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# Online Promotions: Exploring the emerging opportunity in Indian market

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## Abstract

Online promotion has been employed by e-marketers to influence the shoppers during online shopping. In recent years, it has emerged as one of the promising tool in marketer's arsenal to sway potential customers in Indian online shopping environment. In this paper, we examine the phenomena of online promotions, its impact so far and its promise as we go forward. The paper traces the origins of the concept and its evolution and progress in India. We outline its various avatars and manifestations and the typology that has emerged so far. The paper provides a sketch of strategies adopted, success areas, drawbacks and limitations observed, while also looking at some of the success stories across different approaches. The paper goes on to explore the latest trend of social commerce wherein e-retailers employ online promotions through social networking sites. This channelization of social context in the online buying process is making rapid strides in the Indian marketplace. The various models tried out by different e-retailers show that there is no universal road to success.

**Key words: online promotions, e-retailer, deal aggregators, flash sales, cashback sites, social commerce**

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# Online Promotions:

## Exploring the emerging opportunity in Indian market

### 1. Introduction

E-commerce, short for electronic commerce, means buying and selling products and services over the internet. Since its arrival on business scene, e-commerce has significantly changed the way businesses and customers transact products and services. E-commerce enabled businesses reach customers across the globe. It has expanded its reach and scope by offering a greater breadth of choice and offering products and services at a much more competitive price. Over last few years, India has shown remarkable growth in e-commerce especially in the business to customer (B2C) segment and is likely to see significant growth in future. Ever-changing lifestyles and higher disposal incomes, combined with enhanced aspirational levels, especially amongst the demographically youthful population have been driving e-commerce. One of the major catalysts for e-commerce has been the increasing reach and breadth of internet penetration in India. India with 73.9 million web users has third largest base of internet users in the world after China and the United States.<sup>1</sup> This estimate excluded mobile users and considered only users above the age group of 15+ who accessed the internet from a home or work personal computer. In another estimate, Telecom Regulatory Authority of India (TRAI) pegged the number of internet subscribers in India at 164.81 million as on March 31, 2013, with seven out of eight also accessing the internet from their mobile phones.<sup>2</sup> The accessibility of the internet has served as the backbone for growth of e-commerce and has helped in pushing this revolution to greater heights.

The online B2C segment has seen service offerings ranging from travel, movies tickets, hotel reservations to start with, and has included products ranging from electronic gadgets, fashion accessories, home furnishing to even groceries. In India, online travel portals like irctc.co.in, makemytrip.com facilitated and encouraged Indians to transact over the internet. Considering the convenience provided by these websites, Indians were less skeptical in purchasing services such as train and airline tickets online. However, even though the customers' acceptance and willingness to buy products online has undergone a drastic change over last few years, there are still inhibitions which have restricted the Indian customers to try out products sold by online retailers. This is more prominent for products where there are concerns with respect to the real quality of these products and the warranties thereof.

Retail e-commerce (or e-tailing), is essentially the selling of retail products through internet.<sup>3</sup> Online shopping, online retailing, e-shopping, e-retailing, virtual shopping are some of the few terminologies which are interchangeably used for e-tailing. In India, the retail market has been primarily catered by traditional brick and mortar stores which even today handle over 93 percent of the total market. According to Technopak, India's leading management consultancy firm in retail sector, e-tailing is still a small part (0.1 percent) of overall retail in India but it is projected to grow at a rapid pace to reach 7-8 percent of the total Indian retail market by 2020.<sup>4</sup> In value terms, the report states, e-tailing has the potential to grow to as much as \$76 billion by 2021.<sup>5</sup>

Given the potential of e-tailing and the inhibitions shown by customers, online retailers are looking towards promotions as one of the important tools to influence the customers to visit the website and make purchases from the website. 'Online promotions', the promotions carried out by shopping websites, is seen as one of the main influencer in converting a non-customer to customer. In this paper, we present the different types of online promotions carried out by Indian shopping portals. We start the paper by looking at the drivers of the e-commerce and the challenges and hurdles faced by online retailers in India. This is followed by a description about the different types of e-retailers prevailing in Indian online market space. In the next section, we try to understand the reasons why online retailers opt for online promotions. Subsequently, the paper explains the different methods, manner and mechanisms in which e-retailers offer online promotions. In the last section we examine the growing trend of online promotions using social commerce and conclude the paper.

## **2. Evolution of e-commerce in India**

### **2.1 Facilitators of e-commerce in India**

Back in late 90s and first decade of 21<sup>st</sup> century, online travel sites encouraged and built trust for the customers to transact over the internet. While customers patronized online portals for services due to the convenience that they offered, sale of products through online medium did not take off as expected. Customers for products tended to have a lengthier pre-purchase cycle as they gathered information on features, warranties, and prices from various touch points. Moreover, for categories like apparel and accessories, 'touch and feel' was considered a prerequisite. However, with service available across 24/7/365 days, online shopping offered an opportunity which the traditional brick and mortar outlets could never offer. Over the years, with busy schedule and lack of time with customers, online shopping portals

offered convenience to customers to log in at their free time and convenience which appealed to customers in metropolitan areas (tier-I towns). The online retailers also brought in a number of initiatives to encourage the customers to opt for online shopping. In this section, we list some of the initiatives implemented by online retailers.

