Module 5

Web Marketing Goals and Strategies for E-Commerce

Introduction

When the Internet burst upon the scene, early adopters were enthralled: here was a magic tool, new and exciting. Here was a new tool that, if we, the first to play with it, were skilful, would put the expertise of older and more experienced (and qualified) people out of date. What an attraction! Of course, we jumped onto the Internet bandwagon and proclaimed it the universal remedy for everything. The Internet would change everything, we proclaimed – and often believed.

There were discussions on TV, articles in newspapers, new businesses and politicians making pronouncements on how the Internet would change business. And one of the most important things the Internet would do, it was suggested, was to change the way we marketed products. From learning about customers, promoting products, and taking money for goods — the Internet would change all.

For many people, the possibility of selling from a website instead of a shop became the 'obvious' and common sense way of the future. Today we are learning that perhaps it is not that easy. Sure, the Internet does change most things, but not necessarily in a simple way. The point of this module is to explore some of the ways in which the Internet, and in particular the World Wide Web may change marketing relationships between buyer and seller in the retail market, and to give us some ideas on how to use the tools we have got with the Web.

Early entrants to e-commerce learned the importance of electronic marketing (or e-marketing) the hard way. They tended not to have an e-marketing strategy and often treated the Internet as just another medium to mail their brochures to consumers. Others did draw on their experience in category selling or direct marketing and applied it to the Internet. However, it was not until people started to use techniques in database marketing that they began to realise what potential e-marketing has for customer management. The Internet enables the extension of traditional direct marketing methods to a new kind of relationship marketing. The emergence of a new breed of marketing information systems — for example, customer relationship management systems — is helping shape the e-marketing landscape. Business sectors will eventually find themselves unable to survive without considering e-marketing.

In the first section, we look at some assumptions of marketing, and then continue with the general misperception that use of the World Wide Web is all that the Internet has to offer in marketing. You will then study some of the techniques commonly used in e-marketing before rounding off by re-examining marketing strategy in the context of e-commerce.

Upon completion of this module you will be able to:

Outcomes

- *list* some effects of the Internet on the 5Ps (product, place, promotion, price, and personalisation) of marketing.
- *describe* some Internet marketing techniques.
- *discuss* the impact of value chain management.
- *explain* how the technologies that underlie customer relationship management have transformed marketing strategy.
- *outline* an approach to developing marketing strategies.

Terminology

Terminology

Affiliate programmes:	These are advertising programmes designed to attract consumers of the targeted segment. They are implemented as banners, virtual malls, etc. and hold records of high hit rates. You can subscribe to these affiliate programmes and pay a commission.
Banner ads:	Banners appear in many Web pages and even in the results of most search engines. They are usually graphics enhanced with animations, trivial games, and/or attractive slogans that lure the viewer to click into their sites.
Customer tracking:	The software with tracking tools which measure, record, and analyse shopping patterns. The analysis helps determine the usability of the website and content popularity.
Informal cross-links:	Allow other companies of a complementary or even similar business to place their URLs in your site and, of course, asking them to do the same for you.
Search engine:	A document retrieval system designed to help find information stored on a computer system, such as on the Web, inside corporate proprietary files or in a personal computer.

WWW Marketing

The American Marketing Association defines the term 'marketing' as:

> "A process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create and maintain relationships that satisfy customer's individual or organisational objectives."

We do not have enough scope to look at traditional marketing in detail in this module, but we will establish some basics before going on to see what changes in marketing processes are occurring in the age of the Internet. For convenience, we'll use the word 'products' or 'commodities' to mean 'ideas, goods, and services' in the rest of the module. These are the objects a company wants to sell to its customers.

The basic elements in a common marketing strategy consist of choosing a target market and the position that a company wants to establish in that market. In order to reach that position, the company (and the marketing manager) will consider a marketing mix. The elements that comprise the marketing mix are the famous 4Ps (product, place, promotion and price).

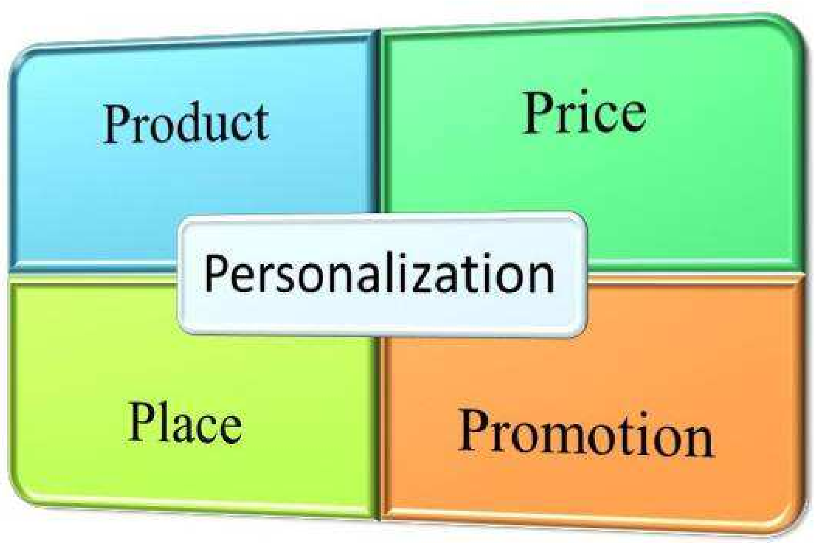

Figure 5.1: The P's of the marketing mix

Product

What you offer to the market for exchange (service or object) is the product. Presentation of product, therefore, is crucial to the company's marketing strategy. Let's look at some of the factors that contribute to the value of the product.

