



*Igniting Thoughts of Tomorrow*

# E-COMMERCE

## WeChat

**Mr. Vidmay Naini**  
**Business Head,**  
**E-Bay India.**



## Approach towards Supplier Selection



**Featured**  
Emergence of  
Hybrid E-Tailing  
Models  
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June 2014



## OUR VISION

**“To nurture thought leaders and practitioners through inventive education”**

## CORE VALUES

**Breakthrough Thinking and Breakthrough Execution**

**Result Oriented, Process Driven Work Ethic**

**We Link and Care**

**Passion**

*“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler*

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind’s eye needs to be nurtured and differently so.

WeSchool has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Dear Readers,

It gives me great pride to introduce Samvad issues every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.



**Prof. Dr. Uday Salunkhe,  
Group Director**

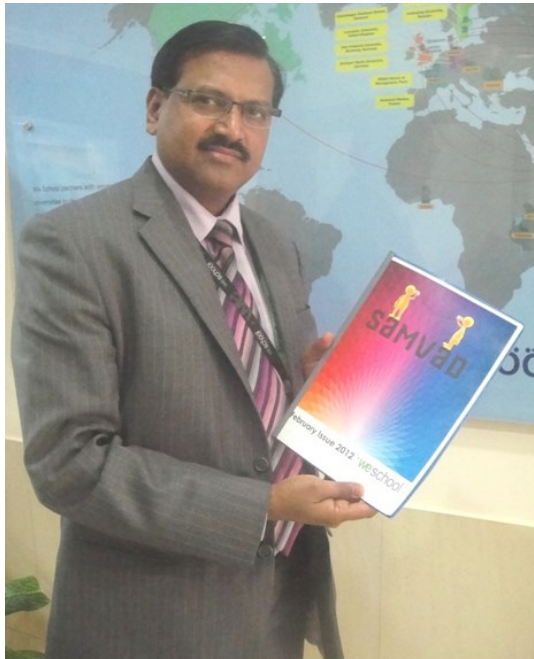
Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

**Prof. Dr. Uday Salunkhe,**  
Group Director





**Prof. Dr. Uday Salunkhe introducing the first issue of Samvad**

## OUR VISION

**“To facilitate exchange of ideas that inspire innovative thought culture”**

## MISSION

**To Dialogue  
To Deliberate  
To Develop  
To Differentiate**

As the student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

Dearest Readers,

Greetings from Team Samvad!

It gives me and the entire Samvad Team immense satisfaction to bring to you the latest issue of Samvad on the theme “E-Commerce”.

E-commerce in India has evolved significantly in the last decade. The rapid growth of e-commerce in India is being driven by greater customer choice and improved convenience. Having a strong business model coupled with a first class level of service is critical to its success. According to IAMAI, there are over 3 crore online buyers and more than 190 million internet users in the country and the number is bound to increase as we speak. With those kind of numbers, it is not surprising as to why E-Commerce is the buzz word in business now-a-days.

To give you more insights on a career in this sector, we have Mr. Vidmay Naini (Business Head, EBay India), a distinguished personality in the field of E-Commerce. Hope the interview adds lot of value to your reading. The featured article gives an insight on the new hybrid e-tailing models prevalent in the E-Commerce sector and how Indian E-Commerce sites are using such models to their own advantage.

We are thankful for all the wonderful comments, compliments and suggestions for improvisation by you all and we are striving for the best. We hope with this issue we provide you with different perspectives on this sector. We will be happy to hear if you personally wish to enter this sector or have a vision to bring about a disruptive change at the grassroots level. It's time we ignite our thoughts in to actions for a better tomorrow.

Hope you will like reading this issue. Feel free to give us your feedback. The new Team will strive hard to make your readership experience more worthwhile.

Read Better to know Better...!!!

Best Regards,

Anurag Chatterjee

Editor

Samvad - Igniting Thoughts of Tomorrow

*Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.*

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by both **Prof. Amarkant Jain** and **Prof. Deepa Dixit**. Their insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for her help in selecting the best Marketing articles. She is a part of our core Marketing faculty at WeSchool.

The Finance articles were scrutinized by **Prof. Sapna Malliya** and we thank her for choosing the most relevant and informative articles.

We appreciate the efforts of **Prof. Jyoti Kulkarni** for selecting the most interesting articles in General Management domain.

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We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also, we thank **Ms. Prachi Shah** and her team for helping us out in the PR activities of Samvad

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## An Interview with Mr. Vidmay Naini

*By: Team Samvad*

*Mr. Naini is currently the Business Head at E-Bay India. He has over 11 years of experience in the E-Commerce Sector and shares with us his take on the current E-Commerce environment.*

**1. Could you please take us through your professional journey right from the start of your career?**

I currently head the Technology Category and PaisaPay section at eBay India. I am passionate about the potential that the online medium offers to Indian merchants and brands to grow their businesses, both nationally & globally.

I am also responsible for eBay India's new business initiatives that are complementary to eBay India's business. I also lead eBay's secure payment gateway PaisaPay as well as merchant shipping solution PowerShip.

At eBay, I have led strategic projects such as developing eBay Philippines & Malaysia markets, launching eBay's first Group Buying site eBay Kuponan in Philippines & eBay Global EasyBuy.

Prior to joining eBay India, I was the Manager – Retail Sales, Andhra Pradesh for Reliance Mutual Funds. I have an over 11 years' of cross-cultural experience in eCommerce, business development, online marketing, sales, distribution and brand management functions.

