



A Study of Online Shopping Behavior in India: Context of Consumer Electronics and Durables Products

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Abstract:

India become an online shopping battle field with increasing online business start up firms, online business applications and growing convenient shopping mood of consumers. Electronics and durables products are such segment which is growing at fast pace with increasing population and growth in facility segment. Indian consumer is showing very sensitive response to such online shopping festivals due to many reasons.

Keywords: *Electronic products, Online shopping, Consumer decision journey*

1. Statistics and facts about e-commerce in India

The line between offline shopping (physical form of shopping) and online shopping became fuzzy in India. According to the surveys and experts analysis, consumers often uses both of them thus, this changing behavior and shopping habits poses challenges to the unorganized and modern retail sectors. The organized retail sector is still in nascent stage and e-commerce competes with it for a share of the consumer's wallet in the world's most dynamic and fastest growing economy. According to reports of PWC in 2015, the organized retail segment increased with 7 percent growth rate compared to the 11 percent growth rate of overall retail sector. But the online retail segment has been growing at a massive compounded annual growth rate of 63 percent. According to KPMG, e-commerce business has grown to \$23 billion in 2015 from \$13.6 billion in 2014. This unprecedented growth was due to rising online consumers, affordable smart-phones and improvements in network infrastructure (PwC, 2016).

According to outlook the last festival season was remarkable to online retailers as well as physical retail establishments as approximate sales of Rs. 25,000 crore happened through online shopping and physical retail accounted approximately Rs 15,000 crore sales. According to Consumer Electronics and Appliances Manufacturers Association (CEAMA), the growth was 35 percent compared to 6 percent last year.

Online shopping and organized retail are both still young in India. But the rapid growth of online shopping in the last couple of years is changing the way consumers' shop and approach different shopping channels. This shift in consumer behavior was due to use of mobile phone in shopping. The recent reports of Credit Suisse claimed more than 65 percent of Internet traffic in India comes from mobile handsets. The online retailers like Snapdeal, Flipkart and Amazon get over 70% of their traffic from the mobile device.

According to Infiniti Retail Ltd, who runs Croma (electronics and whitel goods chain from Tata group, every customer from their target audience uses online shopping. In their study they found, there are 10 percent consumers who never shop online, they may go to 2-3 physical stores and make a choice. There are 15 percent who shop online and never to for physical shopping. Consumers may research online and buy at stores or look at a product in a store and then buy online. The survey conducted during Diwali week by Croma found that 50 percent of the electronics and consumer durables chains consumers had visited their website, 55 percent had visited other e-commerce sites. This shifting shopping behavior forced physical retailers to launching integrated online and offline strategies to increase their presence and accessibility. Due to changes in lifestyle and shopping choices, buyers preferring online channels over physical channels to save time and seek a wider range of variety.

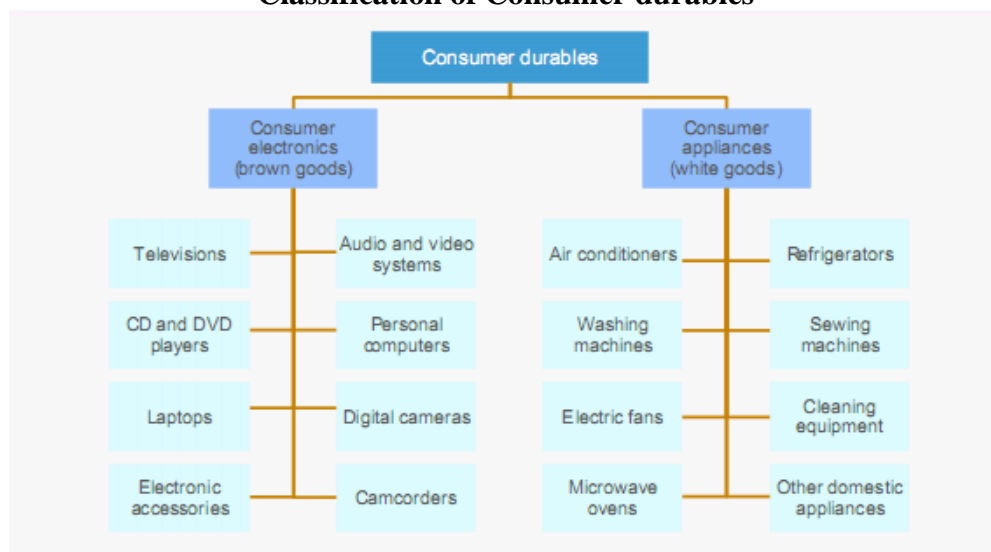
Indian consumers experiencing the digital growth as Indian consumers are taking a leap forward with their readiness to experiment and shop online. The technology savvy users today want to explore new brands, and choose from the variety of product categories, services and e-commerce platforms. With enormous services from e-tailors like, easy return policies, various payment options, cash on delivery and quick delivery services, online shoppers in India may reach 175 million by 2020 (AT Kearney,2016). With growing internet users from 450 million in 2016 to 600 million in 2020 according to Statista, online shopping adapted faster.

