

A STUDY ON GROWTH AND CHALLENGES FOR ONLINE MARKETING IN INDIA

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Abstract :

India today is witnessing a digital revolution. The online marketing in India has observed exceptional growth from last five years, especially since 2014. The growth was driven by rapid technology adoption led by the increasing use of devices such as smart phones and tablets, and access to the internet through broadband, 3G, etc, which led to an increased online consumer base. Furthermore, favored demographics and a growing internet user base helped this growth. Today internet has become an integral part of this growing population segment. The changing lifestyles of the country's urban population have also led many people relying on the internet for their shopping needs. Today's economy is witnessing increasing number of "netizens". The new trend has set now, not only due to raising number of "netizens" but also changing ecosystem. Online players have made intensive efforts to explore this growing opportunity and brought changes in logistic and payment system, which again added sweet flavor to the growth of online market in India. Consumer perception towards e-commerce has also changed today. Many players are interested to invest in online marketing in India. Though online marketing provides huge growth opportunity, it is not free from challenges. It faces various challenges such as legal issues, perception of customers, branding, ethical and security issues etc. In this paper an effort is made to study about present status of online trading in retailing in India and also highlights challenges faced by e-commerce along with few suggestions to face it.

Keywords: E-Commerce, Netizen, Evolving Ecosystem

Introduction:

Corporate world today is observing enormous change in all terms. Due to globalization the borders between different countries are vanishing toady. Competition has become more intense in nature. Technology is offering challenge and opportunity for today's marketer. Customers today are driving the entire market force. The word "digital revolution" is not only gaining more importance in all the level of country's development but also in all the levels of business. The new trend of "netizens" is growing rapidly. The fast development of telecommunications technology in the past few decades is changing many aspects of our lives – how we search for information, how we travel and not at least how we buy products or services. Although classic shop-based retail is still preferred, e-commerce or electronic commerce, namely the buying and selling of products and services exclusively through electronic channels, is gaining ground. The most well-known form of e-commerce or electronic commerce is online shopping, also known as business to consumer e-commerce (B2C), where private customers can order various products which they then receive by courier or postal mail. Another category of e-commerce focuses on transactions between companies, such as manufacturers and a wholesalers or wholesalers and retailers and is called business to business e-commerce (B2B). The third category of e-commerce involves transactions from consumer to consumer (C2C), as in the example of eBay or other similar websites.

Internet has become an integral part of this growing population segment for remaining connected with friends, accessing emails, buying movie tickets and ordering food. The changing lifestyles of the country's urban population have also led many people relying on the internet for their shopping needs. The convenience of shopping from the comfort of one's home and having a wide product assortment to

choose from has brought about increased reliance on the online medium. The trend of online shopping is set to see greater heights in coming years, not just because of India's rising internet population, but also due to changes in the supporting ecosystem. Players have made intensive efforts to upgrade areas such as logistics and the payment infrastructure. Furthermore, the Indian consumer's perception of online shopping has undergone drastic change, and only for the good. Given these developments, venture capital investors, who were restricting themselves to the sidelines, are now taking akin interest in the country's e-Commerce market.

Internet marketing is defined as "Internet Marketing or online marketing or E-Marketing is the process of promoting a brand, products or services over the Internet. Its broad scope includes email marketing, electronic customer relationship management and any promotional activities that are done via wireless media." "E-marketing means using digital technologies to help sell your goods or services. These technologies are a valuable complement to traditional marketing methods whatever the size of your company or your business model."

Need for study:

As penetration of internet in India is increasing at tremendous rate, the way how people think and take decision is changing a lot. The considerable rise in the number of internet users, growing acceptability of online payments, the creation of internet-enabled devices and favorable demographics are the key factors driving the growth story of online marketing in the country. Players in the marketplace are also adapting to changing ecosystem. India's overall retail opportunity is substantial. Online marketing has enjoyed unique growth of almost 50% in last five years. Revolution in telecommunication sector, especially the introduction of smart phones, launch of 4G, reduction in the prices of mobile, increasing in the penetration of mobile network etc has given boost for the development of online marketing and E-Commerce. These drivers are also given an opportunity for the development of "M-Commerce". Today's market player is utilizing these opportunities favorably for growing their business houses. Though online marketing provides a tremendous opportunity, it also suffers from few major challenges. Hence, I thought fit to study about online marketing and its challenges.

