

AN UNDERSTANDING ABOUT ONLINE MARKETING VS OFF LINE MARKETING

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ABSTRACT

The aim of this paper is to elaborate the relationship between online and offline marketing. As fundamental research problem has been taken the spread opinion that online marketing is only providing additional instruments to the traditional framework. Therefore the marketing framework itself has been analyzed and connected with popular views on different online marketing aspects. Through careful studying of marketing strategies, goals and the marketing mix the question arises, whether the online marketing framework follows the same basic mechanics as the traditional framework, which would have to be a precondition in order to extend the traditional framework with the tools of the age of the internet. For the analysis, multiple marketing functions and examples of marketing instruments have been analyzed on the aspects of the compatibility to each other, of the differences, of the integration in the company and of the use and results of those activities and course of actions.

KEYWORDS: E-Business, Offline Marketing, Online Marketing, Marketing Instruments, Marketing Functions.

INTRODUCTION

After twenty years of development of the internet as a promotional tool and high level technological and conceptual terms, the intercompany business relationships have drastically changed. These technical changes, improved not only promotional tools but also all other marketing functions by electronic means. A new form of marketing emerged, nowadays known as online marketing. After the "dot com boom" also known as "dot com bubble" (Galbraith, Hale, & Conference, 2004) in 1995 to 2000, companies and researchers

took the situation more seriously by seeing online marketing not just as a promotional tool but more as whole marketing form. After those developments in marketing, researchers presented evaluations and definitions which differ from each in many aspects, regarding core and extensional functionalities. That online marketing is just part of marketing, providing just additional promotional tools, is the most spread opinion about the online-offline marketing relation.

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By analyzing different perceptions and opinions about online and offline marketing, this paper will elaborate the relationship between online and offline marketing. Firstly, both marketing terms have to be defined in order to create a comparable basis. Through further analysis of marketing functions and instruments, this paper will allow an insight in the mechanisms inside these elements. Despite the fact that these elements share the same names (e.g. 4P of online marketing and 4P of offline marketing), they do not have to share the same meaning as well. Only by understanding the different perspectives of different experts on this topic the question about the wide spread opinion can be answered and a practical approach of modern marketing integration in companies can be constructed.

OFFLINE MARKETING

Through the continuous growth of marketing and its constant development, by practitioners introducing new techniques and approaches, marketing ideas and definitions have changed as well. In the very beginning, Bartels (1976) gave a perceptive definition that "marketing is much more than selling and advertising". By the time, all the changes and tools used to push marketing improvement into "perfection" have created many misunderstandings, such as the view that marketing is about creating needs and not value (Blythe, 2006).

Different authors outline different elements of marketing as important, thus they distinguish different definitions of marketing. Kotler et al. (1999) defined marketing as "a social and managerial process, by which individuals and groups obtain what they need and want through creating and exchanging products and value with others".

Using other ways to approach the topic, the Chartered Institute of Marketing (CIM) (2010) identified that "Marketing is the management

process responsible for identifying, anticipating and satisfying customer requirements profitably. This process calls for management decisions on product, pricing, distribution, promotion and personal selling, and in some instances customer service."

The Board of Directors of the American Marketing Association (2007) has approved following definition: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

In Kotler's definition, the needs and wants are in the centre of the concept, creating incentives in the social and the managerial process. Blythe (2005) highlights terms need and want and explains that for most non-marketers a need is something which is essential to survival and a want is something which is no more than a passing fancy. Thus in Kotler's definitions, according to him, the terms need and want inherently are correct, but need to be explained. In contrast to Kotler, the CIM has put the customer and his requirements in the centre. Furthermore, the CIM considers just the customers whose needs can be satisfied profitably. The American Marketing Association has a push concept for understanding of marketing. On one hand, they mention institutions and processes which push offerings, and on the other hand they consider customers, clients, partners, and society which receive the offerings with value for them.

FUNCTIONS

All marketing activities and instruments can be categorized under certain marketing functions. Literature often refers to these functions as the "4P" (e.g. Kotler, Armstrong, Saunders, & Wong, 1999). In detail, the 4P consists of the elements 'Product', 'Price', 'Promotion' and 'Place' (see Figure 2-2). Often it is also

suggested to categorize the marketing instruments into even more than just these four functions (e. g. additionally 'People', 'Process', 'Physical evidence') (Boom and Bitner, 1981). In fact, there is no general agreement in the field of marketing about the amount of functions marketing mix consists of.

INSTRUMENTS

The marketing framework introduced in this paper defines the marketing instruments as the elements within the four marketing functions. The available marketing instruments are nearly countless and versatile and so far it can be concluded, that the job of a marketer is to use the appropriate instrument to implement a strategy and to reach goals and objectives.