In traditional business, companies invest a lot of money in building a good brand name — persuading consumers to perceive their products as distinctive. Branding strategists assume that the attitude of a consumer towards a company is conditioned by shopping experience, product packaging, advertisement, and many other facets of the business. In e-businesses, which may receive thousands of visitors per day, branding (or e-branding) the sales cycle is accelerated, so branding (or e-branding) has to be adapted. To build a brand name online, companies may use the Internet to create a richer and better experience (convenience, speed, value) to strengthen customer relationships. It isn't just about the graphic design of the e-shop but an integrated approach for your e-branding strategy.

Packaging is the design and production of the container or wrapper of the product. In a real shop, customers praise packaging that protects products from damage or tampering; the display of commodities and even the artistic design of the store layout also influence their view of packaging. From the shop-owner's perspective, a package should be attractive, deliver a brand message (if any) and provoke purchase. In online selling, though, there isn't a physical package. The online substitute for this is online site design (for the WWW) and design features of other Internet communications – emails, newsletters, bulletin boards, FAQ and auto- responses, etc. Typical examples are sites that sell products that are information rich. For example **www.woolmark.com** is an online information centre about woollen products, with emphasis on the use of wool in the clothing industry. Like many other industrially orientated sites, it may over time provide Web pages, newsgroup subscriptions, newsletters and other online facilities. There is also a discussion forum for customers to exchange information and experience.

Business management theory divides all **selling services** into (1) presales, (2) sales, and (3) post-sales services. The idea is to keep customers happy and coming back for more. You can see in **Figure 5.2** a 'formula' of doing so relies very much on effective customer relationship management. Web technology provides an efficient means of providing customers with informed choices (in the form of FAQs, a search engine, or online catalogues) and sometimes even demonstrations of how the product is used (using multimedia, for instance). Many of these techniques will be discussed later in this module.

It is not enough to offer an appealing product on an attractive website: many customers will still feel uneasy about buying if they can't touch and try the item first. To counteract this problem, most e-shops therefore need to sort out an offer of a reverse logistics service – a way of accepting returns and arranging for refunds or replacements. It is a problem that mail order houses struggled with and devised answers for many years ago. Credible satisfaction and guarantee promises are a key issue here.

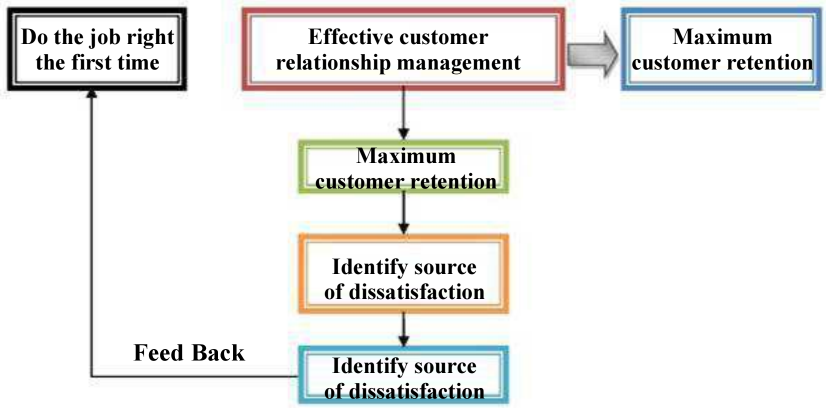

Figure 5.2: Maintaining customer satisfaction and retention.

Source: TSA Net (2010)

Price

There is no such thing as a real price for anything — we all know that. Yet how prices are arrived at varies enormously from culture to culture and from occasion to occasion. Of course, even as small children we barter and swap possessions; as we grow older we do so in more sophisticated ways and most of us end up using money as an intermediary for exchange because it simplifies things. Yet in the commercial world, whether the seller is only an agent or intermediary for the owner, bartering and changing prices is very difficult to arrange. In normal shops, we are becoming increasingly accustomed to fixed prices being stuck on goods and services with little room for barter. In online marketing there are signs that by using rapid information exchange and machines to deal with details, bartering and fluid pricing may be making a comeback in a big way.

The pricing decision, obviously, contributes directly to the company's profitability. It is influenced by a number of internal and external factors and is related to how the company wishes to position its products. For example:

- A change in product price will influence market share, sales volume, profit margins and product image.
- A product sold at a high price will generally be viewed as a high quality product.
- A product sold at low price will likely be criticised as unfair competition but may attract a larger share of customers.

Place

Placing products simply means getting the products to the customer. We generally refer to these means as channels of distribution. Distribution channels include:

1. **Direct sales** — a company sells directly to the customers – like a maker's advert in the Hindustan Times inviting you to send money for a smart briefcase, for example, which will be delivered to your door.

2. **Retail sales** — a company sells to a shop or market stall trader from whom you buy.

3. **Wholesale** — a company sells to a wholesaler or agent who sells products to retailers. The wholesaler often receives products from many sources. It is convenient for the retailer to acquire many products from one wholesaler instead of approaching different sources for different products. For example, manufacturers of baby care products sell to wholesalers who resell to department stores, clinics, drug stores and other retail outlets.

4. **Multi-level marketing** — a company may sell both directly to customers and to salespersons who join up to sell outside of the shop or market context. Many insurance policies are sold like this.

