INTRODUCTION

We are witnessing of a fundamental shift, which is occurring, in the world economy. Business are moving progressively further away from a world in which national economics were relatively isolated from each other by barriers to cross border trade and investment; by distance, time zones and language; and by national difference in government regulation, culture and business system. National economics are merging into an interdependent global economic system. The rapidly emerging global economy creates opportunities such as this for new entrepreneurs and established business around the world, it also give rise to challenges and threats that yesterday’s business did not have to deal with. A powerful force drives the world towards a converging commonality, and that force is technology. It has proletarianized communication, transport and travel. The result is a new commercial reality – the emergence of global markets for standardized consumer products on a previously commercial reality – the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude. The multinational corporation products on a previously unimagined scale of magnitude. The multinational corporation operates in a number of countries and adjusts its products and practices to each at high relative costs. The global corporation operates with resolute consistency at low relative cost as if the entire world were a single entity it sells the same thing in the same way every-where. Communication technology i.e. internet has always been a major driver of economic progress. The Internet, because of its global reach, rapid growth and potential for transmitting huge bundles of information at almost zero cost, well have a particularly dramatic impact in the near future. Internet and www promise to develop into the information backbone of tomorrow’s global economy. The Internet is an extremely important new technology. It has received so much attention from business world. It has led many companies, dot-com and incumbents alike, to make bad decisions-decisions that have eroded the attractiveness of their industries and undermined their own competitive advantages. Some companies have used Internet technology to shift the competition away from quality, features and service and toward price, making it harder for anyone in their industries to turn a profit. Business needs to move away from the rhetoric about “internet-industries”, “e-business strategy” and a “new-economy”.

Internet and value chain

Value chain is the basic tool for understanding the influence of information technology on companies. Value chain is the set of activities through which a product or service is created and delivered to customers. Every company performs a number of discrete but interconnected value-creating products and these activities, such as operating a sales force, fabricating a
component or delivering products, and these activities have connection with the activities of suppliers, channels, and customers. Therefore, value chain is a framework for identifying all these activities and analyzing how they affect both a company’s costs and the value delivered to buyers. The one of the biggest advantage of the Internet is the ability to link one activity with others and make real-time data created in one activity widely available, both within the company and with outside suppliers, channels, and customers. Internet technology provides a standardized infrastructure, common and open set of communication protocols and browser interface for information access and delivery, bi-directional communication, and ease of connectivity, all of these at much lower cost than private network and electronic data interchange.

Prominent applications of the Internet in the value chain (Whately, 2000)

Porter (1985) introduced his model of the generic value chain in his book competitive advantage: creating and sustaining superior performance. This was essentially concerned with the internal activities of the company. The three (basic) primary activities of a product process are:

1. **Operation**: The production process, in many cases a series of sub activities that can be represented on a detailed value chain analysis.
   - Integrated information exchange, scheduling and decision-making in in-house plants, contract assemblers, and components suppliers.
   - Real time available –to-promise and capable-to-promise information available to the sales force and channels.

2. **Inbound logistics**: It refer to handling goods that are bought into the company, storing them and making them available to operation as required.
   - Real time integrated scheduling, shipping, warehouse management, demand management and planning, and advanced planning and scheduling across the company and its suppliers.
   - Dissemination throughout the company of real-time inbound and in-progress inventory data.

3. **Outbound logistics**: Taking the products of the company, storing them if necessary and distributing them to the customer in a timely manner.
   - Real-time transaction of orders whether initiated by an end consumer, a sales person, or a channel partner.
   - Automated customer-specific agreements and contract terms.
   - Collaborative integration with customer in a timely manner.
   - Integrated channel management including information exchange, warranty claims and contract management.

To these basic primary activities Porter adds two further activities.

1. **Service**: any requirement for installation or advice before delivery and then after-sales service once the transaction is completed.
   - On-line support of customer service representatives through e-mail response management, billing integration.
   - Customer self-service via Web sites and intelligent service request processing including updates to billing and shifting profiles.

To support these primary functions there will be a company infrastructure that performs a number of support activities. Porter classify these activities as:

2. **Marketing and sales**: finding out the requirement of potential customers and letting them know of the products and services that can be offered.
   - On-line sales channels including websites and marketplaces.
   - On-line product configurations
   - Push advertising
   - Tailored on-line access
   - Real time customer feedback through Web surveys
   - Customer profiling

3. **Procurement**: The function suppliers of the materials required as input to the operations of the organization. Procurement is responsible for negotiating quality supplies at an acceptable price and with reliable delivery.
   - Internet–enabled demand planning; real-time available-to-promise/capable-to-promise and fulfillment.
   - Automated “requisition to pay”
   - Direct and indirect procurement via marketplaces, exchanges, auctions.

