CHAPTER 1

INTRODUCTION

"The two classic errors in predicting the future of a technology shift are to over-estimate its short term impact and under-estimate its long-term impact".

Arthur C. Clarke

1.1. Introduction

Companies planning to stay in business beyond today are likely to find a computer and a communications line at the beginning, middle and end of every transaction (Janal, 1995).

Clearly, the most exciting interactive sales and marketing tool to date is the Internet’s world wide web also known as the Web or WWW (Janal, 1995).

The greatest invention of mankind is language and the second greatest invention is coming of age; that is the International communication network, whose last manifestation is the World Wide Web (WWW). This invention is the result of thousands of inventions and discoveries is a continuous growing and developing phenomena (Kiani, 1998). The World Wide Web (WWW) is recognized by companies as an extremely valuable marketing tool (Bell and Tang, 1998).

Technological products including the Internet are assumed as having values that are more global than local in nature (Albaum et al., 1998). Internet technology is
‘captivating people on every continent in virtually every national culture, and in many languages’ (Stores, 2000), while (Hamel and Sampler, 1998) declared the beginning of a ‘world where customers are no longer hostages to geography’ (Shiu and Dawson, 2004).

The Internet has been around since 1969. The first implementation of the net occurred in 1969, hooking the University of California at Los Angeles to the Stanford Research Institute. Over the next five years, many of the procedures still in use today were developed. These included e-mail and @ symbol in address (1971), remote accessing of computers through Telenet (1972), multiple-person chat sessions (1973), and the downloading of files through FTP (1973). The height of the future to many in 1999 was already a distant past for a select few. The National Science Foundation (NSF) had an acceptable use policy that explicitly prohibited all but the most indirect commerce online. Commercial information and transactions were expressly prohibited. Despite these restrictions, the Internet grew rapidly because many universities and labs found it an effective way to keep in touch (Hanson, 2001). For about 15 years, commercial use of Internet was restricted to only few companies (Sharma, Gupta and Manhas, 2002).

Its commercialization started in the year 1994. The recent development of WWW allows full multi-media interactive animations to execute over the Internet almost instantaneously. The WWW also offers tremendous potential for direct marketing and early stage marketing (Berthon et al., 1996; Poon and Jevons, 1997).

One of the most exciting things about the World Wide Web is that, as a communications medium, it is fundamentally different from mass media. The audience can actively choose which website they wish to visit and when they wish to visit it, while off-web audience members are at the mercy of media schedules. Internal links and e-mail links provide consumers on the web with considerable opportunity to interact with both the website and the firm.
The appeal of doing business on the web is clear. By bringing together huge numbers of buyers and sellers and by automating transactions, web markets expand the choices available to buyers, give sellers access to new customers, and reduce transaction costs for all the players (Kaplin & Sawhney, 2000). The Internet promises to be a commonplace feature of conducting business in the near future (Brown, Culkin and Fletcher, 2001).

More and more businesses are discovering the WWW as a fundamental communication tool used to conduct daily business. Large and small companies are embracing the Web to communicate with current and potential customers abroad through the Internet with the same cost and ease as in their countries (Hagel & Lansing, 1994; Rayport and Sviokla, 1994; 1995; Quelch & Klein, 1996; Armstrong & Hagel, 1996; Hoffman & Novak, 1996; Hamill & Gregory, 1997; Schwartz, 1997).

The Internet and the Web, the fastest growing and most innovative components of that particularly, have some unique and powerful characteristics that make them central to a paradigm shift in marketing (Glazer, 1991; 1993; Blattberg et al. 1994; Rayport and Sviokla, 1995; Armstrong and Hagel, 1996; Hoffman and Novak, 1996; Kierzkoski et al., 1996; Martin & Eklund, 1999; Schwartz, 1997; Kiani, 1998).

The WWW provides the opportunity for companies to increase their hours of business on a global spectrum. Instead of a typical eight-hour day, businesses have increased their opportunities by providing 24-hour access for branch offices, business contacts, and shoppers-access that is important in conducting business across different time zones or internationally. Expanding access indeed increases the number and coverage of potential customers.

The web access delivers a company with an opportunity to implement highly cost-effective vehicles, not only for their own marketing and customer support needs, but also for positioning themselves globally. Moreover, the web helps ease in doing business overseas by avoiding regulations and restrictions that companies must follow when they are physically present in other countries.
Businesses can create and transmit advertisements on the web that can be accessed by anybody with a computer equipped with software. Such a convenience and marketing efficiency, both for the advertiser and potential customer, is making the web popular for marketing practices all over the world. (Kiani, 1998).

