E-Commerce or Internet Marketing: A Business Review from Indian Context

D. K. Gangeshwer

Department of Mathematics, Bhilai Institute of Technology (BIT), Durg, (C.G), INDIA
dgangeshwar@yahoo.co.in

Abstract

This paper deals the conceptual knowledge of search engine marketing (SEM) or e-commerce, literature review, current and future aspects of e-commerce in Indian context. This paper discussed about the top motivator factors of shopping online. The present development would be a valuable addition to researcher and academicians; and useful theory for practitioners, advertisers, and entrepreneurs.

Keywords: SEM, Online Marketing or E-commerce, Pay-per-click (PPC)

1. Introduction

Khan and Mahapatra (2009) remarked that technology plays a vital role in improving the quality of services provided by the business units. One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. The cutting edge for business today is e-Commerce. The effects of e-commerce are already appearing in all areas of business, from customer service to new product design. It facilitates new types of information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service etc. It can also reduce cost in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services [Rajiv Rastogi]. Businesses are increasingly using the Internet for commercial activities. The ubiquitous nature of the Internet and its wide global access has made it an extremely effective mode of communication between businesses and customers [Rowley (2001)]. Thompson (2005) introduced that the growth of Internet technology has enormous potential as it reduces the costs of product and service delivery and extends geographical boundaries in bringing buyers and sellers together.

Devendra *et. al.*, (2012) defined that electronic commerce, commonly known as e-commerce or eCommerce, consists of the buying and selling of products or services over electronic system such as internet and other computer network. Intent is the technology for e-commerce as it offers easier ways to access companies and individuals at very low cost n order to carry out day-to-day business transactions. Search engine marketing (SEM) is a form of web advertising that companies use to promote their products and services on search engine results pages (SERPs). SEM is focused on the effective use of search engine advertisements (a.k.a., sponsored results, sponsored links) that appear on the SERP. SEM which allows firms to target consumers by placing ads on search engines has proven to be an effective audience acquisition strategy. Unlike traditional online advertising, advertisers pay only when users actually click on an ad when successfully implemented, SEM can generate steady traffic levels and tremendous return on investment (ROI).

Boughton (2005) remarked that most online advertising campaigns have two main objectives: brand development and direct response. Selecting an appropriate marketing channel ultimately depends on which strategies will provide the greatest ROI. Firms that offer products and services through the Web clearly stand to gain from Internet advertising because their prospective customers are already online. Non web-based companies may choose online marketing in order to increase exposure and promote brand. SEM allows companies to closely track their ROI from an audience acquisition standpoint. SEM delivers ads to users who are already searching for the products or services that an advertiser is offering, meaning that theoretically, they are only receiving qualified traffic. Unlike traditional banner ads, advertisers are charged based on the number of clicks they receive, not on the number of impressions (number of times an ad appears). Furthermore, many marketing campaigns place a great deal of importance on branding. PPC ads can be very effective in terms of driving home a brand name because they appear alongside search results for thousands of different search terms. SEM is a form of Internet marketing that involves the promotion of websites by increasing their visibility in SERP through optimization (both on-page and off-page) as well as through advertising (paid placements, contextual advertising, and paid inclusions) [Search Engine Land 2007].

This paper deals the conceptual knowledge of search engine marketing or e-commerce, literature review, current and future aspects of e-commerce in Indian context. This paper discussed about the top motivator factors of shopping online. The present development would be a valuable addition to researcher and academicians; and useful theory for practitioners, advertisers, and entrepreneurs. The further research areas are; the quality of sponsored ad text, ad position, Search Engine Optimization (SEO), PageRank, yellow pages, bid management *etc*.

