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E-retailing in India: The Journey so Far

Raja Sarkar[1], Dr. Sabyasachi Das[2]

[1]Ph.D. Scholar/ UGC Junior Research Fellow, Department of Business Administration, Utkal University, Bhubaneswar, Odisha, India
[2]Lecturer, IMBA, Department of Business Administration, Utkal University, Bhubaneswar, Odisha, India

ABSTRACT

Online shopping is a modern era revolution. It's the latest wonder child of technology. It has taken the entire world by storm. Our own country is also not an exception to that. Lives of the modern consumers have become much easier. They can virtually purchase anything from the comfort of their homes & offices and get them delivered to any location as per their convenience. It has also given them the power to compare the prices offered by different e-tailer and purchase from the one which offers the best deal according to them. Add with that the customer review of different products and you get customers who are more powerful today than the customers of previous decades. So convenience, comparison shopping & easy availability of consumer review is the three pillars of online shopping. But the most important of them all which sets the tongue wagging of all the online shoppers is the huge & astounding amount of discounts offered by these companies. It's like adding more cream to your already existing delicious ice cream. So today's customers are spoiled for choices. Getting quality products at affordable rates have become all the more easier. In this context, we are going to review the journey of the online shopping companies in India so far. We are also going to look at the future prospects of this industry.

Keywords: E-Retailing, E-Tailing, Online Shopping, Information Technology, Web-Store

I. INTRODUCTION

What is online shopping?

Online shopping is the process of buying goods or services directly from a seller in real time without the intervention of any intermediary over electronic medium i.e. internet. It's a subset of e-commerce. The entire process of buying or selling takes place electronically and in real time i.e. in an interactive manner. From a different perspective, some can argue that total disintermediation is truly a myth as the e-retailing sites themselves act as intermediaries.

Purchasing through an online shopping site creates a sense of purchasing from any brick and mortar store even though in this case the entire purchase process happens without even leaving the home or office. This process is also known as B2C (Business to Customer) online shopping. On the other hand when any business organization purchases from another business organization, it's known as B2B (Business to Business) purchase.

A large number of products/services like books, music, software, financial products can be directly delivered over the web. But in most of the cases physical delivery of products become absolutely essential. Online shopping is also known as e-tailing. Nowadays most of the retailers are also present over the web.

There are two separate models in online shopping- marketplace model & inventory model. In case of marketplace model, the online seller acts only as a facilitator. They bring the buyers and sellers together without taking responsibility of any inventory. They earn commission on the sale of every product which varies from category to category. Whereas in case of inventory model, the online seller also carries the inventory and build large sized warehouses to store them. Buyers can make payment directly online. In India, cash on delivery is one of the most significant methods of making payment.

Online shopping has come as a boon for small & medium enterprises (SMEs) who used to struggle against larger companies to attract buyers. They also used to have limited reach. Online shopping has given them the opportunity to reach out to buyers far beyond their physical locations. Millions of small organizations are making generating huge revenue by using this new way of selling which was unthinkable even few years back. It has given them the power to come out of the shadow of large sized conglomerates. It has created an even playing field for them.

Despite of having these benefits, competition level has also gone up among the sellers. As a result of unlimited option available to the buyers , they are no longer bound by the compulsion of compromising the quality of products or services. It has really come as a boon to both buyers and sellers.

II. METHODS AND MATERIAL

History of online shopping in India:

Business-to-Consumer (B2C) e-commerce took off in India around the year 1996 inthe form of “matrimonial portals” that were specially created to facilitate alliances among Indian families. This initiative was followed by the introduction of online“recruitment portals” in 1997. Internet was proving to be an ideal and efficient medium that enabled employers and job seekers to come on a single platform and connect with each other. Also, since this medium was faster, it removed the delays which was plaguing the print media. Despite of the honest and sincere efforts of their founders, these initiatives failed to create enough ripples in the society because the supporting ecosystem was not ready yet for these kinds of initiatives. Internet was mainly used by upper class people and they were very few in numbers. Internet was seen mostly as a luxury which was mostly out of bounds for common masses. Also,the speed of the internet was so slow that it was hindering the growth of B2C e-commerce.Above all Indians were hesitant to use these services as they mostly used to prefer the touch and feel idea to purchase anything. The logistics service was also under developed to support the idea of online shopping.

