Rai Technology University

ENGINEERING MINDS

Internet Marketing Management

CONTENTS

CHAPTER 1
Introducing Internet Marketing

- How significant the Internet as a Marketing tool?
- How does Internet Marketing relate to e-Marketing, e-commerce and e-business?
- What are the key benefits of Internet Marketing?
- What differences does the Internet Introduce in relation to existing marketing communications models?

To conduct Internet Marketing, we need to build and create databases in which they could be used to support Internet Marketing activities. These Databases could be:

- Customer Databases
- Competitors Databases
- Suppliers Databases
- Intermediary Databases
- Agents & Brokers Databases

Introducing the Scope of Internet Marketing

- "Achieving marketing objectives through applying digital technologies"

    How?

- Marketing is the management process responsible for **identifying**, **anticipating** and **satisfying** customer requirements **profitably**.

    How?

A More in-depth definition:

- **Customer-Centric Digital Marketing Involves:**
- ❖ **Applying…**
- Digital Technologies which form online channels… (Web, E-mail, Databases, mobile, IDTV)
- ❖ **To…**
- Contribute to marketing activities aimed at achieving **profitable acquisition and retention of customers** (within a **multi-channel buying process** and customer lifecycle)

❖ **Through…**

- Improving **customer knowledge** (or their profiles, behavior, value and loyalty drivers), then delivering integrated targeted communications and online service that match their individual needs)

How does the Internet contribute to marketing?

- How the Internet achieves marketing goals?

Clue: (Web and E-mail)

How the Internet Supports Marketing

- **Identifying**: the Internet can used for **marketing research** to find out customers' needs and wants.
- **Anticipating:** the Internet provides an additional channel by which customers can access **information** and make **purchase-evaluating this demand** is key to governing resource allocation to e-marketing.

 Satisfying: A key success factor in e-marketing **customer satisfaction** through the electronic channel raises issues such as:

➢ Is the site easy to use?

➢ Does it perform adequately?

➢ What is the standard of associated customer service?

➢ Are physical products dispatched?

E-Business and E-Commerce

- You are attending an interview for a job in an E-Commerce department. You are asked to:

- **Define e-commerce**
- **Explain the relationship between e-commerce and e-business?**

E-business Vs. E-Commerce

- E-commerce involves money exchange in the transactions.
- E-Business, as it is broader, all aspects in business are included like marketing, product design, supply management, etc.

E-business: Is the broadest concept, refers to how technology can benefit all internal processes & external exchanges & Interactions, **supporting the range of business processes.**

E-Commerce: All financial & Information electronically mediated exchanges between organization and its external stakeholders.

E-Commerce is subdivided into:

- **Sell-Side E-Commerce**
- **Buy-Side E-Commerce**

Note: Distinguish between Intranet, Extranet and Internet

Why is a Digital Strategy needed?

Simply to be better by (Competitive Advantage)

- To set clear goals for digital channels
- To align with business strategy (avoid ad-hoc approaches)
- Create a specific online value proposition (OVP)
- Specify communications tools to drive visitors
- Integrate digital and traditional channels
- Manage customer lifecycle (e.g. through email marketing)

Applications of Digital Marketing

- An advertising medium
- A direct-response medium
- A platform for sales transactions
- A lead-generation method
- A distribution channel
- A Customer service mechanism
- A relationship-building medium

Typical types of Goals for Digital Marketing

The 5S's of Internet Marketing

Benefit of e-marketing	How benefit is involved	Typical objectives
Sell – Grow sales	Includes direct online sales and sales from offline channels influenced online. Achieves through wider distribution to customers you cannot readily service offline or perhaps through a wider product range than in-store, or lower prices compared to other channels	- Achieve 10% of sales online in market - Increase online sales for product by 20% in year.
Serve – Add value	Achieved through giving customers extra benefits online or inform product development through online dialogue and feedback	- Increase interaction with different content on site - Increase dwell-time duration on site by 10% (sometimes known as "stickiness") - Increasing number of customers actively using online services (at least once per month) to 30%
Speak – Get closer to customers	Creating a Two-Way dialogue through web interactions like famous and surveys and conducing online market research through formal surveys and informally monitoring chat rooms…	- Grow e-mail coverage to 50% of current customer database - Survey 1000 customers online each month - Increase visitors to site section by 5%

Save- Save costs	Achieved through online e-mail communications, sales and service transactions to reduce staff, prints and postage costs. Savings also accrue through web self-service where customers answers queries through online content	- Generate 10% more sales for same communications budget - Reduce costs of direct marketing by 15%
Sizzle – Extend the brand online	Achieved through providing new propositions, new offers and new experiences online while at the same time appearing familiar.	- Improve the branding metrics as: brand awareness, reach, brand favorability and purchase intent

Summary and example of transaction alternatives between businesses, consumers and governmental organizations:

1. **C2C:** eBay, Skype, Blogs, Social Networks: Facebook, MySpace
2. **C2B:** Priceline, Consumer-feedback, communities or campaigns
3. **C2G:** Feedback to government through pressure groups or individual sites
4. **B2C:** Transactional: Amazon, Relationship-building: BP, Brand Building: Unilever, Media owner: News Corp, Comparison intermediary: Kelkoo, Pricerunner
5. **B2B:** Transactional: Euroffice, Relationship: BP, Media owned: Emap, B2B marketplaces: EC21, Social network: Linkedin, Plaxo.
6. **B2G:** Feedback to government businesses and non-government orgs.
7. **G2C:** Tax, Government Information, E-Visa
8. **G2B:** Tax, Legal regulations
9. **G2G**: Inter-government services, exchange of information

Basics forms of websites: Informational, Communicational, and Transactional.

Different forms of web presence:

1- **Transactional e-commerce site:** Enable Purchase Online, Ex: Amazon, Dell

2- **Service-oriented/relationship building:** Provides information to stimulate purchase & build relationships, but products are not available for online purchases. (Ex, Accenture, British Gas)

3- **Brand Building Site:** Provides an experience to support the brand. (Tango, Guinness)

4- **Portal or Media Site:** Gateway of information that provides news and range of topics. Related to other sites, revenue through ads, commissions, sales of customers data. (Yahoo!, Silicon.com)

- Horizontal Portals: Information about different sectors! **Yahoo!**
- Vertical Portals: Information about specific sector! **Edmunds.com**

5- **Social Networks:** Enable community interaction C2C (Facebook, MySpace)

NOTE: THESE FORMS COULD OVERLAP

Challenges in Developing & Managing an Internet Marketing Strategy:

1- Unclear responsibility for many marketing activities.

2- Lack of skilled people and lack of resources.

3- No specific objectives are set for internet marketing. & results are not measured.

4- No development for new (OVP) BECAUSE Internet is adopted just as an additional channel.

5- An experimental rather than planned approach is taken in using e-communication with poor integration between online-offline marketing.

6- Marketing Myopia (Shortsightedness)

The 7S's to overcome e-marketing challenges:

Element of 7 S Model	Application to strategy	Key issues from practice
Strategy	The significance of digital marketing in influencing and supporting organization strategy	
Structure		
Systems		

Staff	CHECK BOOK	CHECK BOOK
Style		
Skills		
Superordinate Goals	The guiding concepts of the digital marketing organization which are also part of shared values and culture. The internal and external perception of these may vary.	

Key Marketing Communications Concepts:

Term	Definition	Examples
Medium	Anything that coveys a message. The carrier of the message or method or transmission. Can be conceived as the touch point with the customer.	**BOOK**
Discipline		
Channel	**BOOK**	
Vehicle		

Six Categories of e-communications tools or media channels:

- Search Marketing
- Online PR

- Online Partnership
- Interactive Ads
- Opt-in e-mail
- Viral Marketing

Offline Communication Tools:

- Advertising
- Personal Selling
- Sales Promotion
- PR
- Sponsorship
- Direct Mail
- Exhibitions
- Merchandising
- Packaging
- Word of Mouth

Integrating Online and Offline Communications:

Communication initiated by customer	Communication initiated by company
Phone call to company	Advert to generate awareness. Places in newspaper or PC Magazine
Visit to website to review prices and specification	Phone call or e-mail by courier company to arrange delivery of PC
Phone call or e-commerce purchase of PC	Traditional mail-out or e-mail after 1 year to describe upgrade service
Support call to solve problems	Traditional mail-out or e-mail after 3 years to describe new product offers
Complaints about repair	Call to arrange visit (from sub-contracted company)

What benefits do digital media provide for marketers?

- **Interactivity** – not solely a push medium (e-mail), but also pull (customers search for information). Information can be collected from customers via web pages (direct response).
- **Intelligence** – Can monitor customers' interests and profile them.
- **Individualization** – It is possible to tailor e-mail and web communications (personalization)
- **Integration** – of offline and online channels
- **Intermediation** – new intermediaries can be used as a route to market and there is also the opportunity to sell direct
- **Independence** of Location – Possible to reach a wider market place

Internet marketing utilizes the power of electronic commerce to sell and market products. Electronic commerce refers to any market on the internet. Electronic commerce supports selling, buying, trading of products or services over the internet. Internet marketing forms a subset of electronic commerce. With the outburst of internet growth, internet marketing has started becoming very popular. It is said that Internet marketing first began in the beginning of 1990 with just text-based websites which offered product information. With growth in internet, it is not just selling products alone, but in addition to this, information about products, advertising space, software programs, auctions,stock trading and matchmaking. A few companies have revolutionized the way, internet can be used for marketing, such as Google.com, Yahoo.com, Amazon.com, Alibaba.com and Youtube.com. Internet marketing has brought forth so many strategies such as affiliate marketing which consists of pay per click,pay per view , pay per call, pay per click advertising. Affiliate marketing also includes banner advertisements. In addition to this e-mail marketing, viral marketing, interactive advertising, blog or article based marketing are also popular. There are newer marketing techniques being invented all the time. It is important to know how the trend would be. Companies are inventing new techniques to find better ways to make revenue and establish their brand on the internet. Consumers are becoming more and smarter. They don't want to be a party to the internet advertising campaigns made by companies unless they get some incentive in doing so. They would be quite keen in participating in campaigns provided they are compensated in someway by the companies. There are usually 2 or 3 parties involved in internet marketing. It is companies and end users or companies, internet

marketing companies and end users. If it is a two party model then companies themselves directly gets revenue from the end users. If it is a three party model then internet marketing service providers acts as intermediate revenue providers for companies. In order to attract end users they can share a part of their revenue which they receive from the companies with them. Internet marketing serves three business models. They are the B2B model, B2C model and P2P model. The B2B model deals with complex business to business transactions and internet advertising helps bring revenue to both. B2C model involves direct interaction between the business and customer. P2P model involves distributed computing which exploits individual exchange of goods and services. P2P model was mostly useful for distribution of video and data. But due to copyright problems P2P models have had troubles.

1.2 Motivation for this thesis

Most of the literature which we have come across in the area of trends in internet marketing focuses on company perspective, consumer perspective and 3rd party perspective individually. I felt that there was a gap in these approaches. What companies feel about internet marketing trends need not be felt by consumers or 3rd party agencies. Consumer awareness could play an important role in their interests to pursue internet marketing. It would be useful for companies and 3rd party agencies to understand the minds of the consumers as consumers would be the ones who would eventually drive internet marketing in a big way. More buyers mean more products to sell and more products to sell means more marketing to be done by 3rd party marketing agencies. This will help me understand whether all the 3rd entities understand trends in internet marketing in the same way or there are differences in their understanding. Instead of studying these entities in isolation I decided to pose the same set of questions to companies, consumers and 3rd party agencies. This will help me understand whether there are differences at all in their thinking and if there is, I can make suggestions to these entities to positively influence the internet marketing trend.

1.3 Objective

We want to know how companies, 3rd party agencies and consumers would perceive the trend of internet marketing to be for which we have designed the following questions.

1. What are the successful schemes of internet marketing used today?

2. To what extent does internet marketing bring revenue for the companies and not just end up attracting junk traffic which does not generate any revenue for the company?

3. How big is the internet marketing industry today and what is the growth potential?

4. Which is the most preferred internet marketing approach?

5. Do companies prefer internet marketing to traditional marketing?

6. Where is the internet marketing trend heading to in the future?

These questions will help us predict the trends in internet marketing and make suitable suggestions to companies wherever necessary in order to bridge the gap with consumers.

1.4 Internet marketing-Company perspective

Companies have to take into consideration many parameters during their presence in the internet marketing arena. Some of the companies may be new entrants into internet marketing. They could be driven by various factors. Companies may have to understand which marketing channel is better for which of their products or services. On providing products they need to keep mind how much of information and disclose and how to provide security for information which is put up on the web to prevent hackers and malicious people from getting access to it. They should be in a position to build confidence in the minds of buyers so that they can make purchases without the fear of credit card frauds. They should clearly have in mind how internet marketing can benefit them. In addition to this they need to understand the sector which has an impact on the minds of people for example web mavens. We found relevant literature on the following parameters that would interest companies pursuing internet marketing.

Drivers for internet marketing:

One would wonder what would drive firms to pursue internet marketing effectively and what size of firms would be interested in internet marketing. When we refer to size of firms it is important to state how firms are categorized into small, medium or big. There is lot of existing work done in this area.(Maria Bengtsson et al 2007) provides valuable information in her publication regarding what are the factors that would drive companies to adopt to internet marketing. Her study is based on a survey conducted in various Swedish companies of different

sizes. They have categorized companies into different sizes depending upon the number of employees. Their study states that different factors drive companies of different sizes to pursue internet marketing. The drivers are willingness to cannibalize, entrepreneurial drivers, management support, and market pressure. In addition to this their study exactly pointed out which of these factors drive what size of firms. The authors could have considered turnover and profit in addition to just considering number of employees to be the only criteria for categorizing companies by size

Marketing channel preference:

(Jaeki song et al 2006) in their work compares and contrasts between companies motivation to choose between internet channels and traditional channels. He suggests web would a serious alternative to traditional marketing and proper pricing by internet companies is what which attracts the consumer. I totally agree to this view. However we believe that examples are provided only of some successful dotcoms at least failure, reasons of failure of some dotcoms should have been taken into consideration for discussion. That would have provided some more insight into their research. Market access, price information, Competition and pricing policies have been used to compare between both the channels. But internet security issues and fraudulent practices in the internet by companies are excluded in this discussion. His primary finding is that internet offers consumers better prices.

Importance of web mavens:

(Davidson Alistair et al 2006) have discussed how web-mavens positively influence the minds of both consumers and companies. I fully agree with authors that web mavens come in handy when consumers find it difficult to purchase products that are technically complex and buying the best value products taking into consideration frequent model changes. It would be good if we had included what extent of sophistication is required for consumers in order to understand web mavens. It would have been good to include how useful consumers perceive web mavens information and utility. We fully agree with the authors that constructive criticism by the web mavens on the products can help improve the product quality by companies quickly, improve loyalty to the product and help them gain market share. The author could have included information as to whether companies are still able to sell well without actually being concerned

about web mavens at all. If so it would be good to see how they manage to do it. It would also be interesting the percentage of companies that react to web mavens and those who don't. This would establish more credibility of web mavens.

How to be successful in internet marketing:

(Aldridge Alicia et al 1997) in their paper discuss about what companies should consider when operating in internet commerce space. From the author's point of view to be successful in internet marketing the companies should recognize that consumer market is different, communication with the consumer is going direct, open competition has to be faced and market accessibility is going to be the key, net users want more control, authenticity is important as touch and feeling is missing and security to protect consumer privacy.

I agree that these factors do play an important role. In addition to this author discusses various strategies that could be used on the internet namely targeting, promotional strategy, product strategy and distribution strategy. These strategies are indeed important for survival in the internet space. If the authors had collected data to justify their claims it would be more authentic.

Effects on environment:

(Chen et al 2000) claim that internet marketing will bring about a greener atmosphere (environmental protection) by reducing fuel consumption needed for regular purchase.

I totally agree to their view. Credit should be given to the authors who have looked at internet marketing from this perspective. I also agree that Internet marketing promotes paperless office and saves space and brings about energy savings by preventing kiosk displays. It is also true that it promotes easy shipping of commodities which would be difficult in traditional sales. The author could have included some information as to what drives companies to pursue a paperless office whether it is cost savings alone or company's decision to protect the environment for a social cause or other factors such as market pressure from other companies who are doing the same. Authors could have included information about various companies in various sectors who have considered internet marketing as an environmental friendly scheme.

Use of internet marketing in service provision:

(Kim D.J et al 2007) in their work have focused on consumer preferences on online air travel agencies. They have considered 9 criteria which consumers consider important. They are security, ease of use, finding low fares, useful and relevant content, design and presentation of the website, speed of the website, ability to book all travel services in one transaction, booking flexibility and sorting option. Considering all these attributes they conclude that low fares was the primary motivator for consumers. Unfortunately authors have decided not to consider direct marketing by airline companies themselves for comparison because an airline company could be driven by the urge to provide new services to compete with travel agencies. This comparison would have strengthened their conclusion as to whether low far alone is the driving factor for consumers to choose a particular airline agency. This article provides valuable input to companies who are provide services through the internet. Based on the service provided by the company one or more of these attributes will take more prominence than the other. For online banking services security will become priority.

Catering to consumer interest:

(Urban Glen, 2006) in his paper emphasizes that companies should act as advocates in promoting customer interest if they have to win business and retain their costumers.

In the author's own words "When a company advocates for its customers, the customers will in turn advocate for the company". The author has cited many valuable examples ranging from consumer products to high value industrial products and services to prove how various companies irrespective of the size of the companies adopt techniques to satisfy consumer interest. The author is silent about the cost factor in these approaches which could affect the company's bottom-line on sustenance.

Focus on gender:

(Chiu Yu-Bin et al 2005) in their work explains how gender of consumers plays an important role in online retailing. Some of their key findings are that female consumers tend to give a lower evaluation than males of the effortlessness of online purchases. I agree to this view. This means that user-friendliness is quite important for users and companies should give importance to this. They also claim that online community based on gender and hobbies should be established to improve the ease of purchasing as perceived by females. I am in agreement with the view that

companies should treat consumers differently based on gender in order to win business. In the authors opinion companies should offer male consumers the right products whenever they need them and should to respond to inquiries in a timely fashion, which would surely strengthen the attitudes and purchase intentions of male consumers. Similarly an online store that is targeted for only females as user-friendly could bring forth more online visits and online purchases. They suggest that for this to be achieved applying interactive virtual reality along with background music, companies can demonstrate to female consumers how to use products in a fashionable manner, and can keep them busy with surprising visual effects, and thus successfully stimulate positive attitudes and increased purchase intentions. The customerisation of homepages is treated to be very positive for positive by females because it increases the sense of consumer freedom and accessibility.

Valuable contribution by the authors is the suggestion of schemes which companies have to use based on the gender.

From what publications we considered for our literature study, value contributions made by authors are mainly centered on what companies have to focus on in order to be successful in internet marketing. The authors discuss drivers for internet marketing and various market channels and preferences and how companies can be successful if their approach is customer centric. Even benefits from an environmental perspective are elicited by them. Companies should also have knowledge about security which authors in these publications have addressed. Many times companies are not aware of security risks and face problems once their campaigns are lost. In my opinion companies must take efforts to have full knowledge about security related issues before entering into internet marketing.

1.5 Internet marketing –consumer perspective

Having looked at what are the parameters that influence the minds of companies which pursue internet marketing, it would be useful to see what influences consumers to actually use the internet for either shopping purposes or for some particular service. We found relevant literature on the following parameters that would interest consumers pursuing internet marketing. The parameters are as follows.

Consumer privacy:

(Chung W et al 2002) based on their study of New Zealand consumers suggest that companies must have a privacy policy statements under their website. This would assure consumers that the company would not misuse the information gathered from them. This publication interestingly discusses arguments for and against internet privacy concerns. Though this approach is good I think the author could provide input on whether some cookies do steal user information or not. The authors make valuable contribution in this paper by providing solutions that can be used to protect privacy of users. I agree with authors view that only a combination solution i.e. combination of legislation, self regulation and technical solutions will protect user privacy.

Consumers decision making process in buying a product or using a service:

Many times, consumers are caught up in a situation where there are too many factors involved in deciding what type of product they have to purchase.

(George Joey F, 2002) in his publication explains what could actually influence consumers behavior in deciding whether to make purchases or not. His contribution is quite innovative because of his taking assistance of theory of planned behavior in conceiving his research model. I agree with his view that intent, attitudes and prior experience largely influence consumer behavior. He has extensively focused on privacy concerns and provided valuable conclusions on the same. He says that users gain confidence only after they have made a few purchases. Some of the users are very privacy conscious and don't want their private information to be sold or disclosed without their consent. Unless they are confident about the company they would not wish to make purchases online.

(Davidson Alistair et al 2006) in his paper typically describes this scenario and how users would react to them. Consumers may be caught up with various factors that influence decision making such price, feature, technology etc. This influences them to seek advice from web mavens who provide product information to them. In such situations consumers would use the internet for purchase with web maven reviews influencing their mind set. (Urban Glen, 2006) in his paper quotes examples of how people are making automobile purchases today. He says that buyers get complete information about the product online before visiting the automobile showroom, which in turn gives them advantage over the dealer. He also claims that customers of today are very

aggressive in expressing what they like and what they don't like. Some of the customers do not want to purchase any product from companies that are too aggressive in marketing them i.e. who don't care about what customers really want but try to dump their marketing material.

Having looked at how consumers purchase products it is also important to know the mindsets of consumers involved in service usage. A typical service on the internet is the online travel agency service. (Kim D.J et al 2007) based on survey studies provides input on how online travel agencies are perceived by consumers. Their study states that lowest price was given first priority by customers. Security was treated to be next in line. Ease of navigation of the website and less wait time on the website is viewed as also important. I agree with the author's view that human intervention is less when doing online booking so customers would naturally expect good support from sites.

(Fang Chen-Ling et al 2006) from his survey based on leisure farming industry tried to provide information on what the mindset of customers would be when indulging in leisure farming. He from his survey and cluster analysis on the data collected concludes that customers tend to look for unique offerings, differentiation of websites, service quality, adequate information on websites and strategic alliances. The most valuable contribution by the authors is that they investigated the power of internet marketing even in less known sectors such as leisure farming.

Consumer interaction and role of personalization in internet marketing:

(Tianyong Wang et al 2005) in their publication provide information the importance of interactivity and individualization in customer decision making process. In their view interaction refers to different methods used by companies to establish a proper two way communication between them and the consumers. Some of the interaction mechanisms provided by companies are chat rooms, forums and interactive platforms. Individualization refers to specialized information exchanged between company and consumer. Individualization mechanisms involve gathering specific information about consumers and their preferences and providing with what they need. In our opinion these factors are very vital as lack of touch and feel of the product is absent in internet marketing. These two techniques can build trust in the consumers mind about the product and the company and drive internet marketing in a personalized fashion.

How consumers evaluate companies on the internet:

(Cheung Christy M K et al 2006) have done extensive work on trying to understand how consumer trust works in the internet shopping area. Their approach on trying to consider past approaches from a social and psychological perspective and then build on it is quite innovative. They have used students for gathering survey data. I think it would have been better if authors in their data collection had included people of different ages because my belief is that students would possess better knowledge of internet usage than people from older generations. Younger generation being tech savvy does not reflect the entire population of internet users. From their empirical study they show that consumers would evaluate internet merchants based on integrity, competence through professional websites and security. I also agree to their view that external factors such third party recognition also plays an important role. For example any merchant could have an electronic seal from a third party which says that the site is secure. This builds trust in the minds of consumers. Companies could offer a money back guarantee and clearly mention on their website guarantee rules for their products.

Factors preventing consumers from indulging in internet marketing:

(Liebermann Yehoshua et al 2002) in their publication identify some of the key factors which would prevent users from participating in the internet and ecommerce. The key identified factors are internet credit card stealing, fear of supplying personal information, pornography and violence, vast internet advertising, information reliability, lack of physical contact, not receiving internet products purchased, missing the human factor when internet purchases are made, internet usage addiction. I find that their most valuable contribution comes from the fact that they have considered demographic traits such as gender, younger/older age, married/unmarried, high/low education and also considered usage behavior variables such as internet user/non user, bought online/not bought online, heavy/light internet user to arrive at their model. Their conclusions support the fact that consumers consider credit stealing and fear of supplying personal information as risky. From the authors results one can conclude that in the perception of risk gender and age usage patterns and buyer or non buyer play an important role.

Effects of consumer gender differences on internet purchases:

(Chiu Yu-Bin et al 2005) in their work discuss how different genders perceive internet marketing. Their empirical model is a direct modification of technical acceptance model. They

use four antecedent constructs namely personal awareness of security, personal innovativeness, and perceived ease of purchasing and perceived usefulness. Some of the key gender based findings are as follows. Improving the usage speed of the site is a driver for males to do shopping. Male consumers are more goal oriented in their approach towards shopping. Male consumers will make purchases when they are confident that their sensitive information is safe regardless of the security provided on the website. They claim that females use word of mouth broadcasting to help other females overcome the barrier in internet shopping at least during the initial stages. The most valuable contribution from this author is bringing out the differences in what each gender perceive about internet marketing. In the publications we have considered the value contributions have been importance of consumer privacy, role of web mavens, consumer's preference in the selection of internet services, building consumer trust with companies, consumer behavior in internet purchasing, and gender differences. I consider protection of consumer privacy and trust to be most significant for consumers to indulge in internet marketing. Without these factors internet marketing cannot grow.

CHAPTER 2

The Internet Micro-Environment Situation Analysis

Questions for Marketers

- How do I complete a situation analysis as part of planning for digital marketing?
- How are the competitive forces and value chain changed by the Internet?
- How do I assess the demand for Internet services and customer behavior?
- How do I compare our online marketing with that of competitors?
- What is the relevance of the new intermediaries?

The Internet Marketing Environment:

Macro Elements:

- Technology: Innovation, Trends.
- International: Economic Factors, Legal Constraints, Cultural Factors
- Society: Public Reaction, Moral Constraints, Ethical Constraints
- Country specific: Regulations, Policies…

Micro Elements:

- Suppliers
- Competitors
- Intermediaries
- Customers

An Online Marketplace Map:

1- **Customer Segments:** identify different target segments by understanding their online behavior, media consumption, styles & characteristics.
2- **Search Intermediaries:** Companies must know which sites of search engines are effective in connecting traffic with them.
3- **Intermediaries & Media Sites:** (Affiliates & Aggregators), successfully attracting visitors via search.

Such As: (Portals, Price Comparison, Super-Affiliates, Niche Affiliates, and Niche/Vertical Media Sites)

4- **Destination Sites:** Sites that marketer is trying to generate traffic to. Because (DS) is owned by merchant (retailer or product manufacturer) who provides information and products.

Customer Behavior Analysis:

Is very important to estimate for online customer volume & developing propositions accordingly

- Demand Analysis
- Customer needs, characteristics, and behaviors.

Demand Analysis & Conversion Modeling

10. Is important to **understand the internet usage** for different purposes, and determine factors that affecting how many people actively using it.
11. **Demand analysis aims at** identifying opportunities for online sales, discover motives, and barriers.
12. **We must motivate for online channel adoption, through:**
    1- Access Cost
    2- Perceived ease of use
    3- Perceived Risk and Security level
    4- Perceived Value proposition

Conversion Modeling:

- Is a model used to assess the efficiency of the web marketing.
- Purpose is to identify opportunities, estimate demand, prepare plans, and make a decision.
- Measures defines in the model are:

(**Awareness Efficiency, Attractability, Engagement, and Conversion Efficiency**)

A Model of the Internet Marketing Conversion Process

Q_0: Internet Universe, Q_1: Target Audience, Q_2: Visitors, Q_3: Active Visitors, Q_4: Convert

Performance Drivers:

- **Awareness Efficiency**: Q_1 / Q_0
- **Attraction Efficiency:** Q_2/Q_1
- **Engagement Efficiency:** $Q_3/2$
- **Conversion Efficient:** Q_4/Q_3

Evaluating Demand Level Through the following factors:

1. Level of Internet Access
2. The Consumers Influenced by using online channel
3. The number of people who Transact Online

Consumer Characteristics:

- **Demographics:** Age, gender, education, income, occupation, & social group.
- **Webograhpcis:** Access methods and times, Usage location, and Connection Speed.
- **Personas:** Thumbnail of characteristics, needs, motivations, & environment of typical website users. (e.g. Samba Bank)

Ideas to Develop Web Personas:

1- Build personal attributes into persona:
    - (demographics, psychographics, webographics)
2- Understand that personas are just models of characteristics & environment:
    - (Design targets, Stereotypes, Select primary influence persona)
3- Develop each persona scenario
    - **Information:** Leads to site registration
    - **Purchase Scenario:** (New Customer, Existing Customer) – Leads to purchase.

Business Consumer Characteristics:

- **Variation in Organization Characteristics**
    - Size of Company (Employees or Turnover)
    - Industry sector and products
    - Organization type (private, public, government, not-for-profit)
    - Application of service (which business activities do purchases products and services support?)

> ➢ Country and region

- **Individual Role**

    > ➢ Role and responsibility from job title, function or number of staff managed

    > ➢ Role in buying decision (purchasing influence)

    > ➢ Department

    > ➢ Product interest

    > ➢ Demographics: age, gender and possibly social group.

