

# Prospects of adopting on-Line advertising: Firms practicing e-businesses in Pakistan

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## Abstract

Growing awareness in Business community of Pakistan for adopting technology to expand businesses in-land and overseas has made place for utilizing various e-advertisement models. These advertisement models offer wide range of benefits to business community such as interactive and personalized e-ads, to reach target customers precisely.

### Purpose:

There are variety of advertising models available i.e. search engine marketing, permission advertising, affiliate advertising etc each with its own unique features. This study is focused on marking the trend for adoption of such models in Pakistan business industry and their effectiveness.

### Design

It is apparent that specific economic, socio-technical & cultural factors have their impact on devising e- advertising practices of organizations in Pakistan. The core benefits of e-advertisement are measured in terms of creating brand awareness, attracting customers and improving brand loyalty. The literature review establishes a sphere highlighting use of internet in businesses around the globe generally and Pakistan especially. Furthermore, a close study of Pakistani environment has been taken as a test case to understand and develop an e-advertising model.

### Findings & Value

The e-advertisement adoption framework will be helpful for organizations in Pakistan who wish to exploit the exciting features of e-advertisement such as feedback of e-advertisement campaigns or just in time advertisements.

**Keywords:** E-advertising, Pakistan, e-business, brands

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## **Introduction**

First part of this paper presents an introduction to the topic and businesses setups using internet facilities along with consumer behavior in Pakistan. As businesses in Pakistan stabilizes and attain a considerable customer base that are committed with the online business, the situation stipulate advertising to build customer loyalty and personalized advertisements on top of attracting new customers inland. There are other factors as well contributing towards choosing an advertising model including product life cycle, customer's trends and technology offering although we have considered business stages association as primary focus.

Second part of the paper looks into the literature review and establishes a sphere highlighting the use of internet in businesses around the globe generally and Pakistan especially. Furthermore, a close study of Pakistani environment has been taken as a test case to understand and develop an e-advertising model that could be established or worked out in our environment.

Finally the paper presents a workable model presenting a framework for concluding an evidence of success in Pakistani E-businesses leveraging on e-advertisement.

## **Literature Review**

E-commerce is a new technology trend developing swiftly in the big world. The corporate and occupational world, supported industry, already stands transferred, which by latest estimates will exceed \$400 billion this year world wide. The proportions of internet users are speeding up hour by period all over the environment and identical is the trend with Pakistan. In 1995, the symbol of internet users in the earth was almost 16 millions on the other hand at the moment it flies aerial to almost 1400 millions. This shows that the internet usage is increasing with the passing minute and this continues to develop rapidly. In 1995, almost .01% of Pakistan population manipulate internet on the contrary in

2008 this ratio goes elevated and like now it's almost 14.1% of the complete population (Ali Iqbal. 2008 <sup>2</sup>).

The number of internet users in Pakistan is growing fast. According to the government's economic survey for 2005/06 there were an estimated 2.1m Internet subscribers and about 10m Internet users in June 2005 (latest figures available) and Internet access had expanded from 29 cities in August 2000 to 2,339 cities and towns by June 2006. Optical fiber networks were available in 500 cities in June 2006, compared with 53 cities in August 2000; Pakistan had 170 Internet service providers in June 2006. (Economist Intelligence Unit <sup>1</sup>)

Pakistan has a number of barriers to e-commerce, including inadequate infrastructure (insufficient telephone line and frequent power failure): relatively few internet users; and lack of security for online transactions. The government is working to overcome these problems and has made some progress.

During August 2006 various e-commerce projects and initiatives were underway in the public and private sectors, including electronic-government projects worth US\$300m at the federal and provincial level. For example, a five year, US\$30m project funded by World Bank at the State Bank of Pakistan (the central bank) to interlink gross settlements (RTGS) project with backward linkages to commercial banks and the clearing house is scheduled to be completed by end-2006. (Overview of e-commerce in Pakistan <sup>3</sup>)

It is important to recognize that e-commerce is not simply operations. As a matter of fact, e-commerce appears to be generating a significant amount of entirely new economic activity one that would not have occurred in the absence of e-commerce. This is largely because of e-commerce's unique advantages – an increased access to information that allows buyers to differentiate between alternative products and services. It appears that the Internet is exerting a similar effect on the economy by providing a market-space where consumers have more options and more information to assist them in making purchasing decisions. The broad contention made by most observers in

this connection makes the electronic market-space more efficient than traditional marketplaces.

E-commerce also allows businesses to directly sell their products and services to consumers all over the world. B2C commerce allows businesses to sell without traditional intermediaries and thus reduce their operating costs, which are ultimately passed on to customers as lower prices. Several virtual storefronts are the new success stories in cyber world; for example Amazon.com which sells books, CDs, and household items to customers over 150 countries, and Buy.com which sells books, electronic inventory, and other inventories at discounted prices. In the financial world, companies such as Merrill Lynch, Goldman Sachs, and Paine Webber helps consumers to trade - without paying hefty fees - to brokers.

