

# Marketing: *Marketing in the 21st Century*

12<sup>e</sup>

Joel R. Evans

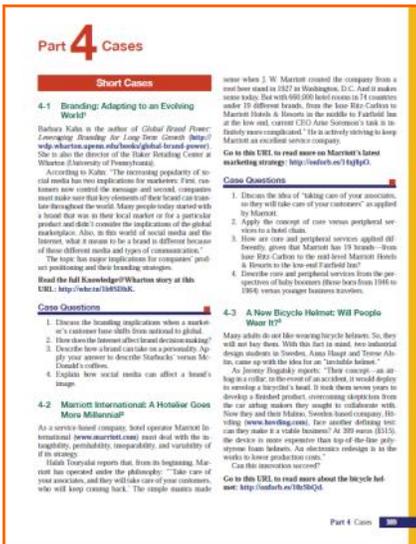
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- Each chapter begins with an opening vignette about a prominent company – both domestic and foreign – an outline and chapter objectives, and an overview.
- Each chapter has four boxed extracts, dealing with “Career Tips,” “Digital Marketing in Practice,” “Ethics and Social Responsibility in Practice,” and “Global Marketing in Practice.”
- Each chapter ends with a “Web Sites You Can Use,” a summary, a key term list, questions, a Web-based exercise, and a practice quiz with 15 multiple-choice questions (with link to a free Answers File).
- At the end of each of the book’s eight parts, there are a variety of cases that direct students to online links for further information.
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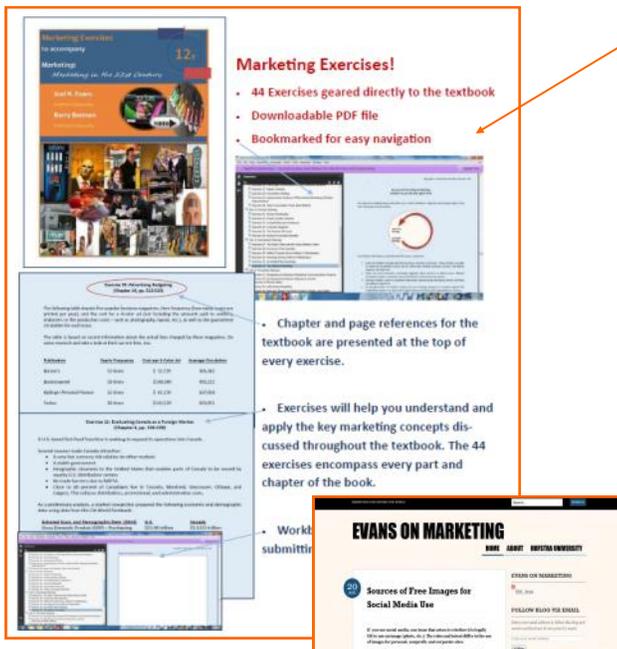
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**FIGURE 7-8 Why Consumers Purchase Online**

...cts, compared to 22 percent of Europeans. In comparison, 48 percent of those in Asia-Pacific and 46 percent of Europeans get information about personal electronics online.

- On average, American, British, and Canadian women spend about 42 hours per month online. In contrast, women in Brazil, France, and Taiwan spend fewer than 30 hours per month.
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### About the Authors/ Note from the Authors



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Joel Evans and Barry Berman are really reader -- and user -- friendly. If you have ANY questions or comments -- or just want to chat, please contact Joel at [joel.r.evans@hofstra.edu](mailto:joel.r.evans@hofstra.edu) or Barry at [barry.berman@hofstra.edu](mailto:barry.berman@hofstra.edu). **They promise to respond to each E-mail.** And be sure to follow them at <http://evansonmarketing.com> for regular, current, and interesting material on all facets of marketing in a multimedia format.

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**Bricks-and-Mortar, Clicks-Only, and Bricks-and-Clicks**

**The Benefits of a Company's Using the Internet in Marketing**

#### The Multifaceted Potential Marketing Roles for the Internet

#### Developing an Internet Marketing Strategy

#### How the Internet Is Being Applied in Marketing Strategies

**Consumer Analysis**

**Product Planning**

**Distribution Planning**

**Promotion Planning**

**Price Planning**

#### Current Challenges and Future Prospects for E-Marketing

**The Challenges of Using the Internet in Marketing**

**The Future of E-Marketing**

*Web Sites You Can Use*

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## Chapter Objectives

1. To demonstrate why the Internet is a valuable marketing tool
2. To explore the multifaceted potential marketing roles for the Internet
3. To show how to develop an Internet marketing strategy
4. To illustrate how the Internet is being utilized to enhance marketing strategies
5. To consider the challenges of using the Internet in marketing and to forecast the future of E-marketing

When it comes to online sales, Amazon.com ([www.amazon.com](http://www.amazon.com)) is in a league of its own—with about \$75 billion in worldwide revenue. It operates Web sites in China ([www.amazon.cn](http://www.amazon.cn)), France ([www.amazon.fr](http://www.amazon.fr)), Germany ([www.amazon.de](http://www.amazon.de)), Great Britain ([www.amazon.co.uk](http://www.amazon.co.uk)), India ([www.amazon.in](http://www.amazon.in)), Japan ([www.amazon.co.jp](http://www.amazon.co.jp)), and other countries. The company's mission is “to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices.” Amazon and its partners sell almost anything. And the company has branched out into its own products with the popular Kindle line of E-readers and tablets. Among the businesses owned by Amazon.com are shoe retailer Zappos ([www.zappos.com](http://www.zappos.com)) and entertainment industry site IMDb ([www.imdb.com](http://www.imdb.com)).

These are the cornerstones of Amazon.com's success, as noted at its Web site:

Technological innovation drives the growth of Amazon.com to offer customers more types of products, more conveniently and at lower prices. Since 1995, Amazon has significantly expanded its product selection, international retail Web sites, and worldwide network of fulfillment and customer service centers. Today, Amazon retail Web sites offer everything from toys and video games to MP3 downloads and collectible items.

In 2000, Amazon.com began to offer its E-commerce platform to other retailers and individual sellers. Today, hundreds of thousands of retail brands and individual sellers increase their sales and reach new customers by leveraging the power of Amazon.com. Amazon Web Services, AWS (<http://aws.amazon.com>), provides developer customers with access to in-the-cloud infrastructure services based on Amazon's own back-end technology platform, which developers can use to enable virtually any type of business.

Amazon's evolution from Web site to E-commerce and publishing partner to development platform is driven by the spirit of innovation that is part of the company's DNA. Because that's what being Earth's most customer-centric company is all about, and it's still Day One at Amazon.

Check out the Amazon.com Facebook page ([www.facebook.com/Amazon](http://www.facebook.com/Amazon)).

In this chapter, we will explore the various marketing roles of the Internet. We will also examine how traditional marketers can use the Internet as a vital part of their overall marketing strategy.



“An Amazon Birthday Gift”  
<http://youtu.be/gOhGuuLpYw>

## OVERVIEW

As an introduction to our discussion of marketing and the Internet, let’s define four basic terms.

The **Internet**, also known as “the Net,” is a global electronic superhighway of computer networks—a network of networks in which users at one computer can get information from another computer (and sometimes talk directly to users at other computers). It is a public, cooperative, self-sustaining system accessible to billions of people worldwide. The **World Wide Web (WWW)**, also known as “the Web,” comprises all of the resources and users on the Internet using the Hypertext Transfer Protocol (HTTP). It is a way to access the Internet, whereby people work with easy-to-use Web addresses and pages. Through the Web, users see words, colorful charts, pictures, and video, and hear audio.<sup>1</sup> Although the two terms have somewhat different meanings, they both relate to online activities—and are both used interchangeably by the media and by companies. Thus, in this chapter (and book), both terms have the same connotation: online activities.

**E-marketing** includes any marketing activity that is conducted through the Internet, from customer analysis to marketing-mix components. **E-commerce** refers to revenue-generating Internet transactions. E-marketing is the broader concept, and it does not necessarily have sales as the primary goal.

By virtue of its rather low costs, its wide geographic reach, and the many marketing roles it can serve, the Internet should be a key part of any firm’s marketing strategy—regardless of the firm’s size or characteristics. In the future, virtually every firm will have a Web presence, much as they now have a phone, a fax machine, an answering machine, and other technological tools. See Figure 7-1.

The **Internet** is a global superhighway of computer networks. Through the **World Wide Web**, people work with easy-to-use Web addresses and pages.

**E-marketing** involves any marketing activity on the Internet, while **E-commerce** is its revenue-generating component.



**FIGURE 7-1** It’s Becoming a One-Click World

Because of the World Wide Web, communications and marketing activities are now more far-flung—and real-time. It is a smaller world today.

Source: Dragance137/Shutterstock. Reprinted by permission.

Since the Internet's inception as a commercially viable business resource, its importance and value have been misperceived by many. On the one hand, at first, a number of experts talked of how Internet firms would soon overwhelm traditional retailers and drive them out of business. They predicted that annual online retail sales in the United States alone would almost immediately reach hundreds of billions of dollars. They were wrong: Even today, online retail sales are only a fraction of what was predicted—about 5 to 6 percent of total retail revenues in the United States. On the other hand, some experts underestimate the substantial overall business value of the Internet because E-commerce revenues have not reached the early projections, and they cite the high failure rate of “dot com” firms. Again, they are wrong about the Internet's impact.

These experts have not recognized how long a major new technology takes to permeate the marketplace. Many people around the world still do not own a PC, regularly surf the Web, or shop online. Also, a lot of people who own a PC, surf, and shop online still prefer shopping at stores due to purchase immediacy, the hands-on buying experience, the social interaction with others, and so forth.

The true impact of the Internet, and the reason we are devoting a full chapter to this topic, relates to the multiple marketing tasks that can be undertaken, both better and more efficiently—not merely to the level of sales revenues attained. This point underscores why the rush to judge the Internet as a business fad was so wrong. Generating sales revenue is only one of a multitude of benefits that the Internet can achieve for a firm. Most of our focus is on E-marketing, not on E-commerce.

In this chapter, we will cover several aspects of marketing and the Internet: why the Internet is such a valuable marketing tool, the multifaceted uses of the Internet, developing an Internet marketing strategy, applications of the Internet in marketing strategies, and the challenges and future of E-marketing.

## WHY THE INTERNET IS A VALUABLE TOOL IN MARKETING

**Web usage is rising rapidly worldwide.**

According to estimates drawn from the Internet World Stats' ([www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)) database, in 2013, about 2.5 billion people around the globe were using the Internet. This signifies great E-marketing opportunities for firms. During 2013, for the 12 countries highlighted in Table 7-1 there were more than 1.3 billion people on the Web; on average, they typically spent 15 to 36 hours monthly online. Globally, the average time spent online in 2013 was about 25 hours monthly—for PCs only. Tablets and smartphones would make the average even higher. In the United States, about four-fifths of all households go online at least once each month.

People surf the Internet for many reasons besides shopping. They seek out entertainment, health, financial, sports, and news sites. They do product research. They “talk” to one another (many via Facebook, [www.facebook.com](http://www.facebook.com), and Skype, [www.skype.com](http://www.skype.com)). They communicate online with firms to register complaints and make suggestions. They send E-mails and greetings cards. The U.S. Postal Service ([www.usps.com](http://www.usps.com)) handles more than 600 million pieces of mail daily—40 percent of the world's mail; in contrast, worldwide, 150 billion E-mail messages are sent every day for both personal and business use!

Companies (actually, their employees) also surf the Web for a variety of reasons other than shopping. They see what competitors are doing. They read about industry trends and events. They communicate with suppliers. They exchange data among offices anywhere in the world. They monitor inventory levels. They survey customers and measure satisfaction. They do sophisticated analyses of customer databases.

