Economic Perspective of E-marketing in India

Sowjanya S. Shetty* and V. Basil Hans

1Poornaprajna College, Udupi, Karnataka State, India. sowjanya936@gmail.com
2Department of Economics at the St Aloysius Evening College, Mangaluru, Karnataka State India
Email: vhans2011@gmail.com, http://orcid.org/0000-0003-2713-2188

ABSTRACT

Globalisation has reduced trade, and investment barriers worldwide, particularly in developing countries and the rapid growth of technology has made global delivery of services possible. Even in India e-marketing has become popular as Internet Technology (IT) is becoming more widely available and used. It has universal applicability, and it permeates all kinds of business namely, agricultural, industrial, medical tourism, education, foreign direct investment, governance and so on. Document automation, payment systems, online banking, shopping and order tracking, electronic tickets have become familiar with large and small businesses alike. IT is considered as the third wave of revolution after the agricultural and industrial revolution that makes economist and business managers think out of the box. Economic theory and market functions in terms of demand, price, cost etc. need a relook. Just as Economics is linked to business via decision-making and forward planning, Behavioural Economics is linked to e-marketing through rational choice theory and resource allocation/innovation (e.g. IT). However, innovative methods need not necessarily be best practices or ethically sound. Online frauds for instance, are not uncommon.

Similarly, traditional brick and mortar stores are facing extinction. Therefore, while studying e-marketing, it is necessary to focus on the interactions between information technology and market functions from an economic – if not wholly altruistic – perspective. The main objective of this paper is to review the present status and trends of e-marketing in India and to identify the problems in it from the point of view of retailers and consumers. The fundamental theoretical aspects of this work are adapted from economics and strategic management. The authors examine some of the critical issues in e-marketing and try to bring some insights from the on-going research and analysis in economics and marketing to address these issues.

KEYWORDS: Brick and mortar stores, e-marketing, globalisation, India, Internet, strategies

*Corresponding author:

Sowjanya S. Shetty
Poornaprajna College,
Udupi, Karnataka State, India.
Email: sowjanya936@gmail.com
1. INTRODUCTION

The process of globalisation gathered pace because of two reasons – reduced trade and investment barriers worldwide, particularly in developing countries, and the rapid growth of technology which made global delivery of services possible. Global standards often constrain domestic firms in their ability to access markets abroad, increase in competition in domestic markets and sometimes deprive domestic consumers of access to essential products by increasing costs. The increasing growth of technologies often outpaces the ability of the governments to understand the implications of technologies that are emerging and take countermeasures to ensure that these are regulated in the public interest. Globalisation is resulting in a transition from a centrally planned economy to market structures and their integration with global economy, which has an impact not only on the functioning of state along with acquiring new skills, capabilities and transformation in people’s mindset to adjust to the new environment.

E-marketing has become popular as Internet access is becoming more widely available and used. Well over one-third of consumers who have Internet access in their homes report using the Internet to make purchases. The development of e-marketing has been one of the most important events in the field of business, marketing and Information technology over the past decade. It has revolutionised businesses, and the advent of social media offers the potential to revolutionise how businesses and consumers interact in the future. Internet Technology and is considered as the third wave of revolution after the agricultural and industrial revolution\(^1\). Global e-business crossed $567 billion in 2013\(^2\). People have turned to the Internet to buy everything – from diapers to decorative items, garments to groceries, pushing e-commerce in India to a more than $14 billion business in 2014. Overall e-commerce market was expected to reach Rs.1,07,800 crores ($24 billion) by the year 2015 $32 billion in 2020\(^3\).

E-marketing has universal applicability. It permeates all kinds of business namely, agricultural, industrial, medical tourism, governance, education and so on. Some of the standard applications of e-marketing are Document automation, payment systems, online banking, shopping and order tracking, electronic tickets which have become familiar with large and small businesses alike\(^4\). The new trend of marketing in the new era is e-marketing which is the product of the application of modern technology and age-old marketing principles. Electronic marketing or e-marketing refers to the application of marketing principles and technique via electronic media through Internet. E-tailing is synonymous with business-to-consumer(B2C) transactions in online stores where a customer can shop for books, magazines, music CDs, cell phones, television, laptop, furniture, health equipment, apparels, toys, shoes, etc. the list is quite big and exhaustive. This revolutionary way of selling commodities and services has gained popularity in India, and the
online market is finding a positive scope of flourishing. Thanks to e-marketing and e-tailing, India is edging gradually edging its way towards becoming the next boom industry. This coupled with the recent “Make in India” and “Skill India”, is expected to make India more than a destination for affiliates. Therefore, it is necessary to study not only the growth of marketing per se but the impact of it on the economy as a whole – with more and more global players entering the scene – and the challenges faced by it vis-à-vis the traditional retail stores, i.e. Kirana shops in India.

