

An Empirical Analysis of the Effect of Occupation on Factors of Consumer Demand (With Special Reference to Internet Advertising)

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Abstract

In the new era, due to competition, business houses are exploring new modes of communication to achieve a balance in speed and cost of reaching their target audience effectively. This leads to an effective mode of communication termed as advertising. In the last few years, Indian internet advertising spend has increased dramatically. Advertising over the internet has become the most significant development in the industry. Researchers have estimated that the internet population will double in a short span of time. This rapidly growing new medium holds tremendous potential for advertisers and service providers in various aspects. The internet offers two-way, graphical, worldwide communication with technology-oriented early adopters. Internet advertising is capable of delivering information to a

mass audience effectively and efficiently. It has been observed that internet advertising affects the consumers in different forms. Due to interdependence of the variables being affected by internet advertising, there arises disagreement among the different stakeholders regarding the impact of internet advertising. Thus, it becomes important to measure the impact of internet advertising in terms of abstract parameters. The study was undertaken to measure the impact of internet advertising on consumer demand.

Keywords: *Consumer Demand, Consumer Loyalty, Product Differentiation, Awareness, Consumer Preference.*

INTRODUCTION

The internet is the fastest growing information channel throughout the world as it offers two-way graphical communication. The internet is the new form of mass communication and provides users with a new economy of information distribution and acquisition. Usually, users of the internet are well-educated, upscale individuals and the number of people with access to the internet is increasing at a tremendous speed. The main advantage of the internet is that it is not very costly; as a result, many businesses are going on-line to gain relatively inexpensive access to potential consumers. Ojha (2006) stated that the internet has a lot of potential for advertising.

Internet advertising debuted in 1994, when the first banner advertisement on HOT WIRED was sold and the first web browser was made commercially available (Hyland, 1998). At that time, the most basic form of advertising was the sponsorship of a website. In the middle of 1997, banner advertisements were improved with the introduction of sound effects in the advertisements. Later, a new type of advertising technology came into existence that featured video in banner advertisements in order to attract more visitors to the website. As a result, companies like Dell Computers, Amazon.com, Wall Street Journal, etc. developed their websites with audio and video enabled features. In the late 1990s, interactive banner advertisements, that enabled consumers to buy their products and services, became popular.

In a short span of time, advertising on the internet reached around 21.1 million people in mid of 1997 and the estimated revenue from advertising on the internet was \$301 million (Coats and Heather, 1997). According to Romeo and Nyhan (2002), internet in India has finally made its cut as a sober advertising vehicle. The number of internet users is expected to grow at 20 to 30 percent year-on-year. The internet has

penetrated over thirty percent (30%) of India's English-speaking urban audience. The most significant forms of internet marketing and advertising are banners, permission-based e-mail, keyword-targeted search engine advertising, floating animated page takeovers, interactive on-page rich media ads, streaming audio and video, and consumer-fuelled 'viral marketing' (Krishna, 2001). Presently, most internet advertisements are centred on banner advertisements, which come in a wide variety of shapes and sizes.

Suresh (2006) found that the benefits offered by the internet are customization, interactivity and low costs in reaching out to a dispersed audience, thus making it very attractive for advertisers. Internet advertising is quickly becoming an immediate and cost-effective advertising channel, because internet advertising gives unique power to the marketers to become highly targeted and selective about where their advertising message is seen (Krishna, 2001). According to Romeo and Nyhan, (2002), there is no longer any doubt that internet advertising is an effective marketing tool.

A consumer can be defined as an individual who buys products or services for personal use, and not for manufacture or resale. The amount of a particular economic good or service that a consumer or group of consumers will want to purchase at a given price is known as demand. Demand for a product or service is determined by many different factors other than price, such as the price of substitute goods and complementary goods. In extreme cases, demand may be completely unrelated to price or nearly infinite at a given price. Along with supply, demand is one of the key determinants of the market price. Abowd and Wissink (1999) said that consumer demand is a study of how people use their limited means to make purposeful choices. It assumes that consumers understand their choices (possibilities) and the prices (opportunity costs) associated with each choice, and

also assumes that consumers consider the alternatives and choose the one that they like best.

Russell and Lane (1996) revealed that one of the most difficult aspects of determining the economic contributions of advertising is the inability to precisely identify the role that advertising plays in moving consumers to purchases and its contributions to company profits. Unlike offline advertising channels, the internet lets advertisers target their advertisements to the activity that users are engaged in (Goldfarb, 2012). Advertising can help stimulate demand for new products by communicating relevant information and facts. Advertising offers consumers a right to choose by providing a variety of options in terms of price, features and benefits. Some critics claim that advertising restricts consumer choice because large companies use the power of advertising to limit consumer opinion to a few well-known brands (Kazmi and Batra, 2004).