More complex channel decisions involve motivating channel partners, conflict management, performance assessment and adaptation of channel structure. Today, using information systems such as enterprise resource planning (ERP) systems can help channel management decisions.

On the Internet, an advertisement on a website reaches consumers and business partners all around the world. The challenge of e-commerce-enhanced 'placing' is to form the best value chain to bring products to customers. Notice how the meaning of 'place' has evolved over time (from 'location' to 'distribution' to 'value chain'). An effective extranet, linking participating companies on a value chain, makes all sorts of information (including procurement, business planning, and inventory tracking) available to interested parties. A convenient and secure communications channel contributes to a higher level of performance across the value chain. For example, online processes (like quality control, invoicing, inventory tracking, sales forecasting and business planning) may prove to be more efficient. You'll be introduced to value chain management later in this module.

Promotion

Business promotion activities can be divided into the following categories.

1. **Personal selling** — direct, in-person communication to persuade a potential customer to sell a commodity.

2. **Advertising** — paid, non-personal promotion transmitted through a mass medium.

3. **Direct marketing** — the interactive marketing system which uses some advertising media (traditionally, direct mail) to attract consumers' response.

4. **Sales promotion** — activities designed to add extra value to a product above the normal offering in order to achieve specific sales and marketing objectives.

5. **Public relations** — non-sales activities designed to institute and maintain a favourable image of the organisation to its public.

Notice that Internet technology brings to each of these activity categories better communication tools. Promotion on the Web reaches out to a multinational audience and is accessible on a 24/7 basis. The interactivity of the Web has an impact on traditional one-way promotion effectiveness.

Personalisation

You've already encountered the term 'personalisation'. The Internet makes it possible to customise products so that they fit the individual consumer's needs. This is the essence of today's customer-centred marketing.

The concept of **mass customisation** appeared in the late 1980s when people saw the possibility of using modern information technology to know what customers like and to produce goods on a large scale, tailored to meet individual customers' needs. Today, the Internet is capable of tracking the individual customer's preferences and, IT is applied to automate the assembly process so that each customer's order can be taken care of. To see where this leads, go directly now to the two readings under the following Activity. They take us from differentiated marketing through to relationship marketing: The first links personalisation to distribution; the second considers the technology that enables personalisation to happen.

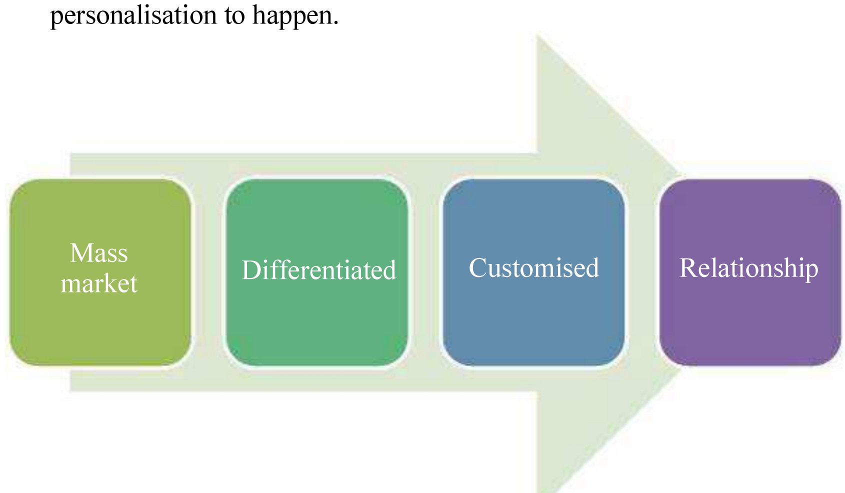

Figure 5.3: From Mass Marketing to Relationship Marketing

Activity 5.1

Activity

The 4 or 5 'Ps'

For many years teachers of marketing have referred to the four Ps (sometimes five) in their attempt to comprehensively cover the components of the marketing function.

This article 'Marketing & 4Ps of Marketing' by M. Volker is linked to traditional marketing **www.sfu.ca/~mvolker/biz/mktintro.htm.**

As marketing becomes more complex, other dimensions have to be factored in, but as the 4Ps are such a well-known and fundamental way of looking at marketing strategy, commentators tend to try to express these dimensions as additional Ps! Other possible Ps are **positioning** and **personalisation**.

You may find the following articles helpful in understanding this area:

http://www.emeraldinsight.com/case_studies.htm/journals.htm?articleid=852142&show=html&WT.mc_id=alsoread

http://link.springer.com/article/10.1023%2FA%3A1009804230409?LI=true#page-1

Reading

1. Hanson, W A (2000) 'Internet Marketing: building brand, personalization and distribution' **athttp://researcherdregs.blogspot.com/2005/12/stanford-business-school-research-news.html** and **http://www.gsb.stanford.edu/news/research/mktg_internetmarketing.shtml**
2. **http://www.marketingterms.com/dictionary/cookie/**
3. **http://mashable.com/2011/09/02/supercookies-internet-privacy/**
4. **http://www.walker-marketing.com/615/smart-cookies-digital-marketing-and-the-evolution-of-online-behavior-tracking/**
5. **http://www.timesunion.com/business/press-releases/article/Can-Online-Video-Marketing-Rescue-Businesses-from-3587106.php**
6. **http://www.websitemagazine.com/content/blogs/posts/archive/2012/05/25/build-a-better-brand-with-content-marketing.aspx**

Marketing techniques

We are now going to look at several marketing techniques and the technologies that underpin them. These technologies are essential to implementing any e-marketing plans.