2. Brief note on Consumer Electronics

Consumer electronics classified as following sub categories. India is set to become the fifth largest consumer durables market in the world. By 2025, India would rise from the twelfth to the fifth largest position in the consumer durables market in the world; the market is estimated to reach USD12.5 billion in 2016. By 2020, the electronics market in India is expected to increase to USD400 billion from USD94.2 billion in 2015. The production is expected to reach to USD104 billion by 2020. (www.ibef.org)

Consumer electronics accounts for more than 40 percent of end consumer spending in India. The annual turnover of more than Rs. 500 billion and it contributes more than Rs. 150 billion to revenue of government of India. The urban market accounts for the majority of share approximately 65 percent of total revenue in the consumer electronics sector in India. The Ernst and Young estimated future spurt growth will come from rural market in this sector.

Classification of Consumer durables

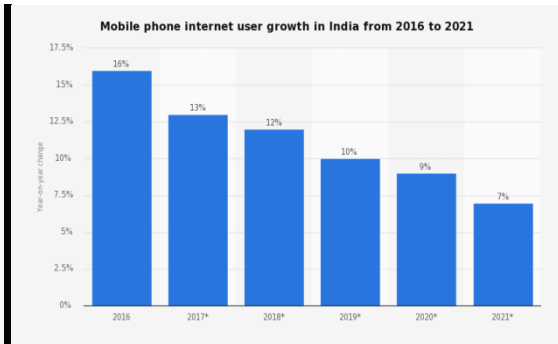
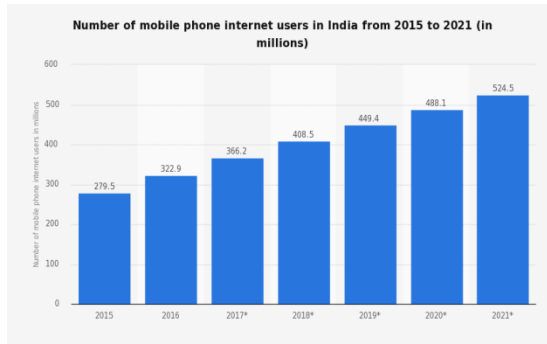


Source: Electronic Industries Association of India, TechSci Research

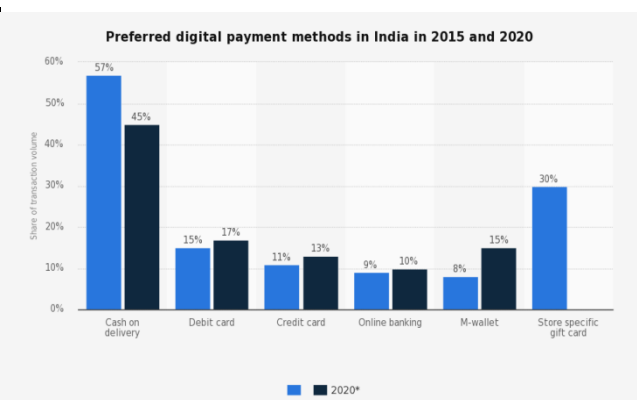
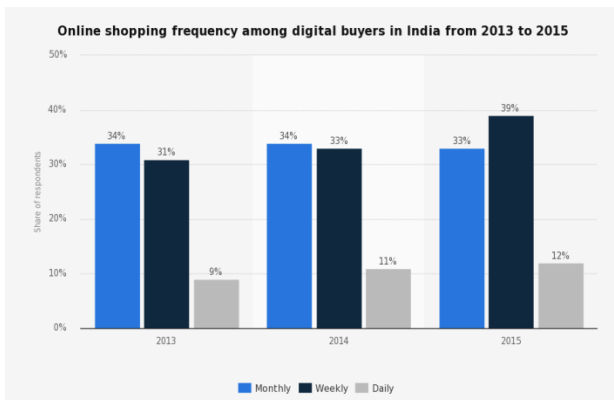
3. Deloitte and Confederation of Indian Industry study, 2016



