

e-Business Adviser Handbook

Version 2 – November 2002

A handbook for business advisers assisting small and medium sized enterprise entering or improving e-Business.

Issued by the USHER project. <http://www.usherproject.org.uk>

Section – 2.6 – e-Marketing

2.6. e-MARKETING

e-Marketing is applying marketing theories using the capabilities of the internet to deliver products and/or services to the target market. The fundamentals remain the same even in the dotcom business environment. However, the relevance of these fundamentals has changed. Where the four P's (product, price, place and promotions) are marked as important in traditional marketing, the four P's in e-marketing are viewed as dissatisfiers. The satisfiers in e-marketing are reputation, relation and exchange. Simply put, a satisfier is a process that delivers the needs and wants of a customer whereas a dissatisfier fails to do that. The primary focus of e-marketing is the individual need of the customer.

Reputation

Nowadays, with the emergence of the internet and e-marketing, reputation has gained even greater relevance in the buying process of consumers and businesses. Reputation is a group of expectations that customers have of a particular company. It works as an incentive for the target group to start building relations with the company. A good reputation is essential for the competitive positioning of the company.

Relation

Healthy and good relations with customers is a must for follow-up purchases/business. We talk about a relation when there is interaction between the sender and receiver. A good relation builds positive attitudes towards the company and creates the need to interact.

Exchange

Exchange can be interpreted in different ways. Exchange as in trade and as in information. Both are relevant and applicable in the context of e-marketing. All the effort put into enhancing reputation and relation is worthless if no exchange takes place. Exchange is chained to an economical component. Without that component it would not be possible for a company to realise its goals such as profit and continuity.

The milestones of e-marketing are represented by direct marketing, one-to-one marketing, relationship marketing, database marketing and event marketing. Each of them is discussed in the following sections.

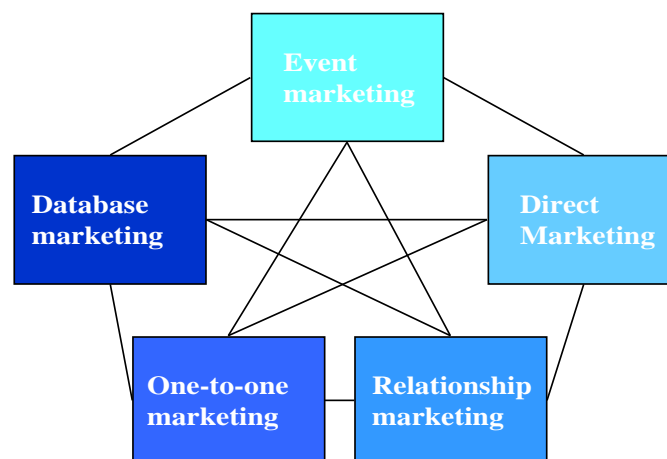


Figure 2.6.1

2.6.1. Direct marketing

Direct marketing is essentially communicating a message to individuals with a view to obtaining a measurable, cost effective response. Direct marketing is more than e-mail, direct delivery and using other direct communication tools. Direct marketing is concerned with the maintenance of a structural and direct relationship between suppliers and buyers. Direct marketing does have aspects of the other four marketing methods and vice versa. Since the online direct tools are so frequently applied in direct marketing, the two words are often used interchangeably in practice.

2.6.2. One-to-one marketing

One-to-one marketing perfectly fits within the focus of e-marketing: targeting individual needs. Before the internet made its appearance to the mass public, marketers turn data into knowledge by using the information, insight, experience and understanding gained over time from their relationships with customers. A lot of work is done through assumptions and “guessing ” in order to forecast higher response to promotional activities. With the internet a lot of the guessing is replaced by analysis. The analyses are done on the declarative and behavioral data retrieved from a database. The difference between those two is explained in database marketing. In a way, one-to-one marketing is closely related to database marketing, which is discussed later.

