

# Competitive Strategies Adopted by Online Retailers – An Analysis

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## Abstract

Online market in India account for 1.6% of total retail market, it is one of top market in the world and is estimated to reach US\$ 100billion by 2024. Most of the suppliers selling online due to changing buying behavior of consumers, lower data prices and improved customer experience. Online retail is evolving, it involves planning & research, offers from the competitors, ease of using the website, customer support, return policies, order fulfillment and online shipping processes. The online retailer are adopting various competitive strategies like product visualization, use of Artificial Intelligence. Product filtering etc.

**Key words:-** Online Retail, Competitive Strategies, Online Sales

## Introduction

Indian retail market is 4<sup>th</sup> largest in world and Indian online-retail is expected to reach nearly Gross Merchandise Value(GMV) of \$120 billion by 2025. Online retail growth in India is driven by lower Internet prices and improved customer experience, online retailers adding millions of online shoppers. For consumers online retail is providing convenient access to wide variety of products, for retailers online is providing access to large no. of customers.

Rise of online groceries sales and growing no. of food delivery companies entering in market is contributing for growth of online retail. As per Alvarez & Marsal (A&M) and CII Institute of Logistics report key models for online retail include order to store for apparel and store to customer delivery in FMCG, grocery, pharma, omnichannel presence for retailer. Categories like electronics are leading in the marketplace, while grocerie, furniture, pharmacy, cosmetics are led by the specialists.

Operating models for online retail are evolving on factors like customer requirements, buying behaviors, availability of technology, logistics partners etc. Next wave of online retail growth will come from categories such as fast-moving consumer goods (FMCG), groceries & apparel will be through social media like facebook, twitter etc. and artificial intelligence bots.

Online Retail Market Segmentation

- Apparel
- Furniture
- Fashion
- Electronic Items
- Others

## Advantages of Online Retailing

Easy access - Access to market for retailers is easy. Online marketplaces like Amazon allow anyone to setup online shop and sell products.

Less overheads – online retail will remove the need for shop space & staff, allowing retailer to invest in marketing & customer experience on their online retail website.

Digital transactions: India is moving from to a completely digital system with implementation of GST. Most of the shopping in urban areas happens through online retail websites.

Growth potential – online selling is removing the traditional constraints for retail growth like finding space and paying rent not required. With digital marketing strategy and system to deliver the products, one can boost the sales.

Large market - advantage of online retail over traditional retail is chance to expand market beyond local customers.

Customer intelligence- online marketing tools can be used to target customers and website analysis helps in knowing customer needs.

### **Disadvantages of Online Retailing**

Reluctant online users Personal touch of local retailers can't be given in online retail. Small towns consumers don't use online retail usage they insist on Cash-on-Delivery(CoD) option, it accounts for 70% of online retail orders.

Distribution networks: Low adoption of needed technology to support a modern supply chains there are only few logistic service providers.

Website costs - planning, designing, creating, hosting, securing and maintaining a website is costly, with large and growing online sales.

Infrastructure costs - costs of space for order fulfilment and warehouse. Costs to deal with returns and staffing for these tasks.

Security and fraud - online frauds are threat to online retail. Reputation of business is fatally damaged if investment is not done security to protect the website and online transactions.

Legal issues - Law is a challenge and online retailers need to be aware and plan on how to handle customer rights related to online sales.

Advertising costs - online marketing requires high budget, if competing in a crowded sector.

Customer trust - it is difficult to establish brand name, need to setup customer service system as part of the online retail.

### **Key Elements of Online Retailing**

Assortment & merchandising: Assortment has to suit to online needs like big packets. Few FMCGs have re-designed package to reduce extent of plastic to make it more cost efficient.

Supply chain: supply chains are critical to deliver the products on time and to meet peak demands. Demand forecasting and inventory planning capabilities are important.

Digital marketing: Need split spending across digital channels, depending on objective. The

spending among digital channels like banners, advertisements, search listings, social media. Digital marketing has the ability to personalize content based on customer purchase journey.

Optimizing for higher conversion: Optimizing Product Display Pages, pricing, promotions & visibility can improve conversion rates.

Digital execution: Ability to create and refresh content, test & learn, track the online pricing & promotions, rapidly responding to reviews etc. differentiates winning online retailers.

Online retail enablers: Backend system needs to be robust for online. Supporting systems, data, automated decision making enablement are all pivotal to a successful online retail.

### **Components of Online Retail Website/App**

Shopping Carts and Checkout As website/app visitors choose items and place them in carts. Software stores customer items in a database or list. Vendors offer shopping cart to enhance website/app visitor's shopping experience.

Safe Shopping: Online retail websites use the Secure Sockets Layers(SSL) to encrypt data as it flows between browser and web server. If address bar begins with "https" instead of "http" webpage uses SSL. Websites display banners assuring people that their credit cards and other information are secure because the site uses SSL.

