**Tech
Mahindra**
BUSINESS PROCESS SERVICES

**Disrupting and Rejuvenating
the E-Commerce Market**

E-commerce Industry
Overview

The ecommerce market continues to benefit from the low penetration rates and sustained consumer enthusiasm for online shopping. However, the industry is going through a phase of investment crunch due to global investment climate. Most ecommerce players will either be merging to unlock synergies or would be tweaking their models to survive in the long run.

The global scenario has seen strong growth and investments in the BRICS for the past couple of years and the results are very much visible.

The more populated global markets are growing at a quicker pace than the developed US and European markets. In the Asia-Pacific region, the e-commerce market is estimated to have grown at a 33% compounded annual growth rate (CAGR) from the levels in 2011. Within this, China stands out from the crowd with incomparable growth rates in online sales. Ecommerce in China has been estimated to grow at a 94.2% compound annual rate during this same time period, with their 237.8 million online buyers eclipsing the number of online customers in the United States by 90 million. Online retail sales in China were $75 billion in 2012 (up 145% from 2011) and today they have crossed the $400 billion milestone. LATAM markets are doing a great job in online sales and this positive growth will continue in the coming years. Brazil, the largest market in the region, has increased its online revenue from $17.0 billion in 2012 to over $27.3 billion today

Industry Challenges
International Consumers

One of the primary challenges that retailers would face in the near future is the increasing number of international consumers. With international consumers comes a new set of problems. What can retailers do to enrich the shopping experience they offer to international customers? The Internet Retailer survey provides some insights. Ecommerce retailers were asked to select the major challenges of selling online overseas. Their top six responses were:

- Customer service and returns **41%**
- Fraud management **38%**
- Legal and regulatory concerns **32%**
- Ability of the customer to see the final cost in local currency **30%**
- Language translation **24%**
- Payment type preferences **22%**

Fortunately, a large part of global ecommerce players have started to hire specialists/ partners to tackle this problem. These partners have a gamut of services from customer advisory services, payment processing to even packaging and translation services.

Some of the advantages that one can have by getting a partner on board are:

- Payment processors can process transactions across countries
- Consumers can now get multiple options to pay with, which increases their options
- Reduce frauds
- Capture sales data to help you make better strategies

Product Range

In e-commerce, product range selection also plays a key role. However, the arrival of the internet has changed the retailer's product range responsibility in many ways.

For example, the previously unidentified target group related to product ranges of bricks and mortar stores evolved at an early stage into individualized product ranges for online retailers. Based on previous purchases and the click-through behavior of customers, retailers are now able to display very specific product ranges for narrowly defined target groups on their websites.

This may be an individual consumer-specific product selection. Such a level of individualisation facilitates almost limitless online product ranges – which are known as long-tail product ranges – without increasing search costs for consumers. Considering the fact that space constraints are far less important in e-commerce than for high street stores, the number of items and/or online product ranges are boundless. In addition to their own product range, retailers may also offer items they themselves do not stock. All they need to do is have a data set ready so that they can predict when such an instance can take place.

There would be increasing work in analytics which obviously means that there would be more consumer-centric product ranges. There are a plethora of partners who would be providing all kind of solutions from pure play analytics to robotic process automation for buying out-of-stock products.

However, the real long-term partner would be the one who provides parts of software as a service or runs pure play analytics, but someone who would take care of the entire gamut of operations. In case this is not executed properly this might lead to (ROPC – research online, purchase competition) or even loss of customer to offline.

The Last Mile

In e-commerce, the last mile is particularly relevant with regards to logistics and represents a principal point for ecommerce partners in the coming years. In concrete terms, this relates to the time when a consignment or parcel leaves the transport network and is handed over to the final recipient. While only relatively short distances are usually covered at this final stage of delivery.

They produce disproportionately high costs for ecommerce players. As part of transport processing, this last mile is therefore often the most expensive. This fact is due to the small delivery volume, which frequently comprises no more than one customer order, as well as the numerous delivery points, with every consignment being taken to a different delivery address. It is therefore difficult to combine goods deliveries on the last mile. Some players in developing countries have come up with in-house delivery solutions to take care of problems, however, with this comes the problem of optimization. There is a lot of work to be done both manually and automatically.