Objectives of study and methodology:

This paper is based on the conceptual framework about online marketing. Objective this paper is to study about present status of online trading in India, to know about the growth drivers for online marketing along with challenges faced by it. An effort is made to provide few suggestions to face these challenges. This paper is developed based on secondary data (literature survey and using many statistical data.)

How online marketing evolved in India?

The introduction of internet in India in 1995 marked the beginning of the first wave of Online marketing in India. The launch of Liberalization, Privatization and Globalization (LPG) in 1991 attracted many MNC's in India and brought about the growth of IT industry. LPG policy has even given rise for the growth of many SME's. The IT industry and SMEs were the early adopters of internet. This led to the emergence of B2B, job searches and matrimonial portals.

Although online businesses had begun to develop in the late 1990s, the supporting ecosystem had not been put in place. The first wave of e-Commerce in India was characterized by low internet penetration, a small online shopping user base, slow internet speed, low consumer acceptance of online shopping and inadequate logistics infrastructure. Thereafter, the IT downturn in 2000 led to the collapse of more than 1,000 e-Commerce businesses in India. Following this; there was muted activity in the space in India between 2000 and 2005.

The entry of Low Cost Carriers (LCCs) in the Indian aviation sector in 2005 marked the beginning of the second wave of e-Commerce in India. Travel emerged as the largest segment. People began relying on internet to search for travel-related information and to book tickets. As a ripple effect, the success of the online travel segment made consumers comfortable with shopping through the medium, thus leading to the development of online retail.

The e-Commerce market in India has enjoyed unique growth of almost 50% in the last five years. Although the trend of e-Commerce has been making rounds in India for 15 years, the appropriate ecosystem has now started to fall in place. The number of users making online transactions has been on a rapid growth trajectory, and it is expected to grow from 11 million in 2011 to 38 million in 2015.

Online travel has traditionally been the largest e-Commerce sub-sector (by revenue) in India. Nevertheless, online retail is catching up fast and is expected to match online travel revenues by 2015. The online retail segment has evolved and grown significantly over the past few years. Cash-on-delivery has been one of the key growth drivers and is touted to have accounted for 50% to 80% of online retail sales. Players have adopted new business models including stock-and-sell, consignment and group buying; however, concerns surrounding inventory management, location of warehouses and in-house logistics capabilities are posing teething issues.

Few Facts about Online Marketing :

As of 2014, India was the third-largest online market with more than 198 million internet users, ranked only behind China and the United States. Of the millions of internet users in India, 38 percent of those who use the internet at home or at work come from the 25-34 age brackets, a percentage which was higher than any other age group surveyed. Furthermore, men dominated internet usage with 61 percent to women's 39 percent. Average daily online usage in the country amounted to 5.1 hours among internet users. (Source: Internet Live Stats)

The following table details the growth of internet users in India:

Year	Internet Users	Penetration (% of Pop)	Total Population
2016	462,124,989	34.8 %	1,326,801,576
2015	354,114,747	27 %	1,311,050,527
2014	233,152,478	18 %	1,295,291,543
2013	193,204,330	15.1 %	1,279,498,874
2012	158,960,346	12.6 %	1,263,589,639
2011	125,617,813	10.1 %	1,247,446,011
2010	92,323,838	7.5 %	1,230,984,504

(Source: Internet Live Stats)

By observing the above table we can say that there is an exceptional growth in the internet penetration in the country from 2010 to 2016.

With an expected 33 percent of the global market in 2015 and over 37 percent in 2018, the Asia Pacific region is becoming the leader of the e-commerce industry. In fact, China, due to its unprecedented economic boom, is not only driving the region's leadership, but is also set to outdo the United States as the single country with the largest e-commerce market in the world. Another emerging Asian market in terms of e-commerce is India. Recent statistics show that retail e-commerce sales in India have grown tremendously, from 2.3 billion U.S. dollars in 2012 to an estimated 17.5 billion U.S. dollars,

representing an almost eight-fold growth. As of 2015, the retail e-commerce sales as a percent of total retail sales in India are set to account for 0.9 percent of all retail sales in India, but this figure is also expected to grow in the near future, reaching 1.4 percent in 2018.

