

BENEFITS AND CHALLENGES OF E-MARKETING IN THE CONTEMPORARY FIRMS

Prof. Dr. Kaup Mohamed

Dean & Director, London American City College, United Arab Emirates.

Abstract

The e-commerce marketing is growing day in and day out. Online business adds up more income and value to the organization. This paper has focused on important benefits and challenges of the e-commerce by taking examples from various industries.

Key Words: *E-Commerce, Internet Marketing, Challenges.*

Introduction

‘The global value of e-commerce is expected to grow from \$1.2 trillion in 2012 to \$1.4 trillion by 2015, as per experts and businessmen at the first Middle East e-commerce Conference 2013’.¹ Online business has grown heights in the last few decades and their success is just boomed. During the conference they also added that 80% of the internet users are purchasing online while 50% of the users shop online more than once.

This tremendous growth has been due to a number of factors. Some of the factors include the convenience, saving time, option of viewing several retailers just in few clicks, comparing and researching about different products, buying products from anywhere in the world and most importantly saving money. Ecommerce has literally revolutionized the traditional business model making ‘Internet’ one of the core mediums for conducting actual business or business related activities for small, medium or large size companies. It has completely changed the way businesses function today and has exposed them to new domains which were initially not in their reach. Hence, its global reach out has enticed home-based businesses to large corporations to use Internet to sell or market their products/ services online.

Objectives of the Study

Online business is growing very fast. The main objective of this paper is to analyze the success of E-commerce and internet marketing. The main benefits of internet and the challenges stemmed from the e-commerce retail business model have been studied.

Methodology

This study has been done by using secondary and published data from books and internet.

Benefits of Internet Marketing

There are several benefits of using Internet to market ones products, however the time and cost-saving are the two main reasons of its increased use. A good example of these savings is that Internet has become the widest channel of communication facilitating a company’s marketing initiatives and further not limiting its reach out to a set number of audiences in the target market at a small fraction of traditional advertising budgets. Hence if a company leverages this benefit to their optimum capacity they can really seep into untapped markets and increase their sales. Companies can take advantage of time efficiencies created by using internet is that the nature of the medium allows consumers to research and

¹ http://www.zawya.com/story/eCommerce_is_expected_to_grow_globally_up_to_USD14trn_in_2015-GN_05122013_061250/

to purchase products and services conveniently at a click of a button. This is possible as almost everything is automated and companies don't have to spend any specific time with individual customers. Ecommerce is a huge market and some companies have done so well in their business while others struggle to survive. For example in US alone Amazon owns about 10% of the e-commerce market and other retailers like Apple, Sears, Walmart own another 10%. Other than these big players the rest of over 1000 ecommerce properties are competing for the rest of the American business.² Thus it is important to understand what works in this market and what doesn't, as not every online business is profitable.

Evaluation of Internet Marketing

Let's take the example of Amazon; it is so interesting to see that what once had started as a book store has become one of the leading service provider's online turning over \$61 billion in 2012.³ In my opinion their premise is simple they have been able to create a platform for people for customer where almost everything is available on a click of a button. Its ability to sell a massive volume of product 24/7/365 through approx. 100 enormous warehousing and fulfillment centers around the world is really impressive. They don't manufacture any product but they understand the needs of the customers and work towards providing them value. They solely work towards delivering their customers what they ask for at an affordable price and on a click of a button – providing them the highest comfort and ease in shopping. In my opinion the price and comfort is the key to success for this online venture. It is seen that a company like Amazon is just obsessed with making their customers happy. It usually trades off short term profit in the view of achieving long term profits by building customer loyalty and ensuring they are satisfied.

Another example would be Expedia; it has become the most successful and well known online travel service providers. This company has developed one of their online booking systems with their Expert Searching and Pricing (ESP) Technology that even got them an award.⁴ Through this system they allow their customers to combine multiple flights, hotel bookings, car rentals and other local activities all just from one location. It is important to understand that Expedia is successful because they provide this huge platform for customers to come at one place and do their online travel bookings. They have created this online forum building the convenience factor for their customers. They go to this website because they know they will find everything they need at one place and at an affordable price. They have been able to create financial benefit for customers by entering into subcontracts with service providers that agree to provide a rebate for Expedia users because they are using Expedia as a marketing channel for their business and guaranteed a certain amount of business. Like Amazon, Expedia as a company doesn't produce anything but they have created this platform where customers and other service providers mutually benefit which in-turn generates benefit for Amazon too.

