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Channel Collaboration in E-Commerce: A Study on Channel Relationship from the Perspective of Vendors Selling on Online Platforms: The E-Retailers

Rajan Yadav[1] and Swati Bhatnagar[2]

Abstract

Channel collaboration has always played a pivotal role in value creation in any distribution supply chain. Marketers today,are exploring all possibilities of inter or intra organizational collaborations with the sole objective of creating customer value. One such collaboration which has transcended all business boundaries and is changing the very landscape of the business in the twenty first century is that of e-commerce. Fuelled by convergence of communication and information technologies, e-commerce has come about as an important distribution channel which firms no longer can ignore. According to an Ernst &Young report, the Indian e-commerce market is pegged to reach a staggering US $35bn by 2020. Amazon Flipkart, Snapdeal and many others have collaborated with a huge set sellers/vendors across the country for supplying goods and services.Amazon and Flipkart have more than 1,00,000 registered sellers in January 2017!!In this context, this research paper attempts to investigate the nature of collaboration between the sellers and the online portals and analyse the important elements of their channel relationship which positively influence trust, satisfaction and creates value for all its stakeholders.

Keywords: Electronic distribution channel, channel collaboration, e-retailers, sellers, vendor relationship management.

Introduction

Information technology is now the backbone of any firm's strategic infrastructure. Managers are now looking up and increasingly paying attention to the amazing role information technology can play in linking firms to their suppliers and their distribution chains. Electronic Commerce is one such avenue which is gaining immense popularity not just with consumers but also sellers and e-retailers Some shop online, others make payments of their bills and some transfer money via electronic medium. E-commerce in India is witnessing an unprecedented growth, particularly in the last five years. Consider this, Amazon has pumped in another Rs 2,900 crore into Amazon Seller Services, making its single-biggest infusion into its India market place in the year when rival Flipkart garnerednearly $4 billion (about Rs26,180crore)in funding. Amazon's third capital infusion into its India business this year takes its total investment in Amazon Seller Services to Rs 17,840 crore ($2.6 billion), more than double Flipkart's Rs 8,349 crore investment so far in its marketplace. (Economic times, Nov 2017. Amazon Seller Services will also be increasing the authorized share capital from Rs 16,000 crore to Rs 31,000 crore or $4.7

1. Professor, Delhi School of Management, Delhi Technological University
2. Assistant Professor, Amity Business School, Amity University

billion. The move indicates that including the investment in other units like cloud services and payments business, the Seattle-based online retail giant is expected to go past investment commitment of $5 billion in India.

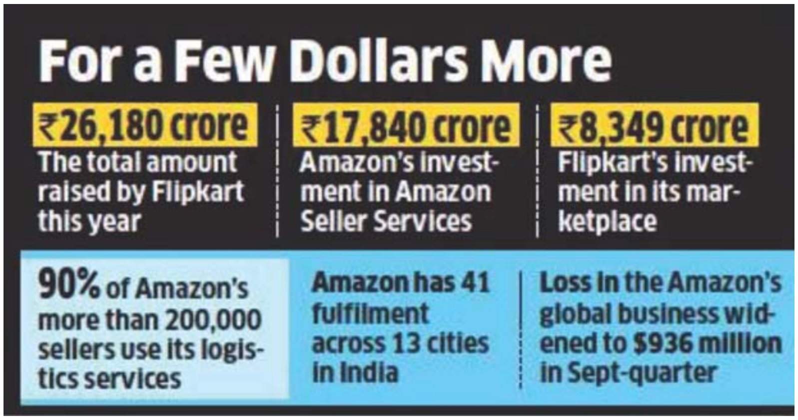

Figure1: Key statistics
Source: Economic Times

If one were to go by statistics India has the second largest number of internet users which is about 345 million and is expected to cross 550 million by the end of 2017. The future of e-commerce industry is glorious because according to Internet and Mobile association of India, Indian e-commerce industry is adding 6 million new customers every month. In its recent report IMAI also stated that the industry is about to reach revenue of Rs. 211,005 crore by 2017 and that by the end of 2020, Indian e-commerce industry will generate $100 billion online retail revenue. Almost 35% of it will be from fashion and the apparel industry which will grow four folds in the coming years. As of now Indian e-commerce is the fastest growing in the Asia-Pacific region at a CAGR of over 57%.

