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ONLINE RETAIL INDUSTRY IN INDIA: IT IS TIME FOR CUSTOMER RELATIONSHIP BUILDING

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This paper attempts to bring out the relevance of building customer relationships as the most important next step on the way to sustainable growth of Online Retail in India. At first it briefly discusses the online retail industry scenario in India. It further discusses the Indian Online Retail Industry's characteristics with focus on the challenge of surviving the intensifying price wars and creating a differentiation. Next it discusses how Customer Relationship Building can be a powerful solution to the challenge. The paper presents a solution in form of a simple yet effective guideline for Customer Relationship Building through 7Es Model of Building Excellent Customer Relationships that would act as an adaptable framework for an e-retail firm. It also discusses some celebrated cases of the online retail business to throw light on how some companies have approached Customer Relationship Building. In the end, it recommends set of Effective and Relevant Strategies for Indian Online Retailers, which would help them, build relationships, develop a competitive edge and enhance their ability to succeed.

Keywords: Online Retail, E-Retail, Customer Relationship Building, Loyal Customers, Competitive Edge, Profitability

INTRODUCTION

E-Retail Industry in India – The Story Till Now

Online Retail also known as E-tail or E-commerce industry in India started slow with some 'ahead of time' shopping sites and tele-shopping channels in early 2000s. Many companies were trying to encourage online shopping in India, including the world leader online shopping site E-bay. Then, less than 10 million people in the country had access to the internet and most of these people were not very comfortable buying online and lacked trust in online retailers.

However, it was since 2008-2009 that Indian E-Retail Industry witnessed a surge with increasing internet penetration, the rising middle class in India, growing disposable incomes and a paucity of time to go shopping for small and big needs as well as business organizations focussing on consumers needs than just sellers and products and creating a comfortable environment for online shopping. Online

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marketers now offer products at huge discounts, quick delivery options, provision of returning the products and Cash on delivery facility. All these factors along with improvised data networks, improved rate of literacy, launch of secure technology and smart phones have been able to drive growth in the online retail market in India (Mitra, 2015).

According to a corporate report researched and published jointly by Assocham and Price Water Coopers Indian Pvt Ltd., the E-Retail sector has grown by almost 35% compounded annual rate of growth, from USD3.8 bn in 2009 to around USD12.6 bn in 2013. The report has estimated that the size of the e-retail industry is poised to grow to a mark of USD20 bn by the year 2020. (Evolution of E commerce in India Creating bricks behind the clicks, 2014).

Along with some Indian Online retailers like Flipkart, Snapdeal who are dominant players in the market, global players like Amazon and even Alibaba are also establishing themselves in the Indian market to earn a bigger share of the consumer wallet. Apart from the mentioned leading players, other important names in the list are that of Myntra, Fashion&You, Naaptol, E-bay, Jabong, Indiatimes shopping, Homeshop18, Urbanladder, Shopclues and more.

The main product categories sold online are Electronics, Electronic accessories, Fashion and Accessories, Furniture and Home Decor and books. Most companies in the industry are multi-category players. Thus the growing online retail business is attracting intense competition in the market place, as so many players fighting for the same customer.

The Alarm – Customers Clicking Away

Given the upsurge in the Online Retail Industry in

terms of both customers and retailers, the players are focussing on Growth. The strategy for growth is right now driven by the Price Game. Keeping other facets of a transaction like products, range, delivery, after sales service, communication at bay, e-retailers are competing on discounts. Constant undercutting of prices poses a danger mark on survival and profitability of the companies.

As investors put in more and more capital in the game, new customer acquisition is increasingly becoming an important growth metric. Players are eventually fighting for the same customer on the basis of low pricing. It only takes a click of mouse for the customer to switch over to another seller and s/he is able to compare prices without spending much time or putting in extra efforts. Customers go where discounts would take them.

Global ecommerce report says that *the* customer acquisition costs in Indian e-Commerce have been climbing rapidly due to intense price competition between multiple well-funded players. Only 2% of website visits currently result into transaction. Thus, there is a gap between potential and actual buyers. Coupled with high transaction costs, this area could pose serious problems. (eCommerce in India - accelerating growth, 2015).

