the vertical axis we have the customer preferences and on horizontal axis we have the Seller's objectives. The red-green bar represents the relative importance of each goal/ preference against each other.

Figure 3 : Competitive Landscape Analysis

Computation of results-

Different weights are assigned to each preference and goal(say wp_1 & wg_2 respectively). Cumulative weight of each cross section is computed by-

$$\text{Weight of the cross section} = wp1 * wg2 * \text{Correlation index}^5$$

- Computation of Market leader is computed as-

$$\text{Market Leader Score} = \{\text{Max}(\sum_{Pref\ 1}^{Pref\ 5} weight\ of\ Cross\ Section * Activity\ index)\}$$

- Opportunity in the Market may be computed as –

$$\{\text{Min (Weight of cross section * Activity Index)}\}$$

Limitations of the Framework-

Weights assigned to the various preferences are based on sample set of 117 responses captured. Also, the activity index score and correlation index are based on secondary research which might not be in sync with actual reality. More research is demanded in this regard to make the analysis result depict an accurate picture.

[4] CLA stands for Competitive Landscape Analysis
[5] Relative interdependence of Goal and preference

Data Collection

The project started with the secondary research regarding the worldwide e commerce trends and the growth opportunity that lies in the global markets. The research then narrowed down to Indian Markets which is new to this online shopping mania. It has not been very long when people started try internet for online shopping. Given below is the Internet Trend over Google for past few years-

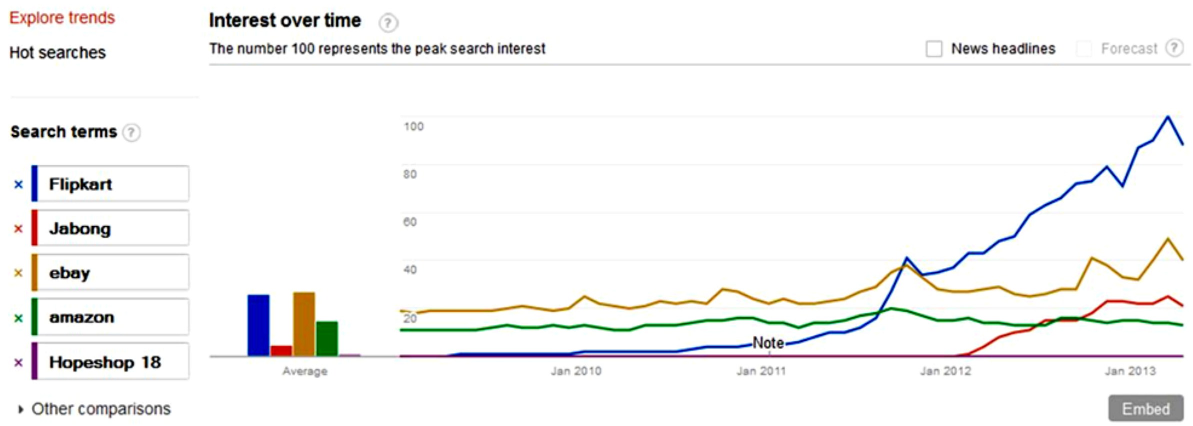


Figure 4 : Interest over time in India

Hence, we can see it has only been after late 2009 that Indian population started understanding the online shopping trends. Also we could notice the trend was not widespread across the entire nation but dense activity was seen in few chosen states namely –

Meghalaya	Kerala
Jharkhand	Haryana
Jammu and Kashmir	Assam
Uttaranchal	Orissa
Chhattisgarh	Gujarat
Karnataka	Maharashtra
Tripura	Uttar Pradesh
Andhra Pradesh	Delhi
Pondicherry	West Bengal
Tamil Nadu	Madhya Pradesh

Challenges faced by the Online Sellers in India-

After analyzing the size and growth opportunity in Indian Markets it was time to study the supply side of the industry. We began by looking at the challenges faced by the sellers-

1.Way too many players

When any market develops, there is a fine balance between demand and supply. In India what I have observed is that whenever a trend starts several people jump in and soon supply starts to exceed demand and that causes all kinds of issues in the market. Classic example is the real-estate market in cities like Pune where prices were artificially pushed up by the builder-agent nexus and then when the recession hit, we have a situation of too much inventory, declining prices etc. I believe the e-commerce space will see a lot of bad business practices adopted by the "me too" guys trying to survive the game.

E-commerce is inherently a very capital intensive game and a winner takes all market - consolidation happens fast and the company that can build scale the fastest gets to destroy the rest of the players in the market. This is going to happen in India. We are already starting to see some of it in the daily deals space. Snapdeal has torn away from the rest of the market. Most of the other players are trailing this market and some like Taggle closed shop.

The VC feeding fenzy in this space is crazy. A lot of the smaller "follow-on" VCs are going to lose their shirts in this game.

2. Logistics & Supply Chain

India's logistics sucks. We still have 3rd world logistics. A large part of the ecommerce success in the developed nations was because they already had rock-solid logistics in place. In the US fedex, ups and USPS were already around nationwide and goods could be moved within 24 hours between 5000 miles. In India trying to find an address or a location is a nightmare. We don't even have a properly standardized "physical postal address system".

Everytime someone ships a product to me I invariably get a call from the courier company asking for directions even though I live in a very prominent address in the city. This just surfaces some of the basic issues that face India. Courier companies don't even have bar code readers to scan the packages in transit. In the US, the logistics companies use very sophisticated technology keep the customer informed of the transit of a package. All of this is important as it plays directly into the overall customer experience of ecommerce. We have ways to go before we can see WOW levels of customer experience in this industry. Companies like Flipkart are doing a great job working around the issues in the logistics industry by setting up their own logistics but that just is really inefficient use of Flipkarts funding. They should really be pumping those $$ into tech so that they can build recommendation engines that can recommend products that customers may be interested in based on buying behavior etc. Largely the other 99% of the players will not be able to solve the logistic issues that exist in the market.

3. Payments

This is a major challenge and results in poor customer experience. The payment gateway vendors and banks suck at technology. Payment gateway error rates are high (>25% of transactions fail at the gateway). RBI has made it really hard for anyone to use virtual mediums of payments (credit/debit cards, cash transfers etc). Payment gateway's and banks also charge way too much commision on each transaction which is bad for the smaller players - which eats into their margins significantly.

4. Large volume of transactions in India are cash-based transactions

A small fraction of Indians have virtual payment instruments like credit cards or bank accounts. Largely we are a cash driven economy. Almost everyone has started COD in India and for the right reasons. However, my thesis here is that this is incredibly hard to scale. As humans are involved in the collection of cash etc, fraud rates will be very high which will dip into the margin levels of the ecommerce players.

5. Market Size / CLV / Margins

I believe that while India is indeed a large market, the Customer Lifecycle Value will be very low (similar to the mobile industry - India has the lowest levels of ARPU anywhere in the world). Ecommerce players will have to resort to deep discounting to build scale. Amazon had to do this for 9 years. In India the margins will be extremely thin due to the inefficiencies in all the underlying infra for ecommerce like logistics, payments and cash collection. For Flipkart to be successful not only do they have to be an online retailer but they have to build a UPS and a paypal and a physical cash collection system that works (which doesn't exist in developed countries as ecomm players dont support COD). That is a a mammoth task to pull off for a small startup.

6. Ecommerce in India is not for startups

My thesis is that in India because of all the physical/infrastructure challenges that exist, a startup will need to raise huge amounts of capital if they attempt to solve all of these problems. Even if they raise capital and start to solve some of these problems, I feel that the Future Groups and Reliance Retails have a better shot at this market and I feel that they are just timing the market. They will wait for someone like Flipkart to create the momentum in the market and spend all the VC money to evangelize the market. Then they will jump in and use the billions of $$ in their coffers (remember that they are cash rich companies) and existing infrastructure (physical stores, warehouses, people) in their brick and mortar business to build and scale out e-commerce. I strongly feel that in India e-commerce is a game for the large players and not startups as there are significant infra challenges that exist and it will be impossible for startups to address the scale of these problems.

7. Amazon.com could play spoiler

I believe that the single biggest threat to the e-commerce play in India is from Amazon.com. Amazon has a lot of cash and can use it to out-run the e-commerce startups. They have plenty of tech that help a lot in demand generation and sales which the e-commerce players in India have not even started to work on. They have a lot of experience in logistics and last mile issues of e-commerce. Their entry into India is largely gated by the FDI in multi-brand retail policy that is now going through the final stages for tabling in the parliament. Once this policy is passed, I believe Amazon is going to get very aggressive in the market.

Expert views regarding the objectives of the Suppliers-

A recent article from economic times helped to collect the perspective of the experts that have tried their hands in this industry and have been able to identify the opportunities and threats in the industry.

One of the effects of the boom in e-commerce has been a spurt in regional courier companies. They are cheap and still maintain good services. This competition has also brought down the courier charges of large players by as much as 60 per cent.”

- Kunal Behl, Founder and CEO of Snapdeal

“We do have 300-350 employees as part of our in-house supply chain. But they cater to the top 10 cities only, which generates 60 per cent of orders. The rest is serviced by the third party firms,”

-Pearl Uppal, co-founder of Fashion and You.

“This gives retailers access to our infrastructure, which includes IT support, and access to our supply chain. We have 36 courier companies integrated into our platform. We have signed up 13,000 retailers and expect this to take up to 100,000 by the end of this year,”

-Vishal Mehta, CEO and Founder Infibeam

“We also follow a mix of in-house team and couriers for delivery. The company owns 50 per cent of logistics for delivery catering to to the top 16 cities. The balance is managed by Blue Dart and Quantum Co.”

- Mukesh Bansal, Founder and CEO, Myntra.com

Success Stories-

Best Practises at Flipkart :

Flipkart an electronic commerce company was established by Sachin Bansal and Binny Bansal in 2007 and now it is among India's largest online retailers with reported sales of Rs 75 crore for year 2011-11. Sachin Bansal and Binny Bansal both are alumni of Indian Institute of Technology Delhi who started this company after quieting their jobs in Amazon.com with a vision To be one of the largest multi-category e-commerce destinations in India, with a strong focus on customer service.

Initially Flipkart started with selling books online and has since diversified into a generic e-commerce site, selling CDs/DVDs of music, movies, games and software, as well mobile phones and electronics. According to the co-founder Sachin Bansal, "We started with books because they are a comparatively easy category products to sell online. They do not require huge inventory maintenance, are easier to negotiate supplier terms and profit margins are high." Also since books are low value items, inducing customer trial was easy. It was a safe option to start off with books, given their appreciation in e-commerce the world over. Now Flipkart have about 11.5 million book titles, 11 different categories, more than 2 million registered users and sale of 30000 items a day which makes it India's answer to Amazon. All this was possible because of the major goal of the company is to provide a memorable online shopping experience to their customers so that they come back again and again using innovative services like Cash on Delivery, a 30-day replacement policy, EMI options, free shipping , discounted price and very importantly on time delivery of the products.

The role of logistics in the successful functioning of an e-commerce venture is indispensable. All these innovative services will be ineffective if the products do not reach the customers on time. Here are some Best Practices of the Supply Chain of Flipkart:

Building the Suppliers base- The Company has established a network of more than 500 distributors and only stocks frequently ordered items. Items like the 'Long tail' are almost always sourced from suppliers in real time and as and when the customer places an order.

Building Infrastructure for Operations- The Company has 4 offices in 4 metros cities with more than 500 employees. Warehouses of the company are located in 7 cities including the metros. Company has tie-ups with more than 15 courier companies like Blue Dart, First Flight etc. to deliver their products and Indian post for areas where courier do not reach.

The Process of Supply Chain- The first step in buying the products like books online from the Filpkart.com site by making payments using payments options like credit/debit card, cash-on-delivery, net banking, cheque/DD and money order and enter the phone number and address where the items need to be delivered.

Depending on items purchased they are packed and shipped accordingly for example mobile phones and books are packed differently as per requirement and also all items have transit insurance against theft and damages that may be caused while they are in transit. Flipkart bears the cost of delivery and this make them give a reason/motivator for improving efficiency at every point of supply chain. This also makes them differentiate from their competitors.

Now for delivering the items depending upon the area where the item need to be delivered either courier, Indian post or own internal logistics arm is used. The delivery time varies between less than 24 hours and 3 weeks depending on the location and availability of the product like the products which are imported take 3 weeks time to get delivered to the customers.

The inter-city, trans-zone deliveries are made using air cargo. For satellite cities and others in close proximity, products are transported overnight by train or truck.

For the local parts of the cities where the warehouses of the company exist products are delivered using two-wheelers, bicycles, or on foot depending upon the proximity of the place and because of this many of the deliveries are made within a day of the order being made. All the Team Members have been trained to work efficiently to meet customer expectations.

