Role of e-commerce companies in the growth of small merchants

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Abstract
Today e-commerce companies are going that extra mile to simplify the process of supply chain management for small merchants. It starts right at the time of merchant on boarding. E-commerce companies are helping small merchants, who list their products on their websites, become more efficient with a little bit of support. The present study aims at assessing the potential of new products and identifying new opportunities for the growth of small merchants through e-commerce channels.

Introduction

Small Businesses and entrepreneurs are rushing to the internet to do business and reach new markets. While e-commerce is used for advertising, small businesses and entrepreneurs, encounter numerous challenges. The internet has revolutionized the way organizations are working around the world. The web is used by organizations in numerous ways like communicating, obtaining information, sharing information etc. The use of internet by small business enterprises has increased from 10% in 1996 to about 75% today.

Internet has also drastically changed the way Suppliers are crucial for the success of any business. Whether one is a big-box retailer or an e-commerce merchant, one will have a tough time growing if one doesn't have a posse of suppliers or vendors to back up. In fact, suppliers can do much more than simply offer products and materials for business. They can also be a big source of information, helping one assess the potential of new products or identify new opportunities. In turn, this can help one cut costs, improve product quality and design and free up funds for their next initiative. So if the growth plan doesn't include selecting good suppliers, one is likely to regret it.

This issue assumes greater importance if you are a managed marketplace in the hypercompetitive online world. Small businesses set up by first generation comprise more than 60 per cent of the listings of e-commerce ventures such as Flipkart, Jabong and Shop Clues. It means these e-commerce veterans need to work with a host of small and medium businesses.

Opportunities

E-Commerce is growing much faster in B2B sector compared to B2C and is mainly dominated by larger companies. The numbers of small businesses that provide internet services have experienced tremendous growth because of the increase in demand for internet access. Many of them are finding opportunities in providing additional hardware, software and service opportunities. B2B e-commerce helps companies find buyers for specialized goods and services, second hand goods and excess inventory. Small businesses can benefit from B2B e-commerce through the formation of coalitions that negotiate for better prices.

But dealing with this set of merchants can be challenging. Small merchants are more concerned about lead generation than book keeping, supply chain management and product presentation.Reviews42 has launched Retail Inventory System Enhancement_(RISE), a cloud-based tool to enable retailers to reach out to nearby and online consumers easily. Since many small retailers don't even have basic knowledge of the internet, one cannot expect them to punch in the correct information about product features and other content like product snapshots in an order management system. Reviews 42 addressed this issue soon after the pilot launch of RISE in November last year. Now all a retailer has to do is select a product and the price. The tool automatically picks up relevant information about the product and posts the listing on Reviews42 app and other free online classified websites like Olx and Quikr. Around a thousand merchants in Delhi NCR are currently using RISE at a monthly subscription fee of Rs 1,000. More than 100 SKUs can be uploaded in a month and merchants can change the price six to seven times in a month.

Through Rise, the company is trying to bridge the gap between online and offline stores providing leads to small merchants and comparative prices to consumers. This is how it works. If a shopper sitting in a restaurant at Connaught Place in Delhi is looking for the best price of an iPhone 5s, she will not only see prices offered by various online shopping portals but also prices offered by brick and mortar stores located within a certain radius.

Challenges and Strategies

It is not easy for small merchants to deal with big e-commerce players either. First e-commerce players are used to working in a system that gives them a credit window. Second they have a payment cycle ranging from two days to a week.

Also, working with online partners can eat into the margins of a small merchant whose volumes are not as high as that of a big distributor. For instance, while in a low margin category like electronics, a big distributor makes around five per cent margin, a small merchant can take home two to three per cent.

Around 60 per cent of the 800 registered vendors with Jabong comprise small merchants. The company begins its onboarding process with a basic product assessment scoring in which it rates a merchant on a scale of one to 10. The company also ensures that small merchant is process-driven. The vendors should have a basic inventory tracking system so that Jabong can integrate its order management system with it. This becomes even more important when there is a spurt in the demand of a merchant's product. Problems come when one works with small vendors with no inventory tracking system. Jabong also does product photo shoots for small vendors at a nominal fee.

Last year Snapdeal launched a dashboard called Merchant Panel. With this, merchants can keep track of inventory, competitive prices, payments, and shipments. Snapdeal allows a "nursery time" of 45 days to ensure that merchants are prepared to do business with it. Talking about the company's payment cycles, it has been observed that small merchants find daily payments complicated.

With 3,000 suppliers listed across 15 cities, Flipkart claims that a large part of its merchant base comprises small single-brand retailers, medium-sized multi-brand retailers and boutique owners. The company follows a lead evaluation process to understand how serious a merchant is in taking his business online. In fact, Flipkart runs prospective suppliers through its check-list of pre-requisites. The merchants are expected to come with basic know-how of the internet and willingness to provide dedicated resources to their e-commerce business. The team is there for hand-holding in the initial stages of a merchant's association with flipkart and support.

The online retailer evaluates the infrastructure at the merchant's end and offers technology and integration solutions where necessary. For instance, there are at least six to seven different software used by these small merchants.

More than 90 per cent of the 50,000 registered sellers listed on ShopClues come under the small and medium business category. The company has an android store manager app called Pocket

To keep things simple for merchants with limited education, the application is low on content and heavy on numbers and icons. The company has set up ShopClues University, an online initiative, to educate merchants. This includes sending newsletters to merchants on new trends in the e-commerce space, hosting webinars and organizing summits where big and small merchants share their best practices.

Conclusion

Despite the enormous number of new ventures taking advantage of online opportunities, no one clear path or business model has been identified as a winner. Different models have worked for different organizations. Having a unique technology or brilliant management does not guarantee profitability. Building brand awareness through advertising and marketing is critical to success in new and evolving market like the Internet. A steadily increasing number of people, machines and data connecting to the internet will fuel this growth, introducing new opportunities for entrepreneurs and small businesses to supply products and services to support the infrastructure.

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