



## NEW TRENDS IN E-COMMERCE MARKETING AND CHALLENGES OF INDIAN INDUSTRIES

Mr. Siddharth Gupta, Research Scholar

Dr. Pramod Gupta

Department of Management, SunRise University, Alwar (Raj.)

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### **Abstract:**

Due to fast adoption of Internet enabled devices like Smartphone and tablets we have seen an unparalleled growth in E-Commerce. The avalanche of telecommunication technology has completely changed the way of our living, communication methods, shopping etc. It has a huge impact on how we communicate with friends and relatives, how we travel, how we access the information and the way we buy or sell products and services.

Even though India has low Internet penetration –about 19% in comparison to other economies where it is up to 90%; size and potential are epicenter for the attraction of the Indian E-Commerce market. India has a third largest user base with 159 million mobile Internet users –followed by America’s 250 million and China’s 550 million; has ample of opportunities. The number of mobile Internet users in India is projected to be twice and cross the 300 million by 2017.

**Key- Words:** *E-Commerce, COD, Logistic and Supply Chain, Internet and 3G.*

### **Introduction:**

#### **Major Challenges of E-Commerce in India:**

With around 1.25 billion populations out of which internet penetration is only 19% India has enormous opportunities for commerce. Besides being such a big marketplace (attracting global E-Commerce players and investors) it has own challenges.

**1. High Return Rates:** Though the trend is changing still E-Commerce players are experiencing heavy product return rates, which are incurring losses for them, as reverse logistics presents unique challenges..

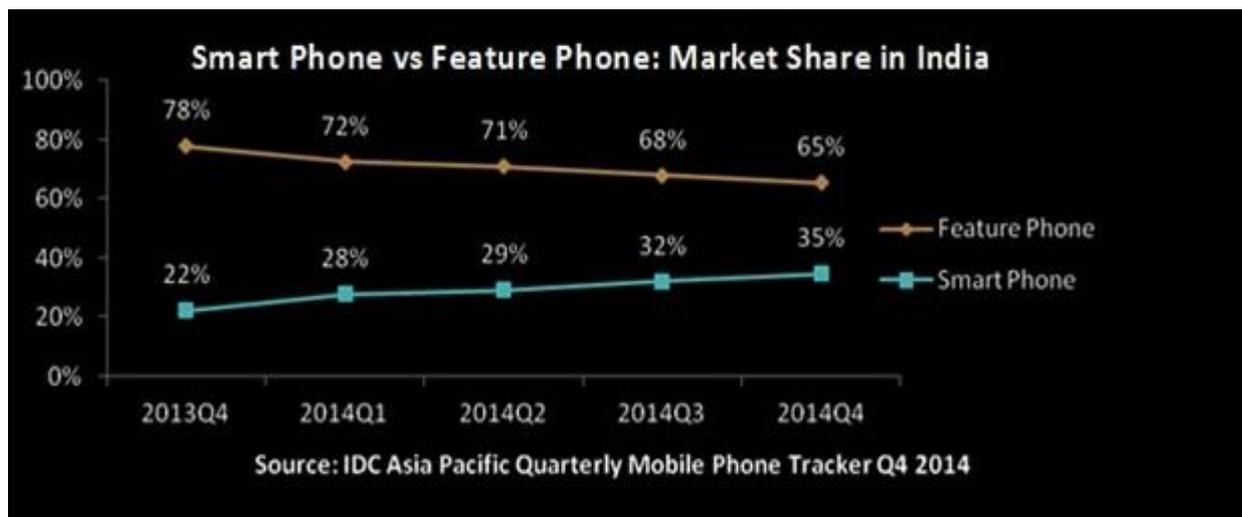
**2. Consumer prefer COD (Cash on delivery):** Due to trust deficiency; still lots of people don’t prefer to use a credit / debit card or internet banking methods for transaction, rather they opt for “Cash on Delivery” which is risky and leads less business margin.



**3. Payment gateways Inefficiency:** Consumers usually experience a high failure rate of payment gateways. Usually once a customer does not reattempt after a transaction failure. It leads to loss of businesses.

**4. Quality Internet penetration:** India has an internet penetration of about 19% in comparison to countries like US & UK where it is up to 90%. However, that is not the concern for E-Commerce players it is prospecting, the major challenge is about quality of connectivity. The speed and frequent drops cause frustration and restrict user from using E-Commerce for their major source of buying.