The Gap and The Bridge

In these times of very quickly changing business environment, ever increasing competition and decreasing margins, does it not make great sense to save on the huge expenditure that occurs in acquiring new customers by retaining those who have already acquired? This is not a Eureka realization but a very foundational

marketing principle that, retaining customers to reap through repeat business and referrals is significantly more beneficial than acquiring new customers. However there is not much focus on how online retailers in India can work on developing successful relationships with customers, neither on the real-life business strategy front nor in the academic domain. This paper attempts to throw light on the problem as well as offer an effective and applicable solution that could be incorporated immediately by Online Retailers as they plan their strategy to successfully ride the growth wave.
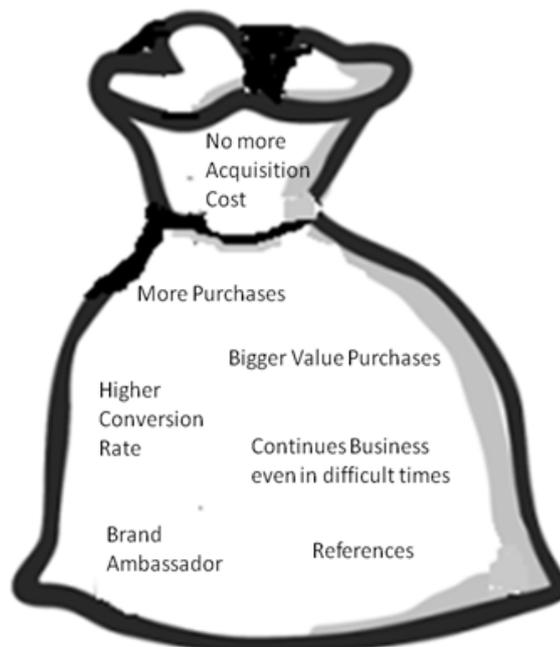
Why build customer relationships? – The 'Raison d'être' for having Loyal Customers!

High cost of acquisition leads to a longer break even as well as a very vulnerable business. Having a bank of customers who would choose to do business with a preferred retailer and would not be swayed away easily plays an important role in holding a business in sweep of difficult and unseen times. Retaining customers is the only key to profitability of the online retail business.

Srinivasana Andersona and Ponnavolub (2002) discuss the importance of customer loyalty in e-retail business in their paper and conclude that loyalty leads to increase in readiness to pay more in terms of bigger and more purchases as well as spreading word of mouth publicity. The paper also mentions that customer loyalty has been identified as a key factor that leads to profitability. The cost of acquisition and retaining customers actually falls as the relationships builds on and the loyal customers give increasing business later on. Figure 1 illustrates how loyal customers can become a bundle of joy for an online retailer.

Figure 1: A Customer Retained is a Bundle of Benefits and therefore Joy!!

No more
Acquisition
Cost

More Purchases

Bigger Value Purchases

Higher
Conversion
Rate

Continues Business
even in difficult times

Brand
Ambassador

References

Source: Developed by Researcher

In fact, e-tailers pay a high price when do not focus on building loyal customers. Studies show that repeat purchasers accounted for only 8% of website visitors however they contributed as high as 41% of online sales. Moreover, repeat purchasers have a higher rate of conversion as well as buy more in terms of average value per order than a first time visitor (Online Retailers Move Past Discounts to Earn Deeper Customer , 2013). In a survey in year 2014, globally, as many as 82% of companies agreed that Customer retention is highly cost effective than Customer acquisition (Charlton , 2015).

However, at this point in time, most of the players in Indian Online retail industry have not shifted their focus on building customer relationships. Retaining customers and building customer loyalty has not come to the forefront in strategy development for online retail in India (Singh, 2015). Players have almost similar range of products and similar services as far as delivery, communication and after sales services are concerned. Most of them have not as yet focussed on what are their differentiating value propositions. Thus customers have no strong reasons not to shift to another online retailer. Differentiating themselves, e-retailers would not only help gain attention of new customers, but also give them a reason to return to them again and again.

