

Internet Marketing (expanded)

The scale of the Internet's potential influence is dramatically illustrated by a research project commissioned by the US corporation Cisco Systems and undertaken by the University of Texas (Internet Indicators, 1999). The researchers concluded that during 1999, within just the US economy, the Internet generated an annual revenue of £332 billion and supported almost 1,400,000 jobs. These figures are rendered even more dramatic when it is realised that revenues on this scale put this sector among the top 20 economies in the world, almost equal to the entire GDP of Switzerland. Another observation that can be drawn from these data is that although the World Wide Web was only launched around five years ago, its total market size already rivals well established sectors such as energy, car manufacturing and telecommunications.

It is critical for organisations to recognise that exploiting this new technology goes way beyond just putting a brochure online. Essentially what is happening on a global basis is that technologies such as telecommunications, satellite broadcast, digital TV and computing are converging. As a result of this convergence, the world is being offered a more flexible, more rapid and extremely low cost way of exchanging information. Thus when discussing this new technology, it is safer not to restrict any assessment of opportunity to the role of the Internet.

E-commerce marketing is usually based around applying established marketing management principles as the basis for defining how new technologies are to be exploited. Additionally, in many organisations e-commerce proposals involve building upon existing offline activities as the basis for providing new sources of information, customer-supplier interaction and/or alternative purchase transaction channels.

The degree to which e-commerce marketing objectives are defined can vary tremendously. Some organisations merely restrict aims to increasing the effectiveness of their promotional activities. Others may specify overall forecasted e-sales and desired e-market share. Some organisations may extend this statement by breaking the market into specific e-market target segments and detailed aims for e-sales, e-expenditure and e-profits for each product and/or e-market sector.

The e-marketing strategy defines how, by positioning the company in a specific way, stated marketing objectives will be achieved. The marketing-mix section will cover how each element within the e-commerce mix (product, price, promotion and distribution) will be used to support the specified strategy. In relation to the product, it is necessary to determine whether the e-commerce offering provides an opportunity for product enhancement. Such opportunities include improvements in customer service, expansion of product line, and reductions in delivery times. In pricing, thought must be given to whether offline and online prices will be different, and to the potential implications of any price variation on existing offline customers. The promotional mix is reviewed in relation to how the website provides information and the investment which may be needed for offline promotion to build market awareness for the e-commerce operation.

If online transactions are to be on offer to customers, the implications of new distribution methods need to be examined. Finally, after the marketing-mix issue has been resolved, these variables provide the basis for specifying the technological infrastructure needed to support the e-commerce operation.

Control systems should permit management, upon e-market plan implementation, to identify rapidly variations of actual performance from forecast, and be provided with diagnostic guidance on the cause of those variations. To achieve this aim, the control system should focus on measurement of key variables within the plan, such as targeted e-market share, e-customer attitudes, awareness objectives for e-promotion, e-market distribution targets by product, and the expected and actual behaviour of competition.

E-commerce innovation, especially if concerned with revising internal organisational processes, is not a simple task. First, the developers are dependent upon compatibility in the software system operated by the company, suppliers and customers. Most e-commerce software developers can tell stories of the months spent achieving software compatibility between standard platforms and specialist architectures (e.g. linking brand name word processing and graphic software to an automated document imaging system), only to find that a supplier or the customer's IT department innocently installs an upgraded version of a standard software platform with the immediate effect of crashing the entire system.

The second complexity in the innovation management process is the need for e-commerce system to (1) be linked into every database within the organisation and (2) run data interchange on a real time basis. This goal demands that all departments are oriented towards giving priority not to their own information needs but the effective operation of the organisation's e-commerce system. Even in offline companies, efficient interdepartmental communication during the execution of an innovation project is rarely an easily achieved goal. Once the communication requirements are for real time data interchange, seeking to establish effective communication flows usually becomes many times more difficult.

The third complexity within e-commerce innovation is that in many cases the developers will need to draw upon new technologies from a very diverse range of sources, such as computing, telecommunications and optoelectronics.

(I) Problem 8.1 e-Business gets personal

Introductory comments

Personalisation Once a relationship is the marketing goal, an important step is to identify individual customers (Peppers and Rogers, 1993) and to gather information about them, which is the foundational concept of personalisation (Peppers and Rogers, 1997). Personalisation, then, is defined to be any form of customisation that occurs because of specific recognition of a given customer. For example, a cookie placed on the visitor's computer can allow a site to deliver a homepage low in graphical content if the user appears to be on a slow dial-up modem. Such personalisation is a matter of degree. A conceptual personalisation quotient based on the degree that the website exercises has been developed:

- (a) customisation – the system's ability to customise items by allowing individual users to set their own preferences,
- (b) individualisation – the system's ability to customise itself to the user based on the user's exhibited behaviour, and

- (c) group characterisation – the system’s ability to customise itself to the user based on the preferences of other users with similar interests.

PERSONALISATION DOES NOT GUARANTEE LOYALTY

Many conventional and online retailers have invested in customer relationship management, personalisation, and one-to-one marketing programmes in the hopes of building customer loyalty and increasing customer retention. Retailers believe that by tailoring their marketing activities to the unique needs and wants of individual shoppers, they can do a better job of serving their customers.

While personalisation can create customer value and reinforce loyalty, most applications have been simplistic and retailer-centric. The 16 personalisation features tested in this research represent some of the common techniques used in retailing. From this set, there were only 2 that most consumers thought retailers must or should provide and another 4 that more than 40 per cent of shoppers desired. Seven features were disliked by more than 10 per cent of consumers. There are several reasons why personalisation programmes have failed to achieve their goals.

Convenience One of the most popular methods of personalisation is the frequent-shopper programme that rewards repeat customers with price discounts. Some programmes require shoppers to carry a special loyalty card and present it at the point of purchase so that their purchases can be tracked across all forms of payment. Others require consumers to save their receipts and turn them in at a special service desk. For people who do participate, this reduces the convenience of shopping by adding extra steps to the process. For those people who do not, it raises issues of fairness by charging higher prices. It is not surprising that some of the most popular personalisation options increased the convenience of shopping, such as saving a transaction log to simplify returns and warranty repairs.

Privacy Most people do not have to pay their friends to reveal their names, addresses and hobbies. Yet, this is what most retailers do when they sign shoppers up for their frequent-shopper programmes. They give people a discount in exchange for information. Why? Because shoppers often do not see any other tangible benefit for participating in these programmes. Quite the contrary, consumers worry that the information will be distributed to other companies without their knowledge and permission, which may lead to unwanted junk mail, spam and telephone solicitation.

For personalisation to be effective, retailers must build trust with the consumer. Shoppers want to know what information is being collected and how it will be used. They would like the option to view and edit personal information and to control its dissemination. Shoppers expect to see tangible benefits for providing personal data that are commensurate with the amount and type of data provided.

Prediction At the core of most personalisation programmes is an algorithm that attempts to predict which products, services and messages a consumer will respond most favourably towards. Often, this prediction is based on a statistical model of the shopper’s past purchases and demographic profile. While this approach can improve the chances that shoppers will respond to an offer, most consumers still receive a mountain of irrelevant and potentially irritating product recommendations and promotional messages. Prediction is poor because (1) the forecasts are based on an incomplete record of shoppers’ category purchases, (2) the purchase history may

include items purchased for someone other than the shopper, (3) consumers' needs change over time and across situations and (4) purchase histories and demographic profiles may not reflect consumers' attitudes and lifestyles.

Retailers need to move away from the practice of just offering consumers more of what they bought the previous time (or giving them an incentive to switch to a competing product). Retailers need to understand the full constellation of consumer needs and the role of variety seeking so they can filter out what consumers truly have no interest in yet retain a selection of items that will satisfy and potentially delight shoppers. They also need to expand the concept of personalisation to include situational influences and the life stage of shoppers, both of which are important purchase drivers.