As, some ecommerce players are not able to execute last mile delivery on their own, they have partnered with (CEP) courier, express, and parcel services. Many courier, express, and parcel services (CEP) have therefore developed a new concept for organising the last mile over the past few years. As part of this undertaking, two corporate developments should be noted in particular, which are outlined in the further.

A.) The internet is changing habits - Consumers buy online and more often receive deliveries from other consumers (e.g. as a result of purchases on eBay/OLX/Quickr) in addition to other companies. Alongside the increase in the number of parcels, this also results in a rise in the number of returns which is overproportional (up to 30%). Today, consumers are used to buying on the internet around the clock. Although ordering is possible anytime and the order can immediately be triggered, delivery happens with a considerable delay and within rigid time slot in most cases. Yet, consumers increasingly demand the same ease in the delivery and receipt of parcels that they already know from the order process.

B.) The number of single/nuclear households is rising, especially in urban areas. Unsuccessful delivery attempts to private customers are therefore becoming more frequent. Often, the logistics service provider will find that nobody is at the delivery address and not all work places allow their employees to take delivery of private parcels at work.

Fraud Detection

With increasing competition, reducing timelines, and high pressure on SLA, fraudsters are now constantly finding new modus operandis to game ecommerce players. Many have partnered with fraud detection platforms. Your fraud detection platform should be able to offer robust capabilities that include:

- Automated, out-of-wallet challenge/response questions that can verify a shopper's identity
- Tools that monitor website behavior and detect usage patterns that are abnormal
- Customizable filters that automatically screen for transactions that fail defined parameters and flag them for special attention
- Geolocation tracking that uses a seller/shopper's IP address to identify the country from which an online order originated
- Device fingerprinting tools that identify the PC or mobile device interacting with the site to place orders
- Set parameters and monitor velocity of critical transaction data, including card number, bill to/ship to address, email, phone number, IP address, device ID and even product SKUs.

Although, these mechanisms exist, there is no gaurantee that there would be no fraud. What is important is that the partner should have an effective tracking/updating process to weed out the false positives.The reason why this is important is because the fraudsters are constantly evolving and therefore transaction details have to tracked constantly. There is a great deal of valuable information contained within each sale/purchase transaction, including:

- **Preferred payment types:** geography, demographics, order size, etc.
- **Average ticket size:** payment method, geography, demographics, etc.
- **Customer spending pattern:** payment method, geography, and demographics
- **Customer purchasing frequency:** payment method, geography, and demographics
- **Promotional effectiveness:** payment method, geography, demographics
- **Fraud data chargebacks:** payment method, geography, demographics, products purchased, etc.
- **Return data:** payment method, geography, demographics, etc.

With such large volume of purchase data running through ecommerce sites every day, the challenge is: How to access and analyze the data to extract useful insights in a cost effective manner?

How to Approach Change?

The future growth potential is great for e-commerce. There would be a lot of changes due to new technologies being introduced or disruptions taking place.

## Augmented/ Virtual Reality

The desire for shopping experience will intensify in the next decade. Consumers will want retailers to provide an environment, where shopping is an event experienced in its own right.

This will translate into interactive, highly-appealing online, and real-world environments where augmented reality (AR) plays a key role. Provisioning of distinct and tangible shopping experiences, online and in real world will serve as a means to enhance and differentiate a brand's value proposition. Many consumers today already treat shopping as a leisure activity in its own right.

Consumers are also increasingly drawn to a new generation of brands. This is evidenced by the strong growth in adventure holidays and experience days. Another driver is the seemingly insatiable need of people to showcase their participation in activities and experiences on social media. Retailers will increasingly align not only their brands but also the shopping experience to make encounters worth sharing. This can already be seen with the emerging trend for integrating social media with instore retail, with the aim to create socially-driven shopping experiences.

