

# Internet Marketing

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### Chapter Objectives

*Understand who uses the Internet and how it is used.*

*Adapt every marketing communications function to Internet programs.*

*Develop a strong e-commerce program to complement and supplement other selling and promotional activities.*

*Make sure every component of an e-commerce approach is carefully integrated and designed to attract customers to a Web site and to eventually make purchases.*

*Be aware of the ramifications of Internet programs for business-to-business customers and for international marketing efforts.*

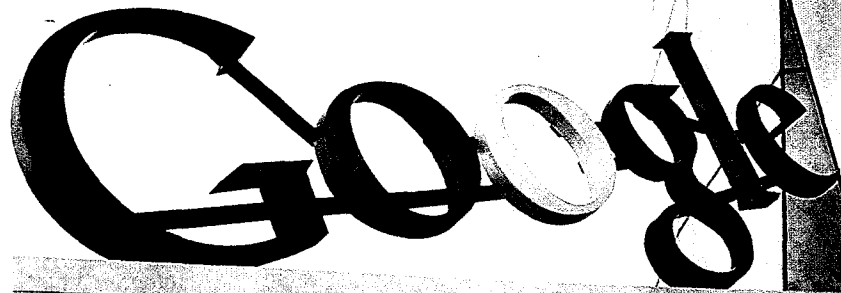
### GOOGLE: A NEW WORLD ORDER?

Every once in awhile, a product or a company's name becomes so famous it gets added to our vocabulary. A generation ago, people started making "xerox" copies. Before that, people started taking "aspirins" instead of "pain medicine" and covering wounds with "band aids" rather than "adhesive strips."

Today, it is common to hear someone say they "googled" something. The name "Google" was taken from the word *googol*. A googol is a 1 followed by 100 zeros. The company's primary edge is its ability to organize a vast amount of information into a system that can be easily accessed using the Web.

Google has achieved success in a world that was first filled with failures—Internet companies (dot-coms). Google works because it uses a different business model. Google provides information for free. The company sells advertising that is linked to the free information. The search engine provides access to a vast variety of Web sites that help connect customers with information about products, ideas, social trends, and an endless variety of additional services. Need something translated from Russian to English? Go to Google, and numerous free translation services are quickly at your disposal. Of course, those translation services are more than willing to sell you courses to help you learn various foreign languages at the same time.

A "search" according to Steve Cohen, a VP in charge of products at Basis Technology, "is made up of two stages: indexing and retrieval." One primary advantage held by Google is that the company has been able to expand indexing and retrieval searches into nearly 100 languages. It was not an easy task. For example, many Asian languages, in their print forms, do not have spaces between words. This created a major challenge for word box search engines. Using basis technology programming, Google is able to offer searches in Asian and other challenging languages. The net result is a global company with a worldwide reach.



The year 2004 was especially significant at Google. The company sold stock for the first time, raising \$1.67 billion in capital. The stock price then soared. Annual revenues exceeded \$5 billion dollars on a global scale, and 2005 opened as strongly as 2004 closed. Many major firms have learned that advertising on a search engine like Google provides a targeted audience with profitable results. Naturally, advertising dollars are quick to follow, and in this case they moved to Google, the market leader in search engine use. One industry leader commented that Google has created almost a "new world order" in advertising.

To maintain its strong pattern of growth, executives at Google have expanded into new territories. First, the firm began advertising to build brand strength. Previously Google relied solely on word-of-mouth. Now the company advertises using radio and print in numerous markets. Next, Google is entering the "local search market." Local classified advertising is a major source of revenue for many companies. Google's technology makes it possible to see all of the dry cleaners in just one city. The primary challenge in this expansion effort has been brand awareness. Google's marketing team has moved to solve the problem by using local advertising. A final launch in 2005 was in the area of business computing.

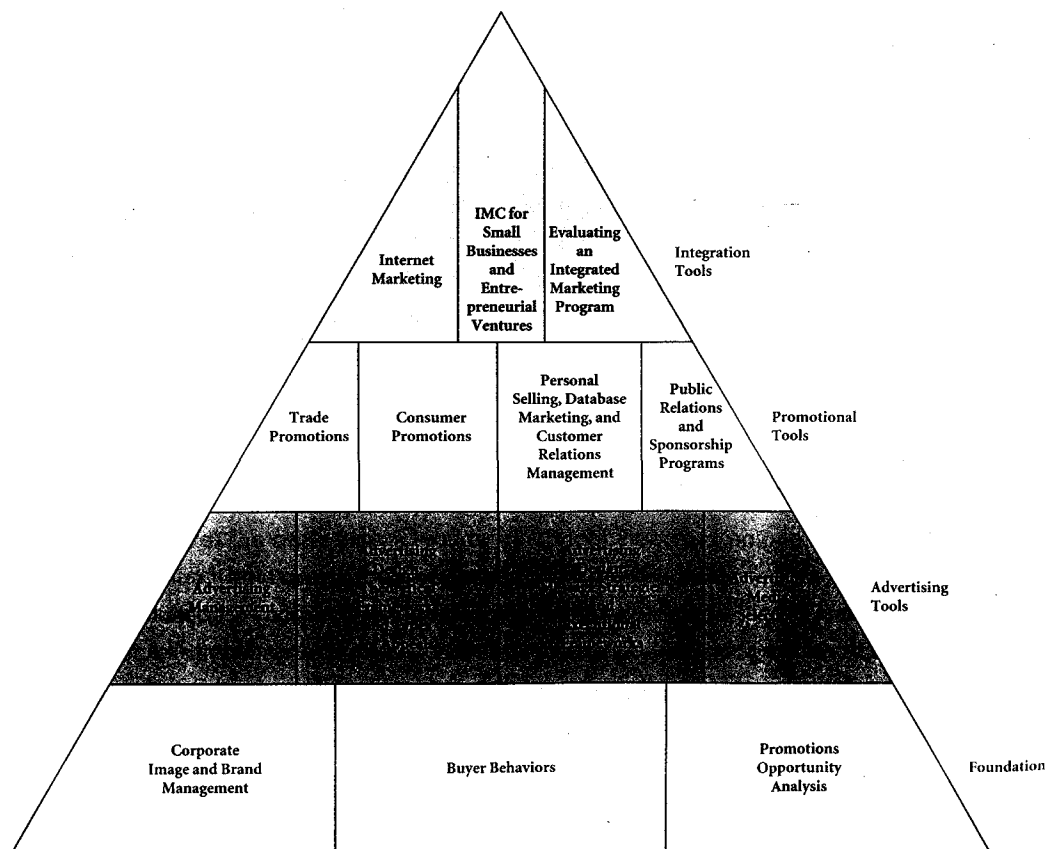
Google's management team is acutely aware of competitors. Microsoft and Yahoo! are two main search engine providers that could affect Google's share. New competitors emerge every day. Firefox, Opera, and Apple's Safari are some of the latest entrants. Still, given Google's power in the marketplace makes company leaders believe the future remains exciting. In the new world Internet businesses (they don't like to be called "dot-coms" anymore), Google is an excellent example of how to succeed using creativity, energy, and an effective marketing program.<sup>1</sup>

## overview

The final section of this book is called "IMC Integration Tools." These tools are found at the top level of the IMC pyramid (Figure 13.1). There are three elements of integration described in this section. First, the roles of the Internet and e-commerce are described. Next, a chapter is devoted to the special issues and IMC concerns present in entrepreneurial and small-business ventures. Finally, methods to evaluate IMC programs are examined. The goal is to provide a complete picture of the final ingredients in an IMC program. When these fundamentals are successfully applied, the company, whether small or large, is in the best position to know and understand customers and to meet their needs efficiently and effectively.

This chapter explores the Internet and e-commerce in greater detail. It is clear that two inventions had a profound impact on business in the latter half of the twentieth century: (1) the computer and (2) the Internet. Using a computer to access the Internet, a business in practically any location can compete in the global marketplace. The size of an organization's operation makes little difference, because the Internet is an open environment. Similar companies compete against one another while being only a mouse-click away. A buyer can locate numerous sellers offering similar merchandise, similar prices, and similar offers in a very short time period. As more people and businesses become comfortable with the Internet, the marketing landscape will continue to evolve. The presence of the Internet and e-commerce is so dramatic that the various applications of Web technology are now essential elements in any fully integrated marketing communications program.

The first part of this chapter examines the nature of Internet users as well as marketing functions on the Internet. Next, a description of e-commerce and the elements necessary to build a successful e-business, including the types of incentives required to build a base of customers, is provided. Then, various IMC topics, such as brand development, brand loyalty, sales support, service efforts, and promotional programs using the Internet, are presented. In each of these areas, implications for business-to-business marketing programs as well as international concerns are suggested.



**FIGURE 13.1**  
An IMC Plan

## WHO USES THE INTERNET?

Use of the Internet to reach consumer and business-to-business markets has exploded during the past decade. Although experts still debate the ultimate future of the Internet, no one doubts its impact on the current marketing environment. Here are some facts about the Internet that highlight its tremendous growth and presence in society:

- ▶ Approximately 48 percent of Americans, 47 percent of Canadians, and 36 percent of Britons access the Internet daily.
- ▶ Communication via e-mail, online chat, or instant messaging is the most common use of the Internet.
- ▶ Voice over Internet Protocol (VoIP) is used by 1 million individuals and is anticipated to grow rapidly.
- ▶ A large number of people communicate over Web blogs through the 2 million active blogs.
- ▶ Global Internet retail sales total over \$144 billion annually, which is nearly 7 percent of all retail sales.<sup>2</sup>

The first companies to make profits using the Internet were primarily business-to-business marketers. Today, the Web has become the communication tool of choice for many business-to-business companies. The Internet provides opportunities for communication, customer service, sales support, collaboration, and e-commerce. Some companies employ the Internet in every aspect of the business including taking orders, inventory control, production scheduling, communications plans, sales programs, service departments, and support programs. The change from traditional communication channels such as salespeople, telephone, and "snail mail" to the Internet and e-mail happened quickly in some companies and more slowly in others. Most top managers are well aware of the potential of Internet marketing. At the same time, there is still a lack of Internet expertise in parts of the business community. As a result, many companies are turning to marketing agencies for guidance. Figure 13.2 identifies some of the Internet services marketing agencies now provide.

## MARKETING FUNCTIONS ON THE INTERNET

The Internet has a major impact on sales, marketing, and distribution systems. These three activities typically account for 20 percent to 30 percent of the final cost of a good or service. What makes the potential of the Internet enticing is that companies can save 10 percent to 20 percent of these costs by using the Web instead of traditional marketing channel activities. This means that rather than paying for packing, shipping, and transporting products to a retail site, the products can be sent directly to customers. The producer can pocket the markup the retailer would ordinarily receive. Alternatively, the producer can mark down the price of an item, saving customers money and generating more purchases. Shipping costs may be charged to customers for e-commerce purchases. As a result, the manufacturer does not need to absorb these costs, which are normally part of the price charged to retailers.<sup>3</sup>

A variety of marketing activities can be provided by the Internet. Figure 13.3 identifies the primary functions a business Web site can provide. The marketing team should carefully consider each of these components when designing and managing an Internet program.

- ▶ Building databases for e-mail campaigns
- ▶ Designing e-mail campaigns linking customers to Web site information
- ▶ Creating fun and innovative games to attract and keep customers coming back to the Web site
- ▶ Creating incentive programs
- ▶ Translating printed documents, catalogs, brochures, and newsletters for the Internet
- ▶ Adding graphics to the Web site

**FIGURE 13.2**  
Internet Services Offered  
by Marketing Agencies

Source: Ellisor, "Business-to-Business Offers WWW Opportunities," *Houston Business Journal* 30, no. 7 (September 17, 1999), p. 18B.

