ECOM13003 Electronic Commerce

E-Commerce Marketing Concepts & Communications
Chapters 7 & 8

Outcomes
after this class you should be able to:
- Identify the key features of the internet audience
- Discuss the basic concepts of consumer behaviour and purchasing decisions
- Describe basic internet marketing concepts
- Identify the major forms of online communications
- Discuss ways a website can be used as a marketing communication tool

Internet Audience and Consumer Behavior
- Some demographic groups have much higher percentages of online usage than other groups
- Demographics to examine include:
  - Gender
  - Age
  - Ethnicity
  - Community Type
  - Income
  - Education

Type of Internet Connection:
Broadband Impacts
- Broadband audience quite different from dial-up audience:
  - Wealthier
  - More educated
  - More middle-aged
  - Greater intensity and scope of use

Lifestyle Impacts
- Intense Internet usage may cause a decline in traditional social activities
- Social development of children using Internet intensively instead of engaging in face-to-face interactions or undirected play may also be negatively impacted
- The more time people spend on the Internet, the less time spent using traditional media

Consumer Behavior Models Figure 7.1, Page 367
- Attempt to predict/explain what consumers purchase and where, when, how much and why they buy.
- Consumer behavior models based on background demographic factors and other intervening, more immediate variables
Background Demographic Factors

- Cultural
  - Culture and subculture
- Social
  - Reference groups
    - Direct
    - Indirect
  - Opinion leaders (viral influencers)
  - Lifestyle groups
- Psychological
  - Psychological profiles

The Purchasing Decision Figure 7.3, Page 371

- Five stages in the consumer decision process:
  - Awareness of need
  - Search for more information
  - Evaluation of alternatives
  - Actual purchase decision
  - Post-purchase contact with firm

A Model of Online Consumer Behavior Figure 7.4, Page 372

- Adds two new factors:
  - Web site capabilities
  - Consumer clickstream behavior

Shoppers: Browsers and Buyers Figure 7.5, Page 375

- About 63% of online users purchase online; an additional 12% research online, but purchase offline
- Significance of online browsing for offline purchasing and vice versa should not be underestimated
- E-commerce and traditional commerce are coupled and should be viewed by merchants and researchers as part of a continuum of consuming behavior

What Consumers Shop for and Buy Online Figure 7.6, Page 376

- Online sales divided roughly into small ticket and big ticket items
  - Top small ticket categories (apparel, books, office supplies, software, etc.) have similar characteristics—sold by first movers, small purchase price, physically small, high margin items, broad selection of products available
  - Purchases of big ticket items (travel, computer hardware, consumer electronics) expanding

Why More People Don’t Shop Online

- Major online buying concerns:
  - Security
  - Privacy
  - Shipping costs
  - Return policy
  - Product availability
  - Shipping issues/delays
### Trust, Utility, and Opportunism in Online Markets
- Trust and utility among the most important factors shaping decision to purchase online.
- Consumers are looking for utility (better prices, convenience).
- Asymmetry of information can lead to opportunistic behavior by sellers.
- Consumers also need to trust merchants before willing to purchase.
- Sellers can develop trust by building strong reputations for honesty, fairness, delivery.

### Basic Marketing Concepts
- Marketing: The strategies and actions firms take to establish a relationship with a consumer and encourage purchases of products and services.
- Internet marketing: Using the Web, as well as traditional channels, to develop a positive, long-term relationship with customers, thereby creating competitive advantage for the firm by allowing it to charge a higher price for products or services than its competitors can charge.

### Basic Marketing Concepts (cont'd)
- Firms within an industry compete with one another on four dimensions:
  - Differentiation
  - Cost
  - Focus
  - Scope
- Marketing seeks to create unique, highly differentiated products or services that are produced or supplied by one trusted firm (“little monopolies”).

### Internet Marketing Technologies
- Web transaction logs
- Cookies and Web bugs
- Databases, data warehouses, and data mining
- Advertising networks
- Customer relationship management (CRM) systems

### The Revolution in Internet Marketing Technologies
- Three broad impacts:
  - Internet has broadened the scope of marketing communications
  - Internet has increased the richness of marketing communications
  - Internet has greatly expanded the information intensity of the marketplace

### Tracking on the internet
- Web transaction logs
- Cookies
  - Small text file that is downloaded to a visitor’s computer and provides website a means of identifying the customer.
- Web bugs
  - Graphic files embedded in email messages and websites. Used to transmit information about the user to a monitoring server.
Channel Management Strategies

- **Channel:** Refers to different methods by which goods can be distributed and sold.
- **Channel conflict:** Occurs when a new venue for selling products or services threatens or destroys existing venues for selling goods.
- **Examples:** online airline/travel services and traditional offline travel agencies.
- **Some manufacturers are using partnership model to avoid channel conflict.**

Marketing Communications

- **Online marketing communications:** Methods used by online firms to communicate with consumer and create strong brand expectations.
- **Promotional sales communications:** Suggest consumer “buy now” and make offers to encourage immediate purchase.
- **Branding communications:** Focus on extolling differentiable benefits of consuming product or service.

Online Advertising

- **Paid message on a Web site, online service or other interactive medium, such as interactive messaging.**
  - 2005: $12.9 billion spent, expected to grow to $24.7 billion by 2010.
- **Advantages:**
  - Ability to target ads to narrow segments and track performance in almost real time.
  - Provide greater opportunity for interactivity.
- **Disadvantages:**
  - Concerns about cost versus benefit.
  - Concerns about how to adequately measure results.

Forms of Online Advertisements

- **Display and rich media ads**
- **Search engine advertising:** Paid search engine inclusion and placement.
- **Sponsorships**
- **Referrals (affiliate relationship marketing)**
- **E-mail marketing**
- **Online catalogs**
- **Online chat**
- **Blog advertising**

Mixing Offline and Online Marketing Communications

- **Traditional offline consumer-oriented industries have learned to use Web to extend brand images and sales campaigns.**
- **Online companies have learned how to use traditional marketing communications to drive sales to Web site.**
- **Most successful marketing campaigns incorporate both online and offline tactics.**

How Well Does Online Advertising Work?

- **Figure 8.12, Page 475**
  - Click-through rates may be low, but these are just one measure of effectiveness.
  - Research indicates that most powerful marketing campaigns include both online and offline advertising.
The Web Site as a Marketing Communications Tool

- Web site can be viewed as an extended online advertisement.
- Domain name: First communication an e-commerce site has with a prospective customer.
- Search engine optimization:
  - Register with as many search engines as possible.
  - Ensure that keywords used in Web site description match keywords likely to be used as search terms by user.
  - Link site to as many other sites as possible.
  - Get professional help.

Web Site Functionality Figure 8.15, Page 486

- Factors affecting effectiveness of a software interface:
  - Utility
  - Ease of use
- Factors in credibility of Web sites:
  - Design look
  - Information design/structure
  - Information focus
  - Responsiveness

Class Discussion

- Case study – page 488
  - Question 1 on page 492

Next Week

- Online service industries & content providers
- Case study page 868
  - Question 3
- Group Presentation 7