Consumer Behavior Models

1. Information / experience seeking behavior models
2. Hierarchy of response buying process models
3. Multi-channel buying models
4. Trust-based models
5. Community participation models

1 – Information / experience seeking behavior models:

- **Directed Information-seekers:** These users will be looking for product, market or leisure information such as details of their football club's fixtures. **They are not typically planning to buy online.**

- **Undirected Information-seekers:** These are the users, usually referred to as "surfers", who like to browse and change sites by following hyperlinks. Members of this group **tend to be beginners** and they may be more likely to click on a banner or an ad.

- **Directed Buyers:** These buyers are online to purchase specific products online. For such users, **brokers or cyber-me diaries** that compare product features and prices **will be important locations to visit.**

- **Bargain hunters:** These users sometimes known as "compers" **want to find the offers available from sales promotions** such as free samples or competitions.

- **Entertainment seekers:** These are users looking to **interact with the web for enjoyment through entering contests** such as quizzes, puzzles, or interactive multi-player games.

2 – Hierarchy of response buying models

Stage in buying process	Communication Objectives	Internet Marketing techniques
1. Unaware	Generate awareness	Display and PPC ads, E-PR, social recommendations
2. Aware of product need, develop specification	Position features, benefits and brand.	Search engine marketing (SEO and PPC), affiliate marketing
3. Supplier search	Lead generation (from range of customers)	Aggregators, directories, and other intermediaries
4. Evaluate and select	Assist purchase decision	Faceted search, buyers' guides, detailed product info, user reviews and ratings
5. Purchase	Facilitate purchase	Automated e-mail reminders, one-page payment systems, and offline options.
6. Post-purchase evaluation and feedback	Support use and retain business	Personalized website content and interaction

3 – Multichannel Buying Models

- Customer experience involves the impact of multi-channels which is important to build assess customer behavior, expectations & perceptions.

Lexus Example:

- Asses the relative consistency between channels to know channel importance to overall attitude towards brand purchase & experience.
- Main result was that the relations through interactive channels has imperative role in influencing attitudes & build best experience.

4 – Trust-based models

Drivers of Trust:

1. **Brand Strength**: Supported by: Ads, WOM, offline contracts
2. **Privacy**: Supported by: Disclosures, reputation, guarantees
3. **Security**: Supported by: Disclosures, reputation, guarantees
4. **Navigation and presentation**: Supported by: usability, accessibility, persuasion
5. **Advice**: Supported by: detailed, information, buyer's guide
6. **Community:** Supported by: reviews, ratings, forum
7. **Order fulfillment**: Supported by: customer, promise, experience
8. **Absence of errors**: Supported by: experience, independent, ratings

Attitudes to trust are dependant on:

- General Internet expertise
- Internet experience for site type
- Familiarity with brand
- Familiarity with website

Note: All drivers of trust must be considered seriously and taken care of in order to ensure a smooth flow in which it would lead to customer's trust.

Consumer Response (The flow that leads to complete trust)**:**

Trust → Engagement and Flow → Purchase Intent → Loyalty → Advocacy

Segmentation based on information need and trust:

--------------	Ignore advisors "do it yourself"	Depend on advisors "Do it with me"
Gather own detailed information	**Self-Directed** Value: Information control, speed.	**Validators** Value: Comparison tables, online chats.
Don't gather information	**Avoiders** Value: simplicity, trust,	**Delegators** Value: Interactive product

	reassurance	selectors, online chat. Phone support.

5 – Social Interaction Communication Model

- Based on the role of digital media which dramatically increased the importance of recommendations from others.
- Community portals & social networks allow users to share information, experience, socialize with others from same background and interest.

Competitors Analysis

- Reviewing the internet marketing services offered by new & existing competitors to know the adoption level by their customers.
- **Competitors' benchmark:** is one of the most important analyses on an online services analysis of capabilities, resources, & performance to know the retention, acquisition, conversion & growth.

Suppliers Analysis

- As in traditional marketing activities, e-suppliers playing an important role in influencing quality and price of products & services.
- Marketers must analysis suppliers and comparing the contribution of each one of them to the desired added value and competitive advantage' creation.

Cybermediaries Analysis

- Websites that facilitate exchanges between consumers and business suppliers.

   Types or E-Intermediaries:

- **Infomediaries**: Search engines (known as portals), directories, and News/Information publishers.
- **Price comparison sites** (Aggregators), virtual malls, and virtual reseller.
- **Financial intermediaries** (PayPal)
- **Auction sites** (eBay)
- **Social Networks**, virtual communities, and forums.

Porter's Five Forces Model:

Value creation = Reduce cost by disintermediation + Increase intangible benefits for consumers.

(READ ABOUT VALUE CHAIN IN BOOK)

Value Chain Model:

Two alternatives models of the value chain:

a- Traditional value chain model

b- Revised virtual value chain model: Market Research → New product development → Market products → Procure materials → Procure products → Manage selling and fulfillment.

Disintermediation: The process of removing one or more or all intermediaries. For example, omitting the wholesaler by going directly to retailers or a company remove all intermediaries and deal directly with the customer without retailers or wholesalers.

Reintermediation: The process of getting back to the use of one or more intermediaries. These intermediaries are not necessarily the same as the previously chosen intermediaries by the producer. **Reintermediation could occur only after a disintermediation has taken place previously. Different types of online trading (e-marketplace) location, what representation**

do we have on the internet? Sell-Side @ supplier site: one-to-many, trade via supplier's website (ex, Amazon) **Buy-side @ buyer site:** many-to-one, trade via buyer's website (ex, Aggregator websites like lastminutes.com) **Many-to-many:** Neutral exchanges, trade via intermediary website (ex, eBay)

Business Models in e-Commerce:

- Business model is a summary of how companies will generate revenue, identifying their products offering, value add service, revenue & target customers.
- It is important to understand different business models that the web facilitates for e-commerce: (e-shop, e-mall, e-procurement, e-auction, virtual community, collaboration platforms, third party marketplace, value chain integrator, value chain service provider, information brokerage, trust and other sites).

Internet marketing-3rd party perspective

There are several techniques provided by 3rd party service providers to help companies promote their products such as affiliate marketing, search engine marketing, and email marketing, viral marketing schemes etc. No matter what technique is followed it is important that the 3rd party agency is customer centric in its approach. (Tianyong Wang et al 2005) in his publication provides a model based on 2Is i.e. interaction and individualization. The market space matrix model maps product, prize, communication, community, distribution to different consumer relationship stages such as awareness, exploration, commitment and dissolution. This model is similar to marketing models used in traditional marketing. 3rd party agencies can use this model before launching their internet marketing campaigns for the companies. In addition to the above we also found some relevant literature on the following paramters that would interest 3rd party agencies pursuing internet marketing. The parameters are as follows.

- ➤ 3rd party marketing techniques
- ➤ How ISP's affect 3rd party marketing campaigns

3rd party marketing techniques:

Search engine marketing, email marketing and viral marketing:

(Bonello Deborah, 2006) in her publication discusses different 3rd party marketing approaches used currently. For instance she explains how search engines actually helps establishing brand image for the company. I totally agree to her view that search engines bring about maximum revenue thus driving internet revenue. Companies bid for the words, which people use when they search for products. When ever the user clicks on that particular link, search engine charge the companies. This technique is efficient because users use search engines to search for products and don't type links always on the browser. Some of the other schemes discussed by the author are email marketing and viral marketing.Email marketing offers companies the chance to reach customers thru targetting and helps in   branding and acquires customers.. It helps generate quick responses   that are the more targeted and helps achieve all this in an inexpensive way. The marketing channel being specific and helps cater to interests of the consumers based on their interests in products or services. Traditional companies have hired SEO's to actually understand keywords and redesigns the website if necessary. Email marketeers offers advertisers the chance to reach out to individuals with targeted communications.It can be helpful for customer acqusition and aid brand image building. It helps generate immediate responses. This is possible only when it is targeted to the right set of consumers. The author could have stated the costs which are incurred in these marketing campaigns. This will give us a better picture as to whether small firms can afford 3rd party internet marketing campaigns or not.

Affiliate marketing:

(Duffy Dennis L, 2005) in his publication discusses how affiliate marketing can be a win-win relationship for both the company and the affiliate. I agree to the authors opinion that affiliate don't have to spend a lot on infrastructure and inventory. In his opinion the win-win situation is possible only when both the company and affiliates are happy. The consumer has to be satisfied with the commission percentage offered to him on generating a suitable lead. I think it would have been better if the author could have provided more information (some examples) on whether companies wish to do affiliate marketing themselves or they wish to use 3rd party junctions for the same. Some of the 3rd party affiliate junctions are Linkshare, Commission junction (cj) and Performics. The advantages and disadvantages in the companies using them will give us a realistic picture of affiliate marketing.

How ISP's affect 3rd party marketing campaigns:

(Cara Garretson,2006) in her paper claims that ISP's provide help to prevent email spams. She provides information as to what size of the companies would be willing to tackle spam themselves or outsource the same. From the facts provided by the author it seems that majority of the employees dont prefer outsourcing of security functions. On the other hand some companies are keen in outsourcing and some are not keen.In my opinion 3rd party marketers in particular email marketeers have to get smarter otherwise they would be treated in the same way as phishers would be.

The authors have mainly contributed in building awareness and exposure to the companies as to what 3rd party internet marketing techniques are available so that companies could select the same. The companies should have a model in mind before they launch any of these campaigns so that they can be more customer centric.They should also have in mind 3rd party agencies could generate junk data or spam.As authors have suggested companies could outsource their security services or have their own security division to tackle these problems.

Factors preventing consumers from indulging in internet marketing:

(Liebermann Yehoshua et al 2002) in their publication identify some of the key factors which would prevent users from participating in the internet and ecommerce. The key identified factors are internet credit card stealing, fear of supplying personal information, pornography and violence, vast internet advertising, information reliability, lack of physical contact, not receiving internet products purchased, missing the human factor when internet purchases are made, internet usage addiction. I find that their most valuable contribution comes from the fact that they have considered demographic traits such as gender, younger/older age, married/unmarried, high/low education and also considered usage behavior variables such as internet user/non user, bought online/not bought online, heavy/light internet user to arrive at their model. Their conclusions support the fact that consumers consider credit stealing and fear of supplying personal information as risky. From the authors results one can conclude that in the perception of risk gender and age usage patterns and buyer or non buyer play an important role.

Effects of consumer gender differences on internet purchases:

(Chiu Yu-Bin et al 2005) in their work discuss how different genders perceive internet marketing. Their empirical model is a direct modification of technical acceptance model. They use four antecedent constructs namely personal awareness of security, personal innovativeness, and perceived ease of purchasing and perceived usefulness. Some of the key gender based findings are as follows. Improving the usage speed of the site is a driver for males to do shopping. Male consumers are more goal oriented in their approach towards shopping. Male consumers will make purchases when they are confident that their sensitive information is safe regardless of the security provided on the website. They claim that females use word of mouth broadcasting to help other females overcome the barrier in internet shopping at least during the initial stages. The most valuable contribution from this author is bringing out the differences in what each gender perceive about internet marketing. In the publications we have considered the value contributions have been importance of consumer privacy, role of web mavens, consumer's preference in the selection of internet services, building consumer trust with companies, consumer behavior in internet purchasing, and gender differences. I consider protection of consumer privacy and trust to be most significant for consumers to indulge in internet marketing. Without these factors internet marketing cannot grow.

Companies should explore different internet marketing techniques to convince themselves and can then convince consumers that irrespective of product/service internet marketing is useful.

Companies believe that virtual world internet advertising campaigns such as Second life are the future trend setters for internet marketing but consumers dont think so. Companies could invest in existing internet marketing techniques to be confident of attracting consumers through these campaigns or rely on 3rd party agencies to do the same.

Companies don't believe easy accessibility to products from any part of the world, traditional marketing costs are growing which could drive internet marketing growth. Consumers on the hand believe that these play a role too. Companies could re-examine their view so that they can give importance to easy accessibility to products from any part of the world which will then bring them more customers.

Companies and consumers agree that wider reach, additional revenue and countering marketing pressure will be drivers for internet marketing companies to pursue internet marketing in the future. In addition to this companies could also implement management policies to encourage internet marketing instead of the marketing department alone to act as a driver.

CHAPTER 3

Internet Marketing Strategy

Michael Porter on the Internet:

"The key question is not whether to deploy Internet technology – companies have no choice if they want to stay competitive – but how to deploy it."

What is an E-marketing strategy?

- What is strategy?
  - ➢ "Defines how we will meet our objectives"
  - ➢ "Sets allocation of resources to meet goals"
  - ➢ "Selects preferred strategic options to compete within a market"
  - ➢ "Provides a long-term plan for the development of the organization"

E-marketing strategy essentials

- E-marketing strategy is a channel strategy
- Objectives for online contribution %
  - ➢ Sales, service, profitability should drive our strategy
- E-marketing strategy defines how we should:
  - ➢ **Communicate benefits** of using the channel
  - ➢ **Prioritize audiences** targeted through channel
  - ➢ **Prioritize products** available through channel
  - ➢ **Hit our channel leads & sales targets**
    - Acquisition, Conversion, Retention
  - ➢ Channel strategies thrives on **differentials propositions**
  - ➢ **But,** need to manage channel **integration.**

Internal & External influences on Internet marketing strategy

Internal Influences:

- Corporate objectives and strategy
- Marketing strategy

External Influences:

- Market structure and demand
- Competitor strategies
- Emerging opportunities and threats

Problems of E-Marketing Strategy

⦿ Underestimated demand for online services

⦿ Market share loss

⦿ Resource duplication

⦿ Insufficient resources

⦿ Insufficient customer data

⦿ Reduced efficiencies available through online marketing

⦿ Fewer opportunities for applying online marketing tools

⦿ Changes required to internal IT systems

⦿ Inadequate tracking

⦿ Senior management support limited

- **Summary of typical focus for main types of e-commerce-related strategic initiatives**

Check Uploaded Pictures for the complete table

Type of digital marketing strategy initiative	Commentary	Examples
1. New customer proposition (product and pricing)	These are new site features or other online communications which are directly related to offering new products or services that will generate revenue	
2. Customer acquisition	These are strategic project to enhance a site's capability to	

	deliver…	
3. Customer conversion and customer experience strategic initiatives		
4. Customer development and growth strategic initiatives	Investments to improve the experience and delivery of offers to existing customers	
5 Enhance marketing capabilities through site infrastructure improvements	These typically involve "back-end or back-office features" which won't be evident to users of the site, but will help in the management or administration of the site will often involve improving customer insight capabilities.	

Hierarchy of organization plans including e-marketing plans

Problems if no E-marketing strategy

- ◉ Underestimated demand for online services

- ◉ Market share loss

- ◉ Resource duplication

- ◉ Insufficient resources

- ◉ Insufficient customer data

- ◉ Reduced efficiencies available through online marketing will be miseed.

- ◉ Fewer opportunities for applying online marketing tools will be missed.

- ◉ Changes required to internal IT systems will be prioritised.

- ◉ Inadequate tracking of results.

- ◉ Senior management support limited

An addition to the 7P's (8 P's): Partnerships
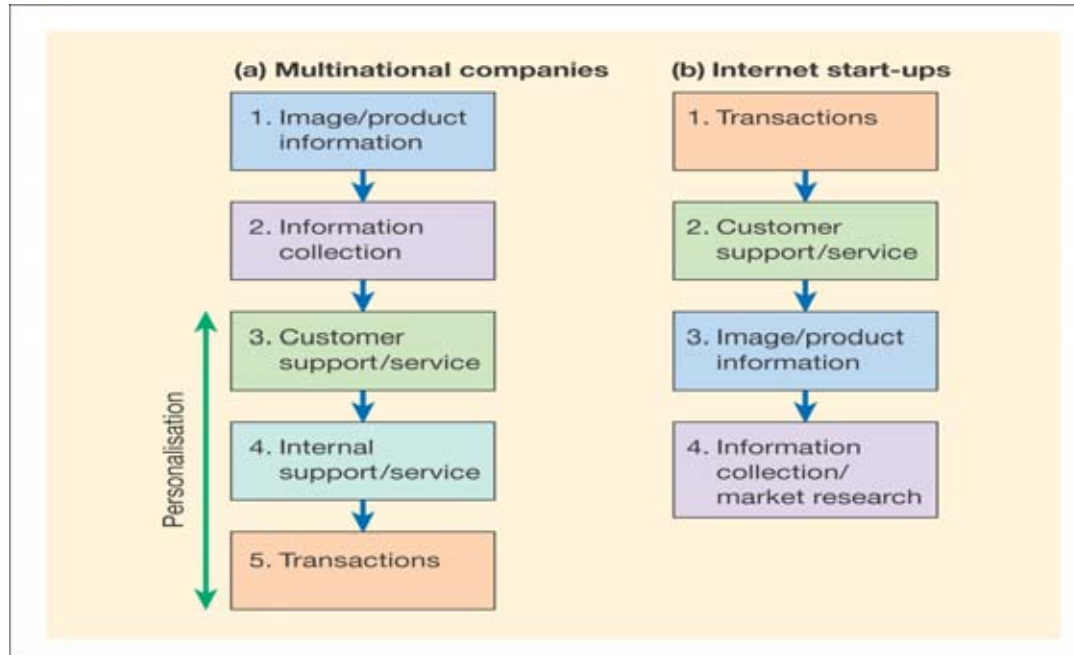
The SOSTAC planning framework applies to digital Internet

- - **Situation Analysis: (Where are we now?)**
    - ➢ Goal performance (5 Ss)
    - ➢ Customer insight
    - ➢ E-marketplace SWOT
    - ➢ Brand Perception

- $\triangleright$ Internal capabilities and resources
- **Objectives: (Where do we want to be?)**

  5S's objectives

  - $\triangleright$ **Sell** - customer acquisition and retention targets
  - $\triangleright$ **Serve -** Customer **satisfaction targets**
  - $\triangleright$ **Sizzle** - site stickiness, visit duration
  - $\triangleright$ **Speak** - trialogue; number of engaged customers
  - $\triangleright$ **Save –** quantified efficiency gains

- **Strategy: (How do we get there?)**
  - $\triangleright$ Segmentation, targeting and positioning
  - $\triangleright$ OVP (online value proposition)
  - $\triangleright$ Sequence (credibility before visibility)
  - $\triangleright$ Integration (consistent OVP) and database
  - $\triangleright$ Tools (web functionality, e-mail, IPTV etc.)

- **Tactics: (How exactly do we get there? "The details of strategy")**
  - $\triangleright$ E-marketing mix **(8 Ps)**, including: the communications mix, social networking, what happens when?
  - $\triangleright$ Details of contact strategy
  - $\triangleright$ E-campaign

- **Actions: (The details of tactics, who does what and when?)**
  - $\triangleright$ Responsibilities and structures
  - $\triangleright$ Internal resources and skills
  - $\triangleright$ External agencies

- **Control: (How do we monitor performance?)**
  - $\triangleright$ 5S's _ web analytics – KPIs
  - $\triangleright$ Usability testing/mystery shopper
  - $\triangleright$ Customer satisfaction surveys
  - $\triangleright$ Site visitor profiling
  - $\triangleright$ Frequency of reporting
  - $\triangleright$ Process of reporting and actions

Levels of website development:

a) The **information** to **transaction** model

b) The **transaction** to **information** model

(a) Multinational companies

1. Image/product information

2. Information collection

3. Customer support/service

4. Internal support/service

5. Transactions

Personalisation

(b) Internet start-ups

1. Transactions

2. Customer support/service

3. Image/product information

4. Information collection/ market research

A generic Internet-specific SWOT Analysis:

Showing typical opportunities and threats presented by the Internet:

The organisation	Stengths – S 1. Existing brand 2. Existing customer base 3. Existing distribution	Weaknesses – W 1. Brand perception 2. Intermediary use 3. Technology/skills 4. X-channel support
Opportunities – O 1. Cross-selling 2. New markets 3. New services 4. Alliances/Co-branding	SO strategies Leverage strengths to maximise opportunities **= Attacking strategy**	WO strategies Counter weaknesses through exploiting opportunities **= Build strengths for attacking strategy**
Threats – T 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	ST strategies Leverage strengths to minimise threats **= Defensive strategy**	WT strategies Counter weaknesses and threats **= Build strengths for defensive strategy**

Internet Marketing Benefits:

Tangible benefits

- Increased sales from new sales leads giving rise to increased revenue from:
    - new customers, new markets
    - existing customers (repeat-selling)
    - existing customers (cross-selling)
- Cost reductions from:
    - reduced time in customer service
    - online sales
    - reduced printing and distribution costs of communications

Intangible benefits

- Corporate image communication
- Enhance brand
- More rapid, more responsive marketing communications including PR
- Improved customer service
- Learning for the future

- Meeting customer expectations
- Identify new partners, support existing partners
- Better management of marketing information and customer information
- Feedback from customers on products

Example Allocation of Internet Marketing Objectives:

| Balanced scorecard sector	Efficiency	Effectiveness
Financial results (Business value)	• Channel costs • Channel profitability	• Online contribution (direct) • Online contribution (indirect) • Profit contributed
Customer value	• Online reach (unique visitors as % of potential visitors) • Cost of acquisition or cost per sale (CPA / CPS) • Customer propensity to defect	• Sales and sales per customer • New customers • Online market share • Customer satisfaction ratings • Customer loyalty index
Operational processes	• Conversion rates • Average order value • List size and quality • E-mail active %	• Fulfilment times • Support response times
Innovation and learning (people and knowledge)	• Novel approaches tested • Internal e-marketing • education • Internal satisfaction ratings	• Novel approaches deployed • Performance appraisal review

The Balanced Scorecard Framework for a transactional e-commerce site

Strategy Formulation & the eight Strategic decisions

1- Market & product development strategy
2- Business & Revenue model strategy
3- Target Market Strategy
4- Differentiation & positioning strategy
5- Multichannel distribution strategy.
6- Multichannel communications strategy.
7- Online communication mix & budget.
8- Organizational capabilities.

The first 4 are customer based, while the rest are for how to deal with marketing mix.

Using the Internet to support different organizational growth strategies: Ansoff Matrix
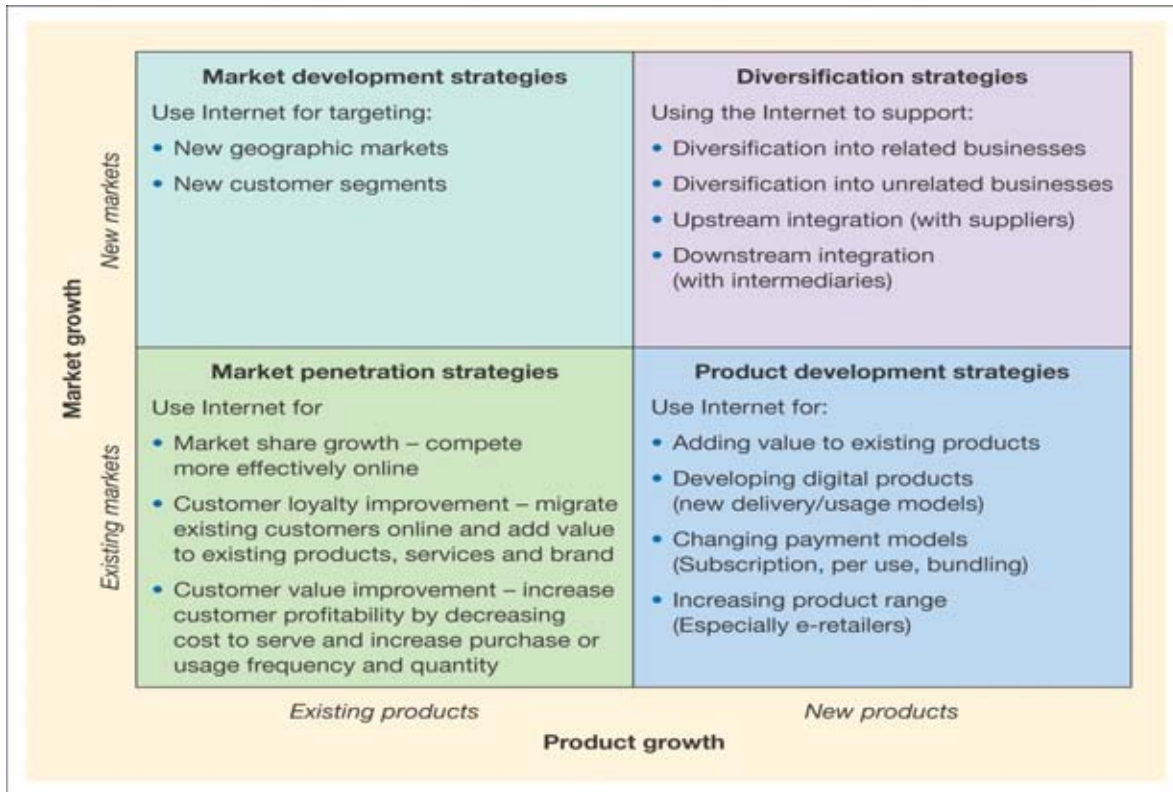
Stages in target marketing strategy development:
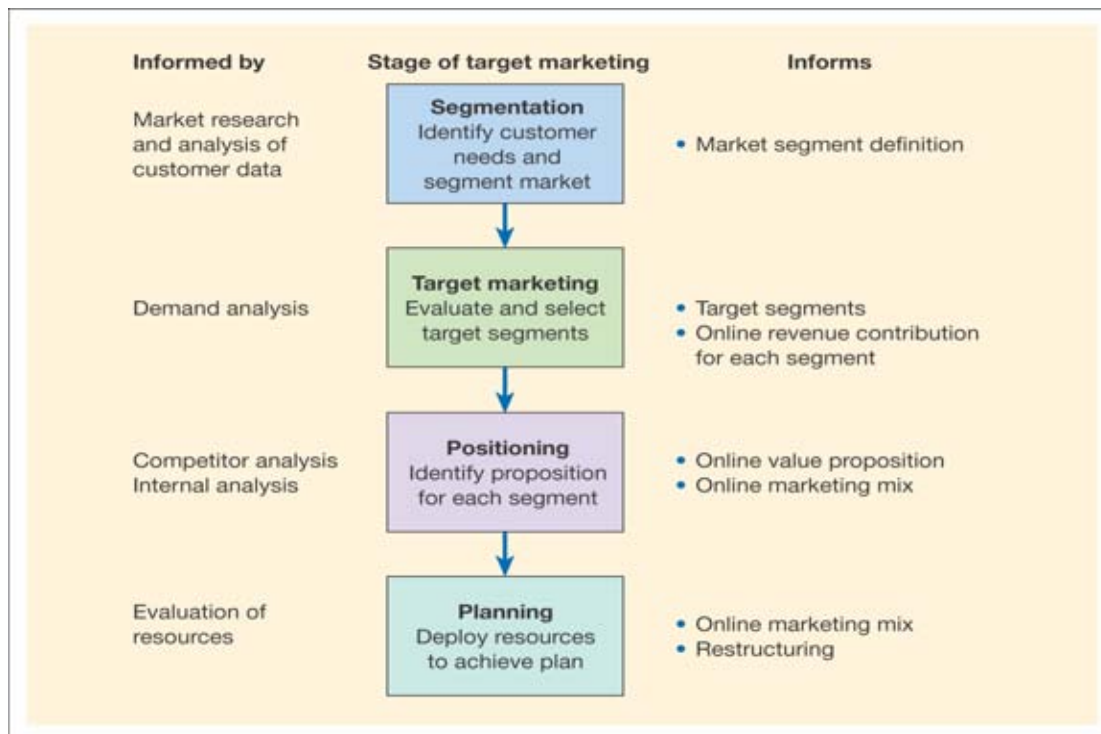
Market Targeting Strategies:

1. Niche/Concentration
2. Mass/Undifferentiated
3. Differentiated/Selective
4. Mass Customization

Horizontal Market & Vertical Market

- Vertical marketing is a term used to define a company's approach towards targeting that focuses on specific industries. For example, a software vendor might say "We concentrate on the following vertical markets: wood component manufacturers and thermoformed plastic manufacturers"
- Horizontal marketing is when you single out a target audience that shares other characteristics, yet can be found in all industries. Common ways to horizontally market are by company size, by geography or by job title.

