Chapter 1 Introduction
1.1 INTRODUCTION

Modern marketing began in the early 1900s. In the twentieth century, the marketing process progressed through three distinct eras—production, sales, and marketing. Prior to 1960s, firms operated under the premise that production was a seller's market. Product choices were nearly nonexistent because firm managers believed that a superior product would sell itself. This philosophy was possible because the demand for products outlasted supply. During this era, firm success was measured totally in terms of production.

The second era of marketing, started after 1960s, is known as the sales era. During this era, product supply exceeded demand. Thus, firms assumed that consumers would resist buying goods and services deemed nonessential. To overcome this consumer resistance, sellers had to employ creative advertising and skillful personal selling in order to get consumers to buy. The marketing era emerged after firm managers realized that a better strategy was needed to attract and keep customers because allowing products to sell themselves was not effective. Rather, the marketing concept philosophy was adopted by many firms in an attempt to meet the specific needs of customers. Proponents of the marketing concept argued that in order for firms to achieve their goals, they had to satisfy the needs and wants of consumers.

The third era of marketing started after 1990s, is known as the strategic concept of marketing. During this era the focus of marketing shifted from the customer or the product to the customer in the context of the broader external environment. Knowing everything there is to know about the customer is not enough. To succeed, marketers must know the customer in a context including the competition, government policy & regulation, and the broader economic, social and political macro forces that shape the evolution of markets. In global marketing this may mean
working closely with home country government trade negotiators and other
officials and industry competitors to gain access to a target country market.

This progress of marketing can easily be understood with the help of
following table1.1.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Product</td>
<td>Customer</td>
<td>Way of Doing</td>
</tr>
<tr>
<td>Means</td>
<td>Telling  &amp; Selling</td>
<td>Integrated Marketing Mix</td>
<td>Business Knowledge &amp; experience</td>
</tr>
<tr>
<td>End</td>
<td>Profit</td>
<td>Value</td>
<td>Mutually beneficial</td>
</tr>
<tr>
<td>Marketing is….</td>
<td>Selling</td>
<td>A function</td>
<td>Relationship everything</td>
</tr>
</tbody>
</table>

Source : Ward Hanson, Principles of Internet Marketing

After above progress the marketing crossed the borders i.e.
international marketing. A natural component of international business is
international marketing. International marketing occurs when firms plan
and conduct transactions across international borders in order to satisfy the
objectives of both consumers and the firm. International marketing is
simply a strategy used by firms to improve both market share and profits.

After the internationalization of marketing a new concept come into
the market i.e. Internet marketing or online marketing

**Internet Marketing**

Internet marketing is a component of electronic commerce. Internet
marketing can sometimes include information management, public
relations, customer service, and sales. Electronic commerce and Internet
marketing have become popular as Internet access is becoming more
widely available and used. Well over one third of consumers who have
Internet access in their homes report using the Internet to make purchases.
History

As far as India is concerned Internet marketing first began in the decade of 1990’s as shown in table 1.2.

Table 1.2
History of Internet with respect to India

<table>
<thead>
<tr>
<th>Organizations</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>VSNL (Launches Internet in 6 cities)</td>
<td>1995</td>
</tr>
<tr>
<td>Rediff.com (launched by Ajit Balkishnan)</td>
<td>1996</td>
</tr>
<tr>
<td>ICICI Bank launches online banking</td>
<td>1997</td>
</tr>
<tr>
<td>Naukri.com India’s Job portal launched</td>
<td>1997</td>
</tr>
<tr>
<td>India’s first ISP sify started</td>
<td>1998</td>
</tr>
<tr>
<td>Webduniya India’s first hindi portal</td>
<td>1999</td>
</tr>
<tr>
<td>Bazaar.com Launched</td>
<td>2000</td>
</tr>
<tr>
<td>Foreign portals as Yahoo and MSN Launched new versions for Indian market</td>
<td>2000</td>
</tr>
<tr>
<td>Indian Railways launched the facility of online reservations</td>
<td>2001</td>
</tr>
<tr>
<td>Air Deccan first airline to offer online tickets</td>
<td>2003</td>
</tr>
</tbody>
</table>


Over time Internet marketing evolved into more than just selling information products, there are people now selling advertising space, software programs, business models, and many other products and services. Companies like Google, Yahoo, and MSN have leveled the playing field of Internet advertising. By offering local advertising to small to medium sized businesses, ROI has grown while the bottom line has been lowered. This type of marketing is the backbone of modern capitalism, allowing anyone with an idea, product or service to reach the widest audience possible. The next evolutionary step would be to refine the consumer search to those consumers specifically searching for your product or service, and entice them with catchy tag lines and promotions.
Once the consumer has chosen your company, and entered your e-store, the design of your website will determine the online to offline or e-commerce conversion rates. These are what business owners desire the lowest cost per lead.

To clarify, while internet marketing can cover any facet of online marketing as described above, current use of the term internet marketing commonly refers to the use of direct response marketing strategies, that were traditionally used in direct mail, radio, and TV infomercials, applied to the internet business space.

These methods have been found to be particularly useful on the internet due to its tracking capabilities coupled with the ability to instantly reach the prospect, whether it is Business to Business (B2B) or Business to consumer (B2C). This ability for careful analysis has become quite common now, which is why you will commonly see terms such as ROI, conversion rate, and sales letter commonly come up when discussing internet marketing.

**E-Business Overview**

As the Internet has rapidly become a critical component of our lives, it is important to take a step back and understand the meaning of e-business and the various overused labels. Some people confuse the Internet, e-commerce, and e-business to mean the same thing. The Internet is the tool or vehicle. E-commerce is merely transacting (buying or selling) over the Internet or other electronic means. E-business uses Internet technologies to improve all business processes and activities within a business as well as processes that reach out to the stakeholders of the company. E-business is the integration of people, processes, and technology to conduct business. It uses technology to build global business processes, relationships, and commerce. Some may refer to this as e-enabling the enterprise or e-enterprise. To simplify matters, refer to the
entire Internet integration of an enterprise as e-business. A company’s e-business environment may include an Internet that is accessible to the general public, an Extranet that is accessible only to certain individuals with proper security, or an Intranet that is accessible to employees and internal individuals.

E-business is not just putting out a Web page. E-business encompasses the entire business model of a company (business to employees, customers, suppliers, partners, and value chain), as shown in diagram 1.1.

**Diagram 1.1**
**E-Businesses Encompasses the Entire Business Model**

E-business impacts the relationships between customers, manufacturers, and suppliers. Common acronyms include:

**Business to Business (B2B)**: B2B, or automating the transactions between businesses. It is also known as e-marketplace. An e-marketplace is defined as a neutral web-based location where businesses can conduct buying and selling transactions for goods or services and can exchange business related information between various stakeholders. Neutrality here refers to the notion that an online B2B marketplace does not specifically
represent a single buyer or a single supplier and that both buyers and suppliers are able to freely and independently participate in the e-marketplace.

Online B2B marketplace suppliers drive their sales through a combination of offline as well as online activities. The online contributions to their overall sales are still low as compared to their offline sales but the rate of online sales has been rising steadily since the last few years.

