

IMPORTANCE OF DIGITAL MARKETING IN INDIAN E-COMMERCE INDUSTRY

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ABSTRACT

In the last ten to fifteen years, Indian ecommerce industry has grown many folds and has been the most exciting development for the consumers in India. It has impressively changed the way Indians have been shopping for decades, significantly for the categories like – books, electronics, apparel, travel, grocery and education. Many new ecommerce companies have been established in India in past five to six with innovative ideas in various fields such as – Money Control, Flipkart, Myntra, eBay, Make My Trip, Unacademy etc. According to the report published by Indian Brand Equity Foundation, Indian Ecommerce Industry is expected to grow and surpass USA to become the second largest E-commerce Market in the world by the year 2034. Much of the growth in the industry has been triggered by increasing cheap internet provider and budget friendly smartphone penetration. With Government of India initiatives like Make in India & Digital India campaigns, it has certainly given boost to the Indian ecommerce industry to grow even better. This paper elaborates the basics, origin, growth, challenges and opportunities of digital marketing and e-commerce in India, and how many ecommerce companies are using this new developed marketing medium for achieving effective communication, differentiation and delivery as well as to reach more consumers in densely populated country like India.

KEYWORDS: E-commerce, Digital Marketing, Internet Marketing, E-business, Importance.

Introduction

Since the ancient times, human being has been practising the art of doing businesses. And one of the most important motive of doing business is to get more consumers and change the consumer behaviour as well. Similarly one of the most modern approach to conduct business in 21st century has been doing business through and on electronic platforms. E-commerce by definition means electronic commerce, dealing in goods and services and carrying on the business with the help of electronic medium, Internet, Information technology and electronic data interchange. The whole process involves in selling goods, services and products on digital platforms like websites in exchange of money received through online banking or electronic funds transfer. The E-commerce industry has been very helpful in reducing the costs for business and at the same time reaching to more consumers throughout various geographical locations. At the parallel level after the introduction of user friendly application The World Wide Web in 1994 -- which provided companies' access to millions of new customers at a fraction of the cost, the Internet began to grow dramatically (Rai, Chandra, & True, 1997). And hence with the internet and evolution of WWW, also came the concept of the promoting businesses on internet which is referred to as Internet Marketing or Digital Marketing or Online Marketing.

Research Methodology

Objectives

- To study the growth of Digital Marketing as one of the new marketing medium in India.
- To study and understand the relationship between Digital Marketing and E-commerce in Indian context.

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Significance

To examine the contribution of Digital Marketing in the growth of E-commerce companies in India.

Data Collection

Secondary Data Research papers, Articles, White Papers, Blogs, and Reports have been referred to study the role of internet marketing in ecommerce.

Limitations

- The study is confined to ecommerce industry in India and only B2C E-Commerce companies are taken into consideration for the study.

Data Analysis

• E-commerce

E-commerce has changed the way the businesses used to happen in India. It was only possible in India when internet was opened for commercial use in 1991, the medium became popular in 1994 when there were more secured ways to do businesses online and by 2000 lot of companies from all across the world started offering their products online. E-commerce as a medium has been very helpful to businesses in not only selling their products/services but also for providing virtual store fronts through website. It also helps in gathering more detailed demographics of their customer and helps reaching prospective clients. Besides B2C, e-commerce also gives a huge opportunity to B2B businesses. It is beneficial for lower over loads, lower maintenance, and worldwide market and available to customers 24x7, all throughout the day (B Karunakar and B Sinha, 2016).

Fig 1: Major E-commerce Milestones. Source: E-commerce Nation

| | |
|------|---|
| 1991 | •World Wide Web created |
| 1994 | •Netscape launches navigator and Pizza Hut starts taking online ordering through websites. |
| 1995 | •Ebay is founded and Amazon makes its first sale. |
| 1996 | •Over 40 million active internet users around the world. |
| 1998 | •PayPal is founded and changes the way people make online payments. •One of the most used search engine today - Google was launched. |
| 2000 | •Revenue from online shopping crosses \$25 Million. |
| 2003 | •Apple launches itunes, the first major digital store |
| 2004 | •With the highest number active users today on social platform - Facebook was launched. |
| 2006 | •Facebook started selling advertisements. |
| 2008 | •Online purchases were made on mobile phones for the first time. |
| 2012 | •Online B2C transactions crossed \$1 trillion. |

