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# Internet based Business Model in India: Its Challenges and Opportunities

Subhasis Mukherjee<sup>1</sup>, Prof. Manas Kumar Sanyal<sup>2</sup>

<sup>1</sup> Research Scholar, Department of Business Administration, University of Kalyani

<sup>2</sup> Professor, Department of Business Administration, University of Kalyani

**Abstract:** *Online business is a virtual business model. In this business model buyer and seller both are out of direct contact. Due to the rapid change of technology Indian online business is changing rapidly. In the era of globalization the customer are not confined within a particular place for their product. They may shift from one product to other product from one business to other business very quickly and easily within a few second. Different types of internet based business model are under the budding stage. These businesses are bound to transform their structure, process rapidly for their existence. This paper tries to explore the evolution of e-business, progress of this business model, its opportunities and the issues of challenges.]*

**Keywords:** *E-commerce; Digital Marketing, challenges of Internet Business*

## I. INTRODUCTION

Consumers buy goods for their daily needs from the local shopkeepers. These shopkeepers buy goods in bulk and sell them to us as per our requirement. They generally buy goods in large quantity either from the producers directly or from any other shops that sell goods in bulk. Thus we find that some shopkeepers buy goods in bulk and sell to others in bulk while other buy in bulk and sell in small quantities as per the requirement of the customers. Thus on the basis of the volume of goods traded we can classify the business as (a) wholesale trade and (b) retail trade. The retail trader generally deals in a variety of goods. The retailers sell goods in small quantities as per the requirement of consumer.

Both wholesaler and retailers act as a link between producers and consumers in the chain of distribution of products. In village or town, the customers buy the products from the nearby shop in small quantities. In cities customer can buy a product from a large shop or a variety of products from a large number of counters in one big shop.

Recently with the advancement of the Information technology the method of distribution of goods from producer to consumers have witnessed a new developments. Today's scenario is that consumer can conveniently buy products of their choice without leaving their home or office at any time during the day or night. In this system the large retailer even manufacturer are directly approaching consumers through their websites using internet. With the widespread use of computer and internet, today it is possible to buy and sell products over the internet, through websites maintained by the producers. Product can be ordered instantly from anywhere in the world, twenty four hours of the day, from the convenience of one's home or a nearby cyber-cafe. Internet marketing makes it convenient to do shopping, anywhere and it is easy to compare prices of the same product charged by different producers. Without going physically to different shop it is very easy to place the order of required goods from websites of different retailers.

The most recent channels for direct marketing are electronic channels. The term electronic commerce (e-commerce) describe as wide variety of electronic platforms, such as the sending of purchase orders to suppliers viz. electronic data interchange (EDI); the use of fax and e-mail to conduct transaction; the use of ATMs and smart card to facilitate payment and obtain digital cash; and the use of the internet and online services. It is also known as online marketing, internet marketing, web marketing, digital marketing and search engine marketing (SEM). Online marketing is a set of powerful tools and methodologies used for promoting products and services. It includes a wider range of marketing elements than traditional business marketing due to the extra channels and marketing mechanisms available on the internet.

## II. OBJECTIVES OF THE STUDY

This study is conducted to search out the following objectives

- A. To evaluate the earlier studies.

- B. To study the progress of digital market in India.
- C. To examine the digital business model prevailed in India.
- D. To study the challenges faced by digital business in India
- E. To provide valuable suggestion and recommendation to the concerned entrepreneur engaged in digital business.

### III. RESEARCH METHODOLOGY

#### A. Sources of Literature

To attend the objectives, of this research work we need a thorough literature survey, consulted books and journals relevant to this topic. Various books and Journals relating to the digital marketing have been studied from different libraries. It has made well equipped about the digital marketing model and its troubles. Different thoughts of digital marketing concept and different visions of numerous Researchers and Pioneers on this topic have been observed from their respective literature. Apart from library work, different websites have been searched to find out the national and international level of thinking relating to the several aspects of this virtual marketing system.

#### B. Sources of Information

Data mainly collected from the Secondary level. Secondary sources belong to government records; journals and different website in view of getting some base line information about the subject have been considered.

#### C. Tools to be Used

The information gathered from various sources has been interpreted through the use of percentage, diagrams, tabulation, chart and data analysis.