An all India survey of 1000 B2B suppliers conducted by IAMAI shows some interesting trends in total 1000 online B2B marketplace suppliers generated business worth Rs 49.69 crores through online B2B marketplace in the domestic market yearly. The average order value for these B2B suppliers was around Rs. 3.41 lakh from a total of around 1492 orders.

1000 online B2B marketplaces suppliers surveyed generated business worth Rs 165.11 crores yearly through online B2B marketplaces in the International market. The average annual order value for these B2B suppliers was around Rs. 3.48 lakh from a total of around 4842 orders. The suppliers’ yearly average value and average order value are shown in table 1.3 and diagrams 1.2, 1.3 and 1.4.

Table 1.3

<table>
<thead>
<tr>
<th>B2B Suppliers yearly average value of business and average order value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic Annual</strong></td>
</tr>
<tr>
<td>B2B Business Value</td>
</tr>
<tr>
<td>Number of orders</td>
</tr>
<tr>
<td>Average order value</td>
</tr>
</tbody>
</table>

Source: IAMAI-EstatsIndia survey 2008
The rise in the Internet usage among online B2B marketplace suppliers is not just limited to accessing their website. Most of the online B2B marketplace suppliers surveyed recognized the importance of using Internet as a powerful business development and promotion tool. Today more and more B2B suppliers are adopting Internet to promote their products/services online and also to generate sales leads and enquiries by making use of e-tools like online product/company catalog and various other forms of online marketing.
Business to Customer (B2C): B2C, or automating the consumer purchasing process. For example, the process may begin with an online campaign to interest the consumer. Customers visit the Web site, research the products, place their orders online, provide online payment via credit card, and receive electronic order confirmation. Customers can check the status of their orders online as well as address any order issues or questions. Customers receive their orders, can handle returns online, register the products, receive maintenance notifications, and obtain support through an online support center. There are many benefits to a B2C process such as increased customer satisfaction, increased speed of transaction from order to ship, decreased cost of sales, and decreased customer support costs. In India, the cost of one banking transaction through the Internet amounted significantly lower in comparison to other modes of transaction is shown in Table 1.4 and Diagram 1.5.

Table 1.4

Cost to bank for same transaction through different modes

<table>
<thead>
<tr>
<th>Mode of Transaction</th>
<th>Cost per Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Banking</td>
<td>10 paisa</td>
</tr>
<tr>
<td>Phone Banking</td>
<td>35 paisa</td>
</tr>
<tr>
<td>ATM</td>
<td>45 paisa</td>
</tr>
<tr>
<td>Branch</td>
<td>Rupees 1</td>
</tr>
</tbody>
</table>

Source: ICMR (Indian Council for Market Research)

Diagram 1.5

Cost to Bank for same transaction through different modes
The low transaction costs and the promising picture painted by analysts induced many banks in India to introduce Internet banking services during the late 1990s. However, only few of them succeeded in moving beyond the launch of the website. Firstly ICICI's Internet banking service (launched in 1997) 'Infinity' became the most recognized and popular service in the country, providing a wide range of products and services.


**Business to Employee (B2E):** B2E, or providing necessary information to internal employees via an Intranet. Examples include company information, self-management of benefits, and internal process and procedure documentation and forms. B2E is a critical component for B2B to work properly. If this is not in place, B2B does not reap the full benefits.

**Anyone to Anyone (A2A):** A2A allows any entity to be able to do business with any other entity. A2A includes business-to-business and business-to-consumer, as well as consumer-to-consumer, business-to-exchange, and many other relationships. Chat boards or consumer bidding sites are examples of anyone-to-anyone interactions.

E-business enables businesses to re-invent themselves and do business in entirely new ways. E-business changes the competitive landscape and distribution channels. As per data given in table 1.3 it expands the marketplace, extends market reach, and increases revenue. E-business streamlines interactions, increases the speed of business, and increases the expectations of customers. As Diagram 1.6 shows, e-
business can impact market share, make successful companies, and kill companies that are slow to adjust.

Successful companies of the future will be entirely e-enabled so that the Internet initiatives are inseparable from the rest of the company and tightly integrated in all their core business processes. These companies will not assume that the business model that made them successful in the past will carry them into the future. To successfully make the transition from e-business to a truly e-enabled enterprise, a company must begin by understanding its customers and anticipating trends in business, business applications, and technology.

**Diagram 1.6**

**Essentials of E-Businesses**

<table>
<thead>
<tr>
<th>E-Business is not</th>
<th>E-Business uses technology to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just putting out a Web page or Just Web-enabling existing applications</td>
<td>1. Redefine business, maximize customer value, and enable business in new ways.</td>
</tr>
<tr>
<td></td>
<td>2. Change the competitive landscape, distribution channels</td>
</tr>
<tr>
<td></td>
<td>3. Impact market share, extend market reach</td>
</tr>
<tr>
<td></td>
<td>4. Increase the speed of business, streamline interactions, and increase expectations of the customers</td>
</tr>
<tr>
<td></td>
<td>5. Make and kill companies</td>
</tr>
</tbody>
</table>

**E-Business Trends**

The Internet revolution is having a major impact on businesses and information systems today. The changes require businesses to operate very
differently than in the past. Diagram 1.7 shows, these changes place new requirements and expectations on information systems. Businesses must be flexible, quick, customer-focused, innovative, collaborative, and global, and allow self-service. In fact, the A.T. Kearney CEO survey identified customer orientation, flexibility, and using technology well to be the top three critical success factors for the future\textsuperscript{1}. Technology and systems must be easy to use, integrated, reliable, responsive, flexible, easy to maintain, accurate, scalable, global, and secure.

**Diagram 1.7**

**E- Business Requirements**

In a sense, e-business is a cultural revolution. Critical business trends impacted by this paradigm shift is shown in diagram 1.8, include:

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\textsuperscript{1} A.T. Kearney (an EDS company), “Strategic Information Technology and the CEO Agenda,” www.atkearney.com, 2000
Diagram 1.8
Paradigm Shift in Business Trends

<table>
<thead>
<tr>
<th>A Paradigm Shift</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before the year 2000</strong></td>
</tr>
<tr>
<td>Cost reduction</td>
</tr>
<tr>
<td>Fast</td>
</tr>
<tr>
<td>Self contained</td>
</tr>
<tr>
<td>Internal focus</td>
</tr>
<tr>
<td>Economies of scale</td>
</tr>
<tr>
<td>Technology is an afterthought</td>
</tr>
</tbody>
</table>

In addition to enabling new business, the Internet and technology are enabling a reinvention of the business mindset. Today’s commerce has evolved from the industrial revolution of the early 1900s when mass transportation, mass communication, and mass production were the name of the game. As the population grew, bigger was better. Tomorrow’s success takes a different road. Intangibles are becoming more important. Although the creation and consumption of goods are key to today’s economic growth, in the future, consumption will need to be tempered with the limitation of natural resources and a continued thirst for a balanced lifestyle. The computer and the Internet are the foundations for reinventing how we do business and how we communicate. E-business is expanding and breaking down walls for enlightened communication.