In addition, personalisation can be done based on rules provided by experts. For example, if the customer buys shirt A, then recommend pant B, or if the customer is from corporation X, then provide a discount of Y per cent, and so on. From this discussion, it is apparent that personalisation can be applied across any aspect of the e-marketing mix and is, therefore, overlapping and moderating with regard to the effect those other functions have on the customer experience.

Privacy The collection of information forces the marketer to decide how this is to be used, particularly regarding access to it – decision about privacy. Note that privacy-revisions are inescapable (or, in the terms of this, 'basic') once the marketer collects information about individuals and stores it.

Security Another 'essential' function of e-marketing, once we move beyond the concept of simply a transaction, is the issue of security. There are at least two aspects to security, the first being security during the transaction. An example of the first type of security is to ensure that a third party is not hijacking aspects of the transaction. The need for credit card numbers and other critical information on the Internet exposes the customer to risks beyond just the current transaction and therefore involves a trust in the marketer that goes well beyond just the probity and punctuality of the current transaction, heightening the relationship nature of these digital interactions. This trust now encompasses beliefs about the security-related diligence of the marketer. The second aspect of security is regarding the data that are being recorded about the individual (e.g. providing adequate security to the consumer that a third party cannot break into the database). There is a constant battle between methods of security (e.g. encryption) and the sophistication of hackers. It is the marketers' responsibility and competitive necessity to keep ahead in this technological race. A lapse in the security domain could easily be the end of a company.

Customer service Many early marketing mix taxonomy specifications (e.g. Borden, 1964) included customer service as a support function often needed to make a transaction happen (and therefore a situational function). The introduction of 'time' into the exchange paradigm (the driving factor in moving to a relationship perspective) means that the marketer is forced to consider providing support to the customer *over time*. This necessitates consideration of customer service (in its broadest sense) as an ongoing and essential function. Interestingly, customer service is typically shown as a necessary function (a key element) in the retail mix (Levy and Weitz, 2001). This suggests that an ongoing direct interaction with customers requires support as an essential function. Furthermore, the support can be about any aspect of the e-marketing mix. It can be an issue about product availability, service plans, pricing or promotions. Hence, customer support is an overlapping function.

The preceding discussion regarding e-marketing functions can be summarised into the following:

- The basic relational e-marketing functions are anytime, anywhere access; personalisation; security; privacy; and customer service.
- These functions map into the following e-marketing elements, respectively: site, personalisation, security, privacy and customer service.

Following van Waterschoot and Van den Bulte (1992), it is important to realise that while all of the marketing-mix elements are to be coordinated in terms of their interacting and potentially synergistic influence on the customer experience, some functions take place *mostly* through their interaction with other more basic functions and very much moderate the effect of those basic functions. These functions are termed *overlapping functions* and lead to the summary:

Site, customer service, personalisation, privacy, security, sales promotion and community moderate e-marketing mix functions and are designated overlapping.

THE RESULTING E-MARKETING

Mix taxonomy

The preceding propositions lead to the e-marketing taxonomy portrayed on a cube in Figure 8.1. Functions that do not moderate other functions as much (non-overlapping) are shown on the surface of the cube. The overlapping functions are placed in the lower part of the cube to convey that they operate mainly by moderating any of the functions on the surface in addition to moderating each other. The resulting e-marketing mix is expressed in the following acronym: $4Ps + P^2 C^2 S^3$, where P stands for product, price, place, promotion, personalisation and privacy; C stands for customer service and community; and S stands for site, security and sales promotion functions (following the distinctions drawn in van Waterschoot and Van den Bulte, 1992) are as described in the traditional marketing mix. We note that most of the new elements are considered essential from an e-marketing perspective and overlap across the other elements.

We are able to classify all e-marketing tools based on their function to one of the e-marketing mix elements. Figure 8.2 presents this classification. The e-marketing functions allow the categorisation of tools that are otherwise hard to categorise or have a tendency to be arbitrarily categorised. For example, consider registries and wish lists. Many retailers consider these 'services' that are offered to the customer. However, as per our analysis, registries and wish lists allow customers to communicate their preferences to other customers; in other words, they are a community function. Merchants and buyers often provide recommendations based on their expert judgement and knowledge, and retailers tend to classify them under assortment. However, our analysis suggests that these are simply communications and hence should be classified under the promotion element. Furthermore, even if a recommendation were personalised, it would still be a communication, except with personalisation moderating it. Again, thinking in terms of e-marketing functions provides a basis for the categorisation.

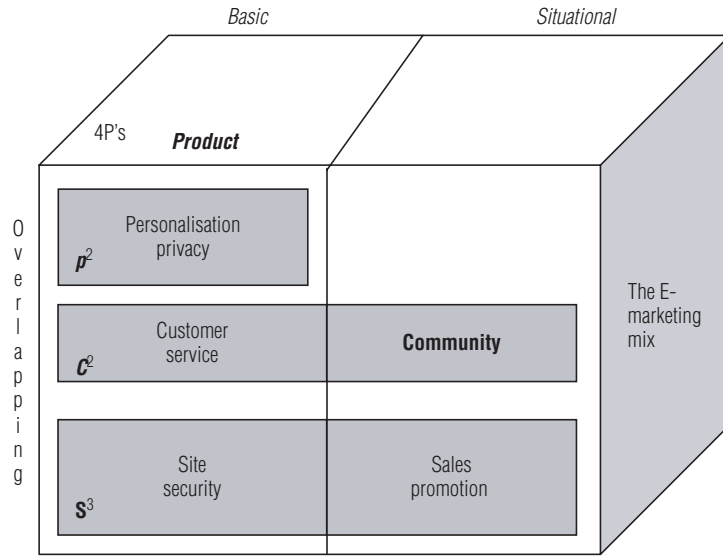


Figure 8.1 The e-marketing mix = 4Ps + P²C²S³.

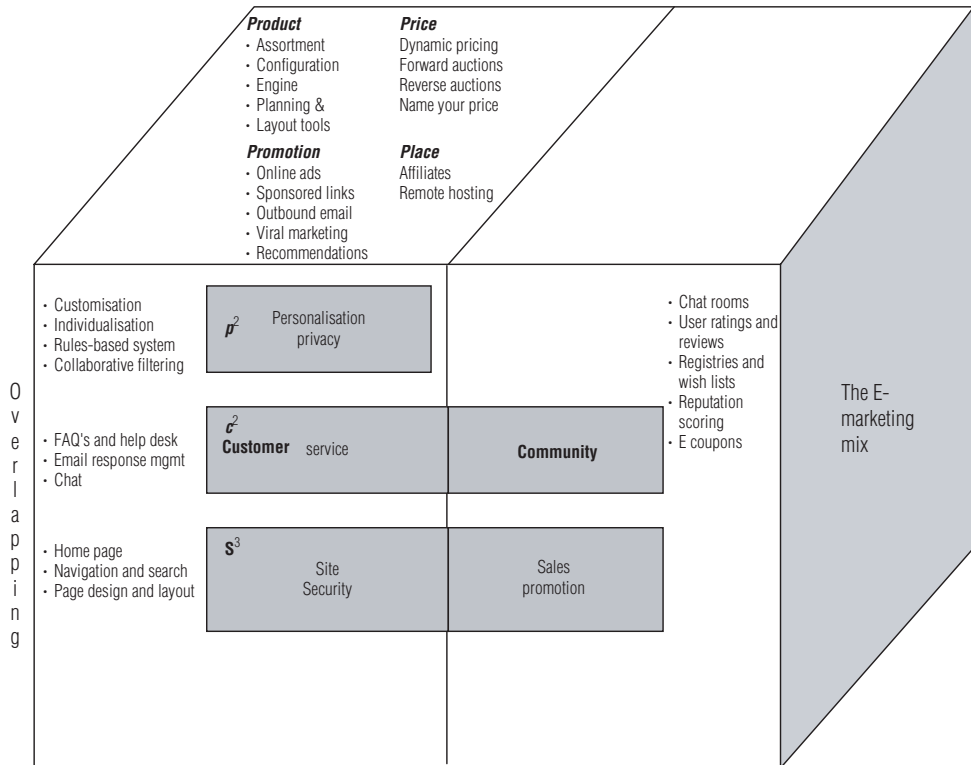


Figure 8.2 Classifying the e-marketing tools.