Combining traditional and online marketing techniques

You will note that as well as all the Internet options, the last reading also recommended print advertising and public relations. Before we look at some specifically Web-based marketing techniques, it's important to emphasise that it probably isn't a good idea to run your marketing campaign entirely online.

A study by Forbes.com in December 2000 showed that the average percentage of at-home surfers who clicked on Web ads was 0.41 per cent and when at-work, the percentage fell to 0.23 per cent. This suggests that for start-ups that do not yet have a well-known brand name, developing a marketing plan that combines traditional and online techniques is essential.

The Forbes.com report makes two suggestions:

1. Combine catalogues and the Web to expand the company's brand image;

2. A call to action is essential to get a surfer's attention, and a call to action that contains explicit value ('click here to save 70 per cent' or 'click here to win $1,000,000') leads to even greater success.

E-branding

E-branding is the same as traditional branding, except that it refers to a trade name of a company or commodities offered for sale on the Web. In the Internet age, a prestige e-brand can be built in a very short period of time (a year or so) and the companies involved may not even be large ones. Using online (including a good domain name) as well as offline techniques, many SMEs can build up e-brand names, which identify the products they offer. The names pop up in customers' minds whenever they have a need for the products. The value of a brand is called **brand equity**.

To keep up with its brand equity, a product must always be delivered to meet the customers' expectations. In this aspect, a brand name represents a kind of trust, a word that few people look for on the Internet. This suggests that a simple tactic, such as an emotional and persuasive ad on a company website, is far from enough. The product must have special quantities and added value, which support the branding strategy.

Companies may also consider running a co-branding campaign where brands of different companies may appear together. For example, McDonalds might use Snoopy to promote its extra value meals;

Caredata.com, a healthcare product dotcom, formed a co-branding alliance with the SunTrust Equitable Securities Conference in spring 2000.

Besides sharing budgets and facilitating new product introductions, the synergy created is believed to have enhanced each organisation's market position by developing a brand equity for all products sold. The following reading provides some pointers to e-branding as well as considering the effect that changes in the business and technology fields will have on the e-branding of the future.

Reading

Although this is a commercial site promoting its own products it also has some worthwhile papers on brand management:

http://www.brandlogic.com

This site is also worth a look:

http://www.business.com/

Flexible pricing

Both the buyer and seller can define the notion of flexible pricing as the process of price determination at the time of transaction. Also known as 'dynamic pricing', it is a general practice in auctions.

Reading

The following article: Auctions and dynamic (flexible) pricing, by Professor Michael Rappa (**http://digitalenterprise.org/auctions/auctions.html)** gives more background to this.

You may also like to read this article:

Cortese, A M (1998) 'E-Commerce: good-bye to fixed pricing?' at **http://www.businessweek.com/1998/18/b3576023.htm**

Throughout the short history of e-commerce, the flexible pricing model has been a controversial subject. The reading above begins by describing the interesting case of the 'smart vending machine' for selling Coca-Cola, and goes on to argue the benefits of flexible pricing model.

However, keep in mind that critics of the idea say the model works only in theory and argue that:

1. By focusing on price, the models induce a lack of brand loyalty which may not be good for manufacturers; and

2. The model is only interesting when consumers are in a situation where they are so engrossed by the act of purchasing that they do not consider other options (like bidders in the middle of an auction, for example).

Online advertising

In the early days of the Internet, people treated it as a library of information. Organisations put up information on their electronic storefronts and little was done to promote their Internet presence. They relied on printed materials and other traditional media for marketing purposes; even at the beginning of the World Wide Web, company information on websites was mainly text-based versions of the printed counterparts. When the majority of companies are passive providers of information, users must play an active role in looking for what they need. There are some 'pull technologies' which help Web surfers find product information. The two most popular ones, of course, are the search engines and directories.

Search engines and directories

As you probably already know search engines use 'spiders' (sometimes called 'crawlers') to index Internet sites, while directories rely on people to classify sites that are submitted to them. You may also know, from your own experience, that some searches yield tens of thousands of websites, and if you don't have any particular website in mind, you will look at only a very small portion of these websites. From the perspective of a website owner, it is disastrous to have the website not appearing in the top 10 of any search list. For this reason, you must understand how a search engine looks for websites. Studies show factors that affect search engine rankings include keyword concentration, keyword placement, link popularity, and so on. On the other hand, if the site is submitted to a directory, the site owner must then be very careful in choosing the category as well as the wording of the short description.

Activity 5.2

Activity

Search engines

These sites will tell all you need to know about search engines – and unlike a textbook they are updated constantly.

http://www.searchenginewatch.com

http://searchengineshowdown.com

1. Carry out a search using key words — choose any topic you are interested in.

2. Do it with at least two different directories and three different search engines.

3. Note a site that appears near the top in all your searches, and then examine it.

4. What differences do you find, and how do you account for them?

Banners

Banners appear in many Web pages and even in the results of most search engines. Sometimes called 'banner ads', they are usually graphics enhanced with animations, trivial games, and/or attractive slogans that lure the viewer to click into their sites. Other types of reciprocal promotion besides banner exchange (which you read about just now) are:

- **Informal cross-links**. Allow other companies of a complementary or even similar business to place their URLs in your site and of course, asking them to do the same for you.
- **Affiliate programmes**. These are advertising programmes designed to attract consumers of the targeted segment. They are implemented as banners, virtual malls, and so on and hold records of high hit rates. You can subscribe to these affiliate programmes and pay a commission based on, for example, purchases made by traffic directed to your URL, or the number of clicks your URL received. Now let's consider email as a means of promotion.

