

RETAIL EXPORTING: INDIA A GLOBAL CHOICE

Be a Global Merchant through Retail Exporting:

Despite a tumultuous global economic scenario, e-commerce is growing rapidly. Online sales are expected to hit close to \$1 trillion in 2012, according to analysts. Global research firm Forrester expects that online sales in the US will grow from 7 per cent of overall retail sales to close to 9 per cent by 2016. According to a report by the Federation of Indian Export Organisations (FIEO), exports through the e-commerce route have grown over 400 per cent to \$1.4 billion in the past three years.

"Traditional selling methods, especially to international markets, still remain expensive and prohibitive for small businesses. However, with the rise of e-commerce, you can reduce costs on labour, international phone calls and travel as the information you need to build your customer base can be handled right from your desktop," says Nayan Thakkar, manager, sales and customer support, Alibaba.com, India.

Marketing Identification and Retail Exporting:

Like any start-up, you need to begin by analysing the market and figuring out how to reach your customer.

"Businesses need to identify the right market and understand the export opportunity," says Nitin Bawankule, industry director, Google India. "They must answer questions like where are consumers interested in my product?...How competitive is the market?," he adds about resident of Moradabad, Uttar Pradesh, Sandeep Mehrotra identified a business opportunity in export of metal artefacts. He set up Progressive Enterprises with an investment of Rs 2.5 lakh in a manufacturing unit and showroom in Moradabad in 1995. Though Mehrotra found a market, he was conservative and focused on offline deals. After years of advertising in global media, participating in international trade fairs and creating a website in 2004, he found success through an online business-to-business (B2B) marketplace. It took Mehrotra years to realise the potential of e-commerce, but Deven Patodia, an entrepreneur from Kolkata, started with a plan based on the online market. When Patodia returned in 2006 from the US after 10 years, he did not want to join his family's business. Equipped with an MBA degree from Yale School of Management, he was aware of the market potential for eco-friendly organic cotton bags and packaging material in the US. So he started Star Silk Exports with a small investment of Rs 30,000 on a few machines. He did not hire employees but relied on contract workers for manufacturing products when he got orders.

Data Analytics by FICCI India¹:

As per report published April 2017, Due to the presence of Indian MSMEs that form the backbone of the Indian economy, India has a treasure of promising scope and potential to capture a substantial portion of the global e-commerce retail market. Trend analysed by

¹ <http://ficci.in/spdocument/20911/e-com-report.pdf>

FICCI points digital link is an essential component of the new age globalization and retail e-commerce especially, B2C e-commerce has become the choice for retail trade all over the world. Until a decade ago, traditional B2B and B2C was the primary mode of Cross-Border Trade. However, today e-commerce CBT is becoming a preferred choice for B2C trade with over 2 billion consumers worldwide. Despite, e-commerce B2C retail being the preferred means of trade, the distribution of market share is highly skewed. According to the Global B2C E-Commerce Report 2016 by the E-Commerce Foundation, China accounted for the largest volume of B2C e-commerce sales at USD 766.5 billion, followed by the United States of America (USA) at USD 595.1 billion and the United Kingdom (UK) at USD 174.2 billion; whereas South Korea CBT e-commerce sales stood at USD 64.8 billion and India was at USD 25.5 billion. The trend analysis indicates a stark difference in the market share of e-commerce B2C of USA, UK and China to be much larger when compared to countries such as India and South Korea. Here, China and the USA together account for 60 per cent of the global e-commerce sales. E-Commerce is transforming the way business is done in India and the across the globe. Cross-Border E-commerce is delivering plenty of opportunities for the small companies as well, which was so far only available to the large companies. It is clear from the present status that there is a dire need to address respective issues of the MSMEs in order to enable them to adopt e-commerce in a sustainable manner. The following chapters will highlight the opportunities and challenges to participate in the competitive ecosystem of e-commerce by MSMEs.

Global Opportunities for Retail Exporting:

E-commerce shopping is a thriving market and is a rapidly booming business around the globe. Retail e-commerce sales include - products and services (barring travel, restaurant and event ticket sales) ordered via the internet over numerous devices. Retail e-commerce sales worldwide forecasts indicate that the figure is likely to double in the year 2020 as compared to 2016 figures. Here, 41 per cent of the global internet users purchased products online in 2013; around 1.4 billion people made online purchases in 2015 and this is likely to cross the two billion mark in the year 2019. Following are the opportunity domains for expanding the retail exporting:

- Consumer Preference Shift From Offline to Online Globally
- E-Commerce An Opportunity for Market Diversification
- Countries With Growing CBT Via E-Commerce
- Government Initiatives Strengthen Supply Side of Manufacturing
- E-Commerce Instrumental Towards Attaining Vision

Benefits through Retail Exporting:

- Global Opportunity – the World is a Market.
- Positive Externalities..
- High Margins due to Elimination of Middlemen.
- Increase in their Survival Rates.

- Payment First.
- Diversification and Mitigation of Risks.

Challenges in Retail Exporting:

Regulatory Challenges: In recent years, apparel, textile and jewellery exporters (mainly MSME exporters, micro producers, traders, entrepreneurs) have increasingly started using B2C e-commerce to reach new markets as well as end-consumers. Typically, exporters have their own websites or advertise their products through digital channels, where consumers can buy from the exporter and payment is typically made via authorized online payment gateways. However, using e-commerce for expanding exports can have multi-fold benefits for Indian exporters as it removes intermediaries, leads to better value realization, allows instant payment and receipts and penetrates into new markets/ consumers at a very low transaction cost. Given that preferred mode of shipment of the product to the consumer is via courier service, exporters can in exchange use airline-based shipments as the low value single item shipments have a high speed of delivery. In addition, tracking shipment online is also an added feature, which gets enabled in this case, and is widely preferred by the consumers. The sector is still at a nascent stage in India compared to international competitors and thus, employing e-commerce will act as an appropriate medium to enter the overseas markets. However, in order to smoothen the transformation from B2C traditional trade to CBT B2C e-commerce, there are a number of challenges that need to be addressed and have been outlined below

Issues Related to Customs: Limitations under Courier Regulations: In e-commerce exports, the preferred mode of shipment is via courier as shipments are of low value and consumers often require tracking number upfront as confirmations. The Courier Imports and Exports (Clearance) Regulation 1998 indicates that on the export side (sub-regulation clause (e) (v) of Regulation (2)), regulations shall not apply to value of good where the value of consignment is above Rs.25, 000 and transaction in foreign exchange is involved.

Absence for methodology for returned Consignments: Ease of return of goods is critical to be competitive in the global markets, as returns are an important part of retail experience. In the current environment, providing cross-border return options is challenging for technology-enabled businesses. This is because in case of return of goods that have been supplied through online modes, the 'imports' are reassessed for duties and taxes. In such a scenario, MSMEs have two choices: either to allocate their administrative resources to reclaim those amounts or to absorb it themselves. Both mean a rise in business cost, which would put Indian exporters at a disadvantage compared to their international competitors.

E-Commerce Readiness Challenges: The major obstacles, in terms of readiness for a MSME wanting to enter into e-commerce, are - adoption of new business models that require knowledge of digital marketing, website designing and order fulfilment. Those MSMEs that succeed in making the transition to domestic e-commerce face additional challenges to make the jump to cross-border e-commerce. GoI should explore ways in which MSMEs can be trained and technical support services can be extended to them to make the transition process

easier, especially for MSMEs with limited capabilities. It is essentially important to increase awareness of e-commerce options and its benefits, and GoI programs among the MSME population.

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