IMPACT OF DIRECT/ONLINE MARKETING ON TRADITIONAL CHANNELS

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ABSTRACT

In the era of globalization, everything is connected through internet. Almost every other person has an access to the online marketing channels where they can order anything that they desire for. Using Google to find out where the product that they desire would be available and then going straight away to the website to order the same thing is becoming very common now a days. Traditional channels that were earlier put in place i.e. the retailers and wholesalers are losing significance as time is changing. This paper presents an impact of direct/online marketing channel on these traditional channels as they are losing their significance with time. It also puts forward the reasons why direct/online channels are being promoted such that they are being seen as the future of marketing rather than the conventional retailers and wholesalers based on my observation developed with the help of interviewing consumers. These points are studied with the help of marketing model followed by Dell Computer Corporation. Dell developed a direct marketing model so as to establish close relationship with the customers and the various other reasons discussed in the paper. The conclusion suggests that there should be a balance between the two channels so that none of them suffers.

KEYWORDS

Direct marketing channel, Traditional marketing channel, Dell Computers

INTRODUCTION

In this era of globalization, Sixty-two percent of all adults worldwide now use social media.Therefore, many companies try to target them with the help of social media or by creating their own websites they wish to serve the customers directly. With the emergence of digital marketing, direct marketing has become a more interactive, Internet-driven channel. Shifting direct marketing tactics online can foster easier customer data acquisition (i.e., demographic, psychographic, and behavioural), which can assist in building a reliable customer database for targeted messages.

Successful direct marketing campaigns need to incorporate both online and offline tactics. Direct marketing on the Internet can present marketers with the opportunity to gather customer data as well as deliver targeted messages that will ultimately lead to success.

MAIN CONTENT

Impact of direct/online marketing on traditional channels

Now, we would have a look at what makes online marketing channels more attractive as compared to the traditional channels.

From the point of view of a producer, direct/online marketing channel proves to be beneficial.

Here are three things that make the online marketing technique better than traditional marketing channels:

1. Targeted. It can be easily studied what the customers are interested in. for example, I have a blog mainly for recipes. So when I have a look at the numbers of how many people have viewed my blog and which recipe to be precise, I get to know which area would be the best one to place ads or to communicate with people visiting my blog. A great example of this is Google AdWords.

2. Measurable. The impact of every advertisement or every communication with the consumers can be measured in monetary terms on a regular basis. There are many facilities developed by various sites such that you can measure how many clicks took place at a specific time or for a specific post or product and how many people have read can be measured easily.

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3. Active online audience. In today's world, the public is actively seeking products and services that are being advertised. For example, you see an advertisement while playing game on Facebook regarding a watch and the offer associated to it. You like the watch, you can straight away go to the respective link which is just a click away. There you can place an order immediately without having to wait for anyone to show the product to you. This can happen even at the midnight. Consumers are using their laptops, tablets, and cell phones to search for pretty much everything.

It allows you to more accurately target consumers that actively want and need your product or service.

This was from the point of view of a producer. Now, when we have a look at online marketing from the point of view of a consumer, it offers many advantages to the consumers for choosing their services.

When I tried to interview people who use online marketing channels, there were several interesting reasons that they came up with due to which they prefer making purchases online.

The internet has changed customer shopping habits and with rapid technological developments accessing the internet has become easier than ever. People can access the internet whenever and wherever they like. Why do people like using the internet? **Listed below are some of the benefits of the internet for the customer.**

Updated customers

It is an era of smart phones and tablets, where we can see every other person from the youth as well as elderly people eager to learn new technology having an access to the same. They are updated through websites, emails, online advertisements etc. Therefore, they are continuously updated on the various facilities being provided by various sellers and producers.

Comparisons online by customers

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Customers are facilitated with the ability to compare prices offered by various sellers online. One very common example for the same would be makemytrip.com. Whenever you try to book a flight for a destination, you want to compare prices that various companies are offering and you want to go for the best value for your hardly earned money. Makemytrip.com helps to identify the various prices offered and you can select among the best one for your trip. Round trip booking offers various discounts that are very attractive for the consumers.

Full product information to the customers

Full information is provided by the sellers to the consumers through pictures being displayed. Whenever various offers and deals are available like on snapdeal.com, every bit of information relating to the offer is available under the heading Terms and Conditions.

Transparent Pricing

Pricing can be accessed by the consumers with a few internet clicks and full breakup of the various components of cost are listed. Customers can take advantages of pricing that may change regularly or take advantages of special offers that last for a limited period as they can access pricing information 24 hours a day/7 days a week. Whereas, in case of a retail store, when off-season sale is announced, one has to go to the specific retail store in order to make the purchase and that can happen only when one has free time for the same.

