Chapter 3
Challenges and Opportunities of E-Tailing in Emerging Economies

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ABSTRACT
The increase in penetration of internet and information and communication technology (ICT) along with change in consumer lifestyle and growing population of internet savvy consumers presents an encouraging platform for e-retailers in emerging markets. Education, technology and growing demand from middle class consumers are further driving the growth vehicle of e-tailing in these nations. There is adequate literature available for electronic business in the context of developed nations but applying that knowledge without any consideration of the unique business environment prevalent in emerging markets may spell danger for online traders. Therefore, the proposed chapter focuses on the growth of e-tailing in emerging economies. It talks about the driving forces for success of e-tailing in various developing economies. The opportunities, challenges and unique issues associated with e-tailing in emerging markets are also discussed. The chapter ends with a discussion on the future of e-tailing in emerging nations.

INTRODUCTION
E-tailing is catching up quickly with the offline stores and expanding its reach in emerging economies. The last few years have seen a radical increase in traffic from traditional to online retail formats (Tong, 2010). The increase in penetration of internet and information and communication technology (ICT) has resulted in development of new distribution channels, making online presence a major requirement (Liang & Huang, 1998) for retailers to expand their geographic reach. Consequently, the national boundaries are blurring and consumers across the globe are being served by good quality products at a competitive price, at their convenience, at their door step and at their chosen paying terms.

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Market saturation and slow growth rate in developed economies has shifted the focus of the marketers in the globalised world towards the growth potential prevailing in emerging economies (Narang & Singh, 2014). They are looking forward to invest in these new markets where online retail platforms are emerging to woo the customers away from the traditional retail formats (Kearney, 2013). Among emerging nations, Brazil, Russia, India and China are turning out to be the hubs for business and economic activities because of their attractive growth forecasts, huge population and encouraging business environment. China is at the top of the global retail e-commerce index among the nations where e-tailing has shown tremendous potential. The enormous success of Alibaba, Taobao and Tmall bears testimony to this. China houses 1.36 billion people. Its 517 million internet users constitute a market worth 64 billion USD. It is poised to achieve 271 billion over the next five years (A.T. Kearney, 2013). In 2012, 54% of its consumers had made more than 20 purchases through internet. India also offers a fertile untapped potential for e-tailers. A big response received by companies like Flipkart, Amazon, Snapdeal, etc. reveals the growing interest towards e-tailers. It is the young population ranging between the age group of 15 to 35 years that constitutes the majority of online shoppers in India where internet penetration is reported to be around 19%. However, it is expected to experience a yearly growth rate of 41% (ASSOCHAM, 2012) which will provide further impetus to online purchases. Another example can be taken of Brazil which has a strong and growing middle class with 80 million online customers who spend $10.6 billion annually in making purchases online and are poised to spend 18.7 billion by 2017. Russia is not lagging far behind. It boasts of Europe’s largest online population of 70 million users with 33 million consumers shopping online. Cities like St Petersburg and Moscow are the main centres of online retailing, accounting for three fourth of online retail transactions (A.T. Kearney, 2013).

Education, technology and growing demand from middle class consumers are the driving forces of e-tailing in emerging nations (Narang, 2010). Increase in disposable income and purchasing power of growing middle class consumers coupled with their changing lifestyle is set to provide huge impetus to growth of e-tailing in India (Technopak, 2012). Accompanying these facilitators are some barriers as well. They are present in the form of poor connectivity and access to internet, disparity in economic status, lack of skilled human resource, low literacy rate, restrictive business climate and government policies (Tigre, 2003; Palacios, 2003). A.T. Kearney (2012) echoes these findings by citing that underdeveloped infrastructure may also act as a hindrance for the online retail industry in emerging markets like India. Further, feelings of apprehension and distrust towards e-tailing are pervasive among e-buyers. Consumers perceive several risks associated with the e-purchase of goods in the form of financial loss, in-transit loss, loss due to incomplete transaction through web, legal risk associated with assigning responsibility and contract enforcement on improper delivery (Schoder & Yin, 2000). Nevertheless, no one can deny that emerging economies offer tremendous potential for returns on investment to the modern retailers. Yet, it would be a folly to assume that transfer of business models from the developed nations to emerging nations would translate into success. It is essential to understand the unique forces propelling e-retail expansion and the challenges that require prudent handling for success in e-business. This chapter seeks to draw attention towards such factors. The first section of the chapter throws light on the drivers for growth of e-tailing business in emerging markets. The next section outlines the challenges that loom forth before the companies in their quest for exploitation of business opportunities. The last section provides some suggestions on how to move forward in these evolving markets.
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