**Common online targeting options:**

- Brand loyalists – convert online
- Not brand loyal- encourage trial

- Most profitable – deepen relationships
- Larger companies (B2B)
- Small companies (B2B)
- Key members of the buying unit (B2B)
- Difficult to reach using other media

Customer Lifecycle Segmentation:

1- First-time visitor
2- Return visitor
3- Newly registered visitor
4- Registered visitor
5- Purchased once or n times
6- Purchased inactive
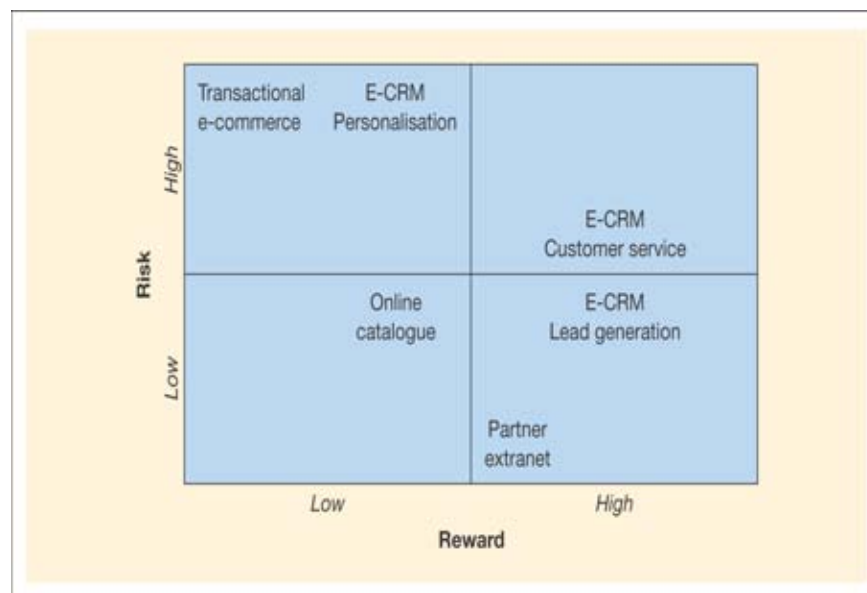7- Purchased active: e-responsive

Strategic Options for a company in relation to the importance of the Internet as a channel:
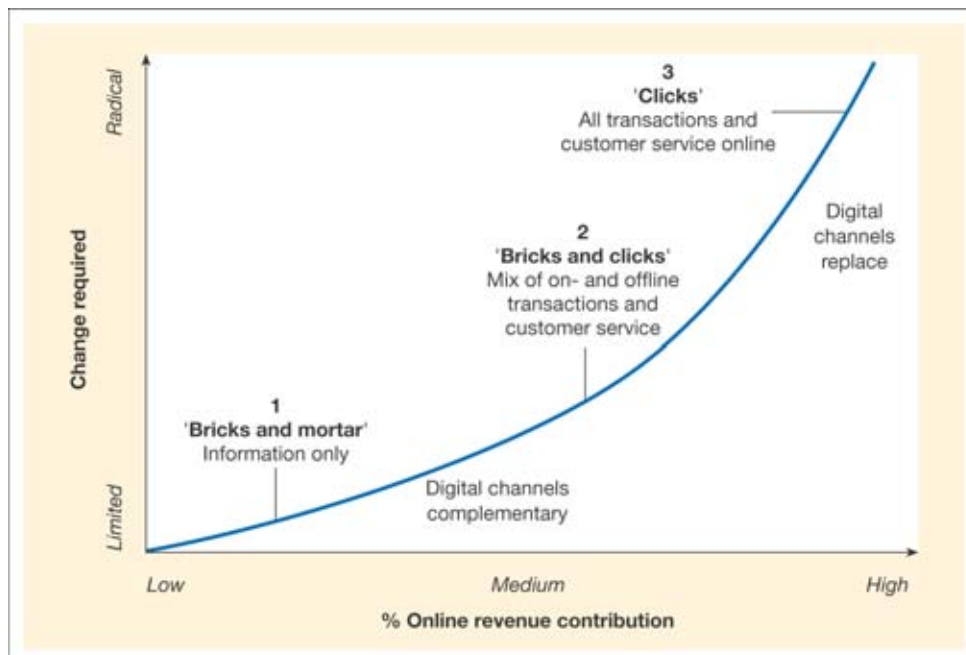
Channel coverage map showing the company's preferred strategy for communications with different customer segments with different value:
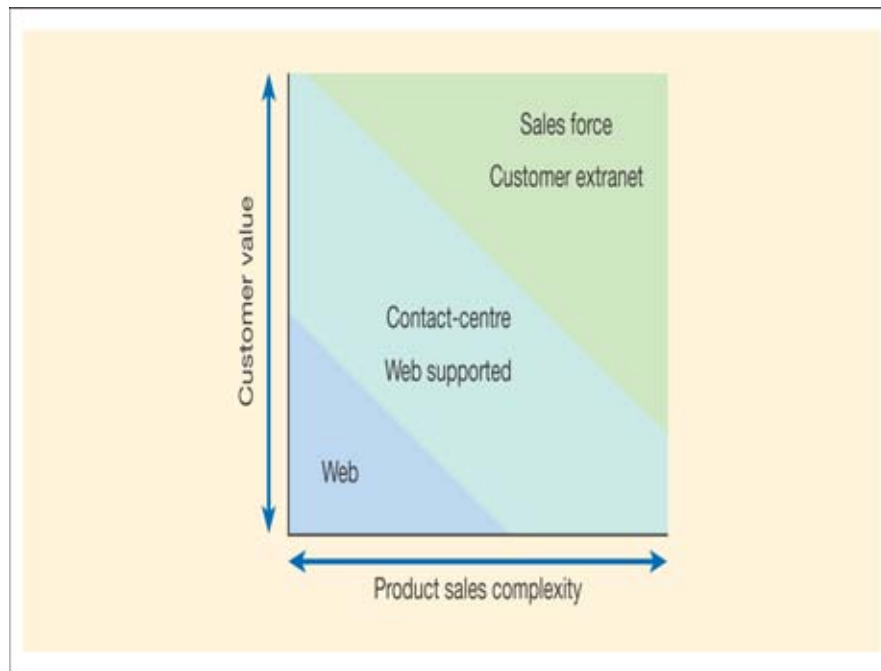
Example of Risk-Reward Analysis:
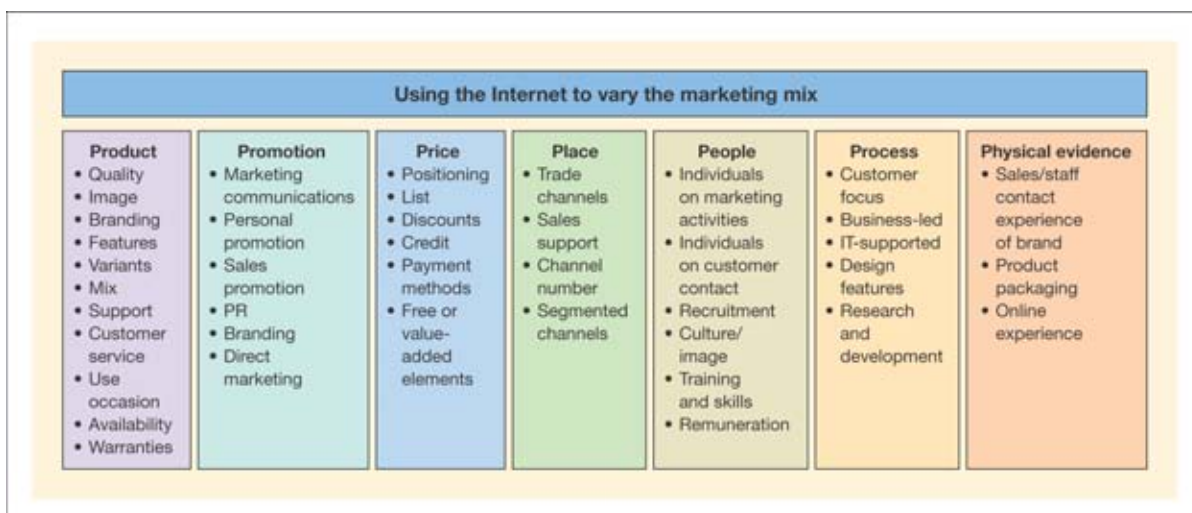
CHAPTER 4

Internet and Marketing Mix

The Marketing Mix

- **In 1963 Bartels said**: "a marketer is like a chef in a kitchen… a mixed of ingredients"
- **Variable used to define key elements of marketing strategy**
- From the 4Ps of Jerome McCarthy to the 7Ps of Booms and Bitner sometimes referred to as the services M-mix.
- **4Ps –** Product, Price, Place, Promotion
- **7Ps – add** People, Process, and Physical Evidence
- **8Ps online – add** Partner ships

Mixing the M-elements online

- Which variables are important for the ideal customer?
  - ➢ **Price and Quality?**
  - ➢ **Where they Buy?**
- So need to **decide on target markets first** and do the **research on the mix variables**
- Remember the **mix is not generic for all customers, but for segments.**

The Elements of the Marketing Mix

Product	Promotion	Price	Place	People	Process	Physical evidence
• Quality	• Marketing communications	• Positioning	• Trade channels	• Individuals on marketing activities	• Customer focus	• Sales/staff contact experience
• Image	• Personal promotion	• List	• Sales support	• Individuals on customer contact	• Business-led	of brand
• Branding	• Sales promotion	• Discounts	• Channel number	• Recruitment	• IT-supported	• Product packaging
• Features	• PR	• Credit	• Segmented channels	• Culture/ image	• Design features	• Online experience
• Variants	• Branding	• Payment methods		• Training and skills	• Research and development	
• Mix	• Direct marketing	• Free or value-added elements		• Remuneration		
• Support						
• Customer service						
• Use occasion						
• Availability						
• Warranties						

Using the Internet to vary the marketing mix

E-Marketing Mix based n 7C's

Marketing Mix	Criteria
Product (**Customer needs and wants**)	Range of product, online services/value proposition, core product, sales levels, Extended product offering, and Branding.
Price (**Cost**)	Differential pricing
Place (**Convenience**)	Representation on third party sites, Co-branding and partnering arrangements
Promotion (**Customer experience**)	Attraction efficiency (visitor volume, share of search), Reach
Process (**Customer experience**)	Conversion efficiency to online marketing outcomes – engagement, conversion to opportunity, conversion of opportunity to sales Retention efficiency.
People (**Customer experience**)	Response quality, e-mail, co-browsing, chat.
Physical evidence (**Customer experience**)	Usability, Accessibility, Performance, and Availability.

Product Dimensions are always related to the: (Could come on Exam)

- **Lines Width:** How many product lines.
- **Length:** How many products within a line.
- **Depth:** How many forms of one item (ex, AlJallal Razor Blade, AlJallal Razor Blade Plus, AlJallal Razor Blade Ultimate)

- **Consistency:** Refers to the consistency between all the products within all lines.

Extra: Definitions

Differential Pricing: Method in which a product has different prices based on the type of customer, quantity ordered, delivery time, payment terms, etc. Also called discriminatory pricing or multiple pricing.

Product Introduced

"The element of the marketing mix that involves researching customers' needs and developing appropriate products"

- **Core Product**
    ➢ The fundamental features of the product that meets the user's needs.
- **Extended Product:** (Actual +Augmented)
    ➢ Additional features and benefits beyond the core product.

Web Options to Enhance Core Product:

- For new and existing digital products, transactions where **the actual product has been replaced by information** about the product.
- The information of product creates a **Digital value.**
- **Mass Customization:** (Prosumer): **Levi's example.**
- **Extent of Product:**
    ➢ **Subset** – e.g. *Pay as you go, pay per view.*
    ➢ **Bundling** – *EasyJet offers car hire, hotels booking, packages, and more in addition to its main flight services.*
- Marketers must ensure they are favorably represented on the portal intermediaries, where **product will be compared with others in terms of core features, extended, and price.**

Extra: Examples

Cross-Selling:

- A Life Insurance company suggesting its customer to sign up for Car/Health insurance.
- A Wholesale mobile retailer suggesting a customer to choose a network/carrier after one purchases a mobile.

Extended Product Options:

Examples:

- Add-on services
- Endorsements
- Awards
- Testimonies
- Customer lists
- Customer comments
- Warranties
- Guarantees
- Money back offers
- Customer service (people, process and physical evidence)
- Incorporating tools to help users during their use of the product.
- Information – extranets

Conducting Marketing Research Online

- Online Focus Group
- Online Survey
- Customer feedback or forums, possibly on independent sites
- Web blogs
- Secondary data: (Articles, papers, news)

Types of Marketing Research:

1- Exploratory Research
2- Descriptive Research
3- Causal Research

Marketing Research Definition:

Marketing Research is the systematic and objective process of **identification, collection, analysis, dissemination, and use of information** for the purpose of improving decision making related to the **identification** and **solution of problems and opportunities in marketing.**

Focus Group Definition:

Focus Groups are small groups of people brought together and guided by a moderator through and unstructured, spontaneous discussion for the purpose of gaining information relevant to the research problem. Focus groups are used when the organization needs to gain information and seek solutions from unstructured and spontaneous issues.

Brands

- A brand is described as:

'an identifiable product or service augmented in such a way that the buyer or user **perceives** relevant **unique added values** which match their needs most closely. Furthermore, its success results from being able to **sustain** these added values in the face of competition'.

- So, Add-Value to influence perception, and sustainability of value to create experience.

Brands Online

"On the World Wide Web, the brand is the experience and the experience is the brand".

To build successful online brands, organizations should consider **how their proposition can build on these possible brand promises:**

- **The promise of convenience** – making a purchase experience more convenient that the real word, or for rivals.
- **The promise of achievement –** to assist consumers in achieving their goals, for example supporting online investors in their decision or decision or supporting business people in their day-to-day work.
- **The promise of fun and adventure** – this is clearly more relevant for B2C services.
- **The promise of self-expression and recognition –** provided by personalization services such as Yahoo! Geocities where consumers can build their own Web Site.
- **The promise of belonging** – provided by online communities.

Plus trust and reassurance

Success factors for brand sites

- For some product (Drinks, household cleaning products) which we cannot sell online, is important to have online presence (Brand Site) in order to build experience and brand image successfully through:
  1- Apply advertisements on publisher sites.
  2- Brand Messages in paid search sites (Directions & Search engines).
  3- Sponsorship of tools or sections of publisher sites.
  4- Effective PR through editorial in publisher web.

Success factors for brand sites:

- For some product (Drink, household cleaning products) which we cannot sell online, is important to have online presence (Brand site) in order to build experience and brand image successful through:

Price Implications

- The internet allows for users of **differential pricing:** (different prices' model for same product based on customers, markets, or buying situation). **E.g. iPhone use geographical pricing policy.**
- Increase **Price transparency** caused by aggregators and cyber-mediaries who increase **customer knowledge** through price comparison**.**
- While the **Internet allows cost reduction, but** is important to**:**
  1. Understand the potential impact of price reduction on (Sales, Market Share, Competition, Products image, Demand)
  2. Justify the price reduction to avoid conflict with offline prices.

A company needs to review the price transparency toward aggregators:

- Aggregators (Comparison search engines) show the price without spot other features.
- **What companies should do to avoid the misleading information caused by aggregators?**
  1. **Educate markets about the limitations in aggregators** (Incomplete coverage, limited information).
  2. **Highlight other brand's features** to reduce emphasizes on cost as differentiator (fulfillment choice, quality, customer service).

3. Buy space in different sites to **link customers to your site** for this information above mentioned.

B2B Reverse auctions Vs. B2C forward auctions

- Use **B2B** reverse auctions to **reduce price.**
- Use **B2C** forward auction to **increase profit.**
- Auctions and other methods as well help to identify **price floor and price ceiling.**
- Use **B2C** forward auction helps to identify **price sensitivity.**

Alternative Pricing Policies

- Different types of prices may be possible online:
    - Discounts
    - Guarantees & Warranties
    - Basic price
    - Add-ons & extra products / services
    - Refund Policy
    - Order cancellation terms

Navigation Advantages for Place

- **Reach:** This is the potential audience of the e-commerce site. Reach can be increased by moving from a single site to representation with a large number of different intermediaries.
- **Richness:** This is the depth or details of information which is both collected about the customer and provided to the customer. This is related to the product element of the mix.
- **Affiliation:** This refers to whose interest the selling organization represents – consumers or suppliers. This particularly applies to retailers. It suggests that customers will favor retailers who provide them with the richest information on comparing competitive products.

New Channel Structures:

Place concept online related to (sales + promotion + partnership).

Since distance is removed by the Internet technology, products have three choices:

a) **Disintermediation**

b) **Reintermediation**

c) **Countermediation**

Channel Conflicts

- While disintermediation provides opportunity of direct sales, more control, and more profit, it can threaten distribution by conflict with other channels.

- Channel conflicts dependent on:

  1. A communication channel only.

  2. A distribution channel to intermediaries.

  3. A direct sales channel to customers.

  4. Any combination of the above.

Virtual Organizations: What Are They?

Virtual Organizations: Alternatives?

MISSING INFORMATION (READ BOOK)

Promotion:

- Promotion unfortunately has a range of meanings. It can be used to describe the marketing communications aspect of the marketing mix or, more narrowly, as in sales promotion. In its very broad sense it includes the personal methods of communications, such as face to face or telephone selling, as well as the impersonal ones such as advertising. When we use a range of different types of promotion – direct mail, exhibitions, publicity, etc we describe as the promotional mix.

Promotion Mix

Communication Tool	Online Implementation
Advertising	Interactive display ads, PPC search advertising, banners.

Personal Selling	Site merchandising, virtual sales staff, chat, affiliate marketing.
Sales Promotion	Online loyalty programs, club marketing programs, rewards, coupons, online incentives, discount.
PR	Online editorial, blogs, feeds, virtual campaigns, e-newsletters, links to social networks
Sponsorship	Sponsoring online events, sites, or services
Direct Marketing	E-newsletters, opt-in e-mail, e-lists
Exhibitions	Virtual visits, e-exhibition
Merchandising	Promotional ad serving on retail sites, e-alerts, personalized recommendations.
Packaging	Real packaging is displayed online, virtual tours
Word of Mouth	Links, e-mail a friend, viral, affiliate marketing

Using Promotion to Vary the Mix

1. Reviewing **new ways of applying each of the elements** of the communications mix such as advertising, sales promotions, PR and direct marketing.

2. Assessing how **the Internet can be used at** different stages of the **buying process**.

3. **Using promotional tools to assist** in different stages of **customer relationship management** from customer acquisition to retention.

In a web context this includes gaining initial visitors to the site and gaining repeat visits through these types of communications techniques:

- reminders in traditional media campaigns why a site is worth visiting, such as online offers and competitions;
- direct e-mail reminders of site proposition – new offers;

- – Frequently updated content including promotional offers or information that helps your customer do their job or reminds them to visit.

ICT for Acquisition & Retention

In a web context this includes **gaining visitors to the site and gaining repeat visits through these types of communication techniques:**

- **Reminders in traditional Media** campaigns why a site is wroth visiting, such as online offers.
- **Direct e-mail** reminders of site proposition- new offers.
- **Frequently updated content** including promotional offers or information that helps your customer do their job.

People, Process, & Physical Evidence

- Are important elements of the services' marketing mix, & e-marketing mix.
- 3 P's are related to assess the effectiveness of WebQual & e-ServQual.
- Physical evidence playing role in expressing the experience (tangibilization) that reflect the quality level.

Options for replacing people

- Auto-responders
- E-mail notification
- Call-back facility
- Frequently Asked Questions (FAQ)
- On-site search engines
- Virtual assistants

Stages & Methods of Managing Inbound Contacts

- Make contact point clear
- Use FAQ to reduce enquiries
- Use drop down lists to categorize queries

Customer defines

↓

Receipt and

↓

Routeing

↓

Response

↓

Follow-up
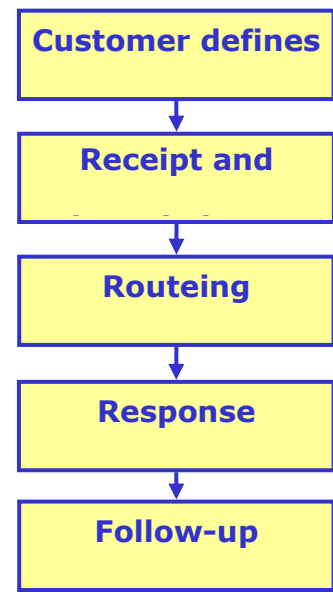
- Use auto responder
- Give alternative information source

Information Gathering: There is a wealth of information on the Internet: about your customers, about your competitors, about your products and services. With an inexpensive (less than $20/month) personal Internet account you can tap into this rich resource. This is a low cost/low involvement way of entering the Internet marketplace, and we recommend that every business person spend a few months as an observer and information gatherer before plunging into deeper comittments.

Awareness: This is comparable to a brochure, a yellow pages ad or store front signage. At this level, you might consider putting up a simple, low-cost web page that lets people know who you are and what you do. This format is especially useful for reaching tourists and newcomers, who are more and more turning to the Internet to locate basic services. Also in this category are classified ads that you can place on someone else's web site. Awareness is an excellent interim step but will achieve limited results.

Customer Support: At this level you provide assistance to your current and future customers. High-tech companies have made good use of this technique by providing on-line manuals, software patches and e-mail help lines, but the concept is adaptable to any business. Think of providing schedules. Late-breaking discounts and coupons. Product reviews. Suggestions of novel ways to use your products. Catalogs. E-mail answers to inquiries. Recipes or reservations for restaurants. Gift certificates. Trouble-shooting guides. Gift suggestions. Maps. Size charts. Newsletters.

Leads: Many products and services do not lend themselves to direct sales over the Internet. Houses. Cars. College educations. If your business relies upon direct selling you can use the Internet to generate leads. Tip: you will get more and better leads if you offer something in return for contact information.

Sales: Shippable products can be sold directly over the Internet. Some of the secrets of successful direct sales are:

- Sell a well-known, branded product that customers feel comfortable buying, such as books, videos or music CDs.
- Sell low-cost, unique or hard-to-find items that people are willing to take a risk on.
- Take credit cards, checks or cyber cash online.
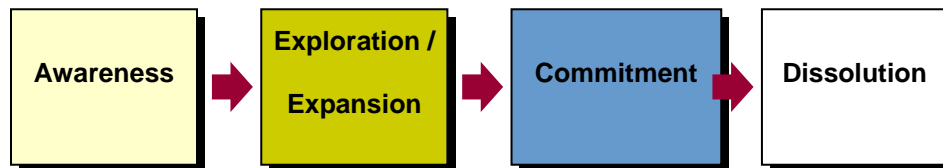- Give people a reason to come back to your site and buy more.

CHAPTER 5

Relationship Marketing Using Internet

Elements of CRM
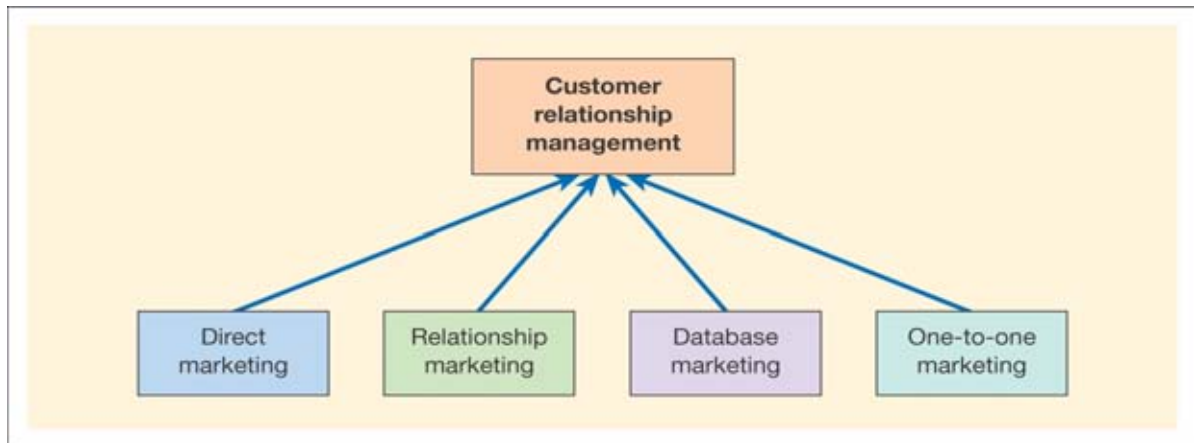
The Four Key Stages of Customer Relationship

Differences between relational and transactional marketing

Transactional paradigm	Relational paradigm
Market segment	Individual customer
Transaction duration	Lifetime
Margin	Lifetime value
Market share	Most valued customers and customer share
Mass market broadcast	Dialogue and tailored communications

Passive consumers	Empowered clients

CRM Applications:

1. Sales Force Automation	2. Customer Service Management
3. Managing the sales process	4. Campaign management
5. Analysis & Decision making contribution	

CRM Data:

- ❖ **Personal and Prolife Data**
    - o Contact details
    - o Preferences
- ❖ **Transaction Data**
    - o Sales History
- ❖ **Communication Data**
    - o Campaign History
    - o Research / Feedback / Support Queries
    - o Contact reports (B2B)

Categorizing Customers: According to Value
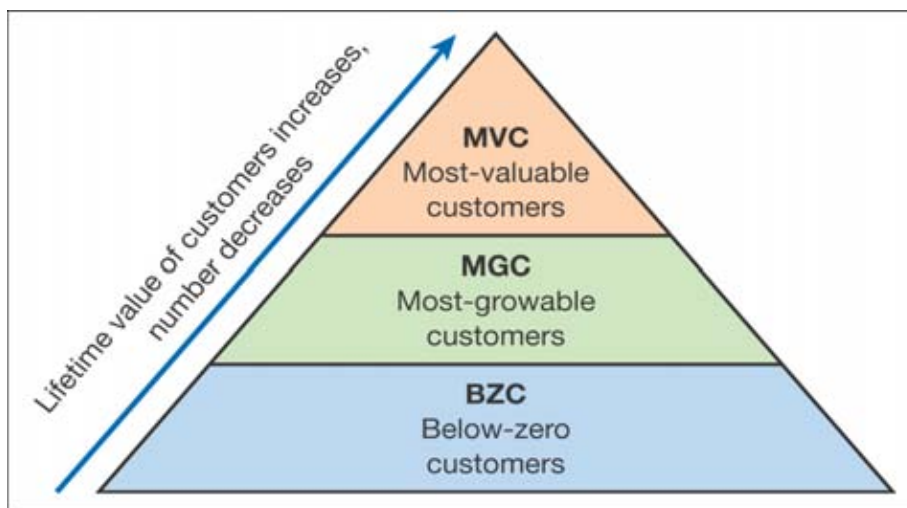
Categorizing Customers: According to Value (Important)

Most **V**aluable **C**ustomers (**MVC**):

- Are small portion of the total customers, contributing to the valuable profitability, normally **purchasing more** or **accepting the higher-value product.**
- **Objectives:** Focus on their loyalty.
- **Strategy:** focus on retention more than extension.
- **Action:** Use continuity-selling programs & focus on differentiating them by value.

Most **G**rowable **C**ustomers (**MGC**):

- Show potential to become valuable, their lifetime value is lower than valuables, but they are profitable in general.
- **Objectives:** Focus on their continuity of adoption.
- **Strategy:** Focus on extension.
- **Action:** Use cross-selling & focus on up-selling by recommendation, personalize e-mails and web offers.

Below **Z**ero **C**ustomers (**BZC**):

- Are unprofitable, those who have purchased once or never, providing very low lifetime value.
- **Objectives:** Convert them into growables or minimize the investment on them.
- **Strategy:** Focus on selection.
- **Action:** use cross-selling & lower-cost by selling service online

E-CRM Benefits

- Customer Development
- Managing e-mail list quality
- Implementing e-mail marketing
- Data Mining
- Personalization and customization
- Customer service quality and multi-channel experience.

The four classic marketing activities of customer relationship management:

←Select → Acquire → Retain → Extend →
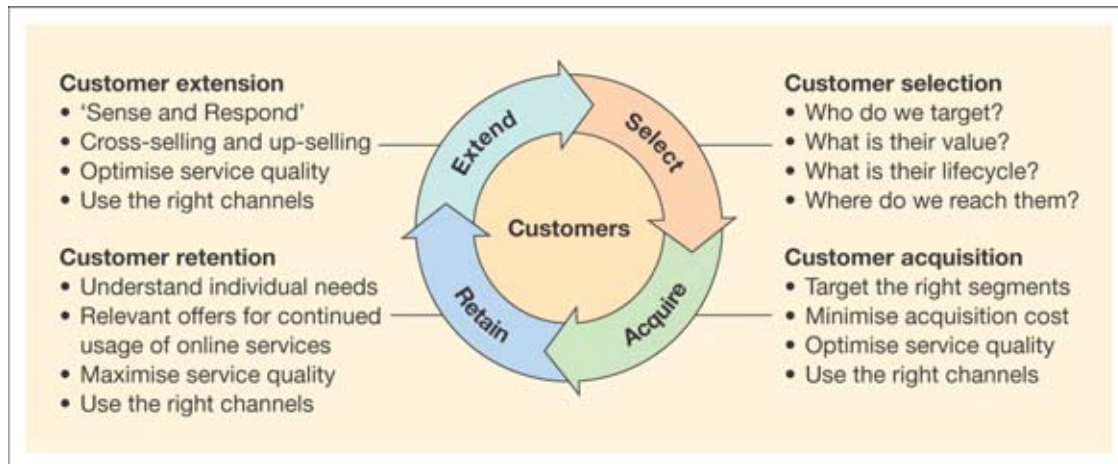
5Is

A model for assessing & achieving e-marketing activities <u>Selection, Extension, Acquisition, and Recognition.</u>

- **Identification** – can the customer be recognized for different channel contacts?
- **Individualization** – Can communications and products be tailored?
- **Interaction** – Are communications two-way?
- **Integration** – Is there a 360 degree view of the customer?
- **Integrity** – Is the relationship built on trust?

Permission Marketing

- Customer agrees (Opt-in) to be involved in organization's marketing activities – usually as a result of an incentive.