Professionally, I am a graduate from Nizam College, Osmania University in Hyderabad & did an MBA in Marketing from Institute of Management Development & Research, Pune.

**2. E-Commerce which was unheard of 7-8 years ago in India has now changed the way**



**business is conducted. How did this paradigm shift happen?**

In India, the eCommerce industry attracts 30 million unique visitors to online shopping websites every month according to ComScore. The number of online shoppers is rising fast as consumers have realised the convenience of shopping and transacting online as well as the ability to get great deals and access huge variety at the comforts of one's home. With increasing internet penetration and broadband availability, improvement in logistic network and availability of the COD option, consumers have access to a wide array of products and can buy them online with a single click.

Indian online buyers are buying everything from the latest gadget to the coolest shoe from the comfort of their homes, cyber cafes or even their mobile phones. According to the eBay India Census 2012, India has 4,306 eCommerce hubs out of which 1,015 are rural hubs and 3,281 are Bharat hubs (tier II and III cities). As projected by a recent report by Forrester, the industry is estimated to exit 2014 at USD 3.2 billion with a growth rate of 60% YoY.



### 3. What did the companies do to educate the buyers and remove the phobia associated with online purchases?

Over the last nine years, eBay India has focused on delivering Indian consumers a fantastic user experience to buy the widest variety of products at great prices. We have focused on evangelising eCommerce to Indian entrepreneurs, enabling them to set up an eCommerce store and cater to national & global demand. In addition, as eCommerce Thought Leaders, we actively engage with industry bodies like Internet & Mobile Association of India (IAMAI), FICCI, NASSCOM & FIEO to evangelise the benefits of eCommerce to the government, industry & brands.

We are India's largest eCommerce marketplace and this is possible due to our core value of trust. We offer consumer a safe and secure environment to buy & sell and also offer a variety of products with best deals. Consumers eagerly await our daily, weekly and monthly deals.

To enhance consumer experience, we have introduced three pioneering services exclusively for India consumers i.e. eBay Guarantee, PaisaPay & PowerShip. These services guarantee a safe, secure and transparent transaction between the merchant and the buyer:

**PaisaPay**, eBay's secure payment gateway, allows consumers to pay conveniently through credit card, debit card, net banking or EMI. The payment is released to the merchant only once the buyer confirms receipt of the item.

**eBay Guarantee** offers all eBay buyers a replacement or refund on all transactions in case they are not 100% satisfied with the product they purchased. The eBay Guarantee is aimed at instilling consumer confidence in online shopping promising a completely secure & satisfaction-guaranteed experience of getting the product

they selected and paid for.

**PowerShip** is a logistics management service for eBay merchants which significantly enhance the efficiency of managing multiple item shipments and delivery of items to eBay India buyers in partnership with reputed logistic service providers for this initiative. The service includes product pick-ups from eBay Merchant's doorstep, automated tracking of shipments, faster item deliveries by Logistic Service Providers and coverage for the shipment from eBay India.

We also have Global Easy Buy ([www.ebay.in/geb](http://www.ebay.in/geb)) where consumers can buy products from eBay.com and pay in India rupees. Last year we launched eBay Feed and eBay Daily. Feed allows customers to customize their eBay homepage according to their preferences to enable discovery based on their interests and eBay Daily is a platform that we introduced that sells international packaged foods. We also launched eBay Check, a Chrome extension, which enables consumers to compare prices of products while browsing any website through automatic drop down displays of the same product's listings on eBay India. eBay Check also doubles up as a shopping search engine. Furthermore, concepts such as 9 hour delivery in Mumbai and association with PAYBACK helped us offer a great shopping experience to consumers.

We have been at the forefront of pioneering commerce in India and continue to scale our business at a very rapid growth rate. We have established strong brand equity, large & loyal user base and are a strong global technology platform.

### 4. Despite the fact that eCommerce companies are not into profit today, they are being

**funded by the VC's irrespective of that, how long do you think this trend will continue?**

There is a ton of buzz around e-commerce – new funding, new player announcements, consolidations & closures, expansions into new areas of business, billion dollar GMVs - all making news & hitting the consumer consciousness. However, it is certain that e-commerce in India is here to stay. Reputed players in the e-commerce industry are focusing on building consumer trust by evangelising online shopping's benefits to them. This is probably of as much importance as it is to convert internet users to online shopping.

There is a significant increase in supply side dynamism, especially over the last 3 years where we have seen large brands and manufacturers, offline retail chains increasingly showing interest in the e-commerce opportunity. Once brands with offline recognition participate in e-commerce, comfort levels for end users will also increase.

Online entrepreneurs are excited about the potential of Indian e-commerce & find it the most profitable channel. eBay Entrepreneurs are overall seeing healthy e-commerce growth rates with over 36% of domestic merchants stating a 20% growth rate & over 24% stating a 21%-40% growth rate. Over 15% of entrepreneurs have stated a growth rate of over 100%.

**5. What are various challenges that one faces in an online business? Does it become difficult when businesses encounter buyers from around the world?**

There are no specific challenges with regards to global trade on eBay India. However, India has diverse regions; internet and modern retail are still deepening their reach to Non-Metros & Rural India. Some challenges faced in India by the industry are lack of robust ecosystem especially in the area of product delivery. Owing to the vast geography of India, it is sometimes

challenging to reach remote areas faster than it usually takes in the present scenario.