Techniques for tracking website visitor activity and for monitoring and logging their interests are becoming increasingly powerful.

It's long been understood that it's significantly cheaper to sell to an existing customer than to find a new one. The growth of electronic business has not changed this and recently the US-based Boston Consulting Group calculated from a survey that the cost of selling to a new electronic customer was £34 while to sell to an existing customer was a fifth of that figure at £6.80. Hence to ensure that marketing spend is efficient and that existing customers can be retained, it is important to know what customers want and what your marketing efforts mean to them personally.

It is also very important that web activities should not be divorced from the company's other activities. For most organisations, Internet-only companies excepted, the Web should be seen as only one facet of an overall marketing strategy. Web customers and visitors are simply using a particular medium at a certain point in time and information about them needs to be brought into the relevant databases or customer relationship management (CRM) systems just as much as existing information is used to tailor websites appropriately. In many cases the information will be anonymous but is no less valuable in determining company strengths and weaknesses as well as opportunities for increasing sales to particular segments.

Perhaps the most significant lesson which organisations need to learn is that while the Internet opens up opportunities for increasing sales to new geographical markets, it simultaneously opens up domestic markets to external competitors. One major consequence of this is that the balance between customers and companies supplying them has shifted greatly in the direction of the buyer. It is no longer good enough to rely on customer inertia and companies which do so will fail.

Conversely, organisations which take the trouble to understand their customers' needs and tailor their communications – whether through web pages, e-mail or more conventional mechanisms – to what their customers want will be far better placed to retain them.

Profiling is a means of tracking, identifying and recording visitor activities and preferences so that something approaching a one-to-one dialogue can subsequently take place. This may mean that websites become more dynamic, offering different customers different views according to the customer's specific interests. These dynamic views may be completely personal to individuals or they may be constructed to meet the wishes of those in particular sectors to which anonymous visitors belong. There are now extremely sophisticated mechanisms available, both to gather information and to tailor sites carefully in ways which window displays, print advertising or even personalised direct mail simply cannot match.

Mechanisms for gathering information tend to overlap and most developers offer products which combine two or more techniques. However, the four categories into which Web profiling mechanisms broadly fall are filtering, tracking, response analysis and demographic correlation. These are all variously used in traditional marketing but filtering and tracking in particular are now used to great effect in electronic commerce.

Filtering

The form of filtering enabled by computer power and now widely used on websites is what is known as automated collaborative filtering (ACF). This works by combining the opinions of a large number of people and matching these, duly weighted, with a

user's own opinions to attempt predictions. It is particularly useful where little is known about individual visitors and where the area being considered is fairly limited – books, music, clothing, food and the like. However, it is less suitable where correlations are difficult to establish or where scalability is essential.

Another product using ACF is Firefly, now owned by Microsoft. Users who register are given an electronic passport which allow them access to particular sites which are dynamically tailored according to their individual profiles. They can reveal more or less personal data according to their own wishes thereby maintaining a balance between privacy and benefiting from directly tailored offerings. Firefly supplies aggregate anonymous data to retailers and others who use this to construct sites reflecting the interest of particular groups.

Tracking

Tracking mechanisms have been used virtually since the start of the Web and are now becoming extremely sophisticated. They can be used anonymously or can be tied to visitor identities if these are given at some point. Typically they provide information on pages visited; the order in which this happened; how long users spent browsing a particular section of a website; where and how often they clicked; where they came from and where they went to.

Such information can be of considerable value not only for building personalised sites but also for identifying problems in site design or clarifying which mechanisms may work better in getting orders or enquiries.

Tracking and related methods of measurement are used also as crude measurements of site or page popularity by identifying the numbers of accesses, perhaps with the aim of charging advertisers or others on a sliding scale. Much tracking is carried out using what are known as 'cookies' which are small text files placed on the user's computer and subsequently interrogated and updated by the website system.

Beware of the measurement unit 'hit', particularly by those less scrupulous about how they justify high rates. A hit is nothing more than a particular page element, perhaps a graphic, and is meaningless except in context, whereas data on pages viewed or numbers visiting a site usually have more relevance in measuring interest and value.

One particular mechanism which is really in a class of its own but which shares some similarities with other tracking mechanisms is that developed by the Cambridge company Autonomy. The eponymous product is unique in that it offers very sophisticated mechanisms for identifying text according to context and irrespective of language, dialect and jargon. As part of its process, it can track a user's activities whether through reports or other documents or browsing and searching for particular material. This is used to build a sophisticated profile which can change dynamically with changes in user interest and which is then used to offer appropriate items such as reports or research documents.

Demographic analysis and questionnaires

Each of these mechanisms has been in use for some considerable time but has been given new impetus with the development of the Internet. Two of the major companies involved in profiling and personalisation, BroadVision and ATG, each offer products which combine a number of different techniques including response analysis.

It is extremely important, when seeking information from users, that sites do not put barriers in the way of access or of accuracy. A remarkable number of sites not only require registration but also insist on having lengthy questionnaires filled out before a visitor can get anywhere or do anything. This approach is both naive and foolish and has the effect, as research repeatedly shows, of turning away potential customers and of getting information which is flawed and, hence, costly to use as the basis for marketing initiatives.

Registration and questionnaires have their place but it is essential that information be accurate and gathered with the willing cooperation of the visitor. With the new shift in power to the consumer it is essential for companies to understand clearly what their customers want and to get as close to a one-to-one dialogue as is practicable. This has to be done within the context of respecting privacy, both in the formal sense of taking account of the requirements of the new Data Protection Act and in the wider sense of acting in ways with which visitors feel comfortable.

Mechanisms for profiling visitors and customers, whether as identifiable individuals or as anonymous members of particular interest groups, are becoming extremely powerful and can transform a company's marketing effort. However, both the profiling data gathered and the subsequent personalisation of the site for individual visitors should be recognised as being an integral part of the company's overall marketing strategy and not some technical matter handled in isolation.

Problem – example

Levi Strauss

The clothing manufacturer and retailer, Levi Strauss, uses on its website what it calls 'Style Finder', a mechanism to suggest to visitors products which might fit their personal style and tastes determined by answers to questions on preferences in other areas such as music, sports and appearance. Style Finder uses collaborative filtering, powered by Macromedia's LikeMinds personalisation engine, to compare expressed preferences with other customers and then to make recommendations.

A survey of customers found high levels of satisfaction with Style Finder, 93 per cent saying that it was 'fun' and 'easy to use' and 84 per cent commenting that the recommendations were 'right on'. Possibly of even more interest were Levi's figures showing that the average spend rate increased by 33 per cent; that the repeat visit rate increased by 27 per cent and the average length of the shopping session nearly doubled from four to seven minutes with the average number of products viewed rising from six to ten.

Freeserve

The business model for Internet service providers (ISPs) is shifting as new ISPs emerge and as the income streams from call charges and from subscriptions come under threat on account of competition forcing pricing downwards. This means that new revenue must be found and this, in turn, means that accurate information about visitor interest and patterns of browsing needs to be determined in order to justify costs charged to advertisers and to web retailers accessed through portal sites.

Freeserve, part of the Dixon's group, was one of the first UK ISPs to offer a subscription-free service and now has nearly two million registered accounts, an extremely valuable resource of interest to a variety of electronic businesses. It uses

WhiteCross Systems tools to monitor user behaviour and to identify customer needs and preferences. These reports are then used by Freeserve to provide demographic data, usage patterns, information on website stickiness and matters such as potential interest in new product lines, to negotiate terms with its corporate customers and so maintain revenue through advertising and related marketing initiatives.