Small and medium-sized firms are finding that the Internet has many E-marketing uses for them. The Internet is not just for large companies. As eMarketer ([www.emarketer.com](http://www.emarketer.com)) recently reported:

Small and medium-sized businesses (SMBs) may not always have the same resources as their larger counterparts, but that doesn't mean the importance of digital marketing is lost on them. And as the cost of digital marketing tools drops, SMBs are moving fast to

**TABLE 7-1** Internet Use in 12 Countries

Country	Number of Internet Users (millions)	Users as a Percentage of Total Population	Average Time Spent per Month	Percent of Users on Facebook
China	550	41	25	0 <sup>a</sup>
United States	250	80	36	53
India	145	12	15	5
Brazil	90	46	25	28
Germany	70	85	30	31
Russia	65	47	20	5
Great Britain	55	86	26	52
France	53	80	34	40
Italy	37	61	25	40
Spain	32	66	32	40
Australia	20	91	35	55
South Africa	9	18	18	13

<sup>a</sup>Facebook not available in 2013

Sources: Compiled and estimated by the authors from “World Stats,” [www.internetworldstats.com](http://www.internetworldstats.com) (November 20, 2013); and comScore, [www.comscore.com](http://www.comscore.com), various reports.

incorporate them into the overall marketing mix, according to a poll of digital marketing decision-makers in the US conducted in March 2013 by marketing software company Vocus ([www.vocus.com](http://www.vocus.com)) and *Inc.* magazine ([www.inc.com](http://www.inc.com)). SMBs kept their goals for digital marketing simple: Driving sales and increasing brand awareness were No. 1 and No. 2, respectively. But SMBs also have ambitions to use digital tools to help drive customer engagement and reach new customer segments.<sup>2</sup>

Likewise, Ikea ([www.ikea.com](http://www.ikea.com)) devotes a lot of attention to its Web site. It has colorful descriptions and photos of its home-furnishings product lines. There is a worldwide store locator. The firm explains its vision. But mostly, Ikea emphasizes in-store shopping as the way for consumers to get the most out of their home-furnishings shopping experience. The Swedish-based retailer places much more emphasis on its E-marketing efforts than on E-commerce.

Let us next examine two specific aspects of marketing and the Internet: the three phases of Internet use by companies and the benefits of using the Internet in marketing.

### Bricks-and-Mortar, Clicks-Only, and Bricks-and-Clicks

E-marketing is evolving through the three phases shown in Figure 7-2. The phases are (1) bricks-and-mortar firms, (2) clicks-only firms, and (3) bricks-and-clicks firms.

**Bricks-and-mortar firms** are traditional companies that have not gotten involved with the Internet. Until a decade ago, this was the predominant business format, as these companies believed the Internet provided too few benefits relative to the costs and complexity of being online. Now, bricks-and-mortar firms are likely to be small in size and scope.

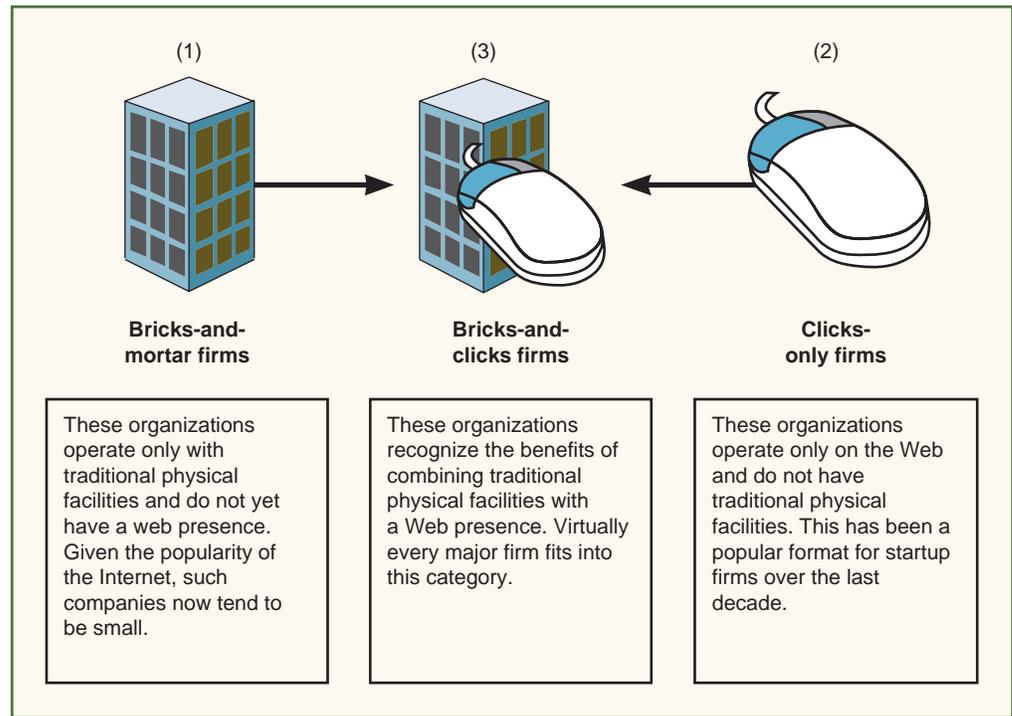
In the 1990s, a number of innovative **clicks-only firms** entered the marketplace. These companies do business just online. They do not have traditional facilities. Many early clicks-only firms generated good revenues, but had trouble turning a profit. They often



“Instagram for Collision Repair: The Crash Course on Marketing”

[http://youtu.be/7\\_31Jy4R7uY](http://youtu.be/7_31Jy4R7uY)

**Bricks-and-mortar firms** are not involved with the Internet. **Clicks-only firms** do business just online. **Bricks-and-clicks firms** combine traditional and Internet formats.



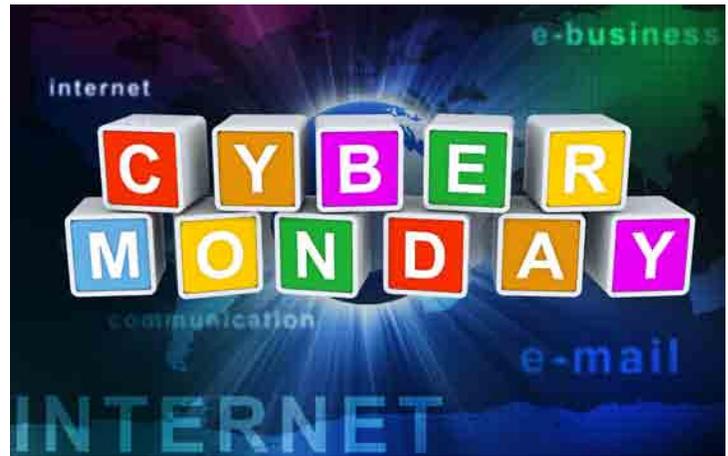
**FIGURE 7-2** The Three Phases of Marketing and the Internet

expanded too fast and invested heavily in their infrastructures. There was a major shakeup among clicks-only firms, with a number of once-popular companies going out of business. However, thousands and thousands of clicks-only firms are now flourishing.

There is a trend today toward **bricks-and-clicks firms** that operate in both a traditional setting and on the Internet. Virtually every large retailer (and numerous medium-size and small firms) has a substantial Web presence. This is also true of manufacturers, wholesalers, government entities, nonprofit organizations, and others. The bricks-and-clicks format enables firms to appeal to multiple market segments, maximize customer contact points, leverage the strengths of each form of business, and enter into new alliances. See Figure 7-3.

*USA Today*, Wal-Mart, and Sephora are organizations that are now active in bricks-and-clicks businesses. *USA Today* ([www.usatoday.com](http://www.usatoday.com)), founded in 1982, sells 1.8 million print copies daily. Yet, the Internet has become much more important in its strategy: "We understand that consumers' news consumption habits have changed and we are changing with them. In regard to digital, our business model is different than our competitors. We are an advertising-driven business that continues to offer free content to our customers for broader access. And if you look at numbers that more accurately measure digital audiences, we are ahead of the competition. We have an audience of more than 50 million. *USA Today* now has two of the leading free news apps on iTunes and Kindle, frequently sitting in the number one spot. Our strategy continues to evolve and we'll always look at new ways to grow the business in the digital space." At Wal-Mart ([www.walmart.com](http://www.walmart.com)), the world's largest retailer, "Walmart.com is a lot like your neighborhood Wal-Mart store. We feature a great selection of high-quality merchandise, friendly service, and, of course, everyday low prices. We also have another goal: to bring you the best shopping experience on the Internet. But we think of ourselves, first and foremost, as a retailer."<sup>3</sup> French-based Sephora ([www.sephora.com](http://www.sephora.com)) actively promotes its Web site at beauty stores around the world.

Various formerly clicks-only firms now have alliances with partners having traditional facilities or also operate their own traditional facilities. Amazon.com ([www.amazon.com](http://www.amazon.com)) has alliances with such retailers as Office Depot ([www.officedepot.com](http://www.officedepot.com)) and bebe ([www.bebe.com](http://www.bebe.com)), among others. And Amazon sells its Kindle line of products through



**FIGURE 7-3 A Bricks-and-Clicks Strategy**

Many companies now act as bricks-and-clicks firms. Thus, they participate in both (a) Black Friday activities (special sales on the Friday following Thanksgiving) and (b) Cyber Monday activities (special sales on the Monday following Thanksgiving) to maximize their revenues.

Sources: (a) Dragomer Maria/Shutterstock; (b) nasirkhan/Shutterstock. Reprinted by permission.

numerous third-party stores. Consider this observation about clicks-only firms broadening their horizons:

After bowing to the realization that customers often like to see items in person before buying, a growing number of online retail companies are setting up physical stores, while at the same time redefining what brick-and-mortar means for them. ‘Click-to-brick’ stores often fall into one of two categories: temporary pop-up stores meant to stir up publicity, such as those launched by Etsy ([www.etsy.com](http://www.etsy.com)) and Birchbox ([www.birchbox.com](http://www.birchbox.com)), and permanent showrooms, including ones run by Warby Parker ([www.warbyparker.com](http://www.warbyparker.com)) and Bonobos ([www.bonobos.com](http://www.bonobos.com)). These permanent locations sometimes do not even have items for sale, thus eliminating the need to carry inventory or invest in a large, expensive retail location.<sup>4</sup>

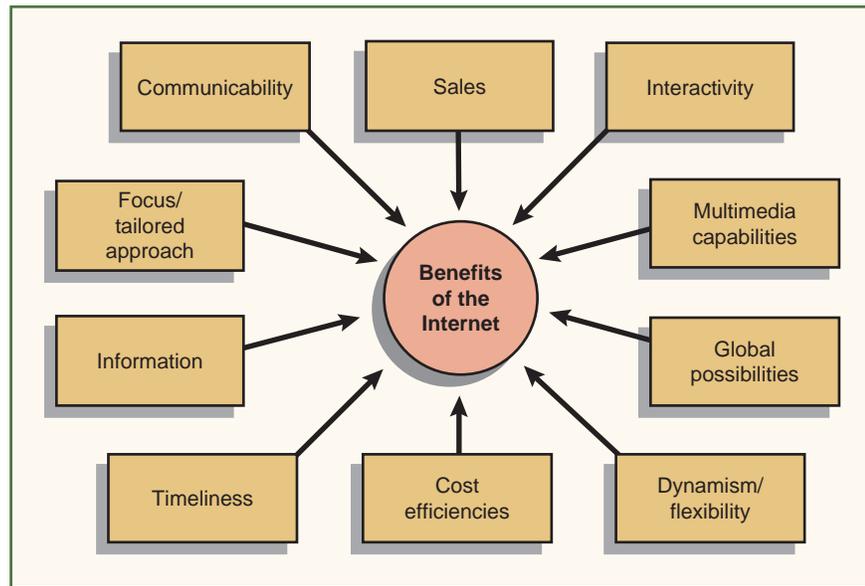
### The Benefits of a Company’s Using the Internet in Marketing

The value of the Internet in marketing is best conveyed by reviewing the benefits that a company may receive by going online. Several of these benefits are shown in Figure 7-4 and described next.

**Potential marketing benefits of the Internet range from communicability to sales.**

*Communicability*—The Web makes it easy for an organization to communicate with each of its constituencies: consumers, suppliers, resellers, employees, the media, government bodies, and others. For example, Big Brothers Big Sisters of Metro Atlanta ([www.bbbsatl.org](http://www.bbbsatl.org)) “cares about the future of our children. As the largest one-to-one mentoring organization in the Southeast, BBBSMA currently serves over 3,390 youth in one-to-one relationships. Our staff of approximately 45 employees supports our city’s children and their families through friendships that are formed with caring adult volunteers. Please explore our site to learn more about our history, our staff, the services we provide, and our board and advisory committees, and to find out how you can become involved in the most comprehensive one-to-one mentoring program in the city of Atlanta.”<sup>5</sup>

*Focus/tailored approach*—The Web enables a firm to focus on a specific target market and offer a marketing mix especially devised for that target market. The Internet is also especially good for targeted E-mails. One strong practitioner of a personalized approach is Mars, which has a Web site called MyMMs.com ([www.mymms.com](http://www.mymms.com)), where site visitors can create their own M&M’s: “Personalize M&M’s with your words and photos. Order custom chocolate candies with your personalized message and image/photo for a special personalized gift. Make the day special with personalized birthday party favors or



**FIGURE 7-4** Company Benefits of Using the Internet in Marketing

use as custom party decorations. Sweeten up your wedding day with personalized wedding favors with the colors of your wedding! MyMMs.com is here to help!”<sup>6</sup>

*Information*—A firm can amass information about almost any facet of its business from free Web sites, as well as fee-based ones. Both secondary data and primary data can be garnered via the Internet.