This shift in consumer shopping experience is partly because competition in Indian telecom industry has made high speed mobile internet available at affordable prices to the masses.The inception of technology has given birth to new services such as Digi-payments, Hyper-local Logistics. It has also led to the growth of MSMEs by providing essential facilities such as finance, technology, training and development. The e-commerce sector is also witnessing a string of merger and acquisitions. Some of the major deals took place in segments such as food technology, hyper-local and real estate listing. There were 930 mergers and acquisitions to be precise amounting to a total of 26.3 billion dollars. Snapdeal.com entered into the most numbers of mergers and acquisitions in the last 2 and 3 years as a strategy to rebrand and reposition themselves in the Indian e-commerce space.

With this pace of development in the e business space it becomes imperative to study how will the roles and responsibilities of the vendors change and importantly how is their collaboration with the e-retailer structured? Are the vendors able to secure their position in this new distribution channel? Thus this study will unveil the important elements of the channel relationship and the possible areas of improvement in the e-retailer and vendors relationship.

Literature Review

E-commerce has fundamentally restructured business relationships and has caused a paradigm shift in channel power as information technology continues to invade businesses.

Gates(in Adelaar, 2000) opined that electronic trade will bring about a structural change in the market such as disintermediation however Sarkar *et al* (1995) disagreed stating that differnet outcomes are possible such as reintermediation or cyber-mediation.

Palacios Juan J., (2003) discussed that in a developing country there are many factors that inhibit and push the growth of E-commerce and all of them must be observed with diligence as some of them manifest in the long run. The very basic of them is the creation of the legal framework that regulates the e-commerce industry, followed by improvement in the country's telecom infrastructure and the emergence of e-banking and e-governance that makes it more efficient. Once all of this is done large multinationals get attracted and the e-commerce industry unfurls. This gives rise to an economy that's largely based on the internet and helps in the development of various new technologies. These trends were seen in Mexico and similar trends were seen in India as well, back in 2000s. In Mexico banking and finance industry were the most advanced sector to adopt the e-commerce to discharge their businesses, and the least advance was the manufacturing sector. But the picture in Indian context is quite different. The sector that adopted e-commerce in India very aggressively is the retail sector and is still growing in a rapid pace. However, now almost all the sectors of Indian economy are embracing e-commerce. Five propositions were stated in this literature;

i) Global forces are more powerful for the diffusion of e-commerce when compared to domestic forces, this was stated true in Mexican economy, however no such evidence of it is found in Indian economy, as the major e-commerce players are all Indian firms, global firms entered late.Infact eBay was the first to enter the Indian market way back in 2000s but it could not meet success. ii)Micro and Small enterprises are least likely to use e-commerce-this didn't prove to be true, as they are the ones who are most flexible to adopt new business strategies to counter the stiff competition they face from the multinationals, the same holds to be true for India as well. Majority of small and micro small enterprises find it very easy to sell their product online via online platforms as it is relatively cheap and has a nationwide access when compared to a brick and mortar store. iii) B2C e-commerce spreads rapidly than B2B e-commerce this is true in Indian context but wasn't proved in Mexico as a major chunk of Mexican population is poor and is scattered all around and the diffusion of internet wasn't that rapid, however firms used e-commerce in a relatively great extent, so in Mexico B2B e-commerce was topping the charts in the initial stages .iv) Government policies are essential for e-commerce growth this is true in both the countries as government pushes the level of technology, provides the required infrastructure for mobile telephony and other communication services, it also aids various telecommunication service providers v)Lastly, a legal framework should exist so that progress and shortcomings are continuously monitored this also reduces the incidents of malpractices and saves all the stakeholders of the industry from any type of harm.