In June 1999 when **K Vaitheeswaran** (fondly referred to as the "father of e-commerce in India") and five of his friendsincluding **V S Sudhakar, Vipul Parekh, Hari Menon, V S Ramesh and Sundeep Thakran** founded, India’s first online departmental store. The website **Fabmall.com** was launched in **September 1999** which then offered only music CDs for sale. Between February and October 2000, the website introduced additional categories including books, movies, watches, and groceries. In **February 2002**, they launched the first offline grocery store in Bangalore. The company acquired US-based online shopping firmIndiaplaza.com and rebranded itself as **Indiaplaza.in** in India, and as **Indiaplaza.com** in the United States,which were later merged into a single website. Indiaplaza offered books, CD-ROMs, cameras, mobile phones, apparel, jewelry, flowers, chocolates, watches,and food items. In 2013, the company had to shut down their business after failing to raise funds for their operation.

It was in **2007** that the now online shopping behemoth **Flipkart** was founded by **Sachin Bansal and Binny Bansal**, both alumni of Indian Institute of Technology, Delhi after they quit their jobs in **Amazon**, the global e-retail giant to pursue their dreams of entrepreneurship. Intially the founders started off with an initial investment of Rs. 400,000 for making website to set up their business. But later raised fundings from different venture capital organizations. Flipkart has raised funding from venture capital funds **Accel India** (US$1 million in 2009)and **Tiger Global** (US$10million in 2010 and US$20 million in June 2011). On 24 August 2012, Flipkart announced the completion of its 4th round of $150 million funding from **MIH (part of Naspers Group) and ICONIQ Capital**.The company announced, on 10 July 2013, that it has raised an additional $200 million from existing investors including **Tiger Global, Naspers, Accel Partners and Iconiq Capital**. Flipkart's reported sales were Rs. 40 million in FY 2008–2009,Rs. 200 million in FY 2009–2010and Rs. 750 million for FY 2010–2011.[42] In FY 20112012, Flipkart is set to cross the Rs. 5 billion (US$100million) mark as Internet usage in the country increases and people get accustomed to making purchases online.Flipkart projects its sales to reach Rs. 10 billion by year 2014. On average, Flipkart sells nearly 10 productsper minuteand is aiming at generating a revenue of Rs. 50 billion (US$0.81 billion) by 2015. In July 2013, Flipkart raised $ 160 millionfrom private equity investors.In October 2013, it was reported that