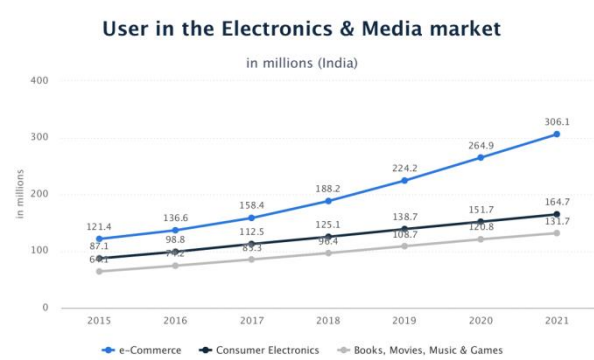
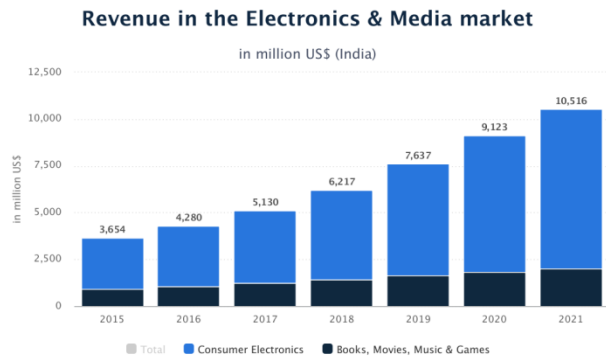
The results of the survey and analysis claimed that, average B2C e-commerce spending per online shoppers will increase from 147 US dollars in 2013 to 464 US dollars in 2020. At same time the online retail sales jump from 3.8 billion US dollars in 2009 to 23 billion US dollars in 2015. It is expected the sales reach 38 billion US dollars in 2016.



Mobile internet user will increase 524 million in 2021 with growth rate of 16 percent. With the rapid increase in mobile data consumption, mobile commerce (m-commerce) is set to overtake web browsers in driving sales soon. According to Criteo study during the festive season in 2015, 40 percent of the online traffic on major retail companies was generated by mobile phones. Clearly, m-commerce is experiencing a tremendous rise in India.



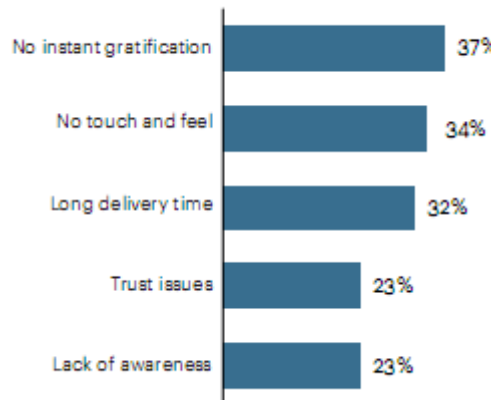
Shopping frequency of online shoppers increased since 2013 and recorded high in 2015. Payment methods also will change from cash on delivery to mobile wallets and online options. During 2015, Indian stands second in Asia pacific region with 37 percent in use of M-wallet for payment options after China recorded 45 percent.



Revenue in the consumer electronics will increase from 2015 to 2021 along with users. Consumer electronics products' share in online sale of various product categories jumps and remains second after fashion products. Last year in 2015, consumers who have habit of offline buying shifted to online shopping looking at benefits and advantages e-commerce offers. With faster internet access through broadband and Wi-Fi (wireless fidelity) and increasing use of smartphones and other handheld devices like tablets and i-Pads, browsing e-commerce web sites and placing orders have become a growing trend in cities and towns across the country.

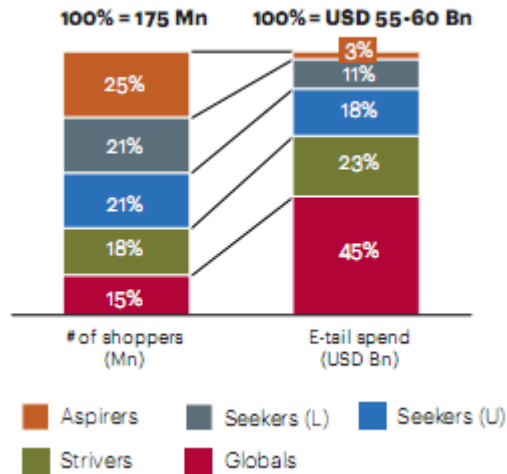
4. Google-A.T. Kearney Study, 2016

After studying more than 3000 consumers and sellers it was found that, number of online shoppers will grow more than three times and about 33 percent of consumers accounted for 67 percent of spending. Number of online shoppers will jump from 50 million in 2015 to 175 million in 2020. Barriers for current non buyers are as follows.