As mentioned in the previous chapter, functions are interconnected to each other, thus the term marketing-mix. Those connections between the functions are not static but depend mostly on the chosen instruments. Furthermore, the list of marketing instruments is constantly growing due to new technologies, new markets and even new market sectors. The selection of the marketing-mix is not static and marketers also have to have different mixes parallel, which they constantly need to adjust in order to meet the customers' needs (cf. Chaffey, 2007, p.366).

ONLINE MARKETING

The first online advertisement appeared in 1993 (O'Reilly Media, 2008), thirty years after the creation of the internet. Since that time the interest of companies in online business permanently grew, and that growth was reflected with the high investments in online marketing which reached over 23 billion \$ just in USA in 2008.

During this time of dynamic changes of the online environment, and same time improvements of online marketing instruments,

many authors were trying to find the right words to define online marketing. Some of the definitions lost their meaning because of the changes in marketing during the time and others influenced the overall understanding of online marketing, its importance and its role in overall company marketing strategy.

ONLINE MARKETING DEFINED

One of the best-known authors for online marketing, Dave Chaffey, defined online marketing as: "Applying digital technologies which form online channels (Web, e-mail, databases, plus mobile/wireless & digital TV) to contribute to marketing activities aimed at achieving profitable acquisition and retention of customers (within a multi-channel buying process and customer lifecycle) through improving our customer knowledge (of their profiles, behavior, value and loyalty drivers), then delivering integrated targeted communications and online services that match their individual needs." (2007b). Chaffey summarizes the definition as: "Online marketing is achieving marketing objectives through applying digital technologies." Earlier, cooperating with Smith and Chaffey (2005), based on the definition of traditional marketing of the UK Chartered Institute pointed out that "e-Marketing can identify, anticipate and satisfy customer needs efficiently".

P.R. Smith (2003) stated that online marketing is "simply marketing on-line-keeping very close to customers forming relationship with them, keeping them happy and delighted online. E-marketing involves a dynamic dialogue, constant feedback and an array of new e-tools [...]"

On the other hand Michie (2007) specified that: "Internet marketing is essentially everything what you do, both online and offline, to influence people to buy your product or service from an online medium such a website."

To summarize, all the authors with same or other words agree that online marketing is built on electronic means. Some of them, such as Michie, consider the offline acts to push the success of online marketing as part of online marketing acts (2007). Chaffey as bases of online marketing defines digital technologies which form online channels. For P.R. Smith the customer is in the center which should be kept close, happy and in a dynamic dialog. Other authors highlight the creation of values from customers using information technologies, and all tools which are used to push this value creation, regardless of online or offline, are seen as part of online marketing.

ONLINE MARKETING UNDERSTANDING

Online marketing is still in development, because the online environment is constantly in development, and as this development continues, different definitions about online marketing will continue emerging.

Despite all these differences, authors agree that online marketing is living and evolving alongside the developments of information technology. The Internet tools are crucial and indispensable in forming the online marketing concept and its understanding. Technically, improvements of online tools are improving online marketing. The discovery of new tools is changing online marketing understanding and its impact on overall company marketing.

According to this kind of understanding the authors can be grouped in three main groups:

- Ones who see online marketing as part of offline marketing
- Ones who see online and offline marketing as part of overall company marketing
- Ones who see offline marketing as part of online marketing

This kind of grouping is a result of the online marketing development, its place in company

structure and its part in the overall marketing improvement and success. For companies which have low investment rate in online marketing, online marketing is just part of the offline marketing strategy, and in overall marketing, online marketing is considered as part of offline marketing. Other ones, such as pure online companies, consider offline marketing as part of online marketing in the overall company marketing. Beside these, there are some companies which consider overall company marketing as a composition of offline and online marketing, both valued as very important for overall successful company marketing.

ONLINE-OFFLINE MARKETING RELATION

“The key question is not whether to deploy Internet technologies-companies have no choice if they want to stay competitive-but how to deploy it.” (Chaffey, Ellis-Chadwick, Mayer, & Johnston, 2009, p. xiii). After considering how to deploy these technologies, the next question will need to be answered:

- How the companies consider online marketing and its relationship to offline marketing?

Many authors, such as Allen (2006), state that online marketing is not different. It is a direct extension of offline marketing and the concept of direct marketing and mail order apply on online marketing as well. Some companies have developed environments where online marketing and offline marketing are running independently in two different departments. Others, like new internet oriented companies conclude that traditional marketing is more like an extension of online marketing strategy, rather than a strategy in itself (West, 2010).

As we see, the relation of online and offline marketing has been defined differently depending on the importance of online marketing and overall electronic business in the

company's value creation. The new technologies have great impact in further development of online marketing, therefore, as Chaffey et al. conclude, the results delivered by technologies should determine investment in online marketing not the adoption of the technologies (2009).