- ▶ Advertising
- ▶ Sales support
- ▶ Customer service
- ▶ Public relations
- ▶ E-commerce

**FIGURE 13.3**  
Functions of the Internet

The design of a Web site should be guided by the IMC plan and the specific objectives the site seeks to accomplish. A flashy Web site designed to attract attention is created when the goal is *advertising*. Many firms use Web sites to promote individual products as well as the overall company. Most movies now are advertised through traditional media (television, magazines) but also have Web sites for e-moviegoers to view.

Advertising is usually incorporated with other marketing functions. Some Web sites offer *sales support*. In those instances, information about products is made accessible through a link to another page on the Web site or by using a message system that connects the buyer with a salesperson. These types of Web sites are used more routinely by business-to-business customers rather than retail consumers. Effective sales support sites must be useful for engineers and other members of the buying center who require additional product information. The actual sale is normally made via a salesperson. The final price and other terms can be negotiated separately.

A *customer service* Internet site provides a different function. The goal of a customer service Web site is to support the customer after the sale. In this instance, documentation and operating information are provided. Customers who have questions can use the e-mail function to obtain information or scroll through the **FAQs (frequently asked questions)** people have about various items or services. Portions of these sites may be password protected in order to ensure that only customers who have

purchased products can access certain information.

Another purpose for a Web site is to create a positive *public relations* image. Information about not-for-profit and philanthropic causes that a company supports can be placed on the firm's Web site. Individuals then see not only what the company is doing but also may be able to volunteer for or donate money to a cause, such as when the contributions were made to support the tsunami victims in 2005. At times these sites are separate from the company's primary site. In others, a hyperlink within the site is developed. A public relations message may be prepared to react to bad publicity. This gives the firm the opportunity to refute a charge or to explain the company's side of the story.

These marketing functions clearly indicate the potential of the Internet to be a valuable component of the company's IMC program. The next section provides a more complete description of the final item in Figure 13.3, e-commerce.


## E-COMMERCE

**E-commerce** is selling goods and services on the Internet. E-commerce can take on many different forms. A retail store can vend items to consumers through the Internet when there is no handy outlet nearby or simply as a convenience for some shoppers. E-commerce also can be a retail operation that sells entirely on the Internet

A Travelocity ad encouraging consumers to make travel arrangements using the Internet.


Source: Courtesy of Visa USA, Inc.

# BOOK A TRIP



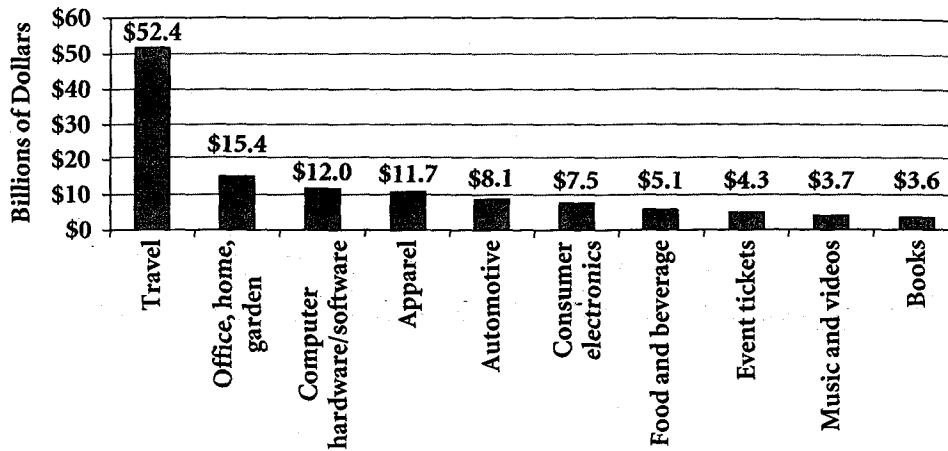
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**FIGURE 13.4**  
Top 10 Cyber Shopping Categories

Source: Adapted from "Cyber Shopping," *License 7*, no. 10 (November 2004), p. 12.

without any physical store or even inventory. Services are offered, deals are mediated, and products are shipped through this range of e-commerce operations. Instead of investigating all of the various forms of e-commerce, the purpose of the section is to provide a short synopsis of why and how setting up an e-commerce site benefits an organization. Figure 13.4 identifies the top 10 cyber shopping categories.

In the past, individual businesses approached e-commerce in various ways. At one extreme was the business that jumped into e-commerce immediately, because the organization's leaders decided it was the trend of the future. These individuals concluded that the day would come when there would be no retail stores, and everything would be purchased over the Internet or through an interactive television setup. The other extreme included those who thought that e-commerce was a fad that would soon pass away. These business leaders believed that consumers prefer dealing with people and therefore would always go to retail stores to make purchases. In reality, neither extreme was the case.

To the established retail operation, e-commerce offers customers an alternative mode for making purchases. Not every customer uses the Internet, but many do. As time has passed, more people have become comfortable with online shopping. Without an e-commerce site, these customers are lost to retail operations with established online retail sites.

Quite often, consumers make purchases at retail stores after first using the Internet to gather information. For example, a shopper may research stereos on the Internet and then go to the store with a list of "finalists." Another person may get on the Internet and find a fishing rod with a special set of features. Using the Internet store locator, the individual identifies the closest store offering the product to make the actual purchase. In that case, even though the customer did not make the purchase via e-commerce, he or she has used the Internet as part of the buying decision-making process. Consequently, the leaders of most established businesses know they must develop high-quality e-commerce sites in order to remain competitive.

## E-Commerce Components

E-commerce programs have three components. The first is a *catalog*. The catalog may contain a few items or be a complex presentation of thousands of products. The nature of the firm's operation determines the type of catalog required. In every case, customers should be able to easily locate products of interest. Photos, streaming videos, and product information are important in creating appealing online catalogs. If the company has a printed catalog, it is important to tie the printed catalog with the Web catalog. Victoria's Secret has a "catalog quick order" system that allows customers to enter the product number from the print catalog and then go straight to checkout. The shopping program saves considerable time in trying to find and buy a product on the Web.<sup>4</sup>

Second, each site contains a **shopping cart** to assist consumers as they select products. Again, the shopping cart can range from just checking a circle for an item

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Consumers may access information on a Web site, but go to an actual retail store to make the purchase.

Source: Courtesy of Danish Porcelain Imports.

when only a few products are offered to more complicated shopping carts that keep records of multiple purchases.

Third, each site contains a method of *payment* for items purchased. For consumers, this normally is a credit card system. For business-to-business operations, payments are normally made using a voucher system. In other situations, a bill is generated or a computerized billing system is used so that the invoice goes directly to the buyer. In more trusting relationships, the invoice is added to the customer's records without a physical bill ever being mailed.

Many consumers are still wary of purchasing products via the Internet. There are two reasons for this reluctance: (1) security issues and (2) purchasing habits.

### Security Issues

Consumer fears about security are based on worries about a credit card number being stolen as well as identity theft. Others are concerned about fraud, where a retailer takes the money but does not ship the merchandise. Both can cause people to resist making Internet purchases.

To resolve these problems, a review of the past may be helpful. When telephone orders were first encouraged by mail-order firms, people were hesitant because of fears about giving out a phone or credit card number to a stranger they couldn't see. Now, nearly everyone is willing to provide the information while placing orders on the phone. Also, it wasn't that many years ago when credit cardholders expressed anxiety about various store employees stealing those numbers. Originally, customers were instructed to "take the carbon" from a credit card purchase to make

sure it was torn into shreds in order to prevent an employee from using the credit card number later.

The same pattern is likely to follow with Internet shopping. As more consumers become accustomed to using the Web, fears about giving out credit card information will be no greater than they are for telephone orders or credit card sales. Credit card companies have created a series of independent television commercials designed to calm and reassure people about the quality of their Internet security programs; however, these efforts are set back each time a major virus is released.

### Purchasing Habits

The second issue has strong ramifications for the ultimate success of e-commerce. Currently, many consumers are most comfortable when they buy merchandise at retail stores. Some are also comfortable buying through catalogs. It will take time to change these habits, especially the preference for retail shopping.

At the retail store, consumers can view and touch the merchandise. They can inspect it for defects and compare brands. Clothes can be tried on to make sure they fit. In addition, the customer can see how the clothing item looks while being worn. Changing these habits requires the right kinds of incentives. Consumers and businesses

must have valid reasons for switching to making purchase through the Internet instead of through traditional methods (at the retail store or following a call from a salesperson). To overcome this obstacle, many e-commerce firms have developed incentives to attract customers to make purchases in this new format.

## E-COMMERCE INCENTIVES

Three incentives can be used to encourage consumers to make online purchases. They are the same incentives that lead people to use ATMs and to phone in mail-order purchases. The three types are: (1) financially-based, (2) convenience-based, and (3) value-based incentives.

### Financial Incentives

Persuading an individual or business to buy via e-commerce often requires a financial incentive. A first-time purchaser may be attracted to a monetary incentive, which can take the form of a reduced price, an introductory price, or an e-coupon. Financial incentives are profitable for most firms because of the reduced costs of doing business online. Once the individual or company makes the switch, continuing the financial incentive may not be necessary because the conveniences and added-value features of an e-commerce program will help keep that customer.

When consumers or businesses buy over the Internet, the company often saves time and money. The firm is then able to pass along savings. A firm that fills orders via the Internet saves in several ways, including:

- ▶ Lower long-distance telephone bills
- ▶ Reduced shipping costs, because the costs are passed along to the buyer
- ▶ Decreased labor costs associated with stocking shelves
- ▶ Lower personnel costs (sales force) paid for waiting on in-store customers or field salespeople calling on retailers and other channel members

In business-to-business settings, purchases via e-commerce also make it possible to offer financial incentives. The company may be saving the cost of a field sales call, which is often more than \$300 per call. Passing these savings on to customers can be a very effective means of encouraging customers to switch from their current mode of purchasing to e-commerce.

One special type of financial incentive is known as cyberbait. **Cyberbait** is some type of lure or attraction that brings people to a Web site. The bait may be a special offer such as a pair of jeans sold as a loss leader. It may be a game that consumers can play, or it can be a weekly or daily tip on some topic. For example, for a business-to-business health insurance site, a weekly tip on how to reduce health risks and job-related injuries may be cyberbait that attracts prospects to the site. To entice consumers and businesses to return to the site on a regular basis, additional cyberbait is needed. E-shoppers find it easy to surf the Internet and search competing sites. Therefore, these individuals need some reason to return on a regular basis.

The Bluefly.com ad on this page states that the company is "the outlet store in your home." Bluefly.com is a successful New York-based upscale apparel and home

E-commerce retailers like Bluefly.com provide the opportunity for consumers to shop in the convenience of their homes, at any hour of the day or night.