### IV. REVIEW OF LITERATURE

Suginraj (2017) made a study on growth of online marketing in India. Through this study he investigated that Indian consumers are spending more time for internet surfing and social media. The available products are more visible in digital marketing model than traditional marketing model. Social media has great impact on digital marketing. The web portal provided by the different e-businessman helped the consumer to choose their desire goods on by surfing the internet. In recent time digital marketing industry in India is continuously growing. This study also identified some factors for growth of digital marketing. The change in lifestyle of the middle class, facility for accessing the internet, revolution in internet facility are the main factors for growth of e-commerce. This study explored that within 2010 to 2016 India's digital advertising market has grown at 33%.

Schwarzl and Grabowska(2015) through their study focus on the growing importance of online marketing and its future. This study considered the secondary data from different sources like CMO Council, WebDAM, iContact, Content PLUS and other companies. On the basis of data collected by the CMO council it found that 71% of internet users are purchasing brand product, 59% consumer are using social media. The companies involved in online marketing have a greater possibility. The consumer can choose the competitors easily by the use of internet.

Saxena (2016) has examined the role of e-commerce in Indian economy and challenges faced by the e-trading. The study found that in Indian economy e-commerce play an important role for developing economic system of India.

Kaur and Sandhu( 2017) through their study have analyzed the opportunities and challenges to digital marketing in respect of developing countries. Their study has point out some aspects that may help the digital marketing for its growth. These are growing population, absence of competition and large unexplored market, growing affluence, reliable trade policies, availability of cheap production input and rapid economic growth. No need to say that this marketing system is free from any obstacles. This marketing system is based on new technology. Low level of digital marketing knowledge, low speed of internet, over regulations of Government in the activities of business and corporate firms are the major hindrance in digital marketing.

Sreekanth and Rao (2016) through their study analyzed the impact of personal factors on consumers' online shopping behavior. This shopping gains popularity among the younger population. A great numbers of consumers feel that online shopping is easier, convenient and time saving. This study explored that different personal factors like age, gender, education and income are the important factors that have great impact on online shopping.

Rao(1999) in his study found that e-commerce helped to increase the market activity for the retailers. This study analyzed that due to growing scope of market information operating and procurement costs have been decreased. the competition prevailed in e-business helps the e-consumer to better prices and helps to enrich their knowledge of goods and services.



Mukherjee and Das (2016) highlighted through their study the corporate social responsibility of e-business. They explored that consumer satisfaction may help to extend the growth of business. This business may traditional or modern digital mode. This study suggests that the bank should educate the consumers to make payment through e-mode. Because, payment for goods or services is an important part of the digital business.

#### A. Progress of digital market in India

At present developed information and communication technology have transformed the work culture by providing a variety of ends, better service of Government to citizen and improved government interactions with business and industry. Today people are busier with their transactions out of which more transactions are cross borders in nature. Digitalization of marketing helped the people to collect their end product very quickly. Today it has become an integral part of the life. This marketing system has not come in real field in a single day. Through different phases and evolution of technology this marketing concept comes to real state. The history of e-marketing can be enumerated below: The first e-commerce concept occurred in 1971. The ARPANET arranged to sale between the students of Stanford Artificial Intelligence Laboratory and the Massachusetts Institute of Technology. In 1979 the first online shopping system was demonstrated by Michael Aldrich. In 1981 the first B2B online shopping system was installed by Thomson Holiday in UK. In 1996 B2B market place was established in India by India MART. In 2002 India first keep in touch with the online e-commerce via the IRCTC. This year Indian government established online strategy to book ticket for its public. In 2003 the online ticket booking system was followed by the Air Deccan, Indian Airlines, Spice-jet, etc. In 2007 Flipkart was established in India. The online shopping gained a high popularity due to deep discount model of Flipkart.

#### B. Taxonomy Of Digital Business Model

Different types of business model prevailed in digital mode. These are given below:

- 1) *Business-to-business (B2B)*: It refers to the e-commerce model where transactions can occur between two business organizations. The activities of this model include distribution and collection, supplier management, inventory management, channel management, sales activities, payment management, and service and support. Some pioneers of this business types are Chemdex ([www.chemdex.com](http://www.chemdex.com)), Fastparts ([www.fastparts.com](http://www.fastparts.com)), and Free Markets ([www.freemarkets.com](http://www.freemarkets.com))
- 2) *Business-to-Consumer (B2C)*: The functions of this business model take place between businesses and consumers, e.g., Amazon.com, Yahoo.com and Schwab.com. Similar transactions that occur in B2B e-commerce also take place in the business-to-consumer context.
- 3) *Consumer-to-Consumer (C2C)*: Through this business model transactions are occurred between and among consumers. There are many sites offering auction, sale of old product and receive money through online. In this model of e-commerce another consumer sell their product or services to another consumer. These types of business are [www.numberoneclassifieds.com](http://www.numberoneclassifieds.com), games ([www.heat.net](http://www.heat.net)), jobs ([www.monster.com](http://www.monster.com)), Web-based communication ([www.icq.com](http://www.icq.com)), and personal services (e.g., Yahoo! Personals, [webpersonals.com](http://webpersonals.com)), sale of old product ([olx.com](http://olx.com))
- 4) *Consumer-to-Business (C2B)*: in this business model Consumers selling product or services to business.

