

A Study on 'O2O' Buzz in Indian Retail Market

Dr. Aparna Singh¹ & Mehak Goyal²

^{1,2}Assistant Professor, DSPSR College.

Received: August 29, 2018

Accepted: October 20, 2018

ABSTRACT

This study analysed the online to offline (O2O) buzz in Indian Retail market. Online shopping is getting more popular by the day but the lack of a "touch and feel" experience is the major limitation for Indian consumer. This is one of the few key reasons why companies that exclusively have been selling online so far are now looking to go the brick and mortar way. In this study the researcher has studied the trend of Online to Offline (O2O) marketing in India and also analysed the current status of E-retailers opening physical stores in India.

Keywords: Online to Offline (O2O), Indian Retail Market, E- retailers

Introduction

The online channel offers potential benefits in selling to customer segments that value the convenience of online shopping, but it also raises new challenges. These include the higher likelihood of costly product returns when customers' ability to 'touch and feel' products is important in determining fit. Despite their best intentions, and all the glitz that comes with them, **ecommerce websites cannot give us that touch-and-feel experience**, and there are plenty of **complaints** regarding it on a daily basis as well. Few of them are:

- Wrong delivery
- Delayed delivery
- Defective delivery
- Cancellation of order
- Refund against cancellation

According to the **AT Kearney India Report**, outlines challenges of selling online, including trust issues, lack of instant gratification and the dreaded long wait for delivery. That is why **Pepperfry's** closest competitor **Urban ladder** which made a sharp pivot from being an e-commerce portal to a furniture brand, is also planning to set up offline stores.

The big daddy of e-commerce, **Amazon**, went the **brick and mortar** way with bookstores in the US in early 2015. Amazon's **CEO Jeff Bezos** during the annual shareholder meeting said "**We're definitely going to open additional stores, how many we don't know yet**".

Talking about the move, **Myntra & Jabong CEO Ananth Narayanan** said, "**We're launching offline stores by the end of this year, and they're going to be completely tech enabled, high-tech stores, very interactive.**"

Online shopping accounts for only **\$38 billion of India's total \$600 billion retail market**. With **900 million Indians** still without access to internet, internet-based startups seem to be adopting the dual strategy of expanding both online and offline to reach out to every last customer wallet.

Online to offline (O2O) e-commerce is a combination of online and offline shopping. O2O e-commerce platform attract the customers online but the real consumptions of goods and services is done by the consumers offline. It has overcome the major limitation of online shopping i.e. "**Feel and Touch experience**".

Objectives

Th objectives of the study are:

1. To study the trend of Online to Offline (O2O) marketing
2. To analyse the E- retailers opening physical stores in India

Research Methodology

The researcher has used various sources to collect the secondary data like website, News paper, Journals etc.

Review of Literature

Elie Ofek, Zsolt Katona and Miklos Sarvary (2010) in his study examined when differentiation among competing retailers is not too high, having an online channel can actually increase investment in store assistance levels (e.g., greater shelf display, more qualified sales staff, floor samples) and decrease profits.

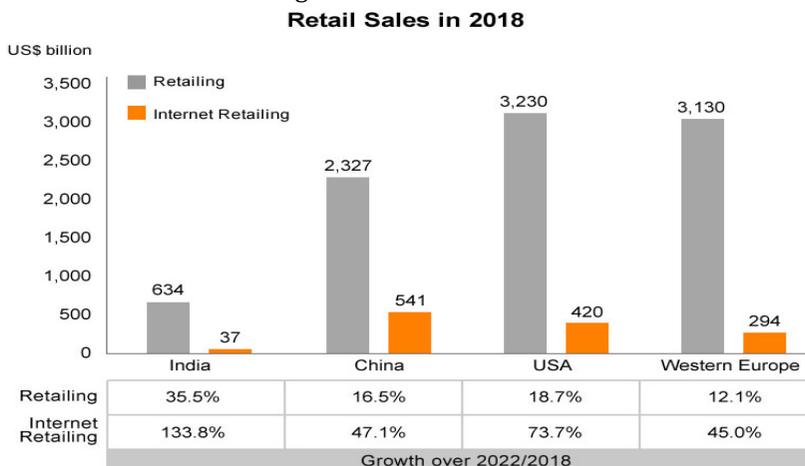
Yingsheng Du Youchun Tang (2014) in his study examined the present situation of the O2O e-commerce development in China. Then it expounds the offline service quality problems of O2O mode at the present stage. At last, this article puts some countermeasures forward for how to improve offline service quality from the dimensions of tangibles, reliability, responsiveness, assurance and empathy, in order to provide some suggestions to the healthy development of O2O e-commerce platform in China. **Koen Pauwels¹ Scott A. Neslin (2011)** in his study found the net impact of the store was to increase annual revenues by 19.8% among customers contained in the firm’s customer database. **Ryohei Tojo and Nobuo Matsubayashi (2011)** have studied the competition between a single pure-play e-tailer and a bricks-and-mortar retailer, which are originally spatially differentiated. By utilizing information and communication technology, a pure-play e-tailer can strategically control consumers' disutility for online purchase. However, such an action may also raise consumers' motivation to visit the physical store, which causes free-riding by the bricks-and-mortar retailer. We show that in the presence of a high free-riding effect, the e-tailer should be willing to provide information only about 'niche' products, which also results in improving the welfare of all members in the market.

