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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**MARKETING ON THE INTERNET:  
A CASE STUDY ON BORNEO DIVERS AND  
SEA SPORTS (SABAH) SDN. BHD.**

**BY**

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## **ABSTRACT**

The Internet has been enjoying media highlights in terms of its potential for a commercial revolution. It is a "gateway to vast and varied information and it could revolutionize the way organizations seek and use information" (Pawar and Sharda 1997: 110).

The use of the Internet for commerce permeates many industries, thus attracting businesses big and small to get connected to the Internet. This is mainly due to their understanding that the Internet can boost profitability to their business.

Based on these, this study seeks to discover the extent to which such claim of profitability exist. This study also hopes to find out how a business entity views profitability and the focus will be on a Malaysian based company.

# APPROVAL PAGE

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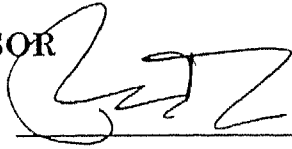
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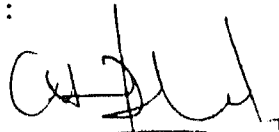
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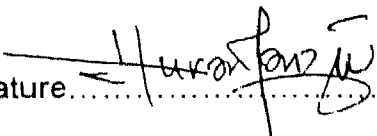
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# DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by reference notes and a bibliography is appended.

Date..... 31 October 1997

Signature..... 

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# CHAPTER 1

## INTRODUCTION

### *1.1 Introduction*

The advent of new technologies periodically cause major shifts in the way we do business. The use of telegraph, telephone, fax machine and other electronic devices have somehow or rather left their marks on commerce. It is impossible to imagine doing business without any one of these devices. Today the Internet is shaping up as the latest technology to alter the way business is conducted. The way it works is remarkably simple and extremely exciting in its usefulness. People are finding new ways to use the Internet every day and the majority are using it for business.

Indeed, the Internet has "rapidly change the way people seek, deal and use information. It has opened many avenues to every possibility, depending on how the information is being utilized or used. With the new technology, information can be accessed more rapidly, transaction can be done in one location and transported through the information highway to any part of the globe. The Information Super Highway has made the world smaller and enabled us to realize a "borderless" world. The Internet has given access to computers that store vast amount of information. The era of the Internet has

affected all category of people in the society, both professional and layman.”  
(Dr. Raja Abd. Yaacob 1996 : 8)

As highlighted, the potentials of the Internet in the business domains are exceptionally bright. Currently with an estimated users of 30 million and 200 countries connected to the Internet, the future of businesses are enormous. With the emergence of the World Wide Web, a software application that runs on the Internet, many business activities can be facilitated. For example Sterne (1995) suggested that a corporate presence on the Internet can greatly enhance a company's sales and marketing efforts. It can widen a company's circle of influence by providing yet another way to communicate with its clients, prospects and the public.

It is not impossible that by the turn of the century, the majority of businesses will be connected to the Internet. The interactivity that the Internet offers to the business environment can be exploited for marketing purposes. Whether the commercial site on the Internet is only a momentary state of art, we would not yet know. Nonetheless, the highlights this medium has been receiving is biased towards benefits and opportunities that lie ahead.

## **1.2 Background of the Study**

Businesses on the Internet has been growing at such a rapid rate. The American for instance are very enthusiastic in embracing new media such as the Internet. The Internet was the hot topic in the annual Us Direct Marketing Association in a conference held in October 1996. In fact a study, conducted for this association by Vos, Gruppo and Capell, a U.S Investment banking firm which specializes in direct marketing shows that sales of consumer products and services through the Interactive media in 1995 amounted to US \$2.7 billion. The researchers also estimated that sales will increase approximately US\$ 28.1 billion by the year 2004 (Fletcher 1996).

The Internet is used by many companies or businesses for their marketing and sales. This medium can be utilized to promote indirect and direct marketing. Indirect marketing promotes sites by providing pictures and information on specific products or services. Customers or potential customers are presented only with pictures and the customers have to initiate or pursue a sales transaction.