Use of Information system: The Company use sales to predict the inventory levels. The warehouses are split into multiple areas — inventory, packing, shipping and so on. The stocks are replenished every 24-48 hours. In the Back End, Flipkart stores details of all the transactions that need to be carried out. They have an understanding with their associates for order tracking, reconciliation and MIS (Management Information Systems) reports. The private courier companies in turn have their own ways of tracking every package. The customer is also updated about the status of his shipment via message, email or through the website.

When the product needs to be returned then due to the companies understanding with the courier companies it happens without any disputes or problems efficiently. "Flipkart takes care of the after-sales needs of its customers with regard to delivery of an item or addressing grievances including delayed delivery by the logistics partner, or addressing issues when an incorrect product is delivered. In the case of electronics, warranty and after-sales service is largely the responsibility of the manufacturer. Flipkart does however facilitate interaction between the customer and manufacturer/service center as and when the need arises."[1]

Future for E-Commerce: India has 11 million online customers now which will increase to 30 million by 2015 which shows that the e-commerce industry with the increased internet penetration will be the service sector's growth engine in India. The industry's size is expected to increase to $11.8 b. Among the challenges faced by the industry is its dependency on the service providers like suppliers, logistics service providers, etc. whose service in not up to the expectation and are affecting the service of the online companies. To solve this issue efforts are to be made to educate these service providers the importance of using technology and provide them incentives to use these technology and shift their focus on to the customers. Seeing the prospects of growth a lot of new online retailers have come up and there is a price war going on to attract more and more customers which is putting pressure on the profitability of the companies so it has become extremely important to manage cost to increase profits which is only possible by building an efficient backend- a nationwide delivery network, warehouses , inventory management , logistics, efficient teams to manage all this therefore supply chain management becomes an important factor on which companies depend to sustain in this industry. Flipkart obtained funding from Tiger global management in 2010 which is being utilized by the company for strengthening supply chain capacity and upgrading technology platforms, including automation at warehouses.

Jabong bangs into top rung of Indian e-commerce; Can it sustain?

Delhi-based media consultant Rama Lal (name changed) learnt about Jabong.com, an e-commerce website focused on lifestyle products, from her entrepreneur husband. And one early morning, she logged on to the site and ordered a pair of shoes. That was the first time she shopped on an e-commerce site and to her utter delight, by 5 pm on the same day, a Jabong delivery boy knocked at her door with the pair of shoes she had ordered in the morning. The shoes fitted her perfectly. Lal shared the experience with all her friends in office and it didn't take long for Jabong to become the default homepage for many of Lal's colleagues.

We are not making this up. Nor are we holding the flag for Jabong.com. The e-commerce portal, indeed, has this kind of effect on first-time e-shoppers like Lal. Jabong has been able to capture the imagination of an average Indian customer by offering a large catalogue of lifestyle products and a super-fast delivery service (same-day delivery in cities like Delhi) to boot.

Of course, Flipkart.com was the first to become India's e-commerce darling after delighting customers with a clutter-free user interface, easy order placement and a 48-hour delivery schedule, which was unheard of till then in the Indian e-commerce space. If Flipkart has raised the bar for customer satisfaction for e-shoppers in India, Jabong has queered the pitch with aggressive marketing, same-day delivery and a wide array of product portfolio.

Interestingly, Jabong, which went live in October 2011, did all these within just six-eight months. It rolled out several categories like shoes, apparel, accessories, sports equipment, jewellery, beauty products, fragrances, home décor and toys in record time. The company also embarked on a huge mass communication campaign, created its own logistics network and ensured a significant presence in the market within a very short span while others took at least two-three years to build them up.

The result: Jabong has emerged as one of the top three e-commerce players in India in traffic terms. According to statistics by comScore, Jabong ranks second, after Snapdeal, with over 6 million unique visitors in June 2012. Flipkart, arguably the largest Indian e-commerce player by sales with monthly sales of about Rs 100 crore, comes third in traffic, according to June data.

Shock and awe

Jabong seems to be following a strategy of “shock and awe.” The company, backed by Berlin-based Rocket Internet GmBH – a venture arm of the Samwer brothers – which is known for cloning several successful online business models of the US in other markets, is reverse-engineering the success formula of Flipkart in India: Add as many categories as possible; acquire customers at any cost; build a logistics arm from ground up and delight the customer.

Jabong has been extremely aggressive in winning over customers while the company officials deny resorting to heavy discounts. “We focus on variety, widest assortment, fastest delivery time and excellent customer service rather than deals and discounts,” Manu Kumar Jain, co-founder and managing director of Jabong, said in an e-mail response to Techcircle.in. The company, which has its own warehouse, claims to deliver in top 10 cities within 48 hours and to other places within 1-3 days while it is delivering on the same day in metros like Delhi.

Getting bigger, quicker

Jabong is in a hurry in India. It wants to build a sizeable e-commerce company quicker even if that means it has to burn money to acquire customers and build up a costly warehousing, delivery and customer service infrastructure. According to industry sources, Rocket Internet has committed an amount in the range of $25-40 million for building out Jabong in India. Even though it is not a big sum, considering Jabong's rivals are well-funded, the e-commerce portal has been able to shoot into the big league with relatively less capital at disposal. In contrast, Flipkart has raised about $100 million while Snapdeal has raised $60 million through multiple rounds of fundraising and are still in the market to raise money. Yebhi.com, another rival, has also raised about $30 million in multiple rounds.

According to industry grapevine, Jabong is estimated to be spending close to Rs 2,000 per customer in acquisition costs. The average customer acquisition cost online is Rs 1,500, according to a study by Zinnov, a management consulting company catering to Fortune 1000 companies. When contacted, Flipkart declined to reveal its customer acquisition cost while Snapdeal did not respond to our calls and text messages. But for now, it's certain that almost all e-commerce companies are losing money on every transaction.

Says Mahesh Murthy, an e-commerce investor and partner of early-stage venture capital firm Seedfund, "Jabong has done to Flipkart what Flipkart has done to other e-commerce portals. Enter a market, spend outrageous amounts of money for customer acquisition and build revenues." Jabong is estimated to have budgeted Rs 75-80 crore for online advertising and is currently burning around Rs 5 crore a month.

However, Jabong has denied all industry-estimated figures in response to a detailed e-mail query sent by Techcircle.in.

Can it sustain?

But how long can Jabong continue to burn money and sustain the momentum? Says K Vaitheeswaran, founder and CEO of Indiaplaza, one of the oldest horizontal e-commerce players, “Customers are, by nature, the most disloyal entity. For any e-commerce player, acquiring customers might be easy but retaining them is not.”

Even venture capitalists – who usually believe in the route of building companies ground up, spending huge money – disagrees with Jabong’s approach. A venture capitalist with a leading firm says that India is not a market where one can build a “sustainable” business “aggressively.” He doubts whether such spending can go on for long and is unsure if customers acquired in such a way are really the right ones since they have been lured by discounts and vouchers in the first place.

Mukesh Bansal of Myntra.com, which is the direct rival of Jabong in terms of product categories, adds, “Just offering discounts and vouchers is not a sustainable strategy. If one has a unique proposition to offer, then e-commerce is a big sector for everyone to have a share (of the market).”

Besides customer acquisition costs, building own logistics force may also turn out to be counterproductive in the long run even though it is helpful to build the market in the short term. Says Percy Avari, regional manager of Aramex (South Asia), a leading logistics and supply chain company, “Building and maintaining a large logistics staff is not sustainable if it’s not your core business.”

Jabong’s India structure

Jabong is owned by Gurgaon-based Xerion Retail Pvt Ltd, which also owns the portal FabFurnish.com. Rocket Internet has backed Xerion, but how that has been legally structured is not known since foreign investment in multi-brand retail is not allowed in India. Rocket Internet has also invested in HeavenandHome.com in India.

Interestingly, Jabong (like any other Rocket Internet business) is built by consulting people, rather than hard core operations professionals. The top three people at Jabong are Manu Kumar Jain, Praveen Sinha and Arun Chandra Mohan – all of whom share the same designation: Co-founder and managing director. According to an employee, who requested anonymity, Jabong does not have a CEO. All three founders have distinct roles, though. Jain, who was an engagement manager at McKinsey & Co from May 2007 to December 2011, looks after marketing and brand building, and is the lone spokesperson for Jabong. Sinha, responsible for overall operations, was also a consultant with McKinsey prior to Jabong. Mohan, who is in-charge of sourcing, was a venture partner with Rocket Internet for almost a year and prior to that role, was a senior market analyst with IT research firm IDC.

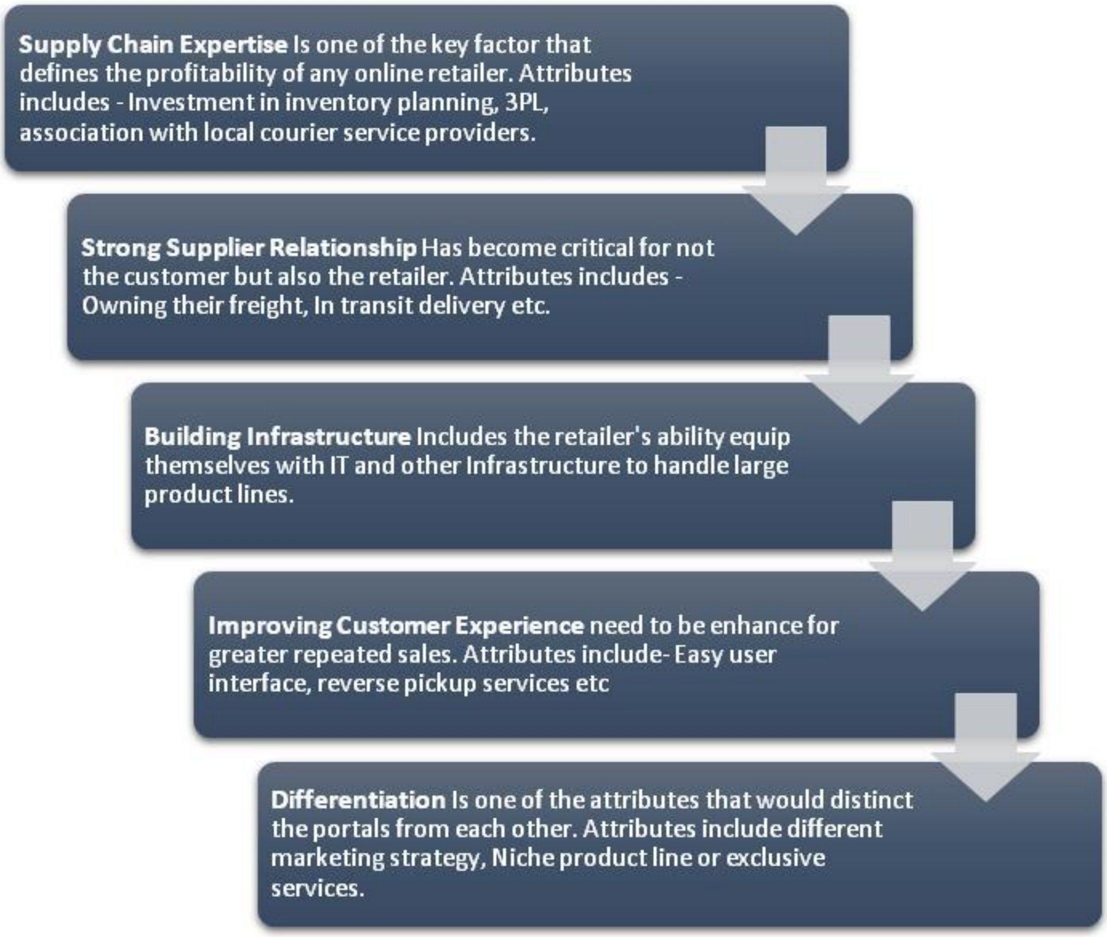
Globally, Rocket Internet has always hired “consulting types” from firms like McKinsey, Boston Consulting Group or Goldman Sachs. German magazine *Der Spiegel* says in a feature on the Samwer brothers, “These are the types of people who are accustomed to putting a clearly delineated plan into practice, rarely complain about having to work overtime and don’t want too much freedom.”

That is the Rocket Internet DNA – reflective of the Samwer brothers’ approach to business – which is “cold, hard and dismissive,” as the magazine described. They don’t usually take in the “creative types, tinkerers and nerds.” According to a CEO of a leading Indian payment company who had interacted with some of the Jabong executives, “They are extremely aggressive and are focused on getting the work done. They have a plan B if plan A does not work and a plan C also, just in case plan B does not work out.”

The company works out of its sprawling office premises at Udyog Vihar in Gurgaon, which also house other ventures such as home décor portal Heaven & Home, stationery shopping site OfficeYes, as well as FoodPanda, PrintVenue, FabFurnish and 21Diamonds, all promoted by Rocket Internet in India. Rocket has 59 companies worldwide and is present in 40 countries. It operates through several entrepreneurs in residence (EIR) and venture development managers in India who are constantly evaluating opportunities in the Indian Internet space and are ready to take on executive positions when the businesses roll out.

