
Electronic Marketing Channels: The Digital Influence on Marketing

*Nitin Singh**

Abstract

Marketing is undergoing a fundamental transformation. This revolution is driven by a number of factors viz increased consumer resistance to traditional marketing methods, the proliferation of communication channels and ever changing legal constraints. In response, leading consumer-oriented organizations are dramatically adjusting their marketing mix to take better advantage of less traditional but ultimately more effective consumer interaction channels. As a result, these Organizations will be able to deliver more timely and relevant marketing messages and will ultimately create stronger and more valuable customer relationships. Firms are increasingly implementing electronic distribution strategies to augment existing infrastructure for product and service delivery. The aim of this research paper is to find out a set of factors and channel choice functions that are considered important in making channel decisions and identification of key benefits of electronic marketing channel for the organization.

Keywords: Distribution channels, e-commerce, e-distribution, e- marketing channels.

Introduction

E-marketing has been introduced in the middle of 1990s with the development of Internet technology. Since then, the number of Organizations using this channel for marketing their products are on the increase. E-marketing can bring many advantages for business such as cost effectiveness, worldwide reach and access, time, space, interactivity, value added and competitive advantage. Though the traditional marketing still keeps its importance, e-marketing provides more convenience for businesses. The cost of conducting business is especially cheaper through this channel. Methods of e-marketing have dramatically changed the way people conduct their businesses and marketing.

The Channel selection is a complex task for both researchers and practitioners in marketing. Although Internet marketing has boomed in recent

years, most Organizations have used it mainly for advertising or promoting corporate images. Not many Organizations have fully utilized the power of Internet marketing as a new channel for handling transactions on the Internet. The existing research in channel design and selection has only considered the traditional channels, including direct and indirect marketing approaches. In this study, we first identify the product factors that may impact the selection of transaction channels. This is done through a thorough review of the literature in both traditional marketing channel selection, the new

****Mr. Nitin Singh***

Assistant Professor

*Global Institute of Management &
Technology, Noida, (U.P.)*

online marketing approach and identification of the key benefits of Internet marketing. Product factors that have impacted the successful capitalization of Internet Marketing are added to the current list of factors identified by previous marketing research.

Importance of Distribution Channels

Distribution channels often require the assistance of others in order for the marketer to reach its target market. But why exactly does a company need others to help with the distribution of their products? Wouldn't a company that handles its own distribution functions be in a better position to exercise control over product sales and potentially earn higher profits? Also, doesn't the Internet make it much easier to distribute products thus lessening the need for others to be involved in selling a company's product?

While on the surface, it may seem to make sense for a company to operate its own distribution channel (i.e., handling all aspects of distribution), there are many factors preventing companies from doing so. Though some companies can do without the assistance of certain channel members, for many marketers, some level of channel partnership is needed. For example, marketers who are successful without utilizing resellers to sell their products (e.g., Dell Computers sells mostly through the Internet and not in retail stores) may still need assistance with certain parts of the distribution process (e.g., Dell uses parcel post shippers such as FedEx and UPS). In Dell's case, creating their own transportation system makes little sense as it requires a large system in order to service Dell's customer base. Thus, by using services of shipping companies, Dell is taking advantage of the benefits of these services.

Impact of Internet on Marketing

The Internet represents new opportunities for the marketers and sales people because it provides a wide reach for all marketing efforts conducted through it. International markets can be opened up at low costs. Advertising and promotional costs in other countries can be significantly reduced, if not eliminated. With the use of internet, continuous customer support can be provided. Services through

the net can be made available through interactive email systems. This saves time and money. In addition, likewise feedback from the market place can be collected on an ongoing and in many cases, in the form of "real time" data. New products and service can be tested through interactive questionnaires on the internet. This feedback forms the basis of market identification and segmentation that enable marketers to better position their products.