Questions

- 1 Discuss the notion of a conceptual personalisation quotient (CPQ).
- 2 At the core of most personalisation programmes is an algorithm that attempts to predict which products, services and messages a consumer will respond most favourably towards, still, why is prediction a poor instrument of analysis?
- 3 On the basis of the Kalyanam and McIntyre's Framework depicting the e-marketing mix, classify and discuss the marketing tools related to personalisation.
- 4 Comment on the concept of 'filtering'.
- 5 Refer to the Levi Strauss case study and critically assess the advantages and disadvantages of the recommendations tool used to encourage customers to repeat purchases.

(I) Problem 8.2 Digital marketing research

Introductory comments

The Internet represents both continuity and innovation in marketing research. Although it brings considerable new opportunities to market researchers, it is not without its problems and challenges. Some of these are technical, others are ethical, and yet others are political. With less than a decade of solid experience behind it, Internet marketing research is still in its infancy. Although it is now relatively clear how to use the medium to investigate Internet users, it is still not quite so clear how it can be used to research offline activities.

Perhaps the single greatest challenge of the Internet lies in the way that it promises to break down the artificial barriers that currently exist between marketing research and most of the other activities involved in marketing. The Internet provides an opportunity to close the loop, not only between data gathering and data reporting but also between marketing research and selling, and even between marketing research and the product or service design process. Unlike traditional media, the Internet encompasses the entire 'sales' process. Therefore online advertising can be (and is being) integrated with all the other processes of selling, and is becoming an essential element of the broader technology of customer relationship management (CRM).

For online marketing, research need no longer be an episodic and expensive activity, involving teams of interviewers descending on people with clipboards or tape recorders in hand. Rather, it can take place frequently, wherever crucial consumer views are required. The Internet can also close the loop between survey research and reporting. Where Web questionnaires are used, for example, it is possible to post interim results back on the Web or deliver them to sponsors in real time, though the co-existence of interim results and a live questionnaire (as in the currently popular website polls) raises all kinds of methodological issues.

New technology now impacts on every aspect of our lives and the way that we do business, and so it was only ever a matter of time before it was incorporated into market research. A look at the current players who are using new technology shows a polarity

emerging in terms of its use. At one end, there are those who focus on the development of computer-based technology for use under strict supervision. At the other end are those who have adopted websites, e-mail, and now mobile phones as means of communication with research participants who can be anywhere, and respond at any time they choose. Others are mixing their methodologies to get the results they want.

Research International, BMRB and MORPACE International are using e-mail, online questionnaires and online focus groups, with Research International currently piloting the use of mobile phone data collection in Japan.

One of the attractions of Internet-based research is that participants can be anywhere, and answer questions at any time, as long as they have access to a PC, but whilst this can solve logistical headaches it can throw up concern about the nature of responses. People taking part in research using the Internet tend to treat it as a family affair, and can consult with others when answering questions. When it comes to buying toilet tissue, for example, we want to know what mum actually does when she's on her own in the supermarket. Results from Internet-based research simply do not replicate consumer behaviour.

Still, the issues of accuracy and the importance of constructing a proper sample are exactly the same when you use the Internet as when you use any other research methodology.

Up to 40 NPD ideas, or ads, promotions, packaging, or names, can be tested in just one three-hour session amongst a sample of up to 200. As total turnaround time is just three weeks, clients do not need to put their programmes on hold. Clients enjoy the increased speed of turnaround; ease of set up; the benefits of real-time dynamic reporting and how they can more effectively reach geographically dispersed audiences.

There may also be other interesting effects of using new technology in research that could not have been foreseen. Because the respondents are, in effect, giving their answers to a computer rather than to another individual, there is no incentive to exaggerate or attempt to impress as is often the case. This is well illustrated by our standard question regarding personal income, (which is) notoriously difficult to glean, and often grossly inaccurate. Our comparisons with national income statistics indicate a high degree of correlation.

Great care must still be taken when using the Internet for survey research when researching consumer markets that are non-Internet related, such as in most FMCG research. The profile of Internet users does not currently match the population profile of the UK, and is unlikely to do so for some time to come. Groups such as women, those over 45, and C2DE respondents are still significantly less likely to have Internet access. To an extent (the use of new technology) has always been restricted by the profile and number of people with access to the technology, although this is getting better. It is generally good for any group with a high Internet penetration, or where you have a defined list of contacts, such as the youth or technical market, or when you are looking at business-to-business or males between the ages of 18 and 35, but it can be less effective for national samples.

Problem

Many of the problems of carrying out marketing research on the Internet are common to conventional marketing research. Those problems that are more likely to be associated with Internet surveys are summarised below.

Lack of universal access to the Internet Less than 20 per cent of the world's population currently has access to the Internet, and most of these are concentrated in the countries of the developed world. Within particular countries, there is also an in-built bias towards early Internet adopters.

Poor online sampling frames There is no global list of e-mail addresses, so online surveys have to make do with alternatives, such as conventional sampling frames (e.g. printed directories or member lists), Internet-based lists (e.g. website visitors and e-mail address lists) and newsgroups. Automatically harvested lists of e-mail addresses (e.g. from newsgroups) often contain a high proportion of out-of-date or spurious addresses. Even where correct email addresses are available, other problems still reduce their effectiveness as a sampling frame: the growing number of people who have multiple email addresses; people who change their email addresses (e.g. switching from one ISP to another to benefit from low-cost start-up offers); users who fail to check their email regularly; and many consumers belong to a number of different online environments.

Sampling problems Even within countries that have a relatively large online population, sampling is made difficult because of biases in the characteristics of people who currently have Internet access – until recently, early Internet adopters in the USA and the UK were white, male, aged 18–59, of above average social–economic and educational status, and either white-collar or professional workers. This makes it difficult to extrapolate Internet survey findings to the entire population.

It is possible to adjust sampling methods to account for this kind of bias. For example, the demographic profile of early Internet adopters tends to be different from the population at large. Knowing the demographic profile of this group, various steps can be taken to counter this bias: adjust samples to include more laggards; sift responses to weed out those from ineligible groups; weight results to boost the results for under-represented sub-populations; or combine online surveys with conventional surveys that have biases in the opposite direction.

The 'open-to-all' Web survey suffers from the same lack of sample knowledge that affects the use of self-completion mail cards inserted in magazines or left on aeroplanes. However, it is not just differential access to the Internet that poses sampling problems and problems of sample representativeness. Bradley (1999) makes the important point that the capabilities of the hardware and software that people use to access the Internet (e.g. PC, TV, Internet-enabled phone) also need to be taken into account, as do the different levels of user capability in relation to the Internet (e.g. do they know how to extract an email attachment?), and user behaviour in the online environment (e.g. frequency, time and place of access). All of these affect whether a survey instrument will get through to an individual, and thus the structure of the online sample. Because these additional factors are still not well understood, this makes it difficult to draw properly constituted samples from online populations. Because of this problem, some restrict online research to online populations, such as visitors to a website, members of an online forum, or members of a business extranet.

Response rate problems If a sampling frame is unavailable, then it is difficult to estimate the online survey response rate, and to ascertain whether a sample quota has been achieved. Although Internet surveys can obtain equally good response rates as conventional surveys, very low response rates (in the 1–5 per cent range) are not uncommon, even in well-designed and highly targeted surveys. Poor response rates in

online surveys can be attributed to several reasons: bad vibes, caused by spamming; fears over security and lack of anonymity; and survey fatigue.

Data quality issues The value of data gathered online can be compromised by unreliable responses (e.g. users entering spurious details on website registration forms), and the lack of geographical specificity (i.e. not knowing where email or Web respondents live).