Source: Courtesy of Bluefly.com.

tuesday, 11:15 p.m.  
buying a new dress.

www.bluefly.com  
the outlet store in your home



furnishings discounter. The company's philosophy, according to Ken Seiff, CEO, is that "more site traffic equals more business." To build a client list, Bluefly.com made several cyberbait offers. One was a weekly contest with smaller prizes such as a \$1,000 Bluefly shopping spree and high-end prizes including the highly demanded Hermes Birkin bag, which was valued at \$20,000. Web surfers were allowed to enter the sweepstakes every day to increase the odds of winning, but to be eligible to win the visitors had to supply e-mail addresses. This information was used to send weekly e-mails highlighting specials and exclusive deals to those who had registered. A second form of cyberbait was price-based. Discounts as great as 60 percent on brand-name merchandise such as Gucci, Donna Karan, Prada, and Polo were offered to first-time buyers. The cyberbait programs were quite successful. The company currently carries over 1 million names in its database. More importantly, the average cost of acquiring these new customers was only \$23.07 per person, compared to the average order of \$154 made by each new buyer.<sup>5</sup>

Typically, the most effective financial incentives are free shipping with orders, free freight, and dollar discounts, such as \$5 or \$10 off. Some retailers have also had success offering free gifts with orders over a minimum amount. Sport Supply Group offers the members of its loyalty program double frequent-buyer points if they purchase online rather than through the catalog. Babystyle not only offered free shipping, but also a \$10 price-off on orders of \$50 or more.<sup>6</sup> Whatever financial incentive is used, two things should be kept in mind. First, the incentive must be meaningful to individuals visiting the site. Second, the incentive should be changed periodically to encourage new visitors to buy and to encourage repeat purchases by current visitors.

### Convenience Incentives

Convenience is a second incentive that encourages customers to switch to e-commerce. Instead of making a trip to a retail store, a consumer can place the order in the office or at home. More importantly, the order can be placed at any time; 24-hour availability is also a major reason why ATMs are popular. Convenience is also an issue when the consumer looks for information about a product. The Internet can be quicker and easier than using *Consumer Reports* or talking to salespeople.

For businesses, ordering merchandise, supplies, and materials via the Internet can save purchasing agents considerable time. In addition to ordering, businesses can check on the status of an order, shipment information, and even billing data. In most cases, doing so online is considerably quicker than making a telephone call. In the fast-paced world of business, convenience is a highly attractive incentive for many companies.

To get consumers to return, a Web site must be updated and changed regularly. It is important to keep the site current. Prices and product information must always be up-to-date. In addition, the appearance of the site should be routinely changed so consumers will return to see what is new. The front page of a Web site should be revised just as a display at a retail store is regularly altered. The difference, however, is that in changing the Web site, the marketing team must be careful not to change links or location of merchandise. Consumers become accustomed to finding things on the site. It is best not to make it hard for them to locate familiar items. Just as a grocery store seldom moves merchandise around just to create a different look, designers also must be aware that shoppers will become annoyed if they can't find their favorite products. Consequently, convenience remains an important feature as a Web site is being redesigned. The Web site should also consistently emphasize the IMC theme and the company's image.

By providing an interactive Web site, Preference Video Introductions makes it convenient for consumers to gather information about the company before deciding to use it to meet someone.

**Source:** Used with permission of *The Joplin Globe*, Joplin, Missouri.



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Preference Video Introductions

As company leaders become more Internet-savvy, new types of e-commerce programs have emerged. For example, many retail stores now offer Web access for couples who are about to marry so that wedding gifts can be examined, purchased, and registered online. This feature helps make sure the couple will receive gifts without duplicates. Out-of-town friends can conveniently choose, wrap, and ship presents to the couple. Victoria's Secret has a gift guide that lists various items either by price or popularity. Apparel cataloger J. Crew has easy-to-use "how to measure" charts to assure consumers that what they are buying will fit.<sup>7</sup> All of these types of conveniences stimulate sales and encourage visitors to return to the company's Web site.

### Value-Added Incentives

Value-added incentives are used to cause consumers to change purchasing habits over the long term. The added value may be personalized shopping, whereby the software system recognizes patterns in customers' purchasing behaviors. The same specialized software informs customers about special deals. These offers are matched to past purchasing behaviors or a customer's search patterns. For example, a consumer going through the mystery section of an online bookstore may see a banner pop up advertising a special deal on a new mystery novel. In addition to instant banners, consumers and businesses also may receive e-mails offering new information and other special deals that are available.

One common value-added approach many e-retailers offer is merchandise on the Web site that is not available in a print catalog. Design Within Reach, a modern furniture retailer, advertises "our Web site offers numerous products not always included in the catalog, as well as weekly features of new items." An antique hardware retailer places sales items and new products on the Web site before including them in the print catalog.<sup>8</sup>

Barnes & Nobles, Charles Schwab, and others have launched a value-added service that is proving to be extremely popular—free education. Barnes & Noble offers free online courses on subjects such as guitar playing and Shakespeare through Barnes & Noble University. More than 50 courses per year are offered, each tied to a book in its

## COMMUNICATION ACTION

### Getting Involved with Soap and Sauce

Most people see a logical connection between the Internet and companies that can sell products directly to consumers. Products such as music CDs, books, and airline tickets sell well over the Internet. But what about low-involvement products such as Tide or Ragu spaghetti sauce? These products would not be purchased via the Internet because it is not financially feasible for the consumer or the company to offer them. No one particularly needs a box of detergent shipped in by FedEx or UPS. Still, the Internet can be a valuable tool for both products in terms of brand development.

Tide has sites at [www.clothesline.com](http://www.clothesline.com) and [www.tide.com](http://www.tide.com). Instead of offering information about Tide and using the Internet site as an advertisement for Tide, Procter & Gamble uses the Tide Web site to assist consumers. The Web site provides helpful hints on removing stains from garments as well as other laundry tips. Consumers can ask the "Stain Detective" for help on specific stains by providing information about the type of fabric, color, and other information.

Ragu spaghetti sauce, on the other hand, has a highly entertaining site where a made-up personality known as "Mama" nags you about eating right. Browsers have the option of giving their e-mail address so they can receive coupons, updates on the site, and information about new products that are introduced.

The key, in both cases, is creativity. Firms that can discover ways to augment communication programs with quality Web sites gain a major advantage in the marketplace. Thus, even soap and sauce are quality candidates for an Internet presence.

inventory, which must be purchased by students. Classes are often taught by the authors and consist of assigned reading materials, communication with classmates, and quizzes. Since June 2000, over 500,000 students have taken classes, with the average student enrolling in two classes. Charles Schwab has more than 50 online courses through its Charles Schwab Learning Center. Some courses are self-paced online courses; others are live, virtual classrooms that use conferencing software such as WebEx Communications. Since December 1999, more than 200,000 people have enrolled, with recent enrollments averaging 1,000 per week.<sup>9</sup> These types of value-added incentives encourage repeat visitors who are more likely to make purchases and become regular customers.

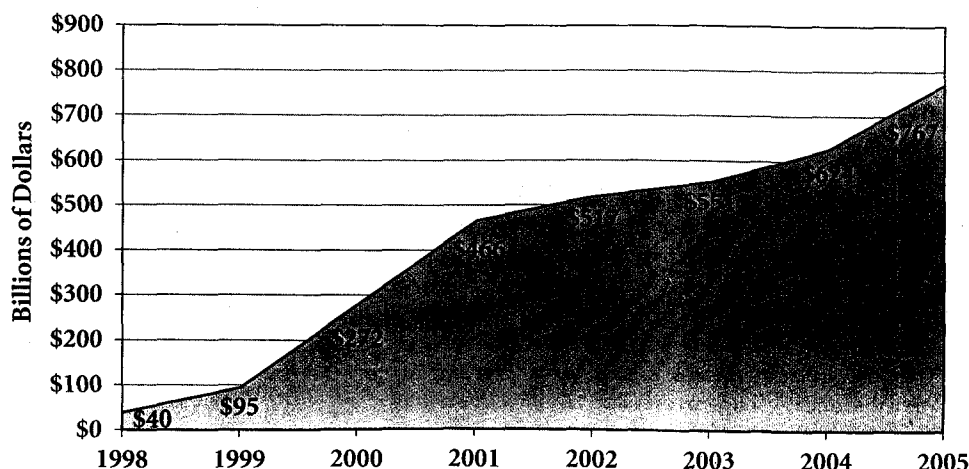
## BUSINESS-TO-BUSINESS E-COMMERCE

Business-to-business e-commerce spending totaled \$767 billion in 2004, up from \$40 billion in 1998.<sup>10</sup> Figure 13.5 shows business-to-business e-commerce spending since 1998. Although spending in the B-to-B area has not grown as fast as some experts thought it would, it still is a large component of Internet marketing. Steady growth in B-to-B e-commerce is expected for many years to come.

For business-to-business organizations, e-commerce may be as critical as it is in consumer markets. In many buying situations, purchasing agents can go to the Internet and compare prices and product information. Once a business account is established, a business customer finds it very easy to place orders. This approach works well for products such as office supplies, maintenance supplies, and for repair and operation products. The orders are simple because the product does not have to be modified for the buyer. Also the dollar cost-per-item is relatively low. A seller with strong brand name has an advantage when all other factors are equal. Buyers are willing to purchase from companies that they know provide superior service, on-time delivery, and other attributes. As a result, to compete in e-commerce, a business-to-business firm must have: (1) an effective e-commerce site, and (2) work to establish a strong brand name that stands out.<sup>11</sup>

Financial, convenience, and value-added incentives that are similar to consumer incentives are offered to business buyers. In the iGo.com Internet advertisement shown on the next page, a 10 percent discount is offered for orders placed via the Internet at [www.igo.com](http://www.igo.com) or by telephone. The same 10 percent discount applies to any product or service provided at [www.employeesavings.com](http://www.employeesavings.com).

A growing form of e-commerce in the business-to-business sector is online exchanges and auctions. These exchanges allow business buyers to purchase a variety of commodities and goods at bargain prices. The Internet enables vendors to speed up time to the market, to sell directly to other businesses, and to cut transaction and inventory costs. Buyers can find both nonproduction goods such as office supplies as well as production-related supplies, raw materials, and equipment. There are also sites where oil, natural gas, electricity, coal, chemicals, steel, and other raw materials are made available.



**FIGURE 13.5**  
E-Commerce Spending in the  
Business-to-Business Sector

Source: Reprinted from *BtoB Magazine*, copyright © 2005 Crain Communications Inc.

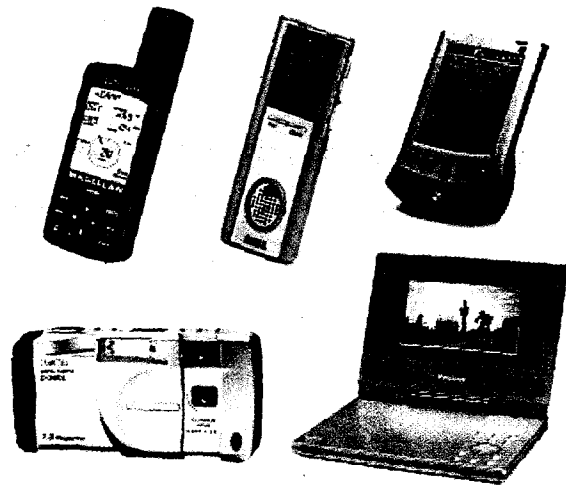
Many online markets are run by intermediary companies that simply match buyers and sellers. EqualFooting.com is a privately held company whose purpose is to give small manufacturers and construction businesses an equal footing with large companies in terms of purchasing, financing, and shipping. Members of EqualFooting.com can purchase industrial and office supplies, obtain loans, sign leases, and schedule freight delivery through vendors listed with EqualFooting.com. The company offers distributors, lenders, and shippers access to its small manufacturing and construction database. The service is free to buyers, but sellers pay EqualFooting.com a small commission on all sales. EqualFooting.com now has a relationship with 2,500 distributors and approximately 35,000 buyers.<sup>12</sup> Without the Internet, providing these types of services would be virtually impossible.