Source: A.T. Kearney-Google study

Considering the income of buyers, their share of online shopping spends in 2020 given below. The study says that the top one-third of the customers or the 60 million of the 175 million shoppers in 2020 will be "high-value customers" and that segment will 68 percent of the total spend. Women buyers will also double their share in the online spends to about 40% in 2020. Looking in to the growing demand, online sellers will need to grow by five times to serve in future.

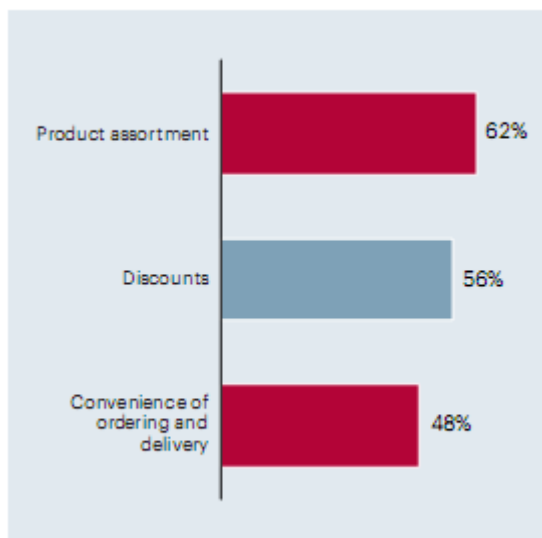


Source: A.T. Kearney-Google study

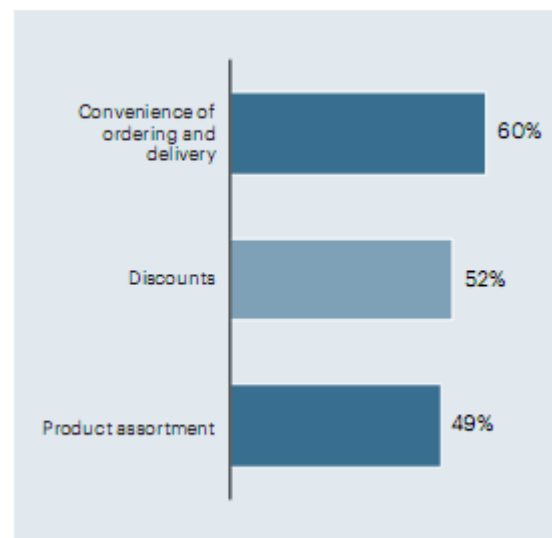
The male consumer buys 64 percent consumer electronics whereas 36 percent female consumer buys electronics durable products. The online shopping will see five time growth in number of women shoppers by 2020.

5. Reason for online shopping (Percent of surveyed respondents)

Current buyers



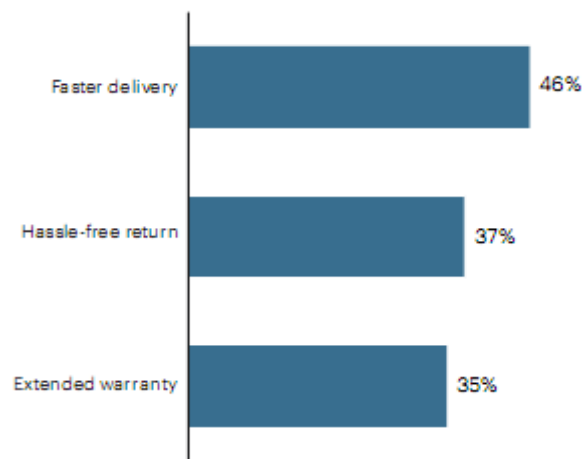
New buyers



Source: A.T. Kearney-Google study

Both existing and new online buyers will look for offerings beyond discounts. About 90 percent of buyers in survey claimed that they would not stop shopping online if discounts were discontinued. For new buyers, convenience of ordering and delivery will be purchase driver.

