CHAPTER - I

INTRODUCTION

The evolving world of e-business and environmental factors have influenced its development. Various definitions relating to the digital world are introduced. The Internet's impact upon traditional marketing functions and practices is considered together with new dimensions for marketers.

'The Internet is a tidal wave. It will wash over nearly all industries drowning those who don't learn to swim in its waves.'

- Bill Gates CEO Microsoft

The telephone took four decades to reach 50 million people. The Internet has managed this within four years as digital technologies provide such efficient channels for business and consumer interactions transactions. The excitement and anticipation of what a brochure wear site would achieve for many companies five or six years ago seems but a distant memory when considered with the transactional and multi-dimensional capabilities of most current web sites. The Internet has come a long way in a very short time as a mainstream business tool. The high profile disasters of some notable companies has at times, undermined the innovative, customer focused, technology driven, marketing practices by organizations large and small, public and private.

This is not untypical of the many quotes that emerged during the Internet frenzy of the late nineties warning organizations of their impending demise if they ignored this new interactive medium. The new industrial order created would radically change the interrelationships between buyers and sellers of products and services in ways that could not be envisaged. As
Bandyo-padhay (2002) observes, 'at the root of the changes in the business world is a drive towards consumer power; consumers rather than products are the focus of today's organization'. Technology has empowered customers to take more control of their lives but it has not always led to customer-driven marketing applications. It is tempting to be evangelical about the Internet's impact but it should be tempered with the knowledge that some sectors and some businesses have remained largely unaffected by the new economy. Indeed, many consumers have resisted the online urge and organizations must be aware of any real or potential technology gap with their target market before launching new products or services.

A new entrepreneurial spirit flourished and established companies needed to reconsider their business strategies to compete with the new business models applied by new pure play operators. The Internet was creating a new corporate culture energized by the real and perceived benefits of new technology. For some marketers and academics alike, the old models and concepts such as the Marketing Mix were becoming obsolete and irrelevant for the new connected and streamlined business world.

The Internet has created a new set of rules in many ways with greater transparency, cost efficiencies, more consumer power and choice, changing strategic alliances and new partnerships. Marketers have to come to terms with new technologies and new jargon.

E-Retailing Considerations can be Summarized as:

- How important is branding on the Internet compared to the physical world.
- What role can the Internet play in new product development.
- How easily does the Internet lend itself to the sale of non-homogeneous goods.

What impacts have Internet technologies had on pricing levels and strategies both on and offline.
What efficiencies have the Internet brought to the supply chain.
Have customer delivery expectations changed.
Has the Internet eliminated any intermediaries.
How have the new channels affected purchase behavior.
How much of our promotional spend should we devote to online communications.
What is the most important communications tool in e-Retailing.
Do traditional marketing communications methods still have a role to play in the connected world.

Established businesses have to wrestle with the strategic headache of deciding their level of online commitment and how it compliments their traditional operation”. Marketers must not lose sight nor understanding of the customer and what is important to him/her. Even though he/she may only appear as a customer reference number or as a tracking code from an e-coupon on the database, successful businesses try their utmost to stay close to their key customers by adopting the most appropriate means which would be acceptable by the customer as well. One of the most widely used definitions of marketing is offered by the Chartered Institute of Marketing with its emphasis on customer focus. It states:

"Marketing is the management process which identifies, anticipates and supplies customer requirements profitably".

The thrust of this philosophy is to drive online marketing activities. Technology can be fun and exciting for those comfortable with it. It is facilitating a new global marketplace. For many, it feeds a desire for new product innovations. It can improve standards of living by creating products and services that provide convenience and pleasure in a time-starved world. Technology is undoubtedly redesigning the marketing practices for
organizations seeking to engage effectively with past, present and potential customers. The 'e' in e-marketing, e-commerce or e-business represents the applications of digital technologies across all internal and external business functions and processes. It is commonly accepted that technologists have championed the cause for substantial ICT (Information and Communications Technology) investments. The results however have been less than satisfactory and certainly not marketing or customer oriented, hence lower than expected net adoption rates resulted during the Internet's infancy. From the other side, many marketers and strategists did not have the vision or technological understanding to optimize the Internet's potential. **Bowen (2002)** questions organizational ability to harness the new technology:

> 'How did Cisco, Dell, Electro-components, General Electric manage it. Largely because people at the summit saw that the secret was in bringing technologists and non technologists together and making them work together and often they used the banner ‘e’ as the marshalling point. The good e-business managers have met are (or were) either technologists on the way to becoming strategists, or non-technologists with an increasing understanding of IT.

Combining IT and marketing competencies is as desirable for modern marketing students' career development in a dynamic digital world as it is for an organization to connect the two. Left to themselves and without an internal champion, organizations often find this difficult to achieve and turn to consultants to act as an amidst the two functions.

New ideas were rapidly put forward at breakneck speed about how to interact with customers and develop trust and confidence in using the new medium. Astonishing global growth forecasts were made with visions of the masses sitting at PCs conducting their daily affairs whilst the high streets and retail parks struggled in the aftermath. Businesses often constrained by their remote locations could now reach out to other parts of

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the domestic markets and even go global - many did, but many could not or would not. However, many consumers remain untouched by the impact of the Internet. Perhaps they have no need to use it at work or at home, or perhaps actually going out to shop remains an important social activity. It could now be accepted as just another marketing channel for consumers in an ever-increasing multi-channel marketing world. Many suggest that it will be subsumed and will drop everything 'e'. Rather than impacting upon consumers as it matures, the Internet will have more impact upon all players in the value chain.