Banners are considered particularly useful for promoting SMEs. They may reach a wide audience and are inexpensive. However, some analysts doubt their effectiveness. The main reason is that banners are supposed to be the online counterpart of posters and ads put up in buses or highway roadsides. In the physical world, the efficiency of poster and broadcast ads can be measured by how well they are remembered by viewers and by how much sales increased.

Click-throughs don't necessarily indicate success, but on the other hand, a low CTR (Click Through Ratio) doesn't necessarily indicate failure either — the fact that readers don't click on a banner doesn't mean they ignored it.

Activity 5.3

Activity

Banners

Could banners work at a brand level, creating desire and excitement for emotional reasons rather an instant rational response to a sales promotion or special offer?

For more information read this article by Kristula 'Banner advertising on the WWW' (**www.davesite.com/internet/webads.shtml#intro**).

The following site displays what were considered the best banners in 2010:

http://adage.com/article/special-report-digital-conference-2010/world-s-banner-ads-worked/143311/

Browse through the top banners displayed and see whether you agree.

Marketing through email

Transforming mail order and catalogue sales to email is a very cost-effective move, but such marketing has been controversial from the start.

There are a number of ways that the emailing system can be abused, the most obvious of which is spamming – mass emails sent to recipients who haven't requested email and/or mail with a fake return address. Most ISPs and network organisations attempt to defend their clients from spamming, asking bulletin board users, newsgroups and individual clients to report any incidence of it. Clearly it is very damaging for an organisation to be reported as a spammer. Spam is not just unethical, it is also stupid and will damage your reputation and goodwill with the Internet community as a whole.

Usually in the process of membership registration, you supply personal information, demographics, company profile, job details, and so on. This information helps marketers segregate their customer population so that they can send **targeted email**. E-marketing companies claim that the CTR of solicited, targeted email is over 10 per cent–15 per cent.

Push versus pull technology

Push technology refers to a model of media distribution where items of content are sent to the user (viewer, listener, etc.) in a sequence, and at a rate, determined by a server to which the user has connected. This contrasts with **pull media** where the user asks for each item individually. Push media usually need a 'channel' which the user selects and which delivers a particular kind of content.

Ordinary TV broadcasts are typical example of push media: you turn on the TV set, select a channel and shows and commercials stream out until you turn the set off.

By contrast, the World Wide Web is a typical example (mostly) of pull media. Each page, each bit of content, comes to the user only if they request it; closedown the keyboard and the mouse, and everything stops.

Of course, although this is a useful distinction to make, a lot of effort is going into blurring the line between push media and pull media. Most of this is aimed at bringing more push media to the Internet, mainly as a way to disseminate advertising, since telling people about products they didn't know they wanted is very difficult in a strict pull media model. These emergent forms of push media are generally variations on targeted advertising mixed in with bits of useful content.

These terms are borrowed from conventional marketing theories, and while 'market driven' companies generally choose pull technologies, push technologies tend to be used by 'technology-driven' companies. The techniques discussed in this section are based on Internet technologies that offer somewhat piecemeal solutions to e-marketing. The next section deals with two more strategic and comprehensive approaches to e-marketing, which also are made possible by Internet technologies.

Activity 5.4

Activity

Push vs pull

Indicate whether you think each of the following is a pull or a push technology.

Technology	Pull technology	Push technology
Email		
Online coupons		
Online newsletter		
Surveys		
Positioning in search engines		
Links to Internet malls or portals		
Affiliate programme		
Free and paid-for banner		
Online press release		
Free and paid-for classified ads		
Auction		
Give-away		
Reciprocal Web linking		
Online communities, forums, etc.		
Participation in charitable website		

Managing customer relationships

The last section dealt with a number of useful techniques for e-marketing. But, as we remarked, while individually useful, they offer rather piecemeal solutions. In this section, we move on to look at customer relationship management, CRM (two more Ps – personalisation, people).

Customer relationship management

Some researchers see CRM as the development that has transformed traditional marketing, because it enables organisations to implement a genuinely customer-oriented marketing strategy. CRM is the term used for the information system itself, but it is the ways in which the system enables a new approach to customer service that have affected the transformation. It is claimed that CRM systems can apply computer intelligence as well as Internet technology to:

1. **customer acquisition** – by collecting and analysing information from marketing, sales, service, and the other functions in a business for a comprehensive view of the customers;

2. **customer development** – by differentiating customers and products, by offering personalised services to targeted customers and prospects;

3. **customer satisfaction** by deploying appropriate communication channels such as the Internet, phone, or face-to-face meetings to effectively offer your products to the satisfaction of your customers; and

4. **customer retention** – developing more personalised relationships with customers and partners, resulting in tighter relationships.

Although CRM packages differ in their size and capacity, most work around a customer database (or a **data warehouse**), which acquires data from a variety of sources. Marketers and sales managers may use the database to identify customers, to personalise services, to promote selling, etc. Many of the activities in CRM are now translated onto the Web.

