

Emerging Trends of E-commerce in Kanpur - A challenge to Local Retailers

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Abstract

On-line shopping is a modern phenomenon in the field of E-commerce. It is definitely going to be the future of shopping trend in Kanpur. On-line shopping is the outcome of fastest growing use of internet. It offers consumers many advantages in terms of access & choice of goods & services. Right from pen-drive to car, knife to home, everything is sold on internet. Just by one click, consumers can get goods at their door step. On one hand, increasing trend of on-line shopping has become the reason of continued loss to local retailers in Kanpur. On the other hand, it has caused a great deal of loss to government treasury. These E-tailers provide variety of options like cash on delivery, trial period & terms of exchange. Which all have emerged as threats for local retailers in Kanpur. The research paper basically aims to analyze the effect of on-line shopping on the sale & growth of local retailers in Kanpur. It also aims to study the factors associated with e-commerce which are becoming challenge for the existence of local retailers.

Introduction

E-commerce became possible in 1991 when the Internet was opened to commercial use. Since that date thousands of businesses have taken up residence at web sites. At first, the term e-commerce meant the process of execution of commercial transactions electronically with the help of the leading technologies such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) which gave an opportunity for users to exchange business information and do electronic transactions.

Although the Internet began to advance in popularity among the general public in 1994, it took approximately four years to develop the security protocols (for example, HTTP and DSL which allowed rapid access and a persistent connection to the Internet. In 2000 a great number of business companies in the United States and Western Europe represented their services in the World Wide Web. At this time the meaning of the word e-commerce was changed. People began to define the term e-commerce as the process of purchasing of available goods and services over the Internet using secure connections and electronic payment services.

India is the fastest emerging market for e-commerce world wide. The World wide growth rate of e-commerce is 8-10%, while it is around 40-50% in India. India boasts of nearly 26 crore internet users. They are the backbone of e-commerce in India & most interestingly, out of total population of internet users, 70% customers prefer COD during on-line shopping.

In 2009, market of on-line shopping was 2.8 billion Dollars, which has increased up to 6 billion dollars & 13 billion dollars in 2011 and 2013 respectively. It is projected that at the end of 2015, it would be more than 24 billion dollars approximately. According to report of ASSOCHAM & other commercial/Industrial councils, the market of on-line shopping will arise up to 40% but the growth rate of local retail market will stagnate at 10% only due to increased trend of e-commerce.

In fact, there is no market left untapped by e-commerce. It ranges from men & ladies wears to electronic home appliances, from home decoratives to car accessories, movie tickets, hand bags, chocolates, gifts & other perishable items. The list can go on & on.

Currently, the local retailers of Kanpur have a turnover of 30 thousand crore Rs. per annum. There is registration of 40000 firms in Sales/commercial tax department but actually there are approximately 2 lacs big & small retailer in Toto. And directly/indirectly, nearly 10 lac people's bread & butter is associated.

On one side, it includes Wholesale market such as: Nayaganj, General ganj, Hatiya, Bhoosatoli, Chowk, Mani ram bagiya, Halsey Road & Latouche road etc. On the other side, it also includes retail market such as: Naveen Market, Shivala, Sisamau, P.Road, Gumti, Lal bangla, Arya Nagar, Vijay Nagar & Kalyanpur etc which directly sell their goods to consumers.

Merchants of Kanpur pay nearly Rs.7000 crore as Tax in the form of VAT, Service Tax, Excise duty, Income tax, Water & Sewage Tax.

The Challenges

The main problem to local retailers is that their sale has declined drastically because e-tailers are able to offer low priced products. Consequently, consumers are more attracted to purchase on-line products. The main reason behind low priced products available on On-line portals is that they are violating rules of tax payment. They are involved in tax avoidance. They are supposed to pay Service tax, VAT, Income & Entry Taxes. But actually they are defaulters in tax payments.

Even for illegal business Kerala government has fined four e-commerce (Flipkart, Jabong, Myntra & Zovi) companies 55 crore approximately. E-commerce firms being under the scanner for tax evasion is not new in India. This incident has brought many other e-commerce players under the State Government's radar. Earlier this year, Flipkart was fined by the IT Department with INR 23.51 Crores for not depositing their taxes which they collect from the end users. Amazon was also banned by the Karnataka government from selling products from their Bangalore warehouse or charges of evading taxes.

Few e-tailers have been alleged for selling products on half rate from local retailers. This has almost abolished the business of local retailers in Kanpur.

On one hand, on-line portals cut the Customer base for local retailers. On the other hand, Customers have been haggling for purchasing low price products. Consequently, local retailers avoid producing original bill in order to save their taxes. Which eventually cause great deal of loss to Government treasury.

Profits of retailers have also reduced. Before two years 5-10 % profit was easily earned by Mobile & other retailers on every item but now profits have been influenced negatively. Due to continued loss retailers are forced to wind up their businesses or have to involve in unethical trade practices to save their heads.

Eventually, it has given birth to the problem of unemployment of tiny retailers in Kanpur.

Conclusion

After observing the facts, it can be concluded that future of local retailers is challenging in Kanpur.

There are more than 10 Lac Debit/Credit Card holders out of which nearly 2 Lac people prefer using plastic money while shopping. Even business of Debit & credit card has increased to 45%, which is also one of the factors responsible for increased rate of On-line shopping activities. On one hand, government is also working to convert the money transfer via electronic mode. On the other hand, increased standard of living of people is also contributing to it.

Most Interestingly, Women's participation in on-line shopping is more than 40%, being at home in spare time, they can order required item at their convenience options.

It is studied that out of total on-line consumers 45% people belong to age group of 17 to 35 years. This shows that on-line shopping is very popular among youth.

With the help of Mobile applications companies are planning to provide every product at the door step of the customers at heavily discounted rate than other modes.

Few e-tailers are also offering facilities like mid night delivery of items which includes edibles as well. This is another factor resulting into increased trend of on-line shopping.

In nutshell, it can be said that although on-line shopping is the most convenient mode of shopping for everyone but the lop side of it is that it is posing survival challenge to local retailers of Kanpur.

Suggestions

The novice Chief minister of U.P. Mr. Akhilesh Yadav, in his first Visit to Kanpur, said this city contributes 6600 crore to the State Exchequer .What a shame!!! This city can contribute 66000 crore to the exchequer. What is required is a vision & the Will to generate it. Without input, there can be no output.

This shows that if businessmen are properly educated about their rights & modern ways of operating business. Kanpur can become one of the wealthiest districts of Uttar Pradesh.

As it is well known that there are no strict laws & Guidelines for e-tailers for operating business. Therefore, first of all, there should be proper laws & suitable machineries in place to implement, enforce & punish the e-portals for business.

The state government should ensure transparent terms & conditions for tax payment for e-tailers. Consequently, e-tailers will operate business fairly & state government will be able to earn well.

There should be proper regulation for setting price of goods. And authorities should be consulted. This would be dually effective for local retailers as well as for the state government in order to promote fair trade practices & benefit to government respectively.

Because of e-commerce there is great question on the livelihood of thousand of people. Now a days, customers love to shop on line, at least cost or at most of their convenience in terms of payment as well as in terms of variety of goods.

Therefore, local retailers are advised to update their trade practices in terms of payment & delivery of goods etc. So that, they can attract young generation to shop smartly with trust.

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