The web gives the customer the power, choice and means to help us build a knowledge base. Having said that, the success of one-to-one marketing very much depends on two aspects: trust and respect.

Trust means utilising a privacy policy that informs the customers about what you will be doing with the personal data collected and the personal information requested from them. Respect means giving the customer the option of deciding how much information they want to provide. To further discourage users from entering false information on the web registration form, give them something in return.

2.6.3. Relationship marketing

Relationship marketing is very much related to direct marketing, however, the direct aspect does not have to be present. There are companies that have no direct contact with their customers. For instance, an insurance company that sells their services and products to the customer through a third party. By means of special offers and the usage of media, the insurance company maintains a good relation with the customer. The actual delivery is done by a third party (many banks are intermediaries for these services and products). In the context of e-marketing tools such as personalised e-mails, newsletters, online advertising, online information about your products and services, could be utilized.

2.6.4. Database marketing

Database marketing is a way of marketing that is closely related to direct marketing and relationship marketing. The heart of database marketing resides in its database. A database could be described as a electronic library where customers' data and information are stored. As mentioned earlier we broadly distinguish two kinds of data: declarative data and behavioral data. Declarative data is information that customers actively provide when building their own online profile on your web site. Behavioral data is captured via web logs, for instance the web pages viewed by a specific customer. A very good example of database marketing is the online book store Amazon.com. Amazon.com sends e-mails with book offers and discounts based on customers' selected areas of interest. An important role of database marketing is finding relations between different data sets and turning it into knowledge. For example, say you market a site that sells white goods, once every month you send out an e-

mail promotion to your buyers and prospects. During one particular promotion to a certain segment of your file, you notice a strong click-through on one of your classic dishwashers, but no strong conversion. This type of result would normally indicate that the promotion's landing page needs work. Through analysis (e.g. correlation) of the historical data of the individuals within this segment you discover that price is really an issue. In other words, your analysis indicates that the large share of this segment buys products that fall within a certain price range. Although the out-of-range price was listed on the landing page, where response was soft, it was not on the initial promoting the classic dishwashers, where response was high. It allows the company to take corrective action. The number of envelopes opened against how many actually bought cannot be measured in the offline world - nor would it be possible to analyse this level of information about customers.

2.6.5. Event marketing

Event marketing is about associating a company with a special event, thus placing a (sales) message in front of a qualified prospect. Not every event suits the company's marketing goals. Event marketing in the traditional sense is often translated in sponsoring social causes, sporting events or industry conferences. In the online context these activities are translated as follows:

- Advertise on a site associated with a major event
- Sponsor an organisation's online event
- Donate to a nonprofit's auction (e.g. online auction of the American Heart Association)
- Tie into a product
- Create a content site

Most of the time, being closely associated with an event is beneficial. However, in some cases, this can be harmful to the associated organisation. An organisation that has decided to discontinue its financial support for an important event could create and spread negative feelings among its target group.

Even advertisements running on sites and materials associated with events or community projects can present problems. A content site covering an event might have material so timely and compelling that the audience does not even consider clicking on the sponsor's banner ads or links.

For instance, the recent presidential election resulted in a tremendous increase in traffic (that is the number of visits to the site) at the news sites and other sites that focused on the political environment. On election night, however, the attention of the audience was so focused on the actual event that the number of banner clicks was below the sites' average.

2.6.6. e-CRM (Customer Relationship Management)

e-CRM has become a frequently discussed topic for the last few years within the context of e-marketing. Given its impact on how business is being done on the internet and its relation to e-marketing, it is worthwhile to discuss e-CRM in more detail.

What is e-CRM? Simply put, e-CRM allows companies to identify and instantly respond to customer needs and wants. For example, your favourite online bookseller could analyse your purchases and use e-mail to keep you informed about new books coming out in your areas of interest. Unlike the different forms of e-marketing discussed earlier, e-CRM is an aid or a tool. However e-CRM does cover all the previous mentioned perceptions.

