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Problems and Prospects of Marketing in India on the Web

Dr. U. Ahamed Basheer

Retired Professor & HOD of Commerce, PSMO College, Tirurangadi, Kerala, India

Mohammed Roshif U.

Assistant professor in Management Studies

Khidmath college of Arts and Science, Edakkulam, Kerala, India

Abstract:

Trading through internet is known as web trading which would not have been possible on normal trade before. India stands the third force in the world in web trading. India is one of the controlling forces of internet trade in the world. Most of the public utility services, Electricity boards and tourism are now using their web for trading and now more than 40 per cent customers use this facility. The Indian online market shows a yearly jump of around 17 per cent through the high base of internet penetration. Due the opening of private investment, internet service provider's number has increased remarkably which augmented net revolution. Now banks utilises debit and credit card facilities for online banking. Many payment gateways entered and online payment become hassle-free. Social networks like Twitter and Facebook made the way easier for the traders especially advertising companies. India is the second largest geographical area in the world for Facebook. 70 Per cent of rural Indian mass use mobile phones to access internet. Cost of hardware and software, unethical, illegal practices, fraud are the bottlenecks. Although the physical demonstration of the products is not possible; there should be prompt mechanism to check the product.

Keywords: online shopping, web trading, digital buyers, broadband penetration, IAMAI, digital commerce, Gross Domestic product, ASSOCHAM

1. Introduction

Trade on the web or it is popularly known as online shopping or electronic commerce. It is a method of buying and selling of any kind of goods and services over the internet in which the buyer and seller never meets personally. Goods and services are selected by the consumer either by physical advertisements, through online advertisements or other methods of familiarization. Payment is made online through credit/debit cards, online banking or any other electronic payment system. It is a very easy and fastest way of trading. This segment is growing very popularly in India and now India has become the third destination among the Asia-pacific Nations.

The old history of Indian online business is incomparable with the present Indian online business scene. The Indian and international traders were doubtful about the Indian online consumers because they were hesitated to buy anything unless they were fully satisfied with the quantity and quality of the product directly. Now the situation has changed a lot and the consumers buy plenty online. This has happened because of the growth of online portals and the competition among such portals. Even now the development of online shopping is not so popularized in rural areas as of metro cities.

India is going to grow as the fastest E-Commerce trader in the Asia-Pacific region and its market will be expected to be \$8.8 Billion by 2016¹

Digital Buyers Worldwide, by Country, 2011-2016						
<i>millions</i>						
	2011	2012	2013	2014	2015	2016
Asia-Pacific	334.8	391.1	457.6	523.1	591.7	653.5
—China	178.4	219.8	270.9	322.1	374.9	423.4
—Japan	70.2	73.3	75.6	77.0	78.2	79.2
—India	14.5	19.2	24.6	30.0	36.2	41.8
—South Korea	22.2	23.3	24.4	25.4	26.3	26.9
—Australia	9.8	10.2	10.6	10.9	11.2	11.5
—Indonesia	2.0	3.1	4.6	5.9	7.4	8.7
—Other	37.6	42.2	47.0	51.8	57.3	62.1
Western Europe	156.8	168.6	178.8	186.1	192.1	197.3
—Germany	38.2	41.2	43.3	44.4	45.2	45.9
—UK	33.0	34.8	36.5	37.5	38.2	38.9
—France	24.5	26.5	28.1	29.2	29.8	30.4
—Spain	13.4	14.5	15.9	17.2	18.6	19.5
—Italy	10.5	11.7	13.0	14.2	15.4	16.6
—Netherlands	7.3	7.8	8.1	8.3	8.5	8.6
—Sweden	4.1	4.3	4.5	4.6	4.7	4.8
—Denmark	2.5	2.7	2.9	3.0	3.0	3.1
—Finland	2.3	2.4	2.5	2.6	2.7	2.8
—Norway	2.2	2.3	2.4	2.5	2.6	2.7
—Other	18.8	20.3	21.6	22.6	23.4	24.1
North America	156.7	164.2	171.3	178.8	185.8	192.6
—US	143.4	149.8	156.1	162.6	168.7	175.0
—Canada	13.3	14.4	15.2	16.2	17.1	17.6
Eastern Europe	63.9	75.2	85.2	95.2	102.5	107.4
—Russia	19.6	23.1	26.2	29.3	31.4	32.7
—Other	44.3	52.1	59.0	65.9	71.1	74.7
Latin America	50.3	63.6	73.0	82.5	90.6	97.5
—Brazil	19.1	23.7	26.7	29.7	31.9	33.9
—Argentina	6.4	8.1	9.2	10.4	11.3	11.8
—Mexico	5.8	7.2	8.4	9.6	10.9	12.1
—Other	19.1	24.7	28.8	32.8	36.5	39.7
Middle East & Africa	30.0	40.9	49.8	58.6	65.8	73.1
Worldwide	792.6	903.6	1,015.8	1,124.3	1,228.5	1,321.4

