

# *Online Communications and Internet Marketing*



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# *Internet Marketing and Web 2.0*



## *How does the Internet contribute to marketing?*

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

*Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitability*

*"Achieving marketing objectives through applying digital technologies"*

*How?*

Give examples of how the Internet (web and e-mail) achieves these?



# *Internet Marketing*

- Internet marketing (i-marketing, web marketing, online marketing, eMarketing,...)
  - ✓ Marketing of products or services over the Internet
  - ✓ Includes search engine marketing, search engine optimization, advertisements, e-mail marketing, and Web 2.0 strategies
- Challenges
  - ✓ Many forms of advertisements blocked or seen negatively
    - Pop-up, pop-under, e-mails (opt-in vs. opt-out)
  - ✓ Economy of attention (huge information overload)



# Online Opportunities

**Table 1.1**

Timeline of websites indicating innovation in business model or marketing communications approach

Year founded	Company/site	Category of innovation
1994	Amazon	Retailer
1995 (March)	Yahoo! (yahoo.com)	Directory and portal
1995 (September)	eBay	Online auction
1995 (December)	Altavista (altavista.com)	Search engine
1996	Hotmail (hotmail.com)	Web-based e-mail Viral marketing (using e-mail signatures to promote service) Purchased by Microsoft in 1997
1998	GoTo.com (goto.com) Overture (2001)	Pay-per-click search marketing Purchased by Yahoo! in 2003
1998	Google (google.com)	Search engine
1999	Blogger (blogger.com)	Blog publishing platform Purchased by Google in 2003



## More recent opportunities

Year founded	Company/site	Category of innovation
1999	Alibaba (alibaba.com)	B2B marketplace with \$1.7 billion IPO on Hong Kong stock exchange in 2007. See case in Chapter 2, p. 000
1999	MySpace (myspace.com) Formerly eUniverse	Social network Purchased by News Corp in 2005
2001	Wikipedia (wikipedia.com)	Open Encyclopedia
2002	Last.fm	A UK-based Internet radio and music community website, founded in 2002. On 30 May 2007, CBS Interactive acquired Last.fm for £140m (US\$280m)
2003	Skype (skype.com)	Peer-to-peer Internet telephony VOIP – Voice over Internet Protocol Purchased by eBay in 2005
2003	Second Life (secondlife.com)	Immersive virtual world
2004	Facebook (facebook.com)	Social network applications and groups
2005	YouTube (youtube.com)	Video sharing and rating
2007	Joost (joost.com)	Quality video broadcast service IP TV – Internet Protocol TV
?	The future	?



## *A more in-depth definition*

**Customer-centric digital marketing involves:**

Applying...

***Digital technologies which form online channels...  
(Web, e-mail, databases, mobile, iDTV)***

to...

***Contribute to marketing activities aimed at achieving  
profitable acquisition and retention of customers  
(within a multi-channel buying process  
and customer lifecycle)***

through...

***Improving customer knowledge (of their profiles,  
behaviour, value and loyalty drivers), then delivering  
integrated targeted communications and online  
services that match their individual needs***



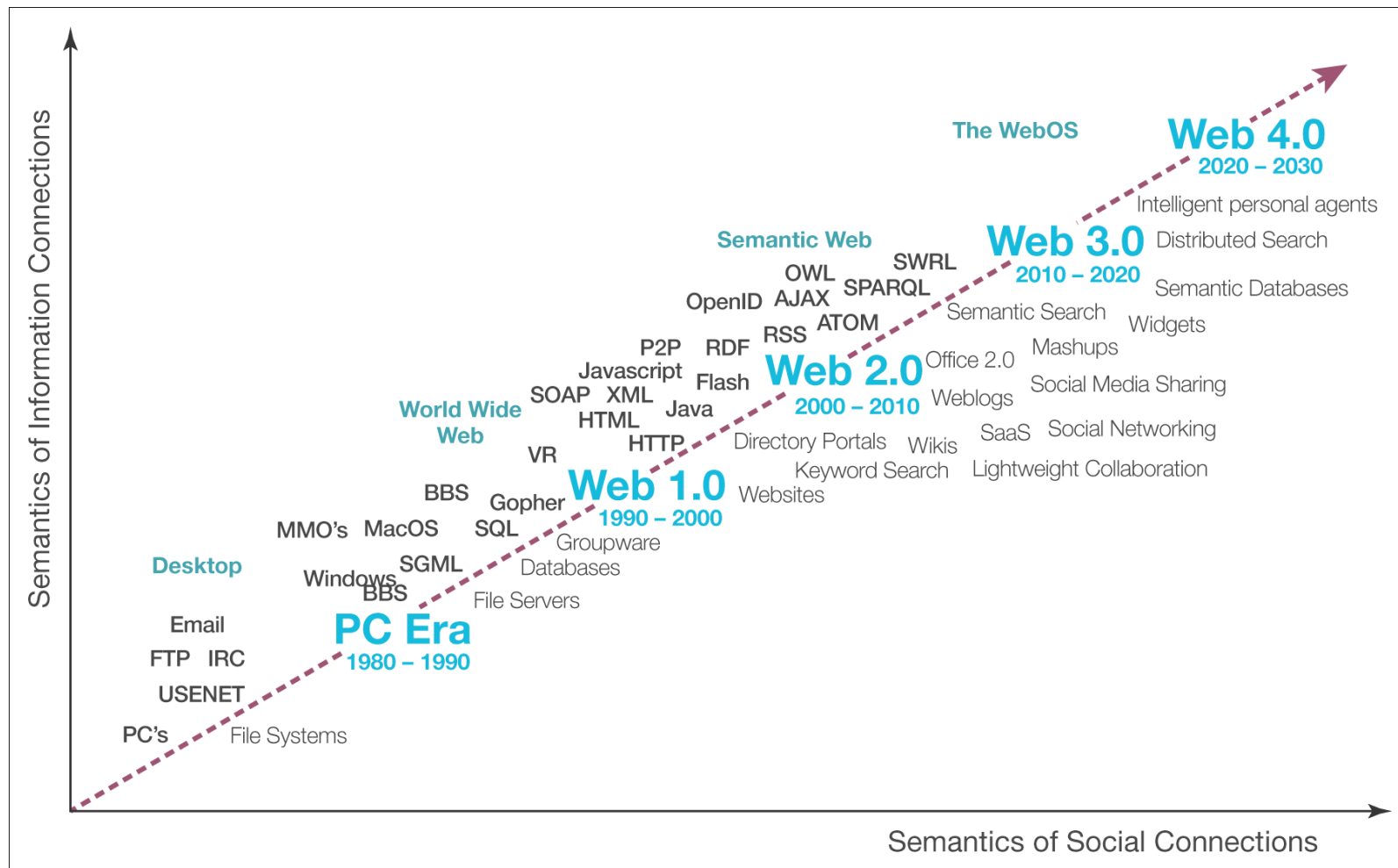
## *How the Internet supports marketing*

*Identifying* – the Internet can be used for marketing research to find out customers' needs and wants.