Online shoppers are expected to increase from 20 million in 2013 to 40 million in 2016, as an additional 200 million Indians will access the Internet in the next three years, with majority of them coming online through smart phones, indicates a new joint study by Assocham and Grant Thornton. It also predicts that the Indian e-commerce market is estimated to grow at a compounded annual growth rate (CAGR) of 63 percent to reach \$8.5 billion (Rs. 54,304 crores approximately) in 2016 on the back of growth in the penetration levels of mobile and Internet and increased consumer demand.

Globally out of 3.010 billion active Internet users, 2.078 billion are active on social media with 1.685 billion active on social media via mobile," informed We Are Social's new Digital, Social and Mobile in 2015. "Including stats for more than 240 countries around the world, and profiling 30 of the world's biggest economies in detail, this report is the most comprehensive, free compendium of up-to-date digital statistics and data you'll find," Simon Kemp, Asia Managing Partner said. According to this report.

- Out of 243 million active Internet users, 118 million are active on social media with 100 million active on social media via mobile. Growth in the numbers of active mobile social accounts saw a spike of +39% since January 2014.
- Average daily television viewing time for Internet users is close to 2 hrs but average daily use of social media via any device is 2 hours 31 minutes
- Total number of active internet users is 243 million and total number of active mobile internet users is 200 million.
- Share of web page views via laptop and desktops have a negative year on year growth, while mobile phones are witnessing a positive growth though the percentage is small.
- Out of 118 million social media active accounts, 100 million are accessing via mobile.
- Facebook rules in India when it is about top active social media platforms.
- Social media activities and watching videos on mobile account 10% each when it comes to mobile activities followed by playing games on mobile. Interestingly 9% of the population use mobile banking.

It is very clear from the above facts that, we are witnessing a huge growth in digital marketing and also the trend of use of smart phones for online shopping is increasing.

Major developments in online marketing in 2014:

(As per the report by www.pwc.in)

• Mobile to be the most influential aspect of E-Commerce:

With mobile apps being developed by most ecommerce websites, smart phones are increasingly replacing PCs for online shopping. In 2013, only 10% of the mobile users used smart phones, and only 5% of the ecommerce transactions were made through a mobile device. This figure has more than doubled, and more than 13% of all ecommerce transactions today happen via mobile3. According to some industry players, over 50% of the orders are being placed through mobile apps, which is not only leading to substantial

customer acquisition but also building customer loyalty for various brands. However, most mobile transactions so far are for entertainment, such as booking movie tickets and music downloads. This trend will change soon with more and more merchandise being ordered online.

- **More business coming from smaller towns**

E-commerce is increasingly attracting customers from Tier 2 and 3 cities, where people have limited access to brands but have high aspirations. According to ecommerce companies, these cities have seen a 30% to 50% rise in transactions.

- **Enhanced shopping experience:**

Besides general online shopping, customers are also shopping online for weddings and festivals, The free and quick shipment and wider choice of products, along with the ease of shopping online as compared to in-store shopping, is also helping ecommerce gather momentum. Further, ecommerce companies are doing rapid business due to sales.

- **Exclusive partnerships with leading brands:**

Over the year or so, there has been a trend of exclusive tie-ups between retailers and established boutiques, designers, and high-end lifestyle and fashion brands. For instance, in 2014, Jabong added international fashion brands such as Dorothy Perkins, River Island, Blue saint and Miss Selfridge, along with local fashion brands through Jabong Boutiques. Similarly, Myntra benefited from exclusive tie-ups with brands such as Harvard Lifestyle, Desigual and WROGN from Virat Kohli.

- **Expanding the product basket:**

There is a recent trend of relatively newer products such as grocery, hygiene, and healthcare products being purchased online. Similarly, lingerie and Indian jewellery has also been in great demand among customers outside India. Export comprises 95% of cross-border ecommerce, with the US, UK, Australia, Canada and Germany being the major markets.