*Timeliness*—With the Internet, a company can operate in “real time,” which means the ability to communicate, gather information, and so forth in a contemporaneous manner. The time lags associated with other marketing tools are much shorter on the Web.

*Cost efficiencies*—Reduced costs are often a result of Internet usage. Operating costs decrease. Inventory costs can be lowered because there is more efficient communication between companies and their suppliers. Sales personnel can follow up with clients more efficiently. There are no shipping costs for items such as software that are sold via the Web and downloaded by customers.

*Dynamism/flexibility*—The Internet is a dynamic and flexible medium, which lets a company rapidly adjust its marketing mix. For instance, if a firm sees that a particular product is not selling well, it can instantly change the advertising at its Web site or lower the price until consumer demand reaches a satisfactory level. Likewise, if a firm runs out of a popular item that it is selling, a reorder can be placed immediately through the Web.

*Global possibilities*—With the Internet, a company can effectively and inexpensively communicate with its constituencies around the world, thereby increasing the reach of the firm’s marketing strategy. The expensive part of operating a global E-commerce Web site is often the distribution costs that result from expanding into new geographic markets.

*Multimedia capabilities*—The Internet offers huge multimedia possibilities for marketers, especially as many users convert to cable, DSL, or other fast broadband connections. More company Web sites are already showing 3-D pictures of products that can be rotated 360 degrees, streaming audio and video, photo galleries of product offerings, and so forth:

Given that multimedia is everywhere nowadays, intelligent marketers understand the need for incorporating a fair amount of multimedia into online marketing strategies. Even the smallest businesses with the simplest goals can benefit from including multimedia as part of their campaigns, and doing so can open you up to a whole new level of engaging with potential customers. Video, for example, used to be only for a select few. It was expensive to make, hard to maintain quality, and many people did not have the bandwidth or the necessary hardware specs to view videos on the Web. Now, of course, just about every smartphone has a halfway decent camcorder, and most can directly

## GLOBAL MARKETING IN PRACTICE

The nexus of online shopping is moving away from the United States and Western Europe. Even though the United States generated the most online sales dollars in 2013, China had the greatest number of online shoppers (with 271 million in 2013)—and online sales there are growing enormously. To learn more, read “Who Shops Online? A Global View” (<http://wp.me/p2qANL-17k>).

upload videos to YouTube, many in high definition. This means that even the smallest business owners can start making interesting videos for an interested audience, with very little investment and almost no required technical knowledge.<sup>7</sup>

*Interactivity*—Unlike traditional advertising, which is unidirectional (from company to audience), the Internet can be deployed interactively (from company to audience and from audience to company)—much like personal selling. A firm can ask people to click on a section of its Web site that they would like to visit and then transport them to that particular section, where more user choices are made. For example, an airline site can gather data on the destination and date a person wants to travel from his or her home area, and then display the alternative flights that fit the person’s criteria. Furthermore, people can make comments about companies at company sites, selling sites, and social media sites. This can be helpful or detrimental to the firm, depending on the nature of the comments.

*Sales*—For a clicks-only firm, the Internet represents the sole source of revenue. For a bricks-and-clicks firm, the Internet offers the potential for growing the business. According to global research undertaken by eMarketer ([www.emarketer.com](http://www.emarketer.com)), online revenues for Internet purchases exceeded \$1 trillion for the first time, and in 2013, more than one billion people worldwide made at least one purchase online, also for the first time. Business-to-consumer sales in 2016 are expected to reach \$1.5 trillion, representing 1.3 billion consumers worldwide.<sup>8</sup>

## THE MULTIFACETED POTENTIAL MARKETING ROLES FOR THE INTERNET

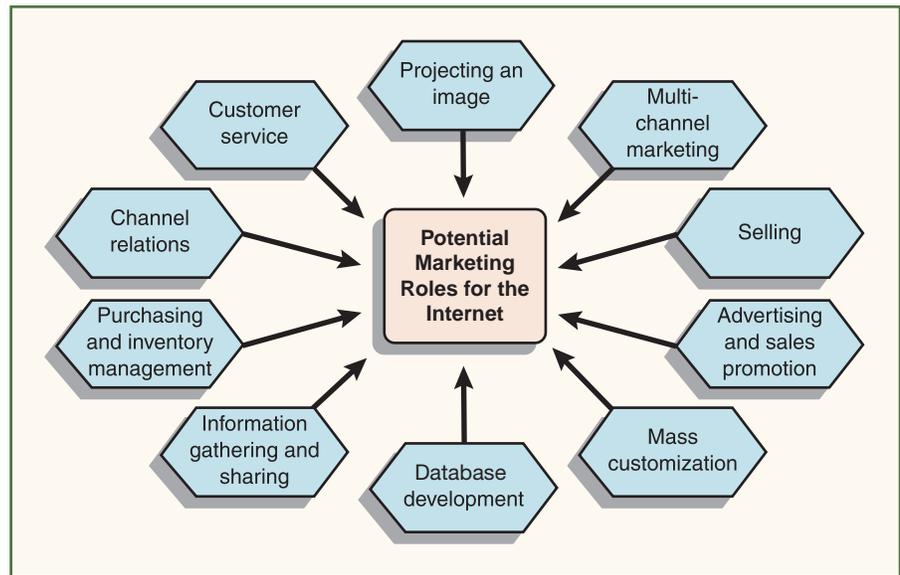
After reviewing the company benefits of the Internet in marketing, it should be clear that the Web has the potential to serve several marketing roles, as shown in Figure 7-5 and discussed next. Each firm must determine which roles to pursue and how to prioritize their importance.

*Projecting an image*—A firm can project an image at its Web site through the site’s design (colors, graphics, etc.) and the content presented. Have you ever heard of Accenture ([www.accenture.com](http://www.accenture.com))—formerly Andersen Consulting? No? Well, you can learn a lot about the firm and the image it projects by visiting its Web site—which explains what Accenture is, what it does, the types of clients it serves, where it does business, and more: “Accenture is a global management consulting, technology services, and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments.” It has approximately 266,000 employees, offices and operations in more than 200 cities in 54 countries, and net revenues approaching \$30 billion.<sup>9</sup>

*Customer service*—Many firms use the Internet to supplement their traditional customer service. At its Web site, Staples, the office products chain, has a “Staples Rebates” section ([www.stapleseasyrebates.com/promocenter/staples/promo\\_search.html](http://www.stapleseasyrebates.com/promocenter/staples/promo_search.html))—where a customer can see what rebate offers are available by entering the name of the manufacturer, the product code, a keyword, or a rebate number.

*Channel relations*—The Internet can help channel members to better understand one another, to coordinate their distribution strategies, to smooth over conflicts, and so forth.

**The Internet can serve many roles besides generating sales.**



**FIGURE 7-5** How the Internet May Be Utilized in Marketing

To enhance its relationships with small companies that develop games for its Wii systems, Nintendo has a channel for games distribution—WiiWare ([www.nintendo.com/wii/enhance#wiiware](http://www.nintendo.com/wii/enhance#wiiware)). Games can be downloaded over the Internet by redeeming Wii-Points, which can be purchased at the Wii Shop Channel or at retail outlets. This allows smaller developers to sell their games without the expense of having to distribute them through traditional retailers.

*Purchasing and inventory management*—The Web can greatly facilitate company purchases and inventory management. Procter & Gamble ([www.pg.com](http://www.pg.com)), the consumer products manufacturer, has two distinct password-protected Web sites to assist its retailers in making purchases for resale to final consumers: “The P&G Customer Portal (<https://customer.pg.com>) and Web Order Management ([https://order.pg.com/jsp/login/login\\_norm.jsp](https://order.pg.com/jsp/login/login_norm.jsp)) systems assist the company’s trade partners in purchasing, managing, and promoting P&G products.”<sup>10</sup> These systems are always available—in several languages. They provide product information, order status, and invoices.

*Information gathering and sharing*—As previously noted, the Internet has considerable possibilities for providing marketing information. One valuable site is Quirks Marketing Research Review ([www.quirks.com](http://www.quirks.com)). At the Quirks site, there are listings and links for 7,000+ marketing research companies; 4,000+ marketing research articles, cases studies, and white papers; hundreds of marketing research job openings; 1,600 definitions of marketing research terms; a calendar of marketing research industry events; marketing research blogs; and more.<sup>11</sup>

*Database development*—Due to the online interactions between a firm and its suppliers and customers, extensive marketing databases can be developed. Amazon.com’s Web site ([www.amazon.com](http://www.amazon.com)) has millions of registered customers, many of whom regularly shop at Amazon.com. The firm has purchase data, shopping preferences, and contact information on these customers.

*Mass customization*—An extremely attractive feature of the Internet involves companies’ ability to engage in **mass customization**, a process by which mass-market goods and services are individualized to satisfy a specific customer need, at a reasonable price. According to one marketing research executive: “Mass customization—where customers can tailor a product’s appearance, features, or content to their own specifications—has been the ‘next big thing’ for a long time. Yet for years, mass customization largely failed to take off.” However, today, the situation is different: “We’re entering a new era in which mass customization will lead a number of consumer product categories, creating value for buyers and sellers alike. Although mass customized products aren’t yet widespread—

Through online **mass customization**, a company can individualize mass-market goods and services to satisfy a specific customer need, at a fair price.



**FIGURE 7-6** The Internet as a Promotion Tool

Online newsletters have proven to be quite effective in communication, advertising, and sales promotion. Lots of content can be provided, customers are engaged, and special offers can be presented.

Source: iQconcept/Shutterstock. Reprinted by permission.

aside from in long-standing categories like eyeglasses—interest in customizable products is mounting. More than 35 percent of U.S. online consumers are already interested in customizing product features or in purchasing build-to-order products that use their specifications, according to a recent study by Forrester ([www.forrester.com](http://www.forrester.com)).<sup>12</sup>

*Advertising and sales promotion*—A company can promote its goods and services, along with its image, through the Internet. It can use banner ads at portal sites, be listed at search engines, and present multimedia messages and special sales promotions at its own Web site. See Figure 7-6. Consider Google’s AdWords program ([www.adwords.google.com](http://www.adwords.google.com)): “No matter what your budget or how little time you have, you can reach new customers and grow your business using Google’s online advertising program. With AdWords, you can choose where your ad appears, set a budget that’s comfortable for you (there’s no minimum spending commitment), and easily measure the impact of your ad. Reach people as they search for your keywords or browse Web sites with themes related to your business. Your ad can appear on Google and its partner Web sites. With cost-per-click (CPC) bidding, you’re charged only when someone clicks your ad. Here’s how you can get started in three basic steps: (1) Create an account. (2) Create your first ad. (3) Activate your account.”<sup>13</sup>

*Selling*—Generating sales is a key Internet marketing role for many firms. (We’ve listed it here to re-emphasize that selling is only one role for the Internet.) When engaging in E-commerce, this should be kept in mind: “Retailers must keep pace with the rapid adoption of mobile and tailor their offerings to an increasingly mobile consumer—while extending the shopping experience across channels. Most omnichannel shoppers prefer online methods of access to retailers, but they are also looking for a seamless cross-



“Fun Facebook Facts”

[http://youtu.be/kb3nZDtRH\\_g](http://youtu.be/kb3nZDtRH_g)

channel experience. Key elements of that experience include: the ability to shop online and return to a store, receipt of coupon offers via smartphone when consumers are in close proximity to the store, and the ability to shop online and pick up in store. Online shoppers are social. That is, they are highly likely to not only use social media platforms but actively engage in seeking out updates and promotions for sites they follow.”<sup>14</sup>

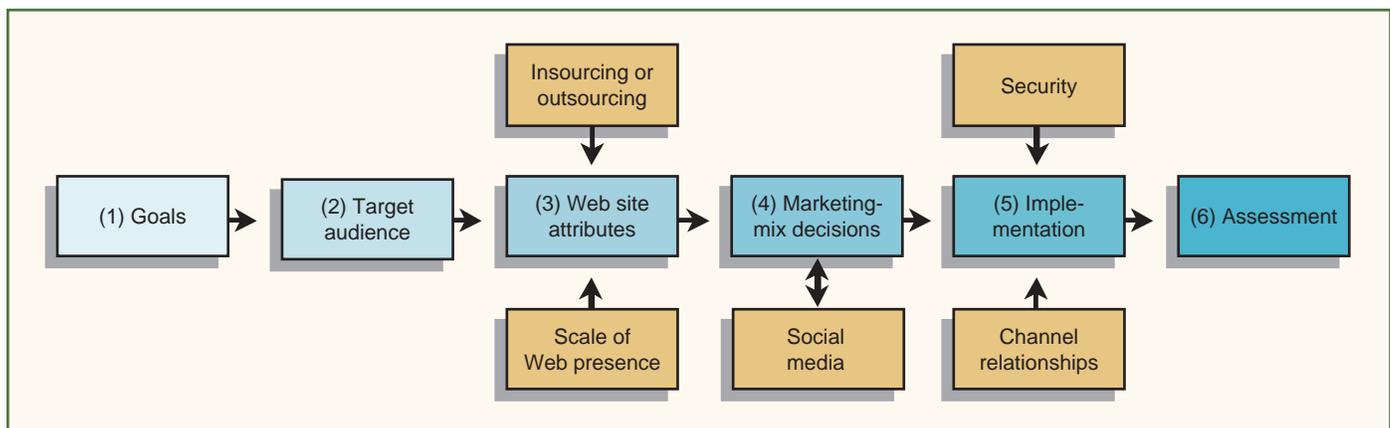
*Multichannel marketing*—Bricks-and-clicks firms engage in multichannel marketing, whereby they sell their products through more than one distribution format, in this case, the Internet and at least one other format. Lowe’s, the home improvement retailer, has a Web site ([www.lowes.com](http://www.lowes.com)), about 1,825 U.S. stores, an 800 number, a purchase online-pickup in store option, and more. Its Web site offers free standard shipping on most orders of \$49 or more.