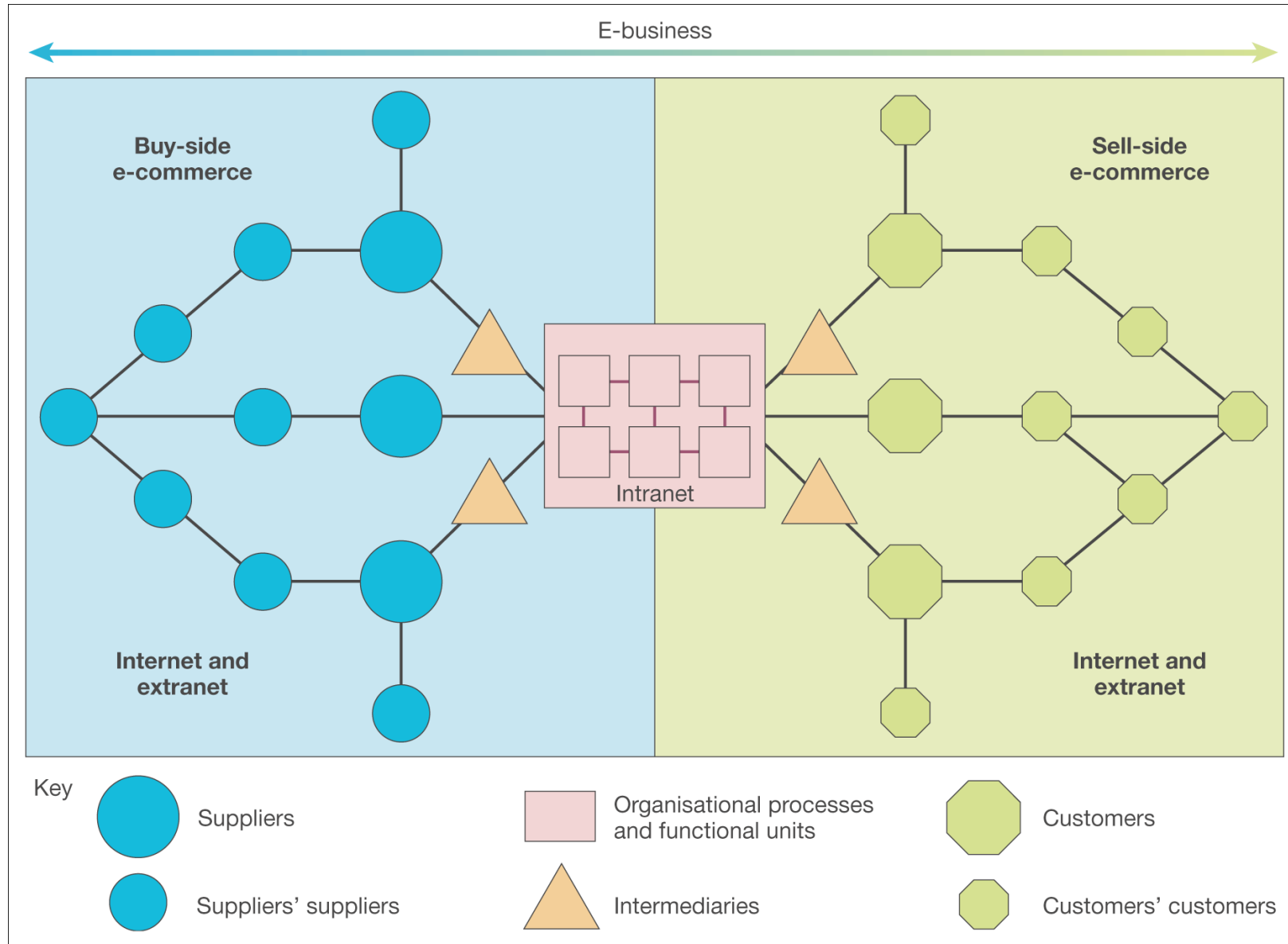
*Anticipating* – the Internet provides an additional channel by which customers can access information and make purchases – evaluating this demand is key to governing resource allocation to e-marketing.

*Satisfying* – a key success factor in e-marketing is achieving customer satisfaction through the electronic channel, which raises issues such as: is the site easy to use, does it perform adequately, what is the standard of associated customer service and how are physical products dispatched?





## ...relationship between e-commerce and e-business?



## *Why is a digital strategy needed?*

- To set clear goals for digital channels
- To align with business strategy (avoid ad-hoc approaches)
- Create a specific online value proposition (OVP)
- Specify communications tools to drive visitors
- Integrate digital and traditional channels
- Manage customer lifecycle (e.g. through email marketing)



## *Applications of digital marketing*

- *An advertising medium*
- *A direct-response medium*
- *A platform for sales transactions*
- *A lead-generation method*
- *A distribution channel*
- *A customer service mechanism*
- *A relationship-building medium*



**Table 1.2****The 5 Ss of Internet marketing**

<b>Benefit of e-marketing</b>	<b>How benefit is delivered</b>	<b>Typical objectives</b>
Sell – Grow sales	Includes direct online sales and sales from offline channels influenced online. Achieved through wider distribution to customers you cannot readily service offline or perhaps through a wider product range than in-store, or lower prices compared to other channels	<ul style="list-style-type: none"><li>• Achieve 10% of sales online in market</li><li>• Increase online sales for product by 20% in year</li></ul>
Serve – Add value	Achieved through giving customers extra benefits online or inform product development through online dialogue and feedback	<ul style="list-style-type: none"><li>• Increase interaction with different content on site</li><li>• Increase dwell-time duration on site by 10% (sometimes known as ‘stickiness’)</li><li>• Increasing number of customers actively using online services (at least once per month) to 30%</li></ul>



Benefit of e-marketing	How benefit is delivered	Typical objectives
Speak – Get closer to customers	This is creating a two-way dialogue through web interactions like forums and surveys and conducting online market research through formal surveys and informally monitoring chat rooms to learn about them	<ul style="list-style-type: none"> <li>• Grow e-mail coverage to 50% of current customer database</li> <li>• Survey 1000 customers online each month</li> <li>• Increase visitors to community site section by 5%</li> </ul>
Save – Save costs	Achieved through online e-mail communications, sales and service transactions to reduce staff, print and postage costs. Savings also accrue through 'web self-service' where customers answers queries through online content	<ul style="list-style-type: none"> <li>• Generate 10% more sales for same communications budget</li> <li>• Reduce cost of direct marketing by 15% through e-mail</li> <li>• Increase web self-service to 40% of all service enquiries and reduce overall cost-to-serve by 10%</li> </ul>
Sizzle – Extend the brand online	Achieved through providing new propositions, new offers and new experiences online while at the same time appearing familiar	<ul style="list-style-type: none"> <li>• Improve branding metrics such as: brand awareness, reach, brand favourability and purchase intent</li> </ul>

Source: Chaffey and Smith, 2008

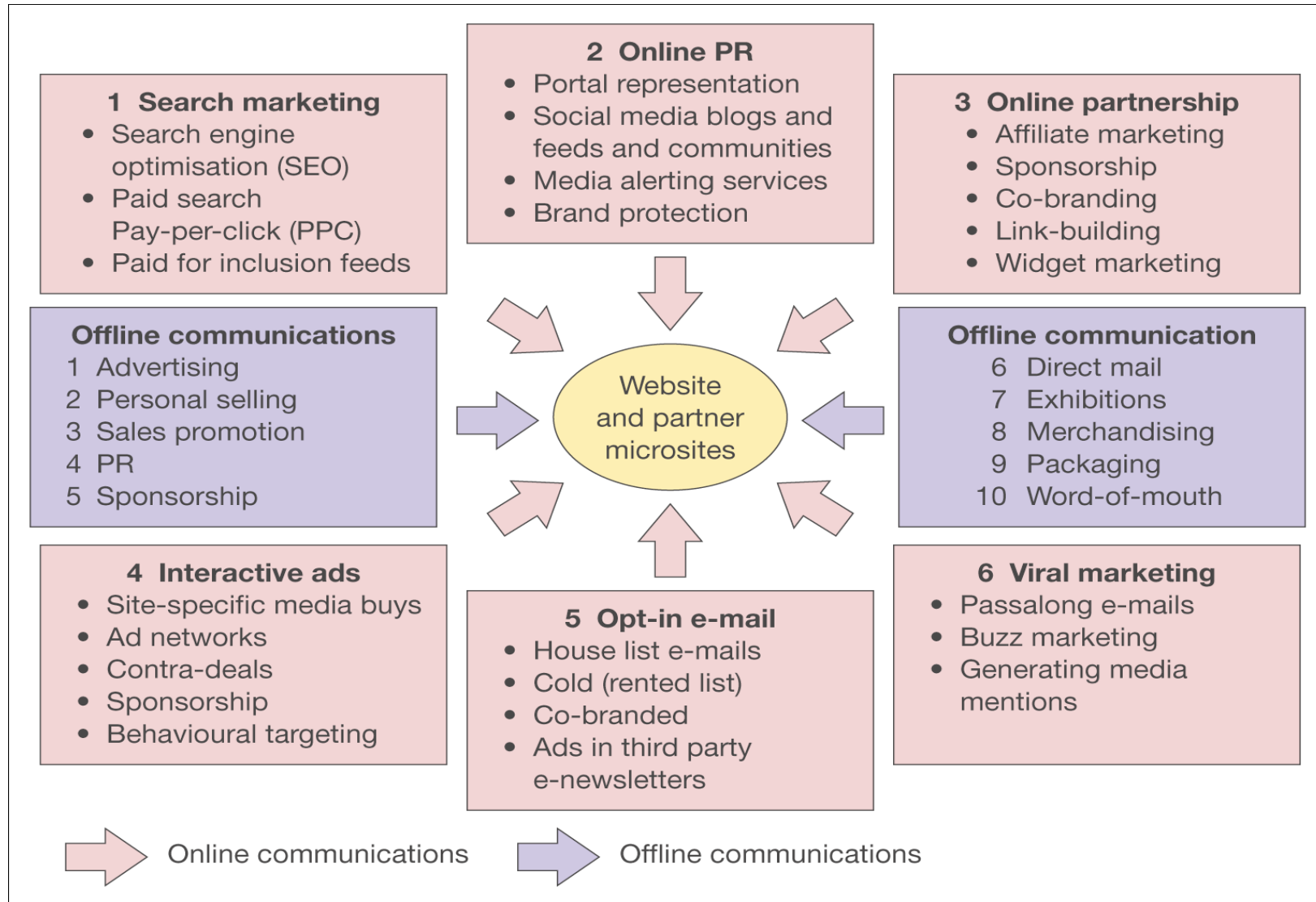


## *Different forms of web presence*

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



*Six categories of e-communications tools or media channels (Chaffey and Smith, 2008)*