Before, the survival in current times and the chances of profitability in long-term become a concern for e-retailers, they need to understand that this is the right time to focus on building long term customer relationships and reap benefits of a loyal customer base. Developing a loyal customer base will help them gain a competitive edge, will keep them in business in difficult market conditions and ensure profitability in long run.

Building Customer Relationships – The Knowhow

For an online retail business, which spends huge money in bringing in each new customer, knowing how to retain those customers is very crucial. Offering Right Products at a Right Price is the most essential requirement to begin with. With getting that right, the journey of building and nurturing customer relationships begin. The elements that go into to building relationships and ensuring customer retention have been put in a simple yet effective framework. Figure 2 shows the 7Es Framework of Building Customer Relationships.

Figure 2: Elements of Customer Relationships – The 7Es Framework of Building Excellent Customer Relationships

Source: Developed by Researcher
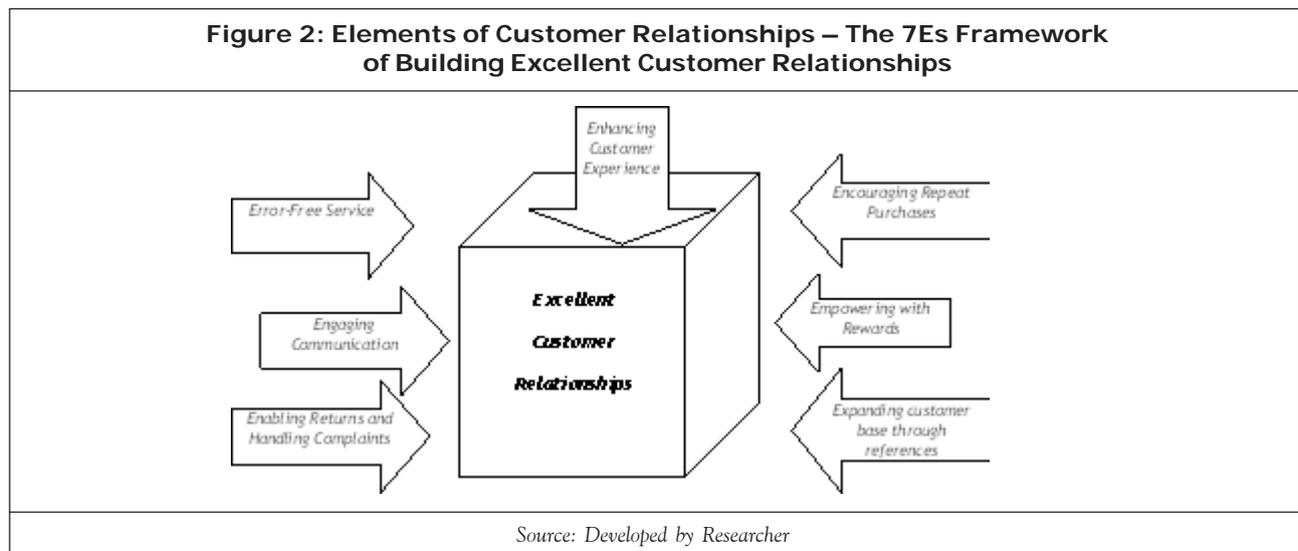
Enhancing Customer Experience

A customer while interacting with an e-retailer comes across many touch-points. The quality of customer's experience in these touch-points becomes the image bearer for the brand. Just one good experience will not suffice, an e-tailer has to maintain the hassle-free shopping experience at every customer touch point for every transaction. These customer touch-points are great opportunities to delight customers, to fulfil the promises made to them and build a bond. A customer, who is cared for at every level of engagement, would feel valued and would want to come back again and again counting on the past experiences eventually leading to a relationship between customer and the company powered by trust and loyalty.

Error-Free Service

This is the most important factor of online retail that can make or break an organization. It needs to strengthen its back-end operations, product acquisition, product delivery and after sales service, seamlessly. To build a relationship, your customers need to trust you. Consumers have become demanding and less open to accept failures whether it is website downloading time, order processing or delivery. To build and nurture trust, an e-tailer has to relentlessly ensure that delivery schedules are met, customer service calls if promised are made, and cancellations if accepted are done and so on. This trust works like an adhesive that keeps a customer connected to the e-tailer. Online retailers should be aware that a seamless service and fulfilling promises is neither more a delight nor satisfaction but a bare necessity.