Selling commodity-type products on the Internet has become especially popular. The average business-to-business sale made by a salesperson starts with \$300 per-sales-call costs. In the process of winning and dining that client, a company can spend several thousand dollars to get the sale and then additional money is paid in the form of commissions. These costs can be greatly reduced using the Internet. Still, it is important to maintain sales support staff for Internet programs. In-house salespeople are often needed to handle online negotiations.<sup>13</sup>

E-commerce operations have other uses. A Web site should provide store location information to buyers, because consumers may want to make purchases in a physical store. A similar process takes place in the business-to-business marketplace. Vicinity Corporation's SiteMaker and Business Finder software display the location of the closest outlet for these businesses, complete with a map and directions showing how to get to there. A business needing specialized parts, supplies, or maintenance equipment immediately is able to find the nearest location where the merchandise is sold.<sup>14</sup>

Cross-selling additional goods and services is a tactic used by many business-to-business firms. As more transactions were being made over the Internet, it seemed possible that cross-selling was doomed. The marketing team at Wells Fargo discovered a creative way to cross-sell on the Internet when the company launched its Commercial Electronic Office (CEO) feature. CEO is a one-stop shop for corporate accounts with revenues of \$10 million or more. CEO makes a large range of services available to these accounts through the Web site. Services including foreign exchange, loan servicing, and quarter-million-dollar wire transfers are available. The CEO technology exposes these high dollar accounts to all of Wells Fargo's banking products each time a customer logs in. Bank personnel also remind these high-end clients of the services that are available online. Clients gradually added more banking products. Now each high-end customer that uses Wells Fargo as its primary bank uses an average of five Wells Fargo products. The success of CEO is based on its convenience, instantaneous account information, and, most importantly, the software's powerful security and access controls.<sup>15</sup>

Many business-to-business companies are expanding into international operations. Minolta recently added multilingual options for distributors and retailers to its B-to-B Web site. The site guides Minolta's thousands of resellers and its 50 distributors through the sales process. Resellers are able to order directly from the Web site. In addition, Minolta is able to access to the reseller's Web site to cross-sell products. For instance, an individual who buys a printer from the reseller would be offered ink cartridges. The multilingual site started with European operations and has now expanded to Asia.<sup>16</sup>



## Why clothes have pockets.

What good is a pocket if it's empty? iGo offers over 7,900 mobile technology products from hard-to-find batteries, chargers and adapters to the coolest cell phones and digital cameras. To receive a 10% discount, visit us at [www.igo.com/esvp](http://www.igo.com/esvp) or call 1-888-205-0065 and mention code IGOESVP.

**iGo**  
Mobile Technology Outfitter™

10% discount on any product or service purchased through [employeesavings.com](http://employeesavings.com)

Batteries and  
Power Gear

Laptop  
Gear

Cellular  
Gear

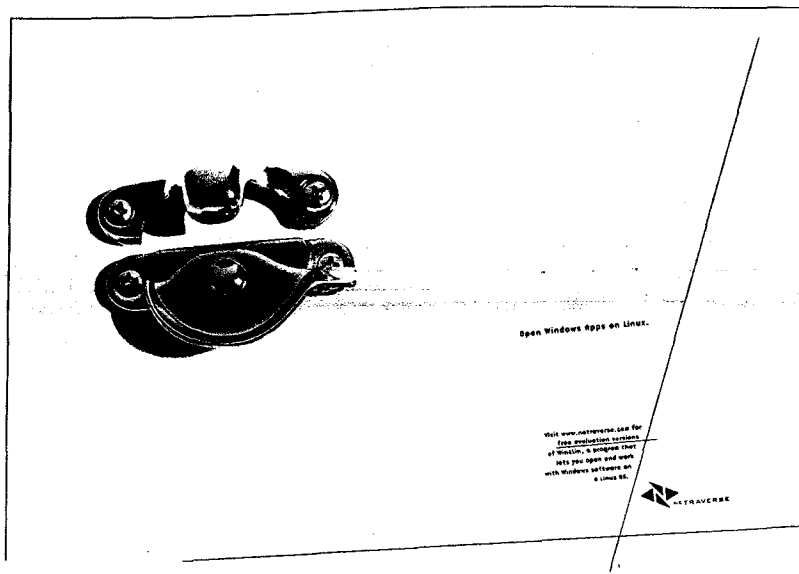
PDA and  
Handheld

Hot  
Products

Travel  
Gear

An Internet advertisement for iGo.com featuring a financial incentive to encourage business or consumer purchases.

Source: Courtesy of iGo.com.



To encourage businesses to use its software, Netraverse allows a company to access a demonstration version on the firm's Web site.  
Source: Courtesy of West & Vaughan.

In all of these applications, it has become clear that e-commerce is a major force in business-to-business marketing programs. It seems highly likely that there will be continual growth in the uses of the Internet in business-to-business transactions, especially as businesses expand internationally.

## INTERNATIONAL E-COMMERCE

One of the major advantages e-commerce has when compared to bricks-and-mortar retail stores is the ability to reach consumers everywhere, even in other countries. Unfortunately, in 2004 almost 46 percent of the existing Internet companies turned away international orders because they did not have processes in place to fill the orders. Therefore, although the Internet makes it

possible for a company to sell items in an international marketplace, many companies are not prepared to go global. Many obstacles to selling across national boundaries exist. They include communications barriers, cultural differences, global shipping problems due to a lack of sufficient infrastructure, and varying degrees of Internet capabilities in other countries.<sup>17</sup>

One key to an effective launch of a global e-commerce site is preparing methods to make international shipments. Air transport is affordable for smaller products. DHL Worldwide Express, FedEx, and UPS offer excellent shipping options. Larger merchandise normally is shipped by some type of freight forwarder, who finds the best mode of delivery, from ships to trucks or by rail. Both air transport companies and freight forwarders offer specialized logistics software and provide the proper documentation and forms to meet the importing and exporting regulations in every country they serve. Internet companies must follow local export and import laws.

Shipping arrangements are not the only concern. Payment mechanisms must also be installed. Each country has a different currency and methods of payment also vary. For example, in Europe, debit cards are preferred to credit cards. Europe also has a high rate of credit card theft, which increases the risks associated with accepting them.

Another task in the international arena is developing a Web site that appeals to the audience in each country. This includes adding information that someone in another country would need, such as the country code for telephone numbers. It also requires removing or changing any colors, words, or images that might be offensive to a particular group of people in another country. Figure 13.6 identifies some cultural misunderstandings that have occurred in the past.

New globalization software has been developed for companies expanding into other countries. One software package translates an English Web site into a large number of foreign languages. Another valuable feature that the software offers is called "cultural

- ▶ Using black in backgrounds and graphics has sinister connotations in Asia, Europe, and Latin America.
- ▶ The thumbs-up sign and the waving hand are rude gestures in Latin America and the Middle East, respectively.
- ▶ Showing a woman with exposed arms or legs is offensive in the Middle East.
- ▶ Using a dog as a company logo is not successful in Korea because dogs are used for food.

**FIGURE 13.6**  
Cultural Disasters to Avoid  
in International Internet Marketing

Source: Lynda Radosevich, "Going Global Overnight," *InfoWorld* 21, no. 16 (April 19, 1999), pp. 1-3.

adaptation," which adjusts a Web site's terminology, look, and feel to suit local norms. The software also has a feature in which the content that is developed in one location can easily be deployed to all sites around the world. This provides a more consistent look to the Web sites, so that someone does not have to spend time modifying every foreign Web site. A Web site prepared in the proper native language that also conforms to local customs is much easier to create because of this new globalization software.<sup>18</sup>

The technical side of international e-commerce remains a difficult challenge. Software compatibility is an unresolved technical issue. Eventually, the hope is that these various technologies will be merged into one system. Currently, the bandwidth for handling Internet traffic varies considerably. Information technology (IT) people must be involved in every step of an internationalization process in order to overcome all of the potential technical glitches.

Another major key to successful global e-commerce is a coherent IMC strategy utilizing local input from the various countries involved. The brand on an Internet site must be consistent from one country to the next. Each site should also consistently present the company's primary marketing message. For IBM, this meant using local companies in each country to design the Web site and provide the information used on the site. To ensure consistency, IBM designs the main marketing messages at its central office, but then local companies translate the messages and add reseller contact and pricing information.

A unique aspect of e-commerce is that small companies can compete as effectively as large companies. Trebnick Systems and Greyden Press are excellent examples. Trebnick Systems is a printing business located near Dayton, Ohio. The company employs 10 people, yet its Web site has attracted customers from Japan, Germany, Spain, and Ireland. Greyden Press employs only 25 people but uses the Internet as its primary marketing tool. Customers can request quotes and submit jobs online. The majority of customers Greyden serves are not located in Columbus, Ohio, where the organization's facility is physically located. In both cases, e-commerce helped a small company expand its customer base beyond a local area.<sup>19</sup>

In the future, the growth of international e-commerce is likely to be explosive. Firms that "get in on the ground floor" are likely to have a major marketing advantage.

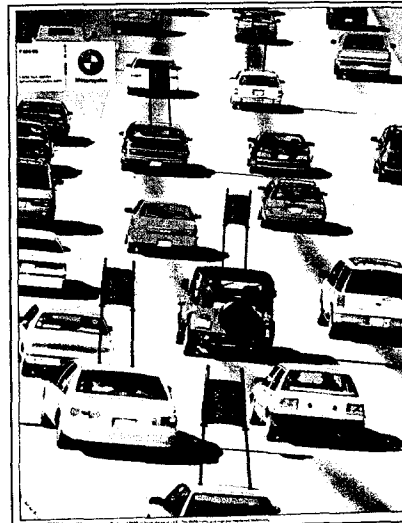
## IMC AND THE INTERNET

The Internet is an important component of a quality integrated marketing communications plan. The most critical decision facing businesses is choosing the functions the Web site should serve. It is extremely difficult to design a Web site that provides every function mentioned in Figure 13.3. If multiple functions are to be served, it may become necessary to create separate Web sites for some of them. These different sites can be connected by links. Still, the marketing team should resist the temptation to create a Web site that attempts to be everything to everyone.

In addition to incorporating the Internet into the IMC plan, it is vital for the information technology (IT), human resource, production, and shipping departments to be included as the marketing team develops the program. If they are not, disasters can happen. For example, marketers at a major consumer goods company launched a highly successful Web site that created 3,000 customer queries a day. The problem was that no one had been hired by HR to handle the queries. Several years ago, Victoria's Secret announced its Internet fashion show during the Super Bowl. The site drew more than 1 million hits. Unfortunately, no one told the IT department that the commercial was going to air. In fact, members of the IT department found out about the Internet fashion show when they saw the Super Bowl ad. The result was that

The Internet is a critical component of BMW Motorcycles' IMC plan.

Source: Courtesy of BMW Motorcycles.



