

Spire Research and Consulting

India's E-tailing Industry – Sellers's perspective

Research Study 2014



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Introduction



About Spire

Spire Research and Consulting is a leading market research consultancy specialising in global emerging markets - the Asia-Pacific, Latin America, Middle East, Africa and Russia/CIS. Spire focuses on holistic research projects which integrate traditional customer research with knowledge of the broader business ecosystem. Through its narrowly focused service portfolio, Spire Research and Consulting helps its clients with strategic decision-making for market growth and entry. Spire's management team works through its eight country offices, international advisors and local associates in over 30 countries to bring to each project highest standards of research conceptualization, execution and delivery. The Spire Group has delivered over 1,500 market research and consulting projects for over 50 Global Fortune 1000 firms.

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Background of the study



Research Objectives

Research Objective

The objective of the research was to understand experience/perception of retailers selling their products/services through e-commerce websites

Methodology

Online, offline communication along with telephonic interaction

Target Respondents

Owners or managers of the retailing companies

Sample Size

Total Sample Size (N) - 300 retailers

- Apparels - 100
- Consumer Electronics - 100
- Food - 100



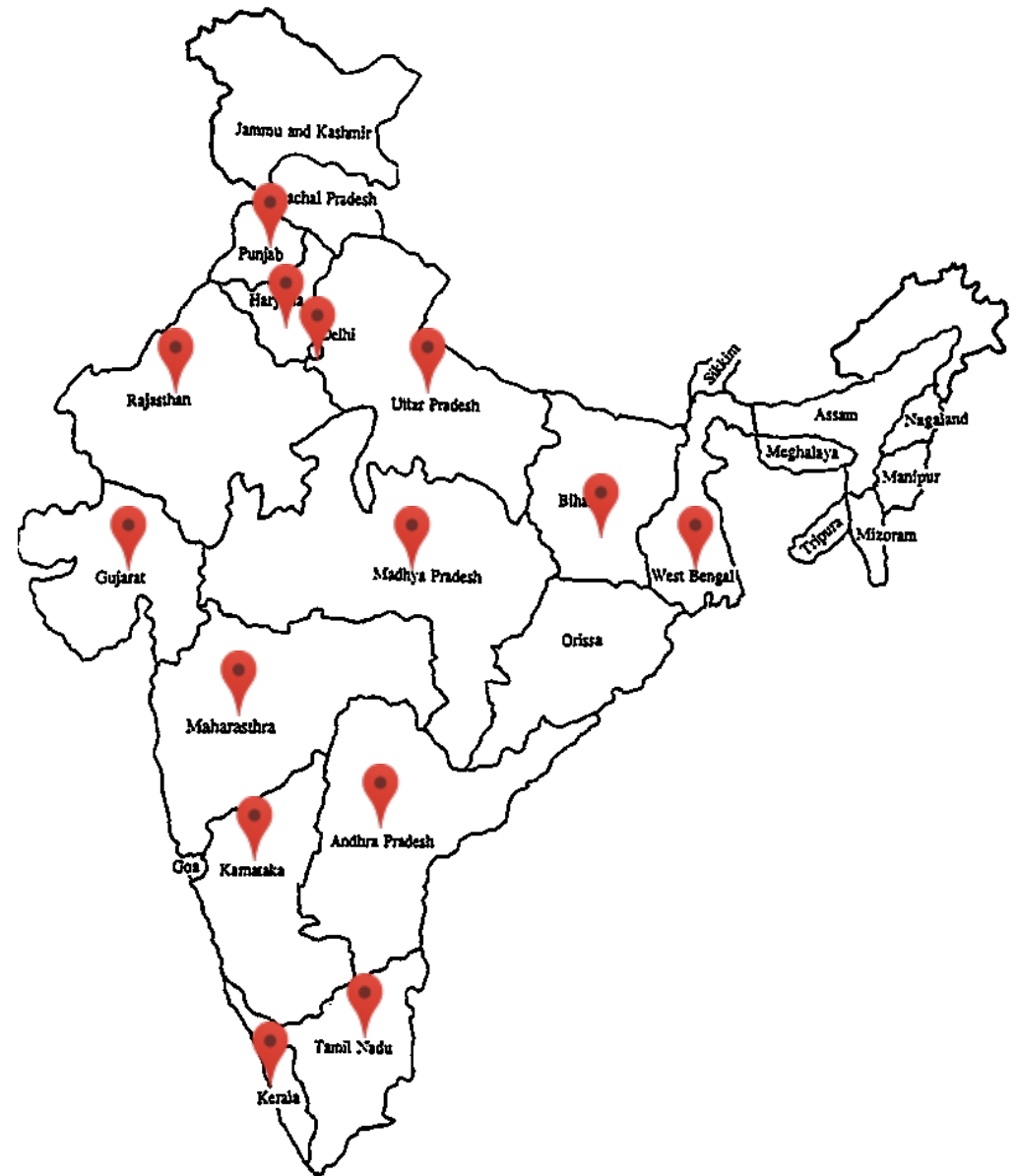
Research Scope

Period of Research

August to October 2014

Geographical coverage

- Delhi
- Gujarat
- Haryana
- Jharkhand
- Karnataka
- Kerala
- Madhya Pradesh
- Maharashtra
- Punjab
- Rajasthan
- Tamil Nadu
- Uttar Pradesh
- West Bengal



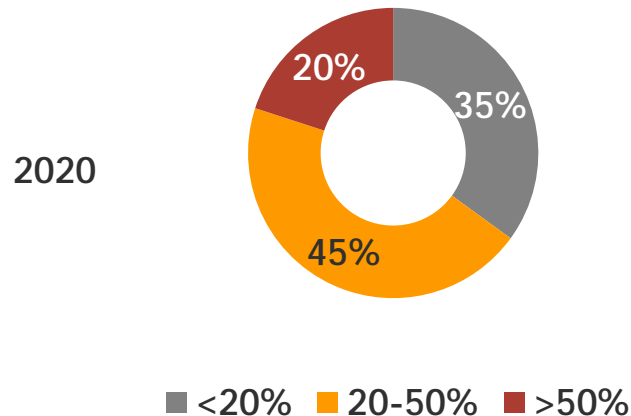
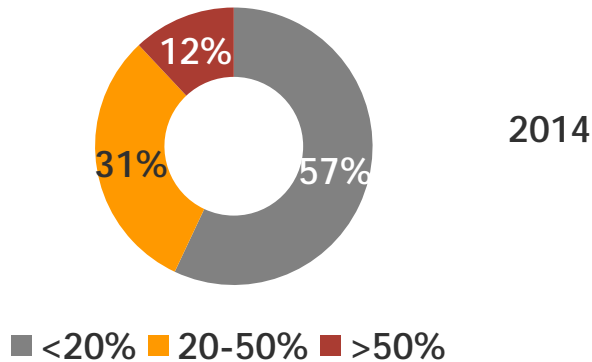
Executive Summary



India' E-tailing Industry : Seller's Perspective

All categories

Share of online revenue sales is set to grow. Currently, majority of business are attributing 20% to 50% of their revenue by online sales.



Drivers:

- Emergence of more online specialists
- Online business from existing customers set to grow as penetration and payment issues get resolved
- Maturing of currently inexperienced sellers and greater focus online.

Hurdles:

- Logistics and order fulfilment
- Cash on delivery has inherent risks and delays
- Payment gateways as well as current registration process can be cumbersome
- Cultural need for Indian consumers to have a human interaction

India's E-tailing Industry: Seller's Perspective

Key Take Away

- Over 54% of businesses have reported a growth of more than 20% since obtaining an online presence
 - Apparel and Food businesses saw a larger benefit of going online
 - Other industries with a fragmented structure and low barriers to entry will also see growth in the industry. Baby products, books, home décor and jewellery may be other industries which stand to benefit from the rise in e-tailing
 - Consumer durables (such as electronics) may see a lower potential as customer may prefer to be more involved in the purchasing process.
- Most businesses use a combination strategy with 31% of the business reporting between 20%-50% of their sales coming via online. This trend is expected to continue, but the proportion may grow to 45%
 - Apparel business may also see a larger opportunity to increase share of online business, while Food may continue to be offline
 - The trends is expected to continue across India, but and Tier 2 and Tier 3 cities may see a faster adoption and greater share coming from online channels
- The key challenge remaining are:
 - Payment Mechanisms and the risk of Cash on Delivery
 - Challenges in logistics and order fulfilment (There is currently a large amount of investment being made in this areas)

India's E-tailing Industry: Seller's Perspective

Key Take Away

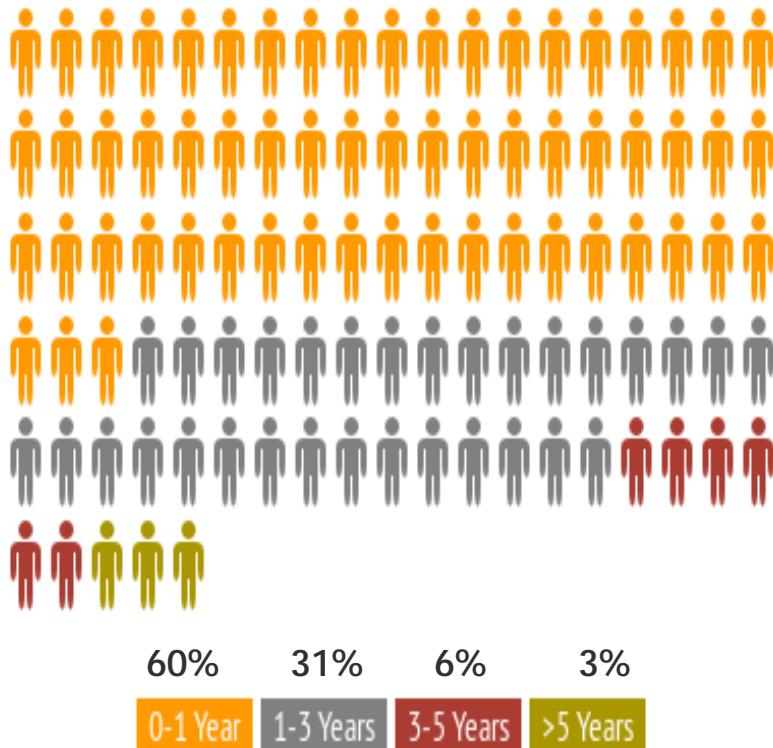
- Despite its challenges and hurdles, E-tailing is set to grow.
- The space will eventually be dominated by a few large capital heavy organizations given the need for nationwide logistics infrastructure and a currently limited customer base.
- Despite a battle of endurance, there will be 2 beneficiaries:
 - Consumers who will have access to more choices and price competitive products
 - Sellers and small businesses, who can ride on this wave and will gain access to new customers and a larger geographic coverage domestically
- Sellers will follow a dual strategy combining both offline and online channels with a significant sales still coming from the familiar offline channels. Having said that, business would be able to expand their reach to the younger market segments as well as to new geographies .
- Principal brands would also have to develop channel strategies that involve supporting their final tier partners in an integrated manner

India' E-tailing Industry : Seller's Perspective

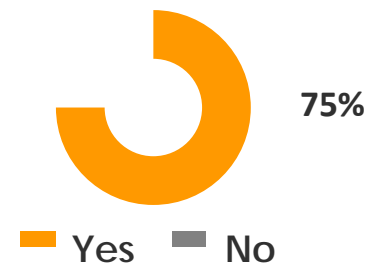
All categories

91% of the sellers have been associated with online market places for less than 3 years