SSL Certificates: Cybercriminals have ability to intercept information as it flows in Internet. They create a website that is same as actual website, when users enter credit card or other information criminals steal it. SSL certificates are crucial components of secure e-commerce sites. They prove that websites are authentic. Online retailer has to acquire SSL certificate.

Secure Payment: Consumers expect online retailer to accept the payment immediately. Banks, credit card companies and online sites will setup merchant accounts that give website ability to accept the payments online.

Product Information: When building a website, create product catalog with images and videos or a storefront that presents products in table. Store product information in a database along with product descriptions and prices to help consumers make their purchasing decisions.

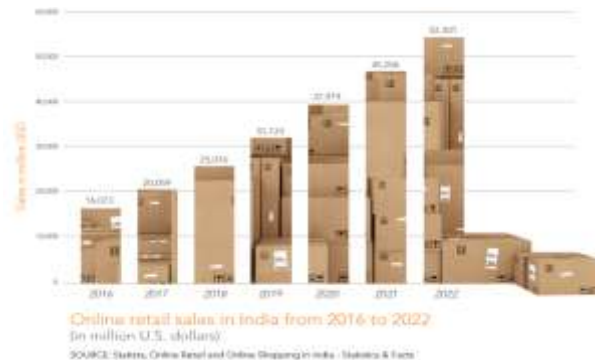
### **Online Retail Market in India**

Share of online retail market in India is set to reach 8% of food & grocery, electronics and fashion retail trade by 2025. The growth will be driven by increase in online selling by the retailers and change in buying behavior of the consumers. There is rise in grocery sales online and growing number of food delivery companies. Growth in consumer electronics is led by marketplaces like Amazon, FlipKart etc. while growth in groceries, furniture, pharmacy and cosmetics is led by specialist companies.

Future growth in online retail will come from tier-II and tier-III cities, online retail companies are building delivery reach in small towns. Online retail operating models are evolving on factors like customer requirements, changing buying behaviors, availability of technology and logistics partners. Next growth drivers will be FMCG, groceries & apparel etc. Increase in Internet usage is attracting the entrepreneurs to establish startups with innovative pricing & stocking practices (marketplace vs inventory). This is helping in development of online retail as there are choices of

brands, faster delivery, discount offers, digital payment options, cash on delivery, and easy returns etc. Companies are creating omni-channel mixing online and offline retail to overcome trust issues.

Online retailers in India are opening offline stores and investing creation of brands which attract young customers, who use online and more brands conscious. Companies forming innovative product bundles as per customers' need and ensuring customer engagement. There is significant investment in online retail companies for supply chain, expansions and to bring innovative product offers. Online retail in India is estimated to reach \$200 billion by 2026 as per a report by Morgan Stanley.



### Strategies Adopted by Online Retailers

Prioritize customers: Assure customers with positive messages, it should be opportunistic, while announcing discounts. With offers like increase in online deliveries and store pickups to ensure essentials reach customers on time. Retailers are thinking in terms of customer pain points and help the society reduce stress.

Use effective e-commerce solution online retailers are using AI based strategy. Amazon has successfully used AI to attract customers and gained competitive advantage. Walmart & Alibaba are investing in AI be competitive. AI based intelligence & analytics are becoming an essential part of every online business.

Dynamic pricing & price optimization: Online retailers are using dynamic pricing and price intelligence to be competitive. AI-based price adjusts pricing according to demand. Dynamic pricing helps serve comparison shoppers and enable online retailers to attract customers. It will improve margins, customer satisfaction, sales, and brand image etc. Online retailers need price optimization to make price change and optimize markups & markdowns based on competitor price and availability of inventory. Price optimization help in retaining customers with AI-driven tools price optimization.

Optimize assortment & inventory: Maintaining assortment is tricky, online retailers leverage technology in merchandising. Optimizing the assortment is key, so choosing an AI solution to build assortments can help retailers drive customers to online stores. Retailers accept that having right assortment will play a big role in attracting and retaining the customers.

Observe competitors what your competitors are doing is crucial, competitor analysis helps retailers to know competitors are promotion strategies and product pricing. It provides an opportunity and helps in going ahead in the competition. Response time for Amazon for a price change based on competitor is very less. To compete with giants like Amazon, retailers have to pivot their strategy to match this level of technological supremacy.

Product Visualization online retail is intangible customers do lot of guesswork. So the product visualization is one of the strategies for retailer to present the products. It helps in knowing all details of a product. Recent addition of zoom option in online retail has helped retailer and the consumers. It allows consumers to zoom in on details to get better understanding of the item without touching it. Also include products videos that give all details, other option is to use 3D experience. 3D representation can be useful to show product features, it increases the customer engagement.