Importance of online marketing:

Internet Marketing is an impactful tool of marketing with attention-grabbing qualities for any type of business, mainly those which are making money online. The most remarkable feature of Internet Marketing is its capacity to let businesses communicate directly with their target audience. However, there are plenty of reasons like increasing awareness and changing consumer behavior which has resulted in newer dynamics of Internet Marketing. Online marketing offers several advantages.

- Cost effective for the customer
- Wider reach
- More Convenient
- Better conversion rate
- Personalization
- Saves time
- Huge product assortment
- Easy comparison of products and price
- Faster impact

- Easy for tracking and monitoring the progress
- Helps to increase the awareness of brand
- Can increase high traffic and sales through high quality of sites
- Provides high accessibility for customers
- Helps to customize products and offers as per requirement
- Provides ongoing communication

Challenges of Online Marketing

The phenomenal growth of ecommerce faces several challenges. Some of them are internal (related to companies or individual players) and few of them are external.

- **Legal issues in India:**

E-Commerce is a rapidly growing market in India, and domestic as well as international players are looking to tap the opportunity in the sector. However, there are no specific e-Commerce laws in India. The sector is governed by the IT Act 2000, which regulates the legal obligations of sellers and buyers of goods and services in cyberspace and also uses Contract Act. Laws regulating e-Commerce in India are still evolving and lack clarity. This poses a challenge for potential entrants and existing players. Furthermore, the lack of law firms or lawyers specializing in e-Commerce laws compounds the problem.

- **Low Entry barriers attract new players:**

The rapid growth of the e-Commerce sector is attracting new players. The initial investment required to start an online venture is as low as a US\$10,000–20,000. The sector is also attracting the interest of Venture Capitalists and entrepreneurs to secure funds easily. This enables new companies to easily replicate the existing business models and, thereby, increases competition in the sector. Furthermore, some operational aspects such as free shipping of products and COD, which were differentiators earlier, have now become hygiene factors.

- **Changing business models**

Business models have been changing rapidly in the e-Commerce sector. This could be due to heightened competition and the inability of players to sustain high costs. Some businesses, such as online DVD rentals, have gone into obsolescence; some companies in the online retail segment have shut shop due to their inability to sustain price wars with their competitors. Group-buying companies, which started off by providing deals at high discounts, have now begun selling products. Therefore, players in the e-Commerce space need to adapt to changing business models and innovate constantly to sustain their businesses.

- **Urban development**

India's e-Commerce market is mainly restricted to urban areas, with the bulk of the business being restricted to cities. Internet usage in rural areas is limited. This could be due to several reasons including low internet speed and internet user base (20 million out of a total of 121 million in 2011), though rural areas account for 70% of the country's population. The inadequacy of vernacular content on e-Commerce websites is another reason for low penetration in rural areas.

- **Product and Market Strategy:**

E-commerce companies have to address issues pertaining to rapidly evolving customer segments and product portfolios access

information on market intelligence on growth, size and share manage multiple customer engagement platforms focus on expansion into new geographies, brands and products and simultaneously tackle a hypercompetitive pricing environment

- **Customer and Digital Experience:**

Companies have to provide a rich, fresh and simple customer experience not geared towards discovery, manage inconsistent brand experience across platforms; manage proliferation of technologies; and handle time to market pressure for new applications. In the recent past, social media has become more influential than paid marketing.

- **Payments and Transaction:**

E-commerce companies may face issues around security and privacy breach and controlling fictitious transactions. Further, RBI restrictions for prepaid instruments or E-Wallets act as impediments. From a transactions perspective cross border tax and regulatory issues and backend service tax and withholding tax can have serious implications.

- **Shortage of manpower:**

The e-Commerce sector is growing rapidly, but scarcity of trained manpower is threatening to slow down this growth. The lack of specialized courses on e-Commerce at college or university levels limits the talent pool available to e-Commerce players. Therefore, the senior management of e-Commerce companies needs to expend a considerable amount of time on hiring (the conversion rate is very low). The attrition rate at some e-Commerce companies is as high as 65% at the junior level and 20% at the mid-senior management level.

- **Customer loyalty**

Online players offer huge discounts to attract people to shop online. However, since Indian Consumer looks for the lowest price before making a purchase, the cost of customer acquisition is high for these companies. Moreover, since a large number of players offer the same products at the same prices, switching cost is non-existent. Consequently, a customer's lifetime value is low. This poses a challenge for players in their effort to develop sound strategies to attract and generate repeat customers.