#### C. Advantages of Digital marketing:

Digital marketing is a means to reach consumers directly through website of the e-marketers. This marketing can deliver varieties of benefits such as growth in potential, reduced expenses, elegant communications, better control, improved customer service and competitive advantage. Digital marketing offers a number of advantages to consumers. The key advantages can be high lightened as under:

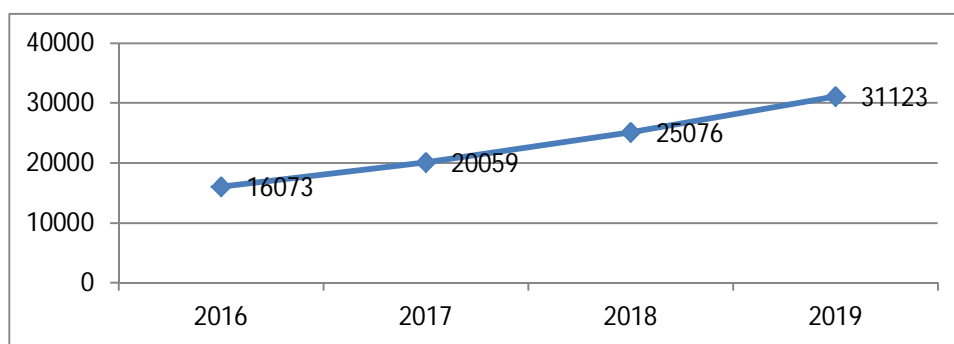
- 1) *Low costs*: Large audiences are reachable at a fraction of traditional advertising budgets and absence of middleman with in the manufacturer and consumer helps to reduce cost of price.
- 2) *Flexibility and convenience*: Consumers may search their required product through the use of internet and purchase products and services at their leisure.
- 3) *Analysis of data*: Efficient statistical results are available through analysis of data without extra costs.
- 4) *Multiple options*: Advertising tools include pay-per-click advertising, email marketing and local search integration (like Google Maps).
- 5) *Demographic targeting*: Consumers can be demographically targeted much more effectively in an online rather than an offline process.

- 6) **Low price:** Digital marketing is not required to invest in fixed assets as it is not require maintaining a shop. On the other hand absence of middleman helps to cut down the prices of goods and services. Therefore, consumer can get his desired product at a lower price through digital marketing.
- 7) **24 hours of Service:** In traditional marketing system shops are remain closed at night and even holiday. But in digital marketing system consumers can enjoy the service benefit on all the day and night and even in holiday.
- 8) **Labour and time saving Model:** Consumer can collect the desired product without visiting the shop directly. In digital marketing model consumers select their product on the web, provide delivery address to the on-line site and make the payment either through on-line account or through debit or credit card. This way consumer can save their precious time.

*D. Trend Analysis of Indian e-commerce:*

- 1) **Retail e-commerce sales in India :** The Fig.1 provides the retail sales through e-commerce in India from 2016 to 2019. In 2016, the sale of physical goods via digital channels in India amounted to 16.07 billion U.S. dollars in revenues. These sales volumes are shown as increasing trends.