Flipkart had raised an additional $160 million from new investors **Dragoneer Investment Group, Morgan Stanley Wealth Management, Sofina SA and Vulcan Inc**. With participation from existing investor **Tiger Global**.On 26 May 2014, Flipkart announced that it has raised $210 million from **Yuri Milner's DST Global** and its existing investors **Tiger Global, Naspers and Iconiq Capital**. In early July 2014, it was also highly speculated that Flipkart was in negotiations to raise at least $500 million, fora likely listing in the US for 2016. On 29 July 2014, Flipkart announced that it raised $1 billion from **Tiger Global Management LLC, AccelPartners, and Morgan Stanley Investment Management** and a new investor **Singapore sovereign-wealth fund GIC**. On 6 October 2014, Flipkart sold products worth Rs. 650Crore in 10 hours in a special one-day event - "TheBig Billion Day", claiming they had created e-commerce history, but their hard-won reputation for goodcustomer service suffered because of technical problems, and angry reactions on social media from buyersdisappointed with the pricing and availability of products. It claimed to sell a whopping 5 lakhmobile handsets, five-lakh clothes and shoes and 25,000 television sets within hours of opening its discountedsale at 8 AM. In December 2014, After it received $700 million from another funding, Flipkart had a marketcap of $11 billion or Rs.66000 crore. In May 2015 Flipkart has raised $550 million from some of its existing investors, in a deal that raises the valuation of the privately held Indian startup to about $15 billion or Rs.90,000 crore. On 20 December 2014, Flipkart announced filing application with Singapore-based companies' regulator ACRA to become a public company after raising $700 million for long term strategic investments in India followingwhich its number of investors exceeded 50. The $700 million fund raised by Flipkart added new investors **-Baillie Gifford, Greenoaks Capital, Steadview Capital, T. Rowe Price Associates and Qatar Investment Authority** - on company's board. Its existing investors DST Global, GIC, ICONIQ Capital and Tiger Global also participated in this latest financing round. Flipkart started off as an online book selling company just like Amazon did. Later they decided to venture into diversified product category. The first product they sold was the book **Leaving Microsoft To Change The World** to a customer from Hyderabad. Flipkart has launched its own product range under the name **"DigiFlip"** with products including tablets, USBs, and laptop bags. It now employs more than 33,000 people. Flipkart allows payment methods such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery. In 2015, Flipkart bought a minority stake in a Navigation and route optimization startup **MapmyIndia** to help improve its delivery using MapmyIndia assets.Flipkart's reported sales were Rs. 40 million in FY 2008–2009, Rs. 200 million in FY 2009–2010 and Rs. 750 million for FY 2010–2011. In FY 2011–2012, Flipkart is set to cross the 5 billion ($100million) mark as Internet usage in the country increases and people get accustomed to making purchases online. Flipkart projects its sales to reach Rs. 10 billion by year 2014. On average, Flipkart sells nearly 10 products per minute and is aiming at generating a revenue of Rs. 50 billion (US$0.81 billion) by 2015. Flipkart also acquired substantial number of companies- **WeRead** in **2010**, **Mime360** in **2011**, **Chakpak.com** in **2011**,

Letsbuy.com in **2012**, **Myntra.com** in **2014**.

Myntra is an Indian e-commerce company of fashion and casual lifestyle products, headquartered in Bangalore,Karnataka. The company was founded in **2007** by Indian Institute of Technology graduates **Mukesh Bansal** along with **Ashutosh Lawania and Vineet Saxena** with a focus on personalisation of gift items. Myntra was in the business of on demand personalisation of gift items. It mainly operated on the B2B (business to business) model during its initial years. Between 2007 and 2010, the online portal allowed customers to personalize products such as T-shirts,mugs, mouse pads, calendars, watches, teddy bears, pendants, wine glasses and jigsaw puzzles.In 2011, Myntra expanded its catalogue to include fashion and lifestyle products and moved away from personalisation. Myntra tied up with various popular brands to retail a wide range of latest merchandise from these brands. Myntra offered products from 350 Indian and international brands by 2012. Myntra also had casual wear for men and women from brands. The website saw the launch of Fastrack watches and of Being Human, the brand.2014 saw the merging of Myntra with another Indian e-commerce giant Flipkart.com in an estimated deal of Rs. 2,000 crore (US$300 million), though nothing in terms of value was officially disclosed by any of the company.Merger was majorly influenced by two large common shareholders, Tiger Global and Accel Partners.

Myntra still continues to function and operate independently to increase its market share from 50 to 70 per cent of the market share. In 2014, Myntra's portfolio included about 1,50,000 products of over 1000 brands ranging from international brands to designer brands and distribution area of around 9000 pincodes in India. In May 2014, Myntra merged with Flipkart to compete against Amazon which entered the Indian market inJune 2013 and other established offline retailers like Future Group, Aditya Birla Group and Reliance Retail. In May 2015, Myntra moved on to app-only business model wherein customers can only buy and transact in their site through smart phones. The move came after the site claimed that 95 percent of Internet traffic on their site came from mobile and 70 percent sales were generated through smart phones. The move to app-only generated mixed reviews and saw 10% dip in sales initially.However, in February 2016, the company retracted its app-only model in an attempt to win back lost customers.The company cited that the app-only strategy had backfired and Myntra would relaunch its website.In October 2007, Myntra received its initial funding from **Erasmic Venture Fund** now known as **Accel Partners,Sasha Mirchandani from Mumbai Angels** and a few other investors. In November 2008, Myntra raised almost $5million from **NEA-IndoUS Ventures, IDG Ventures and Accel Partners**. Myntra raised $14 million in a Series Bround of funding. This round of investment was led by Tiger Global, a private equity firm; the existing investors IDG Ventures and Indo-US Venture Partners also put in substantial amount towards funding Myntra. Towards the endof 2011, Myntra.com raised $20 million in its third round of funding, again led by Tiger Global.In February 2014, Myntra raised additional $50 Million (Rs.310 crore) funding from **Premji Invest** and few other Private investors.

