



THE EMERGENCE OF PARALLEL & POWERFUL E-COMMERCE BRANDS (VIS-A-VIS CONVENTIONAL RETAIL BRANDS) AND THEIR MANAGEMENT IN VIEW OF THE CHANGING FACE OF MARKETING.

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ABSTRACT Marketing today is understood not in the old sense making a sale, but in the new sense of Satisfying customer needs and wants in the most efficient manner. However the concept of marketing has been ever changing since its evolution. With the onset of the IT revolution and the emergence of E-Commerce as a powerful medium of communication, there has been a drastic change in the marketing scenario with new theories and rules replacing the old ones. The advent of E-Commerce has paved way for the emergence of Parallel and Powerful E-Commerce Brands vis-a-vis a Conventional retail brands. The relative strength of the E-Commerce brands as compared to the conventional retail brand have been addressed in this paper in terms of the economics/ advantages / benefits like Mass media, Transaction Cost Economy, Interactivity, etc. The paper also highlights the Challenges of Managing the E-Commerce Brands. There is no doubt that the E-Commerce brands have emerged as a major competitor for the traditional retail brands. And finally, the paper concludes that, though the potential of E-Commerce Brands is huge and benefits are on the rise, traditional retail channels are there to stay. It is practically impossible to visualize a scenario of either or with the E-Commerce emergence completely. The scenario of **PARALLEL OFFERINGS** of E-Commerce brand and Supermarket brands is more likely in the near future. They will each have to fight out for their share in the market place.

KEYWORDS : E-Commerce Brands, Retail brands, Benefits, Challenges

INTRODUCTION

Today, Marketing is understood not in The old sense of making a sale- "telling and selling" - but in the new sense of satisfying customer needs and that is the reason it is aptly described as a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

However, the face of marketing has never been the same in the past. Even before the term 'Marketing' was coined, it was practiced loosely during the agricultural age where in people engaged in the process of exchanging goods and services using the barter system.

Marketing in the pre-industrial era was characterized by:

- Custom - designed products
- Knowledgeable buyers & sellers
- Principle of mutual co-existence and high level of loyalty among both buyers and sellers

It was during the industrial era that the term 'Marketing' was coined to signify the need identification & satisfaction process. This was essential because entrepreneurs (factories) producing Standardized products on a large scale did not have a face-to-face interaction with consumers. Consequently producers had problems matching customers' need with their manufacturing capabilities. The industrial era was characterized by hard selling even though in letter the consumer was said to be 'The King'.

As we are in the midst of the I.T. revolution, marketing is also undergoing a drastic change. Just as old theories and rules were replaced by new ones in the industrial age, we are once again witnessing a major shift in rules and methods of doing business in the Information age. Cyber shopping allows consumers to sit in the comforts of their homes and research & purchase their goods. There are no crowds, checkout queues or parking problems. One can shop in the middle of the night and that too from any part of the world. That is the power of E-Commerce. Thus, E-Marketing in many ways is a new paradigm, which calls for a different treatment.

Some major trends in Marketing with the emergence of E-Commerce are discussed below. They can also be termed as the Characteristics of E-Marketing.

Features of E-Marketing

1.Power of Networking

Information was power in the industrial society. The advent of the telegraph and its relative advantage over the conventional post and the successive entry of radio and T.V. as media of communication no doubt changed the marketing environment. But with The power of Internet, we could network with millions of people and pass on messages (audio, video and text) across the globe.

2.A shift in the objective of Marketing

(From maximizing value per transaction to long-term value maximization) The conventional retail channels try to maximize the value per transaction. Whereas new rules on the net suggest that marketers enter into relationships with customers and aim at long term value maximization.

This can be explained through the following illustration.

Illustration. A Customer Mrs. X is a Party bug and spends a huge amount on parties on and off. Suppose you enter into a deal with her to supply a certain no of Pepsi bottles every week. Also you give her a discount on entering into a contract with you. Then you start offering varieties of snacks, chocolates, etc. to her. Slowly as your customer relations with Mrs. X strengthen you offer groceries to her and then medicines and so on. This will add up to a huge sum. This is how normally selling on the net is done.