Gawady, (2005) found out that the factors that push the development of e-commerce in a country whether developed or developing, is taxation, security of assets, privacy, profitability, content and participation in new international standards development. In recent years, U.S. marketplace has been the hotspot of e-commerce growth despite the period of recession and firms are entering and expanding their stand in e-commerce industry on a continuous basis.This has resulted in a rapid increase in the incidents of buying by consumers online. E-commerce currently represents a significant share of the overall economy. The primary route by which e-commerce will have a major impact on the economy is by way of its reliance on productivity and inflation. Business and consumers use e-commerce because it is beneficial as it reduces costs to a major extent in terms of hours spent and work done to make the products and services reach the end consumer and finally complete the transactions. The result of this exercise increases the productivity and lowers the cost. As the e-commerce firms work diligently towards its goals all the other firms that are not a part of e-commerce industry will work to escape competition and the productivity of the whole economy will increase. Prolonged expansion of electronic commerce may also result to reduced pressure on inflation through greater competition, saving cost, and changes in price-determining behaviour of sellers. It was examined that these factors have contributed to the rapid growth of e-commerce and help in assessing how the trends are going to shape up in the future and how this may affect the overall economy.

But the scenarios are a bit different when it comes to a developing country as the challenges they face are numerous and hinders the smooth expansion of e-commerce and these challenges continue to stay in spite significant growth in internet usage and increase in the number of internet users and other value add services.

Javalgi, Ramsey, (2001) in their study stated that e-commerce and internet has linked nations, organizations and people operating locally, regionally and nationally. At this colossal rate of technological advancements, global e-commerce embraces almost every country of the globe. E-commerce is all about tremendous speed, seamless connectivity and sharing or exchanging goods, services and information. E-commerce can prove very beneficial as it can improve the allocation of resources, enhance the relationships between various stakeholders, increases competitiveness, cuts costs and increases the overall efficiency of the economy. For e-commerce to flourish in a country there are four sets of variables that should be there these are 1) Computer and telecommunication infrastructure. 2) Commercial infrastructure. 3) Social/Cultural infrastructure. 4) Government/ legal infrastructure. Further there are certain marketing/distribution implications which play a crucial role and both e-commerce and virtual distribution channels empower the consumers. It makes them proactive, assertive, more predictable and less brand loyal. Channel structure and channel length (number of intermediaries involved in the transfer of goods, services and information) is a function of market structure. Authors suggest that intermediaries add significant costs to the transactions and such costs are borne by the consumers but e-commerce setting minimizes and eliminate the unnecessary number of intermediaries, and this direct connection will lower the cost of transactions and the final prices of the product get reduced. This phenomenon is known as “disintermediation” wherein benefits are transferred to the consumers by involving internet.

Luk Sherriff T.K., (1998) discussed that channel structure forms the basis for market entry in the target overseas market. The most common problem that all the MNCs face while they try to tap the Chinese market is the selection of a proper type of distribution channel that is to be used. The most widely present factor is the diversities that exist between markets in terms of size and geography a firm must use permutation and combination to a very large extent to come up with the most efficient distributive network

According to Rosenbloom and Larsen,1993 view once a distribution network is devised that is effective it will be able to solve the issues that emerge out of a nation’s environmental idiosyncrasies

Coelho, Easingwood, (2008) in their study discussed thatMarketing channels seldom change or if put in other words they react very slowly to the changes. Various factors come in play explaining this particular behaviour of the distribution channels. The place mix is an integral aspect of a firm’s positioning strategy and gives it a competitive edge. For a firm to retain its competitive edge it should examine the mix of channels continuously so that changing customer needs can be accommodated. Distribution can be regarded as the most lethal weapon of a firm's arsenal. Numerous external factors have resulted in making it more significant, these factors are continuous pressures on competitive advantage, distributor's ever increasing power, low distribution costs is, stress on growth, and new technical advancements. It has been asserted that "channel design should be used as an integral part of a ûrm's attempts to gain a differential advantage in the market" and in order to attain this, numerous firms have made radical changes to their marketing channels and reorganized them by way of investments in new electronic channels. The magnitude of channel transformation is based on: consumer's needs that are increasingly volatile; level of sophistication of the targeted customer; minimalist nature of the product; rapid changes in the external environment; force of competitors' strategies that might make the firm vulnerable; economies of scale; and company size