2. Literature Review

Literature on web theory is scant because it is a relatively a new area and the technologists at the forefront of Web design are typically not sufficiently academically inclined to formulate the relevant theories (Day, 1997). While previous research has examined Internet usage (Teo, Lim, & Lai, 1999), commercial websites (Gonzalez and Palacios, 2004), website design (Kim, Shaw, & Schneider, 2003), website effectiveness from the consumers' perspective (Bell & Tang, 1998), pricing paid placements on search engine (Sen *et. al.*, 2008), and bidding (Bernard and Simone, 2011). This form of online advertising emerged in 1998 [Fain and Pedersen 2006], rapidly has become the central business model of the major search engines [Jansen and Mullen 2008], and is one of the most rapidly growing segments of the online marketing area [SEMPO Research 2009]

Search engine has become a necessity for people to surf the web [Hsien-Tsung Chang, 2011]. It is a simple user interface is designed. Any user simply fills in several fields and the system makes the decision about what to find, where to search and how to look at. The threshold of search is lowered. SEM is an internet marketing model aiming at promoting the ranking of websites in the search engine's search results page which can make a web site introduce into more web users and website traffic [iProspect 2008]. Li-Hsing HO *et. al.*, (2011) explained about exploration of SEO technology applied in internet marketing, Kesharwani and Tiwari (2011) studied the importance of website quality towards the success or failure of any e-vendor. Khan and Mahapatra (2009) studied that the quality of internet banking (i-banking) services in India from customer's perspective. Malhotra and Singh (2007) carried out a research to find the i-banking adoption by the banks in India. Thus, it is high time that India should act fast and decisively in order to use the growing electronic trade to our advantage.
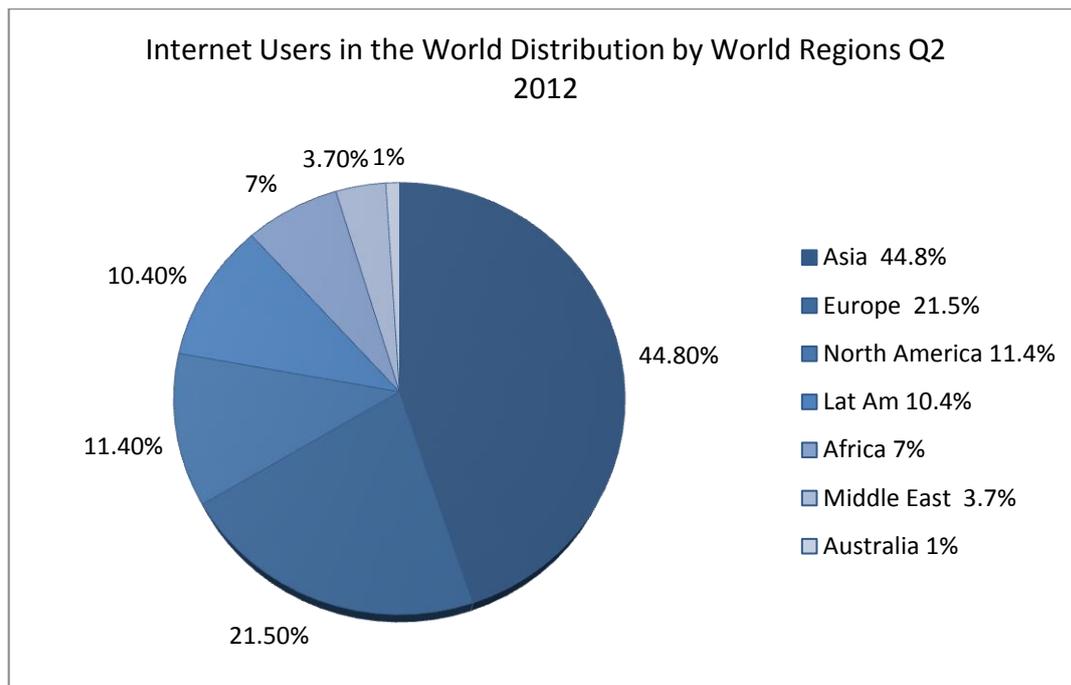
3. Types of E-Commerce

Waghmare G.T. (2012) has defined the following types of e-commerce:

(i)   B2B E-Commerce: Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable.

(ii) B2C E-Commerce: Businesses selling to the general public typically through cataloes utilizing shopping cart software. By dollar volume, B2B takes the prize, however B2C is really what the average Joe has in mind with regards to ecommerce as a whole. for example indiatimes.com.

(iii) C2C E-Commerce: There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell thanks to online payment systems like PayPal where people can send and receive money online with ease. eBay's auction service is a great example of where customer-to customer transactions take place every day.

(iv) Others: G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to-Business), B2G (Business-to-Government).

4. E-Commerce in India

The internetworldstates.com shows that Asia has 44.8% internet users in the world distributed by world regions 2012 Q2.

