

Rationales of E-commerce in Direct Marketing: A Pragmatic Approach from Pakistan's Perspective

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Abstract

This study aimed to highlight the growing importance of e-commerce for the area of direct marketing as well as to explain the relationship between direct marketing and e-commerce, and factors that affect marketers while achieving marketing objectives. This study is based on general review approach consisted on various viewpoints presented by previous studies. The key findings of study were: e-commerce had has facilitated and facilitating the marketers to broaden customer base. Moreover, customer satisfaction and their loyalty levels are uplifting by adoption or adaptation of e-commerce technologies. It is also helpful for companies to enhance their sales and profit levels after realizing the growing usage of e-commerce for direct marketing activities in developing countries. Moreover, it is suggested to marketing department to focus on e-commerce driven marketing strategies rather traditional marketing strategies due to its prime benefits of direct marketing.

Keywords: Direct marketing, e-commerce, customer loyalty, Pakistan.

1. Introduction

In present scenario of globalization, direct marketing has emerged with the field of marketing as an exact and complex science and marketers want to develop close relationship with customers in order to achieve the loyalty of customers. The purpose of this study was to explore the relationship of direct marketing with e-commerce and enhancement in direct marketing through e-commerce. It also briefly examined the various issues involved in the adoption or adaption of e-commerce associated with direct marketing in developing countries like Pakistan. Some descriptions were also given which showed that how the direct marketing may be improved by the adoption or adaption of e-commerce. E-commerce is growing throughout the world and is being used in various business organizations for many purposes including direct marketing, establishing the relations with customers which may become the cause of middleman elimination but this growth is not uniform across countries and major share is diverting to developed nations. However, we can not ignore the high potential for using e-commerce as a tool of marketing to increase sales and having a one-to-one relationship with customers. Gist about total issues was also presented in this paper. Therefore, further work is based on e-commerce surveys which have yet to be carried in different countries like Pakistan.

2. Direct Marketing and E-commerce

The history of direct marketing is much longer and starts from those organizations which sell their products and services directly through mail-orders and online catalogue. Companies provide credit and electronically buying facilities to customer in order to facilitate the customers and to attract the attention of customers. In the beginning, direct marketing starts with easy and humble process but with the passage of time direct marketing is going to convert into complex science which involves some advance features such as collection of data about transactions of customers along with their personal information and then store all the data into data-bases. It also examines and analyzes the data to achieve higher return on investment. Direct marketing offers the products directly to consumers. This offer can be made in the form of personal sales or via internet e.g. using the electronic mail orders or online orders without the involvement of middlemen. Increase in the use of internet is serving as a significant indicator of rapidly increase in direct marketing through e-commerce in developing countries. Characteristics of direct marketing are:

- i. It is directed toward a customer or a specific group of customers.
- ii. It is becoming the easiest, least cost and quickest method to contact with the customer directly.
- iii. It is a database which is driven or essentially used modern electronic databases.
- iv. Surveys can be easily conducted without the involvement of a machinery of surveyors.
- v. The credit cards or digital cash are extensively used.
- vi. All transactions can be tracked and documented easily.
- vii. Delivery is not limited to a single media or channel.

The above mentioned characteristics make direct marketing much more different from traditional marketing through electronic commerce.

According to UNCATED (2001: XXII):

"Traditional marketing and export channels [for primary products] tend to be inefficient and dominated by multiple intermediaries ... developing countries, using existing local commodity exchanges and commodity export associations as a foundation, can use B2B on-line trading as a means of transforming existing commodity marketing systems to great advantage."

An electronic market is essentially required in direct marketing because market is a place where buyer and seller fulfill their needs and wants. This paper is more concerned with Electronic market which can be defined as:

"Electronic market is a network of interactions and relationships where information, products payments and services are exchanged on an electronic medium."

UNCTAD (2001:65) defines it as:

"E-markets involve a large number of buyers and sellers that engage in many-to-many transactions and relationships. They create a trading community in which buyers' orders are matched with sellers' offers and the trading partners benefit from other forms of collaboration."