Enabling Returns and Handling Complaints

An online purchase story does not end at delivery of the right product at the right time once or even twice and thrice. Customers also expect a swift and no-questions asked Return Policy. Thus, it is not only about delivering a product but also about accepting and arranging returns.

Apart from returning products, customers come up with many complaints regarding product quality, installation and other services as well as delivery services. Handling customer complaints effectively means responding and acting upon promptly. Online retailers need to analyze the entire transaction understanding that every right step taken to provide product and resolve problems is an investment in building a fruitful relationship with the customer.

Engaging Communication

In absence of physical presence, communication at every step right from bringing the customer to the website/application to delivering the product at home is very vital in order to successfully complete a transaction. If a communication can hold the interest and engage a customer depends on how relevant is it to her. Communication should be relevant – in terms of utility, timeliness and authenticity. It leads to educating the customer about products and the company, encouraging customer to buy more, delighting the customer by valuable communication (e.g., offering products that may she may need or been awaiting availability), remaining connected to the customer as well as creating a bond through personalized communication.

Encouraging Repeat Purchases

Customers do not always come back to the same e-retailer, on their own. E-tailers have to motivate

by offering them the right and relevant products for repeat purchases. Moreover online retailers have to engage them through various means like educating them about loyalty rewards or sharing testimonials of other loyal customers.

Empowering Loyalty with Rewards

E-tailers can empower their customers with gift coupons or discounts as a gesture of recognition. E-tailers can also identify their premium customers from those who are already buying repeatedly and given them recognition, rewards and special treatment accordingly. Rewards can be customized according to customer's buying history and preferences. Customers can be given the option of choosing between an offer, loyalty points or a discount. Rewards should not become monotonous but should inspire loyal customers to keep buying again as well as enjoy the privilege and power of being a premier customer.

Expanding Customer Base through References

Loyal customers not only purchase often and more but also refer the company to others in their circle of friends, family and acquaintants. Loyal customers become brand ambassadors and endorse the company which is the best form of publicity that any brand can ever get.

Friends of Friends become friends: Loyal customers, who trust their e-tailers, would automatically sow seeds of trust in their network of friends and relatives. Thus online retailer can reap benefits of extended loyalty and build a bigger circle of faithful customers.

Taking care of customers at every customer touch point to encourage repeat purchases and recognizing repeat purchasers with communication, rewards and preferential services develops a relationship with the customers who in return pay the company with their loyalty and trust. (Fleming, 2012)

Inspirations from the business world: Customer Relationship building: Case Studies from Online Retail Industry

The paper presents three different online retailers who have been successful in various business domains and regions. Zappos, Amazon and Flipkart have been studied in reference with their history, achievements, strategies and their focus on customer retention.

Zappos.com – Driven by Service Excellence

Zappos started as an American online shoe store in 1999 has been revered as one of the best online retailers, globally, through its outstanding customer service and a great organizational culture and ethos. Zappos gets 75% of its revenues from its loyal customers. Moreover these customers make 2.5 times increased purchase every year. Zappos is also one of the few companies which has hit a revenue benchmark of $1 bn before its 10th anniversary (Bosomworth and Danyl, 2010).

Zappos as an organization places very high importance on its core values. Some of its values show how customer-centric it is and how determined it is to provide exceptional customer service. E.g., Deliver WOW through service, Create fun and sometimes weirdness, Build open and honest relationships with communication, Be creative, adventurous and open minded and more (About Zappos).

The web is full of numerous examples where Zappos employees have gone beyond the norms of good customer service and astonished their customers with experiences they would remember for life, be it talking about how is her

dog and sending a dog goodies pack or sending a hand written note to a customer who expressed her happiness.

Following are some inspirations from Zappos for online retailers, that can help them build great relationships with their customers and retain them.

· By investing in a website that has fastest load times and a very efficient delivery network Zappos has got its basics right by working on the very important customer touch points.

· Zappos has empowered its employees to wow customers with unexpected overnight deliveries, sending flowers, hand written notes, gift packs, etc. Delighting customers and showing care and concern in ways unexpected is one of the best ways of Zappos in building relationships.