**FIGURE 13.7**  
**What Drives People to a New Site?**

► Internet content search	38%
► Word-of-mouth	30%
► Internet banner	20%
► Television ad	7%
► Print ad	5%

*Source:* Don Jeffrey, "Survey Details Consumer Shopping Trends on the Net," *Billboard* 111, no. 22 (May 29, 1999), p. 47.

the Victoria's Secret system crashed. To avoid this type of problem, it is essential to communicate with other departments when formulating an Internet strategy.<sup>20</sup>

Coordination between the IT department and other areas involves a variety of activities. Changes can be made quickly on individual Web sites, and marketers must think about how each change can impact other activities in the company. The marketing department should coordinate each advertising campaign with the IT department so that software capabilities are addressed to ensure smooth operations. The company must work hard to avoid glitches that affect operations. Also, members of the call center need to know when additional telephone calls and e-mail inquiries may result from a special Internet offer. It takes time and effort to coordinate marketing changes with IT and other departments, but any delay in implementation will be offset by a smoother, more efficient operation.

A recent poll, called the "World Wide Internet Opinion Survey," examined the factors that drove people to Internet Web sites for the first time. These results are highlighted in Figure 13.7. As shown, a search engine is the primary method consumers use to discover new Web sites. As a result, it is important for companies to make sure they are listed under as many search engines as possible and also to use the right keywords. Notice that television and print ads are the least successful in driving someone to an Internet site for the first time, finishing far behind word-of-mouth.

Travel Alberta used search engines and some advanced Internet technology to boost visitors to the organization's Web site and to Alberta, Canada. The marketing team purchased 600 keyword searches on AOL and Google. Software called "WebTrends" was used to record the effectiveness of each search word. The search words that did not attract visitors to the site were dropped and other words were chosen to replace them. The WebTrend software helped the marketing team at Travel Alberta to tailor its approach to the interests and location of the visitor. The approach was successful. Alberta had more than 1.5 million annual visitors from both the United States and Canada, one-third of them as a result of the e-marketing program.<sup>21</sup>

Many experts believe the traditional banner ad has little influence on people. Not surprisingly, Web designers are trying to attract attention through fancier banners. Graphics, flashing images, and streaming videos are used to garner attention. Interstitial or pop-up ads were created, which forced Web browsers to react. Unfortunately, these types of ads have become highly controversial and many view them as offensive. The truth is, however, that pop-up ads work significantly better at attracting buyers than do traditional banner ads. This success has led many Internet companies to develop superstitials that work after a person leaves a Web site or even shuts off the computer. The ad appears the next time the person logs onto the Internet. E-mail advertisements also are being created with full graphics and videos that are sent overnight to customers who were on a particular Web site. Although the ethical implications of such advertising tactics are being debated, the fact is that they work. Consequently, their use will continue to increase.

E-mail advertisements have begun to lose their luster. Part of the reason is the huge number of junk e-mails everyone receives, both consumers and businesses. Since the CAN-SPAM Act went into effect in January 2004, unsolicited e-mails have increased to 80 percent or more of all e-mail sent.<sup>22</sup> Instead of stopping e-mails, the law simply made it legal to spam, as long as you meet the guidelines, which are relatively easy for many companies to do. Also, catching and prosecuting spammers is extremely difficult and costly.

A recent survey indicated that the 70 percent of the people interviewed complained that they receive too many e-mails. The number of respondents who reported they delete the ads without even looking at them rose from 31 percent to 55 percent during a 2-year time period. The percentage of respondents who agreed that e-mail offers were "a great way to find out about new products and promotions" declined from 48 percent to 25 percent during that time. Therefore, marketing managers must be wary of these feelings about e-mail advertisements. As an alternative, businesses have shifted to B-to-B newsletters, which have enjoyed some success. These newsletters, which are sent monthly, have the benefit of being filled with more information and are perceived as better than both banner ads and e-mail.<sup>23</sup>

A relatively new method of promoting Web sites, brands, and products is the blog. A blog provides a venue for companies to promote products in a nonadvertising, word-of-mouth, off-beat way. Blogging can be used to give the company or product a "personality." Dr. Pepper/Seven Up, Inc., used a 4-month blogging campaign to introduce the company's new flavored milk products. The target of the blog was 18- to 24-year-old consumers. The blog featured a cow that was tired of white milk. The cow broke out of its barn and was raging across the country, encouraging young adults to break out of their white-milk mode and try flavored milk, such as Berry Mixed Up, Pina Colada Chaos, Chocolate Caramel Craze, and Jamocha Frenzy Flavors. The blog was written in the voice of Generation Y, using such phrases as "Ho hee, we did it! Fate was on our side that night—the moon was in its final quarter." The blog was so popular with Generation Y consumers that in just a single day, 20,800 people logged on.<sup>24</sup> Although blogs are not for every consumer or for every product, they are a new, unique way for companies to reach consumers outside of the traditional channels.

In business-to-business markets, the number of hits at a B-to-B Web site is directly related to the amount spent on advertising and sales promotions. A large business-to-business company went from 20,000 visits per month to 80,000 visits per month during a 6-month period by doubling the company's annual advertising budget for print, direct mail, and trade shows. A small company went from 2,000 to 6,000 hits per month by increasing the company's budget for print ads from \$25,000 to \$65,000 per year. Dynamic Web, a high-tech Web company, saw company Web site traffic increase 250 to 300 hits per week immediately following participation in a trade show featuring the company's Web site.<sup>25</sup>

The Internet affects a firm's IMC program in numerous ways. This section presents the Internet's impact on several activities. Each is part of the total IMC program. The areas to include in an Internet program include:

- ▶ Branding
- ▶ Brand loyalty
- ▶ Sales support
- ▶ Customer service

The goal is to bring the firm's Internet programs into line with the rest of its marketing communications efforts. A review of these IMC topics follows.


## Branding

Brand image is a major factor in the success of a company. Powerful brands are also vital to Internet success. In one survey, 82 percent of the respondents said that a brand name has an impact in their online purchases.<sup>26</sup> The design of a Web site and the information it provides are key variables that affect perceptions of the brand. An IMC plan that emphasizes that the brand is a product with high quality should maintain the same theme on the Web site. Also, a Web site should reinforce the integrated communications theme that is presented in other media. When this is accomplished, the Internet becomes a valuable tool in the development of the brand.

Creating an effective brand presence online requires more than a Web site with an e-commerce capability. Cyberbranding involves integrating online and off-line branding



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The brand name is important to consumers in making purchases as well as providing access to additional information on the Web.

**Source:** Courtesy of Newcomer, Morris & Young, Inc.

tactics that reinforce each other to speak with one voice.<sup>27</sup> The most common method of building an online brand presence is through an off-line technique called brand spiraling. **Brand spiraling** is the practice of using traditional media to promote and attract consumers to an online Web site. From television, radio, newspapers, magazines, and billboards to simple shopping bags, consumers are encouraged to visit the firm's Web site. One goal of each advertising campaign should be to encourage traffic to the site and enhance brand recognition. The interactive nature of the Internet makes it possible for a firm to learn more about each customer. This information can then be used to target more specific messages. The magazine advertisement on the next page for WeddingChannel.com is designed to encourage traffic to the Web site. Once there, WeddingChannel.com requests information from viewers in an effort to learn more about them and their particular needs.

Figure 13.8 identifies some of the techniques used to advertise business-to-business Web sites. As shown, the most common method is displaying the Web address on all printed and promotional material. Next is placing ads promoting the Web address in various trade publications. More than 70 percent of the companies register keywords with search engines, because business buyers often look for a specific product. The odds of making a sale increase substantially when a firm's Web site is cited after a keyword is typed into the search engine. The least used method is placing banners on other sites. Seldom do business customers go to a site when they are at another site. The primary

## ETHICAL ISSUES

### Spamming, Cookies, and Internet Marketing

Technology is a two-edged sword in the area of marketing. On the one side, it creates marvelous new ways to quickly reach a set of consumers with a key message and to keep in continuous contact with those customers. On the other, it can be invasive and intrusive and presents ethical dilemmas for those working on the Web.

There have been long and loud complaints about spamming. Even with anti-spam legislation, individuals continue to receive unwanted e-mails. Is this an ethical issue or simply a practical matter? Either way, the marketing team must assess the viability of spamming programs.

At a more dramatic level, cookie technology allows a Web site to look into consumers' computers to see which sites they have visited. Is this ethical? Should an Internet company be allowed to gather this information? Should the company be allowed to sell the information to other companies? Answers fall into two categories: (1) legal and (2) moral. Although it may still be legal to collect and transfer consumer information in this manner, the ethical issue remains.

Marketing professionals will continue to face the need for quality information. They must balance this need with the ethical ramifications of invading privacy rights and customer sensibilities. Failing to do so may have long-term implications for both the company and those who use the Internet to shop for products.


A company such as Amazon.com, which was an Internet start-up, is likely to use traditional advertising media to help develop a brand name. Brand-name power *cannot be created solely through advertising on the Internet*. To achieve a strong brand name, Amazon.com invested a half-billion dollars in traditional media. In each case, a strong brand name is simply a “must” in a marketing and IMC program.

The experience or feelings a consumer develops toward a brand are often the result of marketing communications between the firm and the consumer. Although advertising is a major component or communication channel used to develop brand loyalty, the Internet is becoming increasingly valuable.



**FIGURE 13.8**  
**B-to-B Techniques to Boost**  
**Web Site Awareness**

**Source:** Robert Harvin, "In Internet Branding, the Off-Lines Have It," *Brandweek* 41, no. 4 (January 24, 2000), pp. 30-31.



i want everything to be yellow  
i want everything to be yellow  
being a yellow  
color e...  
my party to be

www.iparty.com > birthdays > basics > pink > cups/plates/napkins/favors > order

i want. i click. iparty.com

ad keyword: iparty

This advertisement by iparty.com highlights the convenience of finding all of the party needs a consumer would need to have that special event.

Source: Courtesy of iparty.com/Kirschenbaum Bond & Partners.


The Inglenook ad prominently displays the Web address.

Source: Courtesy of Sartor Associates, Inc.

**Free\* Mats and Glass**  
**ON ALL CUSTOM FRAMING**

*The Inglenook*  
**A CUSTOM FRAME GALLERY**

200 Hudson Lane, Suite 2  
Monroe, LA 71201  
nglenook@bellsouth.net



\*Regular single mat and glass only

The Internet provides three opportunities that not possible with advertising. First, the Internet can be designed to make shopping and other contact more pleasurable experiences. Buyers return to Web sites because they enjoyed the experience previously. These feelings may be similar to what a customer encounters at Starbucks. Consumers are loyal to Starbucks because of the total experience and atmosphere of the establishment. Not only is the coffee good, but much more is also involved in the feelings of loyalty toward the company.

The second opportunity the Internet provides is the ability to establish one-to-one communication between the consumer and the firm. This communication can take on two forms: e-mail and personalization of shopping. Speed is extremely important in converting a visitor to a Web site to a buyer. E-mails should be sent immediately, welcoming visitors to the site and thanking them for their registration. TravelSmith, a California-based cataloger of luggage and travel wear, conducted a test to determine if e-mail had an impact. Individuals who received e-mail follow-ups after registering with a sight generated an average 15 percent more profit than individuals who did not receive e-mails.<sup>28</sup>

Remember that database technology can be used to assist the marketing team in developing a detailed history of groups of consumers as well as information about individual shoppers. Using these data, it is possible to develop a one-on-one connection between the

consumer and the firm. These communications (special offers, customized ads, etc.) often move users toward brand loyalty. HPSHopping.com used this approach through specialized software that was installed. The software automatically called up the visitor's previously browsed product rather than the company's homepage. This reminded the visitor why he or she had visited the site. The company had 19 times as many orders from these visitors than from individuals who were sent to the homepage each time they logged on.<sup>29</sup>

Third, the Internet offers the potential to contact niche customers. Computer Economics research analyst Adam Harris notes that, "The Internet . . . offers a unique opportunity for companies to target specific markets." Potential niches include African

Americans, gays, women, Latinos, persons of Asian descent, and Christian or other religious Web surfers.<sup>30</sup>

In communicating with consumers, it is important to provide rewards for loyalty. These rewards are not promotions, but actual rewards. The gift or offer may be the same as for a promotion, but the dialogue with the consumer is different. For loyal consumers, these rewards are mentioned as a way to say "thank you" for that loyalty. On the other hand, consumer promotions are merely used to entice the price-sensitive consumer or the promotion-prone user to make a purchase. A reward helps the firm say that the person or business is important, and the psychological impact of this type of message can be powerful.

