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An Analysis of Strategy of Internet Marketing in Indian Scenario

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ABSTRACT

The use of internet has a direct effect on country's economy. A study from Indian Council for Research and International Economic Relations (ICRIER) reveals that on an average 10% increase in internet subscriber results in 1.08% of increase in output. Thus, the increasing internet penetration has a huge impact on country's GDP. Internet is overcoming the constraints like lack of alternative infrastructure, lack of proper roads and lack of information fairly efficiently and quickly. Internet has brought more transparency into the system which is giving everybody equal opportunity. Internet users are able to compare prices, search hard-to-find items or information, communicate and learn in new, improved ways. Governments can serve citizens much more quickly and cost effectively through e-governance. It has changed the way business is conducted in today's world.

This article will focus on Internet marketing and the strategies used to make the efforts successful. The Internet poses both opportunities and threats to the field of marketing. When developing a strategic marketing plan, organizations will need to determine if and when internet marketing will be utilized. The success of the Internet as a medium for marketing depends upon how well the system outperforms alternative systems. This article will also explore how an organization can establish a customer base with the site-centric and symbiotic marketing approaches.

Keywords— Advertising, Commerce Service Providers, Direct Marketing, Internet Marketing, Marketing Channels, Marketing Strategies; Public Relations

I. INTRODUCTION

The use of the Internet is exploding, especially in the United States. People spend a lot of time on the Internet because there is a wealth of information to be found. In addition, many consumers feel comfortable purchasing online and value the Internet's capacity for providing information about different products and services. As a result, Internet marketing has blossomed and become a key part of many companies' advertising efforts. The Internet has reduced costs associated with starting and running a small business (Boaze, 2004), which allows these companies to have an Internet presence because the medium is affordable. Companies have also found the Internet to be an effective communication tool for customers, potential consumers, and other businesses, and the advent of social media further enabled companies to connect and interact directly with consumers.

As a result, marketing has experienced significant changes in how it operates. The Internet poses both opportunities and threats to the field of traditional marketing (Lemoine, 1999). When creating a marketing plan, organizations must determine (1) if the tool is useful for marketing their products, (2) which products can benefit from Internet marketing, (3) when it is best to use traditional marketing, Internet marketing, or a combination of both, and (4) what pitfalls need to be avoided so organizations do not experience failure when using Internet marketing. Internet marketing research has provided years' worth of valuable findings (Hou & Rego, 2002). The Internet has forever changed the way that organizations, governments, and individuals conduct business. Therefore, companies have responded by changing the way that they market their products.

E-commerce may account for a mere 0.5% of the total retail business in India, but it is beginning to affect both sales and profitability of brick-and-mortar retailers, with a growing number of value-conscious consumers warming up to the idea of shopping online, according to a report by credit rating firm Crisil Ltd.

Over the past four-five years, competition from online retailers such as Flipkart (in books, music and electronics), Myntra and Jabong (in apparel) has eaten into the revenues of brick-and-mortar retailers, adds the report, pointing out that in this period, the rate at which the latter have opened new stores has slowed.

Indeed, if foreign direct investment rules are eased—none is allowed in online retail—companies such as Amazon.com Inc. will likely invest more, intensifying competition. Amazon already operates in India, providing a platform for retailers to reach customers.

Escalating rentals, higher inventory and a sluggish economy have hit the country's top retailers, but their online rivals have continued to grow, powered by private equity and venture capital funding. E-commerce companies have led a price war, offering steep discounts and hefty promotions to gain market share—which boosts their valuations.

II. OPPORTUNITIES FOR INTERNET MARKETING

The Internet opened many new avenues for companies to market new products and provided opportunities to restructure how they were marketing their established products. Benefits of the Internet include its ability to market globally, provide a free market without regulations and barriers to entry, and determine which products sell well in an online format. Companies can decide which products are best to sell online. In addition, they can determine whether they want to sell on their own site or sell products through online retailers such as Amazon. The Internet provides opportunities and challenges for the four Ps of marketing (price, promotion, product, and place) by being an unpredictable distribution channel, a powerful marketing communication and promotional tool, an effective marketing research tool, and an efficient tool for segmenting and targeting consumers and customers (Lemoine, 1999).

The Internet can be considered an integrated marketing communication tool. It has the capability to combine the efforts of direct marketing, advertising, and public relations.

Direct Marketing: Companies can communicate and promote products and services to a target market by using e-mail, customized pages, and promotional systems. For example, a company can offer a free product if members of a target market go to a particular survey link to answer questions. The feedback can be used to customize a promotional opportunity to that particular market. However, if the company uses e-mail as a mechanism, the company must ensure that its promotional e-mails are not considered spam—unwanted marketing messages—by their recipients.