The Multiple Touchpoint Shopping Journey

The traditional notion of a linear shopping journey that all consumers dutifully follow is already disintegrating,and by next decade, the concept will be completely outdated. Due to the proliferation of wearable devices, smart TVs, connected cars and household appliances, beacons and other technologies, the consumer journey in the next decade will increasingly look like a pretzel that twists, turns and loops back on itself. Consumers can start and end their shopping experiences on a mobile platform, in store or online. It is a fluid movement that by next decade will be even harder for retailers to keep up with or predict, because it will include a growing number of devices and touchpoints.
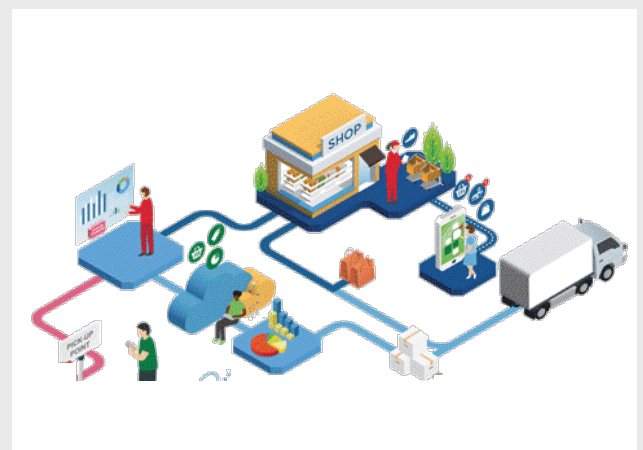
How to Adapt to Disruption?

Adapting to change is critical, as e-commerce is a segment which is going to be impacted by technology in an unprecendented way. TechM BPS, with its vast expirience in servicing clients, has been instrumental in helping brands handle change which has been taking place. One has to remember that this disruption will only get more intense as the convergence of technology increases.

Key takeaways

It is evident that mobile phone sales are increasing. It also a known fact the smartphone devices will be the primary type of phones being used globally. Mobile payments have also exploded as a payment method. Close to 2 billion active users will be using mobile devices to make consumer-to-business payments. This means many ecommerce players might end up relying just on a partner to take care of an issue with which they have never dealt before.

Global handset sales volume – by segment

Global m-payment users by segment
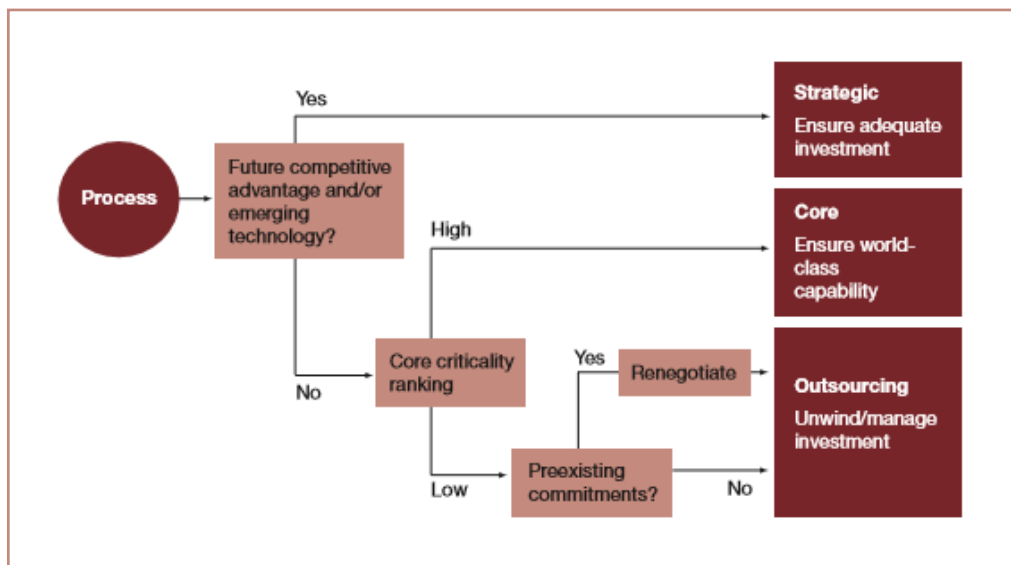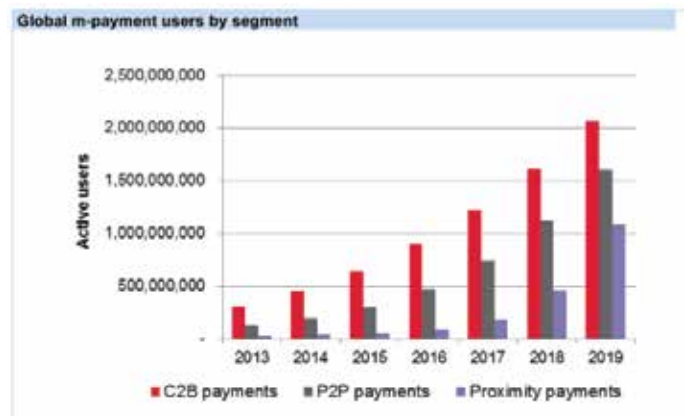
Due to multiple benefits like online comparison, multiple choices, and faster delivery more and more products are being added to the online catelog. Superior service and customer experience will soon justify higher price, such as at premium department stores.