Four words of permission marketing characterization:

- **Anticipated:** Offer the prospect an incentive to volunteer.
- **Relevant:** Using the attention offered by prospect to show him your product, and reinforce the incentive to ensure that prospect maintain the permission.
- **Personal:** Offer additional incentives to get and increases his permission.
- **Timely:** Use the permission to convert prospect into valuable customer.

Permission Marketing

Key Concepts:

- Not interruption marketing or paused marketing
- Not SPAM
- Requires Opt-in incentives (online to e-mail)
- Don't make Opt-out too easy!
- Learning about the customer (watch, but don't ask interruptive questions)
- Initial and continued relationship is based on incentives

Options for Mass Customization and Personalization using the Internet
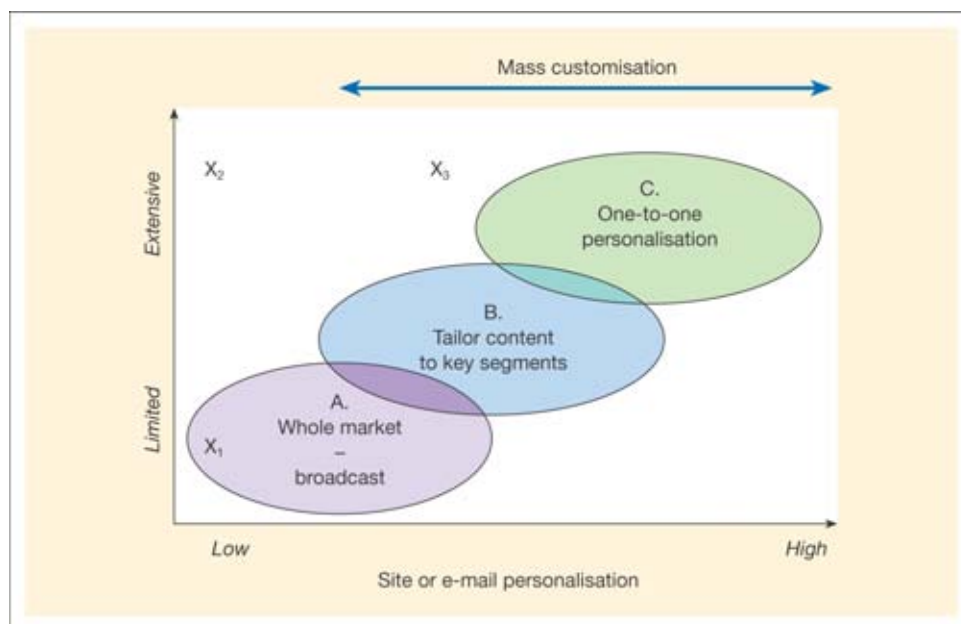
Approaches to Implementing e-CRM

- **Stage 1:** Attract new & existing customers to site.
    - Extend your appearance online through: Search Engines, Portals, Banners, Links

- **Stage 2:** Give incentives and capture information.
    - **Incentivise visitors to action**: lead generation offer & sales generation offer based on web quality & credibility.
   - **Capture information to maintain relationship**: **convert un-profited visitors to profiled potentials)**

Matrix of customer touch points for collecting and updating customer-mail contact and other profile information

Approaches to implementing e-CRM (CONT.)

- **Stage 3:** Maintain dialogue using online communication to encourage site visit repetition:
    - Email, Display specific information on the website, Use push technology such as RSS feeds, loyalty programs, news about products, prices, and new features, personal reminders, customer support, etc…

The extent to which different types of segmentation variables tend to be predictive of response
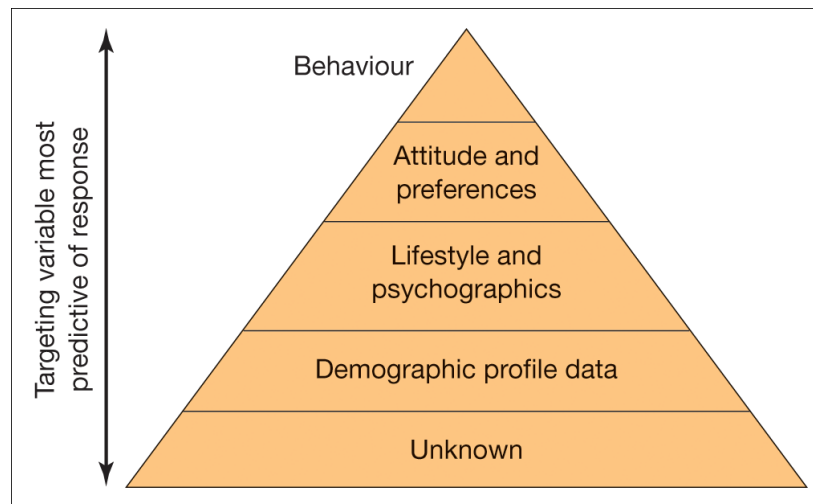
Approaches to implementing e-CRM (CONT.)

- **Stage 4:** Maintain dialogue using offline communications to encourage site visits:
  - Use direct mail, phone calls, & personal face to face contact to encourage and inform potentials about your e-activities.
  - Educate them about the benefits they can get through their e-visit.
  - Give incentives & focus on sales promotion (discounts, coupons, awards, trials…)

The Elements of the IDIC framework
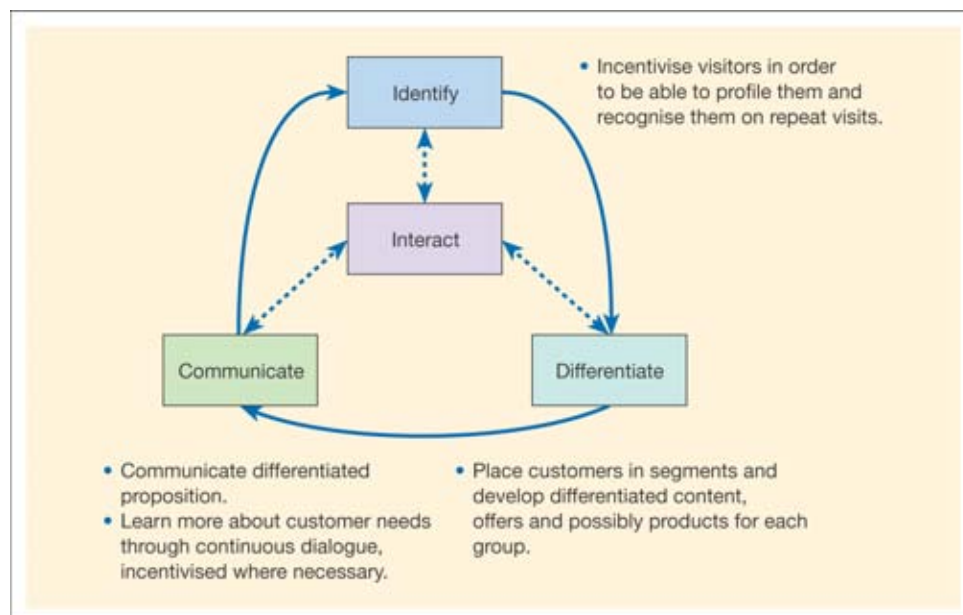
Techniques for managing customer activities & life time value LTV

- A part of CRM strategy is to define measures which indicate activity level (purchases, frequency of use product, order, online services, web access…
- The aim of using theses measures is to:
    - Increase number of new users weekly, monthly…
    - Increase number of active users & decrease numbers of inactive users
    - Decrease percentage of dormant users.

Relationship marketing is all about keeping the customer for the long-term; the life time value the customer has to offer. Traditional firms (or bricks and morter businesses) have established strategies to encourage customers to visit their stores again and again. With the rapid increase in online purchases businesses have been forced into offering their products and services through the internet. Online websites create new challenges when it comes to relationship marketing, especially as through the click of a button customers can move onto competitor websites. Below we discuss some of the strategies firms use to develop long term relationships with customers through the internet.

Customisation

Some websites offer customers the opportunity to customise their products online and view how they would look if purchased. This not only provides a unique experience but encourages the customer to develop an attachment to the product they have customised.. Shoe manufacturer Nike and car manufacturer Mini Cooper allow their customers to customise their products when visiting their website.

Online Questionnaires

Many websites ask customers to feedback their experience of using the website at the end of their visit to the web site. Feeback information can be analysed very quickly to find out what improvements can be made. Some changes such as website navigation can be implemented within a short space of time.

E-vouchers

Regular customers are often sent e-vouchers that give them discounts off their next purchase. Vouchers can be targeted around what the customer frequently buys. Firms may have software to identify customers that have not purchased from them for a while and send a voucher to try and entice them back and re-establish the online relationship.

Online Chat

To recreate a high street shop environment some websites offer the option to chat via webcam or chat window. This gives the opportunity for users to talk to a sales persons via the web. The customer is able to have their questions answered straight away and the firm has an opportunity to try and sell their products to an interested customer. For example Dell the computer group's online chat facility allow customers to talk through computer specifications with a qualified member of their team. By trying to create the interactivity customers have in shops online retailers may persuade customers to select them over competitor firms. It also allows their employees to connect with customers from around the world.

Customer Service

Customer service is the key to maintaining long term online relationships. It is important to ensure that the customer receives excellent customer service prior to, during and after a sale (post-transactional strategy). For example no matter how hard a firm tries things still go wrong, for customers this isn't usually an issue for them it's about how you resolve it. For example how efficient and easy is your process for returning items. Some online firms allow the customer to log the fault through the website, print a returns number and select a date for the item to be picked up from their home. This is quite straight forward and encourages repeat business. However not all businesses make it this easy and some even expect online customers to arrange returns through the telephone. If the customer feels that the process for returning and liaising with the online retailer is long or complicated, they are likely to take their business somewhere else.

Conclusion

With technology changing at a very fast rate businesses need to update their websites regularly and use advancements in technology to improve the online experience for people visiting their websites. If they choose not to, they are risking customers selecting competitors who do make the most of technological developments. Businesses also need to develop innnovative strategy to

persuade customers to select them over millions of other businesses on the internet. The internet is a huge market place and competition is fierce.

As the Internet is becoming more and more important in business life, many companies consider it as an opportunity to reduce customer-service costs, tighten customer relationships and most important, further personalize marketing messages and enable mass customization.[9] ECRM is being adopted by companies because it increases customer loyalty and customer retention by improving customer satisfaction, one of the objectives of eCRM. E-loyalty results in long-term profits for online retailers because they incur less costs of recruiting new customers, plus they have an increase in customer retention. Together with the creation of sales force automation (SFA), where electronic methods were used to gather data and analyze customer information, the trend of the upcoming Internet can be seen as the foundation of what we know as eCRM today.

As we implement eCRM process, there are three steps life cycle:

Data collection: About customers preference information for actively (answer knowledge) and passively (surfing record) ways via website, email, questionnaire.

Data aggregation: Filter and analysis for firm's specific needs to fulfill their customers.

Customer interaction: According to customer's need, company provide the proper feedback them.

eCRM can be defined as activities to manage customer relationships by using the Internet, web browsers or other electronic touch points. The challenge hereby is to offer communication and information on the right topic, in the right amount, and at the right time that fits the customer's specific needs.

eCRM strategy components

When enterprises integrate their customer information, there are three eCRM strategy components:

Operational: Because of sharing information, the processes in business should make customer's need as first and seamlessly implement. This avoids multiple times to bother customers and redundant process.

Analytical: Analysis helps company maintain a long-term relationship with customers.

Collaborative: Due to improved communication technology, different departments in company implement (intraorganizational) or work with business partners (interorganizational) more efficiently by sharing information.

Implementing and integrating eCRM work.

Non-electronic solution

Several CRM software packages exist that can help companies in deploying CRM activities. Besides choosing one of these packages, companies can also choose to design and build their own solutions. In order to implement CRM in an effective way, one needs to consider the following factors:

Create a customer-focused culture in the organization.

Adopt customer-based managers to assess satisfaction.

Develop an end-to-end process to serve customers.

Recommend questions to be asked to help a customer solve a problem.

Track all aspects of selling to customers, as well as prospects.

Furthermore, CRM solutions are more effective once they are being implemented in other information systems used by the company. Examples are transaction processing system (TPS) to process data real-time, which can then be sent to the sales and finance departments in order to recalculate inventory and financial position quick and accurately. Once this information is transferred back to the CRM software and services it could prevent customers from placing an order in the belief that an item is in stock while it is not.

Cloud solution

Today, more and more enterprise CRM systems move to cloud computing solution, "up from 8 percent of the CRM market in 2005 to 20 percent of the market in 2008, according to Gartner". Moving managing system into cloud, companies can cost efficiently as pay-per-use on manage, maintain, and upgrade etc. system and connect with their customers streamlined in the cloud. In cloud based CRM system, transaction can be recorded via CRM database immediately.

Some enterprise CRM in cloud systems are web-based customers don't need to install an additional interface and the activities with businesses can be updated real-time. People may communicate on mobile devices to get the efficient services. Furthermore, customer/case

experience and the interaction feedbacks are another way of CRM collaboration and integration information in corporate organization to improve businesses' services.

There are multifarious cloud CRM services for enterprise to use and here are some hints to the your right

CRMsystem:

Assess your company's needs: some of enterprise CRM systems are featured

Take advantage of free trials: comparison and familiarization each of the optional.

Do the math: estimate the customer strategy for company budget.

Consider mobile options: some system like Salesforce.com can be combined with other mobile device application.

Ask about security: consider whether the cloud CRM provider give enough protect as your own.

Make sure the sales team is on board: as the frontline of enterprise, the launched CRM system should be the help for sales.

Know your exit strategy: understand the exit mechanism to keep flexibility.

vCRM

Channels through which companies can communicate with its customers, are growing by the day, and as a result, getting their time and attention has turned into a major challenge.[18] One of the reasons eCRM is so popular nowadays is that digital channels can create unique and positive experiences – not just transactions – for customers. An extreme, but ever growing in popularity, example of the creation of experiences in order to establish customer service is the use of Virtual Worlds, such as Second Life. Through this so-called vCRM, companies are able to create synergies between virtual and physical channels and reaching a very wide consumer base. However, given the newness of the technology, most companies are still struggling to identify effective entries in Virtual Worlds. Its highly interactive character, which allows companies to respond directly to any customer's requests or problems, is another feature of eCRM that helps companies establish and sustain long-term customer relationships.

Furthermore, Information Technology has helped companies to even further differentiate between customers and address a personal message or service. Some examples of tools used in eCRM:

Personalized Web Pages where customers are recognized and their preferences are shown.

Customized products or services.

CRM programs should be directed towards customer value that competitors cannot match.However, in a world where almost every company is connected to the Internet, eCRM has become a requirement for survival, not just a competitive advantage.

Different levels of eCRM

In defining the scope of eCRM, three different levels can be distinguished:

Foundational services:

This includes the minimum necessary services such as web site effectiveness and responsiveness as well as order fulfillment.

These are extra services such as online auctions and online training and education. Self-services are becoming increasingly important in CRM activities. The rise of the Internet and eCRM has boosted the options for self-service activities. A critical success factor is the integration of such activities into traditional channels. An example was Ford's plan to sell cars directly to customers via its Web Site, which provoked an outcry among its dealers network.[25] CRM activities are mainly of two different types. Reactive service is where the customer has a problem and contacts the company. Proactive service is where the manager has decided not to wait for the customer to contact the firm, but to be aggressive and contact the customer himself in order to establish a dialogue and solve problems.

CHAPTER 6

E-Mail Marketing Fundamentals

In this chapter we lay the foundations for detailed guidelines in later chapters which describe approaches for developing and implementing e-mail strategies. The well-established concepts underpinning e-mail marketing described in this chapter are permission marketing and customer relationship management.

Permission marketing, or gaining consent for marketing communications to be received, is fundamental to successful e-mail marketing. We will explore the development of the permission marketing concept and ask what it means in practice – for example, how do opt-in and opt-out relate to permission marketing, and what are the legal constraints on e-mail marketing?

Meanwhile, the concept of customer relationship management (CRM) has proved popular as an approach to improving customer focus and customer loyalty. Companies have found the customer lifecycle of customer acquisition, retention and extension provides an essential framework for bringing focus to creating different marketing strategies and tools. If you are already familiar with the permission marketing and CRM concepts you may want to fast-forward where we look at the specifics of developing an e-mail marketing strategy.

However, in this chapter we do challenge some of the conventional wisdom about permission marketing and CRM, and also explain how e-mail can be used in conjunction with the web site and traditional communications.

PERMISSION MARKETING

Permission marketing is an integral part of e-mail marketing. 'Permission marketing' is a term coined by Seth Godin, formerly a VP of marketing at Yahoo! It is best characterized with just three (or four) words: Permission marketing is ... anticipated, relevant and personal [and timely].

Godin (1999) argues that there is a need for permission marketing, since there are ever-increasing numbers of marketing communications bombarding consumers. He notes that while research shows that we used to receive 500 marketing messages a day, with the advent of the web and digital TV this has now increased to over 3000 a day! From the marketing organization's viewpoint, this leads to a dilution in the effectiveness of the messages – how can the communications of any one company stand out? From the customer's viewpoint, time is seemingly in ever-shorter supply; customers are losing patience and expect reward for their

attention, time and information. Godin refers to the traditional approach as 'interruption marketing'.

However, some direct marketers have criticized the permission marketing approach in that it is not an entirely new, radical approach. Ross (2001) says: the large number of direct marketers who start the selling process with an ad offering information and take it from there with a graduated programme of data collection and follow-ups will wonder how it is that they have been practising permission marketing for all this time without knowing.

Ross also notes that in order to achieve permission it is necessary to gain the attention of prospects, and this, of course, is only possible using ... interruption marketing. A further implication of permission marketing is that by providing choice you will, in all likelihood, be reaching fewer people with your communications. Research by Evans et al. (2000) found a continuum between consumers who recognized that in order to receive targeted communications they had to provide their details, and those who felt that there was an invasion of privacy. Typical comments from the former group about collection of personal data include:

I'm not particularly bothered about that. I've nothing terrible to hide! It doesn't really bother me, I'm just mildly interested to know how they get hold of your name sometimes.

(Female, 45–54)

It's more targeted. (Female, 45–54)

Don't mind if a company wants to know more about me. (Male, 18–24)

Comments from those more concerned about their personal details include:

I think it's quite unnerving really what people might know. How much detail they do actually have on you regarding income and credit limits. I don't know what details are stored.

(Female, 25–34)

Junk mail, God. I give to one charity and the next thing I know I've got 10 charities coming in daily. They've obviously sold it on for profit. (Female, 45–54) Clearly, those consumers in the second group are less likely to enter into a permission-based relationship unless their privacy concerns and worries about data-sharing between organizations are overcome. Advocates of permission marketing argue, however, that if consumers opt out of communications, it is not a bad thing. The cost of communications with such consumers is avoided, and they may have a low propensity to buy.

Incentivization

Incentives are not only used at the outset of a relationship; they can also be used throughout the customer lifecycle. This process is often likened to dating someone. Godin (1999) suggests that dating the customer involves:

1. Offering the prospect an incentive to volunteer

2. Using the attention offered by the prospect, offering a curriculum over time, teaching the consumer about your product or service

3. Reinforcing the incentive to guarantee that the prospect maintains the permission

4. Offering additional incentives to get even more permission from the consumer

5. Over time, leveraging the permission to change consumer behaviour towards profits.

Notice the importance of incentives at each stage. Which incentives have you or your partner offered during your relationship? In the context of e-mail marketing, the incentive is used initially to gain a prospect's or customer's e-mail address and to profile them. E-mail is then vital in permission marketing to maintain the dialogue between company and customer, and offer further incentives and learn about the customer through stages 1 through 5.

Of course, likening customer relationship building to social behaviour is not new; as O'Malley and Tynan (2001) point out; the analogy of marriage has been used since the 1980s at least – particularly for business-to-business marketing. They also note that this concept also rests uneasily with the customer. Many do not want a continuous relationship with their supplier; they may prefer a discontinuous relationship based more on exchanges. They perceive the business-to-consumer relationship quite differently from that with friends or family. O'Malley and Tynan debunk much of the relationship marketing mythology by stating that:

They [consumers] continue to trade with organisations that use information about them to get the offer right, but they do not consider this false intimacy an interpersonal relationship. It is not driven primarily by trust, commitment, communication and shared values, but by convenience and self-interest.

E-PERMISSION MARKETING PRINCIPLES

It is now over five years since Seth Godin launched his permission marketing mantra, so we need to ask, how can the original principles of permission marketing be applied by today's digital

marketer? Writing in What's New in Marketing (www.wnim.com) in 2004, I defined these 'e-permission marketing principles' to prompt you to think about how you can e-mail smarter:

1. Offer selective opt-in to communications. Offer choice in communications preferences to the customer to ensure more relevant communications. Some customers may not want a weekly e-newsletter; rather, they may only want to hear about new product releases.

Remember, opt-in is a legal requirement in many countries. Four key opt-in options, selected by tick-box are:

content – news, products, offers, events .

frequency – weekly, monthly, quarterly or alerts

channel – e-mail, direct mail, phone or SMS

format – text vs HTML.

Of course using a range of communications preferences needs to be managed carefully since it sets expectations, and resources must be available to deliver on these expectations. Care must be taken not to restrict opportunities for e-mail marketing. In many ways, e-mail marketing is about opportunities or reasons to communicate; if the customer opts-out of some communications, then the opportunity to market and sell to them is reduced – so you can give too much choice. I know of one company that had a tick box for a product catalogue. Many customers ticked this and this only, meaning that the company could only communicate once per year!

2. Create a 'common customer profile'. A structured approach to customer data capture is needed, otherwise key data needed for delivering targeted e-mails will be missed. It sounds obvious, but ... consider the utility company that collected 80 000 e-mail addresses, but forgot to ask for the postcode for geo-targeting! This can be achieved through a common customer profile – a definition of all the database fields that are relevant to the marketer in order to understand and target the customer with a relevant offering. These forms belie their importance – I think they are the second most important pages on a site after the home pages. B2B company Tektronix (www.tektronix.com) uses three levels of profile; level 1 (basic contact information), level 2 (position, market sector and application) and level 3 (detailed information about standards and preferences). Through having goals to grow level-2 and -3 detail, improved targeting is possible. Provides some practical recommendations on how to obtain opt-in from web-site enquirers, and explains why using an opt-out approach may be better in some circumstances. We also look at some refinements of the technique, such as double opt-in and notified opt-in.

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3. Offer a range of opt-in incentives. Many web sites now have 'free-win-save' incentives to encourage opt-in, but often it is a case of one incentive fits all visitors. Different incentives for different audiences will generate a higher volume of permission, particularly for business- to-business web sites. We can also gauge the characteristics of the respondents by the type of incentives or communications they have requested, without the need to ask them. If you're a business-to-business marketer take a look at Siebel (www.siebel.com) or Oracle (www.oracle.com), which offer a range of information resources for different members of the buying unit, such as IT managers, marketing director and CxO.

4. Don't make opt-out too easy. My view is that we often make it too easy to unsubscribe. Yes, providing a straightforward opt-out is part of permission marketing and, in many countries, a legal requirement due to privacy laws, but a single click to unsubscribe is arguably making it too easy. Instead, wise e-permission marketers use the concept of 'My Profile'. Instead of 'unsubscribe', they offer a link to a web form to update a profile, which includes the option to unsubscribe to some or potentially all communications. Amazon's communications preferences page is a good example of this approach. The use of 'My Profile' can be tied to the principle of 'selective opt-in' – you could call it selective opt-out. Put the 'My Profile' option in the e-mail to prompt the user to keep their contact details up-to-date.

5. 'Watch don't ask'or'sense and respond'. The need to ask interruptive questions to profile customers better can be reduced through the use of monitoring of clicks to understand customer needs better, and to trigger follow-up communications or 'sense and respond'. Examples include: Monitoring clickthrough to different types of content or offer. The interests of individual list members can be assessed through monitoring what they click through to. Lastminute.com reputedly tailors its newsletters to many different template types according to content clickthrough. For example, if you click through to theatres or city breaks, then you will receive more of this type of content in future.

Monitoring the engagement of individual customers with e-mail communications. This is achieved by monitoring trends of opening and clickthrough by individual customers. These metrics indicate the level of interest of individuals, and we can monitor how these vary through time and use follow-up communications. For example, a buying signal may be suggested by a customer who has not previously responded to e-mails but starts clicking through to the web site more frequently. This could be followed up by a tailored e-mail communication or a phone call. . Follow-up of response to a specific e-mail. If a B2B vendor offers information about a new product launch which encourages clickthrough to a landing page, then they have two main choices of follow-up. First, the for could contain a question asking about the future buying intentions of the customer, or whether contact from a sales rep is required. Alternatively, if there is the capability to monitor an individual who has clicked through to a page, then it may be best to use this to prompt a call from an account manager or sales person. The second approach may result in more sales, but of course there is the danger that the customer may react negatively to monitoring or 'stalking' of this type, and it is arguably not permission marketing.

6. Create an outbound contact or touch strategy. A good starting point is to ask, what will annoy the customer? Clearly, if e-mail communications are too frequent, then the customer is less likely to have the time or inclination to open an e-mail. Therefore, one approach is to monitor the response for e-mail communications. According to a posting on this topic at E-consultancy, Alex Chudnovsky, an e-commerce analyst (at Phones4U at the time), recommends that the following criteria need to bemonitored by e-tailers to assess whether the frequency is right:

. drop off (unsubscribe)

. opens

. clicks

. sales (or profits for cases with high variation in margins)

. costs.

The alternative, particularly for non-retail brands, is to research customer preferences or, as we have said before, to offer a choice of frequencies at the point of initial opt-in. The contact strategy should indicate the following aspects of communications, which are explained in more detail in later chapters:

1. Communications targeting

2. Communications frequency

3. Communications interval

4. Content and offers scheduling

5. Links between e-newsletters and campaign e-mails

6. Links between online communications and offline communications

7. A control strategy

8. Flexibility in communications rules.

The battle against spam For some consumers, all e-mail marketing is spam. They do not know about the concept of 'permission marketing' – only the annoyance of unwanted e-mail. Understanding spam can help the e-mail marketer to avoid the risk of being classified as such. It is often said that 'spam is in the

eye of the beholder'. This conjures up an intriguing image, but it helps with understanding spam and the laws to protect against it to think about consumer expectations, which start from the point of opt-in.

Customers need to be reassured that what you are offering is not spam. Potential customers can be reassured that they will not be spammed, and that they will have control through communications preferences. Spam is formally referred to within the e-mail industry as unsolicited commercial e-mail (UCE). For example, the Coalition against Unsolicited Commercial E-mail pressure group CAUCE (www.cauce.org) has been active in encouraging the enactment of new laws to reduce spam. The term originally referred to 'spiced ham', which US GIs contracted to 'spam' during the Second World War. It has been said that, today, spam stands for 'Sending Persistent Annoying e-Mail'. You will know it as the instantly identifiable 'Get rich quick' offers that flood into e-mail inboxes. Later, we will review how to make your e-mail easily distinguishable from spam. Fortunately, and perhaps incredibly, despite the problem of

spam, permission based e-mail marketing still works incredibly well, as indicated by Figure 2.1. This shows that, on average, 90 per cent of e-mails are delivered, around one-third of those that are delivered register as opens, and around 10 per cent are clicked on (this is based on total clicks, not unique clicks). Although Figure 2.1 suggests that e-mail marketing works well, we still need to work hard to ensure that our e-mails are not classified as 'false positives' – permission-based.

LEGAL CONSTRAINTS

Nowhere is the maxim 'consult a lawyer' more relevant than for e-mail marketing, since new legislation and case law means that it is frankly impossible for a marketer to keep up to date with the details of legislation. In fact, the maxim should read 'consult a specialist lawyer'. Legal constraints on e-mail marketing naturally vary by country. Here, we concentrate on European legislation. E-mail marketers operating in European countries are subject to several existing laws, and there are also emerging laws. Of the established laws, the most pertinent are the EU Data Protection Directive, and local advertising standards and telecommunications laws. Of the new laws, the EU Privacy and Electronic Communications Directive is the most important.

Customer relationship management (CRM) is an approach to marketing that seeks to increase customer loyalty, resulting in greater customer lifetime value. O'Malley and Tynan (2001) refer to the need for this to be a win–win approach, where the relationship is characterized by trust, commitment, communication and sharing, resulting in the mutual achievement of goals. Some have gone further and questioned the concept of CRM, saying that customers do not want a relationship and show little loyalty to companies. For those, perhaps a more appropriate term is 'customer management'. However, I believe that e-mail marketing assists in forming both emotional and behavioural loyalty between a company and its customers as part of forming a relationship. The concepts of e-permission marketing, such as selective opt-in and opt-out and ownership of communications preferences described earlier in this chapter, can help in this.

These give the customer more control of the relationship, and change CRM towards CMR or Customer Managed Relationships. To introduce CRM, many organizations use a simple framework to develop various CRM initiatives. This is the customer lifecycle, which is divided into stages of customer selection, acquisition, retention and extension.