## DEVELOPING AN INTERNET MARKETING STRATEGY

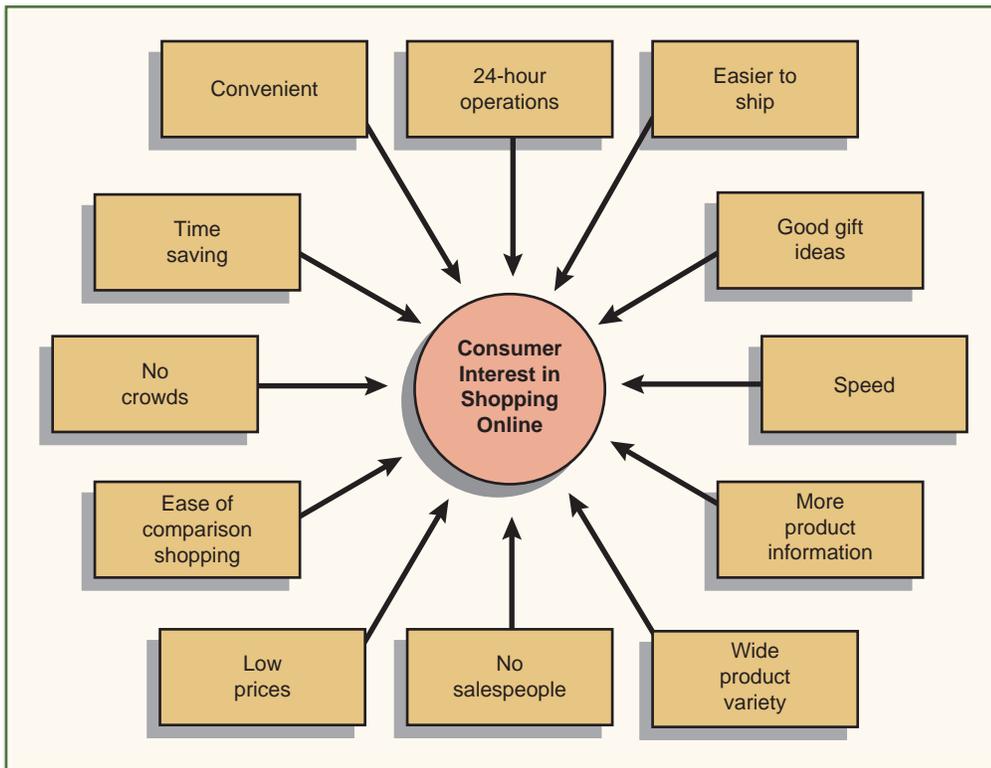
**There are six basic steps in developing an Internet marketing strategy.**

To best use the Internet in marketing, a firm should be systematic in preparing and enacting the proper strategy. Figure 7-7 presents the steps to be followed in this process. The six middle boxes relate to the basic components of an Internet marketing strategy. The five outside boxes are key influences in making strategic decisions. Let us explore each of these factors.

1. Goal categories are set, drawn from the factors in Figure 7-5. Both quantitative and qualitative objectives should be enumerated. These are the well-articulated Internet objectives of Zeppelin ([www.real-estate-tech.com](http://www.real-estate-tech.com)), a Hong Kong-based real-estate consulting company: (a) “To share real-estate knowledge, information, and experience via research, analyses, commentaries, articles, charts, tables, newsletters, and Web links from our site and those of others.” (b) “To introduce our real-estate services such as E-consulting and Web data searches to prospective clients.” (c) “To promote our real-estate products such as real-estate reports, E-books, financial spreadsheets, and technical tutorials to prospective customers.” (d) “To enable a real-estate Web communication network for professional, academic, institutional, and individual entities to express their own ideas, share their experiences, announce their latest activities, and/or communicate with one another.”<sup>15</sup>
2. The target audience is identified and selected, and its desires are studied. As shown in Figure 7-8, people have numerous reasons for shopping online. Different target audiences place a different emphasis on these reasons. That is why consumer desires must be examined carefully before embarking on the specifics of an Internet marketing strategy. Here are some recent research findings about online users:
  - The use of the Internet to gather information prior to a product purchase varies by product and region. For example, according to a Nielsen study of online users, 30 percent of those in Asia-Pacific get information online for personal care prod-



**FIGURE 7-7** The Stages of an Internet Marketing Strategy



**FIGURE 7-8** Why Consumers Purchase Online

ucts, compared to 22 percent of Europeans. In comparison, 48 percent of those in Asia-Pacific and 46 percent of Europeans get information about personal electronics online.

- On average, American, British, and Canadian women spend about 42 hours per month online. In contrast, women in Brazil, France, and Taiwan spend fewer than 30 hours per month.
  - Americans watch about 50 billion content-related videos in a typical month, as well as 20 billion advertising-related videos.
  - Among U.S. college students who use the Internet, they spend, on average, 5 hours daily on their computers, 3.6 hours on their mobile phones, and one hour on a tablet. More than 60 percent of them use Facebook or Twitter while watching TV.
  - More Americans use their smartphones to shop online than use their tablets. However, the average purchase amount through a tablet is higher than with a smartphone purchase.
  - Several types of Internet consumers have been identified, including: active online spenders—comfortable spending online and spend more than most others; thoughtful spenders—careful online and spend less than the most experienced online shoppers; occasional purchasers—focus is on “starter” items such as gifts and flowers; and infrequent and cautious browsers—relative newcomers to the Web who are not very comfortable with online purchases.<sup>16</sup>
3. Web site attributes are determined. First, the company must decide whether to undertake all Web-related activities itself (insourcing) or to have specialized firms do some or all Web-related activities for it (outsourcing). Most companies outsource technical development and maintenance of their sites; far fewer fully develop sites on their own. Small firms often outsource the entire operation. For a design fee of \$800 and a hosting fee of \$30 to \$55 per month, Hoover Web Design ([www.hooverwebdesign.com](http://www.hooverwebdesign.com)) will design, host, and maintain “a custom 10-page html Web site designed to represent your business with a user-friendly interface. You can include a photo gallery, a calendar of events, or any other pages which will advertise

**A company must decide between insourcing and outsourcing Web activities, and determine the scope of its Web presence.**

**It is critical for a Web site to be designed well.**

your business.” Second, the company must choose the scale of its Web presence, especially the weight of the site in its overall marketing strategy, the percent of the marketing budget devoted to the site, and how the site is to be implemented. How is the site to be used for customer service, channel relations, selling, and so on? Are all products to be displayed at the site? Is the site to be simple or have a full range of bells and whistles? How widely is the site to be promoted?

After making decisions as to insourcing or outsourcing and the scale of the Web presence, site attributes are chosen. Here are some factors to consider in designing a marketing-oriented Web site:

- *Web address*—The company can have its own Web address or be part of a Web community. It must carefully pick a name to use. This is becoming more complex due to the addition of new domain suffixes (as designated by ICANN, [www.icann.org](http://www.icann.org)), such as .info and .biz for general use, .pro for professionals, .name for personal sites, .museum for museums, .aero for the aerospace industry, and .coop for business cooperatives.
  - *Home page*—The home page is the gateway to the firm. It projects an image, presents information, and routes viewers to other relevant company pages. It must be easy to navigate and laid out well.
  - *Site content*—The content can include some or all of these topics: company background, company vision and philosophy, financial performance, product descriptions, where products are sold, community service involvement, customer service, an online shopping cart, career opportunities, press releases, and more.
  - *Use of multimedia*—A site can be rather plain with mostly text and a few graphics, or it can involve the heavy use of photos, animations, audio clips, video clips, and so forth.
  - *Links*—Web sites can have two types of links. Almost every company has internal links: a person clicks on an icon on the home page and he or she is then transported to another section within the company’s site. There may also be external links: a person clicks on an icon on the home page and he or she is then sent to another site outside of the firm’s site, such as a trade association or a search engine. With the latter, the person may or may not return to the company site.
  - *Shopping tools*—If a firm engages in E-commerce, there must be a mechanism for directing shoppers through the purchase process, including a secure way of entering personal data. Amazon.com ([www.amazon.com](http://www.amazon.com)) is widely admired for the “1-Click” shopping option it offers to customers.
  - *Electronic data interchange*—A Web site must be able to facilitate the exchange of information among company employees and with channel members. This is especially critical in E-commerce for order shipping and inventory control.
  - *Feedback*—Visitors must have a way to communicate with the firm, and there must be a mechanism for the company to respond in a timely manner.
  - *Trade-offs*—When designing a site, trade-offs must be weighed. A site with a lot of graphics and photos may take a long time for users to download if they are still using a dial-up connection. So, how many bells and whistles should a site have, given the limitations for some users?
4. Internet-based marketing-mix decisions are made while developing the Web site; they must be consistent (synergistic) with offline marketing decisions. These are some examples:
- *Product decisions*—Which products are listed at the site? Which products are featured at the site? Some firms do not list or describe all items in their product mix, while others (such as Costco) offer many more products online than in their stores. Also, what should be the features of downloadable products (software, music, publications, etc.) that are sold online?
  - *Distribution decisions*—If the company sells at its site, does it ship from one locale or from around the country (world)? How quickly can (should) products be delivered to customers?

- *Promotion decisions*—Which promotion mix should be used to reach the firm’s Internet goals? There are many ways to promote a site and E-marketing efforts, from banner ads to listing Web addresses in traditional ads to E-mail, and more. One highly effective online tool is the **opt-in (permission-based) E-mail**, whereby Internet users agree to receive targeted E-mail from a firm. It is far more effective than unsolicited E-mail, which turns off a lot of people. As one expert noted: “Internet users’ favorable feelings towards E-mail advertising stem largely from marketers contacting only those recipients who have granted them permission to do so, as well as from the personalization and relevancy common to such messages. Those efforts leave consumers with a greater sense of control over their relationship with a brand and a perception of having gotten reciprocal value from the interaction.”<sup>17</sup>
- *Pricing decisions*—Engaging in E-commerce requires two fundamental pricing decisions: How should online prices relate to those for offline businesses (including those of the firm itself)? How frequently should prices be changed to reflect market conditions? Because so many Internet shoppers are price-driven, online prices have tended to be lower than offline prices for the same products, and online transactions are often not subject to sales tax. Although the technology exists to adjust online prices by the minute, firms must be careful not to confuse consumers or to get them upset if they visit a site and return the next day to purchase, only to find that the price has risen.

**Opt-in E-mail**, which is sent with the permission of the consumer, is good for both the company and the consumer.

When making Internet-based marketing-mix decisions, companies must consider their approach to social media—both in terms of company-generated social communication and social Web sites that operate independent of the company. **Social media** are online interactive communication vehicles where people talk, participate, share, and network. Social media services often encourage discussion, feedback, voting, comments, and/or sharing information among any interested parties. Social media generally involve two-way conversations, in contrast to one-way messages through traditional media.<sup>18</sup> Social media have the ability to positively and/or negatively affect the image of a firm and its products.

**Social media** involve company- and third-party interactive communication that can benefit or hurt the firm.

Over the last few years, social media use has grown by leaps and bounds. In 2013, social media users totaled 1.75 billion people worldwide. By 2017, this is expected to be 2.55 billion people—representing nearly 80 percent of all Internet users.<sup>19</sup> More specifically, Facebook ([www.facebook.com](http://www.facebook.com)) has about 1.2 billion active users, 700 million of whom visit Facebook daily. Eighty percent of daily users are from outside the United States and Canada. Among firms, Wal-Mart ([www.walmart.com](http://www.walmart.com)) has 35 million Facebook likes, Target ([www.target.com](http://www.target.com)) has 23 million, and Amazon.com ([www.amazon.com](http://www.amazon.com)) has 21 million. Twitter ([www.twitter.com](http://www.twitter.com)) has 500 million users, 200 million of whom are active.

