The e-Commerce Marketplace in India: Achieving Excellence in providing consistent customer experience
1. **Introduction**

*E-commerce in India*

E-commerce in India is undergoing a transformation with the emergence of a large and growing number of new online marketplaces. Indian e-commerce has witnessed a tremendous YEAR on YEAR growth rate of 56% since 2007. **Figure 1** shows the trend of growth and the compound annual growth rate (CAGR) of the online market.

This growth trend has given rise to a large number of players (marketplace as well as inventory based). From **Table 1**, it is evident that around 70% of unique e-commerce visitors are on marketplaces.

The bigger e-commerce companies have come to understand the difficulties of increasing the scale of their catalogues on their own, which has triggered a move towards the marketplace. The share of marketplaces has increased to is—about 20-25% of all e-commerce transactions. The sudden rush towards marketplaces in India can be attributed to the foreign direct investment (FDI) regulations for e-commerce companies, and a marketplace model now seems to be the best way for them to get the required external funding to sustain their business.

Flipkart, one of India’s largest online retailers, has now made the shift from a traditional e-tailer model to a marketplace model. An online marketplace is a platform that has multiple vendors selling various products. In other words, it is a website that manages only the product listing and does not source or fulfill orders. It passes on orders to sellers who then fulfill and deliver them.

**Figure 1 Indian e-commerce market- outlook**

| Source: Rebirth of Ecommerce in India |

The marketplace model has further evolved into vertical and horizontal marketplaces. Uber for cabs and Airbnb for accommodation are examples of vertical marketplaces that focus on a single product or service line; others such as Flipkart, eBay, Amazon.In etc., are horizontal marketplaces focusing on multiple categories of products. On the other hand, the traditional inventory-led businesses, commonly known as e-tailers, maintain their own inventory and warehouses and deliver products ordered by customers. Examples of these are Jabong, Myntra, etc.
Why do sellers sell on marketplaces?

A marketplace offers sellers the following advantages or incentives:

- New sales channel that provides nationwide reach
- Convenient experience for customers
- Benefit from investment in technology by platforms
- No/minimum product listing fees
- No upfront cost of creating a website or setting up a physical store
- Better deals with the logistics companies
- Increases customer acquisition over time for top rated sellers by attracting buyers directly to their sites
- Since it is a two-sided platform, the presence of more buyers on marketplaces attracts more sellers
- Helps them to maximize profit margins

Why do buyers make purchases on marketplaces?

The factors that drive people to purchase online or on a marketplace differ across geographies. A survey done on buyers in the United Kingdom (UK) listed some key reasons for marketplace purchases (see Figure 2).

Figure 2

![Why Consumers Shop on a Marketplace (UK)](chart)

Source: Consumer Survey on Internet Shopping

The results of a similar survey conducted in India are shown in Figure 3. Although there is a lot of scope for marketplaces in India to learn from the UK experience, they need to be cognizant of the unique demands of the Indian consumer. Convenience, discounts and variety are the main factors that drive online purchase in India.
The e-Commerce Value Chain — e-Tailer versus Marketplace

The basic components of an e-commerce setup are: sourcing, listing, display, recommendations, payments and post-sale services. Figure 4 shows the differences between the two models, e-tailer and marketplace, at every stage of the value chain.

**Figure 4**

**Why are Indians Online?**

- Discounts: 37%
- Convenience: 30%
- Variety: 29%
- Others: 4%

*Source: Growth of online shopping in India*
Here, frontend refers to what a customer can actually see on a website and backend refers to the customer’s experiences offline before or after the purchase order has been made.

Providing consistency throughout the value chain is a challenge because of varying expectations of consumers at each stage. Nevertheless, a consistent customer experience is absolutely necessary for building trust among customers, and hence, for building customer loyalty.

Listed below are the challenges that open marketplaces currently face at every stage of the value chain. Some suggestions on how to address these challenges based on best practices that some e-commerce marketplaces already follow and experiments being conducted by established marketplace players are given here.

1. Seller On-boarding

In a traditional e-tailing model, the e-commerce company has end-to-end control of the value chain and can decide exactly what products it wants to source and sell. Finite warehouse capacity limits the e-tailer’s ability to source a large variety of products and handle demand fluctuations. In other words, the e-tailer cannot be very effective in handling the long tail or slow-moving niche products. In an open marketplace, sourcing is done through seller on-boarding. The variety and quality of products an open marketplace sells depends on the kind of sellers it on-boards. It aims to counter the cons of the e-tailing model while simultaneously trying to retain its advantages.

Challenges

The success of a marketplace depends on the quality of the sellers. A single bad experience can result in customer churn. With millions of sellers with varied profiles (urban versus rural, those with an offline presence versus those with only an online presence, individual product sale versus bulk sale, etc.), it is challenging for a marketplace to identify the right sellers. Also, the right incentives need to be put in place to encourage best practices, such as on-time delivery, timely response to customer queries, etc.