Why e-CRM? The nature of the internet makes tracking and measuring (e-) marketing efforts possible and relatively cheap/affordable (in comparison with the offline world of marketing). The detail of the data goes beyond that of any other kind of offline marketing effort. Being able to measure the e-marketing activities means having knowledge about your customer purchase pattern (i.e. the needs and wants). High responsiveness to the individual customer with relevant information is the first step towards building a positive relationship (which is likely to result in follow-up purchases).

The fact that the internet is amenable to measurement makes e-CRM rather a competitive necessity than an option. To practice e-CRM you will need to:

- 1) Have tools to track and assess what customers and qualified prospects are doing on an individual basis. In most cases, carrying out such an assessment requires reconstructing logs.
- 2) Attract the right people to your web-site, who will consider buying what you are offering. A recent survey from Forrester Research suggests that online marketers spend 44 per cent of their promotion budgets on offline media.
- 3) Be prepared with the appropriate promotions and content based on the assessments. Once companies know what customers and prospects are up to, they must be prepared to respond quickly, regularly and in a customized fashion.
- 4) Give your customers lots of ways to pay – credit cards, debit cards, check, even cash. Make it easy for them to do business with you. Think of your e-commerce capability as an extension of one of your salespeople: helpful, kind and always willing and prepared to serve your customers.
- 5) Evaluate the data on a regular basis and make adjustments to promotions. Every action creates a reaction. Many companies commit to sending out a weekly promotional e-mail, but neglect to adjust the promotions according to how customers are reacting.
- 6) Support customers online in order to build strong relationships; this factor is one that many companies acknowledge, but fail to deal with properly. In a recent Ad Age survey of 21 of the biggest e-tailors, less than half responded to e-mail inquiries within 5 days, and seven did not even respond at all.

Most organisations that have successfully implemented e-CRM have started small, expanding with many different pilots before rolling out long-scale implementations.

References

- Dyche, J. (2001). The CRM Handbook: A Business to Guide to Customer Relationship Management. Pbl. Addison-Wesley Pub Co. ISBN 0201730626.
- Kotler, P.; Dipak, C.; Maesincee, S. (2002). Marketing Moves: A New Approach to Profits, Growth & Renewal. Pbl. Harvard Business School. ISBN 1578516005.
- Gurian, P. (2002). E-mail Business Strategies & Dozens of Other Great Ways to Take Advantage of the Internet. Pbl. Grand National Press. ISBN 0962163945.
- Laudon, K.; Traver, C. (2002). E-Commerce: Business, Technology, Society. Pbl. Addison-Wesley Pub Co. ISBN 0201748150.
- Strauss, J.; Frost, R. (2000). E-Marketing. Pbl. Prentice Hall. ISBN 0130322644.
- Hanson, W. (2000). Principles of Internet Marketing. Pbl. Premier Press Inc. ISBN 0761528539.
- Saloner, G.; Spence, A. (2001). Creating an Capturing Value Perspectives and Cases on Electronic Commerce. Pbl. John Wiley & Sons. ISBN 0471410152.
- Gumpert, David (2001). Metadata: Giving up E-CRM?, clickz.com, URL: http://www.clickz.com/b2b_mkt/corp_surf/print.php/888671
- Baudisch, Paul R. Metadata: Getting to E-Yes: Building Customer Relations Online, entreworld.org, URL: <http://entreworld.org/content/entrebyline.cfm?columnid=215>
- Bhatia, Dev (2002). Metadata: Searching for Answers With Cluster Analysis, clickz.com,

- URL: http://clickz.com/res/analyze_data/print.php/988131
- Say, Philip (2001). Metadata: E-CRM Development Options, clickz.com, URL: http://clickz.com/b2b_mkt/b2b_mkt/print.php/835691
 - O'Connor, Arthur (2002). Metadata: E-CRM: The Good News and the Bad News, clickz.com, URL: http://www.clickz.com/crm/crm_strat/print.php/978061