Chapter I

Introduction

1.1. Introduction

Small Business Enterprises are considered as the backbone to an economy and often referred to as an economic engine leading worldwide economic development of a country. These Enterprises along with Medium and Micro Enterprises have always attracted substantial interest from researchers, Industrial representatives and Academicians. The importance of small business has been also marked significant in the present era of Information Technology. The world is witnessing a great revolution in the form of computer science, the internet, information technology, media and communication. Many authors refer this age as “Information Age”, as the Information Technology is changing the dimensions of business and its functioning. Almost every business is using Internet and other electronic sources to communicate with their stakeholders namely, suppliers, customers, and other users of their product and services. A new form of marketing creating its space in the traditional marketing arena is “E-Marketing” or Electronic Marketing.

The Researcher tries to identify the present Electronic Marketing Practices (E-Marketing) by small business enterprises and believes that the adaptation of such practices can change the shape and nature of the business. The Internet, Web services, information technology, communication technology and computer sciences have created dynamic new electronic channels for marketing, and most companies find it essential to have an electronic presence (Liang and Huang, 1998). This research aims to identify and understand the dynamics of the E-Marketing Practices on Small Business Enterprises (SBEs) in Indian and the Bhutanese perspective. The research targets to accumulate the body of knowledge in the field of marketing and small Business Enterprises (SBEs). This research is conducted in the form of a Comparative study on Indian and Bhutanese SBEs to understand the current practices in the developing and under developing countries.
Introduction and Overview of the Study

The main idea to conduct this study is to gain a better understanding of the phenomenon under investigation and the SBEs role in developing and under developing countries. At the initial study it was found that E-Marketing practices by the Bhutanese SBEs are at nascent stage as compared to the Indian SBEs. Therefore, it is to establish the common base in these two nations and arrive at reliable and applicable results.

1.2. Concept of E-Marketing and Related Terms

Electronic Marketing is a modern business practice and philosophy associated with buying and selling of goods, services, information and ideas via the internet and the other electronic means. The definitions of Electronic Marketing vary according to each researcher’s point of view, specialization and background. Thus, in order to have a focused approach, defining and adhering to a definition is important.

For the purpose of conducting this research, the definition used by Strauss and Frost (2001) for E-marketing will be used. For them it is “The use of electronic data and applications for planning and executing the conception, distribution and pricing of ideas, goods and services to create exchanges that satisfy individual and organizational objectives” (p.454). The reasons for adopting this definition are: it takes into consideration the main elements of E-Marketing; it is applicable on all types of products namely, goods, services, and ideas; illustrates the objective of E-marketing that is, satisfying the individual and organizational needs. The adoption of this definition is also significant as it is the definition adopted by the American E-Marketing Association. It can be stated that E-Marketing includes any use of electronic data or electronic applications for conducting company market activities. In other words, E-Marketing includes Internet Marketing, E-mail marketing, Intranet Marketing, Extranet marketing, Smart phone applications based marketing, Mobile Marketing, Tele Marketing, Electronic Data Interchange (EDI), customer relationship management and other electronic related spheres.

For the purpose of this study, the most commonly used E-marketing tools identified (Based on review of literatures) are: Internet Marketing, Intranet
Marketing, Extranet Marketing, Email Marketing and Mobile Marketing (El-Gohary et al., 2008; El-Gohary, 2009; Paul, 1996; Hofacker, 1999 and 2001; Evans and Kings, 1999; Eid and Trueman, 2004 and Chaffey et al., 2006).

1.2.1. E-Marketing and Related Terms

It is very important to differentiate and find out the relationship between the related terms that is E-Commerce and E-Business in order to conduct an effective research on E-marketing.

1.2.1. a. Electronic Business:


Alexandrou (2009) argues that E-Business as a term is broader than E-Commerce since it does not refer only to buying and selling but also refers to serving customers and collaborating with business partners. In the same line IBM (2009) defines E-Business as, “The Transformation of key business organizational processes through the use of internet technologies”.
1.2.1. b. Electronic Commerce

Similar to E-Business and E-marketing, E-Commerce is not an easy task as it includes so many arguments which at times are contradictory, but the following definitions have been considered to draw a meaningful relationship between the concepts.


Baourakis, et al (2002) define it as: “The trading of goods and information through the Internet”. In addition, according to some scholars, E-Commerce can take a variety of forms which include electronic data exchange (EDI), mobile telephone, direct links-up with supplier, internet, intranet, extranet, electronic catalogue ordering and email (Quayle,2002).

2.4.3 Relationship between E-marketing, E-Commerce, and E-Business

Based on the discussion above it is evident that the E-Business, E-Marketing, E-Commerce, and Internet Marketing are not equivalent terms or a different phrasing for the same meaning as observed in the literature, where there is a muddling of the distinction between the terms. Within this scope it is found that E-Marketing is a broader term than Internet marketing as it not only includes the digital media such as web, email, and wireless media, but also it includes the management of digital customer data, mobile Marketing, Intranet Marketing, Extranet Marketing and electronic customer relationship management system whereas E-Commerce and E-Marketing have a wider scope as it has already been discussed in this chapter. This relationship and difference can be illustrated by the following figure:
1.3. Small Business Enterprises (SBEs)

Different countries define small business enterprises separately. There is diminutive agreement on the definition of the small business enterprises. They have been defined differently in various parts of the world according to the local and national need (Watson and Everett, 1996). Some countries define SBE in terms of number of Employees while others define in terms of Capital investment but many people define the terms based on the annual sales turnover. There are many countries who adopt more than one criterion to define SBE’s. The following table (Table 1.1) is an attempt to summarize the definitions of SBE’s used in some countries around the world.
Introduction and Overview of the Study

