EMERGING TRENDS IN ONLINE MARKETING: A CONCEPTUAL STUDY

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ABSTRACT

The intention of this paper is to present a theoretical study on product marketing using the Internet. This paper will scrutinize the use of Internet for product promotion and new consumer processes. This paper helps to understand how much online marketing has infiltrate in the market place, the profit of online marketing for the businesses as well as the customers and travel around the future forecast of online marketing. Internet advertising, fundamental store-fronts and effective communities are explained with examples and our views. We then present new consumer processes on the Internet and show how they augment the performance of the consumer purchase needs and also support interactive marketing. We converse the challenges of measuring Web advertisements and close the chapter with an outline of our views on Internet and marketing.

Keywords: Consumer, Internet, Interactive Marketing, Web Advertisements.

1. INTRODUCTION

Marketing, whether to consumers or to business, has a well-defined purpose in most organizations. That purpose is to create exchanges that satisfy consumer and organizational goals (AMA, 1985). As marketing strategy is constructed to address a particular product/market, two tasks must be performed by elements of the marketing mix: the communications task and the operating task (Park et al., 1987).

The communication task can be thought of as "information" primarily conveyed through promotion, price, the product label and package. This information is used to position the product in the market and to inform and/or persuade present or potential customers. The operating task "is to remove barriers to transactions or exchanges so that customers who perceive the product as being capable of satisfying their needs and preferences can engage in a transaction with minimum effort" (Park et al., 1987). These barriers center on a) product accessibility, b) product availability, c) owning/using the product, d) correct perception and recall, and e) differential utility. The operating task has traditionally been implemented so that the transaction is enhanced by having the right product or service at the right place at the right time with the right service and the customer can take possession. A marketer, to execute these communication and operating tasks, uses one or more channels.

2. THE MARKETING FUNCTIONS AND THE INTERNET

The domain of marketing will, with rare exceptions, include at a minimum the following functions. These are the activities that need to take place to create exchanges that satisfy consumer and organizational goals. While there is no universal agreement on the exact designation of these activities, there is general agreement on the following as necessary (Churchill et al., 1995).
1.   *Buying* - ensuring that enough units of product are available to meet consumer demand
2. *Selling* - using advertising, personal selling, and sales promotion to match goods and services to customer needs
3. *Transporting* - moving goods from point of production to a location convenient to customers
4. *Storing* - warehousing products until needed for sale
5. *Standardization And Grading* - ensuring that products meet established quality- and quantity-control standards or size, weight, and other variables

6. *Financing* - providing credit for customers

7. *Risk Taking* - assuming the uncertainties that result from developing and distributing goods and services customers may purchase in the future

8. *Information Gathering* - collecting information about customers, competitors, and resellers to use in making marketing decisions.

These functions are carried out by designing a marketing strategy to specifically target a customer segment. The strategy would combine in various ways the traditional elements of the marketing mix: price, product, promotion, distribution, and service and customer sensitivity. The ultimate objective of all marketing efforts is to persuade the consumer to accept a product or service as the solution to her needs and then allow the consumer to take possession of the product or service.

The interactions between the marketer and the consumer thus involve the flow of products and information as shown by the simplified representation in Figure 1.
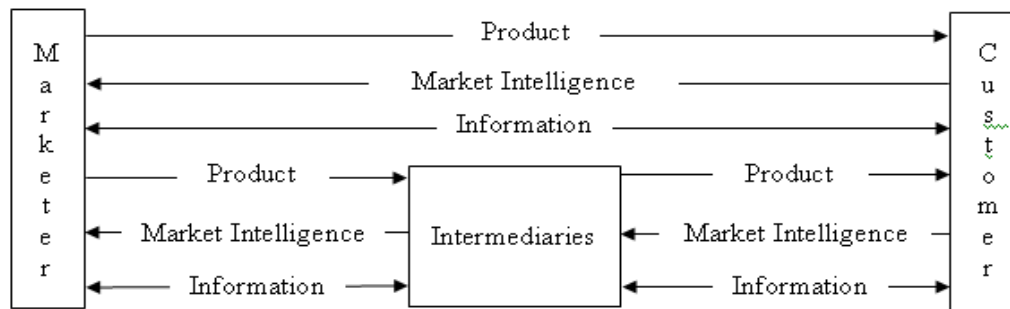

Figure 1. Information and Product Flow between Marketer and Consumer

In the past, marketers have been, in most cases, constrained by the inadequacies of the traditional channels, particularly in the selling and information gathering functions. In figure 1, these are represented by the information flow and the market intelligence flow, both directly and through intermediaries. In this chapter, we show that the Internet has the potential to transform and enhance these flows, while having an impact on the material flow of certain categories of products like software and services like training. It is also our belief that the Internet does not change the ultimate objective of the marketer, but presents new opportunities to reach out more effectively to the consumer and to understand the consumer better.