## *Explanation of tools*

- 1 **Search engine marketing.** Placing messages on a search engine to encourage click-through to a website when the user types a specific keyword phrase. Two key search marketing techniques are: paid placements or sponsored links using pay-per-click, and placements in the natural or organic listings using search engine optimisation (SEO).
- 2 **Online PR.** Maximising favourable mentions of your company, brands, products or websites on third party websites such as social networks or blogs that are likely to be visited by your target audience. Also includes responding to negative mentions and conducting public relations via a site through a press centre or blog, for example.
- 3 **Online partnerships.** Creating and managing long-term arrangements to promote your online services on third party websites or through e-mail communications. Different forms of partnership include link building, affiliate marketing, aggregators such as price comparison site like Moneysupermarket ([www.moneysupermarket.com](http://www.moneysupermarket.com)), online sponsorship and co-branding.
- 4 **Interactive advertising.** Use of online ads such as banners and rich media ads to achieve brand awareness and encourage click-through to a target site.
- 5 **Opt-in e-mail marketing.** Renting e-mail lists or placing ads in third-party e-newsletters or the use of an in-house list for customer activation and retention.
- 6 **Viral marketing.** Viral marketing is effectively online word of mouth – messages are forwarded to help achieve awareness and, in some case, drive response.



# *Internet Marketing*

- Marketing mix (4 Ps)
  - ✓ Product
  - ✓ Pricing
  - ✓ Placement (or distribution)
  - ✓ Promotion
- 4S Web Marketing mix
  - ✓ Scope (strategies & objectives, market & customer analysis)
  - ✓ Site (web experience, customer oriented content)
  - ✓ Synergie (front office/back office/third party integration)
  - ✓ System (technology, technical requirements, web site admin)



# *Internet Marketing*

- Effects on Marketing Practices
  - Segmentation and targeting
  - Customer relationships
  - Pricing
  - Product
  - Promotions
  - Place (distribution) and reseller relationships
  - Etc.
- Effective messages on the Internet
  - Minimalism
  - Appeal
  - Distinctiveness



## *Comparing the Internet with other communication channels*

- Costs
- Stimulus variety
- Clutter
- Usage experience
- Processing quality
- Credibility
- Intrusiveness
- Selective targeting
- Personalization & Localization (identification and tracking)
- Flexibility
- Interactivity
- Regulation



## Web 2.0

- Term coined by Tim O'Reilly at conference (2004)
  - based on experience of dot-com-bubble, after which web still alive with new applications
  - second generation of internet applications
  - reciprocity between user and provider emphasized
  - transition of websites from isolated information silos to interlinked computing platforms
  - technologies such as weblogs, social bookmarking, wikis, podcasts, RSS feeds (and other forms of many-to-many publishing), social software, web application programming interfaces, and online web services



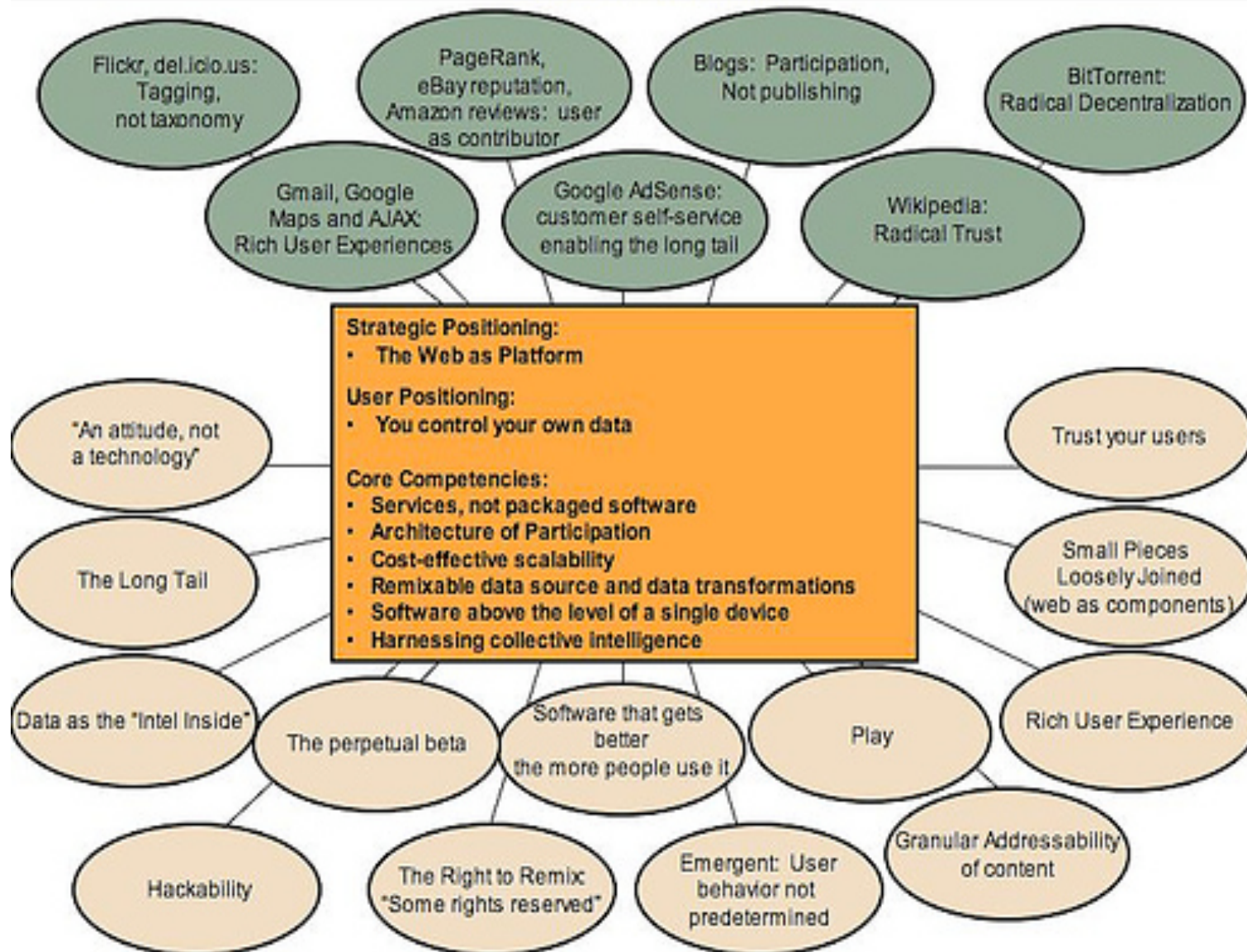
# Web 2.0

## ■ Main ideas

- ✓ web as a platform
- ✓ data as the driving force
- ✓ network effects created by an architecture of participationinnovation in assembly of systems and sites composed by pulling together features from distributed, independent developers
- ✓ lightweight business models enabled by content and service syndication
- ✓ software is a service not a product (above level of single device)
- ✓ some rights reserved
- ✓ perpetual beta



## Web 2.0 Meme Map



<http://www.oreilly.com/pub/a/oreilly/tim/news/2005/09/30/what-is-web-20.html>



# Web 2.0

- Marketing and Web 2.0
  - ✓ Exploiting trust and relationships for marketing
  - ✓ Getting data for user profiles
  - ✓ Reviews and feedback – control vs. freedom / manipulation
  - ✓ Setting up a presence in Web 2.0, creating communities
  - ✓ Examples
    - Obama Campaign
    - Twitter contest CNN vs. Kutchnner



# *Viral Marketing*

- ✓ marketing techniques that use pre-existing social networks to achieve marketing objectives through self-replicating viral processes
- ✓ delivered by word of mouth or enhanced by the network effects of the Internet
- ✓ video clips, interactive Flash games, advergames, ebooks, brandable software, images, or even text messages
- ✓ goal is to create viral messages that appeal to individuals with high social networking potential and have a high probability of being presented and spread by these individuals
- ✓ Word-of-mouth marketing - unpaid form of promotion by satisfied customers (credibility)



# *Guerrilla & Stealth Marketing*

- Guerrilla marketing
  - ✓ system of promotions that relies on time, energy and imagination rather than a big budget
  - ✓ unexpected and unconventional
  - ✓ objective is to create a unique, engaging and thought-provoking concept to generate buzz, and consequently turn viral
- Undercover (buzz, stealth) marketing
  - ✓ subset of guerrilla marketing where consumers do not realize they are being marketed to
  - ✓ The Joneses (David Duchovny & Demi Moore)
- Ethical issues

