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E-MARKETING MIX FOR INTERNET PURE-PLAY BUSINESS

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STATEMENT:

I, student Sandra Bevec, hereby declare that I am the author of this diploma paper which I have written under supervision of assistant professor PhD. Jaka Lindič and I authorize the text to be published on the university's website.

In Ljubljana, 12.12.2007   **Signature:**

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1 INTRODUCTION

The rise of Internet, Web and e-commerce has and will continue to have a significant impact on national and international trade, business operations and, society in general. The success of the Internet has created many challenges for companies marketing their products in this new global market "space". Many companies have been established to offer digital products or services and operate solely via the Internet. As selling digital products became popular, many traditional companies re-modelled their product and service concepts in order to create and market the digital extension, substitute or complement of their traditional goods and services. How much a company can profit from the use of the Internet depends upon what role the Internet plays for them and how they develop and use this new global communication, sales, distribution and service channel. Companies that operate solely online and whose business would not be possible without the Internet are defined as "Internet Pure-plays" or "Clicks-only". In addition, traditional companies can practice some degree of pure-play strategy, choosing the Internet to substitute one of the channel functions, for instance sales. Some examples of traditional companies that are close to practicing internet pure-play strategy using the Internet as a main sales channel can be found among the low cost airlines. As an example, *Ryanair* leverages 98% of their ticket sales through their own website (Soldt, Bobbink, Ying, 2007, p. 2-3).

E-Marketing has become a standard practice and today most companies add some of e-marketing elements into their existing marketing strategy. Even if the Internet doesn't play a significant role for a company, it is highly likely that some basic e-marketing elements will be added to traditional marketing approaches, (e.g. creating a web presentation of the company). Companies who are trying to maximize the power of the Internet will most probably have a separate e-marketing unit with its own e-strategy. For Internet Pure-plays, however, e-marketing is the central strategy and the use of traditional offline channels for communication (TV, print, radio), sales (shops) and service (mail, direct contact) is of less importance due to the special characteristics of digital products and services, online customers and other unique characteristics of the online environment. For Internet Pure-plays, e-marketing, in its broad definition, therefore, is in the centre of their business.

The main focus of this thesis is to answer basic questions regarding e-marketing: What is e-marketing and how is e-marketing different? Can the traditional 4P marketing mix theory (Product, Price, Place, and Promotion) still be used for e-marketing mix? And, what is an e-mix? The motive to explore questions about e-marketing came from my two year experience working in an Internet Pure-play company. There I learned that understanding the broad applicability of the e-marketing concept is highly important. My work demonstrates that for Pure-plays, e-marketing is in the heart of their business and, in all the processes, their customers should come first. Unfortunately, this focus can not be practiced if the company's structure does not support it. This was the exact situation in the online entertainment company, where I gained my experience. The basic structure included R&D and IT, Finance,

Affiliates, Customer Support & Retention and a Marketing Department. Each department had an important role that, according to known e-marketing definitions, would be considered as a part of e-marketing, but the reality was not so. All departments functioned in a relatively isolated manner with little connection on a strategic and operational level and did not at all consider their tasks to be a part of "marketing". This was an obstacle to communication, to execution of new projects and to management in general. The most common complaint of all departments was that the company did not have "real marketing". With this experience I learned that, in an Internet Pure-play company, almost all functions are linked and connected to e-marketing.

The goal of this Thesis is to research the main elements of an e-marketing mix and how they can be best organized and connected within the company. To answer this question I first evaluated traditional and "new" marketing theory to gain a broad understanding of factors that should be considered. My research starts with an introduction to the **"e" world of marketing** and includes some definitions from "e"-terminology (e-business, e-commerce, e-marketing), it continues with a summary of implications that the Internet has on marketing approaches and presents the main types of internet companies. The first chapter also indicates the position of the **e-mix within the e-marketing plan**. The next chapter explores traditional **4P marketing mix** and the **Re-mix.** It presents the origins of the traditional 4P marketing mix theory (Product, Price, Place and Promotion) and explains the limitations of the model for use in e-marketing. Re-mix is basically a process of transforming the "P" elements from the traditional mix into alternative models for e-marketing. I compared alternative models proposed by a number of authors and, at this stage, the first ideas about my proposal for a new e-mix model were developed. The last chapter is dedicated to my version of the proposed e-marketing mix, that: (a) **considers practical knowledge** from my experience and answers my question how an e-marketing department could be structured within an Internet Pure-play to reflect the company's general marketing philosophy; (b) **includes theoretical knowledge** gained through my research about e-marketing, internet companies, existing e-mix theories and limitations of the traditional 4P marketing mix concept; and (c) **reflects the customer value centric approach** and supports the company in managing their customer value. To add the customer value focus to the model I followed the concept of Customer Life Cycle (CLC) and I considered the Customer Lifetime Value (CLV) elements and other basics of Customer Relationship Management (CRM). The quote by Frederic Bartel (1963) "*A marketer is like a chef in the kitchen... a mixer of ingredients*" best describes my role in the last chapter. After I had all the "ingredients" that needed to be mixed, the challenge was to construct and define fundamental stages of the model and then to catalogue and group all the e-marketing elements, techniques and concepts at the sub level. To define the fundamentals I looked into the stages of a customer life cycle concept and considered the principles of customer-value calculation and the function they have to decide how to position the elements at the sub-level. This, in short, is a description of how I developed my proposal of the *e-Marketing Mix for Internet Pure-play Business.*

2 FUNDAMENTALS OF THE "e" MARKETING WORLD

This chapter is an introduction to the "e" marketing world. To provide a short overview into e-terminology I summarized **definitions** by Chaffey and Smith. The chapter continues with the main implications that the Internet has on marketing, and summarizes the characteristics of e-communications, e-customers, e-companies and finishes with a brief explanation of e-marketing plans and e-strategies.

2.1 e-Definitions

Reviewing literature and articles I found that terminology with "e" prefix has many different interpretations from academics and professionals and I can agree with Otlacan who pointed out that *"e-marketing is still a controversial subject to talk about since no one really succeeded to unify the various terminology and theories around it* (Otlacan, 2005). Having a unified understanding of new terms and their definitions is also of high importance at the corporate level. According to Chaffey and Smith, an organisation should develop *"a common understanding for terms such as e-commerce, e-business and e-marketing, and how they interrelate, to enable development of a consistent, coherent strategy"* and therefore I have summarized their definitions (Chaffey, Smith, 2005, p. 11-12):

- **e-commerce** refers to online sales and transactions. Most commonly it is used in connection with e-banking and e-shopping. The term is limited to the actual transactions completed online, but does not include any marketing or other back end office administration activities.
- **e-marketing** places the customer in the central position of all online business activities – creating online value for the customer and offering more options and flexibility, providing instant customer services, creating a loyal customer base and increasing sales. As with traditional marketing, e-marketing can encompass an entire corporate philosophy.
- **e-business** includes all steps in the business process that are optimised for running a business online. The processes include purchasing, production, inventory control, distribution and logistics, sales and marketing, invoicing, after sales activities, and debt collection. E-business is the broadest term of the three and it includes e-commerce and e-marketing.

Three alternative relationships between e-marketing, e-commerce and e-business are shown in Appendix 1.

2.2 Implications of the Internet on Marketing

This section explores what impacts the Internet has on **media consumption and how it has changed the structure of advertising budgets, how e-marketing communications** differ from traditional marketing communications, how **online customers** differ from traditional customers and what influences their **online buying process**.

2.2.1 Growth of Online Ad Spending and Media Consumption

Media consumption has changed more in the last five years then in the prior fifty years. Even though we often hear people complaining they have less time, the number of hours spent consuming media has increased. The perception of less time and increased media consumption is possible since people now can consume more media channels at the same time (for example, simultaneously watching TV, surfing the Web and listening to online radio.) Since 2000 the Web has become established as a mainstream consumer media channel and, across the world, marketing budgets have followed audiences. In EU-12 (Euro zone without Slovenia) in 2006 the Internet reached an average of 5.6% of the total advertising expenditure structure, putting the Internet in third place, behind the press (53%), TV (29.8.9%) and ahead of outdoor (5.4%), radio (5%) and cinema (0.7%) advertising. Table 1 displays media share in the advertising pie for the EU-12 area and compares it to Slovenia. It also shows an increase of share that the Internet takes every year in the advertising pie (Kondža, 2007). In an FT article Duyn reports that the rapid growth of online advertising is expected to see the sector overtake US newspaper advertising in terms of size by 2011. In addition, some forecasters expect newspaper advertising to be overtaken by online spending in the UK and Sweden this year. The 2007 study forecasts that online advertising will grow by more than 21 per cent per year to reach $62 billion in 2011, making it bigger than newspaper advertising, which is expected to total $60 billion in 2011 (Duyn, 2007).

Table 1: Share of Media type in the advertising pie (in %)

Media type	2004		2005		2006		2007 (forecast)		2008 (forecast)
	EU -12	SLO	EU-12	SLO	EU-12	SLO	EU-12	SLO	EU
TV	30.1	58.6	30.0	55.4	29.8	51.6	29.7	55.9	29
Press	55.9	29.8	54.8	30.8	53.5	33.0	52.3	33.8	51.5
Outdoor	5.4	4.7	5.4	7.0	5.4	8.1	5.4	7.9	5.4
Cinema	0.8	0.4	0.8	0.4	0.7	0.4	0.7	0.3	0.7
Internet	2.8	1.0	4.0	0.9	5.6	1.8	7.0	2.0	8.6
Radio	5.0	5.5	5.0	5.4	5.0	5.1	5.0	-	4.9

Source: Kondža, 2007

2.2.2 E-marketing Communications

Since the Internet has become directly involved in marketing, it has resulted in the following changes in media characteristics between traditional and new media (Chaffey et al., 2006, p. 350-353):

- **From push** (consumers are passive recipients of advertising) to **pull media** (consumers are proactive in selection of the message through actively seeking out the Web),
- From **monologue** to **dialogue** (through interactivity, marketers have the opportunity for a two-way interaction with the customer),
- From **one-to-many** to **one-to-some** and **one-to-one** communications (through mass customization - creating tailored marketing messages or products for individual customers

or groups and through personalization – creating personalized content for the individual through Web pages or email),

- From **one-to many** to **many-to-many** communications (many–to-many refers to use of communities, where customers can interact with others. This leads to loss of control of communication and requires a constant monitoring of information),
- From **"lean-back"** to **"lean-forward"** (a Web site is an intense media – it usually has the visitor's undivided attention, which means the customer is in control),
- **Increase in communications intermediaries** (along with traditional channels migrating online there are many new online-only publishers such as search engines and vertical portals such as industry specific sites).

2.2.3 Internet World Population and Online Customers

The number of Internet users is rapidly growing, with the number of global Internet users more then tripling in the period from 2000 to 2007. At the end of July 2007 more then 17% of the world population were classified as Internet users (1,173.109.925). North America had the highest percentage of internet users, with 69.5% of the population so classified. In terms of absolute numbers of Internet users, the world' largest Internet population is represented by Asia with 37.2% of the global total, followed by Europe with 27.4% of the world Internet population (see Appendix 2). In general, online customers are different than offline customers. Online customers spend their time consuming online and offline media, often using both, since today consumers face an information overload and complain about the lack of free time. The online customer has more information, giving them the possibility of having transparent prices. Online customers also realize the value of their time and attention and are more aware of their rights. Marketers should refrain from making assumptions that the online and offline customers are the same since the same customer may have completely different characteristics online and offline. The main characteristics of the online buying process are as follows (Chaffey, Smith, 2005, p. 100-105): **(1) Motivation**: The main elements of customer buying motivation are the following 6Cs: Content, Customization and mass-customization, Community, Convenience, Choice and Cost reduction. These motivational factors can assist a company in developing an online value proposition (OVP) that fulfils the 6Cs. **(2) Expectations:** Online customers have higher expectations of standards in terms of service, convenience, speed of delivery, competitive prices, choice, control over the buying process, security, safety and privacy. To satisfy online customers, their raised expectations should not only be fulfilled but also exceeded. Unfulfilled expectations can lead to brand damage. **(3) Fears and phobias:** The online buying experience is still unique and marketers need to analyse and consider potential fears customers might have because of the unique nature of the transaction (e.g. stolen credit card details, hackers, viruses, spam, and lack of privacy). Lindstrom, Pepers and Rogers (2002, p. 33) point out that according to the survey *"Reasons people won't shop online"* conducted by Ernst & Young the main reasons given as answers: credit card security (97%), prefer to see the product (53%), can't talk to sales staff (18%), not enough product information (16%), too expensive (15%). The survey indicates that overcoming

fears and phobias is an important factor in building trust and loyalty. Therefore, marketers should clearly communicate company's security and privacy policies.

2.3 Types of Internet Companies

Different types of internet companies have developed over the last fifteen years and the terminology has changed since the first internet companies were established. Some of the terms used to describe internet companies are: dot-com, e-tailer, pure-play, clicks-only and clicks-&-bricks. A ***Dot-com*** *company, or simply a dot-com, is a company which does most of its business on the Internet, usually through a website. While dot-com can refer to present day companies, it is also used specifically to refer to companies having an Internet business model during the late 1990s. Many of these start-ups formed to take advantage of the surplus of venture capital and were launched with very thin business plans, sometimes with nothing more than an idea and a catchy name* (Wikipedia, 2007). The term **Bricks-&-mortar** was used in 1999/2000 to refer to traditional, physical companies who had limited Internet presence. After these companies ventured online operations they became **clicks-&-mortar** (or **clicks-&-bricks**). Some virtual merchants (e-tailers), (for example Amazon.com), that first only had online presence and later added physical operations (warehouses), have also come closer to the clicks-&-mortar definition. Advantages that traditional bricks-&-mortar companies have when transforming to clicks-&-bricks include an established customer base, trusted brand, and trusted supplier networks. An **e-tailer** is an on-line retailer who uses the advantages of the Internet to increase their efficiency and to improve the customer's buying experience. Advantages of e-tailing include 24/7 shopping, worldwide accessibility, searchable product offerings, low overhead, new types of tailored sales promotions, and easily updated product descriptions and prices. There are two types of e-tailers: **Pure-play** (or Clicks-only) which operate entirely on-line and **mixed** (Chaffey, 2004, p. 53). A mixed e-tailer is a traditional retailer who has added a new communication, sales and service channel – their website, to their strategy. Pure-play e-tailers make up most of the companies that sell online products or services that require no physical distribution (companies selling downloadable products such as software, music, e-books and research papers or services such as consulting or translations. These companies use the Internet as the promotion, communication, sales, transaction, distribution and service channel. Companies that sell products that do require physical distribution are also considered as e-tailers (like Amazon.com). Lindstrom, Pepers and Rogers (2005, p. 21-22) say that *an e-tailers profitability depends in large part on logistics, namely the suitability of products for online sale and distribution since the cost of packaging and shipping can annihilate the profit.* The process when a pure e-tailer like amazon.com is expanding their physical operations to fulfil (or exceed) the promised experience can be seen as a migration from the Pure-play to a mixed e-tailer. Ononiwu and Mosquera (2006, p. 10) mention that the global internet stock collapse in early 2000's (when many dot.com businesses failed), caused the pure play business model to change. Lessons from the dot.com mistakes were taken in to consideration and new business models were developed that tried to join the advantages of the two separate worlds - *"the world of place" for traditional companies, and "the world of space" for wholly virtual*

companies. Figure 1 shows the line between the two worlds, indicating the range of alternative models between the two worlds.

Figure 1: Migration scale from place to space and space to place
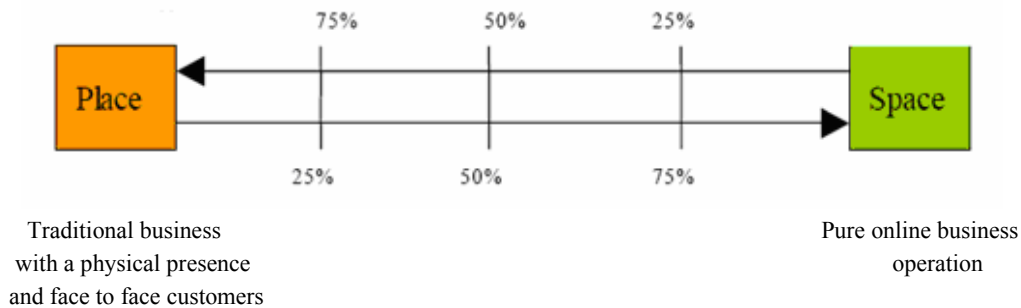
Source: Ononiwu, Mosquera, 2006, p. 10.

2.3.1 Type of Internet Companies and Multi-channel Marketing

Multi-channel marketing refers to the parallel integrated and coordinated application of various communication, sales and service channels (Brumann, Wenske, 2007, p. 198). Merx and Bachem (2004, p. 30-31) further explain this definition and state that the goal of using a multi-channel strategy is to increase productivity and to build and maintain customer relationships. The channel can be understood as: a **media channel** (in online marketing this could simply be e-mail, RSS, or a website) and as an **institutional channel** (an agency, or branch, or call centre). Depending on the role of the channel – communication, sales or service, the roles can be divided into the three basic stages of customer life cycle: Pre-sales, Sales, and After-Sales. **Communication channels** serve advertising needs, mainly for new customer acquisition and to allow new prospects to become familiar with the company and its product or services. **Sales channels** serve as a point of sales where the actual purchase and delivery can take place in the same medial or institutional channel or in conjunction with both. An example in which the purchase and delivery occur through the same media channel is when an online customer buys a software product that is paid online through the Web site and downloaded through the same medium. If an online customer buys a book at Amazon.com, then the purchase media is the Web site and the delivery media is a traditional delivery service. The purchase of a book in a traditional bookstore is and example where an institutional cannel (bookstore branch) is at the same time the purchase and delivery point. **Service channels'** purpose is to build and maintain customer relationships by offering individual services through personalised e-mails, newsletters and inbound communication options (phone numbers, live chat).