One of the functions of the marketer is product promotion. Product promotion is defined as "the coordination of all seller-initiated efforts to set up channels of information and persuasion to facilitate the sale of a good or service, or the acceptance of an idea" (Cohen, 1988).   And promotion includes, at a minimum, (1) advertising, (2) personal selling, (3) publicity, and (4) sales promotion and (5) direct marketing. While serving as an additional media for promotion through advertising, the Internet allows marketers to use innovative channels such as virtual store-fronts and virtual communities. We start with an exploration of Internet advertising and follow it with a discussion on virtual store-fronts and virtual communities.

3. INTERNET ADVERTISING

As the Internet was transformed in the 80s from a "research only network" to allow commercial activities, organizations realized that the sheer number of users connected to the network and the very low cost of reaching out to them, made the Internet an attractive medium for advertising.   Almost all media planners now conside r the Internet as a viable advertising vehicle and almost all marketers agree.

(IAB, 1997) cites the following reasons for considering the Internet in the media plan of the marketer.

1. Television audiences are migrating to the Internet and this trend is expected to continue. A Forrester Research Inc. (http://www.forrester.com) report in the summer of 1997 says that about 78% of PC users took time from television viewing to spend on computers.

2. The Internet is the fastest growing medium in history. The Web reached 50 million users in just four years, while it took the television 13 years and the radio 38 years to reach this milestone.

3. On-line advertisement revenues are expected to reach $9 billion by 2002.

4. The users of the Internet have the demographics which are a marketer's dream – young, well-educated, and earning high incomes.

5. The current younger generation, which is familiar with Internet technology, will be the future consumer generation, making the Internet an excellent communication medium.

Though most organizations are using the Web for advertising their products and services, the following categories are seen more on the Web.

1. Digital products: Products that can be delivered over the network like software packages and information packets.
2. Products where search costs can be reduced: Products such as cars and services such as travel, which require more information, search prior to purchase.
3. Products with assured quality: Books and music CDs
4. Well known branded products: Visa credit cards
5. Products where time and location are crucial: Flowers
6. Surveys show that the profile of the Internet users is shifting towards that of average consumers. When this happens, the following product categories have the best potential for advertising over the Internet in the future.

3.1 The Internet Communication Model

The Internet can be viewed as a many-to-many communication medium, unlike the one-to-many model of the traditional   mass   media,   as   illustrated   in Figure 2 (Hoffman et al., 1996).

The model suggests that the primary relationship is between the consumer and the media on the one hand, and between the firm and the media on the other. Hence, the media becomes a major factor in determining what the consumer sees and how she sees it.

1. Consumer can gather information about products and services, communicate with other consumers and firms for related products and services, and sometimes complete transactions. As the Internet session is a self-selected environment of the consumer, the promotion message will be more effective. Internet is also capable of providing an experiential environment to the consumer through virtual reality interfaces thus allowing the consumer to experience some of the features of products before making the purchase decision.

2. Consumer can provide feedback content about the product, to the firm and to other consumers. A positive feedback becomes a good promotion for the marketer. A shrewd marketer can even exploit a negative feedback by solving the consumer's problem and showing the commitment of the organization to satisfying consumer needs.