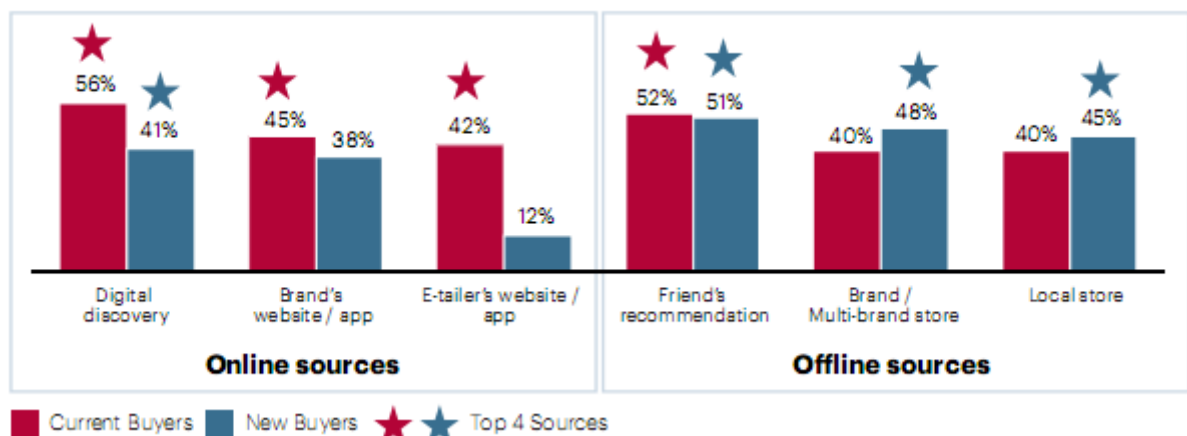
6. Customer ready to pay for Value added service (Percent of surveyed respondents)



Source: A.T. Kearney-Google study

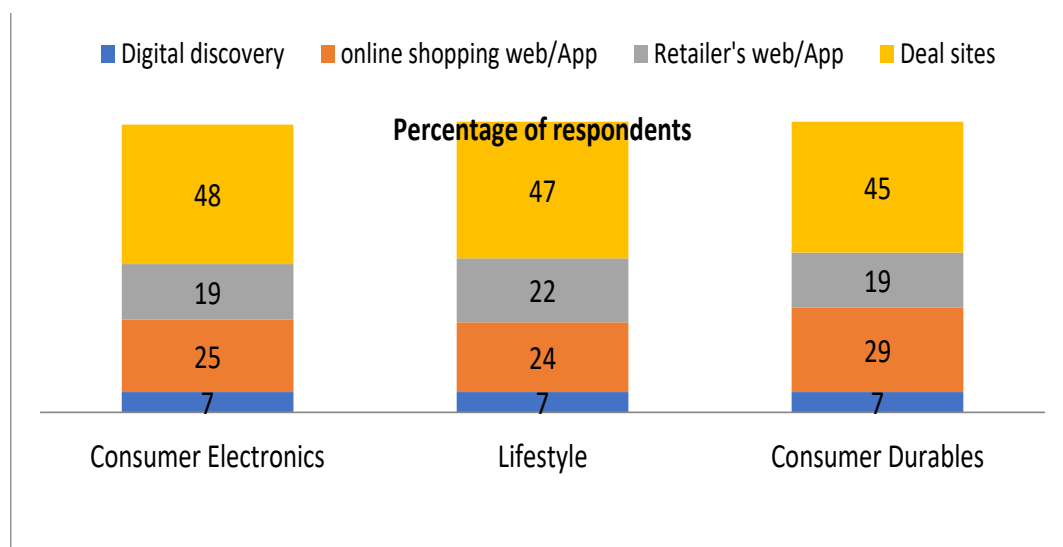
The consumers will demand value added services as more than 90 percent of customer said they are ready to pay for premium services like fast delivery, hassle free return and extended warranty. The online shopping industry will move towards service differentiation in coming years.

Sources of Information for current and new buyers (Percent of surveyed respondents)