The decision on the role of the Internet media instrument as a channel option (whether just another channel or a new channel replacing the traditional options) basically means choosing the combination between bricks-and-clicks that consequently defines the resulting type of company: Bricks-&-Mortar, Bricks-&-Clicks or Pure-play. For additional clarification of a

Pure-play company definition in the framework of this thesis, the definition of multi-channel marketing (MCM) is useful. Applying the MCM definition, a Pure-play company is a company that mainly uses Internet media for communication, sales and service and where, in most cases, the purchase point and delivery point uses the same medium – the web site. When traditional companies choose the Internet as their main sales channel, we speak about Bricks-and-Clicks, with a sale strategy close to that of an online Pure-play strategy. Some good examples can be found in the low cost airline industry, where an increasing number of companies are implementing Internet Pure-play strategies in sales by using the Internet (Web site) as their main sales channel. For instance, EasyJet achieves 95% direct sales through its own website and 5% through its call centre . Ryanair achieves more than 98% of its bookings through its website . Sales from own Web sites for all carriers averaged 21.5% in 2006 (Soldt, Bobbink & Ying, 2007, p. 2-3) which means that traditional carriers are closer to the "Bricks-&-Clicks strategy in sales, and low cost airlines are very close to Internet pure-play strategies in sales.

2.3.2 Learning form the Mistakes of the Dot-Coms

As noted above, after the first dot.com crash period the Pure-play model was reconsidered. Since the purpose of this thesis is to present an e-marketing mix model for Pure-play companies, we need to consider some of the reasons for failures of some of the first dot-com companies since some of these lessons influenced this thesis research and development of the e-marketing mix model structure. Oritz (2002, p. 1-3) mentions that some of the reasons for failure included (1) **unoriginal business models and business plans** which failed to differentiate services and add value for the customers; (2) **lack of scale,** since most of the dot-coms were small players in terms of revenue, with a few early exceptions such as amazon.com; (3) **poor customer strategies** that included a combination of perplexing Web sites, slow order fulfilment and delivery and poor customer service; (4) **bad management** since it was often the situation that the company's management was young and inexperienced. Laffey also mentions **overspending on marketing and customer acquisition** and **over-capitalization** as factors of failure (Laffey, 2004, p. 20). Another important lesson from the early dot-com failures is that a reasonable evaluation of dot-coms need consider other measures in addition to profitability. Since revenues can grow rapidly while profitability is negative, the following critical factors would appropriate to evaluate dot-coms: acquisition cost of new customers, revenue-per-customer, revenues from advertising, number of new customers and churn rate. When these factors are evaluated within a specific industry, competitors typically have similar acquisition costs, revenues per customer and revenues from advertising and; therefore, it is the **churn rate**[1] that varies most between competitors. The number of churned customers plus the number of retained customers yields the total number of customers for a given period. This means that the long-term competition race will be won by those whose successful retention will be able to turn new customers in to loyal, repeat buyers (Chaffey et al., 2004, p. 55).

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[1] Churn rate is proportion of customers that no loner purchase company products or services in a certain time period. (Churn rate = 1- retention rate)

In addition to operational reasons for failures of dot-coms, Porter's view aids in understanding. In general, Porter says the Internet is not an advantage as a technology in itself; however it can provide *better opportunities for companies to establish distinctive strategic positioning than did previous generations of information.* To gain a competitive advantage from the Internet does not require a radically new approach to business, but it does require applying the proven fundamental principles of effective strategy. According to Porter, dot-coms can also be winners, if they understand the trade-offs between Internet and traditional approaches and if they can create *truly distinctive strategies. Far from making strategy less important, as some have argued, the Internet actually makes strategy more essential than ever.* After the period of *distorted market signals and experimentation from companies and customers* in the early stages of the Internet boom was completed, the proven rules of doing business returned. *The creation of true economic value once again becomes the final arbiter of business success* (Porter, 2000, p. 64-65).

2.4 E-Marketing Strategy, e-Marketing Plan and e-Mix

The main objective of this thesis is to present an e-marketing mix for Internet Pure-play companies and this section will provide an overview showing where the e-mix is positioned within an **e-marketing strategy and e-marketing plan**. The purpose of this is simply to indicate that the e-mix model proposed in the next chapter is one of the elements in an e-marketing plan. Before a company can define an e-mix, there are many steps to be taken. In addition, there are important steps related to managing and evaluating the performance of the e-mix that has been implemented afterwards. According to Strauss, El-Ansary & Raymond (2005, p. 60) a company should first create an **e-marketing plan** to successfully format and implement an **e-strategy.** We can view an e-marketing plan as a road map for a company focused on achieving its desired results as defined in the e-business strategy. Depending on the type of the company, an important question regarding e-strategy is whether the company should have a separate e-marketing plan defining its strategic approach to the Internet (for the organisation as a whole or for specific markets or brands). According to Mohammed et al. (2003, p. 96) Internet **Pure-plays** will first define their **business–unit strategy**, then their marketing strategy following traditional processes of segmentation, targeting and positioning. In the case of **bricks-&-mortars**, the company should first define the **scope of the business unit** as shown in Figure 2 (see page 10). For example a retailer that has both online and offline operations must first consider its overall business-unit strategy – mission, goals, competitive advantage and revenue model. Within this context the firm must then develop an integrated marketing plan, one that reflects both its online and offline efforts.

According to Porter (2001, p. 65) today's companies that want to stay competitive do not have a choice on whether to implement an Internet strategy or not, the only question is how to implement it. *"The winners will be those that view the Internet as a complement, not a cannibal of, traditional ways of competing."* Figure 2 shows the difference in strategy formulation between two types of companies.

Figure 2: Marketing-Strategy Formulation for Pure-Play vs. Brick-&-Mortar Firms
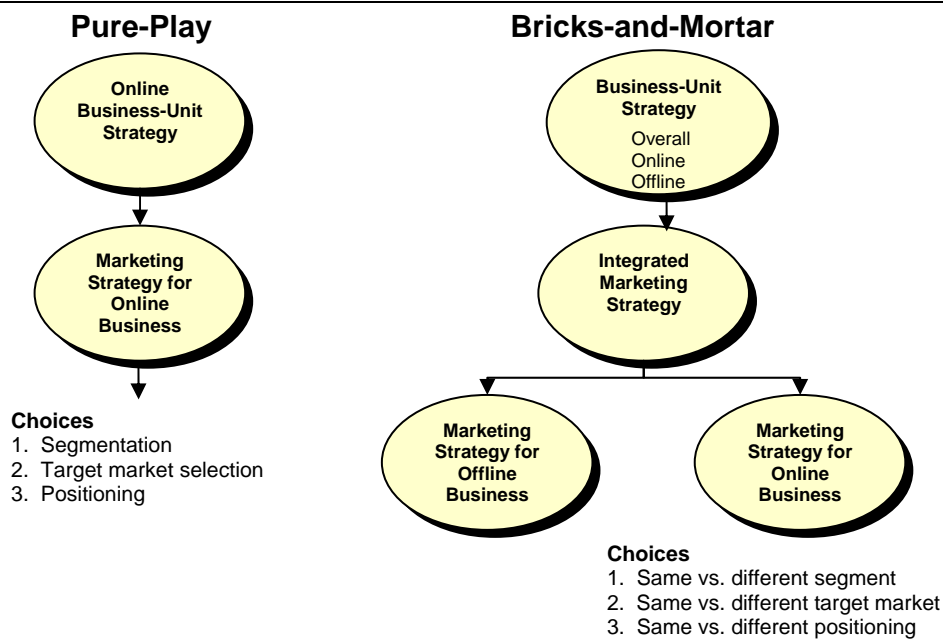
Source: Mohammed et al., 2003, p. 96.

3 THE 4P MARKETING MIX AND THE RE-MIX

This chapter reviews marketing history and the origins of the traditional 4P marketing mix and continues with a discussion of the strengths and weaknesses of the model. In addition, the chapter presents some of the proposed alternative models for e-marketing mix. Key questions in this chapter are: How useful is the traditional, well established, 4P marketing mix for e-marketing, what are its weaknesses and, what are the alternative models? In the debate among academics and professionals regarding the applicability of the traditional 4P marketing mix we can find those who feel that the traditional marketing mix is a good tool, which requires no modifications and can be applied to e-marketing; and others who think that the tool has many weaknesses and limitations and is therefore not applicable to e-marketing.

3.1 Traditional 4P Marketing Mix

The origins of the 4P Marketing Mix theory date back to the 1960's. An initial version of the marketing mix theory was introduced by Neil Borden (1964) who *identified twelve controllable marketing elements that, properly managed, would result in a "profitable business operation"*. J. McCarthy in 1964 reduced Borden's twelve factors to: **Product, Price, Place and Promotion** and this version of the marketing mix soon became the fundamental element of marketing theory and operational marketing management. Today marketing mix is a well accepted concept among marketers since most marketing students learn it as the fundamental basis of marketing. Another reason for its popularity is the mode's ease of use, which also allowed it to become a synonym for marketing. Marketing mix is a

combination of marketing tools that a company uses to achieve its marketing objectives in the target market. McCarthy classified these tools into four broad groups that he called the Four Ps of marketing: Product, Price, Place, and Promotion. Marketing-mix decisions must be made to influence trade channels as well as final consumers. Typically, the firm can change its price, its sales-force size, and its advertising expenditures in the short term. However, new product development and distribution channels modification require longer time periods. Thus, the firm typically makes fewer period-to-period marketing-mix changes in the short run than the number of marketing- mix decision variables might suggest. Hence, some writers are now emphasising a focus on marketing mix from the customers' perspective. The Four Ps – Product, Price, Place and Promotion is from the perspective of what the supplier does. To consider the marketing mix from the perspective of the customer one needs to consider **customer value, cost to customer, convenience and communication** (Constantinides, 2006, p. 408-411).

3.2 Critics of the 4P Marketing Mix

Despite the fact that the 4P mix enjoys its status as a major theoretical and practical parameter of traditional marketing theory, several academics have criticized it and proposed alternative models. The 4Ps framework has been criticised by researchers over the past four decades and different critics reflect the four most important landmarks in the evolution of marketing theory after the sixties: a period of broadening the marketing concept during the 70's, a period of emphasising the exchange transaction in the 80's, a period of developing the relationship and total quality marketing in the 90's and the period of emerging information and communication technologies of the 21st century. Constantinides reviewed some of the main authors that criticised the 4P concept as not being useful in certain marketing areas such as (Constantinides, 2006, p. 408-430):

(1) Consumer marketing – authors (Kotler, Ohame, Robins, Doyle) point out three main areas of criticism concerning consumer marketing in:

- The internal orientation of the mix and lack of customer orientation
- The lack of customer interactivity (the mix ignores the nature of evolving consumer demands and their higher needs for control over communication and transaction)
- The lack of strategic elements (elements can not serve as a planning tool in an environment where external and uncontrollable factors define the firm's strategic opportunities and threats)

(2) Relationship Marketing - represents a recent change in marketing theory, with its shift from acquisition marketing to retention marketing as the primary goal, with the rediscovered power of personalization, customer life-time value and loyalty concepts. The main arguments of authors (Lauterborm, Grönnroos, Goldsmith, Patterson/Ward) as to why 4P can not be used are:

- A product orientation rather than customer orientation
- A one-way orientation – no interactivity and no personalized communication
- An offensive, rather than a collaborative character of the 4P

(3) Service Marketing – was developed when services became a major generator of economic activity and an important source of corporate revenue. Services became a part of physical products, as an element of product dimension, differentiation and as a source of comparative advantage. Authors of service marketing offer the following criticism of the 4P mix:

- Booms & Bittner added three new P elements: **physical evidence, people** and **process**.
- Ruston & Carson define the unique characteristics of the services – **intangibility, inseparability, perishability and variability** which are controllable factors and, therefore using the 4P mix can not be applied.
- Fryar documented that important elements of services marketing are **segmentation and differentiation** as the basis for successful positioning of services, a personal relationship with the customer and the quality of the service.

Consumer, Relationship and Service Marketing all have one common element, that being that all of them emphasise a focus on the customer.

3.3 Overview of Alternative Mix Versions Used in e-Marketing Literature

This section is a summary of 4P mix model variations that have been suggested for e-Marketing. Variations proposed for use in e-marketing are usually referred to as an e-mix. As I studied different proposed models I looked for new approaches and for the practical value of the model. In the process I tested most of the model variations, to see if they could serve as a base for my version of the e-mix. No radical models were found that would truly replace the 4P's. Hence, my general conclusion is that some authors simply added some strategic approach and management tools, but did not change the core of the 4P model. Some examples include:

- ➢ **Strauss, El-Ansary & Raymond** (2005) present the e-mix as: Product, Price, Distribution - "old" Place from the 4P mix, and Communication "old" Promotion element
- ➢ **Chaffey at al.** (2006) take the theoretical e-mix concept from the **7P model** developed by Booms&Bittner and extend the standard 4Ps to include **People, Process** and **Physical evidence**.
- ➢ **Mohammed et al.** (2003) describe an e-marketing mix that consists of the 4Ps and adds two new elements - community and branding. Branding is visually represented as a cloud over all five elements which gives it a linking function.
- ➢ **McDonald & Wilson** (1999) developed an e-marketing mix model based on **6I: Interactivity, Intelligence, Individualization, Integration, Industry restructuring and Independence of location** (in Chaffey et al., 2006, p. 21). The 6I model by McDonald and Wilson does seem different and no longer has any trace of the 4Ps, however applying it as a base for an Internet Pure-play e-mix proposal presents problems, in particular, the difficulty of the elements representing departments of an e-marketing team.

Comparing the above mentioned models did not reveal any revolutionary approach to the established concepts that could be used for my remix and therefore I continued my research to find more suitable alternative proposals. I continued to research papers in publications for practitioners and in academic papers. One model with quite an innovative approach to the e-marketing mix is the 4S (Scope, Site, Synergy, System) Web mix from Constantinides, which is more revolutionary then evolutionary. Another model with practical value is the $4P + P^2 C^2 S^2$ e-mix model by Kalyanam and McIntyre which has more of an evolutionary character since it keeps the traditional 4P elements and extends the model with six further elements (see Appendix 2). Since these two models influenced the way I constructed my version of the e-mix I will briefly present both of them.

3.3.1   4S Web Marketing Mix (Constantinides, 2002)

Constantinides believes that the traditional 4P marketing mix construct is incompatible with e-commerce. His main points are: **(1)** the 4P model does not explicitly include any interactive elements while interactivity is the basis of the Internet marketing. **(2)** The 4P model divides the elements in to four independent management processes. Despite efforts of traditional companies to integrate the four elements, implementation of the "P" policies remains divided between various departments and persons within the organization. Also the customer usually experiences the individual effects of each of the 4Ps on different occasions, times and places. In the virtual marketplace the four elements of the mix are not detached from each other, but are connected and; usually at the same location and time, influence the online customer experience at the Company–Customer interface, the Web site. **(3)** In traditional marketing the 4Ps are the controllable factors likely to influence traditional consumer's buying decisions while it is the online customer experience that is the controllable factor most likely to influence the buying behaviour of the online customer. The 4S model (Web-Marketing Model, WMM) describes Web marketing strategy with four elements beginning with "S" including scope, site, synergy and system. The goal of this model is to design and develop marketing mix for Business-to-Customer (B2C) online projects by controlling the four "S" elements. The tool is designed primarily for conventional, physical corporations planning to establish an Internet presence. The model can be also useful to Pure-plays or existing online organisations in re-evaluating their e-presence, provided that such organisations already have a virtual presentation. The model approaches the marketing planning process in an integral manner, on four different levels: strategic, operational, organisational and technical:

- **Scope:** Strategy and Objectives include elements of market analysis, potential customers (profiles, motivation, behaviour, needs and current way of fulfilling them, priorities), internal analysis (internal resources, processes, values, strategic role of the Web activities) and generic types (informational, educational, relational, promotional, transactional)
- **Site:** Web Experience with customer oriented content first requiring consideration of questions such as: What does the customer expect in the site? (Domain name, content, design, layout, atmosphere, aesthetics and web site positioning); Why the customer will

use the site? (Simplicity, functionality, speed, find-ability, search-ability, navigation, interactivity and customisation); and, What motivates customers to come back?

- **Synergy:** Integration includes the processes of front office integration (integration of physical and online communication); Marketing strategy and marketing activities; Back office integration (integration of the Web site with organisational processes, legacy systems and databases; third party integration (networks of partners who will assist the commercial, logistic and other site activities).

- **System:** Technology, technical requirements and Web site administration is the last element that includes decisions about software, hardware, communication protocols, content management, system service, site administration, hosting decisions, payment systems, and performance analysis.

Constantinides demonstrated successful implementation of the model into practice on more then one occasion. The model presents considerable practical value and is good for planning and creating e-strategy for the first time or for restructuring, but it does not appear suitable as a base from which an e-marketing department could be organized and managed.