Here are some other social media insights that illustrate why this channel has become so important for marketers to understand and utilize:

- More than one-half of Internet users believe that companies should respond to complaints posted with social media.<sup>20</sup>
- Both business-to-consumer companies and business-to-business companies believe that improving customer engagement is the most important goal for their social media efforts.<sup>21</sup>
- About 27 percent of the time that people spend online involves social media.<sup>22</sup>
- In 2013, the fastest-growing social media sites worldwide were U.S.-based Facebook, Google+, YouTube ([www.youtube.com](http://www.youtube.com)), and Twitter, and China’s Weibo ([www.weibo.com](http://www.weibo.com)) and QZone ([www.qzone.com](http://www.qzone.com)).<sup>23</sup>
- It took Google+ ([www.plus.google.com](http://www.plus.google.com)) only 88 days to sign up 50 million global users.<sup>24</sup>

In devising and enacting a social media strategy (as part of the online marketing mix), a firm needs to keep in mind two different perspectives: First, how will the firm offer its own social media efforts? For instance, will it have Facebook, Twitter,

**A Web site must be secure, protect privacy, and not be a threat to other channel members.**

etc. accounts? Will it operate its own blog? Will it encourage interactions with customers? How active will it be? Second, how will the firm act with regard to social comments made at other sites? For instance, will it monitor the comments? Will it reply to criticisms? Will it revise its marketing mix in response to comments?

Social media represent enormous opportunities and risks to companies. These include the huge audience, the rapid spread of information, real-time communication, the passion of social media users, the lack of control by the firm for independent sites, and the number of rumors and half-truths that may be spread. Since the impact of social media is only going to grow in the future, companies cannot and should not avoid having a social media presence and acting properly at independent sites.

5. At this point, the Internet marketing strategy is implemented. Two factors affect a firm's ability to properly enact its strategy: security and channel relationships. A vast number of Internet users are concerned about Web security, and they are hesitant to provide personal data for fear that "hackers" will obtain the data or that firms will resell the data. The security issue can be dealt with by offering a secure section of a Web site, protected by a well-known firm such as Symantec ([www.symantec.com](http://www.symantec.com)) or Verizon ([www.verizonenterprise.com/products/security](http://www.verizonenterprise.com/products/security)), for entering personal data and credit information. The reselling issue can be handled by having a clear, user-friendly privacy policy—accessible by clicking an icon at the Web site. With regard to channel relationships, a move into E-commerce may place a firm into conflict with its suppliers or resellers, which may view this as a form of competition. The trade-offs must be weighed.

The firm must be sure that its Web strategy runs smoothly, once it is enacted. It must be alert to several possible breakdowns in the system, such as site crashes, out-of-stock conditions, a slow response to customer inquiries, incorrect prices, hacker invasions, and poor coordination with the offline strategy.

6. The last step in an Internet marketing strategy is to assess performance and make necessary modifications. Assessment should be closely tied to the Web goals (step 1) that have been set in terms of image, customer service, sales, and so forth. These are some measures that can be studied: daily site traffic, average length of the stay at the site, ratings on customer service surveys, sales revenues, costs per transaction, repeat business, the number and type of system breakdowns per time period, comments at social media sites, and more. The effectiveness of ads placed at other sites must be also be judged.

Special attention should be paid to rating the quality of the Web site itself. These are among the factors that should be regularly reviewed from the Internet user's perspective:

- Clarity of site's mission
- Download time
- Time needed to comprehend site characteristics
- Informational value
- Ease of navigability
- Use of graphics/multimedia
- Interactivity
- Currency
- Security

### DIGITAL MARKETING IN PRACTICE

There are many reasons why online shoppers like to buy online. There are also several inhibiting factors. Look at "The Online Road to Happiness—Or Unhappiness" (<http://wp.me/p1RDck-1Se>) and see what factors most affect online shopping. Where do you fit? Are you a happy or unhappy online shopper?

- Simplicity of purchasing
- Printability of site pages
- Creativity

## HOW THE INTERNET IS BEING APPLIED IN MARKETING STRATEGIES

We now present several examples of E-marketing in action.

**Internet marketing is being applied in many ways.**

### Consumer Analysis

As Table 7-2 shows, in the United States, about the same percentage of females and males use the Internet, and usage is highest for young adults. Hispanics are somewhat less likely than whites and blacks to use the Internet. Higher-income and better-educated people are most apt to use the Internet, though a significant number of those with lower incomes and less education use the Internet today. Aside from E-mail, searching is the most popular Internet task. Online shopping through smartphones is increasing, led by apparel. About one-third of electronics and appliances are bought online.

According to market research firm NPD ([www.npd.com](http://www.npd.com)), these are the 5 top reasons why people shop online: “It is easier to shop around, do research, and compare products. Prices are often lower than in stores. Less time and effort are required. There is a greater selection online. Online shopping is a good alternative when a favorite store is not located nearby.”<sup>25</sup> Furthermore, marketers can also use the Internet to gain greater insights about the lifestyles of consumers. See Figure 7-9.

### Product Planning

Companies take a variety of product-planning approaches with the Internet, such as these two. Textbook Media Press ([www.textbookmedia.com](http://www.textbookmedia.com)), the publisher of this text, is involved with online texts and print versions of them. The online version of this book features hot links to the URLs noted in the text, embedded YouTube videos in every chapter, and other dynamic attributes not found in traditional print books.

At Pillsbury’s Web site ([www.pillsbury.com](http://www.pillsbury.com)), it has a section called Baker’s Corner. Through this part of the site, Pillsbury gains greater interest for its wide variety of baking products: “Discover baking ideas, get refreshed on the basics, and find tips on how to ensure that your baking will come out perfectly every time!” The Baker’s Corner has three segments: My Baking Ideas—“Evening meals, entertaining and more. . . at your floured fingertips.” Baking Basics—“You’ll more than measure up when you know the basics.” Baking Tips—“Bake like a pro with tips from the Pillsbury kitchen to your kitchen.”<sup>26</sup>

Today, more firms also understand and apply this product-related advice:

On the Web, all goods are not equal. One important dimension on which items differ is in the ability of consumers to ascertain the quality of products in cyberspace. On one end of the spectrum are commodity products, where quality can be clearly and contractually articulated and conveyed. Products such as oil, paper clips, and stock shares all fall under this category. On the other end of the continuum are products for which the perception of quality differs from consumer to consumer and product to product, such as produce, used cars, and works of art. Understanding how hard it is to convey quality, reliability, or consistency for certain classes of products over the Web enables businesspeople to think strategically about the long-term success of different types of E-commerce.<sup>27</sup>

### Distribution Planning

The use of the Internet in distribution planning varies widely. For example, RX Pharmacy of Commack ([www.rxexpresspharmacy.com](http://www.rxexpresspharmacy.com)) is a local retailer. It engages in E-marketing at its Web site, mostly by showing the wide range of nonprescription items

**TABLE 7-2** Internet Usage: A U.S. Perspective

Population Attributes	% Using the Internet	Online Activities	% of Internet Users Engaging in Activities on a Daily Basis
Male/female	85/84	Send E-mail	91
18 to 29 years old	98	Use a search engine	91
30 to 49 years old	92	Send text message	83
65 years old and over	56	Use Facebook	76
White	86	Use Twitter	76
Hispanic	76	Use Skype	45
Black	85	Check weather	34
Lower income	76	Research products	30
Middle income	88	Pay for downloads	10
Higher income	96	Buy products	7
High school graduate	78	Make travel reservations	4
College graduate	96	Participate in auctions	3
Selected Products Bought Online Via Smartphone	% of Device Owners Buying	Selected Online Sales by Product Category	% of Total Product Category Sales
Apparel	39	Electronics/appliances	34
Tickets	24	Entertainment/leisure	22
Print books	23	Apparel	14
Daily deals	21	Consumer health	9
Personal care	19	Beauty	8
Groceries	13	Personal care	4
Sports equipment	11	Home and do-it-yourself	3
Flowers	10	Groceries	1
Consumer electronics	7		
Car rental	4		

Sources: Table developed by the authors based on data from Pew Internet & American Lifestyle Project, [www.pewinternet.org](http://www.pewinternet.org); eMarketer, "Social Usage Involves More Platforms, More Often," <http://po.st/xueiGa> (July 2, 2013); Matthew Egol, Arun Rajagopalan, and Bart Sayer, "E-Commerce and Consumer Goods: A Strategy for Omnichannel Success," [www.booz.com/media/file/BoozCo\\_E-Commerce-and-Consumer-Goods.pdf](http://www.booz.com/media/file/BoozCo_E-Commerce-and-Consumer-Goods.pdf) (2012); and Marketing Charts Staff, "What Are Consumers Buying on Their Smartphones and Tablets?" <http://t.co/JKd7icjXvl> (August 13, 2013).

**ZIP Code Look-up**

PRIZM NE

PRIZM NE Segmentation System

Enter 5-digit ZIP CODE: 11550

Enter the security code shown below \*:

8646

Submit

\* This is to improve performance and prevent unauthorized automated scripts.

**Hempstead, NY 11550's most common PRIZM NE Segments are:**

Number	Name
29	<a href="#">American Dreams</a>
65	<a href="#">Big City Blues</a>
07	<a href="#">Money &amp; Brains</a>
59	<a href="#">Urban Elders</a>
04	<a href="#">Young Digerati</a>

Click on the segment name for more detail.

**Please Note:** Segments are listed in alphabetical order by segment name. You must [log in](#) to view segments in order of their predominant concentration of households within the selected ZIP Code.

**FIGURE 7-9** MyBestSegments from Claritas

As Claritas—a Nielsen subsidiary—notes at its Web site ([www.claritas.com/MyBestSegments/Default.jsp](http://www.claritas.com/MyBestSegments/Default.jsp)), “Nielsen MyBestSegments provides a detailed snapshot for each segment with key demographic, as well as lifestyle and media traits. The demographic descriptions are comprised of an income, age, and presence of children descriptor for each segment.”

Source: Reprinted by permission.

that it carries. The only E-commerce it does at the site is to offer coupons, which are redeemed at the store—where all transactions are made. Staples ([www.staples.com](http://www.staples.com)) is a huge bricks-and-clicks chain. Nearly one-half of the company’s worldwide annual revenues of \$25 billion are generated through the Internet. Staples’ Web site provides most of its sales growth.

One growing aspect of E-distribution involves business-to-business exchanges that connect sellers and potential buyers. The most successful such exchange is Covisint ([www.covisint.com](http://www.covisint.com)), initially formed by several auto makers and then acquired by Compuware ([www.compuware.com](http://www.compuware.com)): “Covisint provides the leading cloud engagement platform for creating and enabling new mission-critical external business processes. Our solutions enable organizations to connect, engage, and collaborate with the critical external audiences that define their success—including customers, business partners, and suppliers.” The company is “trusted by over 3,000 global customers across multiple industries, with more than 18 million users connecting to over 80,000 organizations, and processing over 1 billion transactions per year.”<sup>28</sup>

As a result of the distribution problems that a number of online firms have faced, they are now more apt to outsource delivery to such industry powerhouses as Covisint and UPS ([www.ups.com](http://www.ups.com)), which has a significant Internet logistical presence with its UPS OnLine Tools.

## Promotion Planning

With the growth of Web-based advertising, many Internet-driven firms have scaled back on their TV and print advertising efforts. These efforts often proved too costly and too ineffective. Annual online advertising expenditures were nearly \$120 billion worldwide in 2013, with Google sites accounting for about one-third of the total across all platforms (including mobile).<sup>29</sup> Nonetheless, in-store kiosks have a role, as illustrated in Figure 7-10. And opt-in E-mail remains very popular.

To learn more about online promotion planning, read these excellent articles: “The Web Marketing Checklist: 37 Ways to Promote Your Web Site” ([www.webmarketingtoday.com/articles/checklist](http://www.webmarketingtoday.com/articles/checklist)) and “How to Attract Visitors to Your Web Site” ([www.webmarketingtoday.com/articles/attract](http://www.webmarketingtoday.com/articles/attract)).



“The Do’s and Don’ts of Social Media for Business”  
<http://youtu.be/qm51OKTTWec>



**FIGURE 7-10** In-Store Kiosks at Whole Foods

As Whole Foods ([www.wholefoodsmarket.com](http://www.wholefoodsmarket.com)) notes: “We go to extraordinary lengths to satisfy, delight, and nourish our customers. We want to meet or exceed their expectations on every shopping trip. We know that by doing so we turn customers into advocates for our business. Advocates do more than shop with us, they talk about Whole Foods Market to their friends and others.” And that is why it has added kiosks to provide more information for shoppers.

