



Click and cart



E-TAILING is the latest buzz, and practically everyone is jumping onto this bandwagon every day; after all one of the biggest drawbacks of physical retailing is finding space and managing people. Web-based retailing seems, at least at first glance, to do away with all this with one click of the mouse.

But wait – e-tailing has its own complexities, and one is not going to get ahead in this race unless one has thought through all the relevant issues

and structured an offering that combats these. E-tailing, after all, is a business like any other and requires all the discipline and planning that goes with it, in fact, more, because the entry barriers are lower than in most other physical businesses.

The decision points for an e-tailer

1. Merchandise to be carried/product mix
2. Why customers must buy from you
3. Sourcing strategies

away

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4. Logistics/delivery to customer
5. Payment mechanism

Merchandise

The most important decision for an aspiring e-tailer is to decide on the merchandise. In general, high involvement purchases and non-standardised items are least likely to be purchased in large volumes on the Net as the shopping ambience, touch-and-feel, 'kicking the tyres' and so on are all important in the purchase of such items. Categories

where repeat purchases are common, branding levels high, and customer touch-and-feel irrelevant are likely to be the most successful ones for e-tailing.

Virtual products such as software, financial services and so on which require no physical delivery would also be large killer categories online. Choose the merchandise you want to e-tail carefully; a wrong choice here will be like running a 100 metre sprint with a sand-bag tied to your legs. Also, take into account the levels of penetration the Internet has in the likely user base for that merchandise; selling low-end merchandise on the Net in India may be senseless as Net penetration in these segments is still very poor.

E*trade, an online stock brokerage in the US, and Amazon.com the bookshop, are all very successful as they have gone into categories where the services they offer (financial services and book selling) are purchased by the higher-end of the market, most likely to have Net access and also more likely to be tech-friendly and willing to adapt newer technologies. Travel services, financial services and such other products oriented to a wealthy or high-income target audience will do better, at least for now, than mainstream merchandise, considering the skew of Internet access.

In the case of Subhiksha, as we were not a pure Internet play but a click-and-mortar model, the merchandise mix is the same as that at the physical store. Of course, we are adding greater variety in the e-store to take advantage of the virtual inventory properties of the Net: As groceries and medicines are typically bought without any touch-and-feel issues and have large

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E-tailers need to develop a payment model that consumers will accept, and create systems based on this model.

repeat purchases, our categories fit the Net quite nicely.

The must-buy logic

Once you have decided what you want to sell, you need to understand why you expect the customer to buy from you; there has to be some compelling logic/USP that you can bring which drives the customer to e-shop with you. Remember, unlike physical retailing where your competitor may be 10 km away (and hence 15 minutes away), in e-tailing your competitor is only a mouse click away. It is, therefore, extremely important that you make sure you have a value proposition that appeals to your target audience. More important, this should be sustainable and not easily replicable by competitors.

Sourcing strategies

Being low-cost and efficient is extremely critical in e-tailing. In any retailing business (e-tail included), the

purchased cost of the goods sold is the biggest cost element and hence the importance of setting up an efficient sourcing system cannot be overstated.

In the lean inventory e-tail world, sourcing efficiencies are not limited merely to buying low. Making your vendors' systems integrate into your systems is critical to ensure that the product flow is seamless and all possible efficiencies are exploited in moving the material from your vendor. Choose vendors with care – your vendor can make or break you, both with regard to product quality and, more important, delivery time. The Net world is unforgiving about delays in delivery and unkept promises. As for sourcing, Subhiksha piggybacks on physical infrastructure, and is thus comfortable, but as we add special products only for the Net, we have to tackle issues of special sourcing, as well as ensuring they get to the shops from where they can be delivered along with other normal inventory items.

An e-story

SETTING up www.subhiksha.com has been an illuminating experience. Upfront, we were clear that the unlimited cataloguing capacity of the Net offered us the scope to significantly innovate and do things very differently from merely listing all products available at the store.

The Web site has been designed to offer high levels of information on every parameter relevant to the shopper in making buying decisions. Additionally, the products are neatly grouped together in a logical fashion to enable the shopper to complete his purchases quickly – very important to those who are pressed for time, also given the high local phone tariff and Internet access charges.

Using the interactive nature of the Net, we are building in 'suggestive buying' modules where, if you choose

a particular product, the system suggests to you either complementary products – say ketchup to a noodle buyer or a more valuable substitute – say the generic equivalent of a branded medicine. Considering the fact that a lot of repetitive buying happens in groceries, we have enabled shoppers to recall their previous order and simply modify it to speed up the process.

We have still only scratched the tip of the iceberg and there is obviously a long way to go. The only early lesson is that it would be a big waste, and mistake too, if one were to look at the Net merely as a physical shop substitute and copy physical store models online. The Net offers an entirely different set of opportunities which we need to think through, and successful e-tailers will be those who can harness the Net's full potential. ■

Logistics

Taking orders on your Web site may appear to be a breeze compared to reaching the goods to the customer's specified delivery point in time and at reasonable cost. Keep in mind that customers in India (or anywhere else in the world for that matter) are never too keen to pay any extra charges for delivery and, in most business models, you have to factor in the delivery charges as an additional overhead of the business. Logistics (or order fulfillment, to be precise) is the key issue that distinguishes survivors in the e-tail business from losers.

Logistics needs complex handling: Does the vendor ship directly to your customer, do you maintain inventory, if so, where and how much, how do you ship to the customer, how do you handle customer queries, complaints and service requests – everything other than mere order-taking can be dubbed under the general head of logistics. In logistics, we at Subhiksha looked at various possibilities but finally settled on delivering through the nearest store. This gave us the flexibility of quick response and low-cost and enabled us to leverage the large spread of stores we have in Chennai. This also gave the customer the comfort of knowing that in the unlikely event of needing any grievance handled, the physical store is not too far away.

Payments

A tricky area, despite the steps taken to put cyber laws in place, is payment. Consumers are unlikely to be willing to pay before delivery, and handling payment against delivery increases the complexity of, and the load on, logistics. More important, service charges on credit cards are exorbitant (5 per cent is the fee charged by credit card companies here for Net transactions) and the concern, real or otherwise, of credit card information being stolen remains. Work out a payment model which your consumers will accept and develop your systems with this payment model factored in.



**“Now comes the best part of online selling.
We’ll ask all customers to have a
soft drink as they shop!”**

At Subhiksha, we worked on the logic that the goods are real, not virtual like music, and bulky and are delivered through a proprietary network. Given the low margins on the products, especially due to our generous discounts, we have chosen a payment against delivery mode; we collect cash or a charge-slip at the time of delivery.

For the various reasons cited above, retailers with existing brick-and-mortar infrastructure normally have a headstart over pure e-tailers, as their physical infrastructure allows their e-businesses to piggyback on it. However, e-tailers need not lose heart: Amazon.com and E*Trade are all e-tailers who changed the entire structure of their industries despite being pure-play e-tailers. So, if you plan well and evolve a business model that is well thought through you too can e-tail and win. ■

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Chennai-based retailer, Subhiksha.)*