According to Hackett (2000), consumer demand depends on factors like consumer preference, consumer budget constraints, and the price of rival goods. Earlier economists were interested in comparing and aggregating utility levels across individuals in the hope to find a way to develop a metric of comparison of utility across individuals. According to Murthy and Bhojanna (2007), there has been criticism in abundance that advertising offers unwanted products i.e., products for which demand does not exist. The subject of the effect of advertising on consumer demand is complex and it is agreed that promotional activity leads to consumer demand. It is believed that other than advertising, economic and social factors impact consumer demand like increase in population, choice in lifestyle etc.

REVIEW OF LITERATURE

According to Aparna and Das (2015), with the advent of technology and widespread use of media in all

forms, consumers are getting exposed to a plethora of advertisements. According to Shrivastava (2012), the growth of internet media attracts the attention of advertisers as a more productive source to bring in consumers. Advertising over the internet offers many unique opportunities that are not possible with conventional media. It provides a better understanding of the consumers in a more realistic way, so that the advertisers employ personalization in their promotion campaign on an individual basis. As a result, media planners include the internet as the most preferable medium to reach their target audience with appealing messages. At present, advertising on the internet has become the most significant development within the industry.

According to Jaroliya and Jaroliya (2014), internet advertising may lead the future market and could provide the revenues necessary to keep the internet available at a modest cost and accessible to anyone. Internet advertising is believed to be highly cost effective relative to other media, particularly when taking into account its ability for more precise targeting and two-way dialogue with customers. The internet is the new form of mass communication and provides users with a new economy of information distribution and acquisition. Advertising over the internet has become the most significant development in the industry. According to Deshwal (2016), online advertising is cost-effective and reaches a much wider audience, and will probably give you more profit than traditional advertising. Broadly, online advertising is about delivering advertisements through the internet to online users via websites, e-mail, ad-supported software and internet-enabled smart phones (Bakshi and Gupta, 2013).

Choi and Rifon (2002) were of the view that “rapid growth in online advertising revenues indicates the viability of worldwide web advertising as an alternative to that of traditional media.” Researchers

have estimated that the internet population will double in a short span of time. This rapidly growing new medium holds tremendous potential for advertisers and service providers in various aspects. The internet offers two-way, graphical, worldwide communication with technology-oriented early adopters. Internet advertising is capable of delivering information to a mass audience effectively and efficiently. According to Deshwal (2016), rapid technology development and the rise of new media and communication channels tremendously changed the advertisement business landscape. However, the growing dependency on the internet as the ultimate source for information and communication make it a leading advertisement platform.

In general, online advertising is a purposeful public communication based on the interaction between its subjects in the internet environment with the view of enhancing their interests and activities in relation to the advertising object on the one hand, and gaining profit and goods on the other hand (Shakhov, 2009). Internet advertising is gaining attention because of the current shift in advertising strategy in favour of deriving maximum response from selected target groups instead of maximum exposure to many unknown audience groups (Yoon and Kim, 2001). Internet and Mobile Association of India (2008) conducted a survey regarding growth of internet advertisements in India and found that the market share of internet advertising in education-related services or products will increase. From the literature, it has been observed that internet advertising affects the consumers in different forms. Due to interdependence of the variables being affected by internet advertising, there arises disagreement among the different stakeholders regarding the impact of internet advertising. Thus, it becomes important to measure the impact of internet advertising in terms of abstract parameters. The perception has been compared on the basis of the factors explored by Nagar

and Jaroliya (2009); the factors are - strengthens consumer loyalty, enhances consumer awareness, controls consumer preferences, responsive mode to consumers and flexibility for product differentiation.

HYPOTHESES DEVELOPMENT

H₀₁: There is no significant difference in the perception of business and service class internet users regarding the first factor, i.e. strengthens consumer loyalty.

H₀₂: There is no significant difference in the perception of business and service class internet users regarding the second factor, i.e. enhances consumer awareness.

H₀₃: There is no significant difference in the perception of business and service class internet users regarding the third factor, i.e. controls consumer preferences.

H₀₄: There is no significant difference in the perception of business and service class internet users regarding the fourth factor, i.e. responsive mode to consumers.

