Entrepreneurship in India: The Case of e-Tailing Ventures

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Abstract—This paper aims to build a picture of the current scenario of the changes driven by the Indian entrepreneurs in e retail taking place in India. Last few years have seen unprecedented growth of the entrepreneurial ventures in the e-commerce sector in the country some of whom have shut down while few others have emerged as the leaders of the industry. In the current $500 billion retail sector, the online segment’s contribution is less than 0.50%, which signals a further huge growth in this segment and calls for a structures understanding of current scenario in the e-retail space in India. With lot of foreign ventures and global giants like Amazon entering the Indian e-retail space, it is important to look at the Indian entrepreneurial ventures. Through the analysis of report from the company disclosures, news articles, media coverage, analysts' reports and other related articles in public domain, this paper is a first little step in analysing the current state of Indian e-retail companies, their current sales figures profits (or losses) and other related parameters such as Facebook likes etc. This paper also looks upon the antecedents of online buying behaviour of the Indian consumers which would be useful for the upcoming entrepreneurs to appropriately devise their strategy to sustain in the Indian e-retail space

Index Terms— e-retail, hedonic factors, utilitarian factors

I. INTRODUCTION

With the recent growth of internet based entrepreneurial ventures, India is poised to become a retail power house. This paper looks at the changing scene in the e-retail sector in view of many MNCs (Amazon, Tradus etc.), large foreign venture capitalists, investors and Indian entrepreneurs entering into this segment. India is one of the top retailing markets in the world and among the fastest growing. Coupled with that is its online penetration, which is nearly 60% now, according to a research report by Comscore for Assocham-State of e-commerce in India (Mint, 2013a). For the third (consecutive) year, India tops [...] as one of the most attractive countries for global retailers [...] Modern retail, accounting for 2-3 percent of the market, is expected to grow at a compounded annual growth rate (CAGR) of 40 percent, from $8 bn. to $22 bn. by 2010.

Overall India’s retail sector is expected to grow from its current $350 bn. To $427 bn. by 2010 and $635 bn. by 2015 (Morierty et al., 2007, p. 9) Meuter et al. (2000) have defined e-retailing in terms of the internet market as, “a virtual realm where products and services exist as digital information and can be delivered through information-based channels”. Bakos (1991), describes an e-market as “... an inter-organisational information system that allows the participating buyers and sellers to exchange information about prices and product offerings”. Liu and Arnett (2000), define it as, “a way of conducting business by companies and customers performing electronic transactions through computer networks”. This e-retailing may define as use of an electronic media such as internet (through various devices desktop, laptops, tablets smartphones etc.) through which the customer and the seller may enter into a transaction for sale and purchase, so as to benefit both the parties in the long run. Indian online retail segment is growing fast, with revenues this year estimated to rise to Rs 10,000 crore from Rs 6,500 crore, according to the Internet and Mobile Association of India. Many of the online retail portals, these days, act as online market place where they facilitate the transaction between the buyer and seller through their web portals. E- Bay’s business model is based on the similar concept. Flipkart turned into itself into a marketplace model few months back. Amazon India, due to the regulatory compulsions, is playing in a market place model. One of the recent entrepreneurial successes in creating the market place model is ShopClues.com. It claims itself to be the India’s first and the largest fully managed marketplace. It is one of the fastest growing online market place and has crossed a significant milestone with the ecommerce firm now getting over 40,000 peak orders in a day. The tremendous growth in order flows in a short span of just 22 months has established the e-retailer (Shopclues.com) as a pre-eminent player among ecommerce companies in the country. With over 9 million monthly visitors on the site and more than 2.5 million products worth Rs.6100 crore in listed merchandise value, the company has fast emerged as a preferred destination for shoppers. (Shopclues, 2013)
Through their presence in the online space the marketers are able to sell online which include the ability to reach a large number of consumers worldwide (Strauss and Frost, 1999); to reach out to the younger lot of population; and to fight the constraints of sale through traditional means of physical presence in stores (La and Kandampully, 2002), which ultimately increases productivity and efficiency.

Advantages for customers to buy online include easy and wide access of products, services, information; overall convenience; better deals; ability to compare products and prices; convenience of receiving the product at their doorstep and direct effects of functional and utilitarian benefits (Seiders et al., 2000; Ruyter et al., 2001; Chen and Chang, 2003). However, some customers might prefer to shop and browse on the internet due to the fun, enjoyment and excitement involved, that is the emotional and hedonic pleasures, either as individuals or as social groups or they may just want to have a feel of the product before actually planning to buy it (Bloch and Richins, 1983; Childers et al., 2001; Menon and Kahn, 2002; and Parsons, 2002).

