

# **Online Shopping Market: Using Technology to Create New Business Value**

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## **Abstract**

*The paper aims at assessing how an e-marketing strategy appears to be a more promising service through Internet channel. Marketing as a business function has witnessed several changes during the last decades. As metrics for success, organizations focus on customer loyalty and customer delight to have a competitive advantage and to stay alive in the market. As such companies have reengineered their business processes by migrating to the cyber space to offer merchandise and services through an electronic channel. Also with the exponential rise of customers opting for online transaction processing, information systems have changed the way that organizations run businesses in the present day world. A key change involves the adoption of Internet technology such as the Webvertising to carry out business function,*

*resulting in the field of information processing to provide a rich and fertile basis for significant business developments to take place.*

**KEYWORDS:** *competitive advantage; e-marketing; online transaction processing ;information systems; webvertising.*

## 1. Introduction

The phenomenal growth of Internet technology and World Wide Web (WWW) has drawn considerable attention of researchers over the years. A wide acceptance of such technology in the business world has paved the way to the rise of a new way of running business functions resulting in the evolution of virtual stores that exist in the cyber space. Familiarity of the consumer with technology certainly influences decision making related to online transaction processing. Marketing Research is the function that links the consumers, customers and public to the

marketer through information. Its goal is to identify and assess how changing elements of the marketing mix impacts the behavior of the consumer. With the rapidly developing technology in place, business firms focused on adopting technology into their business activities in order to provide an effective service for improved customer satisfaction. This concern gave rise to the development of Internet marketing. It is also known as 'Web marketing', 'Online marketing', 'Webvertising' or simply the 'e-marketing'.

## 2. Review of Literature

To compete in the virtual market place, practitioners must understand the mechanism of virtual shopping. With the increased number of Internet transactions, more than 20 percent of Internet users in several countries buy products and services online. However many firms still do not completely understand the

needs of online services as such many researchers were found to be interested in this topic.

Monswu, Dellaert, Ruyter 2004 perceived that Online shopping is the use of Online stores by consumers up until the transactional stage from purchases to logistics.

Bhatnagar (2000) argued that the likelihood of purchasing decreases with increases in product risk.

Verdict, 2000-06 revealed that Online shopping is a fast growing phenomenon, adopted by rapidly increasing consumers.

Mathwick 2002 in his study shopping enables consumer to accomplish the shopping task to be outperformed allowing consumers revealed that online to judge the internet shopping performance positively.

Burke, Dabholkar and Bagozi 2002 in their study revealed that some exogenous factors moderate the relationship between core constructs of the online shopping framework.

Davis 1989 perceived that usage of new technology

will enhance or improve the individual's performance.

Venkatesh 2000 stated that "With increasing direct experience with target system, individuals adjust their system-specific ease of use to reflect their interaction with the system."

Burke 2002 identified that, higher educated consumers are more comfortable using non-store channels like Internet to shop

Ratchford 2001 stated that learning-by-doing is an important component of acquiring skills and those who have the most experience at shopping on the Internet are likely to be the most skilled.

Eastin and LaRose 2000, explained that consumers are more likely to attempt and persist in behaviors that they feel capable of performing.

Grewal 2002, stated that in case of sensitivity products that require a level of privacy and anonymity, consumers intention to shop on the Internet is high.

Loshe 2000, found that percentage of panelists making a purchase on the

Internet increases as a function of time spent online

Grover and Goslar in their study have highlighted the ways in which communications technologies are changing how business is being conducted and information being transformed.

### **3. Statement of the problem**

In the present competitive scenario with globalization in place, the role of Internet technology is increasing rapidly to cope up with the changing needs of the consumer. With the entry of global players, many business firms now-a-days are focusing to enter into the cyber space have a competitive advantage. To face the challenge of increasing competition, Indian organizations are also adopting technology constructively into their business processes. The tremendous potential of technology, enables firms to provide aggressive and quality services that matches the growing needs

of the consumer in the market.

### **4. Research Objectives**

The key objective of this study is to explain the impact of Internet technology in business management. The study covers aspects related to general marketing, online service usage through Internet technology by the consumer. Further the study also focuses on various factors resulting in the minimal use technology due to various challenges present in online medium usage.

### **5. Methodology**

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. Conventional

marketing deals about creating exchanges that simultaneously satisfy the firms and customers.

At its core, marketing focuses on attracting and retaining customers. To accomplish this goal, a traditional marketer uses a variety of marketing variables including price, advertising and channel choice to current and new customers. Mass marketing includes television advertising, direct mail, public relations and customer specific marketing techniques such as the use of sales representatives.

