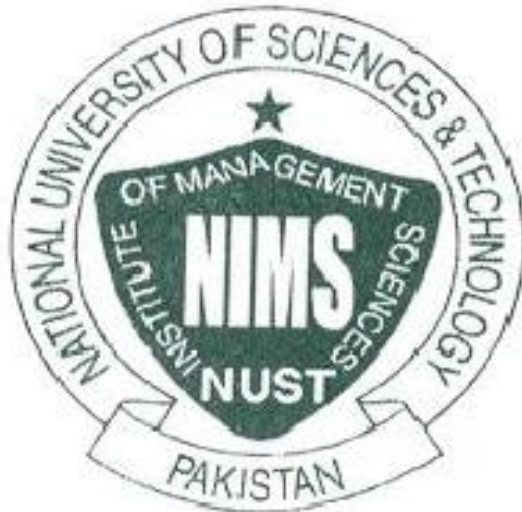


# NUST Institute Of Management Sciences



Thesis Research Report

## ONLINE MARKETING

Submitted To:

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2002-NUST-MBA-106**

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# **EXECUTIVE SUMMARY**

The Web has created a new marketing arena with new rules and new opportunities. Many approaches for the assessment of Internet marketing strategies are based on existing marketing paradigms. Successfully conducting business on the Internet calls for new marketing paradigms that meet the requirements of the unique combination of its inherent characteristics: electronic markets, technological platform, and marketing issues. In this context, electronic markets are the framework in which market transactions are performed on the Internet. Underlying Internet technology forces marketing activities to be different from the ones applied to traditional sales channels and performance marketing is the essential ingredient for creating the best offering for the customer. Web site design includes both marketing and technical issues. The study elaborates the use of electronic media and the new marketing opportunities created which call for new marketing concepts. It provides useful analysis of the eventual quality of a commercial Web site and studies its effectiveness from a consumer perspective.

# **APPENDIX**

# An Online Marketing Checklist – Annex I

- **Offer** — It should be compelling and unique to draw people in.
- **Creative** — This involves copy, content, design, and overall presentation. Test different treatments on select media to determine which yields the most profitable customers.
- **Media** — Media includes target market, unique visitors, daypart, and advertising options. For each placement consider:
  - How does the site reflect on your brand? Consider this broadly.
  - Is the context appropriate? If you have constraints regarding where, when, or how an ad is run, discuss them in advance. One advertiser I know was unhappy to discover an ad network ran his ads alongside sex-related content.
  - Will it deliver the target customer segment? The key is how you define your customer set:
    - Is your market so tightly delineated there aren't sufficient prospects to make it viable?
    - Are prospects high-value targets?
- **Format** — Format includes size, rich media and sound. Attract viewers' attention in a positive way. Rich media can work if it's entertaining and provides the option to close or mute it.
- **Landing pages** — Use unique landing pages customized for each creative and media combination, as well as tailored to your purchase or registration objective. I've seen campaigns with highly targeted ethnic

media and creative fail because potential customers were sent to a home page without appropriate content.

- **Registration/purchase process** — Streamline your registration or purchase process to minimize the number of steps and amount of information required. As a marketer, I'm always surprised how hard I must work to use some sites. One direct marketer makes me log on to its site every time I want to browse its online catalog.
- **Customer focus** — Think about customer needs as well as company goals. To receive news alerts, a major information site made me answer about 10 questions, presumably to target its advertising. As a consumer, I wonder: What does answering these questions do for me?
- **Competitive activity** — Track this. Your ad campaign may not yield projected results if competitors change their strategy. I saw this happen in a highly competitive market where the dominant player substantially increased its spend across media. This meant my results would seriously under perform the old forecast.
- **Offline effect** — Companies with multi-channel distribution must understand the offline effect of online advertising (and vice versa). As crossover sales can be difficult to track, companies often undervalue them.
- **Impressions** — Extend impressions by posting your ads on your Web site. Customers can view, interact with, and forward them.

**Basic analysis** — This measures how effectively your advertising reaches your constituency. Start with the basics, such as CPM and CPA, to ensure you have a good handle on your business's marketing

dynamics. Other factors to consider include converting one-time buyers into multi-time buyers or ongoing customers; amount of continued and cross purchasing; new customer credit worthiness (less a problem when customers pay via credit card, but they may still generate high returns); and propensity for customer referrals. After launching a marketing campaign, analyze advertising results. According to Kevin Howard, media director at Avenue A/Razorfish, advertisers must track the "right" economics to maximize lifetime value:

- CTR measures the proportion of people who saw your ad and clicked through to your site. Howard notes:

Advertisers shouldn't concentrate on click-through when evaluating [return on investment]. Click-through rates may help determine how good creative is at eliciting response, but it don't correlate necessarily to actual sales. We've found creative with lower click-through rates often have higher conversion rates because the user has more carefully considered the client's value proposition before clicking. (CTR = clicks/impressions)

- **Total advertising cost** aggregates media, creative, related advertising targeting and measurement programs, premiums, and other attributable marketing costs. If you only look at media costs, you underestimate the true cost.

- Total advertising cost = [(impressions/1,000) x CPM] + creative cost (including ad creative and landing page) + other relevant marketing costs.

- **CPC** measures how much it costs to get customers to your site. Some marketers end analysis here. Since CTRs always exceed registrations, these results look better. But they underestimate the true cost per acquisition. (CPC = total advertising cost/click-throughs)

- **Conversion rate** measures the percent of people who made it to your site and registered or purchased. (Conversion rate = registrations/click-throughs)
- **Cost per acquisition (CPA)** determines the cost of each registration/purchase. This calculation should be measured for each media buy and in aggregate for the entire campaign. Generally, acquisition costs vary by product category; some may be \$10, others may be as high as \$200. (CPA = total advertising cost/acquisitions)
- **Value for Investment** Like a good politician, you must continually ask, "Am I getting value for my investment?" Candidates monitor polls continuously and adjust messaging and resource allocations accordingly. Similarly, you should glean every bit of information you can from your advertising effectiveness data to optimize campaign performance.
- **Think big** Think big. But take small, measurable steps designed to deliver actual results or solve specific challenges such as making your website's home page more accommodating to first-time and returning visitors
- **Educated Bets** Understand that e-business is an evolving process. Place educated bets on technology, then track your results, learn, adjust, and improve. You may not always get it right the first time.
- **Listen to Customers** Constantly listen to customers and intended users to ensure that bite-sized initiatives are having their desired impact.
- **Plan globally first, regionally second.** Consider the needs of the entire global organization before making a decision that may work well in



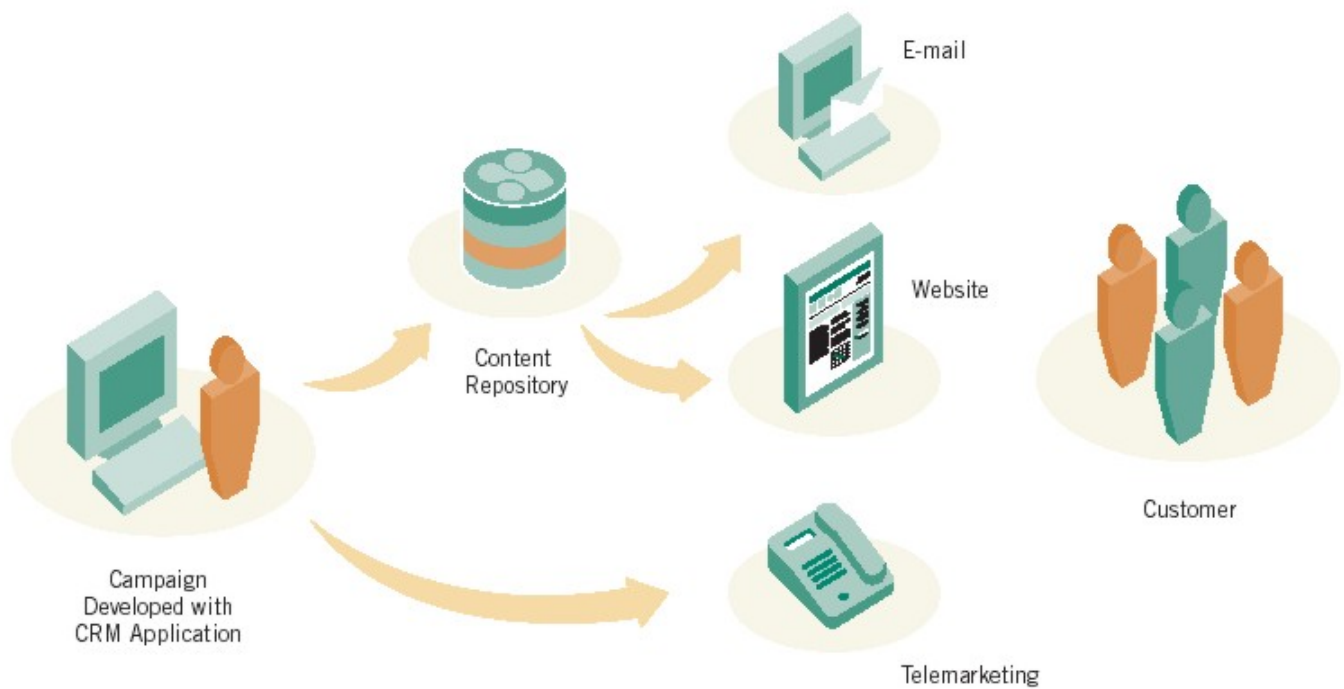
one region but is not appropriate elsewhere. Also, seek global brand consistency first, then let regions tailor content as necessary.

- **Optimize Business Processes** Work to optimize business processes, starting with the marketing/sales flow. Define typical customer interactions from initial touch to order processing. You may be surprised at how much “free” revenue results when you remove roadblocks that prevent the flow of information throughout the process.
- **Self-service Strategy** Adopt a self-service strategy in all aspects of marketing.
- **Engage Customers** Giving prospects tools to envision and design a solution to fit their needs will make them feel empowered and engaged in the process. What’s more, their research will provide you with information about their preferences and desires. It’s a win-win.
- **Content Management** Develop a “content stream” of marketing, sales, and technical information—an enterprise content management system—that different internal groups can access and modify for their own needs.

This last principle speaks to the importance of content to the whole process. It’s a critical piece of the puzzle, and it must be managed well. Enterprise content management allows your employees to work collaboratively with partners and vendors to create and deliver relevant content that your prospects and customers can use. It’s also the foundation for many business processes that support the customer relationship cycle.

## Using e-business Machine- Annex II

*Using e-business machine (and its underlying content management technology) to present a consistent experience, regardless of how it's delivered. Reinforce brand while building trust and loyalty with customers.*



# The Marketing Cycle- Annex III



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# **CHAPTER: 1 INTRODUCTION**

## **1.1 Background of the Thesis Study**

The Web is indeed a marketing revolution, that has opened a new horizon to future marketing development, and not just another of the many available marketing tools used in traditional mass media. The elements of content, graphic layout and interactive are points which indicate the trend that the new medium will follow in the years to come. On the other hand the increased profitability the Web has from advertising and commerce is another indication for its impending development. The existing tendency of businesses showing today a unique preference to this new communications medium adumbrates glorious future for it. The research study that follows is an attempt to explore the wide and fast changing marketing environment as a result of explosion of the World Wide Web. The study focuses to establish a criterion to gauge the effectiveness of this new marketing channel and further presents certain recommendations for companies on how to make the most of this marketing tool.

### **1.1.1 Brief History of World Wide Web**

The World Wide Web was introduced by the Physics Engineer Tim Berners-Lee, while working at CERN, a European high-energy physics laboratory in Geneva, Switzerland. It was originally conceived in 1989 and the main idea was that information should be accessible through a simple interface on any kind of computer, anywhere on a network.

When it became publicly available in 1991, the Internet community jumped on it immediately. In 1993, the Web got a phenomenal boost with the release of Mosaic which in 1994 was replaced by Netscape Navigator - a graphical user interface called a Browser - that now runs in virtually any personal computer. That gave the Web a look and feel of a Macintosh or any Windows-type program.



From small beginnings the web has grown at a tremendous rate making it the fastest growing medium of all time. In 1996 online sales figures were only 2.8 billion. This has grown dramatically and is expected to reach 45 billion sales this year, by the year 2005 it is predicted that 50% of all credit card transactions will be made over the Internet. Add to this the fact that the number of people shopping online is increasing by 230% annually (*The Seybold Report, 2003*). Other attractions of the web include its low start up cost; its flexibility and its huge global market which is estimated to consist of 100 million people. No other media offers such a huge audience at such a low cost. The web gives any business the opportunity to expand its operation to international dimensions without the costs normally associated with setting up such an operation. It also allows the small business, to compete on an equal footing with large multinational corporations.

## **1.2 What is Online Marketing?**

If we define Direct Marketing as the discipline of finding profitable customers and communicating with them in a way that maximizes the business relationship, then Internet Marketing is the technological evolution of this discipline. One of the foundations of Direct Marketing is the concept of Customer Lifetime Value. This concept values customers based on the future profits that will be gained through a prolonged business relationship with them. Companies that apply the lifetime value principle use it to figure out who their best customers are in order to develop special marketing programs for them. Acquiring customers is an investment for the future, and success depends on two things:

1. Keeping the acquisition cost per customer below the lifetime value.
2. Keeping customers a long time in order to recover the investment and make a profit.

Internet technology provides powerful tools that help lower acquisition costs, and increase the lifetime value of customers. Direct marketers rely on testing and

statistical analysis in order to refine their marketing activities aimed at acquiring and developing customers. Through this trial and error approach companies can figure out who their ideal customers are, what they want, how they want it, and when they want it. Online Marketing reduces the cost and timeframe of this learning process significantly because it allows interacting with customers directly, and lets them tell you their needs and their terms on real time, any time.

