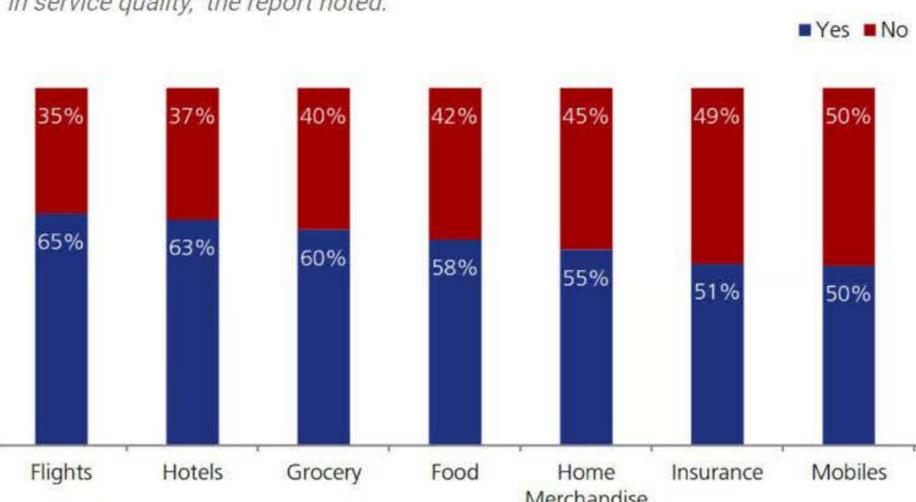


Business

Online shoppers notice lower discounts, fall in customer service

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Willingness of participants to increase online shopping | JM Financial

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Online consumers in India are fast realizing that heavily discounted prices and zero-delivery charges are things of the past, as e-commerce firms shift focus towards profitability.

A consumer survey by JM Financial Institutional Securities Ltd showed that consumers noted that discounts have reduced over the years across e-tailers like Flipkart, Amazon and others.

"..they did anticipate higher fees and lower discounts but did not expect the stark dip in service quality," the report noted.

The survey asked online shoppers to compare notes on trends across 13 major spending categories spanning food delivery, flights, apparel and more.

Over 50% of respondents said they have noticed a rise in delivery, platform and other convenience fees across online categories today. These crept up incrementally earlier, but are more overt now.

Similarly, discounts have also dropped or remained flat over the past few years as per over 65% of those surveyed on average. Categories like apparel, mobiles and appliances that once lured buyers with steep deals saw the steepest reduction.

"Over the years, online platforms have used deep discounting as a means to penetrate the market and build consumer habits. However, as the emphasis shifts towards sustainable and profitable growth, we observe a decline in discounts," the market research firm highlighted.

Flipkart, Amazon and others are now tying discounts tightly to select payment modes like credit cards or buy-now-pay-later schemes instead of blanket sales.

Declining Customer Service

The survey makes clear that while Indian e-commerce firms chase profits in a tough funding environment, it is coming at the cost of consumer experience.

While technology improvements have reduced the need for support over the years, complicated issues still remain unresolved. 60% of the survey participants reported unsatisfactory customer support experiences recently.

Respondents admitted adapting reluctantly so far, but industry experts warn that customer loyalty could erode with continuing fee hikes and shrinking discounts.

E-commerce players have increasingly adopted machine learning-powered chatbots as the first line of service, replacing call center executives. But these automated systems have limited ability to comprehend context and resolve intricate complaints.

So when issues do arise like cancelled products, incorrect sizes delivered or payment failures, frustrated consumers can be left hanging without recourse or resolution. In many cases, customers cannot even reach a human representative anymore on the merchant platforms.

"..reaching out to human executives has become an arduous task today in stark contrast to 5 years back, when support numbers were prominently shared," the research firm underscored.

Race towards profitability

The decline in discounts and customer service levels can be directly linked to the need for online retail companies to start generating profits.

The report noted that this is likely the direct outcome of players cutting costs, letting go of workforce and limiting new user addition to show profitability after years of losses.

"Thanks to consolidation, nearly every category now has a limited set of players, resulting in oligopolistic tendencies. With widespread habit formation and lack of alternate options, consumers are still sticking begrudgingly. The weights are now tilted towards the incumbents," the report noted.

In other words, having established market dominance, e-commerce behemoths realise that users have nowhere else to go for their online shopping needs. So customer experience is taking a backseat.

Offline Revival

Meanwhile, as discounts dry up online, offline players – those who have brick-and-mortar outlets – are fighting back.

In what was unthinkable a couple of years ago, the survey noted that the share of online players in spending in some categories like electronics and mobiles is stagnant or reducing.

In categories like large appliances and phones, over 50% respondents were hesitant to allocate more online budget looking ahead.

The analysts attribute this shift to offline chains responding with competitive pricing, instant neighborhood delivery and retail store experience. Large electronics retailers now offer credit card discounts to match online deals along with same-day home delivery.

Even smaller local stores are holding fort. "Our channel checks suggest that offline electronics retailers tend to offer competitive prices on large appliances and televisions once the buyer confirms interest, despite the higher list prices," the survey notes.

In food, groceries and medicines, small chemists and kirana shops have fought back by delivering orders free of charge within 30 minutes of getting a phone call. Their service levels match online platforms.