**6. Do you see increased competition or consolidation happening in this industry in next 5 years?**

As the e-commerce ecosystem in India matures, there are bound to be consolidations. The opportunity offered by e-commerce in India today is phenomenal and multiple players with different business models & offerings will strive to capture the market.

**7. Lastly, please share the one advice that you would like to give the young budding managers who will soon be stepping in to the corporate world?**

In the current scenario, we have seen that entrepreneurial ventures are increasing in all the sectors. People now prefer to define their own business models to channelize their expertise in a defined direction. It helps them to leverage and position their products to target groups across specified segments.

Having said that, there are various challenges associated with start-ups such as reaching out to a larger customer base and setting up the right infrastructure within a pre-decided budget. The capital investments required to facilitate a start-up leads to various instances where entrepreneurs have had to refrain from scaling up their business. This is why, many entrepreneurs have now realized the advantages associated with having virtual business on online marketplaces which helps them nullify such constraints.

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## Emergence of Hybrid E-Tailing Models

*By: Anurag Dighe & Apoorva Patil, PGDM-EBiz(2013-2015), WE School, Mumbai*

In coming years, E-commerce should see the greatest level of activity within the online space in India. While trying to replicate the success of global players like Amazon and Alibaba, Indian e-tailers are also addressing inefficiencies in the domestic ecosystem. Cash on delivery (COD) helps to offset low credit/debit-card penetration, while fully owned express-delivery networks smoothen logistics. Offline channels and TV advertising are being used to build customer trust. Such adaptations have kickstarted the e-tailing revolution and the near-term impact on capital efficiency and profitability is a small price to pay.

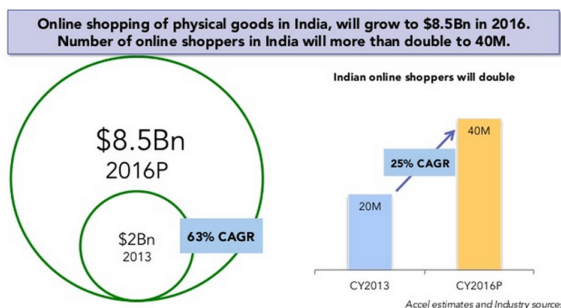


Image Source: Google Images

Over the past few years, India has witnessed a flurry of activity in the online space. Just Dial had a phenomenally successful IPO and its valuation skyrocketed 2.5x in less than six months to >US\$1.5bn. Flipkart received funding in excess of US\$1.7bn, with the last round valuing the company at US\$5bn even as it is yet to turn in a profit. eBay India has doubled its investment in Snapdeal even as the company itself was one of the first to introduce the marketplaces model in India. Additionally, a host of businesses have established themselves quickly and in a variety of markets – Quickr and Olx in the classifieds space and Flipkart, Snapdeal and Myntra in the e-tailing space have garnered strong traction in

MakeMyTrip and Yatra in the online travel space to become household names.

What has helped this transition to the digital medium across segments is the evolution of the ecosystem with internet users growing 2x in the past three years to 177mn, 200% YoY growth in smartphone shipments in CY13 to 50mn units, and the introduction of innovative business practices like “cash on delivery” to suit local preferences. This online transition is still in its early stages with a long way to go. India’s internet penetration is still one third that of China’s. The buyer penetration is just 24% as against >70% in the developed economies. New technologies around payments and increased focus from vendors on execution and customer service are going to mean continuous shift of eyeballs and transactions to the digital space.

India’s Internet market has geographically inclusive and demographically rich user base; growing rapidly. Fast growing internet market relies to a greater degree on mobile telephony than in other countries. The rapid decrease in the cost of smart devices, the increasing availability of 3G/4G infrastructure and the sharply declining cost of high speed access are providing strong momentum to emergence of India’s Internet user base.

India’s online retail market is growing at double-digit rates and is likely to be the next format that retailers will incorporate into their array of channels. Global and local E-commerce participants have launched websites that offer Indian consumers a range of products (apparel, baby products, electronics, etc.). The market has seen the emergence of a range of buying. Because of introduction of innovative business practices

like “**cash on delivery**” to suit local preferences, Consumers are more willing to experiment with new forms of retail purchase and feel confident to search for and buy goods online .

E-tailer business models in India

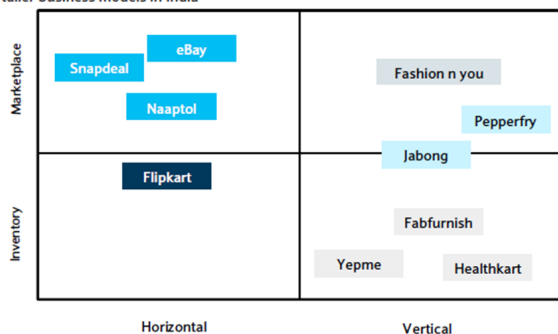


Image Source: Google Images

There are three business models that use internet as a sales channel.

One is the **market place model** used by 'eBay' where the retailer provides an online platform that connects the buyers with the sellers. The revenues earned are in the form commissions received from each completed transaction.

Another is the **group-buying or deals**. In this model, the retailer acts as an aggregator of services such as restaurants and spas for the buyers and negotiates with the sellers for deals on bulk purchases. Revenues earned are in the form of commission received for every deal executed.