- **Cash on delivery (COD):** COD payment option has been the innovation that has added a lot of momentum to online shopping and improved Indian customers' perception towards online shopping. It addressed two major issues related with payment which online retailers faced. Earlier, many customers feared sharing their credit/debit card details over internet which was proving to be a major deterrent in online shopping. COD permitted buyers to purchase without disclosing their credit/debit card details by allowing the customers to make payments when products were delivered. Eventually, even those who possessed credit card have started preferring to shop online using COD. It is suggested that 60 percent of Indian online buyers who owned credit cards, still preferred to transact through COD in their most recent purchases (BCG, 2013).<sup>6</sup> More than 50 percent of all online transactions in India were based on the COD payment option.<sup>7</sup> COD was also instrumental in reaching out to customers in non-metropolitan areas (tier-II and tier III cities) where most of the customers did not have credit/debit cards. The perspective with which a customer from tier-II and tier-III city shopped was quite different from the way metropolitan customers shopped online. A customer from metropolitan area would shop online because she found it convenient and it saved time. However, tier-II and tier-III city customers shopped online as these customers were unable to access the choices they had aspired for at the cities where they lived. By giving the option to make payment by COD, online retailers were able to quickly build upon the untapped demand of aspiring customers.
- **Innovative and customized services for attracting customers:** To capitalize and appeal to the Indian customer to try online shopping, e-commerce companies have started a number of innovative services. Now majority of e-retailers in India offer free home delivery, though a nominal fee is charged for very small value orders. Other similar initiatives are benefits such as hassle free return policies within 7–30 days, referral discount, wish list, Try and Buy, tracking the consignment once the product is ordered etc. In case of online shopping of garments, majority of the online retailers have started offering customers the option to return and even exchange the product within 30 days if they are not satisfied by the product which was delivered to them. In an extension, some online portals are offering

Try and Buy services in certain cities as it was found that more than 70 percent of the returns happened because of size misfits. In this arrangement, the online retailer sends a salesperson to the customer's house with the merchandise which has been pre-selected by the customer. Based on the fit trials, the customer can select the item which fits her and make payments while returning the others to the online retailer. Additionally, many e-retailers offered the options of saving the product that customers liked in their wish list in case they were not in a position to buy immediately. Thus the customer did not make any commitment to purchase the product immediately and at the same time it offered her the flexibility to come back to the site and decide whether to go ahead and buy or even upgrade for a better deal at a later date, if she came across it. All these services have helped in expanding the customer base of online retailers.

- **Investment in distribution channel:** Having realized that delivery charges form a major component of the product cost, many online retailers have made investments in developing the distribution channel. This investment is aimed at facilitating the e-retailer in building a good customer base in medium to long term with the idea that retaining an existing customer is more profitable for a company than acquiring a new customer. With the distribution system in place, the product costs have been brought down and it has helped in improving the average turnaround time for delivering products from 4-5 days to 1-2 days. This has also improved the customer satisfaction with higher probability of retention. With many online retailers developing their own distribution channel, some of them have also started Card on Delivery (CoD) services. CoD is for catering to those customers who don't keep cash handy. In this payment option, a logistics person, along with the products, brings a mobile point-of-sale (POS) swiping machine to customer's door to accept payment. However, a card reader comes at an annual rental of Rs 6000-12000 per reader thus it is yet to become a very attractive option.

## 2.2 Challenges and hurdles faced by Indian e-commerce:

In spite of the numerous initiatives by online retailers to bring customers online for shopping, e-tailing, as reported by Technopak, only account for 0.1 percent of the total retail market in India. This section lists some of the major challenges and hurdles faced by online retailers in India.

The major hurdle normally faced by e-tailing companies was that customers would do research online but would buy offline from the neighborhood store whom they trusted. Also, there were doubts with respect to

warranty enforcement while purchasing online. Moreover, customers were not willing and were hesitant to share their personal details online. Further, customers feared that 'what they see may not be what they get' as touch and feel factor was absent online.