Advertising: Companies can target global markets and make sure their ads are seen by consumers who will buy their products. Organizations are able to track the effectiveness of their advertising campaigns by tracking how many people see their ad and how many people visit the site based on a particular ad. In addition, the cost of online advertising is typically cheaper than traditional advertising methods such as print or television advertising. In some cases, a company may pay for an advertisement only when a user clicks on it; this system is known as pay-per-click (PPC) advertising.

Public Relations: Companies may also use the Internet to provide corporate information about the organization and its products. Potential customers will be able to find information such as names and background of the senior management team, investor information, history, and product information. Through the use of social media, companies can respond to complaints or other customer concerns quickly and effectively, thus managing their online reputation and establishing rapport with consumers.

The success of the Internet as a medium for marketing depends upon how well the system outperforms any alternative systems. The features of the Internet must be better than any of these alternative systems, and consumers must be able to benefit. Studies have indicated that the Internet is, in fact, one of the best venues for marketing products and services. These studies include one that distinguishes online and traditional retail formats with regard to the costs and benefits for consumers (Alba, Lynch, Weitz, Janiszewski, Lutz, Sayer & Wood, 1997) and another that illustrates how the Internet shares some of the same characteristics as other mediums but also offers new and unique features (Peterson, Balasubramanian, and Bronnenberg, 1997). Some of the unique features of the Internet are:

- Ability to store larger amounts of information at lower costs
- Ability to provide information that is interactive and can be customized
- Provision of power and inexpensive ways to search, organize, and distribute information
- Provision to perceive (i.e. 3D image and video preview)
- Capability to serve as a transaction and distribution tool for certain products
- Establishment of a presence at a low cost

Consumers tend to focus on formats that provide them with the most benefits. The Internet provides consumers with many benefits, such as accessibility to goods that are not in the local market, lower prices, the availability of different alternatives within the same product category, and the ability to shop at any time.

III. IS E-COMMERCE DERAILING THE TRADITIONAL RETAIL STRUCTURE IN INDIA?

Six years ago, in 2009, the Indian e-commerce industry achieved approximately \$3.8 billion in revenue. By 2012, that number was \$9.5 billion. And while predictions estimated a growth of 33%, the industry managed to surpass even that, to achieve $12.6 billion – a tremendous 35% growth in revenues.

It's no wonder that those analysts have made projections suggesting an overall market value of organized retail in India to be $1 trillion by 2020.

These numbers are driven primarily by anticipated growth in consumer durables, electronics, apparel, accessories, in addition to the firmly-established product lines such as books and audio-visual media.

And, as e-commerce offerings continue to evolve, nowhere is the impact of their efforts felt more than in India's traditional retail industry (today referred to as the brick-and-mortar or physical system of retail).

With a major chunk of the industry occupied by local, mom-and-pop stores, the retail sector is experiencing a great deal of churn as physical retailers take new and elaborate measures to keep up with their online competitors.

One example of such a measure is with a major player, the Aditya Birla Group announcing, in May 2015, that they were consolidating their branded apparel businesses under a single company, encompassing a network of 1800 stores – with 200 more scheduled to be added in 2015. Upon introspection, it appears that the largest player in the physical retail industry, Reliance Retail, accounts for a mere $3 billion of the entire market – which in total is valued at $540 billion. Where is the rest of the $537 billion, then?

Clearly, the impact of e-commerce on traditional retail in India is a topic that needs careful examination.

In this whitepaper, we will explore the state of the traditional retail and the e-commerce industries, the growth of the e-commerce industry both in India and abroad, the impact that the advent of e-commerce has had on consumer behaviour, trendsetting and innovation in e-commerce, and the potential future of both industries. And in conclusion, we will determine how much of a danger e-commerce poses to India's traditional retail institutions and whether the latter will be able to adapt to e-commerce's unceasing onslaught on their business models and baselines.

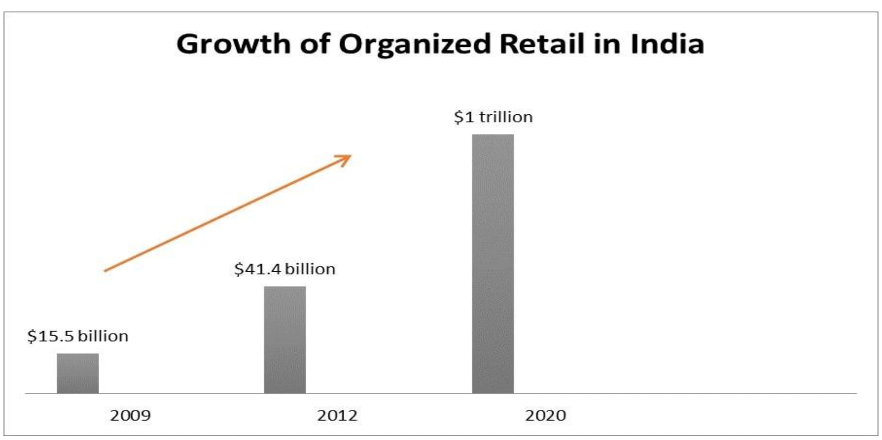
IV. EVOLUTION OF RETAIL INDUSTRY IN INDIA

