



**Relevance of  
E-Commerce in India  
with special emphasis to  
Online Marketing**

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## ABSTRACT

•Electronic commerce includes the sending of order over the electronic data interchange (EDI); the use of fax and e-mail to facilitate transactions, the use of ATMs, EFTPOS, and smart cards for making payments and obtaining cash and the use of internet and on-line services. Thus, e-commerce implies conducting business in a market space as compared to the traditional market place.

## KEYWORDS

- E-commerce
- Internet
- Online Marketing
- Electronic
- Website

### Introduction

Digitalization and connectivity are the two terms underlying this electronic business. Digitalization consists of conversion of text, data, sound and image into bits that can be delivered from one place to another at an incredible speed.

Conversion consists of building networks connecting consumers and companies. When network is established between persons within a company, it is called intranets and extranets when it connects a company with its customers and suppliers, and when it establishes a link between users and the outside world of huge array of information, it is called internet.

**Basically there are two e-commerce channels :-**

#### a) Commercial channels :

These channels provide information (news, libraries, education, travel, sports), entertainment (fun and games), shopping services, chat rooms and e-mail to the subscribers who pay a monthly fee. American online provides services to 14 million subscribers and Microsoft Network have 2.45 million subscribers.

#### b) Internet:

The internet enhances decentralized global communication the development of World Wide Web browser software like the Netscape Navigator and Microsoft Internet Explorer has further enhanced the net usage. Users can surf the internet and experience fully integrated text, graphics, images and sound. They can deliver e-mail, exchange opinions, shop and obtain news, art, science and business information. The internet through is free, the users have to pay a certain amount to be linked to it. Consumers have been purchasing computer software and hardware, books, music, airline tickets, food, wine, clothing and electronic items over the internet so far. Business Transactions covering numerous products are carried on the internet in much greater volume. Financial transactions such as stock trading, home banking and insurance are also carried over the internet.

**Conducting online marketing :**

Businesses can practice online marketing through the following ways:-

**a) Electronic Presence :**

Several companies have established their presence on the internet through their websites providing variety of services. Electronic presence on the web can be established in two ways. Firstly, by buying a space on a commercial online service and secondly, by introducing its own website. The former involves renting storage space on the online service's computer or establishing a link from the company's computer to the online service's shopping mail for a certain price. For instance, JC Penney has links to America online, Compuserve and Prodigy. As against this many companies have created their own websites aided by a professional web design agency. These websites can take two forms :

**Corporate website :**

A Company provides through this website information relating to its history, objectives and philosophy, products and services, financial performance and job opportunities. These sites aim at answering questions by e-mail, build customer relation and arouse excitement about the company in the minds of the public.

**ii) Marketing website :**

These websites bears a catalog, shopping tips, promotional features such as coupons, and contests intended to bring prospects and consumers closer to purchasing. A company promotes its website through print and broadcast advertisement and through banner ads on other websites. Clinique ([www.clinique.com](http://www.clinique.com)) for example, provides information about cosmetics, beauty tips, price, and also offers on-line purchasing.

The pushing force behind the e-commerce juggernaut is business marketing. Companies like Chevron, Ford, General Electric, Merck and several others have invested millions in procuring web spaces and websites to facilitate corporate purchases. The result is that the invoice costing \$100 to

process now costs only \$20. G.E. now requires all its partners to join its Trading Process Network that enables G.E. to save \$200 millions every year. CISCO, DELL, Intel, Ingram Micro have multibillion-dollar sales volume through their websites leading to a future where nearly all intercorporate business is conducted over the internet.

**b) Advertising on-line :**

Companies can present their on-line ads in three ways. Firstly, they can place classified ads in special sections offered by the major commercial on-line services. Secondly, in certain internet newsgroups that are set up for commercial purposes and thirdly, companies can purchase on-line ads that pop-up while users serfe on-line services or websites. These includes banner ads, pop-up windows, tickers (banners that move across the screen), and roadblocks (full screen ads that users must click through to pass to other screen). Yahoo! has employed 100 Cyberspace Salespersons, who demonstrate how on-line ads can reach people with certain interests or living in specific zip code areas.

**c) Forums, Newsgroups, Bulletin Boards and Web Communities :**

Forums are discussion groups found on commercial on-line services, operating a library, chat room and classified ad directory. America on-line have introduced buddy lists which informs members when friends are on-line for facilitating exchange of messages. It also has 14000 chat rooms.

Newsgroups provides access to posting and reading messages on specific topics such as health, environment, science, technology or sharing views about latest soap opera happenings.

Bulletin board systems are specialized on-line services that center on a

specific topic or group. More than 60000 bulletin boards deal with topics such as health, vacations, computer games and real estate. Though, companies can take part in the bulletin boards, but they are not allowed to introduce a commercial tone into these groups.

Web communities are commercially sponsored websites where members share opinions on issues pertaining to common interests. Agriculture on-line is one such community where farmers and other persons can gain knowledge about farm prices, recent farm news and chat room at its website [www.agriculture.com](http://www.agriculture.com).

#### d) **E-mail and Web Casting :**

Web casting services like Point Cast ([www.pointcast.com](http://www.pointcast.com)) and Infusion ([www.ifusion.com](http://www.ifusion.com)) contracts with companies for downloading customized information to recipients PCs. The members or subscribers can specify the news and information they require by paying a monthly fee. Webcasters must, however, recognise the fact that they are not over-loading the subscribers with junk e-mail.