Ethical issues Internet marketing research shares many of the ethical problems that surround various forms of conventional survey and observational research. However, the Internet has thrown up additional problems, the chief of which is the lack of anonymity of email, the selling of people's email addresses and personal information, and the dangers of data integration (i.e. the collation, integration or fusion of disparate sources of individual data gathered over the Internet).

When to use – and not to use – online marketing research

There are several situations where the Internet is a good choice:

- To survey people in distant areas/countries, or dispersed common interest populations.
- To investigate sensitive subjects. There is some evidence, for example, that consumers enjoy the perceived anonymity that Web shopping brings, not only to the obvious acquisition of porn but also to car buying and medical diagnosis. In face-to-face encounters, there is always the possibility that some consumers will feel ashamed or embarrassed, and the same feelings may apply when they are polled for their views. The mediating influence of an Internet encounter can reduce or eliminate these potentially negative feelings.
- For studying people who are early technology adopters or regular Internet users (e.g. academics or young people) – that is those who are *au fait* with the technology, and who are more likely to respond to online questions.
- To study people's online activities – for example their use of websites.

There are also circumstances where it is probably inadvisable to use the Internet. The Internet is probably not the best choice when it is necessary to draw a representative sample of people whose characteristics, behaviour and attitudes need to be extrapolated to the population at large. Another situation is where it is important to involve naturalistic (i.e. non-mediated) interaction – for example where the observation of an individual's body language or of interpersonal reactions is significant. Finally, the Internet may not be effective where respondents need to have physical contact with a product that is being evaluated.

Questions

- 1 Comment on the following key problem areas related to online surveys (a) lack of universal access to the Internet, (b) sampling problems, (c) response rate problems and (d) ethical issues.
- 2 Discuss several situations where the Internet is a good choice for marketing research.

(I) Problem 8.3 B2C e-marketing mix

Introductory comments

High levels of interactivity enable retailers to provide exactly the type of information about products, services and pricing that the individual customer wishes to

receive. High levels of interactivity also encourage customers to provide exactly the type of information about themselves that retailers want – including credit card numbers, email addresses, shipping address, personal preferences and purchase histories.

Product strategies

As offline consumers, we purchase impulse items, shopping goods and occasionally speciality items. Some of these purchases require little concentration (low involvement) while others demand much more mental and/or emotional investment (high involvement). Up until now, e-tailers have been reasonably successful selling middle-of-the-road shopping goods (e.g. CDs, books, travel bookings) and also relatively low-involvement speciality goods (e.g. computer games, software and auctions). As technology develops further and e-consumer confidence inevitably builds, we may well witness a significant rise in the availability and purchase of impulse items as well as high-involvement shopping and speciality products. Buying lottery or cinema tickets online or even a new automobile or home may be quite commonplace a few short years from now.

Not very long ago, brands were categorised as pure offline or online brands. Brands such as Coca-Cola, UPS and Sony enjoyed a very distinct position in relation to Yahoo!, AOL and Amazon. But

as the Internet expanded, we began to observe the crossover of offline brands into the online world, and the transition of online brands into the offline world. The end result is a blurring of the distinction between pure offline and pure online brands. (Rayport and Jaworski, 2001: 188)

Brands such as Netscape, Microsoft and Nintendo are promoted across all available media, the world over.

Place strategies

Although many products may not always be deliverable online, e-consumers are now requiring the use of more non-traditional logistical solutions for non-home commerce. Increasingly, these customers will want to collect their purchases at tube/rail stations, the workplace, the post office and the petrol station.

e-Marketers, sometimes called 'electronic stallholders', have already seen that automatic cash machines (ATMs), automated kiosks (used for selling CDs, videos or performance tickets, for example) and other online technologies can provide excellent alternative to traditional distribution methods. Banks, auction houses and hospitality businesses are introducing online tools at a fast-growing rate. As they do this, strategists are finding that they need to ask themselves a fundamental question: what blend of offline and online distribution activities is right for our particular industry in order to maintain a high degree of customer satisfaction while keeping our distribution costs low?

Pricing strategies

In this new model, information or content is not merely transmitted from a sender to a receiver, but instead, mediated environments are created by participants and then experienced. (Hoffman and Novak, 1996)

In terms of pricing, this means that e-consumers are empowered by the very nature of online technologies. e-Tailing, by definition, necessitates unprecedented levels of transparency on the part of the vendor. Company information, product features, after-sales support and, of course, pricing/payment terms and conditions must all be presented clearly for easy access by a prospective buyer or his or her 'intelligent agent' (discussed earlier). Websites such as *www.PriceScan.com*, *www.BotSpot.com* and *www.consumerreports.org* provide excellent product/price comparison opportunities for e-consumers of all ages (Kardes, 2002). The key question one might ask at this point is this: if online customers really do 'want it all', will the average retailer be able to afford to offer such great price deals on an ongoing basis? As is the case for offline marketing, e-tailers must learn to develop very different strategies when attempting to commercialise highly price-sensitive products.

Communications mix

We have seen that ICTs facilitate 'many-to-many' communication exchanges (Hoffman and Novak, 1995). Interactive TV shopping channels, Internet banner ads and pop-up windows, short message service (SMS) marketing and webcasting (or multicasting) are but some of the e-marketing tools recently developed to help e-tailers communicate with netizens. But how can e-tailers maximise the effectiveness of their Internet-based communications? Nicovich and Cornwell (in Richardson, 2001: 155) support the view that traditional mass marketing processes do not appear to fit neatly with Internet culture. The authors recommend that marketers should:

contact users and elicit information without violating the norms exhibited about commercial speech. The way to accomplish this is for marketers to become members of the communities in which they wish to communicate. In this manner, marketers will learn the social values and attitudes exhibited by the community as well as garner a greater appreciation of the communications they present.

e-Tailing is changing rapidly and, in the process, changing the way consumers and marketers look at commerce itself. We are witnessing the rise of 'the experience economy'. In a book of the same name, Pine and Gilmore suggest that more and more companies are staging, marketing and delivering 'memorable experiences' rather than ordinary goods and services. From Niketown to Sony's Metreon (an interactive entertainment experience) the consumer is being exposed to brand/product-related feelings and sensations as never before. We are witnessing the rise of a new breed of retailer, and strategists who ignore this trend may experience tough challenges ahead.

Problem – example

Together we stand

In the comment piece of October's issue of *Marketing Business*, I read that CIM studies show that marketers are losing control of websites to 'an unlikely rival. The customer services department'.

Now call me an old fuddy-duddy if you wish, but I was brought up to see all aspects of a company's interaction with its customers as 'marketing'. And CIM, the lead body of marketing, is frequently harping on about effective customer relations management as part of marketing. So, I ask, how is customer services – which can only be part of

the overall task of looking after relationships with customers – seen as a rival? Shouldn't all the customer-related people be operating as one under the heading of marketing people? Isn't this idea of all working together to 'delight the customer' what marketing is supposed to be about?

What's needed is to have practical realism to wipe away the clouds of hype and for good teamwork to make it happen. We need IT to properly explain what can be done, customer services to explain what they think is needed on their part, sales to explain what they think needs doing and for marketing management to ground the whole thing with good solid marketing principles of anticipating and identifying customer needs and wants, and satisfying (nay exceeding) them profitably.

A complete waste of time

In my experience, it is a total waste of time making enquiries on the Internet (unless they are directly related software technical enquiries) as no one bothers to reply.

The commercial websites want your money, but they do not want to hire the staff needed to physically attend to all the incoming and outgoing email messaging.

I have requested technical specifications, availability and VAT refund details several times without ever receiving any reply.

So, what is my reaction? Quite simply, I shall continue to bring my good old fashioned Index and Argos catalogues with me to Saudi Arabia and then when I return (e.g. at Christmas) pre-plan all my shopping from these. So much for all the hype and drivel about how shopping online will threaten the old traditional methods. It is mostly pure hype and propaganda to persuade the punters!