1.1 Background of The Study

The meaning and medium of e-commerce have changed over the last 30 years. Before the term e-marketing evolved, the term 'digital marketing' was used in the 1990s. Digital marketing is often referred to as 'online marketing', 'internet marketing' or 'web marketing'. From being mostly a means of information transfer and commercial transactions, today e-commerce includes enterprise resource planning (ERP), data mining and warehousing etc. Besides dot-com bust and e-payment systems, there are e-stores/net-shops, e-office suites and so on. The world is witnessing today the fast adoption of e-CRM (customer relationship management) as a business strategy. Such strategies are not confined to product/business conception but also imaging and optimisation. In India spend about 26 per cent of their time on social networking websites and ten crore consumers buy things online.

The concept of selling goods using electronic media particularly the internet began in 1995. Companies like Amazon and Dell were the first to create an online retail industry by putting the entire customer experience from browsing products to placing orders and then paying for their purchases on the internet. The e-retailing began to work for some major corporations and small entrepreneurs when Dell computer reported multimillion-dollar orders were taken at its website. The success of some other companies like this encouraged traditional retailers to create an online presence to augment their brick and mortar outlets. The rapid evolution of digital media created new opportunities and avenues for advertising and marketing. In the initial stage, marketing was based on a barter system where marketing was carried based on the exchange of goods and services. The methods of marketing have changed and improved. We have revised our ways of marketing and adopted new means to make it more profit bearing and dynamic. The emergence of e-retailing is treated as extended services of traditional marketing which provides essential strength to a marketing business.
2. PURPOSE AND PLAN OF THE STUDY

2.1 Objectives of the study

The key objectives of this paper are –

- to review the present status and trends of e-marketing in India
- to know the effectiveness of e-tailing; and
- to identify the problems in e-marketing from the point of view of retailers and consumers

2.2 Methodology of the study

The present study is based on the collection of data from secondary sources. Secondary data is obtained from various published and unpublished records, books, trade magazines and journals.

2.4 Limitations

The study is restricted to India and is not based on different portfolios of customers.

2.4 Conceptual and operational framework

E-marketing definition

Electronic commerce, commonly known as e-commerce consists of the buying and selling of products or services over electronic systems such as internet and other computer networks\textsuperscript{10}

The growth of Internet technology has enormous potential as it reduces the costs of product and service delivery and extends geographical boundaries in bringing buyers and sellers together\textsuperscript{11}

Businesses are increasingly using the Internet for commercial activities. The ubiquitous nature of the Internet and it's wide global access has made it an extremely useful mode of communication between businesses and customers\textsuperscript{12}.

E-marketing is using digital technologies to help in selling your goods or services. These technologies are a competent and also valuable complement to traditional marketing methods whatever the size of your company or your business model\textsuperscript{13}.

Economic perspective

Electronic retailing or e-tailing is applied to all spheres of business/economic activities irrespective of durables, perishables or services –

- In the purchase of certain consumer durables specific human actions like touching, smelling, feeling may not be necessary. Such goods are suitable for e-tailing, e.g., books, magazines, CDs etc.
- Consumer perishables are included in e-retailing because of their quicker local delivery. However, these are feasible for coverage of local markets, but in recent days they are also
taken to remote markets with well-planned arrangements, e.g., cakes, vegetables, fishes etc. Amazon had recently launched 'Kirana now' which focus on everyday essentials delivered in two to four hours.

- Services like travel, tour ticketing, are most appropriate for e-retailing. Advertisement business is the best candidate for e-retailers. Ad through search engines like Google, Yahoo or through social groups like Twitter, Facebook provides more extensive coverage.

**2.5 Motivational factors of E-marketing**

![Diagram](image)

**FIG 1**: Factors Influencing Online Shopping

**2.6 Barriers to the growth of e-marketing**

- No scope for bargaining – e-retailing does not provide any scope for negotiations or bargaining in trading which most of the price conscious Indian consumers love doing
- Lack of trust – most of the time online consumers are unable to trust new e-retailers relating to safety and timely delivery.
- Difficulty in differentiating - most of the time consumers face the difficulty of differentiating products as there are a large number of online sellers and unfamiliar vendor reliability.
Lack of touch and feel experience of the product – customers cannot physically examine the products when they buy online. It lacks emotional shopping experience that consumers get in a shopping store.