H₀₅: There is no significant difference in the perception of business and service class internet users regarding the fifth factor, i.e. flexibility for product differentiation.

METHODOLOGY

The Study: The present study was undertaken to measure the impact of internet advertising on consumer demand. The study aimed to compare the perception of internet users on the basis of occupation. Internet users were divided into two categories of occupation i.e. business class and service class.

Area of the Study: The study was carried out in Indore city because it is a major commercial hub in the state of Madhya Pradesh (M.P.) as it is centrally located in M.P. With modernization and globalization, marketers and advertisers have gotten acquainted with various

promotion activities and are using advanced technologies in advertisements. The citizens of Indore city are welcoming new advertising media. Currently in Indore city, most educated citizens are familiar with the internet and directly or indirectly, are viewers of internet advertisements.

The Sample: The sample size was 400 internet users belonging to Indore city. The final sample represented the population with respect to socio-economic dimensions i.e. age, gender, income and occupation. The respondents were 200 male and 200 female internet users of different age groups ranging from 18 to 52 years with an average age of 30.546 years. Basically, respondents were from business as well as service class. Out of 400 respondents, 169 belong to the service class and 171 belonged to the business class.

Tool for Data Collection: Data was collected with the help of a questionnaire; it was developed in a series of stages. In the first stage, a list of 88 items was prepared on the basis of review of literature. In stage two, the prepared list of items was presented to a sample of 75 judges, both from industry and academia, to shortlist the items relating to the impact of internet advertising on consumer demand. In the third stage, the list was reduced to 46 items based on 75 percent and above level of acceptance.

Tool for Data Analysis: The collected data was analyzed by testing of five null hypotheses developed on the basis of factors explored from review of literature using Z test with the help of SPSS 18.0.

Result and Hypotheses Testing

The perception of business and services class internet users was compared and tested using null hypothesis on five factors - strengthens consumer loyalty, enhances consumer awareness, controls consumer

preferences, responsive mode to consumers and flexibility for product differentiation.

Strengthens Consumer Loyalty

According to Aqsa and Kartini (2015), internet advertising is all about visually appealing advertising messages that include product quality, price and other information to form various kinds of feelings and judgments for the advertisement; as a result, it creates feelings and judgments which affect consumer attitudes toward advertising and trust associated with internet advertising. According to Gilaninia et. al. (2013), internet advertising fits the need to select appropriate strategies, can greatly contribute to the process of purchasing and ultimately, customer loyalty. Becker and Murphy (1993) stated that internet advertising reinforces loyalty because a more advertised product is preferred over a less advertised product. According to Raman and Leckenby (1998), internet advertisements may be standalone or part of a larger website that may also serve other functions like customer support, distribution, and social service. Schlosser et al. (1999) found that people generally trusted commercial content of an internet advertisement more than an advertisement in general; this affects consumer loyalty positively. Customer loyalty is considered important because of its positive effect on long-term profitability. Oliver (1999) defined customer loyalty as a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. According to Blake et al. (2014), in many cases, the consumers who choose to click on advertisements are loyal customers or otherwise already informed about the company's product. Advertising may appear to attract these consumers, when in reality, they would have found other channels to visit the company's website.

Table 1: Showing Constituting Attributes of Factor I

<p style="text-align: center;">Factor I:</p> <p style="text-align: center;">Strengthens Consumer Loyalty (Percent of Variance = 9.387)</p>	Active participation of consumers in the advertising campaign
	Measure exact response of consumers
	Sends a clear message to the consumer
	Strengthens consumer loyalty to the advertised brand
	Strengthens inelasticity of demand
	Promotes materialism
	Converts a potential consumer into an actual consumer
	Provides a reasonable product to the consumer
	Influences consumer utility
	Stimulates the consumer need

Source: Nagar and Jaroliya (2009)

Table 2: Hypothesis Testing Results (H₀₁) - Strengthens Consumer Loyalty

Occupation	N	Mean	Standard Deviation	Z
Business	N ₁ = 169	X ₁ = 35.69	σ ₁ = 6.00	2.26
Service	N ₂ = 171	X ₂ = 34.69	σ ₂ = 5.48	

It has been found that first null hypothesis is not accepted. Business and Service class internet users differ significantly in their perception regarding the first factor, i.e. *Strengthens Consumer Loyalty* (Table 2). The business class internet users perceived that internet advertising strengthens consumer loyalty to the advertised brand; provides reasonable product to the consumer; sends a clear message to the consumer; develops a relationship between the product and consumer, and provides an effective way of communicating the Unique Selling Proposition (USP) of the product to the consumer.