Questions

- 1 Critically discuss the concept of 'electronic stallholders'.
- 2 Comment on the views expressed by Nicovich and Cornwell (2001) in which they stated that traditional mass marketing processes do not appear to fit neatly with internet culture.
- 3 Should all the customer-related people be operating as one under the heading of marketing people?
- 4 Critically analyse the common complaint that 'it is a total waste of time making enquiries on the Internet as no one bothers to reply'.

(I) Problem 8.4 e-Distribution management

Introductory comments

Distribution of products usually involves some form of vertical system in which transaction and logistic responsibilities are transferred through a number of levels. In terms of distribution management, Stern and El Ansary (1988) propose that the following factors will need to be considered in the selection of an appropriate system:

- 1 The capability of intermediaries in the logistics role of sorting goods, aggregating products from a variety of sources and breaking down bulk shipments into saleable lot sizes.
- 2 The capability of intermediaries in routinising transactions to minimise costs.
- 3 The capability of intermediaries in minimising customer search costs (e.g. a computer store having available information and demonstration models from a range of different suppliers).

A common convention in Western economies during the twentieth century was that retailers perceived scale benefits in purchasing directly from suppliers, 'cutting out

the middleman' and establishing vertically integrated procurement, warehousing, distribution and retailing operations.

Exploitation of this ahead of competition provided the basis for the establishment of what are now considered highly conventional trading dynasties such as Sears Roebuck in the US and Marks & Spencer in the UK.

After decades of being virtually ignored as an important aspect of the marketing management process, in the mid-1980s organisations began to realise that effective management of distribution channels can actually provide additional opportunities to gain advantage over competition. A number of factors contributed to this situation.

Possibly two of the more important have been (1) the impact of new or improved technology in the reduction of transportation costs and/or delivery times (e.g. the construction of motorway networks in Europe that have made it feasible for a manufacturer based in one country to service effectively from one single plant the needs of customers in all other European countries) and (2) exponentially declining prices for IT systems across all facets of the distribution process (e.g. the linking of supermarket computers with the production scheduling systems of key suppliers, to manage more effectively the process of matching production to demand).

Rangan et al. (1993), in reviewing the future strategic implications of new approaches to channel management, suggest that managers must now view the flow of goods and services in relation to the questions of whether exploitation of alternative channels can serve to create competitive entry barriers, enhance product differentiation and enable greater customer intimacy. These authors' proposal is that it is now necessary to 'unbundle' the channel functions of information provision, order generation, physical distribution and after-sales service. The next step is to then determine how customer needs can best be met by channel members working together as a team of channel partners each performing those tasks in which they excel.

E-commerce distribution

The advent of e-commerce is causing many companies to reassess their approach to using distribution systems to acquire and sustain competitive advantage. Even prior to the arrival of the Internet, Moriarty and Moran (1990) refer to the exploitation of new electronic technologies as an opportunity for building 'hybrid marketing systems'. They perceive these technology-based systems as offering new, more customer-oriented, entrepreneurial approaches to channel management. They present the example of IBM, which over the years has moved from a single channel based around its own sales force, to being a hybrid operation involving dealers, value-added resellers, a catalogue selling operation, direct mail and tele-marketing. In the past ten years this has resulted in a doubling of the size of its own sales force and the opening of 18 new channels to serve the highly diverse nature of customer need.

One approach to determining an optimal strategy for selecting an optimal e-commerce distribution channel is to assume that there are two critical dimensions influencing the decision; namely, whether to retain control or delegate responsibility for transaction management, and to retain control or delegate, responsibility for logistics management. This concept can be visualised in the form of an e-commerce channel option matrix of the type shown in Figure 8.3.

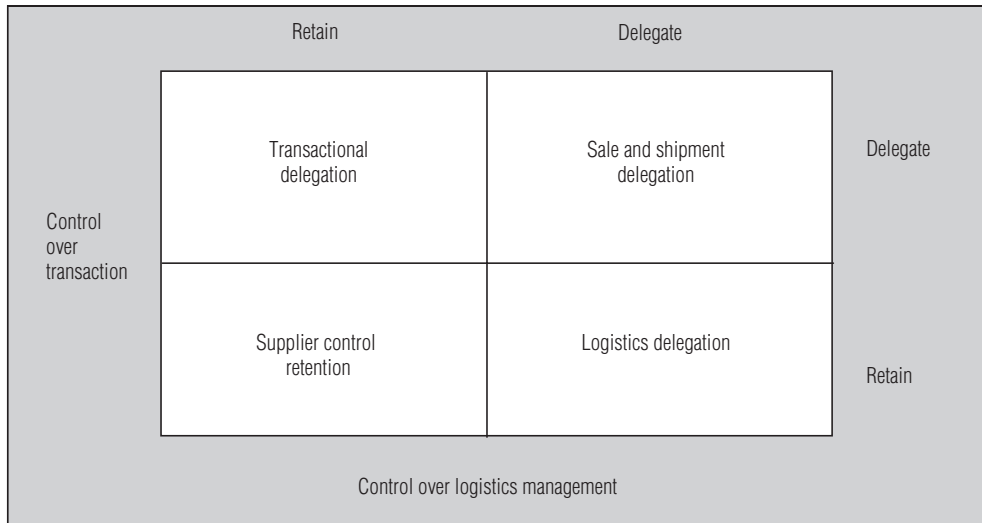


Figure 8.3 An e-commerce distribution option matrix.

An example of an e-commerce market sector in which the supplier tends to retain control over both distribution dimensions is online banking services, because supplier banks usually retain absolute control over both the transaction and delivery processes.

Possibly the most frequently encountered e-commerce distribution model is one in which control over transactions is retained and distribution delegated. It is the standard model used by most online tangible goods retailers. These organisations, having successfully sold a product to a website visitor, will use the global distribution capabilities of organisations such as Federal Express or UPS to manage all aspects of distribution logistics.

In the majority of offline consumer goods markets the commonest distribution model is one in which both transaction and logistics processes are delegated (e.g. major brands such as Coca-Cola being marketed via supermarket chains). This can be contrasted with the online world, in which absolute delegation of all processes is still a somewhat rarer event. The reason for this is that many companies, having decided that e-commerce offers an opportunity for revising distribution management practices, perceive cyberspace as a way to regain control over transactions by cutting out intermediaries and selling direct to the end-user customers. As already mentioned, the process by which traditional intermediaries are squeezed out of channels is usually referred to as 'disintermediation'.

It must be recognised, however, that delegation of transactions and logistics may offer ways to improve market service provision, through the exploitation of opportunities made available through 're-intermediation' (Pitt et al., 1999).

Pitt et al. (1999) propose that in assessing e-commerce distribution strategies there is the need to recognise that the technology has the following implications:

- 1 Distance ceases to be a cost influencer because online delivery of information is substantially the same no matter the destination of the delivery.

- 2 Business location becomes an irrelevance because the e-commerce enterprise can be based anywhere in the world.
- 3 The technology permits continuous trading, 24 hours-a-day, 365 days-a-year.

By combining these implications with the basic roles of intermediaries (assortment management, transaction routinisation and the reduction of customer search activities), Pitt et al. have evolved an e-commerce strategic distribution option matrix of the type shown in Figure 8.4. The authors recommend that marketers use this type of matrix to identify potential competitive threats caused by other actors within a market system exploiting e-commerce technology to enhance the distribution process. They also propose that in the future, because of the interactivity of e-commerce, marketers will begin to replace the phrase 'distribution channel' with a new term, 'distribution medium'.

		Technology implications		
		Minimal delivery cost	Location irrelevance	Continuous operation
Minimizing customer search	Transaction routinization	On-line airline reservation systems	On-line insurance companies	On-line employment recruitment agencies
	Assortment management	On-line cross-border banking	On-line OEM procurement networks	On-line catalogue companies
		On-line music stores offering customised Cd-ROMS On-line ROMS	On-line manufacturers of customised PCs	On-line educational institutions

Figure 8.4 An e-commerce strategic distribution option matrix (modified from Pitt et al., 1999).