Figure 1

Source: McKinsy Digital Consumer Research 2012, Comscore 2013

As per Fig 1 depicted above, among the digital buyers around the world, India is in the third position among the Asia-Pacific countries and china ranks first. It was 14.5 million buyers during 2012 increased to 24.6 and 30 million respectively during 2013 and 2014. A hike of 36.20 and 41.80 million is expecting during 2015 and 2016 respectively. Most of the western European countries show a decreasing trend during this period is worth noting which shows the active participation of Indian buyers on the web

2. Importance of the Study

India is the second largest populated land in in the world with 1.27 billion inmates and it is almost 17.31% of the world population which means that one out of six people live in India¹.It is estimated that more than 500 million Indians are under the age of 21.It was 25 million in 1996 and grown to 250 million today and expected to grow to 267 million by 2015. The median age of Indian youth is 24.6 while the respective figure for china is 30, 36 in US and 38 in UK. India is the second largest county in the world of English speakers with around 150 million. Around 70 per cent of the Indian population lives in rural villages the rest in 200 towns and cities².Indians could not tap the conditions of huge population with huge number of middle class that too with the largest English speaking mass for the growth of web trading.

3. Stating the Facts

The back born of this type of business is the high-speed internet connectivity. Table 1 shows the internet access of Indian households. As Per Telecom Regulatory Authority of India, the broadband connection rose to 15.19 million at June 2013. It was 15.13 at the end of May 2013; an increase of 0.39% is reported.

Although the total number of mobile connections, including multi-SIM and inactive connections, has been increased to 873.36 million in June 2013, the real active connections are very less at 731.44 million, which is around 83.75% of the total²

Percent household access(total) 2012	10.2% of households(137 millions)
Percent broadband household access	1.18% of households(14.31 million)
Broadband internet users	55.20 million(December 2013)
Internet service providers	200

Table 1: Internet Access

Source: Telecom Regulatory Authority of India³

Table 1 show that the household access of the internet was only 137 million during 2012 while the broadband access was only 14.31 million during 2012 raised to 55.20 million during the end of 2013

At present a bare minimum Indian population is online, around 4.5 per cent. Among the total connectivity 45 percent is used for business purpose while the rest is for household purpose. However, around 60 percent of the Indian population uses cyber cafes for their internet purpose. Therefore, a remarkable shift is visible from 2012 to 2013. It is estimated that the trend will continue in

the next years too. Thus India will grow as one the important destinations for online trading. The mushroom growth of internet cafes throughout the country facilitated the online shopping needs of the rural mass which will boost online trading.

The character of Indian internet user is quite interesting. They use most of their internet life for either emailing or surfing through the social networks like Facebook, Twitter etc. It comes around 86 per cent. The rest are busy with blogs, E-cards, reading news and searching for jobs and sending applications. A few, less than 5 per cent is using web for trading purpose⁴.

The present craze is accessing web through mobile phones. The Internet user base in the country is to touch 243 million, a year-on-year growth of 28 per cent. Of the total user base, mobile Internet users accounted for 130 million in 2013, a growth of about 92 per cent from 68 million in 2012. IAMA expects the number of internet users will touch a high of 185 million during the end of this year which accounts for 76 per cent of the internet user base of the country⁴

The growth of Internet users has also led to another brand of business called digital advertising. It shows a remarkable and steady growth. This sector showed a market share of 2,938 crores by the end of March 2014⁴.

Thanks to the broad economic policy of India which opened doors to Foreign Institutional Investors (FII's) to invest money in the trade and commerce industry in India. It leads to the multibillion investments in the electronic-digital industry especially in the mobile phone, trade infrastructure and internet. It made a boom in the Internet service provider field. Thus India has around 200 internet service providers at present.

