

# ONLINE BUYING: EVOLUTION, GROWTH, TRENDS AND CHALLENGES



## Management

KEYWORDS :

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### ABSTRACT

*Revolution in media, communication and connectivity with change in economic thoughts has entirely transformed the way business is being conducted today and marketing being the lynch pin has been touched the most.*

*E-Marketing has made it possible to communicate directly to consumer and marketing is reaching out to those corners of the world which are yet far off from modern civilized system. Technologies facilitating more production at less cost and marketers are looking for untapped markets. E-Commerce has significantly changed the way businesses and customers transact products and services. Over the last few years, India has shown remarkable growth in e-commerce especially amongst demographically youthful population.*

*Companies are spending lot of time and money in building new internet business models and finding new channels for their revenues. With the benefits recognized by companies and consumers, E-Commerce has been realized more and more important. The latest expansion of internet is driven by marketing initiatives as it provides product information to the potential users. Buyers today are only a click away from comparing competitor's product and attributes. The market of leading e-commerce companies Amazon, Flipkart, Snapdeal, Quikr, eBay has expanded rapidly.*

### I. THE BACKDROP

The traditional view of marketing states that marketing is mainly concerned with the physical and ownership transfer of goods and services from the producer. Whereas modern concept of marketing reveals that marketing involves the manufacturing of products acceptable to the customers and the activities which helps physical transfer of goods from producer to the ultimate consumers. The process of marketing starts with the identification of needs and wants through market survey and converting them into products or services and distribution through buyer oriented channel with suitable sales promotion technique at logical price thereby to make a reasonable profit. The concept of marketing is essentially a concept of customer orientation. The products/services are bought because they satisfy a specific need of a customer. Marketing shall have customer orientation, competition orientation and responding to environmental changes.

Revolution in media, communication and connectivity with change in economic thoughts has entirely transformed the way business is being conducted today and marketing being the lynch pin has been touched the most. E- Marketing has made it possible to communicate directly to consumer and marketing is reaching out to those corners of the world which are yet far off from modern civilized system. Technologies facilitating more production at less cost and marketers are looking for untapped markets.

### II. Paradigm shift in Marketing

The business world has undergone rapid changes in the past several decades due to technology shifting from mechanical to digital world which had great impact on the behaviour of producers and consumers. Increasing population, climatic changes like global warming required a major rethinking of marketing. Several studies discovered that there is a paradigm shift from simple trade era to relationship marketing, traditional approach to relational approach, marketing mix to relationship marketing, passive to active role of consumers, focus on production networks to consumption networks, mass consumption to sustainable marketing, advertising on traditional media to social media and relationship marketing to social media marketing. The marketing is undergoing a basic shift from transactional approach to

a relational approach which is today known as Customer Relationship Management (CRM). Marketing 3.0 is the latest era of marketing as proposed by Philip Kotler which is value-driven, includes the practices like societal marketing, green marketing, corporate social responsibilities and social media marketing.

There has been a shift from 4P's to 8P's in marketing. Manufacturing companies usually address four elements Product, Price, Place and Promotion where as in service industry 4 more P's have been considered viz., physical environment, productivity and quality, people and process. Many companies are also trying out their own version of the P's depending on the product and the market in which the product sells.

With people spending more and more time online either on social networks or checking emails, marketers are leaving no stone unturned to catch the eyes of the customers and educate them on products through constant updates, latest offers and product launches. E-mail marketing has come of the age. Marketers have changed their outlook towards "Campaign" and are continuously trying to build "Relationships". Be it Amazon, Flipkart, Snapdeal, e-mail has been considered to be an effective tool to engage the customer.

The paradigm shift towards the concept of marketing during different eras of orientations can be presented as follows.

Paradigm Shift	
Era	Concept
Production Orientation	Supply Created its own Demand
To	
Product Orientation	Quality of Product was considered to be important
To	
Sales Orientation	Prioritizing movement of goods from plant to customer achieving high sales turnover
To	
Market Orientation	Marketing function guiding company's direction
To	

Customer Orientation	Focus on Customer, satisfying his needs and making a King
	To
Relationship Orientation	Effort to retain existing customers rather than acquiring new customers every time
	To
Social/Mobile Orientation	Using knowledge and theories of earlier eras making real-time connections, establishing social exchanges based on relationships driven by consumers

**III. OBJECTIVE OF THE STUDY**

The objective of this paper is to highlight the internet usage trend and the growing online buying behaviour. The evolution, growth, trends and challenges of online buying in India is also presented. To some extent, the reasons behind the shift in consumer behaviour from traditional marketing to online marketing practices are also covered.