It is important for companies to recognize how these general business trends impact their e-business strategies and plans, but the trends will also impact how their customers in a business-to-business
environment may be changing. These changes may impact the business success of a company that has a strategy based on old paradigms. Cambridge Technology Partners (www.ctp.com) identified how the business model is morphing.2

Industry wise classification of online marketing

Online Travel Industry

1. **Travel**, comprising
   a. **Travel aggregators**
   b. **Tour Operators**, A & N Islands Tours & Travels, Adventure and Cultural Tours India, Akshaya India Tours & Travels (P) Ltd., All India Guides, Andaman & Nicobar Islands Tours & Travels, Asian Adventures, Atari Tour and Travels, Barefoot India, Bharat Tours and Travels, athira holidays
   c. **Hotels:**
      orchidhotel.com, neemranahotels.com, jaypeehotels.com styresindia.com, indiahotellerreview.com, Onlinehotelsindia.com
   d. **Railways**
      Indianrail.gov.in,
   e. **Airlines**
      Goair.in, spicejet.in, goindigo.in, paramountairways.com, airindia.in, indianairlines.nic.in, flykingfisher.com, jetairways.com, deccanairlines.in,

Online Non Travel Industry

1. **E-tailing**, comprising
   a. **Online Retailers**
   b. **Online Auctions**
      Heritage Pointe Pvt. Ltd., One Sky Shop, baazee.com, Auctionraj.in, FurnitureWalla, Cheapmobilephonedeals.net, auctionindia.com, Auctionghar.com, Shoppe 24 Online, Indian fashion Shop, rediffauctions

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c. Financial Services
   i. Banks
      Sbjbank.com, sbhyd.com, indorebank.org, statebankofmysore.co.in,
      sbp.co.in, idbi.com, hdfcbank.com, icicibank.com, indusind.com,
      kotak.com, axisbank.com, yesbank.in
   ii. Brokerage
      sharekhan.com, icicidirect.com, emkayshare.com, mangalkeshav.com,
      bricssecurities.com, manfinancial.com, krchokcey.com,
      mywealthguide.com, ways2gain.com, indiabulls.com
   iii. Financial Institutions
      ifciltd.com, nabad.org, sidbi.in, eximbankindia.com, licindia.com,
      jammuandkashmirbank.com, federalbank.co.in

2. Classifieds, comprising
   a. Online Jobs,
      Naukri.com, monsterindia.com, jobsahead.com, clickjobs.com,
      firstsalary.com, goldenjobs.com, jobs-bank.com, naukrisalalh.com,
      naukrioguru.com, placementindia.com, India.recruit.net, ritejobs.com,
      timesjobs.com
   b. Online Matrimony,
      Shadi.com, lifepartnerindia.com, bharatmatrimony.com,
      brahminmatrimony.com, cybermatrimony.com, dilmilgya.com,
      greatmatrimonial.com, jeevansaathi.com, Jain4jain.com,
      marriageexpress.com, merasaathi.com, Punjabi-marriage.com,
      simplymarry.com
   c. Property
      indiahousing.com, indiaproperties4u.com, zameen-zaidad.com,
      99acres.com, magicbricks.com, propertyfinder.com, kothi.com,
      onlineghar.com, jaaydaad.com, mastghar.com, makan.com,
      singlepropertiesite.com, mypropertyindia.com
   d. Online Automobile
      Autoindia.com, automobileindia.com, wheelsunplugged.com,
      carsalesindia.com, cardekho.com, motorindiaonline.com,
      autobashti.com, bharatautomobiles.com, cartradeindia.com, carwale.com
   e. General Classifieds
      Astrology, Health advice, Current News

3. Paid and Free Content Subscription
Paid reports (business-beacon.com of CMIE centre for monitoring of Indian economy, Sectorial base reports of AC Nielson, ORG-MARG SURVEY REPORTS), Reports of trade and business organization like FICCI, CII, ASSOCHAM – (Mostly Free) and Exclusive videos

4. **Digital downloads**

   Via Internet on Computers or mobile phone

   Mobilemaza.com, dilshil.com, trap17.com, getmobiware.com, symbiaygalaxy.org, masti4india.com, downloadguide.com, funmaza.com,

**1.2 CONCEPT & STAGES OF ONLINE MARKETING**

Commerce has evolved over the centuries. Prior to the evolution of money it was a simple “barter process” where things could be exchanged, say milk for grains. The evolution of money brought with it, the concept of a “marketplace.” In a marketplace, Commerce is function of 4 P’s – Product, Price, Place and promotions. All these four components play a vital role in a transaction to take place. Different combinations of 4Ps determine different forms of Commerce.

Once the marketplace came into existence, a few pioneers realized that people would be ready to pay extra if they could deliver products at customer’s doorsteps. A slight modification on Price and Place led to the convenience of getting products at their homes. This concept delighted the customers and thus, the concept of “Street Vendors” was born.

When the Postal System came into being the sellers decided to cash in on the new opportunity and started using mailers giving description of their products. It led to the concept of “Mail Order Cataloguing.” From here, the evolution of the “Tele shopping” networks was inevitable with the development of media vehicles.

The latest generation of commerce is one that can be done over the internet. Internet provides a virtual platform where sellers and buyers can come in contact for sale and purchase of goods and services. They can be thousands of miles apart, may belong to different parts of the world, might speak different languages, “E-Commerce” emerged as the boundary-less
trade medium in the era of globalization. The evolution of E-commerce is shown in diagram 1.9.

**Diagram 1.9**

**Evolution of commerce**

Distribution Channel has started to assume new meaning to the B2C and C2C e-Marketer. The Physical delivery got converted to electronic delivery; physical products are now electronic products, displayed on a website. With options of paying online through debit and credit cards, even the transactions are purely electronic.

During the traditional commerce there was only one dimension i.e. all products delivery and transactions were physical but with the development of e-commerce various product and transactions became electronic, some products achieved the level of pure electronics i.e. product delivery and transaction both are electronic while some of them achieved the level of semi electronic i.e. product is physically delivered but transaction can be done electronically. Therefore, the dimensions of the modern commerce can be said as pure e-commerce, & BAMs as shown in diagram 1.10.
Another important P for the e marketer, the Promotion, assumed importance, especially because there is no face to face interaction between the buyer and seller.

The focus of online promotions is the ‘great deals’, ‘discounts’, ‘convenience’ offered by the e-Marketers.

When evaluating the impact of e-commerce on an organization’s marketing, it is instructive to identify the role of buy-side and sell-side e-commerce transactions as depicted in Diagram 1.11. Sell-side e-commerce refers to transactions involved with selling products to an organization’s customers i.e. B2C. Internet marketing is used directly to support sell-side e-commerce. Buy-side e-commerce refers to business-to-business transactions to procure resources needed by an organization from its suppliers. This is typically the responsibility of those in the operational and procurement functions of an organization. Remember, though, that each e-commerce transaction can be considered from two perspectives: sell-side from the perspective of the selling organization and buy-side from the perspective of the buying organization. So in organizational marketing we need to understand the drivers and barriers to buy-side e-commerce in order to accommodate the needs of organizational buyers. For example, marketers from RS Components (www.rswww.com) promote its sell-side
e-commerce service by hosting seminars for buyers within the purchasing department of its customers that explain the cost savings available through e-commerce.