Jabong is the biggest bet of Rocket in India. Going by the Samwer brothers’ track record, they don’t stay in a business for long. Either they sell out quickly to a direct competitor or a strategic buyer. For instance, the Samwer brothers started with Alando, an eBay clone, which they sold to eBay itself for $50 million in just three months after the launch of the website in 1999. Most recent example is of the sale of Citydeal, a Groupon clone, to Groupon itself in return for an estimated 10 per cent stake in the Chicago-headquartered deals company. But India is a different kettle of fish with customers more enticed by discounts and deals rather than convenience, as in other markets. Whether Rocket will continue to burn money till it sees the endgame remains to be seen.

After all the secondary research we found the following as the key Objectives of the Sellers-



Survey and Sample Collection -

We conducted a survey of 117 respondents aging from 12 to 40 years, to know there online shopping habits. The aim of the survey was to identify the percentage of population that uses internet as a shopping destination. Also in order to understand what most excites them most about online shopping, which are the favourite destinations for the same. We Also targeted the non users to understand what is that keeps them away from this upcoming trend. To further suggest the upcoming trends, we tried to seek what would future of online shopping would look like.

Sampling technique used was stratified random sampling technique-

A method of sampling that involves the division of a population into smaller groups known as strata. In stratified random sampling, the strata are formed based on members' shared attributes or characteristics. A random sample from each stratum is taken in a number proportional to the stratum's size when compared to the population. These subsets of the strata are then pooled to form a random sample.

The main advantage with stratified sampling is how it captures key population characteristics in the sample. Similar to a weighted average, this method of sampling produces characteristics in the sample that are proportional to the overall population. Stratified sampling works well for populations with a variety of attributes, but is otherwise ineffective, as subgroups cannot be formed.

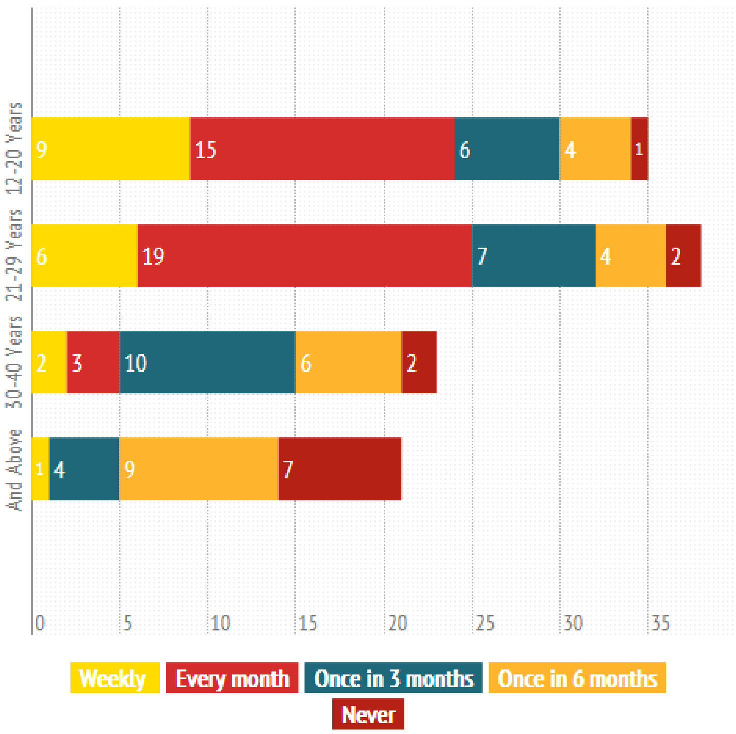
For purpose of this project the strata used were different online shopping habits against different gender, age groups, education level & different monthly income.

The survey was available online on the following link-

https://docs.google.com/forms/d/13OynF-5PWVvH7mzcczTpbX3zRC2affQwaVYbLniXVeE/viewform

Results of the survey

The survey was conducted for 117 respondents, most of which were based out Delhi, India. Following are the results of the survey based on the survey being filled by the respondents.



Conclusion:

This graph shows different levels of Online shopping activity according for different age levels.
We saw that 31% of the respondents shop on an average once a month and out of which 78% of the respondents belonged to the age group of 21- 29 years.

Figure 5 : Online Shopping for different age groups

Conclusion:
This graph shows that for the given set of sample 18% of the respondents shopped online on a weekly basis, 12% shopped once a month, 23% shopped once in 3 months, more than 65 % population never tried shopping online or did once in 6 months.

Figure 6 : Distribution of Online Shopping Activity

On an average **woman spends 2 times** more time on online shopping out of which **78%** times it is into *Apparel and Accessories.*

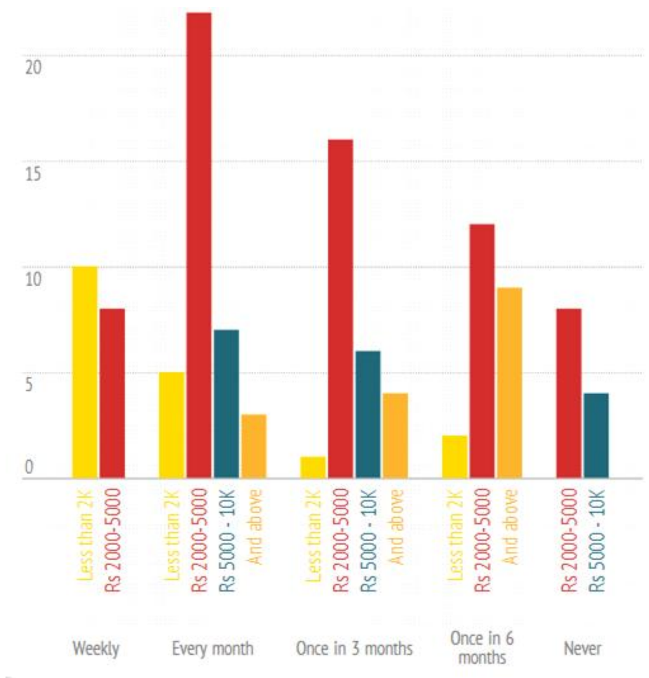


Figure 7: Personal Expenditure graph

Conclusion:

This graph shows that for an average monthly spend weekly spenders invest less than Rs 5000 on an average, while spender who shop every month spend more than the first category.

"Online shoppers spend nearly **Rs 5000** every month for the personal purchases ranging from **Electronics gadgets** to ***Sport equipments*** to *Fashion accessories*"

Conclusion:

This graph shows that for most of the online shopping users had access high education and can be assumed to be computer literate and regular access to internet facilities. Only 4% of the respondents had basic education and still did online shopping.

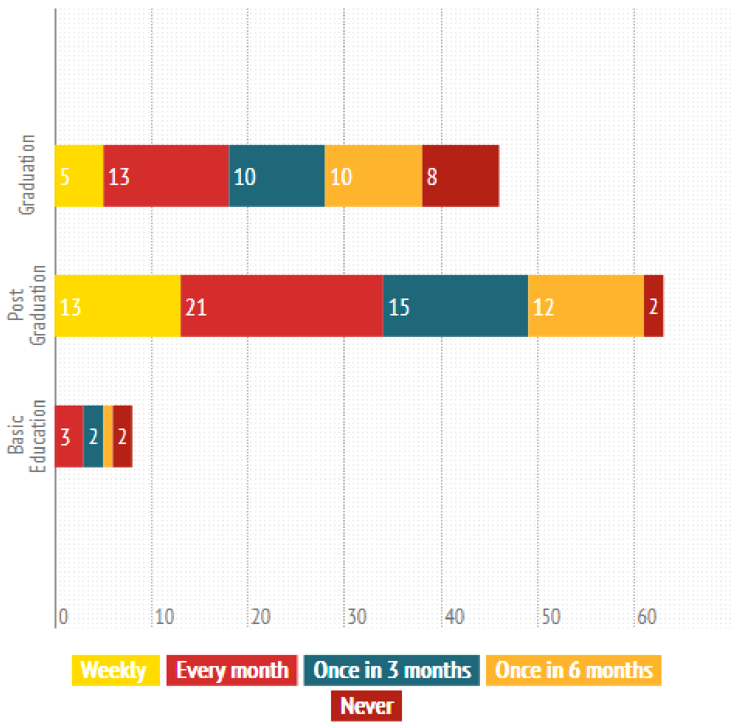
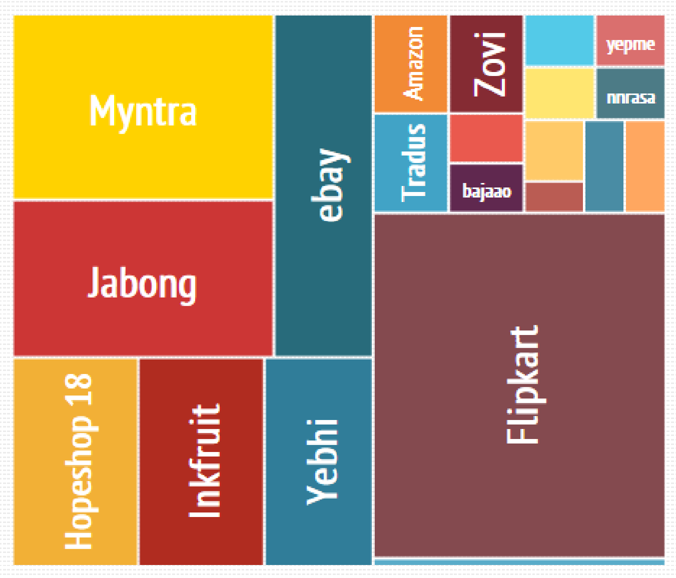
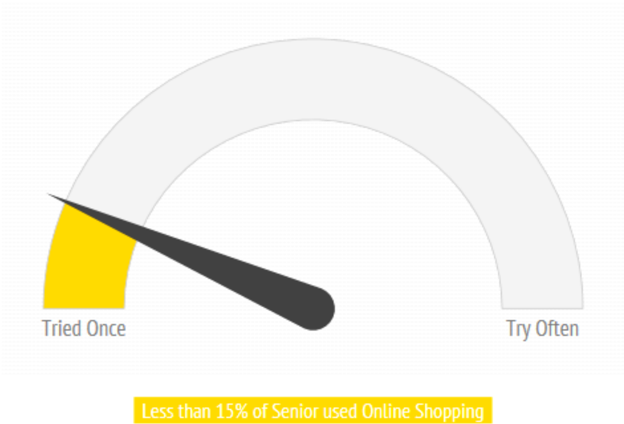


Figure 8 : Education status

Conclusion:

Flikart, Ebay, Myntra Jabong, and Home Shop 18 were identified as the most popular brands in the survey. Respondents gave their opinion according their past experience with online shopping.





Less than 15 % of respondents aged more than 35 had ever tried Online shopping. The prime reason attributed to that was Lack of trust in the product quality. Also, the absence of free internet everywhere and anywhere

Figure 9 : Senior e-Shopping adoption rate

Most important Customer Preferences

*What makes a customer **"GO FOR"** Online shopping…*

Product Quality :

Is still the most critical judging criterion for any online shopper. Attributes included are accuracy of product description in terms of quality,size, taste or color, reverse pickup services. Many successful purely virtual companies deal with digital products, (including information storage, retrieval, and modification), music, movies, office supplies, education, communication, software, photography, and financial transactions. Other successful marketers use drop shipping or affiliate marketing techniques to facilitate transactions of tangible goods without maintaining real inventory.

Some non-digital products have been more successful than others for online stores. Profitable items often have a high value-to-weight ratio, they may involve embarrassing purchases, they may typically go to people in remote locations, and they may have shut-ins as their typical purchasers. Items which can fit in a standard mailbox—such as music CDs, DVDs and books—are particularly suitable for a virtual marketer.

Products such as spare parts, both for consumer items like washing machines and for industrial equipment like centrifugal pumps, also seem good candidates for selling online. Retailers often need to order spare parts specially, since they typically do not stock them at consumer outlets—in such cases, e-commerce solutions in spares do not compete with retail stores, only with other ordering systems. A factor for success in this niche can consist of providing customers with exact, reliable information about which part number their particular version of a product needs, for example by providing parts lists keyed by serial number.

Products less suitable for e-commerce include products that have a low value-to-weight ratio, products that have a smell, taste, or touch component, products that need trial fittings—most notably clothing—and products where colour integrity appears important. Nonetheless, some web sites have had success delivering groceries and clothing sold through the internet is big business in the U.S.

Product Range :

Is one of the key determining factors for the success of an online shopping portal.Attributes included here are various product ranges, sub categories, variety with them for different price points. Online stores must describe products for sale with text, photos, and multimedia files, whereas in a physical retail store, the actual product and the manufacturer's packaging will be available for direct inspection (which might involve a test drive, fitting, or other experimentation).