Outbound telemarketing and direct mail are ways direct marketers deliver their message to prospective consumers. All of these techniques are not welcomed by most of them because they consider it an invasion of their privacy. When carried out correctly, Online Marketing relies on initiating contact in a way that is anticipated by the customer, and the message is delivered in a manner that is welcomed. Additionally, the customer's personal information is protected.

### **1.2.1 Definition of Online Marketing:**

#### **ONLINE MARKETING:**

*“It is the combination of direct marketing principles with Internet technology in order to find profitable customers and interact with them to find out how they want to do business, when they want to do it, and under what terms.”*

### **1.3 Online Marketing**

*The **customer relationship cycle** has been around as long as people have been selling products. But there's one key difference today: **the Internet**. That one difference has profoundly changed the way businesses go about marketing to customers.*

Because of the Internet, companies can continuously market their products and services around the clock to consumers located anywhere around the world online, at every point in the customer relationship cycle. They can market to them

during the hours when their businesses are closed. They can market to them on the terms they specify. With their help, customers can direct their own marketing and obtain from them information that will help them make more informed buying decisions, based on criteria that they help shape. Companies can market to their customers continuously, in every interaction; so that when they come to their website looking for help on a technical support question, they can use that opportunity to introduce relevant products or services targeted specifically to their needs and buying history.

### **1.3.1 Why the Internet Makes Sense for Continuous Marketing**

The Internet offers distinct advantages over traditional marketing channels. It can help accelerate marketing objectives and target customers more effectively than through traditional channels. It can: perform more complex interactions, deliver more information and customer support, around the clock, around the world: ***For less money***. It can quickly, easily, and affordably deliver pre- and post-sales messages, avoiding printing delays and costs associated with print advertising and collateral.

The Internet can help be more responsive, with the potential to enhance customer satisfaction. A Harvard University research report found, for example, that organizations typically lost about half of their customers every five years, with 68 percent of these due to poor customer service. By contrast, increasing customer retention by a mere 5 percent—obtainable with an online marketing strategy—can increase profitability by 86 percent. In short, a successful e-marketing strategy can drive higher customer satisfaction and brand loyalty at a lower cost, earning a substantial return on investment.

Perhaps the most important benefit of using the Internet is that it allows companies to market continuously to their customers at a much, much lower cost per interaction.

## **1.4 Web - The Media Dilemma: Measuring Channel Effectiveness**

Whenever a new media has emerged, both society and industry have used the models of former media as measuring sticks, comparing the new entrant to the standards, successes, and failures of the old. It's natural to use those things familiar - those things comfortable - when making comparisons to new elements in life. In the past, mass media such as print, film, radio and broadcast television developed, in part, due to both the inefficiencies and gold-mine prosperity of pre-existing media. With the development of multimedia (CD-ROM content, interactive film and video, PC and console games, edutainment, movie-ride films, interactive kiosks, virtual reality devices, etc.) we saw how all of the pre-existing media types came crashing, or converging, together into a collage of media elements. The Internet, more precisely, the World Wide Web, seemed the logical extension of this convergence theory when introduced in 1991: all of the power of the past media - which the multimedia industry was attempting to leverage - could now be accessed via a global network. The multimedia industry that promised the culmination of all media into an integrated, interactive experience now had the ideal media vehicle to deliver this experience into homes, schools, and businesses world-wide. The media of the Web was now the message for a blossoming new-media industry. Web is the most "multi" of all media types.

By continuing to use the models of past media as our measuring sticks we continue to develop the new media of the Web within the standards and ideas of these past media. From the production of ads content to the delivery and experience, we think of the Web in film, radio, television, and print terminology. The focus of this thesis will be to open a discourse on why this may be, at the least, a myopic perspective, and at the worst a roadblock for the further development of the Web as a mass marketing media. In short, convergence ideology - thinking in the terms of traditional media - has lulled us into a mind-set of historic perspective, creating a black box for the Web, built from the conventions of past media.

## 1.5 The Web Marketing Perspective

There are numerous reasons why marketing is so closely related to the Web. Web marketing offers increased awareness to somebody who uses it, it's an easy way to distribute information, speech, and video presentations, improve a company image, an immediate direct line between customers and staff, and reduces costs of performing these tasks.

The unique advantages offered on the Web over conventional marketing are the following:

- 1) Accessibility around the clock and "it can attract people because of their interest and not because of other kind of simulative response" (*Hoffman, Feb. 1996*).
- 2) Feasibility to keep track of its audience. In contrast to conventional marketing in the web there are no distribution and printing expenses, it can be accessed for free and can be created with minimum expenses. Web's content can be updated immediately at any time.

By analyzing the Web's marketing perspective, the Web can be also viewed as a commercial medium, offering a number of important benefits which can be examined at both the customer and company levels. Buyer benefits arise primarily from the structural characteristics of the medium and include availability of information, provision of search mechanisms, and online product trial. All of these can facilitate the purchase decision. From the very beginning these commercial characteristics of the Web were recognized as very important; "company benefits arise from the potential of the Web as a distribution channel, a medium mostly viewed as a marketing tool, and a market in and of itself" (*Chatterjee, P. and Narasimhan, A. 1994*). These efficiencies are associated with Web technology and the interactive nature of the medium.

The World Wide Web's marketing advantage reinforces the idea that the company's relationship with the customer must take advantage of a key feature of the medium, namely interactive, and that such relationships must be updated continuously. The interactive nature of the Web is especially "favorable to relationship building and offers marketers new opportunities to create stronger brand identities which have the potential to translate to brand loyalty and final success" (*Novak, July 1998*).

From a developmental point of view, Web marketers need to identify the extent to which companies are deploying existing models or developing new ones. One way to achieve this will be to "create innovative sites in less crowded categories, particularly as sites proliferate" (*Wilson, 2001*).

The World Wide Web has the potential to radically change the way businesses interact with their customers. The Web frees customers from their traditionally passive role as receivers of marketing data, gives them much greater control over the information search and acquisition process, and "allows them to become active participants in the marketing process" (*Hoffman, February 19, 1996*).

The "more is better" approach, used to count traditional marketing success, is becoming apparent in current approaches when measuring consumer activity of commercial web sites. Derived from traditional media models, "hit" and visit counting methods implicitly defined a heterogeneous mass audience, since in traditional media, "advertising effectiveness" is tied to ratings where larger numbers are preferred.

In addition, the profitability of a Web site depends on the level of its exposure to people. Web marketing has its share of activities that compare to traditional marketing functions. For example, in print publication marketing, "impressions" is a key word most often used in reference to some aspect of readership statistics. By comparison, "hits" or Web page accesses have become the primary area where Web measurement advocates have aimed their efforts at. Web

measurement can indicate part of the success of a Web site as a marketing communications medium (*Masotto, December 1999*).

### **1.5.1 The Website:**

The commercial Web sites are comprised of 3 components. Content (text), graphical elements (graphics) and interactive channels (interactive).

By far, content is the most important of the three main components of commercial Web sites. In the final analysis, the user will know if he/she is wasting time or finding benefit in a particular Web site based on the content presented. Information is perceived differently on the Web than when published on a "traditional" medium, such as a data sheet or brochure. For this reason, the strategic Web marketer should be prepared to reformulate all applicable literature for electronic publication. Companies often make the mistake of trying to reproduce their existing collateral on the Web without modification.

The ability to display graphics on the World Wide Web has brought a highly specialized graphic art form to the attention of millions of consumers. In the same sense that a painter specializes in the placement of images on a canvas medium, digital artists prepare specialized graphics suited for display on the Internet. A very important concept is that the function of Web graphics should be to create a high-quality image for the site and/or convey product information which is easiest to understand in graphical format. Graphics should not interfere with the content, nor antagonize the consumer by causing unreasonably long download delays when browsing the site. The good combination of graphics and content is what makes a web site important in terms of marketing effectiveness.

### **1.5.2 Web - The Marketing Mechanics:**

Probably the greatest reason for the web becoming the main sales & marketing channel of the future will be due to the fact that the technology that gives the web its interactive nature can be used as a highly effective marketing tool. Modern marketing strategies are based on database analysis, profiling, targeting and relationship building. In other words finding out who a company's customers are; finding their needs and likes; and creating a database from this valuable information. Companies are then in a position to direct, highly targeted offers on a regular basis that customers are most likely to respond to and thus building up a long term relationship. The web offers an unparalleled opportunity to do this in a very effective way.

When people visit websites, they bring with them certain information about themselves. From this information marketers can start to build a database. Using a special computer language known as JavaScript, it is possible to recognize that person when they return to that site and greet them with a personalized message. This could simply be to welcome them by their name and direct them to parts of the site that have been updated since their last visit. Or it could be used as a sales tool to direct them to special offers they would be interested in, based on previous visits. For instance, when someone comes back to a store for the second time, the owner knows they must be interested in what they are offering, so they could give them an extra incentive by giving a discount if they place an order there and then. This type of targeting is used extensively in direct marketing; and allows companies to offer products to their prospect customers in a way that they are most likely to respond to. However, with Internet it can be done automatically and to a far higher degree of sophistication.

The World Wide Web offers one of the greatest business opportunities of all time. By understanding these unprecedented benefits marketers will be able to learn the strategies and techniques that will bring unparalleled success to their business in the years ahead.



## 1.6 Objective of the Thesis Study

One of the main characteristics of our society is rapid information growth. One aspect of this growth is the information superhighway or better known as the internet. The World Wide Web, the newest and most user friendly facet of the internet to date have introduced new commercial standards in today's business world. One of these standards relates to marketing. The commercial activity of the World Wide Web requires the interaction of many disciplines. These disciplines are subject to the rapid development of the Web. The objective of discussion of my thesis is to study the effect of the Web on these disciplines and more specifically marketing. A specific hypothesis has been developed in relation to the potential changes marketing has gone through and will go through in the future because of the Web. The study further validates this hypothesis and then comes to certain conclusions and recommendations in light of this hypothesis.

## 1.7 Methodology

The methodology that I have adapted for conducting my thesis study is based on ***exploratory research***. I have carefully formulated the problem areas and then gone into the precise details, clarified the concepts, and gathered explanations, gained an insight, eliminated impractical ideas, and formed my hypothesis which I have validated through further research. I have performed an elaborate literature search for which Internet again has been my research tool. Further more secondary resources such as web articles, various white papers, technical writings, Webinars and certain specialized websites have been my sources of information. My exploratory research has lead to development of my hypothesis, which is validated through the research conducted. My research work is characterized by its flexibility.

## 1.8 Hypothesis

Considering the indications showing such a promising future for the Web, the following hypothesis has been developed in order to analyze this issue. The integral role the Web will have over marketing is going to be demonstrated through this hypothesis:

**H1. “Commercial websites are effective in use of web marketing strategies and issues derived from marketing activities with the use of Web.”**

To test this hypothesis and show the effectiveness of the commercial Web sites both WWW-based metrics and traditional business measures have been examined. The comparison of the Web with traditional marketing methods shows how much important is the revenue factor as for defining the Web as a successful commercial medium.

This demands a very practical approach. The Web itself serves as a medium to generate data. By way of the Web one can make a clear analysis of the marketing activities and strategies presently applied in the Web. Obviously the Web plays a prominent part in the research process, not only as a main issue, but also as a means to accomplish the set goals. In the process of identifying the marketing strategies of the commercial sites the following marketing criteria are examined:

- ⊕ The tools available to Marketers Online
- ⊕ The effectiveness of Online Marketing
- ⊕ The future of Marketing Communications

After gathering data based on the above criteria, the evaluation process shows the trend of marketing Online.

# **SECTION: I**

## **Literature Review**

# Chapter 2

## Interactive Marketing

### 2.1 Foreword

Online marketing also called: “Internet Marketing, Electronic Marketing, Web Marketing, eMarketing, and Digital Marketing” is at best an extension of Interactive Marketing.

Although interactive marketing is not new, its scale, scope and immediacy has increased substantially with the diffusion of new technologies such as the Internet. The growth of interactive marketing highlights the role of the consumer in the determining the effects and effectiveness of marketing, while challenging traditional assumptions about how marketing works. The active role of the consumer in determining the effects of marketing has important implications for how the effects and effectiveness of marketing are measured and how various measures are interpreted. The following two chapters offer a discussion of these issues and compares and contrasts traditional notions regarding the measurement of marketing effects with notions that recognize the active role of the consumer in interacting with advertising and the advertiser.

### 2.2 Introduction

The past decade has witnessed the development of information and communication technologies that enable easy and rapid interaction between customer and advertiser. As a result, marketers are increasingly relying on various modes of interactive technology to advertise and promote their products and services. A new genre of advertising and marketing communications agencies has emerged, the interactive agency, even as more traditional

advertising agencies have embraced interactive technologies. Expenditures for online marketing, only one form of interactive communication, doubled from 1998 to 1999 and are expected to reach \$ 21 billion by 2004 (*Gilbert 2000*). Although this will still be less than 10% of all advertising expenditures, there is reason to believe that this estimate underestimates the amount of advertising that is in reality interactive.

Although the Internet is widely heralded as a new medium for interactive communications (*Hoffman and Novak 1996, Alba, Lynch, Weitz, Janiszewski, Lutz, Sawyer, and Wood 1997, Stewart and Zhao 2000*), consumers have already begun to provide evidence that they have integrated the Internet experience into their broader media use. Almost half of all personal computers are in the same room as the television set, and simultaneous viewing of television and access to the Internet are common (*Cox 1998*). Such consumer directed integration of television and the Internet is but one example of interactivity involving the integration of media by consumers. Combinations of older media, such as traditional print and broadcast advertising with the telephone (especially, but not exclusively 800 telephone numbers) have long provided a degree of interactivity.

At the most general level, feedback via sales reflects interactivity. Interactivity is, therefore, a characteristic of the consumer, not a characteristic of the medium; consumers can choose to respond or not. Thus, in this sense interactivity is not really new. What is new, are the speed, scope, and scale of interactivity that is provided by new information and communication technologies. The Internet is a new technology that makes some things simpler, cheaper and easier. It is a new way to communicate with consumers, for consumers to communicate with one another, and a new way to sell products and services to consumers, but it joins other media and distribution channels as vehicles for these tasks. It does have some features, such as hyperlinks, that are different from those found in other media, but other media also have unique characteristics. The increasing technological integration of telephones and television with the Internet also

suggests that interactive media, and hence, interactive marketing, are not unique to the Internet.