4. **Human resource management**: The recruitment, training and personal management of the people who work for the organization.
• Self-service personal and benefits administration.
• Web-based training.
• Internet-based sharing and dissemination of company information.

Interactive marketing process on the internet

Basic issues permeate the entire six step interactive marketing process, which given by Kalkota & Winston (2002) outlined below:

P’S of internet marketing

Internet marketing is not merely transforming traditional activities of commerce from non-electronic world to an electronics plat form. But e-commerce demands radical changes in the overall marketing mix such as product, promotion, prime, distributor etc. Now let us elaborate P’s internet marketing, mainly these are:

- Price,
- Product,
- Personalization,
- Promotion
- And place.

a. Pricing strategy on the Internet

Price is the most important factor of on-line business. An on-line supplier can’t raise prices indiscriminately. Poorly justified price changes can be cause of long –term damage to a company’s price proposition. Internet gives companies greater precision in setting and announcing prices, more flexibility in changing prices, and better information, which can lead to improved customer segmentation. Companies can use the Internet to make pricing more precise, to be more adaptable in responding to fluctuations in supply and demand, and to segment customers more effectively. There are three important factor of pricing on Internet (Walter Baker, Mike Marn, Craig Zawada, 2001):

• Precision
• Adaptability
• Segmentation

Strengths of internet as a medium of marketing

The Internet as a medium presents great opportunities for marketers. In last decade Internet has witnessed an exponential growth rate. Presently there are 275 million Internet users in across the world. Similarly, Internet users in India have crossed the a million count, under a liberalizing the telecommunication and ISP policy. In the Developed countries such as United States and Canada 136 million users, approximately half of the population has accessibility to the Internet. Further, 50 million Americans use the web at least once a week and 15 million are daily users. Moreover, studies show that the average Internet user spends 8.6 hours a month online. Similar trends are reported around the globe. All these point to a very health growth in the usage figures, as well as the usage patterns of the Internet.

Income of Internet Use (India 2000)

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<th>INCOME LEVEL (Rs)</th>
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<tr>
<td>Under 8000</td>
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Source : Survey of Internet commerce research center (icrc.iiml.ac.in)

According the finding, the internet increasingly useful in certain segments of the population. Indian men aged 21-35, with incomes above Rs. 16,000 per month; the web can provide access to about 2 million users, It is about 40 percent of the targeted demographic segment.

Age of Internet Users (India, 2000)

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Traditionally Mass and direct marketing have aimed at broadcasting a message to large number of customer but interactive marketing have aimed at allowing customer to browsw, explore and compare and customization. In contrast to traditional approach in which company “push” its product, but in interactive marketing aims is putting the customer first by pull down the information. These are some basic differences.

Mode of marketing

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Adaptability

In Off-line business changing in prices may take several months to a year to communicate changes to distributors, to print and send out new price lists, and to reprogram their computers. Conversely On-line pricing is far more adaptable, allowing companies to make adjustments in a fraction of the time. This pricing flexibility gives opportunities for companies to accurately assess and respond to the overall balance between supply and demand in their industry.

Segmentation

Perception of consumers regarding value of product benefits will be differently, some are willing to pay more for it than other. But in the physical business, it is difficult to charging different prices for different segment of consumers. But Online business can segment their customers quickly using personalization of consumer. After identification on-line customer segment, company can offer a segment-specific price or promotion immediately.
### Source of value from the Internet

<table>
<thead>
<tr>
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<th>Conditions for Selection</th>
<th>B2C Examples</th>
<th>B2B Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Precision</strong></td>
<td>Greater precision in setting optimal price</td>
<td>Testing needs to be run on at least 200 transactions to be significant.</td>
<td>Toys</td>
</tr>
<tr>
<td><strong>Adaptability</strong></td>
<td>Speed of price change</td>
<td>Inventory of capacity is perishable</td>
<td>Books</td>
</tr>
<tr>
<td></td>
<td>Ease of response to external shocks to the system (changes in costs or competitive moves for example)</td>
<td>Demand fluctuates over time</td>
<td>CDs</td>
</tr>
<tr>
<td><strong>Segmentation</strong></td>
<td>Ability to choose Creative, accurate segmentation dimensions.</td>
<td>Different customers value your products benefits differently.</td>
<td>Consumer electronics</td>
</tr>
<tr>
<td></td>
<td>Cash in identifying which segment a buyer belongs</td>
<td>Customer profitability varies widely.</td>
<td>CDs</td>
</tr>
<tr>
<td></td>
<td>Ability to create barriers between segments</td>
<td></td>
<td>Mortgages</td>
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## Product