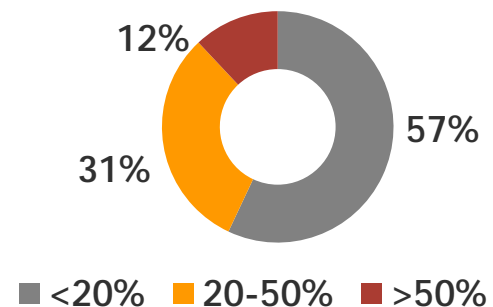
Length of Association with E-Commerce Platform



Presence in Brick and Mortar channels along side online presence



Proportion of sales contributed by online marketplaces

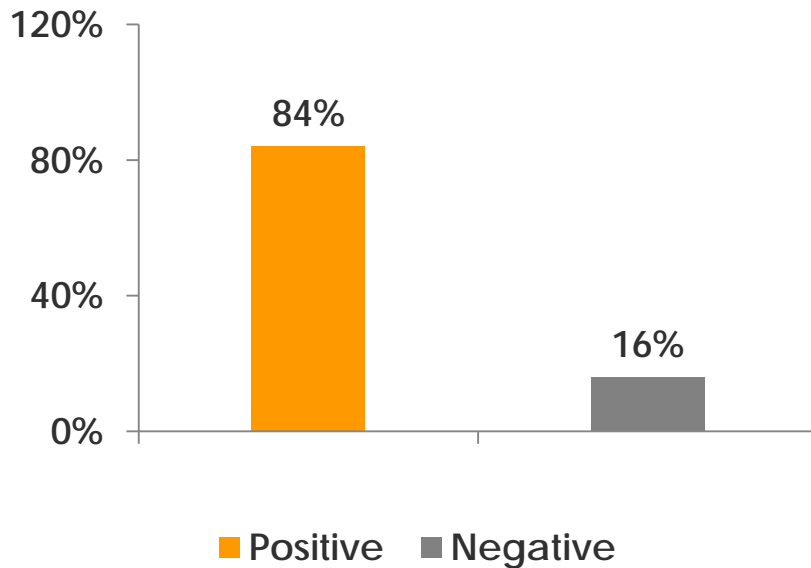


India' E-tailing Industry : Seller's Perspective

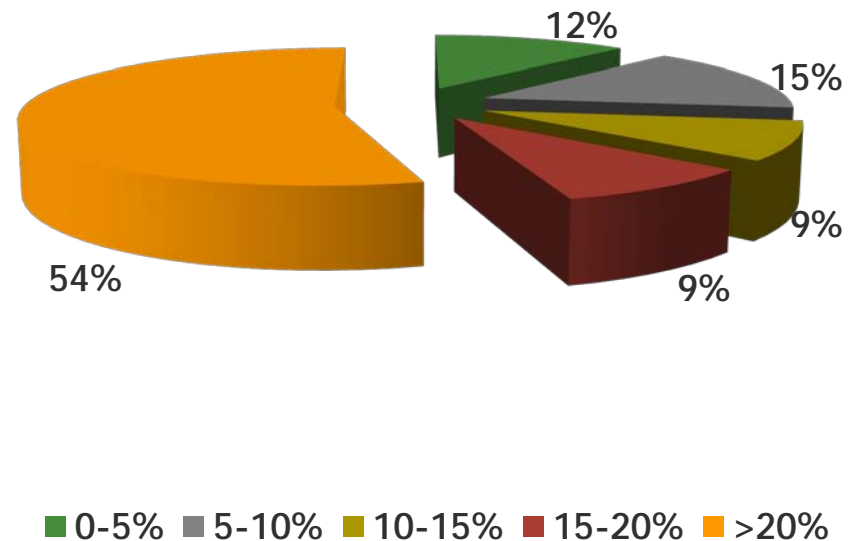
All categories

Majority of the sellers experience a positive impact on business with more than 20% increase in revenues after an association with online market places

Impact on business since association with online market places



Amount of increase in Revenue after association with online market places



Apparels

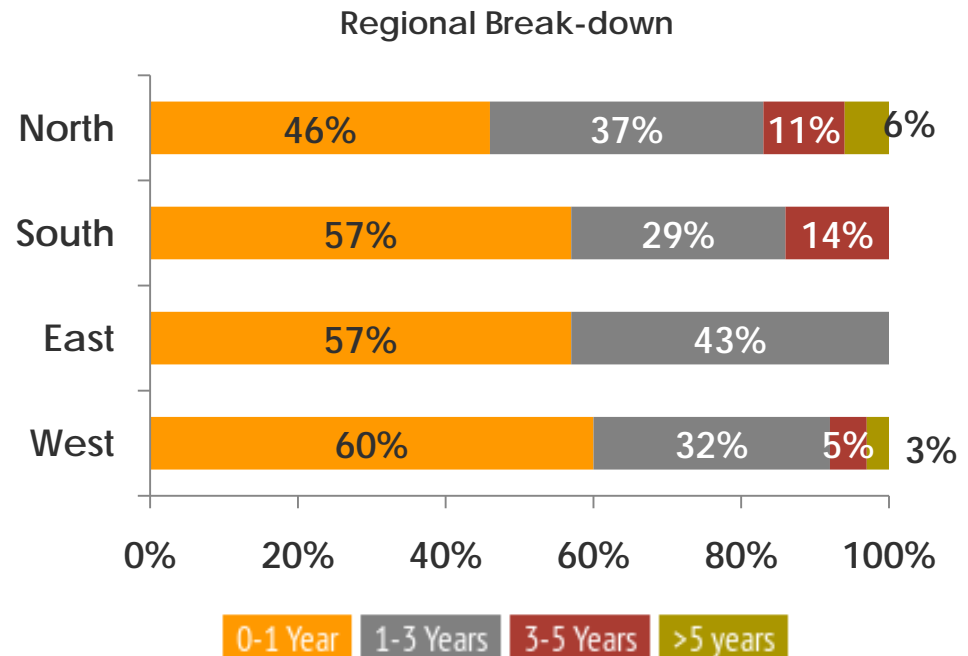
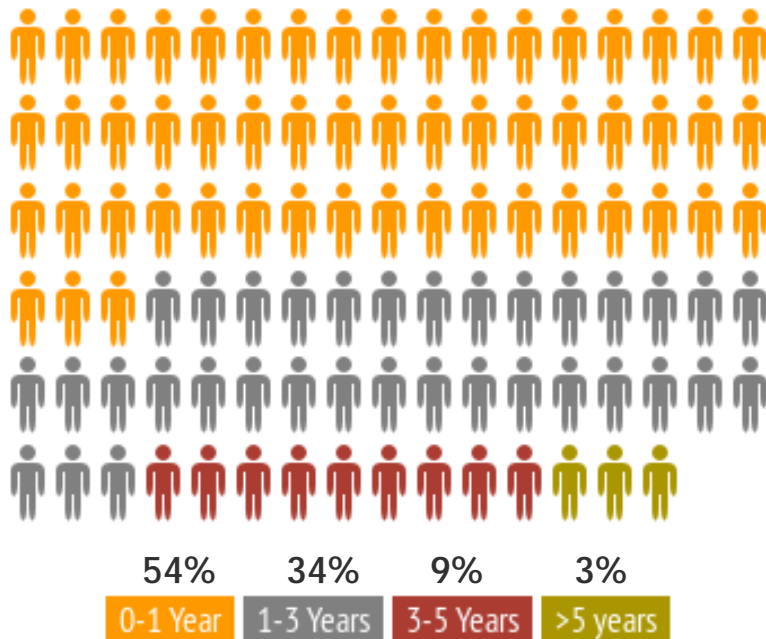


India' E-tailing Industry : Seller's Perspective

Apparels

88% of the sellers have been associated with online market places for less than 3 years

Length of Association with E-Commerce Platform



N=100 respondents

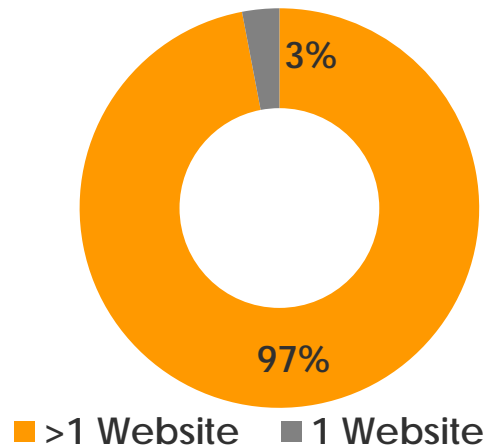
North: Delhi, Uttar Pradesh, Madhya Pradesh, Haryana, Punjab; South: Karnataka, Tamil Nadu; East: West Bengal; West: Gujarat, Maharashtra, Rajasthan

India' E-tailing Industry : Seller's Perspective

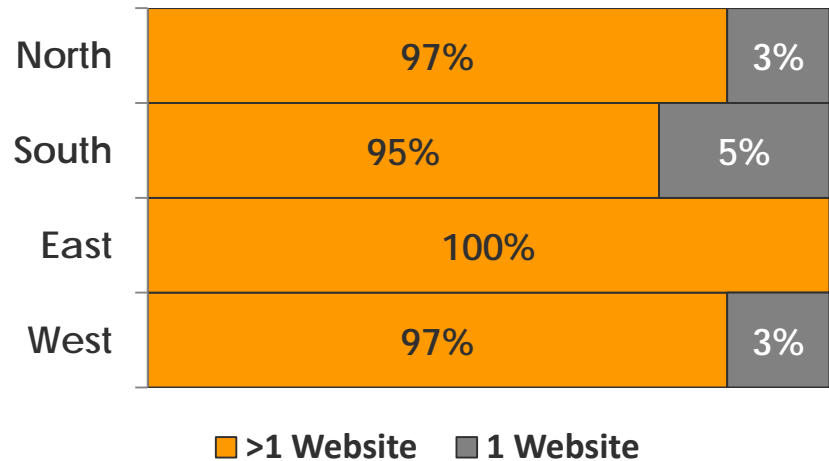
Apparels

Almost all sellers have registered on more than one online market place

Number of online market places associated with



Regional Break-down



● Sellers associate several benefits of selling products at multiple online market places, such as:

- Choice of different models of e-commerce
- Opportunity to showcase a wider basket of products
- Broad customer reach

N=100 respondents

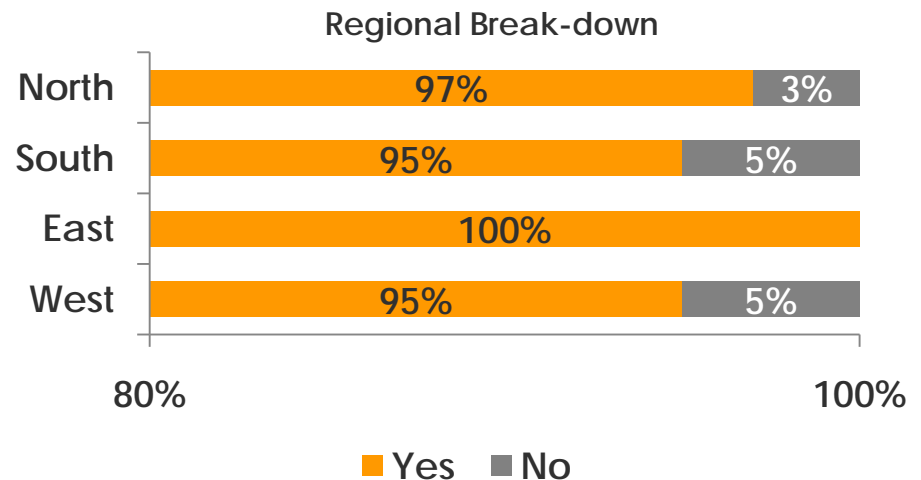
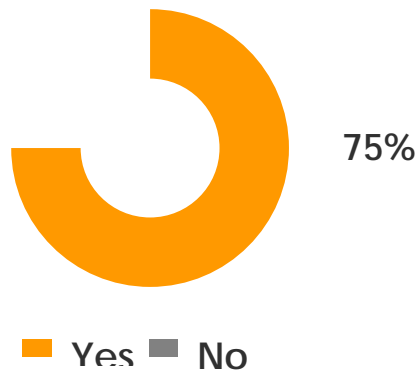
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India' E-tailing Industry : Seller's Perspective

Apparels

Majority of online sellers also had brick and mortar presence

Presence in Brick and Mortar channels along side online presence



- Most of the sellers perceive the combination of brick and mortar and online retail necessary.
- Enhanced customer reach across towns and cities, acceptance of payment in cash and card, opportunity to offer comprehensive product options are some of the factors which advocate the adoption of combined method of sales (online and offline).