Eventually e-commerce may lead to a major increase in the total number of companies offering products and services across world markets. As this occurs, markets will become more efficient, and many products will be perceived as commodities, with a consequent decline in average prices.

Consumers were most enthusiastic about shipping in conventional retail stores and on the Internet. However, the survey revealed that the various media can play different roles in moving shoppers through the purchase process (see Figure 8.5). On one hand, consumers preferred to visit a retail store to learn about new products (76 per cent), purchase and pay for merchandise (91 per cent), receive products (91 per cent), and return unsatisfactory items (89 per cent). On the other hand, they were most

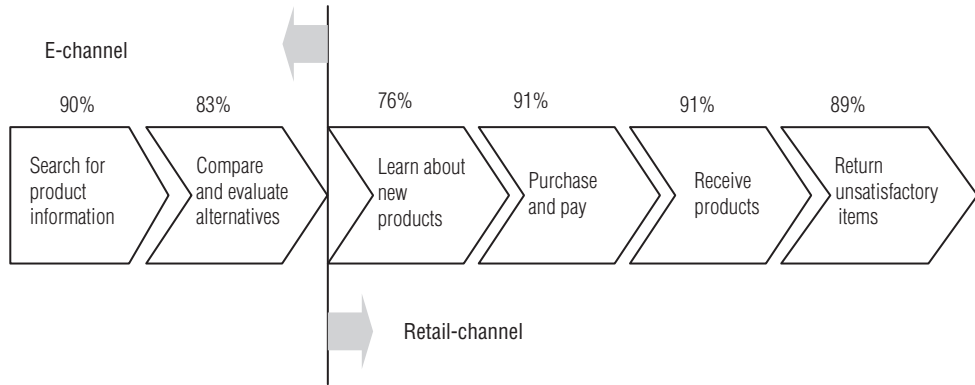


Figure 8.5 Consumer preference for multichannel shopping.

enthusiastic about using the Internet to search for product information (90 per cent) and compare and evaluate alternatives (83 per cent).

Consumers preferred using media that could accurately portray the characteristics of the specific products they were buying. For example, consumers liked using the Internet to find out about and search for information on products such as music, movies, books and consumer electronics, presumably because of the detailed information that is available online. Catalogues were more popular for weekend apparel and furniture and lighting, for which visual quality is important. Television was a preferred medium for learning about products that have a sensory or entertainment element such as toys, games, music and videos. In-store visits were more appealing for expensive and infrequently purchased items such as appliances, furniture, hardware, paint and wallpaper, as well as weekday apparel and groceries.

Problem – example

The e-milkman cometh

E-shopping should be easy, but how do you get the goods delivered?

Shopping on the Internet just has not lived up to its promises. The convenience. The time-saving. All at the click of a mouse.

If you do manage to master all those high-tech ways of persuading you to part with your money – computer and modem, WAP phone and interactive digital television – the last step in the e-commerce chain remains annoyingly low-tech.

You wait for hours for the goods to arrive, pop out to buy a paper and then find a note saying: ‘We tried to deliver but you were not in. Please pick up delivery up from the depot.’ It is enough to send us all back to the supermarket check-out queues.

These setbacks could soon be a thing of the past. Internet companies have finally realised that online shoppers do not have time to wait for the goodies to turn up.

The finest minds in Internet retail are now dreaming up a range of solutions. In the not too distant future, the lawn-mower you bought from a dot.com could be brought to you by the milkman.

Or you could pick up your new evening dress from the late-opening Costcutter while your supermarket shopping will be safely deposited in the chilled Deliver-e box outside your home.

e-milkmen

Milk floats are being beefed up to allow milkmen to deliver everything from televisions and DIY equipment to fine wines and beauty products right to your doorstep.

Every day, about 4,000 floats deliver milk to 2.2 million households. These milkmen also drive past another 5.5 million homes. In all, about 40 per cent of British homes could be reached by milk floats delivering all your Internet shopping.

'Bundling deliveries together is very environmentally friendly. It also means your milkman becomes your local community delivery agent,' says Andrew Day, chief operating officer at M-box, the company which has linked up with Express Dairies to provide the service.

The company has yet to announce which online traders and mail-order companies will be using the service.

The corner shop

If the e-milkmen do not reach your home or you are never there when the floats drive past, you may be able to pick up your delivery from a late-opening corner shop. Spar, Londis and Costcutter are some of the convenience stores which have agreed to receive deliveries on behalf of Internet shoppers. The idea will work rather like the National Lottery franchise. It will be up to local shopkeepers to decide whether to provide the service; then M-box will vet each outlet to see whether the premises are suitable to take part in the scheme.

If they meet the standards, each corner shop will have a special computer terminal connected to the central M-box hub to keep track of deliveries. When the shopkeeper receives your parcel, the barcode will be scanned into the computer and you will be sent an e-mail to say your shipping is ready for collection.

The Roving Porter

Many shoppers many still prefer to cut out the middlemen and receive goods directly at home. Urbanites living in a block of flats could hire the modern equivalent of Jeeves – a Roving Porter.

This service already exists but the downside is that the cost may wipe out any savings made by shopping online.

For £25 an hour, Luxury Home Management will send a real person to wait for deliveries at your home. Given that few companies promise an exact delivery time, hiring a Roving Porter to hang around our home for the afternoon is likely to burn holes in your pockets.

However, the service could be value for money if flat owners club together and split the costs. Roving Porters can organise your domestic life from collecting dry cleaning to booking theatre tickets for visiting relatives while waiting for your case of wine to arrive.

The Delivery Dock

Property developer Laing has developed its own solution to the problems of Internet delivery in the form of a Delivery Dock.

The dock is 1 metre high and 1.7 metres wide: deliveries are made through an external door opened by a security code while the homeowner has access through an internal door.

The dock is big enough to hold a supermarket trolley and has three compartments at different temperatures to ensure that your ice-cream stays frozen, your milk is kept chilled and biscuits are stored at room temperature.

At the moment, the only Delivery Dock in the country is a £7,000 prototype attached to a five-bedroom Laing home at a development at Richmond Heights in London. But the company says the price will drop once the system is in full production, and smaller docks will be also available.

Deliver-e box

Not everyone will want to knock an extra door through one of their external walls. Nor could you install a dock if you live in a flat. But you may be able to use a Deliver-e Box. It works on the same principle as the dock but can be installed anywhere you like, provided it is connected to the electricity mains.

Internet Delivery Solutions (iDS), the company behind Deliver-e box, says the stand alone 'smart boxes', like fridges, will be available in a variety of sizes including a special model designed as a bank of lockers for blocks of flats. As with docks, these boxes can be customised to fit in with the surroundings. Expect to pay around £400 for each unit. But they are not in the shops just yet. iDS is not planning to sell the units until it has completed a full-scale pilot next spring.

Questions

- 1 Comment and give examples of the advent of 'hybrid marketing systems'.
- 2 Discuss one approach to determining an optimal strategy for selecting an optimal e-commerce distribution channel.
- 3 Comment on the effectiveness of the 'corner shop', 'the Delivery Dock' and 'Deliver-e box' approaches.

(M) Problem 8.5 The effectiveness of online marketing

Introductory comments

An organisation's website offers an unrivalled opportunity to measure significant aspects of marketing effectiveness since customer behaviour can potentially be monitored in real-time and responded to accordingly. Yet research suggests that companies are not making full use of this potential. In a November 1999 report *Measuring Web success*, Forrester Research asked 50 of the Global 2,500 companies what metrics they used to measure the success of the company website (see Figure 8.6).