### **2.3 The New Interactive Media**

*Cutler(1990)* defines the new interactive media as media that provide the opportunity to instantaneously advertise, execute a sale, and collect payment. With the advent of the Internet and other technologies, the interaction between and among consumers and marketers is becoming increasingly more pronounced. Consumers can collect and provide information by searching and navigating through commercial Web sites, they can post and customize their preferences, and they can communicate with other consumers as well as product and service providers. Similarly, marketers can use information obtained from consumers to customize their advertisement messages, to segment their audiences, to facilitate consumer search for selected types of information and products, and to collect information about consumers' preferences to improve future products and services. Moreover, marketers can potentially provide consumers with a more enjoyable experience by offering such services as information, entertainment, customer service and technical support through e-mail, Web sites, live operators, and soon via video-conferencing.

Use of interactive marketing through new media such as the Internet, also draws attention to the contrast between traditional assumptions about advertising and its effects and the realities of communication in the market place. Traditional approaches to marketing practice and research implicitly assume that marketing is something the firm does to the consumer. Interactive marketing makes it clear that this is a very limited view of marketing and highlights the need to understand what consumers do to marketing. The reasons consumers seek information, self-select information for attention, process and use information, and respond to information are critical for understanding the effects of advertising and for designing measures of advertising effectiveness in an interactive context. Self-selection of both the sources from which information may be obtained, and the

way this information is processed, is an increasingly important determinant of consumer behavior. Market information systems that fail to consider the impact of customer control of information will, at best, be incomplete, and potentially misleading.

The productivity and contribution of marketing research during the past forty years is impressive. It has revealed much about human behavior and the influence of communication. Nevertheless, much of the research during the past fifty years has been conducted from the perspective that advertising acts on consumers to produce responses (or not). This perspective served the profession well when markets were growing, media outlets were few, and the opportunities for consumers to respond to advertising were limited. This is clearly no longer the case, at least in the major industrialized nations. Rather, markets for many products are now mature and exhibit little growth. There has been a proliferation of media outlets, which, in turn, has reduced consumers' attention to any one of these outlets. Increasingly customers have the opportunity to respond directly and immediately to advertising or to ignore it or block it out altogether. This means that the context in which advertising is used has fundamentally changed. In large measure, it is now the consumer who does something to or with advertising, not vice versa. In the future, measures of advertising effects and effectiveness will need to explicitly recognize the more active role of the consumer in the communications process.

## **2.4 Objectives of Interactive Marketing**

In general, the goals of interactive marketing tend to be similar to the traditional objectives of marketing. This means that many of the traditional measures of marketing effectiveness remain relevant, even in a world of interactive media. However, interactive marketing also has some properties that expand the range of potential objectives and that facilitate the acquisition of traditional measures of marketing effectiveness. Interactive marketing also has the potential to lessen

the 'process loss' associated with uncoordinated marketing, to reduce the difficulties commonly encountered in clearly communicating an marketing message and to help overcome resistance to new products.

At the same time, interactive marketing also has the potential to increase the efficiency and quality of consumers' decisions, increase customers' involvement and satisfaction, and promote trust through reciprocity in information exchange, technical assistance, and reduction of information asymmetry. Finally, marketers can use feedback from consumers to improve their advertising message and intended target, and strategically adjust their customer support, product line, and services provided. Interactive marketing may also produce greater efficiency, trustworthiness, and quality in marketing. Thus, interactive marketing has the potential to fundamentally change the nature of marketing in much the same way that electronic communication infrastructure has changed the nature of group interaction (*Fulk and Boyd, 1991*).

Interactive media of various types not only opens new opportunities for communication with and among consumers; it also creates opportunities for creating new measures of consumer response to such communications, as well as to product offerings and other marketing initiatives. Interactive media shift control of the information flow from the marketer to the consumer. This provides many more options for responding to information than previous forms of marketing communication, and it is the response of consumers to these options that provides the basis for new measures of consumer response. For example, providing consumers with the opportunity to search for more information about a product, as is done at many Internet sites, provides an opportunity to monitor the types of information and products that consumers seek at both an individual and aggregate level.

To illustrate the power of interactivity, consider the following scenario: a manufacturer of a product offers a description of a product concept. Information about this concept can be obtained by consumers in an interactive environment



through an interactive search of various branching trees of information offering more and more detailed information about the product concept. Note that the intensity of search for information (measured by click through rate) can become a surrogate for interest in the product. Indeed, because such search involves deliberate and active decisions by the consumer, it is likely that measures of the breadth and depth of information search will be far better predictors of product interest and eventual purchase behavior than measures currently in use.

It is very likely that measures of intensity of information search bears a strong relationship to product interest and, in turn, to product purchase. Further, interactive media provide the opportunity for direct customer feedback regarding product modifications, likes and dislikes, and improvements. Evaluation of product concepts is but one potential opportunity for using the power of interactive media. By tracking the types of information users of interactive media seek it should be possible to determine the information that consumers find most useful when evaluating a product. Indeed, examination of the information search patterns of users of interactive media may inform positioning decisions. Information provided by the consumer to the marketer can provide a means for customized offers and customized advertising. Indeed, fully interactive advertising would provide the consumer with the opportunity to request information, not simply respond to what is provided by the advertiser.

While the potential of interactive media is clear, much remains to be done to realize that potential. For example, numerous measures of intensity of search for information (click-through rates) might be constructed which vary in their capacity to capture the depth and breadth of search. There is also the important issue of establishing a link between such measures and more traditional measures of purchase interest and intent. In addition, new issues arise in the context of interactive advertising that do not arise, at least to the same extent, in the context of traditional advertising.

For example, there is the question of whether and when consumers wish to be engaged by an interactive medium. There is also the question of how much information consumers are prepared to provide advertisers or even how much information consumers are prepared to allow marketers to capture about the interaction. Finally, there are issues of satiation of response that arise in the context of measures based on interactive media that do not arise with more traditional measures. Consumers have only limited time and resources, and therefore, are unlikely to be able to sustain large numbers of on-going interactive relationships.

## **2.5 How Different Is Consumer Response to Advertising Using Interactive Media?**

Fundamental to any discussion of interactive advertising is the question of just how different it is from traditional advertising. Although the Internet, and other interactive media like interactive television, have been touted as more powerful, responsive, and customizable than traditional media (Port 1999, Novak and Hoffman 1996), the empirical evidence suggests that consumers respond to much of the advertising on the Internet in the same ways they respond to advertising in more traditional media, at least with respect to traditional measures of advertising effectiveness. For example, *Drèze and Hussherr (1999)* found response to advertising on the Internet to be similar to response to advertising in other media, except that advertising on the Internet appeared to be easier to ignore. Similarly, *Lynch and Ariely (2000)* found that consumers are less price sensitive when providers on the Internet offer different rather than identical products, a finding that directly parallels findings in more traditional retail settings.

Traditional measures of advertising effectiveness, such as recall, attitude change, and brand choice are only a part of the story of effectiveness of interactive advertising, however. Such measures are useful, but they are in the

tradition of advertising research that focused on the advertising's influence on the consumer; these measures offer limited insight into what the consumer does to and with advertising. Research that begins with the perspective that advertising does something to consumers treats advertising as an independent variable and advertising response as the dependent variable.

The typical research paradigm involves a forced exposure to some advertising message followed by some measure of consumer response. If one accepts the proposition that people do things to and with advertising, the identity of independent and dependent variables is less obvious. Indeed, any response to advertising, including that of simply attending, may be contingent on a host of other factors. When people select that to which they attend, the act of attending becomes a powerful determinant of advertising response. The traditional paradigm for examining the effects and effectiveness of advertising has served the profession well, but it is incomplete in an increasingly interactive context. This suggests that there is a need for a new paradigm for the measurement of advertising effects.

This new paradigm must explicitly recognize the active role of consumers; message recipients must also be potential message seekers. At the same time, any new paradigm must be compatible with the accumulated body of research and theory that has dominated the advertising discipline for more than fifty years. The focus of this new paradigm must also be interaction with information not merely response to information.

Further, there must be recognition that media are not inherently interactive. Media may offer the potential for interaction, but it is ultimately the consumer who determines whether interaction actually occurs, and thus, whether advertising is or is not interactive. Interactive advertising is characterized by what consumers do, not by what marketers do or by characteristics of media. This means that research on interactive advertising must focus more on the person receiving the advertising than on the advertising or the medium. Research in information

systems, which has long focused on the interaction of people and information, provides a potential framework for re-conceptualizing the measurement of advertising effects in a way that recognizes the active role of the consumer in determining whether interaction occurs.

## Chapter 3

# Measuring the Effects and Effectiveness of Interactive Marketing

### 3.1 A New Theoretical Framework for Marketing Effectiveness

Most scholars generally concede that the effects of advanced technologies are less a function of the technologies themselves, and more a function of how these technologies are adapted by people (*DeSanctis and Poole, 1994*). Thus, the effects and effectiveness of interactive marketing may differ from anticipated outcomes as consumers and marketers respond and adapt to changes in their own environments (*Markus and Robey, 1988*). This suggests that research on interactive marketing should focus on the dynamic processes by which consumers and marketers incorporate advanced technologies into their reciprocal communications. *DeSanctis and Poole (1994)* have proposed adaptive structuration theory, an extension of structuration theory (*Giddens 1984*), to explain the interplay between the structures of technology, relevant actors, and changes in technology and behavior that arise from such interplay.

For example, *Poole and DeSanctis (1989)* used structural concepts to examine how groups appropriated the interaction rules of their decision support systems, thereby structuring their group communications and reinforcing or modifying their systems' influence over time. Such an adaptive model may also be an appropriate conceptual framework for examining the effects and effectiveness of interactive advertising. Ongoing interaction between consumers and marketers may be conceived of as a special case of structuration. Structuration involves the production, reproduction, and transformation of social

institutions, which are enacted through the interaction between individuals and institutions.

Application of structuration theory to interactive advertising would involve the identification of the ways in which consumers shape the production, reproduction, and transformation of the advertising message, future products and services and relationships with marketers and other consumers. This interaction can, in turn, shape the actions taken by advertisers. Structural concepts can be used to examine how marketers and consumers appropriate interaction rules to influence the effectiveness of advertising and other jointly beneficial outcomes. Following structural terminology (Yates and Orlikowski, 1992), interactive advertising may be regarded as a social institution that is produced, reproduced, and modified when consumers engage in interactive communication. As a social institution, advertising both shapes and is shaped by consumer preferences.

### **3.2 Approaches to Measurement**

From a structural point of view, there are two broad sets of measures of marketing's effects and effectiveness. These two sets of measures are characterized by different, but complementary views regarding the role of interactive marketing. One set of measures focuses on media choice, information search, attention to and processing of information. Such measures treat interactive media as dependent variables and focus on the factors that influence the use of media and advertising. Consumers' values, goals, and purposes are among the focal constructs around which measures might be constructed. The emphasis of these measures is development of an understanding of the means by which human beings construct and control their own environments (Powers 1973, 1978). Thus, these measures might be conceptualized as reflecting the processes by which consumers seek to control their environments and fulfill their goals. Such measures might be descriptively labeled as control process measures.

The use of such measures in the design and modification of advertising messages has been referred to as the "market-back" approach to advertising (*Stewart 1996*). The second set of measures focuses on the effects of consumers' using interactive media. These measures focus on advertising as an independent or mediating variable that influences particular outcomes among message recipients. This latter set of variables includes such traditional measures of marketing response as awareness, recall, attitude, and product choice. Although the paradigm that gives rise to these measures appears at first brush to be consistent with traditional advertising research, it is not (*Stewart 1992*). Within an interactive context measures such as awareness, attitude, and product choice, among others, are not simply the result of exposure to marketing; they are also the result of choices made by the consumer, which are, in turn guided by the consumer's goals and purposes. Thus, though the measures may appear similar, the interpretation of these measures is rather different. These outcome measures are the joint product, or interaction, of the consumer and the marketing (*Punj and Stewart 1983*).

Structurational theory also suggests that the consumer alone cannot be the focus of measurement. The goals and intentions of the marketer and responses of the marketer to the communications and behaviors of consumers are also relevant. While traditional marketing research has long emphasized the criticality of specifying advertising objectives in the determination of the effectiveness of marketing, structurational theory suggests the need for examining how marketers' goals and objectives evolve over time in response to consumers' actions in the market place. A structurational view of interactive marketing suggests that there is a reciprocal and recursive relationship between interactive media and marketing effectiveness. Such an approach is especially useful for evaluating the evolution of marketing and advertising response over time and as a result of repeated interactions between marketers and consumers.

### 3.3 Control Process Measures

Control process measures focus on when and with what consequences consumers and marketers choose to use particular interactive advertising media and advertising content. The focus of such measurement in an interactive advertising context is consumers' use of various media and desire for particular kinds of information toward the end of determining the appropriateness of various interactive media for different types of advertising under various other conditions. According to media richness theory, media may be ranked on a continuum according to their capacity to provide immediate feedback, convey multiple cues, support personalization, and communicate complicated messages (*Daft and Lengel, 1986; Daft et al., 1987*).

Media that facilitate the immediate exchange of a wide range of communication cues are often regarded as rich media, while those that allow the exchange of a restricted range of such cues over a longer period are considered lean media (*Short et al., 1976; Daft and Lengel, 1986*). For instance, e-mail does not permit immediate feedback and is confined to written communication only. Video-conferencing permits consumers and advertisers to see and listen to each other and respond immediately to messages. Thus, characteristics of media, the richness of media, may be viewed as placing constraints on how consumers may respond, but response is still under the control of the consumer.