Electronic marketing channels

The Internet is one component which has recently become the key ingredient of quick and rapid lifestyle. Be it for communication or explorations, connecting with people or for official purposes, 'internet' has become the central-hub for all. Resultantly, the Internet growth has led to a host of new opportunities, such as decreased margins for companies as consumers turn more and more to the internet to buy goods and demand the best prices, as observed by C.K. Prahalad. The internet means that traditional businesses will change because incumbents (in markets) and large firms do not have the advantage "just by virtue of being there first or by being big". The Internet has truly been an effective agent in changing the fundamental ways of doing business.

Electronic marketing channels can be defined as "The use of internet to make products and services available through computers or other enabling technologies and to complete the transaction via interactive electronic means." Several points need to be made to clarify this definition. First the term *available* as used in the definition does not imply physical availability of the product over the internet. Although, it is true that some products and services such as printed matter and music can be digitized for electronic delivery. Second the term *other enabling technologies* includes means of accessing the internet other than the ubiquitous PCs; for example Smart TV, Tablets, Smart Phones etc. Finally the completion of transaction through *interactive electronic means* is used to convey the idea of "stepping over the line" from merely using the internet as a kind of electronic mail order catalog for final settlement of transactions.

Channel Selection

Marketing channel decisions are among the most critical decisions for the management. In marketing literature, the types of channels can be divided broadly into direct and indirect marketing approaches. Most companies do not sell their products or services directly to the final users for three reasons:

- Lack of financial resources to carry out direct marketing.
- Decreased cost-effectiveness.
- Focus on the core business.

Internet marketing shares some of the characteristics of both direct and indirect marketing forms. However, the extant literature in channel selection only classifies products into direct or indirect marketing and cannot be applied directly to Internet marketing choice. Although the Internet is entirely a new channel, it has many of the same characteristics of conventional channels. We believe that studying factors considered significant in conventional channel selection can also help in analyzing characteristics of Internet marketing. The extant literature in Electronic Commerce has documented various advantages for companies to sell directly on the Internet. These advantages can be classified into those three channels based on functions performed:

As A Communication Channel:

Electronic media are used for Information exchange between sellers and buyers.

- For accessing, organizing, and communicating information.
- To improve interactivity and perceptual experience
- To gather information about customers via surveys and contests for new product development and introduction, relationship building and personalization.

As A Transaction Channel:

Here electronic media are used for Sales activities.

- To improve visibility and reach to a much bigger customer base.

- To improve revenues by exploiting cross-selling opportunities.
- To streamline transaction processing, thereby reducing task complexity, paperwork and transaction costs.
- To customize promotion and sales to the individual customer and improve flexibility.

As A Distribution Channel:

Physical exchange of product services.

- To eliminate huge inventories, storage costs, utilities, and space rental.
- To shorten supply chain and reduce commission and operating costs.

The ability to serve as both a transaction and physical distribution medium for certain goods is a unique feature of Internet marketing. Companies involved in online ticketing and reservation, digital products, financial services, telemedicine, etc., can realize such advantages the best. Using the Internet as a distribution channel cannot only reduce the delivery cost substantially, but also ensure instant delivery of products services. Thus, we extend the traditional dichotomy of direct or indirect marketing to include the Internet as an alternative channel for transaction distribution.

Structure of E-marketing Channel

Interactive electronic technology has made electronic marketing channels possible which employ the internet to make goods and services available to consumers or business buyers. A unique feature of these channels is that they combine electronic intermediaries and traditional intermediaries to create, time, place, form and possession of utility for buyers. Electronic intermediaries perform transactional and facilitating functions effectively and at a lower cost than traditional intermediaries. Electronic intermediaries are incapable of performing elements of logistical function which remains with traditional intermediaries.

Now to gain some insight into this question how much of this predicted radical transformation of channel structure is hype and how much is based on reality, we need to take a more in-depth look at channel structure in terms of three key phenomena:

1. Disintermediation versus Reintermediation:

Distribution channels move products and services from business to business and to the consumers. Also being marketing channels, these outlets of distribution consist of a set of interdependent organization such as wholesalers, retailers, and sales agents involved in making a product or service available for use or consumption. Distribution channels are just one component of the overall concept of distribution networks which are the real, tangible systems of interconnected sources and destinations through which products pass on their way to final consumers.