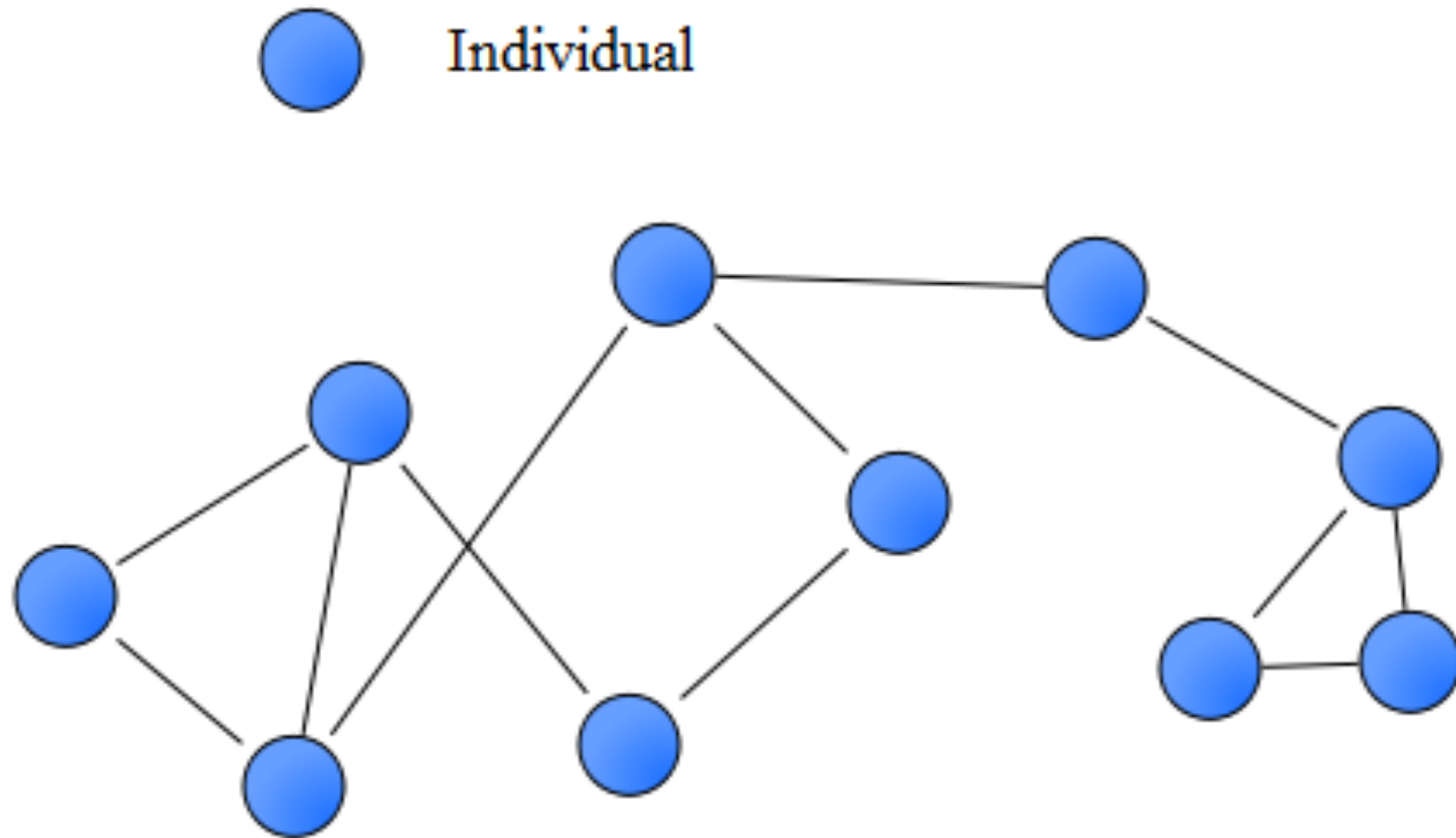


# ***Social Network Theory (Network Analysis)***

- Views social relationships in terms of nodes and ties:
  - ✓ **Nodes:** The individual actors within the networks
  - ✓ **Ties:** The relationships between the actors.
- There can be many kinds of ties between the nodes.
  - ✓ i.e. Values, visions, idea, financial exchange, friends, kinship, dislike, conflict, trade, web links
- A **social network is a map** of all of the relevant ties between the nodes being studied.
  - ✓ These concepts are often displayed in a **social network diagram**, where nodes are the points and ties are the lines.
- Social network theory produces a view where the individuals' **relationships and ties with other actors within the network** are more important than attributes of individuals.



## Social Network



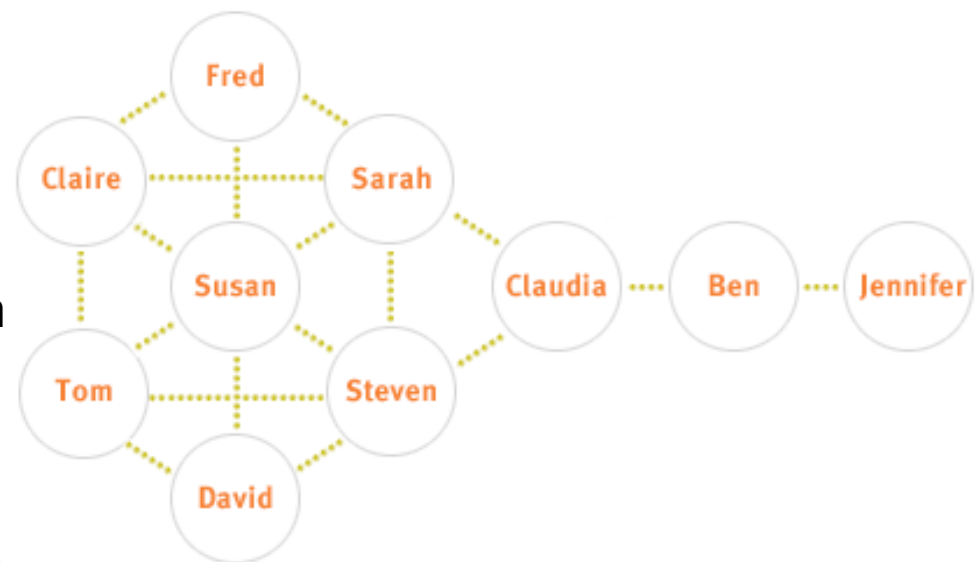
# *Social network analysis (SNA)*

- Is the mapping and measuring of relationships and flows between people, groups, organizations, computers, web sites, and other information / knowledge processing entities.
- SNA provides both a visual and a mathematical analysis of human relationships.
- To understand networks and their participants, we evaluate the **location of actors in the network**.
  - ✓ These measures give us insight into the various roles and groupings in a network -- who are the connectors, mavens, leaders, bridges, isolates, where are the clusters and who is in them, who is in the core of the network, and who is on the periphery?



## Understanding networks and their participants: An Example

- The "Kite Network"
- Two nodes are connected if they interact in some way
- The three most popular metrics:
  - ✓ **Centrality.** Susan is a "connector" with 6 direct links to other nodes.
  - ✓ **Betweenness.** Claudia has only 3 connections but holds a powerful position as the sole "boundary spanner" between different groups.
  - ✓ **Closeness.** Sarah and Steven have the shortest paths to all others. They have an excellent view of what's going on.



## *Measures in SNA*

- Centrality (Degree)
  - ✓ The count of the number of ties to other actors in the network.
- Betweenness
  - ✓ Degree an individual lies between other individuals in the network
- Closeness
  - ✓ The degree an individual is near all other individuals in a network (directly or indirectly).
- Clustering Coefficient
  - ✓ A measure of the likelihood that two associates of a node are associates themselves.



## *Some types of groups*

- Clique
  - a sub-set of actors who are more closely tied to each other than they are to actors who are not part of the group
- N-Cliques
  - a “friend of a friend”
- Cutpoints
  - if a node were removed, the structure would become divided into un-connected systems



## *Types of Individuals*

- Central connectors
- Boundary spanners
- Information brokers
- Peripheral specialists
- ...