Therefore, the investments and the development of marketing strategies should be done according to the evaluated relationship of online and offline marketing and its impact in the company.

However, this is not giving a clear definition of the online and offline marketing relationship. In order to understand and see if online marketing provides nothing more than new marketing instruments, on the one hand the 4Ps and selected instruments from both online and offline marketing have to be considered, and on the other hand the marketing integration in companies has to be analyzed. Therefore, crucial in identifying the right relationship are answers of questions such as:

- Are online marketing functions the same as offline marketing functions?
- How deep is the difference between online and offline marketing instruments?
- Can the company achieve new objectives and goals with these instruments and functions?
- Does the company need new strategies in implementing selected instruments to achieve same or different goals?
- Does the company need to use different tools to achieve same goals with same instruments?

THE RELATION BETWEEN ONLINE- AND OFFLINE MARKETING FUNCTIONS

The 4P marketing functions are core elements of marketing mix both in online and offline marketing. In order to understand the relation

of online and offline marketing, the common points and the differences of these marketing functions have to be analyzed. Therefore the specific strategies and goals of each function in both marketing forms have to be elaborated.

This paper analyzes just the relations between 4Ps, because other marketing functions are considered as additional and authors describe just superficially.

PRODUCT

Offline product is defined as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (Kotler & Armstrong, 2008). Online product is defined by the LSE (2010) as an entity which can be digitally encoded then transmitted rapidly, accurately and cheaply. It is the understanding of the product which is differing in online- and offline marketing not the supporting.

The product in the integrated marketing, is more complicated and in many cases bonded on both online and offline marketing frameworks. Having a product combining both online and offline features requires new strategies based on integrated marketing mix. Consequently, integrating all the functions, instruments and tools enables to reach new objectives and goals, and requires the formulation of new strategies.

To conclude, online products are different from offline products and behave differently on the market. Moreover, offline products itself are behaving differently on the online environment. Finally, the overall marketing environment enables integrated products which require an integrated marketing approach. This differentiation of products is requiring different strategies to develop them, to fulfill the requirements of the existing customers and to know the needs of potential ones.

PRICE

In setting the price, traditionally, the company should consider the six step procedure:

- (1) Selecting the pricing objective;
- (2) Determining demand;
- (3) Estimating costs;
- (4) Analyzing competitors' costs, prices and offers;
- (5) Selecting and pricing method; and
- (6) Selecting the final price (Kotler, Keller, Brady, Goodman, & Hansen, 2009).

In electronic commerce price setting is different. Prices have not been driven to marginal cost—indeed, the “law of one price” does not hold in online markets (R. Baye, Morgan, & Scholten, 2007). Internet is a global market with high ease of access and ease of use. In this global market, on the one side retailers quite easily can penetrate and on the other side customers quite easily can find price information. Moreover, some portals support price comparison in particular. While customer access to price information tends to sharpen price competition, firms’ access to this information creates opportunities for innovative pricing strategies that are not generally feasible (or even necessary) in offline markets (Baye, Kattuman, & Morgan, 2007).

To summarize, online markets are very dynamic places in which customers and competitors can find and use information to make decisions. In this dynamic environment the prices are very flexible and the price-sensitivity of the customers is very high. To reach customers on the one side and to surpass or stay competitive on the other side, innovative online pricing strategies are required to allow price points to respond rapidly to the dynamically changing competitive environment at the individual product level while maintaining margins (Baye, Kattuman, & Morgan, 2007).

PROMOTION

Many authors consider that online marketing is the fastest-growing form of direct marketing (Kotler & Armstrong, 2010). Furthermore, the same authors, as well as Kotler, consider that the promotional mix consists of direct marketing and other tools (M. Trehan & R. Trehan, 2007, p. 17) that the company uses to pursue its advertising and marketing objectives (Armstrong, Harker, Kotler, & Brennan, 2009). Therefore, online marketing is considered as a part of the promotional mix.

Consequently, when these authors state that online marketing provides just additional marketing instruments, the meaning is that online marketing provides just additional promotional instruments.

Other authors, such as Chaffey (e. g. 2008b), consider that online promotion uses communication via the Internet itself to raise awareness about a site and drive traffic to it. This promotion may take the form of links from other sites, banner advertisements or targeted e-mail messages. Thus, in the centre of this perception are the web site and its traffic. Therefore, the whole potential of companies in online marketing, according to those authors, is focused in raising the web site traffic.