### Table 1
Top e-retail portals in India

<table>
<thead>
<tr>
<th>Name</th>
<th>Year of Start</th>
<th>Facebook Likes</th>
<th>Daily revenue (USD)</th>
<th>Daily page views</th>
<th>Alexa Indian Rank</th>
<th>Daily pages/visitor</th>
<th>Daily time on site (Mins)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flipkart.com</td>
<td>2007</td>
<td>2.3 million</td>
<td>21,019</td>
<td>7 million</td>
<td>10</td>
<td>9.09</td>
<td>8.01</td>
</tr>
<tr>
<td>Snapdeal.com</td>
<td>2010</td>
<td>1.7 million</td>
<td>9880</td>
<td>3.9 million</td>
<td>21</td>
<td>5.97</td>
<td>6.32</td>
</tr>
<tr>
<td>Jabong.com</td>
<td>2012</td>
<td>1.7 million</td>
<td>7416</td>
<td>2.5 million</td>
<td>24</td>
<td>6.4</td>
<td>6.18</td>
</tr>
<tr>
<td>ebay.in</td>
<td>2005</td>
<td>2.5 million</td>
<td>9,429</td>
<td>3.1 million</td>
<td>30</td>
<td>11.1</td>
<td>10.17</td>
</tr>
<tr>
<td>Myntra.com</td>
<td>2007</td>
<td>1.6 million</td>
<td>6383</td>
<td>2.1 million</td>
<td>36</td>
<td>5.58</td>
<td>6.24</td>
</tr>
<tr>
<td>Amazon sites</td>
<td>2013</td>
<td>1.6 million</td>
<td>5,528</td>
<td>1.8 million</td>
<td>37</td>
<td>7.54</td>
<td>6.33</td>
</tr>
<tr>
<td>Shopclues.com</td>
<td>2011</td>
<td>1.3 million</td>
<td>4177</td>
<td>1.4 million</td>
<td>61</td>
<td>7.11</td>
<td>7.28</td>
</tr>
<tr>
<td>junglee.com</td>
<td>2012</td>
<td>3.9 million</td>
<td>2773</td>
<td>924,370</td>
<td>82</td>
<td>4.74</td>
<td>3.2</td>
</tr>
<tr>
<td>Homeshop 18</td>
<td>2011</td>
<td>1.1 million</td>
<td>3,041</td>
<td>1 million</td>
<td>84</td>
<td>5.13</td>
<td>4.43</td>
</tr>
<tr>
<td>tradus.com</td>
<td>2010</td>
<td>761480</td>
<td>3,477</td>
<td>1.2 million</td>
<td>87</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Infibeam</td>
<td>2007</td>
<td>1 million</td>
<td>1753</td>
<td>584485</td>
<td>138</td>
<td>5.39</td>
<td>4.45</td>
</tr>
<tr>
<td>Yebhi</td>
<td>2009</td>
<td>1.5 million</td>
<td>1429</td>
<td>476,190</td>
<td>172</td>
<td>6.64</td>
<td>5.42</td>
</tr>
<tr>
<td>craftsvilla.com</td>
<td>2011</td>
<td>543,000</td>
<td>260</td>
<td>86,560</td>
<td>943</td>
<td>10.8</td>
<td>13.52</td>
</tr>
<tr>
<td>bestylis.com</td>
<td>2011</td>
<td>161,000</td>
<td>161</td>
<td>53787</td>
<td>1339</td>
<td>6.4</td>
<td>5.56</td>
</tr>
</tbody>
</table>
So, a consumer’s motivation to shop online may be either due to an utilitarian motive as a ‘problem solver’ or a hedonic motive in terms of ‘fun, fantasy…and enjoyment’ (Hirschman and Holbrook, 1982).

![Fig.1. Determinants of attitude formation in the context of e-retail shopping](image)

### II. CONSUMERS ATTITUDE TOWARDS E-RETAIL

India’s e-commerce market is expected to touch $8.8 billion (over Rs 54,000 Crore) in 2016 which has led to many more entrepreneurial ventures and corporate backed e-retail ventures to enter into this business. We see corporate players like Big Bazaar in to this segment through its arm Future Bazaar.com; Times of India group through Shopping.indiatimes.com; India today Media group through bagittoday.com. These shopping portals in addition to presenting innovative marketing solutions to the consumers’ needs have the benefit of their additional resources such as Big Bazaar can do combined advertisements for both its brick and mortar stores and online stores, the consumers can see the products at stores and order it online to save themselves from the hassles of carrying and transporting the products and vice versa, they can have a feel of the product online and enjoy the physical experience of shopping with predetermined minds on what to purchase in the store, enabling the consumer to make a better informed decision on his/her purchase.