## *Applications*

- Structural features can be distinguished and analyzed through the use of network analysis techniques
- Epidemiology
  - ✓ patterns of human contact aid or inhibit the spread of diseases such as HIV in a population.
- Communication
  - ✓ Diffusion of innovations theory
  - ✓ Small world phenomenon (6 degrees of separation)

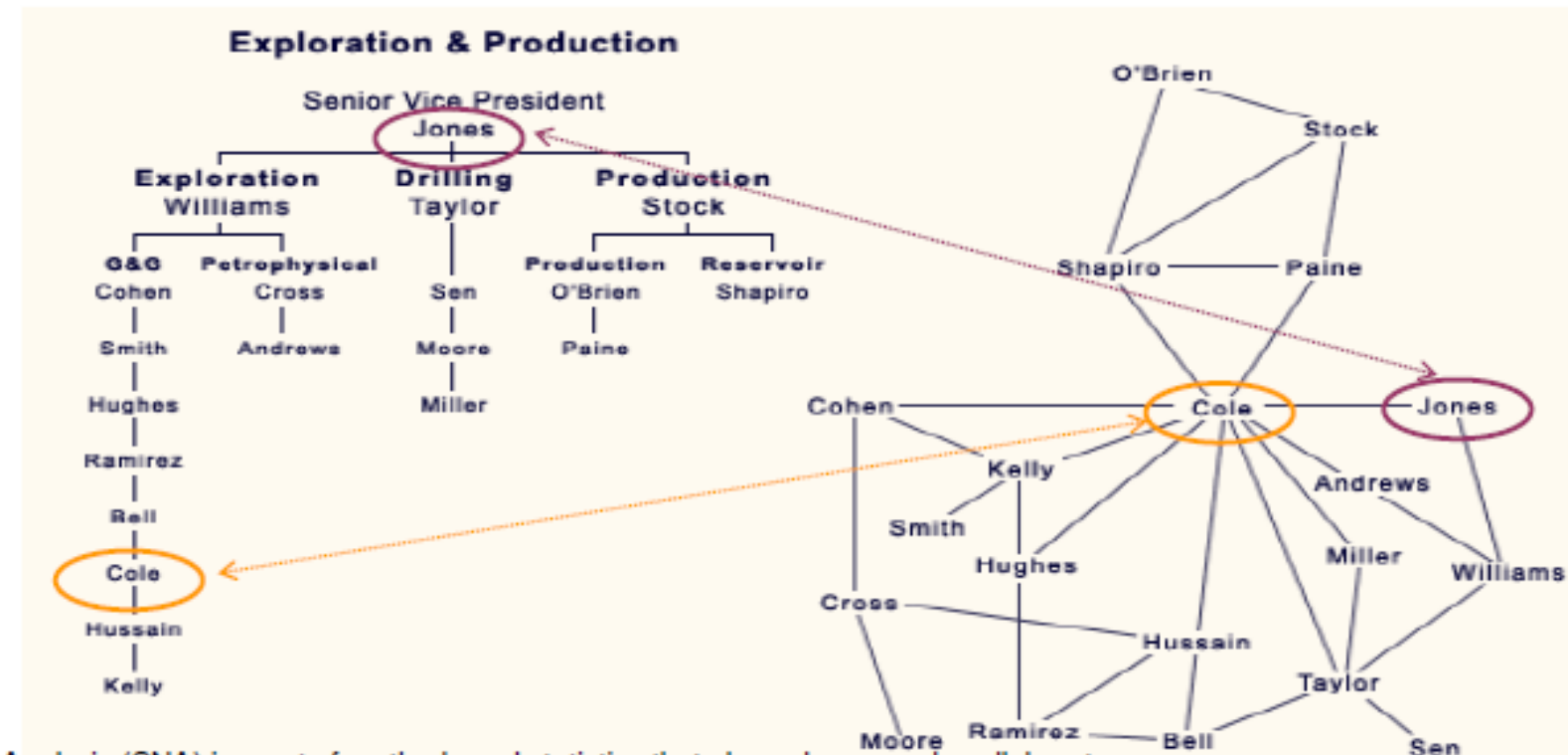


## Applications

- Focus on the communication structure of an organization
  - ✓ Formal and informal **communication patterns** in an organization
  - ✓ Identification of **groups** within an organization (cliques or functional groups).
  - ✓ Communication-related **roles** of employees can be determined (e.g., stars, gatekeepers, and isolates).
  - ✓ **Communication load** as perceived by employees
  - ✓ **Communication styles** used
  - ✓ **Effectiveness** of the information flows.



# Applications



# *Internet Marketing Controlling*

- Methods and tools
  - ✓ Depends on hosting (in-house vs. outsourcing/partner)
  - ✓ Server-based / client-based methods
  - ✓ Web log analysis
  - ✓ Counters
  - ✓ Cookies
  - ✓ Third-party tools
    - [www.google.com/analytics/](http://www.google.com/analytics/)
    - [www.etracker.com](http://www.etracker.com)



# *Internet Marketing Controlling*

- Metrics and measures

- ✓ Sales volume
- ✓ Session length
- ✓ Cost-per-click (CPC)
- ✓ Cost-per-thousand impressions (CPM)
- ✓ Click-through-rate
- ✓ Ad Ranks
- ✓ Conversion Rates (purchase, sign up, page views, sales leads, etc.)
- ✓ Cross-channel conversion tracking
- ✓ Bounce rates
- ✓ ...



# *Internet Marketing Controlling*

- Problems

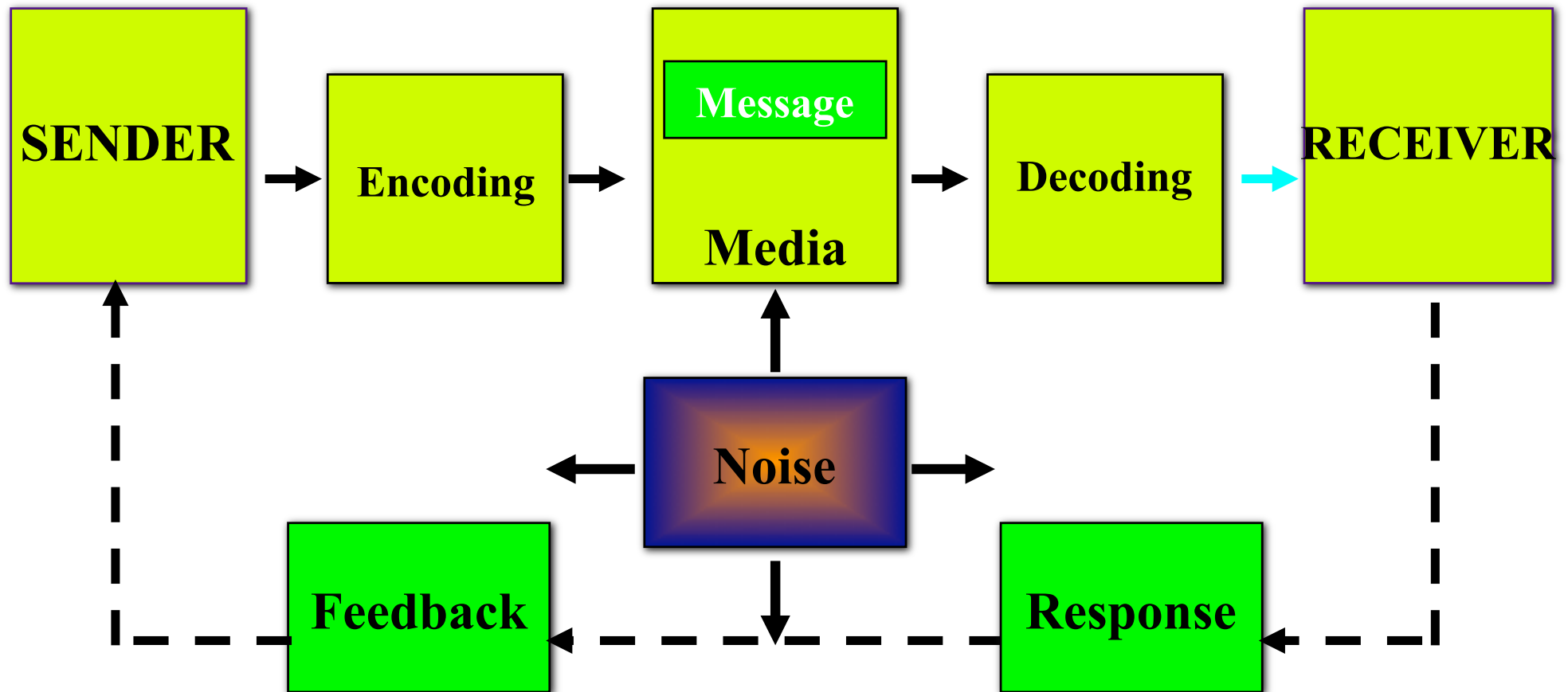
- ✓ Identity based on IP
  - shared computers
  - anonymizer services
- ✓ Privacy concerns and modern browsers
- ✓ Click fraud