Some online stores provide or link to supplemental product information, such as instructions, safety procedures, demonstrations, or manufacturer specifications. Some provide background information, advice, or how-to guides designed to help consumers decide which product to buy.

Some stores even allow customers to comment or rate their items. There are also dedicated review sites that host user reviews for different products. Reviews and even some blogs give customers the option of shopping for cheaper purchases from all over the world without having to depend on local retailers.

In a conventional retail store, clerks are generally available to answer questions. Some online stores have real-time chat features, but most rely on e-mails or phone calls to handle customer questions.

Competitive Pricing :

Has always been the discrimination factor, but has never been easier than times today. Attributes included are -Offers, Loyalty Discounts,Seasonal offers etc. One advantage of shopping online is being able to quickly seek out deals for items or services provided by many different vendors (though some local search engines do exist to help consumers locate products for sale in nearby stores). Search engines, online price comparison services and discovery shopping engines can be used to look up sellers of a particular product or service.

Shipping costs (if applicable) reduce the price advantage of online merchandise, though depending on the jurisdiction, a lack of sales tax may compensate for this.

Shipping a small number of items, especially from another country, is much more expensive than making the larger shipments bricks-and-mortar retailers order. Some retailers (especially those selling small, high-value items like electronics) offer free shipping on sufficiently large orders.

Another major advantage for retailers is the ability to rapidly switch suppliers and vendors without disrupting users' shopping experience.

Timely Delivery :

Throughout the market customer is sensitive to the on time delivery of the products and the services. Where generic products offer delivery time to 2-5 days, generoc products may take 7-30 days. Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home. Other establishments such as internet cafes and schools provide internet access as well. In contrast, visiting a conventional retail store requires travel and must take place during business hours.

In the event of a problem with the item (e.g., the product was not what the consumer ordered, the product was not satisfactory), consumers are concerned with the ease of returning an item in exchange for either the correct product or a refund. Consumers may need to contact the retailer, visit the post office and pay return shipping, and then wait for a replacement or refund. Some online companies have more generous return policies to compensate for the traditional advantage of physical stores. For example, the online shoe retailer Zappos.com includes labels for free return shipping, and does not charge a restocking fee, even for returns which are not the result of merchant error. (Note: In the United Kingdom, online shops are prohibited from charging a restocking fee if the consumer cancels their order in accordance with the Consumer Protection.

What makes Customer ***Insecure*** *about online purchasing!!*

Fraud and security concerns

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud than face-to-face transactions. Merchants also risk fraudulent purchases using stolen credit cards or fraudulent repudiation of the online purchase. However, merchants face less risk from physical theft by using a warehouse instead of a retail storefront.

Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. However, one must still trust the merchant (and employees) not to use the credit card information subsequently for their own purchases, and not to pass the information to others. Also, hackers might break into a merchant's web site and steal names, addresses and credit card numbers, although the Payment Card Industry Data Security Standard is intended to minimize the impact of such breaches. Identity theft is still a concern for consumers. A number of high-profile break-ins in the 2000s has prompted some U.S. states to require disclosure to consumers when this happens. Computer security has thus become a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks.

Phishing is another danger, where consumers are fooled into thinking they are dealing with a reputable retailer, when they have actually been manipulated into feeding private information to a system operated by a malicious party. Denial of service attacks are a minor risk for merchants, as are server and network outages.

Quality seals can be placed on the Shop web page if it has undergone an independent assessment and meets all requirements of the company issuing the seal. The purpose of these seals is to increase the confidence of online shoppers. However, the existence of many different seals, or seals unfamiliar to consumers, may foil this effort to a certain extent. A number of resources offer advice on how consumers can protect themselves when using online retailer services. These include:

Sticking with known stores, or attempting to find independent consumer reviews of their experiences; also ensuring that there is comprehensive contact information on the website before using the service, and noting if the retailer has enrolled in industry oversight programs such as a trust mark or a trust seal.

Before buying from a new company, evaluate the website by considering issues such as: the professionalism and user-friendliness of the site; whether or not the company lists a telephone number and/or street address along with e-contact information; whether a fair and reasonable refund and return policy is clearly stated; and whether there are hidden price inflators, such as excessive shipping and handling charges.

Ensuring that the retailer has an acceptable privacy policy posted. For example note if the retailer does not explicitly state that it will not share private information with others without consent.

Ensuring that the vendor address is protected with SSL (see above) when entering credit card information. If it does the address on the credit card information entry screen will start with "HTTPS".

Using strong passwords, without personal information. Another option is a "pass phrase," which might be something along the lines: "I shop 4 good a buy!!" These are difficult to hack, and provides a variety of upper, lower, and special characters and could be site specific and easy to remember.

Although the benefits of online shopping are considerable, when the process goes poorly it can create a thorny situation. A few problems that shoppers potentially face include identity theft, faulty products, and the accumulation of spyware. Whenever users purchase a product, they are required to put in their credit card information and billing/shipping address. If the website is not secure, customer information can be accessible to anyone who knows how to obtain it. Most large online corporations are inventing new ways to make fraud more difficult. However, criminals are constantly responding to these developments with new ways to manipulate the system. Even though online retailers are making efforts to protect consumer information, it is a constant fight to maintain the lead. It is advisable to be aware of the most current technology and scams protect consumer identity and finances.[20]

Product delivery is also a main concern of online shopping. Most companies offer shipping insurance in case the product is lost or damaged. Some shipping companies will offer refunds or compensation for the damage, but this is up to their discretion.

Lack of full cost disclosure

The lack of full cost disclosure may also be problematic. While it may be easy to compare the base price of an item online, it may not be easy to see the total cost up front. Additional fees such as shipping are often not be visible until the final step in the checkout process. The problem is especially evident with cross-border purchases, where the cost indicated at the final checkout screen may not include additional fees that must be paid upon delivery such as duties and brokerage. Some services such as the Canadian based Wishabi attempts to include estimates of these additional cost, but nevertheless, the lack of general full cost disclosure remains a concern.

Privacy

Privacy of personal information is a significant issue for some consumers. Different legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement. Many consumers wish to avoid spam and telemarketing which could result from supplying contact information to an online merchant. In response, many merchants promise to not use consumer information for these purposes, or provide a mechanism to opt-out of such contacts.

Many websites keep track of consumer shopping habits in order to suggest items and other websites to view. Brick-and-mortar stores also collect consumer information. Some ask for a shopper's address and phone number at checkout, though consumers may refuse to provide it. Many larger stores use the address information encoded on consumers' credit cards (often without their knowledge) to add them to a catalog mailing list. This information is obviously not accessible to the merchant when paying in cash.

Hands-on inspection

Typically, only simple pictures and/or descriptions of the item are all a customer can rely on when shopping on online stores. If the customer does not have prior exposure to the item's handling qualities, they will not have a full understanding of the item they are buying. However, written and video reviews are readily available from consumers who have purchased similar items in the past. These can be helpful for prospective customers but can also be based on personal preferences. Hence, reviews from other consumers may not reflect end-user satisfaction once the item has been received.

Because of this, many consumers have begun going to real-world stores to view a product, before purchasing online, a practice known as *show rooming* (using the store as a showroom for the online merchant). Brick-and-mortar merchants have responded with various countermeasures. For example, Target has requested distributors give them equally low prices, or alternatively, products available exclusively from their store.

Product suitability

Many successful purely virtual companies deal with digital products, (including information storage, retrieval, and modification), music, movies, office supplies, education, communication, software, photography, and financial transactions. Other successful marketers use drop shipping or affiliate marketing techniques to facilitate transactions of tangible goods without maintaining real inventory.

Some non-digital products have been more successful than others for online stores. Profitable items often have a high value-to-weight ratio, they may involve embarrassing purchases, they may typically go to people in remote locations, and they may have shut-ins as their typical purchasers. Items which can fit in a standard mailbox—such as music CDs, DVDs and books—are particularly suitable for a virtual marketer.

Products such as spare parts, both for consumer items like washing machines and for industrial equipment like centrifugal pumps, also seem good candidates for selling online. Retailers often need to order spare parts specially, since they typically do not stock them at consumer outlets—in such cases, e-commerce solutions in spares do not compete with retail stores, only with other ordering systems. A factor for success in this niche can consist of providing customers with exact, reliable information about which part number their particular version of a product needs, for example by providing parts lists keyed by serial number.

Products less suitable for e-commerce include products that have a low value-to-weight ratio, products that have a smell, taste, or touch component, products that need trial fittings—most notably clothing—and products where colour integrity appears important. Nonetheless, some web sites have had success delivering groceries and clothing sold through the internet is big business in the U.S.

Aggregation

High-volume websites, such as Yahoo!, Amazon.com and eBay, offer hosting services for online stores to all size retailers. These stores are presented within an integrated navigation framework, sometimes known as virtual shopping malls or online marketplaces.

Impact of reviews on consumer behaviour

One of the great benefits of online shopping is the ability to read product reviews, written either by experts or fellow online shoppers.

The Nielsen Company conducted a survey in March 2010 and polled more than 27,000 Internet users in 55 markets from the Asia-Pacific, Europe, Middle East, North America and South America to look at questions such as "How do consumers shop online?", "What do they intend to buy?", "How do they use various online shopping web pages?", and the impact of social media and other factors that come into play when consumers are trying to decide how to spend their money on which product or service. According to the research, reviews on electronics (57%) such as DVD players, cell phones or PlayStations and so on, reviews on cars (45%), and reviews on software (37%) play an important role in influencing consumers who tend to make purchases online. Furthermore, 40% of online shoppers indicate that they would not even buy electronics without consulting online reviews first.

In addition to online reviews, peer recommendations on online shopping pages or social media websites play a key role for online shoppers when they are researching future purchases.

Computing Competitive Landscape Analysis

The final List of Consumer Preferences –

1. **Product Quality** Its still remains the most crucial factor for the customer. Attributes included are accuracy of product description in terms of quality,size, taste or color, reverse pickup services.
2. **Product Range** Is one of the key determining factors for the success of an online shopping portal.Attributes included here are various product ranges, sub categories, variety with them for different price points.
3. **Competitive Pricing** Has always been the discrimination factor, but has never been easier than times today. Attributes included are -Offers, Loyalty Discounts,Seasonal offers etc.
4. **Timely Delivery** Throughout the market customer is sensitive to the on time delivery of the products and the services. Where generic products offer delivery time to 2-5 days, generoc products may take 7-30 days.
5. **Consumer Protection** Is important in todays scenarioin order to build customer confidence.Here attributes included are easy return policies, cash back offer, free trials at home etc.

The final list of Seller's Objectives –

1. **Supply Chain Expertise** Is one of the key factor that defines the profitability of any online retailer. Attributes includes - Investment in inventory planning, JIT system, 3PL etc.

2. **Strong Supplier Relationship** Has become critical for not the customer but also the retailer. Attributes includes - Owning their freight, In transit delivery etc.

3. **Building Infrastructure** Includes the retailer's ability equip themselves with IT and other Infrastructure to handle large product lines.

4. **Customer Experience** need to be enhance for greater repeated sales. Attributes include- Easy user interface, reverse pickup services etc

5. **Differentiation** Is one of the attributes that would distinct the portals from each other. Attributes include -e service, product portfolio etc.

Final list of Competitors –

1. **Jabong.com** is one of India's leading fashion and lifestyle ecommerce portals.It retails apparel, footwear, accessories, beauty products, fragrances, home accessories and other fashion and lifestyle products. The site started operations in January 2012. It is spearheaded by Arun Chandra Mohan, Praveen Sinha, Manu Jain & Mukul Bafana.

2. **Flipkart** is an Indian e-commerce company headquartered in Bangalore, Karnataka. It was founded by Sachin Bansal and Binny Bansal in 2007. In its initial years, Flipkart focused on online sales of books, but it later expanded to electronic goods and a variety of other products. Flipkart offers multiple payment methods like credit card, debit card, net banking, e-gift voucher and Cash on Delivery.

3. **Myntra.com** was established by Mukesh Bansal, Ashutosh Lawania, and Vineet Saxena in February 2007. All three are IIT alumni, and have worked for several start-ups. It is headquartered in Delhi and has been funded by Venture Capital funds like IndoUS, IDG & Accel Partners.

4. **Amazon.com, Inc.** is an American multinational electronic commerce company with headquarters in Seattle, Washington United States. It is the

world's largest online retailer. Amazon.com started as an online bookstore, but soon diversified, selling DVDs, CDs, video and MP3 downloads/streaming, software, video games, electronics, apparel, furniture, food, toys, and jewelry. The company also produces consumer electronics—notably the Amazon Kindle e-book reader and the Kindle Fire tablet computer—and is a major provider of cloud computing services.