## Sales Support on the Internet

One key feature of any IMC program is sales support. The Internet can be used in various ways to help. Manufacturers that sell products through retailers and wholesalers must be careful to avoid having a Web site that is viewed as a threat. Many retailers and wholesalers are wary of manufacturing Web sites where customers can place orders. To prevent damaging relationships with retailers, manufacturers can offer product information, but actual orders for merchandise can go through the retailer or wholesale vendor.

The strategy of using a Web site for information only rather than for direct sales is found more frequently in the business-to-business sector. In that arena, each manufacturer has fewer customers. Therefore, it is critical for a manufacturer to maintain positive relationships with its retail or wholesale vendors. When a manufacturer sells through multiple vendors, it may be wise to offer a locator on the manufacturer's Web site that shows customers the nearest vendor. For example, a manufacturer of a depth finder for fishing boats could list the retail stores where that particular brand can be purchased. Through locator software, customers can find the closest retail store.

Often, the most important use of the Internet in the area of sales support is providing information about clients and products to the sales staff. The salesperson should be able to access all of the information the company has in its database about any given customer. In addition, data can be collected regarding which products are being examined by individual customers on a Web site. This gives the salesperson insight regarding what product to pitch and how to make the sales approach. The information also helps the company when a number of customers are accessing details about specific products. The **Web master**, or the person who manages a firm's Web site, can then add materials regarding that product in order to increase the odds of making a sale.

Further, the sales staff can utilize the Internet as a valuable resource tool in another way. Although experienced salespeople may have complete knowledge of all of the products sold, new salespeople may not. The salesperson can use the Internet to provide the information a client requests. Often this can be done in the client's office or within a short period of time while on the phone. The Internet also can be used when a customer is ready to place an order. The order can be sent immediately, and the salesperson with access to the firm's database can inform the customer of the shipping date. If the item is out of stock, the salesperson informs the customer that the item must be back ordered. Receiving this information at the time the order is placed is much better than getting a phone call or note later.

Customers can go online and also receive sales support. The Internet has the advantage of being available 24 hours a day, 7 days a week. Customers can access a Web site to obtain product information at the time that best suits them. A Web site can provide extensive sales support that can be transmitted to customers and prospects even when the salesperson is not available.

In the business-to-business market, both prospecting for and qualifying prospects can be facilitated through use of the Internet. A salesperson can locate companies that may be interested in a certain product. For example, Trebnick Systems, the printing service mentioned earlier in this chapter, discovered customers in Japan, Germany, Spain, and Ireland by examining 160 Web sites. Trebnick made contact and obtained orders. Once prospects have been located, whether through the Internet or through traditional channels, the Internet can help qualify prospects to see if they are good candidates for sales calls. If they are not, the salesperson may want to try an e-mail contact or turn the lead over to telemarketers to explore.<sup>31</sup>

The Internet provides valuable information for preparing a sales call. By examining a prospect's Web site first, the salesperson can discover information about the company, its products, and the personnel at the firm. Also, the sales rep can use a search engine to locate articles and press releases about a prospect company. Financial information is available for publicly held corporations. All of this information can be useful in the preparation of a sales call, and the sales rep is able to individualize and personalize a presentation.

## Customer Service and the Internet

The Internet offers a cost-effective method for companies to provide customer service. FedEx, the U.S. Postal Service (USPS), and VISA are companies that have made effective use of the Internet for customer service. FedEx and USPS customers can track packages through the Internet. It is more efficient to use the Internet to find a package. For the companies, the costs of telephone calls are reduced, because fewer human operators are needed when customers go to the Web first. VISA provides an ATM finder program for its consumers, which gives directions to the closest ATM when one is needed.

A recent survey indicates that the *response time*, or the time from when the customer e-mails a company for information or with a complaint to when he or she receives an answer, is a significant factor that will affect future purchase decisions.<sup>32</sup> Unfortunately, quick responses are not always the case. In one survey, only 37 percent of the respondents stated that they were generally satisfied with the online customer service, compared to 85 percent for traditional retailers. Older consumers were less satisfied with online retailers than the younger people. Only 26 percent of individuals age 45 or older said they were satisfied with online service support.<sup>33</sup> Clearly this is an area many companies must improve.

Communicating effectively is an important ingredient in quality customer service, regardless of the type of online business. In all, 92 percent of online businesses offer an e-mail channel for customers. Sadly, only 34 percent acknowledge receipt of a customer's e-mail, and one-third take 3 days or more to respond. About half of these companies answer a customer's e-mail query within 24 hours, and about one-third answer within 6 hours. An amazing 24 percent of e-mail questions or requests go unanswered.<sup>34</sup> With statistics like this, it is no wonder customers tend to be dissatisfied with online customer service and, as a result, prefer to use the telephone to make contact with an online business.

The Institute of Management and Administration (IOMA) offers six steps to improve an organization's customer service.<sup>35</sup> First, service representatives need to be knowledgeable. Second, it is important to confirm the customer's order or inquiry. Let them know the e-mail was received and, if possible, a time frame for a reply. Third, add a personal touch. In the reply e-mail, the service rep should address the person by name, tell the person that his or her business is important to the company, and then address the specific order, question, or concern that was the subject of the e-mail. Fourth, offer customers the opportunity to talk to you in person, if they so desire. Fifth, use good communication skills. Sixth, be aware of the work habits of customers. For instance, a customer in the Middle East was upset because he did not receive a reply within 24 hours. The problem was that Saturday and Sunday are not workdays in the United States and in many countries of the world; Thursday afternoons and Friday are often not workdays in the Middle East. By knowing that the customer was from the Middle East, the acknowledgment e-mail could have informed him that a reply would not arrive until the following Monday.

In addition to providing e-mail communication, it is important to provide an efficient Web site that is easy for customers to use. If company leaders want to encourage customers to use the Internet for information and transactions rather than the telephone or in person, then the Web site should be easy to navigate and information should be easy to access. When problems occur, customer service should be available. Wells Fargo recently introduced a new online customer service system that allows commercial customers to troubleshoot the problem with service representatives while online. The new customer service software allows both the customer and the Wells Fargo rep to see the screen that the customer is viewing. The co-browsing capability also allows either party to move to another screen or change entries. This capability allows the Wells Fargo employee to see what the customer is trying to do and provides direct assistance. Most problems are resolved within minutes and the customer does not have to try to explain by phone what he or she is doing and what is happening. The service is free with the Wells Fargo Commercial Electronic Office (CEO), described earlier in the chapter.<sup>36</sup>

Another approach some companies use to enhance customer service on the Internet is to put together discussion groups, chat rooms, or blogs. Many public relations people dislike chat rooms and blogs, even though they provide the opportunity for customers to interact with each other and with the firm in a somewhat controlled environment. One of the best ways for a firm to react to negative comments by consumers is to directly reply to complaints. Everyone reading the chat conversation sees the response. Discussion groups and blogs also allow consumers to interact with each other and may provide solutions to problems that the company had not considered. This type of situation can occur with computer software and highly technical products. Such open communication with customers tends to build a stronger bond between customers and the firm.

For business-to-business marketing, granting access to information within the seller's database can be especially beneficial. Each company with access has a password to gain entry. Providing information in this manner can save everyone considerable time, especially when there is a strong bond between the two companies. For example, a shipping company may allow its customers access to all of its database information concerning location of shipments and availability of trucks, trains, and ocean vessels. In scheduling shipments, this information is helpful to the logistics coordinator responsible for planning and coordinating movement of goods from the manufacturer to the retailer or wholesaler. Thus, by knowing that an ocean vessel currently has capacity for a 25-ton shipment, a logistics manager can reserve the space to ensure that a large shipment of merchandise arrives on time. Without the Internet, the logistics manager must make a series of telephone calls to obtain the information.

Many retailers now offer manufacturers access to databases via the Internet. The manufacturer's marketing team can study what products are selling. They also can see which colors, sizes, and styles are the most popular. They even can find out which stores have the highest levels of sales. Then the manufacturer can modify or set production schedules in order to make sure retailers have a steady supply of the right sizes, colors, and styles.

In general, the marketing team cannot underestimate the importance of customer service to an IMC program. Quality service conveys the idea to the customer that the company cares. Service programs also help every member of the marketing channel build strong bonds with its constituents.

## DIRECT MARKETING ON THE INTERNET

In Chapter 11, the Internet was noted an ideal medium for direct marketing because consumers and businesses can order directly from the company. Loyal Internet patrons can also be sent e-mails promoting specific products or discounts and other price incentives. Many Internet direct-marketing programs are tied in with other media.

Currently, direct mail is the most effective tool for getting customers to investigate a Web site and place an Internet order.<sup>37</sup> A print catalog that is mailed to a target audience of consumers and businesses can be highly effective. These customers will often exam the catalog during leisure time or while making a purchase decision at work. The order is placed using the Internet.

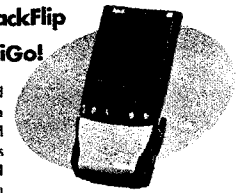
The iGo.com direct-mail piece shown on the right includes catalog, telephone, and Internet features. The mailing has a box the customer can check in order to receive a free iGo e-newsletter along with a response card used to request the iGo catalog. The mailing is designed to obtain names for a database. These names and addresses can then be used in future direct-mail and e-mail marketing programs. The mailing piece also encourages recipients to visit the iGo.com Web site to learn more about the company's Pocket mail service. Individuals making purchases receive 2 months of free e-mail service.

A direct-mail piece encouraging consumers to visit the iGo.com Web site and to receive the iGo e-newsletter.

Source: Courtesy of iGo.com.

### Two months **FREE** service!

Get 2 free months of  
**Pocketmail BackFlip**  
service from iGo!



Now you can send and receive emails from anywhere in the world with your Palm, thanks to the Pocketmail BackFlip. When you purchase the BackFlip and a year of service, you'll receive two **FREE\*** months of service. Each unit only costs \$99 and a year of service is \$100. For more details about Pocketmail visit: <http://www.igo.com/pocketmail>

[This is placeholder text concerning the order code that a customer uses to order the pilot.]

**Call (800)823-9123**  
**or visit us at [www.igo.com](http://www.igo.com)**  
**to order today!**

Enter coupon code IGOPRG

To receive the iGo catalog full of 7,900 mobile devices and accessories, simply fill out and return this card.

Name

Company

Address

City  State  Zip

Phone  Fax

Email

☐ Check here to receive a free iGo e-newsletter.

\*Customer must reference coupon code IGOPRG to receive free service. Limited time offer. Pocketmail also sold separately.

**iGo**  
Mobile Technology Outfitter

The most recent trend in direct marketing via the Internet is **interactive marketing**. Interactive marketing is individualizing and personalizing everything from the Internet Web content to the products being promoted on e-mail messages. NCR produces software called "Relationship Optimizer and Prime Response" that uses powerful data analysis techniques to personalize direct offers. The NCR software analyzes customer interactions such as click-stream data traffic—any type of customer interaction with the firm—and combines it with demographic information from external or internal direct-marketing databases. As the data are being processed, the software can launch complex interactive and personalized Web and e-mail campaigns.

