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The impact of electronic commerce on marketing and relationship marketing (Case study of small and medium enterprises in the city of Bangalore, India)

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Abstract
Customer relationships are the lifeblood of every good company. Relationships between a company and their customers, distributors, employees, referral sources, are vital to continued, sustained growth, and stability. Relationship marketing allows companies to build stronger relationships with clients and customers. In turn, the company and brand is building loyalty and gaining valuable insight on building or enhancing products or services that people will buy. Research has shown that e-commerce can be strengthened relationship marketing. In this study, a questionnaire was used to investigate the impact of electronic commerce on marketing, relationship marketing and design. Questionnaire between the 346 small and medium experts in Bangalore distributed. Data were analyzed using Spss software. Results of regression analysis showed a significant positive impact on e-commerce and relationship marketing. The statistical analysis showed that the variable marketing strengthens this relationship.

Keywords: Electronic Commerce, Marketing, Relationship Marketing, Small and Medium Enterprises-SME.

1. Introduction

The advent of electronic commerce is changing marketing practice. In particular the transformation of traditional intermediaries such as the retailer is occurring as a result of new computer-mediated relationships. This paper uses the setting of an interactive home-shopping supermarket to examine the changing role of the retailer in electronic commerce environments (ECEs). We build on our previous conceptual enquiry which proposed a conceptual model which posits that retailers in an ECE apply a trust-based approach to consumer marketing relationships. In this paper we provide additional literature and empirical evidence to support our proposition that the relationship between the retailer and their customers can be defined by the disconfirmation of two cognitive images of the on-line shopping experience, these being the expected virtual (service brand-created, cognitive image of experience) and actual real (service-process created, cognitive image of experience) images. This paper develops existing conceptualizations through new, confirmatory; inter organizational case data and consumer-oriented, qualitative, empirical evidence from focus groups that supports our proposition (Davis et al, 1999). We study electronic commerce protocols that allow users or agents to transfer funds on a network. In these electronic commerce protocols, a customer C makes a purchase by transferring funds to a merchant M. What if communications or some other subsystem fails during the transfer? It is reasonable to require that the resulting electronic commerce system impose an atomicity condition: either the funds transfer should complete (M has the money; C does not) or it should not occur at all (C has the money; M does not).

2. Literature review

Electronic commerce

Electronic commerce, or e-commerce, refers to economic activity that occurs online. E-commerce includes all types of business activity, such as retail shopping, banking, investing and rentals. Even small businesses that provide personal services, such as hair and nail salons can benefit from ecommerce by providing a website for the sale of related health and beauty products that normally are available only to their local customers. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle, although it may encompass a wider range of technologies such as e-mail, mobile devices social media, and telephones as well. E-commerce differs from e-business in that no commercial transaction, an exchange of value across organizational or individual boundaries, takes place in e-business. The buying and selling of products, services by business and consumers through an electronic medium, without using any paper documents (Niranjanamurthy et al, 2013). E-commerce Security is a part of the Information

Security framework and is specifically applied to the components that affect e-commerce that include Computer Security, Data security and other wider realms of the Information Security framework. E-commerce security has its own particular nuances and is one of the highest visible security components that affect the end user through their daily payment interaction with business.

Relationship Marketing

During the last decade of the 20th century, relationship marketing has been seen as the mainstream of though in planning a marketing strategy both in industrial marketing and consumer marketing (Tseng, 2007). According to Morgan and Hunt (1994), relationship marketing was defined as all the marketing activities that are designed to establishing, developing, and maintaining successful relational relationship with customers. Hougaard and Bjerre (2002, p.40) also defined relationship marketing as "company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties". Due to profitable relationship on a lifetime basis may also create loss in some stages during the lifetime, Hougaard and Bjerre (2002, p.40) argued that marketing management must pay attention to three different objectives in terms of:

1. "The management of the initiation of customer relationships";
2. "The maintenance and enhancement of existing relationships";
3. "The handling of relationship termination".

Wulf et al. (2001) suggested that different levels of relationship duration would result in different levels of consumption experience, producing different results, satisfaction and loyalty with different relationship marketing tactics.

Table 1: Relationship marketing compared with traditional marketing

Relationship marketing compared with traditional marketing

Relationship Marketing	**Traditional marketing**
Orientation to customer retention	Orientation to single sales
Continual customer contact	Episodic customer contact
Focus on customer value	Focus on product features
Long-term horizon	Short-term horizon
High customer-service emphasis	Little emphasis on customer service
High commitment to meeting Customer expectations	Limited commitment to meeting customer expectations
Quality concerns all staff members	Quality concerns only production staff

*Traditional marketing can also be considered transactional marketing, in which each sale is considered to be a discrete event. This table is based on an idea from: F. Robert Dwyer, Paul Schurr, and Sejo Oh, " Developing Buyer-seller Relationships." Journal of Marketing, Vol. 51, April 1987, pp. 11-27.