5. **eBay Inc.** (stylized as **ebay**) is an American multinational internet consumer-to-consumer corporation, headquartered in San Jose, California. It was founded in 1995, and became a notable success story of the dot-com bubble; it is now a multi-billion dollar business with operations localized in over thirty countries.The company manages eBay.com, an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide. In addition to its auction-style sellings, the website has since expanded to include "Buy It Now" standard shopping; shopping by UPC, ISBN, or other kind of SKU (via Half.com); online classified advertisements (via Kijiji or eBay Classifieds); online event ticket trading (via StubHub); online money transfers (via PayPal) and other services.

Sources and references for Computation of results-

Different sources were researched in order to understand the activity index of different portals in terms of the consumer preference index and seller’s objectives. Find below the list of few important website links rigorously reffered.

Customer review page –

1. http://www.mouthshut.com/product-reviews/jabong-com-reviews-925660222
2. http://www.techulator.com/resources/8401-Online-shopping-experience-Jabong.aspx
3. http://techcircle.vccircle.com/2012/08/01/jabong-bangs-into-top-rung-of-indian-e-commerce-can-it-sustain/
4. http://blog.infectedmind.in/tag/jabong-review

The Jabong Story

Now that the fancy of Indian shoppers have turned towards online shopping, many businesses are trying to get themselves established in the online world. In online market, the customers are more and so is the competition. The online trader gets to reach the global market and hence every online business tries its best to attract customers. Offers and promotions, discounts and deals and every marketing strategy you can think of, is being employed by online stores all over the world. In Indian market, we have various online businesses and many stores have products of international quality. This makes the customers more tempted to visit online stores and some giants in the field have rightly tapped the potential. Let us see how Jabong and Bestylish have done here to capture the attention of the buyers.

Jabong And Bestylish – What Have They To Offer?

Jabong has a stunning collection of products to offer its customers. Its product range includes apparels, footwear, furniture, jewellery and accessories. One of the most appealing features is that it deals with various brands and hence customers will know what they are buying.

Bestylish is an out and out footwear store and it offers footwear for all at home and for all occasions, be it sports or marriage, formal or casual. This online store deals with brands and hence, shopping becomes easier and reliable for the buyer.

How Great Are The Options?

Customers have plenty to choose from the collections available in both Jabong and Bestylish. Though Bestylish is an exclusive store for footwear, Jabong has more collections under footwear category like in each other category it sells. No wonder, Jabong was named the most visited site in its first year.

Do They Qualify In The Quality Round?

There is no doubt about the quality of the products offered by both the sites. Jabong and Bestylish deal with branded items that are reputed and hence, the quality matches international standards. If a prospective customer is concerned about quality while buying online, he or she need not worry on that issue, if the purchases were made in these sites. A customer could opt for the brand of his or her choice.

How Do They Fare In Rates?

The rates are highly reasonable in both the sites. Apart from regular discounts, Jabong gave an end of season offer where the discounts were heavy. It was an instant hit with online buyers. Bestylish does well on rates. The product range is not as impressive as that of Jabong's; apart from that, Jabong offers are much more popular than the offers by Bestylish. More deals and fixed discounts are offered by Jabong while Bestylish focuses more on providing coupon codes only. Jabong is never too late to offer its monthly quota of coupons and deals while Bestylish is a little lazy in that regard.

Do They Deliver Their Promises?

Most of the times, they do deliver products on time. There are some reviews on delayed deliveries, but when you take into account their overall performance, it could be said that they do deliver on time. As far as the promise on customer service is concerned, it could be said that both have a lot of homework to do. Being new to the field is not a reason that would stand for a long time. Hence, the sites had better start dusting their shoes to get going. They need to move quicker if their products are to be sold faster.

They have done well in the initial years to make people come to them. They need to gear up if they want to retain their customers in the coming years where the competition will be stiff with more online stores hitting the online market.

The Flipkart getaway

Flipkart was founded in 2007 by Sachin and Binny Bansal, both alumni of the Indian Institute of Technology Delhi. They worked for Amazon.com before quitting and founding their own company. Initially they used word of mouth marketing to popularise their company. A few months later, the company sold its first book on flipkart.com—John Woods' Leaving Microsoft to Change the World.Today, as per Alexa traffic rankings, Flipkart is amongst the top 20 Indian Web sites and has been credited with being India's largest online bookseller with over 11 million titles on offer. The store started with selling books and in 2010 branched out to selling CDs, DVDs, mobile phones and accessories, cameras, computers, computer accessories and peripherals, and in 2011, pens & stationery, other electronic items such as home appliances, kitchen appliances, personal care gadgets, health care products etc. Further in 2012, Flipkart added A.C, air coolers, school supplies, office supplies, art supplies & life style products to its product portfolio.As of today, Flipkart employs more than 4500 people.

Funding

Initially funded by the Bansals themselves with ₹400,000 Flipkart has raised funding from venture capital funds Accel India (US$1 million in 2009) and Tiger Global (US$10 million in 2010 and US$20 million in June 2011).

Flipkart.com, on August 24, 2012 announced the completion of its 4th round of $150 million funding from MIH (part of Naspers Group) and ICONIQ Capital.

Acquisitions

2010: WeRead, a social book discovery tool.

2011: Mime360, a digital content platform company.

2011: Chakpak.com is a Bollywood news site that offers updates, news, photos and videos. Flipkart acquired the rights to Chakpak's digital catalogue which includes 40,000 filmographies, 10,000 movies and close to 50,000 ratings. Flipkart has categorically said that it will not be involved with the original site and will not use the brand name.

2012: Letsbuy.com is India's second largest e-retailer in electronics. Flipkart has bought the company for an estimated US$25 million.Letsbuy.com had been closed down and all the traffic of Letsbuy is diverted to Flipkart.

Business results

Flipkart's reported sales were ₹40 million in FY 2008–2009, ₹200 million in FY 2009–2010 and ₹750 million for FY 2010–2011.In FY 2011–2012, Flipkart is set to cross the ₹5 billion (US$100 million) mark as Internet usage in the country increases and people get accustomed to making purchases online. Flipkart projects its sales to reach ₹10 billion by year 2014. On average, Flipkart sells nearly 20 products per minute and is aiming at generating a revenue of ₹50 billion (US$1 billion) by 2015.

Products

In November 2011, Flipkart launched a new Electronic Wallet feature that allows shoppers to purchase credit to their Flipkart account using credit or debit cards, and can subsequently be utilised to make purchases on the site, as and when required. From June 2012, Flipkart allowed people to buy toys, posters and from October 2012, Flipkart entered into apparel retailing.

Flipkart has recently started its own brand of computer accessories under the name of DigiFlip.

Flyte Digital Music Store

In October and November 2011, Flipkart acquired the websites Mime360.com and Chakpak.com. Later, in February 2012, the company revealed its new Flyte Digital Music Store. Flyte, a legal music download service in the vein of iTunes and Amazon.com, will offer DRM-free MP3 downloads. Flyte offers browse by language options where users can download international as well as regional songs. Flipkart has listed the music based on its genre on the new music store and has given a lot of variety. Users can shop for tracks from various albums starting at ₹6 on the store. A purchased song can only be downloaded maximum 4 times on an internet enabled device. Flipkart hits 100Cr mark in July 2012, while Flyte garners 600K downloads in 5 Months. Flipkart has launched the ebook application on the Android platform on Nov 28, 2012.

The Myntra Way

New business focus and products

Myntra has tied up with top fashion and lifestyle brands in India, such as Nike, Inc., Reebok, Puma, Adidas, Asics, Lee, Lotto, Decathlon, FILA, John Miller, Indigo Nation etc. to offer a wide range of current season merchandise from these brands [8]

Myntra currently offers products from more than 350 Indian and international brands. [9] These include shoes for running, tennis, football, basketball and fitness, along with casual footwear from world-renowned industry leaders like Nike, Puma, Converse, Adidas, Decathlon, Reebok, Lee Cooper, Numero Uno, Skechers, Crocks, Asics, Fila, Lotto, ID and many more. There are also casual and dressy footwear for women from Catwalk, Carlton London and Red Tape to name a few.

Myntra also stocks T-shirts for men and women from popular brands like Jealous 21, Forever New, Classic Polo, Inkfruit, Lee, Nike, Inc., Probase, Puma, Adidas, Reebok, Ed Hardy, Decathlon, Lotto, Ediots, Mr. Men, Tantra and Guerilla. The website has also launched Being Human and Fastrack watches. In July 31, 2012 Bollywood actor Kalki Koechlin launches Myntra’s ‘Star N Style’ feature.

In 2013, Myntra acquired San-Francisco-based Fitiquette, a developer of virtual fitting room technology.

Business model

Myntra.com is an aggregator of many brands. Its business model is based on procuring current season merchandise from various brands and making them available on the portal at the same time as in respective retail brand outlets. All these products are offered to customers on MRP.

In October 2007, Myntra received a seed funding from Accel Partners (formerly Erasmic Venture Fund), Sasha Mirchandani from Mumbai Angels and another angel investor. In November 2008, Myntra raised with it's A funding of $5 million from NEA-IndoUS Ventures, IDG Ventures and Accel Partners. [16]

In the second round of funding led by Tiger Global and participated by existing investors IDG Ventures and Indo-US Venture Partners, Myntra raised $14 million.

Towards the end of 2011, Myntra.com raised $20 million in its third round of funding led by Tiger Global.

Myntra launched a brand campaign with its first TVC in July 2011. The commercial 'juxtaposes new-age fashion with old-world grit' and positions Myntra as a 'fashionable new age' brand.

Myntra's second campaign, with the tagline "Ramp It Up", was launched in October 2011 with a TVC. The new ad scored high on fashion quotient and the core message was to communicate the launch of the Autumn Winter 2011 collection on Myntra.com.

In February 2012, Myntra also rolled out an OOH (out of home) campaign across Tier 2 cities, to to build brand awareness and promote online shopping.

In June 2012, Myntra launched its third campaign. Created by Taproot, the communication emphasises the benefits of buying online, and is titled 'Real life mein aisa hota hai kya'.in which they offer free shipping,cash on delivery,30 day return & 24 hours dispatch

Myntra continued the 'Real life mein aisa hota hai kya' theme in its next campaign in October 2012 and extended it to showcase its wide catalog and hassle-free Returns Policy.

Awards

Myntra.com was announced as a winner of the Red Herring Global 100 award. Red Herring announced its Global 100 awards in recognition of leading private companies from North America, Europe, and Asia, celebrating these startups' innovations and technologies across their respective industries.

CNBC - TV18 awarded Myntra.com as one of the Hottest Internet Companies of the Year at the Mercedes - Benz CNBC - TV18 Young Turks Awards.

Myntra.com won IAMAI's Best Ecommerce Website of the year award for 2012 at the 7th India Digital Summit, 2013.

Myntra.com also won the Fashion eRetailer of the Year Award at the Indian eRetail Awards 2013 organised by Franchise India in Delhi.

About Amazon in India

Amazon has presence across three locations in India; Bangalore, Chennai and Hyderabad.

Amazon India works on complex technology challenges which directly drive business on Amazon.com. These include building software and applications that support the Amazon websites across the world as well as core development in the space of payments, Transportation, Search and Digital products.

Whether you're looking for a full-time position to launch your career, or a challenging internship opportunity, Amazon India is the place for you. We offer opportunities where you can dive right in, make an impact and work with smart people on challenging problems that affect millions of people.

Amazon currently employs more than 51,300 people around the world. Our employees work in corporate offices, fulfillment centers, customer service centers and software development centers across North America, Europe and Asia. Employees in our offices contribute in a variety of functions and jobs, including:

Software Development

Our engineers tackle some of the most complex challenges in large-scale computing. Software development engineers, technical program managers, test engineers, and user-interface experts work in small teams company-wide to contribute to the e-commerce platform that's used by:

Over 152 million active Amazon customer accounts

Over 2.0 million active seller accounts

Hundreds of thousands of external developers

Retail Product Management and Merchandising

Our team of product managers, designers, buyers, and merchandisers builds and launches new product categories and stores around the world as it offers customers greater selection, lower prices, more in-stock merchandise, and a best-in-class shopping experience.

Information Technology

Our IT team oversees the company's technology environment. These system, database, and networking experts build and operate highly reliable, scalable distributed systems with terabyte-sized databases and infrastructure that can handle a massive number of transactions.

Operations and Customer Service

During the 2010 holiday season, our fulfillment centers shipped to more than 178 countries worldwide. Our operations teams oversee and operate all aspects of supply chain management, fulfillment, transportation, and customer service. People on these teams range from optimization specialists and business analysts to fulfillment and customer-service managers and associates. Regardless of their role, however, they're completely focused on meeting individual customer promises every day, around the globe.

Finance and Administration

Financial professionals at Amazon operate as business partners within functional teams throughout the company. They have leadership roles in teams such as Retail, Operations, Business Development, and Software Development in addition to more traditional roles in Accounting, Treasury, Investor Relations, etc. Financial professionals help teams evaluate business investments, understand historical performance, and develop forward-looking plans in addition to providing objective perspectives to their business partners.