· Zappos agents make/answer thousands of calls and emails per month. By communicating with customers through phone and emails, Zappos adds the human touch to the otherwise online transactions that they are converted into long term relationships. There are no scripts and formats for communication. Thus each communication is personalized and unique related to situation and person.

· Zappos focuses on correctness, ease and swift. They have constant qualitative and quantitative audits done to ensure that customers get the right order at the right time. Returns and complaints are resolved quickly with an attitude of ownership.

· Zappos is very selective in choosing its employees who can share the company values with great zeal and vigour.

Thus Zappos has become synonymous with excellence in customer service in online retail.

Its values, processes, examples and successes have been shared transparently, yet replicating the same kind of customer retention culture and systems, has not been very easy for competitors. Therefore Zappos enjoys its competitive edge with just being committed to build relationships with customers.

Amazon.com – The Global Online Retail Giant with 'Customer' at its Center

Amazon.com established in 1994 as an online bookstore which went on to add various other electronics media, apparels, baby products, furniture, food toys and so on. Amazon is the largest online retailer in United States of America. Amazon survived the e-commerce recession that had hit American economy, given its Customer-centric approach.

Amazon started its Indian operations in 2013. Although it entered the market when Indian online retailers had dominating hold over Indian e-retail market, Amazon has gained a foot holding in the Indian e-commerce market. Amazon.com believes in being focussed on consumer's needs and wants and fulfilling them through product offers, low prices and fast delivery. Amazon targets fast delivery as an important strategy to satisfy and delight customers and earn their loyalty in return.

Amazon has undertaken lot of steps to build relationships with its customers by putting them in the centre of all that it does. Some of the ways of Amazon of building relationships with customers are mentioned below. (Singh, 2015)

· Amazon brilliantly takes note of customer's browsing data and sends communication to the customer about other related purchases s/he may like to make.

- Amazon motivates repeat purchases and happy customers who keep coming in again and again with a very customer centric move. For products, e.g., coffee It offers subscription schedules of 1, 2, 3, 6 months where in a customer need not order/purchase the product and undergo the entire process. Instead the purchase order will be added to the cart as per schedule and the customer just has to click to place the order. It reduces customer's effort, improves service levels as well as promotes repeat purchases.

- Amazon focuses on understanding the customer and working on to meet his needs. The company encourages employees to work backwards, starting with a customer's needs and preferences. The entire approach is to meet the customer demand and not just offer what one has to sell.

- Amazon asks employees to reach the 100% mark and not even settle for 99.9% as far as customer service is concerned. It also has created a customer friendly culture in the company which does not shy of apologizing, if needed.

Amazon is chosen by its customers for not only the products and prices its offers but also for the convenience of shopping, returning and getting complaints resolved. It has devised various customer friendly processes, technology and even products to satisfy customer's needs. Amazon's focus on 'Customer' in everything they do, has made it the most preferred choice for most of its customers (Kapoor, 2013).

Flipkart – The Indian E-Retail Leader

Flipkart an online retail company was founded by Sachin Bansal and Binny Bansal (2007). Flipkart employs more than 20000 people. It allows transactions through payment modes like cash on delivery, debit and credit card through net or swipe on delivery. Flipkart has achieved huge success in terms of being at the top of the list of online retailers in India and can be credited for making Indian shoppers to buy online in India. It sells books, mobile phones, cameras, watches, laptops and other electronics, fashion accessories, apparels and more. Being an early entrant it enjoys high brand value and recall. It has developed its own logistics services arms and payment gateway. In May 2015 it raised $550 mn from some of its existing investors. Flipkart's last fundraising round in May 2015 had escalated its valuation at USD15 bn (Nair, 2014).

Flipkart has tailored its products, delivery, payment, communication and other services in line with customer needs and expectations. They have worked it backwards to offer the Indian customer in a way s/he wants it, e.g., Flipkart was the first to start Cash on Delivery system which suited the Indian Customers preferences. Flip kart has focussed on building an effective delivery infrastructure keep the delivery promises and ensure that customers are satisfied. However the company has its own priorities in terms of attracting investments, increasing its product lines through acquisitions and seller registrations, attracting new customers through promotions and communication. Thus it is not focussing on building customer loyalty or customer retention in a big way. Customer retention may not drive their strategies and operations however some work has begun in the direction.