**5. Feature phones still rule the roost:** Majority of the population resides in villages and rural areas where the majority of residents use feature phones, not smart phones. However, this shift is being changed and with a steady rate it is growing up.



**6. Reliable Logistic and Supply Chain:** India is a large country which has thousands of cities and areas which are not easily accessible. Though the Metropolitan cities and other major urban centers have not issue with supply chain, but the attraction lies in market size due to its large population. Through E-Commerce consumer want to buy a product in not just efficient manner but also expect to get it delivered at their place in least possible time.

**7. Computer/Internet literacy and effective reach:** India has poor reach of personal computer (PC) which is very low as 3.5/1000 of the population, compared to Five Hundred/1000 US cause of digital illiteracy. The internet is still accessible by half of the internet user population through PCs with the help of telephone lines. Given the penetration of telephone only 2.1 per cent of the population, e-commerce remains far away from the common man. It is difficult for e-commerce to reach to 1,000 million populations spread over 37 million households in 6, 04,374 odd villages and 5,000 towns and cities. Besides, both cost of PCs and internet access in India are quite high.

**8. Tax norms and compliances:** Yet a lot of initiatives have to be taken by government to simplify complex tax norms which have different rates at different states.

**9. Overfunded competitors are driving up cost of customer acquisition:** The vibrancy in the Indian startup ecosystem over the past couple of years has channeled a lot of investment into the E-Commerce sector. The long-term prospects for E-Commerce Companies & players are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope, and I expect more rational behavior in 2014.

**10. Too many Players, startups have to struggle:** Due to physical/infrastructure/technology and customer acquisition has challenged a startup doesn't just need to raise huge amounts of capital rather they have to cultivate new ideas to gain popularity and win trust. Also, there are



big chances that some big players who are currently brick and mortar business and have huge support of infrastructure, people, warehouses can use their money to evangelize the market.

### **Key Drivers of E-Commerce sector growth in India:**

- There is a massive growth in Internet and 3G Penetration:

Data from internet live stats shows India has already surpassed numbers of Internet users than the United States.

- Availability of a much wider product range, legends and new E-Commerce players (including online purchase from international retailers and direct imports) compared to what is available at brick and mortar retailers.
- Busy lifestyles, urban traffic congestion and lack of time for off-line shopping.
- Real product experiences, flexibility to compare services/product, enhanced shopping experience (payment, shipping etc.) through shopping cart.
- The 100 % focus on Mobile app strategy only- Shopping on apps vs. websites.

Focusing on Mobile technology is no longer a strategic decision for E-Commerce businesses but a mandate. But mobile website V.S. mobile app is a decision many strategists still debate on. However, looking at India's largest retailer, Flipkart gunning for the app-only strategy is a risky move that may prove to be successful in the long run. Even Myntra and Urban Ladder have a **Mobile App only strategy**. The main reason for this shift is to provide customers a great mobile experience which is definitely possible through an app than a mobile site. However, a lot of veterans in the market say this is a good move as they weigh the pros against the cons. From personalized recommendations to Geo targeting, a 'Mobile App only' strategy is the hero of the hour.

- Indian Ecommerce industry is going to hire 100,000 talents in 6 months!

