

World of e-Retailing Today: A VUCA Analysis

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ABSTRACT

VUCA is relatively a new concept; but when we look back, the world has always been that way. Only recently we are having a re-look at it, in a more scientific way. In our everyday life, we face some sort of:

Volatility—*as the pace and volume of change is relentless in one's life-time;*

Uncertainty - *regarding one's future performance, even when the present situation stable;*

Complexity - *in the different environment we pass through, with host of decision variables and stakeholders;*

Ambiguity—*of choice of source, means and methods, for achieving the desired outcome. Here, in this proposed paper, we shall study the VUCA aspect in the e-retailing sector, where India is fast becoming the centre of attraction for all the global giants, of this sector. The paper tries to discuss issues like how volatile and uncertain is the e-retail market today; how complex is the business-process and the whole operations of e-retailing.*

Introduction:

Imagine a business, now facing diminishing home markets; regulatory pressures; using the potentials to exploit new markets; considering an opportunity to merge or acquire; the challenges of sourcing, retaining and developing local talent across cultures and within virtual teams, combined with the escalating youth unemployment. The challenges for the stakeholders are multiple, with apprehensions of unpredictable outcome, because of very complex process.

Very anxious moments can be very well expected on the part of senior managers of any business, in any sector. Quite a similar situation can be also observed in the e-retailing business. We shall try to analyse this sector from VUCA perspective.

Let's first have a re-look at its past and present, then we shall discuss the complexity of its future from VUCA angle.

E-RETAILING Today:

A brief overview

Newspaper, magazine and internet space is now a buzz with lot of stories on e-commerce, online shopping and e-retailing. Those who have access to internet are using e-mail, must have

received fabulous, seductive offers of very high discount from online shopping agencies, during this puja/Diwali. The story which we are going to present here is all about the latest trend in online shopping which is spreading across the globe like wild fire. India is now the center stage for this multi-billion dollar business.



Paradigm Shift:

The very definition and the concept of 'sale' or 'shopping' has undergone a paradigm shift, in this e-age. People are fast moving from the traditional brick and mortar form of shopping, to the convenience of e-commerce and e-shopping. Thus the traditional '**retail**' is now being used and accepted as '**e-tail**'. In brick and mortar form, we had evolution and revolution in shopping industry, both in unorganized as well as organized sector. People had nice and convenient experience of shopping from super market, malls and departmental stores. Wal-Mart (owned by Sam Walton) from international sector and future groups (owned by Kishore Biyani, popularly known as **Big**

Bazaar brand) in India would come to our mind in this context.

Retail to e-tail:

Despite the clear advantages of mall and super markets, it has its own disadvantages too. When there is a need for a purchase, one may find it inconvenient to travel to a mall to buy that commodity. Inconvenience of time, distance and traffic and parking congestion may come as hindrance for such 'purchase intentions'. Such inconvenience is not there in this new form of e-retailing. We simply place an order, anytime 24X7, and expect the thing the same day or the next day at our doorstep. Young generation is now more accustomed to this form of 'novel' shopping'.

Brief History:

Though the pioneering work of Michael Aldrich is considered as the beginning of online shopping (way back during 1979-80), the real e-retailing business started in a formal way only after the use of World Wide Web (WWW) during 1990/91. Initial innovators in e-shopping where Pizza- Hut (1994), Amazon.com (1995) and e-Bay (1995). They showed the path, less travelled, to other players to join and reap the harvest.

e-shopping in India:

Online shopping or e-retailing is now fast picking up in India. Considering the huge customer base in this Asian sub-continent, many national or international e-commerce giants have just entered the fierce battle of e-com space in India. Our own Indian MNC brand flipkart has

recently stunned everybody by its huge market valuation (its M-cap is now over \$7bn) surpassing retail brand future group/ Big Bazaar. It is interesting to note that the owners of Flipkart were earlier serving as employees in the world number-1 e-retailing company, Amazon.com. The Amazon boss, Jeff Bezos, has not taken lightly about the sudden rise of Flipkart. Jeff himself visited India recently, with his big plan of investing a huge amount of \$2bn, in India alone. He promises for bringing his new concept of 'everything store' to India through his Amazon.com. Amazon 'A to Z' or everything that one may want to buy. So we can expect very soon a big revolution in e-retailing in India and a new experience for the ever growing population of e-shoppers. What will be its future? Will the customer really benefit out of this mega-war?

