Chapter 1
An introduction to internet marketing
**Learning objectives**

- Evaluate the relevance of the Internet to the modern marketing concept.
- Distinguish between Internet marketing, e-marketing, e-commerce and e-business.
- Identify the key differences between Internet marketing and traditional marketing.
- Assess how the Internet can be used in different marketing functions.
Questions for marketers

- How significant is the Internet as a marketing tool?
- How does Internet marketing relate to e-marketing, e-commerce and e-business?
- What are the key benefits of Internet marketing?
- What differences does the Internet introduce in relation to existing marketing communications models?
The impact of the Internet on business

- Andy Grove, Chairman of Intel, one of the early adopters of e-commerce, has made a meteorological analogy with the Internet. He says:

  *Is the Internet a typhoon force, a ten times force, or is it a bit of wind? Or is it a force that fundamentally alters our business?* (Grove, 1996)
Michael Porter said:

- “The key question is not whether to deploy Internet Technology-companies have no choice if they want to stay competitive- but how to deploy it”
<table>
<thead>
<tr>
<th>Year</th>
<th>Company/Site</th>
<th>Category of Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>Amazon</td>
<td>Retailer</td>
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<tr>
<td>1995</td>
<td>Yahoo</td>
<td>Directory and Portal</td>
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<td>1995</td>
<td>eBay</td>
<td>Online Auction</td>
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<td>1996</td>
<td>Hotmail</td>
<td>Web Based email</td>
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<tr>
<td>1998</td>
<td>Google</td>
<td>Search Engine</td>
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<td>1999</td>
<td>Alibaba</td>
<td>B2B MarketPlace</td>
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<td>1999</td>
<td>MySpace</td>
<td>Social Networking</td>
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<tr>
<td>2001</td>
<td>Wikipedia</td>
<td>Open Encyclopedia</td>
</tr>
<tr>
<td>Year</td>
<td>Company/Website</td>
<td>Category of Innovation</td>
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<tr>
<td>2003</td>
<td>Skype</td>
<td>Internet Telephony</td>
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<tr>
<td>2004</td>
<td>Facebook</td>
<td>Social Networking</td>
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<tr>
<td>2005</td>
<td>Youtube</td>
<td>Video Sharing</td>
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<tr>
<td>2007</td>
<td>Joost</td>
<td>IPTV</td>
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</table>
The Internet’s impact on you?

- How many of you have purchased something on the Internet in the last 6 months?
- How many times have you used the Internet as an information source, before buying offline?
- What have you purchased online?
**EIAA 2005** - Percentage of Internet users in the EU and Norway browsing (dark bar) and buying (light bar). Conversion percentages (shown in brackets) are the proportions of all who research the product online who buy online.

Source: EIAA (2005)
Internet Marketing vs E Marketing

- Internet Marketing- the application of internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives

- E Marketing- achieving marketing objectives through use of electronic communication technology
Six Categories of e-Communication tools

1. **Search marketing**
   - Search engine optimisation (SEO)
   - Pay Per Click (PPC)
   - Trusted feed

2. **Online PR**
   - Media alerting services
   - Portal representation
   - Blogs and RSS
   - Community C2C posts

3. **Online partnerships**
   - Link-building
   - Affiliate marketing
   - Sponsorship
   - Co-branding

4. **Offline communications**
   - Advertising
   - Personal selling
   - Sales promotion
   - PR
   - Sponsorship

5. **Opt-in e-mail**
   - Cold (rented list)
   - Co-branded e-mail
   - 3rd-party e-newsletters
   - House list e-mails

6. **Viral marketing**
   - Pass-along e-mails
   - Prompted e-mail a friend
   - Incentivised
   - Media mentions

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**Web site and partner microsites**

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**Online communications**

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**Offline communications**

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**Interactive ads**
- Display ads/banners
- Rich-media
- Dynamic/behavioural
- Sponsorship

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How does the Internet contribute to marketing?

- The definition of marketing by the Chartered Institute of Marketing (http://www.cim.co.uk/) is:

  Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitability
• Identify- the internet can be used for marketing research to find out customer’s needs and wants

• Anticipating- the internet provides an additional channel by which customer can access information and make purchases

• Satisfaction- achieving customer satisfaction through the e channel; easy to use site, attractive, customer-oriented
Digital Marketing

- Customer-centric digital marketing involves:
  - Applying...
  - *Digital technologies which form online channels...*  
    *(Web, e-mail, databases, mobile, iDTV)*
  - to...
  - *Contribute to marketing activities aimed at achieving profitable acquisition and retention of customers (within a multi-channel buying process and customer lifecycle)*
  - through...
  - *Improving customer knowledge (of their profiles, behaviour, value and loyalty drivers), then delivering integrated targeted communications and online services that match their individual needs.*
E Business and E Commerce

- **E-Commerce**
  - All financial and informational electronically mediated exchanges between an organization and its external stakeholders

