

IN FOCUS

HAS THE ONLINE MALL ARRIVED?

A 60 per cent discount on a popular smartphone on an online portal might tempt you to buy it instantly but still there are a few things that you need to consider

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Mobile phone shopaholics used to flock the Web to check out mobile devices, compare specs and prices. But purchasing them? Nah, when it came to buying a phone or a tab, handset distributors nearer to home got brownie points for being the person to turn to in case there was a problem with the device or even to demystify the various features that the brand new toy had to offer. The Web was simply considered too unsafe and unreliable for anything more than research.

Trusting the Web

However, this attitude is slowly changing, especially with the coming of daily deal sites offering staggering discounts. According to a recent report by comScore, a leading site for measuring online traffic, in June 2011, 4.6 million Internet users aged 15 years and above accessed coupon or daily deal sites. This constitutes to about 10 percent of the total online population.

SnapDeal.com was the top site in the category with nearly 1.5 million unique visitors during the month, followed by DealsandYou.com and Mydala.com, both of whom had nearly one million unique visitors. And there are many more leading online stores that are becoming a constant source of shopping for many. These include Letsbuy.com, Naaptol.com, Tradus.in, Futurebazaar.com and HomeShop18.com that also offer value deals for their customers. Most of these sites come out with discount sales or battle deals that they promote aggressively. Naaptol.com claims that they are selling about 50,000 mobiles every month, while Homeshop18.com claims to sell 1,00,000 units through their site. It is not just mobile devices that are popular, but even mobile accessories like Bluetooth headsets, memory cards and cases are attracting interest. Tradus.in claims to be selling one pen drive almost every second. Anisha Singh, founder and CEO, Mydala.com revealed, "We had run a



Nokia Bluetooth headset scheme on our site and managed to sell 1,000 units in three days and we had to close the deal early because of the overwhelming response. We again re-opened the deal and sold another 1,000 units in a short span of time and had to again close the deal early." Not surprisingly, the Internet and Mobile Association Of India (IAMAI) has pegged the e-commerce market at USD 10 billion by the end of 2011. And while these are impressive figures, some questions have been raised too. Has the hype been created just to lure the customers or are there truly better deals available online? Have all the apprehensions of the Indian consumers been addressed? And will the momentum continue?

Scoring on price!

Nothing excites the Indian consumer more than a significant reduction in the price of a product. This along with the mindset shift from being a saving oriented economy to the one that is looking for some sensible shopping is the fuel behind the current growth. According to Manu Agarwal, founder and CEO, Naapto.com, "A lot of these handsets are picked up by people living in cities other than the Tier I cities. The online availability of these products drives the sales for these handsets in these specific locations." Online sites are also able to offer a wider range of devices, as they are not limited by display size like traditional retailers. As Sundeep Malhotra, CEO, Homeshop18, points out: "Online channel provides the flexibility for customer to understand a product in greater detail."

But these factors have always been there. Why is it only that customers are flocking for online purchase of mobile devices? Gaurav Kachru, CEO of Dealsandyou.com answers, "One of the drivers for people picking up handsets from the deal sites is that they know that they trust that it will be standard product. That is if they are looking to buy a BlackBerry Curve 8320 Black, then what they get in parcel that will be delivered through courier will indeed be that very product." Certain brands have been only too happy to use these sites in getting their products to the masses. This seems to be true especially for new product categories such as tablets. Rahul Sethi, President, e-Commerce, ibibo Web Pvt. Ltd. (which owns tradus.in) explains, "Tablets are high-end products and even the channel is a little skeptical in regards to the acceptance of these products. And because of high decibel advertising, companies like want that their products should be widely available. So online retail comes to their rescue at this stage."

The source code

But how do they get these deals? When we



approached the handset brands, most of them refused to comment and those who did said that online retail was still not a part of their ecosystem. In case of devices that are not available in the market, these portals usually source them from abroad. On others, the deals are usually done with local dealers. However, there is speculation that some of the handsets that are offered at 50-60 per cent discount are actually refurbished handsets and hence come with a seller or a third-party warranty. Kachru from Dealsandyou.com strongly denied anything like this on their website and added, "Selling of refurbished handsets is illegal in the country and in fact we do a lot of quality controls before offering any handset to our customers."

Though Sethi of Tradus.in did not deny that some of the portals did offer refurbished handsets, he was quick to add, "We do not offer any product, which has even an iota of doubt. We have a lot of clearance deals, wherein there are products, which are nearing their end of cycle and hence are available at a good price." He said that the site also offered a lot of value-adds - for instance, at the time of iPhone 4 launch, they were offering another iPhone 4 for free if it was pre-booked from their site.

Challenges galore

As Indian consumers continue to be skeptical about swiping credit cards over the Internet, many of these sites offer the facility of cash on delivery. However, this causes the problem of carrying so much of cash in the value chain. Last mile connectivity also is a major concern - there is a large part of the country where there are not too many reliable courier services. As online retail thrives on impulse purchase, a large part of the challenge for all these companies is to ensure that the customer gets a great shopping experience. This means making it fairly easy for the customer to know all about the product, letting them compare it with similar products, making the transaction process simple and hassle free, and finally ensuring that the delivery reaches them in a specific time frame. The deal sites did have an issue in giving instant access to discounts, however, now most of them are either providing these or are in the process of bringing this

functionality to their portals.

Not all roses, really

E-retail is gaining momentum and there are many business models that are co-existing at the moment but has it really arrived? Sandeep Komaravelly, head, marketing and alliances, Snapdeal.com, is cautious. "E-retailing is a growing bandwagon but 95 per cent of the sales continue to happen through the offline channel even now," he points out. There are also a lot of concerns in regards to what kind of business model will click in a market like India. Sanjeev Mahajan, CEO, Spice Retail feels that "It's the hybrid model that will work in the country, wherein, apart from the online presence, the retailer will have to be well supported on-ground presence as well."

An air of skepticism still remains about e-retail. Consumers would do well to stay on their guard, and pay attention to things like manufacturer warranty and seller warranty. A manufacturer warranty lets you take a product to an authorized service center in case there is a problem, while the same cannot be done with the goods that come with a seller's warranty. Interestingly, the devices which are being sold online with a manufacturer's warranty, do not attract massive discounts - there is almost negligible difference in the prices of these products online or offline. The big discounts inevitably come on either end-of-the-line products or on products that have a six-month seller warranty. So, we would advise you to weigh all the pros and cons in detail before hitting the "buy" button. For all the buzz (and biz) they are generating, the stark fact is that most of these online retailers are bleeding in the heat of giving the best deals as they tend to sell at a price lower to what they are sourcing. One will have to wait for the dust to settle to really evaluate that whether e-commerce is finally coming of age or is it another bubble. Consumers might think they are having the time of their lives, but we would advise caution - the deals may be good, but there is still a long way to go before online shopping replaces its traditional counterpart. ■

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