The Internet has impacted in the B2B sector in a variety of ways. For instance, organizations can source new components from outside of their traditional supplier network to enhance the finished product. E-procurement has streamlined administrative processes whilst driving down costs and e-CRM (Electronic Customer Relationship Management) has facilitated more effective and relevant customer interactions. Not only have they witnessed more customized messages but technology has also allowed more customization of products and services such as personal computers and holidays. This not only changes the Business to Consumer (B2C) relationship but also impacts upon manufacturing and supply chain partners and distributors. The end of mass media had long been forecasted in some quarters as organizations and consumers 'went direct' in significant numbers during the nineties. The modern consumer was generally more comfortable with direct communications methods such as mail and telephone. The growth of direct marketing, of course, was underpinned by new information technologies and communications. The ever-increasing power of computers for data acquisition, storage and analysis provides marketers with their lifeblood for decision-making - information on progressively more fragmented, niche market segments.

'To manage a business well is to manage its future: and to manage its future is to manage information.'

- Alfred Sloan - General Motors 1911

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This, allied to the development of new digital communications media has resulted in more effective, customized communications offers when good practice has been applied. However, this is another uncomfortable area where marketing meets IT with variable outcomes. Banner adverts were expected to be a key revenue generator but simple understanding and observation of consumer behavior and web usage could have highlighted potential weaknesses in this advertising model initially. In the infant days of the web, visitors relied heavily on search engines to find their desired site.

It is widely acknowledged that the Internet has revolutionized and restructured many sectors of industry and provided a new focus for their activities. The Internet has generated opportunities and challenges for existing businesses and new entrants dealing in new direct relationships with customers. In the supply chain, new intermediaries have emerged whilst others have been replaced. New business models have emerged to show how an organization may apply new technology to achieve competitive advantage and revenue generation. The new models need to address how customer satisfaction and value will be achieved.

1.1 E-DEFINITIONS

The five definitions that encompass the evolving Internet driven economy are:

- e-commerce
- e-business
- e-marketing
- m-commerce
- m-marketing
1.1.1 E-Commerce

Commerce is generally acknowledged as the interchange of merchandise on large scale between nations or individuals. Rayport and Jaworski (2001)\(^3\) define e-commerce as 'technology mediated exchanges between parties (individuals or organizations) as well as the electronically based intra- or inter-organizational activities that facilitate such exchanges' The emphasis in most e-commerce definitions has been on digital transactions facilitated at every stage (inventory, ordering and payment processing, etc) by technologies such as Electronic Data Interchange (EDI). Standardization of electronic data formats enables computers to speak to each other, speed information exchanges and reduces transaction costs. Of course, not every organization will use their site for online transactions; it may not be appropriate or part of their strategy. Some organizations may use their site to drive traffic to a physical showroom or perhaps for Primary Research or brand building.

1.1.2 E-Business

Turban et al (2002)\(^4\) suggest that the term 'e-commerce' is a rather narrow constricted definition with its emphasis on the transactional process and that it does not encompass the full range of applications and potential benefits of the Internet. Philips (2003)\(^5\) terms e-business as 'the application of information technologies for internal business processes as well as activities in which a company engages during commercial activity. These activities can include functional activities such as finance, marketing, human resources management and operations. Lou Gerstner of IBM cited in Turban et al extols the potential payback from e-business saying that it is 'all about time cycle, speed, globalization, enhanced productivity, reaching new customers and sharing knowledge across institutions for competitive advantage'. To exploit such opportunities, requires the redesign of the corporate environment and the

\(^3\) Rayport, RE & jaworski, BJ(2001) Introduction to e-commerce.
total integration of information and communications technologies across the business functions.

1.1.3 E-Marketing

E-marketing is described by the Institute of Direct Marketing as 'the use of Internet and related digital information and communications technologies to achieve marketing objectives'.

Mohammed et al (2001)⁶ define Internet marketing as 'the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products and services that satisfy the goals of both parties'. Strauss et al (2003)⁷ suggest that e-marketing covers a wide range of IT related applications with three main aims:

- transforming marketing strategies to create more customer value through more effective segmentation, targeting, differentiation and positioning strategies;
- more efficiently planning and executing the conception, distribution, promotion and pricing of goods, services and ideas;
- creating exchanges that satisfy individual consumer and organizational customers' objectives.

This appears to offer nothing startling at first glance but acknowledges that the Internet has been responsible for many organizations' refocusing their marketing strategies. It also recognizes that one of the benefits of e-marketing is the increased efficiency that it can create for both parties in the exchange process. The applicability of such definitions should be taken in context as it will depend to what extent the business relies on online, offline or a multi-channel approach. Smith and Chaffey (2002)⁸ emphasize the importance of

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the database in e-marketing and the utilization of a wide variety of 'e-tools' to 
generate a dynamic dialogue, which goes beyond a purely transactional 
process. Prominence is given to the role of technology in relationship building, 
customer retention, customization and loyalty by means of effective two-way 
communications. The Internet enables more customer input to influence 
marketing decisions. The ideal outcomes are customer satisfaction, added value 
and improved company revenues. Philip Kotler\textsuperscript{9} cited in Web Metrics paper, 
'Winning on the Web' (2002) sums up the changing shift in power and 
oberves, 'Intelligent management of information and the use of technology-
supported customer interactions are among the e-marketing rules for the new 
economy'. Marketers need to make creative and innovative use of information 
employing both technology and intuition to ease out trends and opportunities. 
However, the organization must not overlook the important role that the 
Internet can play in communicating with the different 'publics' such as 
employees and shareholders. As competition intensifies across sectors, it 
becomes more important for employees to be well informed of corporate and 
marketing objectives and intranets have a key role to play in effective internal 
marketing.

Furthermore, the Internet does have a significant non-selling function 
for both public sector and not-for-profit organizations especially in terms of 
information exchange, communications and online customer service.