• E-commerce in India

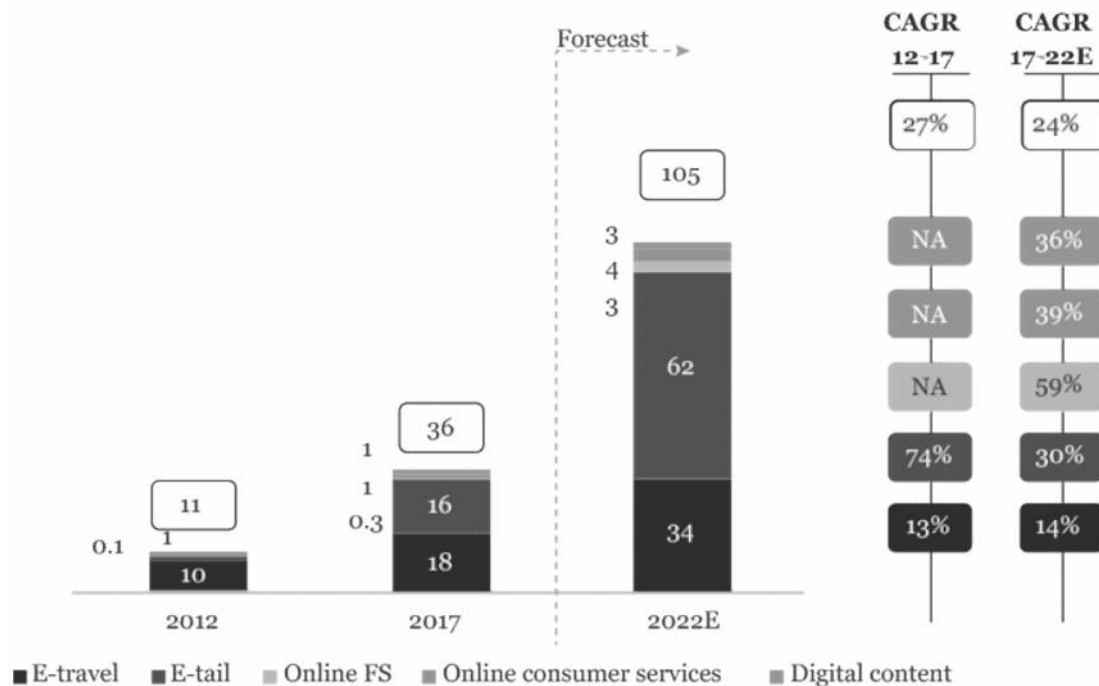
Today, almost everything is available on the tip of the finger, be it ordering food online, buying clothes online or conducting a policy comparison online using various Apps and websites. But who could have imagined five years back that Indian e-commerce scenario would have created such a behavioral shift among Indian consumers. In the last ten to fifteen years, Indian ecommerce industry has grown many folds and has been the most exciting development for the consumers in India. It has impressively changed the way Indians have been shopping for decades, significantly for the categories like – books, electronics, apparel, travel, grocery and education.

Over the period of last 10 years, rising internet usage with various and cheap internet service providers in the market, Mobile usage and penetration, and increase in consumerism all over India has changed the way we do business and made e-commerce ride on high tide. Today, the total number of internet users in the world is close to 3 billion, out of this India has a total of 687.14 million internet and broadband subscribers. Internet penetration in India grew from 4% in 2007 to 54.29% in 2019, which makes India the second highest country with maximum number of Internet users globally (IBEF, 2020).

Since 2014, Government of India has launched various initiatives that gives boost to the e-commerce and digital platforms namely – Digital India, Make in India, Start-up India, Skill India, Innovation fund and Aatmanirbhar Bharat Abhiyaan which are likely to support various entrepreneurship initiatives in India and accelerate growth of e-commerce.

According to the report published by Indian Brand Equity Foundation, Indian Ecommerce Industry is expected to grow and surpass USA to become the second largest E-commerce Market in the world by the year 2034. The Indian E-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017 and revenue is expected to be US\$ 120 billion in 2020, growing at annual rate of 51 percent, highest in the world. According to the research conducted by IAMAI& PwC, online travel dominates the e-commerce industry as of today and online financial services set to grow the fastest in coming years. However e-tail has become the fastest growing segment which is led by consumer led purchases in durables, mobiles, apparel, books etc.

Fig. 2: E-commerce Market – India, FY2012-22E, Billion USD



Source: PwC Analysis, 2016 - 2020

• **Digital Marketing**

Marketing is the process of communicating about your product and service to your desired targeted consumers. Marketing is highly responsible for advertising the product, create a brand positioning in the market which eventually leads to sales or conversions. This also leads to bridging the gap between brands and consumers while establishing great connections between them. Similarly digital marketing is the process of promoting the same on internet through electronic media. Digital Marketing is not only essential for grabbing the attention but also important to talk to customers of the brands directly and in more personalised manner. Day by day it increases the use of digital marketing as consumer gets wide variety of products not only with in particular geographical boundaries but from all over the entire world.