The retail companies evolved fairly well with every passing decade since 1990. Retail companies grew at 23% before the year 1990, 34% until 2000 and post the year 2000, the growth has been an impressive 43%. Post-liberalization, the first retail stores that opened up throughout the country were Raymond's, Bombay Dyeing, Titan and the like. After the 80s, India had malls coming up in all major cities; these places gave everyone the 'world-class feeling' and for people from both the urban and rural areas, 2 million employment opportunities by 2010. In fact, after agriculture, it is the retail industry that provides 8% of the total employment opportunities and accounts for 22% of total GDP in India today.

The retail industry in India is highly fragmented, with 92% of it being deemed as an 'unorganized sector' (with the family-owned mom-and-pop stores, farmers, consumers, mediators and manufacturers). With globalization, and increase of the western influence, the organized sector started to develop. The organized sector evolved first in the developed countries like the United States, China and the United Kingdom in the mid-1990s and boomed in developing countries like in India and Africa only by the end of the 20th century.

Big industry players like Shoppers Stop and Pantaloons led the way of organized retail formats, even though they were just primitive versions of what we witness in the malls today.

In India, the organized sector makes up only 19% of the total market share in retail industry (as of 2014). This sector has been growing exponentially from 2009.



From just $3.5 billion in 2014, the e-commerce retail is expected to reach $100 billion in 2020!

The penetration of organized retail in India is only 6-7% compared to the developed countries (85% in the United States, 80% in France and the like). This shows that India is still in the very early stage of evolution of organized retail.

What is driving the organized retail in India?

The remarkable increase in population reaching nearly 1.28 billion as of Oct 11, 2015, the 37.6% increase in annual income in the last four years and the fast-paced urbanization is only fuelling the growth of the organized retail sector in India.

The biggest retail spenders belong to the working population of India (in the age group of 15-54 years) and 50% of the total population of India is in this group Unlike the average working class family who, until two decades ago, saved most of their income and barely indulged themselves, today, the 500 million individuals under the age of 25 years are the main drivers of the retail growth, mainly in fashion, mobile and fast-food in India.

The empowered middle class (300 million individuals in India) is now on the buying mode with increased household incomes. Owing to their innate desires to live independently and well, Indians are spending like never before. They are now looking for products and services that can be bought with convenience, in addition to high quality. Millionaires on the rise are driving the demand for luxury items like branded jewellery, fine wines and watches; millionaires are growing at an incredible rate of 51% each year.

The high demand for retail shopping is further fuelled by easy access to credit cards and personal loans. April 2015 recorded a sharp 52% jump in credit card loans since April 2011. Spending habits of the youth now heavily involve the use of plastic money. “Buy now, pay later” is the mantra for most.

Evolution of E-commerce in India

The developed nations already had their head start years before the dot com boom in India made online commerce happen since 2000. India’s first brush with e-commerce was in the year 2002 when the government of India launched a website for online railway ticket booking via IRCTC. This was especially directed for the common man who then didn’t have to stand in long queues, waste time and reduced the burden on the ticket bookers overall.

This was a remarkable achievement for India. Airlines in India such as Spicejet, AirDeccan, Indian Airlines and the like followed suit to launch online air ticket booking in the year 2003. This trend was observed around the world, where the majority of online sales were accounted to the travel industry.

Although retail sales were available online since the year 2000 with Rediff shopping and even eBay, online shopping was, in effect, relaunched in India when Flipkart offered very high discounts on their website. Since then, a great number of other merchants like Amazon and Jabong have jumped onto the online bandwagon, wanting a piece of the e-commerce profits.

There is great potential for e-commerce in India, owing to its (continually growing) vast population, in addition to the increasing number of internet and smartphone users. There seems to be a direct link with the increase in number of internet users and online shoppers, too. The e-commerce sector in India has grown at a furious pace of 34% and of which, E-tailing (a mix of online retail and marketplace) grew at a whopping 56% since 2009. E-commerce in India is expected to surpass $20 billion in 2015.