The third model is the **Inventory owned retail** wherein the player, a traditional retailer, sells products to customers using the internet and also takes ownership of the delivery of those products either through his own network or through a third-party.

In order to address the inefficiencies in the domestic ecosystem, Indian e-tailers came up with hybrid models to increase coverage. Such models no doubt increase the cost of customer acquisition, but they also expand the addressable market significantly.

### Brick & Click Model:

E-tailers are adopting different offline strategies. A key advantage of having such a hybrid model is the faster inventory cycle compared to pure-

play offline or online players.

### Call & Click model:

Many of the Online travel operators (Makemytrip, Cleartrip & Yatra), Movie/event ticket sellers (Bookmyshow) and sellers of financial services and products (policybazaar) all have a significant offline component routed through phones. These companies offer dedicated 24/7 phone helplines for this purpose. One unique example is the 'missed call' feature pioneered by online classifieds site Quikr.

### View-Call & Click model:

Companies like HomeShop18 are expanding their presence through 24-hour TV channels, where anchors demonstrate products on sale, similar to the USA's Home Shopping Network. The customer can buy the product either through dedicated online portal or by calling a 24 hour helpdesk.

### Text & Click model:

A number of companies are trying to bridge the access gap, mainly through low cost text messaging services. These companies facilitate a wide variety of services, from news to classifieds to e-commerce.

Think global, act local is the mantra for Indian E-commerce players. Different companies favor different “go to market” strategies, with Flipkart in favor of the capital-intensive inventory/warehousing model. Snapdeal and eBay adopting the asset-light marketplaces model, the fact that 100 % FDI is not allowed in e-commerce is forcing the foreign funded companies like Flipkart to adopt a Hybrid model for now. With emergence of Hybrid models, Internet is slowly but surely gaining commercial scale in areas such as advertising, retail and travel.

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## Cash on Delivery: Eroding Margins of E-commerce

*By: Anshu Kumar, PGDM (2014-2016), XIME-Bengaluru*

Cash On Delivery (COD) is the most popular mode of payment for Indian online stores. The reason of its popularity is that buyers do not have to pay anything before the goods are delivered. This gives confidence to new buyers as e-commerce is still a growing concept in India which is at a nascent stage.

Ernst & Young says, COD accounts for 50 % to 80% of online transactions in India. For larger e-retailers, COD is available in 600 cities & towns, and has helped them acquire first-time customers significantly. It has helped them to increase market size quite rapidly.

Cash on Delivery can never become zero % of payments, at least in India any time soon, as 85

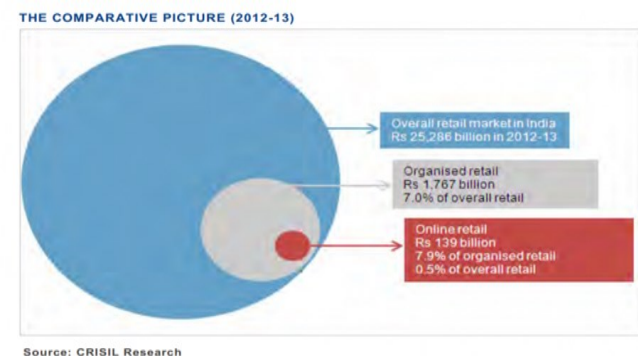


Image Source: Google Images

### Why Cash On Delivery (COD)?

For Buyers:-

#### 1. Lack of Payment Options

Most of India's population does not have a Debit or Credit card. Those who have do not use it for online transactions, because of many reasons like security, privacy, lack of awareness etc.

#### 2. Product Condition & Satisfaction

There are cases where a customer orders something but gets something different.

In these cases, it makes the process of online shopping painful. If a customer has paid online, he will have to initiate refunding, which again takes time. Also, we Indians prefer to physically look, feel and touch anything which we want to buy.

#### 3. Competition

As so many e-commerce firms are coming up, COD is a great way to have an advantage in the competition.

#### 4. Scam Scare

Many fear using a new e-commerce company and its payment portal as they feel; they can be cheated in today's world of increasing cyber crimes.

#### 5. Black Money Culture

To avoid tax complications and showing in the bank transactions, for evading income tax and other taxes, people use to pay cash on delivery.

For Sellers:-

1. Marketing/publicity- Online stores which has COD as payment option, have more customers than those who don't.

2. Gain Trust- It is a good way of encouraging new customers to buy products online, as it gives them sense of satisfaction.

Problems:-

1. Fear of Return – COD comes as a loss for sellers in situations where customers suddenly change their mind and refuse to purchase the ordered products. Sellers face losses because of two ways logistic expenses.

2. Fear of Theft - The agents handling deliver have to handle a lot of cash. Process of insuring

the product from theft is very complicated and time consuming.

3. Time Taking – COD often uses 3rd party for delivery and money collection from customer. But, the realization of money takes a lot of time. There are several processes that are done which delay the money coming to company's accounts.

"Cash on delivery defies the e-commerce model; it locks up working capital and increases your risk exposure. No merchant likes it," says Akhilesh Tuteja, executive director at audit and advisory firm KPMG.