Human Resources

Our HR function comprises HR Business Partners, Recruiters and Specialists in areas like Learning & Development, HRIS and Compensation & Benefits. The teams engage with our business leaders to deliver our goal of finding, developing and retaining the best and brightest people in the market. By partnering with our businesses leaders and employees we develop long term career paths inline with Amazon's unique culture.

Legal

Our legal team advises business leaders on complex legal issues in a dynamic, high-growth environment. They oversee Amazon's intellectual property and patent efforts, drive public policy initiatives, and resolve all litigation.

COMPETITIVE LANDSCAPE ANALYSIS

Calculations and Results

Different weights were assigned to the various customer preferences and distinct seller objectives on the basis of relatie importance of the preferences and objectives.

Customer Preferences	Weights	Seller's Goals: Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
		10	8	6	4	4
Preference 1	10	100.0	80.0	60.0	40.0	40.0
Preference 2	8	80.0	64.0	48.0	32.0	32.0
Preference 3	8	80.0	64.0	48.0	32.0	32.0
Preference 4	8	80.0	64.0	48.0	32.0	32.0
Preference 5	6	60.0	48.0	36.0	24.0	24.0

Cumulative scores calculated –

Flipkart – 1020

Jabong.com – 997

Amazon- 870

Myntra - 865

eBay – 550

" The results show that recent invaders in the industry like **Flipkart** that market their presence in **2009** only had an unprecedent growth rate much higher than the Global players like ***Amazon.com.*** "

Writers View : I believe that the single biggest threat to the e-commerce play in India is from Amazon.com. Amazon has a lot of cash and can use it to out-run the e-commerce startups. They have plenty of tech that help a lot in demand generation and sales which the e-commerce players in India have not even started to work on. They have a lot of experience in logistics and last mile issues of e-commerce. Their *entry into India is largely gated by the FDI in multi-brand retail policy that is now going through the final stages for tabling in the parliament. Once this policy is passed, I believe Amazon is going to get very aggressive in the market.*

Pictorial Representation of the final results

We an read the graph as following Flipkart is having a strong market presence at present because of early mover advantage and the strong supply chain expertise and lean inventory model. But, just behind the leaders is Jabing.com backed up by deep investment model launched by investment firms rather than angel entrepreneurship venture. By heavy marketing efforts it has the capacity to become larger in terms of its market size.

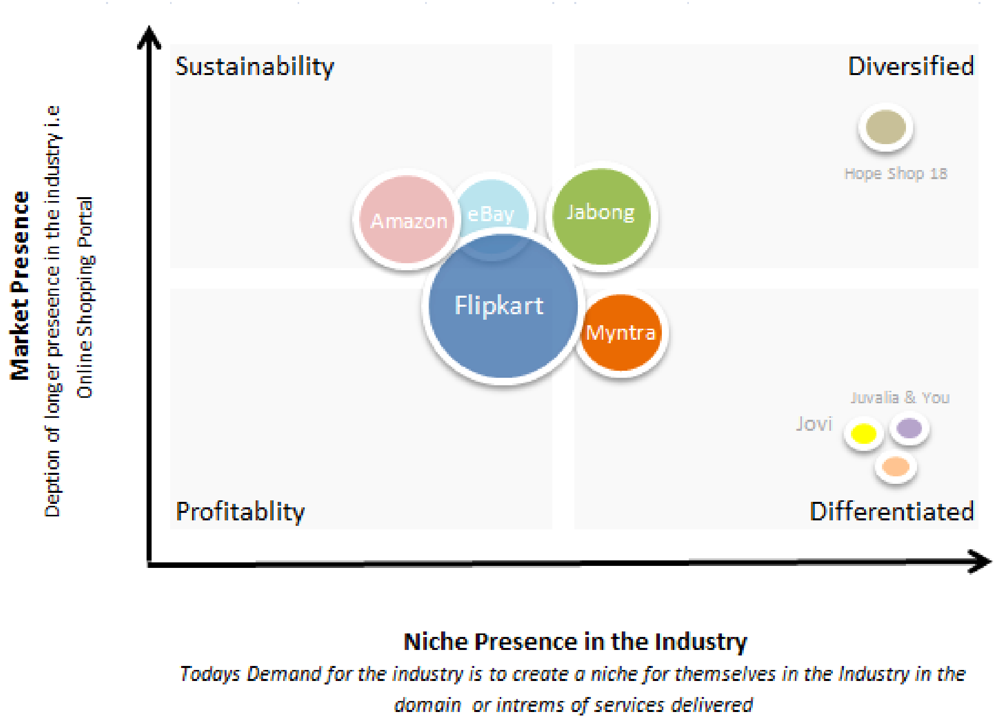


Figure 10 : Final Results pictorial representation

Findings & Recommendations

Online shopping has had a rather slow and tumultuous journey in India, it has not picked up as much as it should have primarily due to the fact that internet penetration itself is quite low and secondly (and importantly) the online shopping experience has been bad to say the least.

Although their are grass root problems, I still believe that Online Shopping in India is evolving fast and has the potential to grow exponentially in the times to come, as the internet penetration reaches far and wide across the rural area.

Traditionally, Indians are conservative in their approach to shopping. They want to touch and feel the products and test its features before buying anything.

In fact, selected price-savvy customers would also like to squeeze in an economical deal for themselves with appropriate price negotiation with the vendor. They are not the ones to accept the price at the face value. Well, nothing wrong in that as well ;)

With the passage of time came an era of less popular tele-shopping which dealt in limited range of products such as Astrology and spirituality products (*such as Rudraksha Mala, Hanuman Kavach, Bal Raksha, etc*), Health and fitness equipments (*such as Tread Mill, Leg Massager, Height Increaser, Sauna Belt, etc*) and even some of the Cooking ranges (including Juicers and Mixers, Vegetable Choppers, etc). But, most of these products could be termed as low-intensity and niche products which could interest only a limited target of people.

Most of us are also a witness to the recent *mall culture* where all the products are available under a single roof and at competitive price points. Little needs to be analyzed about it over here as most of you might have visited a mall at least for once as a past time on a weekend, if not for shopping precisely. Well, I often do it, to be frank. J

Next in line is the concept of *virtual mall* or *online shopping* which is already existent at its preliminary stage in India and is gradually growing exponentially.

The market opened up with innovative online shopping initiatives from eBay, Rediff shopping and futurebazaar.com just to name a few.

In a sort of change of version from tele-shopping to a broader form of online plus television shopping saw the emergence of a 24-hour shopping channel from Network 18 – TV 18 Home Shopping Network.

As per the report, this fast growing channel has spread speedily with market presence across a range of products. It accounts for 4.5% of all digital camera sales in the country and largest seller of Reebok merchandises. In fact, the report further says that Home Shop 18 sells 480 brands under its portfolio.

It is akin to mentioning that, "I am wary about implications of carrying out online transactions to pay my utility bills fraught with risks of phishing and hacking fraud. But, since I wouldn't prefer to stand in those long and cumbersome queues (and keep pondering as to ***'Mera number kab aayega?***') with my busy schedule, I would like to latch-on to online bill payments. I could as well write an article for Trak in those 30-40 minutes which I spend standing waiting in those serpentine queues.

Thus, with modernization and fast paced life, came the constraints of time and eventually increasing dependence on online shopping. This has led to online shopping coming off age in India. People have commenced shopping through the convenience of online portals from the comforts of their drawing rooms.

With case study of Home Shop 18 narrated above also points towards a new trend of convergence of online and TV shopping. It is needless to say that shopping has been revolutionized by its wide spread presence across the various mediums such as TV, online portals and even cell phones now that even internet can be accessible through affordable category smart phones.

Given above all the facts, Indian marketers are also increasingly becoming conscious about the viability of returned goods, if customer is not satisfied with the product. This may not sound true over here, but it is a part-and-parcel of the game involved in online shopping.

It is estimated that about a fifth of the buy orders get returned for the goods bought online. As such, most of the online sales are carried out on the condition of '*If not* *satisfied with the product, full money to be returned'*. Another factor is that most buyers pay on delivery which also keeps their options to return good open, if they do not like a particular product.

Conclusion 1 :

Flipkart is the market leader in terms of the sales volume handled by the company. Jabong is soon catching up with the market leader. Has the potential to outperform within next 12 months.

Conclusion 2:

Most of the companies have been focussing on sustainability and profitability factors. Big names like Amazon and ebay have held there hands tight till now to plunge in the Indian Industry only when it has matured enough to yield profits comparable to the global levels

Conclusion 3:

Differentiation in terms of product catalogue is seen as the next upcoming trend that would define the leaders of tomorrow. Some of the brands have opted for niche marketing to stand out of the crowd. Mainly, the differentiated in terms of the product and services being delivered.

Conclusion 4:

Most of the online shopping portals are relying on their supply chain expertise and 3PL relationship for delivery purposes, tie ups and good supplier relationship are the key trends driving and sustaining this market.

Challenges faced by Indian Markets-

On Internet Penetration :

As we know, the number of Internet Users is growing day-by-day, because of that the success of online shopping increases along with it. Currently, India has around 81 million Internet users and is ranked globally 4th in Internet usage!

With such statistics, it seems the Internet revolution is in full swing in India. As a matter of fact, online shopping has become an integral part in the lives of many people In India, there are reasons behind the ever increasing popularity of online shopping stores, and they certainly offer huge advantages when compared to personal shopping.

Limitations of the Project

The greatest limitations of the project are small set of respondents being surveyed. The views and opinions in this regard were limited to a small category of people living in urban area and with direct access to information technology. A wider scope would have given the results more acceptability.

As further improvement to the project, I suggest to have more in depth study of the supply side should be done to better understand the challenges being faced and hence suggest ways to improvise. Expert opinion while assigning weights could have further improved the authenticity of the project.

What withholds the future of e-Retailing!

“We extensively researched to understand what withholds the future growth of this sector. Is it the customer perception that is the biggest hindrance? Or the Lack of **good industrial practises** that is not able to match customer’s expectations? Or is it the lack of maturity in terms **of infrastructure** that needs to be built to cater to such demand? Or is it the absence of the basic facilities available to the customer such as **Credit Card penetration** or low **Internet coverage** that is posing the hindrance!! ”

-All these factors define “The SCOPE PENTAGON.”

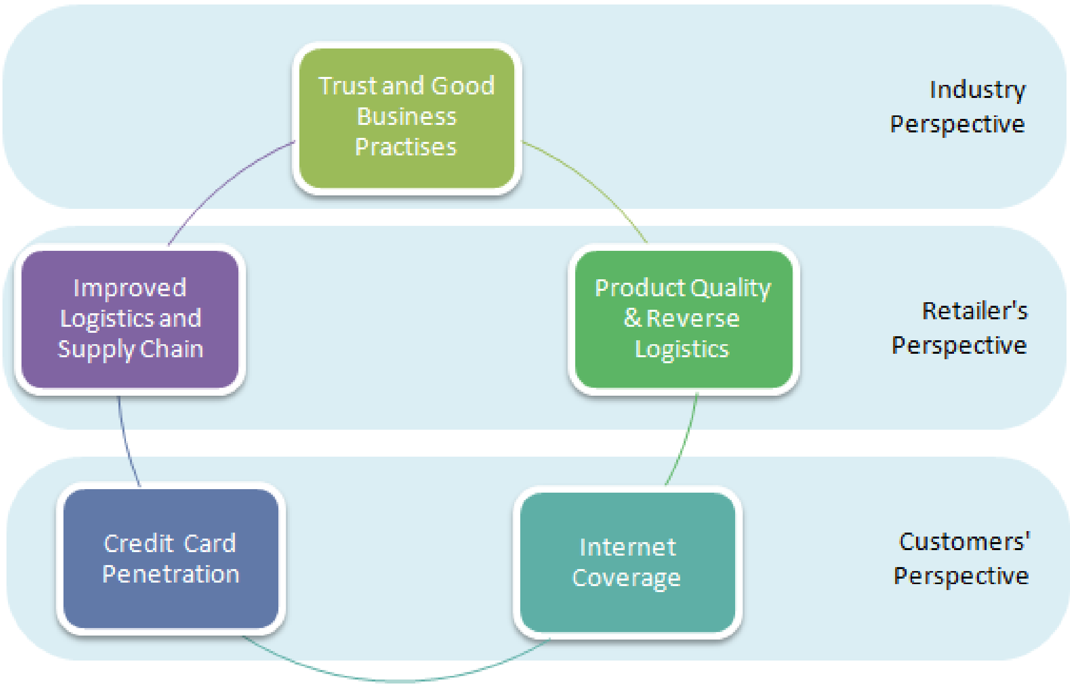


Figure 11 : Scope Pentagon Model

Building the Trust and Good Practises

In the Internet age, many people believe the traditional way of doing retailing is too old-fashioned,” he said. “But in this case, the traditional retail channel still has a lot of value, because there’s a lot of incentive for manufacturers to produce high quality products when they know they will be displayed on a shop floor and tested by consumers before they're purchased."