Tuominen M, (2004) in their study on "Efficient Consumer Response" discuss that the same has replaced prior management fads and rules of the competitive landscape in the ûeld of grocery trade. This initiative is based on creating value for the end customers through a supply chain value system that is efficient, and simultaneously provides appropriate value to the channel members involved. The results indicate that by way of a strong positive association between channel members and the ûrm the overall value increases and further that the relationship develops an ability to counter various contingencies. In managerial terms, business executives must carefully design a match between the strategic channel posture the ûrm possesses and its value creating and appropriating capability proûle in managing collaborative channel relationships.A fundamental premise of channel collaboration is managing relationships based on long-term relational exchange as opposed to more traditional transaction-based exchange

Harvey and Speier (2000) suggest that channel partnering and supply chain collaboration has been explained in part, as a result from trust between parties and relationship commitment. Channel strategy is concerned with creating sustained competitive advantage leading to superior ûnancial performance. According to Mizik and Jacobson (2003), two processes, which combine and interact, are fundamental behind this rationale: one involves the creation of (customer) value (i.e. innovating, producing and delivering products to the market), while the other focuses on appropriating value in the marketplace. Kiran, Majumdar, Kishore, (2012) advocated that relationships in distribution channels tend to be long-term oriented and members of the channel rely on each other to jointly realize their goals by serving buyers. Despite the channel's focus on serving buyers, conflicts often arise between channel members because of each member's self-interest. When conflicts arise, the perceptions of a channel member based on normative, rational/instrumental, or emotional reasoning will influence relational norms like trust and commitment that characterize the relationship between members. Understanding how relationships are damaged is a critical component in building and preserving strong distribution channels. A theoretical framework to study conflict resolution in distribution channels and its impact on channel relationships is developed by identifying the variables to represent channel member perceptions, relational norms, conflict resolution strategies, and relationship quality. Propositions linking these variables are developed and indicate how these variables influence one another when conflict occurs.

Jain, Khalil, (2012) discussed that glocalisation cannot be achieved by a single or any unique formula because the element of localization makes it different every time. A firm can go inter-decision or intra-decision glocalisation or it can choose to combine both. However, the choice should be made on the grounds of comprehensive assessment of the ûrm's global philosophy, the channel decision involved, and ground realities in each market as they differ a lot. The study presents evidence on how global localisation is applicable to channel strategies prevailing on a global scale. The study ûlls the gaps that were found in previous researches by bringing into light "global dimension" of a glocal strategy that were less understood. The study is the most effective till date and provides information about the unexplored facts of global-localisation. The study also acts as a value add to the limited knowledge on the practical application of the concept of global-localisation among both academics and practitioners.

Mulky, Avinash (2013). One inimitable source of strategic competitive advantage for a company is an exclusive distribution channel. However, to get a pitch perfect distribution design is something only a few Indian firms have gotten a hang of. The same is achieved after years of experience and trying out various combinations to check as which combinations will suit the best. This research is divided into two parts. First part of this presents an overview of distribution channels, particularly their constituents and structure, with a special focus on distribution channels in India. The second part gives and account of the challenges that companies in India face in designing, constructing, and managing distribution channels on the ground with the help of a panel discussion with eminent academic and industry experts.

Shah, (2016) in his study analysed that in the last 40 years or so there has been a humongous change in the patterns of distribution worldwide. In 70s the retailers used to obtain their supplies directly from suppliers or wholesalers then came the 80s this was the era of stores which were involved in centralised deliveries. Global sourcing and import were on the rise in the early 90s and then came the glorious era of e-commerce and e-fulfilment. E-retailers have to make an intelligent decision and weigh all their options of employing a courier company, or hiring a specialist third-party logistics provider and lastly they can develop an in-house logistic department. At the end of the day, whichever means they use to get to their end, there are certain key points that are of immense importance to company and should be executed these are 1) Delivery that is pitch perfect and involves low cost. 2) Cost-effective service. 3) A cutting edge enterprise resource planning software or ERP that organizes product planning, manufacturing, inventory management, cost and development, marketing and sales, shipping and payment. For an e-retailer who trades goods across-border, all these process are planned by specialist logistics handlers who are experts in their respective fields as international rules and regulations come into picture. All the functions of procuring the supplies, storing them, generating invoice and delivering the goods to the end user all these are determined by four factors - speed (so the delivery is 'on time, every time'), accuracy of orders (so people get what they ordered for), analytics (so growth is monitored continuously and competitive edge is maintained) and surge (the traffic Vs fulfilment graph). The amount of transparency in the entire supply chain is an inimitable resource through which the e-retailer wins the faith and favour of the customer. This study indicated that shoppers give more weightage to delivery time and facilities like free shipping etc over anything else, when it comes to shopping online.