Table 1.1: Criteria of defining SBE’s adapted by some countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>No. of Employees</strong></td>
</tr>
<tr>
<td>United States of America</td>
<td>Under 100</td>
</tr>
<tr>
<td>European Union</td>
<td>Under 50</td>
</tr>
<tr>
<td>Australia</td>
<td>Under 50</td>
</tr>
<tr>
<td>India</td>
<td>None</td>
</tr>
<tr>
<td>Mexico</td>
<td>Under 50</td>
</tr>
<tr>
<td>Thailand</td>
<td>Under 200 in labour intensive</td>
</tr>
<tr>
<td>Turkey</td>
<td>1-49</td>
</tr>
</tbody>
</table>

Source: El-Gohary (2006)

The above chart is significant as it delineates the complexities of definition adopted by various countries around the world. For the research point of view the updated definition of SBE’s in India and Bhutan will be taken as it is given in the table below, 1. 2.

Table 1.2: Updated criteria for defining SBE’s in India and Bhutan

<table>
<thead>
<tr>
<th>Country</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>No. of Employees</strong></td>
</tr>
<tr>
<td>India</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Bhutan</td>
<td>5-19</td>
</tr>
</tbody>
</table>


The conversion rate of Bhutanese currency is BTN for Bhutan Ngultrum. The national currency of Bhutan is equally attached with Indian Rupee (INR), that is INR 1 =BTN 1.
1.3.1 SBEs for the research

It is pivotal for the research to have a clear definition for Small Business Enterprises (SBEs). In the process of defining SBEs, the researcher does not want to go against the existing criteria of the respective nations and hence has adopted the meaning of small business as it is given below:

**For Bhutan:** A Business, with a number of employees not less than 5 but not exceeding 19 where the investment is minimum 10 Lakh (1 Million) Ngultrum, does not exceed 1 crore (10 Million) Ngultrum.

**For India:** A Business whose investment in Plant and Machinery is more than twenty five lakh rupees but does not exceed five crores rupees, for a manufacturing sector and a business whose capital investment is more than ten lakh rupees but does not exceed two crores rupees.

The unit of currency will be Indian Rupee and Ngultrum which is equated with each other and have equal value (Royal Monitory Authority, 1971).

1.4. SBEs in India

In India MSME (Micro, Small and Medium Enterprises) sector has played an important role in socio economic development of the country. MSME sector contributes around 8% of GDP and account for 40% of the total exports and around 45% of the manufacturing output (M/o MSME, 2015). According to the Fourth All India Census of the Micro, Small and Medium Enterprises, total number of MSME sector is 361.76 Lakh of which 15.64 are registered Enterprises. The sector provides employment to 805.24 Lakh people.
Table 1.3: Performance of MSME, Employment and Investment

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Total Working Enterprises (in Lakh)</th>
<th>Employment (in Lakh)</th>
<th>Market Value of Fixed Assets (Rs. in Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>V</td>
</tr>
<tr>
<td>1</td>
<td>2006-07</td>
<td>361.76</td>
<td>805.23</td>
<td>868,543.79</td>
</tr>
<tr>
<td>2</td>
<td>2007-08#</td>
<td>377.36</td>
<td>842.00</td>
<td>920,459.84</td>
</tr>
<tr>
<td>3</td>
<td>2008-09#</td>
<td>393.70</td>
<td>880.84</td>
<td>977,114.72</td>
</tr>
<tr>
<td>4</td>
<td>2009-10#</td>
<td>410.80</td>
<td>921.79</td>
<td>1,038,546.08</td>
</tr>
<tr>
<td>5</td>
<td>2010-11#</td>
<td>428.73</td>
<td>965.15</td>
<td>1,105,934.09</td>
</tr>
<tr>
<td>6</td>
<td>2011-12#</td>
<td>447.64</td>
<td>1,011.69</td>
<td>1,182,757.64</td>
</tr>
<tr>
<td>7</td>
<td>2012-13#</td>
<td>447.54</td>
<td>1,061.40</td>
<td>1,268,763.67</td>
</tr>
<tr>
<td>8</td>
<td>2013-14#</td>
<td>488.46</td>
<td>1114.29</td>
<td>1,363,700.54</td>
</tr>
</tbody>
</table>

- Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transport & storage and warehousing (except cold storage) for which data were extracted from economic census 2005, Central Statistics Office, MOSPI
- Estimated on the basis of per enterprises value obtained from sample survey of unregistered sector for activities wholesale/retail trade, legal, education & social services, hotel & restaurants, transport & storage and warehousing (except cold storage) which were excluded from Fourth All India Census of MSME, unregistered sector.

# Projected


1.4.1. Major Agencies and Government body Dealing with SBEs in India

In India SBEs falls under the head of Micro Small and Medium Enterprises (MSMEs) and the apex body of MSMEs can be referred to Ministry of Micro Small and Medium Enterprises (M/o MSMEs) under Union Government of India (GoI). In addition of this GoI, it has established a few more agencies dealing with the needs and requirements of MSMEs which include the SBEs. The brief introduction of each of these agencies and government bodies is given below:

1.4.1.a. Ministry of MSMEs

In the year 2006, MSME Act was passed in the Parliament of India and on 9th May, 2007, an amendment was made by the Government of India with the sanction of the Hon’ble President (Allocation and Business) Rules, 1961. As a result of these amendment two ministries that is the Ministry of Agro and Rural Industries
and the Ministry of Small Scale Industries were merged into a single ministry, the Ministry of Micro, Small and Medium Enterprises. Since then, the Ministry of Micro, Small and Medium Enterprises has become the apex body of MSMEs in India.