\textbf{1.1.4 M-Commerce}

M-commerce can be defined as 'the buying and selling of goods and 
services through wireless handheld devices such as mobile phones and personal 
digital assistants'. M-Commerce enables users to access the Internet without 
requiring to find a place to plug in providing anytime, anywhere 
communications. As Philips (2003: 11) observes, 'the convergence of the two 
fastest growing communications technologies of all time - mobile phones and 
the Internet it is said to make possible all kinds of new services and create a

\textsuperscript{9} Philip Kotler - Winning on the Web, 2002.
vast new market'. The emerging technology underpinning m-commerce based on Wireless Application Protocol and third generation (3G) bandwidth technology has led many to believe that m-commerce with its flexibility does have greater potential than the Internet connected PC. So-called smart phones provide faster, personal and secure handheld communications content and payment abilities for a progressively mobile workforce. With the fat pipe or broadband slowly becoming more accessible in terms of connectivity and cost, the thirst for instant information by some is becoming a reality for individuals and a marketing challenge for organizations. Wireless Internet Access or Wi-Fi enables users of handheld devices and laptops to access the Internet on the move without the need for any physical links or attachments via 'hotspots' or any traditional dial up connections. Graeme Lowdon (2003) of Nomad Digital suggests that Wi-Fi has an advantage over many previously released technologies: 'Whereas in the past, standards have been hyped and touted, hoping that people will adopt them, this technology has occurred the other way around - it's become a de facto standard. A good comparison is something like text messaging. That was never pre-hyped, it was almost as a by-product on mobile phones. Then an awful lot of people used it and it became a mainstream technology. Wi-Fi falls into this category.

1.1.5 M-Marketing (Or Mobile Marketing)

Strauss et al (2003) paint an interesting scenario occurring in the next phase of e-business with a driver being notified by text message on the interstate that his 15000-mile car service is due. The technology recognizes that he is approaching the city and suggests that he may wish to exit and visit the dealership where a driver will be ready to take him on to his office. His car will be returned to him at his office. The customer just has to click and confirm and the chauffeur and service technicians will be ready and waiting. This vision of the connected customer-company relationship does not seem too far away.

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Just like the distinctions made between e-commerce and e-marketing, similar differences apply in the mobile domain with the capability of using mobile devices for marketing functions other than buying and selling. Financial institutions already provide useful SMS (short messaging service) customer alerts on overdraft facilities. Other customer services can be permanently accessible. Alternatively, mobile devices could be used for instant marketing research or location based sales promotions. The mobile phone has been transformed into a multi-functional device incorporating phone, text, video and MP3 capability as standard on new phones and provides more marketing opportunities.

1.2 THE INTERNET AND DEVELOPMENT OF E-COMMERCE

Afuah and Tucci (2003) describe the Internet as 'technology with many properties that has the potential to transform the competitive landscape in many industries while at the same time creating whole new industries'. The growth and adoption has been unparalleled. As Harris and Dennis (2002) note, 'in 1969, the Internet was just a demonstration project linking up four university campuses in the USA, but it now boasts in excess of 300 million users across the world'. The Internet timeline indicates some of the significant milestones in the Internet's development so far from both a technical and commercial perspective.

The Internet is an interactive global communications medium that changed the playing field, and language, for marketers everywhere. It has the potential to impact and influence an organization's competitive strategic options as suggested by Michael Porter. Chaffey (2000) argued that the Internet is a critical element supporting business and marketing strategies but that it should be treated as a separate plan. Three years on and it was being recognized as a mainstream tool to be integrated alongside with new and traditional marketing methods.

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12 Afuah & Tucci (2003), Internet- Business Models and Strategies.
1958 United States launched Arpanet project to lead science and military technological developments.

1961 MIT research paper on Packet Switching Theory.

1961-69 Ongoing research into networks and inter computer communications.

1969 Arpanet project into networks was commissioned by US Defense Dept and go live US universities connect up network facilities for the first time.

1971 The ARPANET is used to arrange a cannabis sale between students at the Stanford Artificial Intelligence Laboratory and the Massachusetts Institute of Technology, later described as "the seminal act of e-commerce" in Hohn Markoff's book "What the Dormouse Said".

1979 Michael Aldrich demonstrates the first online shopping system.

1981 Thomson Holidays UK is first business-to-business online shopping system to be installed.

1982 Minitel was introduced nationwide in France Telecom and used for online ordering.

1983 California State Assembly holds first hearing on "Electronic Commerce" in Volcano, California. Testifying are CPUC, MCI Mail, Prodigy, CompuServe, Volcano Telephone, and Pacific Telesis. (Not permitted to testify is Quantum Technology, later to become AOL.)

1984 Gateshead SIS/Tesco is first B2C online shopping system and Mrs. Snowball, 72, is the first online home shopper.

1984 In April 1984, CompuServe launches the Electronic Mall in the USA and Canada. It is the first comprehensive electronic commerce service.
1984 California becomes first US state of enact an Electronic Commerce Act defining basic consumer rights online.


1992 Book Stacks Unlimited in Cleveland opens a commercial sales website (www.books.com) selling books online with credit card processing.


1992 Terry Brownell launches a fully graphical, iconic navigated Bulletin board system online shopping using RoboBOARD/FX.


1994 Netscape releases the Navigator browser in October under the code name Mozilla. Netscape 1.0 is introduced in later 1994 with SSL encryption that made transactions secure.

1994 Ipswitch IMail Server becomes the first software available online for sale and immediate download via a partnership between Ipswitch, Inc. and Open Market.

1994 "Ten Summoner's Tales" by sting becomes the first secure online purchase.

1995 The US National Science Foundation lifts its former strict prohibition of commercial enterprise on the Internet.

1995 Thursday 27 April 1995, the purchase of a book by Paul Stanfield, Product Manager for compuServe UK, from W H Smith's shop within CompuServe's UK Shopping Centre is the UK's first national
online shopping service secure transaction. The shopping service at launch featured WH Smith, Tesco, Virgin Megastores / Our Price, Great Universal Stores (GUS), Interflora, Dixons Retail, Past Times, PC World (retailer) and Innovations.

