AN EMPIRICAL STUDY OF ONLINE MARKETING IN INDIA - PERSPECTIVES AND CHALLENGES

A SYNOPSIS

Submitted to
Chaudhary Charan Singh University, Meerut

FOR THE AWARD OF
DOCTOR OF PHILOSOPHY
IN
COMMERCER

Under the Supervision of:
Dr. S.K. GGUPTA
(M.Com, M.B.A. L.L.B., Ph.D)
Reader, Faculty of Commerce & Business Administration
Meerut College, Meerut

Submitted By:
SANDEEP KAPOOR
(MBE, MBA)
Senior Lecturer
Department of Business & Management Studies
Meerut Institute of Engineering & Technology, Meerut

MEERUT COLLEGE MEERUT
2010
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 table.

<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 Business</td>
</tr>
<tr>
<td>Means</td>
<td>Telling &amp; Selling</td>
<td>Integrated Marketing Mix</td>
<td>Knowledge &amp; experience</td>
</tr>
<tr>
<td>End</td>
<td>Profit</td>
<td>Value</td>
<td>Mutually beneficial Relationship</td>
</tr>
<tr>
<td>Marketing is….</td>
<td>Selling</td>
<td>A function</td>
<td>everything</td>
</tr>
</tbody>
</table>

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.
Important considerable factors of international marketing are given as follows.

All countries have their own trade system regulations and restrictions. Common trade system regulations and restrictions include tariffs, quotas, embargoes, exchange controls, and non-tariff trade barriers.

- The second factor to review is the economic environment. There are two economic factors, which reflect how attractive a particular market is in a selected country: industrial structure and income distribution. Industrial structure refers to how well developed a country's infrastructure is while income distributed refers to how income is distributed among its citizens.

Political-legal environment is the third factor to investigate. For example, the individual and cultural attitudes regarding purchasing products from foreign countries, political stability, monetary regulations, and government bureaucracy all influence marketing practices and opportunities.

- Finally, the last factor to be considered before entering a global market is the cultural environment. Since cultural values regarding particular products will vary considerably from one country to another around the world, managers must take into account these differences in the planning process.

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

**What is 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**

Internet marketing first began in the early 1990s as simple, text-based websites that offered product information. 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 covet, 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 or Business to consumer. 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.

**Business Models**

Internet marketing is associated with several business models. The main models include business to business (B2B) and business-to-customer (B2C). B2B consists of companies doing business with each other, whereas B2C involves selling directly to the end consumer. When Internet marketing first began, the B2C model was first to emerge. B2B transactions were more complex and came about later. A third, less common business model is peer to peer (P2P), where individuals exchange goods between themselves. An example of P2P is Kazaa, which is built upon individuals sharing files.

Internet marketing can also be seen in various formats. One version is name-your-price (e.g. Priceline.com). With this format, customers are able to state what price range they wish to spend and then select from items at that price range. With find-the-best-price websites (e.g. Hotwire.com), Internet users can search for the lowest prices on
items. A final format is online auctions (e.g. Ebay.com) where buyers bid on listed items.

It should be noted, however; as described above, under history, that 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. When professionals and entrepreneurs commonly refer to "internet marketing" it is this model that they are often referring to. ...The theory was that broadcaster would begin transmitting digital signal in this new band and then the analog signal would be discontinued when consumer penetration of the new technology was deemed sufficient...

**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.

**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”

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”

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.”

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”

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

---


2 Preeti Desai, the then president Internet & mobile association of India (IAMAI) gave a press release in IAMAI digital summit 18th January, 2006, New Delhi.

3 Rohit Mull, vice president marketings, TATA AIG, presenting a paper in IAMAI digital summit organized in New Delhi 18th January, 2006.


5 Raj Gupta, president, Insight, presenting a paper in IAMAI digital summit organized in Mumbai 19th January, 2006

6 Dr. Subho Ray, President, IAMAI, commenting on the release of the research report of the online study conducted by IAMAI, Mumbai, 11th April, 2006
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 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.”


7 Dr. Subho Ray, President, IAMAI, commenting on the findings of the survey conducted by IAMAI, Mumbai 16th May, 2006

8 Dr. Subho Ray, president, IAMAI, commenting on the report of the study To better understand the consumer 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

marketing, strategy should be Mass-Market Strategy\(^{10}\). 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\(^{11}\).

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\(^{12}\). Thaker pointed out that, "value added service (VAS) is taking a wider view to content providers and expanding the demographic segments\(^{13}\) ‘‘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\(^{14}\).

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\(^{15}\). 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

---


\(^{11}\) These findings are a part of the "Mobile Value Added Services Report" jointly prepared by the Internet And Mobile Association of India (IAMAI) and IMRB International, Mumbai January 2, 2007.

\(^{12}\) This was revealed by a survey conducted by the Internet and Mobile Association of India (IAMAI) recently.

\(^{13}\) 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.

\(^{14}\) Mr. Rajiv Hiranandani commented on VAS 19\(^{th}\) January, 2007 at New Delhi at a press conference.