N=100 respondents

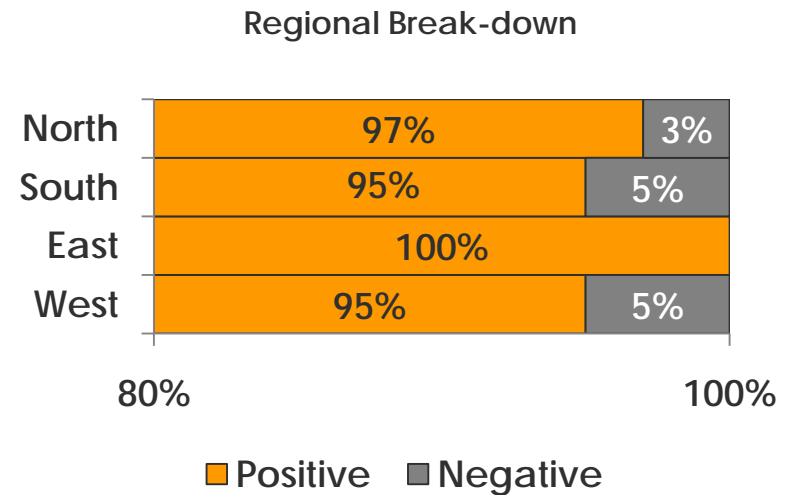
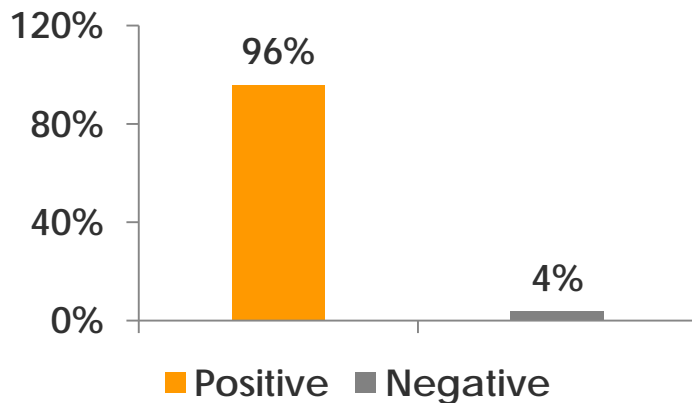
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India' E-tailing Industry : Seller's Perspective

Apparels

Almost all online sellers, especially in East India have seen a positive impact after having an online presence

Impact on business since association with online market places



N=100 respondents

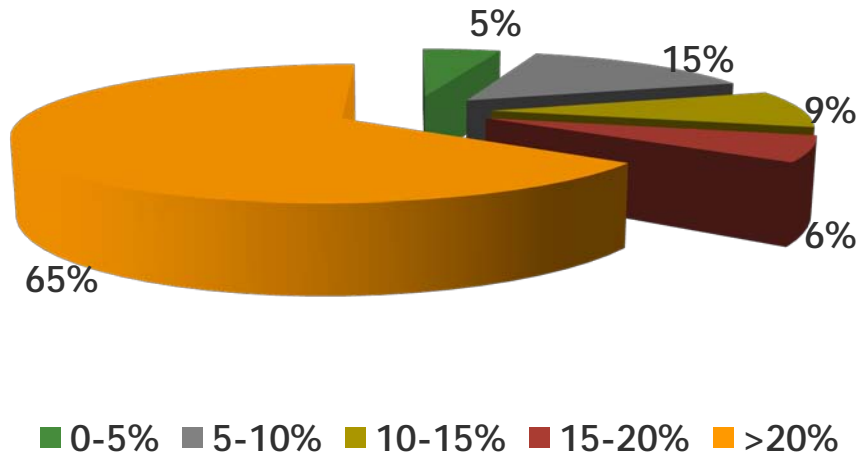
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India' E-tailing Industry : Seller's Perspective

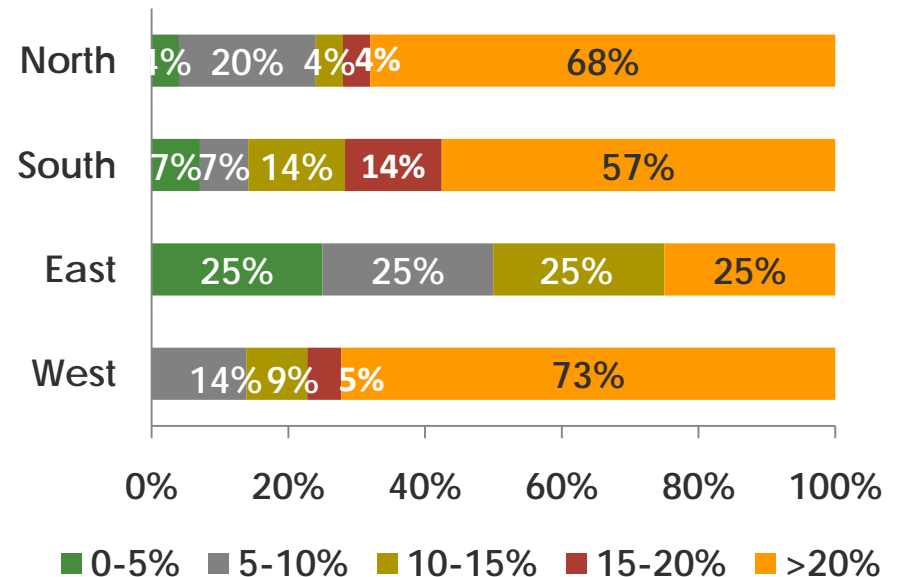
Apparels

65% of the sellers experienced more than 20% increase in revenues after introducing their online presence

Amount of increase in Revenue after association with online market places



Regional Break-down



N=100 respondents

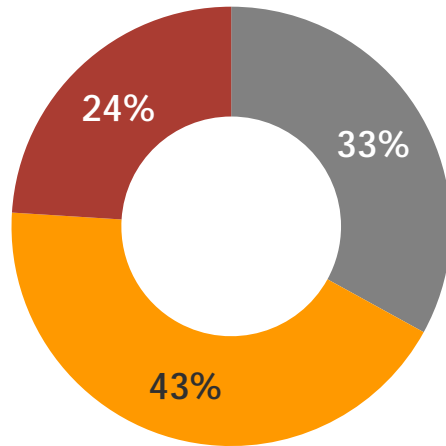
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India' E-tailing Industry : Seller's Perspective

Apparels

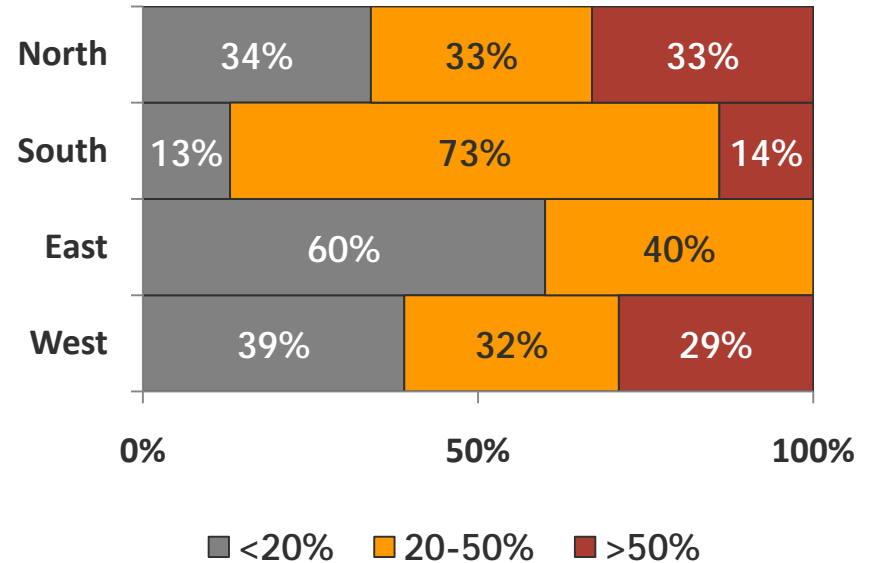
While most business reported a positive impact and business growth after an online presence, the degree of contribution from online market places has varied

Proportion of sales contributed by online market places



■ <20% ■ 20-50% ■ >50%

Regional Break-down



N=100 respondents

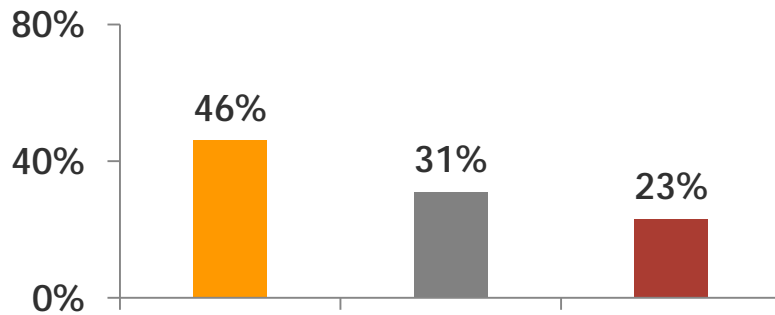
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India' E-tailing Industry : Seller's Perspective

Apparels

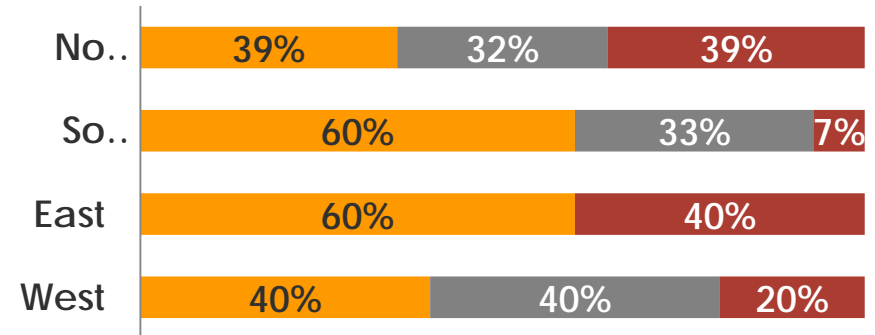
Majority of the sellers surveyed perceive physical stores as more profitable channel of sales compared to online market places

Proportion of sales contributed by online market places



- Physical Stores more profitable
- E-Commerce Platforms more profitable
- Both Channels are equally profitable