Now, manufacturers can use the Internet to sell directly to customers and provide customer support online. In this sense, the traditional intermediaries are eliminated, or disintermediated. Disintermediation refers to the removal of organizations or business processes/layers responsible for certain intermediaries. In such cases, the traditional intermediaries fill new roles providing value addition and assistance. This process is referred to as reintermediation. Thus, for the intermediary, the Internet is the new way to reach new customers, the new way to bring value to customers, and perhaps the new way to generate revenues.

EBay India for example, eBay Inc. is an American multinational internet consumer-to-consumer corporation that manages eBay.com, an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide. EBay works as a middleman between the company and the consumers. In fact it is a retailer that uses internet rather than stores or mail-order catalogues to sell to consumers.

2. Information Flow versus Product Flow:

Members of channels of distribution typically buy, sell, and transfer the ownership title to goods. There are, however, many other flows between channel members in addition to physical possession and ownership of goods. These include promotion flows, negotiation flows and information flows. In some cases, the flows are in one direction from the manufacturer to the consumer. Physical possession, ownership, and

promotion flows are in one direction through the channels of distribution from the manufacturer to the consumer. In other cases there are a two-way flows. Negotiation, information flows in both directions between the manufacturer and the consumer. It is important to keep these flows in mind while examining the effect of the internet on the marketing channel structure. The Internet can work effectively only on last four flows but it's not capable to handle the physical possession. Ownership, negotiation, information and promotion are intangible in nature (consists of data or information related to the product) which can be easily shared over internet but when it comes to physical transfer (transfer of product from manufacturer to customer), it cannot be digitalize i.e. products are tangible in nature. Thus, this task requires time and place utilities like transportation, warehousing and order processing. This innate limitation of internet when used as marketing channel means that there are also limits as to how much extensive role it will play in the distribution of goods and services.

3. Virtual Channel Structure versus Physical Channel Structure:

Virtual channel structure provides a substitute for physical channel structure. Physical channel includes shops, stores, and shopping malls that are part of traditional channel structure. Latest research shows that the most important reason for consumers' shopping on the Internet is for convenience. The work of modern pace of life continues to accelerate, consumers go shopping to pay certain amount of time, mental and physical costs while e-marketing channels make the customers stay at home, click on the mouse can be done through browsing product information, order products and pay for the goods and other trading activities and then waiting for deliveries of products. Some products such as software, music, audio-visual materials and e-books and other products can be sent immediately on order through internet networks. Advantages and convenience of e-marketing channels are the particularly evident here.

Virtual channel has its own limitations. It works only on certain segment of customers. Many consumers still prefer to visit a store before purchasing it online. They actually want to see the fabric, check the texture, browse the applications, smell the fragrance.

Moreover, there are numerous everyday needs that cannot be satisfied by the virtual channel like purchasing staple goods (such as bread, milk, sugar and pepper), getting a haircut, filling the car with petrol. Consumers have to visit the stores to purchase these items. So it is true that virtual channel is quicker and faster than the traditional or physical channels but still they are complimentary to each other today or maybe we can say that in near future too.

E-Marketing channels and channel strategy

The choice and management of marketing channels directly impact three important areas of performance.

- 1. Customer value:** marketing channel can enhance or reduce customer value based on the service quality and the efficiency with which end user customers are served.
- 2. Sales revenues:** marketing channels determine customer reach which impacts sales to existing customers as well as sales to potential customers.
- 3. Profitability:** marketing channels have a direct impact on margins and marketing expenses which play a critical role in the profits.