These figures suggest that even amongst large companies, the potential value of the website as a marketing research tool has not been tapped. Few companies reported

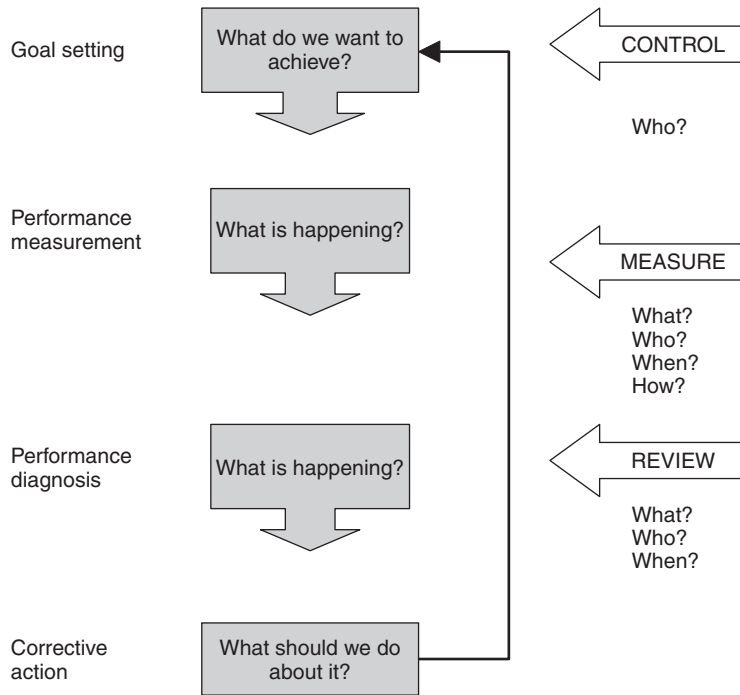


Figure 8.6 A process for assessing Web marketing effectiveness.

measurement of the site's role in influencing marketing outcomes such as leads and sales or how it shaped customers' brand perceptions.

To integrate a measurement programme into Web marketing activities is not straightforward. To start with, the demands of promoting a site and keeping it up-to-date invariably takes up most of the time of staff involved with Web marketing, who often have responsibilities for other channels too. The need to evaluate the Web in conjunction with these other channels, rather than in isolation, poses technical and organisational problems. As a result it is easy to suffer the symptoms of any poorly conceived marketing measurement programme:

- Objectives poorly defined
- Data not collected
- Data not analysed
- Results not reported
- Corrective action not taken

Structured programme

To avoid these pitfalls, a coordinated, structured programme seems necessary. In common with any marketing measurement programme, the starting point is to have clearly defined goals; in this case stating the intended contribution of Web marketing to overall marketing and business objectives. The programme should be managed by someone with a clear understanding of what the company is trying to achieve online. Once objectives have been established, it is possible to work out what is actually happening

on the website and compare this with what the company is trying to achieve. If expectations are not being met, a structured programme can help identify what is going wrong and how it can be corrected, for example through enhancing the website or associated marketing communications (see Figure 8.6).

Traditional approach

Once there is a process in place for the measurement programme, it is helpful to have a framework for different types of measures that need to be collected. In many traditional clicks and mortar businesses, it will be appropriate to base these measures on a traditional approach to performance measurement for a channel such as a phone-based direct sales channel. Companies will need to compare the performance of the Internet channel to other channels and build a picture of how it is contributing to the business. Performance against targets is mainly monitored in the categories shown in Figure 8.7. This can be further explained as follows:

- 1 *Channel promotion* Promotion is successful if traffic is generated that meets objectives of volume and quality. Quality will be determined by whether visitors are in the target market and have a propensity of the service offered. Overall hits or page views are not enough – inspection of log files for companies show that a high proportion of visitors get no further than the home page. Differences in cost of acquiring customers via different alternative channels can also be assessed. A log file analysis can be used to assess which key partner or intermediary sites customers are referred from and even which keywords they type into search engines when trying to locate product information.
- 2 *Channel buyer behaviour* Behaviour objectives will require customers to interact with the appropriate on-site marketing communications such as product information, promotions or customer service. Once customers have been attracted to the site it is possible to monitor, again using log file analysis, content accessed, when they visit and how long they stay for and whether this interaction with content leads to satisfactory marketing outcomes such as new leads or sales. If visitors are encouraged to register on-site it is possible to build up profiles of behaviour for different segments. Key performance ratios can be identified such as page impressions/visit and visitor sessions/unique visitors.
- 3 *Channel satisfaction* Customer satisfaction with the online experience is vital in achieving the desired channel outcomes, although it is difficult to set specific objectives. Online methods such as questionnaires, focus groups and interviews can be used to assess customers' opinions of the website content and customer service and how it has affected overall perception of brand.
- 4 *Channel outcomes* Traditional marketing objectives such as number of sales, number of leads, conversion rates and targets for customer acquisition and retention should be set and then compared to other channels. Dell Computer (www.dell.com) records on-site sales but also orders generated as a result of site visits, but placed by phone. This is achieved by monitoring calls to a specific phone number unique to this site.
- 5 *Channel profitability* A contribution to business profitability is usually the ultimate aim of Web marketing. To assess this, leading companies set an Internet contribution target of achieving a certain proportion of sales via the channel. When easyJet (www.easyjet.com) launched its e-commerce facility in 1988, it set an Internet contribution target of 30% by 2000. They put the resources and communications plan in place to achieve this and their target was reached in 1999. Assessing contribution is more difficult for a company that cannot sell products online, but the role of the Internet in influencing purchase should be assessed.

The range of measures in Figure 8.7 currently represents a wish list for most; few companies have yet created the technical and organisational infrastructure. Most companies seem to start by considering volume of traffic (channel buyer behaviour) and outcomes (leads and sales) before moving on to reviewing channel satisfaction and channel promotion.

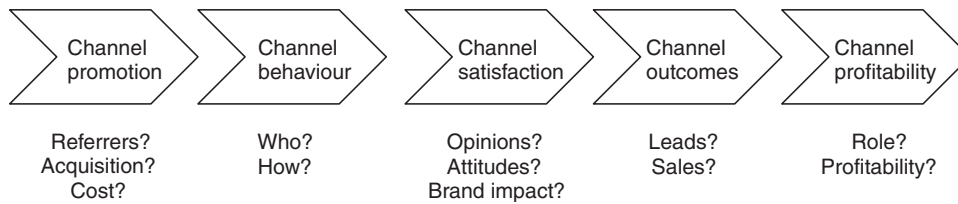


Figure 8.7 A framework for measuring Web marketing effectiveness.

Once a company identifies the SMART measures it wants to collect, the next stage will be to decide on the collection/reporting frequency. For example, on-site sales promotions for an e-tailer are often monitored daily or weekly; referring sites may be monitored monthly; while channel satisfaction may only be recorded periodically, perhaps before a major enhancement to the site.

How can we measure?

Much of the information listed in Figure 8.7 can be collected online. A wealth of marketing research information is available from the website itself, since every time a visitor clicks on a link this is recorded in a transaction log file that summarises the content the customer is interested in. Since these log files quickly grow to be many thousands of lines long, analysis software is needed to summarise the information contained within them. Log files analysers, of which Webtrends (www.webtrends.com) is the most widely used, highlight interest in products or promotions and how this varies through time (Figure 8.7).

This enables companies to respond in real-time to buyer behaviour. UK e-tailer Jungle.com uses this technique to change the offers on its home page if customers are not responding to a particular offer.

In addition to information gleaned from the log file, we can also use traditional marketing research techniques in an online setting. Online questionnaires are used increasingly by large companies: the Epson UK site (www.epson.co.uk) illustrates how questionnaires can be used to gather information from all stages of the buying process. Interactive tools are available to help users select a particular printer, diagnose and solve faults and technical brochures can be downloaded. Feedback is solicited on how well these services meet customers' needs. Questionnaires can also be administered anonymously in conjunction with visits by mystery shoppers. Online focus groups also offer potential, but are used less widely than questionnaires. Table 13 in the Instructors Manual presents some of the advantages and disadvantages of these different techniques.

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