**IV. ONLINE BUYING BEHAVIOUR**

Online buying is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service over the internet. It is a form of e-commerce. The process is called Business-to-Customer (B2C). When a business firm buys from another business it is called Business-to-Business (B2B) online Buying. Online buying is also called e-shopping, online shopping or e-tailing which has been the new trend of shopping in India. It is used to refer to computer based-shopped or e-shopping same like Internet banking or e-banking. Electronic shopping is a recent phenomenon in the field of e-business and definitely it will be the future of shopping in India. The internet and worldwide web have brought a revolutionary changes in the thinking process and usage of information as well as data by the consumers. The success and survival of the business organisations today is largely decided by the effectiveness to integrate this medium in their business model.

**V. EVOLUTION AND GROWTH OF ONLINE BUYING**

E-commerce, short for electronic commerce, means buying and selling products and services over the internet. E-commerce has significantly changed the way businesses and customers transact products and services. Over the last few years, India has shown remarkable growth in e-commerce especially amongst demographically youthful population. India has the third largest base of internet users in the world after China and United States. Online shopping, online buying, online retailing, e-shopping, e-retailing, virtual shopping are some of the few terminologies which are interchangeably used for e-tailing.

‘Tim Berners Lee’ created the first World Wide Web (www) server and browser in 1990, which opened for commercial use in 1991. The concept of online buying emerged and developed gradually with the launch of www. Over the past few decades the Internet has developed into a vast global market place for exchange of goods and services in the world.

In late 90s and first decade of 21<sup>st</sup> century, online travel sites encouraged the customers to transact over the internet over the years, with busy schedule and lack of time with customers, online shopping portals offered convenience to customers to lag in at their free time and convenience which appealed to customers in metropolitan cities. The online retailers also brought in a number of initiatives to encourage the customers to opt for online shopping. The main initiatives implemented by online shoppers include – cash on delivery, innovative & customized services for attracting customers, and investment in distribution channels.

When internet was first introduced, very few businessmen actually realized its potential as a marketing tool. About 20 years

ago, the biggest of entrepreneurs declared it unfit for commercial purposes. Back then, it was just used for simpler tasks like emailing and data transfer. In the beginning one of the first Internet service providers, ‘Netscape’ brought the online world into prominence. The company wanted the web to be more accessible to people willing to buy and sell things online. In August 1995, Netscape went public with its shares. Public interest swelled up and advertisers lapped up at this golden opportunity.

Companies are spending millions of time and money in building new internet business models and finding new channels for their revenues. With the benefits recognized by companies and consumers, E-commerce has been realized more and more important. The latest expansion of internet is driven by marketing initiatives as it provides product information to the potential users. Buyers today are only a click away from comparing competitor’s product and attributes. The market of leading e-commerce companies Amazon.com, Snapdeal, Quikr, eBay has expanded rapidly.

The reports of I-cube, Internet and Mobile Association of India (IAMAI) and IMRB surveys reveals that India is now the third largest base of Internet users in the world. The country had 142 million internet users, of which nearly 3/4 in urban and 1/4 in rural area users. Among the total users nearly 40% reside in metros. We cannot compare India’s growth with the USA and China as their markets are already well-evolved and India still had enough room for development. The experts of reputed e-commerce stores stated that “Indians are still not comfortable shopping for products on the web, many don’t know how to use debit and credit cards online and use the Internet only for information”. It is to be noted that internet usage has been substantially rising among the youngsters.

**VI. REASONS FOR ONLINE BUYING**

Indian online shoppers are brand savvy, even when they are buying online. Category-wise life style products, such as cosmetics, clothing, jewellery, watches, cell phones, fashion products, healthcare and fitness equipment accounts for nearly 60% of the e-commerce sales in India.