3.A shift from Standardization to Customization

Marketing in its true sense is aimed at not only satisfying the customer but delighting him. The ultimate luxury that a customer can get is in terms of custom-designed products and services. Using the net to sell mass produced goods will be like using a computer as a typewriter. The net offers tremendous opportunity to understand customer needs one at a time, and offer customized products and services.

Illustration. Henry Ford manufactured 6 million model T cars, all in black for over two decades. Today on an average the no. of cars that roll off an assembly line in a single production run is less than 50. They are offered in diverse colors, styles and equipment options. The net offers immense possibilities of capturing individual preferences and combining it with flexible production facilities to meet individual needs.

4.A shift from Niche marketing to Super market format

The companies in the industrial era tried to focus on a specific need and find as many customers as possible who wanted that need satisfied. Hence came the concept of Market Segmentation. In the new model of E-Marketing the emphasis is on the share of the customer (as a complete entity) i.e. on getting the customer to buy more and more from a firm by retaining the customers. That simply means that Internet sites become supermarkets, selling a wide range of products that appeal to its customer base.

Illustration. A tour of the popular E-Commerce sites will reveal that nearly all of them have added new categories of business, rather than target narrower niches.

5.A shift from Monologue to Interactive Communication

Traditional advertising used one-way communication (Monologue) to persuade customers to buy their products and services. In the Internet era, it is two-way communication that engages the customers in a

dialogue with the company, right from idea generation to product development, marketing and after sale services stage. Thus in the E-Commerce regime it is called integrated communication, which has continuity and is customized for every individual, based on his needs.

6. A move towards Disintermediation

Quite contrary to traditional marketing theory which underlines the significance of intermediaries in the process of effective distribution of goods and services to consumers, new developments in I.T. are turning the conventional wisdom upside down. There is a move towards disintermediation as the producers are coming in direct contact with the customers. When the manufacturers / retailers get connected electronically, ware houses and inventories are reduced. When inventories are reduced less working capital is needed. When money is transferred electronically between seller & buyer, the traditional banking services are marginalized and cheques are no longer needed. Thus intermediaries will have to objectively justify their existence in view of such a move in the market.

7. Delivering Value.

It is the ultimate aim of a marketing organization to deliver value to the customer by "giving more for less." Disintermediation and reduction in inventories result in cost savings for companies operating on the net, which get passed on to the consumers. Companies that constantly work on providing better value to the consumers for their money will only survive in the long run.

8. Changing relationship between Buyer and Seller

Companies need to form a learning relationship with their customers in order to realize the full potential of the customer base. The learning relationship is created through the following procedure:

- a. Customer informs the organization about his needs through the interactive feedback mechanism.
- b. The organization confirms to the customer specification by way of customization of its products and services and "memorizes" this specification
- c. The organization learns more about the individual customers with more interaction and feedback from him and
- d. Finally, the customer gets locked in as the switch over costs becomes every high from him.

Illustration. Basically this is the *modus-operandi* practiced by beauticians and garment designers. They lock up their customers through effective Customization and it becomes difficult for them to switch over to other parlors or designers as it proves to be a risky affair.

Emergence of Parallel E-Commerce Brands vis-a-vis a Conventional retail brands.

• THE POWER OF E - COMMERCE BRANDS

The world has moved from an industrial to service economy and now to a knowledge economy. E-Commerce is one of the most exciting economic and technology trends of the recent past. It provides a new market place, more opportunities to sell and market the product and greater competitive advantage.

In fact Internet has taken only 5 years to achieve a critical mass of 50 million users. Which radio took 38 years to achieve, TV 13 years and cable 10 years. This suggests the rapid acceptance of internet as a medium of connectivity and commerce. E-Commerce encompasses the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. The E-Commerce business is one of the fastest growing businesses. It can be for Business to Business transactions (B2B) and Business to Consumer transactions (B2C).

In view of the aforesaid scenario, an interesting question may arise in our minds as to whether E-Commerce business between consumer and marketer would, in future completely replace the retail business currently taking place at the retail outlets/supermarkets? The question seems justified given the stupendous growth of e-commerce in the recent past and the immense potential lying therein in terms of the expected increase in Internet Commerce revenues from \$48.6 billion in 1998 to \$525 billion in 2002 and \$1 trillion by 2010.