1995 Jeff Bezos launches Amazon.com and the first commercial - free 24-hour, internet-only radio stations, Radio HK and NetRadio start broadcasting. Dell and Cisco begin to aggressively use Internet for commercial transactions. eBay is founded by computer programmer Pierre Omidyar as AuctionWeb.

1996 India MART B2B marketplace established in India.


1996 Sellerdeck, formerly actinic, the UK's first PC/LAN e-commerce platform established.

1998 Electronic postal stamps can be purchased and downloaded for printing from the Web.

1999 Alibaba Group is established in China. Business.com sold for US$7.5 million to eCompanies, which was purchased in 1997 for US$149,000. The peer-to-peer file sharing software Napster launches. ATG stores launches to sell decorative items for the home online.

2000 The dot-com bust.


2002 eBay acquires PayPal for $1.5 billion. Niche retail companies Wayfair and NetShops are founded with the concept of selling products through several targeted domains, rather than a central portal.

2003 Amazon.com posts first yearly profit.
2004 DHgate.com, China's first online b2b transaction platform, is established, forcing other b2b sites to more away from the "Yellow Pages" model.

2006 Internet usage topped 1,022,863,307 worldwide.


2010 Groupon reportedly rejects a $6 billion offer from Google. Instead, the group buying websites went ahead with an IPO on 4 November 2011. It was the largest IPO since Google.

2011 Quidsi.com, parent company of Diapers.com, acquired by Amazon.com for $500 million in cash plus $45 million in debt and other obligations. GSI Commerce, a company specializing in creating, developing and running online shopping sites for brick and mortar businesses, acquired by eBay for $2.4 billion.

2012 US eCommerce and Online Retail sales projected to reach $226 billion, an increase of 12 percent over 2011.

2012 US eCommerce and Online Retail holiday sales reach $33.8 billion, up 13 percent.

2014 Overstock.com processes over $1 million in Bitcoin sales. India's e-commerce industry is estimated to have grown more than 30% from a year earlier to $12.6 billion in 2013.
Mobile devices are playing an increasing role in the mix of eCommerce. Some estimates show that purchases made on mobile devices will make up 25% of the market by 2017. According to Cisco Visual Networking Index, in 2014 the amount of mobile devices will outnumber the number of world population.

1.3 INTERNET A BOON TO THE MODERN ERA

Many practitioners and academics debate whether the Internet is just another channel or communications tool or if it has actually transformed marketing concepts and practices forever. This will depend upon the sector, in strategic vision and application of new technologies and so on. What is undeniable is the benefits that the Internet has brought to marketers. Some have been well documented and some are evolving but it is worth considering some of the benefits and how they may apply to organizations.

- The internet can increase an organization’s geographic coverage beyond its traditional heartland.
- New customers can be reached easily.
- The Internet provides a low cost, effective way of transacting with customers compared to traditional selling costs.
- A site can be open for business 24/7 everyday providing customer convenience.
- The Internet is a fast and flexible communications tool.
- Communications can be tailored to customer needs based on account histories and other data.
- It is an interactive marketing tool enabling effective two-way dialogues between customer and organization to help achieve acquisition and retention objectives.
The Internet can be used as a timely sales promotion tool with the use of targeted e-coupons and specialist privileges.

The Internet provides vital measurement of events and accountability providing marketers with ammunition to secure budget increases.

The Internet's global reach also provides opportunities to source new suppliers and distributors to maintain competitive advantage.

Web only models can pass cost of sale savings onto customers and offer very competitive pricing.

The Internet provides marketers with a rich source of marketing data for decision-making purposes.

Online marketing research supported with appropriate software provides real time data analysis to streamline the research process.

The Internet can provide a test bed for products or campaigns.

Online shoppers are growing in confidence.

Technological progress has changed beyond recognition unbelievably. It has influenced all the fields of our lives – from our food to the way we spend spare time, and nowadays we are on the verge of modifying the way we purchase products. Shopping is an integral part of our day-to-day routine and by its nature represents a social activity.

Majority of people prefer to purchase goods together with their family members as they want to discuss the pros and cons of the product before purchasing it.

This will withhold one from purchasing goods that aren’t suitable for him. That is why on-line social commerce is getting more and more widespread in the recent time. Social shopping service covers all the areas of commerce and gives an opportunity to get necessary materials on shopping matters at the site. In this way one has an opportunity to talk about the items they are interested in, to exchange thoughts on
numerous questions and to get assistance in selecting an item they are looking for.

- The majority of on-line social shopping sites are characterized by the important features: 1) generally they offer an in-depth analysis of any article. 2) The opportunity to compare prices is also one of the most impressive pluses of these sites. 3) One is able to make a questioning among other participants on what article to choose or any other matter that is important to him when making a purchase. 4) The last, but not the least, is the opportunity to close a real bargain as a consequence to discounts and products promotion.

The online social shopping centers are quite evident: 1) Choice of getting the exact articles you need: 2) Facilitates in choosing the lowest cost possible taking into account the quality of an article; 3) Provides opportunity to compare products and prices online; 4) Maintaining of your confidentiality; Gives an opportunity to talk to known people with similar taste on shopping issues. Social on-line shopping service, in short, has a lot of advantages over traditional purchasing mechanism. It brings comfort to one’s shopping activity and assists in saving time on searching for the best price-quality correlation.