The intensity of relationships between manufacturers and retailers in a distribution channel depends on the bargaining power of both parties. The authors have developed a comprehensive framework to evaluate bargaining between channel members and make it evident that the process of bargaining affects the magnitude of coordination between one manufacturer–one retailer channels. The results were put to test in the field and theory and for the same both the author had to lower the degree of the empirical assumption that the product being exchanged is bound to be exchanged in a contractual realm. The results indicate that the institution of bargaining is formidable, and has numerous effects on channel coordination when the complexity of non-specifiability of the product exchange is present. The scholars also uncovered a fact that if a retailer exercises more power in a channel this automatically promotes channel coordination. This in turn gives rise to multiple situations where in the presence of a powerful retailer might actually be beneficial to all channel members' interest. Another major finding that emerged out in the course of this research that the standard double-marginalization take-it-or-leave-it offer is the end result of a specific type of bargaining process. Furthermore the impact of early delivery and late delivery that is the product being delivered to the retailer before or after the actual demand arises and the effects of returns and competition existing among the retailers have been evaluated**.**

Szopa P., Pekala W, (2012) A distribution channel performs various functions these are physical movement of completed products and services, actual transfer of ownership, transfer of information, risk bearing, negotiation and realization of orders. The most important part is that these functions flow in both the directions that it manufacturer to the customer and from customer to the manager, for instance the product, its ownership and risk flows to the customer and payments, information of market flows towards the manufacturer, further this paper explains about the types of Distribution Channels that exist there are two types of distribution channel Vertical Channel and the Horizontal Channel the former consists a channel structure where in a large number of intermediaries are associated closely with the manufacturer, the latter on the other hand consists various number and types of intermediaries at different level for different kind of distribution task based on their previous work record and their efficiency.

Snapdeal and its current crisis, (Economic Times, 2017) Desperate measures undertaken by the e-commerce giant of India in the last 12 months did not prove very fruitful. Industry experts have been continuously arguing that there never existed any business model at Snapdeal. As a strategic and calculated move in order to be the most profitable e-retailer of India, it had decided to revamp its business model. However, there wassnot much scope in that realm as out of the two models that have been working effectively in India i.e. marketplace and inventory based model, Snapdeal had tried both the models. However, it was just a perfect illustration of desperate times, desperate measures. Foxconn Softbank and Alibaba group firm's chief executives stated that they had pledged not to take salary for an unspecified period. This was attributed to large number of losses that got piled up for a long period. Not only this, Snapdeal's top management was not very stable. With a very high turnover rate, and increasing competitive pressure from Amazon, the e-commerce giant had streamlined their goals which involved reorganizing the company into a lean focused structure. They were combining teams, eliminating noncore projects and had a razor sharp focus on profitable growth by reducing layers. The firm planned to achieve this by laying off 1000 of its employees from all the stages in the hierarchy. This strategic lay off regime was not limited to the firm only but, its logistics partner," Vulcan Express" was also a part of this move.

After analyzing the secondary data exhaustively, the objectives for this research were laid out as follows:-

i. To study the distribution design/framework of the various E-commerce companies of the Indian E-commerce industry.
ii. To evaluate the nature of relationship between E-commerce companies and their vendors.
iii. To suggest areas of improvement for better relationship management of e-commerce firms and their vendors.

Research Methodology

This research used Descriptive research design and consists of both quantitative and qualitative research. The base of this research comes from an exhaustive study of various research papers on this particular topic by various scholars. The primary data has been collected with the help of questionnaire after an exhaustive and judicious secondary data study,as well as personal observation with contact of vendors. The questionnaire was pilot tested. A total of 30 vendors were chosen who are currently registered with the online portals (Flipkart, Snapdeal, Amazon etc). The questionnaire was rated using a five point Likert Scale.