Internet Users in the World Distribution by World Regions Q2 2012

- Asia 44.8%
- Europe 21.5%
- North America 11.4%
- Lat Am 10.4%
- Africa 7%
- Middle East 3.7%
- Australia 1%

Source: Internet World Stats –www.internetworldstates.com/stats.htm

Waghmare (2012) pointed out that many countries in Asia are taking advantage of Ecommerce through opening of economies, which is essential for promoting competition and diffusion of Internet technologies. Large enough to have a critical mass of 10 to 20 million users to be able to make an impact on e-commerce and e-governance. In the next 3 to 5 years, India will have 30 to 70 million Internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful in India. With the rapid expansion of internet, Ecommerce, is set to play a very important role in the 21st century, the new opportunities that will be thrown open, will be accessible to both large corporations and small companies. A recent report by the

Internet and Mobile Association of India (IMAI) reveals that India' a e-commerce market is growing at an average rate of 70 percent annually, and has grown over 500 percent in the past three years alone [geocart.com].

Zia and Manish (2012) proposed that ecommerce revenues in India will increase by more than five times by 2016, jumping from US$1.6 billion in 2012 to US$8.8 billion in 2016 (As shown in Figure 1)

Forecast: India Online Retail Revenues (B2B and B2C)
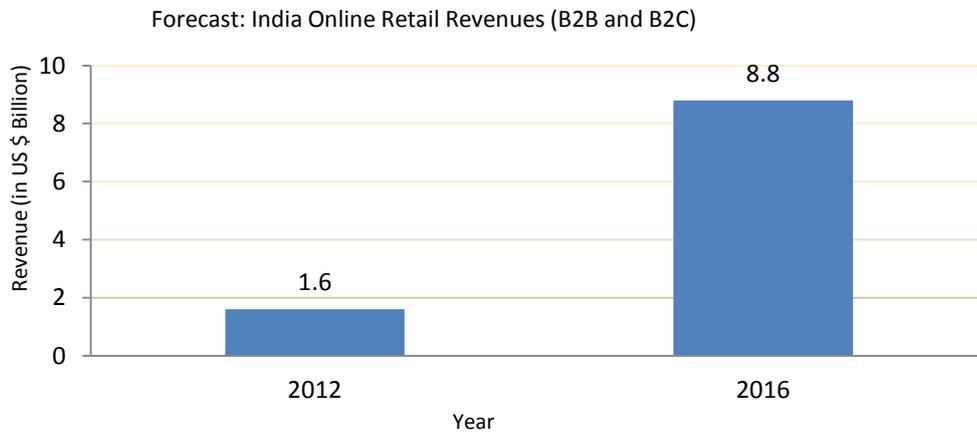
Source: Forrester Research Online Retail Forecast 2011 to 2016

Economic times (2013) stated that the next billion users will come from emerging markets, with at least a fourth from "India". Half of those without net access now live in just 5 countries: India Indonesia, China, Pakistan & Bangladesh. Another newspaper Times of india (2013) written that leading online stores such as Indiatimes Shopping, Jabong and Myntra say that almost half, and in some cases more than half, of their sales now come from tier-II and tier-III towns and cities. E-commerce in the country grew 128 per cent year-on-year last year, with 25 per cent traffic coming from places outside the top 20 cities, it says.

Shoppers in Metropolitan India

Zia and Manish (2012) found that, currently, shoppers in metropolitan India are driving eCommerce: These consumers are primarily buying travel, consumer electronics, and books online. And although spending per online buyer remains low, some 59% of online consumers in metropolitan India already make purchases online at least monthly.

Shoppers in non-metropolitan India

Consumers in nonmetropolitan areas will also help fuel growth; unlike online consumers in cities, they are more likely to shop online for goods that are unavailable at local stores. Zia and Manish (2012) estimated that eCommerce retailers in India are expanding their offerings to the online population outside metropolitan India and are investing heavily in the infrastructure to support these cities.10 Online apparel retailer Myntra.com is already seeing demand for its products outside metropolitan India: 50% of its sales are outside India's 10 biggest cities. To widen their reach, for example, multiple retailers are building warehouses outside central locations; testing shipping options that work in rural areas; offering payment options like cash on delivery (COD) that provide options for the unbanked; and subsequently marketing these to semi-urban and rural consumers.