3. Consumer can add "collective content" to the medium through discussion forums like the virtual communities. These discussion forums are rich sources of feedback about the organization and its products and should be closely monitored by the marketer to identify the needs of the consumers.
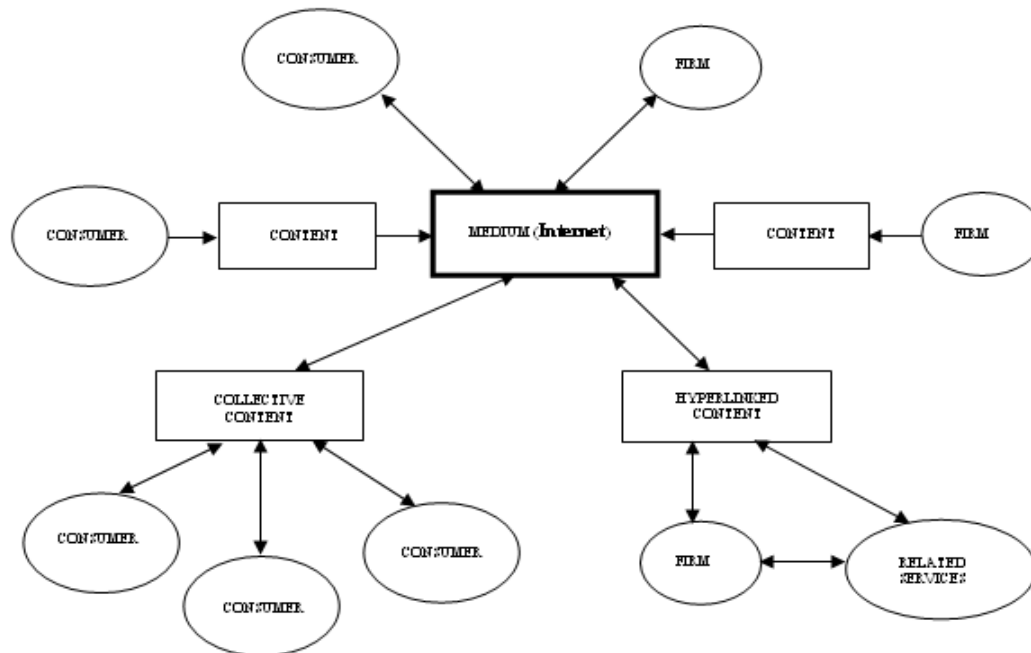
Figure 2. Internet Communication Model

The Internet also provides capabilities to the firm to enhance the purchase process of the consumers and to understand the consumers better. Some of these interactions are:

1. Firm can interact with Internet for information, and knowledge about consumers and for communication with consumers, and other firms.

2. Firm can add content to the Internet by promoting its products or services on the online media.

3. Firm may provide "hyper-linked" content by bringing in links to other firms related to its product or service.

For example, a real estate firm may bring together other services like mortgage loans, schools, hospitals, shopping, entertainment and civic services, by providing hyperlinks in its Web page. Thus a consumer looking for real estate has access to all related information which is aggregated by one firm. Through the Internet, marketers can know much more about their consumers then through traditional channels. This knowledge about the consumers can be used to target the promotion messages for effective marketing.

3.2 Media Characteristics of the Internet

The Internet is unlike any other traditional media. The two-way communication capability and the information processing power of the connected computers make the Internet an ideal medium for marketers to reach out and build interactive relationships with consumers on a global basis. The key characteristics of the Internet that aid in this process of relationship building are:

1. *Interactivity:* Internet is an interactive medium.   The interface can be customized to continuously reflect the interests of the consumer and the appropriate choices offered by the firm. A consumer who sees an Internet advertisement can interact with the advertiser, seek more information, test the product and proceed to place order for the product. The consumer can also have access to the feedback of other consumers who had used the product, to make better informed decisions. Interactivity helps the marketer to establish a dialogue with each consumer.

2. *Rich and realistic experience:* Internet is a rich medium capable of text, image, audio and video content which can make the interaction experience of the consumer more engaging. With virtual reality, now beginning to be available on the Internet, experiential content like 3-dimensional viewing is also possible thus providing the most realistic experience to the consumer. Bandwidth is still a problem and currently limits this rich experience.

3. *Aggregation of services:* The Internet allows aggregation of different services, coordinated and hyper linked by the seller of the product or service. This gives the consumer access to all the necessary information to make a better purchase decision.

4. *Global access:* The Internet gives the firm a potentially global consumer base. But this feature could be a mixed blessing, as claims made on the Internet could now be challenged by virtually anyone from any corner of the globe. Marketers also need to be sensitive to the cultural and social characteristics of the target audience when trying to exploit the global accessibility of the Internet.

5. *Target ability:* Internet advertisers can focus on users from specific nations or geographical regions, computer platforms, as well as by time of day. Internet audience can be targeted based on demographics, psychographics (life-style characteristics) and technology demographics.

6. *Tracking:* Marketers can track how users interact with their brands and learn what is of interest to their customers.

7. *Deliverability and Flexibility:* Internet advertisement is delivered in real time 24 hours a day, and 7 days a week. Advertisements over the Internet can be launched, updated or canceled immediately. An advertiser can follow the progress of the response and make appropriate changes to the campaign.