Levi Strauss uses similar software, called "Blue Martini E-Merchandising," to customize both the Levis.com and the Dockers.com Web sites. The Home Shopping Network uses Edify's Smart Options software to track user preferences and suggest products based on the customer's past activities and current purchases. These technologies blur the line between selling and marketing because the messages and products a customer sees are based on past purchasing and browsing activities. These programs are designed to increase the odds that the customer will see something he or she wants rather than being forced to wade through scores of products he or she has no interest in purchasing at a more standardized Web site.<sup>38</sup>

As new technologies emerge, other forms of direct-marketing programs will become possible. Also, as more people access the Web while on the move (through pagers and other carry-around devices), Web marketers undoubtedly will develop methods to reach customers with on-demand goods and services. It is likely that direct marketing has only scratched the surface of the potential the Internet offers.

Remember, however, that sending unsolicited e-mails can alienate customers, who are already frustrated with the amount of spam they receive. Internet spam is the equivalent of junk mail sent to a general audience. An Internet e-mail direct-marketing program should be targeted at individuals who are most likely to be interested in a company and its products. For many Internet direct-marketing programs, the best idea is to first get the customer's permission. Obtaining this permission is easier when some type of reward or incentive is offered.

## VIRAL MARKETING ON THE INTERNET

Today's technology has created a new form of marketing. **Viral marketing** is preparing an advertisement that is tied to an e-mail. It is also a form of advocacy or word-of-mouth endorsement marketing. In other words, viral marketing takes place as one customer passes along a message to other potential buyers. The name *viral* is derived from the image of a person being infected with the marketing message, then spreading it to friends like a virus. The major difference, however, is that the customer voluntarily sends the message to others.

Viral marketing messages include ads for goods and services, hyperlinked promotions that take someone immediately to a Web site, online newsletters, streaming videos, and various games. Statistics indicate that about 80 percent of recipients who receive viral marketing messages pass them along to others. Almost 50 percent pass messages along to two or more people. Viral

Teenagers are a prime target for viral marketing programs.

Source: Courtesy of RCA.

messages can be sent directly to friends and family using an e-mail forward. They can also be transmitted passively, when the message is simply attached to an e-mail. Viral marketing allows a firm to gain rapid product awareness at a low cost.<sup>39</sup>

Blue Marble, a viral marketing company, created a program for Scope mouthwash. Consumers were able to send a customized, animated e-mail "kiss" to their friends. The attached marketing message reinforced the brand message that Scope brings people "kissably close." People who received the e-mail kiss could then forward the message to someone else. Scope's tracking technology indicated most did forward the message.

Mazda also recently created a viral marketing campaign. The attachment was a video clip about parking cars, a Mazda, of course, and the differences between males and females. The clip and link were passed on to thousands and sparked an international debate on blogs and in other forums about male and female parking capabilities. Globally, the viral marketing campaign generated over a million views in less than a month. The video clip was located at [www.mazda.com](http://www.mazda.com). As with other viral marketing campaigns, this one provided a high level of brand exposure at a very low cost to Mazda.<sup>40</sup>

## INTERNET DESIGN ISSUES

The primary issue in the design of a Web site is to make sure it functions properly. E-commerce companies spend an average of \$100 to acquire each new customer, and some companies spend up to \$500.<sup>41</sup> It may appear that developing an effective Web site is cheap. In reality it is not. As a result, it is essential that the firm specify the key function to be served by the Web site before it is created. In addition, the site should then be designed to effectively support the function that is to be provided. If the function is to *support e-commerce*, then the site should be easy for customers to navigate. Selecting products and making orders must also be simple. If the key function is to *support selling*, then the person designing the Web site should first talk with salespeople and determine their concerns.

Companies spend almost \$20 billion per year on Internet advertising of Web sites. Just as with the other components of advertising, careful consideration should be given to where the advertisements will be placed. One approach is to focus on targeted Web sites with similar customer profiles. For example, a Web site for John Deere farm tractors and implements may also advertise on other agriculture-related Web sites. Another approach is to advertise on a broader array of sites to develop brand awareness. A company can advertise on a variety of Web sites in order to encourage different people to visit its Web site. Even if a person does not go to the site, the ad enhances brand awareness.<sup>42</sup>

A Web site should match the constituency it serves. Too often, a site is designed by a computer whiz who likes fancy graphics and images, but the users of the site hate it because they cannot find what they are looking for or the pages take too long to load. Figure 13.9 provides common Web site design problems.

The proliferation of e-commerce Web sites is challenging. The marketing team should avoid as many pitfalls as possible to achieve the goal of building a stronger company through Internet activities. In contrast to the don'ts listed in Figure 13.9, Figure 13.10 highlights some tips for creating winning Web sites.

### WEB SITE DEVELOPER

**Experienced Web Site Developer** needed to join our award winning on-line team. Knowledge of Linux or Microsoft platforms using HTML, PHP, ASP and My SQL databases is required. Must be comfortable in a fast paced environment and able to meet deadlines and goals on a consistent basis. This is a full time opportunity with excellent benefits.

*Send resumé with examples of previous work to:*

John Cruzan, Online Manager of The Joplin Globe  
117 East 4th Street, Joplin, MO 64801

or

email to [jcruzan@joplinglobe.com](mailto:jcruzan@joplinglobe.com)



An advertisement by *The Joplin Globe* offering local businesses Web site development services.

**Source:** Used with permission of *The Joplin Globe*, Joplin, Missouri.



- ▶ Clueless banners
- ▶ Slow loading front pages
- ▶ Forcing people to go through numerous screens
- ▶ Too much verbal information
- ▶ Too many technical terms
- ▶ Sites that are hard to navigate

**FIGURE 13.9**  
Clues to Poor Design

- ▶ The Web site should follow a strategic purpose such as to acquire new customers, serve existing customers, or to cross-sell goods and services.
- ▶ Make the Web site easy to access and quick to load.
- ▶ Written content should be precise with short words, short sentences, and short paragraphs.
- ▶ Remember that content is the key to success, not fancy graphics and design.
- ▶ Be certain graphics support content, and do not detract from it.
- ▶ Make some type of marketing offer to encourage a response.
- ▶ Ask for site evaluation.
- ▶ Provide easy-to-use navigation links on every page.
- ▶ Use gimmicks such as moving icons or flashing banners to gain attention at the beginning but do not use them deeper in the Web site.
- ▶ Change the Web site on a regular basis to keep individuals coming back.
- ▶ Measure results continually, especially designs and offers.

**FIGURE 13.10**  
Tips to Creating Winning Web Sites

*Source:* Based on Ray Jutkins, "13 Ideas That Could Lead to Successful Web Marketing," *Advertising Age's Business Marketing* 84, no. 6 (June 1999), p. 27.

## SUMMARY

Increased usage of the Internet by both consumers and businesses has led most marketing teams to develop some type of Internet site. Sometimes Web designers are being asked to design a Web page because it's the "thing to do," and little or no thought is given to the functions the Web site should perform. This chapter is designed to explain how an Internet Web site can be integrated into the overall integrated marketing communications plan and why it should.

The primary goals of various Web sites are for advertising, sales support, customer service, public relations, and e-commerce. An e-commerce Web site will include a catalog, a shopping cart, and a method to collect payments. In e-commerce and other Internet ventures, customers must feel the process is secure and be enticed to change their buying habits. Three incentives that help people alter buying patterns are financial incentives, greater convenience, and added value.

The Internet changes the traditional ways that buyers and sellers deal with each other. In business-to-business markets, field salespeople have traditionally called on customers and prospects. Information is shared, prices are negotiated, and orders are taken. On the Internet, buyers can purchase directly from suppliers. Middlemen can be eliminated. Buyers can obtain quotes from a number of vendors and obtain product information from each, all on the Internet. Although it saves the selling company money in

terms of sales calls, it also risks losing customers. Loyalty and strong relationships are endangered as buyers search the Web to meet their corporations' needs.

International markets may also be served by e-commerce enterprises, especially when cultural differences, shipping problems, and Internet capability problems can be solved. Information technology departments will play a key role in solving the Internet problems. Shipping issues and language differences also require attention in this lucrative and growing marketplace.

The Internet blurs many internal functional boundaries. An effective Internet Web site can advertise, send sales messages, provide public relations announcements, offer press releases to the media, talk about the company, provide answers to frequently asked questions, provide information to investors, dispense product catalogs complete with product descriptions and prices, take orders from customers, process payments, receive e-mail messages, handle customer service queries, and entertain Web viewers.

As always, the primary goal of an Internet program is to expand and enhance the message portrayed by the company's IMC plan. Careful attention must be paid to issues of brand image and loyalty. Web sites must be designed to support selling efforts and customer service programs, and deliver consumer promotions of value to potential buyers. Brand spiraling may be used to combine

the Internet program with advertising in traditional media. The quality of a Web site is a primary factor in the success of the entire Internet program. Many company leaders are beginning to grasp

the potential of these marketing efforts, as interest and activity on the Web continue to grow. In the end, the potential of the Internet may be limited only by what the company decides to do.

## REVIEW QUESTIONS

1. What percentage of U.S. citizens uses the Internet? What about Canadians? Does this have implications for IMC programs?
2. What marketing functions can be provided on the Internet?
3. Define *e-commerce*. What are the three common components of e-commerce programs?
4. What two issues must e-commerce providers overcome in order to build successful businesses?
5. Name and describe the three main incentives used to attract shoppers to e-commerce Web sites.
6. What is cyberbait? How must it be used to maintain it as an effective marketing tactic?
7. In business-to-business e-commerce operations, what obstacles occur? How can they be overcome?
8. What problems exist for international e-commerce operations? What can companies do to resolve them?
9. How can the Internet affect a brand? Brand loyalty?
10. What is brand spiraling? What is the primary goal of brand spiraling programs?
11. How can the Internet be used to provide sales support?
12. How can the Internet be used to provide customer service?
13. How can direct marketing be used most effectively to reach customers?
14. What is interactive marketing?
15. What is viral marketing? What is the goal of a viral marketing program?
16. What tactics should companies avoid in designing Web sites? What should they do to make effective Web pages?

## KEY TERMS

**FAQs (frequently asked questions)** Questions people have about various items or services.

**e-commerce** Selling goods and services on the Internet.

**shopping cart** A component of e-commerce operations that allows the individual to mark items to purchase later as part of a complete order.

**cyberbait** Some type of lure or attraction that brings people to a Web site.

**brand spiraling** The practice of using traditional media to promote and attract consumers to an online Web site.

**halo effect** A situation in which a well-received brand leads customers to try new company products and services that are being offered via the Internet.

**Web master** The person who manages a firm's Web site.

**interactive marketing** Individualizing and personalizing Web content and e-mail messages for various consumers.

**viral marketing** Preparing an advertisement that is tied to an e-mail in which one person passes on the advertisement or e-mail to other consumers.

