

**HOW CASH-BACKS ARE DEVELOPING AS A MECHANISM FOR E-RETAILERS  
TO ENTICE & RETAIN CUSTOMERS**

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**ABSTRACT**

*Different types of online promotions have been employed by e-marketers to influence the shoppers during online shopping. The Indian e-commerce market has found a new superhero — cash-back. Move over discounts, cash-back is the hottest new trend in business. Cash-back is the newest trend to rock the entire Indian e-commerce game.*

*In this paper, we examine how e-commerce niche is embracing cash-back culture, its impact so far and its promise as we go forward. The paper traces the origins of the cash-back trend and its evolution and progress in India. We outline its various avatars and manifestations and the typology that has emerged so far. The paper provides a sketch of strategies adopted by e-marketers to attract and retain customers, success areas while also looking at some of the success stories across different approaches. The emergence of cash-back concept in the online buying process is making rapid strides in the Indian online marketplace.*

*Key words: Cash back Offer, Discounts, Online promotions, E-retailers; Cash back sites, E-commerce.*

**INTRODUCTION**

Purchasing through Internet (apart from physical shopping) is one of the most enthralling activities for most of us. While a few people prefer to get brand new products, others wait for the sale season to get discounts on things they want to purchase.

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More often than not, discounts are the most tempting reason for anyone to shop. Recently, a trend of cash back instead of instant discounts has been adopted by e-retailers to lure customers and make purchases through their debit or credit cards to avail additional cash-back. Cash-back is the newest and growing trend to rock the entire Indian e-commerce game. Big players, emerging players, almost everybody in the e-commerce niche is embracing cash-back culture, compelled by thick audience demand, surging market competition and latest funding rounds.

Apart from the sale season, festival cash back offers also picking up at both online store, as well are retail outlets. Ecommerce has played a pivotal role in making cash back extremely popular and widespread.

In 2015, we witnessed both large retail chains and ecommerce giants move away from the traditional strategy of providing instantaneous discounts to customers and providing cash back as a means of customer acquisition.

Before dwelling further into this subject, let us first understand the difference between discount and cash back.

A discount is an upfront reduction in price to give immediate gratification to customers. For example, a 15% discount on a product that costs INR 100 will enable a consumer to pay INR 85 and buy the product.

On the other hand, cash back is something that is returned later. So, if a brand offers 15% cash back on the same product, it means that a consumer will spend INR 100 to purchase that item. After the purchase is complete, the brand will usually give the purchaser a voucher for INR 15 that can be redeemed at the next purchase.

If the cash back is being offered by a bank, then this money will be credited to the customer's account after a certain period of time.

The question that arises is that why are banks and brands moving away from discounts and embracing cash back. For banks, offering instant discounts is more expensive. If they offer direct discount, they have to pay the offered amount to the retailer at the time of purchase. However, when banks offer cash back, they pay the offered discount to the retailer at the same time but keep the customers money with them for a specified period of time and promise to credit the cash back amount to the bank account after that period. During this time, banks invest this money to generate surplus revenue.

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This model works well for both customers, who are happy to receive the extra cash after a period of time, and banks, who are able to increase card swipes without incurring the expense of an instant discount.

For brands and ecommerce sites, cash back not just increases sales but also gives them repeat purchases opportunities from customers end. Since most online marketers give out cash back in the form of credits or vouchers, the customer has to buy goods from the same retailer to be able to use these credits.

The government also incorporated Cash back as a policy this year. In order to reduce the number of cash payments and promote electronic transactions, the government aggressively promoted the use of Ru Pay cards by offering 1% cash back, in a direct challenge to card companies such as Visa and MasterCard.

Another government initiative was the LPG Cash back program, where the subsidies were directly credited in the bank accounts of the citizens after paying the full price.

Mobile wallets have taken cash back to the next level. Customers and buyers can now get cash back even on utility bills and mobile and data recharges.

This money is credited in their mobile wallet accounts and it can be used to either shop for products or just paying bills.