3.3.2   4P + P2 C2 S2   e-Mix Model (Kalyanam and McIntyre, 2002)

Kalyanam and McIntyre reached similar conclusions as Constantinides when studying and reviewing e-marketing literature. They noticed that *"the lack of a common vocabulary, a categorization of techniques, and an integrating framework creates fundamental problems for practitioners and academics, much as the case before McCarthy (1960) introduced the 4Ps standardization of the marketing mix as a core unifying construct"*. The $4P + P^2 + C^2 + S^2$ model keeps the original 4Ps and adds **Personalization and Privacy** (2P) **Customer Service and Community** (2C's), **Security and Site Design** (2S's) to characterize the e-marketing mix. Further concepts were added to the model, not as macro elements; but as connecting elements visually represented around the model. The first group includes Personalization, Privacy and Security. The last is relational database management which they find should be treated as a part of the whole framework, not positioned as a macro element but viewed as a pervasive factor. The e–marketing mix, as shown in Figure 4, provides a view of all the model elements. Defining the macro elements is the first step in structuring the model. In the second stage, the authors compiled a list of all sub-elements and then categorized them under the proper macro level. The categorization was based on two rules: (1) **categorize elements based on function not on form;** (2) **categorize elements based on the typical organizational owner -** the elements are catalogued under the phase, where ownership of the function is assigned. The process of categorization resulted in the e-mix model as shown in the Figure 3 (see page 15).

The reason I choose to present this model is because of its organizational structure; which, by cataloguing the elements into macro- and micro- levels provides a good starting point for planning marketing activities. It can also provide a marketing manger with a structured overview of the mix, its functions and its owners. The part that influenced me most was the cataloguing of the elements based on the two rules. However, this model lacks a customer

centric approach, which was an important component that I wanted to include in to my version of the e-mix.

Figure 3: 4P+P^2 C^2 S^2 E-marketing mix by Kalyanam and McIntyre
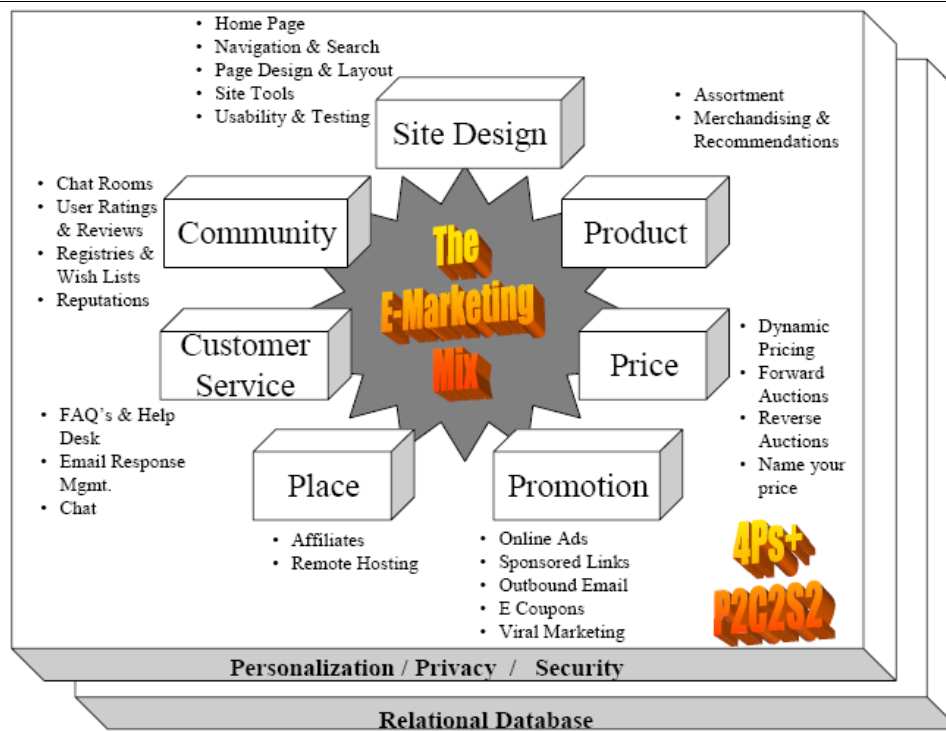
Source: Kalyanam, McIntyre, 2002, p. 39.

This chapter briefly presented the origins and a number of analyses of the traditional 4P marketing model and gives an overview of several alternative theoretical constructs for the e-mix. Both the analyses and the alternative proposals have influenced the development of my model proposal which will be presented in the following chapter.

4   (R)e-MIX: e-MARKETING MIX FOR INTERNET PURE-PLAY BUSINESS

The prior chapter joins together the knowledge gained in my research and combines it with my experience working for an Internet Pure-play in answering the question: "What would be a practical e-marketing mix for a company close to an Internet Pure-play strategy?" I started the research with the basics of traditional marketing, the 4P construct, and afterwards made a list of several new e-marketing instruments and techniques that have been developed for Internet marketing. The next step catalogued the new instruments under the elements of the traditional 4P mix (product, placement, price and promotion). I concluded that it will be very difficult to use 4Ps as the foundation of my e-mix. For example, I struggled with the question of where to place the web site – is it a part of the product or a part of promotion? Research continued with the two alternative models presented in the previous chapter and I tried to construct a model based on them. I was not fully satisfied with any of the resulting model

versions. Each had something missing and; after cataloguing the elements did not provide a satisfactory result. A critical weakness of existing e-mixes was their inability to include the customer value management (CVM) concept as a feature of the e-mix. In short, customer value management is *"managing each customer relationship with the goal of achieving maximum lifetime profit from the entire customer base"* (Pease, 2001, p. 1). Taking CVM as a primary goal, the most important company metric is Customer Lifetime Value - CLV. CLV (also referred to as lifetime customer value - LCV, or lifetime value LTV) *"is in basis, the discounted future income stream based on acquisition, retention and expansion (margin) projections and their associated costs"* (Gupta, Lehmann & Stuart, 2003, p. 2). To calculate the CLV, a company must know the customer-relationship life cycle stages. Customer-relationship life cycle (CLC) is used in CRM to describe the phases a customer goes through with the company. Three typical life-cycle phases are: new customer acquisition, building customer relations and a win-back stage (Georgi, 2005, p. 232).

Calculating Customer Lifetime Value (CLV): The failure to use more sophisticated metrics to define a corporate valuation was also mentioned as one of the mistakes leading to failures of dot-coms. CLV is one approach that can synthesise the customer value concept and the shareholder value concept into a corporate valuation framework. This concept views customers as an investment and it defines what the customers financial value to the company, in contrast to the traditional demand oriented view of what value a company's product or service can provide. According to Bauer, Hammerschmidt & Braehler (2003, p. 49-52) the main value components for CLV calculation are:

- Retention rate
- Revenue (from autonomous sales, from up-selling, cross selling and from referrals)
- Costs (acquisition costs, marketing costs, sales cost)

The calculation of the CLV is based on *disaggregated cash flows on the level of individual customer* (Bauer, Hammerschmidt & Braehle, 2003, p. 61). A similar approach to calculating CLV was developed by Gupta, Lehman and Stuart (2003). In their research paper *"Valuing Customers"* they show that the concept of CLV is not only an important tool for tactical decisions, but can also provide a useful metric to asses the overall value of a firm. The basic idea of the model is that customers are important intangible assets for a company and; like any other assets, should be measured and managed. Their analysis shows that customer value provides a good estimate for overall company value. In their research they examined five online companies (Amazon, Ameritrade, Capital One, E-Bay and E*Trade). The main conclusions of their research was that CLV explains how changes in acquisition cost, margins, discount rate and retention rates impact the customer value of a firm and that the most important component, which has a the highest impact on firm value, is customer retention.

This research implies that managing the components of CLV is essential for a company that wants to become customer-value focused. Considering customer acquisition as an investment

and existing customers as an asset influenced the way I constructed my version of the e-mix. The main goals that I wanted to achieve with my e-mix proposal are: **(1)** To create a practical model that can be used for planning, managing, structuring or restructuring the e-marketing mix for the Pure-play strategy, **(2)** to include elements for customer value management and the basics of Customer Relationship Management (CRM) as the fundamentals basis of the model structure, and **(3),** to consider the input of authors who argue the 4P marketing mix model is not applicable for e-marketing.

4.1 Model structure overview

As mentioned above, the final decision how to define the fundamental elements of my model was based on the concept of **customer life cycle**. Marketing analysts Jim Sterne and Matt Cutler developed the model shown in Figure 4 that breaks the customer life cycle into four steps: reach, acquisition, conversion and retention (Stern, Cutler, 2002, p. 26).

Figure 4: Customer Life Cycle from Introduction to Loyalty
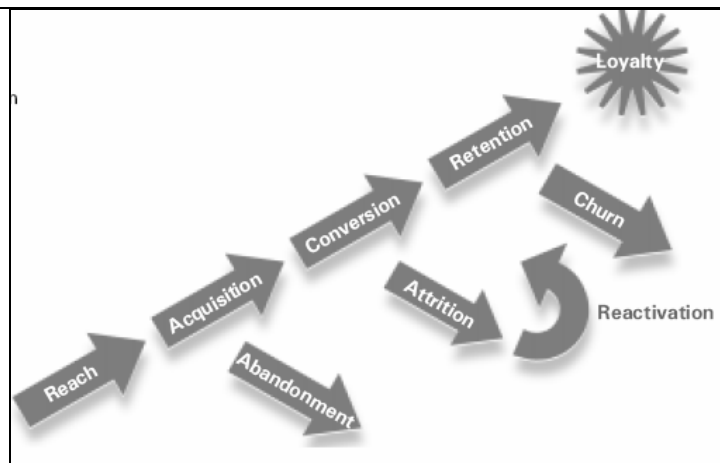
Source: Stern, Cutler, 2002, p. 26.

These stages of the customer life cycle make a good foundation for my version of the e-mix. Every organization has its own unique product or service offering and, therefore, the definition of each phase in the customer life cycle can be different for each organization. For example, when is a customer considered as converted? Is conversion when the first visit results in a sale or a free trial or a sign up for a newsletter? Considering the model from Stern and Cutler and the marketing components of the customer lifetime value calculations I decided to slightly modify the Stern and Cutler model into the following six phases: **Selection, Acquisition, Conversion, Retention, Development and Service.** These can be in general the six stages that a customer goes through in a company marketing relationship. Each phase represents one fundamental element of the e-marketing mix and, consequently, one department of an e-marketing team. To catalogue the elements under each phase, I first attempted to answer two main questions for each phase:

- *What is the objective, focus point of the phase?*

- *What are the main activities in each phase?*

In cataloguing elements under each phase, the word "element" sometimes wasn't the best descriptive term, since some of these "elements" are more correctly concepts or tools. Nevertheless, the model indicates the purpose of each one.

The first phase is **(1) selection,** where marketers select who they want to target and how they want to segment their market. It also includes decisions about where they will reach the targeted audience, how frequently and the level of impact. The second stage is **(2) acquisition** including all efforts that the company implements to attract and bring new visitors to the Web site. This includes the decision of selecting an optimal internet advertising media mix within given budget restrictions (% of search engine marketing, % of interactive advertising etc.). It also includes efforts to minimize acquisition cost and also, defining the message and offer for each media. Results from each campaign should be tracked and evaluated with the Web analysis tools and compared to performance objectives. The next stage is **(3) conversion**. In the proposed model conversion represents all activities that influence changing or converting new visitors into new customers. After new prospects visit the Web site they gain a first impression of the ***online experience.*** Important elements of the online experience are Web site, product offering and online brand. The next step within conversion is ***measuring conversion rates*** for example, with clickstream data from Web analytic tools. The last activity within conversion is ***improving conversion rates.*** The fourth stage is **(4) retention**. In general, retention includes all efforts of a company to keep its existing customers to create a ***loyal customer base***. In this stage marketing managers should understand the needs of their customers and factors of loyalty. A key tool is to add some "sticky elements" to the online experience to motivate customers to return to the Web site and increase their switching costs. After retention the next important stage is **(5) development,** also known as customer extension or growth. In this stage marketing managers have to first identify their best and worst customers and then use sales techniques to increase their customer profit margin. This includes using sales promotion tools such as ***re-selling, cross-selling, up-selling, win-back promotions, and referrals*** as well as creating offers with short- and long-term selling tools. The last phase in the model is **(6) service** which is an overlapping stage since the need for assistance, to file a complaint or simply communicate can be required throughout the entire customer cycle. In a traditional marketing mix this element is a part of "product" and plays more of a supporting role. My initial approach was to position service under retention, but I concluded that customer service in online marketing requires an equally important independent position, since, in the online market, high-quality customer service contributes to customer satisfaction and loyalty and can create a positive brand image. In cataloguing the instruments of e-marketing, in some cases it was difficult to decide which stage was appropriate for positioning some elements, due to the overlapping effect they have on a number of stages. In the proposed model, the fundamental six phases are not just important from the e-marketing mix perspective, but also from the organizational aspect, since each element can represents a place of ownership and an e-marketing department. While

cataloguing the elements I followed the guidelines: **(1)** to place the sub-elements where they best fit according the function they serve, **(2)** to add and divide the elements under the typical organizational owner, and **(3)** to help determine components needed for CLV calculation. I catalogued elements based on the above guidelines with Figure 5 showing the resulting structure of the model with its main fundamental stages, objectives and e-marketing elements at the sub level.

Figure 5: Structure of the **e-Marketing mix for Internet Pure-play Business**
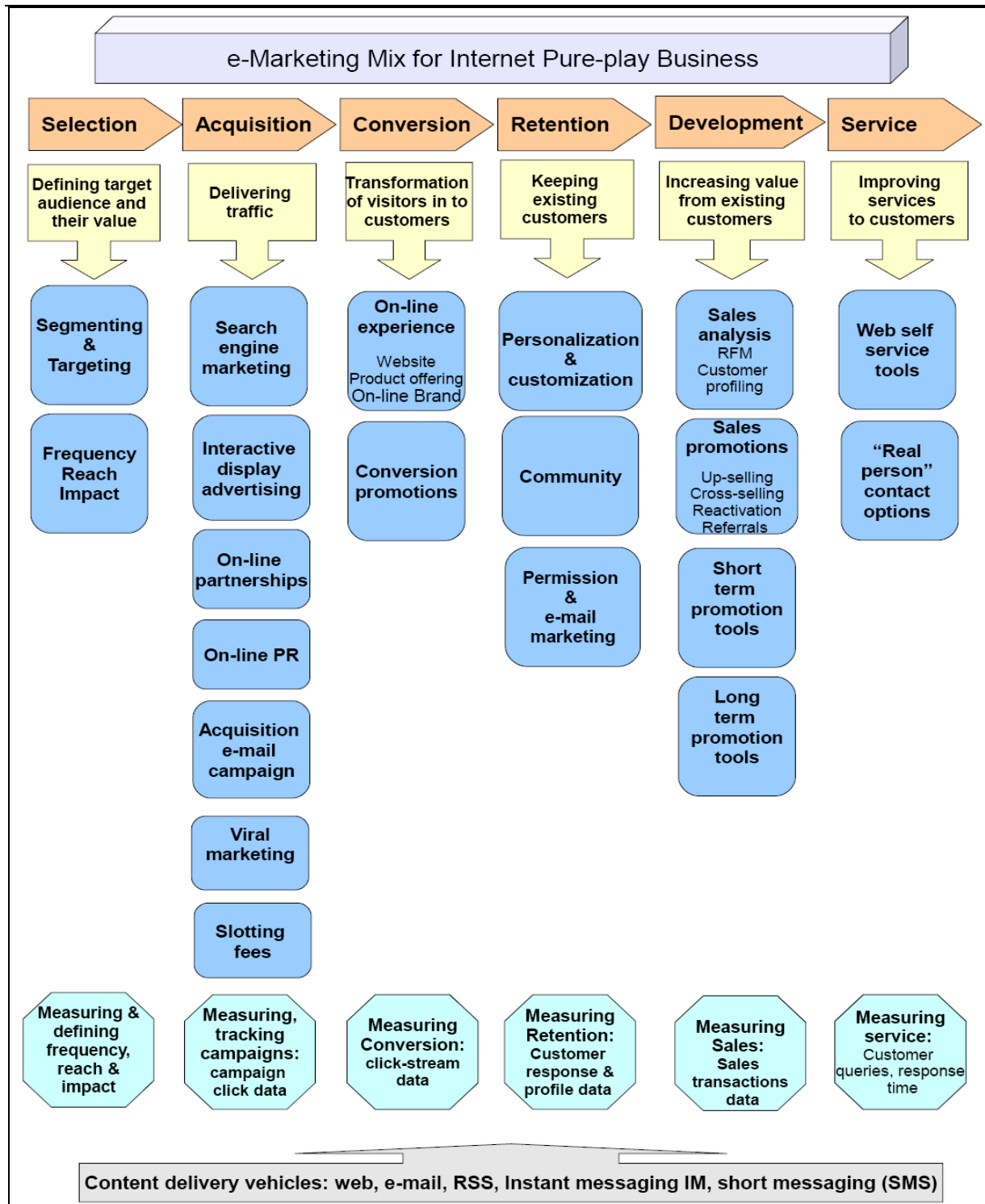
Source: Own design

4.2 Elements of the e-Marketing Mix for Internet Pure-play Business

Figure 5 (see page 19) presents the outline of my proposed *e-Marketing Mix for Internet Pure-play Business* model*.* In the next section I will describe each phase and the catalogued instruments of e-marketing. My goal was to include and categorize all elements encountered during my literature research. Each element is defined and its main role is explained.

4.2.1   Selection

Selection is the first phase of the customer cycle and the first step for marketers is to identify **types of potential customers** that the company wants to reach. It further includes the decision about targeting strategies and selection of media frequency, reach and impact.