Regional Break-down



- Physical Store more profitable
- E-Commerce Platforms more profitable
- Both the channels more profitable

N=100 respondents

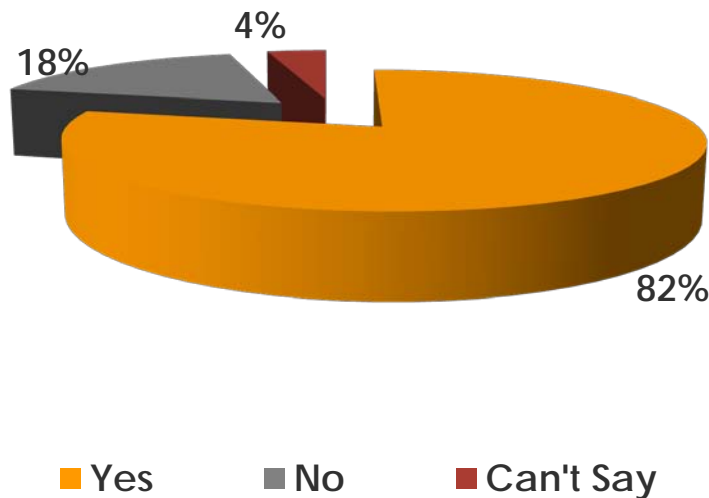
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India' E-tailing Industry : Seller's Perspective

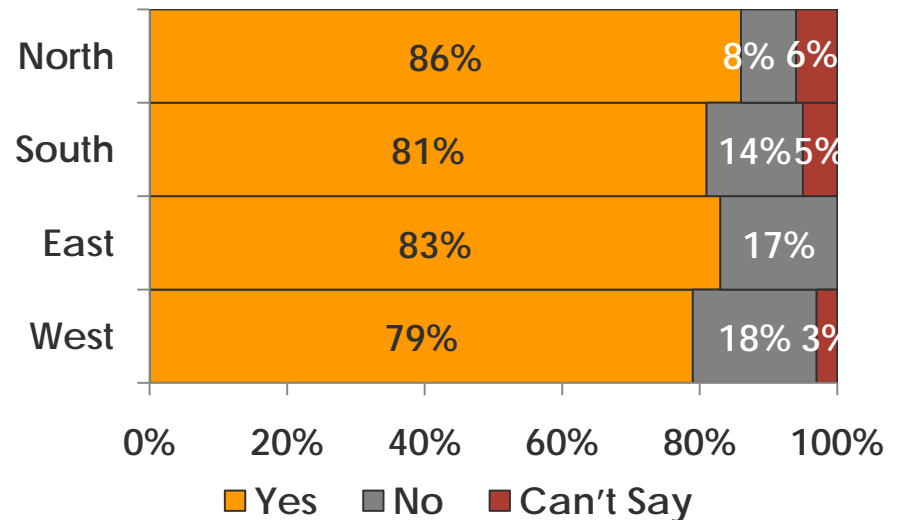
Apparels

Nearly 82% of the respondents confirmed of enhancement in brand value on account of association with online market places

Perception of Respondents about whether association with market places has aided in enhancement of brand value



Regional Break-down



N=100 respondents

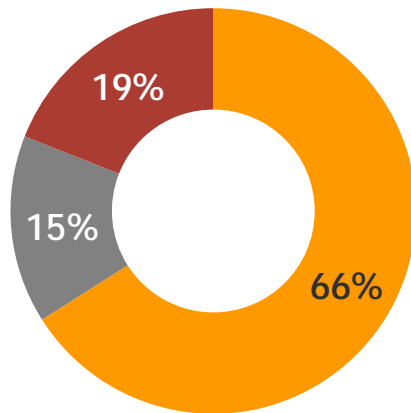
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India' E-tailing Industry : Seller's Perspective

Apparels

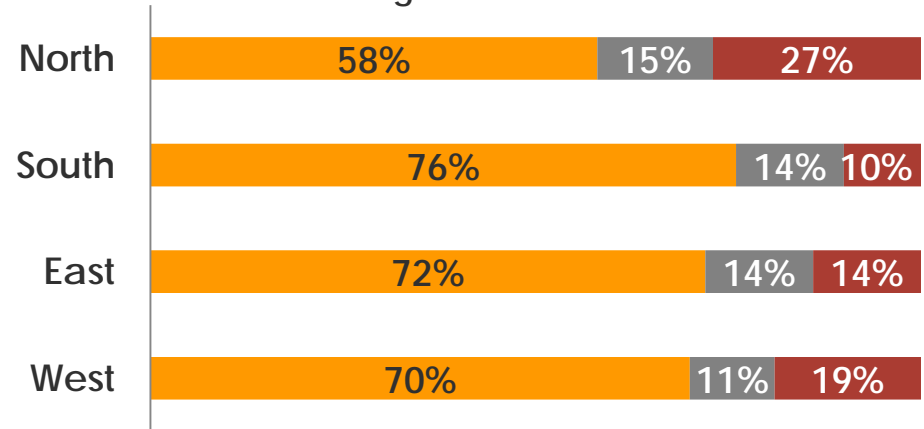
While a majority of businesses are planning for an online oriented expansion, a notable percentage of sellers also favored an integrated strategy

Plans for business expansion via online retailing or offline retailing



- Focus on online retailing
- Focus on offline retailing
- Both

Regional Break-down



- Focus on online retailing
- Focus on offline retailing
- Both

N=100 respondents

North: Delhi, Uttar Pradesh, Madhya Pradesh, Haryana, Punjab; South: Karnataka, Tamil Nadu; East: West Bengal; West: Gujarat, Maharashtra, Rajasthan

Consumer Electronics

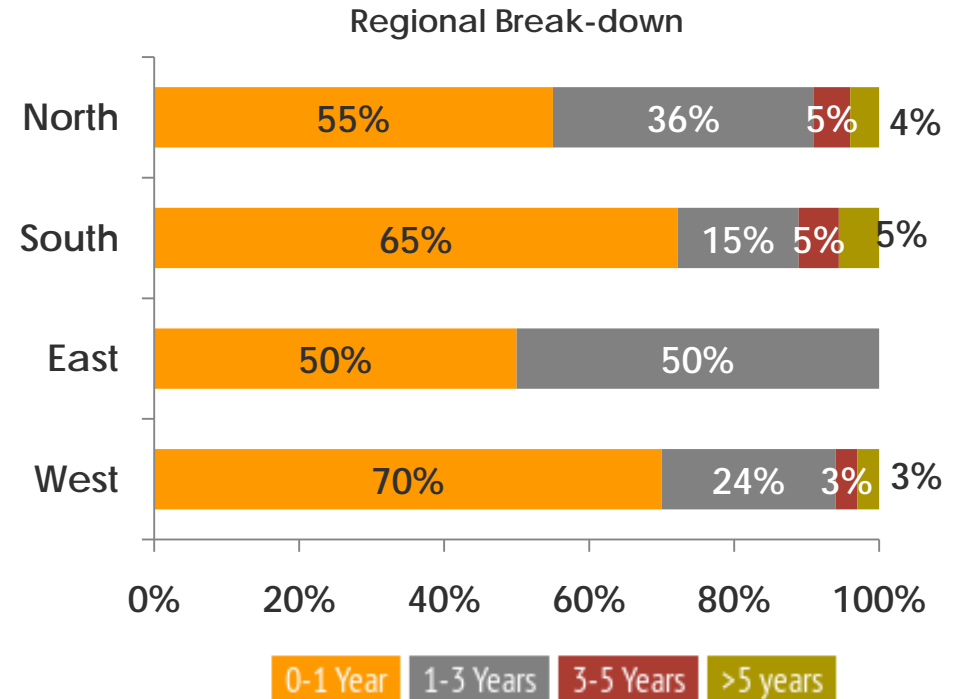
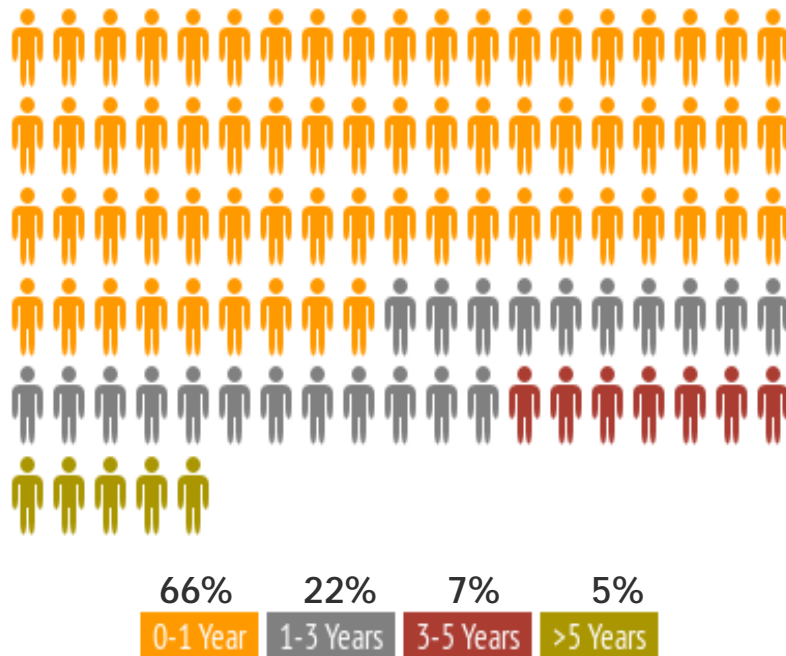


India' E-tailing Industry : Seller's Perspective

Consumer Electronics

88% of the sellers have been associated with online market places for less than 3 years

Length of Association with E-Commerce Platform



N=100 respondents

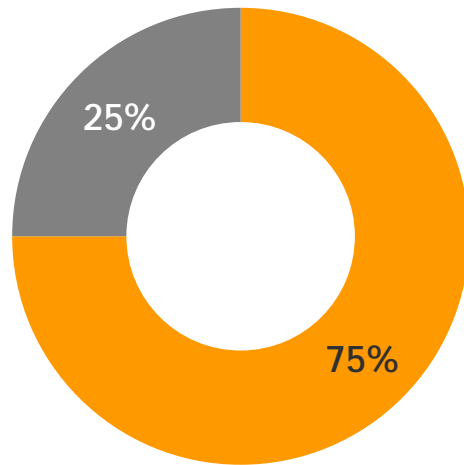
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India' E-tailing Industry : Seller's Perspective

Consumer Electronics

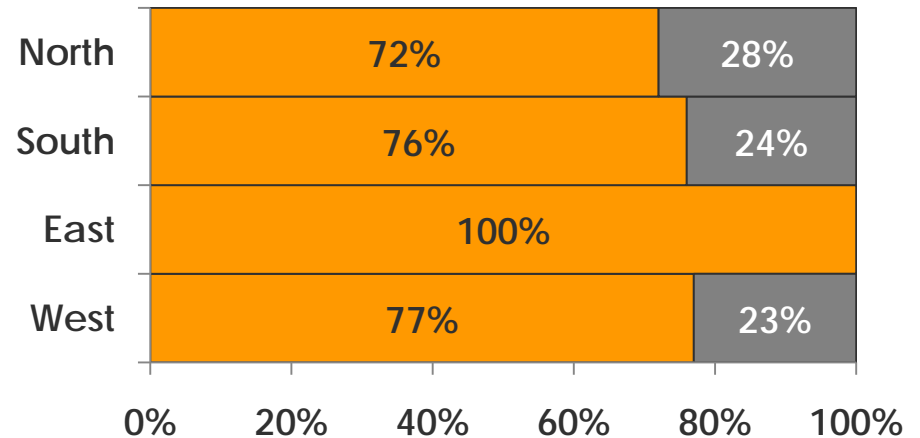
Majority of the sellers have registered on more than one online market place