Privacy concerns – most of the time consumers hesitate to provide information as they fear that it may lead to identity fraud or spam e-mails. There arises a security issue, and customers are not yet convinced about fool-proof status particularly in Indian environment.

Possibilities of fraud – unscrupulous e-retailers can damage the faith of consumers by misusing their identity information.

No direct interaction – there is no face to face interaction between consumers and e-retailers. Some consumers are not comfortable with this method.

Delivery of products – some e-retailers who do not deliver on time has spoilt the market image for genuine e-tailors.

Language – to reach a broad base of consumers in India communications should be enabled in local languages.

3. E-tailing in India

Technological innovation is essential for development. From the printing press to digital printing, a chain of technological innovations has taken shape. Technology is not inherently good or bad, and the outcome depends on how it is being used. Information and communication technology (ICT) involves innovations in microelectronics, computing, telecommunications and electronics-microprocessors, fibre optics, semiconductors etc. It is the root of e-retailing too. India is one of the world’s fastest growing e-commerce markets. This is the result of an increase in the number of internet users. Mobile Internet users in India were estimated to be 243 million in 2014 rising to 350 million as of June 2015. We must also be optimistic about that mobile internet user-base will reach 314 million by 2017. This does not come as a surprise considering the recent MAIT report which said smartphone sales rose 33 per cent during the fiscal year 2014-2015. With an increase in smartphone sales, more and more users are accessing the Internet through mobile devices. India is expected to have over 500 million internet users by 2017 (The Indian Express, 21/7/2015).

Digital marketing is booming today even as a career. The big picture of the Digital Marketing industry in India cannot be complete if a short preview of the past digital marketing statistics is not made. Going back to history, International Journal of Advanced Research Foundation reveals the following in 2016.

- Between 1971 and 1972, The ARPANET is used to arrange a sale between students at the Stanford Artificial Intelligence Laboratory and the Massachusetts Institute of Technology, the earliest example of electronics or digital commerce.
1979: Michael Aldrich demonstrates the first online shopping system.

1981: Thomson Holidays UK is the first business-to-business online shopping system to be installed.


2007: Flipkart was established in India. Every E-marketing or commercial enterprise uses majorly digital means for their marketing purposes.

In 2011, the digital marketing statistics revealed that advertising via the mobile phone and tablets was 200 per cent lower than that of the following years. During this year, the net worth was $2 billion. The growth was in a geometric progression as it rose to $6 billion in 2012. The competitive growth demands for more improvement in the career works and professionals are being added to the field.

From 2013 to March 2015, the investment total increase was 1.5 billion dollars over the preceding years. There has been an impressive growth up till this present moment.

The report by the International Journal of Advanced Research Foundation revealed that India is getting to see the golden period of the Internet sector between 2013 to 2018 with incredible growth opportunities and secular growth adoption for E-Commerce, Internet Advertising, Social Media, Search, Online Content, and Services relating digital marketing (see Figure 1).

![Total Media, Digital and Mobile Internet Ad Spending In India, 2013 - 2019](image)

**Fig 1**: Total Media, Digital and Mobile Internet Ad Spending in India (2013-2019).

The survey indicates the size of the Digital Marketing industry in India:
- 34 per cent of the companies already had an integrated digital marketing strategy in 2016
- 72 per cent of marketers believe that the traditional model of marketing is no longer sufficient and this will make the company revenue to be increased by 30 per cent by the end of 2017

As people are spending more time on social networks they have started to recommend products and services, share out information on their holidays, trips, products purchased and much more. A report by the Internet and mobile association of India (IAMAI) revealed that India’s e-commerce market is growing at an average rate of 70 percent annually. Digital marketing overview reveals that Social media has been playing a supporting role in marketing. Over the years, it has been noticed that 92 per cent of social media users is from mobile devices. This enables the size of digital marketing industries (see Figure 3).