Source: Reprinted by permission of Susan Berry, Retail Image Consulting, Inc.

## Price Planning

According to Jupiter Research ([www.jupiterresearch.com](http://www.jupiterresearch.com)), 80 percent of Internet shoppers comparison shop before buying, and nearly one-half of Internet shoppers visit 3 to 5 sites before making a purchase. Some firms set their online prices similar to—or slightly below—their offline prices, and count on customer loyalty to their brands and the convenience of Web shopping to stimulate business. Other companies such as eBay ([www.ebay.com](http://www.ebay.com)) and Priceline.com ([www.priceline.com](http://www.priceline.com)) focus their appeal on people who like to price shop and get bargains.

Still other companies use the Internet to sell closeout and other types of merchandise at deep discounts. One such firm is Overstock.com ([www.overstock.com](http://www.overstock.com)). It describes itself as “a technology-based retail company offering customers a wide variety of high-quality products, at great value, with superior customer service. The company provides its customers with the opportunity to shop for bargains by offering suppliers an alternative inventory distribution channel.”

## CURRENT CHALLENGES AND FUTURE PROSPECTS FOR E-MARKETING

In this section, we look at the challenges and future prospects for marketing and the Internet.

### The Challenges of Using the Internet in Marketing

Some challenges faced by Internet marketers are beyond their control (such as hackers interrupting service and the complexity of multichannel marketing); others are self-inflicted (such as poor customer service and overly rapid expansion). Before turning to several specific challenges, both uncontrollable and self-inflicted, let us cite some general reasons why E-marketing can be so daunting:

- A company’s corporate culture may be hard to adapt to the Internet.
- Internet marketing may not capitalize on a company’s core competencies.
- The proper roles for E-marketing may not be specified clearly enough—or be realistic in nature.
- Web users can be very demanding—and reflect this with negative customer reviews on social media sites.
- The personal touch may be important to many customers.
- Channel partners may be alienated.
- Online and offline systems may be hard to integrate.
- It may be difficult to determine what Internet functions to insource and which to outsource.
- Investment costs and ongoing expenses may be underestimated.

Let us now review a number of specific challenges related to marketing and the Internet.

*Consumer resistance to online shopping*—Despite the rapid growth of online sales, a small percentage of U.S. retail revenues are from Internet transactions; a much higher percentage of business-to-business sales are made online. Why? Many final consumers still want personal contact, the immediacy of a store purchase, and the ability to touch products before buying and to pay in cash. They also often find the online purchase process to be too cumbersome. From a business-to-business perspective, online transactions are more likely because of the ongoing relationships of buyers and sellers, as well the ease of communicating and seamless, sometimes automatic, reordering.

*Customer service*—Web users often feel frustrated by what they perceive as inadequate customer service. As eMarketer ([www.emarketer.com](http://www.emarketer.com)) notes: “When it comes to customer relationship management (CRM), digital channels present something of a

**Web challenges fall into two categories: uncontrollable and self-inflicted.**

**These challenges must be reviewed carefully and in-depth.**

double-edged sword. They facilitate communication between consumers and businesses, but also provide disgruntled customers with the means to quickly and widely broadcast their discontent with a good or service.” What bothers consumers the most regarding online customer service? According to a recent study by Dimensional Research ([www.dimensionalsearch.com](http://www.dimensionalsearch.com)), the top four reasons were: having to explain the problem multiple times, an unpleasant exchange of information, taking too long to resolve the problem, and not resolving the problem satisfactorily. What do consumers consider to be good online customer service? The same study found these factors to be the most important: resolving the problem quickly, a pleasant exchange of information, the problem being handled in one interaction, and the outcome being what was hoped for when a complaint was filed.<sup>30</sup>

*System breakdowns*—Various system breakdowns have occurred and will continue to occur. Some are caused by companies’ lack of attention to their sites, but most are due to the sheer complexity of E-marketing with regard to the number of parties involved in a typical Web site (from Internet service provider to content Web master), the amount of traffic on the Web, the number of links that firms have at their sites (which must be checked regularly to be sure they are not broken), the use of multimedia, and other factors. In addition, firms must constantly be vigilant and protect their sites against intrusions from hackers who may corrupt files, steal customer data, and otherwise be destructive.

*Speed of site performance*—Slow connections are irritating to both users and companies that have Web sites. Users with dial-up telephone connections—still the mode for some home users—must wait to log on every time they dial-up, face periodic busy signals, and endure long delays when photos or other multimedia tools are featured at the Web site. Some features, such as video clips, may not work at all with a dial-up connection. Firms are disappointed because they must scale down their sites so that downloads are not excessively slow for dial-up users. With the rapid growth of “always on” cable, DSL, and other high-speed connections (already in use by almost all U.S. businesses and the vast majority of homes in the United States), this challenge will diminish in the years ahead.

*Internet connection costs*—Although the promise of high-speed connections is great, the prices will have to drop for significantly more users to sign on. As of 2014, Time Warner’s standalone Internet service ([www.timewarnercable.com](http://www.timewarnercable.com)) charged a monthly cable Internet connection fee ranging from \$29.99 to \$74.95 for the first year of a new service plan, depending on the connection speed, and Verizon’s standalone FiOS DSL service ([www.Verizon.com/fios](http://www.Verizon.com/fios)) charged a monthly Internet connection fee ranging from \$49.99 to \$69.99. The companies also offer discounted Internet pricing to those who subscribe to bundles that include phone and/or cable TV service in addition to Internet service.

*Legal issues*—Because Internet use is evolving, few legal precedents exist. The legal challenges facing E-marketing fall into two categories: firm versus firm and government activities. In the first category are disputes over copyrights, patents, and business practices. For example, a number of music companies successfully sued Napster ([www.napster.com](http://www.napster.com)) to require the firm to stop facilitating the free exchange of copyrighted materials, forcing Napster to change its business strategy. Amazon.com ([www.amazon.com](http://www.amazon.com)) sued Barnes & Noble.com ([www.bn.com](http://www.bn.com)) to prevent the latter from offering one-click shopping, since Amazon.com has a patented process for it. The two firms settled out of court. With regard to government actions, among the most contentious issues are whether to tax items sold through the Internet (in the United States, sales tax is generally not required unless a firm has a physical presence in a state with a sales tax), whether children should be denied access to undesirable sites, whether there should be rules governing purchase terms and delivery dates, and whether and how to protect individuals’ privacy.

*Privacy issues*—Internet users are willing to provide some personal data. Yet, they are concerned about what information is requested at Web sites and how that information is to be used. The positive: “Visit the Amazon.com ([www.amazon.com](http://www.amazon.com)) site to buy a book online and your welcome page will include recommendations for other books you might enjoy, including the latest from your favorite authors, all based on your history of purchases. Most customers appreciate these suggestions, much the way they would recom-

mentations by a local librarian.” The negative: “Take, for example, the case of Facebook ([www.facebook.com](http://www.facebook.com)), the popular social networking site. It introduced a system called Beacon that tracked members’ purchases on other sites and shared the information with each user’s social circle. Within a month, outraged users had forced Facebook to reconsider its unannounced initiative. The company apologized, then introduced new privacy options that require users to ‘opt in’ to the Beacon program. The result? In a survey of U.S. Internet users, 91 percent said that, given the opportunity, they would use online tools to control online tracking of their information.”<sup>31</sup> To better address consumer online privacy concerns, a number of organizations have formed the nonprofit Online Privacy Alliance ([www.privacyalliance.org](http://www.privacyalliance.org)).

*Communicating without spam*—Opt-in (permission-based) E-mail can be very successful. People respond well when they are asked if it is okay for a firm to communicate with them and what kinds of information they would like to get. What most Web users object to is the extensive use of **spam**, which is unsolicited and unwanted E-mail. As of early 2014, about 70 percent of all E-mail was spam. As noted in Chapter 5, a federal anti-spam law was enacted to try to alleviate the spam problem. It has, thus far, been ineffective because “spammers” have been able to circumvent it. Consider this:

E-mail newsletters are extremely popular and can be a valuable way to keep in touch with your customers or clients or students. However, it’s very, very easy to have your E-mail flagged as spam and never reach the recipient. Worse, if your E-mails repeatedly show up in an administrator’s spam queue, you’re risking having your entire domain banned. So here’s some tips to make sure that doesn’t happen: (1) Make sure the recipient has agreed to receive mail from you. There is no excuse for sending newsletters to unsuspecting people with whom you have no relationship. (2) Make sure there is an obvious way for the recipient to unsubscribe or otherwise change their settings. Honor all requests to unsubscribe immediately. (3) Include a name along with the E-mail address. This will help the spam filters know that your E-mail is legitimate. (4) Include a subject line that is accurate and relevant to the body content. In the United States, this is required by law. (5) Include an accurate “From” line. (6) Avoid messaging IN ALL CAPS. This is a common spam technique. Also avoid unnecessary punctuation repetition such as !!! or ???<sup>32</sup>

*Clutter*—There is a lot of clutter on the Web, given the huge number of companies that are now online. It is becoming much tougher for any one company to be noticed and to stand out. For instance, in Chapter 1, we cited more than 30 search engines, and there are many others. They must work quite hard to differentiate themselves. In general, this means that well-known firms will have an easier time attracting Web visitors and that all firms must keep up their promotion efforts.

*Finding a workable business model*—Some Internet-based firms have not earned a profit due to excessive investments, overly rapid expansion, system breakdowns, and overestimates about how quickly people would buy online. They need a more realistic and focused business model. For example, Webvan spent \$1 billion to develop an online grocery business (which expanded to include electronics, toys, drugstore items, and other product lines). Yet, its 2000 sales were less than \$100 million, and it suffered enormous losses. It went out of business in mid-2001.

*Expectations of free services*—A particularly vexing challenge for those that offer online services is how to generate revenues from them. As evidenced by all the free Web sites referenced in this book, there are a huge number of sites that allow free access to valuable resources—including newspapers, magazines, encyclopedias, software, consulting advice, and a whole lot more. Thus, users often expect these services to be free, and they will bypass sites that charge a fee. Attempts to generate revenues at these sites by having paid advertising have often not proven to be very successful.

*Integrating bricks-and-clicks operations*—It is not always easy to integrate offline and online strategies. Some leading companies have misfired because of insufficient coordination, such as Barnes & Noble, which did not allow in-store returns of online purchases when it began Internet selling. Today, it does. Due to the price-sensitive nature of Web

Internet users are really turned off by **spam**, unsolicited and unwanted E-mail.

## ETHICS AND SOCIAL RESPONSIBILITY IN PRACTICE

Through your smartphone, PC, or tablet, do you spend a lot of time online? Do you worry about your privacy? If the answers to these two questions are “a lot” and “yes,” then be sure to read “A Privacy App to Make Personal Data Really Disappear” (<http://t.co/wYiS9A2iAy>). Although it is impossible to be totally safe online, we can generally do better to protect ourselves.

shoppers, some companies have lower prices online than offline. This may be disturbing to store shoppers who feel they should have the same opportunities for discounts. With store-based transactions, companies need on-premises inventory so products are immediately available. Yet, with Web-based sales, central warehouses can be more efficient.

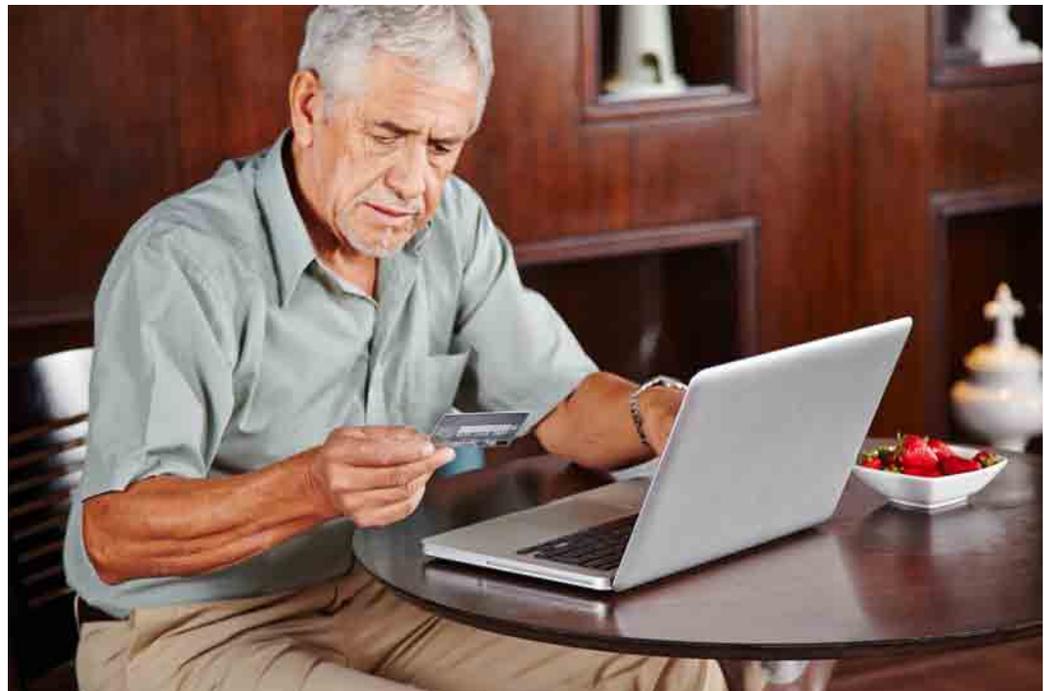
*Global issues*—Even though the Internet is a worldwide communications vehicle, cultural, language, currency, legal, and other differences among countries can affect a firm seeking a global Internet strategy. Since global distribution tends to be complicated, there often is a need to outsource tasks.