Image Source: [http://articles.economictimes.indiatimes.com/2012-03-13/news/31159922\\_1\\_online-retailers-online-transactions-cash](http://articles.economictimes.indiatimes.com/2012-03-13/news/31159922_1_online-retailers-online-transactions-cash)

Rightly, one can realize it from the fact that in developed western markets; nearly 80% of online transactions are paid for by credit or debit cards, net banking and alternative online payment channels such as PayPal, according to a report by Nielsen. On the other hand, in India, cash on delivery is the payment method for up to 80% of the online purchases.

Concerns:-

Rejection Rates at 45%- Normally, online retailers suffer an additional expense of Rs 35-65 for every transaction involving cash on delivery.

Blocks capital- Cash on delivery blocks working capital which could be better used for growth of company.

Convenience- It is a belief that people shop online for three reasons: Selection, pricing and convenience, nothing else. COD knocks the last one out as many a times they are not at home; cash is not ready, etc.

Credit/Debit/Online Payment not picking up-Of course, one could argue that most of these users aren't comfortable using their cards online, but IRCTC, the Indian government-owned rail ticket portal, has managed to attract 25 million registered users without offering COD.

In case of a delivery failure, it becomes difficult to whom to blame: retailer or customer or Courier Company?

Delivery process slows down because of mandatory personal meet between courier agent and customer.

More resources needed (customer support, emails/phone calls, cross-party communications etc) - leading to a higher cost for the retailer.

Many courier companies are heavily benefitting from COD wave and return the collected cash to the retailers 1-2 months later. A free rotating working capital of 1-2 Cr at all times is not healthy for e-retailers.



Image Source: Google Images

Future:

### Multiple payment options

Most of the Indian e-commerce portals offer multiple payment options - credit, debit and cash cards, net banking and cash-on-delivery (COD). Some portals also offer

Cheque/Demand Draft facility and EMI options. It is expected, the trend will continue, with players adding more and more payment options to their websites.

Net Banking can help fill the card penetration gap

With growth of Internet banking users, there has been an increase in confidence amongst consumers to pay online. Internet banking could fill up for the lack of cards. It can be understood by the success of online travel, where customers are comfortable paying online.



Image Source: Google Images

Players will incentivize online payments by discounts or purchase coupons.

Innovations in the Payments landscape - Payment gateways like PayPal and Authorize.net will add to the better revenue generation and reporting for online retailer.

The introduction of Interbank Mobile Payment Service (IMPS), revised RBI guidelines around prepaid instruments and pilots on mobile payments/wallets from Banks are positive steps in this direction.

Telecom Companies- Beyond Banks, it is believed telecom operators will play a significant role as has been witnessed in the case of M-Pesa (Vodafone) in India.

Conclusion:

There has been intense research and debating to find an alternative to COD so that it can be beneficial to both buyers and sellers. But at present moment, there is no other payment option that is readily accepted or preferred by the Indians like COD.

Incentives to make online payments can be encouraged so that people use online payment methods. Gradually, their fear will reduce and people will be encouraged to use online payment options.

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## E-Commerce : A Marketing Perspective

By: Jasleen Kaur Sandhu, MBA Marketing(2<sup>nd</sup> Year), SIMS, Pune

E-commerce involves buying and selling of goods or services online. This selling and buying could be either business to business (B2B), business to consumer (B2C), business to government (B2G), government to business (G2B), or government to citizen (G2C). E-commerce sector is one of the most rapidly growing sectors of all, internet users are increasing exponentially every year creating huge opportunities for today's marketers.

Figure 1: Global E-commerce users

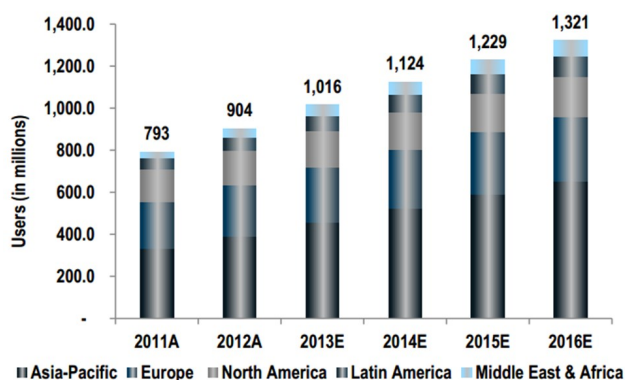


Image Source: IBIS world, Comscore

This sector if tapped properly can increase revenues for small as well as big companies. Marketing has an important role to play in revenue generation in this sector, using the right marketing techniques buyers can be directed to the seller's website. This has been understood by various companies engaged in E-commerce like Amazon, Apple, Myntra, Dell, eBay etc.

Facebook plays an important role in marketing and advertising for E-commerce companies. A recent study by the E-tailing Group reveals that of 100 U.S. consumer product merchants with e-commerce websites surveyed, 98 had a Facebook account. Around 90% of these redirected the

user to the merchant's own page, 96% had loaded brand-building videos, 56% had product-oriented videos, 44% had store locators and 38% had promotions.