Be more efficient and effective, and understand and measure the impact of physical space, which becomes more problematic as channels merge.

TechMahindra: Your partner of choice

The ecommerce industry is very dynamic and due to this very nature players need to be nimble, smart and have to make sure that the focus doesn't dilute. With this increasing pressure there has been a gradual focus of partnering with experts. It has been a deliberate process, by which ecommerce players have been able to do 3 things:

Right person for right job -

Developing/Hiring the right person for the right job is difficult. E-commerce is highly cyclical/dynamic, as far as work is concerned. Organisation often take time to build capablity. At times, its difficult to get manpower. On the other hand these expensive resources are also difficult to lay-off. An excellent example of how TechM dealt with this for a leading ecommerce player was: The client decided to outsource its operations.The in-house team was falling short of manpower targets by 60% and it was difficult to even achieve the basic productivity targets. However, within 3 months of outsourcing, TechM streamlined the processes. Achieved 25% increase in productivity, 5% decrease in costs, and hired another 35% frontline executives.

Reducing transactional cost –

As the size of operations soar, more and more players in the market are trying to make the operations as efficient as possible. This has turned into an important ask from investors backing the enterprise. TechM has recently helped one of India's largest ecommerce players with just that. Not only have we effectively reduced the transaction cost per Customer Service Interaction, we have also reduced the returns/delivery and fraud investigation costs for the client.

Deploying technology fast and seamlessly to free management focus –

Why have most Analytics/AI/RPA start-ups recently come up. The reason is simple, because the client has recenty started to outsource this work. Most companies only want to keep the decision making to themselves. Deploying expensive resources on technology and going through the pain of extricating the data/making models is something which requires a lot of time and patience. Most CTOs have now started to outsource this work. The reason being very simple the mangement doesn't want to divest its scarcely available resource away from the core decision making activity. The case in point is, where a leading payment processor had decided to outsource the platform handling and development in relation to its transactional processing. The company has diverted its focus on building partnerships, escalations, and final product upgradation. This has allowed the ecommerce players to be much better prepared for an influx of volume due to government policies in India.

Eshank Bahuguna (Business Consultant)
Email : EB00510710@techmahindra.com

Eshank has 13 years of experience in the Retail Domain, he was working as a manager with Amazon and before that in Media – Saturn GMBH where he held positions of growing responsibilities in the International Expansion & New Business Development. He is a graduate from FH Ingolstadt - Germany, with majors in Project Management and Consulting.

Manoo Bhatnagar (Business Consultant)
Email : MB00547176@TechMahindra.com

Manoo has 14.5 years of experience in Operations, Fraud & Risk Management, Operational Risk, Transition/Implementation & Work Force Management. He has managed processes working on Service Level, Answer Percentage & Line Adherence. He has been actively involved in reconciliation projects & process improvement projects. He holds a Masters Degree in Computers after completing his English (Hons.) from DU.

Kshitij Srivastava (Business Consultant)
Email : kshitij.srivastava@techmahindra.com

Kshitij has a total of 4 years of work experience. He is currently aligned with the Retail domain and work towards development of next generation capability as well as the enablement of sales in this space. In the past he has worked for 3 years with Infosys Ltd. as a Test Engineer in the BFSI vertical.