Nevertheless, the response of consumers to any particular communication must be interpreted within the context of the constraints imposed by a particular medium. It may also be the case, however, that consumer use particular media, and seek out advertising and other information in those media, for precisely the reason that they desire greater or lesser richness. A key issue for marketers is identifying which marketing campaigns are more appropriate for interactive media and which campaigns are better suited to traditional media. In addition, given that richer media also tend to impose greater cognitive and other costs on consumers, there is the question of what type of information consumers desire



and the extent to which an marketing message is suited for a particular degree of media richness.

Among the control process measures that would be important for assessing marketing effectiveness are the goals of the consumer, the purpose for which consumers' seek information, and the expertise and prior beliefs of the consumer. Because goals provide an organizing framework for consumer behavior, they determine the product features and benefits consumers find relevant and for which they seek information. (*c.f.*: Barsalou 1983, 1985, Holyoak and Thagard 1997, Huffman and Houston 1993). Goals determine those pieces of information that are the most salient and accessible to consumers in a particular situation (Fazio 1989). The specific goal giving rise to a consumer's search for information and choice process will prime the search process and determine how the consumer interacts with a marketer (*c.f.*, Herr, et al. 1996). It will also establish a cost/benefit equation that will determine how much effort a consumer will devote to obtaining and responding to information.

Of particular relevance for measurement is goal derived categorization theory, which is associated with several specific measures (Barsalou 1983, 1985). Goodness-of-fit is an important measure that refers to the degree to which information is perceived to be appropriate for achieving a particular goal. Another measure, Ideals, refer to the critical attribute(s) that consumers associate with the prototypical product or service for achieving a particular goal and are thus the types of information about which consumers will be most interested. While these two measures are especially critical in guiding the way consumers deal with interactive marketing, there are other measures of process outcome that may also offer insight into the effectiveness of interactive marketing.

### **3.3.1 Personalization**

In the context of advertising communication, the term advertising media has traditionally been applied to mass communication media in order to distinguish

advertising from personal selling, direct advertising, and individualized sales promotions (*Stewart and Ward, 1994*). However, the power of information technology to transform mass communication into personalized messages may eventually shift the focus of traditional mass advertising to more concentrated and focused audiences. For example, netzero.com ([www.netzero.com](http://www.netzero.com)) offers free Internet access in exchange for viewing personalized advertisements. These messages are the result of questions about the consumer's personal preferences and interests. Personalized advertising requires measures that ascertain what consumers want to know, what they want to buy, and how they wish to buy. Interactive advertising has the potential to assure that consumers only receive relevant messages, which has a twofold purpose.

First, by avoiding bombarding consumers with irrelevant messages that are likely to detract them from accepting pertinent messages, the marketer can send messages that are most likely to generate purchases or other desired responses. Second, mass advertising is costly and usually unnecessary for many products that do not apply to all people. Therefore, personalized advertising based on individual characteristics and tailored to individual preferences is potentially more efficient for the marketer. Thus, a potentially important measure of interactive advertising effectiveness is the degree to which advertising is perceived to be personalized and individually focused. For example, a number of firms now specialize in providing data on consumer's web surfing habits (for example, [www.doubleclick.com](http://www.doubleclick.com)), which suggests something about consumers' purchasing needs and preferences.

Moreover, even if the idea of personalized advertising is not new (*Stewart and Ward, 1994*), interactive television ([www.tivo.com](http://www.tivo.com)), the Internet, and other interactive technologies make personalized advertising a more viable vehicle, assuming, consumers wish to have personal information shared with a marketer or advertiser. It is likely that consumers will differ with respect to their preferences for personalization in general and personalization of information about specific products and services, depending on what information the consumer must

provide. Moreover, today's technologies can measure the effect of a personalized advertising message that is an invitation for some response on the part of the consumer.

For example, [mypoints.com](http://www.mypoints.com) ([www.mypoints.com](http://www.mypoints.com)) and [coolsavings.com](http://www.coolsavings.com) ([www.coolsavings.com](http://www.coolsavings.com)) send personalized e-mails to targeted consumers asking them to visit a site and purchase a product. Based on click behavior, the marketer can observe whether the consumer visited the advertised site and completed a product purchase. Therefore, the effects of personalized advertising are much easier to track and measure than the typical advertisement appearing in traditional media.

### **3.3.2 Participation**

User involvement has been widely touted as a means for improving marketing effectiveness (*Stewart and Ward, 1994*). Similarly, user involvement and participation have been shown to improve user satisfaction and performance in the design of other information systems (*McKeen et al., 1994*). Moreover, user interaction has been widely recognized a means for providing a more accurate and complete assessment of user information requirements (*Ives and Olson, 1984*). Following *Barki and Hartwick (1989)* and *Krugman (1967)*. Consumer involvement refers to a subjective psychological state of the consumer and defines the importance and personal relevance that consumers attach to an advertisement or product. On the other hand, consumer participation refers to the actual actions taken by the consumer to partake in the marketing process.

While it has long been possible to obtain self-reports of consumers' involvement and participation, interactive marketing has the potential to provide a direct measure of consumers' involvement and participation through examination of the frequency and type of interaction with the marketer. Interactive media can significantly involve the consumer in the marketing process, far beyond the extent to which traditional media can. Therefore, consumer involvement can be

an important benefit arising from the use of interactive media in marketing. Many commercial web-sites focus on involving consumers in the marketing and purchasing process by allowing them to participate in their search process. For example, carsdirect.com (www.carsdirect.com) offers an adaptive process that attempts to help consumers identify the vehicle of their choice based on their preferences.

Hence, this process allows consumers to actively participate in the marketing process, by providing information consumers regard as important and helps them make the most informed decisions. Consequently, active participation in the marketing process may be an important element of marketing effectiveness. There may be circumstances, however, where the consumer does not wish to be such an active participant either because they lack the expertise to be active or because they do not regard the benefits of such participation as greater than the costs imposed by such participation.

### **3.3.3 Comprehension**

Comprehension refers to the recall of the message intended by the marketer in response to a product category and brand cue (*Stewart and Furse, 1986, Stewart and Koslow, 1989*). Better comprehension is established when there is a consensus between the marketer and the consumer as to the shared meaning of an advertisement. In contrast, incomplete product disclosure may create confusion. Given the anonymous and ambiguous nature of much Internet advertising and interactive shopping (*Alba et al., 1997*), consumers may have difficulty comprehending the messages of many advertisers and may not fully understand the true characteristics of a product.

The uncertainty arising from incomplete comprehension may deter customers from purchasing a product or return it after purchase since it does not meet their expectations. Therefore, comprehension is a vital part of interactive marketing. The reduction of consumer uncertainty involves eliminating gaps in information

sought by a consumer by providing various kinds of information relevant to and useful to consumers. High levels of equivocality tend to arise when consumers experience confusion and ambiguity. Such confusion and ambiguity may not be the result of a lack of information in all cases, however. The existence of multiple interpretations and conflicting views may, in fact, represent more information, but still produce equivocality.

Interestingly, the types of media and messages that reduce uncertainty may not be the same as those that reduce equivocality. Lean media, by providing relevant information without subtlety or nuance may reduce uncertainty, without producing any change in equivocality (Chidambaram and Jones, 1993). Two ads claiming that their featured product is recommended by dentists may both provide important information that reduces uncertainty about the products. However, in this instance, equivocality with respect to the two products might well remain. The resolution of equivocality would be a different matter, and might require richer media and the willingness of the consumer to become engaged in active information search.

Thus, comprehension as a process outcome measure is rather different from comprehension as it has usually been defined in the marketing literature. Comprehension is not merely a matter of measuring whether people can recite a claim intended by an marketer; it is also characterized by measures of the degree to which a claim reduces uncertainty and the extent to which it may reduce equivocality.

#### **3.3.4 Feedback**

There are at least two parts to interactive marketing: the marketer presents the message and the consumer responds to it (*Clarke and Brennan, 1991*). For an advertisement to be effective, both the marketer and the consumer must mutually agree that the consumer has understood the message (*Clarke and Wilkes-Gibbs, 1986*). Feedback from the consumer to the marketer plays an important role in

marketing since the consumer should understand exactly what the marketers intends, and the marketer should, in turn, adjust the message so that it is clearly understood. Feedback is important to the speed and effectiveness of marketing because it enables the marketer to determine the extent to which consumers understand the message and whether the marketer should adjust the message presentation accordingly. Fundamental to the measurement of the effectiveness of interactive marketing is whether consumers are indeed responding and providing feedback. To the extent that marketing fails to elicit feedback, of some type, it is by definition not interactive regardless of the marketer's intent and the medium used.

### **3.3.5 Other Control Process Measures**

The various measures described as control process measures are quite general. They are, in fact, classes of measures rather than specific operational measures. There are also likely to be other important classes of control process measures that have not been identified above. A key conclusion is that future research on the effectiveness of interactive marketing will need to focus more on process measures than has been the case in prior marketing research. Interactive marketing, by definition, is a process; it is also far more important to characterize it as a process than was the case in measuring the effectiveness of more traditional marketing. The nature and characteristics of this process are critical elements for understanding and measuring the effectiveness of interactive marketing. Future research on the effects and effectiveness of interactive marketing will need to focus on process measures as well as the outcome measures that has characterized research on more traditional types of marketing. There are also many ways to operationalize the various classes of control process measures discussed above. Some operationalizations will be more diagnostic than others will; some will be more sensitive than others, and some will be more useful for building theories and models of how interactive marketing works. A potentially rich vein for future research on interactive marketing will

involve the comparison and relationship of various alternative operationalizations of control process measures.

### **3.4 Outcome Measures**

In contrast to process measures, outcome measures focus on the consequences of use of interactive media on marketing effectiveness. Many outcome measures are well known to advertising and marketing scholars (see *Stewart, Furse and Kozak 1983 and Stewart, et. al. 1985* for comprehensive reviews of these measures). Thus, these measures will not be reviewed here. It is useful to note, however, that such traditional measures as awareness, recall, attitude change and purchase behavior are also relevant in an interactive marketing context. However, these measures are likely to be influenced much more by characteristics of the consumer in an interactive context. A structurational view of interactive marketing suggests that there is a reciprocal and recursive relationship between interactive media and marketing effectiveness. A critical question for future research is how traditional measures of marketing effectiveness will be influenced by an interactive context in which consumers may also have a variety of tools to assist them in their interaction. For example, advertising and recall, at least as measured by traditional measures of memory, may be less relevant in a context in which a consumer can create such external memory aids as bookmarks. In addition to changing the meaning of traditional measures of marketing effectiveness, the interactive context will increase the need to measure other factors that have received less attention in traditional marketing research. These measures are the focus of the discussion in this thesis.

### **3.4.1 Satisfaction**

Satisfaction has long been a key element in interactive group work (*Hackman, 1990*); therefore, satisfaction in marketing communication may be regarded as another element of marketing effectiveness. Interactive communication has been shown to improve satisfaction with the decision process, at least in some settings (*Applegate et al., 1986*), although this may not always be the case. Interaction of the consumer with the marketer may similarly influence consumer's satisfaction both with the purchase decision and the interaction itself. Indeed, there are at least two dimensions of satisfaction on which measurement may focus: (1) satisfaction with the interactive process and (2) satisfaction with the purchase of a product or the outcome (*Dennis et al., 1988*). These two dimensions of satisfaction may be related, but this need not always be the case.

Future research will need to examine the extent to which these two dimensions of satisfaction are related, and under what circumstances various relationships are manifest. Satisfaction arises, in part, from the process of collecting information about products, finding new products, and comparing products through an interactive process that takes in account personal preferences both for product characteristics and the nature of the information search process. Many Internet sites offer services and tools designed to make it easier for consumers to collect information. Such services and tools include adaptive questionnaires, interactive Web sites, and live operators, among others. These services and tools are intended, in part, to increase customer satisfaction with interaction. For example, carsdirect.com ([www.carsdirect.com](http://www.carsdirect.com)) offers a 24/7 service of live operators that consumers can call to ask questions about vehicles, financing, and purchasing.

### **3.4.2 Trust**

Trust is the subjective evaluation of another entity's characteristics based on limited information (*Beccera and Gupta, 1999*). In the context of marketing,



limited information about products' attributes and the intent of the marketer to provide a fair transaction can give rise to the need for consumers either trust the marketer, rely on third parties for additional information, or take other action to reduce risk. Consumers' trust towards a marketer can be defined as the subjective probability with which consumers believe that the marketer will perform a particular transaction in a manner consistent with their expectations.

This definition captures two important attributes of trust: first, the subjective probability embraces the fact that trust is not objective but a personal anticipation; such subjective probabilities may be especially useful measures of advertising effectiveness, especially if such measures are obtained over time. Second, expectations represent a measure of what consumers have come to believe based on prior experience. In the marketing literature, there is a general consensus that trust has at least two components, both of which can be measured (*Geyskens et al., 1998*).

First, credibility deals with predictability and fulfillment of implicit and explicit requirements of an agreement. This is generally considered to be a weak type of trust that rests on reputation and calculativeness (economic rationale). On the other hand, goodwill or benevolence deals with expectations that a party will not act opportunistically, even given the chance. This is the higher form of relational trust that is built on familiarity and experience, and is usually based on personal experience rather than reputation, calculation, or economic rationale. Thus, following *Ganesan (1994)*, trust may be measured in terms of two distinct components: (1) credibility, which is based on the extent to which the consumer believes that the marketer has the expertise and honesty to perform the transaction effectively and reliably, and (2) benevolence, which is based on the extent to which the consumer believes that the marketer has intentions beneficial to the consumer when new arise In traditional advertising, the marketer has limited potential to raise the level of consumers' trust since one-way communication is unlikely to produce trust (*Mayer et al., 1996*). Reciprocal

communication, however, facilitates trust building and commitment (*Anderson and Weitz, 1989*).