\(^{15}\) Kedar Sohoni, Director, Cross-tab (A prominent market research company) gave a press release on18\(^{th}\) January, 2006 at New Delhi.
digital media spreads, marketers will have to wake up to the reality and invest more on talent that will think online.\textsuperscript{16}

**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 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.

\textsuperscript{16} Lloyd Mathias, Marketing Director, Motorola 18\textsuperscript{th} January, 2006 | IAMAI Digital Summit Creates Vision For The Growth Of The Digital Economy, New Delhi.
INTERNET 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\(^\text{17}\).

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 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 leading experts, New York: John Wiley & sons, New York: Viking
customers. Rather, the goal is to build offline (as relevant) as well as online relationships. The Internet marketing program may well be 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.

**Research Methodology**

**Coverage of the Study**

The universe of the present study shall be the companies engaged in online marketing like Tele shoppures Planet Earth, Homeshop18 (TV 18) etc.; matrimonial moderators like shaddi.com, bharatmatrimony etc.; employment providers like naukri.com, monster.com etc. will be taken into consideration. It will 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 will be used in order to achieve various objectives of the study. Primary data will be 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 will be 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. will be consulted. On the other hand various libraries will also be visited to collect relevant data in this regard.

**Data Processing**

The collected data will be analyzed with the help of different computer programmes. Various statistical techniques such as percentages, co-relation, multiple regression will be used to draw inferences of the study to achieve the objectives of the study

**Tentative Chapters**

1. **Introduction**
   1.1. Introduction
   1.2. Concept and stages of online Marketing
   1.3. Current situation of online marketing
   1.4. Objectives of the study
   1.5. Review of literature
   1.6. Conceptual framework
   1.7. Research Methodology

2. **Framing the Market Opportunity and Research**
   2.1. Introduction
   2.2. Choosing the market arena
   2.3. Market opportunity analytical framework
2.4. Marketing mapping and target customers
2.5. Marketing research
3. **Marketing Strategy in Internet Marketing**
   3.1. Introduction
   3.2. Internet marketing scenario
   3.3. Internet marketing strategy
   3.4. Market strategy in new-economy firm
   3.5. Customer experience
4. **Product**
   4.1. Introduction
   4.2. Product development
   4.3. New-product development process
   4.4. Product enable customer relationship
   4.5. Customer informed approach to product development
5. **Pricing**
   5.1. Introduction
   5.2. Economics of pricing
   5.3. Dynamic pricing strategies
   5.4. Advanced pricing strategies
   5.5. Strategic responses to competitors price cuts
6. **Communication**
   6.1. Introduction
   6.2. Interactivity and individualization
   6.3. Communication types-the marketing levers
6.4. Communication process
6.5. Implementation across the four relationship stages

7. **Distribution**
   7.1. Introduction
   7.2. The 2Is revolutionized distribution channel
   7.3. Objectives of channel intermediaries
   7.4. Designing channel system: the distribution levers
   7.5. Designing distribution channels
   7.6. Distribution levers and customer relationships

8. **Branding**
   8.1. Introduction
   8.2. Types of Brands
   8.3. Brand-equity its measurement
   8.4. Marketing programs to build Brand-equity
   8.5. Effects of Brand on customer relationship

9. **Customer Relationship**
   9.1. Introduction
   9.2. Why relationship necessary
   9.3. Model of measuring life time value of customers
   9.4. Why Web is unique in creating customer relationship

10. **Customer Matrix**
    10.1. Introduction
    10.2. Traditional offline customer metrics
    10.3. Online customer metrics
10.4. Integration of metrics approach
10.5. Complexities and challenges
10.6. Linking customer and financial metrics

11. Conclusions and suggestions

**BIBLIOGRAPHY**

1. Barbara Cox, William Koelzer, Internet Marketing
   **Publisher:** Prentice Hall; 1st edition (May 13, 2003)

2. Bly Robert W Michelle Feit, and Steve Roberts, Internet Direct Mail
   **Publisher:** McGraw-Hill; 1 edition (September 1, 2000)

   **Publisher:** John Wiley and Sons

4. Jim sterne, World wide web marketing: Integrating the web information your marketing strategy
   **Publisher:** Wiley; 3 edition (June 4, 2001)

5. Judy Straus, Adel El-Ansary, Raymond Frost , E-Marketing
   **Publisher:** Prentice Hall; 4th edition (March 4, 2005)

   **Publisher:** John Wiley & Sons Inc (Computers); Bk&Disk edition (February 7, 1997)
7. Mitch Meyerson, Success secrets of the online marketing superstars
   **Publisher:** Kaplan Business (July 1, 2005)

8. Ralph F. Wilson, Planning your internet marketing strategy
   **Publisher:** Wiley; 1 edition (October 12, 2001)

9. Tchan Nick, Sell Online
   **Publisher:** Software Publications (January 2003)

10. Ward Hanson, Principles of Internet Marketing.
    **Publisher:** South-Western College Pub; 1 edition (September 8, 1999)