### **Analysis and evaluation of E-commerce markets in Pakistan:**

The nature of online advertisement posses unique offerings in contrast to traditional advertisement models such as "precise intimacy" i.e. online banner ad can be used for advertisement that generate reports about how many people viewed this ad, how many of them actually clicked on this ad and how many of them brought business to the organization through online banner ad. In contrast, a traditional banner ad campaign can only end up with an estimated number of people who "may" have viewed the banner while driving home. It is almost impossible to estimate that how many of them brought business in response to that traditional banner ad. So in short the ability to measure impact of advertisement investment is more precise using online advertisement.

Overwhelming response to social networks and online communities like Facebook have proved to be an effective tool for direct marketing that is focused on localized audience. Banner advertisement on such communities

can be very useful considering the ability to reach precise target audience based on the demographics and their interests. For example online community members are mostly university students, SME's entrepreneurs and professionals who daily spare some time to visit and keep their "walls" (Facebook) posted with latest interests. It is this very benefit which has attracted companies like Zong, Mobilink, education consultants, Forex companies, recruitment Agencies and private brand owners to display their banners on website having majority of users signed up with nationality of Pakistan.

There is huge opportunity for both electronic and traditional businesses to exploit the use of such communities in order to precisely reach target customers. There are exciting new online promotional tools lately used by companies apart from viral advertising, email marketing and search engine marketing (SEM), one considerable tool is what can be categorized as Direct Online Marketing as an analogy to personal selling. The direct online advertising phenomenon is getting popular now-a-days and best example is manufacturing and other companies of China using Skype, AOL and other online messaging services where their own representatives are their to attend those individuals and retailers who want to interact directly with China manufacturers. Although direct online advertising phenomenon cannot be useful for brand re-enforcement but can be useful for attracting and locking in online customers.

### **Findings:**

In Pakistan there are considerable numbers of companies that are using opportunity of online businesses with a prominent focus of online advertisement for promotion of their brand and attracting new customers. Galaxy Computers ([www.galaxy.com.pk](http://www.galaxy.com.pk)) sells computers and its accessories through its web presence leveraging on COD & Bank Account Payments. The portal is incorporated with company's inventory system and shows updated stock levels

as well as approximate details of arrival of fresh stock. Galaxy Computers uses email marketing and SEM extensively for its promotion.

Another example of online operations is TCS-Pakistan that offers product line of Sentiment Express through which resident & especially non-resident Pakistanis can send gifts and greetings to their loved ones through online orders. TCS-Pakistan uses online banner ads on Pakistani online newspapers websites (e.g. ([www.jang.com.pk](http://www.jang.com.pk))) as well as on community sites such as ([www.naseeb.com.pk](http://www.naseeb.com.pk)). Online recruitment companies ([www.rozee.pk](http://www.rozee.pk)), education institutes ([www.ucp.edu.pk](http://www.ucp.edu.pk)) and other commercial companies (e.g. Nirala Sweets etc.) have found online ads a viable solution for their promotion. In general most of the Pakistani companies have rightly started building their brand presence through highlighting their URL's in packaging, traditional advertisements and stationeries.

Global Career Consultancy is a pure-play recruitment company and uses community networks such as Twitter, Linked in and Facebook as a primary source for their own promotion and connecting with their target clients i.e. professionals, students and any other type of potential employees & employers. The concept of such company relies on client intimacy for job seekers and response time for employers. Such kind of promotional model is only possible with online communication and promotional tools.

There is a huge gap to be filled up in order to fully exploit the use of e-advertisement through forming the stage by setting up the trends of e-advertisement in Pakistan. Future trends in technology advancement such as rapid use of cell phones and 3-G mobiles shows new tools of e-advertising will evolve such as short messaging advertisement and location based advertisements.

## Suggestion/Recommendation for adopting e-advertising models in Pakistan

Based on the analysis conducted on e-commerce in Pakistan the authors feel that entrepreneurs, organizations, and individuals should fully utilize the market place and space as well. Businesses presenting themselves alone in the market space may not be able to capture the attention of the masses in Pakistan – to get full coverage and attract more and more people on-line thus it would be important to use all available advertising methods. Thus suggesting e-advertising framework as follows:

		Requirements	Advertising Models					
			Search	Banner	Permission	Affiliate	Viral	
Business	Common	Attract new customers	Highly recommended	Recommended	Not Recommended	Recommended	Recommended	
		Provide in-depth information of the brand and product	Not Recommended	Recommended	Highly recommended	Recommended	Recommended	
		Track customer interests and trends	Not Recommended	Recommended	Highly recommended	Recommended	Recommended	
	Startup	Generate traffic to the website	Highly recommended	Recommended	Not Recommended	Recommended	Recommended*	
		Build a brand image	Recommended	Highly recommended	Recommended	Recommended	Not Recommended*	
		Reach target customer segments	Recommended	Recommended	Recommended	Recommended	Not Recommended	
	Established	Improve brand image	Recommended	Highly recommended	Recommended	Recommended	Not Recommended	
		Encourage brand loyalty	Not Recommended	Recommended	Highly recommended	Recommended	Not Recommended	
		Up-sell customers to premium products	Not Recommended	Recommended	Highly recommended	Recommended	Not Recommended	
		Increase repeat purchase	Not Recommended	Recommended	Highly recommended	Not Recommended	Not Recommended	
			Highly Recommended	The advertising model fulfills the requirement effectively and should not be avoided				
			Recommended	Fulfills requirements but should be supplemented with other models				
			Not Recommended	Should not use this model				
		* Depends on business dynamics						

The framework devised here is an effort to map e-advertisement models with businesses which are either startup, established or common businesses. A startup business is the one which has been recently formed, possesses little or no brand image and customer base. Electronic commerce startups have fundamental need to develop and retain customers on top of it these companies have to

build their brand awareness and reach target customers with cost effective advertising mechanisms. So overall advertising issues for a startup business is to 1) Gain customer attention 2) Build brand image and 3) Reach target customers. The established businesses are the one which have known brand and possess large customer base. For an established business the advertising issues are different from a startup business they are 1) Improve customer's attitude/image of the brand 2) Encourage brand loyalty 3) Up-sell customer to premium product or service and 4) Increase repeat purchase.

Based on case studies and other literature review authors have analyzed that each advertising model has its unique feature that can serve the purpose of specific business requirements of Pakistani organizations. The adoption of business advertising channel has several influencing factors like customer trends, product life cycle, business industry dynamics and technological trends. Starting with Search Engine Marketing (SEM) the most prevalent model in the e-advertising space today this model is found to be effective to drive traffic into the business website exposed by the fact that 98% of the online consumers use search engine to research or purchase a product or service. However SEM provides limited support for building brand image, increase repeat purchase and disseminating information about products of its constraints in content quantity and linear media.

Banner Ads are second largest used model in e-advertising. When consumers see an online banner about the product they want, many do not click and go for purchasing the product right away. Banners therefore are the primary vehicles to create awareness of the brand amongst potential customers.

Permission advertising is better for customer retention and controlled information processing costs. Permission advertising can increase brand image by offering personalized promotional contents, it can also pave up repeat sales & up selling. Lately adoption of affiliate advertising or paying others fees for selling our

products is becoming widespread; creating an attractive affiliate program for the business may be the perfect way to enlist an army of sale channels to promote a product.

Lastly the viral advertising that applies new tools and techniques in order to spread the word about a product or service can be used to create awareness about product or services.

In conclusion the startup businesses should adopt a combination of Search Engine Marketing and Banner Ads to quickly drive in visitors. Besides banner to build brand image, affiliate advertising should be preferred by the startups to reach target customers. However startups should be careful in using viral advertising since it may damage their brand building process.

The established online businesses should use permission advertising to satisfy needs of repeat ordering, enhancing brand loyalty and up sell customers to premium products. Banner Ads are suitable for improving the brand image. Apart from these unique business needs with reference to brand image and customer base businesses must calculate the other influential factors like customer trends, product life cycle, business industry dynamics and technological trends before choosing an e-advertising model. Recommended framework would be helpful in saving time and money of businesses in Pakistan to exploit the use of e-advertisement models.

## **Conclusion**

It is important to recognize that e-commerce is not simply operations. As a matter of fact, e-commerce appears to be generating a significant amount of entirely new economic activity one that would not have occurred in the absence of e-commerce, which has a major part in developing the concept of globalization bringing the world closer to each other. Keeping in view the growth of internet industry generally in the world and especially in Pakistani

business environment it has been proposed to use different net advertisement models form Search Engine Marketing, Permission Advertising and Affiliate Advertising etc., using their own unique features.

In this regard the researchers have devised the framework in an effort to map e-advertisement models with businesses which are either start-up, established or common businesses. For all startups, common or established businesses in Pakistani environment - the advertisement models - may have been different but to start up e-advertisements: Search Engine Marketing (SEM) the most prevalent model in e-advertisement is found to be effective to drive traffic into the business web-sites, followed by viral advertising that applies new tools and techniques in order to spread the word about a products or services.

Lately, the businesses using internet as promoting or selling tool can enhance their activities by including number of other marketing tools as viral marketing, permission marketing or on-net direct selling by developing active websites and interacting to the customers with latest tools such as call center presence.

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