While it is generally agreed that trust has an economic value (*Hill, 1990*) and can be a source of competitive advantage (*Barney and Hansen, 1994*), traditional marketing has not necessarily been focused on building trust, despite the fact that trust has an important influence on the behavior of consumers (*Schurr and Ozanne, 1985*). On the other hand, interactive marketing has the potential to promote consumers' trust towards the marketer and product through reciprocal information exchange, customer support and technical assistance, reciprocal communication, operational linkages, and other specific adaptations by the marketer to the needs of the consumer. In sum, in contrast to other types of advertising, interactive media offers greater potential for creating trust among consumers and for building greater credibility for advertising messages. Thus, trust is likely to be an especially important and useful measure of marketing effectiveness. The complexity of the construct of trust makes it an especially interesting and rich area for future research on the effectiveness of interactive marketing.

### **3.4.3 Persuasion**

Persuasion implies an attempt to move, affect, or determine a purchasing decision (*Bass, 1981*). Interactive advertising may be a far more powerful persuasive influence than traditional advertising. Interactive communication provides opportunities to personalize information presentation, promote trust, identify objections and points in need of further clarification, and modify the offering itself, much as is the case with personal selling. Therefore, interactive media should further enhance the ability of the marketer to persuade. Indeed, *Zigurs et al. (1988)* have proposed that the pattern of persuasion behavior should be different depending on the degree to which communication is interactive. Resistance to the adoption of new products and services is an especially

significant obstacle faced by marketers. Interactive communication may well have the effect of decreasing resistance to new products (*Lucas, 1974*), by avoiding development or communication of irrelevant or unimportant features of the product and by improving the consumers' understanding of the product (*Robey and Farrow, 1982, Stewart 1986*). Measurement of the effectiveness of interactive marketing for new products should be contrasted with the effectiveness of more traditional media, especially in the context of new products.

#### **3.4.4 Quality of Decisions**

Consumer satisfaction, loyalty, and trust are likely to be by-products of the quality of consumers' decision. An emerging body of research provides evidence that information technology impacts the quality of decision-making. *Lam (1997)* demonstrated that the quality of decisions was better for complex tasks when using interactive communication was involved. Unfortunately, in many situations, there is no objective measure of decision quality available (*Watson et al., 1988*). Indeed, the heterogeneity of consumers' goals and preferences makes the definition and measurement of decision quality, whether by the consumer or the marketer, a highly idiosyncratic proposition. Nevertheless, interaction with consumers can provide significant information about the nature of consumers' preferences in regards to products and product features. Therefore, marketers can use this information to modify and improve future products and make better decisions regarding aspects that consumers find most useful. Moreover, interactive media can promote marketer's learning on consumers' characteristics and preferences, which will improve customer support, technical assistance, and future promotions. Therefore, an important effect of interactive should be better quality of decisions for future advertisements and future products. Consequently, a measure of interactive marketing effectiveness should be the success of future marketing and subsequent products and product-related services. This is a very distinct characteristic of interactive marketing.

### **3.4.5 Decision Efficiency**

Previous research suggests that effective reduces the time required to make decisions (*Short et al., 1976*). *Dennis et al. (1988)* concluded that an important outcome of interactive information technologies is to reduce the time required to reach to a decision. Interactive media provide the opportunity to combine the process of marketing, transacting the sale, and collecting payment (*Cutler, 1990*). Since all of these actions can be performed nearly simultaneously, the total time and effort required to communicate an advertising message and sell a product should be substantially reduced. Therefore, another potential measure of the effectiveness of interactive marketing is the time and effort required marketing and completing a sale. Stated somewhat differently, measures of efficiency are likely to be more important and more useful for interactive marketing than for more traditional marketing.

### **3.4.6 Sales and Return Reduction**

The most frequent measure of marketing effectiveness used today is some form of choice behavior or sales (*Stewart, et al. 1985*). It is certainly the case that every marketer wishes to relate advertising to sales. This focus on choice and sales will not be different for interactive marketing. In many cases, where advertising is tied to an immediate sale, it will actually be easier to measure the effectiveness of marketing in an interactive context. However, in many other cases, the link between marketing and sales in an interactive context will be as difficult to define and measure as it is for much of marketing in more traditional media. For example, where a consumer obtains information via interactive marketing, but buys from a traditional retailer, it may be very difficult to associate the marketing with the sale. Thus, the advent of interactive marketing will not necessarily make it easier to measure the effectiveness of marketing in terms of sales. This will continue to be an area of important research on the measurement of the effectiveness of marketing even as marketing becomes more interactive.

A sale is not really a sale, however, if a dissatisfied consumer returns a product. It is important that consumers are confident about a product and have developed appropriate expectations prior to purchase in order to reduce the frequency of product return. The better the interaction between the marketer and the consumer prior to purchase, the smaller the chance that a dissatisfied consumer will return the procured product. From a transaction costs perspective, interactive marketing may be regarded as a way to diminish the ex-post cost of receiving already purchased products. Using transaction-cost terminology, this cost may be regarded as a maladaptation cost associated with an unsuccessful transaction. According to *Williamson (1975)*, a method to reduce the ex-post costs of maladaptation is to employ ex-ante ways to avoid future contingencies.

The relationship between marketing research and economic theory, especially transaction cost economics, may well produce fertile research opportunities and suggest yet additional measures of advertising effects and effectiveness. Interactive marketing prior to purchase certainly has the potential to improve the transaction process and reduce unsuccessful purchases and consequent returns. Interactive marketing would be particularly important for experience goods with complex descriptions whose quality and attributes cannot be fully assessed prior to purchase (*Nelson, 1970*). Consequently, interactive marketing should reduce the level of returned products after purchase. Thus, another measure of marketing effectiveness would be a reduction in the returns of purchased goods.

### **3.4.7 Brand Equity**

Measures of brand equity and changes in brand equity over time have become important measures of advertising effectiveness and business success. Such measures will play a prominent role in the evaluation of interactive marketing. While traditional measures of brand equity, such as strength of attitude toward the brand and resistance to different amounts of price reductions on competitive products (*Moran 1988*) will remain important, the interactive context potentially offers an opportunity to develop and measure a far richer conceptualization of

brand equity. Measures such as trust, satisfaction, and the speed and ease with which consumers make decision can be linked to such economic constructs as consumers' switching costs, uncertainty, and transaction costs to produce new measures of brand equity anchored in transaction cost economics.

### **3.4.8 Benefits to the Consumer**

Although much of the focus of traditional measures of advertising marketing has been on benefits to the marketer, the effectiveness of marketing also can be viewed from the perspective of the consumer. In an interactive context, the benefits that marketing provides to consumers may have an indirect influence on measures of marketing effectiveness of primary interest to advertisers and marketers. Thus, an especially interesting area for future research on the effects and effectiveness of interactive marketing will be the benefits the marketing provides the consumer, and in turn, the relationship between measures of these consumer benefits and measures of effectiveness of interest to marketers. *Keeney (1999)* has suggested a variety of ways in which the Internet might create value for consumers. These include minimizing errors in transactions, lowering costs of products and services, designing optimal products or product bundles, minimizing shopping time, and increasing the enjoyment of shopping, among others. These various outcomes are undoubtedly valuable to consumers. The Internet is not unique in its ability to deliver any these outcomes, however, though clearly it is a means for doing so and may enjoy some advantages relative to other means in some situations and among some consumers. It is certainly the case that these various benefits can become the basis for developing additional measures of marketing effectiveness.

## **3.5 Problems in Assessing the Effectiveness of Interactive Advertising**

Although there are many potential measures of marketing effects and effectiveness, there are unique problems associated with measuring marketing effects in an interactive setting. Some of these problems are similar to problems associated with measuring the effectiveness of more traditional marketing, but the reciprocal influence of consumer on marketer and marketer on consumer makes it far more difficult to identify primary causes and effects. There are some especially vexing issues associated with measurement in an interactive context, but research on these issues could be especially useful.

### **3.5.1 Interactive Advertising Does Not Work Alone**

Advertising is only a part of a total marketing effort. A product that is poorly positioned, overpriced, inadequately distributed, badly packaged, or inferior to competition may suffer sales declines even though the advertising itself is well-conceived and professionally executed. The specific contribution of advertising to sales has always been difficult to ascertain. Interactive advertising may well make the determination of precisely what marketing actions produced a particular outcome even more difficult to do. The influence of any particular advertising message may be less important than the cumulative reciprocal communication between advertiser and consumer. Recently, several scholars have argued that the increasing availability of information, and the sophistication of the technology for obtaining, processing and analyzing this information, are blurring the boundaries of the several elements of the marketing mix (*Glazer 1991, Ray 1985*).

There have also been calls for changes in the organization of both the marketing function and the firm itself to accommodate this blurring of traditional functional lines within marketing and between marketing and other functional disciplines within and external to the firm (*Glazer 1991, Webster 1989*). This blurring of

boundaries has been partially recognized by calls for "integrated communications," but the blurring extends beyond communication activities. Distribution and communication are becoming inextricably linked, and decisions about the one are increasingly difficult to make in isolation from the other. Indeed, it may be difficult to differentiate some marketing activities as clearly serving an advertising or distribution function. Similarly, where interactive advertising is used to better design products, it will be impossible to separate the effects of communication from product design.

Models of consumer response that focus only on the effects of advertising, or that attempt to separate advertising effects from other effects of the marketing mix are likely to be less than helpful or even misleading. Rather than measure the effectiveness of interactive advertising, it may be more useful to measure the effects of integrated marketing programs. Similarly, other consumers and other sources of information may play a role as great or greater than interactive advertising. Discovering consumers' use of these sources and how they integrate such information into decision making will be a challenging research question.

### **3.5.2 The Sales Response Curve Does Not Typically Parallel Response to Other Measures of Advertising Effects**

Often, sales build slowly at first in response to advertising and then accelerate. Thus, there is often a lag between the appearance of advertising and the sales response generated by that advertising. The length of the lag itself may be variable depending on both the product type and the advertising appeal employed. A lag between advertising and sales response is expected with all products, but it may be particularly acute for those items that are infrequently purchased. Likewise, interactive advertising may be very effective, but it may not produce sales until the consumer is in the market for the advertised product. Consumers who are not currently in the market for a given product are also less likely to respond to interactive advertising. Customer trust, satisfaction, improved decision making and other measures may not translate directly into sales, yet



may be particularly important in understanding why consumers do or do not choose to interact in an advertising context.

### **3.5.3 Advertising is frequently Subject to Threshold Effects**

The response to a marketing program may often be the result of the cumulative effects of an entire campaign rather than a response to a single advertisement or promotion. A \$1,000,000 campaign may have no apparent measurable effect, whereas an expenditure of \$2,000,000 for the same product may break through the consumers' barrier of awareness and pay for itself many times over. Interactive advertising requires that consumers not only pay attention, but also respond. There are likely to be even greater threshold effects in such cases. These threshold effects are often associated with the need to overcome competitors' advertising and promotion and capture the attention of consumers (*Stewart 1989, Burke and Srull 1988*). Thus, it is likely that measures of advertising effectiveness for interactive advertising will need to focus even more on competitors' advertising and other marketing actions than has been the case for traditional advertising.

### **3.5.4 Use of Multiple Media and Consumers' Integration across Media Make It Difficult--If not Impossible--To Associate Changes in In-market Sales or Brand Share with a Specific Medium**

Sales response and changes in any of the many other measures of advertising effectiveness may result from a combination of media, or it may be possible that one medium affected the majority of the observed response, while others contributed relatively little. While it is possible to isolate the effect due to a given medium by using only that medium, this is not practical for many advertisers. It is simply not possible to research outcomes associated with each individual medium that may be used in a large campaign. Interactive advertising is likely to occur in contexts that also employ more traditional media. For example, a television commercial may direct consumers to a particular Web site or (800)

telephone number. The observed response is likely to be the result of both types of advertising-the one may not work without the other. In addition, there may be interaction effects of media, say between television and Web based advertising, or between newspapers. Such interaction effects are, by definition, the result of combinations of media. They cannot be attributed in part or as a whole to any one medium. One can only measure the outcome(s) associated with the whole.

### **3.5.5 Competitive Activity and Other Marketing Variables May Obscure the Relationship between Marketing Activities and Sales**

Thus, Sales Do Not Always Reflect the Effectiveness of Marketing Actions. Efforts to evaluate advertising and promotion in natural market situations are fraught with difficulties. In-market sales are the result of a complex set of events over which the marketer has little control. This is no different for the case of interactive advertising. Competitors may raise or lower price, increase or decrease expenditures on advertising, or introduce a new product. Retailers may feature products via traditional advertising, via their own interactive advertising or in-store. All of these factors will affect sales and make it difficult, if not impossible, to tease out the effects of specific advertising. Marketers are often interested in the cumulative effects of an entire campaign (*Stewart 1999*). Campaigns may be defined in terms of multiple advertising executions or combinations of advertising, promotion, and other marketing programs. Just as individual ads should be created with specific objectives in mind, so too should campaigns. Campaigns may have more than one objective, however.

For example, a campaign for a re-positioned product may have as its objectives the creation of awareness of the brand's new position, the inducement of trial of the product by consumers, and the conversion of competitors' customers to the re-positioned brand. Each of these objectives suggests a specific measure of success for use in evaluation. The evaluation of the success of a campaign is usually carried out via advertising tracking studies. Such studies obtain measures of performance at several points in time so that trends can be identified. The

reciprocal nature of interactive advertising will make such tracking studies especially important. However, one problem with campaign evaluation is that the results are the cumulative outcome of all the marketing activities associated with the campaign (*Stewart 1999*). Identification of the specific contribution of any one marketing activity to overall market response may be impossible.

### **3.6 Criteria for Success**

Finally, there is the matter of the appropriate criterion for decision making regarding interactive marketing. Evaluation of marketing requires a criterion for success. This criterion needs to be specific, measurable (read quantitative), and bounded by time. It is also important that the criterion be reasonable in light of the current situation in the marketplace. A common mistake in assessing the effectiveness of marketing is to assume that advertising should always produce more of something. Thus, the criterion for success becomes higher levels of awareness, greater levels of trust or increased sales volume. Yet, it takes only little thought to see the error in this perspective. If one hundred percent of consumers are aware of a product, awareness cannot increase further. If every customer who might use a product does, in fact, buy it, and buys it for every conceivable use, there is no opportunity for an increase in sales short of finding new markets or new uses for the product.

