Offline Empowerment: Key to the Success of E-Business in India

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Abstract

This paper deals with empowerment of the offline customers (who are responsible for 99% of retailing), to have the benefits of being online and have all the shopping experience, infect, with a greater presentation appeal.

The models proposed here bypass all the above limitations and gives any customer an online shopping / subscription experience, even without the knowledge of operating a PC.

This "Offline Empowerment l" also deals with the other mentioned problems by: presentation enhancement, bypassing connectivity, reducing security hassles etc.

This is achieved by some technical and logical segregation of presentation layer and business logic layer across the Internet. Thus, removes the bottlenecking in the adoption of e-shopping, paving way for a greater E-business.

Of course, the rewards depend on the successful implementation of the presentation logic, business logic and the overall strategy.

1. Introduction

A nation with diverse tastes and preferences, India, has globally been recognized as a source of skilled technical manpower. With the advent of Information technology, Indian industry and manpower, to a greater extent, have geared up themselves in this promising area to transform their businesses on Internet. But, with a heap of promises and predictions, it is evident that the E-Business didn't come up to the desired levels.

Generally, there are various reasons attributed to it:
- Downward trend in economy
- The rapid technological changes difficult to keep pace with.
- Non-feasible business models,
- Lack of awareness in customers.
- Security concerns etc.

Let's have a look at the data by TNS Interactive - Global eCommerce Report - June 2002 India:
[1]
Data collected in 4 largest cities.

Percentage of total population who are Internet users

Year 2000 = 10%
Year 2001 = 13%
Year 2002 = 16%

Male = 24%
Female = 10%

Online Shoppers
1% of surveyed total population
4% of surveyed Internet Users

Main reason for not buying online (in India)
Too difficult / lack of knowledge

In a developing region like India, the growth of Internet user has not attained a substantial maturity, owing to many of the reasons like: Internet awareness and connectivity. Corporate bodies will have to use the power of the Internet to correct inefficiencies in the value chain, transform the role of the company to managing the value chain, device strategies to cut costs and improve business processes.

M E Porter has rightly identified the "…. Need to create strategies that involve new, hybrid value chains, bringing together virtual & physical activities in unique configurations". Competitiveness in E business can only be achieved by a strong business model, which in turn consists of efficient business processes. Therefore, at the micro level, it is actually the business process that is making a particular model feasible, strong and effective. This business model should stand in unison with the efficient processes as well as the technological implementation of the model. The Internet channel of tomorrow will largely be a hybrid one with customers seeking value at the lowest cost from each component channel. Companies that realize this & modify their channels appropriately are likely to benefit the most from the introduction of Internet into retailing.

The net has helped reach the customer directly circumventing the two traditional indirect buffers - mass, media & retailers. Hence, it can work as a medium of communication and to business with. E-tailing, however, appears to be a couple of years away. Today, E-retailing comprises less than 1% of retail sales in the USA & much less in India.

Therefore, in the Indian context it becomes really essential to target the offline masses to be enabled by Internet based shopping experience. But the following are the limitations:

- Poor knowledge for operating a PC.
- Lack of awareness about Internet.
- Inherent fears about security.
- Slow connectivity - a major hurdle in e-shopping.
- Internet is not being utilized as an effective media of presentation, which is required for powerful sales closing.
- Diverting the customers from traditional channels to online.

This paper deals with empowerment of the offline customers (who are responsible for 99% of retailing), to have the benefits of being online and have all the shopping experience, in fact, with a greater presentation appeal. The model proposed here bypasses all the above limitations and gives any customer an online shopping experience, even without the knowledge of operating a PC.

The "Offline Empowerment model" also deal with the other mentioned problems by: presentation enhancement, bypassing connectivity, reducing security hassles etc.This is achieved by some technical and logical segregation of presentation layer and business logic layer across the Internet. Thus, removes the bottlenecking in the adoption of e-shopping, paving way for a greater E-business. Of course, the rewards depend on the successful implementation of the presentation logic, business logic and the overall strategy.

2. Offline Empowerment

Consumers expect the same experience and the same answer anytime, anywhere, anyhow… their choice… are we consistently offering our customers the convenient, easy and enjoyable shopping experience they expect?
The notion of "Offline Empowerment" is aimed at providing the benefits of Information & Communication Technology to the masses, in Indian context it refers to developing the processes suited to the needs of those people who are 'offline and not computer literate'.