Number of online market places associated with



■ >1 Website ■ 1 Website

Regional Break-down



■ >1 Website ■ 1 Website

N=100 respondents

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India' E-tailing Industry : Seller's Perspective

Consumer Electronics

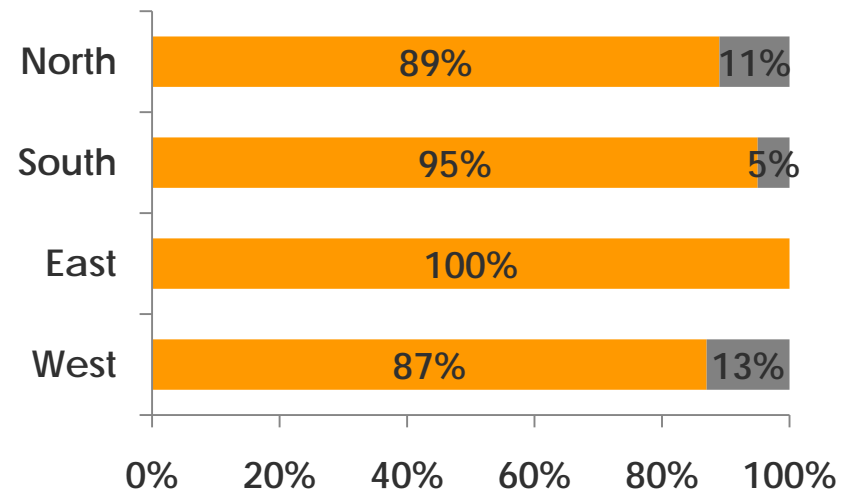
Majority of online sellers also had brick and mortar presence

Presence in Brick and Mortar channels along side online presence



■ Yes ■ No

Regional Break-down



■ Yes ■ No

N=100 respondents

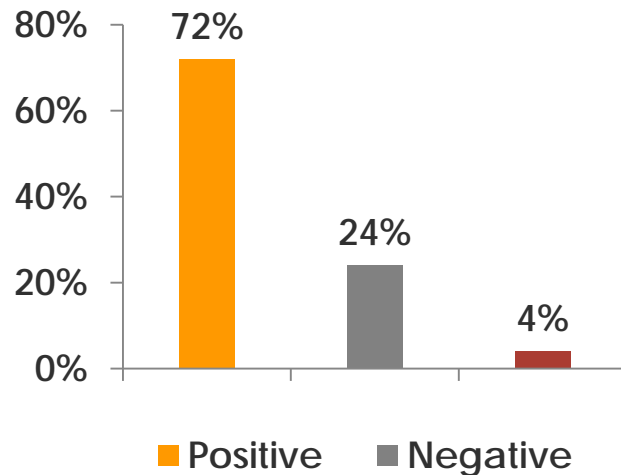
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India' E-tailing Industry : Seller's Perspective

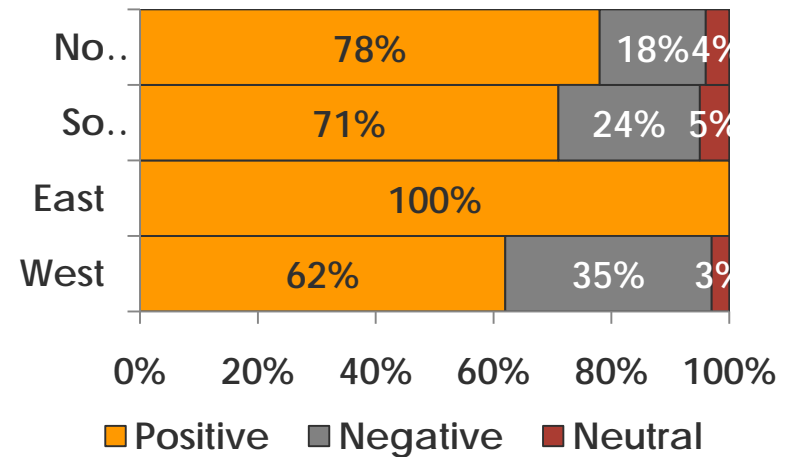
Consumer Electronics

Nearly 72% of the sellers surveyed have experienced a positive impact after having an online presence

Impact on business since association with online market places



Regional Break-down



- A notable percentage of sellers also expressed dissatisfaction with the mode of online retailing.
 - Policies of return and cash on delivery not seller friendly
 - Intense price competition
 - High commission charged by e-marketplaces

N=100 respondents

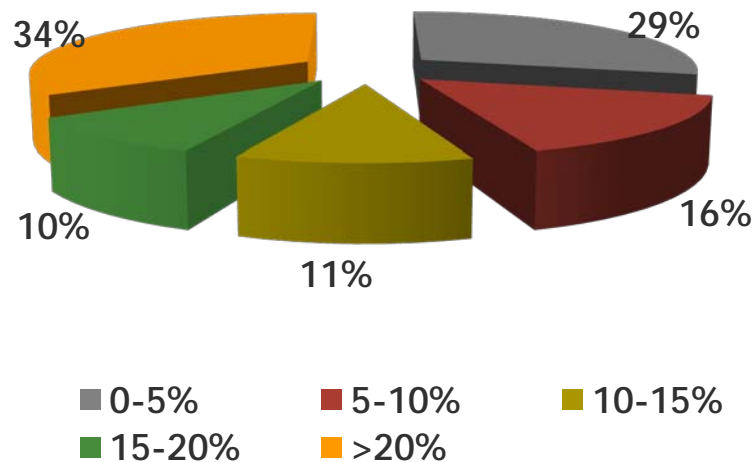
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India' E-tailing Industry : Seller's Perspective

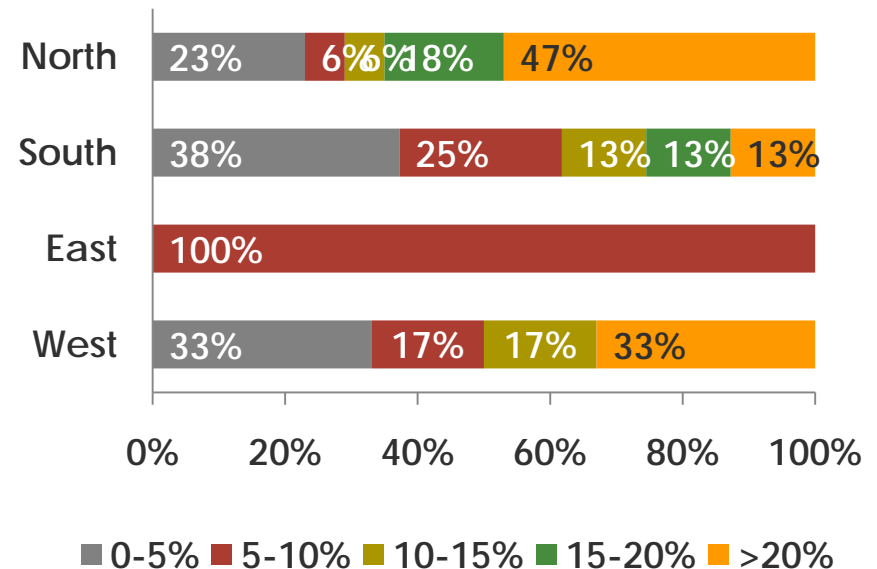
Consumer Electronics

44% of the sellers surveyed experienced more than 15% increase in revenues after introducing online presence

Amount of increase in Revenue after association with online market places



Regional Break-down



N=100 respondents

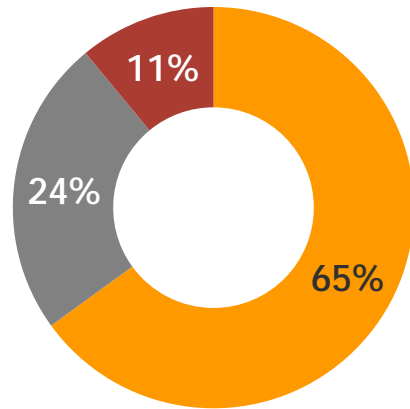
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India' E-tailing Industry : Seller's Perspective

Consumer Electronics

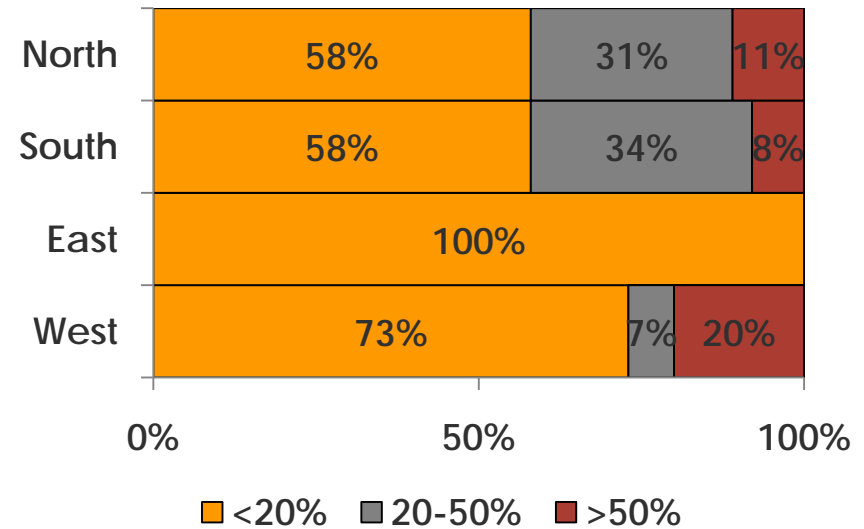
65% of business conduct less than 20% of their business online

Proportion of sales contributed by online market places



■ <20% ■ 20-50% ■ >50%

Regional Break-down



N=100 respondents

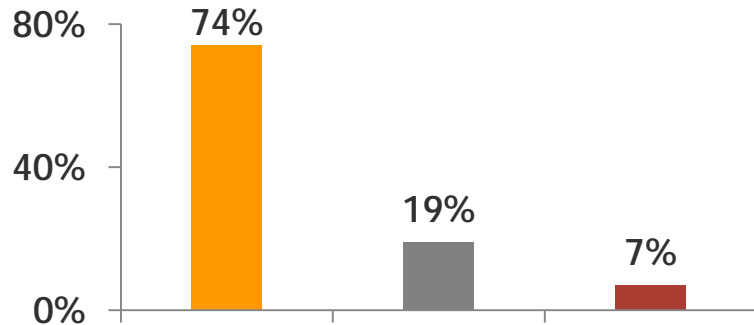
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India' E-tailing Industry : Seller's Perspective

Consumer Electronics

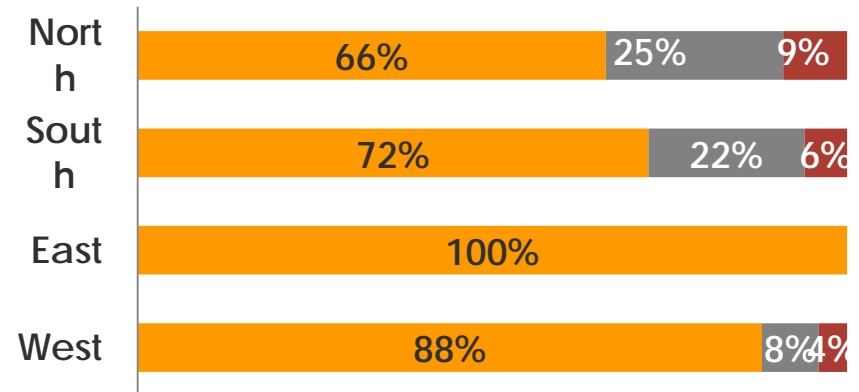
Nearly 74% of the sellers surveyed perceive physical stores as more profitable channel of sales compared to online market places