There are certainly upper bounds on the amount of time a given consumer is willing to spend interacting with a marketer. While these may appear to be extreme circumstances, they are not so unusual as they may seem. For many mature products awareness is very high and consumers are often quite loyal to one brand or set of brands. In these circumstances the role of marketing may be the prevention of losses of sales by reminding consumers of the product and reinforcing loyalty (*Stewart 1994*). *Andrew Ehrenberg (1983, 1988)*, a leading British marketing scholar has long argued that the primary role of marketing for

mature products is defensive, that is, its purpose is to hold on to current customers. This may well be the role of interactive marketing as well. In mature markets, maintaining interaction (at a given level) with consumers may be the appropriate criterion for assessing the effectiveness of marketing. In cases where marketing is primarily defensive, the evaluation of effectiveness must take a different form. No change in measures of awareness, attitudes, interaction or sales may indicate success.

Obviously, if these measures decline, there is a problem. But if they stay the same, it may not mean that marketing efforts have failed since there is no information about what might have happened had there been no marketing. Indeed, in these situations, which are numerous, the only way to assess the effect of advertising or promotion is to stop, then evaluate what happens. Advertising for any given brand does not occur in isolation. Rather, it most often occurs in the context of advertising and promotion for competing brands. Most measures of effectiveness tend to ignore this fact, however. The only exception is choice, where the decision to buy one brand means that other brands are not purchased. Measures of awareness, comprehension, and attitude are often obtained for a given brand of interest but not compared to similar measures for competitors.

Yet, the absolute value that a brand obtains on an attitude scale is really less important than the fact that attitude toward the brand is higher than for competitors. This notion of relative measurement may seem trivial, but a number of researchers have suggested that relative measures may be more sensitive than absolute measures (*Geiger 1971, Stewart 1989*). This appears to be true of a wide range of measures. For example, one study found that measures of recall appeared to be unaffected by advertising when recall was measured for only the advertised brand. However, when the recall for the advertised brand was compared to recall for competitive brands, the advertising had a decidedly strong effect.

# CHAPTER 4

## THE NEW MARKETING APPROACH

### “MICROMARKETING”

#### 4.1 Introduction

During the 1970s and 80s, radio, cinemas, and billboard ads, were the main tools of mass media. These tools focused on local geographical areas. The marketing was developed by the Blue Chip Companies in “*mass*” manner, relying on TV commercials and print ads addressing a specific region.

According to a study of a top international advertising company (1995), this gave birth to truly national mass media. Even with the growth of satellite television in the early 90s, national media became fragmented and it still didn't necessitate advertising agencies and marketers to look at mass media from other points of view. The changes in the media, and in customer's preferences, made it necessary to redefine the nature of traditional marketing in the context of the changing marketing environment. All these changes made it difficult or unrealistic to reach a certain target audience with conventional mass marketing tools and tactics.

Consequently, mass marketing is no longer mass-mass but niche-mass, opening up new opportunities, and encouraging fundamental changes in the marketing approach that will leads to the rise of micromarketing. The marketing environment is influenced by the following key factors:

## **4.2 Behavior & Empowerment**

Traditionally marketing tactics has focused on branding. Today, the balance of power has shifted to the consumer. Consumer behavior, a direct response to a chaotic marketplace has helped to transform traditional mass marketing to a micro marketing focus.

The availability of information about brand features, benefits, and performance, the growing number of choices, and the growing number of channels offering these choices, are important factors that have influenced consumers' behavior.

Today marketers need to make their communication more personal, timely, and relevant, in order to regain the attention of the consumers. Consumer centric focus is about marketing to individuals.

### **4.2.1 Competitive Markets**

Markets are becoming more and more competitive. Brands are gradually moving closer to a creative identified commodity markets.

### **4.2.2 Media Fragmentation**

The media mix continues to evolve with each communications medium from print to radio to television. Now with the evolution of the Internet as the next prominent direct communication medium, one must look at the World Wide Web as an alternative vehicle communicating with consumers.

The world today is far more diverse and self-indulgent than it was in the heyday of the mass market. Countries have atomized into countless market segments, defined not only by nationality and demographic, but by increasingly nuanced product preferences.

As consumers distinguish little difference between brands, brand names will need to find newer ways to plunk out and connect with consumers. Nowadays, consumers are getting more and more progressive. Their demands from products and brands to deliver to individual needs and requirements will get greater due to more exposure and experience. And thus the lowest common

denominator principle (the basis of mass marketing) will no longer make brands exciting. Shopping is changing: From being a chore, to just buying products/brands for the home, it is slowly taking the form of leisure and entertainment. Whether it is done on-line or off-line, consumer behavior at the shopping moment will become more and more critical. Influencing that will be as important as creating the right image for the brand.

The proliferation of digital and wireless communication channels is spreading the mass audience. According to Forrester Research, in the 1960s, an advertiser could reach 80% of people with a spot aired simultaneously on a few channels. Today, an ad would have to run on 100 TV channels to have a prayer of duplicating this feat. Adding a few Web sites would help, but not even the biggest new media conduits are likely to ever match the ubiquity of the networks in their prime. It is a perpetually shifting mosaic of audience micro segments that forces marketers to play the audience's game. Similarly, the dawning era of micromarketing holds a greater fill for consumer marketers.

At the same time, though, the fading of the age of mass marketing poses a threat to the traditional mass media and their heavily ad-dependent business models. Jupiter Research highlights, that even as prime-time ratings fell by 41.5% from 1977 to 2003, network TV's advertising revenues rose nearly fivefold. Why keep paying more for less?

Nevertheless, in order to build brand awareness, or to convey a simple, timely message to a big swath of the world, there is no effective substitute for mass media, particularly TV. If anything, the decline in network ratings has added scarcity value to the few remaining widely watched special events.

Even though marketers boost spending on a more targeted, narrowcast media, instead of mass media's share of advertising which is declining. The predictions show that by 2010, marketers will spend more for advertising on cable (\$27 billion) and the Internet (\$22.5 billion) than on network TV (\$19.1 billion) or on magazines (\$17.4 billion). In the same way that network TV's dominance of

media is eroding, advertising's dominance of marketing is diminishing. Marketers are increasing their spending on telemarketing, direct mail, e-mail, in-store displays, and other forms of closely targeted spending. Now, one-to-one communication is required instead of one-to-many, due to an increasingly heterogeneous marketplace.

### **4.3 The Explosion of the World Wide Web**

The expansion of print and cable pales in comparison to the infinitely expandable variety of the World Wide Web, which includes online versions of most every TV station, newspaper, and magazine in the country. The Internet is rapidly becoming an advertising medium, leaving behind the effects of the bursting of the dotcom bubble. The market segmentation can be applied to businesses and organizations, for exactly the sort of thematic and demographic targeting that magazines and cable TV offer advertisers.

This new digital media, the Internet, has a couple of major advantages: first is because of interactivity that enables the gathering of invaluable personal information directly from consumers, and secondly it is a very precise measurement of its advertising's impact. The studies show that the technological advances that are fragmenting the mass audience also are empowering a new class of digitally savvy consumers who compile, edit, and otherwise customize the media they subscribe to their own personal requirements. Companies must recognize that they are not dealing with helpless consumers anymore. The consumer-empowering digital device that mass advertisers and TV executives fear most at the moment is the personal video recorder. The PVR allows viewers to "time shift" -- to watch a program when they want to, rather than when it's scheduled -- and to skip commercials at the press of a fast-forward button. Research shows that viewers watch 20% to 30% more television after getting a PVR, but use it to skip about 70% of ads.



Mass marketing is based upon low cost per thousands, the ability to reach people cheaply. A door is open to less-than-mass media, because television became expensive. The same evolution applied to the print medium. Research shows that magazine circulation sustained itself for much longer, as the diminishing readership of general-interest magazines was more than offset by the growth provided by thousands of new special-interest startups. However, the total number of consumer titles has dropped by 33% since 1999, dragging magazine circulation down by 6.9%. As with broadcast TV, though, generally rising advertising rates have powered huge revenue growth for the print media. The net result: The cost of newspaper advertising per unit of circulation has increased tenfold since the mid-1960s, while magazines have seen a fivefold rise over this period. When mass advertising was cheap, it didn't matter too much, but to send an advertising message to the many, in hopes of persuading the few does not make economic sense. Clearly, mass marketing is giving way to micromarketing. This will ensure that mass communication gives way to one-to-one communication.

The concept of micro-marketing is not new. During the 90s, brands had already started to tailor products for regional needs, in order to penetrate local markets. Many national brands are being challenged by regional players. The response of national brands is to take local challenges on one-on-one. The rise of micromarketing is as much a response to the fragmentation of consumer markets as to the fragmentation of the mass audience.

#### **4.4 Permission Marketing**

More and more companies across a wide range of consumer industries are oriented to try a cost-effective solution. Big marketers are moving beyond the usual demographic data to gather personal information about consumers' attitudes, habits and desires.

Permission marketing encourages consumers to participate in an interactive and long term marketing campaign, messages being personal, anticipated and directly related to the individual. It is welcomed by consumers -- permission marketing is about something the prospects are interested in. Combining an old concept with new relevance, permission marketing has infinitely more impact than mass marketing, and takes advantage of new technology better than other forms of marketing. The logical goal of micromarketing is the key word -- individuality.

Micromarketing, if it is done right, is cost-effective. Even so, advertisers typically pay a premium to reach a defined audience. Unique niche markets have evolved after the last decade of economic revolution. That's why in diverse marketplace, the function of marketing and communication tend to take a different role.

Economics and demographics are one of the factors that influenced the progress of micromarketing. Of course, with reference media proliferation, for it is providing consumers with what they crave: a wealth of innovative modes or new content of consuming. The mass market has been with us forever, it will not disappear, nor will the mass media. It is depending on just how well companies will adapt to the next wave resulted from transition process of vanishing age of mass marketing to the beginning era of micromarketing. Still, micro-communication will have to connect more intimately with micro communities within broad targeted consumer groups – understanding their needs and nuances, not just doing advertising in regional languages.

Micro-marketing is the tool that unlocks the enormous power of the Internet. The insidious clutter that infects the Internet and virtually every other medium, combined with the influence it brings to this new medium, makes micromarketing the most persuasive trend in marketing for the next decade.

In an IT world the technology itself made it possible that the customization follows the rules of: “zero defects”. As a top advertising company mentioned that the 20<sup>th</sup> century was about finding homogeneity in heterogeneity, the 21st will be about finding heterogeneity within apparent homogenous groups. As we cannot compare nations due to their different education and culture, we cannot compare individuals. So, “don’t paint everyone with the same brush stroke”. This is definitely something worth thinking about.

# **SECTION: II**

## **Analysis**

## Chapter 5

# “How effective are commercial sites in issues derived from marketing activities with the use of the Web?”

### 5.1 Defining Effectiveness

A website is effective when both the users and the owners achieve goals for the site. For the users, normally some kind of sequence is involved. First, users must know about the site, then they find the site on the web, then they find the page they want, with the information they want.

This all sounds very logical and obvious, but in fact studies of such "hierarchies" (as they are usually called, though they are really sequences) have found that many users don't follow the standard sequence. In a small study conducted in 2003, involving 19 in-depth interviews, it was found that not one of the 19 respondents followed the logically obvious sequence - though most of them followed parts of it (*Centra 2003*). For example, some people hadn't originally heard of the site authors were researching - but they'd visited it after it came up using a search engine.

So if there's a metaphor for an effective website, it's not the usual chain or ladder - in which people must take one step before another. It's more like a path in a forest, with multiple entrances, a few shortcuts - and maybe some blockages. In a forest, that might be a fallen tree lying across the path. On the web, it might be terminally bad usability - such as a page that's unreadable in one browser because there are words over the top of other words.

Most of the writings on website evaluation - such as <http://www.useit.com/> focus on usability and accessibility. Those were certainly major problems in the early days of the Web, but most sites now make at least some attempt to be helpful for their users. However, just maximizing usability and accessibility will not by itself ensure that a website achieves its goals. We've been trying to move beyond that

## **5.2 A Route to Effectiveness**

A method of evaluating the effectiveness of a website has been designed; by first defining a sequence of seven elements, then considering the flows between those elements, and finally obtaining the necessary information to measure the flows and thus evaluate the criteria. The seven elements of effectiveness will usually happen in this sequence:

1. Awareness: the web site's target audience must know it exists.
2. Findability: they must be able to find it when they want to.
3. Availability: it must be available to them when they try to access it.
4. Accessibility: they must be able to access a downloaded page, even if they (or their computers) are a little impaired.
5. Usability: users must be able to navigate to the pages they need, and perform the tasks for which they are there.
6. Trust: users must have enough trust in the site and its owners to want to perform those tasks.
7. Achievement: users' performance of the tasks should fulfil the needs of both users and the site's owners. For example, if the site uses e-commerce, the logistical aspects must work smoothly - i.e. any goods and services ordered should arrive as expected and as promised. Otherwise, a lot of users won't make a second order.

The above defined model can take a number of implications of the path. Imagine there is a website with a potential audience of 1,000,000 people, and see how the numbers fall away.

**5.2.1. Awareness:** you can't afford a big advertising campaign, and your ads are not highly distinctive. So only 20% of the target have seen your ads, and only half of them remember them (better than normal, actually). But 10% of a million is still 100,000: that's plenty.

**5.2.2. Findability:** your URL is a fairly long one, and some people can't spell it (or type it). Suppose your company name is "Dastan Designers Wear", but your website is [www.dastandesignerz.com](http://www.dastandesignerz.com) (missing the "wear" & "z" instead of "s"). Potential users might try to remember your URL, and get it wrong. It would have been smarter if you had bought several variants of the name, and redirected those inquiries. Most users don't try very hard - there are plenty of other websites they can visit. So at this point you lose half of the potential visitors. Down to 50,000, but that's still plenty.