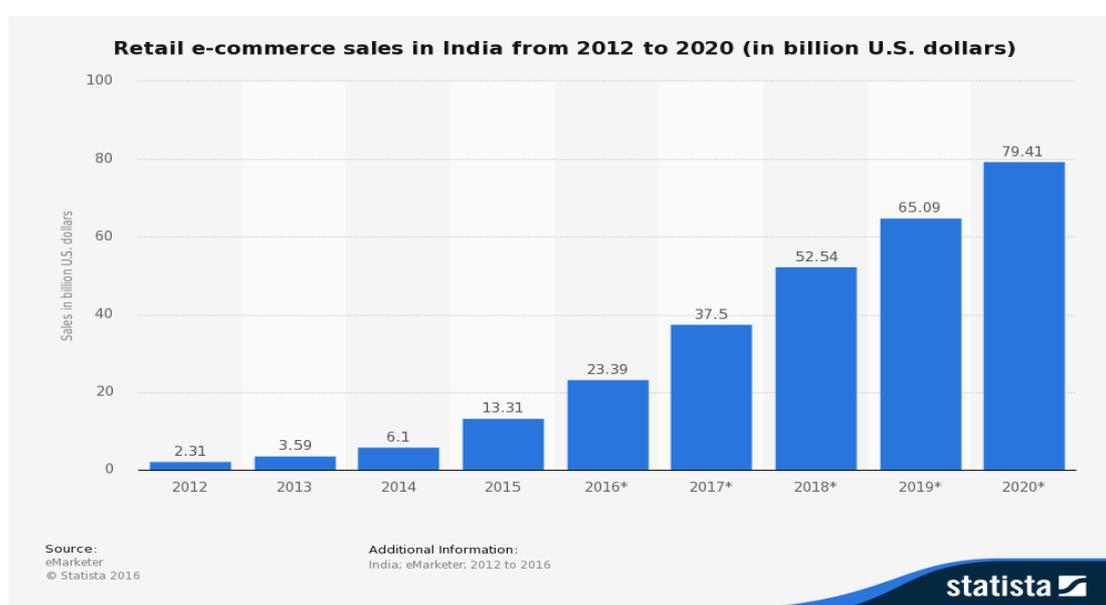
Big players as well startups are aggressively hiring talents. These talents are going to create huge difference in terms of technology and marketing support for E-Commerce players in upcoming years. Backed by robust growth, the leading 10 companies in the sector are themselves looking to absorb at least 15,000 professionals by December 2015.

- **Evolution of Mobile App:** Due to several big reasons, including 50% mobile internet access, two third generation under 35 years and high Smartphone penetration the strategy



of Mobile App Only with personalized discounts and offers is attracting Indians, and will soon imbibe the new shopping route.

Although brick and mortar based retail is still preferred, but due to favorable demographics and technology reasons the shift is being changed from the classical way to electronic channels. **Individuals, companies and private equity firms investing in E-Commerce sector** In 2012 while the total E-Commerce sale was 2.12 Billion US Dollars, while projected E-Commerce sale will be 17.52 Billion Dollars by 2020. Along with this unprecedented growth and several other big reasons; investors are seeing E-Commerce a favorable place to invest.



Brought to you by Sphinx solution Along with big E-commerce players like Flipkart, Amazon, and Snapdeal who are seasoned with big investments; emerging companies and startups and niche portals like First cry, Myntra are also making their spot in the sun. Besides Tiger Global, Sequoia, and Naspers this year Indian E-Commerce segment is grabbing the attention of new investors like DST Global, Soft Bank, BlackRock, and Sofina etc.

### Global E-Commerce funding:

In the recent 5 years, investors have funded \$30.3B dollars through 2,013 deals. The number of deals has seen a gradual upward trend from 166 in 2010, to 481 in 2014. The annual growth in dollar-amount invested globally has been uneven, but there was a significant leap from \$4.8B in 2013 to \$11.2B in 2014 with a 133% rise. In the last four quarters, including Q1'15, year-over-year growth slightly accelerated to 136% of \$12.5B in investments.



There is significant retail opportunity in India, which is tied with a demographic dividend (young population, rising standards of living and upwardly mobile middle class) and rising internet penetration. From an investment perspective, the market is a primarily minority stake market, with maximum traction in early-stage deals. Such early stage funding will help companies develop a strong foundation to start from. With such strong market prospects and an equally upbeat investor community, we look forward to many more E-Commerce companies from India entering the coveted billion-dollar club. **Ambitious Digital India project and the modernization of India: An initiative by the government of India.**

#### **NEED FOR THE STUDY:**

Customer satisfaction is the degree to which customer expectations of a product or service are met or exceeded. It is seen as a key performance indicator within business. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

The online retail is undergoing dramatic changes. This study will provide insights of the factors that affect the satisfaction of their online shopping provider. In other words it will indicate the consumer behavior in the competitive market. This research can contribute to the society and country.

#### **LITERATURE REVIEW:**

As Bellman et al. mention, demographics are not so important in determining online purchasing potential. Whether the consumer has a wired lifestyle and the time constraints the person has are much more influential. Risk taking propensity is also a powerful factor. E-shoppers have higher risk taking tendencies.

Consumers with high levels of privacy and security concerns have lower purchasing rates in online markets but they balance this characteristic with their quest for making use of the information advantage of the environment. These educated individuals, as more confident decision makers, are much more demanding and have greater control over the purchasing process from initiation to completion.

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

With the motivation study of Consumer Buying behavior by digital marketing, an attempt has been in the present study to achieve the following objectives religiously:

1. To identify the behavior of consumer socialization affecting Digital Marketing influence in family buying process.
2. To identify recent marketing strategy of industries in India the different influence strategies Digital Marketing use to persuade their parents.