Perception of Respondents about whether online or offline platforms are more profitable



- Physical Stores more profitable
- E-Commerce Platforms more profitable
- Both Channels are equally profitable

Regional Break-down



- Physical Stores more profitable
- E-Commerce Platforms more profitable
- Both channels are equally profitable

N=100 respondents

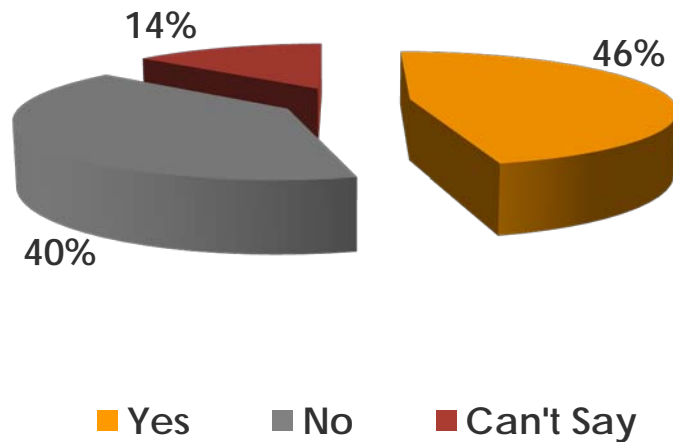
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India' E-tailing Industry : Seller's Perspective

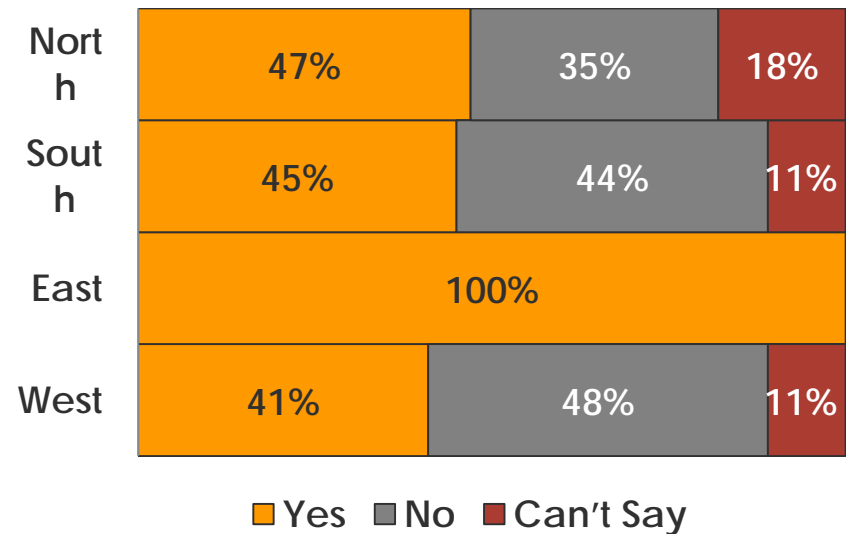
Consumer Electronics

While 46% of the respondents confirmed of enhancement in brand value, an equally large percentage denied of any improvement in brand value

Perception of Respondents about whether association with online market places has aided in enhancement of brand value



Regional Break-down



N=100 respondents

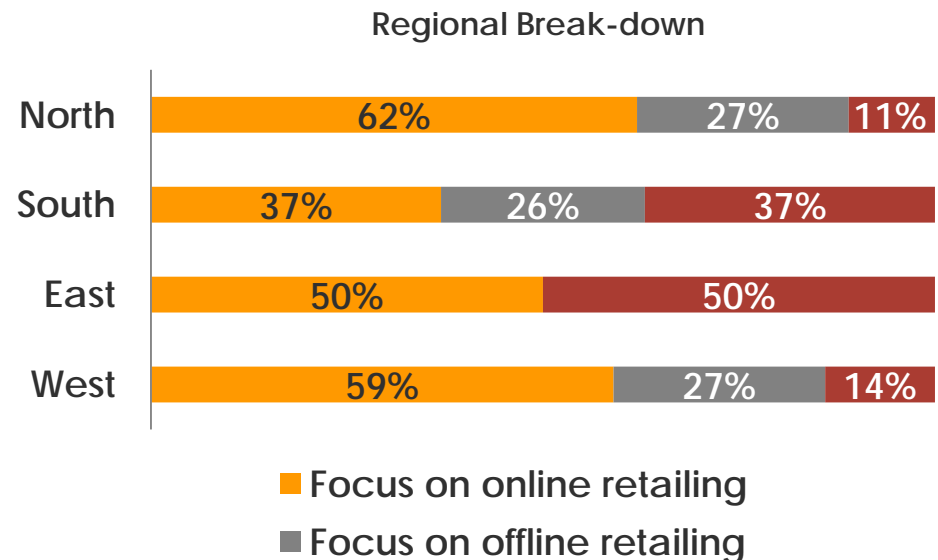
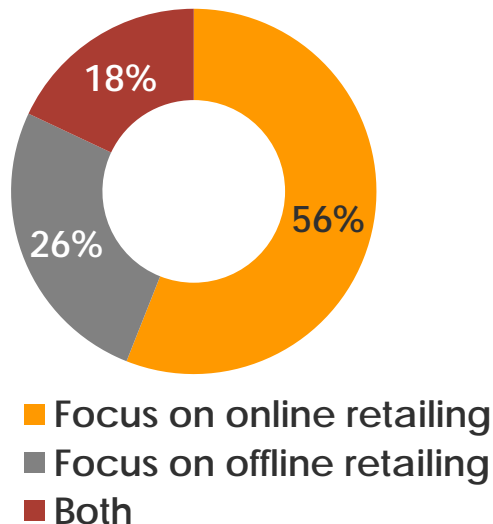
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India' E-tailing Industry : Seller's Perspective

Consumer Electronics

Online retailing is a preferred choice of business expansion by majority of sellers. A significant percentage of sellers also favored combined model of retailing.

Perception of Respondents about whether association with online market places has aided in enhancement of brand value



N=100 respondents

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Food Products and Services

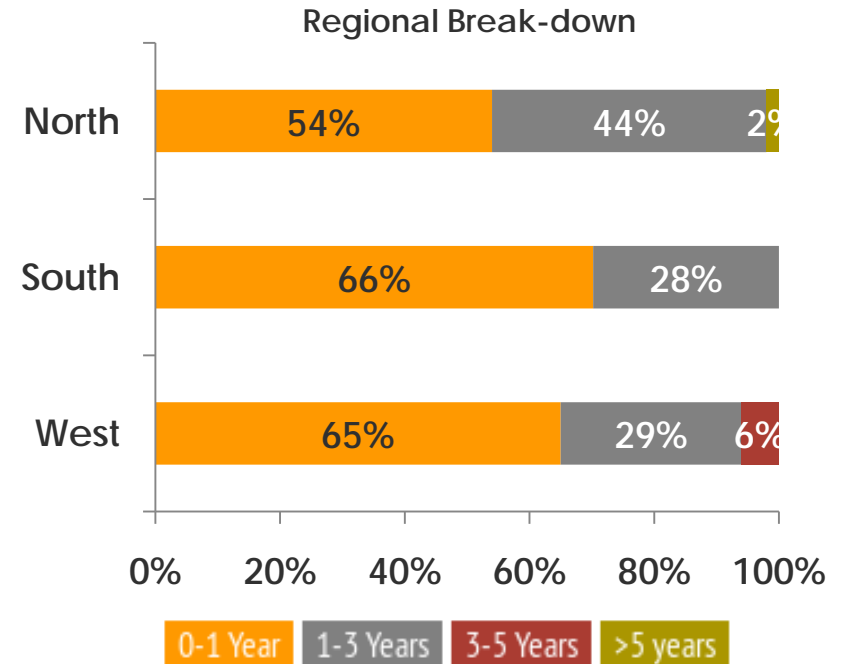
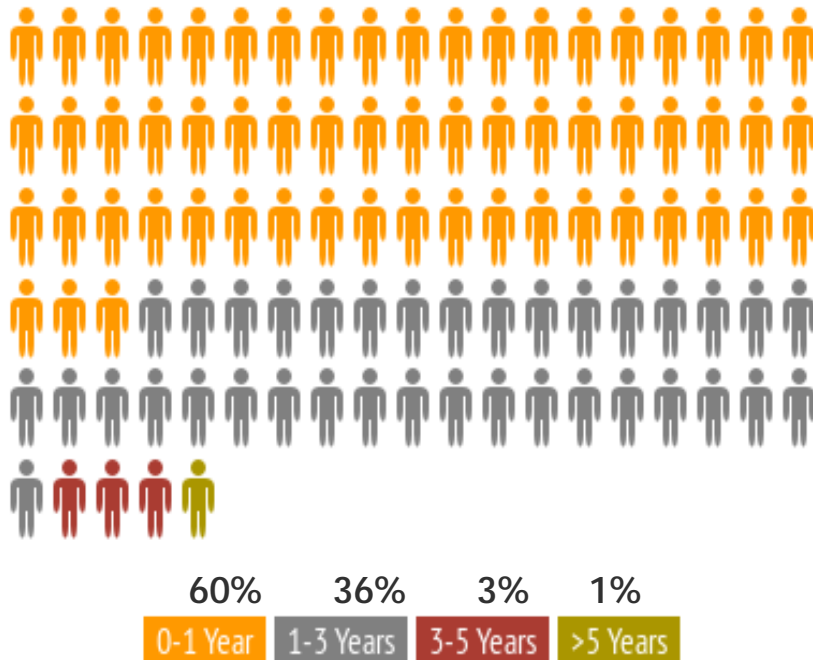


India' E-tailing Industry : Seller's Perspective

Food Products and Services

96% of the sellers have been associated with online market places for less than 3 years