Enhances Consumer Awareness

According to Deshwal (2016), in internet advertising, the advertiser is able to convey more details about the advertisement to the audience and that too at a relatively low cost. Accessibility is the ability of users to access information and services provided by online advertisers. The term 'accessibility' is generally related

to how users can access the information and content of online advertising. Griffith and Krampf (1998) said that internet advertising approaches need to be integrated with one another as well as with traditional offline strategies in order to build strong consumer awareness. Chen and Wells (1999) showed that consumer evaluations of the entertainment value, the informativeness and the organization of the website lead to a positive attitude toward the site and also enhance consumer awareness. Advertisers using the internet in international markets get greater coverage as it increases consumer awareness. Berthan et al. (1996) proposed that for any company, web presence is effective for creating brand, product and corporate awareness and image. According to Hoffman and Novak (2000), internet advertisements (banner) enhance the consumer's awareness and interaction with the target communication, which, in turn, affects the consumer's comprehension and understanding.

Table 3: Showing Constituting Attributes of Factor II

<p style="text-align: center;">Factor II: Enhances Consumer Awareness (Percent of Variance = 8.902)</p>	Shift consumer attention from weak to strong aspects of the product
	Gives recognition to advertised products
	Drives competition in the market
	Communicating USP of product to consumers
	Promotes new products
	Adds value to advertised products
	Cost effective advertising channel
	Provides competitive edge to consumers
	Conveys information to consumers
	Develops relationship between the product and the consumer
	Inappropriate for measuring size of market

Source: Nagar and Jaroliya (2009)

Table 4: Hypothesis Testing Results (H₀₂) - Enhances Consumer Awareness

Occupation	N	Mean	Standard Deviation	Z
Business	N ₁ = 169	X ₁ = 39.50	σ ₁ = 6.07	1.58
Service	N ₂ = 171	X ₂ = 38.85	σ ₂ = 4.48	

The second null hypothesis was accepted and no significant difference was observed in the perception of business and service class internet users (Table 4). Both business as well as services class internet users agreed that internet advertising *enhances consumer awareness*. They perceived that internet advertising is the simplest way of obtaining product information; was updated, supplemented, and changed very easily; conveys information to the consumers; adds value to the advertised product; responses can be traced immediately and offers many unique opportunities that are not possible with conventional media.

Control Consumer Preferences

According to Aqsa and Kartini (2015), it can be concluded that the variable 'interactivity' is a two-way communication done through advertising via the internet. Indicators used in the variable 'interactivity' are: perceptions of control related to perceived control

over navigation, content and interaction speed. Vellido et al. (1999) investigated consumers' opinion on online purchasing and online vendors; they consisted of the underlying dimensions - control and convenience; trust and security; affordability; ease of use; and effort/responsiveness. Wolak (1999) discovered that advertisers can track how consumers interact with their brands and learn what interests them. The response to an internet advertisement can be measured by sampling click-through rates (Zeff and Aronson, 1997). According to Stone et al. (2000), when consumers like an advertisement about a brand, they are more likely to develop a liking for the brand and are more predisposed to buy it. Butters (1977) revealed that if consumers' preferences are characterized by perceived quality, then a high level of advertising even by well known brands must be maintained in order to continuously remind potential consumers to switch and current consumers to remain.

Table 5: Showing Constituting Attributes of Factor III

<p>Factor III: Controls Consumer Preferences (Percent of Variance = 8.608)</p>	Places a brand in the consumer’s mind
	Enlarges the category of occasions for consuming goods
	Provides privacy to consumers
	Converts price sensitive consumers into willing consumers
	Controls consumers
	Develops a match between a consumer’s taste and attributes of a brand
	Provides better understanding to consumers
	Affects market price

Source: Nagar and Jaroliya (2009)

Table 6: Hypothesis Testing Results (H₀₃) - Controls Consumer Preferences

Occupation	N	Mean	Standard Deviation	Z
Business	N ₁ = 169	X ₁ = 28.52	σ ₁ = 4.93	1.43
Service	N ₂ = 171	X ₂ = 28.00	σ ₂ = 4.54	

The null hypothesis was accepted; this highlighted that there exists no significant difference in the perception of business and service class internet users regarding the hypothesis 'controlling consumer awareness' (Table 6). They found that internet advertising influences consumer preferences as it gives a new look to a product; it shifts consumers' attention from weak to strong aspects of a product and converts a potential consumer into an actual consumer.

