

BusinessLine

Booming e-tail sounds death knell for electronic retailers across the country

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In dire straits: A view of shops at Ritchie Street in Chennai. - K PICHUMANI

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Traditional players plan to move competition panel, foray into other ventures

Mumbai, November 20:

Till a couple of months ago, Peshwa Acharya used to call up Shailesh Bhai, owner of a nondescript electronics shop Maruti Infosystem at Lamington Road here to buy mobile phones or laptops.

He would get discounts as high as 12 per cent and home delivery.

But of late, he makes nearly half of his purchases through e-commerce sites; the reason: transparency in pricing, array of choices, convenience of buying and even higher discounts.

"People like me will move over completely to online buying as India is now leapfrogging to e-tailing much faster than expected," said Acharya, the founder of focused marketing firm 'Think As Consumer.'

This has already sounded the death knell for traditional electronic retailers in areas such as Lamington Road in Mumbai, Nehru Place in Delhi, Canning Street in Kolkata and Ritchie Street in Chennai.

Plummeting sales

Vendors lamented that their sales have dropped by more than 35-40 per cent during the past three months as online market firms went on a marketing blitz.

"Our bottomline is being hit badly, and sales are dipping by the day. How these companies (online firms) manage to sell below dealer prices is not clear. If this continues, we (retailers) will have to close shop in the next five years," Chintan Zangda, owner of Computer Section in Mumbai, said.

"Our only recourse is to approach the Competition Commission of India, for violation of the Competition Act," he added.

There are an estimated one lakh small retailers in the consumer durables, information technology and telecom retail space in India, which is worth ₹50,000 crore.

The plight of retailers elsewhere is similar. "I am thinking of quitting this and getting into something else," Basavraj, a computer trader from Bangalore said, adding his turnover has plummeted to about ₹1 crore today from ₹5 crore earlier.

Grim scenario

E-commerce firms are flush with cash from multiple rounds of investor funding and are battling for market share. Here, discounted price is the prime differentiator, said Devangshu Dutta, Chief Executive of consulting firm Third Eyesight.

"In our marketplace, products are sold in compliance with the laws of the land. We clearly tell our sellers to sell products in accordance with applicable laws," a spokesperson for India's largest online retailer Flipkart said.

"All authorised dealers and middlemen can sell their products on online platforms," is what Flipkart has to say on the conflict between retailers and online marketers.

For online firms, however, business is not as easy as it seems.

"All the major e-tailers are not just acquiring customers at high costs, there is also a huge customer churn and little loyalty or stickiness," Dutta added.

All said, e-commerce is a reality that cannot be wished away, at least by retailers.

(This article was published on November 20, 2014)

Printable version | Dec 31, 2014 1:05:39 AM | <http://www.thehindubusinessline.com/features/smartbuy/booming-etail-sounds-death-knell-for-electronic-retailers-across-the-country/article6618701.ece> © The Hindu Business Line