**Arrival of alibaba:**

The other important news in the global arena is about the arrival of Chinese e-retailing giant Alibaba in International field. Recently it made history by raising record breaking fund from the global

market and clearly emerging as a threat to other global giant Amazon.com. India's huge customer base has also attracted Alibaba. Alibaba is in talks with Snap-deal to enter India. Snap-deal is now a \$4bn company.

Who's who of retailing giants

Company	Founder	Founded in	Head-quarter
Amazon.com	Jeff Bezos	July 5, 1995	Seattle, USA
Alibaba.com	Jack Ma	1999	Hong Kong/ Hangzhou, China
Snap-deal	Kunal Bahl, Rohit Bansal	Feb 2010	New Delhi, India
Flip-kart	Sachin Bansal, Binny Bansal	Sept 5, 2007	India/ Singapore

Present comparison among the leaders:

Company	Valuation/M-cap (\$bn)	Gross merchandise value (\$bn)/ Approx
Flipkart	7	2
Amazon	147	1
Snapdeal	1	1

(Source: Times of India, Dt. 29/9/14)

Market leader will put up exclusive products and offer heavy discounts while rival Amazon.com may introduce drone delivery in the country as Diwali season is when most number of Indians try out online for the first time. The four to five weeks until Diwali brings the largest sales spikes for online sites. The online retail industry has grown rapidly in the industry in the past few years. While the overall industry was at \$1bn a couple of weeks ago, just the top three market places in the country- the flip-kart, Snap-deal and Amazon are estimated to cross \$4bn in sales this fiscal.

High Uncertainty of a Volatile Market

Amidst this huge ad-war of online shopping giants, the traditional retailers maintaining a low profile, at least for the time being. But according to them, the traditional brick-n-mortar form of retailing is definitely going to stay and can bring back customers' faith in larger magnitude. There is also concerns from tax-sleuths and

regulating bodies on such extremely very high growth of e-tailing business. Will the customers' right and interest be ever protected? Can we expect the same quality, as attractively advertised, to be delivered always? Customers are ever conscious and right in having their own suspicion.

But one thing can be said for sure that, the huge investment that is now in pipeline, is going to create lot of business activity, leading to employment generation, technology development and infrastructure development. A smart customer is advised to join e-tailing smartly and carefully and not to get swayed or lured by attractive ad-campaigns, now very much surcharged by media hype. Investors are definitely taking a big gamble in this field of business.

Ambiguity & Complexity Factors:

These are the two factors faced by not only the sellers but also the buyers. As the world is moving rapidly, people like we the youngsters of gen-next want everything faster, smarter and better. So the competition increases everywhere. When Amazon declared the big billion day, Snapdeal had no other option to apply the seasonal discount on its product keeping

a wafer thin margin of profit on the same day. Not only in India but also in US a similar incident took place. After Halloween and thanks-giving day (by Amazon), “back friday” is being newly introduced where, the US citizens get heavy discount on almost all the products on every Friday. On such days the actual sales exceed the estimated sales, which leads to stampede in the shopping malls where, millions of educated families join the mad rush. This craziness sometime end with anger because they fail to satisfy their customers or CRM (Customer Relationship Management). Like on big billion day, when millions and millions of hungry customers were trying to access through internet, the system was overloaded leading to server crash. This complexity and ambiguous situation is not only faced by the leading companies but also the potential buyers. As a customer before buying a product we have to answer many questions such as:

- Whether to go for e-shopping or not?
- Whether the quality of the product will be good or not?

When we see so many e-retailers we get confused to choose our desired product from which e-retailer, so that we can get better product at a cheaper rate.

Conclusion:

So instead of making it more volatile, complex an ambiguous, we come up to a

conclusion that we need to focus on the following:

- Leadership more than management
- Strategic sense-making more than operational problem-solving
- High levels of trust
- Devolved responsibility more than control
- Collaborative working - an organizational appetite for flexible, decentralized empowered networks
- Organizational and individual learning from live experience
- High tolerance for uncertainty and ambiguity
- Questions about *what if*... rather than statements of prediction.

In a VUCA environment, organizations are actively seeking out what really works in helping increase organizational effectiveness, strategic thinking, productive change, resilience and sustainability.

References:

Economic Times (various days, during Sept.-Dec., 2014, including 29.9.14; 29.11.14)

Official websites of: Snapdeal; Amazon; flplipkart; alibaba.

CMIE - Data base