According to Liu, out of the most highly successful traditional retailers, none sell directly to consumers, which, for consumers, turns out to be a bulwark against declining product quality.

"If you're talking about clothing, prices are higher at the older department store chains but the product quality is usually very high," he said. "However, if we look at the direct channel manufacturers – that is, the factory outlet stores, the direct-to-channel outlet manufacturers – the price is lower but the product quality is not high."

According to Liu, there are two types of consumers: Those who care about quality over price, and vice versa.

"The latter type of consumer wins with the advent of e-commerce, because they don't care about quality – they only like low price," he said. "But the first group of consumers are hurt, because quality as a whole is dragged down by manufacturers who cater to the Internet."

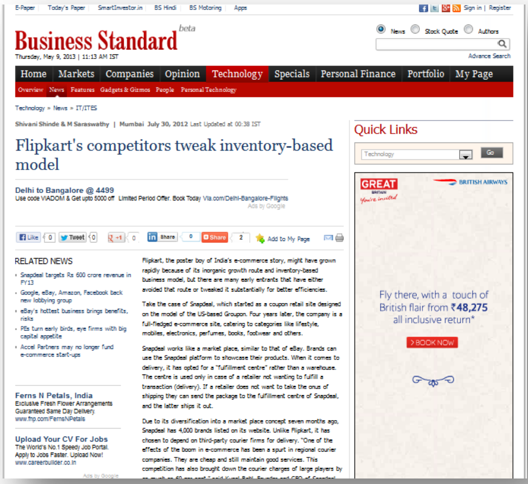
For consumers, the take-away from the research is simple: "If you want a high-quality product, buy from a physical store," Liu said. "If you want the cheapest possible price, buy through the Internet."

Although the reports of the demise of traditional retailers have been greatly exaggerated, Liu[6] says they can survive and even thrive in the e-commerce age by playing up the quality angle to consumers.

"Since they're not going to win in a price war versus the Internet bricks-and-mortar stores not only need to stock high-quality products, they need to let consumers know that they can out-compete the Internet with the quality of their products.

[6] Data reference from http://phys.org/news/2012-07-online-retail-contributes-decline-product.html#jCp

Building Strong Logistics and Supply Chain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Shivani Shinde & M Saraswathy | Mumbai July 30, 2012 Last Updated at 00:38 IST

Flipkart's competitors tweak inventory-based model

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Flipkart, the poster boy of India's e-commerce story, might have grown rapidly because of its inorganic growth route and inventory-based business model, but there are many early entrants that have either avoided that route or tweaked it substantially for better efficiencies.

Take the case of Snapdeal, which started as a coupon retail site designed on the model of the US-based Groupon. Four years later, the company is a full-fledged e-commerce site, catering to categories like lifestyle, mobiles, electronics, perfumes, books, footwear and others.

Snapdeal works like a market place, similar to that of eBay. Brands can use the Snapdeal platform to showcase their products. When it comes to delivery, it has opted for a "fulfillment centre" rather than a warehouse. The centre is used only in case of a retailer not wanting to fulfill a transaction (delivery). If a retailer does not want to take the onus of shipping they can send the package to the fulfillment centre of Snapdeal, and the latter ships it out.

Due to its diversification into a market place concept seven months ago, Snapdeal has 4,000 brands listed on its website. Unlike Flipkart, it has chosen to depend on third-party courier firms for delivery. "One of the effects of the boom in e-commerce has been a spurt in regional courier companies. They are cheap and still maintain good services. This competition has also brought down the courier charges of large players by

Quick Links

eCommerce player Flipkart recently announced the launch of Flipkart Marketplace. To start with, Flipkart has on-board 50 sellers that will sell books, media, and consumer electronics.

The announcement means a change in the way Flipkart does business. With a marketplace model, Flipkart will no longer have an inventory of its own, rather buyers can deal with sellers directly and the delivery will be done by Flipkart. The model will be similar to eBay India.

Going forward, users will be able to compare sellers and get the best prices at varied service levels for most products. Flipkart will also introduce this model to categories like clothes, shoes among others.

“We created the blueprint for Flipkart Marketplace with the determination to take online shopping to the masses. In the last 12 months, more than 80 million unique visitors have come to Flipkart. Five out of six online Indians visit our website. Sellers on Flipkart will get access to this vast user base - which is akin to the footfall in prime retail spaces in the top 10 cities of the country,” said Sachin Bansal, CEO and Co-Founder, Flipkart.

In terms of enabling the SME community, Marketplace will now allow smaller players to transact on the same platform as larger established retailers and help them garner business intelligence by understanding their position vis-a-vis competition based on factors such as pricing, offers, deals, etc.

At present, the entire inventory of Flipkart is being managed by WS Retail. While

WS Retail will continue to be one of the sellers, Flipkart will also slowly incorporate new sellers.

However, the ecommerce company will continue to manage the delivery and shipping of products.

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Behl clarifies he did not want to build a business which depended on creating a large inventory. According to industry estimates, the apparel space has unsold inventories worth Rs 30-40 crore and in the case of electronics, it is around Rs 70-60 crore.

Fashion and You, which also created an internal logistic team for prompt delivery, tweaked its supply chain by having a good mix of third-party courier firms. "We do have 300-350 employees as part of our in-house supply chain. But they cater to the top 10 cities only, which generates 60 per cent of orders. The rest is serviced by the third party firms," said Pearl Uppal, co-founder of Fashion and You.

For Uppal, the other significant focus was increasing business from repeat customers. "Today, 70 per cent of our revenues come from repeat customers, for which we focused on our loyalty programmes. A regular customer on our portal on an average makes six transaction in a year," says Uppal. This has also brought down the rejection rates in the cash on delivery (CoD) segment. At Fashion and You, if a customer rejects a product, he will not get the CoD option next time, depending on the reason for rejection. Also, CoD customers need to pay for shipping. Uppal claims the rejection rates on CoD is eight per cent.

Along with Flipkart, the other e-commerce player that started copying the Amazon business model was Ahmedabad-based Infibeam. Like Flipkart, Infibeam had ventured into other categories, but this year it went a step closer to the Amazon model, as it opened its IT and supply infrastructure to different retailers (both large and small), under the name of 'Build a Bazaar' initiative.

"This gives retailers access to our infrastructure, which includes IT support, and access to our supply chain. We have 36 courier companies integrated into our platform. We have signed up 13,000 retailers and expect this to take up to 100,000 by the end of this year," said Vishal Mehta, CEO and Founder Infibeam. The platform allows the retailer to sell their own products and also sell Infibeam's product. In case Infibeam's product are sold through another retailer's online store on this platform, then Infibeam pays one to 1.5 per cent seller commission. If the retailers products are sold on any of the Infibeam portals, then the retailer gives a commission of one to five per cent to Infibeam.

Mukesh Bansal, Founder and CEO, Myntra.com, also follows a mix of in-house team and couriers for its delivery. The company owns 50 per cent of logistics for delivery catering to to the top 16 cities. The balance is managed by Blue Dart and Quantum Co.

"In terms of cost, it is much cheaper than managing everything internally," he said.

Closing the Supply Chain Loop: Reverse Logistics and the SCOR Model

With product returns on the rise, many companies strive to formalize the reverse logistics process.

Reverse logistics is the backward flow of what we all wish would be a forward-only process. If you expect zero product returns in your supply chain, you are living in dreamland. Given the growth of online shopping, direct-to-store shipments, direct-to-home shipments, and the complexity of global sourcing, delivery mistakes are increasing exponentially.

Thus, reverse logistics is becoming more important. Mastering the returns or reverse logistics process will have a direct impact on your costs of doing business, on your company's ROI, and on the level of customer service required to compete in today's economy.

Reverse logistics has not always been in the forefront of enterprise planning. The negative aura that surrounds planning for product distribution failures and/or product rejection is, in itself, off-putting. It is a case where everyone loses—your customer who sends the product back dissatisfied, your supplier who gets your parts back, and the manufacturer who wasted enterprise resources creating and distributing products that are unneeded or unwanted.

The hope is that somewhere out there lies a solution to all those disappointments and their attendant costs.

Recently, however, the tide has turned and reverse logistics is beginning to receive proper attention. When supply chain professionals consider reverse logistics, they will reap not only the direct rewards of rationalizing return product flow, but also the corollary benefit of optimizing the business process.

The most recent Supply-Chain Council SCOR model (www.supply-chain.org) reflects this trend. The model designates eight specific return points:

Three return points at the supplier and supplier's supplier level.

Two return points at the manufacturing company level.

Three return points at the customer and the customer's customer level.

That's a lot of return points.

Tough Economy or Good Business Practice?

Is the increasing importance of returns a reflection of a tough economy, or is it just downright good business practice? In hard times, companies tend to search for resources in areas they overlook—such as rejected and returned products.

Visit a large retailer after Christmas and the return lines are often longer than the checkout lines. You might wonder if the retailer's business is all returns. The length of the returns line may also be a function of the complexity of the forward product delivery process, even for simple consumer items.

But it also reflects the complexity of the reverse logistics process: processing credit cards, giving cash back, dealing with customers returning the wrong item to the wrong store, the possibility of fraud and theft, and the return of defective products.

Those returns may appear to affect just the retail business. But remember, the products being returned reach all the way back to manufacturers and raw materials suppliers across the country and around the world. This can't be good for business. It makes sense, then, that the latest SCOR model, as well as industry experts, place such an emphasis on reverse logistics.

An Emerging Practice

"The practice of reverse logistics has been growing rapidly in the past few years," says Donald Maltby, executive vice president of logistics, Hub Group. "In the past, companies did not pay special attention to transportation and handling costs associated with returns."

Reverse logistics is an emerging practice, he notes, and one that requires information technology and resources to execute and manage the reverse portion of the supply chain.

"As more companies and retail customers purchase products online and through catalogs, they do not get a chance to see the product before they purchase it. Once it arrives, the product may not be exactly what they wanted, so they return it. Or, once they order and receive it, they may get buyer's remorse and return it," adds Maltby. Despite an increasing number of returned products, many companies have typically pushed aside the issue of returns, preferring to focus only on the forward flow, or on practicing inbound logistics—matching demand signals to their supply.

"Two major factors have contributed to a lack of attention to reverse logistics," says Marc Mitchell, transportation practice director, Enterprise Information Solutions. "First, companies reap much of the low-hanging fruit in terms of improvements in more positive areas of logistics. Who wants to draw attention to the screw-ups and incorrect decisions that returns represent when improvements can be made in other places?

"Second," he says, "the intangibles such as labor savings and quality are easier to tweak and improve, but a returned item can't be hidden. It's there. Your mistake is staring you in the face."

But this lack of corporate emphasis on returns is changing. "Reverse logistics is an area of the supply chain that has been relatively ignored until recent years, as far as costs are concerned," says Bill Wascher, president and CEO of SEKO Worldwide. "As the supply chain assumes a more important role in a business enterprise, companies are scrutinizing logistics costs to eliminate redundancies, and returns.

Real Returns, Real Costs

"Returns play an important role because real costs are tied to them, which affects the profitability of the enterprise," says Wascher.

How well a company manages returned goods, whether in the manufacturing or the retail sector, impacts the enterprise's ability to provide total customer service. A manufacturer can have great service and meet its product delivery deadlines, only to have customers return the product due to a change in the buyer's needs or a logistics failure.

If the experience of returning product is overwhelmingly negative, all the forward logistics customer service is overridden and the manufacturer may lose future orders.

Steve Banker, a consultant at the ARC Advisory Group, offers another view on why many companies neglect reverse logistics—it's just too hard.

"The reverse logistics process requires a great deal of attention and involvement, and is very complex," he says.

"Although well-handled returns result in better asset recovery or brand protection, most companies generally handle reverse logistics poorly. When goods come into a return center, they should be assessed. Based on the condition of returned merchandise and the manufacturer's or retailer's choice for disposition, the items should be automatically routed to their final destination," Banker adds.

Disposition options around asset recovery include repair, upgrade, refurbish (including repackaging), remanufacture, demanufacture (parts reclamation), and recycle (particularly pallets and containers). Disposition logistics also includes channel or routing logic, which means the returned items and components can be sent back to the customer, routed to a warehouse, or sold in secondary markets.

Another reverse logistics consideration is brand protection. "For many companies, brand protection is paramount," notes Banker. "A manufacturer of designer goods, for example, wants to ensure that its branded goods are not sold through secondary channels, such as discount stores. In these cases, the policy is product disposal.

"Ideally, this process controls the disposal of branded goods and makes sure those goods do not find their way back into the marketplace."