4.2.1.1 Segmentation and targeting

Marketers can base their segmentation of consumer markets on **demographics** (age, sex, and ethnic groups)**, geographic location** (country, city, language), **psychographics** (personality, values, lifestyle, interests) and **behaviour** which is split in to two parts; **(1) benefit segmentation -** why people use internet (entertainment, information, news, socialization) and **(2) usage segments** – how people use internet (from work, from home, access speed or the access platform). Within each segment there are many variables, which can be combined between various segments. After marketers define the best segments to target, they have to select their targeting strategy. Options can include (Strauss, El-Ansary & Raymond, 2005, 194-213):

- **Mass marketing,** when the company targets the entire market with one marketing mix
- **Multi-segment marketing**, when the company selects two or more segments and designs marketing mix strategies specifically for each
- **Niche marketing**, when company selects one segment and develops one or more marketing mixes to target just this one segment
- **Micro-marketing** (individualised), when a company tailors a part of the marketing mix to a small number of people or even to the individual level.

4.2.1.2 Frequency, Reach, Impact

The next questions to be answered in the selection phase are: where to reach potential customers, with what frequency and what level of impact. Media selection involves finding the most cost-effective online advertising instruments to deliver the desired number of exposures to the target audience. The advertiser is seeking a certain response from the target audience. The effect of exposures on audience awareness depends on the exposures' reach, frequency, and impact (Kotler, 2001, p. 285). **Reach:** is the number of different persons that are exposed to a particular media schedule at least once during a specified time period. In online marketing, a different way to calculate reach is as a percentage of the total potential market. For instance if an online marketer's goal is to bring the advertising message to the attention of five million buyers, and they decide to place an advertisement on a Web portal that has a community of one million potential buyers, this means the reach on this portal is

20%. Another aspect defining reach is the total site reach. To continue the same example, if the portal has one million potential buyers and in one month the advertisement was displayed to one hundred thousand users, the total reach for this specific portal was 10% (Stern, Cutler, 2000, p. 30-1). **Frequency:** is simply the number of times within the specified time period that an average person is exposed to the message. **Impact:** is the qualitative value of an exposure through a given medium. Although audience awareness will be greater with higher reach, frequency, and impact, there are important trade-offs among these elements. It is the marketing manager's job to decide, with a given budget, the most cost-effective combination of reach, frequency, and impact. As noted by Stern and Cutler, some companies do not measure reach until the potential buyer has clicked on the advertisement. They do not consider the prospect as "reached" until the message has been delivered, read, and acted on. Others call this step acquisition (Stern, Clutter, p. 28). In my proposed model "reach" along with "frequency" and "impact" are the part of the selection element. Creating the marketing message and specific offer can be defined for each specific media type.

4.2.2 Acquisition

"Customer acquisition is a set of strategies and techniques used to gain new customers" (Chaffey et al., 2006, p. 518). In the terms of traditional marketing acquisition would fall under "promotion", most often within advertising. In the e-mix model, this element's first purpose is to build Web site traffic, since generating traffic is the first step to achieve e-marketing objectives. According to Smith and Chaffey (2005, p. 213-215) the key aspects of traffic building are targets that include **quantity, quality and cost** of traffic. Success of the Web site is often measured in **quantity** such as number of visitors, but it is the **quality** of the traffic that indicates the success of a campaign. *"Quality can be assessed by two questions about the visitors: (1) Are they within the target audience? And, (2) Do they respond to the communication objectives"*. **Cost** can be considered in terms of the cost of getting the visitor to the site, and the cost of achieving the desired outcome during their visit. The following six subsections will describe some types of Internet media for advertising.

4.2.2.1 Search Engine Marketing (SEM)[2]
Search engines[3] have become one of the most useful Internet applications and are the primarily method of finding information abut the company and its products or services. This is why the importance of search engine marketing is rapidly increasing. This process has also shifted power to the consumers. Now it is the customer who is actively searching for companies who can offer the needed product or service. It also becomes crucial for every company to appear in search engine result lists. Being registered to the search engine is the first step; however, achieving higher page rank in the search engine result pages is what can bring more visitors to the site. The two main search engine marketing techniques are:
- **Search engine optimisation** (SEO): search engine registration (submission) and on-site and off-site optimization

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[2] Section summary after Chaffey at al., 2006, p. 373-383 and Rolih, 2006, 1-34
[3] Examples of search engines: Google, Yahoo, Ask, MSN, AOL, Najdi.si,

- **Search engine advertising** : Pay-per-click (PPC, also paid placement), Trusted feed

Search engine optimisation (SEO) involves achieving the highest position or ranking in the natural or organic listings on the search engine results pages (SERP) after a specific combination of keywords has been typed in. The position or ranking is dependent on an algorithm used by each search engine to match relevant site page content with the key phrase entered. The display of these listings is free; however, to achieve a higher rank a company should work to perform a site-specific keyword optimization.

Search engine advertising has become popular since every company would like to have the highest position possible for their Web site in the organic search results; however, only a limited number of sites reach the "first page" results. This leads competitors to use search engine advertising to increase the traffic to their websites. The most popular forms of search engine advertising are Pay per click (PPC) and Paid Inclusion and Content promotion. **Pay per Click (PPC)** is a form of advertising in which the company pays for a text advertisement to be displayed in the search engine results site while searching for specific key-phrase. All search engine companies separate this display advertisement from the natural listings (for example, Google calls this section sponsored links, and locates it on the right side of the page and above the natural listings). In the PPC model the marketer pays for each time the hypertext link in the advertisement is used by the customer. There is no fee for displaying the advertisement if it is not used. The biggest search engines use dynamic pricing and a bidding strategy to maximise their revenue. A company's position in the sponsored links results depends on a bidding strategy, which means that whoever is willing to pay the highest bid will have the top position. Today, PPC search engine marketing is a very popular and important area of online advertising. The three biggest companies offering online Pay-per-Click advertising are Google AdWords, Yahoo! Search Marketing, and Microsoft AdCenter. There are also a number of smaller players offering the service; however, they typically only serve regional or national markets. PPC search marketing is also known as Paid Performance search marketing, Paid for Placement, Paid listings and Sponsored links advertising. **Paid inclusion** is an option allowing marketers to pay search engines to include their Web site in their index. This option is useful for new Web sites that want to be indexed in a specific search engine in a few days. In this way they don't have to wait for the weeks it typically takes to be indexed automatically. However, this option does not have any impact on the Web site's position in the natural results. **Trusted feed (content promotion)** is an automated method of placing content into a search engine index in a fixed format. It is most commonly used for e-retailers that have hundreds or thousands of pages in a catalogue.

4.2.2.2 Interactive website advertising
The first type of interactive website advertising used was **banner advertising**. However, because of the dramatic decrease in click-through rates from 25% in first banner advertisement placements in 1995 to an average click-through rate of 0.2 – 0.3% in 2003, a wide range of new formats were created. One of the reasons for the click-through rate decline has been defined as *"banner blindness"*. Benway and Lane (1998) introduced the term

"banner blindness" as a result of Web site usability tests which showed that the majority of Internet users ignore information that is presented in banners. New formats in interactive Web advertising had better results and led to increased brand awareness and purchase intent. Some innovative forms include rectangles, pop-ups, buttons and skyscrapers. Interactive advertisement effectiveness can be evaluated on the following terms:

- **Page impression** (ad impression, page view) occurs when a visitor views a page
- **Reach** is the number of unique individuals who view the page
- **CPM** (cost per 1000 impressions) is the cost of an ad being viewed by thousand people
- **CPC** (cost per click) and **CPA** (cost per action)
- **Effective frequency** is the number of impressions needed for an advertisement to be effective for the visitor. The Internet tends to have lower effective frequency than traditional media due to its higher intensity
- **Click-through** occurs when a visitor clicks on an advertisement and is directed to further information on a destination Web site.
- **Click-through rate (CTR)** is expressed as a percentage of total ad impressions and refers to the proportion of users viewing an advertisement who click on it. CTR is calculated as the number of click-throughs divided by the number of ad impressions.

Interactive ad targeting options include placing ads on a particular part of a site, targeting user profile, targeting a particular time or a specific holiday and targeting user's behaviour with in the Web site. **Interactive ad formats** today have many different formats and sizes. The classic banners have been transformed into larger, richer formats that are easier to notice. Analyses show that message association and brand awareness is much higher for flash based ads, rich media ads, larger format rectangles and skyscrapers. Two other popular Web advertisement formats are **interstitials** (ads that appear between one page and next) and **overlays** (animated advertisements that move around the page and is superimposed on the Web site content). Advertisers face a constant battle with users who deploy pop- up blockers and ad-blocking software; but they appear most successful by using rich media formats where they generate largest response. The International Advertising Bureau (IAB) has proposed standard dimensions for **"ad unit guidelines"**. IAB's format guidelines a*re intended for marketers, agencies and media companies for use in the creating, planning, buying and selling of interactive marketing and advertising.* The industry has not introduced standards as they exists in traditional media; however, the IAB suggests: seven forms of differently sized rectangles and pop-ups, seven forms of banners and buttons and three forms of skyscrapers as proposed industry standards. In addition, the IAB has defined "**rich media standards**" which include recommendations about format size, file size, audio animation, animation length, controls and labelling for two main types of advertisements - **in page units** and **over the page units** - expandable, over the page pop up, over the page floating unit and between the page units (IAB, 2007). **Effective web advertising** requires techniques that should include appropriate incentives for click-through, have a creative design that has been tested on the targeted audience and consider placement and timing of advertisements.

4.2.2.3 Online PR

Online Public Relations (PR), or e-PR, leverages the network effects of the Internet. Citations of a company brand or site on other Web sites are powerful tools in shaping opinions and driving visitors to the company site. The main element of online PR is maximizing favourable mentions of an organization, its brands, products or websites on third-party web sites which are likely to be visited by target audience. Minimising unfavourable mentions through **online reputation management** is also an aspect of online PR. The difference between online PR and offline PR is that online PR involves activities geared towards influencing media, communities and audiences that exist solely on the Internet by using online channels. Such efforts can include or target search engines, blogs, news search, forums, discussion threads, social networks and other online communication tools. Brand reputation monitoring and management is also a focus area for online PR. An additional difference is that **the audience is connected to the organization**, that is, there is a two way communication between the organisation and the audience. Also, the **members of the audience are connected to each other** through various internet channels and can debate and discuss abut company's activities. The **audience also has access to other information** which is quickly and easily accessible. Pull information makes it harder for PR practitioners to make their message stand out. Online PR activities include following (Chaffey at al., 2006, p. 384-387):

- **Online media communication** is communicating with media using the Internet as a new conduit to disseminate press releases through Internet channels such as e-mail and on-site press releases.

- **Blogs, RSS, Podcasts** provide additional channels for information dissemination.

- **Online reputation management** is a part of online PR and it involves establishing monitoring services and resources to deal with negative PR. Nimetz (2007) says that a damaged or negative online reputation can cost a company millions of dollars in revenue. Today, with the increasing popularity of blogs and social networks, news travel fast and reaches huge audiences. It is possible that the general public becomes aware of information about an organization before the organization itself does. This makes ongoing online reputation management a necessity.

- **Online communities and social networks**: Companies can post to forums to promote their services, but the posts should contribute value to the community.

- **Online Events** *are designed to generate user interest and draw traffic. Companies can hold seminars, workshops or discussions online*.

4.2.2.4 Acquisition e-mail marketing

E-mail marketing can is generally divided into outbound and inbound e-mail marketing. Outbound e-mail marketing is considered to be all e-mails sent to customers and prospects of an organization. Inbound e-mails are those sent from customers to organizations, such as support inquiries. E-mail marketing for acquisition is a form of outbound e-mail marketing used to drive traffic to the website. The three main options marketers can use include (Chaffey et al., 2006, p. 389):

- **Cold e-mail campaign** through renting e-mail lists from e-mail address brokers

- **Co-branded email** renting e-mail list by partnering with companies that have an established relationship with their customer already, and
- **Third-party e-newsletters** which is an option were a company publicises itself in a third-party e-newsletter. This could be in the form of an advertisement, sponsorship or PR editorial.

4.2.2.5 Viral Marketing

Viral marketing is, according to Strauss, El-Ansary & Raymond (2005, p. 343) a bad name for a great technique. When individuals forward e-mails to their contacts, they are using what is now known as the word-of-mouse. This is a well-known example of viral marketing, and is the online equivalent of word of mouth. Chaffey and Smith say that, ideally, viral marketing is a clever idea, a game, a shocking idea or a highly informative idea which makes for compulsive viewing. It can be a video clip, a TV ad, a cartoon, a funny picture, a poem, a song, a political message or a news item. It's content is so unique that it makes people want to forward it to others (Chaffey & Smith, 2005, p. 243). It is claimed that a satisfied customer tells an average of three people about a product or service they like, and eleven people about a product or service which they did not like. Viral marketing is based on this natural human behaviour. The goal of marketers interested in creating successful viral marketing programs is to identify individuals with high **Social Networking Potential** and create viral messages that appeal to this segment of the population and have a high probability of being forwarded (Wikipedia, 2007). An important factor for marketers to consider is that women are much more likely to provide referrals and forward messages than men. As an example, *Trends* (by Tom Peters) indicates that over the lifetime of a customer, women provide on average twice as many referrals as men. However, the differences do vary from industry-to-industry. In the insurance industry, over the customer lifecycle, a man provides 13 referrals, a woman 28. In the financial advising industry, studies cite 21 referrals from woman and only 2.6 from men (Peters, Barletta, 2005).

4.2.2.6 Online Partnerships

Partnerships are an important part of online marketing and they include affiliate marketing and online sponsorships. **Affiliate marketing** *is a method of promoting Web businesses in which an affiliate (publisher – web site owner) is rewarded for every visitor, subscriber, customer, and/or sale provided through his/her efforts* (Wikipedia, 2007) In the early years of commercial use of the Internet, the message was spread through mutual link exchanges. Affiliate marketing applies this concept and expands it to site owners having a benefit from link exchange and given incentives to promote the other website through commissions. (iPOWER, 2007). One of the first affiliate marketing programs that became widely known was developed by Amazon in 1996. Amazon's affiliate program is a successful network of affiliates that receive commissions for delivering visitors to Amazon (Chaffey et al., 2006, p. 387). According to SiteCash (SiteCash 2007) there are three main **types of affiliate programs and commission structures** that include flat fee or commission-based, pay per

sale and pay per lead. Another classification is made by the depth of the program in which the program can be single tier, two tier and multi-tier (rewarding those who bring in new affiliates). Another type of affiliate marketing pays the affiliate each time the customer he has referred purchases something from the merchant's site and is called **Residual Income Affiliate Marketing** (typical in the online gaming industry). Each type of program has its advantages and disadvantages, and each is relevant to different sites and situations. **Commission-based programs** are by far the most common type of affiliate program.

4.2.2.7 Online sponsorships
Traditional sponsorship is a branding tool and its purpose is to increase brand awareness, favourability and purchase intent. Paying for association with famous personalities, sporting events, and charity support is considered sponsorship. All of these traditional sponsorship activities can also occur online. In addition, the online environment gives many more, often less expensive sponsorship arrangements. Some forms of online sponsorship include**:** e-newsletter sponsorship, website sponsorship and fully integrated sponsorship (combines e-newsletter and website sponsorship). In comparing differences in perceptions of the online audience to banner ads and sponsorships, marketers have noticed that online sponsorships are more effective than banners since respondents consider sponsorships more trustworthy, credible and less obtrusive (Chaffey et al., 2006, p. 390).

4.2.2.8 Slotting Fees
A Slotting fee is a fee charged to advertisers by media companies to obtain premium positioning on their site, category exclusivity or some other special treatment. It is similar to slotting allowances charged by retailers (IAB, 2007). Parallels to slotting fees in the offline world might include premium fees for the back cover in traditional print advertising practices, or slotting fees charged by retailers for prime shelf positions.

This section of the Thesis covers a collection of the Internet media options that a company can use for acquiring new customers. In the traditional marketing mix this falls under the element "Promotion", namely advertising and marketing communications. My purpose was to include all elements that can drive traffic to the website under this second fundamental stage - Acquisition. In the model structure overview I also indicate that an important step in this section is establishing **tracking campaigns** with operational web analytic tools to analyse campaign data and to evaluate the success of campaigns. Some important metrics in this stage were mentioned in section 4.2.2.2.

4.2.3   Conversion
According to Cutler and Stern, many companies look at conversion as the point at which a sale has been made and the prospect has been converted into a customer. However, in the online world, conversion has many different meanings, depending on the goals of the particular site. An individual may be defined as converted at initial registration after setting up a personal profile or after participating in a chat forum or online discussion (Cutler, Stern,

2000, p. 34). Cutler, Stern's definition aligns an explanation from S. Jackson who states that "*Conversion is persuading your site visitor to do what you want them to do.*" By this he is referring to their "*full conversion*" as a defined goal for each website. Jackson also mentions the importance of "*micro conversions*" – where the word "micro" is used simply because these are small steps on the way toward full conversion. Micro conversions can be considered as the variables that impact the full conversion rate (Jackson, S.). The place where the conversion occurs is the Web site. It represents a point where visitors become familiar with the product offering and gain an impression of the online brand. These elements together can be joined into the customer **online experience.**

4.2.3.1 Online Experience
Constantinides concludes that it is the customer online experience that is the controllable instrument for e-marketers and not the 4Ps of traditional marketing. The traditional, offline consumer perceives the elements of 4P at different times and locations while the online customer experiences it all in one place and, most likely, at the same time (Constantinides, 2002). Along with his findings, I included Web site, product offering and online brand as the as the main elements of the online experience.

