Growth of Internet Marketing: The Indian Scenario

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ABSTRACT

Internet marketing is the process of promoting a brand, products or services over the internet. Its broad scope includes email marketing, electronic customer relationship management and any promotional activities that are done via wireless media. It also combines the technical and creative aspects of the World Wide Web such as advertising, designing, development and sales. Moreover, internet marketing also deals with creating and placing ads throughout the various stages of customer engagement cycle. The aim of the study is to investigate the growth of internet marketing in Indian scenario. To study the influence of the use of internet and thereby the impact of internet marketing in overall market scenario it was decided to record opinions on various aspects related to the growth of internet marketing. Hence the important entities of market, i.e. consumer were considered as the respondents. It is observed that online marketing is becoming a significant part of marketing for a large number of companies. It is also found that companies have inclination for increasing their online marketing spending.

Keywords: Internet marketing; Electronic CRM; World Wide Web; Customers.

1.0 Introduction

In today’s era of globalisation, most of the sectors have undergone significant changes, including the marketing sector. With the significant use of internet, it is important to study its impact on marketing field. It is true that one of the prime factors for the growth of internet marketing is the worldwide increase in the use of internet. Thus, the new concept of ‘internet marketing’ has emerged and is found to be dynamic in nature. Internet Marketing utilises the power of electronic commerce which refers to any market on the internet.

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Electronic commerce supports selling, buying and trading of products or services over the internet. Hence internet marketing forms a subset of electronic commerce. Internet marketing first began in 1990 with just text-based websites which offered product information. Now with the growth in the utilisation of internet, it is observed that internet marketing is not just selling of products alone but in addition to this it also involves information about products, advertising space, software programs, auctions, stock trading and matchmaking. With the significant growth of internet usage, internet marketing is found to expand its horizons. Few companies which have revolutionised the way about the use of internet in the field of marketing are such as Google.com, Yahoo.com, Amazon.com, Alibaba.com and Youtube.com.

The importance of internet marketing varies for different products and markets. For companies, such as electronic equipment manufacturer Cisco (www.cisco.com), the concept of Internet marketing was found to be very significant as Cisco gains over 90% of its multi-billion dollar global revenue through online system. It also conducts many of its other business processes such as new product development and online customer service. Similarly, Easy Jet (www.easyjet.com), the low-cost European airline has 90% of its ticket sales through online and aims to fulfill most its customer service requests via the internet. However, the picture is quite different for the manufacturers of high cost-involvement purchases such as cars or for brands of fast moving consumer goods (FMCG). Here the impact of internet is less as most of the consumer sales even today occurs through traditional retail channels. However, the influence cannot be described as insignificant any longer as the internet is becoming an increasingly important determinant of purchase decision, such as many new car purchasers now days collect information through internet.

Hence manufacturers need to invest in internet marketing to persuade customers regarding narration of product features and benefits of their product and brand. The FMCG manufacturer finds that consumers are spending an increasing proportion of their time on the internet and less time for using another media. Thus, internet has become an effective tool for reaching the target markets and thereby the consumers. Internet can also be used by manufacturer to increase the frequency and depth of interactions with the brands, particularly for brand’s loyalists who are the advocates of their brands. For example, the soft drink brand Tango (www.tango.com) adopts the use of competitions and games on its website to encourage interaction with the consumers and create awareness about their brand. The media portrayal of the internet often suggests that it is merely an alternative for traditional advertising or only of relevance for online purchase of books or CDs. In fact, the internet mode can be rapidly applied to all aspects of marketing communications and can support the entire marketing process.
Internet marketing has brought forward various strategies such as affiliate marketing which consists of pay per click, pay per view, pay per call and pay per click advertising. Affiliate marketing also includes banner advertisements. In addition to this e-mail marketing, viral marketing, interactive advertising, blog or article based marketing are also found to be popular. There are new marketing techniques being invented all the time. Companies are inventing new techniques to find better ways to generate revenue and to establish their brand on the internet. There are usually 2 or 3 parties involved in internet marketing namely Consumers, Companies and internet marketing companies usually referred to as third party agencies.

Internet marketing serves three business models viz. B2B model, B2C model and P2P model. The B2B model deals with complex business to business transactions and internet advertising helps bring revenue to both. B2C model involves direct interaction between the business house and the consumer. P2P model involves distributed computing which exploits individual exchange of goods and services. P2P model was mostly useful for distribution of video and data but due to copyright problems P2P model had troubles.