Snapdeal is another Indian e-retail giant which was founded by **Kunal Bahl**, a Wharton graduate as part of the dual degree M&T Engineering and Business program at Penn, and **Rohit Bansal**, an alumnus of IIT Delhi in **February 2010** as a daily deals platform but expanded September 2011 to become an online marketplace. Snapdeal has grown to become one of the largest online marketplace in India offering an assortment of 10 million products across diverse categories from over 100,000 sellers,shipping to more than 5,000 towns and cities in India.In the year 2012-13, Snapdeal had said that it expected revenues of about Rs. 600 crore (US$89 million). Betting big on the growth of mobile commerce, Kunal Bahl, the CEO, said at the time that 15-20 per cent of the sales on Snapdeal came through m-commerce. Snapdeal.com expected the total sale of products traded on its platform to cross Rs. 2,000 crore ($300 million) in the fiscal year 2013-14 helped by its robust growth in the past two years and the growing popularity of e-commerce in India. In June 2014, Snapdeal announced thatit had achieved the milestone of 1000 sellers on its platform getting sales of over Rs. 1 crore.Snapdeal has received 8 rounds of funding:

Round 1: In January 2011, Snapdeal received a funding of $12 million from **Nexus Venture Partners andIndo-US Venture Partners**.

Round 2: In July 2011, the company raised a further $45 million **from Bessemer Venture Partners**, along with existing investors **Nexus Venture Partners and Indo-US Venture Partners**.

Round 3: Snapdeal then raised a 3rd round of funding worth $50 million from **eBay** and received participation from existing investors – i.e. **Bessemer Venture Partners, Nexus Venture and Indo-US Venture Partners**.

Round 4: Snapdeal received its 4th round of funding of $133 million on Feb, 2014. The 4th round of funding was led by **eBay** with all the current institutional investors, including **Kalaari Capital, Nexus Venture Partners, Bessemer Venture Partners, Intel Capital and Saama Capital** all participating.

Round 5: Snapdeal received its 5th round of funding of $105 million in May-2014. The 5th round included investments by **Blackrock, Temasek Holdings, PremjiInvest** and others. The round valued Snapdeal at $1,000,000,000.

Round 6: Snapdeal received its 6th round of funding in Oct-2014 from **Softbank** with investments worth$647 million in fresh capital.This makes SoftBank the largest investor in Snapdeal.

Round 7: Snapdeal received its 7th round of funding in Aug-2015 from **Alibaba Group, Foxconn and SoftBank** with investments worth $500 million in fresh capital.

Round 8: One of the world's largest pension funds, **Ontario Teachers' Pension Plan**, and Singapore based investment entity **Brother Fortune Apparel** have led the 8th round of funding in online marketplace player

Snapdeal. The latest investment is $200 million (Rs 1,367.6 crore) in Jasper Infotech-owned company. Snapdeal has made quite a few acquisitions- **Grabbon.com** in **2011**, **esportsbuy.com** in **2012**, **Shopo.in** in **2013**, **Doozton.in** in **2014**, **Wishpicker.com** in **2014**, **Smartprix.com** in **2015**, **Exclusively.in** in **2015**, **GoJavas.com** in **2015**, **Unicommerce.com** in **2015**, **majority stake of RupeePower** in **2015**, **FreeCharge.com** in **2015**, **Reduca Data** in **2015**.