3.3. Types of Internet Advertisements

3.3.1 Pull Advertisements:

The pull advertisements are those which appear on Web pages selected by the Web user. While navigating a Web session, the user chooses the action to be taken on any advertisement that is displayed. Thus a user can choose to interact with the advertisement, click on the advertisement for further information or just ignore the advertisement. Following are some of the popular pull advertisements.

Banners: Banner ads are small, usually rectangular boxes that appear near the top of the Web pages (Figure 3). The messages are like the roadside billboards, but animated and interactive. Banner ads are primarily used for off-the-shelf products. Some banners, called "virtual tags", present offers to users and allow them to complete the buying process without having to leave the site of the publisher (Zeff et al., 1997).
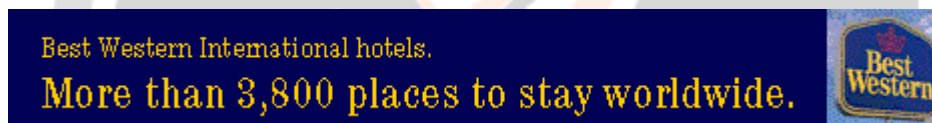

Figure 3. A Banner Advertisement

A modification of this allows users to play games in the banner area without forcing the user to change from the current Web site. An example of this was the AT&T's Olympic promotion advertisement. Banners are currently the most popular form of Web advertisement.

Buttons: Button ads are smaller than banner ads and are usually at the bottom of a Web page (Figure 4). Buttons contain only the name of a company or a brand. Clicking on the button takes the Web visitor to the corporate Web site of the company or brand.

Buttons initially were from software companies and allowed Web users to freely download software by just clicking on the button. A popular button in this category is that of Netscape, the "Netscape Now" button. Buttons are simple and have been a great success in leading users to software developers' products. Buttons can be used to build brand awareness because of their constant presence on the Web pages (Zeff et al., 1997).

Figure 4. Button advertisements

Advertorial: Advertorial is Web advertising designed to blend with the editorial content of the Web page publisher (Zeff et al., 1997). For example, the advertisement of the on-line bookstore, Amazon (http://www.amazon.com), appears on the review pages of Word (http://www.word.com). This is intended to attract the attention of the readers of the review if they prefer to order the reviewed book.

Keyword Ads: Advertisers can link a specific ad to a text or subject matter that is searched by a visitor. These ads are primarily found on Web search-engine sites. For example, the advertisement shown in Figure 5 is displayed when a search on keyword "college" is done on Yahoo!

Figure 5. Keyword search advertisement on Yahoo!

Interstitials: These ads are like television ads with video and audio. When users click on a specific topic at a site, a separate window pops up with the advertisement related to that topic. For example, clicking on "nutrition" at the health site Phys.com of Conde Nast, pops up an animated ad for Sunny Delight drink of Procter & Gamble. However, since consumer expectations are ill-formed with respect to intrusive advertisements, organizations should exercise caution while using this form.

Destination Sites: These ads create a new channel by using information and entertainment values to pull users in and bring them back again. For example, MetLife Insurance Company provides advice on parenting as well as various insurance products at its destination site (http://www.metlife.com).

3.3.2 Push Advertisements:

There is now a new way of delivering information to the Web user using push technology. Push technology allows publishers to broadcast to the user (push) rather than wait for the user to initiate the session. This is also called Web casting. A popular push vehicle is the e-mail, which is used to send promotional information to a list of users appearing on an address list. Since e-mail is text based, it's use as a promotional material is limited. Further, context, relevance and clutter will determine consumer reactions to unsolicited messages.

Advertising, though popular, is not the only promotion strategy on the Internet. Organizations are building online store-fronts, also called the virtual store-fronts, to promote as well as sell the products on the Internet. In the following section, we will discuss the characteristics and the potential of virtual store-fronts for product promotion.

4. CONCLUSION

The spirited advantage of any organization is resulting from the long term relationship that it has built. As consumers increasingly take control of their accomplishment process, marketers should assess the value that they can add to this fulfillment process to promote both the consumer and the organization. This paper concludes that internet has opened up new opportunity for reaching the consumer. It is true that there is never a fixed way or strategy that a marketer can use to market its products and services on the internet but it is still many areas where creative thinking can take the company attain new heights. Thus we can say that marketing has not changed its shape. It is the same, unpredictable, unusual and resourceful field that needs constant change and open inputs that can work wonders for the company.

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