Challenges of E-Commerce Retail Business Model

Some specific challenges that stem from the e-commerce retail business model⁵ include the website operations, targeting the right audience and selling them the right product market mix, assisting customers so they can make efficient buying decisions and ensuring they engage in effective site checkouts with lesser turnaround time. It is also a challenge for businesses to select the right online

² <http://www.wix.com/blog/2013/09/secrets-of-successful-ecommerce-websites/>

³ <http://www.businessinsider.com/why-amazon-is-so-hugely-successful-2012-12>

⁴ <http://www.adventuretraveltips.com/tips/Expedia.html>

⁵ <http://www.retail-ecommerce.com/2007/04/e-commerce-business-challenges-what-is.html>

marketing channel, generate quality traffic with high sales conversion and provide effective customer care support etc... Of course there are challenges that stem from developing appropriate IT solutions that can incorporate these rapidly changing business needs and developing customized solutions suiting individual needs of businesses.

There are some other challenges too but it is important to understand that the key in online business is to provide what the consumer wants. It is important to comprehend the psychology of the customer behind buying the particular product. Like booking a ticket for an upcoming travel is different than shopping for a wedding ring. Thus is it important to understand the opportunity areas that exist in online shopping and if this opportunity would contradict in anyway the process of buying this product this company will not do well in the online forum. In simple terms for certain products, online selling would not be the best option in some cases and in some other cases there could be major opportunities that need to be worked upon.

Let's take example of skin care providers like Olay & Ponds – would these companies do well in an online setting. The answer to this question would not be a direct yes. Because for skin care products it is important that customers get to feel, smell and visually see their product. However as technology is progressing this is changing and the younger generations are more tuned to buying a skin care cream just on the basis of research they conduct. But still it is not easy to overcome the traditional way of buying this product. But these are still big brands that already have an existing clientele who trust the brand and would buy this product online. But let's for a minute say the product we are talking about is 'XYZ cream' which is a new home made cream that we are trying to launch in the market. The challenge for a new brand to market this product online is really high. Thus it is important to understand the opportunity area in marketing the product online and then developing a plan to overcome this opportunity. Like in this case big companies like Olay & Ponds can use the online platform to market their products, educating customers, running special promotions etc... To drive online sales they can also give their customers special rebates and offers that would give them an incentive to buy these products online. While shipping the actual creams, these companies can also send small samples of other products that can be combined and used with the purchased product to infuse trial of other products. This would also assist in generating more sales for the company. However for a new company like 'XYZ cream' they can use online forum to market their product, build a customer database, send them samples of their products thereby initiating product trial and eventually selling online.

Conclusion

All in all it is important to understand that online businesses have their own challenges and opportunity areas. These areas need to be studied in detail and alternatively plans need to be developed to ensure the online business succeeds.

References

Books

1. Albee, A. (2009). *eMarketing Startegies for the Complex Sale*. McGraw Hill Education.
2. Frost, J. S. (n.d.). *E-Marketing*. 7th Edition.
3. Smith, D. C. (2012). *Emarrketing Excellence*: . Routledge.
4. Stokes, R. (Aug 2010). *emarketing: The Essential Guide to Online Marketing*. XanEdu.

Websites

1. <http://www.unilever.com.ph/our-brands/detail/Pond-s/334068/>
2. http://www.olay.com/Q/What_is_the_olay_company_mission_statement?#slide2

3. <http://www.retail-ecommerce.com/2007/04/e-commerce-business-challenges-what-is.html>
<http://www.wix.com/blog/2013/09/secrets-of-successful-ecommerce-websites/>
4. <http://www.businessinsider.com/why-amazon-is-so-hugely-successful-2012-12>
5. <http://www.adventuretraveltips.com/tips/Expedia.html>
6. <http://global.ponds.com/Products.aspx>
7. <http://www.olay.com/skin-care-products/classics>
8. http://www.zawya.com/story/eCommerce_is_expected_to_grow_globally_up_to_USD14trn_in_2015-GN_05122013_061250/