Jabong is an Indian fashion and lifestyle e-commerce portal, selling apparel, footwear, fashion accessories,beauty products, fragrances, home accessories and other fashion and lifestyle products. The company is headquartered in Gurgaon, NCR.It was co-founded by **Arun Chandra Mohan, Praveen Sinha, Manu Jain, and Mukul Bafana**. All co-founders have left the company. In March 2013, Jabong was shipping 6000-7000 orders a day. According to The Economist, Jabong clocked gross sales of around US $100–150 mn in 2012. As per the Livemint article, duringSeptember2013 Jabong was shipping 14,000 orders on a daily basis out of which 60% were from small towns.Jabong was one of the most visited e-commerce sites during the Great Online Shopping Festival 2013.Company representatives claimed that its revenues increased five to six times compared to a usual day. Jabong announced **Sanjeev Mohanty** as its new CEO, effective from early December 2015.Jabong sells shoes, apparel, accessories, home décor and furniture through its website. The e-store at present carries over 1000 brands and over 90,000 products. Other products include jewellery and gold coins. In November 2012, Jabong and cricket equipment maker SG Cricket presented a range of Virender Sehwag cricket bats — VS319 — which was sold exclusively through Jabong. As noted by Business Standard, Jabong added top International brands to its catalogue. The brands include UK's high street fashion brands Dorothy Perkins, Miss Selfridge and River Island along with the Spanish brand Mango. In November 2013, Jabong entered into a partnership with the brand Jack & Jones, to sell merchandise for the band Above & Beyond.In January 2014, Jabong partnered with Stylista, a collaborative fashion platform. The collection includes Indian designers like Wendell Rodricks, Priyadarshini Rao and Nishka Lulla. In 2014, Jabong launched an exclusive collection designed by Rohit Bal. Noted by Economic Times, the company is also launching in-house brands covering apparel, shoes and accessories.In May 2014 NBA and Jabong partnered to launch the first official NBA online store in India.According to Business-Standard.com, Jabong set to enter 1 billion dollar club in the year 2015. According to a ComScore report of September 2012, Jabong.com had the second highest amount of traffic on its website, among Indian e-commerce websites, within a few months of its launch. In November 2013,Jabong.com held an Alexa Traffic ranking of 37 in India. Jabong also ranked 10th in Google Zeitgeist Indiatrends making it 10th most searched term in 2012 in India.Jabong also has an international online shopping store called Jabongworld.com, which sells Indian ethnic wear such as sarees, lehengas, salwar suits and dress materials. Jabongworld.com has introduced its Indo-Westernwear range as well that includes dresses, tunics, jeans and other apparels for men, women and kids priced in foreign currencies like USD, MUR, MYR and more. Jabongworld.com added top brands to its catalogue that include Biba Apparels, Sattika, Sangria, Park Avenue,W, Aurelia, Bunkar, Raymond, Bombay Dyeing and Being Human. Jabongworld.com also partnered with Mandira Bedi for her exclusive Saree collection in Nov,2014.

Paytm is an Indian e-commerce website headquartered in Noida, India. It was launched in 2010 and is owned by One97 Communications. It was founded by **Vijay Shekhar Sharma.** The firm started off by offering mobile recharging, adding bill payment and ecommerce, with products similar to businesses such as Flipkart, Amazon.com, Snapdeal. In 2015, it further added booking bus travel. Paytm also launched movie ticket booking by partnering with Cinépolis in the year 2016.In 2014, the company launched Paytm Wallet, now India's largest mobile payment service platform with over100 million wallets & 10 million app downloads.In March 2015, Indian industrialist **Ratan Tata** made personal investment in the firm . The same month, the company received a $575 million investment from Chinese e-commerce company **Alibaba Group**, after **AntFinancial Services Group**, an Alibaba Group affiliate, took 25% stake in One97 as part of a strategic agreement. Paytm borrowed 300cr from ICICI Bank in March 2016 as working capital.In 2015 Paytm received a license from RBI for starting India's first payments bank. The bank intends to use Paytm's existing user base for offering new services, including debit cards, savings accounts, online banking and transfers, to enable a cashless economy. The payments bank would be a separate entity in which the founder Vijay Shekhar Sharma will hold 51%, One97 Communications will hold 39% and 10% will be held by a subsidiary of One97 and Sharma. Paytm is also approved as an operating unit for Bharat Bill Payment System, as a result of which users can pay their bills anytime and anywhere.