![Figure 3: Mobile Phone Subscribers in India](source: TRAI, September 2015)

Some of the top e-tailers in India are Flipkart.com, Snapdeal.com, Myntra.com, Fashion and you.com, eBay, Homeshop 18, Rediff shopping etc. Flipkart is considered as an e-commerce company that made online shopping famous in India. It deals with selling a variety of items, starting with books and now home and kitchen appliances, mobile phones, digital cameras, watches, clothing and so on. The sales target of Flipkart in 2015 is to reach $1 billion or about Rs. 6,200 cr. It is competing with U.S. online giant Amazon, and it is an achievement in the country's exploding e-commerce market. It was expected to reach the e-merchandise retailing sale at $14 billion by 2018.
and $60 billion by 2023. Flipkart is an Indian e-commerce company founded on October 15, 2007. Its key acquisitions are Myntra, Letsbuy, MIME 360, Chakpak digital content, WeRead, Adlquity, Appiterate. Amazon in India was founded on June 5, 2013. Its key acquisitions are minority stake in Quick Cliver. Snapdeal was founded on February 4, 2010. Its acquisitions are Grabbon.com, eSportsbuy.com, shopo.in, Doozton.com, Wishpicker Exclusively, GoJavas, Rupeepower.com, Freecharge.

According to a 2014 report submitted by Morgan Stanley, these three players have pulled ahead in the horizontal market place race. Flipkart leads with a 44 percent share of the $6.3 billion Indian e-commerce market by Gross Merchandise Value (GMV). Snapdeal is number two with 32 percent share while Amazon, a late starter in India has a 15 percent share, and it reached $1 billion sales in 2014.

3.1 Advantages of e-tailing

- It has the opportunity to move from physical space to cyberspace – best suits as India's internet penetration is on the rise
- It does not require a physical boundary, and the land does not get encroached for the purpose
- It comprises a wide spectrum of consumers
- It encourages non-geocentric buying tendency of consumers.

To establish a retail store, a retailer (known as Brick and Mortar business concept), requires massive expenditure to find a place on roadside, employ sophisticated staff, its maintenance, parking facility etc. While opening an e-retailing store on the internet with the support of a cheap warehouse located inside the town is economical. It also ensures secure shopping from one's home or anywhere and at any time, no intervention like time sparing, long walking, vehicle parking problem etc.

3.2 Factors responsible for the growth of e-marketing

- **Universal reach** – internet access allows you to find new markets and compete globally with a small investment.
- **Lower cost** – they operate through their website, so they do not require a sophisticated showroom in prime locations for which huge rent has to be paid. Consumers can get access to branded products at competitive prices.
- **Comparable prices**- consumers can compare the price of the product with different competing sites and then plan to purchase.
✓ **Easy shopping** – one can shop sitting at their home in comfort, and online shopping also saves time.

✓ **Avoid duplication of products** - online portals assure the consumers that no duplicated or low-quality products will not be sold.

✓ **Trackable, measurable results** – information about the customer's response can be obtained, and it can be added as consumer's responses to your advertising.

✓ **24-hour marketing** – with website consumers can find out about products even if the firm/industry is closed. E-marketing enables you to reach people who want to know about your products and services instantly. These stores are accessible 24X7.

✓ **Personalization** – suppose a customer database is linked to your website, then whenever someone visits the site, you can greet them with targeted offers. The more they buy from you, the more you can refine your customer profile and market effectively to new consumers.

✓ **Quick delivery** - online shopping enables quick delivery of digital products and consumers can also track their product and estimate the exact date of arrival.

### 3.3 Indian initiatives in e-marketing

In India, the Information Technology Act 2000 governs the basic applicability of e-commerce. Further, e-commerce laws and regulations are also supplemented by different laws of India as applicable to the field of e-commerce. For instance, e-commerce relating to pharmaceuticals, healthcare, travelling etc. are governed by different laws through the Information Technology Act, 2000 which prescribes some common requirements for all these fields. The competition commission of India (CCI) regulates anti-competition and anti-trade practices in e-commerce fields in India.

Some of the Indian retailing companies are also having e-tailing support. These retail organisations have some of the specialised counters to sell specific items only whereas most of their outlets comprise mixed product based on their retail operations. Pantaloons Retail India Ltd is India’s leading retail company with presence across food, fashion, home solutions, consumer electronics, books, music, health, beauty, general merchandise, communication products, e-retailing and entertainment.

### 3.4 Challenges to e-marketing

E-commerce is not only a promise but also a problem. Some of the challenges in the Indian context are:
Illiteracy in India is a significant barrier to the growth of e-marketing; in many areas, regular access to computers and computer education is a significant challenge.

India’s internet penetration India at 19 per cent (approx.) is weak and limits the potential and is one of the reasons behind India's weak B2C sales growth.

Lack of vocational education and training limits ‘ICT Literacy.’

Many users still do not trust the electronic methods of paying.

Even with the rapid development of ICT e-marketing is still not hassle free.

Unauthentic sites are a significant risk network security problems are compounding.

Despite the focus on gender and age diversity, it appears that the elderly people are less inclined to e-shopping.