3. Loyalty

Loyalty refers to faithfulness, reliability, integrity or a devotion to a person, country, group of persons, or cause (Philosophers disagree as to what things one can be loyal to). East et al. (2000) described that Behavioral and attitudinal dimensions are also including in loyalty and it also argued that marketers categorize their loyal customers according to their behavioral and attitudinal level of loyalty. Suspect, prospect, advocate, customer and client are the five tools of model of 'ladder'. McDonald and Christopher (2003) contributed towards the addition of 'supporter' concept in ladder model and demonstrated that level of loyalty can be increased which they exhibit due to the greater up of ladders. The marketer faced more difficulties in order to develop relationships with customers. O'Malley and Tynan (2000) examined that marketers can enable direct marketing activities if they will use database technologies.

4. Personalization

Keeping in mind the customer needs, marketers personalize the products, pricing and promotion with the help of online facilities and digital printing. If any kind of relationship exist between an organization and customer, even only a single transaction, on this base they much know about the needs of customer that allows marketers for personalization of future communications. If a customer purchases a product from an organization, it provides a platform to marketers for offering similar or related products in future.

5. Growth of E-commerce in the developing world

Table 1: Internet users by region, 2000-2003 (thousands)

	2003	Growth	2002	Growth	2001	Growth	2000
Africa	12123	21.38%	9988	63%	6119	34%	4559
Asia	243406	15.25	211202	40	150535	38	109257
Europe	188997	7.24	176232	23	143584	30	110824
Latin America and Caribbean	44217	4.19	42439	45	29224	65	17673
North America (2002)	175110	0.00	175110	12	156823	14	136971
Oceania	11825	1.88	11607	21	9601	16	8248
Developed countries	396754	2.06	388746	15	339427	19	285480
Developing countries	246290	17.53	209556	50	139317	48	94352
Others	32634	15.41	28277	65	17142	123	7700
Total (overall)	675678	7.84	626579	26.36	495886	27.96	387532

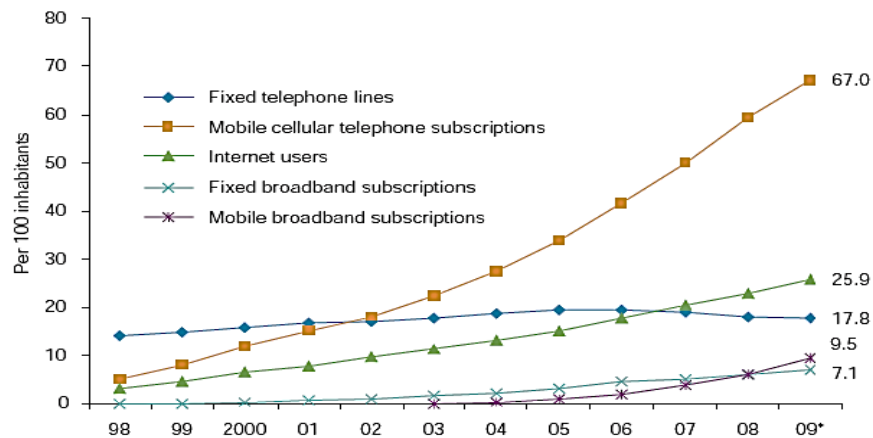
Source: ITU (2004) data and UNCTAD calculations

Loyal customers are associated with less price sensitivity and proved beneficial for business and offers high price than new customers (Cox, 2001). Such dynamic pricing is illegal or should not be allowed in some customers' point of view (Alreck and Settle, 2007). On the base of previous purchases, personalization of prices should be possible. At the end, number of customers thinks that it is not good for loyal customers and boycott organizations that attempt price personalization.

E-commerce means buying and selling electronically and internet is a medium which is highly associated with e-commerce and helps in buying and selling in electronic market.

Table 1 shows the data regarding internet users and growth rate in different regions during the period of 2000-2003. According to table, total (overall) growth rate of internet user was (27.96) and this was highest in the era of 2000-2001. Considering each region separately, the results were totally adverse. The growth rate was increased in 2001-2002 in each region except other countries then it was decreased in 2002-2003 due to the decrease in internet users in all regions