3. To identify importance of quality of the different product categories on the basis of Digital Marketing influence.
4. To examine E-commerce influence in the three stages of family buying process for the different product categories.

### **Strategies for Success:**

In order to improve their chances for success companies are learning and adopting certain strategies. The successful companies in India are focusing on strong customer service and establishing trust with buyers. This leads to repeat buyers, lowers the customer acquisition and retention costs and improved profitability. In addition, some companies are differentiating themselves by focusing on niche product categories and market segments. To outlast their competition companies will also need to build a strong brand. This is what Amazon was able to do in the USA, and probably what Flipkart and some of the other larger players are emulating and trying to do in India. There are bound to be further acquisitions and consolidations and many more brutal shakeouts as the market matures.

Companies that hope to take advantage of these opportunities will need to do everything possible to reduce costs, remain financially viable and adopt smart strategies to outlast their competition and survive. It is clear though that the growth of the internet and online e-commerce is on a fast track to transform India's economy in the 21st century. With the great potential and opportunities, there are many pitfalls and challenges along the way.

### **Conclusions & Suggestions for future strategy:**

#### **What's it all about**

It's the new-age, modern way of marketing a brand in the ubiquitous, digital world of the day, all through the means of hyper-advance technology. Also, Internet plays a pivotal role in **digital marketing**, where various products and services are put forth to grab attention of innumerable netizens.

Whether it's on a computer, a smart phone or tab, through this brilliant way of high-impact marketing, a business can reach out to any customer using one of these means, anywhere. The reach and grip of this method go beyond all geographical barriers. It's for the fact that this mechanism is way more effective, convenient and rewarding (than the conventional ways of advertising) that more and more number of businesses are jumping onto the bandwagon of **digital marketing**.

#### **The Rich Rewards**

The benefits that this phenomenal tool brings along are bountiful. To begin with, the process is definitely quite prompt and time-saving, compared to other methods. It's also pretty cost-effective for those who invest their hard-earned money into various marketing methods. The mechanism is so flawlessly result-oriented that it reaps generous dividends in the short as well as long term, and in terms of money and goodwill both.



Moreover, there are myriad ideas and ways to choose from and implement while advertising one's brand. The advertisements put out through **digital marketing** are more engaging than other traditional, ordinary ads. Furthermore, it's quite convenient for businessmen to utilise and manage their **digital marketing** tools as per their requirements and budget. As a business owner, one has at their disposal, a powerful combination of textual as well as visual way of advertisements, for garnering attention of the potential customers and clients. It's like having a virtual shop/showroom of one's own brand.

What's more is that with the aid of this, one can also keep a clear track of their existing customers as well as the potential leads that the ads attract. Customer retention and rapport-building become smoother and more strengthened, like never before.

### **Learning the new ball game**

Businessmen looking to augment their revenues, professionals on the lookout for enhancing their skills, or those looking for more lucrative opportunities- anyone can enrol for a course in this promising discipline.

Once you have decided to get into this novel yet emerging field of work, it becomes imperative that you have professional certifications that prove your knowledge and technical expertise in it.

Going through blogs on the subject written by experts in the arena is an effective way of keeping oneself up-to-the-minute, regarding what's happening in the world of **digital marketing**. You can not only learn newer ideas and techniques but also enhance your knowledge with time. One who's keen on getting into this field can also gain meaningful insight by attending workshops, seminars etc. on the same. One gets to learn highly useful techniques on website designing, search engine optimisation, social media marketing, leads-generating and much more, which set the pitch for a thundering success in work.

### **The promising avenues**

It's on the strength of this very instrument that e-commerce has not just caught on really well with the end users in **India**, but also is thriving excellently. Online shopping is the buzzword of the day, and it has all been brought about by the magic of **digital marketing**. All companies these days understand the clamouring need for investing in one's own website, SEO-friendly content, blogs, videos, social media presence, such as Facebook, LinkedIn, Twitter etc. The advertisements can be designed in such interactive, alluring ways that compel the end user to click and explore what's in them.

Being in the modern-day market, every business, irrespective of its type and size, needs to adopt it in order to have an edge in the fierce competition. Also, this already-emerging and promising industry has a lot more to offer, with smarter and better ideas that keep coming up to make waves in the business arena of today.

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