Source: A.T. Kearney-Google study

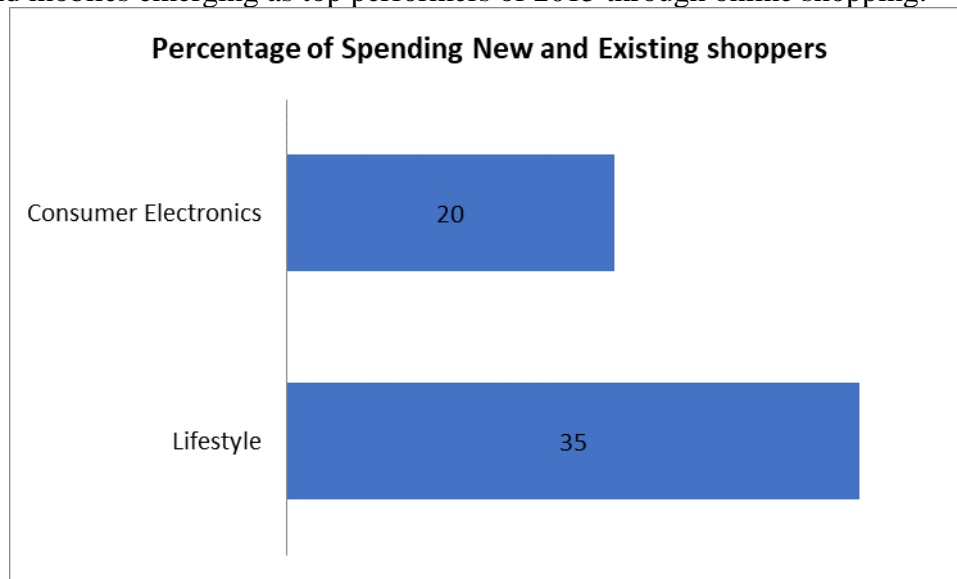
7. Preferred sources for online information search



Source: A.T. Kearney-Google study

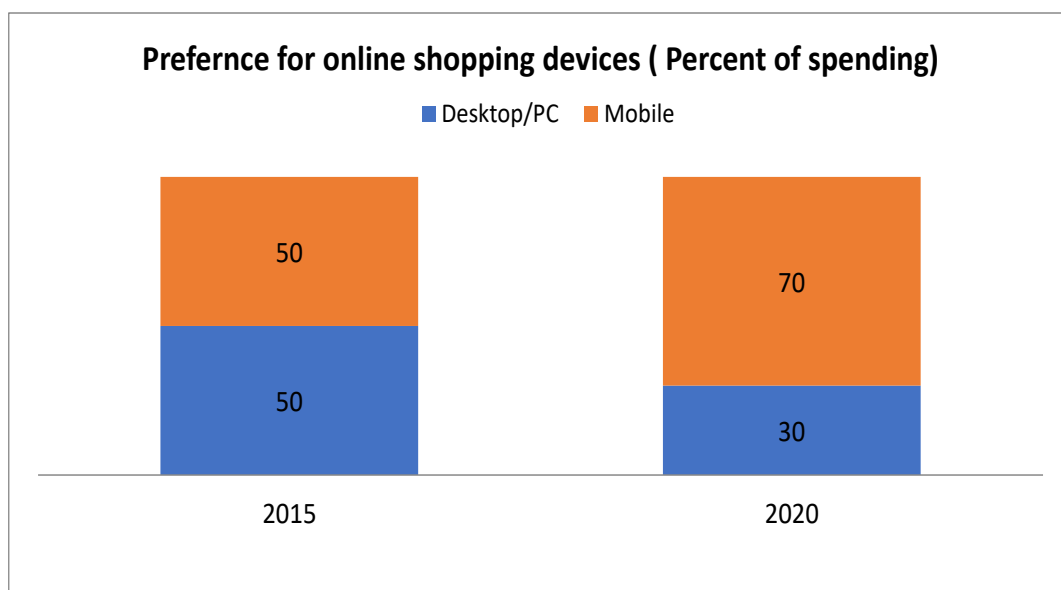
Current buyers are more influence towards online sources than new buyers. The offline sources of information like Friend's recommendation, multi brand stores and local stores are equally preferred by both current and new customers. For consumer electronics, digital search, websites/apps and retailers websites/apps are key online information sources.

Consumer electronics will continue to dominate spending from online customers after lifestyle category. About 20 percent spending goes towards consumer electronics. The new buyers as well as existing buyers are inclined to spend on consumer electronics and lifestyle both. Internet penetration through mobiles and access to a variety of brands and products at affordable prices has made electronics and mobiles emerging as top performers of 2015 through online shopping.