A product is good or service that a business offers to customer. Internet has allowed the creation of new virtual product such as on line news and real time stock quote services. This virtual product has consisted features of both physical goods as well as of services. Distinguishing between goods and services is not always easy in Internet. For example, an electronic greeting card might be categorized as a physical good as well as service product. If the receipt prints the card upon receipt, classified it as a physical good but if recipient merely views it and then deletes it, classifying as a service product. In the Internet, bundling of Information is easy because of hyperlink capability. Bundling is a marketing strategy in which two or more complementary products and / or services are offered as a package at a discounted price. For instance, a computer video can be linked to compatible or complementary products such as software that runs best on it, hardware that optimizes video performance, and so on. Examples of bundling include two-for-the-price-of specials in restaurants. Life cycle of product is shortening in Internet marketing than traditional marketing. Internet economy is based on three is i.e. ideas, Inventions and innovations (Veena Pailwar, 2001). Internet provide a ground for converting ideas into inventions and also for commercial exploitation i.e. Innovation. This innovation ideas to the emergence of new products at growing rate. This phenomenon is shortening the average product life cycle.

## Personalization

It is the process of tailoring pages to individual user characteristics or preference. It is means of meeting the customers, needs more effectively and efficiently, making interaction faster and easiest and consequently, increasing customer satisfaction and the likelihood of repeat visits. It can be classified into two broad categories:

**User driven personalization:** In this type of personalization, user can personalized their home page with their personal interest. Uses are not required to open a account to do so on the web site.

**Marketer driven personalization:** In this type of personalization, marketer uses its knowledge of consumer to suggest product they might like, on the basis on personal information of user. Marketers learn consumer’s preferences in on what they really like. Internet is making a fundamental shift from mass marketing to personalized marketing. Databases, cookies and telecommunications technology make it very easy and cost–efficient to mass market personalized services, because personalization is automated and it is at the core of many internet marketing methods.

## Promotion

Advertising is one of the powerful tools of promotion. The objective of advertising is to increase the awareness about the advertised product service, eventually and increase in the sales volume. Success of marketing strategies depends on well-suited advertisement plan. Each effective marketing advertisement plan should be suited for the objective, the message and the target audience because success of a good market campaign depends on two elements audience and their buying pattern. An audience is a part of the target market and it can be expected to experience the advertisement or series of advertisements. The behavior attributes of the “audience”. The number of the “audience” is referred to as the advertisement ‘reach’. Experience of audience for an advertisement known as an ‘impression’. These impressions must be effective. The effectiveness of an advertisement is usually depending on number of impressions.

### Models of internet advertising

Over the past few years several advertising models have evolved over the Internet, these can classify (Kalakota & Winston, 2002), into Active or push based advertising and passive or pull-based advertising. Let us dealt these models in detail.

**Active of Push based advertising**

The **Broadcast Model**

Broadcasting messages provides a means for reaching a great number of people in a short period of time. Broadcast models typically use direct mail, spot television, or cable television. A spot television can runs on one station in one market. The number of viewers of particular advertisement depends on the penetration and channel/program viewer ship in a given market. The main advantage of this advertisement model is big number of viewer ship; an additional advantage is its ability to convey the message with sight, sound and motion. The disadvantages of this advertising are relatively high cost of production; limited exposure time; short airtime, which making it difficult to present a complex or detailed message.

**The Junk Mail Model**

Direct mail advertisers targeted to reach highly specialized audiences. In addition to low waste in ad exposure, direct mail provides and advertiser with great flexibility in the message presentation. Disadvantages of direct mail include relatively high cost per contact, the need to obtain updated and accurate mailing lists, the difficulty in getting the audience’s attention,
and the possible cost to customers who pay for e-mail. But junk mail is the most intrusive of all forms of Internet advertising, because it is easily implemented using electronic mail. Some people pay usage fees based on time on-line, or storage charges for mailboxes, and probably would not want to receive unsolicited junk mail.

**Passive or Pull-Based Advertising**

Push-based advertising has not adaptability, flexibility and responsiveness. Effective marketing requires a feedback loop leading back into the organization. Pull-based advertising provide a feedback loop, connecting company and customer. Pull based model of advertising is essential for a truly market-driven company; a company that adapts in a timely way to the changing needs of the customer.

**World Wide Web (WWW) Model**

WWW model refers to information placed where it will come to the attention of customer is the course of other activities and does not require active search. This advertising is often used to reinforce or remind the consumer of the advertising messages communicated through other media. This is not so easy to implement without cooperation from others who link into your content and make you part of the World Wide Web. The advantages of this advertising are ability to completely cover a market and maintain high levels of viewing frequency. The advantage of this model lies in its having no cost to customers. The disadvantages of this advertising are related to viewing time. Because target consumers are typically surfing or moving, and advertising must communicate with a minimum of words. Messages must be simple, direct and easily understood.