It was in **June, 2013** that the largest online retailer in the world **Amazon** entered the Indian online retail space. Founded in the year **1995** in the US by **Jeff Bezos**, the entry of the e-retail giant shook up the the entire e-retail space in India. Amazon which started off as an online book store only, diversified into diverse category of products later as also into the e-book reader category by way of launching the **Kindle e-book reader**. India's lucrative market because of the growing middle class population with adequate amount of disposable income attracted the company to set up their base here. They also wanted to tap the large educated youth segment of the country who are more than willing to experiment with something new. Another reason for Amazon for betting big on India is it's unsuccessful attempt of breaking the Chinese online shopping market which is dominated by **Alibaba** founded by **Jack Ma.** Alibaba has also invested in Indian online shopping giant Snapdeal and presently exploring the possibility of directly entering India after the recent government notification allowing 100% FDI in the B2C online marketplace segment. Amazon just doesn't want to face the ignominy of losing India to it's rival Alibaba the way they lost in China. Jeff Bezos has promised a total investment of $2 billion (approx. Rs. 13,500 crore) in it's India operation in the next few years and already invested Rs. 1696 crore in December, 2015. According to documents filed with the Registrar of Companies, Amazon's India unit received the latest investment in December, bringing the total capital infused into the company to Rs 5,699 crore since July 2014.In reply to a query by Business Standard, an Amazon spokesperson said the company is "committed to invest aggressively with a long term horizon and transform the way India buys and sells"."We are very pleased with the growth momentum we are witnessing in India. At the end of Q3, 2015, we saw an approx. 500 per cent YoY growth in volume, and in Q4, 2015 we sold more than we did in all of 2014. As per comScore, Amazon.in is the most Visited E-commerce site in the country and we also had the fastest growing shopping app among all e-commerce companies in 2015," the company added. In June, 2016 Amazon boss Jeff Bezos announced another $3 billion investment in its India operation.

Apart from the mentioned names, there are **ebay, Shopclues, Homeshop18, Zovi, Infibeam, Indiatimes, Croma** who are into the online shopping business. There are online grocery stores like **Big Basket, Local Banya, ZopNow, Nature Basket, Reliance Fresh Direct, Green Cart, Aaram Shop, Eemly, Day to Day Fresh, Naturally Yours, Dilli Grocery, Kiranawalla, Grofers, Pepper Tap, Jiff Store, Taza Stuff.** There are also online furniture selling companies like **pepperfry (India's largest online furniture and home decor store), Wooden Street, Urban Ladder, FabFurnish, InLiving, Rise Only, Afydecor** who have created huge impact in the mind of the Indian consumer space. Food & restaurant aggregators like **FoodPanda, Zomato, TinyOwl, Swiggy, Hola, Eazydiner** are also creating quite a buzz among the consumers.

The three Indian conglomerates **Aditya Birla Group, Reliance & Tata Group realised** the great potential of online shopping and lauched their own online shopping platforms **Abof, Ajio Life and Tata Cliq** respectively. Even the **Future Group** whose head Kishore Biyani who was initially skeptical about the future of online shopping in India, is expanding **Central Mall** and **Big Bazaar** by taking them online.