Since the final purpose of relationship marketing is to gain the maximal value of a customer, customer loyalty should be emphasized to achieve this goal. The benefits of relationship marketing derive from the continuing patronage of loyal customers who as a partnership are not sensitive to price cut over time (Bowen and Shoemaker, 2003). Interdependence, mutual cooperation and commitment between supplier and customer tend to be essential in relationship marketing, as such whole relationship is viewed as the key to competitive advantage (Hougaard and Bjerre, 2002).

Components of relationship marketing

Service Quality

Service is different from physical products. Compared with physical products, Service is thought to be intangible, heterogeneous, produced and consumed simultaneously, unable to be kept in stock, etc. A widely accepted definition of service is proposed by Grönroos in 1990 as: "A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems" (see Grönroos, 2000, p.46). This definition implied that service is a process where interactions between customer and service provider most often exist. Hence, in a service context, there are almost a relationship between customer and service provider; such relationship can be used as a basis for marketing (Grönroos, 2000). In order to retain loyal customer who will bring long-term profit to the firm, the key issue for service provider is to make use of this relationship in the way it manages customers by offering what the customer's needs and wants. The quality of a service is subjectively perceived by customers during the interactions with a firm (Grönroos, 2000). Parasuraman et al. (1988) defined service quality as the consumers' judgment about a firm's overall excellence or superiority. What happens and perceived by customers in the interaction process will obviously have critical impacts on customers' evaluation of service quality (Grönroos, 2000).

Price Perception

Price is the monetary cost for a customer to buy products or services. It is the critical determinant that influences customer buying decision. Customers usually select their service providers strongly relying on perceived price. How much consumers are willing to pay differs due to their different needs and wants. Thus, the price perceptions to the same service products may differ among individuals. Higher pricing perceived by consumers might negatively influence their purchase probabilities (Peng and Wang, 2006). Price perception is also thought to be related to price searching (Lichtenstein et al., 1993). Consumers are likely to be attracted by perceived high-quality services at perceived competitive prices during the searching process. Oliver (1997) suggested that consumers often judge price relating to service quality, and accordingly generate satisfaction or dissatisfaction, depending on the equity principle. If a consumer perceives price as fairness, he or she is willing to conduct this transaction with the service provider. Based on previous studies, Cheng et al. (2008) proposed that price perception can be measured by two dimensions: one is reasonableness of prices, which reflects the way that price is perceived by customers comparing to that of competitors. Another is value for money, which implies the relative status of the service provider in terms of price. In general, high-quality services are considered to cost more than low-quality equivalents (Chitty et al., 2007) many researchers have pointed out that price perception influences customer satisfaction and trust (Oliver, 1997; Peng and Wang, 2006; Cheng et al., 2008; Kim et al., 2008). Customer often switches mainly due to some pricing issues, e.g. high price perceived, unfair or deceptive pricing practices (Peng and Wang, 2006). Therefore, in order to increase customer satisfaction, it is essential for service firms to actively manage their customers' price perceptions, e.g. carrying out attractive pricing, offering reasonable prices mix, lower prices without decreasing quality, etc.

Brand Image

Brand concept has been frequently discussed in marketing literatures. Brand building is not only an important driving force for marketing physical products, it is also a vital issue for service firms. Brand image was defined by Keller (1993, p3) as the "perceptions about a brand as reflected by the brand associations held in consumers' memory." It is thought as the perception or mental picture of a brand formed and held in customers' mind, through customers' response, whether rational or emotional (Dobni and Zinkhan, 1990). According to Grönroos (2000, p.287), "A brand is not first built and then perceived by the customers. Instead, every step in the branding process, every brand massages, is separately perceived by customers and together add up to a brand image, which is formed in customers' minds". Therefore, brand image is consequence of how a customer perceives the relationship with a brand over time (Ibid). The concept of relationship marketing within services displays the importance of one-to-one relationships between businesses and customers as well as relationships between consumers and the brands (O'Loughlin, Szmigin, and Turnbull, 2004). The development of a brand relationship with customers is based on a series of brand contacts experienced by customers (Grönroos, 2000). What customer perceives the brand image during such experience is critical issue for a service firm to realize. Furthermore, customers are likely to form brand image in mind from inexperience ways, such as word of mouth from other consumers, a company's reputation in public, marketing communication, and so on. A positive brand image make it easier for a firm to convey its brand value to consumers, also generates favorable word of mouth among people; contrarily, a negative image affect people in opposite direction; a neutral or unfamiliar image may not cause any damage, but it does not increase the effectiveness of communication and word of mouth either (Ibid). The more customers consider a brand valuable, the more sales can be expected to be achieved (Ibid).

Value Offers

Customers will judge the value of consumption after contrasting benefits gained from products and services with their costs (Zeithaml, 1988). Service firms provide superior value through enhanced offers can improve customer satisfaction by increasing the customer's perceived benefits and reducing the sacrifice so that customer retention is improved (Ravald and Grönroos, 1996). Ravald and Grönroos (1996) described the effect of value-adding strategies in long term relationship.

3. Methodology

There are two helpful research methodologies: quantitative and qualitative. Bryman and Bell (2003) pointed out that the connection between theory and research, epistemological considerations and ontological considerations, quantitative and qualitative research can be considered as two distinctive clusters of research strategy. Due to the purpose of this research is to test the proposed hypothesizes, a quantitative method is chosen in this research. The study of literature, a conceptual model and hypotheses are proposed.