Source: A.T. Kearney-Google study

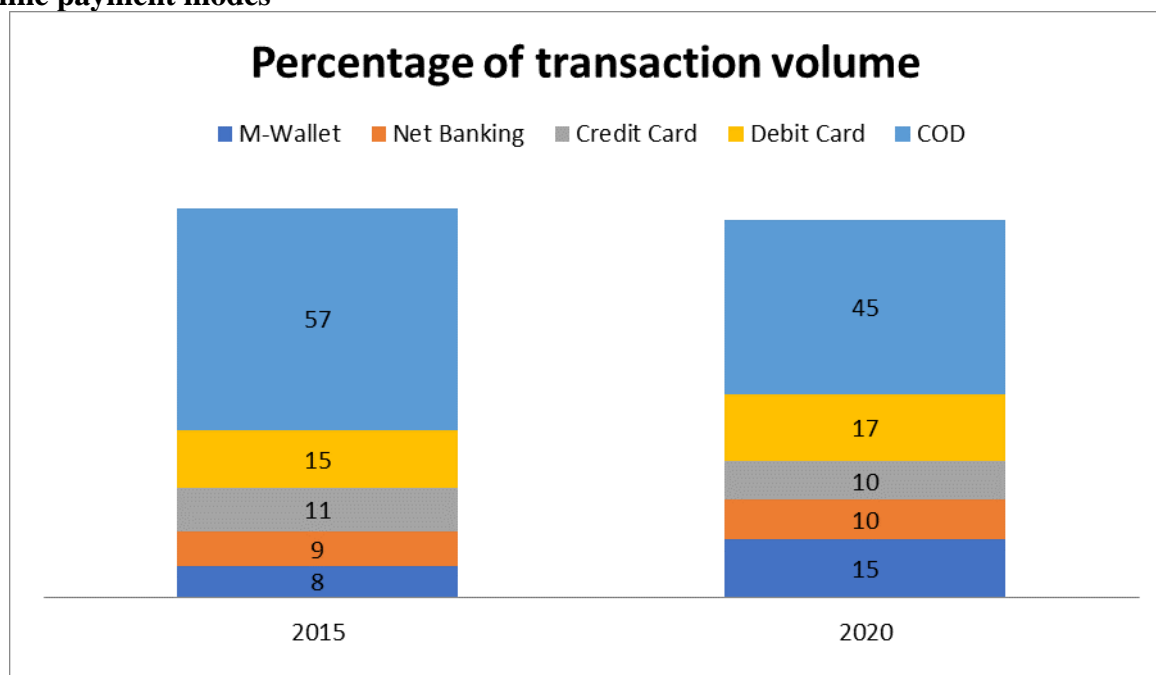
Mobile as a device will favorable factor in online shopping adoption. There will be rise of mobile users and thus online shopping through mobile device will increase from 50 percent in 2015 to 70 percent in 2020. The customers will demand an omni-channel presence. More than 55 percent of consumers insisted physical presence to facilitate search and trial/testing in consumer electronics category. Omni channel presence across different stages of the customer purchase journey should be prioritized for consumer electronics and durable products.



Source: A.T. Kearney-Google study

Multiple channels for shopping emerged known as omni channel, as traditional retailers moved from an offline model to an omni-channel formats. The online shopping players like Flipkart, Snapdeal and Amazon are also focusing on improving consumer retention and frequency through personalized offerings and creating offline touch points. The brown goods and white goods brands have offered discounting on e-commerce sites, Flipkart and Amazon collaborated with the Samsung and sony to address a wider range of prospective shoppers. Both these companies have started building their omni channel network in tier I cities in partnership with consumer durables and electronics manufacturers to cater to a set of buyers who want to get a 'touch and feel' experience before making online purchases. The cash on delivery payment mode in online shopping play very critical role, which is expected to reduce from 57 percent in 2015 to 45 percent by 2020. The online retailers schemes and discounts, loyalty programs encourage consumer to adopt remaining mode of payments. The M wallet and online banking will be crucial in near future for online shopping.