1.4.1. b. National Small Industries Corporation Limited

The National Small Industries Corporation Limited (NSIC) was established in 1955 in order to promote and develop micro and small scale industries and enterprises in the country. Initially it was founded as a Government of India agency but later it was converted to government owned corporation. It is a public sector undertaking (PSU) with 156 offices which include branch offices, training centers and other facilitating offices across India with the head office at New Delhi.

1.4.1.c. Khadi and Village Industries Commission

The Khadi and Village Industries Commission (KVIC) is a statutory body formed by the Government of India, under the Act of Parliament, 'Khadi and Village Industries Commission Act of 1956. It basically covers the issues and policies related to Khadi and village industries within India, which seeks to - "plan, promote, facilitate, organise and assist the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary. Its head office is in Mumbai, with its six zonal offices in Delhi, Bhopal, Bangalore, Kolkata, Mumbai and Guwahati.

1.4.1.d. Coir Board of India

Coir is a natural fiber extracted from the dry coconuts. Looking into the diverse utility of this fiber, there required an organization which can work for the promotion, research, education, and training. Coir Board is a statutory body established by the Government of India under the 'Coir Industry Act 1953 (45 of 1953)' for the promotion and development of the coir (coconut fiber) industry in
India. It has a major concentration of offices in south India and other coconut producing regions with its headquarters at Kochi (Kerala).

1.4.1.e. National Commission for Enterprises in the Unorganized Sector

National Commission for Enterprises in the Unorganized Sector (NCEUS) was commissioned by Government of India to look into the matters related with unorganized sector. Here the unorganized sector may be referred to as an unincorporated private enterprise owned by individuals or households with major characteristics as ease of entry, smaller scale of operation, local ownership, uncertain legal status, labour-intensive and operating using lower technology based methods, flexible pricing, less sophisticated packing, absence of a brand name, unavailability of good storage facilities and an effective distribution network, inadequate access to government schemes, finance and government aid, lower entry barriers for employees, a higher proportion of migrants with a lower rate of compensation.

1.4.1.f. Other Agencies dealing with MSMEs: ASSOCHAM & FICCI

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) is one of the apex trade associations of India. The goal of this organization is to promote both domestic and international trade, and reduce trade barriers while fostering conducive environment for the growth of trade and industry in India. The organization represents the interests of trade and commerce in India in the right forum. Also, it acts as an interface between industry, government and other relevant stakeholders on policy issues and various initiatives.

The Federation of Indian Chambers of Commerce and Industry (FICCI) is an association of business organizations in India. It was established in 1927, by GD Birla and Purushottam Das Thakurdas by the advice of Mahatma Gandhi. It is considered to be the largest, oldest and the apex business organization in India. Being a non-government & not-for-profit organization, FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs. It is involved in sector specific business policy consensus building, and
business promotion and networking. It is headquartered in the national capital New Delhi and has its presence in 12 states in India and 8 countries across the world. The chamber has an indirect membership of over 2,50,000 companies from various regional chambers of commerce.

1.4.2. Classification of MSMEs in India:

1.4.2.a. For Manufacturing sector the enterprises are defined as follows:

1.4.2.a.i. Micro Enterprises: If the Investment in Plant and Machinery does not exceed twenty five lakh rupees.

1.4.2.a. ii. Small Enterprises: If Investment in Plant and Machinery is more than twenty five lakh rupees but does not exceed five crore rupees.

1.4.2.a. iii. Medium Enterprises: If Investment in Plant and Machinery is more than five crore rupees but does not exceed ten crore rupees.

1.4.2.b. For Service sector the enterprises are defined as follows:

1.4.2.b. i. Micro Enterprises: If Investment in equipment does not exceed ten lakh rupees.

1.4.2.b. ii. Small Enterprises: If Investment in Plant and Machinery is more than ten lakh rupees but does not exceed two crore rupees.

1.4.2.b. iii. Medium Enterprises: If the Investment in equipment is more than two crore rupees but does not exceed five crore rupees.

1.4.3. MSME by Sector in India:

The MSME sector is classified further under two sub sectors that is, Service Sector and Manufacturing Sector and definitions provided to Micro Enterprise, Small Enterprises and Medium Enterprises. They differ on the basis of these two sectors. According to the Fourth All India Census of the Micro, Small and Medium Enterprises, in India the number of unregistered MSME are quite large as
compared to the registered but for the purpose of this study the registered MSMEs have been considered. The ratio between service sector and manufacturing sector can be understood by the following figure (figure 1.2):

**Figure 1.2: MSME by Sector in India**

![Pie chart showing MSME by Sector in India](image)


It is visible from the figure above that the service sector is dominant in terms of its number, under MSMEs in India. The manufacturing sector is almost one third of the total enterprises available in India. India being a huge industry base, it is difficult to segregate the contribution of all the industries under MSMEs, but highlighting the major industries, it can help to understand the industry structure and complexities associated with them. The leading industries within MSMES and their presence can be understood by the figure (Figure 1.3) given below:
According to MSME Annual Report 2014-2015, The ten leading industries, in terms of enterprises, (as per National Industrial Classification 2004 at two digit level) are Retail Trade except for Motor Vehicles and Motorcycles; Repair of Personal and Household Goods (144.15 lakh), Manufacture of Wearing Apparel; Dressing and Dyeing of Fur (31.65 lakh), Manufacture of Food Products and Beverages (25.12 lakh), Other Service Activities (22.43 lakh), Other Business Activities (13.64 lakh), Hotels and Restaurants (13.18 lakh), Sale, Maintenance and Repair of Motor Vehicles and Motorcycles; Retail Sale of Automotive Fuel (12.92 lakh), Manufacture of Furniture & Manufacturing not elsewhere classified (11.61 lakh), Manufacture of Fabricated Metal Products, except Machinery and Equipment (8.42 lakh) and Manufacture of Textiles (8.42 lakh). The Major Industry group under MSMEs is given below:
Table 1.4: Major Industry Groups in Small Scale Sector