In contrast direct marketing provides the facility of taking orders and performing online transactions. By this it means, customers can place direct orders and can even pay by using certain payment mechanism used by the business. Direct marketing first emerged in the form of direct mail and mail order catalogues (Kotler et al 1996). However, in the recent years marketing

has taken several forms including telemarketing, direct response radio and television electronic shopping and the like. With the rapid growth of our technology, direct marketing has taken another leap forward in utilizing the information Super Highway or Internet.

Since the Internet has been receiving commendable claims from the Americans Direct Marketing Association and the media in particular, perhaps it is worth considering whether this advanced and sophisticated technology bring equal profitability to the local business in Malaysia. Hence, this study hopes to discover the impact of the Internet to local business scene in Malaysia.

### ***1.3 Aims and Objectives of the Study.***

The use of the World Wide Web marketing has transformed business activities in many ways. The World Wide Web marketing has received high regards for its contribution to profitability, nevertheless according to a survey conducted by Active Media Inc. (1996), "almost one quarter of World Wide Web marketers (23%) were trying to sell products or services from their web site but sold nary a one". Hence, based on the apparent disparity, it is the general aim of this study to find out what generally attracts a business entity to engage with online marketing.



In a more specific scope, this research hopes to seek answers to these questions:

- i) How does the company view profitability ?
- ii) Are sales and customer loyalty indicators of profitability?
- iii) Does getting online ensure such "profitability"?

For data gathering purpose, interview with the System Support personnel from Borneo Divers (Sabah) Sdn. Bhd. will be conducted. Although the scope of this study is confined to one particular business, it is hoped that the cooperation and willingness to secure interview from the personnel will enlighten the aim and objectives of the study.

#### ***1.4 Organization of the Study***

This study consists of five chapters in which the first chapter will give a broad perspective of the topic of interest. While the second chapter presents the literature review and the terms of reference on the subject. The third chapter will explain the research methodology specifically employed to conduct this study. The findings will then be summarized and discussed in the next chapter. Subsequently the final chapter will conclude and put forward some suggestions for the study.

## **CHAPTER 2**

### **REVIEW OF THE LITERATURE**

#### ***2.1 Introduction***

This chapter will present the review of literature that has some relevance and significance to the study. The chapter will be divided into four sections. Section one will present the introduction to this chapter. The following section will discuss on the literature that contributes to the study and the next section presents a review on business strategies and the Internet. The final section will define the terms of reference used in this study.

#### ***2.2 Review of the Literature***

##### ***2.2.1 The Nature of Net Marketing***

Cronin (1994) stated that Net marketing offers considerable advantages for businesses. The Internet provides a wealth of information which is relatively inexpensive as compared to information produced and distributed in print. The information stored in the Internet will not only benefit any business organizations in terms of cost saving, efficient marketing and so forth but will also benefit the company in terms of "pulling" customers to them. The ability to attract customers will obviously contribute to monetary gain for a

company. According to the author, another important feature that distinguishes Net marketing from the conventional marketing is the interactive component afforded by this technology. For example users or customers can utilize navigational tools like Gopher that allows them to locate and select exactly information they need, with as much detail as they wish. Information on the Internet is tailored to customers' interests and made available whenever they want to consult it.

Greenstein (1995) suggested various ways in which the Internet can be best used to assist a company to boost potential economic and non economic returns:

### **E Mail**

Electronic mail will offer a two way communication either on one to one or one to many basis. This medium can help to foster good relationship between a company and customer. It is personal, direct and efficient.

### **Telnet**

Telnet is used to connect a remote computer user to log into a computer in another physical location either across the room or across the globe. It can be used to facilitate real time interaction.

## **FTP**

FTP or File Transfer Protocol is often used by businesses to store everything from typeset documents to graphics to source code for software programs. It is a cost effective way to make large quantities of information available on demand. Users and customers find their way to the server and execute some commands to locate and transfer the files they want.

## **Newsgroup**

Newsgroups are basically segmented target market where appropriate and careful participation can earn the marketer respect and business. Oftentimes, a new group is initiated by customers because of perceived value in having a support group for a particular product. However, businesses do sponsor or sometime run newsgroups to create loyalty and enthusiasm for that company's products.

## **World Wide Web**

The World Wide Web is a service that runs over the Internet. It is important because it is the segment of the Internet where marketing and advertising have been accepted. Creative and engaging web sites are essential in helping a company to market and advertise their products. To encourage customers to keep coming back, the key element that needs to be

considered on the WWW is to make the content or information fun and interesting.