## CRITICAL THINKING EXERCISES

### Discussion Questions

1. What types of goods or services have you purchased over the Internet during the last year? Have your parents purchased anything using the Internet? If so, compare your purchases and attitudes toward buying via the Internet to theirs. If neither you nor your parents have used the Internet to make purchases, why not?
2. Access four different Web sites for one of the following products. Locate the FAQ section. Was the FAQ section difficult to find? How is the FAQ section organized? Does it provide effective answers for questions? Do the four sites have similar questions listed?
  - a. Antivirus software
  - b. Cosmetic surgery
  - c. Automobile parts
  - d. Cameras
  - e. Financial services
3. First Energy Corporation, the nation's twelfth largest utility, purchases about 30 percent of its coal via the Internet. The purchasing process that normally took 60 days to complete has been compressed to just 2 weeks. Bidding takes place on a single day, and suppliers know within 2 to 3 days whether they have won the order.<sup>43</sup> What risks does First Energy take in purchasing coal over the Internet? How can those risks be minimized? Why would a supplier want to sell coal over the Internet instead of developing a strong personal relationship with First Energy Corporation?

4. Credit card security is an issue with many people. Interview five people of various ages and genders. Does age or gender make any difference in the person's feelings, especially about the fear of using a credit card to make purchases over the Internet? Are there specific products or Web sites that people do not trust? More importantly, how do you judge whether a Web site provides the necessary credit security?
5. Pick one of the following product categories. What types of financial incentives are offered on the company's Web site to

encourage you to purchase? What about the other two types of incentives, greater convenience and added value? What evidence do you see for them?

- a. Contacts or eyeglasses
- b. Water skis
- c. Jeans
- d. Computers
- e. Camping supplies

## INTEGRATED LEARNING EXERCISES

1. To better understand who is using the Internet, access the CyberAtlas Web site at [www.cyberatlas.com](http://www.cyberatlas.com). What information is available under the "Stats Toolbox"? What other information is on the Web site? What type of articles does the Web site have? How can it be used by someone involved in e-commerce or other types of Internet marketing?
2. Best Buy Company was a late e-commerce entrant, but it has developed a strong e-commerce component. The key to Best Buy's success, according to Barry Judge, vice president of marketing, is, "We do a lot of one-to-one marketing. We're not overly focused on where the consumers buy." The Web site carries every product that Best Buy stocks. It uses personalized services, along with convenient pickup and fair return policies to entice consumers to shop. The consumer can purchase items on the Internet and either have them shipped directly to them or pick them up at the closest store. Shoppers can use the Internet to see if Best Buy stocks a particular item, what the item costs, and to gather product information.<sup>44</sup> What is the advantage to this philosophy? Access the Web site at [www.bestbuy.com](http://www.bestbuy.com). Evaluate it in terms of ease of use and product information, and then locate the Best Buy closest to you. Next, access Circuit City's Web site at [www.circuitcity.com](http://www.circuitcity.com). Compare it to Best Buy's site. Select one product such as a camcorder to compare the two Web sites.
3. Examine the advertisements in this chapter by iGo.com and then access the company's Web site at [www.igo.com](http://www.igo.com). Do the advertisements match the information on the Web site? How are they integrated? What parts are not well integrated?
4. Part of iGo's business is a workforce management service operation. Access the Web site at [www.employeesavings.com](http://www.employeesavings.com). What services are offered? How would you promote this site

through off-line advertising? What other venues or methods would you recommend for marketing this particular site?

5. The primary companies businesses use to ship small packages either overnight or 2-day delivery are FedEx, UPS, and the U.S. Postal Service. Access each of these Web sites (FedEx at [www.fedex.com](http://www.fedex.com); UPS at [www.ups.com](http://www.ups.com); U.S. Postal Service at [www.usps.gov](http://www.usps.gov)). What guarantees do they make about delivery? Which site is the most user-friendly? Which site appears to offer the best customer service? In looking at the different functions of a Web site discussed in this chapter, indicate the function for which each Web site was designed.
6. Web sites serve a number of different functions. Access the following Web sites. What is the primary function of each? For each site, list other functions it offers.
  - a. MVP.com ([www.mvp.com](http://www.mvp.com))
  - b. Travelocity ([www.travelocity.com](http://www.travelocity.com))
  - c. Trebnick Systems ([www.trebnick.com](http://www.trebnick.com))
  - d. Wells Fargo Bank ([www.wellsfargo.com](http://www.wellsfargo.com))
  - e. Victoria's Secret ([www.victoriassecret.com](http://www.victoriassecret.com))
  - f. WeddingChannel.com ([www.weddingchannel.com](http://www.weddingchannel.com))
  - g. Saturn ([www.saturn.com](http://www.saturn.com))
  - h. Harley-Davidson ([www.harley-davidson.com](http://www.harley-davidson.com))
7. Customer interactive software is an important part of many Web sites. Access the following two companies that sell interactive software. What capabilities does each software package offer? What other services are available?
  - a. Blue Martini Software ([www.bluemartini.com](http://www.bluemartini.com))
  - b. Edify ([www.edify.com](http://www.edify.com))

## STUDENT PROJECT

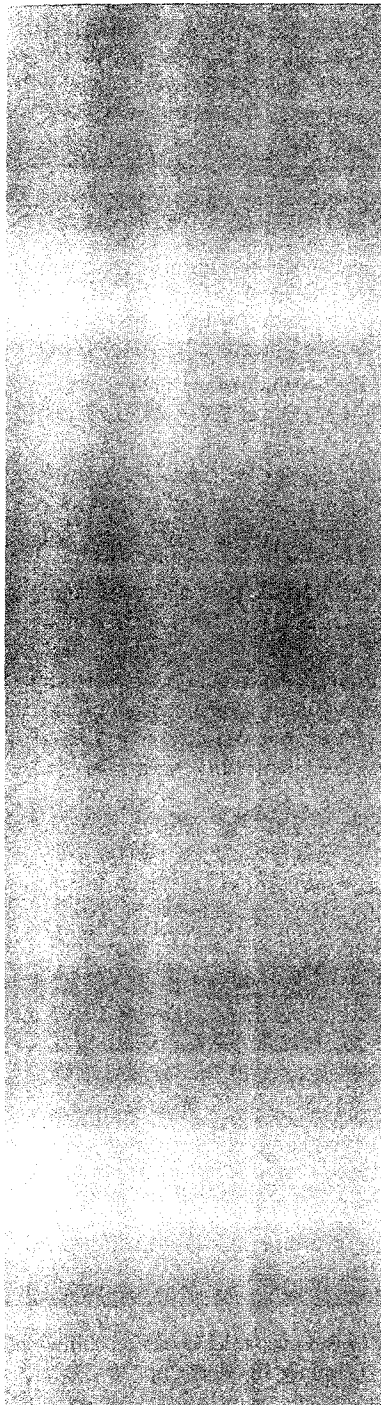
### IMC Plan Pro

If you want to keep up with the rapidly changing world of marketing, it will be important to incorporate a quality Internet program with the other elements of an IMC program. The IMC Plan

Pro disk and booklet from Prentice Hall provides examples of companies that are using Internet marketing as part of the overall integrated communications effort.

## CASE 1

### THE CIRCULATION GAME



**W**illiam Johnson was about to embark on a major new phase of his publishing career. He had begun as a writer for a small newspaper in New York; the newspaper had been oriented toward an African-American readership. From there, William had become an editor and eventually a publisher of a chain of small-town newspapers in Georgia. The cities the chain served also were predominantly African-American. Now, however, William's company had just made a successful bid to acquire newspapers in six cities in the upper Midwest. Suddenly William was about to become one of the largest minority newspaper owners in the United States.

The newspaper business has changed dramatically in the past half century. From a time when papers were the primary source of news for most Americans until the new millennium, where citizens are bombarded with news formats of all types, a major shakeout of news chains had occurred. Smaller local papers were forced to compete with national offerings, such as *USA Today* and *The Wall Street Journal*. Readership changed as well. In the latter half of the twentieth century, editors knew their readers were largely 18 years of age or older and reasonably well educated.

Currently, newspapers appear in several formats: tabloids, traditional papers, weekly magazines, and Internet news. They compete with radio news stations, network news, and cable news stations such as CNN, ESPN, and other more specific program formats. African-Americans can also tune in to one cable channel devoted more exclusively to them: the BET (Black Entertainment Channel), which offers some news programming. Satellites allow breaking news stories to appear instantly around the world, and people can access news via the Internet when a television is not nearby.

William's company, like most other paper chains, derives income from several sources. First, the "old-fashioned" subscriber forms the basis of the company's circulation numbers. Businesses buy advertising space, and many individuals and companies run classified ads. Weekly newspapers sell additional advertising space in these magazine-type papers. The newest source of revenue is advertising on Internet editions of the paper.

The biggest change in the newspaper business is the partnerships involved. Most papers are owned by media giants that also own radio and television stations. There is a cross-mix of reporting, polling, and other activities. In addition, most newspapers, even in small towns, find they must advertise the product in other markets. Thus, newspapers buy ads on television and on the radio to promote readership. The circulation department conducts telephone sales campaigns designed to entice people to buy home delivery. Others are distributed in vending machines and in newsstands throughout each city.

In this complex marketplace, William looks for ways to expand the reach of the paper and to compete with other media. He knows the future will witness increasing use of the Internet by most households, but there will continue to be a strong base of readers who want to wake up in the morning, go out to the front yard, pick up a paper, and read it over coffee or breakfast.

1. How can William's company cater to various minorities in its Internet division of the newspaper? Or should he avoid this type of tactic?
2. What special marketing and IMC challenges affect newspapers in both circulation (retail) and business-to-business (advertising) areas?
3. Find your local city's newspaper on the Internet. How is it different from a traditional "paper" newspaper? How is it similar?
4. Design an advertising program for William Johnson's local newspaper's Internet edition.

## CASE 2

### SHELLY'S CONNECTION



**K**. Michele Kacmar (who goes by Shelly) loved love. She enjoyed introducing people to see if any kind of spark would fire. She had "set up" several friends who wound up dating and even marrying each other. Shelly's other major talent was Web design. These two skills led Shelly to believe her calling was to set up an Internet dating service. She created one for the Los Angeles area, where she lived, called "Shelly's Connection."

Shelly's Connection had two twists. First, the site was designed only for local people, in Los Angeles and the surrounding counties. She was not trying to set up a national service. Second, besides simply making high-tech introductions, Shelly's Connection offered social events. These included evening "meet ups," where people sipping coffee or soft drinks circulated through the room and visited with 5 to 10 potential dating partners in a 90-minute time span. Also, Shelly's Connection had singles parties and mixers where people who had expressed interest in three or four potential dating partners could pay a cover charge and then attend the event; light snacks were served, dance music was played at a volume low enough for people to talk, and a cash bar was available. Shelly's marketing idea was to create a "fully integrated" dating program.

Internet dating services are not new. They are plagued by several problems. First, unless properly screened, married people sign up to start dating "on the side." Second, some people confuse dating services with online escort services and prostitution rings. Third, most dating services offer nationwide prospects rather than just local arrangements. Sifting through all of the clients to find one close to home can be a problem. Fourth, some people shy away from the services because they feel like joining makes them seem "desperate."

To combat these problems, Shelly believed a high-quality advertising campaign would be needed. The ad should clearly spell out what type of service she offered, warn away married people, and emphasize that dating and meeting people are time-consuming. Shelly's Connection was set up to offer convenience, help people who want to use their spare time wisely, and have fun. Armed with some venture capital from local investors, Shelly's Connection began operations. Time would tell if love would bloom and Shelly would enjoy a successful Internet business operation.

1. Are there any other potential problems that Shelly has not considered in creating her company?
2. Which media should Shelly use to promote her Web site?
3. Create the ad copy Shelly's Connection should use in its advertisements. Also, write an effective tagline for the ads.

## ENDNOTES

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