**Diagram 1.11**

*The distinction between buy-side and sell-side e-commerce*

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**Stages of Online Marketing**

A further perspective on assessing current usage of the Internet channel is to assess the current level of Internet services and integration of Internet marketing with other marketing activities. Stage models of capability delivered through the online presence assist in this evaluation. Companies that operate in a particular market tend to follow a natural progression in developing their web site to support their marketing activities. The following levels of Internet marketing can be identified:

- **Level 0.** No web site.
Level 1. Company places an entry in a web site that lists company names such as Yellow Pages (www.yell.co.uk) to make people searching the web aware of the existence of the company or its products. There is no web site at this stage.

- **Level 2.** Simple static web site created containing basic company and product information (sometimes referred to as ‘brochureware’).  

- **Level 3.** Simple interactive site where users are able to search the site and make queries to retrieve information such as product availability and pricing. Enquiries submitted by a form and transmitted by e-mail may also be supported.

- **Level 4.** Interactive site supporting transactions with users. The functions offered will vary according to the company. If products can be sold direct then an electronic commerce option for online sales will be available. Other functions might include an interactive customer-service helpdesk.

- **Level 5.** Fully interactive site providing relationship marketing with individual customers and facilitating the full range of marketing functions relevant for the sector.

After achieving the level 5 the seven stages cycle of internet marketing come into the action. Diagram 1.12 provides an overview of the seven stages of internet marketing. These seven stages are: setting corporate & business-unit strategy, framing the market opportunity, formulating the marketing strategy, designing the customer experience, designing the marketing program, crafting the customer interface, and evaluating the results of the marketing program.

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3 A web site in which a company has simply transferred (‘migrated’) its existing paper-based promotional literature on to the Internet without recognizing the differences required by this medium.
Diagram 1.12

Overview of the seven stages of the internet marketing

Stage 1: Under this stage the relationship between different units in a firm is understood, moreover decisions regarding which unit should be continued or which one should be closed. It concentrates on how a particular unit in the company attacks a market to gain competitive advantage.

Stage 2: Under this stage decision related to increase the business through a new business unit or a new product line with existing business unit & the mechanism to evaluate these opportunities are considered.

Stage 3: Formulation of marketing strategy is based upon corporate, business unit, and overall marketing strategies of the firm. The marketing strategy goals, resources and sequencing of action
must be aligned with business unit strategy. Thus the overall marketing strategy comprises both offline and online marketing activities which is shown in diagram 1.13

**Diagram 1.13**

**Overall marketing strategy of the firm i.e both online and offline**

Stage 4: This stage works as a mediator between marketing strategy and design of marketing program. A firm needs to understand the customer experience that should be delivered to meet the marketing opportunity.

Stage 5: After understanding customer experience in stage 4, this stage entails designing a particular combination of marketing actions to convert target customers from awareness to commitment. For this purpose the six classes of levers i.e. product, pricing, communication, distribution, branding and customer relationship can be used to create target customer awareness, exploration, and it is hoped, commitment to firm’s offering.

Stage 6: The internet has changed the platform of the exchange from the marketplace (face to face interaction) to the market-space (screen to face interaction). As this change from man mediated to technology mediated interface unfolds, it is important to consider the types of interface design. To capture these design
considerations these is 7Cs framework i.e. Context, content, community, customization, communication, connection, and commerce.

**Stage 7:** Under this stage the consideration is an overall internet marketing program. It includes a balanced focus on both customer and financial metrics. It covers a review of traditional offline customer metrics, and then moves on to derive a new model for online metrics.

1.3 **CURRENT SITUATION OF ONLINE MARKETING**

Consumer goods sold on the Internet can be separated into three categories: Physical goods, Digital goods, and Services. No matter what the product type, the online shopping experience is new and different from shopping in the physical world. Some of the differences with which consumers must become comfortable are: turning on a computer, navigating the Internet, self-serve buying, browsing web pages versus retail shelves, and interacting in a mediated environment versus directly with the retailer.

**Physical Goods** refer to products like flowers, books, electronic gadgets, consumer durables, sporting goods, apparel and perfumes. The growing customer demand will insist on marketers and retailers to review their multi-channel sales strategy.

**Digital Goods** include software, information goods, graphical images, and streaming audio and video they are consumed through experience: listening to music, watching a video clip, or reading an e-book or e-newspaper.

**Services:** Services include products such as consulting a travel agent, playing sports and games and taking a vacation. In India for example IRCTC & Air Deccan has determined that they can develop direct consumer relationships and hence manage the consumer’s experience through an online service.
A survey has been conducted by Internet and online association of India (IOAI) in the year 2005 for online marketing in India in respect of 21 products and services which are shown in table 1.5.

**Table 1.5**

<table>
<thead>
<tr>
<th>Products &amp; Services bought online</th>
<th>%</th>
<th>Products &amp; Services likely to bought in the future</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books</td>
<td>41%</td>
<td>Electronic Gadgets</td>
<td>53%</td>
</tr>
<tr>
<td>Electronic Gadgets</td>
<td>40%</td>
<td>Railway Tickets</td>
<td>48%</td>
</tr>
<tr>
<td>Railway Tickets</td>
<td>39%</td>
<td>Airline Tickets</td>
<td>46%</td>
</tr>
<tr>
<td>Apparel Accessories</td>
<td>36%</td>
<td>Books</td>
<td>44%</td>
</tr>
<tr>
<td>Apparel</td>
<td>36%</td>
<td>Computer Peripherals</td>
<td>42%</td>
</tr>
<tr>
<td>Gifts</td>
<td>35%</td>
<td>Apparel</td>
<td>38%</td>
</tr>
<tr>
<td>Computer Peripherals</td>
<td>33%</td>
<td>Gifts</td>
<td>34%</td>
</tr>
<tr>
<td>Airline Tickets</td>
<td>29%</td>
<td>Music</td>
<td>33%</td>
</tr>
<tr>
<td>Music</td>
<td>24%</td>
<td>Apparel Accessories</td>
<td>31%</td>
</tr>
<tr>
<td>Movies</td>
<td>21%</td>
<td>Hotel Booking</td>
<td>31%</td>
</tr>
<tr>
<td>Hotel Booking</td>
<td>20%</td>
<td>Home Appliances</td>
<td>30%</td>
</tr>
<tr>
<td>Magazines</td>
<td>19%</td>
<td>Movies</td>
<td>27%</td>
</tr>
<tr>
<td>Home Tools &amp; Products</td>
<td>16%</td>
<td>Movie Tickets</td>
<td>27%</td>
</tr>
<tr>
<td>Home Appliances</td>
<td>16%</td>
<td>Magazines</td>
<td>26%</td>
</tr>
<tr>
<td>Toys</td>
<td>16%</td>
<td>Home Tools &amp; Products</td>
<td>23%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>15%</td>
<td>Health &amp; Fitness Products</td>
<td>21%</td>
</tr>
<tr>
<td>Movie Tickets</td>
<td>15%</td>
<td>Jewellery</td>
<td>18%</td>
</tr>
<tr>
<td>Beauty Products</td>
<td>12%</td>
<td>Beauty Products</td>
<td>17%</td>
</tr>
<tr>
<td>Health &amp; Fitness Products</td>
<td>12%</td>
<td>Toys</td>
<td>16%</td>
</tr>
<tr>
<td>Apparel Gift Certificates</td>
<td>10%</td>
<td>Apparel Gift Certificates</td>
<td>15%</td>
</tr>
<tr>
<td>Sports Goods</td>
<td>7%</td>
<td>Sports Goods</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Source: The Power Shopper: IOAI Ecommerce Report 2005*