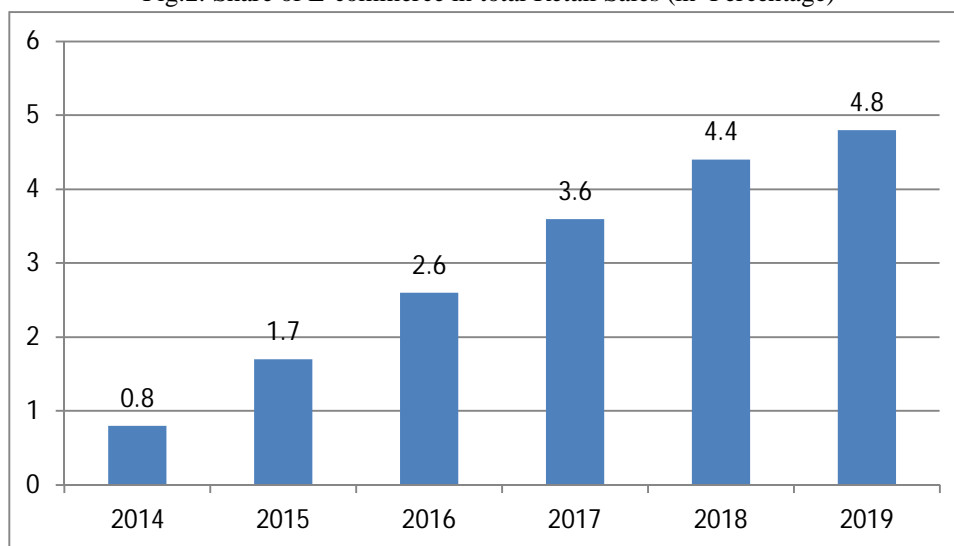
Fig.-1: Retail e-commerce sales in India from 2016 to 2019



Source: [www.statista.com](http://www.statista.com)

- 2) **Share of E-commerce in total Retail sales of India:** Fig.2 depicts the statistic shows retail e-commerce sales as a percent of total retail sales in India from 2014 to 2015, and a forecast until 2019. In 2015, e-retail sales accounted for 1.7 percent of all retail sales in India, this figure is expected to reach 4.8 percent in 2019. It is seen that year after year share of retail sales through e-commerce is increasing.

Fig.2: Share of E-commerce in total Retail Sales (in Percentage)

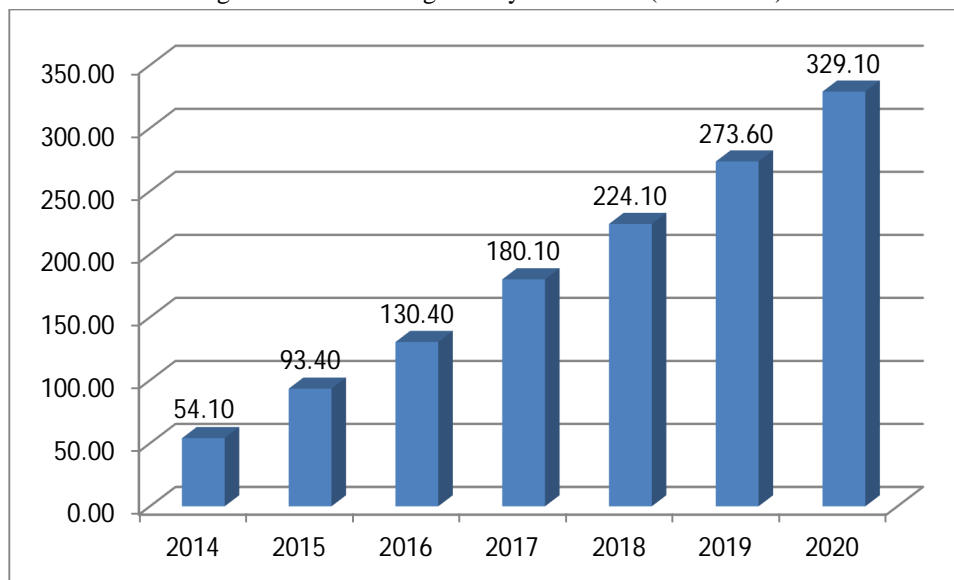


Source: [www.statista.com](http://www.statista.com)

#### E. Number of digital buyers in India

The Fig.3 explored that number of digital buyers in India are increasing year by year. This figure displays a forecast of the number of digital buyers in India up to 2020. In 2020, over 329 million people in India are expected to buy goods and services online, up from 180.1 million in 2017.

Fig.-3: Number of Digital Buyers in India (in Millions)

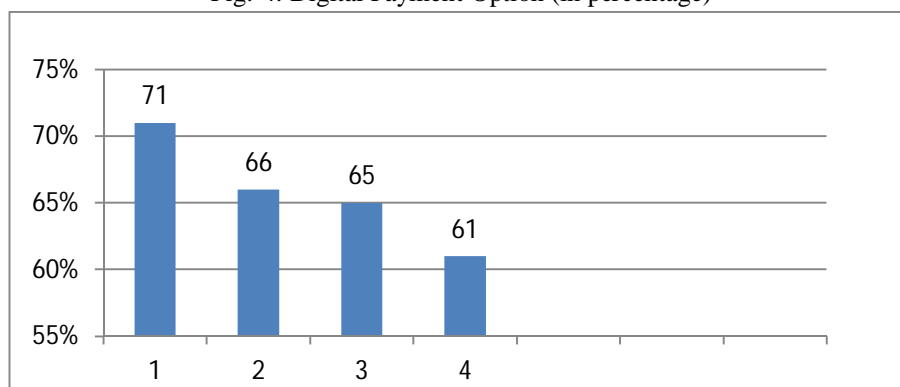


Source: [www.statista.com](http://www.statista.com)