- **E-Business**
  - All electronically mediated information exchanges both within an organization and with external stakeholders, supporting the range of business processes

- What is the relationship between e-commerce and e-business?
The distinction between buy-side and sell-side e-commerce
Summary and examples of transaction alternatives between businesses, consumers and governmental organisations

<table>
<thead>
<tr>
<th>To: Consumer of content/service</th>
<th>From: Supplier of content/service</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer or citizen</td>
<td>Consumer-to-Consumer (C2C)</td>
<td>Government-to-Consumer (G2C)</td>
</tr>
<tr>
<td>• eBay</td>
<td>• eBay</td>
<td>• National government transactional: Tax – inland revenue</td>
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<tr>
<td>• Peer-to-Peer (Skype)</td>
<td>• eBay</td>
<td>• National government information</td>
</tr>
<tr>
<td>• Blogs and communities</td>
<td>• Peer-to-Peer (Skype)</td>
<td>• Local government services</td>
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<tr>
<td>• Product recommendations</td>
<td>• Blogs and communities</td>
<td></td>
</tr>
<tr>
<td>Consumer-to-Business (C2B)</td>
<td>Business-to-Consumer (B2C)</td>
<td>Government-to-Business (G2B)</td>
</tr>
<tr>
<td>• Priceline</td>
<td>• Transactional: Amazon</td>
<td>• Government services and transactions: tax</td>
</tr>
<tr>
<td>• Consumer-feedback,</td>
<td>• Relationship-building: BP</td>
<td>• Legal regulations</td>
</tr>
<tr>
<td>communities or campaigns</td>
<td>• Brand-building: Unilever</td>
<td></td>
</tr>
<tr>
<td>• Feedback to government</td>
<td>• Feedback to government</td>
<td>• Inter-government services</td>
</tr>
<tr>
<td>through pressure group or</td>
<td>businesses and non-</td>
<td>• Exchange of information</td>
</tr>
<tr>
<td>individual sites</td>
<td>governmental organisations</td>
<td></td>
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<tr>
<td>Business (organisation)</td>
<td>Business (organisation)</td>
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<tr>
<td>Government</td>
<td>Government</td>
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# Benefits of online marketing

<table>
<thead>
<tr>
<th>Benefit of e-marketing</th>
<th>How benefit is delivered</th>
<th>Typical objectives</th>
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<tbody>
<tr>
<td>Sell – Grow sales</td>
<td>Achieved through wider distribution to customers you can’t readily service offline or perhaps through a wider product range than in-store, or lower prices compared to other channels</td>
<td>• Achieve 10% of sales online in market</td>
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<td></td>
<td></td>
<td>• Increase online sales for product by 20% in year</td>
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<tr>
<td>Serve – Add value</td>
<td>Achieved through giving customers extra benefits online or inform product development through online dialogue and feedback</td>
<td>• Increase interaction with different content on site</td>
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<td></td>
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<td>• Increase dwell-time duration on site by 10% (sometimes known as ‘stickiness’)</td>
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<td></td>
<td></td>
<td>• Increasing number of customers actively using online services (at least once per month) to 20%</td>
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<td>Speak – Get closer to customers</td>
<td>This is creating a two-way dialogue through web and e-mail forms and polls and conducting online market research through formal surveys and informally monitoring chat rooms to learn about them. Also speak through reaching them online through PR</td>
<td>• Grow e-mail coverage to 50% of current customer database</td>
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<td></td>
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<td>• Survey 1000 customers online each month</td>
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<td>• Increase visitors to community site section by 5%</td>
</tr>
<tr>
<td>Save – Save costs</td>
<td>Achieved through online e-mail communications, sales and service transactions to reduce staff, print and postage costs</td>
<td>• Generate 10% more sales for same communications budget</td>
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<td></td>
<td></td>
<td>• Reduce cost of direct marketing by 15% through e-mail</td>
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<td></td>
<td></td>
<td>• Increase web self-service to 40% of all service enquiries and reduce overall cost-to-serve by 10%</td>
</tr>
<tr>
<td>Sizzle – Extend the brand online</td>
<td>Achieved through providing a new proposition and new experience online while at the same time appearing familiar</td>
<td>• Improve branding metrics such as: brand awareness, reach, brand favourability and purchase intent</td>
</tr>
</tbody>
</table>

Source: Smith and Chaffey, 2005
Types of web presence

1. Transactional e-commerce site:
   Examples – Amazon, Dell
2. Services-oriented/relationship building
   ◦ Accenture, British Gas
3. Brand Building site
   ◦ Tango, Guinness
4. Portal or media site
   ◦ Yahoo!, Silicon.com

Note that these types overlap
Interactivity and intelligence

Summary of communication models for: (a) traditional media, (b) new media
Summary of degree of individualisation for: (a) traditional media (same message), (b) new media (unique messages and more information exchange between customers)
Integration

Channel requiring integration as part of integrated e-marketing strategy