Need for the study:

In the previous years, the foundation for O2O were laid with global competitors growing their offline networks in India. E-commerce giants Amazon grew their offline presence in India by acquiring a stake in shoppers stop, a department stores across various cities, and they are continuing with a \$5 billion investment to expand its e-commerce industry. Major Indian stores such as Lenskart, Firstcry, and Pepperfry opened their franchises to shoppers who were little uncomfortable while making online transactions, and in that way created an additional points of sale. While studying we have examine the customer expectations which states that nearly 50% of customers want to collect orders in stores, and around 41% expect orders to be ready for pickup within 1 hour(as mentioned below). Due to the surge in the count of customer expectations, the topic has gained importance in the area of research and further discussion.



Source: Forrester consulting research



Source: Euromonitor International

As we can see from the above figure, India has the maximum no. of consumers using Internet Retailing. Therefore, India also has no. of complaints more than other countries. As the Indian consumers feel more satisfied when they feel and touch the products and expect faster delivery.

Percentage of Online and Offline purchases in India

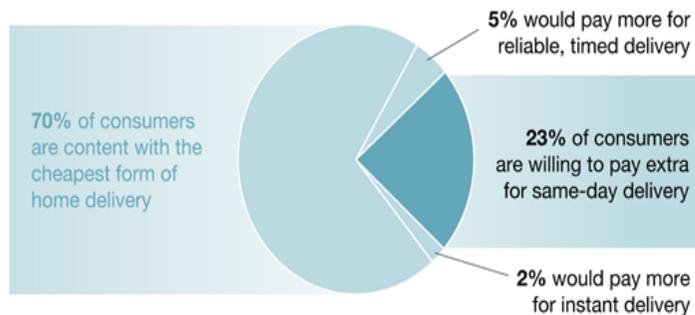
The study conducted by BCG concluded that 70% of the online shoppers are influenced by ecommerce, only 16% make online purchases.

Offline stores in India

Nykaa	LOCATION - Khan Market Indira Gandhi International Airport Terminal 3 WEBSITE - http://www.nykaa.com/
Zivame	LOCATION - DLF CyberHub Gurgaon DLF Place, Saket Shop No. 171 WEBSITE - https://www.zivame.com/
Faballey	LOCATION - Shop No. 132A, DLF Palace, Saket Mall, Saket District Centre WEBSITE - http://www.faballey.com/
Street style store	LOCATION - Hauz Khas Village, near wow momos! WEBSITE - http://streetstylestore.com/
Lulu & sky	LOCATION - Select Citywalk, A-3 District Centre, Saket, New Delhi, Delhi 110017 WEBSITE - https://www.luluandsky.com/

Conclusion

Delivery-model customer preferences, %



McKinsey&Company

On the basis of the above model given by Mckinsey & Company we can conclude that 70% of the consumers prefer cheapest form of home delivery, only 2% would pay more for same day delivery. As the Indian consumers shopping is based on their budget they want quality of product within the range and in lesser time. This expectation of consumer can be made by the Indian E-retailers if they open their offline store from which the consumers can go and collect the order placed online. This will save their time as they don't have to wait for the delivery and neither have to pay anything extra. The other major limitation of online shopping will also be solved that is **"Feel and Touch Experience"** which is going to reduce the increasing amount of complaint for online shopping on various Government complaint portal and grievance redressal forum.

In india consumer behaviour is affected by various factors like technology adoption, purchasing power, penetration of mobile devices and 4G connections.

O2O also known as "Phygital Experience" which is the mix of Physical and Digital experience.

In India "KIRANA STORES" has survived alongside the growth of "GROFERS" and "BIG BASKET" as the typical Indian consumers are satisfied only when they touch and feel the product.

Therefore, the brands should find the right mix of channels and offer the strategic blend of Online and Offline options to its customers.

As the Indian consumers look for experiences that are immersive, seamless & personalized.

Reference

1. Ofek, E., Katona, Z. & Sarvary, M. (2010). "Bricks and clicks": The impact of products return on the strategies of multichannel retailers. *Marketing science*, 30(1).
2. Koen Pauwels Scott A. Neslin. (2011). Building with Bricks and Mortar: The Revenue Impact of Opening Physical Stores in a Multichannel Environment. December 8, 2011.
3. Tojo, R., & Matsubayashi, N. (2011). Competition Between Online and Physical Stores: The Implications of Providing Product Information by Pure-Play. *Managerial and Decision Economics*, 32(5), 281-292.
4. Du, Y., Tang, Y. (2014). Study on the development of O2O E-commerce platform of China from the perspective of offline service quality. *International Journal of Business and Social Sciences*, 5(4), 308-312.
5. <https://academic.oup.com/iwc/article-abstract/19/3/397/800995>
6. <https://www.sciencedirect.com/science/article/pii/S0022435915000160>
7. <https://www.ndtv.com/india-news/why-indias-online-startups-are-turning-offline-1621583>
8. <http://corecommunique.com/gurgaon-based-startup-adds-a-unique-twist-to-online-shopping/>
9. <https://tech.economictimes.indiatimes.com/news/startups/paytm-mall-launches-online-to-offline-commerce-platform/59137155>
10. <https://apparelresources.com/business-news/retail/mynta-opens-second-physical-store-bangalore-aims-100-stores-next-two-years/>
11. <https://economictimes.indiatimes.com/industry/services/retail/mynta-fy17-turnover-zooms-87-to-rs-2000-crore/articleshow/62667544.cms>
12. <https://qz.com/india/1278257/nykaa-ceo-falguni-navar-talks-profitability-and-taking-online-beauty-brand-offline/>
13. <https://magicpin.in/blog/online-nykaa-store-offline/>
14. <https://www.sciencedirect.com/science/article/pii/S0022435915000160>
15. <https://www.indianretailer.com/article/whats-hot/trends/Do-consumers-today-prefer-online-or-offline-shopping.a5902/>