Dozens of CRM packages, which make use of the Internet are available in the market; some of them even call themselves e-CRM. Their functions vary, as do their prices (famous CRM vendors include Microsoft's Dynamics, SAP's ByDesign, Oracle's Siebel, Daffodil and Vtiger (see **www.c360.com** /) PeopleSoft's Vantive, E.piphany, Accrue's Insight). Most of them are focused on the following:

1. **Web content management** — the software helps quickly publish accurate information on the corporate website in an appropriate format and then dynamically updates and manages that information. It has tools to allow multiple use of the same content for different media and audiences, and has the ability to search for desired information.

2. **Storefront and merchandising services** — the software may serve as an interface to a Web-based storefront which automates merchandising processes and enables immediate transactions. When integrated to the inventory system, it also provides data for merchandising management, activity and revenue tracking, campaign management and suggestive merchandising.

3. **Email management** — Cisco E-mail Manager, for example, helps respond quickly to incoming email by automatically directing messages to the right agent or support team, categorising and prioritising messages, suggesting relevant response templates, or sending automated replies. Other CRM tools may incorporate tools to track all interactions between a

customer and the company, no matter whether it is voice, phone, fax, mail or email.

4. **Customer tracking** — the software may have customer tracking tools which measure, record, and analyse shopping patterns. The analysis helps determine the usability of the website, and content popularity. The next two websites will give you up-to-date views on the application of CRM.

E-marketing strategies

Although there are new generations of pull and push technologies, marketers should not be carried away by the 'technology' rather than the value being delivered to consumers. The main criterion of success for an e-marketing strategy, like that of a traditional marketing strategy, is to deliver the value consumers ask for.

So, what will customers value? Strategies based on the novelty of the Internet are bound eventually to fail. Consumers meet new excitement on the Web every day. Early e-shops mirroring their brick-and-mortar business online soon find their Web customers were more interested in 'value packages' specially made for them, which as you learned in the last section was a development made possible by the advent of database marketing.

The secret is to integrate these new approaches into an overall marketing plan. As you may know from other business courses you have studied, marketing strategy must be part of overall organisational strategy. The four processes to be followed are:

1. Organisational strategy study
2. Opportunity analysis
3. Marketing planning
4. Result monitoring.

Note that the first three processes occur simultaneously in many cases.

Obviously we can't present here a detailed examination of marketing strategy. What follows, therefore, is a kind of summary of strategic approaches, which you may pursue further by following up the references. If you have studied strategic management or marketing management, some of this material will be familiar to you. You have also encountered many of the concepts discussed earlier in this module; here they are discussed within the framework of overall marketing strategy.

Organisation strategy study

Porter (1995) argues that the implicit strategy model for an organisation is obsolete in the modern era. Instead of choosing just a few and integrating them together to achieve the best practice, his so-called 'sustainable competitive advantage' stresses 'fit among the company's activities'. In particular, the corporate strategy defines the:

- unique competitive position for the company — a frequently shifting position is not recommended;
- activities tailored to strategy;
- clear tradeoffs and choices vis-à-vis competitors — it's dangerous for managers of a well-run company think that they can beat their competitors on all dimensions simultaneously;
- competitive advantage from fit across activities;
- sustainability from the activity system, not the parts; and
- operational effectiveness a given — it should not replace a corporate strategy.

Table 5. 2: Summary of the components and related issues in corporate strategy.

Strategy component	Key issues
Scope, mission, and Objectives	What activities should the business be intent in? What customer needs, market segments, and/or technologies should be focused on? What is the business's enduring strategic purpose or intent? What performance dimensions should the business units and employees focus on? What is the target level of performance to be achieved on each dimension? What is the time frame in which each target should be attained?
Development strategy	How can the business achieve a desired level of growth over time? Can expanding the business's current activities attain the desired growth? Will the company have to diversify into new businesses or product-markets to achieve its future growth objectives?
Resource allocation	How should the business's limited financial resources be allocated across its activities to produce the highest returns? Of the alternative strategies each business might pursue, which will produce the greatest return for the dollars invested?
Sources of synergy	What competencies, knowledge, and customer-based intangibles (brand recognition, reputation) might be developed and shared across the business's activities? What operational resources, facilities, or functions (plants, R&D, sales force) might be shared in order to increase their efficiency?

As we've said, marketing strategy should be consistent with the corporate strategy. We may consider four areas in which marketing objectives can be defined:

1. Achieving market share growth or maintenance;
2. Maintaining or improving profitability;

3. Establishing an opening marketing position; and

4. Maximising cash flow, harvesting.

Note that you must distinguish between the objectives of the corporation, marketing endeavour, website building, and so on. The objectives of the website are only part of the marketing objectives. Some marketing objectives can be achieved by using Internet technology, for example:

- to set up a two-way communication between the company, customers, other businesses, public, the press, etc.;

- to improve company and brand image in the marketplace.

As in traditional marketing, marketing objectives must identify the price and quality of the product, sales volume, customer segment and targeted market share. To set objectives that are achievable and measurable, quantifying some of these elements is necessary. Formulating marketing strategies involves an analysis period when the situation or opportunity of the organisation will be studied.

Opportunity analysis

In view of the capacity of the Internet and modern development of information technology in enhancing operational effectiveness, companies should not be content with just operational effectiveness. Many Japanese companies are extremely competitive in operational effectiveness but lack strategic vision. The Internet can improve communications and many functions in the company, and while this may be a necessary element of profitability, it is not sufficient.