#### F. Digital payment options preferred by India urban shoppers

Fig.-4 explored the choice of digital payment option of Indian urban customer. It is seen that During the February 2015, 71 percent of respondents preferred mobile wallets as digital payment options, 66 percent respondent preferred to pay in store through digital payment, 65 percent used to pay mobile checkout device and 61 percent used app of the respective companies.

Fig.-4: Digital Payment Option (in percentage)



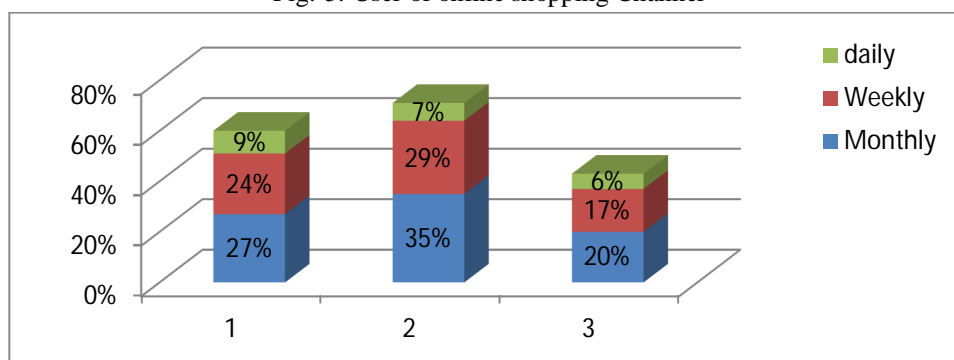
Source: [www.statista.com](http://www.statista.com)

(1= Pay through mobile wallets, 2= Pay in store through digital payment, 3= Pay through mobile checkout device, 4= Pay through app)

#### G. Online shopping channel user in India

This analysis explored that digital buyers in India are using different online shopping channel in different time period. It is seen that during the study period, 27 percent, 24 percent and 9 percent of digital buyers are using smart phone for their shopping on monthly, weekly and daily basis respectively. Use of PC is 35 percent, 29 percent and 7 percent and use of Tablet is 20 percent, 17 percent and 6 percent on monthly, weekly and daily basis respectively.

Fig.-5: User of online shopping Channel



Source: www.statista.com (1=Smart phone, 2=PC, 3=Tablet)

#### H. Challenges faced by digital business in India

The digital marketing concept has two faces like a coin. Though numerous advantages are provided to consumers but it has some disadvantages. The major encumbrance behind proper growth of digital marketing in India may be summarized as under:

- 1) It is inappropriate for Uneducated, unqualified and untrained Consumers. Only educated consumer can enjoy the facility of digital marketing option because of their knowledge about computers and information technology.
- 2) Internet is the hub of digital transaction. The area having internet connection facilities is suitable for running digital marketing. Therefore, the consumers cannot deal with digital marketing model; those are residing in the area having no web connection.
- 3) Milk, fish, meat eggs etc. are the perishable product. These products cannot deal with digital marketing system.
- 4) In traditional marketing model consumer choice their product after physical checking. The digital marketing model does not provide an option to try and touch the product before purchase.
- 5) Many of the consumers have no faith on digital payment mode. They revoke to purchase under online marketing. Lack of trust is another cause of slow growth of online marketing in India.
- 6) Hacking is another cause of slow growth of digital marketing. During digital transaction hackers can steal precious data from the systems of on-line stores.

#### V. CONCLUSION

India is third largest internet user in the world and fastest-growing e-commerce markets. The millions of new internet users are taking advantage of cheap mobile connections. They are basically using internet to send messages and mail, to watch online videos, to use mobile services, and to shop. In India the majority of online users were male, and the same held true for online shoppers. In India, men accounted for almost two thirds of online shopping audiences. According to Wikipedia there were 354 million internet users in India in 2015. Having access to the internet automatically exposes the average Indian to e-commerce and online retail and that in itself translates in to growth for the e-commerce sector. It is fact that internet user are increasing by 30 per cent annually, and although the rate of growth of transactions through the internet is much slower but it will grow up very quickly due to bless of information technology.

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