4.2.3.2 Web site
Building a Web site is usually the first step in the concept of an e-marketing strategy. The general guideline on building Web sites is that they should be attractive enough to bring customers to the site, to make them spend time on the Web site and to keep them coming back on regular bases (Kotler, 2007, p. 204). To fulfil this purpose, a company first needs a **unique online value proposition.** The online value proposition should include some of the unique advantages of being online (for example immediacy, interactivity, convenience, or ease of use). The online value proposition must reinforce **core brand values** and clearly communicate what a customer can obtain from the company that they can not obtain elsewhere. After a company has a clear online value proposition and brand image the next step is to create a Web site that reflects brand values. *Traditional retailers have long known that the look and layout of a store is crucial for maximizing sales potential. In an analogous way, one of the crucial elements of the e-marketing mix is the Web site* (Kalyanam, McIntyre, 2002, p. 14). Web site is the company–customer interface, the prime source of the customer experience and; therefore, the most important communication element. The Web site is the online product display, promotional material, price catalogue, sales and distribution point. The prime task of the Web site is to attract traffic, establish contact with the online target market and brand the online organisation. It is obvious that the Web site is expected to fulfil a variety of roles to provide a satisfactory online experience. This is a complex process that does not only depend on the technological abilities to deliver; but instead on good knowledge of the potential customer's expectations, motives, needs and behaviour (Constantinides, 2002, p. 11). Figure 6 (see page 28) represents the collection of main factors for successful Web site design and reflects the three types of brand values: rational, emotional and promised experience.

Designing, creating and maintain Web sites is a big part of the e-marketing mix. A detailed analysis of all Web site elements would require a more in-depth review than possible within the constraints of this Thesis. There are, however, some elements of the Web site, in particular, **promised experience**, that are positioned on the website, but their prime role is with in other phases. For instance, product offering is an autonomous element within the online experience; community and personalization are prime elements that are developed for retention purpose; and web self-service is a part of customer service.

Figure 6: Website elements following brand values
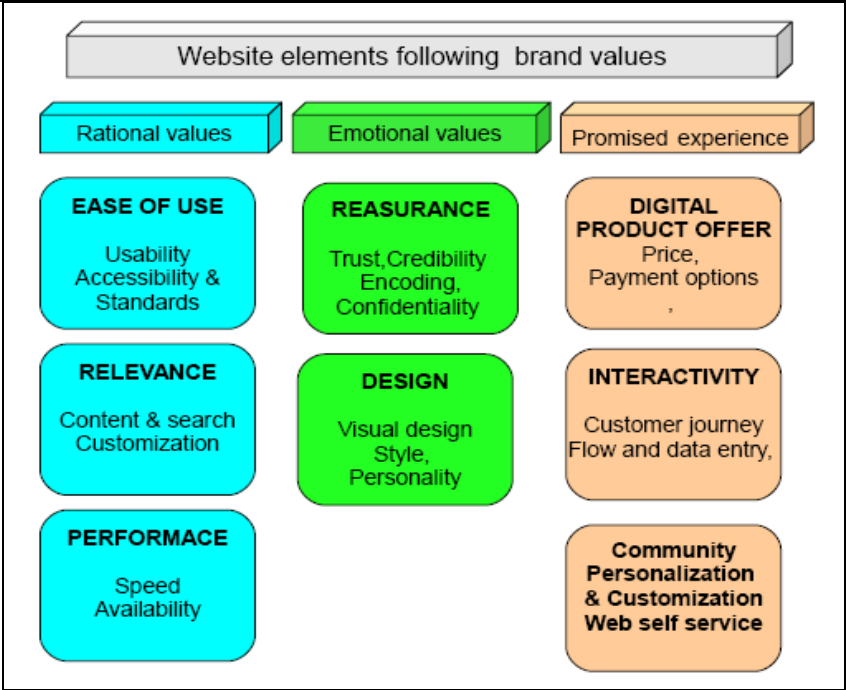
Source: Own design

4.2.3.3 Product or Service Offering

Products or services in traditional marketing form an essential part of the marketing mix. *A product is any offering that can satisfy a need or want, such as one of the ten basic offerings of goods, services, experiences, events, persons, places, properties, organizations, information, and ideas* (Kotler, 2001, p. 6.). In internet marketing not all products are equally suitable for an Internet pure-play strategy. There are a number of characteristics that make some products more suitable: Can the products be digitalised? or shipped? How can they be described and presented? For my proposed Internet Pure-play model, I will use a narrow product definition that includes digital products only, since they can use the website as a point of sale and distribution. Hui and Chau propose a framework for classifying digital products based on two dimensions: **product category** and **product characteristic**. The three digital product categories in their framework are **tools and utilities**, **content-based digital products**, and **online services**. The second dimension of the classification framework relates

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to their characteristics and include: delivery mode, granularity, and trialability, as shown in Table 2.

Table 2: Classifying digital products based on product category and characteristics

CHARACTERISTICS Category	DELIVERY MODE	GRANULARITY	TRIABILITY	EXAMPLES
Tools and Utilities	By Download	Low	High	Software
Content based digital products	By Download	High	Low	e-books
Online Services	Interactive High	Medium	Medium	e-Consulting e-Translating e-Gaming

Source: Hui & Chau, 2002, p. 76.

Specific pricing and sales promotion tools are better suited for some product types than for others. For instance, Wang, Wang Y. and Yao note that the lower the trialability of digital products, the more promotional tools are needed. A probable explanation is that digital products are a type of experience product in which consumers best understand the product after purchasing it, making trial the best promotion tool for digital products. With high trialability, the digital products need less promotion and vice versa (Wang, Wang Y. and Yao, 2002, p. 5-7). Other categories of products that are also considered to be suitable for online sales include books, CDs, tickets (ranging from travel to concerts), clothes, cosmetics etc. These use the Web site as a sales point only. Pricing on the Internet can follow the same option as traditional marketing even though the Internet has made some pricing models (like auctions) much more convenient and easy to use than in the traditional offline world (for example, the pricing strategy for tickets on the opening flight on the new A380 Airbus form Singapore Airlines was included an online auction). One characteristic of online pricing is that prices and the model used can be easily and rapidly changed. An important factor that should also be noted concerns payment options. Credit card payments are by far the most popular method of payment on the Internet (convenient, fast and easy) even though there is a significant level of concern associated with identify theft or abuse of credit card information. Alternatives to credit card payments can include e-wallets that provide secure transactions from credit card to the e-wallet like PayPal or Neteler. These systems create additional cost for online customers and require additional time to set up an account. Another alternative can be offline payments or pre paid internet-cash cards.

4.2.3.4 Online Brand
According to Kotler one of the most distinctive skills of professional marketers is their ability to create, maintain, protect, and enhance brands. In essence, a brand identifies the seller or maker. Whether it is a name, trademark, logo, or another symbol, a brand is essentially a seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers. The best brands carry an explicit or an implied warranty of quality. The branding challenge is to combine positive associations for the brand. Ultimately, a brand's most

enduring meanings are its values, culture, and personality, which define the brand's essence (Kotler, 2001, p. 187). In the online environment the customer can experience or interact with the brand more frequently and to a greater depth. To build a brand online, a company should consider delivering the following brand promises: promise of convenience, achievement, fun and adventure, self expression, recognition and belonging. Successful online branding requires delivering three aspects of a brand: **(1) Rational values** are factors such as ease of use, relevance and performance; **(2) E**motional values are influenced by the design and reassurance of trust and credibility; **(3) Promised experience** is that which the online value proposition should deliver through product, interactivity and service (Chaffey et al., 2006, p. 225). Online branding has its own rules. The basic idea is that the Web site should be a rich and engaging expression of the brand, with content, architecture, design and functionality combining to satisfy users' needs in a way that gives them a positive identification with the company. The online brand experience is created through people's interaction with all these elements This means that the **user's experience must meet or exceed brand's claims and promises** (Smyth, 2004).

4.2.3.5 Measuring Conversion

To measure Web site conversion rates marketers can use Web analytics. *Web analytics is the study of the behaviour of Web site visitors. In a commercial context, Web analytics especially refers to the use of data collected from a Web site to determine which aspects of the Website work towards the business objectives* (Wikipedia, 2007). Today there are many Web analytics technologies[4] available for companies to measure their conversion rates. Some services are available for free and they do provide a considerable amount of useful information; however, they do not provide detailed and more sophisticated information that is critical for making business decisions. Since the level of sophistication of Web analytics can vary depending on the type of product, Web analytics can provide different levels of useful data for each phase. I decided to place Web analytics as a supporting function covering all phases from acquisition to service. The role of operational Web analytics in each phase is indicated in the model structure. The important operational Web analytics in the conversion stage are Web site clickstream data, which basically *is a virtual trail that a user leaves behind while surfing the Internet (*Webopedia*, 2007)*. Some other important metrics are **cost of conversion** (conversion to lead, sale) and the **new customer conversion rate** (resulting in sales).

4.2.3.6 Tools for Increasing Conversion

To increase conversion rates marketers have to first identify the critical factors that influence their conversion rates. To increase conversion rates, various tools placed on the Web site. One concept that influences conversion is *persuasion marketing*, which is *a concept that uses design elements such as layout and content together with site promotion messages to*

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[4] Some companies that provide web analytics:
a) Free solution providers: Analog, Awstats , Google Analytics Webalizer, Sitemeter
b) Low cost: Hitbox Professional, Hitslink , Visitorville , Clicktracks
c) Expensive solutions: Coremetrics HBX, Omniture, Visual Sciences, Webtrends

encourage site users to follow particular paths and perform specific actions rather then giving them complete choice in their navigation. (Chaffey et al., 2006, p. 526). This is one way to increase conversion rates, since customers are "guided" to follow a path that is not just customer friendly, but also deliverers business objectives (lead generation, sales). Another way to increase conversion rates from visitors that have already submitted their contact details, including their e-mail address, is to send out conversion e-mail campaigns. **Conversion e-mail** may include an offer allowing a prospect to try the product or service or to convert by directly resulting in a sale. Some of the key measures for e-mail marketing are:

- **Delivery rate**: The percentage of total emails sent minus undeliverable.
- **Open rate**: The percentage of delivered email messages opened by recipients. Tracked over time to measure customer interest or engagement.
- **Click-through rate**: The percentage of recipients who click on one or more links in the email, providing a measure of customer interest, offer quality and engagement.
- **Bounce rate**: The percentage of sent emails that failed delivery. Tracked to measure deliverability and list quality.

4.2.4 Customer Retention

Customer retention refers to all marketing activities taken by an organisation to keep its existing customers (Chaffey et al., 2006, p. 518). This definition makes it quite difficult to define elements of retention, since activities from all phases have an impact on retention and establishing customer loyalty. A question is whether customer development can be a part of retention since it also helps to keep existing customers as well as increasing their monetary value. The same question applies to customer service, which can be considered a part of retention since it also contributes to customer satisfaction and loyalty. Some authors and practitioners include customer development and service in retention and some treat it separately. After evaluating different modelling structures, I decided to treat it separately. In this section I only focus on retention – defined as keeping existing customers.

The first task of retention marketers is to understand the individual needs of their customers and to identify relevant offerings for them. The second step is to understand the loyalty factors of their online experience; and the third step is to implement "sticky" factors to the experience that will "cement" the relationship. When discussing loyalty and the characteristics of loyal customers, many different interpretations exist. According to Wiegran, Koth there is no universally accepted definition of loyalty and therefore, who loyal customers are. Some claim customer loyalty should be measured as customer's share of wallet; others say it should be based on the customer retention rate; some suggest frequency as the best measure, while others claim it's the customers' attitude towards the company that best describes loyalty (Wiegran, Koth, 2002). Trivers describes loyalty by defining a customer **loyalty ladder** as shown in Figure 7 (see page 32), that identifies five types of customers (Trivers, 1996, p. 32):

- **Suspect:** Anyone who reads or hears an ad, looks at a brochure or encounters some other type of promotion;
- **Prospect**: Someone who pays attention to your promotion;

- **Customer:** The one who buys your product or service;
- **Client: A** customer who buys a second time; and
- **Advocate: A** customer who gives unpaid advertising for the company's products or services

Figure 7: Ladder of Customer Loyalty

Source: Trivers, 1996, p. 32.

Retention marketers must understand their customer's needs and which loyalty factors keep customers returning. To add stickiness factors to the online experience, retention marketers can use tools like personalization and customization, community and e-mail marketing. All of these tools are closely linked to the product offering itself. In traditional marketing this would be a part of the product element, most likely under the definition of extended product. I placed it under retention since these are truly factors that build customer loyalty and increase switching cost.

4.2.4.1 Personalization and Customization

Personalization delivers individualised content through Web pages or e-mail (Chaffey et al., 2006, p. 22). It is a way that e-marketers can individualize an impersonal virtual environment without face-to face contact. It includes greeting users by name and automatically sending e-mails to individuals with personal account information. Once a firm identifies a prospect and differentiates customers according to their characteristics, behaviour, needs or value it can consider customizing offerings to various segments or individuals. **Customization** occurs when a company tailors its marketing mix elements to meet the needs of small target segments, even to the individual level, by using electronic marketing tools. The tools that can help a company customize offers to groups of customers include **push strategies** that originate with the company's web and e-mail servers and **pull strategies** that are initiated by users. Some of the push tools are: Cookies, Web site logs, data mining, real-time profiling, collaborative filtering, outgoing mail and real-time chat between users. The **pull tools** are also called client side tools and they come into play based on an individual user's action at a computer. Pull tools include on site search engines or shopping agents, individualised web portals which allow customers to set up individually preferred Web pages based on keywords,

incoming emails from customers or incoming live chat inquiries (Strauss, El-Ansary & Raymond, p. 376-379).

4.2.4.2 Online Community

Online community is one instrument that has received significant interest recently. Communities are not just a 'nice to have' adjunct for a Web-based business, but their creation is central to a sustainable business model. While their importance is greatly emphasised, it is more difficult to find a clear explanation of what makes up an online community or what value is obtained by creating such communities (Marathe, 2002). Strauss, El-Ansary & Raymond define community building as a process of building a Web site that drives groups of special interest users. A firm invites users to chat and post e-mails on their Web sites with the purpose of attracting potential customers to the site. Firms often gather e-mail lists of like-minded users from these communities for future e-mail marketing campaigns. Through community building, marketers can create social bonds that enhance the customer relationship (Strauss, El-Ansary & Raymond, 2005, p. 32). The desire to communicate in groups is fundamental to human nature. On-line community development is currently being enabled by a variety of disparate community tools, including: **chat rooms**, **discussion groups** (bulletin boards), **private mailboxes**, **group e-mail management**, **instant messaging**, **user generated conten**t (such as ratings or reviews) and **machine extrapolated inference (**a community device in which a site provides tips and advice based on other users' behaviour). For example, when you buy a book on amazon.com, the site will tell you that "other people who bought this book also bought . . ." While no direct communication with other users has taken place here, the visitor feels that their presence on the site has added value to their experience. Six reasons why companies should build communities include:

- **Communities create value.** As communities grow larger, their advantage over competitors in terms of value delivered to the participants grows at an even faster rate. Communities that rely on user-generated content (such as reviews, fiction, music, or ratings) are also self-perpetuating - the greater the available content the more attractive they become as destination sites. As momentum picks up, growth accelerates, and all site owners need do is to channel and support this content effectively. Increasing the number of users means increasing advertising revenues and greater e-commerce opportunities.

- **Companies learn from their community.** Communities form around a Web site initially because the site strikes a chord with the users' needs as well as their outlook, attitude or approach - the users have bought into a value proposition. Companies can learn a great deal about what makes their own sites successful by building community and listening to the feedback this generates. Feedback provided on community forums tends to be more honest and accurate than market surveys, although care should be taken in assessing how representative the more vocal members of a community are.

- **Users enjoy community.** In the Internet environment, where there is a multiplicity of choice and where every new business model builds on an established business model, sites must pro-actively attract users. Participants in a community are provided the

opportunity to meet and interact with other people who share the same values, outlook or objectives, resulting in an immersive and enjoyable experience. Community tools are 'sticky' applications - their use increases session lengths and encourages repeat visits. Such attributes are in high demand by portal sites and are valuable for any advertising or sponsorship driven business model. Users are incentivised to expand a community. The value of a community to each participant increases as the square of the number of participants. This phenomenon results in 'viral marketing'. In this case, users not only actively provide promotional work for a company, but the number of marketers also increases exponentially as new members are added to the pool.

- **Communities build barriers to entry.** Communities build significant barriers to entry for new competitors in a field, and allow a company to capitalise on an early mover advantage. Nobody likes to chat in an empty room, and if users seek buyers or sellers, they will find more of them in the busiest forum. While a business model, content and features may be easy to replicate, an established community is extremely difficult to move.

- **Community lowers the learning curve.** Community addresses the basic human need for communication, companionship and information sharing, making the Internet more accessible to mainstream users. The existence of community can makes using a site much easier, and may build reassurance that a service has met other people's needs. Potential customers can spend some time observing the behaviour of the community, asking questions in discussion forums and reading previous postings before making the decision to join. The presence of community can also significantly lower support costs since fellow users may be able to answer many of the questions that a customer has.

- **Communities are conducive to e-commerce.** Perhaps the most compelling reason for building community is that community is conducive to e-commerce. People don't like to shop in an empty store. In real life, many people make decisions about where to shop and what to buy based on the apparent popularity of a store or product line, on the availability of store personnel for advice and guidance, and on the counsel of friends and fellow shoppers (Marathe, 2002, p. 1-7).