Responsive Mode to Consumers

According to Deshwal (2016), most online advertisement platforms make it easy for the audience to engage with their advertisements or products. Advertisers would be able to get more feedback from the audience and thereby improve the quality of the advertisements going forward. Interactivity in online advertising media is the extent of two-way communication that refers to the ability of mutual communication between advertisers and consumers, and the response to the input they receive. According to Aqsa and Kartini (2015), perceived response refers to the extent to which consumers feel that the

response towards internet advertisements is appropriate and relevant. Wolak (1999) proposed that internet advertising enables direct interaction with the advertisement and the goal is to enthrall the consumer with a brand or product. This is done effectively as the consumer has the option to interact with the advertisement. Robinson and Kaye (1997) studied history of advertising over the internet and found that internet advertising provides a responsive mode to consumers. Pavlou and Stewart (2000) maintained that interactivity is a characteristic of the consumer, not the medium, and point out that consumers have a choice about whether they want to respond or not. According to Warshaw and Nielsen (2006), if the advertisement content is more exciting, the audience is more likely to engage with the advertisements and respond to it. Ackerberg (2001), who considers the effects of advertisements on the purchasing behaviour of consumers, using a reduced form model, shows that consumers who had not experienced the product were more responsive to advertisements than consumers who had experienced the product.

Table 7: Showing Constituting Attributes of Factor IV

<p style="text-align: center;">Factor IV: Responsive Mode to Consumers (Percent of Variance = 7.303)</p>	Fastest way of advertising products in a huge market
	Responses can be traced immediately
	Highly selective for consumers
	Easily target its consumers
	Updated, supplemented and changed very easily
	Simplest way of searching for product information
	Influences consumers in different ways
	Stimulates consumer spending
	Catches attention of consumers by providing graphics

Source: Nagar and Jaroliya (2009)

Table 8: Hypothesis Testing Results (H_{0a}) - Responsive Mode to Consumers

Occupation	N	Mean	Standard Deviation	Z
Business	$N_1 = 169$	$X_1 = 32.39$	$\sigma_1 = 5.11$	-0.16
Service	$N_2 = 171$	$X_2 = 32.45$	$\sigma_2 = 4.65$	

The null hypothesis was accepted; this highlighted that business as well as service class internet users perceive that internet advertising provides a 'responsive mode to consumers' (Table 8). It is because internet advertising facilitates companies to tailor the advertisements to a precise target audience as well as to even deliver advertisements that are customized to the consumer, which can be helpful in generating a response from consumers. The interactive nature of internet advertising enables consumers to respond after viewing the advertisements over the internet.

Flexibility for Product Differentiation

According to Shrivastav (2012), a clear advantage consumers have with online advertisement is the control they have over the product/service advertised, choosing whether to check it out or not. According to Gilaninia et. al. (2013), internet advertising helps the consumer in the process of products purchase. Internet advertising fits the needs of individuals,

contains sufficient information about the product types and can identify consumer behaviour with respect to affecting factors. Clawson (1993) revealed that flexibility for product differentiation is an important factor that consumers expect from advertisements over the internet. Murray (1991) stated that flexibility to search for information may influence the purchase decision process for services at an early stage. Customers have greater bargaining power through increased access to timely and accurate information about products they are interested in. On the supply side, marketing automation technology allows targeted promotion and differential pricing. Goldsmith and Lafferty (2002) stated that flexibility offered by internet advertising implied the availability of more information in general as well as ability to act on what interests the consumers immediately, and viewer privacy. Edelstein (1989) emphasized that flexibility causes a person to select sources that will, in turn, give satisfaction.

Table 9: Showing Constituting Attributes of Factor V

<p>Factor V: Flexibility for Product Differentiation <i>(Percent of Variance = 6.377)</i></p>	Gives a new look to a product
	Offers unique opportunities to consumers
	Creates open product differentiation
	Provides 24X7 anytime anywhere flexibility to consumers
	Influences consumer preferences

Source: Nagar and Jaroliya (2009)