<table>
<thead>
<tr>
<th>Small Scale Sector Industry Groups</th>
<th>Medium Scale Sector Industry Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Products</td>
<td>Transport equipments and parts</td>
</tr>
<tr>
<td>Chemical and Chemical Products</td>
<td>Leather and leather products</td>
</tr>
<tr>
<td>Basic Metal industries</td>
<td>Miscellaneous manufacturing industries</td>
</tr>
<tr>
<td>Electrical machinery and parts</td>
<td>Other services and products</td>
</tr>
<tr>
<td>Rubber and plastic products</td>
<td>Beverages, tobacco, and tobacco products</td>
</tr>
<tr>
<td>Machinery and parts except</td>
<td>Repair services</td>
</tr>
<tr>
<td>electrical goods</td>
<td>Cotton textiles</td>
</tr>
<tr>
<td>Hosiery and garments</td>
<td>Wool silk, synthetic fibre textile</td>
</tr>
<tr>
<td>Wood products</td>
<td>Jute, hemp, and mesta textile</td>
</tr>
<tr>
<td>Non-metallic mineral products</td>
<td>Other services</td>
</tr>
<tr>
<td>Paper products and printing</td>
<td></td>
</tr>
</tbody>
</table>


1.4.3.1. MSME activity under Manufacturing Sector in India

In India, there are many manufacturing activities undertaken by the MSMEs, the type of industries and the contribution to the MSME sector has been already illustrated above. The absorbing point is that the Government of India has specifically reserved the manufacturing of some products by Micro and Small Enterprise. Table 1-5, highlights those products:

Table 1.5: List of items reserved for exclusive manufacture by Micro and Small Enterprise Sector

<table>
<thead>
<tr>
<th>Food and Allied Industries</th>
<th>Glass and Ceramics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pickles and chutneys</td>
<td>Glass Bangles</td>
</tr>
<tr>
<td>Bread</td>
<td>Other Chemical and Chemical Products</td>
</tr>
<tr>
<td>Mustard Oil (except solvent extracted)</td>
<td>Wax Candles</td>
</tr>
<tr>
<td>Groundnut oil (except solvent extracted)</td>
<td>Laundry soap</td>
</tr>
<tr>
<td>Wood and Wood Products</td>
<td>Safety matches</td>
</tr>
<tr>
<td>Wooden furniture and fixtures</td>
<td>Fireworks</td>
</tr>
<tr>
<td>Paper Products</td>
<td>Agarbatties</td>
</tr>
<tr>
<td>Exercise books and registers</td>
<td>Mechanical Engineering Excluding Transport Equipment</td>
</tr>
<tr>
<td>Injection Moulding Thermoplastic Products</td>
<td>Steel Almirah</td>
</tr>
<tr>
<td>PVC Pipes including conduits (up to 110 mm diameter)</td>
<td>Rolling shutters</td>
</tr>
<tr>
<td>Fittings for PVC Pipes including conduits (up to 110 mm diameter)</td>
<td>Steel chairs-all types</td>
</tr>
<tr>
<td>Glass and Ceramics</td>
<td>Steel tables-all types</td>
</tr>
</tbody>
</table>

The Manufacturing MSMEs are also responsible for supplying the products of mass consumption. The major products to which MSMEs act as a supplier are given below in Table 1-6:

Table 1.6: MSMEs as a major supplier of Mass Consumption

<table>
<thead>
<tr>
<th>Leather and leather goods</th>
<th>Domestic utensils</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic and rubber goods</td>
<td>Toothpaste and toothpowder</td>
</tr>
<tr>
<td>Ready-made garments</td>
<td>Safety matches</td>
</tr>
<tr>
<td>Hosiery goods and sheet metal goods</td>
<td>Preserved food and vegetables</td>
</tr>
<tr>
<td>Stationery items</td>
<td>Wooden and steel furniture</td>
</tr>
<tr>
<td>Soap and detergents</td>
<td>Paints and varnishes, etc.</td>
</tr>
</tbody>
</table>


1.4.3.1. MSME activity under Service Sector in India

Retail Industry being the largest service industry in India holds a dominant position followed by Sale, maintenance of motor vehicle and motorcycle industries. Hotels and Restaurants also have a significant contribution to the overall economy of India.

Table 1.7: Services Included in the Service Sector in the National Industrial Classification 2008

- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Transportation and storage
- Accommodation and food service activities
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific, and technical activities
- Administrative and support services
- Public administration and defense; compulsory social security
- Education
- Human health and social work activities
- Arts, entertainment, and recreation
- Other service activities
- Activities of households as employers; undifferentiated goods and services producing activities of households for own use
- Activities of extraterritorial organizations and bodies

1.5. SBEs in Bhutan

In Bhutan, these industries are known as Cottage and Small Industry (CSI) which constitutes more than 95% of the total Industry. As of 31st December 2013 there were 12,548 operational cottage and small Industries in the country. The Industry is categorized under three sectors, namely, Service, Productions and Manufacturing (P&M) and Contract. The CSI is dominated by the service and contract sector and they account for 90 percent of the total CSI in the country.

1.5.1. Major Agencies and Government body Dealing with SBEs in Bhutan

In Bhutan unlike India, there is no separate ministry to examine the affairs of MSMEs. However, the Ministry of Economic Affairs under the Royal Government of Bhutan is responsible for CSI. As it is stated, the MSMEs are known as Cottage and Small Industry (CSI), the dealing agencies in Bhutan are analyzed below:

1.5.1. a. Department of Cottage and Small Industries (DCSI), MoEA

The Department of Cottage and Small Industries (DCSI, MoEA) is setup within the Ministry of economic affairs to study the matters related to Cottage and Small Industries. This Department is considered as an Apex body to deal with industries in Bhutan for the policy formulation, strategy, planning, monitoring, promotion and research at the Government level.