Figure 2: global E-commerce revenue

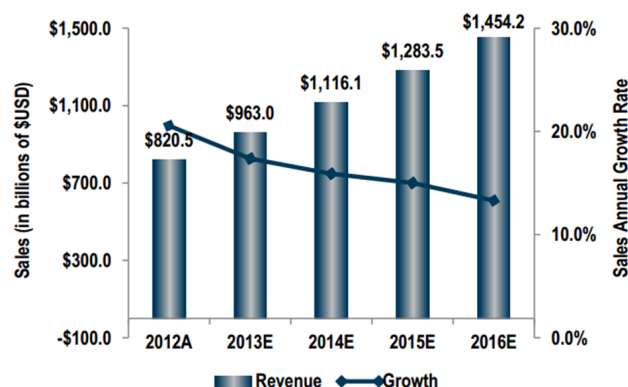


Image Source: Wall Street Journal

### E-commerce and its convenience

E-commerce sector has huge potential not only due to increasing number of users but also due to its advantages to both consumers and retailers.

Using a good online marketing strategy can reduce costs significantly for retailers as it is much cheaper as compared to television advertisements.

Unlike traditional method retailers can easily measure the traffic on their website and deduce if the marketing strategy is in place or not.

With a digital marketing campaign a retailer can reach a large number of audience which is very costly and difficult to achieve in case of offline marketing.

In online advertising consumers have the choice to opt in or out of communication unlike in case of e-mails or phone calls which frustrates consumers and tells them about products they are not interested in.



Customers can easily give feedbacks to the company  
 Consumers can select from a wide range of products and compare prices sitting at home.  
 Consumers get products and services at a discount to those offered by traditional outlets

## Varying Marketing strategies in E-commerce Sector

Have you ever searched for a bag or a watch online and then found yourself bombarded with advertisements on almost every webpage thereafter? It happens most of the times, right? So what is happening? Well the answer is quite simple: Its digital marketing.

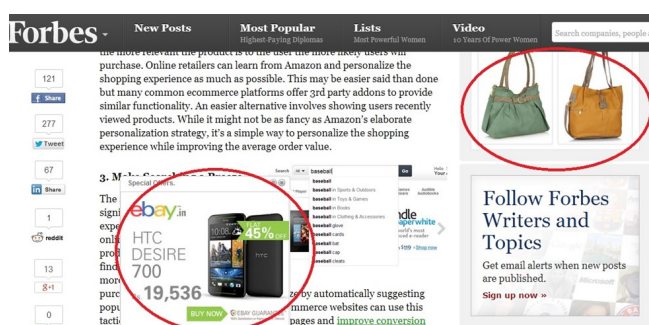


Image Source: Google

**Amazon** one of the largest E-commerce companies uses innovative marketing strategies and different technologies to attract traffic to its website. According to Business Standard amazon's technology and content spending rose 44 percent in first quarter of 2014. The strongest strategy of Amazon is affiliate marketing using Amazon Web Services(AWS) XML service, Associates (independent retailers) and third-party sellers agree to place links on their websites to Amazon.com or to specific Amazon.com products. If the third-party Associates list their own products on Amazon.com, they may create links to those products as well. Associates receive a fee for each visitor to Amazon.com that is directed through their links, and receive extra commissions if the visitor buys a product. Amazon also uses other strategies like Search engine optimization, customer feedback which allows them to make improvements, per-

mission marketing wherein customers allow the company to e-mail them information about latest products and offers. Amazon does a great job of influencing users to purchase more than just one product. Bundling products together or including a related products section is an easy way for online retailers to improve their average order value.

**Apple** not only makes innovative products but also has innovative and out of the box marketing strategies when it comes to online product purchase. If you go to the apple website you will see that their focus is only on one product. They do this so that the focus of their customers is only on that one product. During the launch of iPhone 5 this is exactly what they did. Another successful tactic they used during launch of iPhone 5 was going viral via lack of confirmation, there were various rumors about what the device looked like? What were its features? What were its capabilities? Apple neither confirmed nor denied these rumors creating great curiosity among Apple loyalists and hence Apple used the internet cost effectively and cleverly for their product promotion.

**Nike** considers E-commerce very important, they allow consumers to have full access to their products, also allowing customers to fully customize their Nike gears and accessories. The company spends greatly on its digital marketing campaigns. For the year 2013 Nike's E-commerce sales increased 32.0% to \$540 million from \$409 million in fiscal 2012. Total sales reached \$25.31 billion, up 8.5% from \$23.33 billion in fiscal 2012. The web accounted for about 2.1% of total sales in fiscal 2013 compared with 1.8% in the prior year.

## Conclusion

With ever increasing internet users, the future of companies in E-commerce sector seems bright and not fading anytime soon. Also the opportunities for marketers getting into this field of marketing are endless.

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## E-Commerce Sector – The Indian perspective

*By: Shivani Dimri & Chetan Pandey, MHRM, IIT Kharagpur*

The E-commerce sector, despite seeming so lucrative, is riddled with many problems. This article stresses upon the most overlooked resource of an organization, the people.

The stage is set, the figures point towards a happily ever after story for the fledgling Ecommerce sector but when the final curtain will roll, we will be left dissecting the entails of another opportunity gone begging. With figures to have every possible retailer licking their fingers, the Indian E-commerce sector just can't click. The initial bloom will surely give way to an impending gloom, for we've neglected a key stake holder in the process, the employees or the human factor.

We're ill prepared to tackle this growth head on!