In simple terms, in two party models the companies themselves directly get revenue from the end users. If it is a three-party model, then internet marketing service provider (3rd Party Agency) forms a bridge among Consumer and Company and hence acts as an intermediate revenue provider for companies. To attract end users and to eliminate the gap prevalent among Consumer and Company, certain share from the part of revenue received by company is paid to such service providers. Consumers are found to be more aware in today’s internet marketing field. They merely don’t want to be a party to the internet advertising campaigns made by companies unless they are provided with incentive in doing so. Most of the consumers were found to be keen in participating in campaigns provided they are compensated in some way by the companies. Nowadays it has been found that the number of Indians using the internet for search of information and solutions online and for their purchasing or selling of products through internet is increasing significantly. Thus, internet marketing is focused on 3 perspectives i.e. Consumer, Company and Third Party Agency. Consumer awareness plays an important role in their interests to pursue internet marketing. Hence it would be useful for both companies and Third Party agencies to understand the mindset of the consumers as consumers would be the ones who would eventually drive internet marketing in a big way. It is observed that online marketing is becoming a significant part of marketing for large number of companies. It is also found that companies have inclination for increasing their online marketing spending’s. In general, the Online Marketing spending of company accounts for an average of 8% of their total marketing budget.
Figure 1 indicates the use of internet by various Asian nations. It is found that China tops among the Asian countries with 384 Million Internet users. With respect to India, there were 81 Million internet users and was ranked at 3rd position among top 10 Internet user nations in Asia. The Indian neighbouring countries like Pakistan (18.5 m) & Malaysia (16.9 m) has less internet users.

![Figure 1: Internet Users in Asian Nations, 2010](source: www.internetworldstats.com/stats3.htm)

1.1 Internet users in India

As per the latest IMRB (Indian Market Research Bureau) International report, the continuous growth in the internet use has been witnessed. In the year 2000 there were 5million internet users which increased to 12million in 2003, thus an increase of 7%. In
year 2006, the total internet users were 32 million which indicates growth of 20 million. Similar growth in number of internet users was recorded in the year 2009 (52 million.)

1.2 Emergence of mobile and public wi-fi hot spots as a point of access

Cyber cafes provide the internet accessibility to large number of people. Besides this, the accessibility is also found in offices (work place). An internet connection on personal basis at home is comparatively less. More than 50% of the internet users gain Internet accessibility through cybercafé. About 37% working class people have accessibility at their workplace. Regarding personal internet connections at home, the users account for 33%. The accessibility of internet with friends, relatives and so on is found for 40% people.

2.0 Review of Literature

Taking into consideration the different parameters that influence the policy of companies which pursue internet marketing, it is important to know simultaneously about such aspects which influence consumers to use the internet either for shopping purposes or for some service. The literature review has helped to identify important parameters which are of interest for consumers pursuing internet marketing.

Consumer privacy: Chung (2002) based on his study of New Zealand consumers has suggested that companies must have a privacy policy statements under their website. This policy assures consumer that the company would not misuse the information gathered from them. The study discusses the arguments for and against internet privacy concerns. While this approach is good, the author could not provide any input on whether some cookies do steal user information or not. The author has made valuable contribution in his paper by providing solutions that can be used to protect privacy of users. One will agree with the author’s view that a solution like legislation, self-regulation and technical solutions will protect consumer privacy.

Consumers’ decision making process in buying a product or using a service: Many times, consumers face a situation where there are too many factors involved in deciding what type of product they must purchase. George (2002) explains the factors which could influence consumer’s behaviour in deciding whether to make purchases or not. His contribution was innovative because he had taken assistance of ‘Theory of Planned Behaviour’ to conceive his research model. It is accepted that the intention, attitude and prior experience of consumers largely influence their behaviour. He has extensively focused on privacy concerns and provided valuable suggestions on the same. According to him, users gain confidence only after they have made a few purchases. Some of the
users are very conscious about their privacy and hence don’t want their private information to be shared or disclosed without their consent. Unless they are confident about the company they would not wish to make purchases online.

Alistair et al (2006) in his paper describe similar scenario and how users would react to them. Consumers may have to face various factors such price, feature, technology etc. which influence their decision making. This influences them to seek advice from web mavens which provide product information. In such situations consumer, would use the internet for purchase with web maven & thus can review the factors that would influence their mindset.

Glen (2006) in his paper quotes various examples of how today the people are making automobile purchases. According to him the buyers get complete information about the product online before visiting the automobile showroom which in turn gives them advantage over the information from the dealer. He also claims that present day Consumers of today are very aggressive in expressing what they like and what they don’t like. Some of the customers do not want to purchase any product from companies that are too aggressive in marketing i.e. who don’t care about what customers want but intentionally try to dump their product. After considering how consumers purchase products it is also important to know the mindset of consumers involved in service usage. A common service now a day on the internet is the online travel agency service.