Solutions

- Assessment of the risk profiles of sellers based on past sales and fraud history.
  Note: Seller fraud details in India are difficult to obtain but there are agencies that provide seller history based on their mobile numbers; for e.g., eBay analyzes seller history and evaluates seller risk. It gives differential privileges to sellers in terms of listing or transaction fee waivers, etc.; however this does not apply to first-time sellers.
- Proactive performance management of low performing sellers through effective segmentation.

2. Product Listing and Display

Listing of a product includes describing product attributes such as title, product description, images, specifications, etc. The e-tailer lists all the available products on the website and the product detail
pages are standardized across a product category, which makes it convenient for buyers to search for products.

On a marketplace, product listing and display are more search-driven. Search results depend to a large extent on the product description, correct product categorization, and so on. Due to various reasons such as lack of technology awareness among sellers, the complexity of the listing process and the inherent business model (i.e., millions of sellers), products may be listed improperly, leading to a high level of inconsistency in product detail and assortment across categories, especially for open marketplaces such as eBay.

**Challenges**

- Sellers can list the same product under different titles with the intention of increasing visibility.
- Incomplete product description and non-standardized or absent images
- Intentional or unintentional improper categorization or misrepresentation of products

**Solutions**

- Dynamic pop-up windows during listing to make the listing process more seller-friendly.
- For standard products, marketplaces can provide sellers with a catalogue containing all the details about the product so that sellers can simply embed the catalogue instead of writing out the details manually. eBay provides sellers with such catalogues, making it easy for sellers to list standard products.
- Live chat option for sellers to help them clarify their doubts at the time of listing. This feature is most useful if sellers are encouraged to use it during their first listing. For example, Flipkart has a similar feature for customers (buyers) during certain days and times of day.
- Exhaustive listing forum to differentiate products, i.e., old versus new products, bulk versus single, standard versus non-standard, and category differences (electronics, apparel, etc.). The key here is to aggregate the information from different types of listings and then display it in a standard manner on the product page. This makes the job easier for both the customers of a marketplace (buyers) and the sellers.

3. **Cross-selling**

The e-tailer has more freedom and flexibility than a marketplace to cross-sell products and provide bundled offers to customers based on their previous purchases or profiles. For example, Jabong can provide bundled offer of a dress with an ornament at a discounted price.

**Challenge**

A marketplace has multiple sellers, each selling different products; hence, cross-selling of products is a challenge. A website or seller can offer discounts on specific items but bundling multiple products is difficult.
Solutions

Large e-commerce marketplace players are increasingly encouraging sellers to cross-sell or bundle similar products. For instance, a seller of mobiles can launch bundled offers of mobile phones with mobile accessories. The platform can incentivize sellers by reimbursing the seller for the discounted amount. Currently, marketplaces are still focused on trying to cross-sell the products of individual sellers.

A more advanced solution, though complicated in terms of implementation, would be to create a common platform for all sellers so that they can collaborate to provide bundled offers. A marketplace can share insights on customer purchases and preferences to help sellers identify which products can be cross-sold, thereby improving their sales.

4. Payment Policies and Discounts

Each e-tailer has its own payment and discount policies since payment is controlled by the e-tailer. For example, Jabong has a cash on delivery option and a 30-day return and free shipping policy.

Challenge

Each seller follows his own delivery and return policy. A particular seller may entertain returns while another might not. For a marketplace, the challenge is how to standardize such policies across sellers and products. Though payment is standardized in most of the marketplaces, other services, such as those mentioned above, are not the same across sellers.

Solutions

Sellers need to be motivated to adopt the practices that work for the retailer. EBay incentivizes sellers to become eBay top-rated sellers by following certain best practices such as creating quality listings with clear pictures, fulfilling orders within a day for most orders, specifying a return policy, etc.

5. Delivery and Post-sale Services

The e-tailer owns and delivers inventory and hence can gain operational efficiencies by optimizing shipping costs and time by clubbing together all the deliveries to be made in and around a particular location. Post-sale services such as response to customer queries and concerns regarding, say, poor product quality, late delivery, returns, payment problems, etc., are taken care of by the e-tailer. Customer support and service is completely owned by the e-tailer.

A marketplace, on the other hand, has no direct control over delivery time. Sellers in a marketplace can choose to deliver products on their own or use the shipping service provided by the marketplace website in certain cases. The seller, depending on his inventory, distance from the buyer and the logistics company he uses, chooses a particular delivery option and delivers the product in a given time.
This delivery time differs across sellers, making it challenging for a marketplace to provide consistency in the customer experience.