Recent government guidelines on FDI in e-commerce:
To encourage more FDI in e-commerce, the government of India recently **(March, 2016)** came out with some guidelines allowing 100% FDI in B2C marketplace e-commerce. These guidelines are-

i) A manufacturer is permitted to sell it's products manufactured in India through e-commerce retail.

ii) A single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.

iii) An Indian manufacturer is permitted to sell its own single brand products through e-commerce retail. Indian manufacturer would be the investee company, which is the owner of the Indian brand and which manufactures in India, in terms of value, at least 70% of its products in house, and sources, at most 30% from Indian manufacturers.

iv) 100% FDI under automatic route is permitted in marketplace model of e-commerce.

v) FDI is not permitted in inventory based model of e-commerce.

vi) Marketplace e-commerce will be permitted to enter into transactions with sellers registered on its platform on B2B basis.

vi) E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfillment, call centre, payment collection and other services.

vii) E-commerce entity providing a marketplace will not exercise ownership over the inventory i.e. goods purported to be sold. Such an ownership over the inventory will render the business into inventory based model.

vii) An e-commerce entity will not permit more than 25% of the sales affected through its marketplace from one vendor or their group companies.

viii) In marketplace model goods/services made available for sale electronically on website should clearly provide name, address and other contact details of the seller. Post sales, delivery of goods to the customers and customer satisfaction will be responsibility of the seller.

ix) In marketplace model, payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines of the Reserve Bank of India.

x) In marketplace model, any warrantee/guarantee of goods and services sold will be responsibility of the seller.

xi) E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field.

Investments in e-retail in India:

Indian e-retail companies are the toast of the eyes of investors. This sector has attracted the maximum amount of investments both in terms of FDI or otherwise among all the sectors in India in the last few years. Venture capital(VC) and private equity(PE) companies are racing with each other to invest in these companies. Even though most of these companies are yet not profitable, the forecast being made by most of the business research firms about their bright future prospects are driving the investment cycles. The result is, quite a few of them have already become unicorns(valuations worth $1 billion or more) within a few years of starting their operations. The valuations they are receiving during the funding stages have astonished each and everybody as they are getting these valuations after being in the business for a realatively smaller period whereas their counterparts in other sectors despite of being in the business for decades, have failed to attract that kinds of valuations. A case in point are the two biggest online shopping companies of our country, Flipkart and Snapdeal. During the funding stages in 2015 these two companies were valued at $15 billion and $6.5 billion respectively . By August 2015, after raising $700 million, Flipkart had already raised a total of $3 billion, over 12 rounds and 16 investors. Snapdeal has also received billions of dollars of funding through 7 rounds of funding.

III. RESULT AND DISCUSSION

Challenges in e-retail in India:

Despite all these astonishing valuations of e-retail companies and rapid increase in sales, the picture is not completely rosy. None of the e-retail companies are profitable and it’s still a long way to go for them to even break even. **Amazon’s** net loss from it’s India business widened to **Rs. 1,724 crore** in the year ended March, 2015. The other two biggies are also not fairing any better. For example, the two entities controlled by **Flipkart**, India’s largest e-commerce company posted a loss of about **Rs. 2,000 crore** in the year ended March compared to **Rs. 715 crore** in the previous year. **Jasper infotech** which runs the e-retail giant **Snapdeal** reported a loss of **Rs. 1,328 crore** for the year ended March, 2015. The combined loss of these 3 biggest e-retail companies in India for **FY2014-15** has reached **Rs. 5,052 crore.** Major chunk of these losses are because of the deep discount model these companies have adopted to entice buyers to purchase from them. Another major reason for these losses can be attributed to the least efficient mode of payment **“Cash on delivery(COD)”** which still dominates the Indian payment space with a share of 76% despite e-retail companies giving lucrative discounts, coupons, reward points, money back guarantees on payments through debit card, credit card and internet banking. With the recent government directive asking e-marketplace companies not to influence the price of products on their own would definitely force them to rethink about their strategies. It will be interesting to see if these e-retail companies can still maintain their popularity without offering huge discounts which has become a norm in the recent times. Another problem which is plaguing the e-retail space is the easy availability of funding from VC & PE firms which became a routine process during the initial years of their operations, becoming strict about the bottom line of these companies and making available required funds for their day to day operations. Lack of funds has become a major challenge for these companies who have become quite used to offering deep price cut to attract customers. Several companies have already lost their valuations significantly. For example, recently Flipkart has been devalued by **27 percent** by **Morgan Stanley** and another **15 percent** by **T Rowe Price**. Now it is valued at less than $10 billion . Online food aggregator Zomato has also lost its unicorn status in the process. Several companies have been forced to close down and some to downsize their operations. A number of them have been forced to lay off sizeable number of their employees. The recent controversy regarding the deferment of joining of IIM students in one of the e-retail companies has definitely dented their image. Companies are trying their best to reduce their expenditures as much as possible. For example, Flipkart recently decided to revise their return policy from 30 day window to just 10 for top-selling products. The future is definitely going to be challenging for them.