- In order to encourage customers to shop on flipkart.com repeatedly it has stepped into App-only mode so that buyers can buy from flipkart only when they have downloaded flipkart application on their mobile phones. Customer

would use the downloaded application for buying which also discourages switching over to another website. It also saves the retailer from sharing data with other competitors which can be accessed through website transactions.

· It has also launched a service for premier customers that would let the customers who subscribe for the same, enjoy free shipping, discounts, in-a-day delivery services and premier customer service. The premier customer service is not very specifically defined yet the subscription service is definitely a step forward in building customer loyalty or caring for premier customers (Ramalinge-gowda, 2014).

Apart from providing a wide range of products at a good price with fast service delivery options, if Flipkart wants to maintain its brand image and sustain itself in spite of the intense competition powered by international players like Amazon and Alibaba, it needs to focus on customer retention which is the need of the hour in Indian e-retail industry.

The Next Significant Step on the Road to Growth for Online Retailers in India

Strategies for Building Customer Relationships and Gaining a Competitive Edge

To make the most of the high growth phase of the industry, it is time to identify and focus on significant growth drivers. Indian online retailers can take a cue from how global online retail has developed while developing strategies and determining the best approach. Globally, gaining customer trust and building customer Loyalty is an important growth and profitability driver. For Indian online retailers, while rising above the challenges in financing, infrastructure, logistics, focus on building Customer Loyalty to usher in the next wave of sustainable growth in e-retail, is inevitable (Matthews, 2012; Kapoor, 2013).

Here are seven ways presented in Figure 3, for Indian Online Retailers to get going and build powerful relationships with the customers. These strategies, would give a rock solid foundation and a differentiating spark to the existing and new customer relationships.

Figure 3: Seven ways for Indian Online Retailers to Build Customer Relationships and gain a Differentiating Edge

Source: Developed by Researcher

Core Values: What is your Driving Factor?

Every Online retailer should first determine the Core Values and develop an organization that functions by those core values. The entire interaction and action that takes place with customers should deliver those core values. Identifying core values would also help e-tailers define their differentiating propositions that will make them stand for something away from the clutter. For an example, if one of the core values is about Speed – every touch point should reveal 'speed' wherever possible. Delivery of the product, communication from retailer, replying through emails and phone calls or website downloading speed everything that a customer comes in contact with should be driven by Speed. Functioning by values builds trust and dependability that establishes and nourishes customer relationships in a great way.

The Data Diving – The Essential Adventure

Study your customer's browsing patterns and transaction data to find out their needs and proactively communicate products or offers to customers who are likely to purchase them. Companies can draw various inferences from the customer's transactions. Like customers who buy a particular product have bought what kind of other products. Studying such inferences can give an insight into what specific customers may tend to buy or like. Proactive offers can impress customers, make them feel valued and trigger repeat purchases. Repeat purchases lead to Loyalty and a long term relationship between the e-retailer and the customer.

Personalize: Connecting One-to-One

Adding a Personal touch through communication whether on phone or through emails would give e-retailers an opportunity to connect with every customer in a unique manner. Online businesses are in a better position to get every customers unique data and thus can devise communications that can be very personalized and customized according to the customer. When customers are given personalized attention, they feel cared for and that is where a relationship is built and sustained.

Wishing a customer on his child's birthday or sending a coupon or gift voucher or a card may delight the customer and would build a one-to-one relationship with the e-tailer.

Human touch: After all, it is about Being Human

Giving online transactions a voice and face is an important step to compensate the lack of meeting the customer face to face. Customers are human beings and every human being values the human touch and presence. Companies should focus on talking to their customers and train their calling agents into developing relationships by the means of conversations. A company mailer cannot do what a customer service representative can, when she calls a customer and talks to her regarding her recent purchase or a query. A phone call can resume a life time relationship which any amount of advertisements cannot.