4.2.4.3 Permission marketing and e-mail marketing

E-mail is most widely used as a customer retention tool for communicating with customers who have given permission to be contacted (opt-in house list). Creating an opt-in house list is the first step in establishing an e-mail campaign and is a part of permission marketing. To get permission, the company should offer incentives to customers. Despite an increase in spam, e-mail can still drive good response levels, particularly in the case of in-house lists usage. E-mails can be used in different stages of customer life cycle. As a retention tool the most common type is a regular e-newsletter that can be offered at different frequencies, with different content and for different segments (Chaffey et al., 2006, p. 268-270).

To deliver content, retention marketers should offer customers a range of content delivery options, meeting the preferred choice of specific individual customers. Selection of these is presented in the proposed E-mix for Pure-Play model as an arrow stretching through all phases. Users should be able to select what content delivery vehicles they prefer: web, e-mail, RSS, instant message or perhaps a text message to their mobile. The same concept applies to the accessing platforms (PC/notebook, or a mobile device/PDA, interactive TV, Ipod/MP3 or even some other platform).

To measure retention success, data from Web analytics can be useful. Some important retention metrics include retention rate[5], attrition rate[6], and metrics like personalization index[7] which show how well the company is using the data about customer profiles or website stickiness which indicate how much time the users spend on the website.

4.2.5   Customer development

Customer development (or growth/extension) refers to increasing the depth or range of products or services that a customer purchases from a company. To accelerate growth, it is critical to understand customer markets to identify the best sources of profitable business. One popular method used to **analyze customer behaviour and define market segments** is the RFM model (Recency, Frequency, Monetary value). RFM helps marketers identify their best and worst customers. Each dimension provides a unique insight about a customer's purchasing behaviour including: **Recency** (When was the last order?) Decades of statistical analysis has shown that customers who have made a purchase recently are more likely to purchase again in the near future. **Frequency** (How many orders have they placed with us?) Frequent purchasers are likely to repeat purchasing into the future. **Monetary Value** (What is the value of their orders?) Customers with past high spending levels might spend again in the near future. The dimension is different from frequency in that it identifies customers who place infrequent, but high value orders and, therefore, could be highly profitable. Dividing customers into a number of segments using RFM-based clustering methods helps identify and profile customer segments that are not intuitively obvious or visible from general sales reports, yet represent significant opportunities (Stern & Cutler, 2002, p. 36-38).

4.2.5.1 Types of sales promotions

Sales promotion consists of a diverse collection of incentive tools, for both short and long term use, designed to stimulate trial, repeat purchase, new product purchase, and quicker or greater purchase of particular products or services by consumers. While advertising offers a reason to buy, sales promotion offers an incentive to buy. (Kotler, 2001, p. 288) After the most valuable and highest growth potential markets have been identified and defined, the best customers can be developed by using (Chaffey et al., 2006 p. 267):

- **cross selling:** selling additional products

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[5] Retention rate= percentage of customers who repeat purchase in a given period
[6] Attrition rate = percentage of existing, converted customers who have stopped to purchase
[7] PI= total # of profiles elements used in customer interaction / total # of customer profile elements collected

- **up-selling:** selling more expensive products
- **reactivation:** making offers for lapsed customers and wining them back
- **referrals:** generating sales from recommendations from existing customers

4.2.5.2 Short Term Promotion Tools

Online sales promotions can build brands, build database content and support increased sales. The most common Internet sales promotions include: **(1) Coupons** that can be exchanged for a financial discount or rebate when purchasing a product or service. Internet coupons are popular, because there is no mailing or printing costs since coupons can be redeemed online during a purchase. **(2) Sampling** allows users to sample digital products prior to purchase. Many software companies provide a free download of fully functional demo versions of their software. Music stores allow customers to sample clips of music before download. **(3) Contests** are tools that marketers use to motivate repeat traffic to a website. Contests require skill whereas **sweepstakes** involve only the pure chance of drawing for the winners. These kinds of promotions create excitement about brands and encourage repeated visits. **(4) Advergames** combine online promotion and gaming since the user sees the product or services in the game itself. Advergames are used to draw traffic and build brands (Strauss, El-Ansary & Raymond, p. 336-338).

4.2.5.3 Long term promotion Tools

According to Hill and Alexander (2000, p. 9) *"the best loyalty scheme is, of course, customer satisfaction - doing best what matters most to customers with tokens, bonus points and other loyalty schemes making only a marginal difference"*. A **loyalty program** is a way of influencing and changing a customer's buying behaviour. In comparison to short term sales promotion incentives loyalty programs have a longer term orientation. Generally, companies reward customers for activities that lead to higher profitability, increased revenues, greater numbers of purchases or more new customers referred. Loyalty programs on the Internet are much easier to administer than traditional loyalty programs since any buying information is already available in a database (Strauss, El-Ansary & Raymond, p. 338).

Some metrics that can be used to evaluate the development stage include: average order size, recommendation levels, customer acquisition from referrals, customer win-back percentage or cross sell/up sell revenue.

4.2.6   Customer service

In the competitive online world Web customers expect companies to meet their customer service needs. **Customer service** (also known as Client Service) *is the provision of service to customers before, during and after a purchase. Its importance varies by product, industry and customer. In many cases, customer service is more important if the purchase relates to a "service" as opposed to a "product". Customer service may be provided by a person (e.g., sales and service representative), or by automated means called self-service* (Wikipedia, 2007). Gianforte says the key to providing high quality e-services is to meet the increased

expectations of Web customers. Wanting products that are faster, better and more advanced, online visitors expect nothing less in customer service. Service must be fast, meaningful, compelling and customer driven. The customer service must embrace available technology, as well as a strategic view of processes that anticipate and exceed customer needs and expectations through personal service (Gianforte, 2000, p. 3). According to research performed by Keynote Systems (2005), two main reasons why a company should strive to provide high quality customer services is that customer satisfaction with customer service drives customer loyalty and impacts brand perception. In their research they mention the following important factors to consider in designing an online customer service centre:

- Providing critical service options (self-service tools and "real person" contact, 24/7 support, immediate response time)
- Overcoming usability issues and technology barrier
- Clearly communicating the companies commitment to customer services and support

4.2.6.1 Customer service tools
Customer service tools refer to different types of interaction with customers during and after the transaction process. Some elements for self service communications options include (Chaffey et al., 2006, p. 245):

- **Auto-responders** are automatically and immediately generated responses when a customer e-mails an organisation with an enquiry or submits and online form.
- **e-mail notifications** are automatically generated by a company's system to update customers on the status of their order.
- **FAQ (frequently asked questions)** is a collection of compiled and categorised answers to recurring questions so customers can easily find a helpful answer. An excellent example of well structured FAQ is provided by (Germanwings, 2007) where a quick respond can be found in a maximum of three levels of inquiry.
- **On-site search engines** are to help customers find what they're looking for quickly. A good combination of on-site search engine and FAQs is provided by the low fare airline (Ryanair, 2007).
- **Virtual assistants or avatars** are automated online representations of a customer service staff. A popular avatar is "Anna" from Ikea (IKEA, 2007). One of the most sophisticated avatars on the Web in my opinion is Ms Dewy who is a search engine avatar (MsDewy, 2007).

Effective websites respond to most customer inquires with self service tools; however, many support centres offer facilities for incoming inquires such as:

- **Inbound e-mail communication** includes e-mail inquiries sent from customers to an organization. Providing fast and satisfactory replies vs. minimizing cost is the trade off in developing inbound customer contact strategies
- **Online chat** facility is a real time option for customers to initiate conversations with a customer service representative. Popular software options include LivePerson, Boldchat, Chat4support.

- **Web call back** is the initiation of a call to a call centre from a Web page. The user clicks a button on the page, and the response can be processed in several ways: **(1)** it can link the customer to a form that is filled out to schedule a call-back, **(2)** it can generate an Internet telephone connection between the customer and call centre, or **(3)** it can use a cookie and previously collected data to create an outbound call from the centre to the person's phone, offering the customer the option of editing the information before the call is made.
- **Live call centre** is department within a company or a third-party organization that handles telephone sales and/or service. Call centres use automatic call distributors (ACDs) to route calls to the appropriate agent.

Appendix 4 shows a comparison of the cost and other characteristics of each channel as presented by the LivePerson website (LivePerson, 2007). Even though offering "real person" services are usually far more expensive, many online customers feel more comfortable if they know that the opportunity exists to contact a real person because they believe their request will be handled quickly and efficiently. Speed of response is the driving factor behind many people's choice of customer support options. The web offers customers a way to interact with the company at all hours and across all time zones. As long as the site is open for business, **providing 24/7** customer support and services is needed and appreciated by customers (Keynote Systems, 2005, p. 5-6).

4.2.6.2 Communicating commitment to customer support
How support and help sections are presented on the Web site can impact ease of use; but can also impact the degree to which site visitors believe the company cares about customer service. The advantages of providing customer support options are lost if they are not effectively communicated to the end user. Three basic guidelines on clearly communicating the company's commitment to customer services are:
(1) to keep the contact details on a visible place,
(2) to keep them visible and
(3) to keep them accessible throughout the transaction process (Keynote, 2005, p. 6).

4.2.6.3 Dimensions of customer service quality and useful metrics
According Chaffey et al. (2006, p. 335-359) there are five dimensions of customer service quality:
- **tangibles** - the physical appearance of facilities and communications,
- **reliability** - the ability to perform the service dependably and accurately,
- **responsiveness** - a willingness to help customers and provide prompt service,
- **assurance -** the knowledge and courtesy of employees and their ability to convey trust and confidence, and
- **empathy** - providing caring, individualised attention.

Some of the metrics that can be used to evaluate e-service include: cost per response, percentage of automated resolutions, percentage of resolutions with in 24 hours, average time

to resolve a complaint, average number of complaints per day, customer satisfaction score or even usability of the website FAQ section. Data to evaluate e-service can be pulled from Web-analytics, however the quality and level of data depends on technology and how integrated the customer service centre is with other stages. It is likely that data sources (Web analytics, outgoing email, call centre, live help, and customer surveys) will have to be combined to get a full picture of e-service efficiency.

4.3 e-Marketing Mix Performance Management

I pointed out in the second chapter that e-marketing mix is a part of e-strategy and e-marketing plan. There are several steps and important decisions that must be taken before the e-mix can be designed. And, there are also several steps and decisions necessary after the e-mix is adopted. One very important implementation function is to measure, evaluate and manage e-mix performance. Since the main focus of this thesis is on developing an e-mix model, this section presents a conceptual idea for additional research, since the proposed framework has been designed on the basis of practical experience. The basic idea for this integration is as follows: To measure, evaluate and manage e-mix performance at an integrated level, company management requires reports, analysis, and metrics. This kind of data however is not only useful for company management but is also useful at operational marketing levels. Therefore I propose that a specialised, statistical-reporting department be established to cover the needs of e-marketing departments at an operational level and provide relevant statistical reports for management. An initial step in designing this Performance Measurement department is to define required e-metrics and assist tools for each e-marketing department (selection, acquisition, conversion, retention, development, service) as already briefly indicated at the end of each element description within each stage. The next step is to extract and transform the data from all the departments and any external data into an integrated database. Data analysts can then use different statistical and data mining techniques to prepare the requested metrics and reports. Some of the reports should be made available directly to department users for inquiry and export from the database (operational level data); however, more sophisticated models and reports at the tactical level (for example, customer life time value) and strategic level (for example, market share) would be prepared by data analysis professionals.

An integrated approach to customer data is highly important in the dynamic online environment, where monitoring, measuring, and evaluating and improving should be an ongoing practice. As noted this section is simply an indication of importance of this function and its critical use in e-marketing. To design a well structured and integrated system for this purpose requires additional research, Figure 8 (see page 40) presents one simplified version of the basic concept for this unit's integration and importance.

Figure 8: E-mix Performance management organization and processes
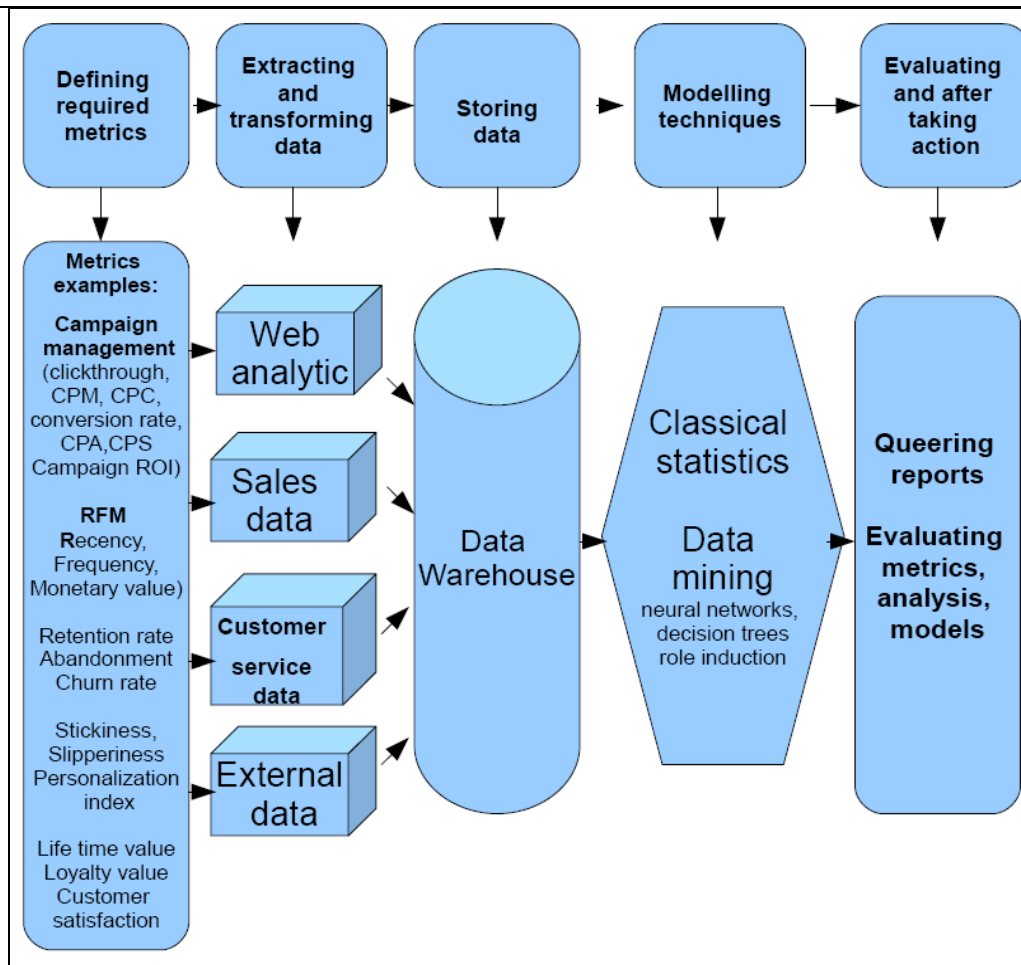
Source: Own design

4.4 Practical use of the model

To test how the model can be used in practice I decided to evaluate it to transform a classic marketing department into an e-marketing organization for an online Pure-play company with a propriety online gambling platform. Following the *E-Marketing Mix for Internet Pure-play Business Model,* I developed a basic framework for a restructuring proposal. The organizational restructuring proposal design included three stages. First, I considered the process of **Customer Journey** from the customer's point of view (the process that evolved from an initial gathering of information from the first Web site visit, to downloading software, through the first financial deposit and eventual cash-out); then I outlined the **Customer Life Cycle** from the company point of view. This gave me important information in setting boundaries between departments and in defining some of the main positions and required skills within departments. In this exercise I did not go to the level of developing a detailed operational version of the organization, including all tasks; however, the exercise indicates that the model can serve well as tool to support for a number of processes in e-marketing:

strategy definition, resource planning, structuring, organising, evaluating and managing. The outcome of this restructuring proposal is shown in three Figures in Appendices 5a, 5b, and 5c.

5 CONCLUSION

This Thesis has been focused on finding a suitable e-mix for an Internet Pure-play. In the first step I studied the traditional marketing mix models from its origins to recently developed alternative approaches. I tested the presented models, to determine if they could be used as a base for my Internet Pure-play model and I determined that none of the existing models will be appropriate for that purpose. I noticed that there are many specific approaches to many e-marketing areas, each trying to favour one approach, but I could not find a concept that would incorporate all the latest e-marketing instruments and techniques, and CRM trends into one model. This led me to design my own version, combining the knowledge gained during the Thesis research and my practical work experience. The outcome is the proposed model for e-marketing mix.

The model suggests that a company should first clearly define its unique online value proposition (the value a company offers to its customers). Second, the company must manage the value the customers represent to the company. Acquisition of new customers is an investment and all post-acquisition efforts which result in a loyal customer base are assets. The model is divided into six stages, according to customer life cycle, enabling efficient management of customer value. I believe this process starts with the way the e-marketing is defined within a company – its philosophy and broad understanding. The model also provides a good overview of all the elements and instruments and positions them according to their function. Therefore, it can provide a basic framework for various e-marketing processes. I tested the model's practical value by creating a restructuring proposal transforming a traditional marketing department into the e-marketing department of a Pure-play company. The e-mix can be a very helpful tool for this process and emphasises that, for an Internet Pure-play company, e-marketing is a critical part of the business and can successfully contribute to achieve the company's main objective - creating and managing customer value.