**5.2.3. Availability:** A potential customer visits your site, having overcome the first two hurdles. But this person is using Netscape, and your site only works with Internet Explorer, because of some fancy scripting you've done. And you never got around to using Alt text for your navigation button images. So this visitor comes to your site and sees a mess - not even a page saying "this site works best with Internet Explorer 6". They give up. But no big deal: 90% of your visitors use IE, and 90% browse with images on. So you still keep 81% (90% of 90%), and you still have 40,000 potential customers.

**5.2.4. Accessibility:** You lose a few more because they can't read the words on your site. Do your pages have the fashionable dark grey type on pale grey background? If so, it might also be quite small. You might expect users to enlarge the type size in their browser, but a lot of people don't know that's possible. So at this point you lose a few percent with poor eyesight and/or small computer screens and/or high-resolution settings.

**5.2.5. Usability:** this point is where users drop out like flies, especially on a big site that uses Flash or a specific plug-in to run. If your site is well designed, you might lose only half the remainder at this point - that's about the average, so in this example, you're down from 40,000 to 20,000.

**5.2.6. Trust:** this is a big stumbling block, and for a small organization, one that is unknown to most of its visitors, a website can go only so far. If you are trying to sell things online, users will be asking themselves "Why should I trust my credit card details to this site, when it doesn't give its street address, doesn't have a clear privacy policy, doesn't give me the name of anybody I can contact if something goes wrong, and doesn't even seem to have an email address that I can contact to ask questions?" From the research we've seen and done, most sites will lose about 75% of potential customers at this point. So now you're down to 5,000.

**5.2.7. Effectiveness:** But are you actually selling what those 5,000 people want? Are you describing it clearly enough that they know they want it? And when they order it, will it actually arrive? And on time? Even if the logistics problem is the Post Office's fault, the customers can't be sure of that - you'll get the blame. So typically, of 5,000 who reach this point,



2,000 find something they want to buy, but half of them are frustrated by your complex purchase form, and they give up. Of the other 1,000, 500 receive the product on time, 400 get it late, and 100 say they never get it, and you have to send another one. That leaves 500 satisfied customers.

So you're down from a million customers to 500. Of every 2000 who you want to attract, only 1 ends up buying. The above figures are not exaggerated. Experts (*International Data Corporation (IDC)*, *Steve Woit, Vice President of Sales and Marketing*) have seen worse, at each step. But the main point with those obvious-seeming seven steps is that it's all too easy to dismiss them, saying "yes, of course our site does that." To overcome these companies must try to do this type of numerical estimate for their own site. If they know the potential audience and the actual number of customers, they must try to work out at which points they are being lost, and how those losses could be reduced.

Coming back to the method for site evaluation: as you move along the path, the evaluation will become more and more specific, requiring more and more knowledge of the users and the owners' objectives.

# Chapter 6

## Developing Effective Multi-Channel Marketing Strategies

### 6.1 Multi-Channel Marketing a Historic Perspective

Although multi-channel marketing is the current trend, it is not an entirely new concept. Multi-channel has roots in the age-old “media mix” idea, which essentially said that buyers were reached at different times in different ways, and that the most successful marketing programs contained an appropriate mix of media for the targeted audience. The theory was that effective use of multiple media helped a selling organization become top-of-mind when the buyer was ready to make a purchasing decision.

There are two important developments that helped evolve the media mix concept into what we now think of as multi-channel marketing:

#### 6.1.1 Shift towards Integrated Communications

The 1990s saw a transition by marketing and advertising professionals towards integrated communications. This marked a shift in focus from transactions to customer relationships. Even outside the marketing arena, engineers and statisticians were contributing by following the lead of successful Japanese industries that reengineered business processes around customers’ needs. According to Anders Gronstedt, author of *The Customer Century*, power was shifting to the consumer, and the management of communication processes was being elevated to strategic levels to help build customer relations and drive business results. He contends that leading global companies like Hewlett-Packard, Motorola, FedEx and others helped lead the movement from a “Production Century” model of building products and finding customers to a

“Customer Century” model of building customer relationships and integrating communications across multiple channels.

In addition, other market realities continued to fuel the trend toward relationship marketing through expanded communication and sales channels. Consider, for example:

- Competition increased while the cost to acquire new customers soared, making it increasingly important to establish solid customer relationships, especially with those who projected high lifetime values.
- Customers in a satisfied business relationship became clearly recognized as the best source of new business. They were the people who knew you, respected you and had a greater predisposition to buy your products and services.
- Privacy concerns and governmental actions such as the new “Do Not Call” legislation placed greater focus on establishing true relationships rather than trying to blindly attract buyers with hit or miss, mass-communication tactics. Consumer response to the national “Do Not Call Registry,” along with previous “junk” fax legislation and “spam” e-mail legislation, continues to send marketers a clear signal. Consumers are pushing back hard against unwanted and irrelevant intrusions in their daily lives. Using customer data more effectively by personalizing communications, coordinating communication channels and getting consumers to opt-in allows marketers to be more effective.

### **6.1.2 Number of Channels Available to Marketers**

The number of channels available to marketers increased. Not only was there now recognition of the importance of building customer relationships and integrating communications, but new electronic media such as Web sites and e-mail also added channels. What’s more, there was less distinction between pure

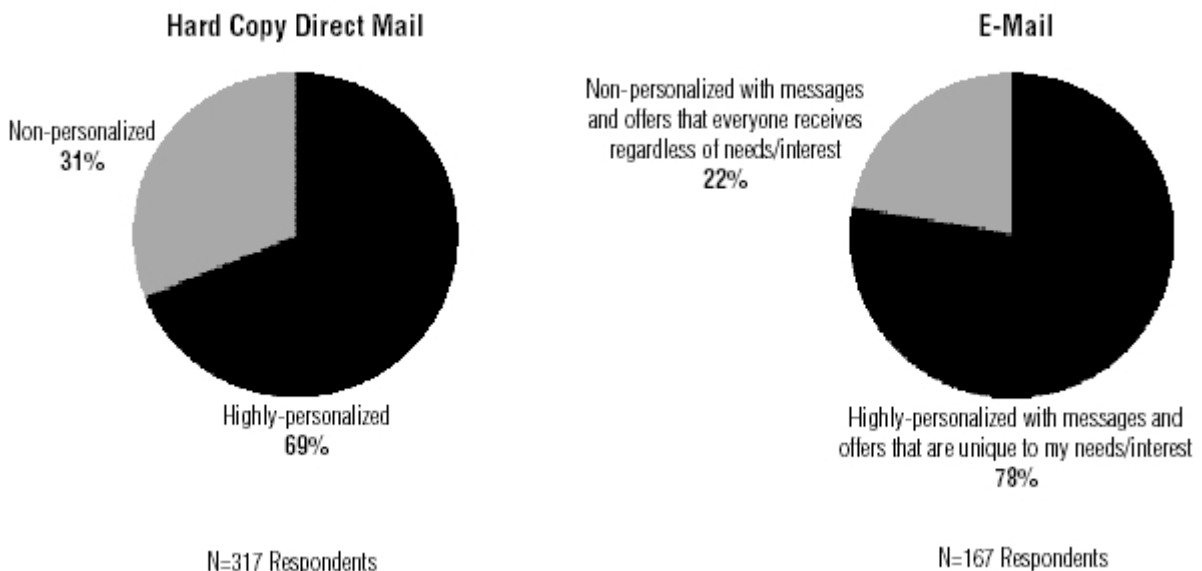
communication channels and sales channels. Increasingly, the two were becoming one and the same.

Database technologies and personalization advancements were also making it possible to communicate one-to-one through a variety of print and electronic media. And the results of well-executed, personalized communications were stunning. Sellers commonly experienced, and continue to experience, a five- to 10-fold increase in response and conversion rates based on personalized communications. When print, e-mail, Web and telemarketing are combined in integrated, multi-channel campaigns, the results are even greater.

What is evident is that consumers prefer personalized communications, as indicated in **Figure 6.1**.

**When you do receive hard copy direct mail, which type do you prefer?**

**When you do receive e-mail marketing messages, which type do you prefer?**



**Figure 6.1:** Results of Survey on Personalization (Source: CAP Ventures, 2003)

The purpose of this chapter is to discuss methods for effective multi-channel marketing strategies to enhance customer loyalty and retention efforts, with an emphasis on incorporating customization and personalization for print and electronic channels.

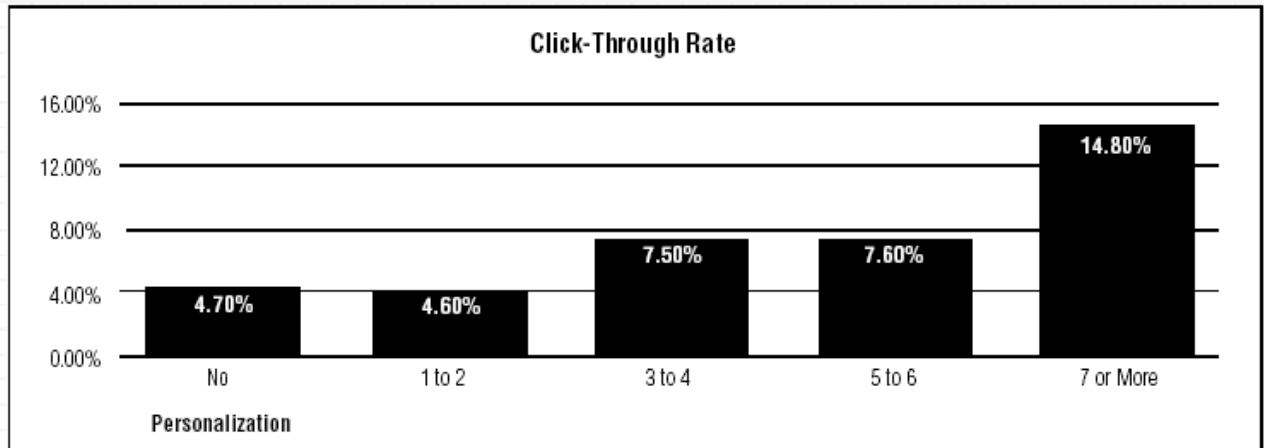
## **6.2 Exploring Multi-Channel Marketing**

New methods of marketing are emerging that seek to more effectively use prospect and customer data to filter target lists, construct personalization rules and produce and execute marketing campaigns across and among the full range of media channels available. The most successful campaigns reach consumers in a sequenced and consistent manner. This creates an indirect benefit of enforcing and enhancing corporate branding. Therefore, organizations that can harness the power of other marketing channels and produce more personalized communications could put themselves in a good position to capture market share from those that don't.

There are two critical components to effective multi-channel marketing:

1. Creating relevant offers via personalization
2. Coordination and management of multiple marketing channels

In a multi-channel marketing context, personalization means using what is known about the recipient to create the offer, customize the messaging and deliver it to them in the format requested. For channels other than telemarketing, this can include personalized greetings, relevant messages based on demographics and compelling graphics. A survey completed by YesMail in July 2002 revealed that response rates increase dramatically with an increase in the number of personalization elements. As the number of personalization elements increases from one to seven, the click-through rate more than triples, increasing from 4.7% to 14.8%.



**Figure 6.2:** *Effect of Personalization on Click-Through Rates (Source: YesMail, 2002)*

The other critical element lies in the design and execution of campaigns that coordinate among the full breadth of channels available to reach prospective buyers. Much like personalization, this requires strategic and tactical planning. When marketers can sequence communications and “hit” prospective customers with consistent communications through various media channels, the effectiveness of campaigns increases greatly.

A research study by AMR Research in January 2002 demonstrated that companies that followed up e-mails with other direct communications realized an increase of 5-10% in their response rates, with some organizations seeing increases of 15% or more. This is due in large part to the “multiplier effect” when multiple media channels are coordinated.

### **6.3 Will One Channel Steal from Another?**

Many executives fear that one channel will take business away from another. The Web site will steal from the catalog, for example. The truth is that customers who interact with your company over multiple channels are more loyal and profitable than single-channel customers. To become a successful multi-channel

marketer, you first need to understand your customers and their preferences, then communicate effectively through the desired channels.

Jack Aaronson, CEO of the Aaronson Group and a frequent lecturer on customer loyalty, profitability and multi-channel solutions, suggests that you think about channels as if they were products. Apply the same marketing techniques you'd use to sell products, including acquisition, retention and share of wallet. These techniques applied to channels assume the higher purpose of making users more loyal by encouraging customer interaction over multiple channels.

To create a channel acquisition strategy, he encourages using the same scoring techniques you currently use to determine which customers would be most likely to buy a new product you market. Score them according to their most likely "next channel." After you've identified these new "channel-ready" segments, use your marketing knowledge to sell the channel as if it were a product.

It's critical to think about encouraging customers to add channels, not to migrate to a different channel. Don't replace a user's preferred channel, but instead, convert a single-channel user into a multi-channel user. Understand what channels and channel combinations a user currently uses. For example, you don't want to introduce a user to a channel that's less cost effective. The exception would be when the climate sometimes calls for loss-leader channels that reach a new audience and will pay off in the future.

Finally, Aaronson emphasizes the importance of thinking of your company as multi-channel. When channels become siloed rather than converging into a unified user experience (unified functionality, voice, look and feel) the company is acting like a consortium of single-channel companies.

## **6.4 Multi-Channel Marketing: Best Practices and Requirements**

An example of an organization using effective personalized communications illustrates the possible returns from effective multi-channel marketing. A financial services provider wants to target new customers for a recently launched retirement investment product. Using all of the collected data about the prospective customers — including key demographic information — the organization generates a full-color personalized brochure. This customized collateral explains the returns the recipient can generate over a long-term investment horizon, based on their current income. The call to action in the direct mail piece is a custom Web page URL. This leads recipients to a page where they can further research the offer or the company, chat live with or be called by a representative and sign up to become a customer.