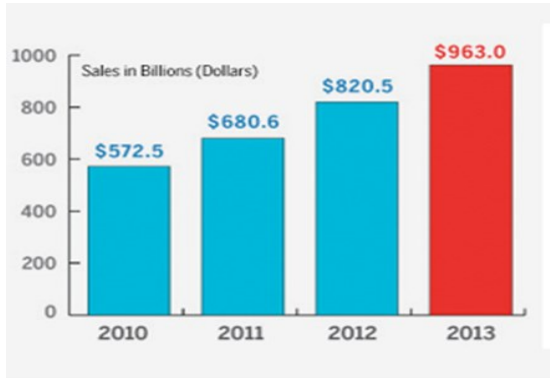


Image Source: <http://www.seobyvino.co.uk/e-commerce/global-ecommerce-sales-rise-13-in-first-quarter>

The E-commerce sector faces a strong manpower crunch. There is hardly anyone with prior experience, E-commerce being in a nascent stage and with not many employees willing to put in that extra effort that turns a small company into a giant, after all even Facebook was conceived in a dorm room. Moreover the ones with experience, command a wage rate that is not feasible for these companies.

Let's just face it most of the E-commerce companies do not have a dedicated HR team, there's no one monitoring the inflow of people and no one's keeping a tab on the outgoing employees either. The turnover rates at the mid to senior level is between 15-20 % and for the junior levels, it is a staggering figure of 60-65% (you can release your breath now!). Let's do some simple math now.

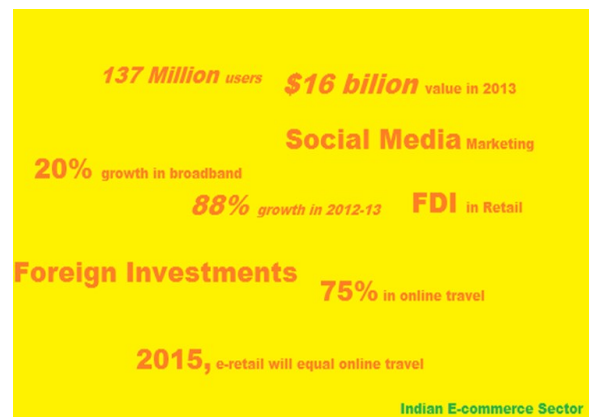


Image Source: GOI report on E-commerce Sector

Now let us consider a hypothetical company called Flipbay.com:

The Current number of employees is 100, The Growth expected is 20%. So at the end we will require 120 People ( assuming proportionality)

Turnover Rate: 62% , so at the end of the year 38 people remain.

Number of people to be hired: 82 (120-38).

Cost of Training:  $62 + 82 = 144$  peoples' training.

This is enough to make any individual betting on the E-commerce bloom to shiver, but the fact remains that when you make this hundred into a

thousand, the cancer reaches its terminal stage and the problem just magnifies.

“ You know you’re in trouble when 40 % of the time of your senior Software engineer goes in hiring people and you are screening 150 resumes for a single position, which you eventually don’t fill” says ‘Kashyap Deorah’, president of futurebazaar.com. What is actually alarming is that there are no specialized courses for E-commerce in this country, so not only is there a high turnover but there’s also a major dearth of the right candidates. Add to this the fact that having no HR department probably means not having any competitive performance evaluation and management policy either, which gives way to a high probability that the 32 people left in your organization are probably the last 32 you want.

When we account for the fact that the E-commerce sector has long working hours and demands a very high level of expertise and accuracy in the conducting of its operations and the need of the hour is E-commerce oriented professionals who are nowhere to be found. Moreover Ernst & Young notes in its 2012 report on the E-commerce sector that many candidates who leave their jobs, never wish to return to the pressure cooker environment of E-commerce. All the major E-commerce companies invest on marketing and targeting their respective segments, what sets them apart here is the ‘Service Delivery’ and the intangibles they add along with their products. Consider Amazon for example, which has literally invested billions of dollars in training and maintaining its call centers in all the markets it operates in. This coupled with their brilliance in the Supply Chain and operational end of its business is what separates it from its competitors.

Companies now need to understand that they stand on a slippery ground, they can incur

nominal costs now and reap the benefits of having people friendly policies or they can continue ignoring it, till it cascades into a problem phenomenally catastrophic requiring major overhauling and organizational restructuring.

Small initiatives like internal promotions rather than rampant hiring and flexible working hours will go a long way in retaining the ones who matter and delivering the promise E-commerce is set to deliver. Small steps for the employees, would lead to giant leaps for the companies, or else the E-commerce sector would end up like the Telecom sector, plagued with massive human resource problems and struggling to live up to its true billing.

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## E-Commerce Sector - Approach towards Supplier Selection

By: Sahil Dua, MBA Operations (2<sup>nd</sup> Year), SIBM, Bengaluru

### Ecommerce Sector

Ecommerce as a sector is growing at a very fast rate. The online market provides lucrative opportunity as a result of which more and more brick and mortar stores and entrepreneurs seek to tap this platform. But ecommerce is not only about selling the things online, important decisions such as buying the goods need to be made unless you are the manufacturer of the goods itself and hence the need to select the perfect supplier arises. This article describes one such technique which is used in industry to measure the performance of suppliers and thus choosing a correct supplier.

### Data Envelopment Analysis (DEA)-An MCDM Technique

Data Envelopment Analysis (DEA) is a technique for measuring the performance of suppliers on multiple criteria. The technique evaluates vendors/suppliers on multiple criteria and identifies benchmark values which can then be used for negotiation purpose. DEA is a mathematical programming technique which calculates the relative efficiency of objects (suppliers in our case) on multiple criteria. The technique is explained below.