Moreover, Aditya Kulkarni , Product Manager at Google (Jan 15, 2013) pointed out that India maybe behind the curve on the numbers, but they are growing fast, and when they reach the 200-300 million online shoppers, you can safely assume that there will at

least be as many e-Commerce players in India as there are in China. That is to say, there will be at least 10-20 successful, large and growing e-Commerce companies in India over the next few years!. I think the successful companies of tomorrow are going to look different from the ones that are on the top now. There's going to be 100-200 million new e-Commerce customers that are going to be up for grabs in the next few years. Another way to look at it is that in 80% of the e-Commerce shoppers of 2016 still are available to be nabbed by e-Commerce sites. And they're going to come from predominantly two categories. First, from Tier-2 and Tier-3 cities as the logistics and connectivity there improve and second, young people that get jobs/pocket-money and start shopping online

5. Major Search Engines in the Market

By distinct search engines, means that search engines, portals, and websites who have alliances and who solicit bids for paid placements from a single source are treated as one search engine. For instance, by successfully bidding for a paid link with Overture exposes a seller to traffic from several websites, including MSN, Yahoo!, AltaVista, InfoSpace, AlltheWeb and NetZero. There are various search engines by content/topic such as Baidu (Chinese, Japanese), Bing, Blekko, Google, Sogou (Chinese), Soso.com (Chinese), Volunia, WireDoo, Yahoo!, Yandex (Russian), Yebol, and Yodao (Chinese). Among PPC providers, Google AdWords, Yahoo! Search Marketing, and Microsoft adCenter are the three largest network operators, and all three operate under a bid-based model.

6. The Advantages and Disadvantages of Internet Marketing

Melody and Robert (2001) remarked that the Internet can provide timely information to customers because of its ability for instant communication, and its availability 24 hours a day, 7 days a week [Lane, 1996]. On-line marketing offers more choices and flexibility [Lamoureux, 1997] and, at the same time, eliminates huge inventories, storage costs, utilities, space rental, *etc.*, [Avery, 1997]. People tend to associate Internet marketing with direct marketing because companies participating in online marketing usually shortened the supply chain [Edwards, *et al.*, 1998] and reduced commission and operating costs. The ability to serve as both a transaction medium and a physical distribution medium for certain goods is a unique feature of Internet marketing. Such advantages can be best realized by companies that provide digital products/services such as software, music, news, consulting services, online ticketing and reservations, telemedicine, insurance, banking, stock brokerage, tax, and other financial service industries. Using the Internet as the distribution channel can reduce not only the delivery cost substantially, but also ensures instant delivery of products/services.

Moreover, Ruckman (2012) suggested that Internet research becomes an increasingly important tool during the purchasing process; more marketers are seeing the advantages too. It's a win-win situation. Marketing departments are investing more into online marketing today because it's:

- Attractive to a significant segment of the demographics for most customer profiles. It can effectively reach the target customer.
- Faster and less expensive to conduct direct marketing campaigns
- Measurable, which means that successes are identifiable and repeatable
- Open 24-hours a day
- Cost-effective, in the long run.

Disadvantages:

There is no actual face-to-face contact involved in the Internet communication. For the types of products that rely heavily on building personal relationship between buyers and sellers such as the selling of life insurance, and the type of products that requires physical

examination, Internet marketing maybe less appropriate. While internet marketing cannot allow prospective buyers to touch, or smell or taste or 'try on' the products, However a survey of consumers of cosmetics products shows that email marketing can be used to interest a consumer to visit a store to try a product or to speak with sales representatives [Martin at el (2003)]. Some of the disadvantages of e-Marketing are dependability on technology, Security, privacy issues, Maintenance costs due to a constantly evolving environment, Higher transparency of pricing and increased price competition, and worldwide competition through globalization.

5. Top Motivators for Shopping Online

Times of India (February 12, 2013) has published that top motivators for shopping online which include cash back guarantee, cash on delivery, fast delivery, substantial discounts compared to retail, and access to branded products, while barriers include inability to touch and try products before purchase, fear of faulty products, apprehension of posting personal and financial details online and inability to bargain (See Figure 5.1).