**Electronic Gadgets** – (Camera, Handy Cam, Mobile phones, Mobile Accessories),

**Apparel** (Shirts, Trousers, T-shirts, Sarees, Lingerie)

**Gifts** – (Flowers, Chocolates, Mithai, Luxury Products [Watch, Pen Sets])

**Home Tools** - (Screw driver set, Tool kits, Garden tools, Power Tools, Lighting)

**Home Appliances** - (Microwave Oven, TV, Fridge, DVD Player, Music System)

Consumers have also bought the following products online

1. Perfumes and Deodorants products,
2. Astrological products
3. Car Accessories
4. Cricket match tickets
5. Internet Packages
6. Video Games CD

The above items represent the wide range of products that are being sold online. They can be used in tandem with promoting a product as well.

The demographic profiles of top 5 categories of products and services have been selected which will help fine tune e-commerce strategy for new as well as existing e-commerce players.

Age, gender & marital status details would give indicative directions on target audiences that are currently buying a specific product or service online; city details will help a new player to plan distribution and logistics better whilst existing ecommerce merchants can use it as a guideline to either expand in multiple cities & plan their distribution strategy.

It has been observed that the consumers who bought specific category of product online also bought other categories of products. This is an indicative measure to cross sell affiliate or plan online advertisement.

**Books**

41% consumers have bought Books online & 44% are likely to buy them in the near future. For this purpose IOAI has selected 611 customers.

The Indian publishing industry is at a phenomenal growth curve. The total market size for books in India is estimated to be Rs 3000 crores (2004-2005) and the organized book stores have already managed to corner 10% of the market share and almost 98% distribute only English language books.

The 26-35 years age group represents the highest desire for shopping for Books online. The demographic is represented by young professionals and bi-income families with a high disposable income. This has shown in diagram 1.14.
The online sales of Books city-wise has been shown in table 1.6

**Table 1.6**

**Top Online Selling cities for Books**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mumbai/ Thane/ New Mumbai</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>Delhi/ NCR</td>
<td>18%</td>
</tr>
<tr>
<td>3</td>
<td>Bangalore</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Chennai</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>Kolkatta</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Hyderabad/ Secunderabad</td>
<td>3%</td>
</tr>
<tr>
<td>7</td>
<td>Lucknow</td>
<td>2%</td>
</tr>
<tr>
<td>8</td>
<td>Jaipur</td>
<td>2%</td>
</tr>
<tr>
<td>9</td>
<td>Others</td>
<td>32%</td>
</tr>
</tbody>
</table>

Sales of Books online are highest in Mumbai (25%) & Delhi (18%) followed by Bangalore (8%), Chennai (6%) and Kolkatta (4%). These cities make for distribution channels to leverage against a big city preference/buyer bias. Other cities & towns’ (32%) along with Kolkatta (4%), Hyderabad /Secunderabad (3%) Lucknow (2%) and Jaipur (2%) reflects an opportunity to cater to a huge market outside the top 5 cities.

Shoppers who purchased Books also purchased Railway Tickets (47%), Gifts (44%), Accessories (42%), Electronic Gadgets (41%) and Apparel (41%) thus making a case for retailers in multi category e-shops to cross sell across categories and allows for online advertisers to place media buys...
as appropriate to their category. A view of purchasers who bought books online have also bought other goods and services online are shown in diagram 1.15.

**Diagram 1.15**

<table>
<thead>
<tr>
<th>Consumers who bought books also bought other products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway Tickets</td>
</tr>
<tr>
<td>47%</td>
</tr>
</tbody>
</table>

**Electronic Gadgets**

40% consumers have bought Electronic Gadgets online & 53% are likely to buy in the near future. For this purpose IOAI has selected 598 customers.

74% of Electronic Gadgets are being bought by 18-35 year age group with the Ecommerce savvy 26-35 years having the lion’s share of 49%. This has shown in diagram 1.16.

**Diagram 1.16**

<table>
<thead>
<tr>
<th>Online buyers of Electronic Gadgets - Age wise</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
</tr>
<tr>
<td>25%</td>
</tr>
</tbody>
</table>

The city-wise online sales of electronic gadgets have been shown in table 1.7
Table 1.7
Top Online Selling cities for Electronic Gadgets

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mumbai/ Thane/ New Mumbai</td>
<td>28%</td>
</tr>
<tr>
<td>2</td>
<td>Delhi/ NCR</td>
<td>20%</td>
</tr>
<tr>
<td>3</td>
<td>Bangalore</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Chennai</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>Kolkatta</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>Hyderabad/ Secunderabad</td>
<td>3%</td>
</tr>
<tr>
<td>7</td>
<td>Lucknow</td>
<td>2%</td>
</tr>
<tr>
<td>8</td>
<td>Ahemdabad</td>
<td>2%</td>
</tr>
<tr>
<td>9</td>
<td>Others</td>
<td>26%</td>
</tr>
</tbody>
</table>

Sales of Electronic Gadgets online are highest in Mumbai (28%) & Delhi (20%) followed by Bangalore (8%), Chennai (6%), and Kolkatta (5%). These cities make for distribution channels to leverage against a big city preference/buyer bias. The ‘Other cities & towns’ (26%) along with Hyderabad (3%), Lucknow (2%) & Ahemdabad (2%) reflect a significant rise in ‘purchasing power’ associated with increased buying parity.

Shoppers who purchased Electronic Gadgets also purchased Computers & Peripherals (45%), Railway Tickets (43%), Books (42%), Accessories (40%) and Apparel (40%) thus making a case for retailers in multi category e-shops to cross sell across categories and allows for online advertisers to place media buys as appropriate to their category. A view of consumers who bought electronic gadgets online have also bought other goods and services online are shown in diagram 1.17.
Railway Tickets

39% consumers have bought Railway Tickets online & 48% are likely to buy them in the near future. For this purpose IOAI has selected 583 customers.

Railway Ticketing is a perfect example of self-service e-economy with the Internet being the domain of information, options, bookings, and capacity-allocation. A perfect opportunity capitalized by IRCTC, a public sector company.