In this paper we will postulate two approaches towards the "Offline Empowerment":
- The Virtual Show Room Model.
- The Offline Enterprise Model.

Years 2000-2002 have witnessed a gloomy phase in the E-business scenario all over the world. Economic values of the companies eroded, the basis of competition shifted, new business alliances evolved and perished, and it became harder for anyone in their industry to turn a profit. Electronic commerce is changing the shape of competition, the speed of action and nature of leadership. Managers everywhere are feeling the heat. The companies are at E-commerce crossroads and there are many ways to go. But which road will lead to success? Which business models, management strategies & tactics will make them successful?

According to a recent study by Confederation of Indian Industry (CII) & the consultancy company PriceWaterHouseCoppers, the total E-business in India is expected to be worth Rs 55,000 crores by year 2005. Thus, the Indian corporate are also reassessing their expectations of E business. Corporate can use the power of the internet to correct inefficiencies in the value chain, transform the role of the company to managing the value chain, device strategies to cut costs, improve business processes, and to look at greater transparencies among the business partners. [2]

The basis of competition & wealth creation in the digital economy is not only good use of information, quality, speed or effective decision-making, but it is business model innovation.
Competitiveness in E business can only be achieved by a strong business model, which in turn consists of efficient business processes. Therefore, at the micro level, it is actually the business process that is making a particular model feasible, strong and effective. This business model should stand in unison with the efficient processes as well as the technological implementation of the model.

3. Making it Click

The Internet channel of tomorrow will largely be a hybrid one with customers seeking value at the lowest cost from each component channel. Companies that realize this & modify their channels appropriately are likely to benefit the most from the introduction of Internet into retailing.

The net has helped reach the customer directly circumventing the two traditional indirect buffers - mass, media & retailers. Hence, it can work as a medium of communication and to business with. E-tailing, however, appears to be a couple of years away. Today, E-retailing comprises just about 0.89 % of retail sales in the USA & much less in India. [4]

There has been a fundamental flaw in one of the assumptions of E-retailing that everything could be sold online profitably and to anybody.

A recent study has predicted that E-commerce in India will jump from between Rs. 25 crore & Rs. 28 crore in 2000 to Rs. 220 crore in 2001. However, the study also points out to the fact that certain barriers need to be surmounted to exploit the potential of E-tailing. The first and foremost is the fact that there are only 5 million net users in India, out of whom only 2 millions are active. Besides 75% of net users are males.

Secondly, wide range of products usually has to be delivered offline and in the shortest time which makes managing the supply chain, a nightmare. Thirdly, with low margins on a variety of products, especially FMCG products (about 5 -10%), deep discounting may not be possible on the net. [5]

We will have to give some way to pragmatism by pondering on the issues like: What kinds of shopping activities are likely to make consumers migrate to net? How do shoppers compare and contrast their shopping options? Will e-retailing and net usage increase or decrease among different segment of customers?

Such perplexities of consumer behavior are hardly a new phenomenon. Traditional marketers have always been thrashing such problems even before the emergence of the Net and online shopping. But, out of that effort came a sophisticated understanding of the context in which a buying decision occurs, an understanding that is as valid online as off.

It is true that customers buy different products for different reasons at different times. This seems obvious. But the profile and indiscriminate use of online marketing tactics for all types of online consumers - regardless of their awareness level, interest and buying behavior - shows that many online marketers don't quite get it.

Through trial and error or sheer luck, some online marketers have achieved impressive results with these powerful new tools. But between their rush to adopt these tools and their over-reliance on data about Internet purchasing, online business-to-consumer marketers have tended to ignore some fundamental truths about consumer behavior. And without a full understanding of these truths, the promise of E-marketing in the B2C sector will largely go unfulfilled.

4. Virtual Showroom model

In the contemporary attempt, I am presenting a business model consisting of some business processes being conceptualized on the fact that Internet is largely a presentation medium for the sale of a product. Business operating in today's economy can thrive only when they approach electronic commerce with the customer in mind. This means knowing how, when and why they shop and what their motivations, emotions, expectations and fears are.

