Marketing and Advertising in Electronic Business

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Electronic Business and Marketing

- New electronic marketing strategies to handle changes in the world of eBusiness
- Coping with the change from physical to intellectual and digital products, and processes
- The role of electronic marketing in handling the change from marketplace to marketspace
Rules of Electronic Marketing

1. Power shift from sellers to buyers
2. Increasing speed
3. Removal of distance
4. Global reach
5. Time compression
6. Knowledge management
7. Interdisciplinary focus
Electronic Marketing Structure

Electronic marketing can be classified as:

- Consumer-oriented
- Business-oriented

A number of characteristics need to be addressed:

- eMarketing technologies
  - Customer relationship management (CRM)
  - Supply chain management (SCM)
  - Electronic data interchange (EDI)
Electronic Business Formula

$$EB = EC + BI + CRM + SCM + ERP$$

- Electronic Business
- Business Intelligence
- Supply Chain Management
- Digital Economy
- Enterprise Resource Planning
- Customer Relationship Management
- Electronic Commerce
**eBusiness Formula Components**

- **Electronic Commerce (EC)**
  - It uses digital technologies such as the Internet and bar code scanners to enable the buying and selling processes

- **Business Intelligence (BI)**
  - It refers to the gathering of secondary and primary information about competitors, markets, customers, etc…

- **Customer Relationship Management (CRM)**
  - It involves retaining both business and individual customers through strategies that ensure their satisfaction with the firm and its products

- **Supply Chain Management (SCM)**
  - It involves coordination of the distribution channel to deliver products effectively and efficiently to customers

- **Enterprise Resource Planning (ERP)**
  - It refers to the back office operations such as order entry, purchasing, invoicing, and inventory control
  - It allows organizations to optimize business processes while lowering costs
What is Electronic Marketing?

- It is the application of the Internet and related digital technologies to achieve marketing objectives.
- Marketing consists of individual and organizational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas.
- An electronic marketing plan is essential to be able to realize the objectives of an electronic business strategy and it depends on the creation of a clearly defined strategic process.
Stages of a Marketing Strategy

- **Situation** – where are we now?
- **Objectives** – where do we want to be?
- **Strategy** – how do we get there?
- **Tactics** – how exactly do we get there?
- **Action** – What is our plan?
- **Control** – did we get there?
Business Models for Electronic Marketing

- Direct marketing v indirect marketing
- Full v partial cyber-marketing
- Electronic distributor v broker
- Electronic store v shopping mall
- Generalized v specialized eMalls/Stores
- Proactive v reactive strategic posture toward cyber-marketing
- Global v regional marketing
- Sales v customer support
Direct v Indirect Marketing

- Direct marketing
  - Manufacturers advertise and distribute their own products to customers via Internet-based electronic store – without intervention
    - Example: Dell computers [www.dell.com](http://www.dell.com)

- Indirect marketing
  - Products are distributed through third party intermediaries such as eMalls
    - Example: Mall of America [www.mallofamerica.com](http://www.mallofamerica.com)
Full v Partial Cyber-marketing

- Full Cyber-marketing
  - Companies sell their products and services only through the Internet
    - Example: Amazon [www.amazon.com](http://www.amazon.com)

- Partial Cyber-marketing
  - Companies sell their products both online and offline (traditional physical stores)
    - Example: Barnes and Noble [www.bn.com](http://www.bn.com)
www.amazon.com v www.bn.com
Electronic Distributor v Broker

Electronic Distributor
- Distributors are responsible for order fulfillment and guarantee
  - Example: Dell, Amazon and Wal-Mart [www.walmart.com](http://www.walmart.com)

Electronic Broker
- Brokers only introduce suppliers who deal with the items that the customers are looking for
  - Example: Internet Mall, bestbookbuys
    - [www.internet.mall](http://www.internet.mall)
    - [www.bestbookbuys.com](http://www.bestbookbuys.com)
  - Example: Yahoo! and Excite
www.walmart.com v www.bestbookbuys.com
www.yahoo.com v www.excite.com
Electronic Store v Shopping Mall

- Electronic Store
  - Companies selling their products online
  - Independent stores
    - Example: British Airways [www.britishairways.com](http://www.britishairways.com)

- Electronic Shopping Mall
  - Used as a wide umbrella term of electronic shop and electronic store as well as a mall
    - Example: gap [www.gap.com](http://www.gap.com)
Generalized eMalls/Stores

- Deals with various categories of items where supply is diversified
  - Example: Online department stores [www.johnlewis.com](http://www.johnlewis.com)

Specialized eMalls/Stores

- Focus only on special types of items
  - Example: books and computers [www.hp.com](http://www.hp.com)
Proactive v Reactive
Strategic Positioning toward Cyber-marketing