Figure 5.1. Top Motivator Factors for Shopping Online

6. Conclusions and Recommendations

This paper deals the conceptual knowledge of search engine marketing or e-commerce, literature review, current and future aspects of e-commerce in Indian context. This paper discussed about the top motivator factors of shopping online. The present development would be a valuable addition to researcher and academicians; and useful theory for practitioners, advertisers, and entrepreneurs. Some of the disadvantages of e-Marketing are dependability on technology, Security, privacy issues, Maintenance costs due to a constantly evolving environment, Higher transparency of pricing and increased price competition, and worldwide competition through globalization. While considering the aforesaid limitations; advertisers and end-users can effectively use this modern platform to make life easier and faster. In the next 3 to 5 years, India will have 30 to 70 million Internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful in India. With the rapid expansion of internet, Ecommerce, is set to play a very important role in the 21st century, the new opportunities that will be thrown open, will be accessible to both large corporations and

small companies [Waghmare (2012)]. Karoor (2012) explained that Ecommerce encapsulates many of the dynamics of 21st century of India. The potential huge and wit and energy of the entrepreneurs in the sector is impressive. Online commerce in India is destined to grow both in revenue and geographic reach. The further research areas in ecommerce are; the quality of sponsored ad text, ad position, Search Engine Optimization (SEO), PageRank, yellow pages, and bid management etc.

References

[1]   A. Kulkarni, Product Manager: http://yourstory.in/**2013**/01/indian-e-commerce-what-does-the-future-look-like/.
[2]   Avery, S. Online tool removes costs from process. Purchasing, vol. 123, no. 6, **(1997)**, pp. 79-81.
[3]   S. B. Boughton, Search engine Marketing, Bart Boughton was a student in the MBA program in the School of Management and Business at St. Edward's University, **(2005)**.
[4]   H. Bell and N. K. H. Tang, "The effectiveness of commercial Internet websites: a user's perspective", Internet Research: Electronic Networking Applications and Policy, vol. 8, no. 3, **(1998)**, pp. 219-228.
[5]   J. Bernard and S. Simone, "Bidding on the buying funnel for sponsored search and keyword advertising", Journal of Electronic Commerce Research, vol. 12, no. 1, **(2011)**, pp. 1-18.
[6]   A. Day, "A model of monitoring Web site effectiveness", Internet Research: Electronic Networking Applications and Policy, vol. 7, no. 2, **(1997)**, pp. 109-115.
[7]   D. Agrawal, R. P. Agrawal, J. B. Singh and S. P. Tripathi, "E-commerce: True Indian Picture", Journal of Advances in IT, vol. 3, no. 4, **(2012)**, pp. 250-257.
[8]   N. Edwards, S. Handcock and J. Mullen, "Electronic commerce: reality bytes", Supply Management, vol. 3, no. 8, **(1997)**, pp. 32-34.
[9]   D. C. Fain and J. O. Pedersen, "Sponsored Search: A Brief History", Bulletin of the American Society for Information Science and Technology, vol. 32, no. 2, **(2006)**, pp. 12-13.
[10]   F. J. M. Gonzalez and T. M. B. Palacios, "Quantitative evaluation of commercial websites: an empirical study of Spanish firms", International Journal of Information Management, geocart.com : http://www/geocart.com/online-business-success.asp, vol. 24, no. 4, **(2004)**, pp. 313-328.
[11]   H.-T. Chang and S. Wu, "A Switching Proxy for Web Search Engines. Advanced in Information Sciences and Service Sciences", Advanced Institute of Convergence Information Technology, vol. 3, no. 5, **(2011)**, pp. 52.
[12]   IProspect, Information on http://www.iprospect.com/search-engine-marketing-university/, **(2008)**.
[13]   B. J. Jansen and T. Mullen, "Sponsored search: An overview of the concept, history, and technology", International Journal of Electronic Business, vol. 6, no. 2, **(2008)**, pp. 114-131.
[14]   U. Karoor, "E-commerce in India: Early Bards expensive worms", Consumer and shopper insights, **(2012)**.
[15]   A. Kesharwani and R. Tiwari, "Exploration of Internet Banking Website Quality in India: A Webqual Approach", Great Lakes Herald, vol. 5, no. 1, **(2011)**, pp. 40-58.
[16]   S. E. Kim, T. Shaw and H. Schneider, "Web site design benchmarking within industry groups", Internet Research, vol. 13, no. 1, **(2003)**, pp. 17-26.
[17]   M. S. Khan and S. S. Mahapatra, "Service quality evaluation in internet banking: an empirical study in India", Int. J. Indian Culture and Business Management, vol. 2, no. 1, **(2009)**, pp. 30-46.
[18]   T. Lamoureux, "IS goes shopping on the web", Computerworld, vol. 31, no. 46, **(1997)**, pp. 106.
[19]   L.-H. Ho, M.-H. Lu, C.-P. Lee and T.-F. Peng, "Exploration of Search Engine Optimization Technology Applied in, Internet Marketing", Advances in Information Sciences and Service Sciences, vol. 3, no. 7, **(2011)**.
[20]   P. Malhotra and B. Singh, "Determinants of internet banking adoption by banks in India", Internet Research, vol. 17, no. 3, **(2007)**, pp. 323-339.
[21]   B. A. S. Martin, J. Van Durme, M. Raulas and M. Merisavo, "E-mail Marketing: Exploratory Insights from Finland", Journal of Advertising Research, vol. 43, no. 3, **(2003)**, pp. 293-300.
[22]   M. Y. Kiang and R. T. Chi, "A framework for analyzing the potential benefits of internet marketing", Journal of Electronic Commerce Research, vol. 2, no. 4, **(2001)**, pp. 157-163.
[23]   R. Rastogi, "Country Report on E-Commerce (India, Ministry of Communications and Information Technology", Department of Information Technology, Office of the Controller of Certifying Authorities), pp. 133-146.
[24]   J. Rowley, "Remodeling marketing communications in an Internet environment", Internet Research, Electronic Networking: Applications and Policy, vol. 11, no. 3, **(2001)**, pp. 203-212.
[25]   R. R. Ruckman, http://www.imgrind.com/10-advantages-of-internet-marketing/10 Advantages Of Internet Marketing, **(2012)** January 19.
[26]   SEMPO Research, "The State of Search Engine Marketing 2008 Survey of Advertisers and Agencies Search Engine Marketing Professional Organization", SEMPO, February, Search Engine Marketing Professional Organization, **(2009)**.