With growing numbers of Internet users, being close to a Pure-play strategy is an attractive option for all kinds of scenarios regarding e-marketing implementation. The proposed model only presents a basic framework and is not a final version that could be applied as a unified approach. This requires testing and modification and further operational research for any selected scenario. Whether the company is already close to 100% of a Pure-play strategy in using the Internet as communication, sales and service channels or is on its way to reach a certain level of the Pure-play strategy, the model can assist in a number of ways, including use as a support tool in integrating e-marketing strategy within traditional marketing strategies.

6 POVZETEK DIPLOMSKE NALOGE V SLOVENŠČINI

Namen diplomske naloge je bil raziskati področje spletnega trženja in ugotoviti, kako se razlikuje od tradicionalnega. Pri tem sem želela ugotoviti, ali lahko tradicionalno teorijo o 4P trženjskem spletu uporabimo tudi v spletnem okolju in kako lahko 4P teoretični koncept razširimo v e-trženjski splet, ki bo uporaben za spletni marketing. Pri tej raziskavi sem se omejila na podjetja, ki poslujejo zgolj preko interneta, na tako imenovana - Pure-Play ali Clicks only podjetja. Ideja za to raziskavo izhaja iz dvoletnih delovnih izkušenj, ki sem jih nabirala med delom v internetnem Pure-Play podjetju. Ob delu sem spoznala številna nova marketinška orodja, ki so se razvila na področju spletnega trženja. Tudi podjetje, ki posluje zgolj preko spleta, ima svoje posebnosti in ravno tako njihovi kupci. Od tu izhaja cela vrsta vprašanj o spletnem trženju – kaj v bistvu je spletno trženje, v čem je drugačno od tradicionalnega, ali je 4P koncept še uporaben v tem okviru, kaj pravzaprav je e-trženjski splet in druga. Cilj diplomske naloge je bil združiti praktično in teoretično znanje in predlagati e-trženjski splet, ki bo predvsem uporaben za potrebe planiranja in upravljanja marketinga v internet Pure-play podjetjih in bo lahko služil kot osnova za organizacijsko strukturo e-marketing oddelka takšnega podjetja.

Raziskovalna pot do tega odgovora je bila izredno zanimiva in je vedno znova ponujala nove ugotovitve, rešitve in izboljšave, začela pa se je pri samih temeljnih definicijah o e-trženju. Tako sem v prvem poglavju predstavila teorijo in definicije povezane s e-trženjem, e-podjetji, e-kupci in splošne trende povezane z rastjo interneta. Med pomembne točke tega uvodnega poglavja bi uvrstila sledeče:

1. **Spremembe, ki jih je Internet povzročil v trženju**
   - rast deleža spletnega oglaševanja v celotnem trženjskem kolaču
   - spremembe v značilnostih spletnega komuniciranja (aktivni in ne več pasivni uporabniki, dialog med tržniki in uporabniki in ne več monolog)
   - spremembe v značilnostih spletnega uporabnika (aktivno iskanje informacij preko spletnih iskalnikov; višja pričakovanja glede storitve, izbire, cene, dostave in celotne nakupovalne izkušnje; strah in fobije pred zlorabo kreditnih kartic, virusi, nezaželeno pošto itd.)
   - izjemno hitra rast internetne populacije (225% na leto med letoma 2000 in 2007), ki je trenutno ocenjena na 17% celotne svetovne populacije
2. **Značilnosti internetnih podjetij**
   - Tipi podjetij
   - Večkanalni marketing
   - Napake prvih internetnih podjetij in vzroki za borzni zlom, ki so ga povzročila,
   - E-marketing strategija, e-marketing plan in e-trženjski splet

Drugo poglavje je posvečeno klasični 4P teoriji in njenim kritikam. Skozi kritike sem ugotovila, da ima 4P model precej pomanjkljivosti, in da te ne izhajajo le iz obdobja spletnega

marketinga. Različni avtorji so 4P model kritizirali že od vsega njegovega nastanka sredi šestdesetih let. Nekatera področja, kjer več teoretikov kritizira uporabo 4P marketinga, so:

- potrošniški marketing,
- trženje na področju odnosov s strankami,
- trženje storitev.

V nadaljevanju sem želela narediti pregled nad obstoječimi objavljenimi modeli, ki so bili prirejeni za spletno trženje. Prvi korak je bil pregled učbenikov s področja e-trženja. Tu bi izpostavila naslednje avtorje in njihove predlagane modele za internetni trženjski splet:

- **Strauss, El-Ansary & Raymond** predstavijo e-trženjski splet kot: proizvod, cena, distribucija in komuniciranje.

- **Chaffey at al.** za svojo inačico e-trženjskega spleta obdržijo elemente tradicionalnega trženjskega spleta (4P) in tem dodajo 3P-je, kot sta jih predlagala Booms&Bittner. Trije P-ji v modelu predstavljajo ljudi (People), procese (Process) in fizične dokaze (Physical evidence).

- **Mohammed et al.** opiše e-trženjski splet kot splet, ki ga sestavljajo klasični elementi iz 4P modela in jim doda skupnost (Community) in trženje blagovne znamke (Branding).

- **McDonald in Wilson** (1999) predlagata precej inovativen model, ki temelji na šestih elementih. To je šest I-jev, ki v slovenščini postanejo: interaktivnost, inteligenca, individualizacija, integracija, industrijska reorganizacija in neodvisnost od lokacije (6 I = Interactivity, Intelligence, Individualization, Integration, Industry restructuring and Independence of location).

Po pregledu modelov v učbenikih sem pri vsakem modelu poskušala razvrstiti instrumente in koncepte spletnega trženja pod pripadajoči element v modelu. Pri tem sem želela tudi doseči cilj, da struktura glavnih elementov tudi smiselno predstavlja organizacijsko strukturo e-marketing oddelka. Pri testiranju modelov noben od modelov ni izpolnil obeh funkcij. Pri prvih treh modelih (Strauss, El-Ansary & Raymond; Chaffey; Mohammed), ki so v bistvu le razširjene ali modificirane verzije 4P modela, so se pojavile dileme in vprašanja, kako sistematično razvrstiti instrumente k pripadajočim nosilnim elementom. Na primer ena od dilem je bila, kam umestiti spletno stran kot instrument e-trženja? Ali sodi med prvi P – izdelek ali morda pod tretji P- promocija oz. komuniciranje? Zadnji model (6I), ki je sicer bolj inovativen, pa ne ponuja praktične vrednosti, kako bi lahko omenjenih 6I-jev predstavljalo strukturo e-marketing oddelka. Po končani analizi modelov v obstoječih učbenikih sem želela preveriti, ali obstajajo novejši, bolj alternativni predlogi. Tako sem raziskovanje nadaljevala v različnih marketinških publikacijah, raziskovalnih delih, prispevkih iz prakse in člankih. V tem delu sem našla dva modela, ki sta se mi zdela zelo inovativna in hkrati uporabna:

- **4S Web Marketing Mix** (Constantinides, 2002)
- **4P + $P^2 C^2 S^2$ e-Mix Model** (Kalyanam and McIntyre, 2002)

4S web marketing splet je delo Constantinidesa, ki je eden izmed kritikov 4P modela in pravi, da je 4P model nezdružljiv in neuporaben kot osnova za oblikovanje e-trženjskega spleta, ker:

- ne vsebuje interaktivnih elementov, ki so osnova za spletno trženje
- model razdeli vse 4 P elemente na neodvisne procese, kar je nesprejemljivo za spletni marketing, kjer so vsi ti elementi povezani in jih kupec navadno doživlja ob istem času in isti lokacij preko spletne strani.

Glavni elementi 4S web modela so *obseg* (Scope), *stran* (Site), *sinergija* (Synergy) *system* (System). Constantinides je 4S model razvil kot uporaben praktični vodič pri planiranju, razvijanju in uvajanju *e-trženjskega spleta* v klasična podjetja, ki želijo dodati svojo prisotnost tudi na svetovni splet. Model pa je uporaben tudi za proces re-evaluiranja spletne prisotnosti za že obstoječa Pure-play podjetja. Model sem predstavila, ker je pomembno vplival na razvoj moje verzije, predvsem s kritičnimi točkami, ki jih je Constantinides izpostavil. Model se mi zdi praktičen za uvajanje e-strategije ali za prenovo, kot enkraten proces, vendar pa pri tem modelu nisem videla možnosti povezave, ki bi lahko služila kot pomoč pri organizaciji in upravljanju *e-marketing oddelka*.

4P + P^2 C^2 S^2 e-Mix Model je drugi model v tem sklopu, ki ga želim na kratko omeniti, ker je tudi pomembno vplival na sam razvoj moje verzije. 4P + P^2 C^2 S^2 e-trženjski splet je razširjen 4P model, ki poleg tradicionalnih 4P elementov vsebuje šest novih e-marketing elementov:

- P^2: *Personalizacija, zasebnost* (Personalization, Privacy)
- C^2: *Skupnost in podpora strankam* (Community, Customer Service)
- S^2: *Stran, varnost* (Site, Security)

To je skupaj deset glavnih elementov, ki so osnova za e-trženjski splet in predstavljajo makro raven modela. Na mikro ravni pa sta Kalyanam in McIntyre k vsakemu makro elementu dodelila posamezne instrumente na podlagi funkcije, ki jo instrument opravlja in na podlagi tega, kam v organizacijski strukturi pripada. Ta model je bil zelo blizu odgovora na izhodiščno vprašanje moje naloge, vendar so se pri analiziranju modela pojavile nove rešitve in novi koncepti, ki sem jih želela upoštevati. Tako je 4P + P^2 C^2 S^2 model pri oblikovanju moje verzije imel vpliv predvsem v idejni zasnovi na razdelitev modela na dve glavni ravni in na razvrščanje instrumentov in konceptov glede na funkcijo, ki jo opravljajo in glede na to, kam organizacijsko sodijo. Tretje poglavje tako predstavlja osnovni okvir, iz katerega izhajajo glavne ideje za mojo verzijo modela. Pri konstruiranju modela na osnovi 4P + P^2 C^2 S^2 pa so se pojavila nova vprašanja in novi izzivi, ki izhajajo iz teorije upravljanja odnosov s kupci (CRM). Med najpomembnejšimi, ki sem jih želela vključiti v model, so:

- koncept upravljanja vrednosti strank (Customer value management),
- koncept življenjskega cikla stranke (CLC – customer life cycle),
- koncept življenjske vrednosti stranke (CLV – customer life time value).

V nadaljevanju sem se posvetila iskanju rešitve, s katero bi lahko v mojo predlagano verzijo modela vključila vse elemente e-marketinga v taki strukturi, ki bi omogočala tudi vključitev vseh glavnih konceptov CRM teorije. Pri iskanju te rešitve sem za osnovo vzela koncept življenjskega cikla stranke, ki sta ga razvila Stern in Cutler. Njun model razdeli cikel na pet faz:

1. **Doseg** (Reach)

2. **Akvizicija oz. pridobivanje novih strank** (Acquisition)
3. **Konverzija** (Conversion)
4. **Ohranjanje obstoječih strank** (Retention)

Faze tega modela so nekako odsevale vse koncepte, ki sem jih želela upoštevati. Naslednji korak je bilo razvrščanje instrumentov e-trženja v drugi nivo, pod posamezno pripadajočo glavno fazo. V tem delu sem ugotovila, da bo za vključitev vseh elementov in za še bolj popolno izpolnitev ciljev potrebno model predelati. V tej fazi sem oblikovala mojo verzijo z glavnimi šestimi fazami:

- izbira novih strank (Selection)
- pridobivanje novih strank oz. akvizicija(Acquisition)
- konverzija novih obiskovalcev v stranke (Conversion)
- ohranjanje obstoječih strank (Retention)
- rast, razvijanje obstoječih strank (Development/Growth)
- podpora in servisiranje strank (Service and Support)

1. *FAZA: Izbira novih strank (Selection)*

V prvi fazi tržniki določijo, kdo so njihovi potencialni kupci, v katerih segmentih se nahajajo in kako in kakšne vrste ciljanje bodo izvedli. V naslednjem delu te faze pa morajo tržniki odgovoriti tudi na vprašanja o tem, kakšen naj bo doseg izbranega medija, kakšna naj bo pogostost sporočila in pa kakšen vpliv naj ima oglasno sporočilo.

segmentacija + ciljanje -> doseg, frekvenca, vpliv

2. *FAZA: Pridobivanje novih strank (Acquisition)*

Pridobivanje novih strank je druga faza, v kateri tržniki določijo optimalen splet internetnih trženjskih orodij, med katerimi so med najbolj pogoste vključeni:

- **Iskalni marketing:** Oglaševanje preko spletnih iskalnikov (search engine marketing) je zelo popularna in učinkovita metoda. Spletni iskalniki so postali ena najbolj uporabnih aplikacij na internetu in primarni način iskanja informacij o podjetjih in njihovih izdelkih ali storitvah. Dve glavni tehniki pri tej vrsti oglaševanja sta: (a) **optimizacija spletnih strani** (SEO – search engine optimization), ki z različnimi tehnikami pomaga podjetju doseči čim višjo pozicijo na listi rezultatov pri iskanju določene besede. Sama pojava v listi rezultatov je brezplačna, vendar pa je za doseganje čim višje pozicije običajno potrebno neprestano izvajati optimizacijo spletne strani; (b) **oglaševanje po ključnih besedah** pa je način, s katerim podjetje plača za prikaz na straneh z rezultati iskanj, ko uporabnik vtipka določen iskalni pojem v iskalnik. Oglasi se pojavijo navadno nad listo rezultatov in na desni strani spletne strani iskalnika. Običajno jih imenujejo sponzorirane povezave. Odvisno od posameznih spletnih iskalnikov so oglasi lahko tekstovni ali pa grafični.
- **Interaktivno spletno oglaševanje:** Interaktivno spletno oglaševanje največkrat povezujemo s oglaševanjem preko oglasnih pasic na različnih spletnih staneh. Oglasne pasice so se razvile v različne oblike in velikosti in so lahko statične ali pa animirane. Najbolj pogost cenovni model je cena na klik in cena na 1000 prikazov. Oglasi se sicer

lahko pojavljajo tudi v drugih oblikah, kot na primer tekstovni oglasi (popularni v časopisih in novicah), oglas vmesne strani, ki se pojavi med prehodom dveh strani ali pa oglas v pojavnem oknu, ki se odpre v novem oknu.

- **Spletni odnosi z javnostjo:** Spletni odnosi z javnostjo izrabljajo mrežne učinke interneta za povečevanje frekvence pojavljanja imena podjetja, blagovne znamke, izdelka ali pa spletne strani na različnih spletnih straneh. Navajanje in omenjanje podjetja na različnih spletnih straneh vpliva na oblikovanje mnenja in na povečanje števila obiskovalcev spletne strani. Pomembna naloga spletnih odnosov z javnostjo je maksimirati pozitivne navedke in omenjanja in minimirati negativne preko (a) uporabe spletnih komunikacijskih objav (e-press release), (b) preko blog-, RSS- in podcast-sporočil (c) preko upravljanja spletnega ugleda, (d) preko posredovanja v spletnih skupnosti in forumih (e) in preko organiziranja spletnih dogodkov.

- **E-mail marketing za pridobivanje novih strank**: E-mail marketing je oblika direktnega marketinga, ki poteka preko elektronske pošte. Pri tem gre za »outbound« e-mail marketing, kjer podjetje lahko **s »cold« ali »co-branded« e-poštno akcijo** pošlje prejemnikom ciljano marketinško pismo. Pri prvi obliki gre za najem liste z e-poštnimi naslovi preko agencij, ki posredujejo e-poštne naslove, pri drugi opciji pa si podjetje poišče partnerja, ki ima že vzpostavljen kontakt s svojo bazo kupcev, pri kateri bo najel bazo e-poštnih naslovov za pošiljanje svojega marketinškega pisma.

- **Virusno trženje** (viral marketing) je oblika trženja, ki poteka med samimi uporabniki od ust do ust. To ni novost spletnega marketinga, ampak zelo stara tehnika, ki pa je resda idealna za prenos preko interneta. Skratka gre za obliko posredovanja oglasnih sporočil naprej od ust do ust oz. v spletnem marketingu boljši izraz *»od klika do klika«*. Uporabniki si tako med sabo posredujejo sporočilo, ki je lahko dobra ideja, zanimiva igra, nasvet, slika, politično sporočilo ali kaj podobnega. Sporočilo največkrat potuje preko e-pošte.

- **Online partnersko trženje** je pomembna in priljubljena oblika spletnega trženja in mednje štejemo spletne partnerske programe (Affiliate marketing) in spletna sponzorstva (Online Sponsorships). **Partnerski program** je oblika promoviranja spletne strani, pri kateri partner, lastnik spletne strani A (affiliate), dobi plačilo za vsako novo stranko/prodajo, ki je na spletno stran B prišla preko povezave iz strani A. Najbolj znani partnerski program je razvilo podjetje Amazon. Partnerski programi ponujajo različne plačilne modele, v glavnem pa temeljijo na proviziji od prodaje. Spletna sponzorstva imajo tradicionalno vlogo povečati prepoznavnost blagovne znamke ali pa povečati in pospešiti nakupno namero. V internetnem okolju je lahko sponzorstvo v obliki sponzoriranja e-časopisa oz. mesečnika ali spletne strani ali pa kombinacija obeh.

