Chapter 2
Emergence of Online-to-Offline Business Model:
Insights From India

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ABSTRACT

Online platform businesses are increasingly embracing offline business model around the globe with sizable investment in online-to-offline (O2O) business model. Usually, online platforms have been considered the only option for availing heavy discounts, perfect and customed products, and convenient shopping. However, the O2O business model provided blended facilities with uniqueness in making the payment online while getting real products, with a try-on experience, from the physical stores. Already in practice in developed markets, an O2O model is being increasingly embraced by firms in emerging markets like India. So, following global trends, an increasing number of Indian firms are switching to the O2O business model. This chapter builds on the available literature followed by multiple case study design for exploring the determinants and the dynamics related to the O2O business model adoption. The cases explored in the chapter include Firstcry, Nykaa, and Decathlon. The chapter explores operational and strategic issues which come up during the execution of such business models.

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1. INTRODUCTION

India has seen firms get massive success over the past by either incorporating online infrastructure to their brick-and-mortar stores or by incorporating physical stores to their online platforms. Furthermore, we have also seen new entrants with a strategy incorporating both Online and Offline side by side. This is referred to as Online-to-Offline or O2O Business Model with some notable examples like Firstcry, Lenskart, Pepperfry, Zivame, Nykaa, Urban Ladder, etc. Across the globe we may see many companies taking up this approach such as in China with jd.com, tmall.com; in USA with Groupon, OpenTable, SpaFinder wherein Potential customers are identified using online tools such as Internet ads and emails and then a range of techniques and methods are used by businesses to convert them in physical stores which are nearest to their location. Therefore, this approach combines online marketing techniques with offline ones. One of the foundations of O2O Commerce is that performance can be easily evaluated, which is significant for businesses like Restaurant.com or Groupon. Cookies and pixels are two common methods used in traditional e-commerce to track conversion and every order has a "tracking number" which allows online companies like Ebay or Amazon to calculate their return on investment for online spend. This is not an option for offline commerce. But O2O makes this simple; since the transaction takes place online, the same tools are now accessible to offline users, and the entire process is mediated by intermediaries like OpenTable or SpaFinder.

The term Online-to-Offline was coined by Eric Rampell in 2010 who understood that brick and mortar stores were going to get swallowed whole by online platforms if they didn't evolve with the digital age which caused e-commerce growth to be exponential. The O2O combines online sales and marketing while reaching out customers by integrating it with offline stores (Phang et. al., 2014). Traditional retail stores only sell their goods and services to nearby customers under the B2C (Business to Consumer) e-commerce model, which is limited to online sales (Suryandari and Paswan, 2014). In contrast to B2C, O2O draws potential customers by creating a link between the physical store and online platform, enabling customers to try out tangible goods in physical stores before making a purchase and making payment online (Wang et. al., 2019).

The Gartner Survey of 2015-2016 which took responses from 339 large and extra-large organizations in North America and U.K especially those which specialize in digital marketing found that 98% of marketers believed that Online and Offline commerce is merging. These organizations had more than 500 million dollars in revenue across seven industries. Those were financial services, high-tech, manufacturing, consumer packaged goods (CPG), media, retail and transportation/hospitality. The survey took place between May and July 2015 and marks the fourth year that Gartner has surveyed marketers on spending priorities and marketing operations. Seven years later the phenomenon grew exponentially in those geographical regions with notable American companies like Amazon acquiring Farm fresh and Walmart acquiring Jet.com while companies like Target, Walmart, Kroger, Nordstrom and many other retailers have increased services like curb side pickups and home delivery as two effective O2O strategies especially during the times of the pandemic.

In India disruptive innovations in businesses like Jio 4G has made the internet and its services accessible to the country due to its extremely low prices and network connectivity which reached even the remote areas. It caused a huge change in the customer expectations and soon India became the country with the cheapest mobile data prices as well as cheapest subscription models for OTT platforms consequently making it the cheapest country to access the internet and its services (Mehta *et. al.,* 2019). Furthermore, India has become one of the biggest markets for smartphones especially budget ones. As

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