1.4 GROWTH OF E- RETAIL SECTOR IN INDIA

India’s online retail industry market will grow 50-55 percent over the next three years to reach Rs 50,400 crore by 2016, according to a report by Crisil. This is close to a four-fold rise from the estimated market size of Rs 13,900 crore in 2013. Online retail was worth mere Rs 1,500 crore in 2008. “From around 8 percent share of the organized retail market in India now, online retailing will zoom to around 18 percent by 2016. But as a proportion to overall retail including the massive unorganized segment it will be just over 1 percent at the end of that year. Yet the potential is huge,” says Rahul Prithiani, the director, Industry Research.
Online retailing has seen high levels of growth in the last few years. India’s largest online retailer Flipkart India saw its revenue rise five-fold to Rs 1,180 crore in Financial Year 2013 from Rs 204.8 crore the previous year. Apparel retailer Myntra saw sales of Rs.212.4 crore and expects to reach a turnover of Rs 800 crore in fiscal year 2014. Apart from a spurt in online growth, Crisil also sees brick-and-mortar stores focusing on online expansion. Over the past 4 to 5 years, competition from online retailers such as Flipkart (in books, music and electronics) Myntra and Jabong (in apparel) has hurt physical retailers, forcing many to also go online even as their net store additions have declined, the report notes.

“Physical retailers in India will have to establish their presence online quickly and, with the right strategies, they can even compete effectively. For instance, to tackle the queue problem at its stores, Wal-Mart allows customers to shop online and opt for either home delivery or store pick-up. Today, Wal-Mart is among the top 5 online retailers in the US with estimated revenues of $10 billion in 2013 from the Online Segment alone,” the report said.

Currently most retailers have non-store revenue of less than 3 percent. Tata’s Croma launched its online operations in April 2012. “They are already clocking 80 lakhs to 1 crore of top line per week. Their growth has been over 100 percent year on year and their prepaid order contribution is very high (close to 76 percent) unlike any other e-retailer,” said Joshi.

Aditya Birla’s Madura Fashion and Lifestyle launched trendin.com last year which sells merchandise from Louis Philippe, Allen Solly, Van Huesen and Peter England. “Over the last ten months, they have seen a double digit compounded growth on a monthly basis,” said Shivanandan Pare, General Manager, e-Commerce.

Overall online sales were up 16.5 percent in 2013 over the last year, with mobile devices accounting for the majority of all online traffic. India’s online retail market will expand by more than 50 percent annually for the next
three years, tripling to 500 billion Indian rupees ($8 billion) by 2016, according to leading Indian research firm CRISIL. That represents a thirty-fold expansion from the end of fiscal 2008. Still, Indian e-retail represents a tiny slice of India’s total retail market, which includes a vast informal retail sector, characterized by small and disorganized individual sellers rather than companies.

The opportunity in Indian e-commerce is huge. Only 0.25 percent of India’s retail is e-commerce, versus 4 percent in Latin America, 6 percent in China, 9 percent in the U.S. and 13 percent in South Korea. The market here could grow to $1 trillion over the next ten years, if e-commerce exists to the same level as in other emerging markets, of around 4 to 5 percent of retail.

Branded products account for a large chunk of consumer buying elsewhere, like in the U.S., whereas in India they only account for 5 percent of overall sales. The rest of the market is long-tail manufacturers and distributors, selling great products at great prices, but not necessarily with a national footprint. Consumers in India are very value conscious. No single fashion or lifestyle brands commands more than $200 million in sales, so that means there's huge fragmentation on the supply side.

According to Venakatesh Peddi, Principal, IDG Ventures India, there are three drivers of e-retail in India currently, they are:

- The increasing demand for aspirational and lifestyle products by the growing middle class.
- The lack of retail infrastructure, especially in semi-urban regions.
- Growing digital awareness and comfort with transacting online.

Today, bigger brands are not dithered by poor distribution network as listing on any national e-retail can ensure the reach out to the customer staying at the remote corner of the country. Harish Bijoor, Brand Expert & CEO, Harish Bijoor Consults Inc, resonates with Peddi’s positive outlook. “My
excitement for e-commerce relating to rural markets is through a mix of a cusp approach of tele-shopping and e-commerce. Both need to go together hand in hand as we open up markets fast and quick.” In India, e-retail has the scope to improve its services mastering existing home delivery or last mile connectivity demonstrated perfectly by umpteen number of kirana stores for years.

1.5 GROWTH OF E-RETAIL SECTOR IN CHENNAI

As per Wikipedia, the free encyclopedia Chennai remains the chief retail industry and shopping Centre in South India, with some of its suburbs serving as exclusive shopping districts. Since the formation of the city in the seventeenth century, George Town remains one of the chief commercial neighborhoods of the city. However, with the centuries passing, the central business district of the city started shifting towards the south of Fort St. George moving to its present location at Gemini Circle. The city's retail industry is concentrated chiefly in T. Nagar, which is by far the largest shopping district of India, generating more than twice the revenue of Connaught Place in New Delhi or Linking Road in Mumbai, even by conservative estimates.

In Chennai, Online retailing, both direct and through marketplaces such as eBay, will triple to become Rs 50,000 crore industry by 2016, growing at a whopping 50 percent to 55 percent per year over the next three years, ratings agency Crisil has estimated. That would be over 30 times the size at the end of 2007 - 2008. The segment has been growing with revenues surging from around Rs 1,500 crore in 2007 – 2008 to an estimated Rs 13,900 crore in 2012 – 2013, or a compounded annual growth rate off 56 percent.

Despite the scorching pace of growth, online retailing still remains a nascent portion of the overall e-commerce segment in India where the travel business dominates with about two-third share. But the equation is changing fast enough to pose a threat to brick and mortar retailers, not just of books, music and electronics, but also apparel and grocery, according to Crisil.
1.6 TEN C's FOR INTERNET MARKETERS

The new tools provided by digital media, changing consumer lifestyles and the integration of technology and multi-channels increases the complexity of the business arena. This encourages one to 'think outside of the box', to be more creative, entrepreneurial and visionary but not innovative for the sake of it. Rather than abandon the old marketers' kit bag, some other tools to it to enhance market analysis and decision-making are added. The Ten Cs provide a useful framework for marketers assessing for the modern digital market scape from both an internal and external perspective.