In marketing terms, a company must position itself and this positioning is based on three elements — products, customers' needs and communications to customers. The first two elements are subjects of discussion in an opportunity analysis. In a product's marketing plan, an opportunity analysis is finding whether the product fits its intended use. The objective of the analysis is identifying the optimal market segment, the distribution channel, and the product parameters (unit value, sales volume, etc.). The components of an opportunity analysis are:

- **Market segment analysis** — study the market segment that shows the greatest commercial potential. Usually market research is needed to reveal the market size, growth rates, market maturity and the market share held by each of the current competitors. The research also indicates the economic, cultural, demographic, technological and government regulatory factors that affect the market. The analysis includes the following three processes:

- **Customer segmentation** — identify market segments containing customers or prospects with high profit potential. The process starts in building a large database of information on prospective customers and their buying behaviours. (It is the spirit of database marketing.) In theory, segmentation will be more accurate if more data is acquired. In practice, however, the large-size database needs software tools (e.g. data mining tools) to identify patterns that are good predictors of purchasing behaviours.

- **Competitor study** — very often the strategies and capabilities of the current competitors in the market need to be estimated. To understand the market potential, one should also study the product positioning, pricing, R&D strategies and recent patents of the existing players.

- **Market needs analysis** — study the strength of the key factors that drive current market demand – factors such as product performance, cost, ease of use, image, serviceability and after-sales support should be included. Competitors' products will also be studied to determine which is the 'best in class'. Factors such as standards, regulations and market trends are considered as they affect the opportunities and risks of the product.

- **Distribution channel** — a company may have formed a linkage or channel with other companies in order to make the product available to the consumer. You learned the importance of distribution when we discussed the 'place' factor in 4Ps. The efficiency of the channel is partly dependent on the players — the intermediaries — in the channel.

With the advance of Internet technology, people have been reconsidering the role of these intermediaries and some even predict that disintermediation will soon become a trend. A company has to understand the functions and values of the existing intermediaries before re-structuring the distribution channel. For example, if your e-shop sells small gifts, it is more advantageous to promote sales and distribution partnerships with other Internet portals and brick-and-mortar retailers than competing with the entire market for hit rates. In other words, a manufacturer's strategy ranges from totally ignoring online sales to building portals to explore direct sales while the intermediaries may also choose to build complex channelling partnerships with one another on the Web (called the 'cybermediaries') or be satisfied with just being online retailers.

- **Product parameters** — a company has to know exactly how the product presents itself to consumers. There are a number of attributes to be considered (refer back to the section on product in the 4Ps to understand their effects); among them, the product value and its pricing are crucial to the marketing success. By value, we typically refer to these three items:

- **Problem-to-product map** — what problem is the product supposed to solve? What is the major reason for the customer to purchase the product? What new problems will the customer have when they possess the product?

- **Cognitive shortcuts** — how do consumers make their decisions, when they avoid spending too much time in thinking rationally?

- **Link to people** — identify your customers and link to them.

To survive in the age of e-commerce, traditional pricing models need to be revised because:

1. a buyer can easily search for the best value on the Internet.
2. the Internet market is consumer-biased; that impairs sellers' ability to obtain and maintain high margins.
3. the global village limits sellers' ability to charge different prices in different markets.
4. more products and services are available in the electronic marketplace.
5. high price can hardly be justified and the sellers may easily be accused of price unfairness.
6. customer loyalty to brands is weakened.
7. pricing models such as penetration and skimming may also be used when a new product is promoted or when the company is new to the electronic marketplace.

Normally, the opportunity analysis ends with a recommendation of which strategy will be adopted. **Table 5.3** shows a number of strategies to choose from.

Table 5.3: Corporate strategy components and issues

Marketing strategies	Description
Market targeting	To choose the customer segments according to the market's maturity, diversity of buyers' preferences, businesses' capacity, resources, and priorities. To determine market target according to sales, market share, customer retention, profit contribution and customer satisfaction.
Strategic positioning	To position in the eyes of buyers and against key competitors, taking product, distribution channel, price and promotion strategies into consideration.
Relationship strategy	To build a long-term relationship with customers, marketing channel members, suppliers and competitor alliances to satisfy customers and cope with changing business environment.
Planning for new products	To find and evaluate ideas, to select the product most products promising for development, to design marketing programmes, to test the market and to introduce the products.

A special kind of relationship strategy, called *sponsorship*, can be established if one company agrees to offer some investment or properties to obtain a customised opportunity to interact with the audience of another. Sponsorships often appear in five basic types of e-commerce:

1. **Branded content** — the sponsor and the company are bound by a relatively long term contract to have the sponsor's information displayed on the company's website.

2. **Event promotions** — the relationship between the sponsor and the company is short-termed, as suggested by the period of the event, which is usually the promotion of a new product from the sponsor. For example, Disney may sponsor a website for children's products when a new cartoon movie is being shown.

3. **Advertorials** — sponsors sometimes prefer their information to be displayed without being recognised as an advertisement.

4. **Micro sites** — without diverting the attention of Web surfers to the sponsor's website, a small site with focused information on the sponsor's products or events can be built on the company's server. These micro sites usually maintain the same outlook as the company's website.

5. **Portals** — many service companies (e.g. search engines and directories) offer portal sponsorships and they leave some areas where their sponsors' URLs can be found. There are a variety of portals, which range from highly specialised websites such as a cyber mall to a common e-shop (e.g. amazon.com).