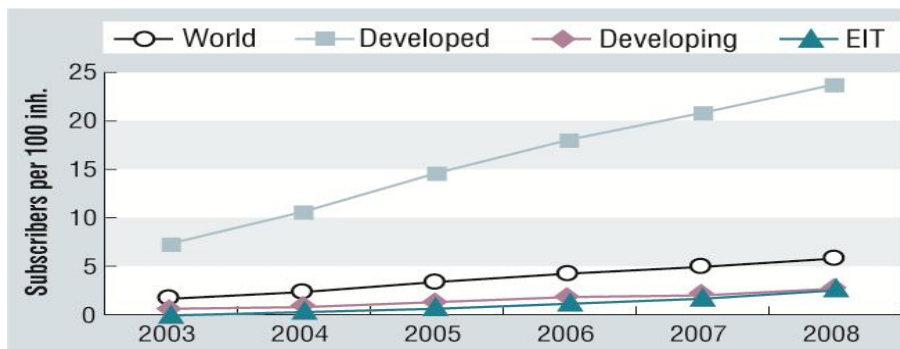
Figure 1: Global ICT developments, 1998-2009



Source: ‘MONITORING THE WSIS TARGETS’ mid-term reviews.
http://www.itu.int/ITU-D/ict/publications/wtdr_10/index.html

Figure demonstrates the growth rate of different ICT development globally in the period of 1998-2009. It shows that mobile cellular telephone subscribers are rapidly increasing from. The users of fixed telephone lines are decreasing from 2005. Internet users are also increasing but slowly. Mobile broadband subscribers are increasing from 2005 but a minor decrease occurs in fixed broadband users from 2007.

Figure 2: Internet Suscriptions per 100 In-habitants, 2003-2008, by Country Group



Source: Information Economic Report 2009, UNCTAD (UNCTAD bases on ITU and national data)

6. Factors affecting the growth of e-commerce in developing countries

Direct Marketing through electronic commerce is directly related to the growth of e-commerce in the developing countries which is affected by the following factors.

- i. In countries like Pakistan, the trust factor does not prevail and unless proper laws related to electronic transaction will not be properly implemented, the growth of e-commerce will not reach its potential growth rate.

- ii. Formation of proper and practical legislation is essential that would consistent with international law is essential to reap the benefits of e-commerce.
- iii. A major proportion of customers in developing countries are not yet familiar with the use of internet to go for shopping. This habit may develop in order to respond the direct marketing through e-commerce if some necessary steps would take for the growth of e-commerce.
- iv. Majority of companies' perceived that the MNC's will grab most of the market share because of two reasons. One, they can allocate huge budgets for development and maintenance of shopping enabled websites and yet this will be a tiny fraction of their annual sales. Second, they can use their more technically sound and experiences staff for the purpose of direct marketing.
- v. Issues such as taxation, payment systems, security documentation and privacy must be dealt with.
- vi. Usually the costs of direct marketing through e-commerce as compared to traditional techniques are very low. This factor may encourage the firms of developing countries to use this channel and this factor affects the e-commerce in positive manners.
- vii. Slow speed of internet is the main obstacle for direct marketing particularly in international market as well as local market. This is because of the outdated telephone lines and non-existence of fiber optics or other methods of transferring data.
- viii. The average cost of maintaining e-commerce because websites are the most important issue involved in introducing e-commerce to more and more companies.
- ix. The costs of changing the organizational culture and updating business processes are another important issue.