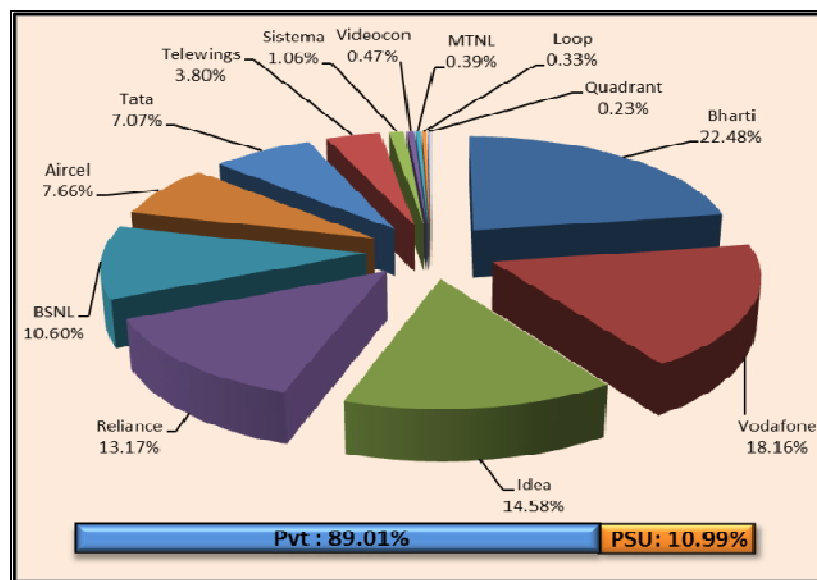


Figure 2: Service Provider wise Market Share as on 31st January, 2014

Source: TRAI

Fig 2 shows the share of different operators, the share of private companies is worth noting with 89.01 percent while the public service utility sector is far behind with 10.99 percent. The share of BSNL is only 10.60 per cent while Bharati stands in the fore front with a share of 22.48 percent followed by Vodafone and Reliance respectively.

4. Key Drivers for India

4.1. Increased broad band penetrations and usage

The Internet penetration of India is as high as 10 times of the population of Australia. By October 2014 it will cross 200 million. It is estimated that the country would have 243 million internet users and if it continues it will break the record of the US as the second largest internet base behind China⁵.

As per the estimate of IMAI, there are numerous inactive users of internet who will turn to be active with in the near future which will boost the web trading.

Due to the availability of cheaper Chinese mobile phones in the Indian markets, internet usage has become mainly mobile phones driven and the present rate of usage is estimated to be 72 per cent by the Indian layman. These group use internet mainly for communication purpose but a recent trend has been emerged among the Indian youth to use internet for digging social networks like Facebook and Twitter .It has become a fashion of the day. As per IAMA report by last June India had 82 million monthly users of Facebook and in fact India ranked as the second largest active Facebook users of the world next to the US and Canada. It is quite interesting to know that Facebook is banned in China.

4.2. High standard of living and increase in purchasing power of the middle class families

McKinsey Global Institute calls Indian middle class as the next big spenders of the world. Before 1990's they were hunting for their livelihood with less than \$1 per head per day now emerged as the world class middle class whose interests cannot be overlooked even by the multinational giants in the world. They were conducting researches to trace out Indian consumers tastes

and traits. Over the next two decades, the countries middle class grow from 5 per cent to 40 per cent and create the world's fifth largest consumer market.

The planning commission of India (now dissolved) projected an economic growth of 9 -9.5 per cent during the 12th plan period (2012-2017). Indian economy is growing very fast with an average GDP growth of 7.27 per cent.

The growth of economy has made the people with more disposable income than before which has increased the purchasing power of the consumer. Many studies reveal that middle class will be the dominant factor in the Indian economy during the coming decades.