Kim et al. (2007) provided input on how online travel agencies are perceived by consumers. Their study states that lowest price was given priority by consumers. Security was treated to be next on priority list. Ease of navigation of the website and less wait time on the website are also important aspects. It is true that human intervention is less when doing online booking hence consumers naturally expects good support from websites. Chen-Ling et al (2006) base their study on leisure farming industry and tried to provide information on what the mindset of consumers would be when indulging in leisure farming. Their findings indicate that consumers tend to look for unique offerings, differentiation of websites, quality service, adequate information on websites and strategic alliances. The most valuable contribution by the author is the study of aspects that pertaining to influence internet marketing even in less known sector such as leisure farming.

Consumer interaction and role of personalization in internet marketing: Wang et al. (2005) provide information about the importance of interactivity and individualisation in consumer decision making process. In their view interaction refers to different methods used by companies to establish a proper two-way communication between company and the consumers. Some of the interaction mechanisms provided by companies are chat rooms, forums and interactive platforms. Individualisation refers to specialised
information exchanged between company and consumer. Individualization mechanism involves gathering specific information about consumers, their preferences and providing services they need. These factors are very vital as lack of touch and feel of the product is absent in internet marketing. These two techniques viz. interaction and individualisation can build trust in the consumer’s mind about the product and company and thus drive internet marketing in a personalized fashion.

Consumers evaluate companies on the internet: Cheung et al. (2006) have done extensive work on trying to understand how consumers trust has an impact on the internet shopping area. The study tries to focus on the past approaches from a social and psychological perspective and then to draw conclusion is quite innovative. From their empirical study, they found that consumers evaluate internet merchants based on integrity, competence through professional websites and security. It is also known that the external factor such as third party recognition also plays an important role. For example, any merchant could have an electronic seal from a third party which says that the site is secure. This builds trust in the minds of consumers.

Factors preventing consumers from indulging in internet marketing: Liebermann et al. (2002) have identified some of the key factors which prevent users from participating in the internet and e-commerce. The key factors identified are internet credit card stealing, fear of supplying personal information, pornography and violence, vast internet advertising, information reliability, lack of physical contact, not receiving the internet products that purchased, missing of the human factor when internet purchases are made and internet usage addiction. The most valuable contribution of the study in that it has considered demographic traits such as gender, young /old age, married/unmarried, high/low education and considered usage behaviour variables such as internet user/non-user, bought online/not bought online, heavy/light internet user to arrive at their model. Their conclusions support the fact that consumers consider credit card stealing and fear of supplying personal information as risky. From the study the author concludes that risk, gender, age and usage patterns as well as buyer or non-buyer plays an important role.

Effects of consumer gender differences on internet purchases: Chiu Yu-Bin et al (2005) in their work discuss how different genders perceive internet marketing. Their empirical model is a direct modification of technical acceptance model. They have used four antecedent constructs namely personal awareness of security, personal innovativeness ease of purchasing and usefulness. Some of the key gender based findings are: improving the usage speed of the site is a driver for males to do shopping; male consumers are more goals oriented in their approach towards shopping; and male consumers will make purchases when they are confident that their sensitive information
is safe regardless of the security provided on the website. The study also reveals that females use ‘word of mouth’ broadcasting to help other females overcome the barrier in internet shopping at least during the initial stages. The most valuable contribution of this study is the bringing out the differences in the manner each gender perceives about internet marketing. From the study cited above, it can be considered that factors such as importance of consumer privacy, role of web mavens, consumer’s preference in the selection of internet services, building consumer trust with companies, consumer behaviour in internet purchasing and gender differences largely affects the Internet Marketing. The protection of consumer privacy and trust are most significant factors for consumers to indulge in internet marketing and hence without these two factors internet marketing cannot grow.

3.0 Research Methodology

The research methodology applied in the present study is quantitative as well as descriptive in nature. To study the influence of the use of internet and thereby the impact of internet marketing in overall market scenario, it was decided to record opinions on various aspects related to the growth to Internet Marketing. Hence the important entities of market i.e. consumer were considered as the respondents. The survey carried out was based on questionnaires prepared for consumers. The inputs received (answers to every question) were analysed and tables were prepared. The tabulations were used to calculate the percentage responses and draw inferences.