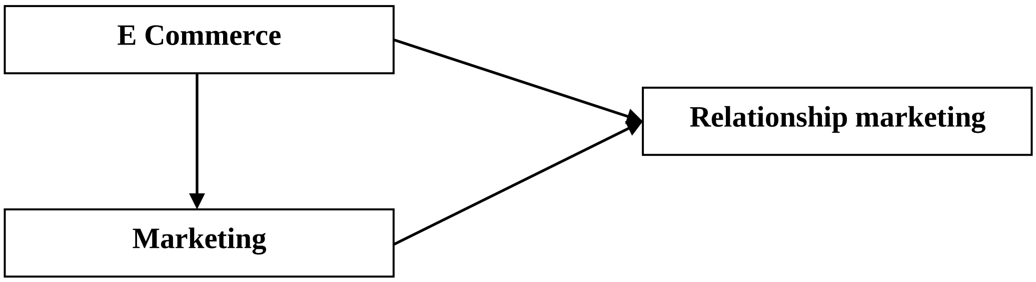

Figure 1: conceptual model

1. E-commerce impact on relationship marketing.
2. E-commerce impact on marketing.
3. E commerce impact on marketing.

4. Finding

Data were analyzed using regression analysis. In this study, multiple regression analysis of the data is discussed. The purpose of this analysis was to determine the contribution of independent variables to explain and predict changes in the dependent variable.

Direct effects, indirect effects and ensemble

To determine the direct and indirect effects of covariates on two variables must be calculated.
Direct effect, suggesting a direct effect on the variable y is the variable x. (B)
Indirect effects: an indirect effect on the variable x by y predicts another variable. Indirect relationship between X and Y when X is due Z and Z, in turn, has the effect of Y.
Overall effect: direct effects + indirect effect
Indirect effects: the product of the path coefficients ($\beta 2 \times \beta$)

Table 2: Direct and indirect effects of variables

Path	Direct effect	The impact of non-straight	Effect of each
X ⟶ Y	β1	β2 × β3	β1 + (β2 × β3)
Z ⟶ Y	β3	-	β3

- If the result is less than 0.3 calculate the observed correlation is not significant.
- If the effect of the correlation is between 0.3 to 0.6 is desirable.
- If the effect of the correlation of 0.6 is highly desirable.

Testing Hypothesis 1:

"E-commerce impact on relationship marketing."

Results of regression analyzes to test the secondary hypothesis is shown in Table 3:

Table 3: Regression Analysis Output Hypothesis 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.904	.250		3.616	.000
	ECommerce	.718	.065	.696	10.975	.000

a Dependent Variable: RM

Testing Hypothesis 2:

"E-commerce impact on marketing."

Results of regression analyzes to test the secondary hypothesis is shown in Table 4:

Table 4: Regression Analysis Output Hypothesis 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.023	.290		6.983	.000
	ECommerce	.460	.076	.472	6.056	.000

a Dependent Variable: Marketing

Testing Hypothesis 3:

"marketing impact on Relationship marketing."

Results of regression analyzes to test the secondary hypothesis is shown in Table 5:

Table 5: Regression Analysis Output Hypothesis 3

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.444	.306		4.714	.000
	Marketing	.562	.079	.531	7.083	.000

a Dependent Variable: Relationship Marketing

5. Conclusion

Now we can conclude that Relationship Marketing is all about holding onto existing customers as well as gaining new ones; while existing customers remain loyal if the value of the product/service that they receive is sufficiently high; while loyal customers can also act as advocates of this product/service. Yet remarkably, many start-up e-commerce companies managed to ignore these simple business concepts, and as a result lost the customers that they had fought so hard to gain in the first place. It is at times like this that 'success' and 'survival' really do equal the same thing, but if Relationship Marketing is instilled into the company culture to begin with, then situations like these can be avoided. In recognizing the significance of linking the power of electronic commerce to relationship marketing in continuously provided service context, this study investigates the role of electronic commerce in determining desirable customer relationship outcomes. Despite several limitations, including cross-sectional design conducted only in India, this study advances the understanding of the powerful role of electronic commerce in creating some desirable customer relationship outcomes. In this study, we investigated the impact of electronic commerce on marketing and relationship marketing. Regression analysis indicated hypotheses have been confirmed. Summary results are shown below:

- ❖ The first hypothesis is that the study showed a significant positive impact on e-commerce marketing relationship is significant given that the number 0.000 for this relationship from is this the assumption of approved.
- ❖ The second hypothesis of this study indicate that a significant and positive impact on e-commerce marketing that given that a significant amount of 0.000 was obtained for this number the hypothesis of this is confirmed.
- ❖ The third hypothesis of this study indicate that a significant and positive impact on marketing, relationship marketing, which is significant given that the value of 0.000 was obtained for this relationship so this hypothesis is confirmed.
- ❖ However, the effect of the relations obtained above 0.6 indicates that the variable in the relationship between marketing, relationship marketing and e-commerce is the role of mediator.

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