47% of Railway ticket purchasers are in the 26-35 age groups. 87% of railway ticket shoppers are Male. This has been shown in diagram 1.18 and 1.19.
The city-wise sales of Railway Tickets have been shown in table 1.8

### Table 1.8

**Top Online Selling cities for Railway Tickets**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mumbai/ Thane/ New Mumbai</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>Delhi/ NCR</td>
<td>21%</td>
</tr>
<tr>
<td>3</td>
<td>Chennai</td>
<td>8%</td>
</tr>
<tr>
<td>4</td>
<td>Bangalore</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Hyderabad/ Secunderabad</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Kolkatta</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>Ahmedabad</td>
<td>2%</td>
</tr>
<tr>
<td>8</td>
<td>Kanpur</td>
<td>2%</td>
</tr>
<tr>
<td>9</td>
<td>Others</td>
<td>27%</td>
</tr>
</tbody>
</table>

Online sales of Railway Tickets is highest in Mumbai (25%) & Delhi (21%) followed by Chennai (8%), Bangalore (7%), Hyderabad & Kolkatta (4%) each, Ahmedabad (2%), Kanpur (2%). The ‘Other cities and towns’ (27%) completes the category. With greater Internet penetration coupled with the Railways impetus to increasing ‘e’ infrastructure the numbers for other cities will increase in the near future.

The consumers who bought online Railway Tickets also bought other goods and services online are shown in diagram 1.20.
Shoppers who purchased Railway Tickets also purchased Books (49%), Apparel (46%), Electronic Gadgets (44%), Accessories (43%) and Airline Tickets (42%) and allows for online advertisers to place media buys as appropriate to their category.

**Apparel Accessories**

36% consumers have bought Accessories online & 31% are likely to buy them in the near future. For this purpose IOAI has selected 598 customers.

The 18-35 age groups are the highest purchasers of Accessories (Apparel) online accounting for 78% of purchases with a majority share of 48% falling in the 26-35 age groups. This has shown in diagram 1.21.

86% of Apparel Accessory online shoppers are Male which is shown in diagram 1.22.
The city-wise online sales of Apparel Accessories have been shown in table 1.9

**Table 1.9**

**Top Online Selling cities for Apparel Accessories**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mumbai/ Thane/ New Mumbai</td>
<td>22%</td>
</tr>
<tr>
<td>2</td>
<td>Delhi/ NCR</td>
<td>21%</td>
</tr>
<tr>
<td>3</td>
<td>Bangalore</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>Chennai</td>
<td>5%</td>
</tr>
<tr>
<td>5</td>
<td>Hyderabad/ Secunderabad</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Lucknow</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>Kolkatta</td>
<td>4%</td>
</tr>
<tr>
<td>8</td>
<td>Ahemdabad</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Others</td>
<td>30%</td>
</tr>
</tbody>
</table>

Mumbai (22%) and Delhi (21%) account for 43% of Apparel Accessories sales. Followed by Bangalore (7%), Chennai (5%), Hyderabad/Secunderabad Lucknow (4%), Kolkatta (4%) and Ahmedabad (3%) make the top city list of purchases of Apparel online. The ‘Other cities & towns’ (30%) reflects a market that is on the threshold of increasing across the country making all regions inclusive.

The consumers who bought online apparel accessories also bought other goods and services online are shown in diagram 1.23.
Shoppers who purchased Accessories also purchased Apparel (54%), Books (47%), Railway Tickets (45%), Gifts (45%) and Electronic Gadgets (45%) thus making a case for retailers in multi category e-shops to cross sell across categories and allows for online advertisers to place media buys as appropriate to their category.

**Apparel**

36% consumers have bought Apparel online & 38% are likely to buy them in the near future. For this purpose IOAI has selected 536 customers.

The 18-35 age groups are the highest purchasers of Apparel online accounting for 79% of purchases with a lion’s share of 50% falling in the 26-35 age groups and 90% of Apparel online shoppers are male. This has been shown in diagram 1.24 and 1.25.
The high ranking of Apparel at 5 makes a dismissal that buyers will not buy Apparel unless they can ‘see, feel and try’ it on. The city-wise online sales of apparel have been shown in table 1.10.

**Table 1.10**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mumbai/ Thane/ New Mumbai</td>
<td>22%</td>
</tr>
<tr>
<td>2</td>
<td>Delhi/ NCR</td>
<td>19%</td>
</tr>
<tr>
<td>3</td>
<td>Bangalore</td>
<td>6%</td>
</tr>
<tr>
<td>4</td>
<td>Chennai</td>
<td>5%</td>
</tr>
<tr>
<td>5</td>
<td>Hyderabad/ Secunderabad</td>
<td>4%</td>
</tr>
<tr>
<td>6</td>
<td>Kolkatta</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>Lucknow</td>
<td>3%</td>
</tr>
<tr>
<td>8</td>
<td>Ahmedabad</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Others</td>
<td>34%</td>
</tr>
</tbody>
</table>

Mumbai (22%) and Delhi (19%) account for 41% of online Apparel purchases. The ‘Other cities & towns’ (34%) along with Lucknow (3%), Ahmedabad (3%) and Hyderabad & Kolkatta (4%) each, reflects a market that is on the threshold of increasing across the country. With fashion and ‘society’ culture transcending metros the Internet will allow to leverage the distance associated with buying from ‘fashionable’ metros. Bangalore (6%) and Chennai (5%) make for ‘hub’ for South India.
The consumers who bought online apparel also bought other goods and services online shown in diagram 1.26.

Shoppers who purchased Apparel (536) also purchased Accessories (55%), Railway Tickets (50%), Books (47%), Gifts (45%) and Electronic Gadgets (45%) thus making a case for retailers in multi category e-shops to cross sell across categories and allows for online advertisers to place media buys as appropriate to their category.

1.4 OBJECTIVES OF THE STUDY

The broad objectives of the present study are enumerated as follows:

1. To study the present scenario of online marketing in India and distinction between online and offline marketing approach of customers.
2. To investigate the online marketing opportunities in India and marketing research technology in this regard.
3. To formulate marketing strategy in internet marketing.
4. To assess customer relationship in online marketing industry.
5. To examine the product development and pricing policy in online marketing process.
6. To view how communication is effective in enhancing online marketing business and to develop good customer relationship.
7. To investigate the channels of distribution in online marketing.
8. To examine the power of brand for enhancing online customers.
9. To suggest measures for enhancement of online marketing business in present era.

1.5 REVIEW OF LITERATURE

Various economists & social scientists in India & abroad have conducted seminars & various micro as well macro level studies on online marketing. Their main findings have been discussed in the following paragraphs.