- **Absence of human touch:** One of the key differences between traditional brick and mortar versus e-tailing is the replacement of human to human interaction with human to machine interaction. For the same, the missing link in any e-commerce site has been of the one-to-one relation between the salesperson and customer. In the traditional brick and mortar environment, the customer tends to take cues from the salesperson about the trends as most customers believe that salesperson is duly informed and is well aware of the developments in her area of expertise and work. Added to such concerns, the element of personal reassurance which a salesperson offers in traditional brick and mortar store is missing in online shopping. The inability to bargain, wherein customer can ask for additional discount during interaction with shopkeeper, also dampens the joy of shopping.
- **Acquisition and retention of customer:** Lack of adequate trust is considered as one of the most frequently cited reasons for customers unwilling to purchase online (Lee and Turban, 2001).<sup>8</sup> Therefore, building up the minimum threshold trust can play a critical role in reducing and even eliminating the hesitation customers have while transacting online. It not only facilitates acquiring customers but also helps in retaining customers. However, building such trust in an online environment takes time, and sustained effort. For example, in India, traditionally customers have trusted their family jeweler for purchasing jewellery made of gold and diamonds as these are high ticket transactions. To bridge the gap of trust and creditability, one of the largest online jewellers, caratlane.com has opened a solitaire 'experience' lounge. It is a 'hybrid' experience for the customer where she can come to a physical store and still buy it online. In another initiative, caratlane.com asks the customers to select any 5 products from try@home catalogue which they can try at their home. This gives the company an opportunity to build trust, increase volume and also helps the company to up-sell and cross-sell its products. However, in order to build trust, online retailers often end up spending significant amount per customer. It was reported that majority of Indian online retailing websites spend between Rs 800-1,500 to acquire a customer.<sup>9</sup> This becomes even more challenging and expensive as repeat purchase tends to be less often the norm. Also, with growth of online retailing, there are multiple players, often with

undifferentiated offerings, who are competing for the same set of customers. The resultant stickiness and inability to retain customer loyalty is becoming a growing concern.

- **Delay in remittance of cash by logistics provider:** Although COD has encouraged more customers to buy online, from an e-retailer's perspective, this mechanism is not a great payment mechanism for the retailers, especially in the Try and Buy type of transactions. COD transactions lock-up the working capital of the company, sometimes up to six weeks. Adding to this concern, e-retailers has to bear heavy shipping costs when customers return the product or change their minds after the product arrives at their door step. Sometime, the returns have been as high as 40-45 percent of all COD shipment.<sup>10</sup>
- **Time lag between order placed and order delivered:** One of the major reasons for customers to opt for and prefer buying products from brick and mortar shops is that products are available almost immediately. This is in contrast to online shopping wherein the customer has to wait for the product to be delivered. This means that in online shopping, the customers have to pre-plan her purchase process, in order to accommodate the delivery process. In certain categories, for example, grocery, customers prefer the delivery within couple of hours of placing the order. To address this concern, myntra.com, which is a lifestyle e-commerce site, has piloted the delivery system wherein the goods purchased by customers in Delhi and Bangalore are delivered within two hours of placing the order.<sup>11</sup>
- **Short attention span of customers during online shopping:** One of the major difference between online and offline mode of shopping is that customers often show short attention span and lack of patience in online shopping. Customers easily navigate to the next site if they don't find the product they were looking for. This problem gets further compounded by slow internet speed in many cities in India. Some reports suggest that customers expect transactional-based pages to download on average within two seconds. Additionally, 40 percent will wait no more than 3 seconds for a web page to respond.<sup>12</sup> This presents a big challenge for online retailers to keep the customers attentive.
- **Expectation of lower prices in online shopping:** Customers, due to practice followed by online retailers over the last few years, have been trained to expect lower price and free shipping during online shopping. Many a times, the shipping costs makes the cost of the product higher than expected



and customers tend to drop the idea to shop online unless it is one of the rarest of rare kind of product that they are looking for.

In spite of the above-mentioned challenges and hurdles, a Google India study reports that online shopping in India saw 128 percent growth between 2011 and 2012 compared to only 40 percent growth in 2010 to 2011, making 2012 the tipping point for online shopping in India.<sup>13</sup>

### **3. Different categories of e-commerce site operating in India**

Before we explain the rationale for online promotions, and the different methods, manner and mechanisms in which e-retailers offer online promotions; the paper will describe the different types of e-retailers prevailing in Indian online market space. They can be classified according to the range of merchandise sold by them or according to the inventory management system followed by them. We will first describe the e-retailers based on the inventory management system.

#### **3.1 Marketplace model:**

In the marketplace model, (sometimes also referred as consignment based model), online retailers tie up with network vendors to procure the product who also prepares a web catalog which is put up on the website of the e-retailer. Once the product is ordered by the customer on the e-retailer's website, a notification is sent to the network vendor for fulfillment of the order. The vendor then ships the product to the customer and financial statement is made for the transaction done between vendor and online retailer. This model is advantageous to the online retailers as it allows them to offer large number of choices to customers while the product gets directly shipped from vendor and there is no need for investment in warehouse and logistics by e-retailer. Moreover, from an online retailers' perspective, these models present an opportunity to the merchants/vendors wherein they can procure and supply locally and sell nationally, enhancing their reach and spread. Thus, marketplace model requires less investment upfront and is easy to expand the business quickly. However, marketplace model has its set of drawbacks like longer delivery time, non-updating of web catalog, and issues with sub-standard quality. These are some of important aspects as they ultimately affect the brand reputation of a particular e-retailer. However, this business model works out well for online retailers due to difficulty in assessing and forecasting the choice of customers in online shopping especially during initial days. Also, this model has special relevance for Indian markets as there are a number of unorganized players. Ebay was a pioneer in development of

marketplace model. Recently, Getit, through its website getitbazaar, and Infibeam, through its initiative 'Build a Bazaar', has implemented marketplace model in Indian markets.