Loyalty Rewards: Reward the 'Loyal'

Apart from few large e-tailers, Loyalty rewards and points have not become very popular in India. If a loyalty programme is given enough attention while designing and implementing, it can also become a source of competitive advantage for an e-retailer. Online retailers should design effective loyalty programmes with Personalization and Relevant Communication as key ingredients apart from purchase points and rewards. For example a customer who is a part of a loyalty

programme would feel rewarded for being loyal, if she is sent a message that the book she has been browsing for and was unavailable, is now available. Though this message does not offer points or discount, it will definitely improve her chances of buying that book and increase her level of satisfaction or even delight. (Fiorletta, 2014)

Complaint Resolution: Resolve to Resolve

Taking complaints seriously and resolving immediately should be the prime focus of entire customer service organization in a company. When a customer experiences swift resolution of her complaint or query, it would add to her confidence and trust in the brand. For most customers, complaint is not the real trouble but the treatment to the complaint is. Complaints can actually give e-retailers an opportunity to connect with the customer, solve her problem with swiftness and expertise and build a bond based on trust and care.

Feedback: Ask them what they think about you

Taking feedback from the customers is a key ingredient to success. However, it is important to look beyond the commonly measured items on a feedback form. An e-tailer should measure how well it has performed on the attributes it wants to be known by rather than just measuring success on basis of number of website visits or amount of turnover. Feedback forms should be able to check if an attribute was well communicated and acted upon. This would work in two ways. The etailer gets to know what and how customer feels or thinks. Secondly the customer also appreciates the etailer's commitment towards its Values and Improvement. As discussed in one of

the examples above, if a value or a unique attribute chosen by an e-tailer revolves around Speed, it should check with the customers and take their feedback on how fast or soon were they attended to at various stages of the transaction. This nurtures the relationship of trust and confidence between the etailer and the customer. (Dean B, 2000)

SUMMARY AND CONCLUSION

Indian Online Retail Industry is bubbling with a potential to become the greatest e-retail industry in the world. The growth is fuelled by numerous positive factors like increasing penetration of internet and smart phones, an ever high consumer awareness, governments supporting attitude and healthy investments. Online retail platforms are as alluring for sellers as for buyers leading to increase in number of players at a galloping rate. Result is a 'Sustainability Challenge' in wake of Price wars and swelling customer acquisition costs leading to reducing profitability and evaporating brand positioning. Building a team of Loyal customers is a potent solution. A retained customer means no more acquisition costs, increased number and value of purchases at a higher conversion rate and supported by referring friends and social acquaintances. This paper has attempted to call the attention of the Indian Online Retailers to this equation that holds immense value. However, customer retention has been recognized as an ongoing challenge which keeps e-tailers on their feet, globally. Hence it would not be a cake walk in Indian Online Retail as well.

The paper has identified the elements that go into building robust customer relationships that forges a bank of Loyal customers, a business can count on. The 7 Es framework of Building

Excellent Customer Relationships, block by block include all the important domains right from customer experience, service, communication, rewards to references and lays them in simple focal points with examples that can be easily adopted in Perspective and Practice.

The paper also discusses celebrated examples of Zappos.com and Amazon.com to bring in insights from the global online retail industry. It also studies the Indian e-tailer Flipkart to get an indication of strategic inclinations of Indian Online Retailers. Indian Online Retail Industry is growing at its own pace and faces its unique challenges. It would be only wise to give a strategic direction to the growth graph by taking lessons from how Online Retail Industry has evolved globally. After a study of the Global online retail success strategies with keeping Indian viewpoint at the centre, the paper presents a set of effective strategies that can qualify as the Next Best Steps for Indian E-Retailers to take as they ride on the wave of growth to reach sustainability and profitability. These strategies on implementation would not only build great customer relationships but give e-retailers the most wanted 'competitive edge' that many businesses would spend a fortune for.

It is hoped that Indian Online Retailers would sooner than later recognize building customer relationships as an important strategy of growth and profitability. The paper has endeavored to bring up the case for Building Customer Relationships with effective and easy to implement strategies for Indian Online Retail Industry. Here s wishing the Indian E-Retailers a robust growth and success built on the foundation of loyalty of huge number of customers who love them!

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