4.3. Increased use of Debit, Credit and other types of net payments

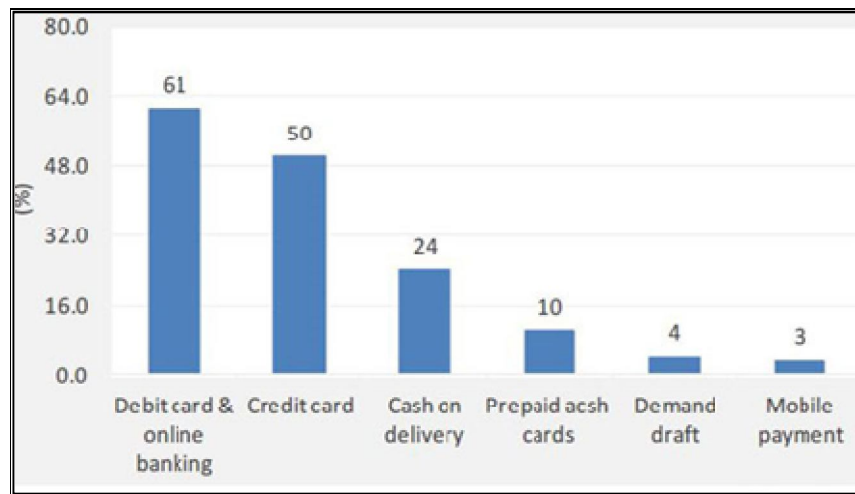


Figure 3: Most used Payment Methods

Source: IAMAI

A Study of ASSOCHAM reveals that half of Indian population will have debit cards by 2015. By the end of last year, nearly 31.44 crore bank customers were issued debit cards. This number is growing at a compound annual rate of 18 percent, and this pace is expected to be sustained, if not improved, with the focus on higher bank inclusion, the study said. However, the number of credit cards, largely a phenomenon in metro cities among the middle and more affluent classes, is not growing at even half the rate of the debit cards. The so-called plastic money culture, implying living on borrowed money, has not really caught on in India. Part of the blame lies with card issuers, which have kept so many hidden charges, making users feel deceived.

4.4. Influence of social networks and other sites

It been noted before that India is the second largest country for the use of Facebook. The average number of hours spent by Indian youth in front of these sites has been increased surprisingly. These sites influence the online retail trade in India. Many vendors utilize these sites to get their products marketed and it is one of the aids for boosting online trade.

4.5. Increased use of online portals and their growing awareness

Online advertising is one of the inevitable parts of online trading. It has been grouped into three namely search, display and classified advertising. Classified portals are concentrated to various items like job listings, real estate listings, automotive listings, yellow pages and some even cater to multiple categories. As internet user base grows in India, more businesses will be driven online and spending on online classifieds will increase. According to Equity Research Reports of India the total global online classified advertisement business stands at 10.5 billion US dollar which is 17% of the total internet revenues. The share of Indian online classified business is about 11 billion rupees expecting to grow to 31 billion rupees by 2016.

5. Findings

5.1. Governance, Laws and Regulations

E-Commerce is one of emerging businesses in the Indian economy. On the basis of its past growth its future is very bright. However, the business should be in the orbit of legal frame work. Establishment of an E-business is not merely hosting a website rather it extends to more complicated issues like complying with the legal framework of the land, brand promotions, protections like domain name protection etc. E-Commerce and cyber law formalities must be observed before establishing ecommerce business in India. E-commerce websites operating in India must comply with many laws including the Information Technology Act 2000.

The e-commerce players and foreign companies would find out loopholes behind the conflict of laws in cyberspace. To tackle this situation India has enacted the Indian Companies Act 2013. Many of its provisions would streamline the corporate culture including online trade vehemently

As per section 2(42) of the new Indian Companies Act of 2013, “any company or body corporate incorporated outside India which has a place of business in India whether by itself or through an agent, physically or through electronic mode or which conducts any business activity in India in any other manner, is classified as a foreign company”. Again as per Section 380 of the same Act 2013, provides that every such foreign company must register in India.

Rule 2 (1) (c) of the Companies (Registration of Foreign Companies) Rules 2014 says that for the purposes of clause (42) of section 2 of the Act, “electronic mode” means carrying out electronically based business, whether main server is installed in India or not, including, but not limited to -

- Business to business (B2B) and business to consumer (B2C) transactions, data interchange and other digital supply transactions
- Offering to accept deposits or inviting deposits or accepting deposits or subscriptions in securities, in India or from citizens of India;
- Money matters and its settlements, web marketing, database operations, advisory services and supply chain management

The present law stipulates that all subsidiary or joint venture companies in India especially businesses related to information technology must establish a server in India otherwise such organisations websites should be blocked. The Ministry of Home Affairs and the Intelligence Bureau of India have already been aware the possibility.

5.2. Cultural Issues

Indian culture and purchase habits are different from foreign countries where online business is flourished. Indian consumers prefer to buy face to face and thus, they believe, they can grab more benefits like discounts, allowances on their festivals like Akshay Tritiya, Deewali, Oman Bakreed etc. They believe that maximum negotiations can be possible only through face to face trading rather than online trading. Another plus point they believe is that zero down payment is not possible in online installment purchase for household equipments.