Multiple sites with the multistep process for shopping consumes much time.

Customers who need better human approach, touch-feel and try (e.g. samples) experience at the shop-level would still prefer Kiranashops.

We cannot ignore than anything that displaces brick and mortar shopping amounts to a loss of livelihood for millions of people in India.

Making e-marketing eco-friendly and sustainable both for urban and rural people is a real challenge.

3.5 Future of e-marketing

The e-marketing in India is estimated to grow at 30 percent year on year. India's e-tailing has the potential to grow to US$ 76 billion dollars by 2021. This would be possible if a large part of India's rural population is bought under the fold of internet usage and made access to online shopping. E-retailers also need to instil confidence to their customers with prompt delivery of goods, giving discounts for bulk purchases, delivery of quality products and on time. The internet lies at the centre of the digital economy, and it is also responsible for the changing innovation that we see today. The World Wide Web has become a vibrant market place of ideas and innovations which allows the talented individuals best products and innovative services to rise to the top. It empowers the entrepreneurs to experiment with new technologies and business models for its young and increasingly urbanising consumers.

E-mails are emerging as a potent new weapon for marketing products and services. Although customers do invite marketing communications from companies, substantial number unsubscribe and withdraw very quickly. Understanding the attitude and expectations of the customers can help to tune with the practice of email marketing in order to achieve higher efficiencies and effectiveness.
Facebook India is increasing its investment in small businesses with the first of many Small Business Boost events. Helping to advance the government’s Digital India and Skill India vision, Facebook’s Small Business Boost events has been designed to arm Indian business with knowledge skill and technology. As people spend more time plugged into their smartphones on the internet, these small businesses have a unique opportunity to capture such new audiences, increase sales and grow by using social media. (17/8/2015 Indian Express)

Facebook's announcement in July that it is trailing a ‘buy’ button is good news for all brands. This ‘buy' button will undoubtedly make Facebook a compelling proposition for brands. With 1.28 billion registered users, this could be the largest online store. For those delivering ads on the social network, this could close the sales funnel neatly. Other networks too are gearing up for the e-commerce space. Twitter, which is also working on a commerce offering on the network, has just acquired Card spring, a payment infrastructure company. Social shopping is the next big thing.

4. CONCLUSION

4.1 Summary

With and through globalisation, e-marketing is becoming popular and growing faster in the Indian economy with a profound impact on consumption, employment and other macroeconomic variables. Our study shows how e-tailing has modernised marketing from a simple selling activity to social shopping, global marketing. However, new market management techniques have to be learnt and applied, While the present status and trends are promising future growth, there are many worried consumers, not to forget the Kirana shopkeepers who feel threatened.

4.2 Suggestions

Our suggestions are as follows:

♦ Knowledge of web designing and techniques of product display and promotion is essential on the part of retailers is essential. Training in English and other foreign languages to market online in global markets is a must.

♦ Training salesmen in communication skills and art of persuasion should be a continuous programme because e-commerce does not allow the user ‘to touch’ the merchandise before purchasing it.

♦ There is a reliable and immediate need for laws and exclusive jurisdictions to address high levels of fraud in product quality, sale and actual delivery, and use of credit cards.

♦ Software programmes need to be developed which prevent hacking, phishing and misuse of credit card details.
Software providing security systems to prevent hacking of websites and stealing valuable data from systems is the need of the hour

With fast changing competition and quality indices, need to involve the customers more and more in customised products and services – designing and delivery should be taken into account: good e-market governance is the need of the hour

Retail innovations in the rural sector must be given utmost care – aspiration, awareness and access; Kirana shops and e-tails can and should co-exist healthily by building bridges of complementarities or partnership (as is happening in China and Indonesia)

The convergence of e-marketing and green marketing both in a global and local context needs attention

With these suggestions for improvement in e-market management, it is reasonable to conclude that e-marketing is, on the whole, a positive development for businesses with adequate precautions and safety nets. If e-marketers want customers to be loyal, both have to be lawful and ethical too. The product should carry its promise of performance. Good design, useful content and a good relationship can ensure suitable business. For that, the governments too have to be watchful.

REFERENCES
2. Bijlani, J. and Singh, S. E-commerce in India –Accelerating Growth. (cited on August 15, 2015), from https://www.google.com/search?ei=P7HVXODAMlgvQrTgK6gDg&hl=en&sa=X&ved=0ahUKEwi5nw2JovfzAhUGbKwKHZyKDAsQ_AU IntelliJJournal2015-2016-IJSS-126