According to Kotler (2000), in the field of business, change is occurring at an accelerating rate. Today is not like yesterday and tomorrow will be different from today. However, there are a few uncertainties that must be heeded. That global force continues to affect everyone's business and personal life. That technology will continue to advance and amaze us (Sharma, Gupta & Manhas, 2002).

1.2. Definition

The researcher for the purpose of the present study defines Web-based marketing as a method of transacting business using web as one of the intermediaries for advertising, promotion, selling and servicing the customers using the web as one of the modes of communication. This definition is a self-created definition by the researcher for this study.

Further, the web is seen to be providing opportunity for marketing to create individual relationships, managing markets of one, and addressing each in terms of its stage of development (Blattberg & Deighton (1991). In essence, it represents the opportunity to customize and tailor either the product or the marketing effort to one consumer at a time (Kiani, 1998).

The researcher in this study, would use the words Web-based marketing, Internet marketing, online marketing or e-marketing interchangeably. Internet Marketing is a term that is increasingly being seen not only in the educational and industry press, but popular press too. Though the World Wide Web and the Internet have become synonymous, the Web is actually just one part of the whole entity known as the Internet (Venkatesh & Balachandran, 2003).
E-marketing is the application of a broad range of information technologies for: (Strauss, Ansari & Frost, 2003)

- Transforming marketing strategies to create more customer value through more effective segmentation, targeting, differentiation and positioning strategies
- More effectively planning and executing the conception, distribution, promotion, and pricing of goods, services, and ideas; and
- Creating exchanges that satisfy individual consumer and organizational customers’ expectation.

E-marketing affects traditional marketing in two ways. First, it increases the efficiency in traditional marketing function. Second, the technology of e-marketing transforms many marketing strategies. The transformation results in new business models that add customer value and/or increase company profitability (Strauss, Ansari & Frost, 2003).

E-marketing uses the Internet as a platform that allows firms to adapt to the needs of customers, reduces transaction costs, and allows customers to move from time-and location-based behaviours towards non-temporal and non-locational behaviours (Watson et al., 2002).

1.3. The Background

Since the emergence of new information technologies, such as the World Wide Web, customer focused business activities have attracted researchers and marketers attention, along with the application of traditional marketing concepts to web marketing.

The Internet provides new types of intermediaries between businesses and consumers’ such as the interface through websites. Through the web, consumers can
access information to help find them the Service and products they want. Consumers can access data, products and Service from around the world in their homes or offices (Korner & Zimmermann, 2000). They either browse the Internet to retrieve the latest information about products and services, or they buy or trade goods. By allowing distantly separated consumers to interact directly with each other, the Internet provides a feasible way for individuals and companies to buy, sell or trade products and service through electronic market places (Ramaswami, Strader & Brett, 2000-2001).

India was recently ranked tenth behind countries like US, China, Japan and South Korea for the number of Internet users as quoted in the Times of India (Times News Network, 2006). But, despite the increasing number of users, the web based marketing concept is still in its nascent stage in the country.

1.4. Justification for the Study

Despite the growth in significant number of Internet users and increasing number of companies adopting to the concept of web based marketing, many companies still face challenges in implementing web based marketing concept. The Internet user base in India is expected to grow from 39 million in 2006 to 100 million in 2007 (Singh & Mukherjee, 2006). There is an emerging need to understand the challenges and opportunities that it holds for Indian companies. Thus, this study aims to focus on the prospects and problems that Indian companies are facing when it comes to adopting web-based marketing. Though, several researches have been conducted in the area of Internet marketing in US and other developed country, in India, this area is still in the stage of infancy. No study can be located that examined the Indian companies in terms of their prospects and problems of web-based marketing. Prior studies in this area, in the Indian context, though not directly dealing with prospects and problems of web-based marketing for Indian companies provided the required impetus to carry on further research in this domain (Sharma, Gupta & Manhas, 2002; Venkatesh & Balachandran, 2003). Studies of other researchers though not Indian have also
influenced the understanding of this research (Kiani, 1998; Wu, Mahanjan & Balasubramanian, 2003).

Existing research on the virtual business environment in marketing has focused largely on its implications for consumers. Specific research foci include, but are not limited to, the role of the Internet as a direct channel to reach end consumers (Balasubramian, 1998), the study of online consumers using click-stream data (Moe & Fader, 2001), information flow in computer mediated environments (Hoffman & Novak, 1996), consumer demographics and Internet usage (Hoffman, Novak & Schlosser, 2000), customer value delivery using Internet (Keeney, 1999), and customer satisfaction in online environment (Balasubramanian, Konkana & Menon, 2003).