This shows common themes within customer selection, acquisition and extension. As the customer moves through the different stages from acquisition and retention to extension, the

loyalty of the customer and their value to the organization increases. Customer selection is key at each stage to identify potential high-value customers who will have the right connection with a brand. Other common themes include the need to deliver a great experience and customer service at each stage, and integrate communications across different channels.

Benefits of relationship marketing

Relationship marketing is aimed at increasing customer loyalty, which has clear benefits. As Reicheld (1996) has explained, loyalty or retention within a current customer base is a highly desirable phenomenon since it not only results in more transactions from each customer, but these transactions are more profitable. This occurs for these reasons:

. no acquisition costs (which are usually far higher than 'maintenance' costs)

. less need to offer incentives such as discounts, or to give vouchers to maintain their custom(although these may be desirable)

Customer selection

Customer selection needs to occur at each stage of customer relationship management. This relates CRM with segmentation and target marketing. Figure shows that customer selection starts with identifying customer characteristics through profiling and understanding their product needs. In e-mail marketing, we may want to identify those customer groupings that have the best propensity for forming an online relationship. Once these have been identified, a suitable proposition and campaign plan will be developed for each.

ONLINE CRM

Peppers and colleagues (Peppers and Rogers, 1998; Peppers et al., 1999) have suggested the IDIC (Identification, Differentiation, Interaction, Customization) framework as an approach for using customer relationship management and the web effectively to form and build relationships. IDIC refers to these stages of relationship building:

1. Customer identification. This stresses the need to identify each customer on his or her first visit and subsequent visits. Common methods for identification are use of cookies, or asking a customer to log on to a site. In subsequent customer contacts, additional customer information should be obtained using a process known as drip irrigation. Since information will become out-of-date through time, it is important to verify, update and delete customer information.

2. Customer differentiation. This refers to building a profile to help segment customers. Appropriate services are then developed for each customer. Examples of such segments include the top customers, non-profitable customers, large customers who have ordered less in recent years, and customers who buy more products from competitors.

3. Customer interaction. This refers to interactions provided on the web site, such as customer service or creating a tailored product. More generally, customers should listen to the needs and experiences of major customers. Interactions should be in the customer preferred channel – for example, by e-mail, by phone or by post.

4. Customer customization. This refers to dynamic personalization or mass customization of content or e-mails according to the segmentation achieved at the acquisition stage. Approaches for personalization are explained in the section on retention. This stage also involves further market research to find out whether products can be further tailored to meet customers' needs.

Personalization and mass customization

Personalization and mass customization can be used to tailor information content on a web site, and opt-in e-mail can be used to deliver it to add value and at the same time remind the customer about a product. Personalization and mass customization are terms that are often used interchangeably. In the strict sense, personalization refers to customization of information requested by a site customer at an individual level. Mass customization involves providing tailored content to a group or individuals with similar interests. It uses technology to achieve this at an economic basis. An example of mass customization is when Amazon recommends similar books according to those that others in a segment have ordered, or when it sends a similar e-mail to customers who have an interest in a particular topic such as e-commerce. Mass customization can range from minor cosmetic choices made by the customer (for example, the choice of colour, trim and specification available to the customer via the multimedia kiosks in Daewoo's car showrooms) to a collaborative process facilitated by ongoing dialogue. Peppers and Rogers (1993) give the example of Motorola, which can manufacture pagers to any of over 11 million different specifications. For e-mail marketing, there is a range of options for personalization; these include variation according to the following:

1. The salutation. This is the most basic level of personalization, and should be offered in all customer communications although it is not generally used for newsletters.

2. The content. For newsletters and alerts, this can be varied according to user selection. For example, Silicon.com, a news service for IT professionals, enables a range of items to be offered. These can be selected by checking boxes for the type of content. A further method of content personalization is keyword-based. This is offered by analysts such as Gartner, where particular keywords such as 'metrics' can be selected. Forbes.com offers a keyword-based e-mail service which alerts recipients when a particular company name is covered. For e-mail promotions the content can be personalized for different segments, although it will rarely be personalized on an individual level.

3. The offer. The offer can be varied according to past behaviour, such as amount spent.

4. The landing page. It is sometimes worth tailoring the landing page, which can be personalized if e-mails have been targeted for different segments. Content can also be personalized for individuals if they are already registered on a site. The landing page can use cookies to tailor information for an individual.

Chapter 7

Internet Branding

Bonding brands with customers has always been about building relationships. It has always been about taking someone who knows little or nothing about a company or its products and transitioning them to become a loyal user. Although the tactics might sometimes be different on the Internet, many classic marketing principles still apply.

It's almost impossible to pick up a business publication without seeing some reference to the world of new media, especially the Internet and its role in marketing a product or service.

A substantial amount of this rhetoric, however, ignores one of the most important components of a marketing professional's responsibility — building a brand or corporate reputation to create relationships with customers. When it comes to building a brand on the Internet, never have so many talked so little of what may be the Internet's most stunning capability — strengthening the bond with customers and prospects.

"Branding is redefined online," says Caroline Riby, vice president-media director at Saatchi & Saatchi Rowland of Rochester, NY. "We are moving beyond representing a brand to experiencing it."

In this new world of e-branding, the Internet has become more than a gimmick or a mere line item on the communications budget. It can now play a pivotal role in enhancing brand relationships and corporate reputations.

It offers a huge advantage over traditional mass media. The speed people can move from awareness to action on the Internet is a true differentiator and challenge for e-marketers. This requires a new way of thinking about how to design Web sites and related marketing communications.

However as the author of The End of Marketing As We Know It, Sergio Zyman says, there is no difference between building an Internet brand and a traditional brand. In effect, the steps to bond prospects to brands are essentially the same. The difference, however, will be the speed a brand can transition prospects to customers.

Prospects pass through several stages before embracing a relationship with a company:

- Awareness
- Familiarity
- Trust
- Commitment

These stages are driven primarily by reputation elements.

Awareness The first is the consumer becoming aware of the company or its brands. At this stage the prospective buyer can recall or recognize the name of the company. That does not mean trust in the brand, but simply a sense of the company as a player in some product or category.

Familiarity During the second stage, the prospect becomes familiar with the company through acquiring an appreciation of the products or services offered, and various related features.

Trust The next stage takes the relationship to a deeper level. The potential customer becomes motivated to purchase a product or service because of the perceived benefits derived from particular features. During this phase, positive imagery about the brand or company encourages a feeling of trust, which in turn, enhances the relationship-building process.

Commitment The final stage is the most important. At this stage, a transaction occurs that consummates the relationship. The prospect and the company each get something from the other. They are no longer strangers. Both comprehend something about each other, hopefully encouraging many repeated exchanges.

In looking at media choices for creating this desired relationship, the advantage of the Internet over mass media is obvious. Mass media cannot communicate with individual prospects in a customized way. The Internet enables communication based on where each prospect is in the four stages of the relationship-building process.

With traditional media, the messages are sent out to the world no matter what level of trust and interest the company has previously generated. Accordingly, some prospects are told what they already know. Others are not able to learn what they need to know to engage further.

By contrast, a well-executed e-branding strategy, expressed in a well-designed Web site and integrated e-marketing program, can adapt communications to match the aspiring buyer's needs and wants at any stage in the relationship-building process.

The Internet and Relationships

Don Peppers, co-author of *The One-to-One Future*, has noted the future of marketing is about persuading consumers to participate in a dialogue. Not just any dialogue, but one that helps to bond the consumer to the brand.

Rather than simply interrupting a television show with a commercial message or barging into prospect's lives with unannounced phone calls or letters, innovative marketers will first try to get individuals to voluntarily enroll in the selling process. A volunteer's experience will almost always be more likely to result in the embrace of a brand than any forced viewing or consumption experience can ever accomplish.

Interactive technology enables marketers to inexpensively attract consumers into one-to-one relationships fueled by two-way "conversations" — played out via mouse clicks on a computer. Through this process, prospective buyers collaborate with marketers to fashion the product or service being sold. By inviting each prospect to join in a uniquely responsive and tailored dialogue, marketers are more likely to earn loyalty.

To nurture such a highly targeted and relevant engagement, the communications professional needs to create marketing tactics customized to whatever stage the prospect has reached in the relationship-building process.

Creative material on the Web site needs to do several things.

It must capture the attention of those prospects who know nothing or very little about the company, but are interested in its category. It also must build awareness of what the company does within the context of the industry in which it's competing.

For those who already know something of the company, but not the advantages of doing business with it, site content should identify and link benefits sought by the consumer to the company's products and services. This material needs to deepen to a level that triggers a desire to do business with the company.

Clearly, those individuals wishing to become customers need easy site access to satisfy their needs and assure the relationship develops even further. And most importantly, existing

customers of the company need to feel their interaction with the site, identifying them as more than just an anonymous browser.

These customers need to be given some sense they have access not available to just anyone. They need to be rewarded for continuing to engage with the company.

There are many design elements that can accomplish the objectives of moving a prospect along the relationship-building continuum. These techniques can start with a simple interaction such as a brief registration forms to begin the relationship-building process. More sophisticated techniques are available such as games that intrigue the user on a category relevant subject, use of an intelligent component, such as cookies, that knows if the user has visited the site before and greets andtreats the user personally.

Consider some of the successful Internet branding tactics of leading marketers.

Amazon.com

Amazon.com launched a new idea for packaging books by having John Updike write the first installment of a story. Then for 45 days after that, people came to the Amazon Web site and competed to add to the story. In the end, Updike wrote the last paragraph. So, it was a serial collaboration with 45 or 46 authors.

It was hugely successful as a fun event that involved hundreds of thousands of Amazon.com customers. The company did the same thing with a Doonesbury cartoon. Gary Trudeau did the first panel, and left the other panels blank. Each day Trudeau selected the winner for the next panel submission. Finally, Trudeau did the last one.

Amazon.com also provides an excellent example of how to build a relationship on the Internet. Once a customer buys a book, Amazon.com begins collecting information and making educated guesses about what might appeal to this person. Then they make book selections and gently guide the individual toward them.

They do so by creating communities of special interest groups (art, cooking, or sports for example) and offering appropriate links throughout their site. Today when a customer logs on to their Web site, Amazon.com provides "Personal Recommendations" based on selection criteria.

David Risher, Amazon.com's senior vice president of product development, says, "We're about 1 percent of the way there," in terms of targeting specific customers with tailored book offerings.

They clearly recognize the opportunity to move consumers from casual browsers to customers to repeat buyers.

Yahoo!

If you've been on the Internet, you've heard of Yahoo!. The company's approach to building its brand includes delivering a My Yahoo! site that allows the customer to personalize the Internet experience in return for providing basic information such as industry, occupation, and zip code.

An option section requests site visitors to indicate choices that enable Yahoo! to customize the kind of news, Web sites, and information displayed on that individual's pages. The result: The customer gets information anticipated, relevant, and personal. In the process, the customer moves along the relationship-building continuum.

General Motors and Saturn

General Motors (GM) also has recognized the need to involve the customer based on where they are in the relationship-building process. GM revamped the Saturn Web site to offer more help and less hype. As a result, site visits tripled to as many as 7,000 per day. An astounding 70 percent of Saturn leads now come via the Internet, almost double the previous year.

Saturn's old site offered the usual car specs and dealer referrals, but then the marketer began adding features that were actually useful including a lease-price calculator, an interactive design shop for choosing options, and an online order form. It highlighted these new online features with a TV commercial that delivered old-fashioned emotional appeal. The humorous TV ad features a college student in his dorm room using the Internet to order a Saturn, as easily as one might order a pizza.

According to Farris Kahn, Internet coordinator for Saturn marketing, "By giving the consumers something they want, you are helping them and promoting our brand message at the same time. This improves our brand position in a way an online brochure could not."

Dell Computer

An example of relationship building in the business-to-business realm is Dell Computer, which moved its brand promise of "Be Direct" to the Web. For its larger business customers, such as

Boeing Co., Dell developed "premier pages" that provide procurement departments with a customized Web template for ordering PCs.

"What this is about is building relationships online and keeping engaged with our customers," said David Dix, Dell's global Internet public relations manager. Dell's latest figures show the company conducts $30 million in business on the Internet daily. "The idea is we want people to say, 'We just love ordering direct from Dell; we want to buy everything from you,'" Dix says. He also adds that at Dell.com, the product is not being branded, the Internet experience is.

Linking Bricks and Clicks

One of the most interesting relationship-building uses of branding on the Internet are those companies like Barnes and Noble, Toys-R-Us, and The Gap, who are seeking to link the traditional brick and mortar brand experiences they provide with their e-brand experience.

Barnes and Noble announced it's going to use store locations to provide same-day delivery. Toys-R-Us has already begun to use its stores for returns and exchanges. Both of these brick and mortar leaders are leveraging their facilities to fast-forward the distribution process.

Perhaps more critical than delivery is the actual order generating process. Here we find The Gap is leading the way. It is putting computers, for customer use, in many of its locations so consumers have the ability to order clothing styles they find attractive, but might not be in stock at the moment of their store visit.

Consumers can sample the goods in the stores and, based on the in-store experience, place an immediate order. They do not even need a computer at home to cybershop with The Gap. In this way these companies are building integrated "clicks-and-mortar" brands that work together to create a single brand relationship.

To maximize the opportunities of Internet branding, it is critical to measure the degree the site is actually migrating visitors to a deeper acceptance of the company and a greater attachment to its products and brands. Measurement of the effectiveness of a company's Internet marketing activities yields significant insight for cultivating more business.

Traditional communications testing methods treat respondents alike. They must meet a pre-specified level of awareness or knowledge about the company or its brands.

Measuring a Web site's impact, however, does not and should not base evaluative considerations on a "one size fits all" category. The dialogue with each prospective customer must reflect his or her unique transition along the relationship-building continuum.

Although there are standard metrics for measuring how well a Web site is achieving its purpose, Web site measurement and evaluation has an additional goal — seeking to calibrate the incremental movement of each individual toward a full relationship with the sponsoring company.

A strategic measurement system will need to segment prospects and customers into their respective place on the relationship-brand building continuum according to the depth of their relationship with the brand. An effective system will seek to calibrate how each type of customer feels toward the brand and how likely each is to be moved along the continuum toward a deeper relationship.

This need for measurement acknowledges the traditional model of marketing, which assumes people move through stages of interest in a brand (sometimes referred to as the AIDA approach, transitioning a prospect from Awareness, to Interest, to Desire, to Action), is still relevant.

The only difference on the Internet will be that the movement between stages can take place much more quickly. The need to accommodate the enhanced speed of relationship building on the Internet means that the speed that data about prospects and customers must be developed. A customer can move from neutral to satisfied to dissatisfied much more quickly via an Internet experience and, therefore, systems for measuring satisfaction must match the speed customers are changing their views toward brands.

The relevance of the traditional model should not be overlooked.

People will still need to develop a sense of trust about a brand and its Web presence before they will reveal data about themselves or share their credit card number. The branding power of a site relies on the ability to bring a customer back for repeated interactions, the degree of permission granted by the customer for ongoing dialogue, and the extent this access is being leveraged.

Once permission is granted, the marketer's chief goal is to expand the engagement. If done well, this elicits more trust, satisfaction, and loyalty from each customer.

At the turn of the last century, the owner of a general store knew his customers so intimately he could suggest specific products to meet their unique needs. Now, 100 years later, marketers have the opportunity to make that same personalized connection.

Companies that grasp the power of the Internet and its relationship building capability will discover an accelerated path to prosperity.

MARKETING AND THE INTERNET

1. *To demonstrate why the Internet is a valuable marketing tool*   The Internet is a global electronic superhighway of computer networks that is accessible to people worldwide. The World Wide Web is a way to access the Internet, whereby users see words, colorful charts, pictures, and video, and hear audio. In this chapter (and book), the terms are used interchangeably. E-marketing involves any marketing activity through the Internet. E-commerce refers to sales-generating Internet transactions. E-marketing is the broader concept, and it does not necessarily have sales as the primary goal.

Hundreds of millions of people around the globe are surfing the Web, a number that will soon reach 1 billion individuals. People surf the Internet for a variety of reasons other than shopping. For instance, they seek out entertainment, financial, sports, and news sites. They do product research. They "talk" to one another. They communicate with companies to register complaints and make suggestions. They send E-mails and greetings cards. Companies also surf the Web for a variety of reasons other than shopping. They check what competitors are doing. They read about industry trends and events. They communicate with suppliers. They exchange data among offices anywhere in the world. They monitor inventory. They survey customers. They analyze customer data bases.

E-marketing is evolving in three phases: (1) traditional bricks-and-mortar firms, (2) clicks-only Internet firms, and (3) bricks-and-clicks firms that combine the other two formats. Today, the trend is more toward bricks-and-clicks firms because they can appeal to multiple market segments, maximize customer contact points, leverage the strengths of each form of business, and enter into new alliances.

Companies can achieve various benefits from using the Internet in marketing. These include communicability, a focus/tailored approach, information, timeliness, cost efficiencies, dynamism/ flexibility, global possibilities, multimedia capabilities, interactivity, and sales.

2. *To explore the multifaceted potential marketing roles for the Internet*   The Web can serve multiple marketing roles. Each firm must determine which of these roles to pursue and how to

prioritize their importance: projecting an image, customer service, channel relations, purchasing and inventory management, information gathering and sharing, data-base development, mass customization (a process by which mass-market goods and services are individualized to satisfy a specific customer need, at a reasonable price), advertising and sales promotion, selling, and multichannel marketing.

3.   *To show how to develop an Internet marketing strategy*   A firm should adhere to a systematic process in forming a proper strategy. The six steps in the process relate to the basic components of an Internet marketing strategy. There are also four outside influences in making strategic decisions.

(1) Goal categories are set. Both quantitative and qualitative objectives should then be enumerated. (2) The target audience is identified and selected, and its desires studied. (3) Web site attributes are determined. However, the company must first decide whether to undertake all Web-related activities itself (insourcing) or to have specialized firms perform some or all Web-related activities for it (outsourcing). Second, the company must choose the scale of its Web presence, especially the importance of the Web site in its overall marketing strategy, the percent of the marketing budget for the Web site, and how the Web site is to be implemented. Then, Web site attributes (address name, home page, etc.) are ascertained.

(4) Internet-based marketing-mix decisions are made while developing the Web site, consistent with offline marketing decisions. (5) The strategy is implemented. Again, two factors affect a firm's ability to properly enact its strategy: security and channel relationships, and they must be dealt with well. Once the strategy is enacted, the firm must ensure that it runs smoothly. (6) The last step is to assess performance and make needed modifications.

4. *To illustrate how the Internet is being utilized to enhance marketing strategies*   Many firms are actively using the Web in their consumer analysis, product planning, distribution planning, promotion planning, and price planning. Several examples are noted.

5. *To consider the challenges of using the Internet in marketing and to forecast the future of E-marketing*   Some challenges are rather uncontrollable (such as slow-speed modems) and others are self-inflicted by companies. Attention must be paid to consumer shopping resistance, customer service, system breakdowns, site speed, connection costs, legal issues, privacy issues,

spamless communications, clutter, a workable business model, expectations of free services, integrating bricks-and-clicks operations, and global issues.

In the future, Internet usage will continue growing, with E-marketing being even more essential. Bricks-and-clicks firm will succeed best. High-speed connections will lead to more multimedia-rich Web sites. Business-to-business E-commerce will greatly outstrip business-to-consumer E-commerce.

John Graham, the president of a marketing consulting firm, says there are 16 principles that firms should review when considering use of the Internet. These are eleven of them:

- E-Commerce Is Not for Everyone
- The Web Does Not Stand Alone
- Traditional Marketing Channels Are Still Valid
- It's a Matter of Planning or Perish
- Look at the Web as Research
- All That Counts Is the Customer
- Let's Get Outside Ourselves
- If You See It, Don't Believe It
- Just Because It Works Doesn't Mean It's Right
- It's 24/7 for Everyone
- The Customer Is in Charge

These principles show that companies need to do a lot of homework before, during, and after going live on the Web. There are many challenges involved in using it successfully.

7-1   OVERVIEW

A.   The Internet, also known as "the Net," is a global electronic superhighway of computer networks in which users at one computer can get information from another computer. It is a public, cooperative, self-sustaining system accessible to people worldwide.

B.   The World Wide Web, also known as "the Web," comprises all of the resources and users on the Internet using the Hypertext Transfer Protocol. It is a way of accessing the Internet.

C. The Internet and the Web have somewhat different meanings but both relate to online activities. Throughout the text, the terms have the same connotation: online actions.

D. E-marketing includes any marketing activity conducted through the Internet, from customer analysis to marketing-mix components.

E. E-commerce refers to revenue-generating Internet transactions.

F. The Internet, due to its low costs, wide geographic reach, and many marketing roles, should be a key part of any firm's marketing strategy.

G. The true impact of the Internet relates to the multiple marketing tasks that can be undertaken, better and more efficiently—not to the level of sales revenues to be attained.

7-2   WHY THE INTERNET IS A VALUABLE TOOL IN MARKETING

A. Hundreds of millions of people around the globe are surfing the Web. See Table 7-1. By 2005, it is predicted that three-quarters of all U.S. households will be online.

7-2a   BRICKS-AND-MORTAR, CLICKS-ONLY, AND BRICKS-AND-CLICKS

A. E-marketing is evolving through the phases shown in Figure 7-1.

B. Bricks-and-mortar firms are traditional companies not involved with the Internet. They are likely to be small in size and scope.

C. Clicks-only firms do business just online. They don't have traditional facilities. Many entered the marketplace in the 1990s and often expanded too fast, resulting in going out of business. Still, there are thousands of these firms.

D. Bricks-and-clicks firms operate in both a traditional setting and on the Internet. Virtually all large retailers, as well as manufacturers, wholesalers, government organizations, nonprofit organizations, and others, have a Web presence.

7-2b   THE BENEFITS OF A COMPANY'S USING THE INTERNET IN MARKETING

A.   These are the benefits a firm may receive by going online (see Figure 7-4):

    1.   Communicability.

    2.   Focus/tailored approach.

    3.   Information.

    4.   Timeliness.

    5.   Cost efficiencies.

6. Dynamism/flexibility.

7. Global possibilities.

8. Multimedia capabilities.

9. Interactivity.

10. Sales.

7-3 <u>THE MULTIFACETED POTENTIAL MARKETING ROLES FOR THE INTERNET</u>

A. The Web has the potential to serve these multiple marketing roles (see Figure 7-5):

1. Projecting an image—This can be done through the site's design and the content presented. The example of Accenture (formerly Andersen Consulting) is given.

2. Customer service—The online service may supplement traditional service.

3. Channel relations—The Internet can help channel members to better each other, coordinate distribution strategies, smooth over conflicts, etc.

4. Purchasing and inventory management—The Web can save a lot of time in this area. Sprint was able to whittle down a list of 120 suppliers to 10 or 20 in hours when a paper trail took as long as two months.

5. Information gathering and sharing—Procter & Gamble, in a joint venture with Worldwide Magnifi, will offer for sale its 160 years of marketing know-how. Coca-Cola is one of its earliest customers.

6. Data-base development—Extensive marketing data bases will result from the online interaction between a company and its suppliers and customers.

7. Mass customization—This is a process by which mass-market goods and services are individualized to satisfy a specific customer need at a reasonable price. It is characterized by small volumes, competitive cost, timely deliveries, and more distributed production.

8. Advertising and sales promotion—A firm can use banner ads at portal sites, be listed at search engines, and present multimedia messages and special sales promotions at its own Web site. Staples is very vigorous in its approach.

9. Selling—A site's role isn't to just create a shopping experience, but also to develop and share with the consumer tools (such as product information, help guides, etc.) to make shopping a great experience. See Figure 7-6.

10. Multichannel marketing—Bricks-and-clicks firms engage in this, whereby they sell their products through more than one distribution format.

7-4 DEVELOPING AN INTERNET MARKETING STRATEGY

A. To best utilize the Internet in marketing, a firm should follow a systematic process in preparing and enacting the proper strategy. See Figure 7-7.

7-5 HOW THE INTERNET IS BEING APPLIED IN MARKETING STRATEGIES

7-5a CONSUMER ANALYSIS

A. Table 7-2 highlights consumer analysis research findings.

75-b PRODUCT PLANNING

A. Companies are taking varied approaches to the Internet.
1. Atomic Dog (the textbook publisher) is involved with Internet-driven texts and print versions of them. Its online texts feature high-tech graphics, animations, interactivity, and other attributes not in paper-based books.

2. Pillsbury's Web site allows people to download recipes that may require ingredients the firm markets. Many of the meal ideas don't even mention Pillsbury, which gives the company credibility with consumers.

7-5c DISTRIBUTION PLANNING

A. Some firms, such as Terry Precision Cycling, do little E-commerce business at their Web site.

B. J.C. Penney's Web site provides the company with its greatest sales growth. In 2000, online sales were $300 million. As of 2002, annual online sales are expected to reach $1 billion.

C.   A complex aspect of E-distribution involves business-to-business exchanges that connect sellers with potential buyers.

D.   A number of online firms, having faced distribution problems, are more apt to outsource delivery to such industry powerhouses as UPS, which has a significant Internet logistical presence. See Figure 7-9.

7-5d   PROMOTION PLANNING

A.   Due to the demise of some E-commerce firms, Internet-driven firms have scaled back on advertising efforts, particularly TV ads.

   1.   Print and online ads remain popular.

   2.   In-store kiosks have a role. See Figure 7-10.

   3.   Opt-in E-mail is rising rapidly in popularity.

B.   Companies new to Web-based promotion may turn to these two excellent resources from Wilson Internet Services:

   1.   "The Web Marketing Checklist: 27 Ways to Promote Your Site."

   2.   "How to Attract Visitors to Your Web Site."

7-5e   PRICE PLANNING

A.   Eighty percent of Internet shoppers comparison shop before buying and 46 percent visit 3 to 5 sites before making a purchase.

B.   Some firms set online prices similar to their offline prices and count on customer loyalty to stimulate business.

C.   Others, such as eBay and Priceline.com, appeal to people who like to price shop and get bargains.

D.   A number of firms use the Internet to sell close-out merchandise at deep discounts.

7-6   Current Challenges and Future Prospects for E-Marketing

7-6a   The Challenges of Using The Internet In Marketing

A.   Some challenges that marketers face are beyond their control (such as slow-speed modem connections), while others are self-inflicted (such as poor customer service).

B.   Following are general reasons why E-marketing can be difficult:

    1.   A company's corporate culture may be resistant to change.

    2.   Internet marketing may not capitalize on a firm's core competencies.

    3.   The proper roles for E-marketing may not be clear enough or realistic.

    4.   Web users may be demanding.

    5.   Some customers seek a personal touch.

    6.   Channel partners may be at odds.

    7.   Online and offline systems may be hard to navigate.

    8.   It may be hard to determine which Internet functions to insource and which to outsource.

    9.   Investment costs and ongoing expenses may be underestimated.

C.   The following are specific challenges related to marketing and the Internet:

    1.   Consumer resistance to online shopping.

        a.   Final consumers want personal contact, the immediacy of a purchase, and the ability to touch products before buying.

        b.   The online purchase process can be too cumbersome.

        c.   From a business perspective, most companies' existing suppliers are not yet on the Web. Moreover, purchasing managers are reluctant to learn how to use various Intranet and Internet sites.

    2.   Customer service.

        a.   Responses to customers' E-mail often are too slow.

        b.   Deliveries can be delayed.

        c.   Customers may not be notified of target delivery dates on out-of-stock items.

        d.   Many companies require customers to fill out electronic forms to contact a representative, but rarely offer a phone number.

3. System breakdowns.

   a. Most of these are due to the complexity of E-marketing with regard to the number of parties involved in a Web site, the amount of traffic on the Web, the number of links firms have at their sites, the use of multimedia, etc.

   b. Hackers may corrupt files, steal customer data, and be destructive in other ways.

4. Speed of site performance.

   a. Slow Internet connections bother both users and companies with Web sites.

   b. Users with dial-up connections must wait to log on every time they dial-up, face busy signals, and must endure long delays when photos or other multimedia tools are featured at the site.

   c. This challenge will be less daunting in the future with the advent of "always on" cable, DSL, and other high-speed connections. See Figure 7-11.

5. Internet connection costs.

   a. Costs will have to come down for more users to sign up.

6. Legal issues.

   a. Precedents often do not yet exist because of the newness of the use of the Internet in business.

   b. Company versus company issues may relate to disputes over copyrights, patents, and business practices.

   c. Government actions may relate to taxing items sold over the Internet, denying children access to undesirable sites, rules governing purchase terms and delivery dates, and protecting individuals' privacy.

7. Privacy issues.

a. Internet users are concerned with both what information is being requested at company Web sites and how that information is to be used.

b. Most people desire that the information they provide not be shared with other firms.

8. Communicating without spam (unsolicited and unwanted E-mail).

9. Clutter

a. It is tougher for any one company to be noticed and stand out due to the huge number of companies online.

b. Companies will have to keep up their promotion efforts.

10. Finding a workable business model.

a. Only a few Internet-based firms have earned a profit because of investing too much, expanding too fast, system breakdowns, and overestimation of how quickly people would buy on the Web.

11. Expectations of free services.

a. Thousands of Web sites allow free access to valuable resources – including newspapers, magazines, encyclopedias, software, consulting advice, etc.

b. Users therefore expect that these services will be free and bypass sites that charge a fee.