### ***2.2.2 Business and Technology***

In the face of rapid advancement in technology, businesses today are confronted with great and competitive challenges. Their effectiveness in establishing competitive advantage and surviving depend substantially on their ability to respond to changes in technology. With the emergence of electronic devices, many businesses have taken up the challenge to conduct direct or indirect marketing by utilizing these devices. Currently the marketing media such as television direct response, electronic shopping and telemarketing are increasingly used by business entities.

Apart from such devices, computer technology is also gaining popularity in many marketing organizations. Good and Stone (1995) in their empirical investigation, demonstrated that computer technology have direct positive impact on improving marketing strategies. Their findings supported their hypothesis that many marketing operations are facilitated by successful computer systems. Thus, for any business organizations, the use of information technology and computers can produce benefits on both operational and strategic level. Additionally, with the recent development of the Internet which rely on computer technology, businesses are provided with

yet another advanced channel for business to employ as a tool to market their products or services.

### **2.2.3 Internet and Sales**

Although the use of the Internet in the business environment can still be considered at its infancy, it has been highly acclaimed for its contribution to the business domain today. It "seems virtually every business bigger than a corner stone either has or contemplating a web site" (Orenstein 1995). Ellsworth (1994) pointed out that "businesses are the fastest growing domain in the Internet". It dominates approximately 50 per cent of the total registration of domain names. It was also put forward that "the place for business is to be on the Internet now, and in this foreseeable future is on the World Wide Web" (The Internet Unleashed 1995: 35). With such high regards for the Internet as a business tool, it is no doubt that many businesses are somehow influenced and attracted to get connected to it.

In spite of all the highlights given to the capabilities of the Internet in the business domain, the reality of it is not as pictured. The media has somehow blown the picture out of proportion. This is supported by a survey conducted by Activ Media Inc. (1996) as previously mentioned. About 30 % of the respondents in this survey stated that their web site is "profitable now". The marketers defined "profitability" in terms of sales that they made. However, in the context of this survey, the term "profitable" is relative to the

size of the company. A company with less than 100 employees falls in to the category of a small company. Sales for a small company are expected to reach approximately \$ 1 million or less. A medium sized company has between 100 - 499 employees with annual sales that falls in the range of \$3 million to \$20 million. The number of employees in a large company usually exceeds 500 and profitability to these companies is not seen in terms of sales only but also the expense incurred.

Phelan (1996) claimed that virtually nothing sells on the Internet and this supported the findings highlighted by Activ Media Inc. (1996). Sales generated through this medium often account for less than 1% of total company sales. This was attributed to customers' reluctance to purchase online because of little confidence with the security measures when conducting online transactions. Nonetheless, the author did not deny the fact that eventually the issue of security will be resolved and direct online sales will continue to grow over the next decade. Phelan further elaborated that the Internet bubble burst in 1996 with many companies reporting that sales revenue originating from the Internet failed to cover setup maintenance costs of the medium.

Stil and Zimmerman (1996) quoted Burnestein and Kline(1995) that in the world of business, digital technology also has limits. Even so and regardless of sales results, marketers will continue to throng to the Web. They added that the growth of the commercial World Wide Web in 1995 has

been phenomenal. Between spring 1995 and Fall 1995, the proportions of marketers describing their sites as financially rewarding/profitable rose from 22% to 31%. Almost half of the oldest web sites are profitable. The authors then suggested that profitability is influenced by many other factors not just sales. For instance typical transaction size, location of the web site corner, company size, web site age, how well the company uses the web, mix of web and non web sales and exports, all contribute to profitability.

The issue of declining sales on the Internet was also raised by Stil and Zimmerman (1996). While, the authors shared the concern of Phelan over the impact of security issue on the Internet sales, they also attributed the decline in sales to other factors. One of the factors that led to limited sales on the Net was due to poor shopping experience offered by certain web sites. Many web sites still look like a printed folder, only with small pictures and less detailed descriptions. Another reason forwarded by these authors was that most sites were in English. Although many of the people on the Net are proficient in this language, the majority of people do not speak the language, for example there are 80 million people in Japan who do not speak English. This is just to mention one nation, there are others that cannot be reached due to language barriers.