Length of Association with E-Commerce Platform



N=100 respondents

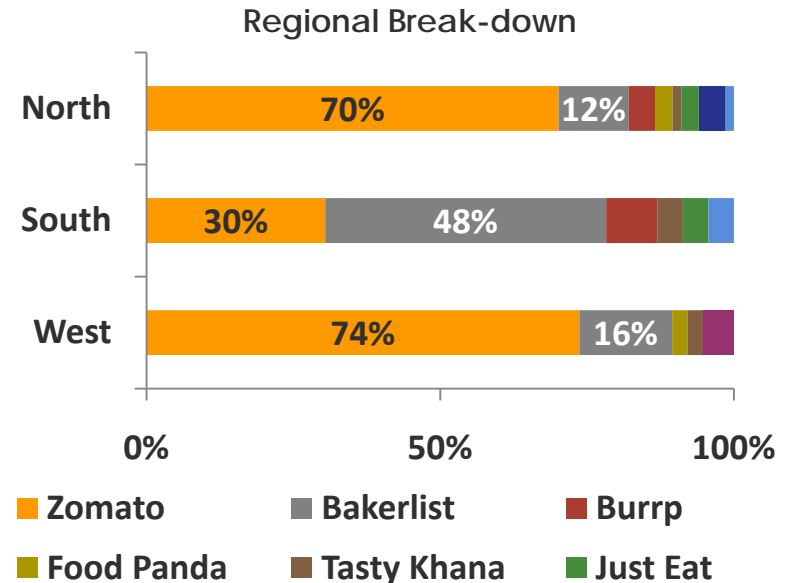
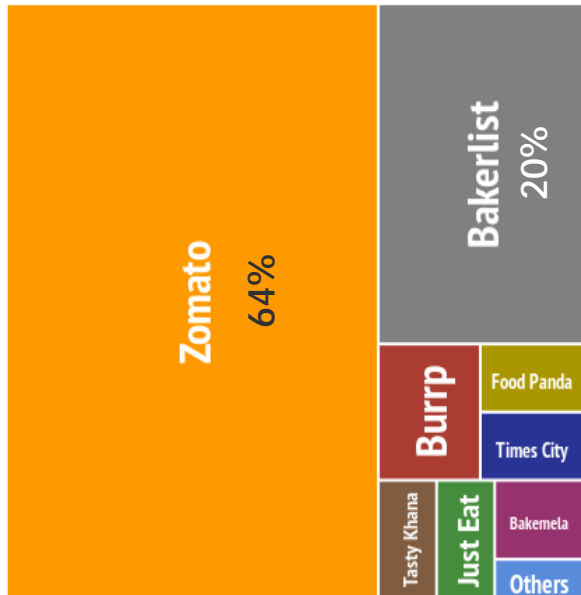
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India' E-tailing Industry : Seller's Perspective

Food Products and Services

Most of the sellers surveyed are listed with Zomato and Bakerlist

Listing of Multiple Online Food Portals



- Apart from online food guide portals, sellers are increasingly expanding their presence on social media, especially Facebook.

N=100 respondents

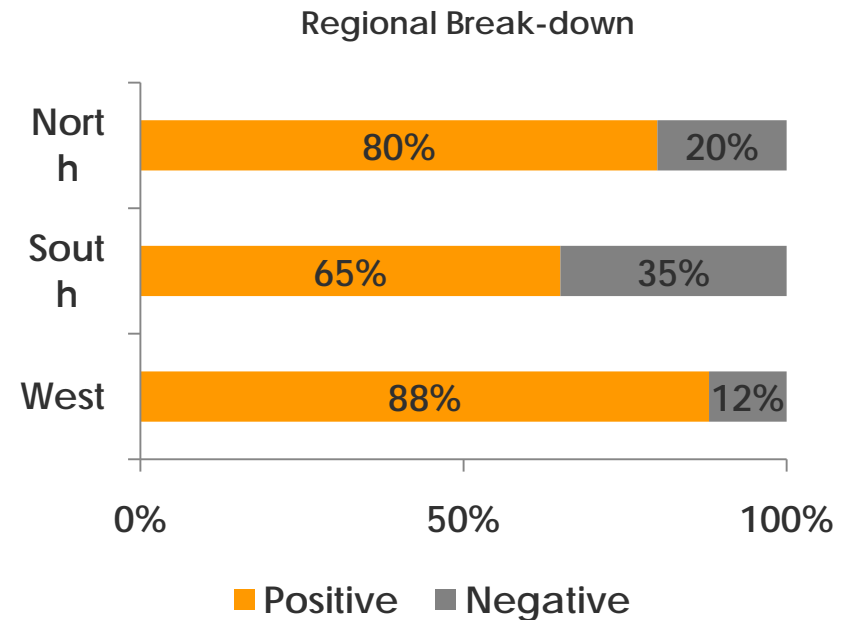
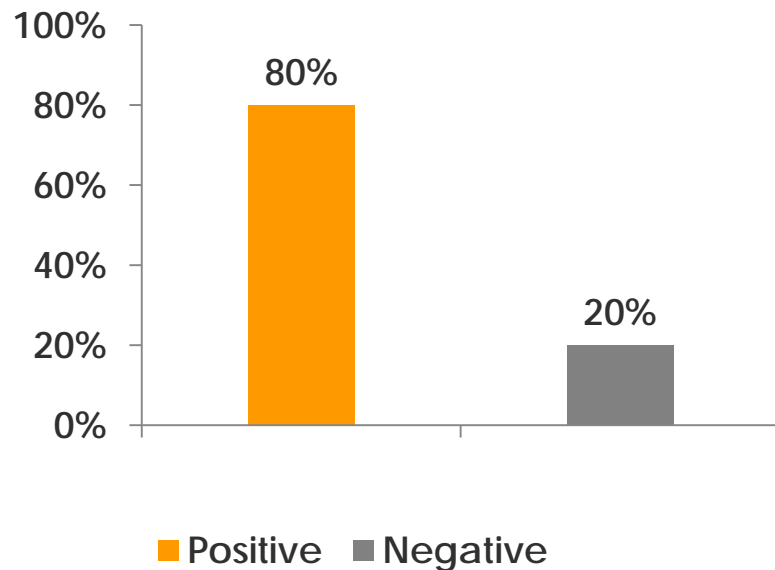
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India' E-tailing Industry : Seller's Perspective

Food Products and Services

Nearly 80% of the sellers surveyed have experienced a positive impact after introducing their online presence

Impact on business since association with online market places



N=100 respondents

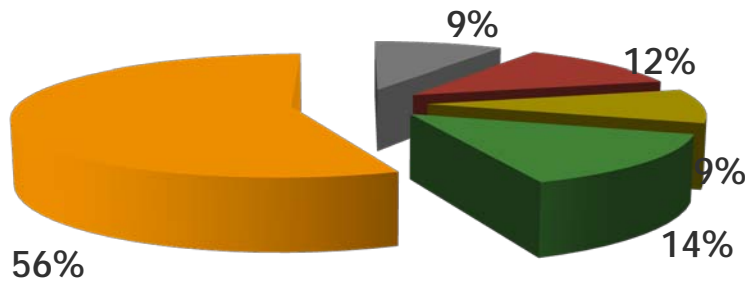
North: Delhi, Uttar Pradesh, Madhya Pradesh, Haryana, Punjab; South: Karnataka, Tamil Nadu; East: West Bengal; West: Gujarat, Maharashtra, Rajasthan

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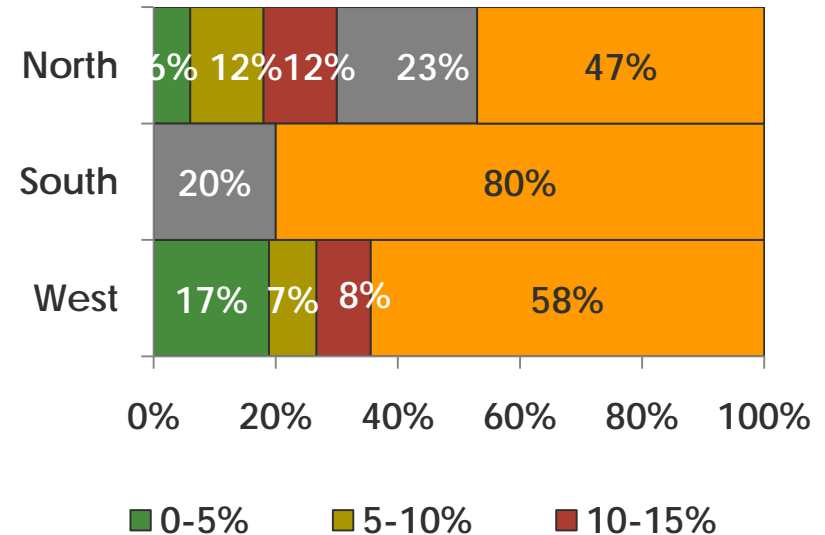
56% of the sellers experienced more than 20% increase in revenues since introducing their online presence

Amount of increase in Revenue after association with online food portals



■ 0-5% ■ 5-10% ■ 10-15%
 ■ 15-20% ■ >20%

Regional Break-down



N=100 respondents

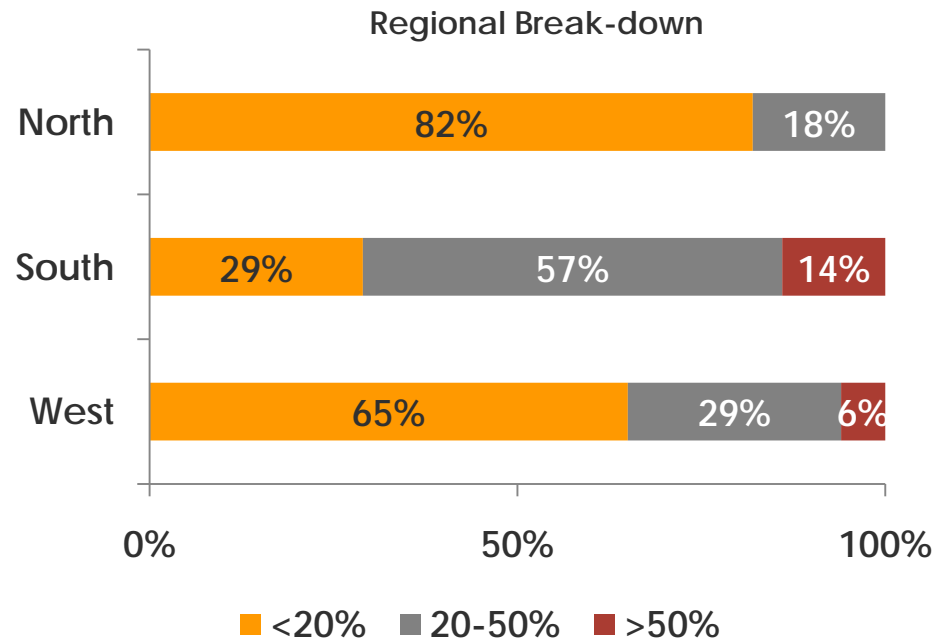
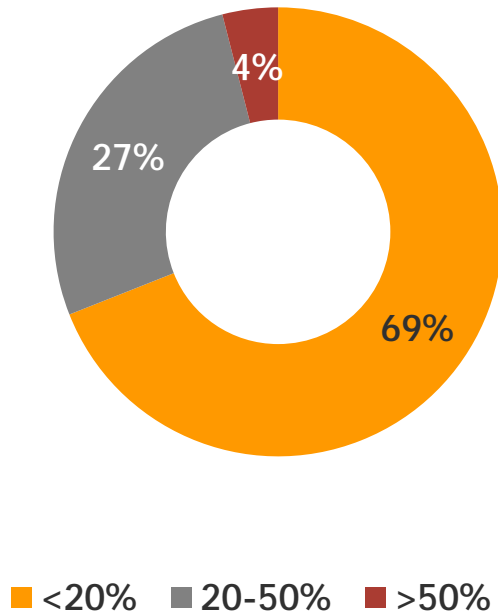
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The contribution of business from online channels is still less than 20% for majority of the sellers surveyed