3. FAZA: Konverzija (Conversion)

Konverzija je faza, v kateri podjetje skuša pretvoriti obiskovalce svoje strani v stranke. Pri tem si lahko podjetje določi različne cilje in potem glede na te definira različne stopnje konverzije. To je na primer lahko konverzija obiskovalcev v stranke, pri čemer nekdo pri

prvem obisku kupi nek izdelek ali storitev ali pa je to le konverzija obiskovalca v prenos poskusne verzije produkta ali storitve ali pa je konverzija definirana kot prijava na e-časopis. Tako lahko konverzijo na splošno definiramo kot proces prepričevanja in vodenja obiskovalcev spletne strani, da izvedejo točno zastavljene in definirane akcije tržnika. Konverzija se odvije na spletni strani, zato so glavni elementi v tej fazi: spletna stran, spletna ponudba produkta oz. storitve in pa spletna blagovna znamka. Vsi ti trije elementi skupaj tvorijo celotno spletno izkušnjo.

4. FAZA: Ohranjanje strank (Retention)

Ohranjanje pridobljenih strank je izredno pomembna faza, saj so stroški ohranjanja strank načeloma veliko nižji od stroškov pridobivanja novih strank. V to fazo sodijo vse aktivnosti podjetja, ki vplivajo na to, da se stranke vračajo na spletno stran in ponovno kupijo proizvod ali storitev. Ko želimo določiti vse elemente, ki pripomorejo k ohranjanju strank, se soočimo z dilemo, kje postaviti mejo med to fazo in drugimi fazami, saj se vse skupaj prekrivajo in posredno ali neposredno vplivajo na ohranjanje strank. V moji verziji modela ta funkcija vsebuje naslednje elemente:

- personalizacijo,
- spletno skupnost,
- e-poštni marketing

5. FAZA: Razvoj/Rast vrednosti strank (Customer development/Growth)

Razvijanje in rast strank se nanaša na povečevanje obsega izdelkov oz. storitev, ki jih neka stranka troši. Ta faza je usmerjena v povečevanje prodaje in doseganje rasti. Prvi korak je identifikacija najbolj donosnih strank in segmentacija. Pri tem lahko tržniki uporabijo različne prodajne tehnike:

- navzkrižna prodaja (cross-selling), prodaja dodatnih produktov,
- prodaja navzgor (up-selling), prodaja dražjih produktov,
- re-aktiviranje prodaje (re-activating/win-back), prodaja trenutno neaktivnim članom,
- prodaja preko priporočil (referral sales).

Odvisno od tipa prodajne promocije in cilja, ki ga podjetje želi doseči, pa lahko tržniki uporabijo različne klasične prodajne instrumente. Med instrumente s kratkoročnim učinkom sodijo e-kuponi, vzorci, nagradne igre in pa različne igre, ki kombinirajo prodajno promocijo in igro. Za doseganje dolgoročnih učinkov pa so najprimernejši programi zvestobe.

6. FAZA: Podpora strankam (Service)

Ta faza je v modelu umeščena na zadnje mesto, vendar ima v modelu zelo prepletajočo se funkcijo skozi vse cikle, predvsem z vidika stranke. Elementi v tej fazi so predvsem kombinacija možnosti, kako lahko obiskovalec/stranka kontaktira podjetje, ko potrebuje dodatno informacijo, pojasnilo, želi posredovati reklamacijo ali želi v kakršenkoli drug namen komunicirati s podjetjem. Prvi sklop elementov so tako imenovane »samopostrežne« funkcije kot na primer avtomatsko ustvarjena e-poštna sporočila, pogosto zastavljena vprašanja –

FAQ, spletni iskalniki na straneh ali pa virtualni asistenti. V drugo skupino pa sodijo opcije, pri katerih lahko stranka vzpostavi direkten kontakt z osebjem podjetja preko e-pošte, preko možnosti klepeta v živo ali preko telefonskih številk. Na splošno je za podjetje pomembno, da so njihove kontaktne opcije dobro vidne in dosegljive skozi vse korake, ki jih obiskovalci/kupci naredijo od obiska do nakupa. Podpora strankam, ki je učinkovita, hitra in prijazna je pomemben sestavni del e-trženjskega spleta, saj ima velik vpliv na zadovoljstvo kupca, in preko tega na zvestobo in na pripadnost k blagovni znamki. V Pure-play internetnem podjetju je podpora strankam edina točka, ki kupcu nudi, da naveže kontakt s podjetjem in ima tako močan vpliv na profesionalnost in kredibilnost celotnega spletnega podjetja.

Za ugotovitev, ali je model uporaben v praksi, sem ga testirala z namišljeno situacijo iz Pure-play podjetja, kjer sem bila dve leti zaposlena. To je bil hiter preizkus, ali lahko uporabim model pri načrtovanju reorganizacije in prestrukturiranje tamkajšnjega marketing oddelka v e-marketing oddelek. Ta test sem izvedla v treh korakih: najprej sem določila bistvene korake v nakupnem procesu z vidika stranke, naslednji korak je bil analiza korakov in glavnih možnih scenarijev z vidika podjetja. Zadnji korak je bil sestava organizacijske sheme, z glavnimi funkcijami. Pri tem sem ugotovila, da model lahko služi kot odličen pripomoček pri planiranju, organiziranju, upravljanju in nadzorovanju e-marketing aktivnosti.

Raziskovalno delo moje naloge je bilo usmerjeno v iskanje rešitve primernega e-marketing spleta za internetno Pure-play podjetje. V prvem koraku sem se najprej posvetila tradicionalni 4P teoriji o trženjskem spletu in njenim kritikam. Sledil je pregled predlaganih modelov, ki naj bi služili za oblikovanje e-tržnega spleta. Po pregledu teh modelov sem poskušala najti primerno verzijo, ki bi jo lahko razširila in dodelala v model, ki bi lahko izpolnil vse cilje moje naloge. Pri tem sem ugotovila, da nobena od obstoječih verzij ne bo primerna za nadaljnjo predelavo modela, kamor bi lahko umestila vsa najnovejša spletna trženjska orodja in hkrati upoštevala osnove teorije upravljanja odnosov s strankami in pomembne koncepte kot sta na primer življenjski cikel stranke in življenjska vrednost stranke. E-trženjski splet za Pure-play podjetja je tako predlagana verzija, ki je izpolnila cilje moje naloge. Pri tem modelu lahko opazimo, da je kupec vedno v ospredju, kot je to na splošno značilno za Pure-play podjetja. Tako model nekako razdeli pojem vrednosti kupca na dve ravni – na eni strani podjetje določi in oblikuje svojo ponudbo, ki predstavlja vrednost za kupca (online value). Na drugi strani pa podjetje upravlja vrednost svojega kupca – sedanjo vrednost in bodočo potencialno vrednost. Tako je pridobivanje novih strank investicija in vse aktivnosti v ostalih fazah, ki dodajo svoj delež pri ustvarjanju zveste baze stalnih kupcev, so v bistvu premoženje podjetja. Model je razdeljen v šest faz, glede na potek življenjskega cikla ene stranke, ki omogočajo učinkovito spremljanje življenjske vrednosti vsake stranke. Tako lahko ta model pripomore k razumevanju e-marketinga v širšem smislu, ker v svoji strukturi zajame veliko pomembnih spletnih trženjskih instrumentov in definira njihovo vlogo. Tako lahko model uporabimo tudi kot osnovo za organizacijsko strukturo e-marketing oddelka v Pure-play podjetju. S testiranjem modela sem ugotovila, da je lahko uporaben za različne procese v e-

marketingu, kot na primer sestavljanje, prestrukturiranje ali organiziranje in upravljanje e-marketing aktivnosti. Predlagani model nekako združi veliko funkcij, ki so navadno v klasičnem realnem svetu strogo ločene, kot na primer marketing, prodaja, podpora. Ker se v virtualnem svetu v očeh kupca vsi procesi dogajajo veliko bolj povezano in simultano, se zdi smotrno, da podjetje upošteva enak pristop pri svoji organizaciji. To je posebej pomembno za razumevanje funkcije e-marketinga kot centralne funkcije v pure-play podjetju. Le tako lahko podjetje postavi svoje stranke in njihovo vrednost v center pozornosti. Pri takem pristopu lahko vsi ostali oddelki povezano sodelujejo pri izpolnjevanju glavnega cilja - ustvarjanje vrednosti za kupce in na drugi stani upravljanje vrednosti kupcev, ki jo le ti predstavljajo za podjetje.

Internetna populacija hitro raste in tako se razvija tudi vedno več možnosti za rast podjetij, ki bodo blizu pure-play strategiji. Predlagani model nikakor ne predstavlja univerzalno uporabnega praktičnega modela, je le predlog, na podlagi katerega lahko podjetje poglobi raziskavo na operativnem nivoju in jo prilagodi za različne potrebe in scenarije. Ne glede na to, ali gre za čisto Pure-play podjetje ali pa za tradicionalno podjetje, ki uporablja internetno pure-play strategijo kot alternativno opcijo pri oglaševanju, prodaji ali pa podpori strankam, predlagani model lahko služi kot pomožno orodje v različnih fazah, tudi pri uvajanju e-marketing strategije v klasični marketinški splet.

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APPENDICES

Appendix 1: Three alternative relationships between e-marketing, e-commerce and e-business

(a) E-marketing (EM) has some overlap with e-commerce (EC) and e-business

(b) EM = EC = EB E-marketing is broadly equivalent to e-commerce and e-business

(c) E-business encompasses e-marketing and e-commerce, but e-marketing involves more processes than e-commerce
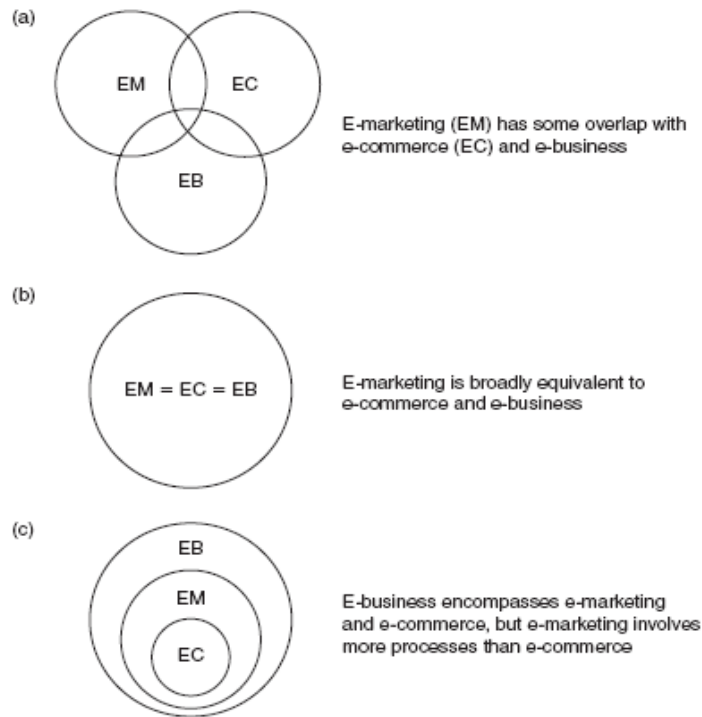
Source: Chaffey, Smith, 2005, p. 12.

Appendix 2: World Internet usage and population statistics (30/07/2007)

WORLD INTERNET USAGE AND POPULATION STATISTICS						
World Regions	Population (2007 Est.)	Population % of World	Internet Usage, Latest Data	% Population	Usage % of World	Usage Growth 2000-2007
Africa	933,448,292	14.2 %	33,545,600	3.6 %	2.9 %	643.1 %
Asia	3,712,527,624	56.5 %	436,758,162	11.8 %	37.2 %	282.1 %
Europe	809,624,686	12.3 %	321,853,477	39.8 %	27.4%	206.2 %
Middle East	193,452,727	2.9 %	19,539,300	10.1 %	1.7 %	494.8 %
North America	334,538,018	5.1 %	232,655,287	69.5 %	19.8%	115.2 %
Latin America	556,606,627	8.5 %	109,961,609	19.8 %	9.4 %	508.6 %
Oceania / Australia	34,468,443	0.5 %	18,796,490	54.5 %	1.6 %	146.7 %
WORLD TOTAL	6,574,666,417	100.0 %	1,173,109,925	17.8 %	100.0 %	225.0 %

Source: Internet World Stats, 2007
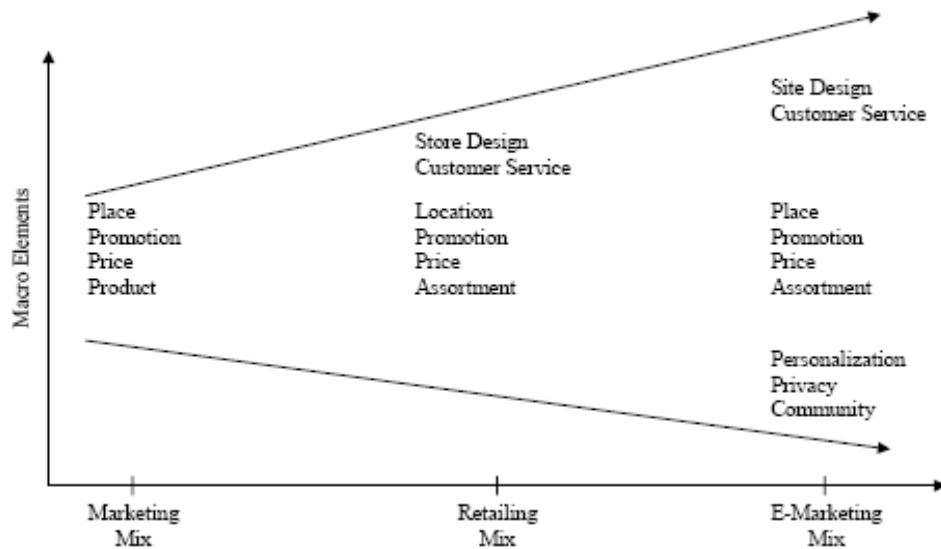
Source: Kalyanam, Mcintyre, 2002, p.39.

Appendix 4: Channel Comparison Chart of service channels for website

	Self-Service/ FAQ	Email	Live Chat	Phone/ Click-to-Talk
Costs				
Cost to handle issue	$0.30-$0.50	$2-$4	$1.50-$2.50	$3-$8
Cost to handle issue with escalation This refers to when customer issues cannot be resolved immediately and require escalation to another representative or supervisor.	$3.30-$7.50	$5-$12	$3-$5	$6-$14
Revenue Impact				
Conversion rates	=	=	+35%	+35%
Average order size	=	=	+35%	+20%
Customer Experience				
First contact resolution According to Forrester Research, first contact resolution is critical to building high customer satisfaction (CSAT). Average CSAT for issues handled in one interaction >75%. When issues required three interactions, CSAT dropped to <25%.	~30%	~40%	~70%	~70%
"Excellent" or "very good" customer satisfaction rating	~40%	~50%	~85%	~80%
Service Levels & Agent Productivity				
Real-time interactive communication channel			✔	✔
Supports concurrent interactions	✔		✔	
Integration and Web collaboration			✔	Click-to-Talk
General Recommendations				
Type of inquiry	basic	basic	Basic-complex	most complex
Transaction type	low value/ low margin	low value/ low mar.	high value/ low-high mar	high value/ high margin

Source: LivePerson, 2007

Appendix 5a: Customer journey in online casino – CUSTOMER perspective

INFORMATION STAGE → AGREEMENT STAGE → FULFILMENT STAGE → AFTER PURCHASE STAGE

INFORMATION STAGE
Player examines the offer and compares to the competition

AGREEMENT STAGE
Casino operator & customer agree to the transaction conditions software download

FULFILMENT STAGE
Fulfilment phase: data entry deposit process game play cash out

AFTER PURCHASE STAGE
Customer service, relationship building

Important factors

Website ~
Credibility
Trustworthiness
Content
fun of the web site
Functionality
Design

OFFER
sign up offer
terms & conditions
of bonus use
Cash out process
Games preview & test

Website ~
navigation tools
& architecture

Download~
easy
fast
frictionless

Security and Privacy
(encoding, confidentiality)

Opt -in and out options

Personalization options

Verification process
(fraud risk scoring)

Reliable software
customization and
community options

Fast, easy & transparent
cash out steps

Cash out tracking

Responsiveness

Promptness of
reactions
to requests

Ability of immediate
complains resolving
to full
customer satisfaction

Availability of
communication
channels

Refund policy

Special
service request

Source: Own design

Appendix 5b: Customer life cycle in online casino – COMPANY perspective

Source: Own design

Acquisition manager

Direct acquisition

Search engine marketing

Interactive display ad buyer

E-mail acquisition (list broker)

Partner acquisition

Affiliate manager

e- sponsorship specialist

e-PR specialist (reputation monitoring, forums and portals communication)

Conversion manager

ONLINE BRAND

WEBSITE

Web developer (usability analyst, information architect)

Web designer

Copywriter

Localisation specialist and translator(s)

OFFERING

Product offering

Micro payments and security specialist

Fraud and collusion specialist

Fulfilment - cash out supervisor

Selection manager

Segmenting Targeting

Frequency Reach Impact

e-marketing department for on-line gambling

Development manager

Sales analyst

Cross selling agent
Up-selling agent
Reactivation program agent
Referral program agent
Loyalty program agent
VIP program agent

VIP program agent

Service manager

e-Self service specialist (automatic responses, help desk, virtual assistant)

Inbound communications specialist
Call centre supervisor
e-mail supervisor
chat supervisor

Service knowledge base agent

Special service requests, complaints and refunds supervisor

VIP service

Retention manager

Permission marketer

e-mail marker (newsletters),

Web site promotions specialist (tournaments, interactive promotions)

Churn & abandonment supervisor

Community specialist (player club development and VIP club)

Privacy specialist (legislation, communication)

Marketing research

Source: Own design

6