We all know that books and CDs consist of a lion's share of the products sold online; both of these products do not require the utilization of an efficient presentation. The question is that, are we not able to fully utilize the presentation capability of Internet or the presentation capability of Internet is impoverished?

I quote her AIDAS theory of sales that stands for Attention, Interest, Desire, Action and satisfaction. [6]

We can realize the importance of creating attention, which invokes interest in the product and ultimately leads to sale. Attention, being a strong prerogative for sale goes hand in hand with interaction of the customer with the product, features and specifications.

Now imagine the customer with a desktop PC, who is browsing the internet over a dial up connection, struggling hard to download a single small size two dimentional static view of the product along with written specifications. Again & again he has to wait, if at all he has to accomplish a purchase. This selling process is largely driven by the customers initiative & he is being repeatedly asked to click here and there. Unguided by any sales man & immediate querry quenching, he finally types out some different URL in the browsers address box & presses GO.

A poor point of purchase strategy and hence even less than 1% of retailing is E-retailing. Nonetheless are hassles of credit card, security, passwords etc.

The virtual showroom model deals largely with presentation enhancement, hence increasing the attention and interaction resulting into higher probability of sale.
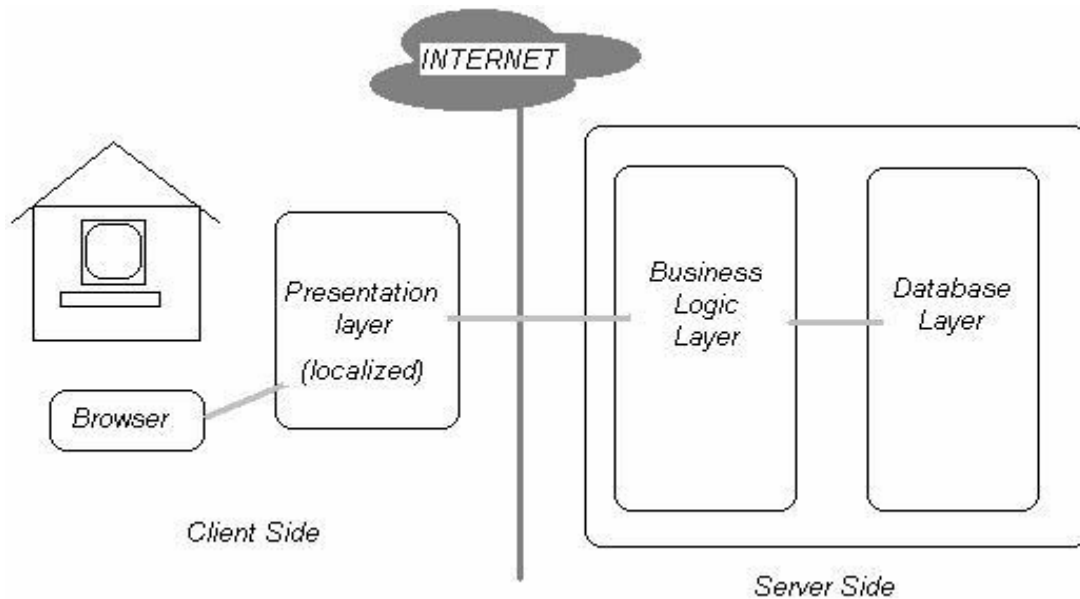
Lets first have a look at the existing web application system, which consists of three tiers namely the client, the middle tier and the backend (database layer). The client is connected to the middle tier via Internet. This middle tier (server) is actually hosting the presentation layer and the business logic layer.

Now a potential customer who is browsing the website is constantly interacting with the presentation layer of the middle tier; connectivity being Internet. This presentation layer is very important and the only media in the hands of a marketer online.

Ever experienced the downloading patience required for a graphic file? Streaming video and audio are still a distant dream says an Internet advertising consultancy, Jupiter-"Widespread use of streaming video and audio will depend on high speed net connections, which aren't expected to be adopted by a critical mass of household (30 million) until 2005" [7]

Then what will happen to our "presentation enhancement", "audio-video interaction" and better attention? The answer lies in the localization of the presentation layer. Once the presentation layer is localized then we exploit the best possibilities of a desktop PC for greater interaction. Also, we can take the much required "Human touch" in the sales process.