Jeffery, Mahajan revealed that “With the emergence of the internet & it’s associated technology-enabled, screen to face interfaces (e.g. mobile phones, interactive T.V.) a new era of marketing has emerged, well respected academics & practitioners have called for new rules & urged debate about fundamental tenets of marketing, including segmentation, mass-marketing & regionalized programs”⁴ Desai investigated that “the revenue earned from online advertisements in India is less than 1% of the total advertisements. There is a classified market of 1800cr in India, We will just have to search it”⁵ Mull indicated that “Digital advertisement are interactive, enable meeting of minds, enable immediate feedback (through reply e-mails, SMSes) & offer an Opportunity for Interaction. He further stated that we have to extend the benefits of online media to the traditional media.⁶ Kohli Benard pointed out that, “The core of marketing is a focus on the customer through coordinated efforts in the pursuit of the firm goals”⁷

Focusing on the need to integrate online marketing with the traditional, Gupta said, “70 per cent of TV viewers avoid advertisements.

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5 Preeti Desai, the then president Internet & mobile association of India (IAMAI) gave a press release in IAMAI digital summit 18th January, 2006, New Delhi.
6 Rohit Mull, vice president marketings, TATA AIG, presenting a paper in IAMAI digital summit organized in New Delhi 18th January, 2006.
The avoidance is less on online and much lowers on mobile SMS. Ray, observed, "Offline bill payment is a time-consuming process, and doing it online not only benefits billers but consumers as well. It offers convenience, control, trust, privacy, and improved record-keeping; another plus factor is that they can depend on customer service for recourse." Ray, stated, "Online job search is a winner all the way! For job seekers it eliminates the disadvantages of location, cost and time. For recruiters, it provides easy access to the best talent at a competitive cost. Given the obvious advantages, this segment is set to grow at a scorching pace." Ray, said; "Referrals given by online shoppers work because they come from a trusted source since the messenger, the consumer, is more credible and trusted than the advertiser or marketer. Merrier pointed that, "With the declining cost of information gathering and processing on the Internet, firms will be able to more accurately, segment customers. While the 1980s and 1990s may have seen the use of broader segmentation, firms in the new economy will be able to conduct finer gradations of segments through the use of better data-gathering tools, so that the needs and types of customers can be better understood. By using better offline sources—such as the recent census, which provides the most detailed demographic snapshot of America yet produced—as well as online data gathered by tracking customer behavior, valuable profiles can be readily created that make customers easier to understand, identify, and segment."


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8 Raj Gupta, president, Insight, presenting a paper in IAMAI digital summit organized in Mumbai 19th January, 2006
9 Dr. Subho Ray, President, IAMAI, commenting on the release of the research report of the online study conducted by IAMAI, Mumbai, 11th April, 2006
10 Dr. Subho Ray, President, IAMAI, commenting on the findings of the survey conducted by IAMAI, Mumbai 16th May, 2006
11 Dr. Subho Ray, president, IAMAI, commenting on the report of the study To better understand the consumers’ ‘referral’ behavior across shopping categories and preferences on how netizens find online shopping sites, Internet & Mobile Association (IAMAI) of India conducted a study with Cross tab Marketing Services. The study was conducted with a base of 1240 respondents who shop online on 8th August, 2006
should be Mass-Market Strategy\textsuperscript{13}. According to a report The Mobile Value Added Services (Mobile VAS or MVAS) industry could be worth nearly a billion dollars (Rs 4560 crores) by the end of 2007, from its current size of Rs. 2850 crores\textsuperscript{14}.

According to another survey, "The number of Indians seeking jobs online reached 6.5 million in 2005/06 recording a rise of 71\% over last year. This was revealed by a survey conducted by the Internet and Mobile Association of India (IAMAI) recently\textsuperscript{15}. Thaker pointed out that, " value added service (VAS) is taking a wider view to content providers and expanding the demographic segments\textsuperscript{16}" Hiranandani revealed that India is lagging behind China as the later has been using VAS for the past 4 years while India is still an infant. The role of VAS is very critical to the growth of the industry in India\textsuperscript{17}.

Sohoni, focused on the need to encourage online research in India, as he pointed out that 50 percent of quantitative research in the US is done online\textsuperscript{18}. Lloyd Mathias, felt that the digital medium should not be used as a built up to the traditional medium. He said, "As the reach of the digital media spreads, marketers will have to wake up to the reality and invest more on talent that will think online.\textsuperscript{19}\)

The Internet has dramatically changed the role of technology in businesses today. A survey conducted by A.T. Kearney of 251 global

\begin{enumerate}
\item These findings are a part of the "\textit{Mobile Value Added Services Report}\" jointly prepared by the Internet And Mobile Association of India (IAMAI) and IMRB International, Munich January 2, 2007.
\item This was revealed by a survey conducted by the Internet and Mobile Association of India (IAMAI) recently.
\item Mr. Pankaj Thaker, CEO, Cellcast at The India Digital Summit 2007 hosted by Internet & Mobile Association of India in New Delhi. Advocating the use of VAS in India, he added that 80\% of the participation in China is via VAS.
\item Mr. Rajiv Hiranandani commented on VAS 19\textsuperscript{th} January, 2007 at New Delhi at a press conference.
\item Kedar Sohoni, Director, Cross-tab (A prominent market research company) gave a press release on 18\textsuperscript{th} January, 2006 at New Delhi.
\item Lloyd Mathias, Marketing Director, Motorola 18th January, 2006 \textit{IAMAI Digital Summit Creates Vision For The Growth Of The Digital Economy, New Delhi.}
\end{enumerate}
CEOs identified technology as the number one CEO concern\textsuperscript{20}. The Internet has been adopted faster than any previous technology. It took 38 years for the radio to reach 50 million users, 16 years for the PC, 13 years for television, and only 4 years for internet.\textsuperscript{21} In early 1998, forecasters suggested that business-to-business e-business might rise to $300B by 2002. Later on most forecasters considered that estimate to be too low.\textsuperscript{22} Gartner Group predicted that business-to-business transactions will reach $7.3 trillion by 2004.\textsuperscript{23} In the consumer banking industry, the costs of completing a transaction have gone from $1.05/transaction just a few years ago to under $0.02/transaction using the Internet.\textsuperscript{24} A.T. Kearney CEO Survey identified customer orientation, flexibility, and using technology well to be the top three critical success factors for the future.\textsuperscript{25}

A survey by Deloitte Research of 900 executives in 35 countries concluded that manufacturers would be 60% more profitable if they became customer-centered\textsuperscript{26}. In July 2000, the Federal Trade Commission fined seven Internet companies a total of $1.5M because they did not have proper business processes in place to handle orders and notify customers of problems during the 1999 Christmas season\textsuperscript{27}.

\textsuperscript{26} “Making Customer Loyalty Real: Lessons from Leading Manufacturers,” \textit{CIO Magazine}, Section 1, October 1, 1999, Deloitte Research (\textit{www.dc.com/research}).
Cambridge Technology Partners (www.ctp.com) identified how the business model is morphing. AMR research predicts ERP vendors will continue to grow at a rate of about 30% per year from 2000 through 2005 and so on by addressing the needs of those companies that have work to do in this area. A total of 26% of respondents in the A.T. Kearney survey of 251 global CEOs from 26 countries across 10 industry segments identified organizational structure and existing business processes as the top challenges to implementing e-business. Forrester Research Inc. estimates a basic site costs $1.5M and the most sophisticated of sites more than $15M. Forrester also states that a business can count on spending another $700K/year to maintain a basic site and up to $4M/year to run a high-end site. The majority of the costs are labor, including programmers, graphic designers, content creators, and business analysts.

