Chapter 9
The Changing Face of Shopper Behavior and E–Tailing
The New Paradigm

Rajesh V.
Retail Strategy Consulting & Knowledge Partner, India

ABSTRACT

E-Tailing has captured the collective imagination of shoppers as also various entrepreneurs and of course the media. In spite of the extensive amount of material being written about E-Tailing, a comprehensive perspective is missing with regard to this sector. There is also some amount of mystery which shrouds E-Tailing because most of the operators are not profitable, notably the biggest of them all: Amazon. The chapter provides a 360 degree view about E-Tailing from a global context as also touches upon how this is influencing this sector in India. Starting from the basic premise of E-Tailing the chapter would also cover shopper behavior and the related key drivers for this business segment. It explores the various business models and their viability as also how technology impacts the shoppers and E-Tail to the extent that physical stores might no longer exist. E-Tail was based on the basic premise that this business would be more profitable than physical stores because of the savings on real estate cost as they need not open physical stores. In spite of the increasing penetration of the internet and smart phone usage, E-Tail is still in its evolution and the optimal business model is yet to be well established. The cost of fulfillment which refers to the cost required to deliver the products is turning out to be a challenge to manage and is negating the savings on real estate because of the absence of physical stores. This led to the market place model where in the E-Tailer does not hold any inventory and that is a saving for them as compared to the inventory led model where they would have to invest in the inventory. However, this has not been a major breakthrough as the investment on technology continues to be a major cost for any E-Tailer. In spite of these challenges E-Tail is considered to be the way forward largely because it is well placed to cater to some of the key shopper expectations such as - simplifying their life, value delivery, customization and speed. Although this business opportunity is aligned to some of the key customer expectations, the business model needs to be powerful as also viable and sustainable. It is in that context that any E-Tailer needs to adhere to the “Basic Retail Model” as also have a well defined revenue model. The changing dynamics of retail has led to the omni channel model where physical stores and online merge...
The Changing Face of Shopper Behavior and E-Tailing

INTRODUCTION

E-Tailing is a sub set of the larger universe of electronic commerce or E-Commerce as it is popularly known. Any transaction or commercial activity done on the internet in a virtual manner comes under the ambit E-Commerce. The earliest instance of this is reported to be in the early 1970s. Initially online transactions were largely limited organizations and institutions and then went on to become a common activity involving the public.

Today E-Commerce spans any commercial activity across a wide spectrum and can be classified as being Business-To-Business (B2B) transaction or a Business-To-Consumer (B2C) one. This has further evolved to combinations such as Consumer to Business, Consumer to Consumer and of course online transactions with the government by the businesses as also the public. In other words such transactions are also referred to as one-to-many, many-to-one and many-to-many.

In 2014 the total global E-Commerce sales has been estimated to be more than a Trillion USD and is growing at a very fast pace. The rate of acceleration has increased in the Asia – Pacific region led by countries like China and to some extent India. This is credited to the explosion in smart phone users and has also led to the term mobile commerce. The current trends indicate that more that 40% of the internet users have engaged in some form of E-Commerce and this is bound to increase in the years to come.

E-Commerce has led to many dramatic paradigm shifts in the way business was being conducted and the best example for this is with regard to the travel industry, namely air travel. This is validated by the fact that almost a third of B2C E-Commerce in the USA or UK is pertaining to digital travel and in a developing market like India, this is as high as 75%.

Online booking and the immediate delivery of the ticket to the passenger on their computer has re-defined the entire transaction process. This change led to the elimination of the requirement to print and deliver physical tickets, which is now being done by the passenger themselves. Even this is undergoing a change where there is no need for a physical, printed ticket.

This shift led to redefining the business and delivery model of airlines wherein one of the key roles of the intermediaries did not exist any longer; printing and delivery of tickets. Needless to say, technology has been a critical component which has driven such a change. However, that by itself is not the reason for such a dramatic shift.

Passenger or customer mindset is a crucial element. When one of the pioneers in low cost airlines in India introduced this concept they faced the challenge of existing customer mind sets and some practical realities. There were many potential customers who did not know how to transact online, there were many who did not have computers and internet at home and lastly very few people had printers at home. Even customers who had access to computers and printers were not comfortable transacting online because of security concerns. This led to service providers who would book and print tickets on behalf of such customers. Over a period of time with the change in the environmental factors and the customer mind sets, these intermediaries have disappeared because they do not offer any value now.