1.5.1. b. Bhutan Opportunity and Information Centre (BOIC)

On 19th December, 2013, the Royal Government of Bhutan approved the establishment of Bhutan Opportunity and Information Centre (BOIC) as an autonomous agency to implement the Revolving Fund created as a part of the Economic Stimulus Program. The revolving funds include:

- Revolving funds I for Cottage& Small Industries.
- Revolving funds II for Non-formal Commercial Activities.
The primary purpose of establishing BOIC is to stimulate growth of CSI and Non-formal commercial sector by providing necessary support that is, administrative and financial support. In addition, the BOIC acts as one stop information center for business opportunities in the country, business start-up protocol, extant business laws, rules and regulations. Apart from these functions, the BOIC accepts projects and appraise them for support. It organizes training programmes to develop practical business skills to potential entrepreneurs and helps them to introduce effective business plan to ensure initial success.

1.5.1.c. Bhutan Chamber of Commerce and Industries (BCCI)

The Bhutan Chamber of Commerce & Industry was established under the Royal Command of His Majesty the King in 1980 in order to promote private sectors in the country. The BCCI was established with the aim to support the cause of economic development of the Nation. Trade sector contributed 47 percent of the total revenue in the Fiscal year 2011-12. The trade Sector is the single highest contributor. The Royal Government of Bhutan has been leading its role concerning private sector development, and to take up the major responsibility to advance the cause of economic development of the nation. The emerging business environment in Bhutan is characterized by greater reliance on market forces and private enterprises; therefore, there is an increasing recognition of the need for stronger private sector involvement.

1.5.1.d. Association of Bhutanese Industries (ABI)

ABI was established in the year 2008. It is registered as a Mutual Benefit Organization under the Civil Society Organization (CSO) Act of Bhutan, 2007. The office of the Association is based in Phuentsholing. The main objective of the association is to develop manufacturing Industries in Bhutan. The Act functions as a platform to discuss with the government and the related agencies and resolve issues and problems concerning the growth of industries in Bhutan. ABI Reviews relevant Acts, Rules, Regulations, Procedures, incentives of Bhutan & other countries and make appropriate recommendations to the government to facilitate
the growth of industries in the country. It also Studies industrial policies of other countries through participation in forums - domestic, regional and international and derive ideas and methods that would contribute towards the growth and development of industries. Additionally, it acts as a mediating body for making appropriate recommendations and suggestions to the government on policies, procedures, regulatory and other pertinent matters in all the related areas intended to create an enabling environment for the growth and development of industries.

1.5.1.e. Handicrafts Association of Bhutan (HAB)

HAB was established in 2005. It was formally registered as CSO in 2011, as a pioneer Centre for promotion of dynamic and sustainable Bhutanese handicrafts. Today, it serves as a platform for promotion of traditional handicrafts and preservation of culture, community and local environments. HAB strives to create a democratic and empowering space - a common roof under which a range of stakeholders can exchange ideas and collaborate in supporting artisans and craftsmen of all 13 arts and crafts through policy intervention and strengthening capacity and technical skills to meet the changing market demands.

1.5.1.f. Association of Wood-based Industry in Bhutan

Association of Wood-based Industry in Bhutan has members who are engaged in both sawmilling and manufacturing furniture and building components like ply and integrated wood. This association mainly explores the wood industry benefit and sustainable growth. The liaison of this industry and the Department of Forest are very important so as to maintain the balanced green cover in the country.

1.5.1. c. Loden Foundation

It was founded in 2000. Loden Foundation is an organization established to support education and promote learning and entrepreneurship in Bhutan to promote Bhutanese culture and religion in other parts of the world. Its main programmes include the Loden Early Learning Centres, Loden Sponsorship Scheme, Loden Entrepreneurship Programme, and Loden Knowledge Base. Moreover, the
foundation organizes educational and cultural programmes to raise awareness of education and learning. The foundation has been playing a leading role by helping young Bhutanese to become self-starters in business. Each year the Foundation invites applications and business proposals from the potential entrepreneurs and it extends support to the selected projects. The main target audience for such projects are the pass out graduates and the school pass outs and all those who have a zeal for business.

1.5.2. Classification of CSI in Bhutan:

The Scale of Industry is determined by the size of capital investment and the number of people it employs.

<table>
<thead>
<tr>
<th>Scale of Industry</th>
<th>Employment Size</th>
<th>Investment (m Nu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>100+</td>
<td>&gt;100</td>
</tr>
<tr>
<td>Medium</td>
<td>20 to 99</td>
<td>10-100</td>
</tr>
<tr>
<td>Small</td>
<td>5-19</td>
<td>1-10</td>
</tr>
<tr>
<td>Cottage</td>
<td>1-14</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>

Source: CSI Report (2013), M/o Economic Affairs, Royal Government of Bhutan

It is evident from the table above, unlike India, Bhutan does not of differentiate the definition in terms of service and manufacturing sectors, in other words the service of CSI or Manufacturing CSI is the same depending upon the scale of respective firm which may define them under Large, Medium, Small or Cottage Industry.