### The Future of E-Marketing

Here are some projections about the future of E-marketing:

- The impact of the Internet on all parties will continue to be enormous, but somewhat different than originally anticipated. Although Internet-generated revenues will continue to grow, there will be more emphasis on E-marketing (using the Internet to enhance marketing strategies) than on E-commerce (sales from Internet transactions).

**As an evolving technology-driven phenomenon, the Internet will have a bright future, with some stumbles along the way.**

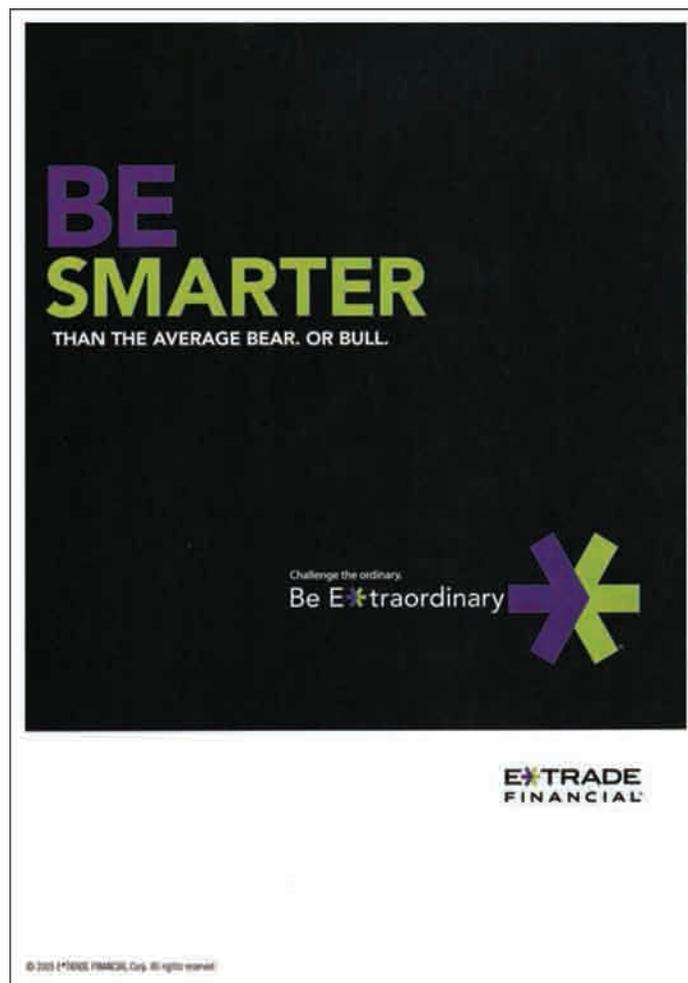


**FIGURE 7-11** More Older Adults Shopping Online

According to eMarketer ([www.emarketer.com](http://www.emarketer.com)), in the United States, by 2016, 82 percent of those 55 to 64 years of age and 65 percent of those 65 years of age and older will be shopping online.

Source: Robert Kneschke/Shutterstock. Reprinted by permission.

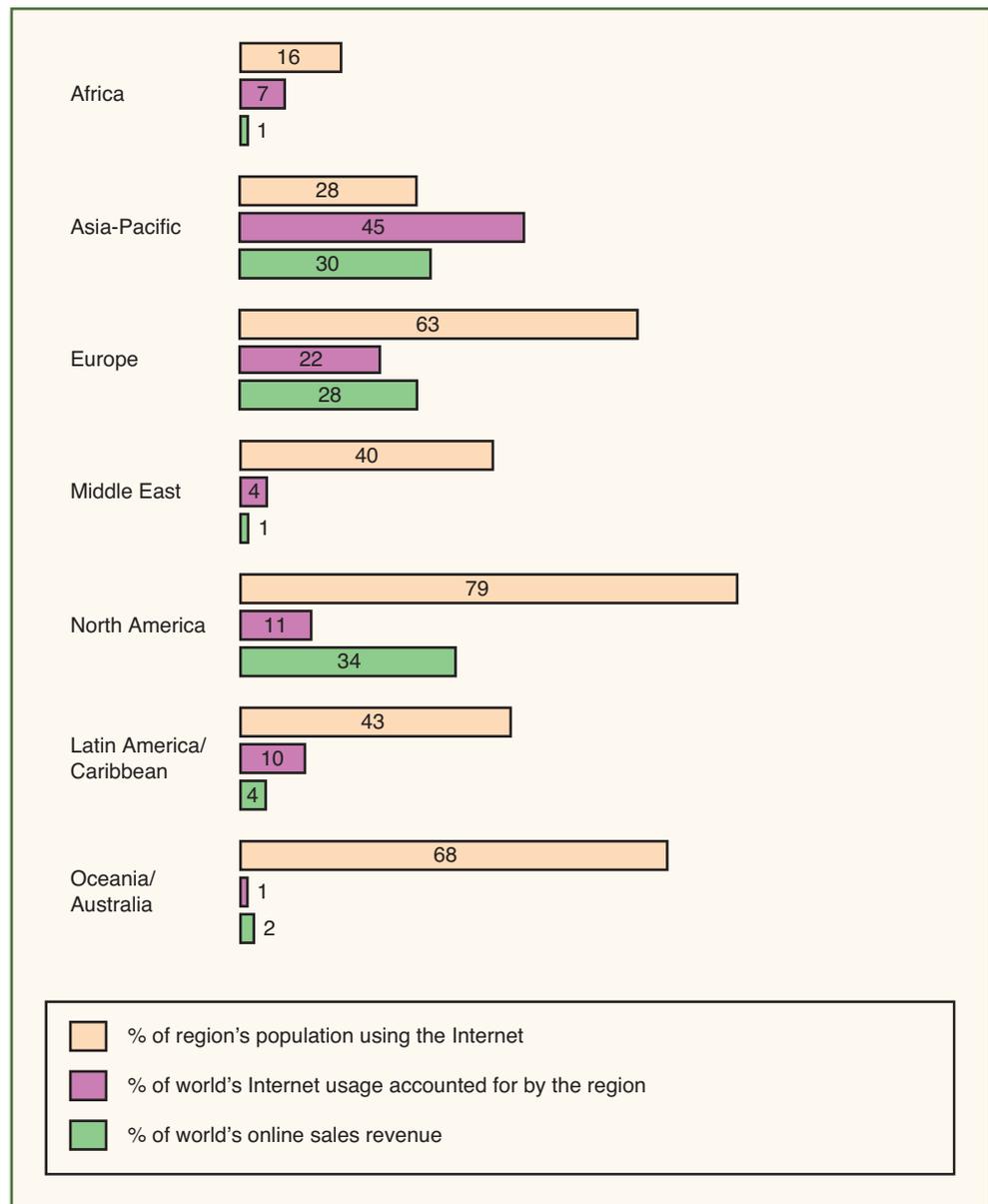
- Bricks-and-clicks firms will typically outperform bricks-and-mortar firms and clicks-only firms. Bricks-and-clicks firms with a bricks-and-mortar background will do the best of all, due to their name recognition, customer following, and established physical presence.
- Older consumers—not just younger ones—will feel more comfortable about shopping online than they did in the past. See Figure 7-11.
- The growth of new high-speed transmission modes such as cable and DSL connection services will allow even more multimedia capabilities to be incorporated into company Web sites, creating an exciting environment for browsing, entertainment, and shopping by users.
- The rapid growth of smartphones and tablets—mobile media—is having and will continue to have a huge impact on how people shop and the tools available to marketers.
- Business-to-business E-commerce will continue to far outstrip business-to-consumer E-commerce.
- It is forecast that U.S. online retail sales will rise by nearly 50 percent between 2014 and 2017.
- Most firms engaged in E-commerce will be profitable, having learned valuable insights over the last several years. See Figure 7-12.



**FIGURE 7-12** E\*Trade: A Master of Online Marketing

E\*Trade ([www.etrade.com](http://www.etrade.com)) averages about 170,000 transactions per day and receives an average commission of \$10 to \$12 per trade. The firm is quite profitable.

Source: Reprinted by permission.



**FIGURE 7-13** Internet Usage in Regions Around the World

Sources: Figure developed by the authors from data at “World Stats,” [www.internetworldstats.com](http://www.internetworldstats.com) (November 20, 2013); and eMarketer, “B2C Ecommerce Climbs Worldwide, as Emerging Markets Drive Sales,” <http://po.st/gazzQX> (June 27, 2013).

- Internet usage and E-commerce will grow more popular around the world. Figure 7-13 shows 2013 data by region. As has been the trend in recent years, the gap between regional Internet usage and shopping will continue to decline in the future.

### CAREER TIPS

In today’s job marketplace, social media are playing a more important role. So, how well do you understand the importance of social media—both the opportunities and risks—in the job search? How many of the questions can you get right when you visit “A Job-Hunting Social Media Quiz” (<http://wp.me/p2qANL-1ra>)?

## Web Sites You Can Use

Several companies conduct research related to the Internet and provide valuable marketing-related information at their Web sites. These firms include:

- Clickz ([www.clickz.com](http://www.clickz.com))—Free articles on all aspects of E-marketing.
- eMarketer ([www.emarketer.com/Newsletter.aspx](http://www.emarketer.com/Newsletter.aspx))—Sign up for the free daily E-newsletter.
- Forrester Research ([www.forrester.com](http://www.forrester.com))—Register as a guest to gain access to free sample reports.
- Internet World Stats ([www.internetworldstats.com/index.html](http://www.internetworldstats.com/index.html))—Worldwide Internet usage data.
- Jupiter Research ([www.juniperresearch.com](http://www.juniperresearch.com))—Provides information on mobile content, mobile commerce, and mobile marketing strategies.
- Marketing Charts ([www.marketingcharts.com](http://www.marketingcharts.com))—Free charts and data on Internet marketing.
- Nielsen/Net Ratings ([www.nielsen-online.com/intlpage.html](http://www.nielsen-online.com/intlpage.html))—Click on a specific country to learn more on online measurement.
- Plunkett Research ([www.plunkettresearch.com/technology/ecommerce\\_trends.htm](http://www.plunkettresearch.com/technology/ecommerce_trends.htm))—Free industry overview.

## Summary

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

About 2.5 billion people around the globe use the Web. They surf the Internet for many reasons other than shopping. For instance, they seek out entertainment, financial, sports, and news sites. They do product research. They “talk” to one another. They communicate with firms to register complaints and make suggestions. They send E-mails and greeting cards. Companies also surf the Web for reasons other than shopping. They check what competitors are doing. They read about industry trends and events. They communicate with suppliers. They exchange data among offices anywhere in the world. They monitor inventory. They survey customers. They analyze customer databases.

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

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

2. *To explore the multifaceted potential marketing roles for the Internet* The Web can serve multiple marketing roles. Each firm must determine which of these roles to pursue and how to prioritize their importance: projecting an image, customer service, channel relations, purchasing and inventory management, information gathering and sharing, database development, mass customization (a process by which mass-market goods and services are individualized to satisfy a specific customer need at a reasonable price), advertising and sales promotion, selling, and multichannel marketing.

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

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

(4) Internet-based marketing-mix decisions are made while developing the Web site, consistent with offline marketing decisions. At this stage, a social media strategy is developed. (5) The strategy is implemented. Two factors affect a firm’s ability to properly enact its strategy—security and channel relationships—and

they must be dealt with well. Once the strategy is enacted, the firm must ensure that it runs smoothly. (6) Performance is assessed and modifications made as necessary.

4. *To illustrate how the Internet is being utilized to enhance marketing strategies* Many firms actively use the Web in their consumer analysis, product planning, distribution planning, promotion planning, and price planning. Several examples are noted.
5. *To consider the challenges of using the Internet in marketing and to forecast the future of E-marketing* Some challenges are rather uncontrollable (such as dial-up connections), and others are self-inflicted by companies. Attention must be paid to consumer

shopping resistance, customer service, system breakdowns, site speed, connection costs, legal issues, privacy issues, spamless communications, clutter, a workable business model, expectations of free services, integrating bricks-and-clicks operations, and global issues.