Results and discussion

The internal consistency of the measures was ascertained via reliability tests. The reliability of the questionnaire is checked by way of Cronbach's Alpha coefficients. There are certain assumptions based on which the researcher can assess if the questionnaire will generate reliable responses or not, these assumptions are as follows:

- 10% of the total sample size should be exposed to the questionnaire in order to conduct an effective test of reliability. In case of this research the sample size is 30 vendors i.e. 3 vendor's responses should be considered for the same.

The value of alpha should be between 0.65 to 0.8. This would mean that the data generated by the questionnaire is reliable, but if the alpha value comes out to be 0.5 this means that the data is unreliable and a few changes should be made to the questionnaire. If the value of alpha is very high i.e. >0.95 it indicates that the data is redundant. The gathered data has been tested for correlation between various factors and then all the factors that were more significant were tested for regression, and the results are as follows.

Table 1: Reliability Tests

Case Processing Summary

		N	%
Cases	Valid	3	100.0
	Excluded[a]	0	.0
	Total	3	100.0

a. Listwise deletion based on all variables in the procedure.

Table 2: Reliability Statistics

Cronbach's Alpha	N of Items
.688	4

The results in Table I depicts that for the test of reliability the alpha value comes out to be 0.688 which indicates that the construct measures are reliable.

Channel relationship in terms of Finance & Profit, Conflict & Price setting

After analysis of the data, three main factors emerged as the major elements of channel relationship.Table II a depicts the correlation between the dependent factor i.e. Relationship (meanrel) and the independent factors which are 1) Finance and Profit(meanfp), 2) Conflict (meancon) and 3) Price setting(meanpr).

Relationship of E-retailers with vendors and Finance and Profit factor have a moderately positive correlation which is 0.297. Since this is a positive correlation it means that as Finance and Profit in this collaboration increases the relationship is bound to get better .This fact is also supported by the level of significance which is marginally higher than the accepted significance level of 0.1. The same is due to the limitation of sample size which happens to be small. As the sample sizeshall increase the results will improve too.

The Relationship of E-retailer with vendors and their Conflict have a low positive correlation i.e. 0.065. Since this a positive correlation it means that as conflict increases the relationship is bound to get better. This may be regarded as a “Functional Conflict” with useful consequences however as the level of significance (0.735) is greater than theaccepted level of significance, we don’t have much evidence that will prove what has been stated above .

Relationship of Online portals and Price Setting have a high positive correlation i.e.0.512. This clearly indicates that as the efficiency in Price Setting increases, the relationship between the vendor and the E-retailer will strengthen. This is also supported by the level of significance (0.004) which is very low and thus validates the above fact After applying correlation, it was clear that only two factors qualified for regression: Finance and Profit(meanfp) and Price Setting(meanpr). Thus the impact of these two parameters on the channel collaboration and relationship of e-retailers with the vendors was much more significant as proved by correlation results. Analysis of regression (Refer Table III) further reveals that the value of R square is 0.264 or 26.4%. This implies that 26.4 % change in the dependent variable i.e. Relationship is the end result of changes in the independent variable which are Finance and Profit and Price Setting.

Table 3: Correlation between channel relationship, finance & profit, conflict and price setting

		meanrel	meanfp	meancon	Meanpr
Meanrel	Pearson Correlation	1	.297	.065	.512**
	Sig. (2-tailed)		.111	.735	.004
	N	30	30	30	30
Meanfp	Pearson Correlation	.297	1	.285	.506**
	Sig. (2-tailed)	.111		.126	.004
	N	30	30	30	30
meancon	Pearson Correlation	.065	.285	1	-.016
	Sig. (2-tailed)	.735	.126		.933
	N	30	30	30	30
Meanpr	Pearson Correlation	.512**	.506**	-.016	1
	Sig. (2-tailed)	.004	.004	.933	
	N	30	30	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

The second thing that is evident from regression analysis is that the significant value (p) is 0.016 which is less than the value of alpha (a) 0.1 i.e. p<a .Thus the results are insignificant and the null hypothesis that Finance and Profit and Price Setting has no impact on the relationship between the Vendors and the E-retailers stands rejected.