Marketing channels are the key component of the supply chain that links manufacturers with end users. The supply chains management involves the management of materials, information and money that flow from suppliers to marketing channel partners who provide the products to target customers. Companies such as SAP which has established itself as a market leader in supply chain management, have developed systems to help businesses to manage more efficiently the supply chain functions such as order entry, inventory and shipping between a business, its suppliers and channel partners.

Since many businesses sell through channel partners, they do not directly interface with the end customer. The customer Relationship Management (CRM) is a channel management activity that helps businesses establish one on one marketing relationships with customers, even when channel partners are needed to reach the target

customers. With the advent of internet technologies and e marketing channels, CRM allows a business to gain a much better focus on its customer's individual needs and preferences. Properly managed, CRM solutions help businesses better manage this process and improve customer satisfaction and retention.

Measures of channel performance

Marketing channel performance is based on three things: customer reach, operating efficiency and service quality. All three are needed for a customer effective and cost efficient marketing channel. If a business cannot reach potential customers, sales will not happen. If operations are not efficient, the cost to serve the customers will be high to be profitable. Without service quality, customer retention will suffer, even if customers can be reached effectively and served cost efficiently.

Customer reach

One of the primary objectives of the marketing channel is to reach target customers. Every marketing channel differs in its structure and its ability to reach customers. With direct marketing channel, the company engages in direct contact with its customers. This can be accomplished with direct sales, direct marketing, telemarketing, and e marketing. Indirect marketing channels include channel intermediaries such as wholesalers, distributors, retailers, original equipment manufacturers and value added resellers.

The marketing channel which perhaps has the most potential to expand customer reach is the e-marketing channel. The ability to reach a world of potential new customers at an insignificant marketing cost has led most businesses to invest to some degree in e-marketing.

Operating efficiency

Marketing channels also vary in their cost structure. A direct marketing channel offers higher margins, but the company must bear the full cost of channel management and of marketing expenses. An indirect marketing channel has lower margins but lower costs of marketing and channel management.

In this case, channel intermediaries receive a portion of the margin in exchange for distribution and carrying out some of the marketing channel functions.

E-marketing channels have improved the operating efficiency of many businesses. A well designed and implemented marketing channel can lower variable costs and marketing expenses as well as reduces other operating expenses in many cases.

Service quality

Every channel also has different levels of service quality. Direct marketing channel companies have the opportunity to control service quality because they have the advantage of a direct customer interface. This allows for service enhancements, mass customization and quick response to customer problems.

E-marketing channels that improve order fulfillment and track deliveries without multiple phone calls have the potential to lower costs and improve customer satisfaction. To further enhance e-marketing channels, CRM systems are designed to facilitate a one on one customer relationship with target customers. One of the primary goal of CRM is to identify problems, resolve them and maintain a dialogue with customers as to how the company can improve its service quality.

Trends and development in India

The growth in the e-commerce sales is a clear indicator of the growing number of people using Internet to make purchases. But again, the online purchases are limited to a certain category of buying like travel purchases, electronic items, online classifieds, buying movie tickets, food delivery, gaming subscriptions, etc. In spite of such growth in the industry, not many people amongst the total online audience is making online purchases as of now. The trend of hunting for information online and then being followed by a physical purchase is still prevalent. The shift is gradually taking place where an increasing number of people are making online purchases too. But the majority of the Internet audience is still averse to the idea of making online purchases because of lack of trust, fulfillment issues,

shopping experience and want to see the product before purchase etc.

Besides for all these reasons, the E-commerce industry has shown great signs of growth due to its increasing awareness amongst the net savvy Indians. The online travel industry seems like it will continue to dominate the e-commerce market but e-tailing and digital downloads is expected to contribute to the highest growth. The increasing number of mobile/digital downloads is in direct correlation to the high proliferation of mobile devices among different users in the country. The financial services sector is another area that holds promising growth in the future due to the ease and adaptability of online money managing services. The Internet users in India have adopted to the advancements in the online space and are always seeking out to include digital interactions into their daily activities - making purchases and indulging in transactions. The e-commerce industry on its own is poised to be one of the biggest markets in India. It will be interesting to see how and when the e-commerce industry will shape itself into a mainstream giant being accepted by the masses in the online space.