Note it!

The next process, *marketing planning*, starts once the marketing strategy has been determined. This activity is common to both online and offline marketing, and as such, falls outside the scope of the introduction given in this module. Lastly, common again to all marketing, but using different tools for online activity, is the process of *monitoring* effectiveness – or getting feedback, as we usually call it.

Monitoring

An evaluation and control process appraises the success of a marketing campaign. In theory, the result of the evaluation should be compared with a set of pre-defined data and if there is a significant discrepancy between the two, some corrective actions need to follow.

However, the process of monitoring is not always as straightforward in practice. There are two critical factors that the marketer must consider:

1. **Problem definition** — problems discovered during an evaluation process are often symptoms of a more profound problem. Identifying the cause is difficult.

2. **Information interpretation** — it is usual to spot more than one problem area in a campaign but it is difficult to tell which is more serious and needs immediate attention.

To identify the problem, you need to use more than one method to study the marketing campaign from multiple angles. If the marketing plan includes implementing a marketing technique, you may choose from the following list to learn how it performs.

1. **Number of hits** — whenever a Web surfer downloads a file from the server, a hit would be recorded. For example if a website contains one HTML file and five graphic files, six hits would be recorded when the site is visited. Measuring the success of a website simply by the number of hits is very misleading.

2. **Number of visits** — this measures exactly the number of times a website is visited. If a person visits a website once a day and every day in a week, the number of visits recorded would be seven.

3. **Number of unique visits** — this counts the number of visits by anyone from an IP address that has not been recorded. (This seems to be a better measure than the previous ones, although you must be aware of the fact that many people are given a different IP address each time they connect to their ISP.)

4. **Total anonymous enquiries** — a guest-book, comment, survey or any corner for visitors' responses could be used to discover visitors' impressions of a website as well as a discounted figure of the number of visits.

5. **Total sales generated** — it is possible to calculate the total sales generated on an online storefront; however, the performance of websites for other purposes is difficult to measure.

6. **Number of registered members** — some marketing campaigns involve appeals to Web surfers to register as loyalty members. The number of registered members may show how successful the campaign is.

7. **Coupons** — when coupons are given to customers, the utilisation of these coupons becomes a measurement.

8. **Telephone calls generated** — some customers use an e-shop only as a way of searching for their products. For example, a sudden increase in telephone calls (or other means of communication) occurring after the launch of a marketing campaign can be used to evaluate the campaign.

Hidden information in famous logos

Table 5.4: Hidden information contained in famous logos.

Company's Logo	**Logo Description**
amazon.com	This logo doesn't seem to hide much at first sight, but it gives you a little insight in the philosophy behind the brand. First of all, the yellow swoosh looks like a smile: Amazon.com want to have the best customer satisfaction. The swoosh also connects the letters a and z, meaning that this store has everything from a to z.
FedEx	This is probably one of the best-known logos with a hidden meaning. If you look closely, you'll see an arrow that's formed by the letters E and x. This arrow symbolises speed and precision, two major selling points of this company.
Continental	Continental is a manufacturer of tyres. You could actually see this in their logo, because the first two letters create a three-dimensional tyre.
BR baskin robbins	The old logo of Baskin Robbins had the number 31 with an arc above it. The new logo took this idea to the next level. The pink parts of the BR still form the number 31, a reference to the 31 flavours.
	Carrefour is one of the biggest European retailers, and it's also French for — crossroads. The logo symbolises this word via two opposite arrows. They also added the first letter of the name, because if you look closely you'll see the letter C in the negative space between the two arrows.
Unilever	Unilever is one of the biggest producers of food, beverages, cleaning agents and personal care products. They produce a huge amount of different products and they wanted to reflect this in their logo. Each part of the logo has a meaning. For example: the heart represents love, care and health – feeling good, a bird is a symbol of freedom. Relief from daily chores – getting more out of life.

	Toblerone is a chocolate-company from Bern, Switzerland. Bern is sometimes called 'The City of Bears'. They have incorporated this idea in the Toblerone logo, because if you look closely, you'll see the silhouette of a bear.
	The Sun logo is one of the most famous ambigrams in the world. You can read the brand name in every direction; both horizontally and vertically. This logo was designed by professor Vaughan Pratt of the Stanford University.
	The NBC (National Broadcasting Company) is one of the biggest American television networks. Most of you have already seen the peacock in this logo. The peacock has six different tail feathers, referring to the six divisions at the time that this logo was created. The peacock's head is flipped to the right to suggest it was looking forward, not back.

Module Summary

Summary

In this module you studied the basics of e-marketing.

Starting with the 4Ps of traditional marketing plus one other P — personalisation — you went on to look at the different marketing techniques available in e-commerce. You were introduced specifically to customer management and CRM as a tool to handle customers effectively. Other e-marketing strategies were also discussed to demonstrate how basic marketing techniques and customer management can fit into an organisation’s general and long-term strategies.

Marketing is quite a subjective area to discuss and one must always remember that just as fast as e-commerce is evolving, so is the area of marketing itself. Consumers today are more sensitive and intelligent than ever. They don’t choose to buy a product or service simply on function or price anymore but are more complex in their purchase decisions. Factors that influence their buying behaviour are changing constantly as are consumers’ demography. In addition, new categories of consumers can be seen to be developing either by evolving from previous targets or caused by hybrids of existing groups. Marketing to today’s consumer is no easy task but a very important one as it could hold the key to business success.

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