#### **The on-line consumer :-**

As more and more people, besides younger, affluent and better educated make their way into the internet, the cyberspace population has become more mainstream and diversified. While the younger population use internet for entertainment. 45 percent of the internet users are 40 years and above and use internet for serious matters say banking and insurance. These users look for more informations and sometimes give negative response to messages concerned primarily with selling. The users decide what messages they will receive about products. Internet search engines such as Yahoo!, Infoseek, Excite provide users access to various information sources. The users receive information about products, their costs, prices, quality and other features without recourse to producers. They can

even dictate the design of the products and look for software agents for offers from different sellers.

The above mentioned facilities to the buyers implies that the exchange process on-line is customer oriented and customer controlled. Manufacturers are stagnant until the customers invite them to the process. Even after the producers have entered the exchange process, the customers define the rules relating to the informations they seek, the products in which they are interested and the prices they are willing to pay.

#### **Internet - The Indian Scenario :**

The Net has virtually become a household name in India. The sudden splurge in the internet front is in a large way owed to the increasing number of private ISP market mushrooming all over the country, offering the cyber voyage for more and more competitive prices. Within a few years internet in India is being viewed as an effective medium for information, entertainment, communication and electronic commerce. As the Internet expands, so will e-commerce and an expansion of internet in the country will not only help India become an important element of the expanding global e-economy, it will also facilitate its citizens to exploit the advantages of the web enabling experience. Though, the Internet usage in India is far less than countries such as China and Japan, the growth in the recent years has been significant.

The growth of internet users and the percentage of penetration from 1998 to 2007 has been depicted in the table presented below :

#### **Internet Usage and Population Statistics :**

Year	Users	Population	%Pe n.	Usage Source
1998		1,094,870,677	0.1%	ITU
1999	2,800,000	1,094,870,677	0.3%	ITU
2000	5,500,000	1,094,870,677	0.5%	ITU
2001	7,000,000	1,094,870,677	0.7%	ITU
2002	16,500,000	1,094,870,677	1.6%	ITU
2003	22,500,000	1,094,870,677	2.1%	ITU
2004	39,200,000	1,094,870,677	3.6%	C.I. Almanac
2005	50,600,000	1,112,225,812	4.5%	C.I. Almanac
2006	40,000,000	1,112,225,812	3.6%	IAMAI
2007	42,000,000	1,129,667,528	3.7%	IWS

Source : Internet usage stats and Telecommunications Market Report-2008

The Govt. of India is highly responsible for the huge boost to the country's Internet plans. It has taken many landmark decisions that have resulted in the increase in Internet penetration in India. Few of the important decisions relating to e-commerce and Internet are as follows:

- i) It has announced the Information Technology Act, 2000 declaring a cyber law regime.
- ii) The ISP policy for the entry of private Internet service providers was announced in November, 1998.
- iii) It has also allowed private ISPs to establish international gateways.
- iv) Granted permission of Internet access through cable TV.
- v) It took up the initiative of setting up the National Internet Backbone.
- vi) Complete non-monopolization of undersea fibre connectivity for ISPs on August 15, 2000.
- vii) The DOT has permitted interconnectivity of Govt. and closed user group networks.
- viii) The Govt. permitted the establishment of the Public Tele Info Centres (PTIC) having multimedia capabilities.
- ix) The Govt. has allowed 100 percent FDI in business to business e-commerce.
- x) The Govt. also announced the national long distance service beyond the service area to private operators.

- xi) Free right of way facility, to access providers to lay optical fibre networks along national highways state highways and other roads.

#### Role of NASSCOM:

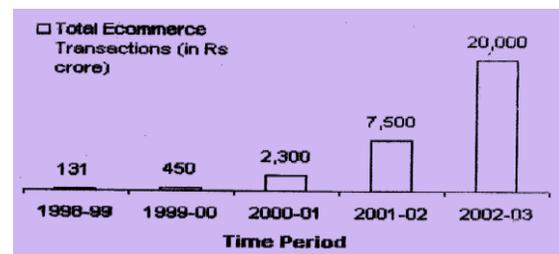
NASSCOM also undertook several initiatives stimulate the internet penetration in India in the year, 2000. Some of them are :-

- i) It launched the operation bandwidth, which encouraged the govt. to set up a bandwidth committee. As a result of which, the supply of bandwidth was considerably increased.
- ii) It encouraged the govt. to allow private ISPs to establish their own international gateways. As a result, seven private ISPs have set up their international gateways in 2000 and the prices of internet reduced by 70 percent.
- iii) It also convinced the govt. to allow ISPs to lay under seacabel. NASSCOM is still committed to increase the Internet proliferation in the country. It aims to achieve 2 Mbps of bandwidth for every adult citizen by the year 2005.

#### E-Commerce in India:

In India, the total volume of e-commerce transactions was Rs. 450 crores in 1999-2000. The survey conducted by NASSCOM revealed that e-business transactions in India are expected to reach Rs. 40000 crore upto 2003-04.

#### Growth of E-commerce (Projections)



The Nasscom survey revealed that during the year 2000-01 though there was huge increase in the e-commerce transactions volume, it did not grow to the expected levels. The business to business was the biggest hit. E-tail segment is projected to earn only Rs. 50-60 crore whereas stock traded on-line are projected to have transactions worth Rs. 1200 crore. For e-commerce business volume to pick up, a regulatory framework, improvements in telecom infrastructure and increased PC proliferation are highly required. The Govt. of India, with the assistance of NASSCOM and other professional bodies have a major role to play for e-commerce to reach new heights.

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