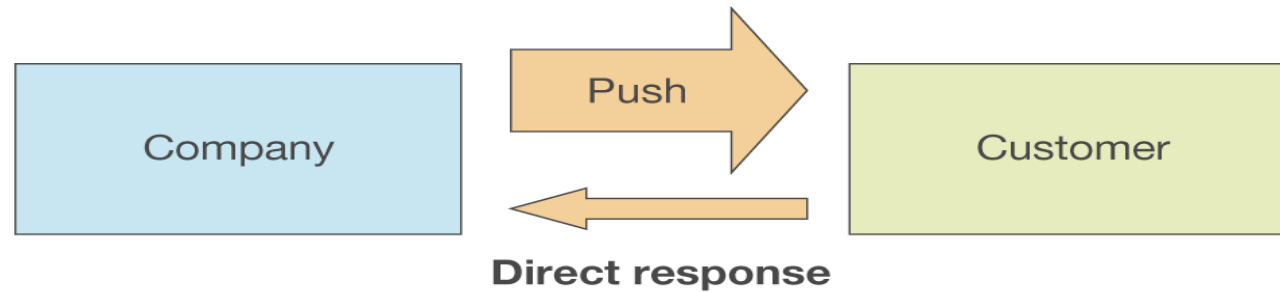


## *Online Communications*



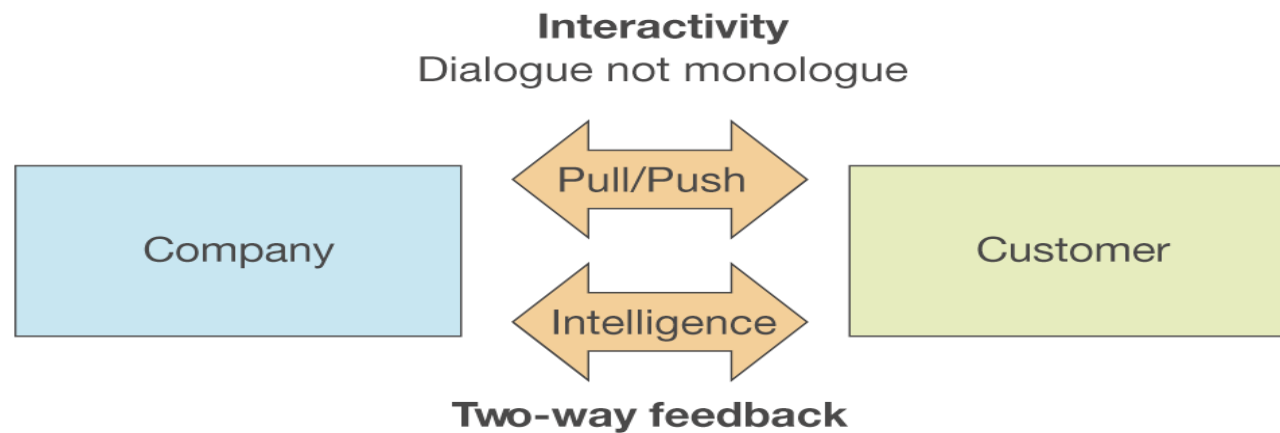
## *Communication Process*





(a)

**Traditional TV, print, radio media and  
Direct mail communications**



(b)



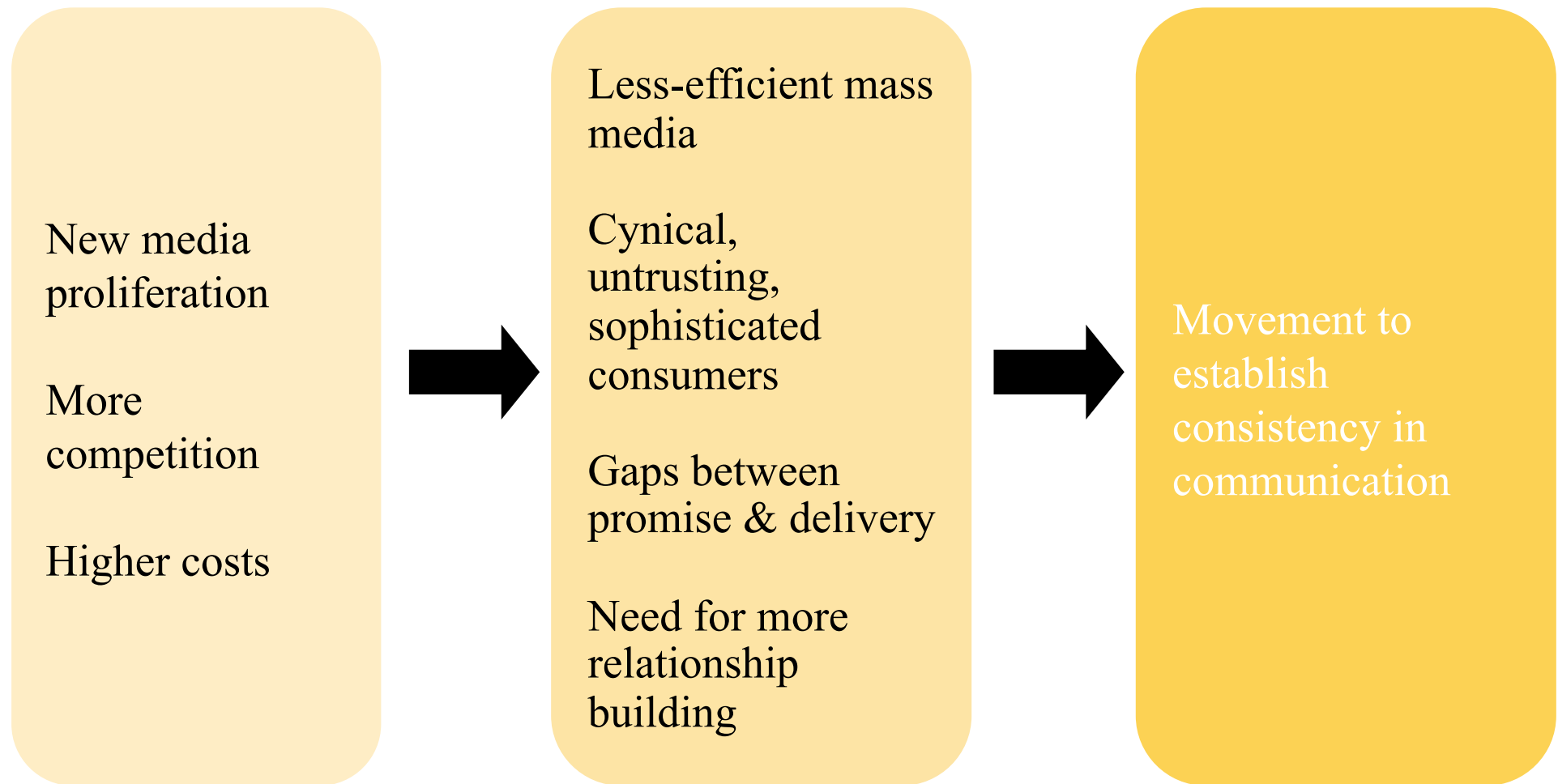
**Table 1.5**

An interpretation of the differences between the old and digital media

Old media	Digital media	Comment
One-to-many communication model	One-to-one or many-to-many communication model	Hoffman and Novak (1996) state that theoretically the Internet is a many-to-many medium, but for company-to-customer organisation(s) communications it is best considered as one-to-one or one-to-many
Mass-marketing push model	Individualised marketing or mass customisation. Pull model for web marketing	Personalisation possible because of technology to monitor preferences and tailor content (Deighton, 1996). Pull occurs through targeted search engine marketing which tends to have lower wastage. Personalised e-mails used for push communications
Monologue	Dialogue	Indicates the interactive nature of the World Wide Web, with the facility for feedback and participation through social networks and forums.
Branding	Communication	Increased involvement of customer in defining brand characteristics. Opportunities for adding value to brand
Supply-side thinking Customer as a target	Demand-side thinking Customer as a partner	Customer pull becomes more important Customer has more input into products and services required particularly through surveys and product ratings
Segmentation	Communities	Aggregations of like-minded consumers rather than arbitrarily defined target segments

*Source: After Kiani (1998)*

## *Marketing: IMC*



# *Integrated Marketing Communications*

- Objectives (ultimate objective is superior overall financial performance)
  - Provide information
  - Increase demand (immediate vs. long-term)
  - Stabilize sales
  - Differentiate a product/brand
  - Create image
  - Change attitudes
  - Accentuate a product's value
  - Facilitate initial trial
  - React to problematic developments (e.g., widespread product failures)
  - Gain acceptance and compliance from intermediaries