1.6.1 Customer

The customer should be the central focus for any marketing driven organization and marketing activities must be designed to achieve high levels of customer satisfaction. From satisfaction comes loyalty and from loyalty comes improved profitability through up selling, cross selling referrals and acquisitions. The customer is the King but Internet makes the customer even more powerful and demanding with tools like Search Engines, Price Comparison Sites, an expectation of real time and multi-channel offerings fed by user-friendly technology.

The customer is part of a wider online 'community'. Customer behavior is more complex than ever with greater disintegration of purchasing patterns. This is an era of a new young generation of photo-text message's; a generation of thirty plus using the web more at work than at home and a generation of early retirees who use the web for information and purchase by telephone. The web coupled with emerging software technologies enables more precise segmentation, targeting and analysis. This facilitates the implementation of personalized offerings but due to the power shift, it should be permission based to build trust and loyalty rather than indulge in what is referred to as interruption marketing, such as the dreaded pop-ups. The interactive nature of the Internet allows faster customer feedback, an updating of content and other
web site features. However, writers like Wind et al (2002)\textsuperscript{15} have observed 'a new hybrid consumer' emerging who wants to 'call, click and visit' organizations, and basically wants the best of the physical and virtual world.

1.6.2 Corporate Culture

As with any business seeking commercial success, a shared vision and commitment are priorities. An Internet based operation is no different though it has other issues to consider such as risk, appropriate IT architecture, front and back office systems and partnerships as it moves to this new channel.

Initially, a visionary individual who recognizes the potential of the Internet and promotes the benefits at senior level may champion the Internet cause. Alternatively, the organization may already have an entrepreneurial culture and positive attitude towards the adoption of new technology networks such as the use of electronic data interchange (EDI). For companies and customers used to dealing 'direct' during the 1990s the culture shift online was not so dramatic.

One thing that is most apparent while evaluating the Internet success stories is the culture of continual customer centric innovations. The exponential growth in technological improvements requires constant and expensive investment in new services and features. Without them the online operation becomes stale and fails to meet customer expectations. More committed online organizations do not just tweak their sites but opt for a complete overhaul and site redesign. However, the technology rush must be tempered with an appreciation of the potential gap between the company's rate of adoption and that of the customer.

1.6.3 Convenience

The Internet and other digital media have enabled greater freedom, flexibility and convenience. The ability to shop when the customer wants

signals a notable shift in power away from retailers to the consumer which marketers have to address. Changing social and economic reasons such as longer working hours, increasing divorce rates, the demise of the nuclear family and greater geographical mobility all impact upon modern living. Usually they impact in a negative way particularly with regard to time and stress therefore individuals seek out organizations, products and services to help alleviate this and which would dovetail in with their lives leaving more leisure time. The recognition that grocery shopping for many, is essentially a mundane chore. By storing historical purchasing data of individual customers, online food retailers instantly remove this chore and allow consumers to spend additional time on the more interesting aspects of shopping. The convenience does not stop there as fulfillment, a major Internet issue, is now expected to be flexible with a range of prompt delivery options including evenings and weekends.

Digital technologies also provide mobile convenience for consumers and businesses alike with Wi-Fi, PDAs (Personal Digital Assistants) of course, the mobile phone with its expanding range of interactive tools and services. Businesses and consumers want instant access and connectivity. As Brennan et al (2003)\textsuperscript{16} suggest, 'e-marketers must appreciate that these" new" customers typically value their time immensely, know what they want, insist on meaningful content and refuse to be disappointed or exploited'.

From a business to business (B2B) perspective, the Internet and related technologies provide convenience with the streamlining of ordering, invoicing, fulfillment and payments processes that produce significant cost reductions, and help maintain competitiveness through improved supplier and distributor relations. Instant updating of prices, e-catalogues and other web based promotional communications creates more real time efficiencies.

1.6.4 Competition

Curiously, many writers on strategic Internet marketing give only limited time and space to competitive analysis beyond Porter's (2001)\textsuperscript{17} revised Five Forces. Online marketers should view the competition in a different light. There is certainly still a danger and a threat but as Mohammed \textit{et al} (2002)\textsuperscript{18} observe in the new economy, that technology has made them 'fast and unpredictable'. Competition also has no physical boundaries.

The Internet has brought a greater transparency especially in terms of price, promotions, Primary Research and new product and organizational developments. Price comparison sites such as Kelkoo do give consumers more knowledge and power but such information is also available to online competitors. This obviates the need for sales staff to carry out this laborious task. Harris and Dennis (2002)\textsuperscript{19} highlight the investment made by many organizations in acquiring 'competitive intelligence' for strategic planning. The Internet through its myriad of networks provides an immense information market. It should be noted that competitive intelligence could be sourced internally as well as externally, as companies begin to appreciate the knowledge network of 'experts' that often exist within organizations.

Organizations may face competition from a number of angles:

- Traditional Competitors Moving Online
- New Online Only Entrants In Domestic Markets
- New Online Entrants From Overseas
- Competition From Newly Formed Online Alliances And Partnerships
- Competitors Introducing Or Eliminating Channels Of Distribution
- Revitalized Traditional Businesses (De Kare Silver 2000)

\textsuperscript{17}Porter, M (2001) Strategy and the Internet, March 2001.
It is unlikely, but nevertheless possible that an organization could face threats from all six angles.