Current Scenario in India

In the initial years, online shopping was fairly simple with placing orders and pay on delivery model, besides there were very few options to choose from, as well. There has been a gradual but drastic change in the way the online shopping works in India today.

Online shopping has seen greatly adopted by the Indian consumers because of attractive websites, user-friendly interfaces, multiple online stores – with countless options and trending fashion, easy and very secure online payment methods and of course, the liberty of choosing the size, colour and even the best price for a favourite item.

Moreover, the chance to get discounts round the year, coupons, getting referral and reward points, 30 days return guarantee, less than a day or week delivery timelines have played a key role in the success of e-commerce in India.

The frenzy of online buying has severely hit the offline retailers. Buyers quite obviously prefer shopping online for lower prices and dependable delivery options. Consumers in India have become smart shoppers, preferring to do exhaustive research before they find the best prices and deals for the things they want to buy.

Naturally, offline retailers have started making some noise about the low prices offered online; the e-commerce laws in India are yet to be defined and offline retailers have approached the government to intervene in their price war with the online merchants.

Online companies have been promoting products with predatory pricing, and the fact that online merchants do not have to pay VAT is increasing the discontent amongst the offline retailers.

Even luxury brands and premium brands have started to feel the heat of their brands being sold at cheaper rates online, affecting their brand value. Some brands such as Lenovo, Nikon, Toshiba and Canon have sent a cautionary note to buyers that their products purchased online may not cover warranty; these are some of the harsh steps taken by offline retailers against the online sales of their products.

Companies like Reliance, Godrej, Pantaloon and Raheja (just to name a few) have already made their presence known in Indian organized retail; they are expected to invest more than $15 billion in the retail industry by 2020. The FDI in the last 15 years, has been $275.4 million, as the demand for consumer goods increase across different segments, there has been a lot of investments in the past months. To name a few: Amazon unleashed $5 billion investment to make India the next big market after the U.S.; Wal-Mart plans to set up 500 stores nationwide by 2030; British major player Tesco has already invested $133.8 million with Tata Group.

The inherent attitude of 'touching and feeling' the products before buying for the Indian consumers who still haven't come to terms with online shopping, this notion seem to be capitalized by industry giants and the increasing number of foreign investments made in the retail industry. So let's look at what is the real difference in e-commerce and traditional retail models in India.

E-commerce vs. Traditional Retail Model in India

E-commerce retailers, along their growth path, have capitalized significantly on the relatively fragmented nature of India's physical retail institutions, by offering a wider portfolio of products, a simple purchasing experience and a significantly higher level of comfort and convenience, vis-à-vis the traditional stores may not always have the required items in stock or there may be a waiting period for the consumer to acquire products from the offline store.

There are similarities to the brick and mortar which are equally annoying – case in point, the sales associate who follows you around in a store is much like the 'retargeting' that happens online, where the ads follow you after you've visited a dealer site. With warehousing or other constraints, physical retailers may not be able to display a vast array of products, while online e-commerce have the liberty to display it all – including those that are not even 'in stock'. That's a definite added advantage for e-commerce retail model in India. Amazon India is capitalizing on the "Aur Dikhao" Indian mentality today.

In a twist of tale, MakeMyTrip has physical outlets in more than 40 cities in India and operates through 63 such outlets; so does BharatMatrimony and now, Yatra.com plans to open 100 new physical stores. These were the three giants who actually tasted the first 100 million Indian internet users. Why?

Is it to convince the sceptical Indian to move from physical to online purchasing or to cater to the millions who have yet to purchase online? Although there are over 200 million internet users in India, only 32 million are the actual shoppers.

The Indian sceptical mind-set still yearns for that 'physical touch' of products like those for the baby or expensive items like jewellery or watches. Keeping this in mind exactly, merchants like Caratlane.com and firstcry.com have set up physical shops for customers to try out their items. "We found that since some jewellery items are priced Rs. 15,000 onwards, a customer typically wants to try it out before buying it," says Kalaivani Sadagopan, Senior Vice President, CaratLane.com.

One of biggest pain-points (other than the whopping 20% real estate cost) for the offline retailers, is the pricing of the products offered online. To win over more customers, online merchants make such discount offers that the Indian consumer just cannot refuse. The pricing could be via direct discounts or offers at checkout. Either ways, when the prices online seem much lower than the physical retailers; consumers tend to touch and feel the items first at a retail store on location and then buy them online – this phenomenon is actually termed as 'Showrooming' which offline retailers have now started to take note of and are obviously unhappy with.