The question of the relative strength of the E-Commerce brand vis-a-vis a conventional retail brand thus needs to be addressed in a market environment that is demonstrating high growth rates for e-commerce and suggests a vast potential in the future.

• The Parallel Advantages/Economies of Brand Management over the electronic media.

1. Benefit of Mass media

Internet is also a good mass medium after TV for promoting a company's products and services. Banner advertisements on others' websites, micro sites and interstitials are different modes of promotion on the net. Banners are basically websites of products advertised whereas interstitials are small advertisements that keep popping up on the websites.

As per a survey, companies like Amazon.com and Yahoo have achieved around 50% unaided brand recognition through internet advertising. In India Rediffindia.com is picking up. About 25% of the advertisement expenditure incurred by companies these days is on online channels.

2. Transaction Cost Economy

As per a research report presented by NASSCOM, internet transactions cost only 1/3rd as compared to a telephone transaction and the profit margins as provided by online commerce is higher (by around 40%), than telephonic transactions. And there's no doubt then that the cost benefits thus obtained can be passed on to the consumers. The transaction cost would also include cost of real estate, inventory, maintenance cost of physical store vis-a-vis virtual stores.

Illustration. The online bookstore Amazon.com is a good example of transaction cost economy over the net. The website www.amazon.com is reputed to offer close to 30% discount over normal retail prices. Amazon.com has over 285 million active customer accounts as in 2016.

3. Benefit of Interactivity

One of the greatest advantages of online commerce and the Internet is its ability to establish interactivity among persons. Interactivity refers to the ability of organizations to reach consumers on an individual basis and to react appropriately to responses of individual consumers to a marketing offer. Thus interactivity provides the marketer a method of mass customization of information and offers. This enables a better understanding of the selective requirements of the customers.

Illustration. Online marketing of customized software meant for various professional groups like doctors, lawyers, etc, books, education, travel, gifts etc. are examples of interactive marketing.

4. Availability of an Efficient Channel Alternative

Organizations can run affiliate program where agents having websites sell the principal's products and services through web-links. This is a very efficient way of managing a brand over the e-media.

Illustration.

- Various airline companies have authorized agents who book customers over the net on their behalf for a commission.

5. Benefit of Adaptation to the Global Market

With increasing global trade, the business community is getting connected within and across borders. Internet and online commerce goes well with the global nature of business and society and helps establish connectivity over long distances. The importance of managing information for effectiveness and competitive edge in the market place has increased along with the importance of excelling in the production systems. This has converted the electronic media and the net to a strategic resource. Moreover the benefits of transaction cost, interactivity, mass media, etc. suggest that Internet is no longer a luxury.

• Challenges of Managing the E-Commerce brands

With the benefits/Economies of on line commerce and the appreciation of the E-Commerce market dynamics, it is logical to infer that online commerce is all set to penetrate the retail commerce business in a significant manner. Approximately 25% of the e-commerce market is contributed by consumer electronic commerce and the graph continues to rise. Electronic shopping also known as Interactive Home Shopping (IHS) is all set to capture the consumer market.

In view of the above scenario it becomes imperative to address the

challenges underlying the management of the E-Commerce brand.

Does the E-Commerce Brand Offer?

1. A Place for Shopping - The first and foremost question that draws our attention when it comes to E-Shopping is - Can the e-commerce brand provide the consumer a perfect ambience to enjoy a shopping experience? (as compared to a retail brand). The conventional retail channel provides a place for the retailer to enjoy a shopping experience. The investments in real estate, parking, excellent store design and ambience, set up significant attraction to the customer and the online channel will find this hard to replicate. It is one experience to shop online from a single location and it is another experience to visit a store like Crosswords in India or for that matter Barnes and Noble in the U.S., buy the needed book, browse through the latest best sellers, pick up a music CD to hear later on and have a cup of espresso coffee or fruit juice. The experiences are different and cannot supplant each other.