**Endorsements**

Endorsements often come in the context of a question answered or an experience shared mode. Endorsements are among the most effective advertisement on the Internet, because they are offered publicity in an interactive medium. Anyone can post his or her own opinions, and such debates provide the best and most unbiased analyses of products and services.

**e-Place**

Traditional distribution system is characterized by the linear point-to-point pattern. In the physical world, direct contact between consumers and producers is not feasible due to wide geographical location of producers and consumers unit. Therefore existence of intermediaries, namely distributors/while sellers & retailers are essential, and definitely it reduces transaction cost for both producers and consumers. Conversely, in the process of e-commerce transaction, a consumer can contact and place an order with manufacture instantly and directly. Consumer not only can the order be placed on internet in a few seconds but also various services such as financial, legal and health etc can be delivered on line. Traditional intermediaries are replacing by cyber-intermediaries like e-retailers, and portals. The e-retailer and portals facilitate accessing information about large number of sellers as well as price comparison by consumers. These facilitators i.e. cyber mediaries also provides space for advertisement, search facilities. High degree of customization is rising new opportunities for inter-mediaries. The following Graphic 1 gives the difference between traditional distribution system and cyber distribution system.

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**Issues in internet marketing**

As most of the countries today gradually entering Internet Marketing environment, there are some issues remain elusive. One of the major problems is a gap of richness between developed, developing and under-developed countries. Developed countries like United States of America, Canada and Australia have significantly venture the world of Internet Marketing and their investments have yielded greater revenue. Furthermore research and development activities have taken place for several times that enable them to equip marketing activities through electronic channels with the latest and the most advanced information communication technology (ICT). Meanwhile, the developing countries such as the national in South East Asia region have begun their information technology evolution in numerous areas including business transactions. Education system has been upgraded by incorporating the studies of ICT, introducing incentives for entrepreneurs to go online and improving facilities. However, the situation does not that encouraging in under developed countries. They are lack of fund, expertise, technology and exposure on the importance of venturing Internet Marketing. This widen gap among the countries must vigorously be eradicated if the entire world would like to flourish and share the wealth generated from doing business through electronic channels such as Internet. Therefore, world bodies like World Bank and United Nations for Development Program (UNDP) have uphill tasks to improve these conditions. The next critical aspect of Internet Marketing is trust and confidence, which are
significantly attributed to security. Lack of security is the leading barrier to widespread commerce on the Internet due to the inherent openness of the web (Wen, 2001). The lack of security is experienced in several ways such as unauthorized use of corporate network, packet sniffing data modification, un-registration transactions, eavesdropping, repudiation and spoofing. The threats and attacks to internet based enterprises have included such Yahoo, E-trade and Amazon.com (Sussan and Kassira, 2003). These threats and attacks deteriorated the three main aspects of security that are confidentiality integrity and availability of data. The absence of these three elements causes lack of confidence for wider customers doing business electronically.

However, some necessary actions have been taken to cushion the lack of security in e-commerce like the introduction of new protocol version 6 (ipv6), a $100 million initiative by USA government. The new protocol will address the areas of confidentiality, data integrity, non-repudiation and selective application of services. A number of multinational companies like NTT (Japan), Sun, Nortel, 3 Com have already got the new version of Ipv6, where as Cisco and Microsoft have it in prototype. The limitations of the new protocol vary from the need of higher bandwidth and some current wireless providers do not support Ipv6.

Conclusion

The application of Internet in today’s business has resulted in interactive marketing. It refers to buyer-seller communications in which the customer controls the amount and type of information received from a marketer through Internet. The interactive marketing offers immediate access to major product information when the consumer needs it. It also frees communications between marketers and their customers from the limits of the traditional linear, one-way messages to passive audiences using broadcast of print advertisement (Boone and Kurtz, 1999) In addition, the application of internet in marketing creates many to many exchanges; where consumers can interact with one another using e-mail, chat room, electronics bulletin boards and virtual reality kiosks. These electronics interactions establish innovative relationships between users (consumers, marketers and suppliers) and the technology. It provides customized information based on users interests and levels of understanding as well as supports almost unlimited exchanges of information. In short, customers become active participants in the interactive marketplace, controlling the amount and type of information they receive with the click of a mouse. The Internet has made a fundamental change in business transactions. Internet serves as a backbone and connecting different business process and persons such as customers and suppliers. While a new means of conducting business has become available, the fundamentals of competition remain unchanged. Only by integrating the Internet into overall strategy, this powerful new technology becomes an equally powerful force for competitive advantage.

REFERENCES


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