Today the consumers can access these information not only through desktop, laptop but also with mobile phones, since Digital Marketing allows brands to market on all the platforms. Digital marketing is very important for all the brands as it is quite critical to have a presence on internet, as the consumers today spend most of their time on mobile phones. Through digital media, consumers can access information anytime and at any place where they want. With the presence of digital media, consumers do not just rely on what the company says about their brand, but also follow what the media, friends, associations, peers, etc., are saying as well (Yasim, Tasneem and Fatema, 2015).

There has been considerable amount of terminologies used for digital marketing such as Online Marketing, Internet Marketing and social media marketing. Though there are various mediums or channels on internet that are used to reach the consumer as explained below:

- **Website/Blogs:** with the invent of various consumer friendly content management systems such as wordpress and shopify, It is easier for Brands to have their blogs and website. This in turn helps them with online shop presence as consumers are very active searching for products information and reviews.
- **Social Media Marketing:** There are many social media platforms now available in the market which all started with Facebook, being a platform to connect with friends on a digital platform. Many brands use social media apps like – Facebook, Twitter, Instagram, LinkedIn, SnapChat and newly added TikTok. It helps these brands to have an interaction with all of its target consumers and educate/inform/entertain them with different types of content. There are approximately more than 375 million active user on social media in India (Statista.com, 2020).
- **Search Engine Optimization:** Also known as SEO is frequently used in digital marketing since it is one of the few optimization technique used without any major cost by website developers to rank their websites organically on Search engines like Google. It is a long term approach for brand building activity trying to rank for the best keywords related to their business.
- **Search Engine Marketing:** New age channel of Digital Marketing constitute of 15% of total marketing spends in India which is going to grow to 24% in 2020. When the brand pays to search engine or social media platform to show ads of their brand's product, it is known as SEM. Mostly brands pay these platforms on the basis of cost per click (CPC) and Cost per conversion/acquisition (CPA).
- **Email Marketing:** Email Marketing is one of the most targeted way to promote brands on digital platforms, there are 90% chance of conversion since email marketing allows brands to communicate with personalize messages in the mails to the consumers.
- **Interactive Marketing:** Interactive Marketing here refers to nothing else but Apps, since there are so many services that are provided by several industries like – Travel, News, Fitness etc. on digital platforms, Mobile Applications are one of the fundamental offerings product offering to them. Also Digital India has 400% more mobile users than desktop users, hence it becomes necessary for certain brands to reach these users.
- **Multimedia Marketing:** As a consumer who is constantly consuming content and information on Internet prefers do watch them through video. With the launch of YouTube in 2005 and short video platform TikTok in 2012, as well as adopting the new streaming OTT platforms like Netflix, Prime, Hotstar, etc., 87% of the marketers today use video as a marketing tool.
- **Content Marketing:** In various business format which requires huge investment or critical decision making skills, consumers in any scenario likes to conduct his research before taking a call. When we talk about Real – Estate, Insurances, B2B business models, it becomes extremely important for the companies to generate leads through electronic media as well, and that is where content marketing comes into the picture. The sole purpose for content marketing or content management is to create and distribute valuable, consistent and relevant content with a motive to drive profitable consumer actions.
- **Online Reputation Management:** In a similar way to having a Public Relations (PR) in the traditional marketing world, we have online reputation management for electronic media. Considering the fact that social media or digital media is a two way communication process, where users also shared their reviews of products and services, makes it really crucial for businesses to handle their reputation and communicate with the users directly.

With the rapid advancement in technology, Digital Marketing has changed consumer behaviour and how businesses used to promote their models. This new medium bring various new consumer touch points for marketers which could not be extracted or discovered through traditional marketing. Below discussed are few pointers as to how digital marketing is having an edge over traditional mediums.

| Traditional Marketing | Digital Marketing |
|---|--|
| Mediums used are Print Advertisement, Outdoor Hoardings, Television Commercial, Radio Advertisement, Pamphlets etc. | Medium used are Social Media Marketing, Affiliate Marketing, SEO, SEM, Email Marketing, SMS, Content Marketing, etc. |
| One way interaction with Audience | Two interaction with audience |
| Expensive and Time consuming | Rapid way to promote with reasonable budget |
| Hard to track performance and analyze results | Various tools to analyze the results and reach of the promotion |
| 24/7 year-round exposure is not possible | 24/7 year-round exposure is possible |
| No ability to go viral | Ability to go viral |