But while the recent emphasis on reverse logistics is warranted, intelligent caution should make us think twice about buying into anything that looks like another round of business enthusiasm. Therefore, it makes sense that in order for companies to benefit from reverse logistics, they must have plans, systems, and people in place to optimize the reverse logistics process.

The Bottom Line

"Regardless of the specifics, reverse logistics is all about costs," says Mitchell. "The cost of the goods themselves, the cost to move and store them, the cost of the potential impact on keeping non-returned inventory flowing."

One important way to control the reverse logistics process is to implement an information system that provides the business intelligence that allows adjustments to the marketing, manufacturing, ordering, and delivery process, identifying the true sources of reverse logistics issues.

"A significant amount of returns can be managed by Transportation Management Systems (TMS) software," says Maltby. "Returns should also be tied to a Warehouse Management System (WMS) to manage inventory."

"There is a high level of returns in the online ordering and catalog industry," notes Bill Wascher. "These retailers are becoming more experienced and educated on their customers' buying trends, and can predict the percentage of returns they will receive.

"Other industries may have products that need servicing. Those industries will often eat the costs to send the products back for repair in order to provide excellent customer service."

While most customers tend to return items they purchase online at a higher rate than those they purchase from a store, exceptions exist.

"While returns for products such as apparel are higher when purchased online than if purchased in stores, in other areas, the return rate is actually lower," says Banker.

For example, Dell Computer has about five percent of its B2C computers returned vs. 10 percent for CompUSA. The reason? Dell employs "gatekeepers." No computer can be returned unless a phone call is placed to a technical customer service representative. The agents can often walk consumers through setup and early usage issues, in effect, talking them out of returning the computers.

Banker offers the following suggestions drawn on the successful experiences of companies that have attacked the reverse logistics challenge:

All logistics activities are supply chain activities. That also applies to reverse logistics. Cross-functional participation is needed to achieve better capabilities. For example, a manufacturer's product development staff should make periodic visits to return centers to learn how to design products that will be less likely to be returned.

Outsourcing reverse logistics may be an option, due to its complexity.

In most cases, reverse logistics should be done in a specially designed returns center rather than a distribution center.

New technology solutions providers can help with the unique challenges of reverse logistics in general, and e-business returns specifically.

Intelligent gatekeeping—return merchandise authorization (RMA)—can help reduce returns.

Reverse logistics programs should also include provisions for product recall.

Several WMS suppliers offer returns processing modules that contain disposition logic. But disposition logic is not enough. More advanced capabilities will contain tracking codes that specify the reason why goods are returned, contain Internet messaging features that help ensure customer satisfaction, and contain features that assign an estimated financial value to returned goods.

Reverse logistics should not be dismissed as the latest business fad, and it should not be undertaken on a corporate whim or in half-measures. And, although focusing on reverse logistics is difficult because it magnifies the enterprise's mistakes, it strikes to the very heart of a manufacturer's, distributor's, wholesaler's, and retailer's profitability. The SCOR model's emphasis on the return equation is right on the money.

It would be nice to live in a world where there were no returned products, or the need for them. But that world does not exist, and even with the best supply chain management systems in place, will never exist.

Any reverse logistics initiative should reduce real costs while better satisfying customers, and, as Steve Banker suggests, play a part in building sales.

2013 India Internet outlook

At about 150 million Internet users, India now has 3rd largest Internet population in the world after China (at 575m) and the US (at 275m). At 150 million total Internet users, the Internet penetration in India remains at 12 per cent vs. 43 per cent in China and 80 per cent in the US. However, the low penetration means that India presents unmatchable growth opportunity for the Internet sector in coming years. In our view, India will likely see golden period of the Internet sector between 2013 to 2018 with incredible growth opportunity and secular growth adoption for E-Commerce, Internet advertising, social media, search, online content, and services relating to E-Commerce and Internet advertising.

Here is the India Internet outlook for 2013, the first year for this golden period.

#1 Internet penetration will reach 15%. We expect India to add 30 million new Internet users in 2013 and total Internet population to touch 180mm. This implies a 20% growth in the Internet population.

#2 Time spend online will rise and directionally become comparable to US and China. As per our estimates, an Internet user in India on average is spending 13 hour per week and this number will likely reach 16 hours per week. The incremental time spend online will largely be spent on social media, photo/video sharing, E-Commerce, and utilities/banking/bill payments.

#3 Mobile Internet users to touch 100M. India has nearly 950 million mobile subscribers and close to 50 million or under 6 per cent of these mobile subscribers access Internet via mobile handsets. We estimate that in 2013 the mobile Internet penetration will go up from close to 6 per cent to 10 per cent and India could double its mobile Internet population in 2013 at 100 million estimated mobile Internet users by end of 2013.

#4 Internet usage will likely grow faster for female and from home. So far India Internet usage is heavily screwed towards male gender and from work and educational establishments. We believe that in 2013, Internet usage will grow much faster for female and from home access. This acceleration will likely happen due to overall Internet adoption moving to masses.

#5 E-Commerce will likely touch $900M in 2013. As per our estimates, in 2012 India E-Commerce reached $550 million in gross revenue (exc. Online travel and online classifieds) and we expect E-Commerce to touch $900 million in gross revenue by end of 2013.

#6 Majority of E-Commerce growth will come from emerging cities. While, top 8 cities in India may remain at 45 per cent to 65 per cent of total E-Commerce for various E-Commerce companies, we believe that higher growth delta for E-Commerce in 2013 will come from emerging cities. We define emerging cities as the cities other than Top-40 cities in India e.g. Bhatinda in Punjab or Kota in Rajasthan.

#7 Internet advertising will be the fastest growing sub-sector of the India Internet. As per our estimates, India Internet advertising generated $300 million in revenue in 2012 and can double in 2013 to reach $600 million. We believe that lots of Internet advertising growth will come due to the rise in social media, mobile Internet, and non-search and content driven online ad formats such as lead generation, affiliate marketing, and email marketing etc.

#8 Funding environment for the Internet start-ups to remain challenging in 2013. We believe that funding environment for the Internet start-ups to remain challenging in 2013 in India. In last 17 years, India has created less than $5 billion in Internet market capitalization vs. $600 billion by US Internet sector and $250 billion by Chinese Internet sector. Lot many Internet companies have to become a lot bigger for the funding environment to ease off.

#9 E-Commerce will likely see emergence of disruptive business models and consolidation. While this topic is something we are very passionate about with tons of opinion and view points for obvious reasons, we believe that E-Commerce companies that are focusing on fundamental issues will likely disrupt the E-Commerce industry in 2013. On one hand, the fundamental issues are the issues that matter for improving customer experiences and the state of the ecosystem, on other hand focusing on fundamentals of business vs. throwing money at the problem will become absolutely imperative. We believe that majority of the inventory led E-

Commerce business models will likely either merge with each other or take a niche vertical position.

#10 Start-up culture and ecosystem to become more widespread. In our view, the startup culture and startup ecosystem are becoming more widespread. The seed and angel rounds are no longer limited to Mumbai, Delhi or Bangalore and emergence of startup is no longer limited to IITs or big cities. While, India has long way to go vs. having a true Silicon Valley start-up culture, ecosystem and support system, we believe India is headed in that direction. Founding a start-up immediately after graduation or leaving a rewarding corporate job to join a start-up, or find or become an angel investor is no longer uncommon. While, the 2013 Internet funding environment will likely be challenging, the overall Internet start-up ecosystem will become stronger and more ubiquitous.

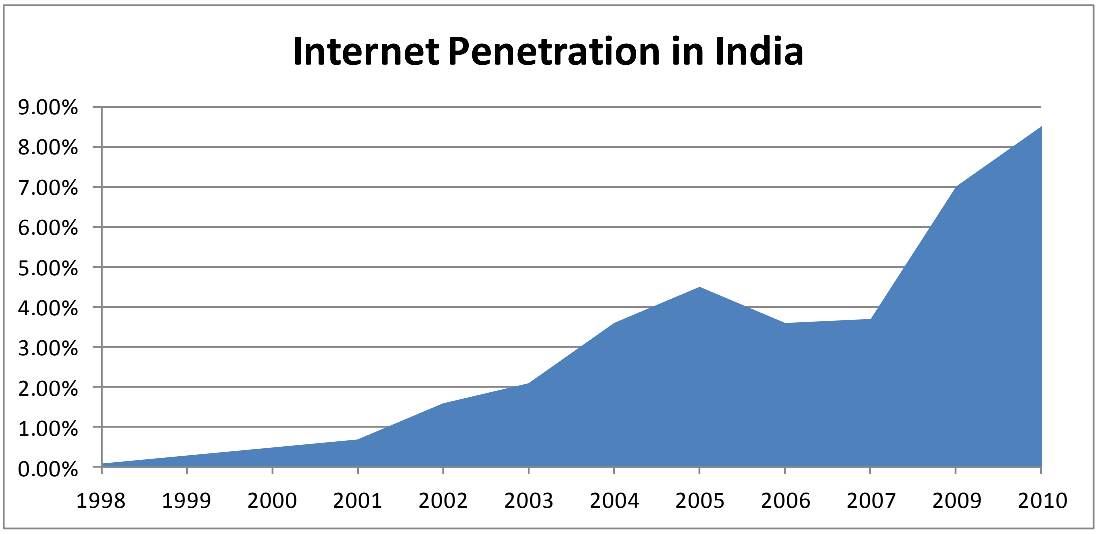

Figure 12: Internet penetration in India | Source Internet World Stats - www.internetworldstats.com/stats4.htm

Credit Card Penetration

> *Datamonitor's latest report on the payment cards market in India shows that the pay later segment - and credit cards in particular - are still poorly represented in the country. However, there are huge potential earnings in some niche segments such as affluent customers, due to their use of premium cards.*

India has the lowest pay later penetration rate in Asia Pacific, at just 0.02 pay later cards per person compared to the regional average of approximately 1.25. The country also experienced sluggish growth of 1.5% between 2005-10, while other countries in the region witnessed an average rate of 10.0% over the same period. China, in comparison, recorded an astonishing 340.0% growth. Despite these negative market indicators, there is evidence to suggest that India's affluent consumer segment and its use of premium cards represent an untapped potential in this fast-growing economy.

In 2011 there were approximately 5 million affluent card customers in a country with over 84 million wealthy people. Datamonitor's "Premium Cards - Targeting Affluent Consumers" report forecasts that the affluent customer segment in India will experience the third largest compound annual growth in the world, at a rate of 13.2% between 2010-14.

While credit card penetration among affluent Indian consumers is lagging behind the global average, this could be attractive to credit card issuers. This is because the market absorption potential is huge, given that not enough people who could afford and would be interested in a credit card hold one at the moment. However, the penetration rate of premium credit cards among affluent card holders is 85.6%. This is the second highest penetration rate after Singapore among the 21 countries analyzed in Datamonitor's 2011 Financial Services Consumer Insight (FSCI) Survey, indicating that an affluent consumer deciding to acquire a credit card would most likely choose a premium branded card rather than a regular card. Interestingly, India also has a very high penetration of premium cards among regular non-affluent card holders at nearly 60%, which is almost double the global average.

This reveals a national appetite for premium-branded cards and the benefits attached to them, such as cashback, rewards and loyalty points, and various shopping discounts. However, it is not only the benefit aspect which attracts Indian consumers; the status symbol factor attached to premium card branding is also important. Gold cards are increasingly positioned as "classic" cards or travel and shopping cards rather than "premium," a label that is becoming exclusively attached to platinum cards. India is both a very class-focused society and an emerging economy, with much income disparity among the population. As a result, premium cards tend to be more appealing to the newly rich members of Indian society, who use such cards as a means of showing their status.

Datamonitor's 2011 FSCI Survey reveals that Indian consumers have one of the lowest attachment rates to a single credit card. Moreover, about 47% of affluent customers are likely to look for a new credit card in the next six months. Datamonitor believes that there is scope for issuers to increase loyalty among the affluent Indian segment by identifying their desired benefits and offering these through premium cards. This market's real potential is not difficult to spot, as the average wealthy credit card customer in India generates 85% more revenue than a regular card holder.

In light of this, local issuers have taken the initiative of launching new and more targeted products. For instance, premium cards for women were introduced in December 2011 by HDFC Bank, the largest domestic issuer in India. HDFC Bank claims that it is looking to create more tailored products for the entire family, focusing on specific, targeted benefits. Unsurprisingly, some issuers are starting to fulfill the needs of this flourishing market. While the affluent population in India is expected to grow at a double digit-pace, there is still a lot of untapped potential in the country and indeed in other emerging markets, which represent high future growth for the premium card sector.

Credit penetration in India has deepened considerably in the last seven years, with the share of first-time borrowers growing from 32% in 2006 to 50% in 2012, said Credit Information Bureau (India) Ltd, or CIBIL.

"Out of this, 62% of these new-to-credit borrowers have obtained secured loans like home and auto, while 28% have availed unsecured loans like credit card and personal loans,"" the CIBIL analysis stated.

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