1.6.5 Communications

Communications models consider the interactions and outcomes between the sender and receiver based on the one-to-many model associated with mass media. The death of mass media, the paperless office and growth in one-to-one interactions were forecasted years ago. Now the media is more fragmented than before; we use e-mails more but still print and suffer from SPAM. The economics of the digital world makes it cheaper to mass mail electronically but have we learned from the image problems of junk 'snail' mail is the question which often arises. However, traditional creative marketing skills like headline and copywriting have found a new home online. News, Primary Research (PR) and online sales promotions come more quickly and more frequently via newsletters and e-mail marketing campaigns requiring a more succinct style in a world of sound bites and time-starved receivers. Style, tone and an attractive offer or reason to buy, or read on remain essential elements of successful communications. Receivers were formerly passive, now they actively seek out sites which appeal and deliver either by search engines, memorable domain names, viral marketing or bookmarks. With online communities, the communications dialogue is more two way than with traditional 'push' communications, and if handled carefully, can be utilized effectively to improve loyalty. CRM Software such as Sage CRM provide marketers with customized e-mail marketing opportunities from design through to real time campaign management.

It is wiser to encourage chat-rooms within a corporate web site so that quick responses can be made to adverse comments rather than leave it to unofficial external chat-rooms thus avoiding potential viral PR problems. With the Internet and mobile devices, the consumer can now select what they want to access so it has to be relevant and succinct. Technologies provide flexible interactions and enable more detailed product demonstrations. Video streaming
allows customers to view 6-7 minute promotions online at their leisure compared to a 60-second television commercial. This is a more powerful medium especially when selling technically complex products or trying to get intricate messages across. Applying software technologies enables more appropriate communications especially with smaller niche markets more efficiently than previously possible. The changing nature of consumers has ensured that the drive of integrated marketing communications continues.

1.6.6 Consistency

Consistency is needed across all communications and all channels to ensure that the brand experience is unswerving, especially if the organization is operating in both the virtual and physical worlds, such as Tesco. A firm’s reputation established over many years in the high street could be tarnished by a poorly performing web operation perhaps on the delivery side. There has been a growing number of partnership and alliances emerging with the vendor transferring service responsibilities onto the partner. When a consumer buys a PC package from a manufacturer, support for the peripherals is invariably provided by the manufacturer of the peripheral.

Brands reflect the company's personality and positioning as well as reflecting something in the customer's self image. As we rely on brands for reassurance, confidence and quality be it premium or own label- anecdotal evidence suggests that consumers are mirroring their offline behavior and levitating toward brands and sites they trust and enjoy, and not just depend purely on price, in the online environment.

1.6.7 Creative Content

Jakob Nielsen declared that content was the king in the heady dot.com days. It was a realization of the notion that only price conscious bargain hunters inhabited that the Internet was flawed. Undoubtedly some bargain hunters did exist but if the web was going to mature and motivate people to return time and again, then site content had to be informative, topical, stimulating and of course
relevant to the needs of the target market(s). How many times have you despaired when you read those words, 'last updated June 1999. Content should be current except of course archives. Modernizing the site should be within the capabilities of most SMEs on a daily basis if resources allow. For larger organizations with extensive product catalogues, rapidly changing prices, massive information and news platforms, updating manually is unrealistic. Organizations depend heavily upon Content Management systems to provide real time information from multiple sources. One of the buzz phrases in Internet marketing has been 'site stickiness' which works on the basis that the more time a customer spends online at a site, then the more likely he is to spend time with the organization. This is important in brand building and retention but not every prospect wishes to browse languidly if they are the modern time starved consumer. Site-design with creative prompts and offers may be enough to get them to checkout earlier.

At another level, site content can also play an important role in online customer service and marketing research with knowledge management content. Well designed responses to Frequently Asked Questions (FAQs) can resolve many, often minor or mundane, customer enquiries effectively and free up other resources to provide a more bespoke personal service, by phone. Creativity online has few limitations with so many multimedia tools to generate added value interactions but of course it must be relevant and timely for the individual consumer or the online community that it is aimed at.

1.6.8 Customization

The Internet provides customized benefits to both buyers and sellers. The term 'mass customization' is used to refer to more personalized, tailored communications as database systems redefine market niches with greater precision. Relevant customization should help achieve the aims of the spiral of prosperity in that the more the organization knows about the customer, the more it can tailor and time offerings to their needs rather than the tactics of interruption marketing that they often endure. Customization also now comes
from the ability of the consumer to order more bespoke products unique to
them such as a PC with specific processor speeds, style of monitor, peripherals
and printer. This puts demands across a range of functions but if it provides
competitive advantage then it is wise to adapt systems to cope.

1.6.9 Coordination

Marketers have long since argued that the marketing function is the
coordinating business function within organizations. Everything such as
production and finance flows from the customer and forecasted sales. For the
effective operation of an e-business the real time dissemination of information
from customer to shopping cart to order and dispatch requires a scalable IT
infrastructure supported by organizational competence across all supporting
functions.

1.6.10 Control

As another mode of direct marketing, the Internet has the power and
ability to test events and activities. Response and measurement provide
marketers with the statistical and financial accountability to further champion
the electronic cause within organizations. The technologists have provided
marketers with the tools to measure just about any online activity
through web analytics. Many organizations are collectors of data but they do
not know what to do with it or, more precisely, they have not clearly defined
their online objectives and so do not know what to measure. The Internet
through e-CRM also provides real time control down to individual accounting
level that improves profitability resulting from enhanced customer relationship
handling.

1.7 Research Design

1.7.1 Need and Purpose of the Study

This study has been conducted to understand how far the e-retailers have
created an impact on the minds of consumers, the kind of products purchased
and the criteria which enhances these purchases, the specific age group who purchase such products and to analyze the overall consumer perception towards e-marketing and e-retailing, precisely in Chennai. The need of the study is also to find out which online retailer is very much familiar among consumers and what steps are required by the online retailer to compete in both the domestic and international level.

1.7.2 Scope of the Study

This study focuses on e-market trends and prospects in Chennai particularly for E-retailing Industry. The main theme of the study focusses on e-retailing as one of the effective e-marketing tool. Though e-marketing includes various other fields namely e-mail marketing, Net marketing, Social Media Marketing and Digital Marketing, the scope of the study is specifically e-retailing, as it is the outcome of primary data collection. This study reflects only the end users response.