1.5.3. CSI by Sector in Bhutan:

Industry in Bhutan is categorized into three sectors, namely, Service, Production and Manufacturing (P& M) and Contract. Bhutan’s CSI is dominated by the service and contract sector with a very small manufacturing base. They constitute 89.7 percent of the total CSI in the country jointly. According to the Cottage and Small Industry Report, DCSI, MoEA, Bhutan (2014), there are 9946 Firms registered under Service sector, 1571 under manufacturing sector and 3676 firms
under contract sector. The proportion of the same can be understood by the figure given below:

![Figure 1.4: CSI by Sector in Bhutan](image)

Source: Cottage and Small Industry Report, DCSI, MoEA, Bhutan (2014)

1.5.3.1. CSI Activity under Manufacturing and Production Sector in Bhutan

The manufacturing and production (P&M) sector in Bhutan is mainly divided under three broad categories. They are:

a. Agro Based
b. Forest Based
c. Mineral Based
d. Others

From the Four Types of industry (Forest, Agro, and Mineral and other), 56.1 percent falls under the “Other Manufacturing industry” in Thimphu. In almost all the Dzongkhags, forest-based industries are dominant. Some of the important forest-based industries are furniture making, wooden bowl (dapa) and hand-made papermaking, cane, and bamboo craft making. Mineral-based activities are more common in Thimphu and southern Dzongkhags, particularly Chukha and Samtse. The table 1-8 gives a detailed outlook on the activities under each category.
Table 1.9: List of Activities under Manufacturing Sector in Bhutan

<table>
<thead>
<tr>
<th>Agro Based</th>
<th>Forest Based</th>
<th>Mineral Based</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakery</td>
<td>Furniture Unit</td>
<td>Brick Manufacturing</td>
<td>Audio Video Production</td>
</tr>
<tr>
<td>Cheese processing</td>
<td>Sawmill</td>
<td>Mining</td>
<td>Bronze Casting / Sculpture</td>
</tr>
<tr>
<td>Nursery</td>
<td>Packing Boxes</td>
<td>Pre cast cement unit</td>
<td>Bukhari</td>
</tr>
<tr>
<td>Mushroom farming</td>
<td>Paper Making</td>
<td>Stone crushing unit</td>
<td>Manufacturing unit</td>
</tr>
<tr>
<td>Food Products</td>
<td>Incense</td>
<td>stone quarry</td>
<td>Fabrication</td>
</tr>
<tr>
<td>Rice Mill</td>
<td>Handicraft items</td>
<td></td>
<td>Handloom Weaving</td>
</tr>
<tr>
<td>Ice cream</td>
<td></td>
<td></td>
<td>Photo Studio</td>
</tr>
<tr>
<td>Poultry Farm</td>
<td></td>
<td></td>
<td>Prefabricated Housing Components</td>
</tr>
<tr>
<td>Yoghurt and milk processing</td>
<td></td>
<td></td>
<td>Printing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wine</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Toilet Paper</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fishing Flies</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hand woven carpet</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Glass reinforced concrete products</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Traditional Medicine</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Non woven fabric</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Biodegradable carry bags</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Egg tray</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spa products</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dehydrator</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Electric incense burner</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pottery manufacturing</td>
</tr>
</tbody>
</table>

Source: Adopted from Cottage and Small Industry Report, DCSI, MoEA, Bhutan (2014)

1.5.3.2. CSI Activity under Service Sector in Bhutan

The service Sector being the largest in Bhutan has a long list of activities under its aegis; these activities are broadly classified as:

I. Real Estate and Renting
II. Hotels and Restaurants
III. Transport, Storage and Communication
IV. Education
V. Financial Intermediaries
VI. Other Community, Social, and personal service activities
VII. Repair of Motor Vehicles, Motor Cycles & personal household goods
VIII. Electricity, Gas and water supplies
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IX. Publishing, printing, and reproduction of recorded media
X. Agriculture and forestry
XI. Health and social work
XII. Tailoring, Goldsmith/Blacksmith

1.6. The Research Context

The internet and other electronic media have a direct potential to reach a large number of consumers rapidly and economically. Thus, it creates a major avenue for the SBEs for marketing. Today, close to a billion people mark their presence on the internet to get updated with the latest information and trends. With the internet, people stay connected to each other and get reviews, search news and get involved in online purchases.

Today the nature of business is undergoing a paradigm shift in all countries and developing countries and they are upgrading their infrastructure and harnessing the Internet. This dynamic phenomenon is changing the shape of business, marketing practices and business communication.

Electronic Marketing is expected to create a new opportunity for the SBEs which were never available to them so that they can become a successful economic business. E-Marketing will help businesses to communicate and conduct their business with the new customers efficiently and effectively with their existing status with the new customers efficiently and effectively.

On the contrary, this phenomenon is not spared by the problems and many of them are associated with the dynamics of the new medium of marketing. Security and privacy issues, cultural environment, language differences, technological problems are a few of them. For the developing economies like India, the real potential of E-presence is still not identified and is struggling to create a space between the MSMEs and the situation in Bhutan is even negative. According to Hoffman and Novak (1997, 1996) the SBEs have not fully understood the potential of digital market place and still rely on the traditional marketing practices and techniques. The dire need of the analyses of E-Marketing practices and its impacts on
customers and business market behavior is of immense necessity. Today most of the businesses have their own E-marketing strategy and at the same time there are yet many businesses who are involved in E-marketing practices knowingly or inadvertently. The present research attempts to examine and analyze the E-marketing practices involved in the SBEs and investigate the different factors that emulate the key role in the adoption of E-marketing practices in the SBEs of two nations. The following figure illustrates the research context that are referring to.

**Figure 1.5: The research Context**

The research mainly compares the current E-marketing practices in the two nations and tries to explore the common practices given as dark grey in the above figure. The shortage of literature related to E-Marketing is noticeable; the investigation is bound to include the theories of new technology adoption as well as its influence and potential for E-Marketing in a small business enterprise context (El-Gohary, 2006).