While cash back shopping is relatively young, but it is a fast-growing phenomenon. In fact, it has become the king of the ecommerce market.

While discounts attract shoppers, there is little that they do for customer retention. With cash back, retailers have identified a more permanent way of keeping customers with them.

Since customer retention has become extremely important in the Indian ecommerce market, cash back has become the new age loyalty program.

### **CASH-BACK AND INDIAN E-COMMERCE PLAYERS**

At present, the cash-back campaign is being championed by top Indian mobile wallet firms such as Paytm, MobiKwik, Freecharge and PayU, besides food and deals aggregator such as TinyOwl and CashKaro. The idea is simple — gets new customers, compel them to come back and make more money.

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More recently, cab aggregators like Uber, TaxiForSure and Ola used cash-back to hook in new sign-ups through their apps and found some great success. Over the last year, as the market and customer demand matured, many e-commerce players embraced cash-back as a new means to gain initial traction, spearhead their new customer acquisition model and do more business.

Apart from above retailers there are cash-back websites which give shoppers an additional way to save money. One such website is [Pennyful.in](http://Pennyful.in) which is focused towards the Indian market. Pennyful has been very successful in capturing this cash-back market in India and is one of the leading players in the country in this field. The site is working with more than 250 top ecommerce websites such as Flipkart, Amazon, Myntra, Jabong etc.

Lately, e-retailers are taking keen interest in cash-back sites. This trend is being seen due to added advantage of associating with cash-back sites in the form of a better reach to more people. The scheme of offering cash back, in addition to discounts, attracts more customers.

#### **OBJECTIVES OF THE STUDY**

- To analysis the impact of cash-back strategy on buyer's buying behaviour
- To study cash-back as an appealing marketing strategy for e-retailers
- To study cash-back as a tool for customer retention for e-retailers

#### **RESEARCH METHODOLOGY**

The research technique selected for this study was basically includes secondary data collection technique with descriptive research technique. The sources of data & methods adopted to collect those data are basically Internet & others web research sources.

#### **IMPORTANCE OF STUDY**

This study is very much relevant to present times as this will make awareness about the impact of cash-back on both sellers and customers. Earlier, online shopping was merely related to the convenience of buying whatever you needed, from the comfort of your own home. But now, the consumers shop online with an aim to avail the comfort as well as benefit of the great prices and discounts available on online shopping stores. In this study an attempt has been made so that e-retailers are aware of the trending and upcoming that is expected to loom over their business in near future. Dynamism stands for the base of the current scenario and as a result of that anything that remains stagnant will be surpassed by others. So it's time for e-retailers start thinking deep into the current trending aspect and come up with better and advanced strategies to attract and retain customers.

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**ANALYSIS AND INTERPRETATION OF DATA**

Indian e-commerce giants are bleeding money right now. Be it through discounts or cash-backs, the agenda is customer acquisition, branding and market capitalisation. Forrester expects the online buyer population in India to grow to 128 million by 2018, while India's online retail spending is expected to touch US\$16 billion by 2018, an eight-fold increase from 2013. According to Forrester's India Online Retail Forecast, 2013 To 2018, India's online retail spending is expected to grow at a compound annual growth rate (CAGR) of more than 50 per cent over the next five years, as more Indian consumers start purchasing online. This is why discounts and cash-backs are the best bet for Indian e-commerce players towards market capitalisation and revenue.

**CONCLUSION**

As shoppers, Indians generally look to save as much money as possible so the cash-back concept has been very successful in the Indian market. The focus of the cash-flushed ecommerce players, who have tried every trick in the book to acquire more customers, have now shifted a gear — from wooing to retaining them, and ensuring they come back again and again. Retail analysts point that on an e-tailing landscape dotted with promiscuous, deal-hunting buyers, cash-back stands a better chance than discounts in instilling some sense of loyalty in consumers and plugging the 'leaking bucket' problem of acquiring and losing users quickly.

Though it's too early to judge the success of cash-back, for the time being it seems that it's doing its bit to spur online sale.

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