### **3.2 Inventory based model:**

The second type of model, known as inventory based model, is designed in a way so that online retailers buy and stock the products in their warehouse and sell them through their websites. This model allows the e-retailer to provide assurance of the quality of product and allows them to have better control over the services through timely and faster delivery of products thereby providing better customer experience. Inventory based model has worked better for e-retailers who offer products in niche segment as they are able to procure products in bulk, thus obtaining higher discount from manufacturers. However, inventory based model is not always financially viable as it has its drawbacks like higher working capital and higher operating cost leading to higher expenses. Also, there are chances of stock getting out-dated, pile up of rejections or non-moving goods. In some cases, excess inventory stock-up may lead to big losses. It becomes all the more challenging when the competition, in order to capture bigger market share, offers the same value proposition but heavier discount.

### **3.3 Managed marketplace model:**

Recently, a number of online retailers are exploring the opportunity to expand and enter into managed marketplace model. In this model, the online retailer does not hold on to the inventory of the vendor but they have to undertake same quality checks and the supply mechanism so that there is no compromise on customer shopping experience. Customers are informed about the same so that they don't build up on the expectations, as the delivery may take more than usual time. Shopclues.com is the first and the largest fully managed marketplace e-commerce site in India that had more than 1.2 million SKUs across 900+ categories and had built the largest community of merchants in India with eleven thousand merchants.<sup>14</sup>

E-retailers can also be classified as having horizontal (multi-category) business model and vertical (niche-category) business model based on the range of merchandise sold by them.

### **3.4 Horizontal business model:**

Multi-category e-retailers who sell wide range of product assortments ranging from apparels, shoes, lifestyle products, books, music etc. are known to follow horizontal business model. Some of the popular e-

commerce sites like flipkart.com, jabong.com, myntra.com, snapdeal.com are examples of multi-category players. The drawback with being a multi-category player is that in order to tap in more customers, online retailer has to stock up more inventories of each of the categories. With more product category options, the e-retailer needs to analyze and understand the purchasing patterns of a number of customers in order to effectively cater to them. Also, it presents a challenge for design of the e-commerce website as all product categories need to be visible on main page of the website.

### **3.5 Vertical business model:**

Some e-retailers keep their range of merchandise limited by offering the customers products which are focused on single/niche category. Firstcry.com, gkboptical.com, bigbasket.com, urbanladder.com are few examples of niche category e-retailers. These e-retailers bring their deep understanding of customers' need to serve the customers in what they consider themselves as best. Also, it doesn't create confusion in mind of customers. Niche e-tailing also offers an opportunity for personalized service. For example, if a customer wants to purchase grocery for a month, then the traditional kirana store knows tentatively what the customer will buy based on her past purchase. In the same way, online e-commerce sites offer history of purchase to the customer which makes the whole process easier and less time consuming for the customer. Babeezworld.com, an online shopping site for babies uses the past purchase data of the customer in order to improve the whole experience. This e-retailer offers personalized suggestions to customers. Here, when a mother buys diapers for her kid, the site knows that she has an infant and is likely to buy more in future. So, the site tentatively suggests when the mother will need the next bigger size for her growing baby.

Till 2012, electronics was the fastest growing segment in the online shopping space. However by 2013, apparel has been the fastest growing category in online retail and has reached 15 percent online users in India.<sup>15</sup> In the vertical e-commerce categories, baby products, healthcare, and home and furnishing have also shown good growth.<sup>16</sup>

## **4. Promotions employed by e-commerce websites in India**

It is expected that most of the customers will like to save on their shopping expenses and therefore they will look for discounts and coupons. Research has indicated that coupons can directly impact happiness of people, promote positive health, and increase their ability to handle stressful situations.<sup>17</sup> Coupons make

customers 11 percent happier and 68 percent more motivated to try a new business.<sup>18</sup> This kind of behavior of customers where customers prefer coupons holds true for online as well as offline mode of shopping. For customers, e-coupons and various online promotions act as a strong incentive to shop online, especially in urban areas. Promotions by e-commerce websites who are multi-category players or follow market place model provide additional incentive to customers besides offering a range of products under one roof which the traditional brick and mortar stores rarely offer.

According to a BCG report, 37 percent of the customers valued the convenience of shopping from home.<sup>19</sup> The report also stated that 30 percent of online buyers were drawn to internet shopping for discounts. The same report stated that 29 percent customers appreciated the expanded variety of products available online compared with what was available at an average brick-and-mortar store (BCG, 2013).<sup>20</sup> Thus, though convenience and assortment have acted as pull for the Indian customers to shop online, discounts and online promotions provide an extra incentive for the shoppers to shop online.