Purchasing via the web has become one of the most rapidly growing forms of in-home buying, with sales growth rates outpacing those in traditional retail setting (Levy & Weitz, 2001). In India, the pace of purchasing via the web is gradually picking. In an article in the Economic Times (IANS, 2006), mentioned that 21% of the Indian senior netizens are seen shopping online. Another study by A C Nielsen mentioned that Indians top global average in Net shopping. While globally, people made 4.9 buys a month, in India the average is 5.2 buys a month (Parwan, 2005).

Researchers have also studied broader strategic implications of web marketing for consumer markets. In an early conceptual study, Glazer (1991) examined the role of knowledge in the design of marketing strategy. More recently, Alba et al. (1997) examined the implications of electronic marketplaces for consumers, retailers and manufacturers by comparing interactive home shopping with retails formats. Likewise, Peterson, Balasubramanian & Bronnenberg (1997) classified the potential impact of the Internet across the different products and Service and analysed multiple channel environments where consumers may navigate conventional and electronic channels.
Researchers have also examined the adoption of innovation that specifically relate to information technology (Swanson, 1994). Antecedants considered here included top management support, the catalyzing role of operational crises, and information and organizational architecture. An organization may adopt to new technology since it fears that being left behind competitors (DiMaggio & Powell, 1983; Rosenkopf, 1993).

The study by Wu, Mahajan & Balasubramanian, (2003) analysed the adoption of e-business and its impact on business performance. This study provided a unified framework that captures the antecedents of e-business adoption intensity, and performance outcomes. They found that while the communication and internal administration aspects of e-business positively affect performance outcomes, the more high-profile activities related to online order taking and e-procurement do not.

Marketers are finding it increasingly challenging to acquire and retain customers (Sallehhuddin et al., 2004). In today’s era of intense competition for acquiring and retaining customers, one of the main marketing issues facing many companies is the need to focus business activities on the consumer; however, customer acquisition is expensive. According to Rosenberg and Crepielk (1984), the cost to attract a new customer can be as much as six times the cost to keep a current one. A number of researches indicate that customer loyalty is a key ingredient of firms’ profitability due to the high cost of acquiring new customers (Reichheld & Sasser, 1990; Srinivasan, Anderson & Ponnavolu, 2002).

Researchers have examined the concept of Internet marketing and have studied the key issues of assessment of Internet growth in the world, innovative applications of the Internet, digital technology and benefits for marketing, Internet servicing strategies, challenges being faced by the Internet marketers and suggestions for marketers (Sharma, Gupta & Manhas, 2002). While researchers like Sallehhuddin et al. (2004) have mentioned that web-based marketing adds to the competitive advantage of an organization.
The World Wide Web and the Internet have become synonymous, the web is actually just one part of the whole entity known as the Internet. The Indian industry should convert the opportunities into strengths, reduce weaknesses and seriously consider threats and convert them into opportunities. Further, as the industry is affected by external environmental factors, the industry should at least be able to predict these uncertainties so that it is not very badly affected (Venkatesh & Balachandran, 2003).

Globally the presence and the use of web has had a profound impact on the way companies do business. But in India, adoption and seamless integration of Internet or web marketing concept still eludes most companies. This research attempts to demystify the problems that companies in India are facing while adopting web-based marketing. This study aims at focusing on not only the problems but also the prospects that exist for the companies desirous of implementing web based marketing strategy.

1.5. Research Objectives

The overall purpose of the research was to determine the prospects and problems of web based marketing for Indian companies. The study focuses on the Indian companies in general and, to gain deeper insights, into broad areas of manufacturing and service sector. This sectoral classification was expected to provide a better understanding of the prospects and problems in terms of web based marketing.

The study had the following objectives:

- To generate a profile of companies which have an online presence in terms of interactivity of their websites.
- To generate a profile of companies in terms of their net centricity.
- To investigate the nature of deployment of companies websites as intranet, extranet and Internet.
- To investigate the perceived objective of being online viz. net visibility, anytime-anywhere browsing etc.
➢ To identify the prospects and problems associated with web-based marketing.
➢ To investigate the perceived impact of online presence on sales turnover.
➢ To categorise the operations of companies in terms of B2B, B2C, C2C and C2B domains.
➢ To compare the performance of Indian companies in terms of various dimensions related to successful implementation of web marketing strategy.

With the objective of comparing the performance of companies on the various parameters under study, a scale was also developed.