Prospects of e-retailing in India:

Despite of these challenges, the economists and analysts are bullish about the prospect of the entire e-commerce sector in India. E-retail being a part of e-commerce, evokes similar response. According to **Goldman Sachs**, e-commerce is going to be '2.5% of GDP by 2030'. According to **UBS**, online retail is pegged to reach $60 billion by 2020.A study by **Google and Forrester consulting** estimates that about 100 million people will make online purchases in India by 2016 and half of them would be new online shoppers from Tier I and Tier II cities. **Morgan Stanley** expects online shopping market in India to be worth $100 billion in 2020 from $2.9 billion in 2013. Later they revised their projection for 2020 to $119 billion. A **Goldman Sachs** report released in 2015 pegs the e-commerce industry size at more than $100 billion in FY 2020 & $220 billion in FY 2030. According to consulting firm **Technopak**, e-tailing is forecast to reach $32 billion by 2020. According to a 2015 **ASSOCHAM** report, the Indian e-commerce industry is likely to clock a CAGR of 35% and cross the $100 billion threshold in value within 2020. According to **Ken Research and Deutsche Bank Markets Research** the size of online retail in India will be $18 billion. According to Canada based **Techsci Research**, Indian e-commerce market to grow 36% in 2015-20. **Nomura** predicts that Indian e-commerce market to hit $35 billion by 2019. According to **Bank of America Merill Lynch**, Indian e-commerce market to touch $200 billion GMV by 2025. According to a research report by **FICCI & KPMG**, e-commerce is likely to reach $100 billion by 2020. According to a report by **Assocham & Deloitte**, digital commerce may grow 300% to touch $128 billion by 2017. According to **BCG and Retailers Association of India**, Indian e-commerce may touch $50 billion by 2020. **Forrester** sees $75 billion e-commerce business by 2020. An **ASSOCHAM-Pwc** study predicts India's e-commerce turnover to top $100 billion by 2020. An **ASSOCHAM-Forrester** report predicts a revenue of $120 billion in India's e-commerce sector by 2020. A report by **Google and AT Kearney** predicts e-commerce to reach $60 billion GMV and also predicted total 175 million Indian to shop online by 2020. An **IAMAI** study says that Indian e-commerce will hit Rs. 2,11,005 crore in 2016. All these reports point towards a pretty optimistic picture of Indian e-retailing sector in the future.

IV. CONCLUSION

Despite of these big numbers and large valuations, India is still at a nascent stage in terms of total purchase through online shopping platform. It constitutes less than 1% of total retail purchase. The most popular segment of e-commerce in India still happens to be the online ticket booking services (with the biggest success being **IRCTC**, the online railway ticket booking service operated by the Indian Railways), even though the gap between the two is gradually on the wane. Some analysts fear that the astounding valuations of some of the Indian online shopping companies despite not being distantly profitable is a sure sign of a valuation bubble building up which when bursts will bring down the entire sector. Whereas others are more optimistic and feels the model which centres around deep discount is unviable and the e-tailers will gradually move towards a model where convenience will take centre stage. But whatever happens, it goes without saying that this sector is probably the most interesting one for the researchers and they will get far more resources in the future to take their researches forward.

V. REFERENCES

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