Wide usage of social media by customers has also pushed the online retailers to offer promotions during online shopping. According to a study conducted on customers in United States, it was found that online US shoppers were using the social media to shop for the best deals.<sup>21</sup> This can be expected to be true for Indian shoppers as well, as they spend significant time online on social media. Thus, e-retailers see online promotions as the extra incentive for attracting customers who are already looking for such opportunities. Besides, online promotion works as an alternative for e-retailer, especially who work on inventory based model, to liquidate excess product inventories.

From the perspective of e-retailers, online promotions increase the potential of sales for the e-retailers and at the same time they act as an emerging opportunity for customers to experience the online shopping platform. Majority of the online retailers offer at least 20 percent discount on the first purchase in order to encourage customer to experiment and experience the online shopping. E-retailers use online promotions to build awareness about their brands by driving more traffic on to the online retailer's website. There have been a number of strategies adopted by e-retailers in India for online promotions.

#### **4.1 Deal Aggregators (Daily deals websites/Group buying websites)**

Daily deal websites provide daily discount offers in various categories like restaurants, apparel, lifestyle products and travel. On the other hand, group buying websites work on the premise that collective buying will lead to larger volumes for merchants by which they can make offering to customers at attractive prices. These discounts attract deal hunters and price-conscious customers and they tend to buy the product and services which they would have not bought otherwise. While both types of deal aggregators work on similar business models, there is a subtle difference between the business model of daily deals and group buying websites. In group buying, a minimum number of buyers is required for a deal to go live or get activated (commonly known as tipping point), whereas daily deal sites do not have such requirements. The group buying sites generally provide hyper-local deals to customers which customers can access easily from the proximity of their localities.

Daily deals are generally designed for business that has a fixed cost and excess capacity. This model works well in service sector wherein if the perishable inventory remains unused then the revenue is lost for that period of time. For example, most of the salons and restaurants offer deals on weekdays or afternoon hours when the traffic is usually low compared to weekends and evenings respectively. This kind of offers drives customers to the merchant's venue and merchants are able to increase their revenue. This also gives an opportunity for the merchant to serve the customers better as the rush is comparatively lower and customers get a more personalized experience. If the merchant is able to provide the personalized attention to the customer without making him/her realize that the customer has come to commercial establishment just because he has been offered discounts or coupons then the chance of that customer being a satisfied customer will be higher. It also increases the chances that she will return back as a satisfied customer.

Small and new business owners have looked at daily deal websites and group buying sites as an opportunity to increase awareness about their brand. Sometimes, these websites plan deals on their own websites to create awareness about their websites. One of the recent examples of this phenomenon has been initiative by [groupon.co.in](http://groupon.co.in), an online deal and coupons website when onion were selling at Rs. 60-100 per kg, three-four times their normal prices. Groupon, who has been known for its deep discounted deals on everything from restaurant meals to shoes and watches, received an overwhelming response when it offered onions at Rs. 9 in India which was about 80-90 percent less than the market price. As per the deal,

the customer could buy 1 kg of onion from Groupon website on 'first-come-first-serve' basis with sales limited to 3,000 kg per day. The deal was offered for the next seven days across 78 cities in India until it sold 21,000 kg of onions. On 5<sup>th</sup> September 2013, the day offer was launched, Groupon sold 3,000 kg of onions in 44 minutes. As the news spread, second day saw heavy rush to its website causing the website to crash. By the 5<sup>th</sup> day of this promotion, the website claimed that the entire stock of onions for that day was bought within 7 minutes and deal was closed for that date. As per the terms and conditions, only 1 kg per delivery address was allowed and delivery was expected within 10 working days and this deal was not offered under cash on delivery. The company officials claimed that the offer was not about profit or loss but was designed to generate shock and awe among customers and spread brand awareness.<sup>22</sup>

#### **4.2 Flash Sales**

The concept of flash sales started off when the retailers/companies sold the whole unsold stock in a different market. Flash sales aided retailers/companies to liquidate their unsold capacity or off season stocks. Sometimes, retailers would buy unsold merchandise from one country and sell it into another country where the last year's collection was not only "good enough" but also considered as "great". Generally, flash sales were held for only few items of merchandise which was offered for limited period of time along with very huge discounts. Thus, retailer would try to create an illusion of exclusivity in the minds of customers. The retailers resorted to flash sales during recession when affluent customers controlled their spending. In these times, the only option left to the retailers was to sell the excess inventory through flash sales which otherwise they would never sell at discount.