The shopping portals of media houses have benefit of getting their products and brand advertised though their own media vehicles for example, the advertisements of products on indiatimes shopping very frequently appears in their group’s newspaper “The Times of India”. These are also financially backed up by their corporate parents who have deep pockets to sustain them in long terms. In light of this, it is extremely important to leverage one’s competencies.

Sahney et al. (2008) identifies the factors, leading to online retail purchase by the Indian consumer. As depicted in Fig. 1, this can be divided into utilitarian and hedonic factors. The utilitarian factors include ease of use of the online portals, discounts offered by the retailer, convenience to the customer, availability of wide range of products, appraisal with detailed information of the products and the ability of the consumer to make a better informed choice and to be able to compare the products of different brands and also the similar products provided by different e-retailers. Hedonic dimension is related to the emotional benefits of online shopping i.e. the enjoyment experienced by the consumer during the purchase process which consist of browsing the online store etc.

### III. CURRENT SCENARIO OF E-RETAIL IN INDIA

There are numerous layers in the e-retail segment in India. Many new players, mostly the entrepreneurial venture of young techies with experienced management professionals backed by financial funding from venture capitalists Top e-retail portals along with the related data are presented in Table 1. As of now, all major e-tailing companies in India are operating in huge losses. Etailing India an Indian knowledge repository for the online retail industry reports craftvilla.com to be the India’s first profitable e-retailer, tough it is a niche player in this market and have comparative smaller scale and product portfolio. Leading Indian online retailers, including Snapdeal and fashion portal Myntra, expect to turn profitable in the next two years, signalling a seismic shift in an industry where so far growth has been pursued at the expense of the bottomline. Jabong.com, a part of the Germany’s Rocket Internet group, gets around 14,000 orders daily, which is reported to be the third largest player in the Indian market. In terms of the scope for future growth of the sector, More than 60% of India’s 73.9 million Internet users visit online retail websites, spending an average of 28.4 minutes, less than what people spend in countries such as China, Russia, Brazil and even the worldwide average of 84.3 minutes, according to the comScore (Agarwal 2013), this points towards a scope of huge growth in future in this segment.
The fact is that the Internet is very cheap. Add to that a young population with high aspirations. The share of income they (the youth) spend on discretionary activities of looking good or feeling good is substantial. Kunal Bahl, cofounder of Snapdeal, an online marketplace, says the company has grown manifold at Rs 2,000 crore in just three years (Pani, 2013) and expects to reach about Rs 6,220 crore in gross merchandise sales by the next financial year, and profitability the year after (Nair & Gooptu, 2013) similarly all major online shopping portals have huge growth plans for themselves and have support of their financial investors which focus on growth rather than profitability at least in the current growing phases of these companies. Fig. 2 depicts the gross sales of all major e-commerce companies operating in India (The Economist, 2013).

Independent experts have estimated e-commerce segment to have more than doubled in India to about $14 billion in 2012 from $6.3 billion in 2011. (Mint, 2013)In Bangalore, fashion retailer Myntra aims to be profitable by the end of 2014. While the firms continue to make huge losses, the founders are riding on the waves of huge valuation being done for these companies by the valuation companies, which are mostly based on the current sales. Sachin Bansal and Binny Bansal, founders of Flipkart.com took home a handsome remuneration of Rs 10.25 crore ($1.7 million at current forex rates) each in the six months between September 2011 and March 2012, (Phadnis, 2013) To compare it with scenario in the US, six months between September 2011 and March 2012, founders of based Zulily, Kunal Bahl, Darrell Cavens, co-founder and CEO of US-based Zulily, a shopping portal for moms, which recently filed for a $100-million IPO, took home $290,000 (Rs 1.74 crore) in the last calendar year, including bonus payout (Phadnis, 2013).

This cautions us that these entrepreneurial ventures seems to be overvalued but given the fact that it is not easy to do business in India and overcoming other regulatory measures, the valuers justify their projections.

Fig. 3 depicts the gross sales of the top e-retail companies for the financial year 2013 which shows that these companies have achieved inorganic growth in a very short period of time.

Independent experts have estimated e-commerce sales for the financial year 2013 which shows that these companies have achieved inorganic growth in a very short period of time.

IV. CONCLUSION

This paper presented some analysis about the current scenario of e-tailing in India which is, by and large, governed by the entrepreneurial ventures, recently founded by the Indian ventures. The current state of these ventures seems to be bright with the revenues running into several hundred crores of Rupees for many of them. Though these ventures are able to achieve these figures in their revenues, they are running in huge operational losses, i.e. the growth is currently being achieved at the cost of profits. As this paper viewed these e-retail ventures from the entrepreneurial perspective, it can be concluded that the respective entrepreneurs who are able to sustain these competitive markets have been able to reap the fruits of the risk taken by them. As the sector is bound to grow in future, it is a green area for the budding entrepreneurs to innovate and excel.

REFERENCES


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