A study by Jupiter Communications LLC (www.jup.com) found that 42% of top sites surveyed failed to provide adequate customer services by taking longer than 5 days to reply to e-mail inquiries, not replying at all, or not being accessible by e-mail. The Gartner Group predicts that, by the end of 2001, over 70% of companies will have failed to plan a coherent approach to e-business, leading to a significant loss of competitiveness. Giga Information Group estimates that e-commerce projects saved U.S. businesses more than $15B in 1998 and could save as much as $600B by 2002. “After 20 years of talking, this so-called convergence of

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32 A study conducted by Jupiter Communication LLC (www.jup.com)
computing and communications is happening \(^{35}\).” Professor Licklider appears to be true: “People tend to overestimate what can be done in one year and underestimate what can be done in five or ten years \(^{36}\).”

Dr. Ray, was hopeful that the new policy will bring in some norms and standards to the relationship between online publishers and agencies which is currently bilateral and haphazard\(^{37}\). Mr. Krishnan was of the view that the demand for internet still continued to be primarily from the urban areas. Therefore, while the government was justifiably drawing up plans to reach internet to the rural areas, it was also necessary that the urban digital divide should also be bridged with appropriate policy measures \(^{38}\). According to a survey, superior performances in internet and mobile content and services industry are rewarded by out of turn salary hikes, faster growth opportunities; performance bonuses and recognition About 17% of the organizations surveyed have a profit sharing plan in place for the Senior and Top management\(^{39}\).

1.6 CONCEPTUAL FRAMEWORK

**Internet**

A worldwide system of interconnected computer networks. The origins of the Internet can be traced to the creation of ARPANET (Advanced Research Projects Agency Network) as a network of computers under the auspices of the U.S. Department of Defense in 1969. Today, the Internet connects millions of computers around the world in a

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\(^{35}\) As the CEO of Intel Craig R. Barrett has put it, (Business Week, March 8, 2004).

\(^{36}\) MIT Professor Licklider (J.C.R. Licklider, 1960). This 10-year rule of thumb introduced by Licklider appears to apply well to the introduction of many new technologies such as fax machines, CD players, and the Internet (Odlyzko, 2001).

\(^{37}\) Dr. Subho Ray President IAMAI commenting on the launch of a credit policy/accreditation process for digital agencies, Thu, 01 Mar 2007 - Press Release.

\(^{38}\) Mr. Mohan Krishnan, Senior Vice President, IMRB and Country Manager BIRD, IMRB in a press release given by IAMAI on Mon, 03 Dec 2007.

\(^{39}\) A survey conducted jointly Internet and Mobile Association of India [IAMAI] and Ma Foi recently on Thu, 24 Apr 2008.
nonhierarchical manner unprecedented in the history of communications. The Internet is a product of the convergence of media, computers, and telecommunications. It is not merely a technological development but the product of social and political processes, involving both the academic world and the government (the Department of Defense). From its origin in a no industrial, no corporate environment and in a purely scientific culture, it has quickly diffused into the world of commerce.

The Internet is a combination of several media technologies and an electronic version of newspapers, magazines, books, catalogs, bulletin boards, and much more. This versatility gives the Internet its power.

**Online Marketing**

Internet marketing is 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.\(^{40}\)

The definition can be divided into five components:

**A Process** : Like a traditional marketing program, an Internet marketing program involves a process. The seven stages of the Internet marketing program process are setting corporate and business unit strategy, farming the market opportunity, formulating the marketing strategy, designing the customer experience, designing the marketing program, crafting the customer interface, and evaluating the results of the marketing program. These seven stages must be coordinated and internally consistent. While the process can be described in a simple linear fashion, the marketing strategist often has to loop back and forth during the seven stages.

**Building and Maintaining Customer Relationships** : The goal of marketing is to build and create lasting customer relationships. Hence, the

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40 Imber, Jeffery & Vijay Mahajan, 2001, Digital marketing : global strategies from the world’s leading experts, New York: John Wiley & sons, New York: Viking
focal point shifts from finding customers to nurturing a sufficient number of committed, loyal customers. Successful marketing programs move target customers through three stages of relationship building: awareness, exploration, and commitment. It is important to stress the goal of Internet marketing is not simply building relationship with online customers. Rather, the goal is to build offline (as relevant) as well as online relationships. The Internet marketing program may well is part of a broader campaign to satisfy customers who use both online and offline services.

**Online**: By definition, Internet marketing deals with levers that are available in the world of the Internet. However, as noted above, the success of an Internet marketing program may rest with traditional, Offline marketing vehicles. Consider, for example, the recruiting and job-seeking service Monster.com. Monster’s success can be tied directly to the effectiveness of its television advertising and, in particular, its widely successful super bowl ads of the past two years.

**Exchange**: At the core of both online and offline marketing programs is the concept of exchange. In both the online and offline worlds, exchange is still the heart of marketing. In the new economy, firms must be very sensitive to cross-channel exchanges. That is, an online marketing program must be evaluated according to its overall exchange impact—not just the online exchange impact. Hence, online marketing may produce exchanges in retail stores. Firms must be increasingly sensitive to these cross channel effect if they are to measure the independent effects of online and offline marketing programs.

**Satisfaction of Goals of Both Parties**: One of the authors of this book is a loyal user of the website weather.com each day he arises and checks the weather in his city as well as the weather in cities he will be traveling to during the week. He is clearly satisfied with and loyal to the
site. To the extent that weather.com can monetize this loyalty—most likely, in the form of advertising revenue—both parties will be satisfied. However, if the firm is unable to meet its financial obligations to employees, suppliers, or shareholders, then the exchange is unbalanced. Customers are still happy, but the firm is unable to sustain its revenue model. Both parties must be satisfied for exchange to continue.

1.7 RESEARCH METHODOLOGY

Coverage of the Study

The universe of the present study is the companies engaged in online marketing like Tele shoppers Planet Earth, Homeshop18 (TV 18) etc.; matrimonial moderators like shaddi.com, bharatmatrimony etc.; employment providers like naukri.com, monster.com etc. have been taken into consideration. It has been further be assessed that the online marketing is in the age of childhood in India how it can be promoted in a significant manner among the buyer who are most busy in their affairs & have no time to purchase their essentials.

Data Collection

In this present study both primary & secondary data have been used in order to achieve various objectives of the study. Primary data have been collected through personal enquiries from the companies who are engaged in online marketing and search of Internet to examine the online marketing giants in the world. The secondary data have been collected from various surveys & studies conducted by internet and mobile association of India (IAMAI) who is the premiere institution to have a close look on the whole online marketing in India. Various newspapers like Economic Times, Times of India & the publications of ministry of Information Technology & ministry of commerce and various business magazines & journals like Business world, Business Today, Business Standards etc. have been consulted. On the other hand various libraries have also been visited to collect relevant data in this regard.