For carrying out the survey, non-probability sampling method was used and hence purposive sampling size of 75 consumers was decided. The consumers from various major cities were contacted either in person or through telephonic and email modes. About 40% of responses were face to face i.e. by contacting them personally, and about 60% were contacted on means of e-mail. The responses received were then analysed and tabulated. The analysis helped to drawn inferences related to several aspects of the recent growth of internet marketing in India.

4.0 Data Analysis

The analysis and conclusions drawn are presented below. The main source for taking out the information from the respondent is the questionnaire method, because it is found to be the most suitable method as it allows structured, meaningful, and uniform interaction with the respondents. A Likert scale was followed with ‘strongly agree’, ‘agree’, ‘undecided’ and ‘disagree’.
Respondent profile: Out of 75, we had 59 male and 16 female respondents who took part in this survey. Most of the respondents were graduate and post-graduate students; hence we mostly had ‘no income group’ respondent.

The main findings with regard to different aspects of internet marketing have been summarised below.

- **Awareness of internet marketing inclinations is mandatory for internet marketing growth:** The largest percentage was of respondent who disagreed with this (about 28%) and believed that it is not necessary to have all the knowledge of internet marketing (Figure 1).

- **Companies have to necessarily focus their internet marketing based on the gender difference so as to increase the turnover:** The majority of the respondents (60%) agreed that companies target users on the basis of gender to promote their products.

- **Irrespective of product / service, internet marketing is useful:** Most respondents agreed with this thereby implying that internet marketing is not just product and service oriented, but involves other determinants as well.

- **Irrespective of whether it is industrial products / consumer products, internet marketing can be used successfully:** Almost 70% of the respondents agreed with this that it doesn’t matter in internet marketing whether the product is an industrial product or consumer product.

- **Virtual world internet advertising campaigns are the future trend for internet marketing:** Again, almost 70% of the respondents felt that there is no doubt that campaigns are the future of the virtual world.

- **Internet marketing improves the brand image of the Company or products or both:** There was no respondent who disagreed with this; the majority agreed with this, with a small percentage being undecided. Hence, it is true that internet marketing plays an important role in the brand image of the company or products both.

- **Internet marketing is not a revenue earner:** Most of the respondents either disagreed or were undecided about whether internet marketing is not a revenue earner.

- **Payment frauds are unavoidable in internet marketing; in spite of this internet marketing will grow:** Majority of the respondents either agreed or strongly agreed with this statement. This implies that there is no doubt that the internet frauds are unlikely to stop the increased growth of internet marketing.

- **Traditional marketing is more reliable than internet marketing:** Most of the respondents are undecided on this and hence are not sure that traditional marketing is more reliable than internet marketing.
• **Internet marketing will fully take over traditional marketing:** More than 90% of the respondents do not agree that internet marketing will fully take over traditional Marketing.

• **Click fraud is a deterring factor for companies not to go into internet marketing:** Most of the respondents strongly agree with this. Click fraud is one of the factors that stops companies to go online and some of the respondents are undecided about the click frauds.

5.0 Conclusion and Recommendations

The major findings of the data analysis can be summarised as follows:

• Most of the respondents agreed that awareness about internet is necessary for the growth of internet marketing.

• The success of internet marketing is directly related to increased usage of internet.

• Though internet marketing happens is a major factor increasing the revenue generation; however the presence of junk traffic results in negative impact on the growth of internet marketing.

• With regard to various reasons for the use of internet marketing by the company, it was found that the prominent reason to adopt internet marketing by them was to gain wider reach for their products/services.

• Majority of respondents felt that the incidences of click fraud would certainly affect and hamper the growth of internet marketing.

• Of the marketing techniques in internet marketing, the search engine marketing scheme was found to be one of the most successful marketing technique followed by schemes like e-mail marketing, video marketing, and blog marketing.

• Almost all the respondents agree that the increase in use of internet and mobile has resulted in the increase in the growth of internet marketing. This, in turn, has led to increasing consumers’ inclination to have access towards internet marketing.

• With the increase in use of internet and thereby the growth of the Internet marketing, it was found that many companies have increased their spending towards the promotion of their products through internet.

According to the data available, the use of internet in Asian countries has increased manifold. The trends also show a relationship between the use of internet and the growth of internet marketing. One will certainly agree that there is significant growth of internet
marketing in various regions as there is easy accessibility towards internet. Most of the respondents agree that internet marketing will be successful in coming days.

At the same time, there is a need for more awareness about internet campaigns among the customers. Efforts should be made to minimise the junk traffic as it has a negative impact on the growth of internet marketing. Internet frauds should be monitored well with proper security services for safety reasons. Copyright issues that are widely spread over internet should also be well monitored. A new brand image can be created in the mind of consumer with the help of internet marketing.

References