12. Integrating bricks-and-clicks operations.

a. Integrating offline and online strategies is not simple.

13. Global issues.

a. Cultural, language, currency, legal, and other differences among countries can impact on a firm seeking a global Internet strategy.

b. Global distribution is complex, so firms often need to outsource tasks.

7-6b   The Future of E-Marketing

A.   The overall impact of the Internet will be enormous, although the emphasis will be more on E-marketing rather than E-commerce.

B.   Bricks-and-clicks firms will outperform bricks-and-mortar firms and clicks-only firms.

C.   The growth of new high-speed transmission modes will allow more multimedia capabilities to be incorporated into company Web sites.

D.   Business-to-business E-commerce will far outstrip business-to-consumer E-commerce. See Figure 7-12.

CHAPTER 8

Advertising and Integrated Brand Promotion

Know what advertising and integrated brand promotion is and what they can do.

Because advertising has become so pervasive, it would be reasonable to expect that you might have your own working definition for this critical term. However, an informed perspective on advertising goes beyond what is obvious and can be seen on a daily basis. Advertising is distinctive and recognizable as a form of communication by its three essential elements: its paid sponsorship, its use of mass media, and its intent to persuade. An advertisement is a specific message that an advertiser has placed to persuade an audience. An advertising campaign is a series of ads and other promotional efforts with a common theme placed to persuade an audience over a specified period. Integrated brand promotion (IBP) is the use of many promotional tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference.

Discuss a basic model of advertising communication.

Advertising cannot be effective unless some form of communication takes place between the advertiser and the audience. However, advertising is about mass communication. Many models might be used to help explain how advertising works or does not work as a communication platform. The model introduced in this chapter features basic considerations such as the message-production process versus the message-reception process, and this model says that consumers create their own meanings when they interpret advertisements.

Describe the different ways of classifying audiences for advertising and IBP.

Although it is possible to provide a simple and clear definition of what advertising is, it is also true that advertising takes many forms and serves different purposes from one application to another. One way to appreciate the complexity and diversity of advertising is to classify it by audience category or by geographic focus. For example, advertising might be directed at households or government officials. Using another perspective, it can be global or local in its focus.

Explain the key roles of advertising and IBP as a business process.

Many different types of organizations use advertising to achieve their business purposes. For major multinational corporations, such as Procter & Gamble, and for smaller, more localized businesses, such as the San Diego Zoo, advertising is one part of a critical business process known as marketing. Advertising is one element of the marketing mix; the other key elements are the firm's products, their prices, and the distribution network. Advertising must work in conjunction with these other marketing mix elements if the organization's marketing objectives are to be achieved. It is important to recognize that of all the roles played by advertising in the marketing process, none is more important than contributing to building brand awareness and brand equity. Similarly, firms have turned to more diverse methods of communication beyond advertising that we have referred to as integrated brand promotion. That is, firms are using communication tools such as public relations, sponsorship, direct marketing, and sales promotion along with advertising to achieve communication goals.

Understand the concept of integrated brand promotion (IBP) and the role advertising plays in the process.

Integrated brand promotion (IBP) is the use of various promotional tools like event sponsorship, the Internet, public relations, and personal selling, along with advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference. When marketers use advertising in conjunction with other promotional tools, they create an integrated brand promotion that highlights brand features and value. Note that the word *coordinated* is central to this definition. Over the past 30 years, the advertising and promotion industry has evolved to recognize that integration and coordination of promotional elements is key to effective communication and lasting brand identity.

INTRODUCTORY SCENARIO:

This introductory scenario sets an important tone for student understanding of the changes taking place in advertising and IBP. And, it should strike some very responsive cords within the class! You will likely have students who have engaged in activities just like the scenario in the last 24 hours:

- Visited MySpace or Facebook

- Read a blog

- Order something from a Web site

- IMed their friends

- Sent to or received programming on their cell or iPod

- Seen an ad embedded in a video game

Here are the issues to highlight:

- Consumers, like your students, want to control their information flow and are turning away from mass media message reception which they cannot control

- Consumers trust information sources they believe they are controlling more than mass mediated messages

- Companies are struggling to find ways to incorporate messages into those more trusted media

I. **The World of Advertising and Integrated Brand Promotion**

   At this point, it is important to provide a perspective on advertising and IPB.

- Consumer preferences and technology are reshaping the commercial communication environment

- The lines between information, entertainment and advertising/IBP are blurring and this phenomenon is referred to as "Madison and Vine."

- Fundamentally, though, firms still use advertising and IPB to build brands in the marketplace.

Firms of all sizes benefit from using advertising and IBP tools.

Advertising is one tool in an overall integrated brand promotion effort (along with events, sponsorships, sales promotions, public relations, etc.).

Advertising and promotion do not guarantee success—8 out of 10 new products fail, Cadillac market share plummeted from 75 percent in the 1950s to about 9 percent by the end of the 1990s. Cadillac is reinventing the brand features, using new advertising and promotion now.

Despite the importance of advertising and IBP to firms, the average person has a hard time understanding and appreciating these processes:

Many people believe advertising deceives others—but not them, of course!

Many people think that those who work in advertising are morally bankrupt.

Advertising is often seen as hype, manipulation, or mind control.

At best, people may see advertising as informative, amusing, or occasionally hip.

The truth about advertising is that the reality lies squarely between the extremes:

It can be hard-hitting and informative or boring and ineffective.

It can be creative and entertaining or simply annoying and intrusive.

Highlight that advertising is anything but unimportant.

It plays a pivotal role in world commerce.

It affects the way people experience and live their lives.

It affects language and culture.

It is a complex communication and business process .

II. What Are Advertising and Integrated Brand Promotion?

It is important to start students out with clear definitions of the fundamental terms in the advertising process:

Advertising Defined: Advertising is a paid, mass-mediated attempt to persuade.

Paid means that a **client** or **sponsor** is involved. (PSAs are not ads technically)

Mass mediated means that the advertising is delivered through a communication medium like television, radio, newspapers, or new media like the Internet.

Attempt to persuade means that ads are designed to get somebody to believe and/or do something—such as like a brand and eventually buy that brand.

Integrated Brand Promotion Defined: Integrated Brand Promotion (IBP) is the process of using a wide range of promotional tools working together to create widespread brand exposure.

- IBP is a process
- IBP uses a wide ranges of tools including:

- Advertising

- Point of Purchase (in-store) materials

- Direct Marketing (catalogs, infomercials, email)

- Personal Selling

- Internet advertising

- Blogs

- Podcasting

- Event sponsorship

- Brand entertainment (product placement on TV shows, in movies)

- Outdoor signage/billboards

- Public relations

- Influencer (peer-to-peer) communications

- Corporate advertising

Advertisements, Advertising Campaigns, and Integrated Brand Promotion

- **Advertisement:** An advertisement refers to a specific message that an organization has placed to persuade an audience. Be sure to distinguish between widespread brand advertising, political advertising, and PSAs. Referring to Text Exhibits 1.4 through 1.6 is helpful here.

- **Advertising Campaign:** A series of coordinated advertisements and other promotional efforts that communicate a single theme or idea. (Highlight Altoids campaign ads in Exhibits 1.7-1.10)

A Focus on Advertising

It is extremely important to clarify for students that advertising is an enormously important part of IBP and will be the central focus until Part Five of the text when other IBP tools will be discussed specifically.

III. Advertising as a Communications Process

Advertising is fundamental to life itself, and advertising is a commercial form of communication. To understand advertising, you must understand something about communication in general.

A. A Model of Mass-Mediated Communication

A simple model of mass-mediated communication is presented in Exhibit 1.11. This contemporary model shows that communication has two major components: production and reception with these components mediated by consumers' accommodation and negotiation of the communication content. Rather than focus on every detail of this model, it is more useful to focus on the major *process* aspects:

- *Production:* Content of a mass communication is produced by institutions—corporations, ad agencies, government—and appears as a message in mass media.

- *Reception:* The audience interprets an ad according to social networks—family, friends, and peers. Interpretation creates meaning for an ad. It is important to recognize that the content that the advertiser puts into a message is not necessarily the same as the meaning an audience takes from a message.

- *Accommodation and Negotiation:* Production and reception are partially independent but subject to mediation and interpretation—producers of the message cannot control reception or interpretation. No ad contains a single meaning for all audience members, as the Diet Coke break example in the text shows. Exhibit 1.12 highlights this point.

IV. The Audiences for Advertising

An **audience** is a group of individuals who receives and interprets messages from advertisers through mass media. A **target audience** is a particular group of consumers singled out for a specific message carried in advertising.

A. Audience Categories
- **Household consumers:** Individuals who buy and use products for personal use. They are the largest audience for advertising—over 111 million households and

nearly 300 million people with total retail spending by households in the United States at about $5.0 trillion.

- **Members of business organizations:** Firms that buy and use products to make or resell other products.

- **Members of a trade channel:** Retailers, wholesalers, and distributors are responsible for distributing and selling goods to business organizations and household consumers.

- **Professionals:** Any professional—like a doctor, lawyer, or teacher—who has special training or certification. Professionals merit special communications.

- **Government officials and employees:** Members of federal, state, or local governments warrant special communications because of the large volume of business they do with organizations.

B. Audience Geography

- **Global advertising:** Advertising that uses a *common theme* and presentation in all markets around the world. It is rare for a brand to have universal cultural appeal, but when it does, global advertising can be used. As the global issues box details, many firms such as Motorola are working on developing a global image today.

- **International advertising:** An advertiser prepares and places *different* advertising (this is the key distinction from global advertising) in each different national market where a brand is sold.

- **National advertising:** Advertising that reaches all geographic areas of a nation. National typically refers to U.S. advertising.

- **Regional advertising:** Advertising concentrated in a particular geographic region of a nation.

- **Local advertising:** Advertising directed at a single trading area, typically a city or state. A particular form of local advertising is known as **cooperative or co-op**

advertising in which national advertisers share advertising expenses with local advertisers. Intel, Sony, and Chevrolet invest heavily in co-op advertising.

V. Advertising as a Business Process

A. The Role of Advertising in Marketing

Advertising is a business process, with an important role in a firm's marketing and brand promotion effort. An integrated approach can be the key in the success of a brand. The role of advertising in marketing relates to four important decision-making areas in marketing:

1. The Role of Advertising in the Marketing Mix

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

The **marketing mix** refers to the four primary areas of decision making in marketing—product, price, promotion, and distribution (or place). Advertising, as part of promotion, plays an important role in bringing the marketing mix decision to life in the market. Advertising can communicate the *value* created for consumers by the product, price, and distribution strategies of the organization. (reference Exhibit 1.18 here)

2. The Role of Advertising in Brand Management

A **brand** is a name, term, sign, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. Advertising plays a critical role in brand development and integrated brand management (IBM). In many ways, a brand is a firm's most precious asset. The most valuable brand in the world is Coca-Cola, which is valued at $65.32 billion (from Exhibit 1.19). Effective advertising is a competitive advantage for a brand. Advertising affects brand development and management in five important ways:

- **Information and persuasion:** Advertising informs and persuades target audiences about the values a brand has to offer.

- **Introduction of a new brand or brand extensions:** A **brand extension** is an adaptation of an existing brand to a new product area. Advertising is essential to inform consumers about the extension. In addition, advertising aids in obtaining cooperation in the trade channel with wholesalers and retailers.

- **Building and maintaining brand loyalty among consumers: Brand loyalty** occurs when a consumer repeatedly purchases the same brand to the exclusion of competitor's brands. Brand loyalty can result from habit, attachment, reminder by advertising, incentive from promotions, or tailored communication in direct marketing. **Brand equity** is developed when a firm creates and maintains positive associations with the brand in the minds of consumers.

- **Creating an image and meaning for the brand:** Advertising can communicate how a brand meets certain needs and desires and therefore plays an important role in attracting consumers to brands they find useful and satisfying.

- **Building and maintaining brand loyalty within the trade channel:** Advertising and integrated promotions can influence brand preferences in wholesalers and retailers. Marketers can provide training, point-of-purchase advertising displays, and traffic-building events as well as discount pricing and premiums (gifts).

3. **Advertising's Role in Market Segmentation, Differentiation, and Positioning.**

   Advertising is critical to segmentation, differentiation, and positioning strategies:

   - **Market segmentation:** Breaking down a large, diverse market into segments that are more homogeneous.

   - **Differentiation:** Creating a perceived difference between an organization's brand and that of the competition in the mind of an audience.

   - **Positioning:** Designing a product or service so that it can occupy a distinct place in the target audience's mind.

     —**External position:** Competitive niche the brand will occupy.

     —**Internal position:** Position of a brand within the firm's own line of products.

4. **Advertising's Role in Revenue and Profit Generation**

This is a VERY important discussion that is somewhat complex for students. Advertising is just about spending money. Both top-line revenue and bottom-line profit can be positively affected.

- Advertising communicates the value of the brand created by the marketing mix and contributes to revenue generation—people like the brand, people buy the brand.

- Profits are affected by **economies of scale:** high-volume sales result in high-volume production, which lowers the unit cost of each item sold. Advertising demand stimulation contributes to high-volume production.

- Profits are affected by **brand loyalty:** consumer preference for and repeat purchase of a brand to the exclusion of competitors' brands. Brand loyalty results in **inelasticity of demand,** whereby consumers are willing to pay more for the brand they prefer (or accommodate price increases). Advertising affects both brand loyalty and inelasticity.

Advertising can be used to create customer satisfaction.

- Advertising can influence social meaning, trends and norms, and cultural identification.

B. **Types of Advertising**

- **Primary demand stimulation:** Stimulating demand for an entire product category is a type of advertising most appropriately used by trade associations. **A key and very essential point here:** Primary demand stimulation is *only* a possibility in new product categories—currently this would be products like PDAs or TiVo type DVRs. There is **no** evidence—scientific or anecdotal—that advertising can affect primary demand in mature product categories. In fact, there are decades of economic and marketing research to the contrary. Both the "Got Milk?" campaign and the California Almond Growers campaign are examples of failures to create primary demand in mature product categories. It is important to dispel this myth about the power of advertising among students.

- **Selective demand stimulation:** Promoting the value of a particular brand compared to competition. The true power of advertising lies here.

- **Direct response advertising:** Advertising that asks an audience to take immediate action.

- **Delayed response advertising:** Advertising that uses imagery and emphasizes brand features to build demand and loyalty over the long term.

- **Corporate advertising vs. brand advertising: Corporate advertising** does not focus on a single brand but promotes the company as a whole. **Brand advertising** focuses on a single brand and specific features and values of that brand.

1. **The Economic Effects of Advertising**

    a. **Advertising's Effect on Gross Domestic Product.** As advertising stimulates the economy and helps ensure the success of new products, consumer spending rises and affects **gross domestic product (GDP)**, which is a measure of the total value of goods and services produced within an economic system.

    b. **Advertising's Effect on Business Cycles.** Advertising, through demand stimulation, can have a stabilizing effect on downturns in business cycles.

    c. **Advertising's Effect on Competition.** Advertising can stimulate greater competition as firms strive to develop innovative products to advertise. Large advertising expenditures, though, can act as barriers to entry in a market.

    d. **Advertising's Effect on Prices.** Advertising expenditures average only about 2-4 percent of sales across all industries (refer to Exhibit 1.33 here), and demand stimulation (which affects economies of scale) can lower the unit cost of production. There is no consistent and predictable relationship among advertising, spending, and sales. Different products and different market conditions dictate that firms spend different amounts of money on advertising.

2. **Advertising's Effect on Value. Value** refers to consumer perception that a product or service delivers satisfaction beyond the cost incurred to acquire the product or service. **Symbolic value** is the meaning a brand has in a nonliteral way. **Social meaning** refers to what a product or service means in a social context.

VI. From Integrated Marketing Communications to Integrated Brand Promotion

We must recognize and appreciate that advertising is only one of many promotional tools a marketer can use to communicate about a brand. **Integrated marketing communications (IMC)** is an old notion about the process of using promotional tools in a unified way so that a synergistic communications effect is created. In an era of targeted communications and new media, organizations are relying on a broad range of communications tools. This mixing of various promotional tools has been a hot topic for the last 30 years.

Today, however, **Integrated Brand Promotions (IBP)** is the focus of promotional efforts for firms. IBP involves the use of various promotional tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference. The coordination is key to maintaining a clear brand image in the mind of consumers. IBP emphasizes that coordinated messages must have brand-building effects, not just communications effects.

SOLUTIONS TO END OF CHAPTER QUESTIONS

1. As consumers exercise ever greater individual control over when and how they receive information, how are advertisers adapting their messages? What is the role, if any, for traditional media outlets in this new environment?

After decades of focusing on traditional media sources such as television, radio, and newspapers to reach consumers, the rapid growth of the Internet and other evolving technologies have forced advertisers to find new ways to reach consumers. Some examples include the use of consumer-interest blogs, embedded advertising in video games, and event sponsorship. The traditional media outlets still play a dominant role, but it is one that is expected to continue to shift as those industries struggle against circulation and viewership declines.

2. What does it mean when we say that advertising is intended to persuade? How do different ads persuade in different ways?

An attempt at persuasion is one of the defining characteristics of all advertising. Advertising is a form of (persuasive) communication designed with the goal of getting customers to seek out and/or buy a specific product or service. Given this general goal, ads can be persuasive in

many different ways. For example, ads are persuasive when they provide relevant information that convinces the consumer of a brand's unique benefits. Ads are also persuasive when they generate brand interest that leads the consumer to search for more information about a particular product or service.

3. Explain the differences among regional advertising, local advertising, and cooperative advertising. *What would you look for in an ad to identify it as a cooperative ad?*

   Regional advertising refers to a concentrated ad campaign in a particular geographic region (e.g., New England). Local advertising is even more focused and often targets a specific metropolitan area. Cooperative advertising is a joint venture involving more than one firm. Manufacturers and their retailers often pursue cooperative advertising. This form of advertising is easily identified by the joint presence of a manufacturer's brand and a retailer's store location in the ad.

4. How do the goals of direct response versus delayed response advertising differ? How would you explain marketers' growing interest in direct response advertising?

   Direct response advertising always features an immediate call for action from the consumer. Delayed response advertising is designed to shape brand preferences in such a way that at some future time the consumer's brand choices will be affected. In recent years, marketers have become especially interested in assessing the productivity of advertising spending. Because direct response advertising is designed to yield immediate action, it is much easier to quantify the impact and gauge relative productivity of direct response advertising. This feature explains its growing popularity.

5. Differentiate between global advertising and international advertising. Do you think consumers in foreign markets would feel the same rock and roll nostalgia for GM's Led-Zeppelin-fueled Cadillac commercials as do American consumers? Why or why not?

   Global advertising uses a common theme and presentation in all markets around the world. A brand must have universal cultural appeal to use global advertising. In international advertising, an advertiser prepares and places different advertising in each different national market where a brand is sold. Cadillac ads featuring Led Zeppelin would not likely evoke the

same nostalgic feelings in consumers overseas as they do for American car buyers. Rock and roll is still very much an American phenomenon—especially rock music from the 1970s.

6. How does advertising effect brand management and development? If building brand loyalty is one goal, can you identify several examples of businesses that have successfully used advertising campaigns to create strong brand equity?

Advertising can effect brand development and management across these five critical areas: providing information to and persuading consumers, introducing new brands or brand extensions, building and maintaining consumer brand loyalty, building and maintaining trade brand loyalty, and create a brand's image and meaning. Businesses are considered to have established strong brand equity when they are able to create and sustain positive brand association in the minds of consumers over time. Some common household examples could include Kleenex, Ivory soap, Campbell's soup, or Smuckers jelly.

7. If a firm developed a new line of athletic shoes, priced them competitively, and distributed them in appropriate retail shops, would there be any need for advertising? Is advertising really needed for a good product that is priced right?

Most of today's "monster brands" had humble beginnings that included little or no budget for advertising and promotion. Without advertising, the marketer depends entirely on favorable word-of-mouth about his or her brand. This typically means slow acceptance of the new product or service. Moreover, if the new brand must compete with existing brands making effective use of advertising, the new brand will be at a severe disadvantage without any budget for advertising or some other form of promotion.

8. Many companies now spend millions of dollars to sponsor and have their names associated with events like stock-car races or rock concerts. Do these event sponsorships fit the definition for advertising given in this chapter?

Take Budweiser as an example. Bud's sponsorship of rock concerts and sporting events certainly comes at a significant cost. These events provide Budweiser with access to a large audience and Budweiser pays for this exposure as a way to build preference for its brands. Anheuser-Busch sponsors these events with a clear intent to persuade a mass audience. Hence, event sponsorship is a paid, mass-mediated attempt to persuade. Although it may be

valuable to think of event sponsorship as a special form of advertising, we think of it as advertising nonetheless.

9. How does the process of market segmentation lead an organization to spend its advertising dollars more efficiently and more effectively?

Market segmentation has important implications for advertising efficiencies and effectiveness. Careful selection of a target market will help in choosing media vehicles that are more likely to reach just the target. This promotes advertising efficiencies. In addition, with a specific target in mind, it is much easier to create messages that will engage the message receiver. This contributes substantially to advertising effectiveness.

10. What is the concept of integrated brand promotion (IBP)? How are IBP and advertising related? And how is IBP distinct from the advertising industry's prior emphasis on Integrated Marketing Communications, or IMC?

IBP is the use of various promotional tools, including advertising, in a coordinated manner to build and maintain brand awareness, identity, and preference. The coordination is key to maintain a clear brand image in the minds of consumers. Advertising is a component of the coordinated promotion effort to develop strong brands. Instead of focusing narrowly on the importance of coordinated communications and messages, as in IMC, integrated brand promotion instead emphasizes broader efforts to build brand awareness.

SOLUTIONS TO EXPERIENTIAL EXERCISES

1. In this chapter, audiences for advertising were divided into five broad categories. For each, find one ad that appears to be targeted to members of that audience. Analyze the message and style of each ad and determine whether the message seems effective, given the intended audience category. Was the ad effective or ineffective? Did you have difficulty locating an ad for any specific audience category? If so, explain why you think that might have occurred and what it reveals about the nature and methods of advertising to that audience category.

Students should find ads for each of the categories listed below and describe how the ad targets the audience.

Household consumers: Individuals who buy and use products for personal use. They are the largest audience for advertising; total retail spending by households in the United States is $3.4 trillion.

Members of business organizations: Firms that buy and use products to make or resell other products.

Members of a trade channel: Retailers, wholesalers, and distributors are responsible for distributing and selling goods to business organizations and household consumers.

Professionals: Any professional—like a doctor, lawyer, or teacher—who has special training or certification. Professionals merit special communications.

Government officials and employees: Members of federal, state, or local governments warrant special communications because of the large volume of business they do with organizations.

Students should be able to find good examples from consumer magazines and business publications. Professional and government ads will be more difficult to find. Students should have little difficulty in describing the purpose of each. They may consult the text for help. Students, however, are asked to supply their own personal evaluation.

2. Very few advertisements or brands have the same appeal to all consumers worldwide. (Think about GM's decision to beef up Cadillac's image with "Rock and Roll" from Led Zeppelin; how would that have gone over in foreign markets?) Advertisers must therefore strategically place ads based on geographic regions. List four favorite products or brands that you use in your everyday life. For each, decide whether it is appropriate to advertise the product at the global, international, national, regional, local, or cooperative level. Explain your answer.

    This exercise will help students realize that there are many factors that determine the appropriate way to advertise a product. Not all advertising must simply relay brand features in order to communicate value. The key experience here is for students to come away with a sense of the factors that determine what type of advertising is appropriate.

3. Cellular telephones and wireless computing products are nearly ubiquitous now in American life. In some ways, any one phone or service provider is seen not so much as a brand but as an unmarked commodity. But there are important exceptions. Consider the intense media attention and consumer interest that surrounded the release of Apple's iPhone and AT&T's exclusive contract to provide cellular service to the new phone. Providing examples from current campaigns, describe how advertising has affected value related to cellular services or products. Contrast that with the iPhone release. How did advertising and integrated brand promotion influence symbolic value and social meaning related to the new product?

   Advertising influences the symbolic value that consumers attach to a given brand or product, conveying distinct messages about social-class connections or status. In the case of cellular telephone purchases, one provider might promote the value notion that a consumer is getting a good deal by providing a basic phone at little or no cost in exchange for a year- or two-year service contract. Then what explains the instant popularity of the $500 iPhone? Students should recognize here the lesson that every object takes on meaning from society and popular culture. When consumers perceive greater social value in a brand, they are more likely to pay a premium for that brand or product.

4. Working in small groups, imagine that you have been hired to create an advertising strategy for the release of a new line of basketball shoes produced by the athletic apparel maker Under Armour. The Maryland-based business has seen rapid growth in recent years, but it is not considered to be the same kind of globally-recognized brand as Nike or Addidas. Beyond the central advertising campaign for the new shoe line, what tools would your team recommend employing to achieve integrated brand promotion? Explain how you would coordinate those efforts to ensure maximum effectiveness.

   Students should demonstrate a full understanding of the various tools available for integrated brand promotion, from event sponsorship to direct marketing to billboards and blogs. The team reports also should reflect an understanding of the role advertising plays *within* IBP and the importance of ensuring that whatever techniques are employed, they work smoothly together to create a consistent and compelling message.

CHAPTER 9

Adapting Marketing To The New Economy

Overview

The New Economy presents many new challenges and opportunities for the marketer. The most important point is that the New Economy assuredly places the customer more firmly in the driver's seat for decisions on her/his product and service choices (customization and customerization). In addition, there have been and will be many changes in business and marketing practices as both consumers and businesses have virtual and real-time access to literally millions of products, offers, options, prices, people, competitors, and sources of information that did not exist until recent years. As a result, the marketing mix will change as marketers and firms identify new uses for intangible assets and effective customer relationship management that is more than a marketing term. We can assume that this increasingly rapid growth and rate of change will continue, and despite the dot-com bust, recession, and other major social, political, and economic adjustments, the Internet and the New Economy have changed marketers and marketing for the long-term future.

Many specific areas of marketing also will feel the sting of change. Marketing channels are becoming increasingly direct, as customers control the time and place of contact. International marketing is becoming more localized as the marketing images from one region can quickly be identified and utilized in other regions. Information dissemination capability, despite virtual overload, is bringing massive changes to advertisers, competitors, suppliers, and other stakeholders, with only the most customer-aware and market-aware players surviving. Marketers who take for granted their past images, market positions, and channel positions can and often do find themselves on the outside looking in rather than the inside looking out.

Database marketing continues to be an important element in the New Economy marketing process, placing even more responsibility on marketers to ensure that data is accurate, up-to-date, and nonintrusive. Marketers have higher levels of responsibility for abuses that have occurred in direct marketing over the last few years. Despite the potential for online and direct marketing, the controversy associated with direct marketing continues. There are issues of concern regarding irritation, unfairness, deception, and fraud, and increasingly the invasion of privacy.

Internal monitoring between marketers is all that stands between unfettered growth of the Internet, e-marketing, direct marketing, and eventual government control of the Internet.

As band-width (broadband) capabilities increase, the level of marketing detail and quality adds the potential for "remote marketing" that brings the world closer to true 24/7 marketing, limited only by the creativity and integrity of marketers. The job/career options for marketers will likely reach new levels in coming years, but it is important not to ignore the basics of marketing and constantly to observe the consumer and changing consumer lifestyle directions and patterns from a global perspective.

Learning Objectives

After reading the chapter the student should understand:

- The major forces driving the New Economy

- How business and marketing practices change as a result of the New Economy

- How marketers use the Internet, customer databases, and customer relationship management in the New Economy

Chapter Outline

I.   Introduction

      A.   Hybrid nature of forces in the new economy

      B.   Subcontracting and outsourcing, retain core, benchmarking, partnering, interdepartment teaming, develop new advantages, market intangibles, information, customer grouping versus products

      C.   Old economy marketing around, but more on relationships and information in new economy marketing

II.   Major drivers of the new economy

      A.   Generally, technology, globalization, and market deregulation

      B.   Specific drivers that underpin the new economy:

            1.   Digitalization and connectivity

            2.   Disintermediation and reintermediation

            3.   Customization and customerization

4. Industry convergence

5. Industry boundaries are blurring rapidly

6. Examples include Kodak (chemicals to electronics), Shiseido (cosmetics to dermatology drugs), Disney (cartoons and theme parks to major films, licensing, retail stores, hotels, cruise ships, and educational facilities)

7. Recognition that new opportunities may be at the intersection of two or more industries

III. How business practices are changing

A. Old economy business beliefs

1. Organize by product units, focus on profitable transactions, focus on shareholders, only marketing does the marketing, build brands through advertising

2. Focus on customer acquisition, no customer satisfaction measurement, overpromise, underdeliver

B. New economy business beliefs

1. Marketing should build brands through behavior that

a) Focuses on customer retention and growth

b) Measures customer satisfaction and retention rates

c) Organizes by customer segments

d) Focuses on customer lifetime value

e) Focuses on marketing scorecard (along with financial scorecard)

f) Focuses on stakeholders

g) Underpromises

h) Overdelivers

i) Moves from no customer satisfaction measurement to in-depth customer satisfaction measurement

C.   New hybrid

    1.   Most companies are a hybrid of the old and the new economies. They retain skills and competencies that worked in the past but add new understandings and competencies

    2.   The marketplace today is made up of traditional consumers (who don't buy online), cyberconsumers (who mostly buy online), and hybrid consumers (who do both)

IV.   How marketing practices are changing: e-business

A.   Definitions: e-business, e-commerce, e-purchasing, e-marketing

B.   E-Business and e-vcommerce take place over four major internet domains: B2C (business to consumer), B2B (business to business), C2C (consumers to consumers), and C2B (consumers to businesses).