- **Proactive**
  - Company’s main distribution channel is the Internet
  - Focus is to capitalize on the benefits of cyber-marketing

- **Reactive**
  - Traditional physical distribution channels continue to be the main mechanism
  - Online distribution channel work as a parallel vehicle
Global v Regional Marketing

- Global Marketing
  - Perishable products cannot be provided on a global basis
    - Example: Grocery [www.peapod.com](http://www.peapod.com)
    - Example: Pharmacy [www.walgreens.com](http://www.walgreens.com)

- Regional Marketing
  - Depending on industry some of the services could have a regional extension
    - Example: Banking Sector [www.nwolb.com](http://www.nwolb.com)
Case: Online Banking

NatWest Bank

OnLine Banking

Log In - Step 1

Your Customer Number
Please enter your Customer Number. This is your date of birth (ddmmyy) followed by your unique number which identifies you to the Bank.

Customer number

Forgotten your customer number?

Customers With A New Activation Code

☐ If you have an Activation Code please select this box.

Only individuals who have a NatWest account and authorised access to OnLine Banking should proceed beyond this point. For the security of customers, any unauthorised attempt to access customer bank information will be monitored and may be subject to legal action.

Next
Sales v Customer Service

- Sales Service
  - Sales becomes the priority of the firm and using online transactions for the generation of additional sales transactions

- Customer Service
  - Customer service and customer relationship management are key issues
How to attract Customers?

- Gaining market share through content
  - Content should be hourly/daily/weekly updated (real time information)
  - Attracted to come back – web is changing (window shopping)

- Offering free information
  - Need to build a loyal customer base
  - Free information, products and services should be offered
  - Example: screen savers, mouse pads, air miles, etc.

- Personalization
  - Build an intelligent database about your customers (develop interest groups)
  - Understand your customers
  - Privacy is a key issue
  - One time customer v returning customer
How to attract Customers?

- Support online and offline reading
  - Page 1 is very important (opening screen is crucial)
  - Downloading capacities is a must (speed is a decider)
  - Web versus printed versions
- Cross-marketing and cross-selling
  - Make cross references between products and services (Books)
  - Creating an added-value website
    - www.bn.com
- Be faster than your customers
  - Easiest way to get to a product/service (user friendly search engine)
  - One2one marketing help identify user requirements
  - Subscribe to newsletter updates
  - You should be always 3 clicks away from your product/service
A Shock to the System

Brain Zapper Eases Parkinson's

To slow the progress of the dread disease, doctors plant electrodes deep in my brain. Then they turn on the juice. By Steven Gultie from Wired magazine.
One2One Marketing

- One2one marketing (marketing that treats each customer in a unique way)
- Personalization (matching of services, products, and advertising content to individual consumers)
- User profile (requirements, preferences, behaviors, and demographic traits of a particular customer)
- Major strategies used to compile user profiles
  - Solicit information directly from the user
  - Observe what people are doing online
  - Build from previous purchase patterns
  - Perform marketing research
- Customer loyalty (degree to which a customer will stay with a specific vendor or brand) - eLoyalty
One2One Marketing

Source: Linden, A. Management Update: Data Mining Trends Enterprises Should Know About. Gartner Group, October 9, 2002. © Gartner Group. All rights reserved.
Welcome! We're here to help your business perform at its best, with the most effective marketing data, research, ideas and strategies.

- ONE 2 ONE data is not available from any other source.
- Our Business Database has a 100% deliverability guarantee.
- As data owners, we have the flexibility to offer competitive terms.
Link between Business Unit and Marketing Strategy

- Business-unit strategy provides a context for the choices made while creating a marketing strategy.

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Business-Unit Strategy

  • Guidance
  • Benchmarks
  • Direction

Marketing Strategy
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Although marketing strategy development follows a similar path for both pure-play online firms and bricks-and-mortar firms, there are differences.

- **Pure-Play Online (Click-and-Mortar)**
  - Yahoo
  - Amazon

- **Business-unit strategy**

- **Marketing strategy**

- **Choices**

- **Bricks-and-Mortar**
  - Barnes and Noble
  - Gap
Pure-Play Marketing Strategy

- For pure-play firms, the process is largely the same as it would be for a completely offline business

Pure-Play

Online business-unit strategy

Marketing strategy for online business

Choices
- segmentation
- target market selection
- positioning
Bricks-and-Mortar Marketing Strategy

- Bricks-and-mortar firms must develop an online marketing strategy that complements and enhances existing offline brands and assets.