To achieve this, the virtual showroom model utilizes product catalogue demonstration software recorded on a compact disk, which the company's business partners will use for the virtual showroom display. (see fig 1)

INTERNET

Presentation layer (localized)

Browser

Business Logic Layer

Database Layer

Client Side

Server Side

5. Virtual Showroom model operationalized

The business firm based on this model will seek its business partners (franchise) like departmental stores, other outlets etc. By doing so, the form is actually utilizing the existing customer base of the departmental store.

A PC along with a big display, full multimedia, touch screen etc will be installed at the departmental store for a virtual showroom setup. The business partner will divert the potential customers to this showroom setup where they will be interacting lively with the product features. E.g. In the "clothes and apparel" section of virtual showroom, we can see a full video of a model sporting the chosen outfit etc.

The Virtual Show room Model (fig 1)

Now with the help of this software on the demonstration CD, the customer will navigate through the showroom, also a real salesman will assist him. This PC is connected to Internet. As soon as a customer goes for a purchase, the order is processed via an e-mail to the parents company's server. Thus the order is processed and the commodity can be delivered soon.

Also, there are no hassles of insecure money transaction as the business partner would be accepting the cash and will issue the receipt (business partner being the same trusted store of the customer). Off course money can be transferred to the parent company's account via online account transfer facilities viz ICICI etc.

6. Advantages of the model

- Encashing the existing the customer base of the business partner into the segments of associated product or differentiated product. E.g.Purchasing the car a ccessories like stereo system, interior furnishings etc. online, after purchasing a car.
- Added "human touch" for powerful sales closing which is not available conventionally.
- Greater interaction, increased attention.
- Secure money transaction (for the end customer)
- Better logistic support can be provided if the transportation can be outsourced and insured.

7. Offline Enterprise Model

The Virtual Showroom de alt with the presentation enhancement and slow connectivity while the Offline Enterprise model talks about yet another hinderance in the way of E-Business in India "The large number of potential customers who are off Line"

No E-Business can survive in the long run by targeting only 1% of the total population who are online. We will have to develop some configurations so as to include those people who are 'offline and not computer literate'.

The Offline Enterprise Model is a generic model which is for information based portals, it lays emphasis on the offline presence and operations of any business entity. I will explain this model by an illustration. Think about online job search databases, matrimonials etc which are primarily information disseminators. Now the persons using these facilities are supposed to be online and first of all computer literate, what about those millions who are not?

They are not able to take the advantage of the online aggregation of centeralized data. Also the online databases exclude the large offline information which is otherwise availabe in print media etc.

For such models, there is no bridge between the information online and offline. The information which is online remains online and the information which is from offline sources remains there.

Offline Enterprise model deals with this disparity by bridging this infromation barrier. You need to catch the offline audience with some offline presence. Recall the case of Online job database. The clients of this business are distributed in the following ways :

- Big Companies jobs are listed online.
- Many of the jobseekers are also online.
- Much larger number of small to middle firms job listing are not online
- Large number of jobseekers are still not online.

How about developing a business process where these four segments can come on a common platform, the unique fusion of Offline and Online. Let us see how the business takes shape after applying the Offline Enterprise Model.

A web based portal will continue to be the source of inforamtion dissemination for online listed companies and job seekers. Simultaneously the Enterprise will have Offline presence for the purpose of data collection and generating the offline clients.

This way the portal has listed the data of Online companies and offline companies and firms(which were previously dependent only on print media for publishing the job)

Now the job seekers who are online do have a option of continue searching the jobs online. Moreover, the job seekers who are offline can be sent a customized news letter, generated according to their own profile i.e Qualifications, skills, experience, age etc. (Imagine the appointment section of the newspaper with only the job listings suitable for you). Offcourse the job database portal will charge the subscription fees.

Advantages of The Offline Enterprise model:

- Bringing the two worlds together.
- Large number of potential customers.
- Greater customization which is otherwise not seen in Offline media.

Thus, we see that the concept of "Offline Empowerment" can not only nucleate some unique configurations for the E-Business models but can also be used to cater the requirements of the large number of offline Indian population in various ways. The above two models are generic in nature and can be applied to several business concepts. The success of the application will certainly depend on the effective deployment, robust planning and operations.

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