    1.   B2C (business to consumer)

        a)   Target the right customers

        b)   Own the customer's total experience

        c)   Streamline business processes that impact the customer

        d)   Provide a 360-degree view of the customer relationship

        e)   Let customers help themselves

        f)   Help customers do their jobs

        g)   Deliver personalized service

        h)   Foster community.

        i)   Internet is less useful for products that must be touched or examined in advance.

        j)   Note: cluetrain manifesto—companies are too bureaucratic, too artificial, too manipulative, too given to one-way rhetoric. Companies that don't recognize that today's markets are conversations are destined to flounde.

    2.   B2B (business to business)

        a)   10–15 times the volume of B2C

        b)   Auction sites, spot exchanges, online product catalogs, barter sites, and so on

        c)   Lowering invoice costs from $100 to $20

        d)   Buying alliances

        e)   Efficiencies based on use of supplier Web sites, infomediaries, market makers, and customer communities, with the result that pricing is much more transparent

C.   C2C (consumer to consumer)

    1.   Share information (word of web) growing

    2.   eBay, Agriculture.com, WebMD

D.   C2B (consumer to business)

    1.   Offering call-in, customer service

    2.   Need for faster, better response

    3.   Newsletters, special promotions (based on purchasing history), other reminders

    4.   Pure-click versus brick-and-click companies

    5.   Pure-click companies

    6.   Web site without prior experience as a firm

    7.   Search engines, ISPs, commerce, transaction, content and enabler sites

E.   Dot-coms failed for a variety of reasons

    1.   Rushed to market without proper research or planning, poorly designed Web sites, complexity, poor navigation, and downtime

    2.   Lacked adequate infrastructures for shipping on time and for answering customer inquiries. Believed that first company entering a category would win category leadership

    3.   Wanted to exploit network economics—the value of a network to each of its members is proportional to the number of other users (Metcalfe's Law)

4. Some rushed to the market in the hope of launching an initial public offering (IPO) while the market was hot

5. But, many pure-click dot-coms are surviving and even prospering

6. Others are showing losses today, but their business plans are fundamentally good. Consider Earthlink.com.

V. How marketing practices are changing: setting up web sites

A. Companies need to Move into E-marketing and E-purchasing

1. How can we use marketing to spread word-of-mouth?

2. How can we convert visitors into repeaters?

3. How do we make our Web site more experiential and real?

4. How can we build a strong relationship with our customers?

5. How can we build a customer community?

6. How can we capture and exploit customer data for up-selling and cross-selling?

7. How much should we spend on building and marketing our Web site?

8. How do we choose the right sites for placing our ads or sponsorship?

9. How can we coordinate our online commerce and store sales and service?

10. How much will our retail operations be hurt by our online sales and by other e-tailers?

11. Should the site be set up inside or outside of the company?

12. How do we get management buy-in and funding?

13. How can we fight price pressure and price transparency on the Internet?

VI. Designing an attractive web site

A. Attractive on first viewing; interesting enough to encourage repeat visits

B. Early text-based web sites replaced by sophisticated sites that provide text, sound, and animation. examples:

▪ Context: layout and design

▪ Content: text, pictures, sound, and video the Web site contains

- Community: how the site enables user-to-user communication
- Customization: site's ability to tailor itself to different users or to allow users to personalize the web site
- Communication: how the site enables site-to-user, user-to-site, or two-way communication
- Commerce: site's capabilities to enable commercial transactions
- Context factors
- Content factors
- Getting feedback
- Placing ads and promotion online
- Banner ads and small boxes containing text and perhaps a picture are the most basis
- Building a revenue and profit model. The company's revenue stream may come from several sources:
  - Advertising income
  - Sponsorship income
  - Alliance income
  - Membership and subscription income
  - Profile income
  - Product and service sales income
  - Transaction commissions and fees
  - Market research/information
  - Referral income

VII. How marketing practices are changing: customer relationship marketing

    A. Customer relationship marketing and database marketing (CRM)

        1. Enable companies to provide excellent real-time customer service by developing a relationship with each valued customer through the effective use of individual account information

2. Based on customer attributes, companies can customize market offerings, services, programs, messages, and media

3. Reduces the rate of customer defection

4. Increases the longevity of the customer relationship

5. Enhances the growth potential of each customer through "share of wallet," cross-selling, and up-selling

6. Makes low-profit customers more profitable or terminates them

7. Focuses disproportionate effort on high value customers

B. Note differences in mass marketing versus one-to-one marketing

Mass Marketing	One-to-One Marketing
Average customer	Individual customer
Customer anonymity	Customer profile
Standard product	Customized market offering
Mass production	Customized production
Mass distribution	Individualized distribution
Mass advertising	Individualized message
Mass promotion	Individualized incentives
One-way message	Two-way messages
Economies of scale	Economies of scope
Share of market	Share of customer
All customers	Profitable customers
Customer attraction	Customer retention
	Other considerations:
	ct with individual customers to improve knowledge of their individual needs and to build stronger relationships
	omize products, services, and messages to

	each customer
	Customer databases and database marketing

VIII. Data warehouses and datamining

    A. Capturing information every time a customer comes into contact with any of its departments

        1. The touch points include a customer purchase, a customer-requested service call, an online query, or a mail-in rebate card. These data are collected by the company's contact center and organized into a data warehouse. Company personnel can capture, query, and analyze the data

        2. Inferences can be drawn about an individual customer's needs and responses

        3. Telemarketers can respond to customer inquiries based on a total picture of the customer relationship

    B. Companies can use their databases in five ways

        1. Identify prospects

        2. Decide which customers should receive a particular offer

        3. To deepen customer loyalty

        4. To reactivate customer purchases

        5. To avoid serious customer mistakes

IX. Downside of database marketing

    A. Good and bad sides—three problems can deter a firm from effectively using CRM:

        1. Requires a large investment in computer hardware, database software, analytical programs, communication links, and skilled personnel. Building a customer database not be worthwhile

           a) When the product is a once in a-lifetime purchase (e.g., a grand piano)

b) When customers show little loyalty to a brand (e.g., there is lots of customer churn)

c) When the unit sale is very small (e.g., a candy bar)

d) When the cost of gathering information is too high

2. The second problem is the difficulty of getting everyone in the company to be customer-oriented and to use the available information. It's easier to carry on traditional transaction marketing

3. The third problem is that not all customers want a relationship with the company and resent collected utilization of personal information

B. Marketers must be concerned about customer attitudes toward privacy and security

1. European countries in particular do not look favorably upon database marketing.

2. Database marketing is not for everyone

a) Most frequently used by business marketers and service providers (hotels, banks, and airlines) that normally and easily collect a lot of customer data.

b) It is used less often by packaged-goods retailers and consumer-packaged-goods companies, though some companies (Kraft, Quaker Oats, Ralston Purina, and Nabisco) have built databases for certain brands

c) 70 percent of firms found little or no improvement through CRM implementation

3. All this points to the need for each company to determine how much to invest in building and using database marketing to conduct its customer relationships

4. The growth and benefits of direct marketing—direct marketing is an interactive building process (direct relationship marketing).

Lecture—E-Marketing and the Airlines

Introduction

Following the dismal earnings during the last four months of 2001, U.S. airlines scrambled to fill their seats, and many relied on e-marketing to drum up business, improve customer service, and keep a lid on costs.

The crisis of September 11 and after, forced airlines to obtain the greatest possible value out of their information technology and e-marketing systems. These systems were never pushed to perform like they were after September 11. As the president of Continental Airlines noted: "We're living on our systems and our people right now." As consumers postponed flights and businesses restricted travel, the airlines attempted to enhance scheduling and revenue-management systems to control costs and maximize revenue. At the same time, the airlines also accelerated planned e-marketing, Web-site, and customer-service initiatives to keep profitable customers happy and recruit new ones.

Background

The nine largest airlines in the United States collectively reported net losses of $2.43 billion for the third quarter of 2001 and operating losses of $3.65 billion for the same period. Before September 11, industry analysts were forecasting that U.S. airlines would have about $2 billion in losses, but after September 11 they predicted losses for the fourth quarter alone of $3 to 4 billion. Boeing planned to deliver as many as 520 new aircraft during 2002, and that number dropped to around 400. Southwest Airlines said it filled only 63.7 percent of its seats in October 2001, compared with 70 percent in October 2000. Northwest Airlines's load factor fell to 66.3 percent from 75.2 percent, and United Airlines's was down 7.7 percent to 63.4 percent.

United reported the worst results in its history, with $542 million in net losses, after taking in half of the government's $5 billion bailout for the third quarter. Air Canada announced it may sell its very successful regional aircraft manufacturing division to erase some of its $6.3 billion debt. Lastly, America West announced it was losing about $2 million a day.

The steep losses forced carriers to rethink some long-planned initiatives. Southwest had for months been planning to start service to Virginia's Norfolk International Airport on October 7, and had ordered aircraft from Boeing to support the new route. However, after the September 11

attacks Southwest deferred its shipment from Boeing and instead redirected some of its existing planes to Norfolk.

Post September 11, 2001, Marketing

Soon after the attacks, Southwest executives spent a weekend analyzing data in the airline's scheduling and logistics systems to figure out where pilots, crew, and aircraft had ended up after the mandatory grounding. Then they repositioned them as new flight trends emerged. Accordingly, they had to make various marketing decisions that the interactive marketing system enabled them to accomplish quickly.

Meanwhile, as schedules changed, airlines relied on revenue-management systems to analyze timetables, capacity, and passenger demand to determine ticket prices that maximize revenue. In boom times, if certain flights lost money, profitable flights could make up the difference. Now, every dollar on every flight counted.

Before September 11, air traffic was predictable, and airlines typically stored three years' worth of data to project future business. But the attacks have made it all but impossible to estimate how many ticketed passengers would show up. "Yield management basically went out the window," an airline executive said.

In the weeks after the attacks, revenue-management analysts adjusted the predictive models to assume that customers who bought tickets after September 11 would fly; those who purchased tickets before September 11 were less likely. That let airlines sell more tickets without fear of overbooking.

At Frontier Airlines Inc., the terrorist attacks hurt demand for flights in and out of Boston, New York, and Washington, D.C., worse than those in the western United States. Frontier adjusted its system in the east to use different models to predict demand and no-shows for each flight. For many airlines, revenue-management systems were the lifeline that determined whether they would stay in business.

Thirty-five airlines use Sabre's AirMax revenue-management system, which combines data on fares that all airlines offer with a particular flight schedule to calculate ticket prices. After September 11, Sabre reprogrammed the system to reflect fluctuating demand and the fact that business travel rebounded faster than leisure travel.

Earlier in 2001, Continental Airlines rolled out marketing and financial applications packages that interacted with the other IT systems to provide key details about overall performance. Airline managers were able to analyze the profit of any flight on any given day. Before the attacks, Continental was shifting from monthly to weekly financial reviews. Following September 11, however, executives began to review the data daily to spot trends and change schedules more quickly to maximize revenue.

Many airlines also ramped up customer service and e-marketing projects. For example:

- Alaska Airlines worked around the clock to launch an automated phone system on September 19, two months ahead of schedule. They utilized PAR3 Communications software to automatically call passengers to inform them of schedule changes and ask whether they intend to keep their reservations. Alaska Airlines sent more than 100,000 alerts to customers, freeing reservations staff to book new flights.

- Southwest Airlines began targeting its frequent flyers with an e-marketing campaign. They receive "featured destination" e-mails that highlight certain cities and include hotel and car rental rates, along with a list of places to visit. The goal was simple: Get people back in the air.

- United Airlines focused on frequent fliers. In the past, when a top-tier mileage member called to book a seat on a sold-out flight, he or she was turned away. Now, United reservations agents can view revenue-management data to see what percentage of people are expected to show up and decide whether to sell the important customer a ticket.

To tie together the airline marketing information with that in other industries, consider what else has happened since September 11, 2001. Source: *InformationWeek,* November 5, 2001.

The Internet now offers an alternative to direct-mail marketing. Anthrax worries have sent companies scrambling to come up with electronic marketing options:

- Electronic marketing providers are offering Web-based alternatives to businesses concerned about the anthrax scare's effect on their direct-mail marketing campaigns. However, given the immaturity of e-marketing software and services, some observers questioned whether the Internet has the same reach and impact as direct mail.

- An Oklahoma-based media company (PennWell Corporation of Tulsa, Oklahoma) uses direct marketing to reach magazine subscribers. The publisher expected a 10 percent drop in subscriber responses due to concerns about the safety of postal mail. Many in the online-marketing arena have been vocal in promoting the Internet as a safe alternative to snail mail. The company is advising companies with direct-mail programs to turn to the relative safety and cost-efficiency of the Internet.

- To help move businesses online, BigFoot Interactive, which sells e-mail marketing systems, put out guidelines for e-marketers while encouraging them to integrate e-mail into their campaigns.

- In an effort to make marketers feel more secure, e-mail list-management software-maker L-Soft International made available free virus-checking tools from F-Secure Corporation as part of its software.

- A direct marketer (Brann Baltimore) that used both online and direct-mail marketing noted that many of its customers began thinking about the impact of the anthrax scare on their marketing efforts. Interestingly, however, none of the firm's clients eliminated direct mail or made drastic changes in their overall marketing plans. The primary reason was that the reach of e-mail was not yet close to the level of direct mail. As a company executive put it: "There are hundreds of millions of postal addresses, but only 20 to 22 million e-mail addresses."

To summarize: Marketers that have not yet built up a database of customers who opt to receive electronic messages must buy those e-mail names and then send out unsolicited mail to unqualified prospects. Marketers will say that's no different from sending unsolicited paper mail, says an industry analyst from Forrester Research. As a result, companies could be perceived as spammers, and this makes it not yet a viable long-term solution.

MARKETING APPLICATION

Marketing Spotlight—Yahoo!

In the second half of the 1990s, Yahoo! grew from a tiny upstart surrounded by Silicon Valley heavyweights to a major contender in Internet media. David Filo and Jerry Yang, two computer science Ph.D. students at Stanford University, created the Yahoo! search engine in 1994. Using a

homemade filing system, the pair catalogued various Web sites and published the directory for free on the Internet. The original version was called Jerry and David's Guide to the World Wide Web. It was renamed Yahoo! once Filo and Yang left their studies to devote their attention to the business. The company's search engine was unique because in addition to the standard word search features, Yahoo! offered its users a massive searchable index. Surfers could search for sites in generic categories like Business and Economy, Arts and Humanities, and Entertainment, organize the results by country or region, and look at results from within just one category. Because Yahoo! was among the first searchable Internet guides, the site attracted hundreds of thousands of Web surfers within a year of its introduction. This early attention attracted investors, and in April 1995 founders Filo and Yang raised $1 million in first-round venture capital.

From its start, Yahoo! sought to convey an irreverent attitude to Internet users and potential users. This attitude originated at the top of the corporate ladder, in the personalities of founders Filo and Yang. The two had conceived of Yahoo! while housed "in trailers full of pizza boxes," and each of their business cards bore the title "Chief Yahoo!" The acronym the pair invented to serve as the company name also contained a promise of fun and excitement. Yahoo!'s marketing reflected the company's heritage as well. Each ad closed with the tagline "Do You Yahoo!?" and the signature "Yahoo! yodel," an audio cue designed to reinforce customer recall of the brand.

Yahoo! executives realized early on that the key to long-term success in the rapidly developing portal market was to transform the site from a portal to a destination where Web surfers lingered and perhaps stayed. The key to retaining an audience was developing a "sticky" site with appealing content that kept consumer eyeballs glued to the site's page. Jerry Yang said, "Most of our users today approach Yahoo and type in a keyword and go from there. They do not stop at our other sites"("As quoted in "Yahoo! Still Searching for Profits on the Internet," *Fortune,* December 9, 1996). This behavior did not sit well with Yahoo!'s advertising clients, who naturally wanted their ads to be seen. Yahoo! executives looked to boost the time spent at the site per user in a variety of ways. This required the addition of homegrown content and vastly expanded onsite offerings, such as Yahoo! Finance, Yahoo! Travel, or the Yahooligans kids directory, which would attract new users and keep them and existing users on Yahoo! pages. In the last half of the decade, Yahoo! added all manner of special features and specialized content,

from an online shopping mall to content for wireless applications, which increased traffic and lengthened the average time spent at Yahoo! sites.

By 2000, what began as a mere search engine had become a global media giant, with a meteoric stock to match its new economy renown. As the dot-com crash worsened throughout that year, however, its adverse affects finally reached Yahoo! Analysts who considered Yahoo!'s stock overvalued saw their suspicions confirmed as the price fell 80 percent in the year. Because Yahoo! derived more than 80 percent of its revenue from online advertising sales, and the bulk of its advertisers were Internet companies, their collective struggles affected Yahoo!'s revenues. Click-through rates for banner ads plummeted from 2 percent in 1999 to below 1 percent, lower than the response rate for junk mail. Because Yahoo! was the last major portal to remain independent, after Excite merged with the @Home Network, Snap.com with NBC, Lycos with CMGI, Infoseek with Disney, and AOL with Time Warner, speculation about a possible takeover increased as its stock price plunged. Analysts figured a major global media company, such as Viacom, would be the most likely to pursue Yahoo!.

Questions

1. If "point of destination" placed Yahoo! on the Internet map, what marketing miscue caused Yahoo!'s "point of departure" from the scene? Discuss.

2. If Yahoo! was caught in the web of overconfidence with the dot-coms in 2000, can you suggest marketing management strategies that would help it avoid this situation in 2002 and after? Is a merger the only answer?

3. What changes would you suggest for Yahoo! to give their marketing strategy a longer range marketing perspective?

CHAPTER 10

Direct And Online Marketing

Online marketing and electronic commerce

Online marketing is conducted through interactive online computer systems, which link consumers with sellers electronically. There are two types of online marketing channels: commercial online services and the Internet.

Commercial online services offer online information and marketing services to subscribers who pay a monthly fee. The best known online service provider is giant America Online, which has more than 21 million subscribers. Microsoft Network (MSN) and Prodigy trail far behind AOL with 2.45 million and 1 million subscribers, respectively. These online services provide subscribers with information (news, libraries, education, travel, sports, reference), entertainment (fun and games), shopping services, dialogue opportunities (bulletin boards, forums, chat boxes), and e-mail.

After growing rapidly through the mid-1990s, the commercial online services have now been overtaken by the Internet as the primary online marketing channel. In fact, all of the online service firms now offer Internet access as a primary service. The Internet is a vast and burgeoning global web of computer networks. It evolved from a network created by the Defense Department during the 1960s, initially to link government labs, contractors, and military installations. Today, this huge, public computer network links computer users of all types all around the world. Anyone with a PC, a modem, and the right software can browse the Internet to obtain or share information on almost any subject and to interact with other users.[34]

Internet usage surged with the development of the user-friendly World Wide Web (the Web) and Web browser software such as Netscape Navigator and Microsoft Internet Explorer. Today, even novices can surf the Internet and experience fully integrated text, graphics, images, and sound. Users can send e-mail, exchange views, shop for products, and access news, food recipes, art, and business information. The Internet itself is free, although individual users usually must pay a commercial access provider to be hooked up to it.

RAPID GROWTH OF ONLINE MARKETING

Although still in their infancy, Internet usage and online marketing are growing explosively. Today, some 40 million U.S. households are dialing into the Internet, up from just 6 million in 1994. The U.S. Internet population is expected to swell to some 60 million households by the year 2002. Total U.S. purchasing on the Web is expected to skyrocket from zero in 1994 and about $130 billion in 1999 to $1.4 trillion by 2003.

This explosion of Internet usage heralds the dawning of a new world of *electronic commerce.* Electronic commerce is the general term for a buying and selling process that is supported by electronic means. *Electronic markets* are "market*spaces,*" rather than physical "market*places,*" in which sellers offer their products and services electronically, and buyers search for information, identify what they want, and place orders using a credit card or other means of electronic payment.

The electronic commerce explosion is all around us. Here are just a few examples:

- A reporter wants to buy a 35mm camera. She turns on her computer, logs onto the Shopper's Advantage Web site, clicks on cameras, then clicks on 35mm cameras. A list of all the major brands appears, along with information about each brand. She can retrieve a photo of each camera and reviews by experts. Finding the camera she wants, she places an order by typing in her credit card number, address, and preferred shipping mode.

- An affluent investor decides to do his own banking and investing. He signs onto discount brokerage Charles Schwab Company's SchwabNOW Web site, checks the current status of his investment account, and obtains reports on several stocks he is considering buying. After completing his research, he reviews current stock prices and places his buy and sell orders.

- An executive is planning a trip to London and wants to locate a hotel that meets her needs. She signs onto the Travelocity Web site and inputs her criteria (rate, location, amenities, safety). The computer produces a list of appropriate hotels, and she can book a

room once she has made her choice. Eventually, videos giving a "guided tour" of each hotel will be included in the program.

According to one study, nearly 60 percent of all Internet users have used the Web to shop, a 15 percent increase over just a year ago. Whereas business-to-consumer e-commerce is growing rapidly, business-to-business Internet commerce is exploding. Business buyers are far and away the largest Web users, accounting for more than 90 percent of all e-commerce.

The Online Consumer

When people envision the typical Internet user, some mistakenly envision a pasty-faced computer nerd or "cyberhead." Others envision a young, techy, upscale male professional. Such stereotypes are sadly outdated.

The Internet population does differ demographically from the general population. As a whole, the Internet population is still younger, more affluent, better educated, and more male than the general population. However, as more and more people find their way onto the Internet, the cyberspace population is becoming more mainstream and diverse. For example, one recent study of Internet "newbies"—those who started using the Internet in the past year—found that 71 percent had no college degree, 65 percent earn less than $50,000 a year, and only 25 percent were younger than 30.[38] An industry analyst summarizes:

The Internet isn't just a geek's playground anymore. These days, everybody's logging on. . . . Doral Main, a 51-year-old mother of two and office manager of a low-income property company in Oakland, CA, saves precious time by shopping the Internet for greeting cards and getaways. Her Net-newbie father, Charles, 73, goes online to buy supplies for his wood-carving hobby. Even niece Katrina, 11, finds excitement on the Web, picking gifts she wants from the Disney.com site. "It's addictive," Main says of the Net. [Indeed,] the Web isn't mostly a hangout for techno-nerds anymore.

Thus, increasingly, the Internet provides online marketers with access to a broad range of demographic segments. For example, 46 percent of Internet users are women, up from only 37

percent three years ago. And although more than half of all users are professionals or managers, this percentage is decreasing.

Internet users come from all age groups. For example, the populations of almost 9 million "Net kids" and more than 8 million teens (predicted to reach almost 22 million and 17 million, respectively, by the year 2002) have attracted a host of online marketers. America Online offers a Kids Only area featuring homework help and online magazines along with the usual games, software, and chat rooms. The Microsoft Network site carries Disney's Daily Blast, which offers kids games, stories, comic strips with old and new Disney characters, and current events tailored to preteens. Nickelodeon offers Natalie's Backseat Traveling Web Show, which includes games based on a Nickelodeon character named Natalie. "Similar to the offline market," observes one expert, "kids and teens have a profound impact on online purchasing decisions. . . . Instead of grabbing parents' coat sleeves, today's kids ask parents for credit card numbers in place of an allowance and buy products online."

Although Internet users are younger on average than the population as a whole, seniors age 55 to 64 make up some 22 percent of today's online households and that number will grow to 40 percent by 2003. Whereas younger groups are more likely to use the Internet for entertainment and socializing, older Internet surfers go online for more serious matters. For example, 24 percent of people in this age group use the Internet for investment purposes, compared with only 3 percent of those 25 to 29. Thus, older Netizens make an attractive market for Web businesses, ranging from florists and automotive retailers to financial services providers.

Internet users also differ psychographically from the general consumer population. Forrester Research and SRI Consulting have developed approaches for measuring attitudes, preferences, and behavior of online service and Internet users. SRI Consulting's Web site allows visitors to take the VALS 2 questionnaire and get immediate feedback on their VALS 2 type. The firm has identified 10 different psychographic segments ranging from Wizards, skilled users who identify strongly with the Internet, to Socialites, who are strongly oriented toward social aspects of the Internet.[43]

Finally, Internet consumers differ in their approaches to buying and in their responses to marketing. They are empowered consumers who have greater control over the marketing process. People who use the Internet place greater value on information and tend to respond negatively to messages aimed only at selling. Whereas traditional marketing targets a somewhat passive audience, online marketing targets people who actively select which Web sites they will visit and which ad banners they will click on. They decide what marketing information they will receive about which products and services and under what conditions. Thus, in online marketing, the consumer controls more of the interaction.

Internet search engines such as Yahoo! Go Network, and Excite give consumers access to varied information sources, making them better informed and more discerning shoppers. In fact, online buyers are increasingly creators of product information, not just consumers of it. As greater numbers of consumers join Internet interest groups that share product-related information, "word of Web" is joining "word of mouth" as an important buying influence. Thus, the new world of e-commerce will require new marketing approaches.

CONDUCTING ONLINE MARKETING

Marketers can conduct online marketing in four ways: by creating an electronic presence online; placing ads online; participating in Internet forums, newsgroups, or "Web communities"; or using online e-mail or Webcasting.

Creating an Electronic Online Presence

A company can establish an electronic online presence in two ways: It can buy space on a commercial online service or it can open its own Web site. Buying a location on a commercial online service involves either renting storage space on the online service's computer or establishing a link from the company's own computer to the online service's shopping mall. JCPenney, for example, has links to America Online, Microsoft Network, and Prodigy, gaining access to the millions of consumers who subscribe to these services. The online services typically design the storefront for the company and introduce it to their subscribers. For these services, the company pays the online service an annual fee plus a small percentage of the company's online sales.

In addition to buying a location on an online service, or as an alternative, most companies have now created their own Web sites. These sites vary greatly in purpose and content. The most basic type is a corporate Web site. These sites are designed to build customer goodwill and to supplement other sales channels rather than to sell the company's products directly. For example, you can't buy ice cream at benjerrys.com, but you can learn all about Ben & Jerry's company philosophy, products, and locations; send a free E-card to a friend or subscribe to the Chunk Mail newsletter; and while away time in the Fun Stuff area, playing "Ask Habeeni" or "The Phish Game." Similarly, Nabisco's LifeSavers Candystand Web site doesn't sell candy but does generate consumer excitement and goodwill, as well as valuable feedback to LifeSavers brand managers:

Nabisco's highly entertaining LifeSavers Candystand Web site features a rich variety of more than 27 interactive games, along with a variety of informational features and promotions, primarily designed to interest children and teenagers. Candystand contains 11 themed sections, each dedicated to a particular LifeSavers brand. "Our philosophy is to create an exciting online experience that reflects the fun and quality associated with the LifeSavers brands," says Silvio Bonvini, senior manager of new media at LifeSavers Company. "For the production cost of about two television spots we have a marketing vehicle that lives 24 hours a day, 7 days a week, 365 days a year." Candystand attracts more than 300,000 unique visitors a month. The site also offers LifeSavers an efficient channel for gathering customer feedback. Its "What Do You Think?" feature has generated 180,000 responses since the site launched in March 1997. "It's instant communication that we pass along directly to our brand people," Bonvini says. "It's not filtered by an agency or edited in any way." Comments collected from the Web site have resulted in improved packaging of one LifeSavers product and the resurrection of the abandoned Wintergreen flavor in the Carefree sugarless gum line.

Corporate Web sites typically offer a rich variety of information and other features in an effort to answer customer questions, build closer customer relationships, and generate excitement about the company. They generally provide information about the company's history, its mission and philosophy, and the products and services that it offers. They might also tell about current events, company personnel, financial performance, and employment opportunities. Most corporate Web sites also provide entertainment features to attract and hold visitors. Finally, the site might also

provide opportunities for customers to ask questions or make comments through e-mail before leaving the site.

Other companies create a marketing Web site. These sites are designed to engage consumers in an interaction that will move them closer to a purchase or other marketing outcome. Such a site might include a catalog, shopping tips, and promotional features such as coupons, sales events, or contests. Companies aggressively promote their marketing Web sites in print and broadcast advertising and through "banner-to-site" ads that pop up on other Web sites. Consumers can find a Web site for buying almost anything—clothing from Lands' End or JCPenney, books from Barnes & Noble, or flowers from Grant's Flowers to be sent anywhere in the world.

Toyota operates a marketing Web site at toyota.com. Once a potential customer clicks in, the car maker wastes no time trying to turn the inquiry into a sale. The site offers plenty of entertainment and useful information, from cross-country trip guides and tips for driving with kids to events such as a Golf Skills Challenge and a Bike Express. But the site is also loaded with more serious selling features, such as detailed descriptions of current Toyota models and information on dealer locations and services, complete with maps and dealer Web links. Visitors who want to go further can use the Shop@Toyota feature to choose a Toyota, select equipment, and price it, then contact a dealer and even apply for credit. Or they fill out an online order form (supplying name, address, phone number, and e-mail address) for brochures and a free, interactive CD-ROM that shows off the features of Toyota models. The chances are good that before the CD-ROM arrives, a local dealer will call to invite the prospect in for a test drive. Toyota's Web site has now replaced its 800 number as the number-one source of customer leads.