Delivery dates can be chosen and dates can be tracked

Many companies like FedEx etc. help consumers to track their order online. Some sellers also allow the consumer to choose the delivery address for each purchase and select their own delivery date and time as convenient to them.

Environment Friendly

Looking after the environment and the world we live in is important for many customers. When consumers shop online they use their cars less and their personal carbon footprint is reduced. Retailers can support carbon reduction by sorting deliveries so that purchases by customers living close to each other can be delivered on the same day.

Shopping at any time of the day (24/7)

There is no time restriction on when a consumer can shop online; the internet is available all day every day. Many online sales now start at midnight on a particular day encouraging customers to shop all hours of the day. For example many retailers will start post-Christmas sales on the 26th of December 00.00.

When I tried to study the traditional marketing channels, there were certain demerits that I came up with:

Expensive: Purchasing advertising for TV, radio or print can be very costly prohibitive to most small businesses. Printing hard copy brochures, business cards and mailers is expensive.

Tracking results - Difficult: It is difficult to track quantitative results of these methods as it is very difficult to go to every one targeted and ask if they have read or followed an advertisement or not.

Professionals Help Needed: Creating advertisements is done by professionals in this field as an individual without such knowledge cannot create advertisements. This adds to the cost for the sellers as the professionals charge heavy amount of money.

Forced on the customers: Traditional marketing is usually forced upon the consumer, they don't necessarily ask for it.

Now, I would like to support these observations with the help of a real life observation. Dell Computer Corporation.

The traditional distribution system of the PC industry is based on an indirect model. The makers sell the products to distributors and then sell them to different retailers, who sell products and services to the final customers. However, this approach inherent weakness like high inventory cost and inaccurately forecast demand. The company that held this opportunity was Dell which opened up a new business model based on selling products directly to customer and building product only when an order received. In Dell, this kind of direct model of contact is fully based on virtual integration in which the customer and supplier become part of the company. Dell's business model combines 2 components, direct sales and build to order production.

Dell sells directly to customers and builds up a direct relationship with them. This direct relationship was important to Dell for cost saving and gather detailed knowledge about its customers.

The aim of the direct approach is to make customers as partners and communicate closely with them. For example, Dell's senior technologists regularly meet with customers to exchange sights on products and needs. The intensive communicate let Dell to identify customer trends early therefore the company can keep the inventory down and react to the customer wants before its competitors can.

With the focus of customers, Dell started segmenting by customer but not product. Dell realised that different types of customers exist, with different types of needs. To better target the needs of different customers, the sales department was spilt into for large companies, midsize companies, government and education institution and small customers. For example, Dell has customized the support site into different segments and people are going to see pages different from those people in other segments. Each segment has become a separate business unit, organising by customer type rather than product lets Dell refine the relationship, also allows Dell to monitor the profitability, better forecast future product purchases and make share in each segment.

Dell's build to order production relates to lean manufacturing and just in time production. Dell aims to reduce the inventory level and suppliers only require refilling parts when they are needed and retain ownership of parts until they are used. Moreover, Dell's strategy goes even further than lean manufacturing and achieves mass customisation of products. Furthermore, under build to order production, Dell must make sure have enough parts to quickly fill order and unpredictable sizes. This requires very close coordination with suppliers and treats the suppliers as partner.

To maintain this, Dell developed a good relationship with a limited number of suppliers and kept them as long as they are world class technical and quality leader. In real time, Dell tried to use information technology (IT) to facilitate communication and replenish the needs to suppliers.

CONCLUSION

Before the development of the Internet, marketing a product or a service was pretty cut and dry – television, radio, mail and direct sales. Now that the age of Internet has swooped in, the majority of consumers expect a customized marketing message with value. So which is it? Is Internet marketing better than traditional marketing or vice versa?

The key is to strike a balance between the two methods. Because of the affordability and effectiveness of Internet marketing, experts have suggested applying the 80/20 Rule to your marketing mix. Invest 80% of your marketing time and dollars into Internet marketing and 20% into traditional marketing.

In today's marketplace, customers still have their preferences between offline and online. Generational gaps have created segmentation challenges across channels for marketers; many customers may not want to interact with brands in an Internet-exclusive sense, and others may not want to receive direct mailings.

However, some of the most powerful customer engagement tools can be found online, illustrating the importance of converting offline customers to online. There are a number of ways to do this, but the most effective involves integrating digital with traditional marketing tactics. QR codes present an opportunity for marketers to drive traffic to their site, ultimately exposing them to a range of tools to stay connected with the brand.

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