Use of Artificial Intelligence (AI) From smart homes, e-learning, healthcare and finance, AI is making its presence felt. Business decision making is data-driven & measurable metrics. Conversion rate, bounce rate, website traffic, engagement rate, etc. are important for online retailers. AI tools enable to investigate data in real-time and track potential customers. AI facilitates better efficiency and competence. Machine learning algorithms help to automate logistic operations. With help of data analytics resource allocation & optimization is done.

Product Filtering Consumers want to save the time, the product filtering allows customers to find what they're looking for quickly and easily. It is useful in selling variations of same products with different options. Product filters are must for online stores, however most of the online retailers do not have product filtering feature. Product filtering enables customers to sort the variety of options. Customers who can't find what they are looking for are likely to go out from the site. In clothing store filters will help users to spot specific colour, size, style & material. Filters can be used many ways in online store, such as theme-based, price, best-selling etc.

Using Chatbots It is part of AI, chatbots are an important tool for online retailers to enhance customer experience. Chatbots are used to instant chat with customers to resolve issues in online store. Chatbot is a computer program that does conversation with user for service. Some chatbots are advance, here it is hard to distinguish from chatting with a real human. A chatbot offer personalized experience. It will influence customer purchase decision. The Chatbots can be programmed to fetch data from email campaigns, offer discounts codes etc. In addition to customer interaction live chatbots will help in managing the inventory. They can also let customers know the product they were looking for is available in stock now.

More Delivery Options It is important aspect of online business, delivery should be fast, timely and convenient. Delivery is key differentiation among online retailers. With growth in online retail, customers have demands and want to address them quickly with delivery options. Amazon is testing drones for package delivery in England and Australia; while Mercato, an online grocery store, is connecting consumers to vendors and merchants, making it easy and convenient to get the food delivered. Speed and efficiency are going to be hallmarks of the online retail business. Consumers demanding same day delivery companies should optimize supply chains. Amazon is experimenting with in-home delivery using smart locks, when a delivery person is at door consumer receives a notification, after which they can unlock their smart-lock to allow delivery person access.

Let content do the talking Good content gives interest & adds value, it encourages user to start conversions. A survey by Demand Metric shows that 80% of people are happy to learn about a company through content on website. Good-quality, engaging relevant content helps to get customers the customers to visit site and place order. 'About Us' page is important it differentiates brand from others. However it is commonly overlooked by most companies. This page is an opportunity to narrate brand story to build the credibility and trust. How-to do is the best way to engage with customers. Online retail use digital marketing strategies to boost traffic. User-generated content helps in generating unique content for brand, enabling companies to outshine the competition.

Focus on the customer experience customer is critical for any business it is not about sales. Each step in sales process offer opportunity to make customers feel special. Loyalty program can help in enhancing customer experience. Offering discounts to loyal customers or those who have shopped for specific amount will make customers feel special, it differentiates from competitors. To stand apart, companies need to listen to audiences, offer solutions and fix issues to connect them to the brands.

Build customer trust earning trust of customer is most effective way to differentiate from the competitors. Winning customer trust is tough, for a new entrant in market. Partnering with other brands can give credibility to startup and improve reputation. Reach out to influencers, bloggers, to bring voice to the brand. Reviews, and ratings boost brand's credibility. Thus, it is critical give details of ratings and reviews on every product page. Offer small incentive like discount/credit points to encourage customers to leave a review for brand. One has to live up to the promises then only people will trust the brand. Set high standards of quality service, offering good customer service it will boost customer loyalty and build reputation as a customer-centric company.

Multiple payment options offer wide variety of popular payment gateways, ensure seamless and convenient checkout. Though managing multiple gateways is difficult, it is worth include easy options, like Paytm, Phone pay, Google Pay etc. and LL popular credit or debit cards. Allow customers to save payment information, ensue smooth shopping experience in future.

Return and refund policy Most of the shoppers check returns policy before making purchase. Without offering returns and refund policies, customers will not buy. Offering returns and refund will attract more customers and make the company competitive in online retail.

Flexible shipping options cost of shipping the goods is charged to customers, however few customers are not ready to pay. According to study by Baymard Institute, shipping cost and taxes are one of main reason for shoppers to abandon the purchase. By giving customers flexible shipping options, you can get orders. Online retail like Amazon offer many shipping options to attract new customers.

#### **Conclusion:**

Online retail market in India is growing fast as online retail is providing convenient access to wide variety of products 24X7 without travel.

For retail business online is providing access to large no. of customers with less investment.

With increasing access to Internet in rural and sub-urban places, online payment options and investments in logistics for delivery of goods the online retail will be growing fast in India. Big investments are not required to establish online retail business, so many companies are entering the market, which is increasing the competition. Existing business are offering big discounts and using other strategies to retain existing customers and attract new customers.

Online retail business is becoming competitive and companies are using innovative strategies to attract new customers and to retain them. Companies need to tie-up with marketplaces and launch specialized websites to attract the customer and they should tie-up with logistic providers for reliable deliveries. Competitive strategies adopted by online retailers play an important role in success of the business.

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