1.7.3 Objectives of the Study

- To make a comparative profile of various e-retailing websites.
- To explore the factors influencing online buying behavior of customers.
- To study the role of pricing in e-retailing.
- To analyze the problems which emerge in e-retailing.
- To summarize the findings, suggestions and conclusion.

1.7.4 Statement of the Problem

E-Retailing is consistently gaining momentum with the advent of incessant technological development taking place both at National and International level. This has drastically transformed the business dealings taking place between buyers and sellers. There is a paradigm shift in modus operandi and methodology of buying and selling of goods and services as more and more number of people are opting for electronic platform. This has prompted the researcher to understand in a comprehensive manner and to get a
holistic perspective about the whole gamut of issues regarding E-retailing and the consumer perception towards it.

Over the years online marketing has picked up tremendously in our country. According to 2012 CRISIL Report, Indian online retail industry will grow from 32 billion Rupees in 2012 to projected revenue of 100 billion in 2015. There will be over 180 million users in India with access to online retail by 2015. counting on this potential growth, lots of ecommerce brands are trying to lure the Indian consumer with their offerings ranging from fashion and lifestyle, to books and gadgets, and much more. Some of the popular online retail sites are Myntra, Ebay, Flipkart, Yebhi, Jabong, Babyoye, OLX, Quikr, 99 Acres etc. Indian e-retail report 2012 has also provided certain interesting observations regarding the growing popularity of online shopping.

1.7.5 Research Methodology

For the purpose of conducting this study and to analyze the above mentioned objectives, extensive use of various libraries was made in order to source the relevant subject matter. This study is based on both primary and secondary data. The primary data was collected by adopting an elaborate questionnaire and by approaching those individuals who shop online. The respondents were in the age group of 16 years and above only and were based out of Chennai. The selected sample size is 400. The secondary data was collected by referring to journals, books, government reports, articles and various websites of internet.

The researcher has adopted both descriptive and analytical methodologies. The use of descriptive methodology has become a compelling factor on this research as it traces the consumer behavior and consumer purchasing decision. It also literally reviews the background of the concept of consumer behavior to have a theoretical construct. The adoption of analytical methodology has also become imminent and pertinent as it explores the psychological behavior, attitudinal changes of online consumers that frequently
change depending upon the distinguished online purchase environment. The study on consumer behavior requires the adoption of many psychological variety variables wherein appropriate scale for measurement has been applied. Thus the adoption of analytical methodology is reasonably justified.

1.7.6 Source of Data

As the study is pertaining to online shoppers, the use of primary source of information collected directly from the consumers using the research instrument is absolutely appropriate. Hence the study is completely based on primary data. However, the use of secondary source of information is also been made use, wherever necessary, especially while obtaining information pertaining to internet service providers, online retailers etc.,

1.7.7 Sample Size and Sample Technique

This study mainly focuses on the huge population that presently concentrates on online shopping. Hence the use of large sample size has become a research compulsion. The sample size of this study is decided to be 400. The sample respondents are chosen at random using systematic sampling method covering different demographic variables such as gender, age, income, educational background, occupation and types of consumers.

1.7.8 Pilot Study

A pilot study was conducted to determine the suitability of tools used in the present investigation. Twenty samples were randomly selected for the pilot study. To test the reliability of the tools test and retest method was used. Reliability test and Chi-Square tests were applied. As these tools were found to be highly reliable the same tools were selected for the main study.
1.7.9 Area of the Study

Urban Chennai is decided as the area of the study since number of online shoppers is presumed to be more in Urban than in Semi-Urban and Rural areas, which can be reasonably justified as well.

1.7.10 Data Collection Method

The instrument used for the collection of data from the sample respondents is a systematic formatted questionnaire. The questionnaire is designed in such a way that it meets the various requirements of the objective set for the study covering different aspects of the online shopping behavior of the consumers. The questionnaire consist of 51 questions in all starting with the personal profile of the respondents followed by questions based on five subheadings from the questionnaire their by covering all options of the research variables with five response options. The survey method is the direct enumeration served and collected personally from the respondent consumers who shop online.

1.7.11 Analytical Framework

The entire analytical process that has been carried out in this study is organized in three parts. The first part attempted to pursue the second objective set for the study. The second part of the analysis focused on the third objective. While the third analytical part purses the fourth objective. The absolute aim of the three analytical processes is to simplify and to obtain a broad based insight of the research problem and to derive at meaningful inference and result interpretation. It also enables the researcher to draw a logical conclusion and to generalize the findings of the research.

1.7.12 Tools for Data Analysis

The information collected by the primary method has been systematically tabulated and analyzed with the help of statistical tools. Chi square test, Anova, t-test, regression, correlation, rank correlation and
reliability test were applied for testing of hypothesis and to arrive at appropriate conclusion.

1.7.13 Limitation of the Study

- This study is restricted to only those respondents who make online purchases.
- The study reflects the opinion of respondents from Chennai City only.
- This study has taken into account 400 responses of online purchasers, who are in the age group of 16 and above only.

1.8 SCHEME OF CHAPTERIZATION

The first chapter Introduction presents a brief background, need and importance, scope and limitation of the study. The objectives framed for the purpose of this study are listed here. The research methodology adopted in conducting this research is also precisely explained in this introductory chapter.

The second chapter focusses elaborately on the Review of Literature with sources from within and outside India.

The third chapter briefly presents the Profile of Various E-Retailing Websites.

The fourth chapter deals with the Overview of Online Buying Behavior.

The fifth chapter deals with the Role of Pricing is E-Retailing.

The sixth chapter deals with the emerging Problems in E-Retailing.

The seventh chapter deals with Analysis and Interpretation of data.

The eighth chapter deals with Findings, Suggestions and Conclusion.

The next Chapter deals with the Review of Literature.