• **Digital Marketing and E-commerce in India**

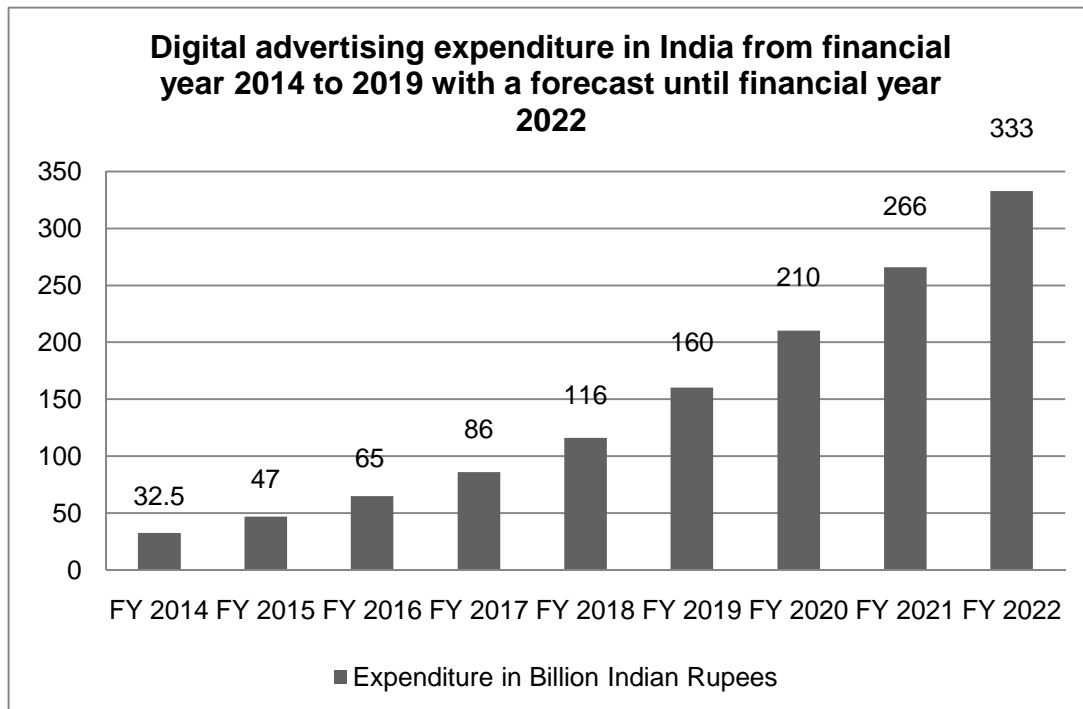
India has a tremendous internet growth with customer getting accustomed to e-commerce and online shopping, which means the future of e-commerce is very rosy in years to come. But compared to the emerging nations in Asia continents, internet penetration is comparatively less in India. With all the government initiative and the world in middle of the pandemic has changed the way consumer shop these days or consumer content. A Bain & Company-PRICE survey of 3000 households across income groups and geographies which was conducted between April and June 2020, revealed about 13% respondents buying online for the first time, while about 40% buying more online. Customers can shop from more comfortable and personalized environment of home, taking benefit of rich information, easy access and convenience of the Internet (Li et al., 1999). Though e-shopping has been the next big thing, Indians will still take time to get comfortable with the process. Hence it becomes really important for the companies to target the young and technological enabled potential buyers by exploring different digital mediums to market the brand. Few of the categories that have tremendous growth in e-commerce are Travel, E-tail and Financial services. The current market of ~35 billion USD is expected to grow at a 25% CAGR over the next five years (PwC, 2016).

Digital consumers in India are constantly on rise and the most 60% of those users are using e-commerce for visiting retail sites, followed by electronics, books, beauty and healthcare. Below mentioned are few figures to understand the dynamics of Internet users in India.

- There were 687 million internet users in India in January 2020, which has increased by 23% in the last two years. But still the internet penetration has been only 50%.
- There were 400 million social media users in India by January 2020, which saw an increase by 48% in last two years with only 29% penetration.
- Facebook has been the most used social media platform in India with highest number of active users in the world.
- WhatsApp is the most used messenger App in India.
- 91% of total of population in the age group of 16 to 64 owns a mobile phone.
- On an average, population in the age group of 16 to 64 spends 6 hours and 30 minutes on internet in a day.
- The most visited e-commerce website in India is Amazon followed by Flipkart.
- 54% of total of population in the age group of 16 to 64 prefers using voice search and 69% watch content with subscription services.
- Users in Age group of 25-34 are most active on Social Media websites.
- Most used mobile apps in India are – Chat Apps (WhatsApp), Social Networking, Video, shopping and gaming.
- Most preferred payment option for e-shopping among Indian consumers has been Credit card followed by e-wallets and cash.