### 1.7. Research Problems and Research Questions

#### 1.7.1. Research Problem

The presence of the internet is not the guarantee for a firm’s excellence for success. The internet advantage depends mainly on how strategically and skillfully it is used. In the modern era, internet has become a basic need for the survival of any
firm. The firms irrespective of size and scale have to mark their virtual presence along with the real presence in order to gain competency as well as to meet the customers’ needs. If the firms do not have the presence of website, they may risk the loss of their customers because they browse the website of the competitor for any queries and sales transactions (Kotabe and Helsen, 2000). In other words, absence of internet may lead to competitive advantage but presence may not guarantee such advantage. The theory says that if somebody marks his virtual presence, he may shift from the local market to the world market. Both India and Bhutan have so many things to offer to the world consumer market. The advantage for India is its own huge domestic market and the problem with Bhutan is a thin national population shrinking the domestic market. This study considers E-Marketing as a potential solution to combat the problem of consumer market as with E-market the whole world is within the reach of the marketing activity but the issue is to discover the penetration of E-Marketing among firms and the current practices.

The fundamental problem is to understand the E-marketing practices in order to discern the Indian and the Bhutanese small businesses. Similarly, this study analyzes the factors affecting the E-Marketing activities in these Small Business Enterprises. Moreover, this study evaluates the effectiveness of each tool of E-Marketing with respect to the use and future potential. In addition, it aims at to evaluate the E-marketing practices in these two countries.

1.7.2 Scope of the Study

This study is a comparative study of E-marketing practices among Small Business Enterprises of India and Bhutan and it mainly analyses the current practices and adoption of electronic marketing among both the manufacturing and service of SBEs in these two countries. The statement of the scope of study is, “E-marketing practices among Indian and Bhutanese Small Business Enterprises”.
1.7.3 The Research Questions

Based on the above problem statement related to the Indian and Bhutanese SBEs, the following questions will be the integral part of this research:

i. What is the current status of E-Marketing usage among Indian and Bhutanese SBE’s?

ii. What are the different tools, levels, and forms of implementation of E-marketing by SBE’s in India and Bhutan?

iii. What are the different factors affecting the adoption of E-marketing by Indian and Bhutanese SBE’s?

iv. What is the relationship between E-Marketing adoption and the type of firm that is, manufacturing or service?

v. What is the position of adoption of E-marketing tools in terms of effectiveness and what is the orientation of Entrepreneurs towards E-marketing.

vi. What is the relationship between factors affecting practices/adoption of E-marketing, Effectiveness of E-marketing tools, and orientation of Entrepreneurs.

1.8 Need of the study

This study is an attempt to establish a conceptual and theoretical model on E-marketing practices in India and Bhutan. The study targets to bring a reliable picture of the SBEs that are using E-marketing tools for marketing their products. The country chosen from this research actually represents strata of countries that is, developing and under developing nations. E-marketing as a concept is at a nascent stage and is developing with the new inventions and innovations. It is expected that a step forward research with the latest information and happenings that can again have a turn out to be a significant piece of work.

1.8.1 The Entrepreneurs who are already using e-Marketing:

This research will help people to analyze and compare their practices with those happening in the industry and the similar organizations. In addition, It will be an added advantage to have a better understanding of the usage of E-marketing by SBEs with
which they will have more focus to make their E-marketing practices effective by reaching and attracting more number of potential and existing customers.

1.8.2 The Entrepreneurs who are planning to adopt e-Marketing:

This research will be an effective reference material for those entrepreneurs who are planning to stage or are in a dilemma with regard to the adoption of E-Marketing tools as a part of their E-marketing activity. This study will make their approach more logical and clear with respect to E-marketing, and help them to adopt the practices for their organization and business.

1.8.3 The Government and its allied agencies:

The governments of India and Bhutan have a special attention on the functioning of the MSMEs, and they have formed specialized agencies and departments to take care of these industries. The governments are always interested to know the present state of the practices and tools in the economy so that they can decide their future action plans. Based on the findings of this research these government agencies will be able to formulate better strategies, future policies, and plans which can lead to diffusion of E-marketing by small businesses.

1.8.4 The IT and marketers

This study may also help the IT sector and the marketers to understand the needs and requirements of the SBEs and can work on specialized solution to cater their needs. The marketers and IT industry work for formulating the marketing action for the business (in the field of marketing). Additionally, it will be a help for them to understand the current status of E-marketing and make a follow up to future potentiality efficiently and effectively so that they can provide better services to the SBEs for these two nations.

1.8.5 The Consumers

This study will enable the consumers to be aware of E-marketing practices. The potential consumers will make use of this research and will make use of the E-
marketing channels used by the SBEs, and will have access to the products and offerings of the SBEs effectively and efficiently.

1.8.6 The Industry

One of the important beneficiaries is the respective Industry under which SBEs are operational. E-marketing is for the overall development of an industry. The purpose of E-marketing is to have more access to the consumers. Moreover, this system can relate itself with more organizations which would lead to the overall development of an Industry.

1.8.7 Other Stakeholders

The use of E-marketing practices enhances not only consumer base but also accessibility to suppliers, financers, and to increase consultants. These stakeholders will be empowered to know more about the business through their virtual presence. The expectation is to save more time, cost and energy for both the parties in order to attain the organizational goal.

1.9. Contributions from the study.

This study is important as it is going to contribute to the existing knowledge in the field of E-marketing and Small Business Enterprises. It will add to the limited empirical research that has been conducted on E-marketing. Furthermore, it will enhance the extremely limited empirical studies by exploring the E-marketing practices of Small Business Enterprises. In addition, no such study has been conducted on Bhutan and the comparison of Bhutan’s SBEs with Indian SBEs with reference to E-marketing practices. Therefore, this study has become significant or many researchers and practitioners. (Sheth and Sharma, 2005; Adam et al., 2002; Goldsmith and Lefferty, 2002; El-Gohary, 2006 & 2009) have opined that more research and study are required to reveal the true nature of E-marketing.