Vente-Privée, a European e-retailer, started the trend of flash sales in online medium and it was later adopted in U.S.A by Gilt Group. Flash sales sites offer extensive reach for the e-retailer which the traditional brick and mortar store does not offer. Thus, it's a win-win situation for both the e-retailers and customers. The e-retailer gets rid of surplus stock while customers get the opportunity to buy their favorite brands at a "great bargain". However, liquidation of inventory is not the only reason for e-retailers to undertake flash sales. Gilt, the most prominent flash sale site in US, was used to introduce Volkswagen's all-new 2011 Jettas. Volkswagen was the first automotive brand to be sold through any flash sale site in the US. Volkswagen sold three of the \$15,995 cars for \$5,995 on Gilt. Fifty-five thousand people who missed out added their names to the wait list and Volkswagen sent them \$500 coupons to buy or lease a Jetta. Volkswagen was able to sell 69 full-price cars as a result of the Gilt flash sale and created an e-mail list of

interested customers. The company officials claimed that the sales wasn't the actual objective for Volkswagen, it just wanted to create a buzz and awareness.<sup>23</sup>

Many companies have offered flash sales through different websites in India. EBay.in offered Nokia Lumia 620 for only Rs 13,379 in its 'One Day Flash Sale' offer in March 2013. In another example, spicejet.com offered 'The Big Sale' for three days in which '10 lakh seats' were made available for an all-inclusive fare of just Rs 2013 through its website. The offer was valid for bookings of domestic flights made during January 11 to January 13, 2013 while the customers could undertake their travel from 1st February to 30th April, 2013. The company officials claimed that it sold 7,05,000 tickets in just three days (of the promotional fare) and the carrier managed revenue of Rs 165 crore (1 crore = 10,000,000).<sup>24</sup>

However, a flash sales site also has certain drawbacks. A flash sale site creates a false sense of urgency among customers expecting them to act immediately. However, over a period of time, these customers discover that the same merchandise may be available for less with another e-retailer. This affects the reputation of the e-retailer if different e-retailers offered the same merchandise and fight for the same set of customers. Moreover, adding to these drawbacks are the high shipping costs and tough return policies, especially for products, which make online flash sales a less shopper-friendly option.

#### **4.3 Cash Back Sites**

Cash back sites like pennyful.in, cazback.in, and cashkaro.com are becoming popular in the e-commerce market in India which helps the e-retailers in increasing visitors at their websites. Under this model, most of the e-retailers in India like myntra.com, jabong.com, flipkart.com, and yebhi.com work on cost-per-sale mechanism and pay the cash back sites marketing/referral fee, in the range of 3-5 percent, to bag in more business for them.<sup>25</sup> In exclusive tie-ups, this referral fee percentage can go higher. For example, snapdeal.com offers cashkaro.com (cash back site) 7.5 percent flat commission.<sup>26</sup> However, in most of the cases the marketing fee that cash back sites get from e-retailers is based on actual transactions, and about 80 per cent of the marketing fee is then passed on to the customers by a transfer to their bank accounts.

The schemes offered by cash back sites facilitate e-retailers towards bringing in more repeat customers and create a win-win situation for all involved in the process. From e-retailers' perspective, it is able to acquire more business while the cash back sites gets referral fee from the e-retailer for being the middle-

man and online customers get a share of the profit as a reward for shopping with that e-retailer. For example, when a customer visits Jet airways via cashkaro.com, the customer will get at least Rs 260 cashback every time.<sup>27</sup> Therefore, though a customer can still shop at the same Jet Airways website and pay exactly the same amount, now because the customer has made her purchase through cashkaro.com, he/she earns extra savings. As the example suggest, promoting sales through cash back sites lead to some cannibalization of sales to customers who could have come on her own. However, it is expected that increased customer inflow through cash back sites will compensate the sales lost due to cannibalization.

There are cash back sites like cashkaro.com that offers cash back in addition to coupon saving for the customers. For example, if there is a 20 percent coupon at jabong.com, not only does the customer get this discount, but she is able get an additional 6 percent cash back. Some cash back sites offered bonus credit for signing-up or referring a friend.

#### **4.4 All In A Day's Shopping**

In a bid to boost online shopping adoption in India, leading e-commerce players and Google has come together to bring in the concept of Cyber Monday<sup>1</sup> to India - titled 'Great Online Shopping Festival' (GOSF). First version of GOSF was organized on 12.12.12 (December, 12, 2012) and it was followed in 2013 when it was organized from 11-14 December. GOSF has seen participation from a large number of partners including leading e-commerce players, local and classified websites, online travel websites and banking, financial services and insurance (BFSI) industry offering their best deals to customers all across India for pre-specified number of hours with unheard of discounts for merchandise. This initiative is aimed to reach out and promote online shopping to first time buyers.<sup>28</sup> 'All In A Day's Shopping' format of promotion was also employed by shopclues.com in November 2012 which was first of this kind of initiative by any Indian e-commerce company. Citibank also started with 'Oh My God' sale in 2012 which was a 24 hour deep-discount sale after tying up with 17 e-retailers.