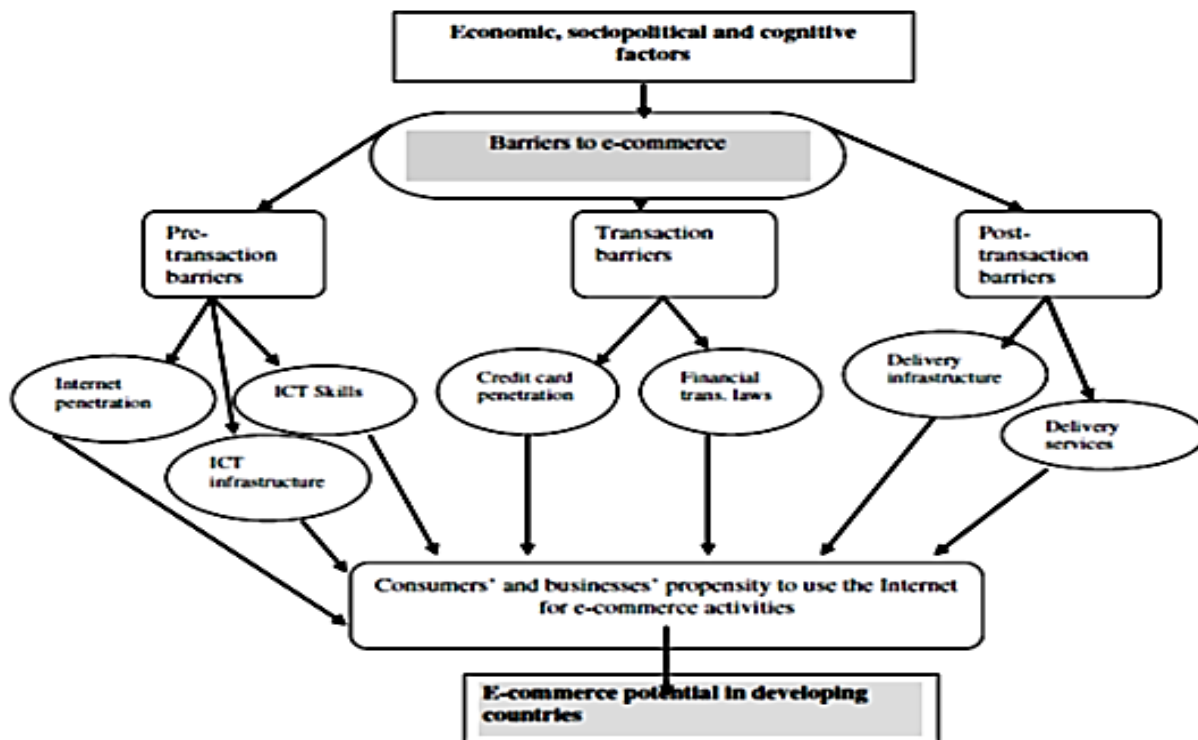


Fig. 2. Factors impacting the diffusion of e-commerce in developing countries.

Source: Nir Kshetri (2007)

7. Why direct marketing using e-commerce?

Traditionally, direct marketing is done by telephones or via mail order or personal marketing. According to UNCTAD (2003), the number of internet users grew by 45.7 percent in 2000-2001 in developing countries and by 21.4 percent in developed countries. Direct marketing through computers reached about \$2 billion in the USA in 1998. This is a growth of 1000% in just four years.

Bloch (1996) introduced the reasons why e-commerce is adopted as a tool for direct marketing. The reasons were:

- i. The product is introduced and promoted rapidly through direct link, interactive and customizable information to the customer.

- ii. Opening of new markets that were not accessible.
- iii. Export in international markets directly.
- iv. The Cost of providing information to the customer will cut the costs considerably.
- v. Digitized products like music and software may generate revenues never possible before. The delivery of digitized product like music, software, online education and consultancy can be reduced to seconds.
- vi. All the administration work and transport time can be eliminated.
- vii. Customer satisfaction may increase because of availability of online detailed information and quick response to standard FAQ type questions via email.
- viii. Corporate image can be built in short time as compared to traditional companies that take years and years to build their corporate image.

8. Shifting from traditional direct marketing to direct marketing through e-commerce

Following table will help us to identify the differences created by e-commerce.

First of all, the nature of marketing and advertisement may change a lot as we may shift to direct one-to-one marketing techniques. Second, many products are customizable and can be delivered according customer specification for example, software and educational products.

Third, Customer participates in various ways due to the interactivity possible by modern e-commerce enabled web pages.

From	To	Source
Mass Marketing & Advertising	One-to-One Marketing	Martin (1996) Mougayar (1998)
Standardized Production	Customization	Hoffman and Novak (1996) Kosiur (1997)
Customer as a target	Customer as a Partner	Komenar (1997)

Source: Kiani (1998)

9. Conclusions

Today, for the purpose of maintaining relationship with customers, direct marketing plays an important role. 83 percent marketing directors agree that they would be concentrate on existing customers in this economic environment founded by Gyro International (2008). It is important for the organizations to get and maintain loyal customers. The growth of e-commerce and the increased use of e-commerce for direct marketing by the international companies are changing the business. Moreover, marketing culture audit suggested that the developing countries should prepare themselves. This paper only has initiated the discussion on the issues related to direct marketing in developing countries e.g. why should we adopt e-commerce for direct marketing and what are the possible hurdles in this way. Many of the hurdles and problems may be overcome by proper planning and many are inherent in nature and we cannot change a lot. We can only optimize our situation.

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