### Approach

Consider 6 suppliers for an ecommerce firm the details of which are given below along with the criterion. Please see the values here are hypothetical. The generalized formulation for the

DEA model to measure supplier efficiency is a LPP described below. This LPP can be solved in excel using solver which will be explained steps thereafter.

The objective is to minimize the efficiency index (E)

Min. E

S.T

Inputs:  $\sum W_j.X_{ij} \leq X_{oj}.E$

Output:  $\sum W_j.Y_{ij} \geq Y_{oj}$

Total Weight:  $\sum W_j = 1$

Where

$W_j$	Weights of the suppliers
$X_{ij}$	ith input criteria value for jth supplier ( $1 \leq i \leq 3$ )
$X_{oj}$	inputs for jth inefficient supplier
$Y_{ij}$	ith output for jth supplier
$Y_{oj}$	Output for jth inefficient supplier

### Steps

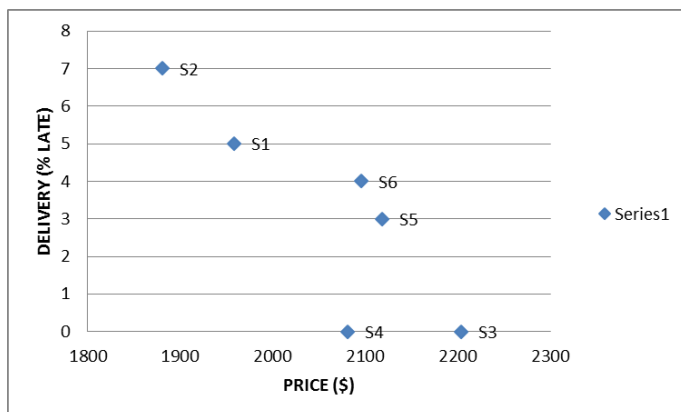
1. Identify an "efficient frontier" from the observed inputs and outputs of suppliers to be evaluated.
2. This efficient frontier is determined by the most efficient supplier under study,

Suppliers		S <sub>1</sub>	S <sub>2</sub>	S <sub>3</sub>	S <sub>4</sub>	S <sub>5</sub>	S <sub>6</sub>
Criterion	Price (Rs.)	1958	1881	2204	2081	2118	2096
	Quality (% Rejects)	1.2	0.8	0	2.1	2.3	1.2
	Delivery (%late deliveries)	5	7	0	0	3	4



		E	0.944315							
		w1	w2	w3	w4	w5	w6	E		
		0	0.404706	0	0.595294	0	0	0.944315		
Suppliers		S1	S2	S3	S4	S5	S6			
Parameters	Price	1958	1881	2204	2081	2118	2096	2000.059	<=	2000.059
	Quality (% Re-jects)	1.2	0.8	0	2.1	2.3	1.2	1.573882	<=	2.171924
	Delivery (%late deliveries)	5	7	0	0	3	4	2.832944	<=	2.832944
	Total weight							1	=	1

based on the notion of Pareto optimality. Below is the efficient frontier obtained when plotting the price v/s delivery of above suppliers



Clearly S2,S3,S4 forms an efficient frontier.

- DEA then calculates the efficiency of each supplier relative to this efficient frontier
- Farrell's measure as a base measure of efficiency is used along with the relative weights both of which we will find using solver. For example since S5 is an inefficient supplier, our aim is to find the correct weights of efficient suppliers so that we can bargain for the better price, quality and delivery time. w1, w2, w3, w4, w5 and w6 are

weights (summation has to be 1) which will be calculated by solver. As shown below S5 can be replaced by S2 ( $w_2=0.404$ ) and S4 ( $w_4=0.595$ ) thus stating that S5 needs to bring down its price from 0.2118 to 0.2, rejections down from 2.3 to 1.57 and percentage of late deliveries from 3 to 2.83 in order to be efficient.

Putting it in another way, S5 can be replaced by S2 and S4 completely where 40% of the goods will now come from S2 and 60 % from S4 thus reducing one supplier. Similarly any of the inefficient suppliers can be replaced thus reducing the suppliers drastically in some cases.

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We invite articles for the July 2014 Issue of Samvad.

The Theme for the next month: July 2014 - “**Healthcare Management**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

## **Submission Guidelines:**

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles : 28<sup>th</sup> July, 2014**
- Please name your file as: <YourName>\_<title>\_<section name e.g. Marketing/Finance>
- Subject line: <YourName>\_<Course>\_<Year>\_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Like our Fb pg: [Samvad.WeSchool.Student.Magazine](#).

## Samvad Blog

As said by Ann Morough Lindburg, “Good communication is as stimulating as black coffee and just as hard to sleep after.” Samvad, which means 'to converse' in Hindi, is exactly the motive of our team Samvad. Our readers and writers are of utmost importance to us at Samvad. We don't like to interact with you only once when the issue is released. So, we thought, what next? Then came the idea of a blog - the ideal platform for meaningful discussion on a more regular basis. Hence, we present to you 'The Samvad Blog'. The Samvad Blog, as the name suggests is a blog dedicated to sharing of information, insights and opinions that allow exchange of some valuable ideas by stimulating your intellectual senses. It will include some interesting reads on management gurus, book reviews, and relevant articles among many other varieties of food for thought.

<http://samvadwe.blogspot.in/>

Don't forget to comment with your opinions. Always have a healthy debate we say! As progression lies not in agreement, but debate!



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