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<sup>1</sup> Cyber Monday refers to the Monday after Thanksgiving in United States. This marketing term was coined by e-commerce firms who gave very high discounts on this day to persuade people to shop online. (Source: Wikipedia.org)



## 5. Online promotions using social commerce – A growing trend

Marketers' intrinsic ability and the potential reach available to influence the customers has changed drastically with the onset of social media. In recent years, traditional advertising messages are losing their sheen and social recommendations/social influences have garnered increased credibility through the online route. Customers have become more vocal, connected and more demanding than ever before. Social commerce which is the subset of e-commerce, weaves together social media and online retailers. Social Commerce is more about customer to customer communication wherein each customer is a potential marketer for the products they have already bought or plan to buy. Though shopping has always been a social activity, it was believed that shopping on internet was an isolated and highly individual experience when compared to the traditional brick and mortar shopping. However, this perception has changed over years as there are number of e-retailers which allow the shoppers to share what they have shopped and receive inputs from others. Many a times, these sites guide the customers in taking a decision whether to go ahead and purchase the product or not. In these sites, as normally no commercial activities take place, shoppers tend to discover products/brands and in case if they want to purchase it then they are redirected to vendor's sites for completing the commercial transaction. In the online mode, shoppers generally trust and believe in their peers' experiences and give more credence to it than expert opinions, just like the offline mode where the shoppers take the opinions of their family and friends before they make purchase decisions. This subconsciously also reinforces the psychological impact of collective decision-making.

Social commerce facilitates, encourages and supports social interaction thereby helping customers take decisions regarding their purchase on the online platform. According to industry experts, 90 percent of shopping that happens online is the product of social influences. Global statistics on social commerce show that it is the next big thing as revenues are pegged at over \$30 billion by 2015.<sup>29</sup> Social commerce is also a lot safer and reassuring, than pure play e-commerce. Also, social commerce provides an opportunity to acquire customers at lower costs on the basis of harnessing the word-of-mouth publicity/endorsement, which is a more sustainable and profitable business model. In last couple of years, social media conversations have shifted from text to images making images the new language of fan engagement. Images help in driving an emotional reaction almost immediately, especially among one's peer group. Conversion becomes easier and believable because shoppers view real people wearing company's merchandize.

According to a study, 67 percent online shoppers in India refer to social media before shopping online.<sup>30</sup> The report stated that customers were increasingly relying on social media to make their purchases, either as informed choices, or through peer conditioning. It was stated that for over 30 percent of the survey respondents, friends or peer-reference influenced their online shopping while 17 percent were influenced by social media sites that included ads, product reviews, recommendations, product launch announcements, etc. The study further stated that 40 percent of the respondents indicated that they purchased one or more items after seeing it on a social networking site and many of these purchases were routed through ads on these sites. The influence of social media on online shopping can be categorized in the following typologies:

### **5.1 Associating social networking sites with online promotion campaigns:**

Many of the existing e-commerce players have roped in an element of social to their business model in a manner which enables their customers to share their purchases within their own network, thereby increasing the reach and unveiling the untapped opportunities. Harnessing on the potential of social media like facebook.com, pinterest.com, instagram.com, linkedin.com etc. marketers are plugging in the commerce dimension with the social one. For a comparatively new and upcoming e-commerce site, associating with social networks in order to promote and spread the reach can be a winning proposition.

One example of this type of initiative is fabfurnish.com which is one of India's largest online home stores and retails designer furniture, furnishings, décor items and kitchenware. The company wanted to reach out to as many people before the festival season began. So, it ran a contest for a month from mid of August 2013 to mid of September 2013. fabfurnish.com launched 'Live Beautiful Contest' to share the festive spirit where participants were asked to refurbish their homes. One lucky winner was to get a golden chance to make her dream home with fabfurnish.com's products, worth Rs 100,000. There were many other weekly prizes worth Rs 5,000 also to be won. All that the participants needed to do was to answer a simple question, and refer the website to as many friends as possible. The winners were to be selected based on two parameters: (i) most innovative answer and (ii) most number of people referred. There was no need for any kind of purchase to enter or win the contest. Clearly, in this promotion, the idea was to generate the word-of-mouth for company using social media.

## 5.2 User Curated pick list / selection sites:

With endless products and brands available on web, sometimes it becomes impossible for shopper to decide what is best for them. The key concept of curated sites is that these websites assist shoppers from being in 'a search-based purchase' mode to being in 'a suggestion based purchase' mode. These sites simplify one's shopping experience by doing a preliminary short-list by putting together and fine-tuning handpicked collections from around the web into one particular site. Curated shopping sites are also sometime considered as exclusive and personal bouquets that are available on online platform. From a business perspective, it allows the companies to view and understand how the customers categorize and interpret the style of the companies' items in their own collections. It offers the retailer an opportunity to sell ensemble products which help in keeping away bargain hunter customers and help in increasing overall margin. From customers' perspective, these sites save their time, offer them hassle free shopping experience and help them explore and discover what's best for them from handpicked products by others. It also saves on time from searching these products separately.