Business-to-business marketers also make good use of marketing Web sites. For example, corporate buyers can visit Sun Microsystems' Web site, select detailed descriptions of Sun's products and solutions, request sales and service information, and interact with staff members. Customers visiting GE Plastics' Web site can draw on more than 1,500 pages of information to get answers about the company's products anytime and from anywhere in the world. FedEx's Web site allows customers to schedule their own shipments, request a courier, and track their packages in transit.

Creating a Web site is one thing; getting people to *visit* the site is another. The key is to create enough value and excitement to get consumers to come to the site, stick around, and come back again. This means that companies must constantly update their sites to keep them fresh and exciting. Doing so involves time and expense, but the expense is necessary if the online marketer wishes to cut through the increasing online clutter. In addition, many online marketers spend heavily on good old-fashioned advertising and other offline marketing avenues to attract visitors to their sites. Says one analyst, "The reality today is you can't build a brand simply on the Internet. You have to go offline."

For some types of products, attracting visitors is easy. Consumers buying new cars, computers, or financial services will be open to information and marketing initiatives from sellers. Marketers of lower-involvement products, however, may face a difficult challenge in attracting Web site visitors. As one veteran notes, "If you're shopping for a computer and you see a banner that says, 'We've ranked the top 12 computers to purchase,' you're going to click on the banner. [But] what kind of banner could encourage any consumer to visit dentalfloss.com?"For such low-interest products, the company should create a corporate Web site to answer customer questions and build goodwill, using it only to supplement selling efforts through other channels.

Placing Advertisements Online

Companies can use online advertising to build their Internet brands or to attract visitors to their Web sites. Online ads pop up while Internet users are surfing online services or Web sites. Such ads include banner ads, pop-up windows, "tickers" (banners that move across the screen), and "roadblocks" (full-screen ads that users must pass through to get to other screens they wish to view). For example, a Web user or America Online subscriber who is looking up airline schedules or fares might find a flashing banner on the screen exclaiming, "Rent a car from Alamo and get up to 2 days free!" To attract visitors to its own Web site, Toyota sponsors Web banner ads on other sites, ranging from ESPN SportZone to Parent Soup, a kind of online coffee klatch through which moms and dads exchange views. Another form of Web advertising is *content sponsorships.* For example, Advil sponsors ESPN SportZone's Injury Report and Oldsmobile sponsors AOL's Celebrity Circle.

Companies spent almost $2 billion on Web advertising in 1998, and spending is expected to increase to almost $8.9 billion by 2002. Still, this represents only a tiny fraction of overall advertising media expenditures when compared with the more than $40 billion each spent for advertising in newspapers and on broadcast television. Many marketers still question the value of Internet advertising as an effective tool. Costs are reasonable compared with those of other advertising media. For example, Web advertising on ESPNet SportZone, which attracts more than 500,000 Web surfers and 20 million "hits"—the number of times the site is accessed—per week, costs about $300,000 per year. However, Web surfers can easily ignore these banner ads and often do. Moreover, the industry has yet to come up with good measures of Web advertising impact—of who clicks on Web ads and how the ads affect them. Thus, although many firms are experimenting with Web advertising, it still plays only a minor role in their promotion mixes.

 Participating in Forums, Newsgroups, and Web Communities

Companies may decide to participate in or sponsor Internet forums, newsgroups, and bulletin boards that appeal to specific special-interest groups. Such activities may be organized for commercial or noncommercial purposes. *Forums* are discussion groups located on commercial online services. A forum may operate a library, a "chat room" for real-time message exchanges, and even a classified ad directory. For example, America Online boasts some 14,000 chat rooms, which account for a third of its members' online time. It also provides "buddy lists," which alert members when friends are online, allowing them to exchange instant messages. Most forums are sponsored by special-interest groups. Thus, as a major musical instruments manufacturer, Yamaha might start a forum on classical music.

Newsgroups are the Internet version of forums. However, such groups are limited to people posting and reading messages on a specified topic, rather than managing libraries or conferencing. Internet users can participate in newsgroups without subscribing. There are thousands of newsgroups dealing with every imaginable topic, from healthful eating and caring for your Bonsai tree to collecting antique cars or exchanging views on the latest soap opera happenings.

Bulletin board systems (BBSs) are specialized online services that center on a specific topic or group. There are over 60,000 BBSs originating in the United States, dealing with topics such as vacations, health, computer games, and real estate. Marketers might want to identify and participate in newsgroups and BBSs that attract subscribers who fit their target markets. However, newsgroups and BBS users often resent commercial intrusions on their Net space, so the marketer must tread carefully, participating in subtle ways that provide real value to participants.

The popularity of forums and newsgroups has resulted in a rash of commercially sponsored Web sites called *Web communities.* Such sites allow members to congregate online and exchange views on issues of common interest. They are the cyberspace equivalent to a Starbucks coffeehouse, a place where everybody knows your e-mail address. For example, iVillage is a Web community in which "smart, compassionate, real women" can obtain information and exchange views on families, fitness, relationships, travel, finances, or just about any other topic. The site reaches 7.3 million unique visitors per month, greater than the combined monthly average paid circulation of *Cosmopolitan, Glamour, Vogue,* and *Marie Claire* magazines. Tripod is an online hangout for twentysomethings, offering chat rooms and free home pages for posting job resumés. Parent Soup is an online community of more than 200,000 parents who spend time online gathering parenting information, chatting with other parents about kid-related issues, and linking with other related sites.

Visitors to these Internet neighborhoods develop a strong sense of community. Such communities are attractive to advertisers because they draw consumers with common interests and well-defined demographics. For example, Parent Soup provides an ideal environment for the Web ads of Johnson & Johnson, Gerber's, Wal-Mart, and other companies targeting family audiences. Moreover, cyberhood consumers visit frequently and stay online longer, increasing the chance of meaningful exposure to the advertiser's message.

Web communities can be either social or work related. One successful work-related community is Agriculture Online (or @griculture Online). This site offers commodity prices, recent farm news, and chat rooms of all types. Rural surfers can visit the Electronic Coffee Shop and pick up

the latest down-on-the-farm joke or join a hot discussion on controlling soybean cyst nematodes. @griculture Online has been highly successful, attracting as many as 5 million hits per month.

Using E-mail and Webcasting

A company can encourage prospects and customers to send questions, suggestions, and even complaints to the company via e-mail. Customer service representatives can quickly respond to such messages. The company may also develop Internet-based electronic mailing lists of customers or prospects. Such lists provide an excellent opportunity to introduce the company and its offerings to new customers and to build ongoing relationships with current ones. Using the lists, online marketers can send out customer newsletters, special product or promotion offers based on customer purchasing histories, reminders of service requirements or warranty renewals, or announcements of special events.

3Com Corporation, a manufacturer of high-tech computer hardware, made good use of e-mail to generate and qualify customer leads for its Network Interface Cards. The company used targeted e-mail and banner ads on 18 different computer-related Web sites to attract potential buyers to its own Web site featuring a "3Com Classic" sweepstakes, where by filling out the entry form, visitors could register to win a 1959 Corvette. The campaign generated 22,000 leads, which were further qualified using e-mail and telemarketing. "Hot" leads were passed along to 3Com's inside sales force. "[Sales reps] were very skeptical," says a 3Com marketing manager, "but they were blown away by how well the contest did." Of the 482 leads given to reps, 71 turned into actual sales that totaled $2.5 million. What's more, states the manager, "Now I've got 22,000 names in my e-mail database that I can go back and market to."

Companies can also sign on with any of a number of "Webcasting" services, such as PointCast and Ifusion, which automatically download customized information to recipients' PCs. For a monthly fee, subscribers to these services can specify the channels they want—news, company information, entertainment, and others—and the topics they're interested in. Then, rather than spending hours scouring the Internet, they can sit back while the Webcaster automatically delivers information of interest to their desktops.

Webcasting, also known as "push" programming, affords an attractive channel through which online marketers can deliver their Internet advertising or other information content. The major commercial online services are also beginning to offer Webcasting to their members. For example, America Online offers a feature called Driveway that will fetch information, Web pages, and e-mail based on members' preferences and automatically deliver it to their PCs.

As with other types of online marketing, companies must be careful that they don't cause resentment among Internet users who are already overloaded with "junk e-mail." Warns one analyst, "There's a fine line between adding value and the consumer feeling that you're being intrusive."[52] Companies must beware of irritating consumers by sending unwanted e-mail to promote their products. Netiquette, the unwritten rules that guide Internet etiquette, suggests that marketers should ask customers for permission to e-mail marketing pitches—and tell recipients how to stop the flow of e-mail promotions at any time. This approach, known as permission-based marketing, is emerging as a new model for e-mail marketing.

The Promise and Challenges of Online Marketing

Online marketing offers great promise for the future. Its most ardent apostles envision a time when the Internet and e-commerce will replace magazines, newspapers, and even stores as sources of information and buying. Yet despite all the hype and promise, online marketing may be years away from realizing its full potential. Even then, it is unlikely to fulfill such sweeping predictions. To be sure, online marketing will become a full and complete business model for some companies; Internet firms such as Amazon.com, eBay, Yahoo!, and Netscape; and direct-marketing companies such as Dell Computer. Michael Dell's goal is one day "to have *all* customers conduct *all* transactions on the Internet, globally." But for most companies, online marketing will remain just one important approach to the marketplace that works alongside other approaches in a fully integrated marketing mix.

For many marketers, including fast-growing Internet superstars such as Amazon.com, the Web is still not a money-making proposition. According to one report, less than half of today's Web sites are profitable. Here are just some of the challenges that online marketers face:

- Limited consumer exposure and buying: Although expanding rapidly, online marketing still reaches only a limited marketspace. Moreover, many Web users do more window browsing than actual buying. One source estimates that although 65 percent of current Internet users have used the Web to check out products and compare prices prior to a purchase decision, only 14 percent of Internet users have actually purchased anything online. Still fewer have used their credit card.

- Skewed user demographics and psychographics: Although the Web audience is becoming more mainstream, online users still tend to be more upscale and technically oriented than the general population. This makes online marketing ideal for marketing computer hardware and software, consumer electronics, financial services, and certain other classes of products. However, it makes online marketing less effective for selling mainstream products.

- Chaos and clutter: The Internet offers millions of Web sites and a staggering volume of information. Thus, navigating the Internet can be frustrating, confusing, and time-consuming for consumers. In this chaotic and cluttered environment, many Web ads and sites go unnoticed or unopened. Even when noticed, marketers will find it difficult to hold consumer attention. One study found that a site must capture Web surfers' attention within eight seconds or lose them to another site. That leaves very little time for marketers to promote and sell their goods.

- Security: Consumers still worry that unscrupulous snoopers will eavesdrop on their online transactions or intercept their credit card numbers and make unauthorized purchases. In turn, companies doing business online fear that others will use the Internet to invade their computer systems for the purposes of commercial espionage or even sabotage. Online marketers are developing solutions to such security problems. However, there appears to be an ongoing competition between the technology of Internet security systems and the sophistication of those seeking to break them.

- Ethical concerns: Privacy is a primary concern. Marketers can easily track Web site visitors, and many consumers who participate in Web site activities provide extensive personal information. This may leave consumers open to information abuse if companies

make unauthorized use of the information in marketing their products or exchanging electronic lists with other companies. There are also concerns about segmentation and discrimination. The Internet currently serves upscale consumers well. However, poorer consumers have less access to the Internet, leaving them increasingly less informed about products, services, and prices.

Despite these challenges, companies large and small are quickly integrating online marketing into their marketing mixes. As it continues to grow, online marketing will prove to be a powerful tool for building customer relationships, improving sales, communicating company and product information, and delivering products and services more efficiently and effectively.

Integrated Direct Marketing

Too often, a company's individual direct-marketing efforts are not well integrated with one another or with other elements of its marketing and promotion mixes. For example, a firm's media advertising may be handled by the advertising department working with a traditional advertising agency. Meanwhile, its direct-mail and catalog business efforts may be handled by direct-marketing specialists while its Web site is developed and operated by an outside Internet firm.

Within a given direct-marketing campaign, too many companies use only a "one-shot" effort to reach and sell a prospect or a single vehicle in multiple stages to trigger purchases. For example, a magazine publisher might send a series of four direct-mail notices to a household to get a subscriber to renew before giving up. A more powerful approach is integrated direct marketing, which involves using carefully coordinated multiple-media, multiple-stage campaigns. Such campaigns can greatly improve response. Whereas a direct-mail piece alone might generate a 2 percent response, adding a Web site and toll-free phone number might raise the response rate by 50 percent. Then, a well-designed outbound telemarketing effort might lift response by an additional 500 percent. Suddenly, a 2 percent response has grown to 15 percent or more by adding interactive marketing channels to a regular mailing.

More elaborate integrated direct-marketing campaigns can be used. Consider the multimedia, multistage campaign shown in Figure 17.2. Here, the paid ad creates product awareness and

stimulates inquiries. The company immediately sends direct mail to those who inquire. Within a few days, the company follows up with a phone call seeking an order. Some prospects will order by phone; others might request a face-to-face sales call. In such a campaign, the marketer seeks to improve response rates and profits by adding media and stages that contribute more to additional sales than to additional costs.

An integrated direct-marketing campaign

Public Policy and Ethical Issues in Direct Marketing
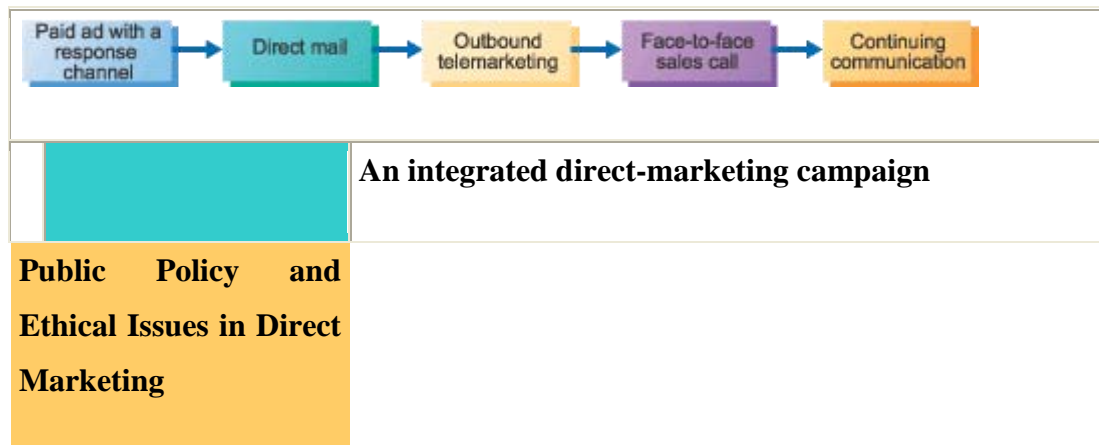
Direct marketers and their customers usually enjoy mutually rewarding relationships. Occasionally, however, a darker side emerges. The aggressive and sometimes shady tactics of a few direct marketers can bother or harm consumers, giving the entire industry a black eye. Abuses range from simple excesses that irritate consumers to instances of unfair practices or even outright deception and fraud. During the past few years, the direct-marketing industry has also faced growing concerns about invasion-of-privacy issues.

Irritation, Unfairness, Deception, and Fraud

Direct-marketing excesses sometimes annoy or offend consumers. Most of us dislike direct-response TV commercials that are too loud, too long, and too insistent. Especially bothersome are dinnertime or late-night phone calls. Beyond irritating consumers, some direct marketers have been accused of taking unfair advantage of impulsive or less sophisticated buyers. TV shopping shows and program-long "infomercials" seem to be the worst culprits. They feature smooth-talking hosts, elaborately staged demonstrations, claims of drastic price reductions, "while they last" time limitations, and unequaled ease of purchase to inflame buyers who have low sales resistance.

Worse yet, so-called heat merchants design mailers and write copy intended to mislead buyers. Political fund-raisers, among the worst offenders, sometimes use gimmicks such as "look-alike" envelopes that resemble official documents, simulated newspaper clippings, and fake honors and awards. Other direct marketers pretend to be conducting research surveys when they are actually asking leading questions to screen or persuade consumers. Fraudulent schemes, such as investment scams or phony collections for charity, have also multiplied in recent years. Crooked direct marketers can be hard to catch: Direct-marketing customers often respond quickly, do not interact personally with the seller, and usually expect to wait for delivery. By the time buyers realize that they have been bilked, the thieves are usually somewhere else plotting new schemes.

 Invasion of Privacy

Invasion of privacy is perhaps the toughest public policy issue now confronting the direct-marketing industry. These days, it seems that almost every time consumers enter a sweepstakes, apply for a credit card, take out a magazine subscription, or order products by mail, telephone, or the Internet, their names are entered into some company's already bulging database. Using sophisticated computer technologies, direct marketers can use these databases to "microtarget" their selling efforts.

Consumers often benefit from such database marketing—they receive more offers that are closely matched to their interests. However, many critics worry that marketers may know *too* much about consumers' lives and that they may use this knowledge to take unfair advantage of consumers. At some point, they claim, the extensive use of databases intrudes on consumer privacy.

For example, they ask, should AT&T be allowed to sell marketers the names of customers who frequently call the 800 numbers of catalog companies? Should a company like American Express be allowed to make data on its 175 million American cardholders available to merchants who accept AmEx cards? Is it right for credit bureaus to compile and sell lists of people who have recently applied for credit cards—people who are considered prime direct-marketing targets because of their spending behavior? Or is it right for states to sell the names and addresses of

driver's license holders, along with height, weight, and gender information, allowing apparel retailers to target tall or overweight people with special clothing offers?

In their drives to build databases, companies sometimes get carried away. For example, when first introduced, Intel's new Pentium III chip contained an imbedded serial number that allowed the company to trace users' equipment. When privacy advocates screamed, Intel disabled the feature. Similarly, Microsoft caused substantial privacy concerns when it introduced its Windows 95 software. It used a "Registration Wizard," which allowed users to register their new software online. However, when users went online to register, without their knowledge, Microsoft took the opportunity to "read" the configurations of their PCs. Thus, the company gained instant knowledge of the major software products running on each customer's system. When users learned of this invasion, they protested loudly and Microsoft abandoned the practice. Such actions have spawned a quiet but determined "privacy revolt" among consumers and public policy makers.

In one survey of consumers, 79 percent of respondents said that they were concerned about threats to their personal privacy. In a survey of Internet users, 71 percent of respondents said there should be laws to protect Web privacy and a full 84 percent objected to firms selling information about users to other companies. In yet another survey, *Advertising Age* asked advertising industry executives how they felt about database marketing and the privacy issue. The responses of two executives show that even industry insiders have mixed feelings:

There are profound ethical issues relating to the marketing of specific household data—financial information, for instance. . . . For every household in the United States, the computer can guess with amazing accuracy . . . things like credit use, net worth, and investments, the kind of information most people would never want disclosed, let alone sold to any marketer.

It doesn't bother me that people know I live in a suburb of Columbus, Ohio, and have X number of kids. It [does] bother me that these people know the names of my wife and kids and where my kids go to school. They . . . act like they know me when the bottom line is they're attempting to sell me something. I do feel that database marketing has allowed companies to cross the fine line of privacy. . . . [And] in a lot of cases, I think they know they have crossed it.

The direct-marketing industry is addressing issues of ethics and public policy. For example, the Direct Marketing Association (DMA)—the largest association for businesses interested in interactive and database marketing with more than 4,600 member companies—recently developed its "Privacy Promise to American Consumers." This initiative, an effort to build consumer confidence in shopping direct, requires that all DMA members adhere to a carefully developed set of consumer privacy rules. The Privacy Promise requires that members notify customers when any personal information is rented, sold, or exchanged with others. Members must also honor consumer requests not to receive mail, telephone, or other solicitations again.

Direct marketers know that, left untended, such problems will lead to increasingly negative consumer attitudes, lower response rates, and calls for more restrictive state and federal legislation. More importantly, most direct marketers want the same things that consumers want: honest and well-designed marketing offers targeted only toward consumers who will appreciate and respond to them. Direct marketing is just too expensive to waste on consumers who don't want it.

Key Terms
direct marketing

> Direct communications with carefully targeted individual consumers to obtain an immediate response and cultivate lasting customer relationships.

customer database

> An organized collection of comprehensive data about individual customers or prospects, including geographic, demographic, psychographic, and behavioral data.

telemarketing

> Using the telephone to sell directly to customers.

direct-mail marketing

> Direct marketing through single mailings that include letters, ads, samples, foldouts, and other "salespeople with wings" sent to prospects on mailing lists.

catalog marketing

Direct marketing through print, video, or electronic catalogs that are mailed to select customers, made available in stores, or presented online.

direct-response television marketing

Direct marketing via television, including *direct-response television advertising* or *infomercials* and *home shopping channels.*

online marketing

Marketing conducted through interactive online computer systems, which link consumers with sellers electronically.

commercial online services

Services that offer online information and marketing services to subscribers who pay a monthly fee, such as America Online, CompuServe, and Prodigy.

internet

The vast and burgeoning global web of computer networks with no central management or ownership.

World Wide Web (the Web)

The user-friendly Internet access standard.

electronic commerce (e-commerce)

The general term for a buying and selling process that is supported by electronic means.

corporate Web site

Web site that seeks to build customer goodwill and to supplement other sales channels rather than to sell the company's products directly.

marketing Web site

Web site designed to engage consumers in an interaction that will move them closer to a purchase or other marketing outcome.

online ads

Ads that appear while subscribers are surfing online services or Web sites, including banners, pop-up windows, "tickers," and "roadblocks."

webcasting

The automatic downloading of customized information of interest to recipients' PCs, affording an attractive channel for delivering Internet advertising or other information content.

integrated direct marketing

Direct-marketing campaigns that use multiple vehicles and multiple stages to improve response rates and profits.

CHAPTER 11

Online Advertisment

This guide covers the organizational aspects of online advertising.

Online advertising is a great tool because it's adaptable, efficient, and interactive. It has a degree of accountability and allows you to target your audience, especially when you need to use it for rapid response. You can also use it for list building/offline action (empowering supporters and providing a way for them to take action) and messaging & persuasion (providing compelling content and moving a message).

Four types of advertising that we'll cover are search/contextual, social networks & blogs, banner ad networks, and individual site placements.

Search / Contextual

Search / contextual ads are the text ads that appear on the search results page, under the heading of "Sponsored Links." The advantages are: you target people who are interested in your material; pay only on an efficient "cost per click" basis; and it's generally low-risk. The disadvantages are: it's generally low-impact; hard to scale because only so many people are searching for any term; and it's largely driven by news cycles and earned media, so it's hard to predict the payoff.
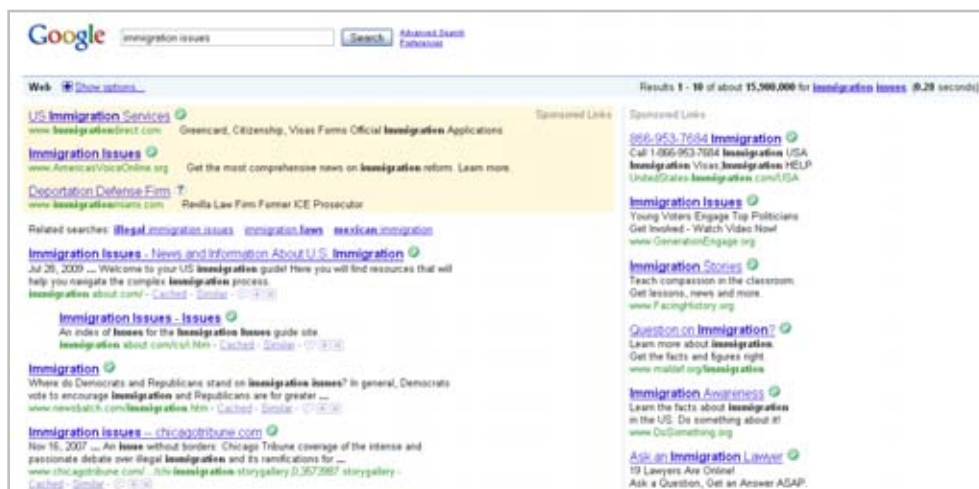
Social Networks & Blogs

The advantages of advertising on social networks and blogs are: it's a large pool of like-minded supporters; there is the potential for exponential spread; and in some cases, you can also pay on a cost per click basis. The disadvantages are: there is some sensitivity of political blogs; there is low scalability; and they have limited geo-targeting.

Banner Ad Networks

The advantages of using ad networks to distribute your ads are: they have a high reach; extensive targeting abilities; and you only pay on a very efficient performance metric. The disadvantages are: you have limited control over placements; there is less valuable real estate; and it requires a significant investment.

Individual Site Placements

The advantages are placing your ad on individual sites are: you target specific content and placements; you have guaranteed inventory; and you control your share of voice (SOV). The disadvantages are: it's exclusively sold on a cost per mille basis; it's generally more expensive; and there are varying minimum buy requirements.

Now that you know some of the different types of advertising that exist, make sure you put together a plan before you start spending money.

Create a Plan

What are your goals and who's your audience? What do you want to communicate and what's your message? Create a calendar and incorporate/identify: all ad buys/advertising, messaging campaigns (volunteering, fundraising, email blasts), and important dates and key milestones.

Platforms, Targets, and Budget

Once you identify your goals and your audience, you can choose the advertising platform (Google Adwords, Facebook Ads, MySpace Ads) and your targets (location, demographics, keywords, date range).

How much money do you have to spend and how much money are you going to spend on each advertising platform? Does it make sense to allocate more money around your important dates?

Write/Design the Ads

When you're writing and designing the ads, keep it simple and make sure you include a clear call to action that only has one "ask." For text ads, use the keyword in the headline if it's possible.   For graphic ads, stay consistent with your style (brand).

Track & Optimize

Monitor your initiatives and track the progress against your goals using an analytics tool or Excel spreadsheet. Change the graphics, landing pages, keywords, demographics or the ad buy as needed, and don't be afraid to try new things. Some metrics to track are: impression rate, click-through rate (CTR), and interaction or dwell rate (which tracks mouse-overs and user-initiated video).

- Total spending is big--and growing internationally
- Advertising doesn't employ that many people

Advertising Objectives Are a Strategy Decision

- Advertising objectives must be specific
- The marketing manager sets the overall direction

Objectives Determine Kind of Advertising Needed

<u>PRODUCT ADVERTISING</u>--tries to sell a specific product.

<u>INSTITUTIONAL ADVERTISING</u>--tries to promote an organization's image, reputation--rather than a specific product.

- Product advertising--know us, like us, remember us

<u>PIONEERING ADVERTISING</u>--tries to develop primary demand for a product category rather than demand for a specific brand.

<u>COMPETITIVE ADVERTISING</u>--tries to develop selective demand for a specific brand rather than a product category.

<u>DIRECT TYPE ADVERTISING</u>--competitive advertising that aims for immediate buying action.

<u>INDIRECT TYPE ADVERTISING</u>--competitive advertising that points out product advantages to affect future buying decisions.

<u>COMPARATIVE ADVERTISING</u>--advertising that makes specific brand comparisons-- using actual product names.

<u>REMINDER ADVERTISING</u>--advertising to keep the product's name before the public.

- Vertical cooperation--advertising allowances, cooperative advertising

<u>ADVERTISING ALLOWANCES</u>--price reductions to firms in the channel to encourage them to advertise or otherwise promote the firm's products locally.

<u>COOPERATIVE ADVERTISING</u>--middlemen and producers sharing in the cost of ads.

- Specify promotion objectives
- Match your market with the media

- Advertisers pay for the whole audience

- Some media help zero in on specific target markets

- Specialized media are small--but gaining

- "Must buys" may use up available funds

Advertising on the Internet: New Opportunities and New Challenges

- Most Internet ads seek a direct response

- Some websites are better for reaching target customers

- Context advertising links ad to content being viewed

- Pointcasting determines which customers see an ad

- At some websites, ads are free if they don't get results

Planning the "Best" Message--What To Communicate

COPY THRUST--what the words and illustrations of an ad should communicate.

- Let AIDA help guide message planning

- Getting Aention

- Holding Interest

- Arousing Desire

- Obtaining Action

Advertising Agencies Often Do the Work

ADVERTISING AGENCIES--specialists in planning and handling mass-selling details for advertisers.

- Some firms pay the agency based on results

Measuring Advertising Effectiveness Is Not Easy

- Success depends on the total marketing mix

- Research and testing can improve the odds

Ad Fairness/Truthfulness Can Be an Issue

- FTC controls unfair practices in the United States

CORRECTIVE ADVERTISING--ads to correct deceptive advertising.

Sales Promotion: Do Something Different To Stimulate Change

- The nature of sales promotion
- Sales promotion objectives and situation should influence decision

Problems in Managing Sales Promotion

- Does sales promotion erode brand loyalty?
- Sales promotion is hard to manage
- Sales promotion for final consumers or users
- Sales promotion for middlemen
- Sales promotion for own employees

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