It is very clear that authors agree that online promotion differs from offline promotion. Basically it is the first function accepted as different, providing easy to understand additional online instruments which can be implemented just in an online environment. Furthermore, authors more and more bring arguments which not just show the difference of online and offline promotion but also show the great impact and importance in the overall marketing strategy. Therefore, online promotion is not just making the web site popular and gaining traffic; it is a more complex online marketing function.

PLACE

Place is usually defined as the location where a product can be purchased. Often it is, also referred to as the distribution channel. The place in offline marketing includes any physical store and in online marketing it includes any virtual store. It is the whole electronic-network-information relation, which is having the impact to differentiate online place from offline place as marketing functions.

Online place has great impact in the overall definition of online marketing. Basically, depending on how the researchers define the "online place", the definition of the overall online marketing varies. A main question which arises during the definition of the online place is: Is the personal computer or the network the online marketing place? Marketing researchers differ in answering this question; some of them define the computer and the other the network as place.

Kotler and Armstrong (2010) dedicate one whole chapter of their book to the explanation how online marketing is one form of direct marketing. Explaining this relation, taking as example Amazon.com, they consider that customer and supplier have a direct relation. Consequently, they assume that the computer is the place and the relation between customers and suppliers is direct, since the customers are individually, directly and carefully targeted (Kotler & Armstrong, 2010, p. 512).

For other authors such as Chaffey and Smith (2008), place means the place of purchase, distribution and in some cases, consumption. Chaffey and Smith in their concept highlight three important factors to define place: purchase, distribution and consumption. Furthermore, they state (2008 p. 69) that some products exploit all three aspects of place online. Thus, they use online purchasing, online

distribution and online consumption to explain how online place collaborates with online products. Finally, Chaffey (2008b) defines the online market place as a virtual marketplace such as the Internet in which no direct contact occurs between buyers and sellers. Thus, the online market place is the network (Internet) and not the personal computer and therefore the seller has not direct impact over the buyer. This distance between supplier and customer is visualized in where the customer has a direct connection with his personal network device, computer or other electronic devices such as mobile handsets, book readers and so forth and has no direct relation with the suppliers or other kinds of online markets. Finally, to identify online marketing, it is important not just to understand the difference between online and offline place, but also understanding the online place in itself.

In the network there are over 1996.3 million registered domain names (EDGAR Online Inc, 2010), over 11.9 million business and e-commerce sites (Wikipedia, 2010). This global online environment, where each supplier is open to sell to any customer, and each customer is open to buy from any supplier, it is not possible to have a direct relation between suppliers and customers.

To have a brand like "Amazon.com" as a starting page is like having "Coca Cola" in each store, but this does not change the overall concept of marketing.

To conclude, the computer or any other network device can not represent the place as online marketing function because these devices are just tools which enable access to the overall online market space. This market space contains millions of suppliers, thousands of markets, millions of communities, other millions of personal pages and suppliers which tend to penetrate through pushing and pulling (Figure 4- 4). Therefore, the direct relation

between the customer and the supplier is not possible because there are millions of spaces which push the supplier against/ toward reaching the customer.

CONCLUSION

Marketing, regardless of whether it is online or offline should be considered in two aspects: practical implementation and theoretical interpretation.

This paper analyses three approaches of relation between online and offline marketing, online marketing as part of offline marketing-Kotler's approach (Figure 4-6)-online marketing having a separate framework from offline marketing-Chaffey's approach (Figure 4-8)-and online marketing sharing the same framework with offline marketing, but differing inside the framework (Figure 4-9). The three approaches are considered as practically implementable, in which case the implementation of one specific framework strategy is depending from many factors such as a companies' business, structure, the overall online marketing understanding and the necessity for marketing integration.

In the theoretical interpretation, online marketing functions and instruments are different from offline ones. Online markets are dynamic places where customers and suppliers are open to each other, easily share information and are highly influenced in making decisions. The high level of sensitivity of the online environment is deepening the difference between online-and offline marketing functions and their instruments, and is creating needs possibilities for new objectives and goals which require new strategies also.

Based on conclusions and explanations drawn from researching practical situations we came to understand that online marketing is

developing very fast. Marketing functions and instruments are being more and more flexible with great impact not just only on online products and services, but also over offline ones. This new form of marketing, online marketing, has started as an online promotional tool, and has been developed and with the time separated in one theoretically independent one.

According to the new situation, based on marketing functions and instruments, online marketing is not part of offline marketing. Even offline marketing is not traditional anymore, because the situation analysis and controlling (see Figure 2-1) which have been seen as part of traditional marketing are also part of online marketing. Both offline and online marketing are parts of an overall marketing framework which should be analyzed as a mix of these two forms of marketing. Finally, seeing and accepting online marketing just as a online promotional toolset is not enough, because online marketing returns value not just from online promotion but also from other functions and their instruments as well.

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