Giveter.com, a gift recommendation service site which cherry picks gifts from websites and helps people zero in for that perfect gift, has a feature wherein the company recommends gifts based on interests, likes and hobbies of the recipient based what she has liked or shared on facebook.com. It helps in discovering and identifying the right gift for a person depending on age, relationship, occasion, personality, mood and price. It just displays the cherry picked gifts but if the person wants to buy them, giveter.com then redirects it to seller's site from where the actual purchase is undertaken. In another example, kwaab.com - a social image cataloguing website - showcases products across various categories and brands. Kwaab.com lets the shopper discover, collect and share their interest and likes with social peers. Shoppers can't buy anything from this site, instead they are re-directed to the page of the merchant where shopper can find details about the item and make a purchase.

In another variant, limeroad.com, which is a social shopping platform targeted at women, is integrated with facebook.com where it allows shoppers on limeroad.com to share their purchase with friends. Limeroad.com allows users to create a catalog (sort of a wish-list) called 'scrapbook' from the available products on the website and categorize them into party wear, work attire, Bollywood attire, Hollywood attire. Once a user organizes a scrapbook, then users and their friends can purchase all the products at once or one-by-one or share the scrapbook with their network on social media sites. This in turn helps in

building and generating continuous conversation for the product purchased as well as the vendor site. This strategy has helped limeroad.com increase its traffic up to 200 percent month over month, of which 50 percent sign-ups are from facebook.com logins.<sup>31</sup> Limeroad.com doesn't hold any inventory and it depends wholly on its online customer community to do the mix and selection of products. Recognizing the success, limeroad.com had started a new 'Create & Earn' initiative wherein the users who create scrapbooks would get a percentage of the sale amount of all items sold through their scrapbook looks. Limeroad.com expects the most creative and active scrap-bookers to earn anywhere between Rs. 10,000-20,000 per month.<sup>32</sup>

Comparing products from different sites can be tiresome and it is even more painful if you want your friends' opinion on all those items. Scrapehere.com eliminates so the so-called hectic pre-shopping activities by offerings a social dashboard that enables online shoppers to make better purchasing decisions. The site enables one to create a collection of essentially 'a list of products', picked from different e-commerce sites which is then shared on social platforms like facebook.com, twitter.com and Google+ in order to receive product feedback from friends. Once the product to be purchase is decided, then scrapehere.com will redirect you to vendors' site from where actual transaction takes place. Scrapehere.com also offers additional features like PriceWatch for selected websites that allows users to select a certain price and notifies them when the price of a product drops to their desired range. Users have the option to either to keep their collections public wherein anyone can view and comment or choose to keep it private. It just displays the handpicked products but if you want to buy them, scrapehere.com redirects it to seller's site from where the actual purchase is undertaken. The site can also charge commissions for redirecting purchases to the mother sites, as it will be essentially generating buyers for those sites.

### **5.3 User review sites:**

The social media offers the scope and opportunity to understand what people like to talk about, their buying behavior habits, and discover different evolving trends that are likely to affect or impact future buying behavior. Social media are offering marketers a cost effective way to work out strategies to overcome some of the key challenges of marketing, such as building awareness, educating customers and building bridges with the customer and his friends, thereby tackling the trust factor which plays a key role in influencing customers. There are number of sites in India where one can get reviews about different products and services. In online platform, it is becoming highly crucial for online shopper to get feedback and

suggestions, especially in the pre-shopping engagement in order to save time and money. Customers view these sites to get an unbiased piece of information. These sites create a positive impact in increasing the average order size and are powerful tool for increasing conversation rates. For example, fabbucket.com, based on an affiliate model, is basically a social platform to discover, discuss and decide, before shoppers make their purchase decisions. Its aim is same as what tripadvisor.com does for travel destination and zomato.com does in food categories.

## 6. Conclusion

The success of Great Online Shopping Festival (GOSF), supported by Google, in 2013 provides a glimpse of the future of online promotions. GOSF, started as pilot, for a day, in 2012. The response was so encouraging that it was held for four days in 2013 and it turned out to be a big opportunity for Indian e-commerce sites to increase their revenue and number of visitors. Based on sales analysis of GOSF (2013), Google said that partner online businesses saw over 350 percent growth in daily sales and the festival saw participation from all over India with 50 percent buyers making online purchase for the first time.<sup>33</sup> Also, traditionally it has been observed that customers used to, by and large, purchase low ticket products in online shopping due to their concerns associated with online shopping. However, GOSF (2013) saw high ticket items like five houses worth Rs 25 crore, 35 Nissan cars and over 250 Tata Motors vehicles being sold in the four days online festival.<sup>34</sup> This brings us to the realization that there has been slow but progressive change in the way customers in India have viewed online shopping. This is a huge opportunity that is waiting to be tapped. Online promotions, along with other innovative initiatives like Cash on Delivery, Try and Buy schemes etc. which were implemented by Indian e-tailers, are helping the Indian e-commerce sites in changing the perceptions and thereby further build the confidence for online shopping with Indian customers. The future of these synergies will be interesting and insightful to track, observe and analyze.

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