In the future, Internet usage will continue growing, with E-marketing being even more essential. Bricks-and-clicks firms will succeed best. High-speed connections will lead to more multimedia-rich Web sites. Business-to-business E-commerce will greatly outstrip business-to-consumer E-commerce. There will be a considerable increase in Internet use outside North America.

## Key Terms

Internet (p. 171)	bricks-and-mortar firms (p. 173)	opt-in (permission-based) E-mail (p. 183)
World Wide Web (WWW) (p. 171)	clicks-only firms (p. 173)	social media (p. 183)
E-marketing (p. 171)	bricks-and-clicks firms (p. 174)	spam (p. 191)
E-commerce (p. 171)	mass customization (p. 178)	

## Review Questions

1. Distinguish between E-marketing and E-commerce.
2. Describe the three phases of E-marketing.
3. What cost efficiencies does the Internet offer for companies that use it properly?
4. What is mass customization? Give an example not mentioned in the chapter.
5. Discuss the six basic steps in developing an Internet marketing strategy.
6. Why is it important for a company to monitor the links, both internal and external, at its Web site?
7. Why is opt-in E-mail gaining in popularity with both companies and Internet users?
8. State four major challenges facing E-marketers.

## Discussion Questions

1. What can a firm learn by studying Tables 7-1 and 7-2?
2. Visit your school's Web site. Which of the marketing roles cited in this chapter do you think it is performing? Explain your answer.
3. Develop and explain a five-item survey to use in assessing the design of a Web site.
4. What is your favorite social networking Web site? Why?

## Web Exercise

eBay ([www.ebay.com](http://www.ebay.com)) is a very successful online marketer. The company has strict rules of behavior—updated regularly—for both buyers (<http://pages.ebay.com/help/policies/buyer-rules-overview.html>) and sellers (<http://pages.ebay.com/help/policies/seller-rules-overview.html>).

What are the most important current rules for each party to understand? Why? What other rules should it consider adding?

## Practice Quiz

- The basic difference between the Internet and the World Wide Web is that only
  - through the Web can users see graphics and hear audio.
  - through the Web can consumers E-mail each other.
  - the Internet is a marketing tool.
  - the Internet is a public system.
- A consumer request for information on the Web that is helpful in determining the features of a particular refrigerator model is an example of
  - E-commerce.
  - E-marketing.
  - spamming.
  - logistics.
- Which of these is the broadest concept?
  - E-commerce
  - E-marketing
  - Opt-in E-mail
  - Bricks-and-mortar
- Which one of the following is not necessarily a benefit for a firm using the Internet in marketing?
  - Timeliness
  - 24/7 operations
  - Global possibilities
  - Low system-maintenance costs
- Which of these Internet attributes relates to the ability of the Internet to have two-way communication?
  - Interactivity
  - Globalization
  - Hyperactivity
  - Connectivity
- Which role of the Internet in marketing is best illustrated by a firm maintaining a list of key customers and their purchasing behavior?
  - Customer service
  - Channel relations
  - Database proliferation
  - Database development
- The lot size in mass customization is typically
  - one unit.
  - 10 units.
  - 100 units.
  - more than 1,000 units.
- Multichannel marketing is practiced by a(n)
  - bricks-and-clicks firm.
  - clicks-only firm.
  - E-commerce firm.
  - bricks-and-mortar firm.
- Which of these statements is correct?
  - Nine-five percent of U.S. adults ages 18 to 29 have a broadband connection.
  - About the same percentage of men and women use the Internet in the United States.
  - Internet use increases as people get older.
  - Internet use decreases as household income increases.
- Which aspect of a Web site includes such topics as company background, financial performance, and an online shopping cart?
  - Links
  - Home page
  - (URL) Web address
  - Site content
- Which of these is *not* a form of social media?
  - A company Web site
  - A company blog
  - A company Twitter page
  - A company Facebook account.
- An Internet retailer respects a consumer's privacy by
  - using spam.
  - using opt-in E-mail.
  - selling names to mailing list brokers.
  - trading names and addresses of customers with noncompeting firms.
- Computing daily Web site traffic, ratings on customer service surveys, and sales revenues are measures to be used in
  - making distribution decisions.
  - enacting trade-off decisions.
  - making promotion decisions.
  - assessing performance.
- Which of these factors should *not* be regularly reviewed in evaluating the quality of a Web site?
  - Download time
  - Security
  - Product variety
  - Currency
- The large number of search engines, as well as the number of companies that are now online, contribute to
  - the need to outsource Web decision making.
  - consumer privacy concerns.
  - clutter.
  - system breakdowns.

*For the answers to these questions, please visit the online site for this book at <http://www.textbookmedia.com/textbook/LearnMores/EvansBermanAnswersAndExercises.pdf>.*

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# Part 2 Cases

## Short Cases

### 2-1 ecoATM: Can It Reduce the E-Waste Problem?<sup>1</sup>

Mark Bowles is a serial entrepreneur who now wants to help reduce high-tech waste—which he, like many others—contributed to inadvertently over the 25-plus years that he spent in the semiconductor, wireless, and technology industries. As reported by *Entrepreneur*, Bowles says: “It was good work, noble work that we were doing, but the electronic waste problem has gotten pretty severe.”

Bowles was motivated to start his new venture by a study from Nokia showing that just 3 percent of people globally recycle mobile phones. His firm, ecoATM, produces fully automated self-serve kiosks to buy back consumer electronics for cash. Will this make a dent with the E-waste problem?

Read the full story at this URL: [www.entrepreneur.com/article/226675](http://www.entrepreneur.com/article/226675).

#### Case Questions

1. Discuss the impact of ecoATM on natural resources, the landscape, and environmental pollution.
2. Describe how electronics goods are affected by planned obsolescence.
3. How can mobile phones be designed for disassembly?
4. What other forms of electronic waste can utilize ecoATM’s recycling system?

### 2-2 E-Cigarettes: Will/Should They Be Regulated?<sup>2</sup>

Over the last few years, the electronic cigarette has seen growing popularity among consumers. But this product is also controversial from a health standpoint. As Justin Bachman reports: “The battery-powered gadgets transform nicotine and other substances into an inhaled vapor and have been marketed as a safer alternative to tobacco smoke, which is drawn into the lungs and increases cancer risks.”

The rapidly growing E-cigarette business—expected to top \$1 billion in annual sales in the next few years—is racing to command a bigger share of spending among smokers and potential smokers ahead of possible regula-

tions from the U.S. Food and Drug Administration. This promises to be an interesting regulatory battle.

Read the full story at this URL: <http://buswk.co/11RFezU>.

#### Case Questions

1. What are the attractions of E-cigarettes to those who currently smoke traditional cigarettes? To those seeking to quit smoking traditional cigarettes?
2. Evaluate electronic cigarettes from the perspective of the consumer’s rights to information, safety, and choice, and to be heard.
3. What type of regulation is most appropriate for electronic cigarettes?
4. The FDA’s Center for Tobacco Product’s Web site contains the following statement: “As the safety and efficacy of E-cigarettes have not been fully studied, consumers of E-cigarette products currently have no way of knowing whether E-cigarettes are safe for their intended use, how much nicotine or other potentially harmful chemicals are being inhaled during use, or if there are any benefits associated with using these products. Additionally, it is not known if E-cigarettes may lead young people to try other tobacco products, including conventional cigarettes, which are known to cause disease and lead to premature death.” How can the FDA better communicate the risks of E-cigarettes?

### 2-3 Going High-Tech in Africa: Opportunities and Challenges<sup>3</sup>

According to Knowledge@Wharton: “The road for a new company in Africa can be like a video game—each time a player slays a monster, a larger one appears. Whether it is roadblocks imposed by regulators, the lack of a viable workforce, or a paucity of infrastructure, the path to success for a burgeoning tech firm in Africa can be harrowing. Yet it can also be a great opportunity for those willing to negotiate their way through those challenges, according to experts and entrepreneurs on a panel titled, Technology Startups in Africa, at a Wharton Africa Business Forum.”

So, consider the marketing challenges of doing business in Africa.

Read the full story at this URL: <http://knowledge.wharton.upenn.edu/article.cfm?articleid=3166>.

## Case Questions

1. Describe some of the typical issues a new online firm faces in Africa.
2. Discuss the business opportunities for mobile applications providers in Africa.
3. List the pros and cons of running a new African Internet business versus foreign nationals entering the market.
4. How does the concept of thinking local, going global apply to this case?

### 2-4 SoundCloud: Can It Carve Out a Market in Music Sharing?<sup>4</sup>

Ever heard of SoundCloud ([www.soundcloud.com](http://www.soundcloud.com))? It's a recent addition to the music sharing industry.

As reported by Ryan Mac: "SoundCloud is getting notice. If you've listened to a sound snippet on a social network like Facebook or Tumblr recently, chances are you've come across the ubiquitous orange waveforms of its media players, whether you tune in to Drake's latest single or to NPR podcasts. Unlike Spotify and Pandora, content providers for a passive listening experience, 'SoundCloud allows anybody in the world to share audio that they've created, whether it's music, to recordings of their kids on their phone to speeches from Obama,' founder Alexander Ljung says. 'It also allows anyone to go on the mobile application or the Web and then find these amazing sounds.'"

What's ahead for SoundCloud?

Read the full story at this URL: <http://onforb.es/10fSchd>.

## Case Questions

1. Discuss how SoundCloud can use smartphones and the Internet to expand its business.
2. What are the challenges to SoundCloud's increasing its 5 percent of registered users to 10 or 15 percent?
3. Develop a plan for SoundCloud to increase its paid customer subscribers.
4. Should SoundCloud incorporate advertising into its network as a means of increasing revenues from sponsors instead of charging fees to subscribers? Explain your answer.

## Comprehensive Case

### Part 2: Being Prepared for On-Demand Marketing<sup>5</sup>

For a variety of reasons, consumers today are much more impatient with regard to their shopping behavior and their expectations about the speed of order fulfillment. As such, we are entering an era being dubbed "on-demand marketing."

Peter Dahlström and David Edelman do a good job of explaining this concept and its ramifications: "Building on the vast increase in consumer power brought on by the digital age, marketing is headed toward being on demand—not just always 'on,' but also always relevant, responsive to the consumer's desire for marketing that cuts through the noise with pinpoint delivery. Search technologies have made product information ubiquitous; social media encourage consumers to share, compare, and rate experiences; and mobile devices add a 'wherever' dimension to the digital environment. Executives encounter this empowerment daily when, for example, cable customers push for video programming on any device at any time."

McKinsey's Dahlström and Edelman further note that: "As digital capabilities multiply, consumer demands will rise in four areas: (1) *Now*: Consumers will want to interact anywhere at any time. (2) *Can I*: They will want to do truly new things as disparate kinds of information (from financial accounts to data on physical activity) are deployed more effectively to create value for them. (3) *For me*: They will expect all data stored about them to be targeted precisely to their needs or used to personalize what they experience. (4) *Simply*: They will expect all interactions to be easy."

The current era will present many opportunities and complexities for companies. This requires good marketing research, ethical behavior, understanding needs in different countries, and better use of the Internet.

Read the full story from Dahlström and Edelman at this URL: <http://shar.es/k7B7S>.

## Case Questions

1. Explain how on-demand marketing will impact a firm's overall strategic planning process.
2. Show how the headset example can be applied by a laptop computer manufacturer.

3. Describe how “now,” “can I,” “for me,” and “simply” can be integrated into the strategy of a restaurant. Discuss the consumer decision process for a restaurant.
4. Explain how “can I” could be applied to the car leasing process.
5. Will all customers be equally affected by on-demand marketing? Explain your answer.
6. Will all products be equally affected by on-demand marketing? Explain your answer.
7. How will on-demand marketing affect a firm’s ability to target niche markets?

## Case Notes

1. Katherine Duncan, “The Serial Entrepreneur Show Is Tackling E-Waste with EcoATMs,” *Entrepreneur* (May 23, 2013).
2. Justin Bachman, “E-Cigarettes Want Your Attention Now (Before the FDA Steps In),” *Businessweek* (June 10, 2013).
3. “Thinking Local, Going Global: Building Tech Startups in Africa,” *Knowledge@Wharton* (January 16, 2013).
4. Ryan Mac, “Upload and Share Music—Or Any Noise: The Beauty of SoundCloud,” *Forbes* (April 17, 2013).
5. Peter Dahlström and David Edelman, “The Coming Era of On-Demand Marketing,” *McKinsey Quarterly* (April 2013).