With the emergence of Internet and its associated technology-enabled, screen-to-face interfaces like mobile phones, interactive television, a new era of marketing has emerged. Thus new levers have been added to the marketing mix, segments have been narrowed to finger gradations, consumer expectations about convenience have forever been altered and competitive responses

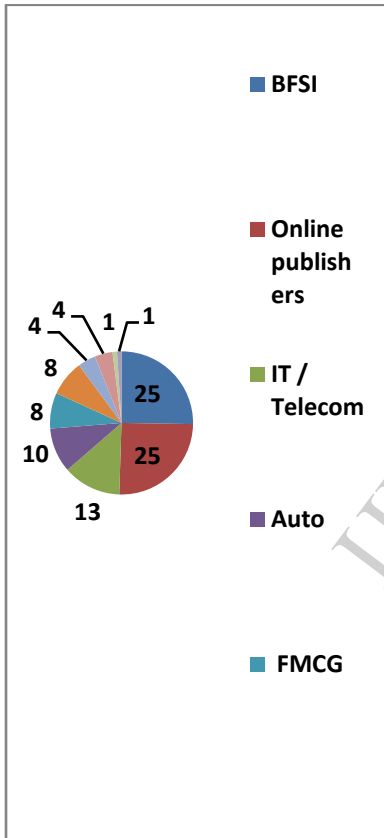
happen in real time. These new exciting changes introduced by technology have a profound impact on the practice of marketing, keeping the fundamentals of business strategy-seeking competitive advantage based on superior value, building unique resources and positioning the minds of consumers, same.

## 6. Analysis

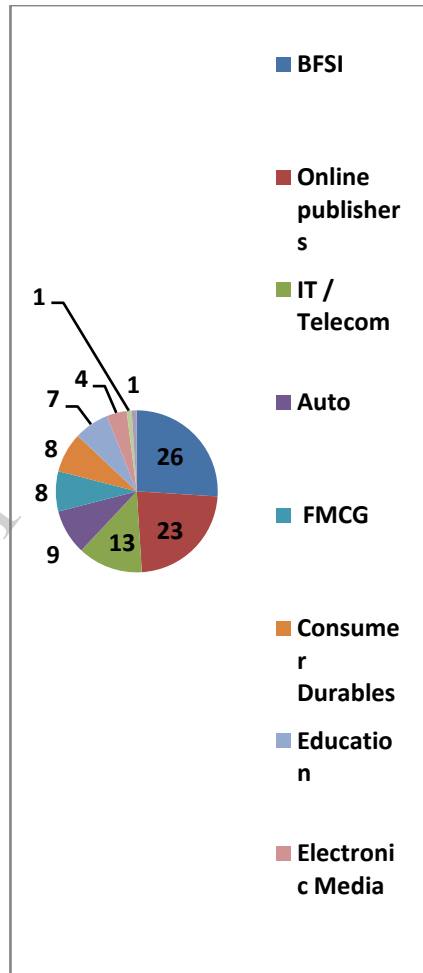
Market Analysis involves searching for opportunities in the market place, upon which a particular firm with unique of Internet technology, enabled firms to comprehensively map their business processes while simultaneously identifying specific consumer requirements there by maintaining a competitive environment where skills can capitalize. Market implementation includes the systems and processes to go market the program.

### 6.1. Break up of market by verticals

The figure below illustrate the breakup of various industry verticals



**Figure 1. Breakup of different verticals in the online market (2007-08)**



**Figure 2. Break up of different verticals in the online market (2008-09)**

Source: www.digitaltribe.in

From Figure: 1, it is evident that BFSI AND Online publishers have an equal share in the market. However with a large number of investment options, the BFSI sector has a high growth in 2008-09 and have an increased share (Figure:2). Online publishers are the first to move to the Online medium because their targeted audience is an Internet user. The ease of access to this audience and the benefit of delivering the message on an interactive platform have been the key influencers in driving the first movers to the online stream. However in the year 2008-09, the market share of online publishers came down from 25% to 23%, in spite of their increased expenditure on online advertisement.

## 6.2. Internet users attitude towards online services

Generally Internet users that use online services are not favorably disposed to this medium. The reason is Internet users some time feel that the medium is not very persuasive. In most

cases, users work on the Internet for a specific purpose and they do not wish to deviate from their core activity. A large number of Internet users are accessing Internet for search related activities. Data on the online activities of the Internet users show that online search is done by users for a large pool of products/services.

**Table 1. Growth of internet use**

	Internet users (m)	Total population (m)	Penetration (%)	Data source
1998	1.4	1,095	0.10	ITU
1999	2.8	1,095	0.30	ITU
2000	5.5	1,095	0.50	ITU
2001	7.0	1,095	0.70	ITU
2002	16.5	1,095	1.60	ITU
2003	22.5	1,095	2.10	ITU
2004	39.2	1,095	3.60	C.I. Almanac
2005	50.6	1,112	4.50	C.I. Almanac
2006	40.0	1,112	3.60	IAMAI
2007	42.0	1,130	3.70	IWS

www.DigitalStrategyConsulting.com

Source: Digital Strategy Consulting

## 6.3. Online market: consumer's perspective

Online 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 buyers and sellers. The table below illustrates top 10 categories for which ads were seen by the Internet users.