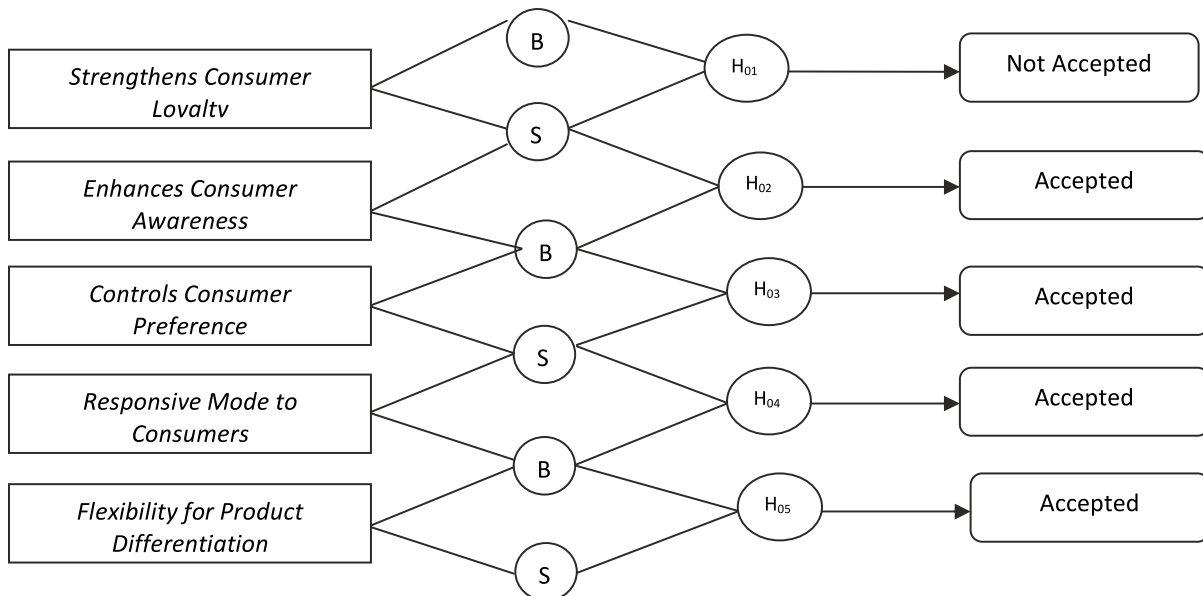
Table 10: Hypothesis Testing Results (H₀₅) - Flexibility for Product Differentiation

Occupation	N	Mean	Standard Deviation	Z
Business	N ₁ = 169	X ₁ = 18.69	σ ₁ = 1.86	-1.5
Service	N ₂ = 171	X ₂ = 18.90	σ ₂ = 1.78	

The fifth null hypothesis was accepted and no significant difference was observed in the perception of business and service class internet users (Table 10). Both business as well as services class internet users believe that internet advertising provides 'flexibility

for product differentiation'. They found that flexibility is the key advantage of internet advertising that helps consumers get more information via easy click-through, at any place, at any time, and also assists in differentiating between products.

Figure 1: Hypotheses Testing Model



* B – Business, S- Service

The above model summarizes the result of hypotheses testing and it clearly depicts that there is a level of disagreement between the business and service class internet users regarding the fact that internet advertising strengthens consumer loyalty. In case of other factors, satisfactory agreement has been observed.

CONCLUSION AND SUGGESTIONS

Internet advertising is fundamentally changing the way consumers shop; the main reason behind this is the flexibility to differentiate between products. It has been observed that business class internet users perceive a greater impact of internet advertising on consumer demand in case of factors like 'enhances the consumer awareness', 'controls consumer preferences', etc. whereas service class internet users observed the prominent impact of internet advertising on consumer demand as it provides a 'responsive mode to consumers' and 'flexibility for product differentiation'. The results of the study highlighted an important direction that under normal circumstances, internet users do not pay attention to internet advertisements; in fact, many advertisements are blocked with the help of software at the user end; some advertisements take more time to load, some are complex in nature and some of them disturb the internet user's other online activities. Thus, internet

advertisements should be made simple, attractive, user friendly and should take less time to load, so that internet users will become more familiar and responsive towards internet advertisements. From the consumer's view point, it has been found that there is a strong correlation between internet advertising and consumers' tendency to be on the threshold of trying and buying new products and services. Internet users get disappointed as advertisements posted over the internet are not on priority basis, which leads to a feeling of ignorance. Thus, advertisers should use the internet as a primary media in order to reach consumers.

IMPLICATIONS

In India, many researchers are engaged in research relating to various media of advertising; however, only a few researchers focus on internet advertising. There is a need to measure the effectiveness of internet advertising. The present study can be used as a basis for the development of such measures relating to internet advertising. An important direction, which has evolved out of research, is how internet advertising influences consumer demand. In the similar manner, further studies can be carried out by researchers to study the impact of internet advertising on other economic elements.

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