Moreover online commerce shifts the utility of place provided by the retailer back to the consumer's location as it is the consumer's responsibility to search for the needed goods, get convinced of its features, place an order and so on. There's no doubt that virtual shopping goes a long way to stimulate the shopping experience. However, delivery, redress, take backs are limited to the extent of logistics infrastructure prevailing in a particular market.

Further the self-selection benefit the consumer gets at the retail/outlet of minutely observing the product before purchasing it, cannot be easily replicated on online media.

Illustration. One can try apparel for fitting before use or try sunglasses before buying in a physical but not virtual market. To this extent the market for consumer commerce is likely to get segmented. Consumers' option of the mode of shopping will be determined by factors like, convenience, time, urgency, mood and other wants.

2.Immediate Possession of goods - Can the e-commerce brand deliver the 'cash- n-carry' advantage to the consumers? Is another question that needs to be examined. Possession is not immediate in the electronic channel as is the case with the traditional physical channel. 'Cash-n-Carry' gets modified and consumers need to wait a couple of days or weeks before they get the delivery of the product. Moreover customization of products on the electronic commerce channel should be carried to the highest standards, as no immediate redressal of a grievance is possible.

3.Personal Privacy - It is possible to keep personal information of a consumer a secret on the net? Privacy of consumer's financial information through electronic commerce is receiving considerable attention. Privacy norms need to be upheld for e-commerce channels to provide possession utility benefits. Consumers may not like their personal information to be sold and used by markets.

Illustration- Amazon.com for instance, clarifies that it does not trade in personal information through a notification headline on the site.

"We respect your personal privacy". America-online on the other hand offers choice to consumers to provide his personal information to other vendors.

4.Security - How secure are the transactions on the net? Security of transactions is another issue for possession utility benefits to accrue in the electronic channel.

Illustration.- Rediff on the net promises secure transactions to its customers. However a major question is whether consumers are willing to risk with their credit card a number on the net? Encryption software of a high order for secure transactions may involve increased investments in India.

Will the E-Commerce Brand Takeover the Conventional Retail brand in TOTO?

There is no doubt about the fact that e-commerce (e-commerce brand) has emerged as a major competition to the traditional retail channel (conventional brand). Though its potential is huge and benefits increasing day by day with advancing technologies, traditional retail channels are there to stay. It is practically impossible to visualize a scenario of either or with the e-commerce medium supplanting the conventional retail channel or the retail channel to completely over

come the e-commerce emergence.

The scenario of **PARALLEL OFFERING** of e-commerce brand and super market brands is more likely in the near future. They will each obtain their own segment followings depending on the match between certain categories of products and market segments offer to the benefits provided by the internet.

Exchange on the electronic medium can become transactions only when the legal and institutional procedures are implemented very effectively for binding the exchanges. The government of India has suggested its keen interest in effectively implementing the cyber laws. No doubt it will take quite some time for effective cyber laws to cover contingencies and array of products shopped. Moreover catering to the local shoppers in local languages is also required.

However once systems for e-commerce are in place and functioning well, it will be interesting to observe the mode the marketer will adopt to sell his wares and build long lasting relationships and also to understand how the dynamics of 'Brand Management' shift power between the e-commerce brand and the supermarket brands back and forth.

Conclusion

New developments in e-commerce point out the fact that e-commerce has a lot common with the marketing of pre industrial days, before the industrial revolution, before mass produced products and before mass media, merchants and craftsmen built their businesses one to one, the local grocer met and knew the kind of groceries Mrs. X needed each week.

Although the term had not been invented, the pre- twentieth century grocer was a relationship marketer, who cared and nurtured his customers on an individual basis. He had a customer satisfaction programme well designed to suit mutual requirements, and relied on a form of database marketing, treating every customer differently, and relying on his knowledge about that particular customer. The one to one interactive future addresses a way of doing business that wasn't feasible just 20 years ago although it is a direct reflection of business that was practiced a hundred and ten years ago! Technology has brought us back to an old fashioned way of doing business by making it possible to remember relationship with individual customer-sometimes millions of them- one at a time, just as shop owners did with their few hundred customers, a hundred years ago.

Thus it seems justified to say that History REPEATS ITSELF!

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