- **Security and privacy**

This is one of the great challenges for online players. Many customers don't trust web companies and may hesitate to provide information. When companies that collect data are exposed to scammers and spammers, this is especially true. To adopt a sound policy and implement a fool-proof security measure, it becomes imperative for e-businesses. In a particular Encryption systems are a tool that online companies should seriously consider investing in.

- **Impersonal service**

Electronic methods of providing customer service are used by businesses which are operating online, such as posting and emailing info on the website to answer possible user questions. Sometimes customers perceived this to as just too impersonal or uncaring. Merchants must develop efficient checkout procedures for selling goods via the Web, for addressing this problem. Hiring call handling services is also taken into consideration, so that customers can talk to real people when they have inquiries about problems that need instant answer

- **Dealing with the IT Department**

There is a circle of IT vs. marketing for a long time. But, it's a time to understand that we need to be partner with our IT friends to implement our marketing programs more efficiently. In simple sense, we need them and they need us or we can say that both complement each other

- **Lack of Trust**

In general, identity theft, Spam, intrusive advertising and technological glitches have left many mistrusting of marketing. You are either part of the problem or part of the solution, you have to decide it.

- **Ethical Practices**

An unprecedented mass of un-ethical businesses has been spawned by the Internet. There have always been scam regarding bottom feeders and artists, but the Internet seems to have brought them out in epic numbers. Make sure that your own practices are squeaky clean and try to educate your customers about some of the pitfalls of e-commerce

- **Corporate Culture**

In many companies every department "owns" the website and no department "owns" the website. Websites should belong to marketing, not finance/operations/ IT or legal. When the committee doesn't have a clue, it is difficult to produce good marketing by committee. Collaboration is an important in this situation and your associates should provide 100% input for this, but marketing should make the final decisions.

- **Intellectual Property**

It has never been easier to steal someone else's hard work. Everyday everything from music to software, movies and images are lifted from the Internet. This is a bad thing.

- **Customer Expectations**

Managing your customer expectations is vital to marketers, because if you don't know your competitors will, you are not able to survive in long run in the market. Without customers you will not have a business because customer is treated as a king of market, so take the time to get to know them, treat them with due care and respect, and in the same way you want to be treated as a customer

Strategies for online marketers to face challenges:

- Online marketer has to constantly upgrade his offering as per the changing technologies.
- Solutions enabling seamless integration of back-end and front-end infrastructure, customer experience enhancement initiatives, \integrated inventory management and analytic would be crucial for the ecommerce firms.
- Marketer can utilize the growing opportunity of M-Commerce.
- Marketer need to understand customers mind set and adapt himself according to that. Easy transitions between ordering on tablets, mobile phones or PCs will have to be facilitated. Besides, convenient multichannel returns and delivery options need to be developed along with the provisions of touch and feel the product before buying. They should also ensure sufficient after sales service and support. Online product reviews and ratings, videos, more advanced sizing and fitting tools should be provided.

- Online players need to build a strong logistic system, so that products are reached to customers at the promised time. No doubt, today few players have developed their own delivery model, few of them have dependent on others for delivery purpose.
- Data protection and the integrity of the system that handles data and transaction are serious concern. Companies need to look into this matter with utmost care, as there is a need to protect customer privacy and safety.
- Digital disruption has driven change in the industry with shoppers embracing multiple touch points in their purchase journeys. Companies should spend enough resources on technology development as also advertising and branding, especially because the younger population is demanding.

Conclusion :

Digital marketing in India is flourishing area today. It may currently be behind its counterparts in a number of developed countries and even some emerging markets. However, with India's GDP growth pegged at 6.4% by the International Monetary Fund and the World Bank, it is expected to grow rapidly. However changing internet habits of Indian consumers, increase in the usage of Smartphone's, tablets, growth in telecommunication sector is providing huge opportunity for the Indian ecommerce industry. Overall, the ecommerce coming up with its own business model. As a result, customers have a wide range of products and services to choose from. However, this sector is not free from of challenges, be it operational, regulatory, or digital. Players are coping with changes and following different strategies to tackle those challenges and building a competitive advantage.

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