**Challenge**

Achieving backend consistency by effectively incentivizing sellers to provide timely delivery and good post-sale customer service.

**Solution**

- A customer could be shown relevant products from sellers who are in his vicinity. This will drastically bring down delivery times. A downside to this approach would be that customers might get less varied or fragmented results. Tripadvisor gives users the freedom to select the criteria on which their results should be shown. Marketplaces could have filtering criteria such as geography and price of the product, while keeping ratings as an inherent criterion in all selections. Another innovative solution is one used by eBay in the United States. Known as eBay Local, the model is clearly explained by its tagline “Buy it on eBay, pick it up at a store near you”. This not only allows local sellers to sell online on eBay but also gives buyers the option to pick up the product themselves from the store and hence get the products more quickly.

- Encourage sellers to use the marketplace’s logistics partner. In this case, marketplace companies can provide services such as live tracking, periodic updates and more accurate delivery schedules to customers. Buyers generally value this type of transparency in the system.

Table 3 below shows how the biggest e-commerce companies have adopted the marketplace model.

<table>
<thead>
<tr>
<th>Website</th>
<th>Catalog</th>
<th>Inventory</th>
<th>Sourcing</th>
<th>Shipping</th>
<th>Delivery</th>
<th>Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snapdeal</td>
<td>Seller</td>
<td>Seller</td>
<td>Seller</td>
<td>Self</td>
<td>Logistics Co</td>
<td>Self</td>
</tr>
<tr>
<td>Flipkart</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Self</td>
<td>Self</td>
<td>Self</td>
</tr>
<tr>
<td>Infibeam</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Logistics Co</td>
<td>Self</td>
</tr>
<tr>
<td>Thirds</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Seller + Self</td>
<td>Logistics Co</td>
<td>Self</td>
</tr>
<tr>
<td>Shopclues</td>
<td>Seller</td>
<td>Seller</td>
<td>Seller</td>
<td>Self</td>
<td>Logistics Co</td>
<td>Self</td>
</tr>
<tr>
<td>eBay</td>
<td>Seller</td>
<td>Seller</td>
<td>Seller</td>
<td>Seller + Self</td>
<td>Logistics Co</td>
<td>Self</td>
</tr>
</tbody>
</table>

*Source: Rise of Indian Online Marketplace*

In order to achieve backend consistency, it is essential for the marketplace to identify the most critical parts of the value chain and ensure a superior customer experience. It has to protect sellers against bad seller experiences and buyers from bad buyer experiences, which is essential for building trust among customers.
2. Conclusion

Table 4 below shows the amount of time spent on different activities during a purchase for various product categories. It clearly shows that there is considerable variety in terms of customer expectations during the buying process depending on the type of product. This study primarily relates to frontend activities as shown in Figure 4.

Table 4

<table>
<thead>
<tr>
<th>Activity Involved in the Purchase Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitally influenced buyers engaging in this activity online (%)</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Air travel</td>
</tr>
<tr>
<td>PCs, laptops, and tablets</td>
</tr>
<tr>
<td>Air conditioners</td>
</tr>
<tr>
<td>Cars</td>
</tr>
<tr>
<td>PC and mobile accessories</td>
</tr>
<tr>
<td>Mobile devices</td>
</tr>
<tr>
<td>Other consumer durables</td>
</tr>
<tr>
<td>TVs</td>
</tr>
<tr>
<td>Refrigerators</td>
</tr>
<tr>
<td>Two wheelers</td>
</tr>
<tr>
<td>Hotel and holiday packages</td>
</tr>
</tbody>
</table>


The unique advantage of a marketplace is the variety it can provide to customers, and that is why it is the preferred business model, at least in India. But as the above table shows, this variety is also the reason for its complexity. There are some categories of products where frontend consistency is of particular importance, such as personal computers (PCs), mobile accessories, mobile devices, etc. Based on data collected in the above study, we see that in the case of mobile devices, customers spend more than 30% of the time searching for product information and comparing prices across sites and shops. The same is true for PCs and mobile accessories. On the other hand, where air travel is concerned, customers spend most of their time on price comparison, ordering and making payments. This is because there is only one kind of product or service in air travel and people are sure of the quality of the service.

A similar study can be done for backend activities as well, i.e., a product category wise importance rating or the time spent by customers on such factors as delivery time, product quality, return policy, payment options, COD etc. Taken together, frontend and backend studies will give a complete picture on the attributes that a customer looks for and deems important in every product category.
Marketplaces can start by classifying each product category according to the consistency required at the frontend, backend or both and then work on the solutions discussed in the previous section. The trick to managing these issues is to create a modular system where smaller sub units are standardized so that there is no repetition of efforts across categories, while at the same time realizing that different units or customer touch points are important for different product categories and for ensuring a delightful customer experience.
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