Bricks-and-Mortar Firm

- Business-unit strategy
  - Overall
  - Online
  - Offline

Integrated marketing strategy

Choices
- same v different segment
- same v different target market
- same v different positioning

Marketing strategy for offline business

Marketing strategy for online business
Conclusion

- Marketing strategy has three main components...
  - Segmentation, or identifying relevant market segments with specific needs
  - Targeting, or choosing an attractive segment consistent with the firm's resources and goals
  - Positioning, or strategically communicating the product's benefits to the target segment

- Marketing strategy for bricks-and-mortar firms differs from that of pure-play online businesses in that they must make choices in segmentation, targeting and positioning that explicitly reconcile the offline and online components of the business
Why Internet Advertising?

- Ads are always timely and updated at a lower cost
- Ads reach global potential buyers
- Online ads are cheaper
- Web ads can use a multiplicity of models (text, animation, audio and video)
- Web ads could be interactive and can address specific interest groups
- Television viewers are migrating to the Internet
- Richness of format and personalization
- One-to-one targeted advertising and marketing can be expensive, but it can also be very rewarding online
- Online marketing, enabled by the Internet, in which advertisers can interact directly with customers and consumers can interact with advertisers/vendors
DAGMAR Strategy

- Redeveloping marketing and advertising to fit the online global market place
- DAGMAR = Defining Advertising Goals for Measured Advertising Results
- Moving from an **UNAWARENESS** stage to an **ACTION** stage from customer perspective
- It is a 4-stage model to suit a newly introduced online environment
Internet Advertising Models

- Text-based advertising
- Multimedia-based Advertising
Text-based advertising

- eMail is the online version of direct-mail advertising (mailing lists via eMail)
- eMail; no postage charges + convenient avenue for direct response (low cost – global reach)
- eMail ads direct users via hyperlinks
- eMail databases are growing in value for business (LISTSERV)
- Bulletin boards or newsgroups can also be used in advertising and posting information
- Cross posting (do not apologize, it is useless)
Multimedia-based Advertising

- It is the primary model on the web
- Advertising expenditures are as follows…
  - Banner ads (55%)
    - Banner and buttons space (standard dimensions) are rented on the web (print advertising model in magazines)
    - Video and audio capacities are gaining grounds
    - Banners could lead to “downloads”, or transport to another site with appealing features (animation and video clips)
    - Interactive banners (speed, drop-down menus, built-in games)
    - Banners help build brand awareness
  - Sponsorships (40%)
    - Sponsorships are built around partnerships by more than one company for web development
  - Intermercials (4%)
    - Ads that appear when a publisher’s content is loading
  - Others 1%
Online Advertisements Strategies

- Should be visually appealing
- Must be targeted to specific groups or to individual consumers
- Should be valuable to consumers
- Must emphasize brands and a firm’s image
- Must be part of an overall marketing strategy
- Should be competitively well designed

Webcasting
- A free Internet news service that broadcasts personalized news and information in categories selected by the user
- Online events, promotions, and attractions (webinars)
Electronic Advertising Disadvantages

- No product-customer communications
- Competition is fierce...No secrets
- Transparent environment
Important Variable in Web Ads

- Page-loading speed
- Business content
- Navigation efficiency
- Security and privacy
Passive Pull v Active Push Strategy

- Customers look for a website to visit if ONLY it provides helpful and attractive contents and display
- It is effective when it is addressing open and unidentified potential customers globally
- Guidance is so important
- Portals such as Yahoo! are effective media for advertisements, search directories and engines are available
Passive Pull v Active Push Strategy

- If customers do not visit the merchants’ websites voluntarily, merchants need to actively advertise to the targeted customers
- Sending eMails and information circulars to various customers
- Generation of mailing lists
Case: Proctor and Gamble (P&G)
Competing via a web-based advertising strategy

- **Problem**
  - To survive, consumer goods companies must constantly research the markets, develop new products and advertise
  - Web advertising is critical to the welfare to all companies in the consumer goods industry
  - P&G’s business problem is how to best use its advertising budget to get the most marketing

- **Solution**
  - P&G started to advertise on the Internet in the late 1990s
  - By 2000, it had 72 active sites, mostly one site for each product
  - P&G major objective is to build around each major product a community of users on the web
Case: Proctor and Gamble (P&G)
Competing via a web-based advertising strategy

- Objectives in building and maintaining these sites:
  - developing brand awareness and recognition (brand equity)
  - collecting valuable data from consumers
  - cutting down on advertising costs
  - conducting one-to-one advertisement
  - selling customized beauty products to individuals

- Results
  - Most improvements achieved by its web advertising strategy are qualitative
Case: P&G

Touching lives, improving life. P&G

March 3, 2007

P&G Search

Go

U.S. Product Information

Choose a Category

Choose by Brand

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Newsletter

View Current Newsletter


P&G Global Operations

P&G Headlines

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Champions Program With Tiger
Woods, Roger Federer and
Thierry Henry

Great Values & Expert Advice

March 2007

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P&G Launching New