Conclusion

A developing country can become modernized if it can extensively apply IT to enhance productivity and international competitiveness as well as develop e-commerce and e-governance applications. An information-based society or knowledge based society is composed of IT products, IT applications in the society and the economy as a whole. The number of Internet users in the country has for the first time exceeded 100 million. The number of Internet users in India stood at 112 million in September this year with 88 million of them coming from the urban cities and 24 million from the country's numerous villages and small towns. This is the growth of about 13% in a year and the research organization predicts that a further 11 million users will be added to the tally before the end of the year. These figures may sound impressive but 112 million is less than 10% of the country's overall population of over 1.2 billion; even among With the rapid expansion of internet, e-commerce is set to play a very important role in the 21st century,

the new opportunities that will be accessible to both large corporations and small companies. It is likely that this trend will increase in the future and that the tapestry of channels will continue to grow more complex and become increasingly influenced by Web-based third parties. No one channel seems to be emerging as being dominant and thus it's likely that most companies will have to make use of an increasing number of multiple simultaneous routes to the customer in the future.

References

- Clemons, E. K., & Weber, B. W. (1996). Alternative securities trading systems: Tests and regulatory implications of the adoption of technology, *Information Systems Research*, 7(2), 163-163.
- Clemons, E. K., & Weber, B. W. (1997). Information technology and Screen-based Securities Trading: Pricing the stock and Pricing the Trade. *Management Science*, 43(12), 1693-1708.
- Davidson, W.H. (1997). Changing channels. *Industry Week*, 246(21), 20-22.
- <http://search.proquest.com/docview/219765484?accountid=143817>
- Dewan, S., & Hsu, V. (2004). Adverse Selection in Electronic Markets: Evidence from Online Stamp Auctions, *The Journal of Industrial Economics*, 52(4), 497-516.
- Garicano, L., & Kaplan, S. N. (2001). The effects of business-to-business e-commerce on transaction costs, *The Journal of Industrial Economics*, 49(4), 463-485. <http://thenextweb.com/in/2011/11/08/internet-users-exceed-100-million-in-india-mobile-net-usage-still-in-infancy/>
- Müller-Lankenau, C., Wehmeyer, K., & Klein, S. (2006). Strategic channel alignment: An analysis of the configuration of physical and virtual marketing channels. *Information Systems and e Business Management*, 4(2), 187-216. doi:10.1007/s10257-005-0031-4
- Noteberg, A. Christiaanse, E., & Wallage, P. (2003). Consumer trust in electronic channels. *E-Service Journal*, 2(2), 46 <http://search.proquest.com/docview/194919192?accountid=143817>
- Brynjolfsson, E., Yu (Jeffrey) Hu, & Smith, M. D. (2003).
- Callaghan, O. R. Kaufmann, P. J., & Konsynski, B. R. (1992). Adoption Correlates and Share Effects of Electronic Data Interchange Systems in Marketing Channels. *Journal of Marketing*, 56(2), 45-45
- Rao, S., Goldsby, T. J., & Iyengar, D. (2009). The marketing and logistics efficacy of online sales channels. *International Journal of Physical Distribution & Logistics Management*, 39(2), 106-130. doi:10.1108/09600030910942386
- Rosenbloom Bert, *Marketing Channels: A Management View*, 7th edition, Thomson/South Western, Mason, Ohio, 2004, pp. 434-461.
- <http://mibdaniele.blogspot.in/2010/05/e-marketing-and-distribution-channels.html>
- <http://www.articlesalley.com/article.detail.php/93017/159/Book-Reviews/Shopping-and-Product-Reviews/21-Online-Shopping-vs.-Traditional-Shopping-Why-Customers-Prefer-One-Click-Shopping>