The main reasons for buying online can be listed as follows.

- Convenience
- Better prices
- Variety
- Gifts
- Fewer Expenses
- Comparison of Prices
- Avoiding Crowds
- Compulsive shopping
- Buying old and unused at low prices
- Discreet purchases
- Changing nature of work
- Customized and new product capabilities.

In the event of a problem consumers are concerned with the ease with which they can return an item for the correct one or for a refund. Some online companies have more generous return policies to compensate for the traditional advantage of physical stores. Some online stores provide or link to supplemental product information, such as instructions, safety procedures, demonstrations, or manufacturer specifications. Some provide background information, advice, or help consumers decide which product to buy. Reviews and now blogs gives customers the option of shopping cheaper organize purchases from all over the world without having to depend on local retailers. Some online stores have real-time chat features, but most rely on e-mail or phone calls to handle customer questions.

**VII. PROBLEMS AND CHALLENGES IN ONLINE BUYING**

Considering the technology access level of Indian consumers there exist several practical difficulties faced by online buyers.

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store. Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. Identity theft is still a concern for consumers when hackers break into a merchant's website and steal names, addresses and credit card numbers. A number of high-profile break-ins in the 2000s has prompted some U.S. states to require disclosure to consumers when this happens. Phishing is another danger where consumers are fooled into thinking they are dealing with a reputable retailer, when they have actually been manipulated into feeding private information to a system operated by a malicious party.

A few problems that shoppers potentially face include identity theft, faulty products, and the accumulation of spyware. Whenever we purchase a product, we are going to be required to put in our credit card information and billing/shipping address. If the website is not secure a customer's information can be accessible to anyone who knows how to obtain it. Most large online corporations are inventing new ways to make fraud more difficult, however, the criminals are constantly responding to these developments with new ways to manipulate the system. One of the hardest areas to deal with online shopping is the delivery of the products. Most companies offer shipping insurance in case the product is lost or damaged; however, if the buyer opts not to purchase insurance on their products, they are generally out of luck.

Privacy of personal information is a significant issue for some consumers. Many consumers wish to avoid spam and telemarketing which could result from supplying contact information to an online merchant.

**Challenges in online buying**

In spite of digital revolution, ever growing online buying and huge potential for online stores in future there seems certain challenges in that came across online buying.

To take advantage of this growing opportunity, retails must ensure they are addressing the needs of potential customers, which include attractive pricing and the convenience of ordering online. The rapid growth of online coupon sites suggests that consumers in India are looking for deals, highlighting the need for online retailers to adopt effective marketing and pricing strategies for their goods. Online shopping initiatives are increasingly luring working professionals, women and children. What has added most to online shopping is household appliances and apparel goods the users of mobile phones and public computers who bought products from mobile shopping applications or public computers.

However, this growth story is not devoid of challenges that the industry is confronted with, both global and local. As more global players enter the e-commerce space, lack of common taxation rules can also hinder growth in future. "In the online shopping industry, especially, the need of the hour is a uniform Goods and Services Tax (GST) across the country. Currently, inter-state movements of products often pose a problem, given the

different taxation rates. This would need to be resolved in order to extend the reach and improve the e-commerce experience.

On the local front, online shopping predominantly remains a practice of urban and middle class consumers. Though consumers in small towns have started using internet actively, conversion from visitors to shoppers would take some time. Then there is logistical and supply constraint for retailers. While online shopping is expected to find some share in smaller Indian towns too, increasing supply of products and lack of logistics like warehouses can be a challenge for retailers. One of the bigger challenges being faced by the online shopping industry is fragmented back-end. Greater attention from the government and private entities, more investment and the entry of serious players would be needed to create a better structure for payments and logistical infrastructure.

**VIII. ONLINE BUYING TRENDS**

In India with the online shopping industry in its boom period at the moment, the online shopping companies and portals are coming up with newer and better trends that will make them the first choice for their consumers. The major online buying trends include In-store pickups, pick up Depots, user generated videos. **In-store pickups** are already quite a deal in the western countries with one or two leading brands. Here business allows clients to make their orders online and pick it up while passing through them. This can surely be a great trend to follow, especially for super markets. **Pick-Up Depots** are very conducive for small businesses as they cannot go large scale. Customer can check at the pick-up depots and pick up the goods ordered online. This is a great way to go online, especially for local businesses. **User generated videos** can be incorporated by businesses on their sites to maintain transparency with their consumers and also attract newer clients. Other potential trends that might emerge are daily deals, promo and flash sales, deal aggregators etc.