## *Developing a marketing communications strategy*

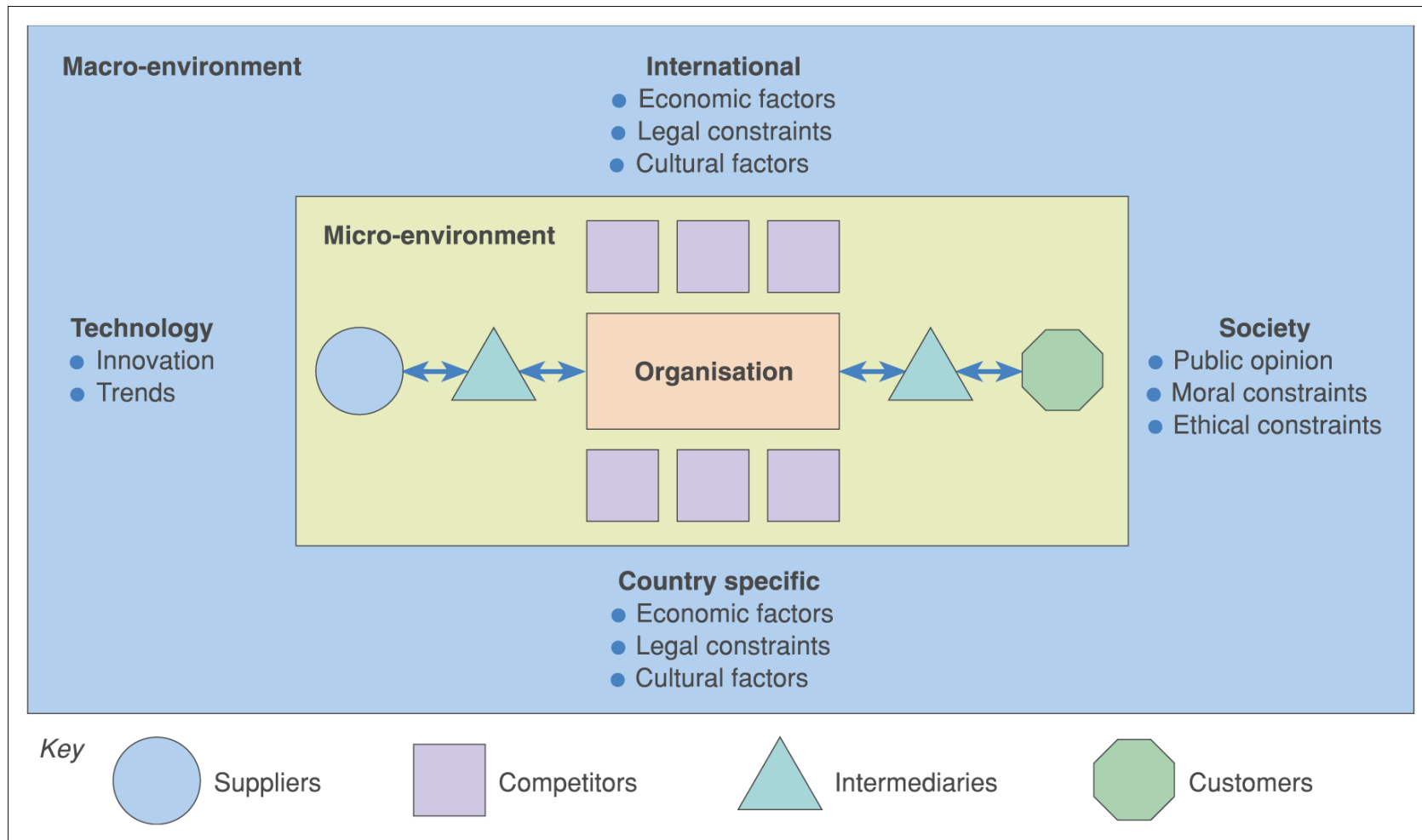
- Situation analysis
- Communication objectives & selection of target audience(s)
- The creative plan (message contents)
- The promotional mix
- The media plan
- Evaluations (pre-testing)
- Budgeting



## *Situation analyses (Where are we currently?)*

- Marketing objectives
- Current positioning
- Competition and competitors' products
- Strengths and Problem areas
- Opportunities and threats
- Current brand associations and overall image
- Etc.