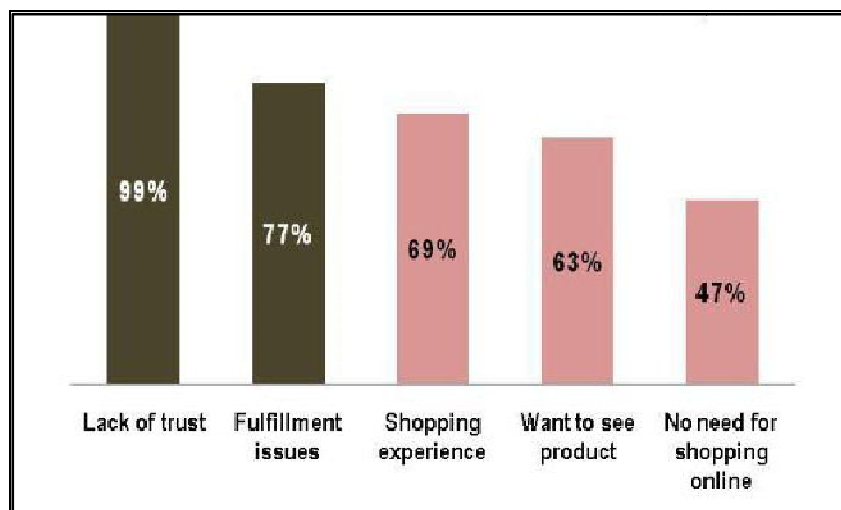


Figure 4: Reason for not shopping online

Source: online commerce: IMAI-IMRB

From the above figure it is worth noting that 47 per cent of the customers under study need not want online shopping which means they like traditional buying. 99 percent of the study group have not trusted the new method of shopping because of different reasons.

5.3. Online shopping fears

Even the most educated Indian consumer is reluctant to avail online shopping. The following are the reasons.

5.3.1. Fear factor and lack of trust

Large numbers of Indian consumers still believe that online trading is not as believable as it is claimed. The authors experienced a lot while paying BSNL land line bill payment, either some problem for the server in the bank side or the BSNL server is not responding. The bank account might have been debited while the payment to BSNL is not made. We had to wait for at least ten days to get the amount re-credited in the bank account. So even the experienced customers feel worry while transacting over net.

5.3.2. Unreliable delivery mechanisms

In most of the cases of online shopping, payment is to be made in advance. In these circumstances the delivery is often made on courier services. The facility of courier services, actually speaking, is in its infancy stage in ordinary villages of India. Important courier services have their offices in metro cities only. The VPP system of Indian postal services is not so smart as before

.Therefore, lack of fool proof tracking mechanism and prompt delivery system, theft on the way of delivery are the important bottlenecks.

5.3.3. Credit card misusage

Credit card is one of the crucial things for the online trade and payment. The Indian Scenario is not different from other countries. Consumers' think that swapping credit card is the most dangerous activity as some of the customer care executives ask card numbers even. This is a very risky thing

5.4. Lack of technical infrastructure

India is one of the emerging economies of Asia backed up by developing infrastructure especially IT. The internet penetration is increasing and thus the broad band net connection too. But still there are various issues like low speed servers, lack of high speed optic fiber cables. Indians still, especially rural mass, relies on overhead telephone lines for internet connectivity. The speed of internet is alarmingly low in rural area which in turn affects the online trading.

A scientific supply chain management is inevitable part of online trade. It materializes what we called "online shopping". The fate of this sector is very pathetic. The consumer has to wait long to get the items ordered. Sometimes it misses delivered. The authors are victims of bad supply chain management. We were in search of a good pen camera and could find out it from Cochin international airport. Unfortunately, we couldn't turn over the advertisement pamphlet until the flight took off. After landing we could find out the website of the product and tried to locate the trader and ordered online. In spite of our repeated phone calls and mails, the traders informed that they could not deliver it as our postal code does not matches their courier service and advised to find out some other places where they can deliver the product.

5.5. Unethical practices

The unethical practices prevailed in the online trading is one of the most critical issues and feared by the customers. There are unscrupulous password invaders who can find out our passwords using some software. Customers fear that their privacy will be distributed over net. The personal information thus collected may be misused. Most of us are getting unwanted unsolicited emails from many corners to whom we doesn't supply our email id's, these are supplied by some unscrupulous online sites. It is quite common that websites use small cookies and these are small programs used for pop-up advertisements. Surprisingly, they can record our IP address.

6. Conclusion

India has a huge potential for internet marketing. The government gives all of its support for flourishing this sector. The cultural change of the people from the old legacy buying to this new generation buying also gives its share of patronage. It is quite interesting to note that the online marketers still try to promote foreign products rather than Indian. But still there is place for hope that some new ventures have come forward to promote Indian products too. Proper rules and regulations have to be enacted and present laws must be implemented without time. Nullifying cybercrimes and the time lag to dispose such cases must be minimized. Proper know-how must be given to officials regarding net and related matters. Our old officials still in legacies and they must be educated. Definitely the entire world is looking towards India, so we hope that we may expect a better future for the web trading as the new government at the centre always welcomes the economic development of this country by whatever means, if so this century of online trading will be ours and in the near future we are going to beat china even.

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