This research is also important because of the research gap. Having a close look on the already conducted researches it has been found that most of the studies are on the areas like World Wide Web and Internet Usage in conducting marketing activities (Chaston
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and Mangles, 2003; McCole and Ramsey, 2004; Adam and deans, 2001; Hughes, 2005; Martin and Matlay, 2003; Saint, 2001) and on benefits of using the internet in marketing (Ghosh, 1998; Skinner, 2000; Greene, 2009; Epsilon, 2009; Lancioni, 2000). Most of these studies are conducted on the developed countries, and very few on the developing economies (El-Gohary, 2006 & 2009), but no consideration has been given to the least developed economies or under developed nations.

More importantly, the dynamics of E-marketing has changed in recent 4 years with the advent of new technologies and software in mobile phones. The various mobile applications have opened a new door for the E-marketing and its practitioners. The adoption of Intranet Marketing, Mobile Marketing and Extranet Marketing is another area where negligible studies have been conducted. Additionally, this study will investigate the use of three elements as a part of this research.

1.10. Importance of the study

There is very less study conducted on E-marketing on a small economy like Bhutan, this is probably the first study conducted on the tiny kingdom sandwiched between two giant nations i.e. India and China. The researcher was not able to find any study available on SBEs specifically, in Indian and Bhutanese context; usually most of the studies are conducted on MSMEs or CSIs in these two nations. This study is a comparative study between India and Bhutan, that too in the field of marketing.

The Electronic technological state is very dynamic and volatile; the validity of researches in the field of E-marketing and E-Business has a very limited validity period. Today Smart phones have changed the dynamics of E-marketing, as most of the E-marketing task can be achieved by a single smart phone device. Subsequently, Mobile Applications have not been discussed sufficiently by the researchers in the arena of E-Marketing so far. The dynamics of the E-Marketing is changing with the advent of more E-commerce websites, launch of various social networking smart phone applications, and the change of attitude of the sellers and buyers in these two countries. Therefore, a study is required to analyze the latest marketing practices.

E- Marketing can be a potential tool to help SBEs to increase their competitive advantage effectively. The adoption of E-marketing in India and Bhutan is particularly
interesting as both nations have their own marketing environment. Albeit the awareness towards computers is very recent, its increasing rate is very fast. Bhutan as a nation has recently drawn the attention of the world because of the new dimension towards the economy that is, GNH (Gross National Happiness). The history and practices of this nation are based on sustainable and eco-friendly practices, and E-marketing being a digital framework has followed the same principles.

1.11 The Research Process

The research process is divided into five stages which are: Identification of Research problem and Objectives; research methodology; the exploratory studies that is, the data collection and the development of the research framework; data analyses; and finally conclusions & recommendations.

During the progress of this research, the main focus of the study has been made reader friendly and creates an impact on the readers so that they can follow the process of the research easily and smoothly.

1.12. Summary and Conclusion of the Chapter

Small Business Enterprises are often considered as an economic engine. In the recent years, SBEs along with medium and micro enterprises have attracted substantial concern from various business researchers and business learners. The importance of small business is also marked significant in the present era known as “Information Age” as the information age is changing the dimension of business and its functioning. In almost every business the use of internet and other electronic sources are pivotal to communicate with their respective stakeholders including customers. The new form of marketing is creating its space in the traditional marketing arena that is Electronic Marketing or E-marketing which is abbreviated as E-marketing.

The definition of Small Business Enterprises varies from country to country depending upon the national and local needs. The main factors used to define SBEs are the number of employees and the capital invested. In India the SBEs are mainly organizations which have a capital investment of 2.5 million to 50 million for manufacturing sector and 1 million to 20 million for service sector. Similarly for
Bhutan, SBEs is an organization which has 5-19 employees with a capital investment of 1 million to 10 million. In India the contribution of MSME is remarkable as it is responsible for 40% employment with 8% GDP contribution, whereas for Bhutan CSI constitutes 95% of the total industry, and has a major cultural and social impact on the country.

The major identified agencies in India comprises of Ministry of Micro, Small, and Medium Enterprises (M/o MSME), National Small Industries Corporation of India (NSIC), Coir Board of India, Khadi and Village Industries Commission, National Commission for Enterprises in the Unorganized Sector, ASSOCHAM and FICCI. Bhutan has agencies dealing specifically for the preservation, promotion, and growth of Cottage and Small Industries namely, Department of Cottage and Small Industries - Ministry of Economic Affairs, Bhutan Opportunity and Information Centre (BOIC), Handicraft Association of Bhutan (HAB), Association of Bhutanese Industry (ABI), Association of Wood Based Industry, Loden foundation and non-governmental organizations.

This chapter made an attempt to crystallize the definition of E-marketing, by adopting the definition coined by Strauss and Frost, “The use of electronic data and applications for planning and executing the conception, distribution and pricing of ideas, goods and services to create exchanges that satisfy individual and organizational objectives”. This definition has considered the main elements of E-marketing and it is adopted by the renowned organization, American e-Marketing Association.

The aim of this study is to compare the E-marketing practices in India and Bhutan, a developing and an underdeveloped nation respectively. The major concern is to analyze the current position of E-marketing practices and possible avenues to develop E-marketing in these two countries with respect to the local needs. There is a strong belief that virtual presence is important for any organization and in certain cases physical presence is more significant with the view point of survival and to gain customer advantage over the market. Each and every firm has to make an effort towards E-marketing practices and with this assumption this study is a comparative study on India and Bhutan.