Offline retailers have spent years building their brands and creating a brand loyalty. With products and price points slowly moving towards a level of approximate parity, e-commerce retailers are turning increasingly towards consumer experience differentiators – such as shorter delivery timelines, reduced (or altogether eliminated) delivery prices, doorstep delivery, at home jewellery-clothes-spectacle frame trails (before purchase), a broader variety of payment methods and so much more.

V. INNOVATIONS IN E-COMMERCE

Technology Enablers

One of the biggest enablers is the mobile, of which, the smartphone usage is growing steadily and currently holding a 35% market share. The success of e-commerce can be contributed by other technology enablers such as Cloud technology used by companies to give a seamless purchase cycle to the consumer and also to host effective marketing campaigns. Mobile apps are becoming an increasingly convenient channel for consumers, even for individuals from rural areas. Flipkart reports 50% revenue doling in from their mobile app and Quikr reported 70% revenue.

Marketing

Digital Advertising is rising with a 30% full force that reached $538.09 million in 2015. Advertisements made for digital advertising are versatile and can be featured to any form of digital media such as TV, Mobile or laptop and are able to reach out to a wider audience. Search Engine Optimization (SEO) is another channel used by e-commerce companies to increase their websites more visible, making them more effective, by improving search rankings and motivating buyers to visit their website over others.

New Strategies

With a plethora of start-ups vying for consumer's attention, there is bound to be competition; to eliminate such competition, the trend of mergers and acquisition is on the rise. Just this past year, Flipkart merged with Myntra at nearly $300 million, thus reducing competition. Another big merger in 2014 was Ola cabs buying off their arch rival Taxiforsure for $200 million. A valuation made on big brands is attracting a load of investors, both from within India and outside. For example, Snapdeal reported $40 million losses in 2014. However, their valuation was raised to $3 billion from the previous $350 million when $850 million funds were raised.

Irrespective of the profitability of the company, high valuation plays a big role for e-commerce players.

Retailers Go Online

Many big players are boosting their overall revenues by their digital e-commerce sales to their preexisting traditional retail systems. There is a reason why Snapdeal and Croma are now partners or Amazon and Big Bazaar are not just retailers. It is a partnership of technology meeting logistic service offerings. Shoppers Stop has revamped their online platform and Reliance is in the process of doing the same, in a bid to attract the online consumers.

Social Media

Companies are using social media to leverage their brands through increased advertising, brand awareness, building a community of users that trust the brand, increased word-of-mouth publicity ad to build on customer feedback. Companies are motivating product and service reviews by offering reward points for every post that goes on media like Facebook or Twitter. Loyal customers get to know of the sales and limited period offers through social media platforms. Millennials are likely to look up product reviews posted by strangers before they make their purchases. A marketing strategy that involves social media should be a natural choice for companies.

VI. E-COMMERCE – THE MILLENNIALS' FAVOURITE WAY TO SHOP

Flipkart wasn't the pioneer in e-commerce as many may assume. In fact, it was eBay that first recognized the huge potential in the Indian online market and forayed into the market by making a $55 million investment 2 years before Flipkart. EBay came in too early, even before the 'cash-on-delivery concept' gained the wary Indian's trust.

Moreover, the boom is largely due to the Millennial generation, which is more tech-savvy than the previous generations. They are social animals and they love to shop!

The convenience of being spoilt for choice and getting the best price offers, right at home adds a whole new dynamic to the experience of the Indian shopper. Millennials not only want to save time, but also get the best bang for their buck!

Enablers like smartphone and tablet devices and access to 3G internet have only made it easier for the online shopping channel to be the preferred way for Millennials. With the release of 4G networks this year, the clout of e-commerce is only expected to become more robust.

VII. 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.

VIII. CONCLUSION

The e-commerce boom has led the way for job opportunities in the marketing and the e-commerce industry, in general. The working class already established in the IT and other consumer goods sectors are expected to get 35-50% pay raise this year. The e-commerce industry in India is expected to contribute to, at least, 4% of the total GDP of India by 2020; such growth will have a positive impact on other related industries such as logistics, whose revenue is expected to churn nearly $2.5 billion by 2020.

With the digital age, there is definite a paradigm shift leaning more towards e-commerce. However, for e-commerce to be successful throughout the country, key challenges like low internet network in rural areas, or even low connectivity in urban areas causing high drops in payment processes can impede the expected e-commerce growth. However, brands that decide to be strictly offline are likely to lose the patronage of the tech-savvy Millennial. It is estimated that millennials have the total purchasing power accounting to $170 billion every year, worldwide. The brick and mortar retailers must comply and adjust themselves to new strategies like going online, or merging with established online businesses, if they want to partake in the profits that the online e-commerce brings to their existing portfolio.

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