Table 4: Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.514[a]	.264	.210	.54873	.264	4.853	2	27	.016

Managerial Implications: E-commerceis witnessing an unprecedented growth in India and the recent implementation of GST in India has opened up all the more new markets for these online retailers. In this regard, this study will be useful to the e- commerce industry on how can channel relationship be further enhanced and what strategies can be used to develop win-win situations for all the stakeholders: online retailers, vendors as well as customers. This paper addresses the research gap as not much work has been done particularly in India in the area of relationship management in e- commerce. Ofcourse, the balance of power as of now appears to be tilted towards the e-retailer as they gain acceptability in the urban and suburban areas, but the e-retailer should also be conscious that both of them need each other and should be mindful of the policies so that the partnership continues to add value to all the stakeholders in the supply chain. The ultimate objective of the e-retailer and the vendors should be to what extent they can integrate their operational activities in order to achieve a higher efficiency level which shall eventually benefit all the parties in the supply chain. Vendors need to understand that they will have to deliver solutions and not just products in order to survive in this electronic channel. On the other hand, e-retailers should invest in capabilities to provide vendors market intelligence which otherwise is difficult for the vendors to acquire. The good part is that the e-retailers are already working in this direction by investing in data analytics and artificial intelligence. This is one of the methods of value creation in this new business model which mangers in e-retailers can incorporate in their strategies.

Conclusion

This study is all about evaluation of relationship between the e-retailers and the vendors. E-retailers are majorly following the Marketplace model of online retail and are associated with numerous vendors selling variety of goods for instance electronic goods, fashion and apparels, household products etc. All of these vendors provide a certain amount of stock to the E-retailer but since the business model is marketplace the E-retailer doesn't store any of these products with itself rather that stock is with the vendor only. However, that stock will be sold online via the E-retailer because they have agreed on doing so. Once a customer selects a particular product that is being sold by the vendor the E-retailer records that request and that request is initiated to the vendor, the vendor then sends the exact same product to the E-retailer once the product reaches the E-retailer it is then handed over to the logistics department of the E-retailer, most of the retailers have their own logistics firms while others have outsourced it to a professional logistics firm. The logistic department then packs the product and make it transit ready and then the product moves out and reaches the customer. The customer may choose to pay once he/she receives the product i.e. cash on delivery or the payment can be made online.

Once the payment has been received, the E-retailer keeps its part of commission and gives the rest to the vendor. The commission is obviously as per the agreed terms of the contract that's between the retailer and the vendor.

As far as relationship between the buyers and vendors are concerned we have arrived to the conclusion that Finance and Profit sharing and Price setting are the two determining factors that may strengthen or break a relationship between the vendors and the E-retailers, However conflict too has its effects on the relationship but those effects are not so significant. Most of the vendors are satisfied with their relationship with their E-retailers and feel that they are given the exact amount of space and are always heard but they don't disapprove of the fact that the E-retailer is in a more commanding position because of their network with numerous vendors thus losing one or two may not do much harm to a big E-retailer. Commission charged by the E-retailer is perceived high and the services provided against it are once again considered insufficient. Another area of discontent is when a customer returns a particular product. The E-retailer charges commission on return of sale resulting in a loss to the vendor. At times the product which are returned are often counterfeit for which the vendor has already paid the commission. Due to the absence of checks on the product by the end of the E-retailer such lapses ends up escalating the cost for the vendor. So technically the vendors are more vulnerable but they dust this off by saying that they get demand from the entire country instead of just regional sales. Vendors don't have much say in the profit sharing decision; price setting is based on mutual consent most of the time. These prices are a set keeping in mind all the legal and taxation norms because any violation will lead to heavy penalties on both the retailer and the vendor. Vendors also feel that they will sell on a lower margin if their customer base is increasing. Most of the vendors feel contented in their relationship, conflicts are not common and vendors generally have to let go of their goals to accommodate E-retailer's goal. Vendor and E-retailer relationship is a two way street and sooner or later E-retailers should accept that they should treat this collaboration as a symbiotic one in this dynamic world of technology.

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