**Table 2. Type of advertisement**

Loans by Banks/Financial Institutions	59%
Job Sites	59%
Education/Training related	45%
Mobile Phone/Instruments	45%
Entertainment Sites	40%
Computer Peripherals	38%
Matrimonial Advertisements	37%
Personal Products	37%

Mutual Fund Investments	35%
Insurance Ads	34%
Source: Secondary data available at I-cube 2007	

As evident from the above table, online access for loans and job sites have the high visibility. Educational courses and mobile phone instruments rank at the second. Generally the user group for the Internet ranges from 18-35.

#### 6.4. Categories of information search

The following table illustrates information searched Subsequent to online service usage:

**Table2: Information searched subsequent to seeing the ads**

Category	Percentage
Job Sites	41%
Education/Training related	35%
Investment options like	27%



Mutual Funds	
Mobile Phone/Instruments	24%
Personal Products	22%
Entertainment Site	22%
Loans by Banks/Financial	21%
Insurance Ads	21%
Air Tickets Ads	17%
Source: Secondary data available at I-cube 2007	

### 6.5. Product purchase through online

The table below shows the proportion of Internet users who have brought a product/service online. This favorable response from the consumers is also driving the advertising expenditure.

**Table 3: Products bought online**

Category	Percentage
Hotels & Holiday Tour Packages	4.3%
Loans by Banks/Financial	3.8%
Computer/Laptop/ Printer/Scanner	1.4%
Mobile Phone/Instruments	1.2%
Entertainment Sites	1.0%
Matrimonial Advertisements	1.0%
Air Tickets Ads	0.8%
Ads for Job Sites	0.8%
Automobile Ads	0.7%

Personal Products	0.7%
Source :Secondary data available at I-Cube:2007	

## 7. Key concerns relating to online marketing

The ease of access of an online service and the benefit of delivering a message on an interactive platform plays a key role in driving market consumers to the online stream. Also the recent euphoria about e-learning and the increased inclination towards technical education paves the bridge for online medium. However there are some downsides that need to be addressed before the online market takes off in a big way. Following two sub heads represent major challenges:

- Factors restricting the usage of Online medium
- Limitations of the Internet technology

### 7.1. Factors restricting the usage of online medium

#### 7.1.1. Cynicism for adopting internet

Many large firms have not adopted the online medium in a huge way due to which Internet does not have a large role in media matrix. Several major verticals need yet to tap the benefits of online medium. Although the adoption rate is increasing, firms do not incur enough to keep up with the growth.

**7.1.2. Poor feedback** Online medium lacks instant feedback reporting similar to other medium like Television and IRS. This is because it is not possible to expect the target base for Internet audience thus making print and other medium a preferable choice over Internet.

**7.1.3. Gaps between marketing and direct response** Internet can be used as a medium for marketing and direct sales. However mere usage of online ads do not assure in generating sales thus resulting in reduced interests of advertisers that give high priority to direct responses.

## 7.2. Limitations of the internet technology

### Infrastructural Constraints

Internet infrastructure plays a major role in advancement of online marketing. However the high costs incurred in integrating Internet technology into business management seems to be major issue for many firms as this requires understanding of the underlying business architecture and assessing how well the technology

fits best for the needs and growth of organization.

**7.2.1. Finite Reach** As Internet is mostly restricted to urban areas, the medium has not permeated to a long way in outperforming the conventional media in terms of reach and penetration.

**7.2.2 Context Sensitivity** Most of the content over the Internet is available in plain English. This seems to be a problem for non-English speaking Internet users. This also gives rise to generation of alternative methods for developing regional/local content resulting in vernacular advertising.

## 8. Growth opportunities

The growth of digital marketing continues to be significantly vast and intensifying. Professionals get streamlined with Internet access and the use of mobile internet is contributing to a large part of the digital market. Several NGO's and

governmental institutions have taken the initiative to make Internet accessible for the rural areas. Although 95% market is yet waiting to be captured, Internet marketing continues to flourish as industries penetrate urban and rural markets simultaneously.

## 9. Conclusion

Internet technology has enabled customers to have much more information and many more choices than ever before, thus shifting the balance of power towards the customer and creating the need for a Whole new set of “pull”-based marketing tools giving the courage to business firms to try new things forming the key to develop a break-through channel, the “Internet marketing”, and allowing the firms to stay one step ahead of competition by building their business models and value propositions around a deep understanding of customer needs.

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