**TRA Latest Survey on Online Brand Trust**

The Trust Research Advisory (TRA) conducted a survey and published a report titled "The Brand Trust Report India Study 2016". The report revealed that in India Amazon stood in first place among the most trusted online buying brands, voted by 36% of respondents. The three major online stores Amazon, Snapdeal, Flipkart combinedly won trust vote of 76%. In the smart phone manufacturing category 'Samsung', the South Korea Company tops the list on most trusted brands. The survey was conducted in 16 big cities among the 2500 respondents in the age group of 21-50. The second place in the trust vote after Amazon goes to Snapdeal, Flipkart, ebay etc.

**IX. GLOBAL ONLINE BUYING SCENARIO**

The rapidly increasing practice of online buying has been truly a global phenomenon. The world's most avid online buyers can be found in South Korea i.e., about 99 per cent of Internet users in South Korea buy online. The countries UK, Germany, Japan stood second in online buying. The slowest adopters in the world are in Egypt, Pakistan and Philippines.

There exists some variation *as to the category of items* purchased online in different countries of the world. The category of items in Indian online buying compared with Global average is depicted in Table I.1.

**Table I.1**  
**Category of Items in Online Buying in different countries**

Category	Global Average	United States	United Kingdom	Germany	Japan	India	Brazil	Russia	China	South Africa	Nigeria
Electronics	77%	83%	84%	90%	53%	79%	86%	71%	96%	60%	65%
Home Appliances	59%	46%	65%	58%	41%	67%	70%	62%	83%	41%	52%
Home Furnishings	53%	56%	65%	66%	53%	59%	48%	43%	65%	34%	30%

Fashion Apparel	76%	87%	85%	88%	66%	84%	75%	64%	97%	47%	65%
Sports & Outdoor	52%	56%	53%	66%	36%	52%	49%	51%	78%	35%	35%
Beauty Products	57%	50%	56%	62%	48%	68%	59%	53%	85%	41%	45%
Household Items	45%	36%	48%	40%	41%	60%	35%	36%	84%	31%	35%
Groceries	45%	26%	60%	36%	68%	52%	29%	31%	90%	31%	30%
Toys, Kids and Babies	49%	48%	53%	49%	32%	61%	47%	44%	75%	38%	34%
Tickets	64%	74%	69%	63%	43%	79%	65%	51%	71%	69%	47%
Music and Games	62%	74%	75%	66%	46%	65%	62%	43%	69%	64%	57%
Books	73%	82%	82%	80%	65%	70%	75%	52%	89%	64%	71%
Services	76%	80%	76%	77%	63%	82%	70%	63%	87%	79%	80%

- > 75% have bought the category online
- > 50%-75% have bought the category online
- <50% have bought the category online

Source:<http://trak.in/tags/business/2015/04/11/state-ecommerce-india-top-ecommerce-markets/>

It can be observed from the Table I.1 above that the fashion apparel leads the online buyers among Indian consumers followed by Services, Books, Electronics, Tickets. In China and USA Electronics occupies top position in online buying.

**X. CONCLUSION**

E-marketing is gaining popularity among people specially the younger generation but in today scenario to become equally popular among all age groups e-marketing will have to go a long way. Online shopping is a vast growing technologies. If it is properly utilized with assured safety and security for the transactions, it will thrive into a highly competitive and dynamic environment. The income level, education, occupation and changing social environment have been greatly influencing online buying pattern of the consumers. The psychology of an Indian consumer is still the same of checking the product physically before purchasing it, which creates a hurdle for online buying. With the knowledge, it is believed that e-commerce will continue to grow and it will become not only an important business channel, but also a part of people’s daily life. E-Retailing industry in India has been registering a tremendous, unprecedented growth at the same time facing many new challenges. There should be a concerted effort by all the stakeholders concerned to cope with these challenges and take the online buying ahead.

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