8. Online payment modes

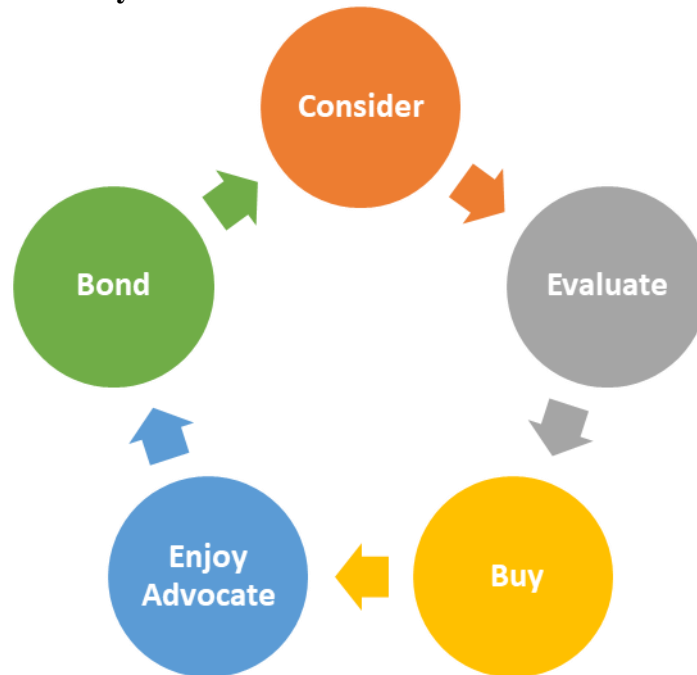


Source: A.T. Kearney-Google study

9. Consumer Decision Journey: McKinsey Quarterly (2009)

According to the study of Edelman, D. C. (2010), the consumer considers few channels (physical, online, teleshopping etc.) to buy the electronics products. In his study, he has mentioned about Consumer decision journey published in McKinsey Quarterly during 2009. The CDJ follows four stages. The consider stage focuses on channel, brand and model of the product. For evaluation of the same price, discounts and quality play critical role. There are digital sources used along with physical for information and evaluation of brand. Search engines, deal sites and e-retail sites were accessed to evaluate their alternatives. The consumer purchase considering priority factors like budget, discounts, availability etc. Based on consumption experience consumer spread positive word of mouths on retailer's site, social sites etc. The consumers often talked about the purchases in social networks and posted reviews online. The retailer also stimulates through post purchase emails. The consumer's repeat purchase based on his overall experience for the site make strong bond with the e-tailer.

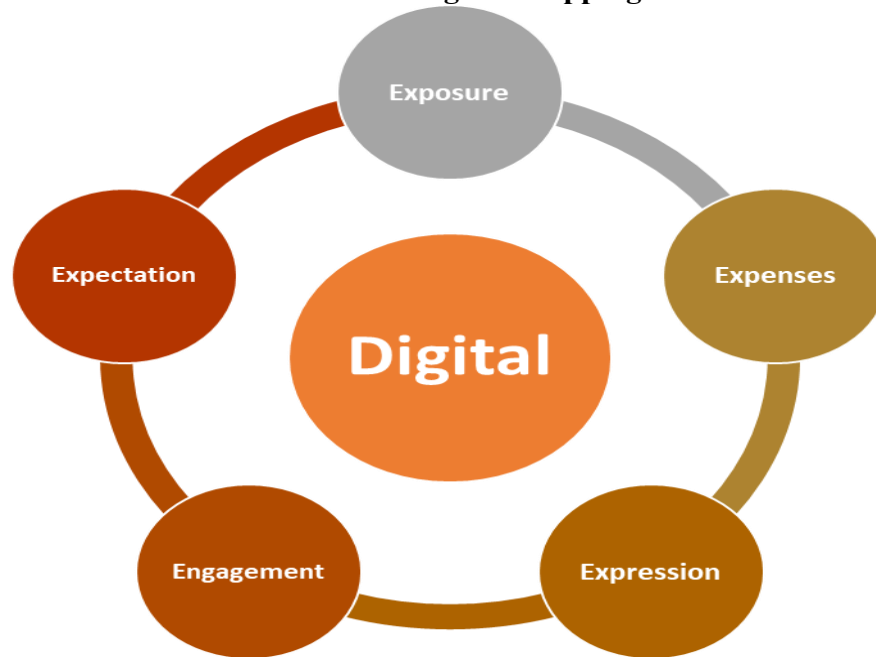
10. Consumer Decision Journey



11. Five Es' of Digital Shopping

The consumer electronics and durable products shares second highest amount of disposable income from Indian consumers. The electronic commerce enabled online shopping enriches consumers with delightful experiences. The promotional strategies of entailers increase their consumer base. The following five E digital shopping model explains the paradigm shift in consumer behavior. The consumer's expectation plays very obvious role in marketing management and online shopping can gauge it better than off line shopping. The exposure to mass using digital promotional methods is cost effective technique in recent time. The digital payment method suppresses the cash on delivery for payments, and the online retailers encourages consumer to adopt digital payment methods. Consumers express their experience online and refer their experience to many prospective consumers. Digital engagement of consumer is one of the most attractive issue in current market dynamics. This methods reinforces the relationship with consumers and most digital retailer initiated consumer engagement using various online and off line options.

Five Es' of Digital Shopping



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