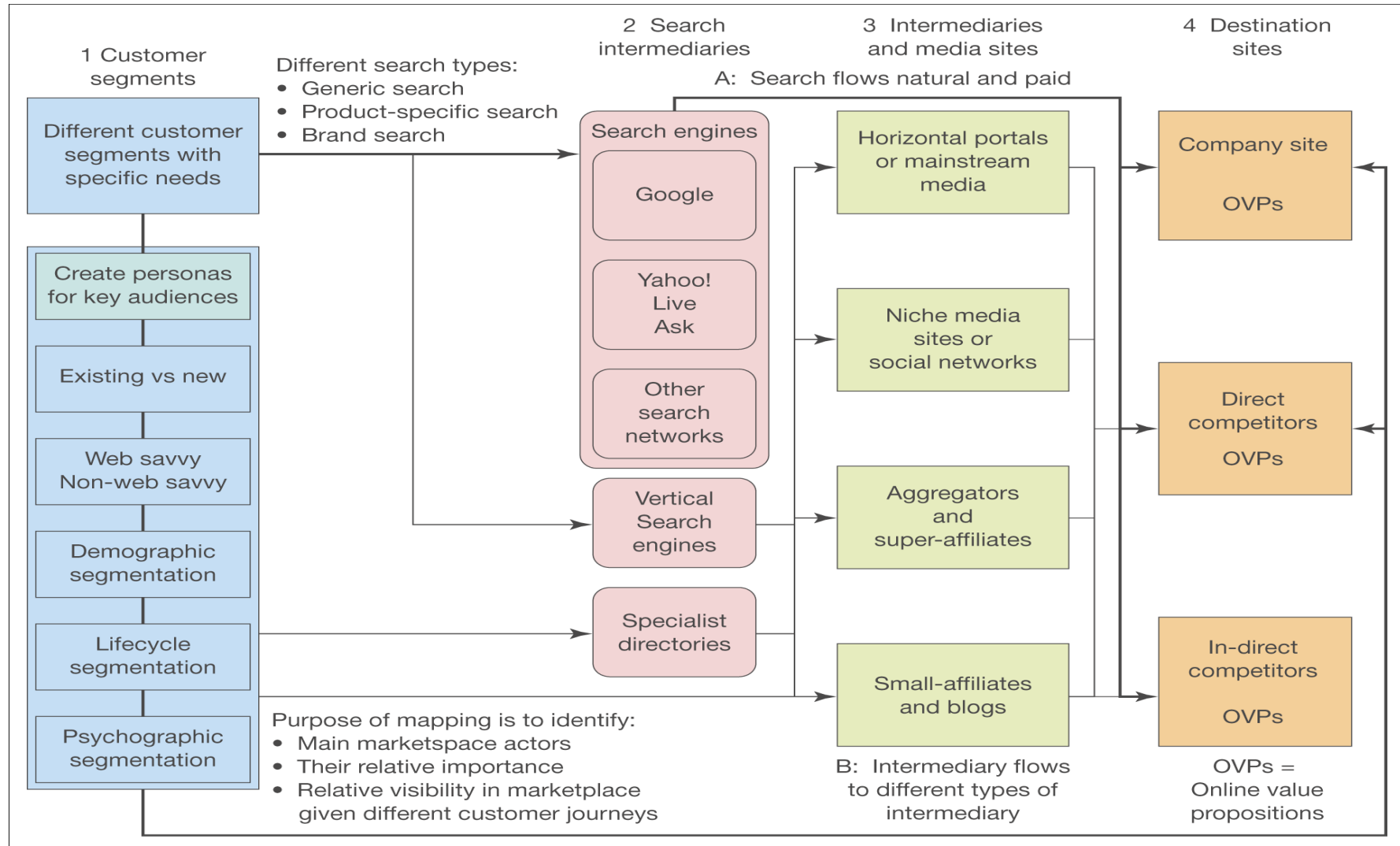




**Figure 2.1** *The Internet marketing environment*



# An online marketplace map



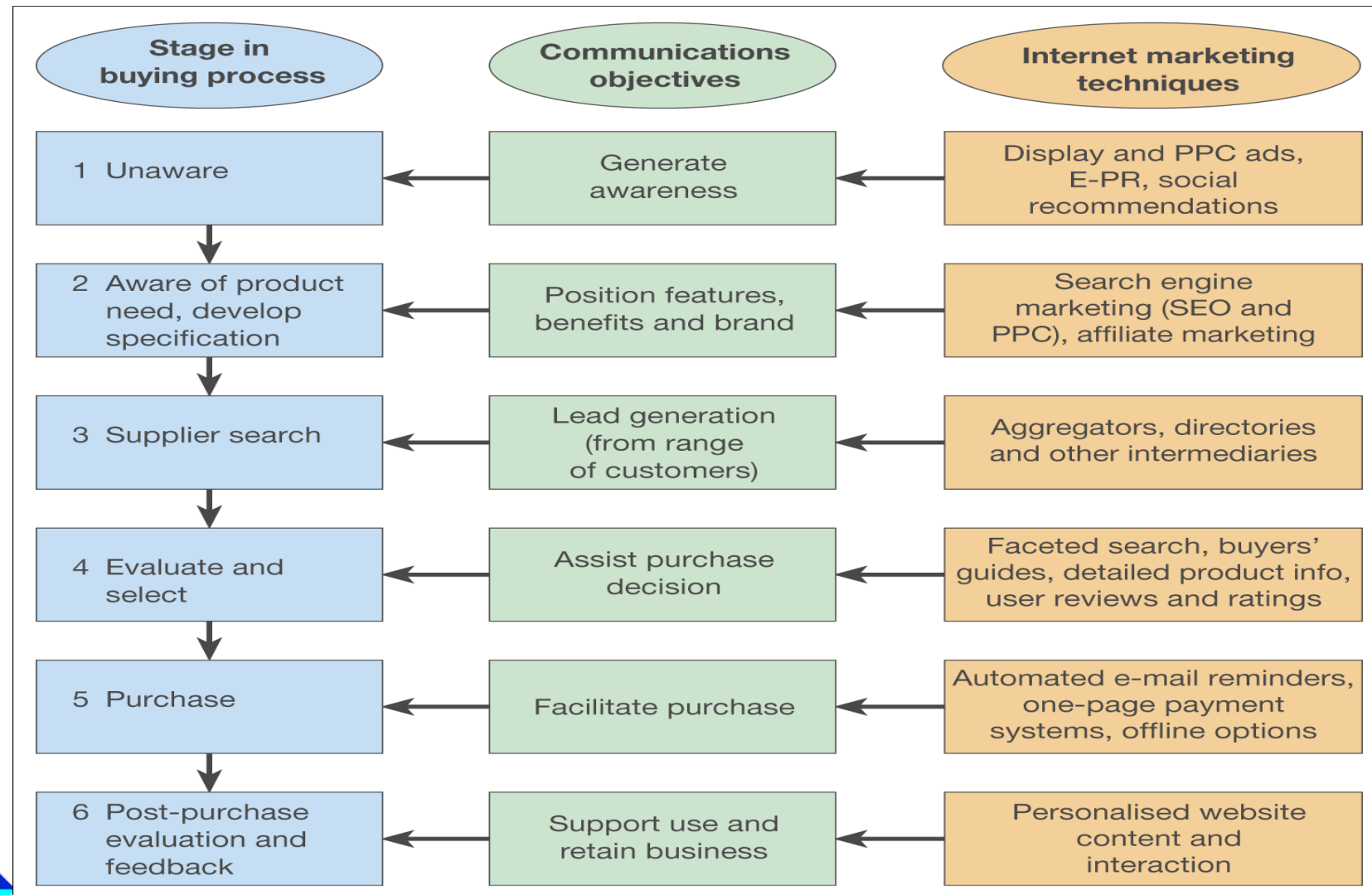
## *Objectives (Where should we be?)*

- Target audience(s)?
- Communication objectives:
  - Create awareness
  - Build image
  - Manage brand associations
  - Persuade resellers
  - Reposition the brand
  - Foster trial
  - Foster repurchase
  - etc.
- Response hierarchy models

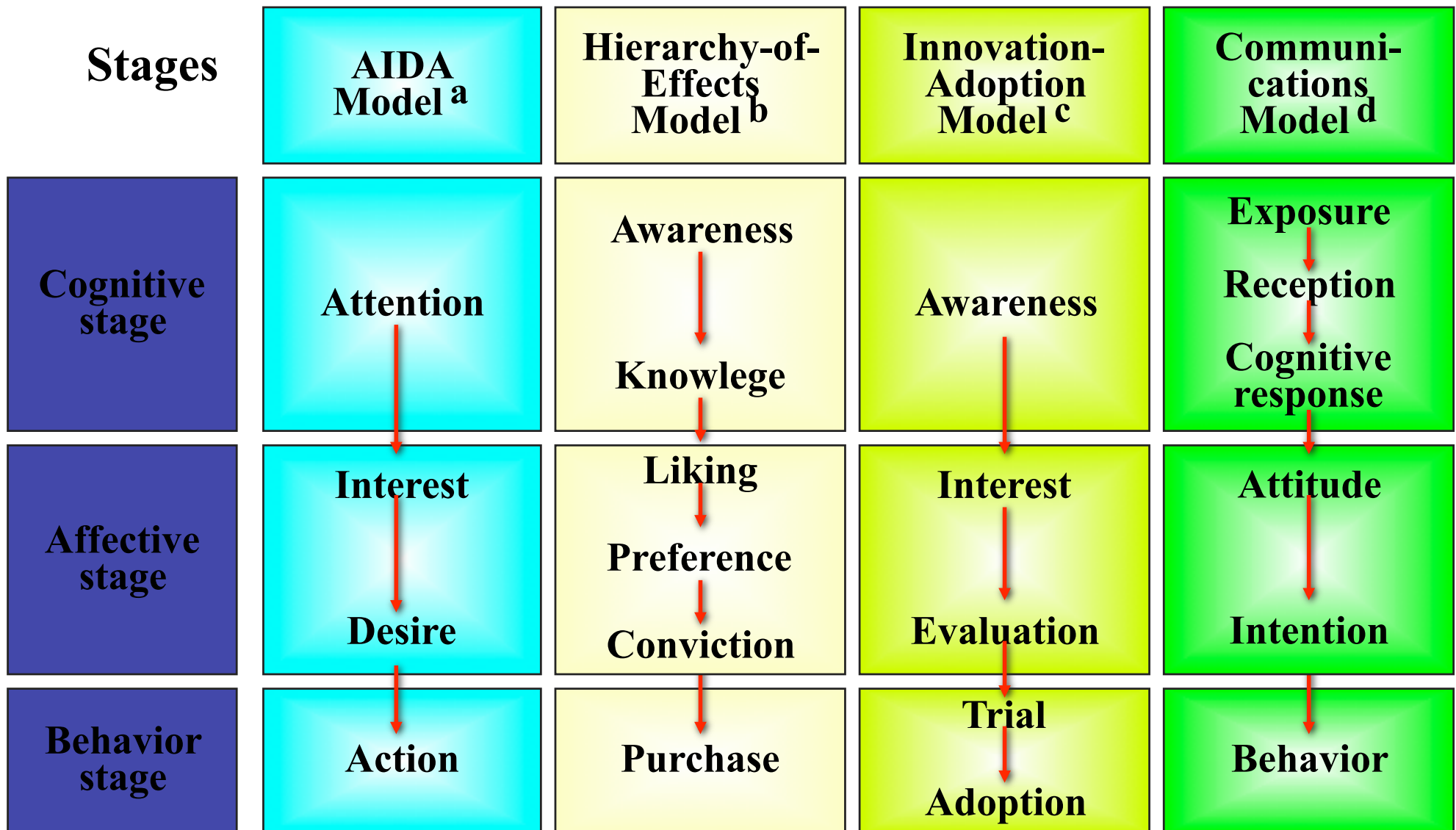


# *Hierarchy of response buying process models*

A summary of how the Internet can impact on the buying process for a new purchaser



# Response Hierarchy Models



## *Using the hierarchy of effects models in setting communications objectives*

- Reach (Exposure)
- Attention (Attract initial attention)
- Processing (Maintain attention)
- Comprehension
- Persuasion (Elaboration likelihood research)
  - Cognitive: Belief
  - Affective: Positive emotions
- Retention
- Retrieval
- Behavior (purchase, WOM, etc.)
- Repeat behavior
- Loyalty



## *Creative plan (I)*

- Selling premise (main idea)
  - Product versus prospect centered
  - Promises, Reason why, Unique selling proposition, etc
- Creative concept (theme)
  - Emotional content versus cognitive content
    - Instinctual selling proposition
    - Archetypal selling proposition (e.g., The Child, The Hero, The Great Mother, The Wise old man, The Trickster or Fox)
    - Emotional selling proposition
    - Rational selling proposition
  - Appeal (security, esteem, fear, sex, hunger, etc.)
  - Tone (Funny, serious, sad, fearful, joyful, etc.)
  - Concept ideas, word ideas, picture ideas (visuals), etc.



## *Creative plan (II)*

- Execution details and message format
  - Lectures/dramas/slice of life/straightforward facts/problem solution/problem avoidance
  - Use of spokespersons / celebrity endorsers / testimonials / special characters / reputable institutions
  - Use of demonstrations and comparisons (torture tests; scientific tests,etc).
  - Choosing jingles, slogans, taglines, and key visuals.



## *Promotions mix*

- Which specific promotional methods are to be used in the campaign and to what extent.



## *Media plan*

- Which media alternatives are to be used.
- Reach and frequency of exposure
- Duration, timing, and continuity patterns
- Ratings and program selection
- Clutter and compatibility analyses



## *Pre-testing and evaluation*

- Communication effects versus sales effects
- Copy testing (prior to or immediately after campaign launch)
  - Memory tests
  - Persuasion tests
  - Communication tests
  - Direct response tests
  - Market tests
  - Etc.
- Measures of effectiveness



## *Communications budget*

- Affordable method
- Percentage-of-sales method
  - A fixed percentage of past sales
  - A fixed percentage of anticipated sales
- Competitive parity method
  - Set your budget according to your competitors' budget
- Objective-and-task method
  - Set your budget based on your estimation of expenditures to accomplish your goal