[27] R. Sen, S. Bandyopadhyay, J. D. Hess and J. Jaisingh, "Pricing paid placements on search engine", Journal of Electronic Commerce Research, vol. 9, no. 1, **(2008)**, pp. 33-50.

[28] T. S. H. Teo, V. K. G. Lim and R. Y. C. Lai, "Intrinsic and extrinsic motivation in Internet usage", Omega, vol. 27, **(1999)**, pp. 25-37.

[29] T. S. H. Teo, "Usage and effectiveness of online marketing tools among Business-to-Consumer", B2C, firms in Singapore, International Journal of Information Management, vol. 25, **(2005)**, pp. 203-213.

[30] Times of india: http://timesofindia.indiatimes.com/tech/tech-news/internet/50-sales-of-e-commerce-sites-like-Indiatimes-Shopping-Myntra-Jabong-from-tier-II-III-cities/articleshow/18460504.cms, **(2013)**

[31] G. T. Waghmare, "E-commerce; A Business Review and Future Prospects in Indian Business", Internet Marketing in India: Indian Streams Research Journal, vol. 2, no. IV, **(2012)**, pp. 1-4.

[32] Z. daniell Wigder and M. Bahl, "Trends in India's eCommerce Market", Forrester Research, Inc., http://articles.economictimes.indiatimes.com/**2013-02-1**3/news/37079231_1_mobile-users-net-access-feature-phones, **(2012)** August 13.

Author

Dr. D. K. Gangeshwar (1978), Ph. D (Statistics), is working as a Sr. Assistant Professor in the Bhilai Institute of Technology (BIT), Chhattisgarh Swami Vivekananda Technical University (CSVTU), Bhilai, Durg (C.G), India. His areas of subjects are Statistical Quality Control (SQC), Quantitative Techniques in Management, Optimization Methods, Research Methodology, and Econometrics and Decision Models. He has served as Sr. Business Analyst with Boonze Media Solution Pvt Ltd (BMS), Chennai for 4 years in the various fields of Search Engine Marketing (SEM), and Search Engine Optimization (SEO). He has published half a dozen research papers in various national and international journals.