With 687 million internet users in India, companies cannot overlook the importance of having digital presence on electronic media to reach their targeted customer in the most efficient manner. Hence it has been very important for the brands to market themselves online. According to the report by Statista.com - Of the available digital media options in the country, social media ads garnered the highest share of digital advertising expenditure in 2019, followed by the paid search format. With evolving tools for audience tracking and measurement on digital platforms, digital ad spends are projected to get a bigger share of the pie in the coming years.

Fig 3: Digital Advertising Expenditure in India, Billion INR



Source: Statista Analysis, 2020

Advertising spends on Digital Media is led by Social Media with the highest share of 28%, contributing Rs. 3,835 cr to the Indian digital advertising pie. This is followed by spends on Paid Search (23%), Online Video (22%) and Display Media (21%). Display Media, Online Video and Social Media are expected to have the fastest growth in 2020 (Digital Report, Dentsu Aegis Network, 2019).

FMCG has the highest advertising spends in India followed by e-commerce which has the seen the highest growth by 25%. And the 3 biggest spenders on Digital Medium are BFSI with 42% of total ad spends on digital followed by Consumer Durables and E-commerce.

- **Challenges of Digitization and E-commerce**

- Computer Literacy is starting to become a challenge for growth of digitization. There is lack of awareness in many parts of the country, people are still not aware of the digitalization & consumer needs to get accustomed to newer technologies in future.
- Low speed Internet connections are another barrier for the industry, the average speed of internet is 11 mbps which might not be sufficient considering the usage and also lack of infrastructure.
- Many Indian consumers are not comfortable with sharing personal information with the companies and sometimes are not sure of the quality of product, since there is a lack of tangibility in it.

- Payment Issues and mechanism is one of the biggest challenge in e-transactions for security reasons. But with coming up of new modes of payments like e-wallets and UPI, the online transaction can be done smoothly.
- Several new websites are mushrooming up that don't follow the correct encryption and security standards required for hacker plagued online transactions. This leads to plenty of frauds and cybercrime.
- With such a diverse cultural population, it is really difficult for all the businesses to communicate with them in English. It is becoming more and more important for the brands, digital platforms and apps to embrace more vernacular languages.
- Exploring right digital platforms for different business model respectively. All platforms are not appropriate for all businesses. They need to evaluate which platform works for them.

• **Opportunities for Businesses**

With such challenges, Digital Market and e-commerce is growing at amazing speed. It is possible that with some time and shifts in consumer understanding, exposure and behaviour, these challenges can be eliminated to certain extent. At the same time, one cannot ignore the opportunities that lies with the advancement of Digital Platforms, Electronic Media and E-commerce.

- Digital platforms and ease of doing business online has given a huge push to the development of Small and Medium enterprises.
- There is huge untapped market for the e-commerce to reach out to the Tier II and III cities which are drivers for higher growth in demand and revenues.
- With considering untapped larger markets and scope for more internet penetration there is scope for the companies to increase sales
- One of the best benefits for e-commerce is to overcome the geographical boundaries in terms of selling the product and even promoting it.
- Sellers have tremendous scope for increasing their reach. The sellers are able to build customer relationships, could relish the reduction in costs for quick and efficient marketing and sale of their products.
- India has ever rising number of mobile users than the Internet due to less internet penetration makes the mobile-commerce (m-commerce) to be the next big thing.
- There can be new business models emerging from digitization, which can either means a seller can sell his or her products on marketplace with having to take care of any logistics and many companies can now move on to Multi channel or Omni channel model of business.

Conclusion

It is evident that India is still growing as a market when we talk about internet usage, social media presence or e-commerce industry. Being one of the biggest market with highest number of internet users, there is still an enormous potential for the advertisers and emarketers. Though we discussed about the challenges and opportunities in the digital ecosystem of India, It is relevant to say that there is an extreme need of digital marketing in Indian e-commerce industry. The scenario of ecommerce and internet marketing in India is supposed to evolve from initial transitory phases to substantially mature virtual eMarkets or eMarts with a big boom. The convenience and accessibility of shopping or consuming content make it a lucrative business for sure. Digital Marketing helps with reaching the specific niche target segment which traditional media could never achieved. And not only targeting, digital marketing also helps in analyzing these efforts made to reach and market the product/services to consumers. One of the biggest achievement of the e-commerce and digital medium is to communicate with consumers directly and add personalization to the correspondence or message as per their needs.

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