Proportion of sales contributed by online market places



N=100 respondents

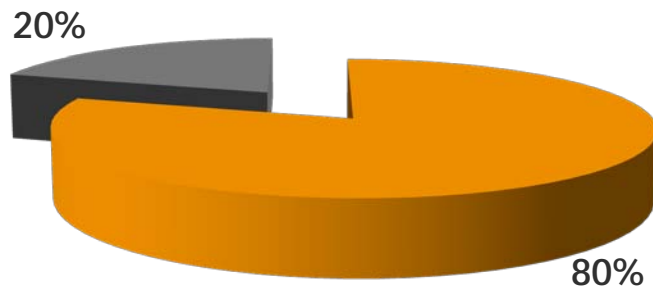
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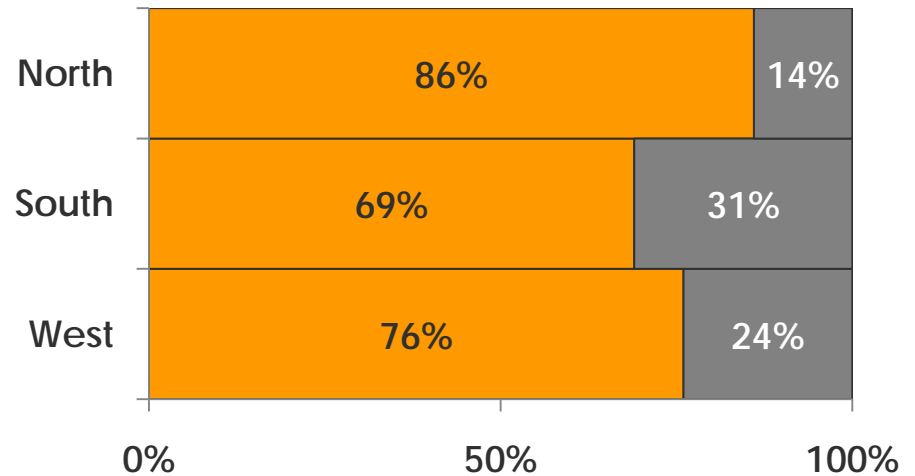
Majority of the respondents surveyed acknowledged that online reviews and ratings have a definitive impact on their business

Perception of Respondents about whether online reviews and ratings effect business



■ Yes ■ No

Regional Break-down



■ Yes ■ No

N=100 respondents

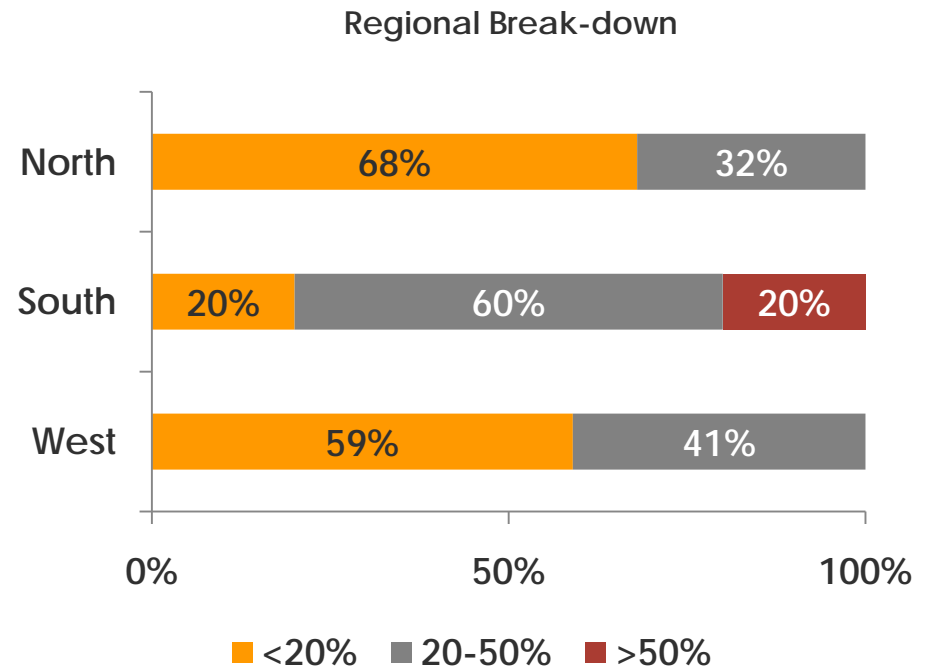
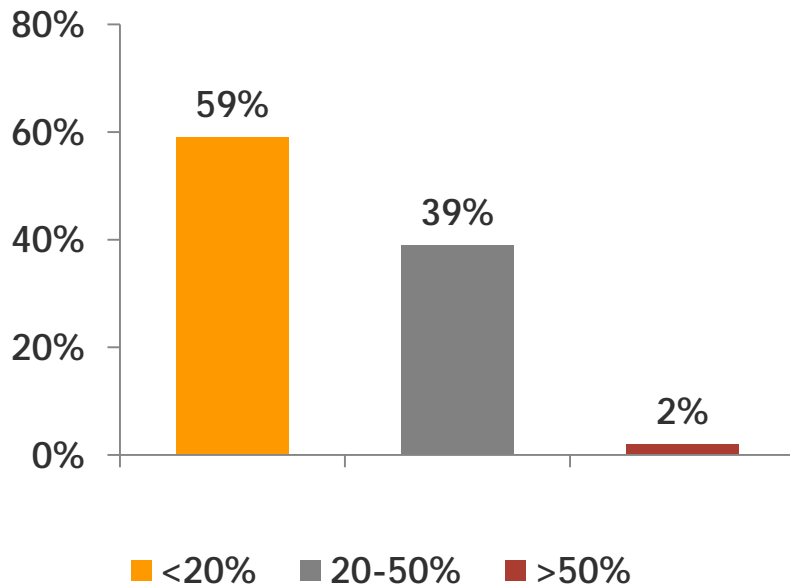
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Majority of the respondents experienced less than 20% increase in number of orders since the association with online food portals

Rise in numbers of orders after association with online food portals



N=100 respondents

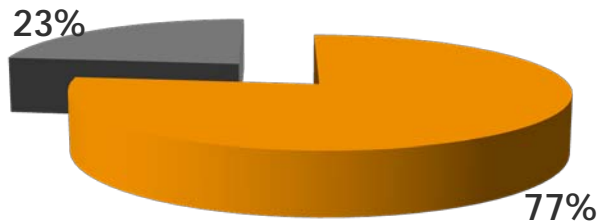
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Food Products and Services

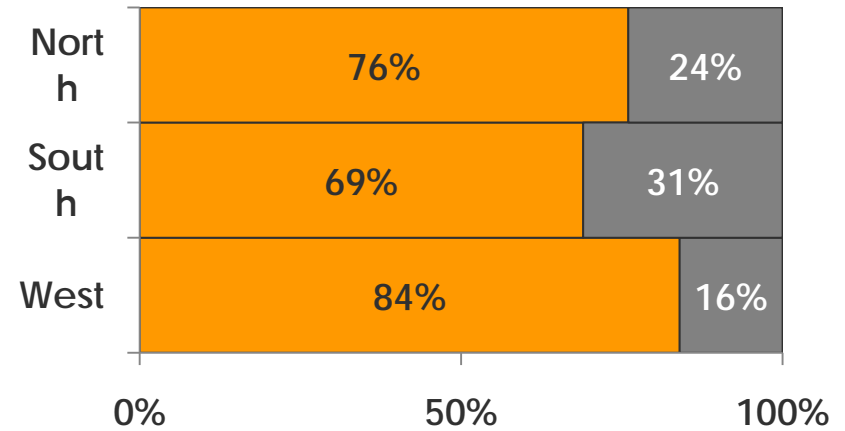
Majority of the respondents believe an increase in brand value after association with online food portals

Perception of respondents about whether association with online food portals has aided in enhancement of brand value



■ Yes ■ No

Regional Break-down



■ Yes ■ No

N=100 respondents

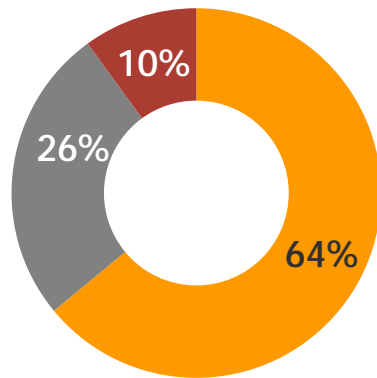
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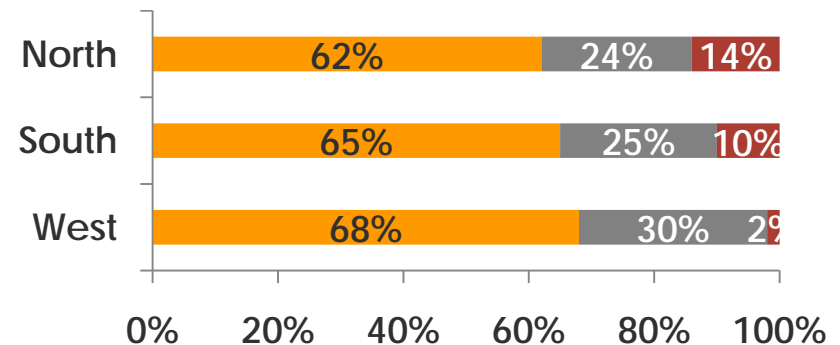
Continued association with online food portals as part of business expansion plans is favored by majority of sellers

Plans for business expansion via online retailing or offline retailing



- Continue to associate with the current online food portal
- Look for a new online food portal
- Develop own website

Regional Break-down



- Continue to associate with the current online food portal
- Look for a new online food portal
- Develop own website

N=100 respondents

North: Delhi, Uttar Pradesh, Madhya Pradesh, Haryana, Punjab; South: Karnataka, Tamil Nadu; East: West Bengal; West: Gujarat, Maharashtra, Rajasthan

Annexure



Survey Questionnaire: Apparels and Consumer Electronics

- Since how long you have been associated with e-commerce platform?
 - 0-1 year
 - 1-3
 - 3-5
 - >5
- With how many e-tailing websites you are registered as a vendor/supplier?
 - 1
 - >1
- Does your company also has a physical store or channel sales?
 - Yes
 - No
- Impact of e-commerce website on your business?
 - Positive
 - Negative
- Approximately by what percentage your revenue has increased (since the year of association until present)?
 - 5-10%
 - 10-15%
 - 15-20%
 - >20%

Survey Questionnaire: Apparels and Consumer Electronics

- What % of total sales/revenues is generated from e-tailing?
 - <20%
 - 20-50%
 - >50%
- Whether the ratio of profitability is higher in sales from physical store/channel sales or from e-tailing?
 - Physical store
 - E-tailing
- Whether there has been an enhancement in brand value through e-tailing?
 - Yes
 - No
 - Can't say
- How would you plan business expansion in future?
 - E-tailing
 - Focus on physical store/ channel sales
 - Both

Survey Questionnaire: Food

- Since how long have you been associated with online food portal(s)?
 - 0-1 year
 - 1-3 years
 - 3-5 years
 - >5 years
- Which are the online food portals you are associated with?
 - Zomato
 - Food Panda
 - Bakerlist
 - Others
- Impact of these online portals on your business
 - Positive
 - Negative
- Approximately by what percentage has your revenue increased (since the association with the portals)
 - 0-5%
 - 5-10%
 - 10-15%
 - 15-20%
 - >20%

Survey Questionnaire: Food

- What % of total sales/revenue is generated through these online portals?
 - <20%
 - 20-50%
 - >50%
- Does the online review/rating affect your business?
 - Yes
 - No
- By what percentage has the no. of orders increased since the association?
 - <20%
 - 20-50%
 - >50%
- Has there been an enhancement in your brand value since the association?
 - Yes
 - No
- How would you expand your business in the near future?
 - Continue to associate with the current online portal
 - Look for a new online food portal
 - Develop your own website



The Knowledge to Decide

Unit 501-502, DLF City Court
MG Road, Gurgaon
India; 122002

in.info@spireresearch.com

www.spireresearch.com