Coordinated with the printed direct mailing is an e-mail campaign with identical branding and messaging with a link to the same URL. The company can also use telemarketing to follow up with those consumers who visited the Web site and made inquiries, but did not sign up for the service.

Further, the communications and customer responses can be centrally monitored and measured via the Web in real-time. Marketing executives can easily gauge the effectiveness of campaigns and optimize them in real-time based on formatting or messaging that proves effective. They can also more effectively track marketing expenditures with the sales generated from specific campaigns. This provides detailed return on investment information. In other words, this type of system enables marketers to perform “closed-loop marketing.”



An example return on the type of multi-channel marketing described above is:

**Traditional Campaign**

1.3% response rate

3.3% click-thru rate

2.9% order conversion

**Personalized Multi-Channel Campaign**

9.4% response rate

56% click-thru rate

31% order conversion

*(Source: CAP Ventures, 2003)*

It is important to recognize the tremendous multiplier effect from the employment of multiple, coordinated channels. In the example above, if the campaign targeted 1,000 recipients and the average order was \$1,500, the difference would be hundreds of thousands of dollars.

Firms in a wide range of industries — targeting both consumers and businesses — are increasingly taking advantage of this innovative and effective method of running multi-channel campaigns, particularly financial services, insurance, healthcare, manufacturing, automotive and technology companies. Service providers, including advertising agencies and print providers, are also beginning to offer multi-channel capabilities, along with strategy development, to help organizations create campaigns and support content that best leverages them.

The days of tactical, disjointed marketing campaigns and programs are numbered. Given the commercial and custom solutions and services available today, selling organizations are increasingly able to generate sales through multiple channels. Following is a review of several key channels with some usage examples highlighted.

## **6.5 Data and Content Management**

More than half the battle in effective marketing campaigns is acquiring and maintaining good prospect and customer data. It is important for sellers to build a repository that allows them to effectively utilize unique attributes to segment prospects and customers. Using these attributes, marketing managers can build

the personalization rules and determine which prospects should receive proscribed offers, and more specifically, which messages. Once the campaign is designed, in many cases the seller (and often a third-party service provider such as an advertising agency) creates the content to support the marketing campaign.

Traditionally, sellers have created content specifically for each campaign in a tactical fashion, failing to leverage the messaging and graphical elements for other channels. Sellers are increasingly developing and managing content in a more strategic, collaborative fashion that enables content to be shared not only among media channels, but also across campaigns.

## **6.6 Printing and Direct Mail**

From a print perspective, direct mail remains a very powerful tool for marketers. Personalized direct mail campaigns, which utilize variable data printing, have proven to be extremely effective, particularly as the level of personalization leads to increased relevance. Sellers can expect a five- to 10-fold increase in response rates for well-designed direct mailers as compared to traditional static direct mail. While the cost per page for variable printing has historically been an obstacle, the price is dropping substantially as user adoption increases. Even with a higher unit production cost, the return on investment for producing highly personalized offers can be dramatically greater, as illustrated in the following scenario.

**Table 1: Production Cost and ROI for Personalized Direct Mail**

<b>Low-Level Targeting &amp; Personalization</b>	<b>High-Level Targeting &amp; Personalization</b>
Production costs: 25,000 pieces @ \$.40 each = \$10,000 2% Response rate = 500 Revenue model: 500 @ \$100 average sale = \$50,000 Production cost as % of revenue = 20% R.O.I. = 5.0 x Cost per response = \$20 <b>Profit = \$40,000</b>	Production costs: 12,500 pieces @ \$.80 each = \$10,000 10% response rate = 1,250 Revenue model: 1,250 @ \$100 average sale = \$125,000 Production cost as % of revenue = 8% R.O.I. = 12.5 x Cost per response = \$8 <b>Profit = \$115,000</b>

(Source: CAP Ventures, 2003)

Response rate is the most widely used metric for evaluating direct marketing efforts. In related **CAP Ventures** studies conducted in 1997 and 2001, personalization programs demonstrated the following impact on other important metrics as they relate to printed marketing campaigns:

**% Improvement from Using Personalization Programs**

- Response Rate 34.0%
- Average Order Size/Value 24.5%
- Repeat Orders/Retention 47.6%
- Overall Revenue/Profit 31.6%
- Response Time 34.9%

This overall return rate, based on personalized print, should also factor in the costs of developing the content and designing the personalization rules. Certainly, creating content for communications with a high level of personalization will require additional investment on the part of sellers. However, organizations that leverage a content repository have the ability to reuse content across a wide range of marketing and sales activities. Sellers can also leverage variable data personalized printing to reduce the costs of collateral fulfillment by providing collateral materials “on-demand” to those who express interest.

## 6.7 E-mail Marketing

Much like printed direct mail, opt-in e-mail-based campaigns can be a very effective method of communicating with customers. First, the cost of executing an e-mail campaign is extremely low compared to other communication channels. **GartnerGroup** estimates that e-mail costs about \$5 to \$7 per thousand versus printed direct mail, which can range from \$500 to \$700 per thousand. Along with sender anonymity and readily accessible e-mail databases, low cost is a large part of the reason that spam (unsolicited e-mail) has become such an issue.

While spam e-mail certainly has some detrimental impact on the overall effectiveness of e-mail, permission based e-mail still remains efficient and effective. Gartner analysts validate that permission-based and opt-in marketing strategies are critical to higher e-mail response rates.

In general, they assert that response rates measured by action taken from direct mail are the same as e-mail, hovering at 1 percent. On permission-based e-mails, the average click-through rate is between 6 and 8 percent.

Furthermore, the speed at which e-mail campaigns can be executed is much faster than other channels. E-mail campaigns can often be run over the course of seven to 10 days, where it generally takes four to six weeks to execute a direct mail campaign.

Like many of the other forms of customer communication, the keys to successful e-mail marketing lie within the following factors:

- **Quality of the e-mail list** » E-mail campaigns are most effective when targeted at recipients where more is known than just an e-mail address. Existing customers are a good fit for e-mail communications because the

offers can be tailored based on their purchase history, registered products or stated preferences.

- ***Design and measurement of the e-mail*** » Including desired customer behavior when opening the e-mail, clicking on certain links and converting to a registration or purchase.
- ***Consistency with other campaigns and corporate branding guidelines*** » Including the use of rich text or html-based e-mails, which draw the recipient's attention and use familiar branding that can drive read and response rates.
- ***Frequency of communications*** » While it is often tempting, organizations want to ensure that they do not overuse e-mail and ensure that they explicitly offer customers an interaction channel to alter or discontinue e-mail subscriptions.

Along with direct e-mail offers, e-mail newsletters can be an effective means by which to communicate with both prospects and customers. Newsletters provide useful information to consumers, which can build credibility and loyalty, while also providing important links for creating a purchase opportunity.

## **6.8 Internet Solutions**

Internet technologies continue to gain importance as an essential component for multi-channel marketing by acting as a communications medium and a method to inexpensively facilitate transactions and process orders. The nature of Web technologies also provides tracking and reporting mechanisms that offer marketing executives a wealth of information, including trend analysis and real-time analytics.

# Chapter 7

## Evaluation of a Website –Tesco Online

### 7.1 About Tesco

Tesco first set out its four part growth strategy seven years ago: core UK business, non-food, retailing services and international.

Tesco has moved from being the number three domestic UK retailer to being one of the top three international retailers in the world with 2,318 stores and 326,000 people.

- **Retailing Services**

In total, Tesco has 5.2 million banking, Tesco.com and telecoms accounts. *Tesco.com is the world's biggest online supermarket.* Tesco Personal Finance alone achieved profits of £160 million of which Tesco's share is £80 million.

- **Non-food**

This year, Tesco's share of the non-food markets it operates in has risen from 5% to 6%.

- **Number of Stores**

In the UK Tesco has opened 64 new stores this year adding a further 1.8 million sq ft. The total number of stores in the UK, at the year end is 1,878 which include 910 T&S stores.

## 7.2 Tesco Online

Tesco has been "leading the trial experimentation of electronic shopping in its sector" (*De Kare-Silver, 2000*) and its website is one of the most regularly visited in the UK with over one million registered users. The site offers over 30,000 different products for sale, including groceries, CDs, DVDs, videos, books, electrical goods, clothes, flowers as well as personal finance.

E-commerce is a major development, which is changing the relationship between business and consumer. Tesco's Chief Executive, *Terry Leary (2001)* said, "**We have developed the best online grocery shopping system in the world**". The website takes 70,000 orders per week and annual sales run at a rate of £300m.

The website is changing the purchasing habits of its participating shoppers. No longer do consumers have to physically visit the supermarket to purchase their groceries. Purchasing goods online has its limitations such as being unable to touch, feel, smell and taste products. Tesco recognizes that it still has "much to learn about Internet shopping and home delivery and that the service levels and interactions that take place are a long way from their potential" (*De Kare-Silver, 2000*). However, the website does offer the convenience of shopping from home. This is a major shift in the way people conduct their grocery shopping.

Because e-commerce is relatively new, it has yet to permeate into the consumer psyche and earn the trust and confidence that is associated with other traditional forms of commerce. A report published by [\*Consumers International\*](#) (2001), the global federation of 263 consumer organizations found some "disturbing inadequacies in the online shopping experience" relating to the quality of ordered goods upon arrival and quality of service regarding refunds after it placed orders with online stores around the world.

Another major investigation by the *CI* concerned consumer privacy. A press release dated 25 January 2001, summarizing the report stated, "existing measures put in place by various governments to protect people's privacy is not

adequate". Relations could be significantly altered when the consumer first experiments with online shopping. If the transaction is carried out quickly and efficiently and a good level of service is provided, then the consumer should be left feeling satisfied and possibly willing to make repeat purchases. However, if a poor level of service was experienced first time, such as groceries arriving damaged or missing, as highlighted in the *CI* report, then the consumer is likely to feel disgruntled with the new technological service and may be discouraged from trusting other e-commerce sites.

With reports like these brought to the attention of the public, it is crucial that a store such as Tesco provides a service that will seek to re-address the concerns of customer confidence in e-commerce.

### **7.3 The Website:**

Tesco have focused on website **Usability** issues to create a site that is user-friendly and simple to navigate. *Nielsen (2000)* states that, "navigation doesn't work with frames because the unit of navigation is different from the unit of view" and explains the problems relating to book marking pages with frames. Tesco however have placed their navigational links in separate frames so they remain permanently visible whilst scrolling around the main text area. This technique enables the reader to conceptualize where they are in the site at any one time. The site simplifies browsing by categorizing products into separate sections. Shoppers are able to browse the virtual store, adding products to their virtual shopping baskets and proceeding to the checkout to pay by debit/credit card.

*Pastore (2001)* states that, "convenience-related issues (including speed of use and ease of access) are the dominant motivating factors among respondents who purchase online." In an attempt to increase convenience for the consumer, Tesco have incorporated into their website a feature which allows shoppers to



create an electronic shopping list that can be saved and recalled at a later date. Customers are thus spared the inconvenience of selecting the same items every week. "According to research by *GartnerG2*, 81 per cent of online consumers value convenience when making a purchase online compared with 33 per cent who value price savings" ([Pastore](#), 2001).

Next day delivery is promised when ordering online and the opportunity to order goods up to 28 days in advance is also available. The innovation shown by Tesco has led to the belief that it will establish itself "in the customer's eyes as being the leading edge exponent" (*De Kare-Silver*, 2000).

#### **7.4 Evaluation:**

- Tesco received high values for the *information phase*. It offers a good user interface, good structure of content and a rich amount of useful information. Tesco properly manages all the information and immediately transfers them to its enterprise resource planning system and to business partners. In the case of Tesco, stored customer profiles allow the company to suggest products the customer might be interested in. The profile also supports the online order process as some information like address etc. does not need to be retyped again and is stored in the customers account profile. The delivery and payment information is used for all repeating transactions. The system shows a good performance. Low prices imply a certain transfer of cost benefits to the customer. The customer is able to quickly browse through special offers and discount items that offer quick convenience and value to them.
- The *agreement phase* shows positive results for all categories with a lower mark for "contact possibilities". The ordering process is well structured and the customers are generally satisfied with services offered in the

agreement phase. If there is a problem the customers can easily locate the nearest store or contact the store over the telephone to best find a solution. Tesco has good contact facilities. To keep costs low (a call-center is has been established.) Whenever required interaction also takes place over email for example purchase orders and delivery confirmations are emailed to the customers to keep a record with the customers.

- Access to the WWW is available 24 hours a day and is one of the most significant reasons for the change in relations between customer and organization. Shoppers visiting the virtual store of Tesco are able to place orders for groceries in the middle of the night if they so wish. Many people may find it more convenient to browse the Web late at night as browsing in the small hours doesn't intrude on their busy schedules. *Nicholas Negroponte* in his 1996 book: *Being Digital* summed up the shift in attitude with the phrase, "prime time is my time". In an age where the customer is king, companies and organizations must provide their services at a time that is convenient to the consumer.
- *Saunders (2001)* cites the findings of a report by *The Atlas Institute*, which showed that, "online shopping activity peaked during working hours, at around 1:00pm". It also highlighted a difference in purchasing habits between online and offline consumers. It found that "Web shoppers are most active during the weekdays, while offline shoppers do more shopping on Saturdays." This may be linked to the fact that shopping in the traditional sense has become a social activity and is thus reserved for the weekend when the majority of people take a break from work, whereas shopping online is usually confined to the actions of a single individual and as revealed by the *GartnerG2* findings, is carried out primarily because of its convenience.

- The company benefits from reduced operating costs such as rent, rates and labor and are thus able to pass these savings on to the consumer. Tesco has been known to sell computers in their stores at a certain price and have offered for sale identical computers on their website at the same price but which come bundled with a free printer. "Lower prices and the ability to compare products and item cost" are the reasons why 39 per cent of Americans are shopping online the week ending November 17, 2001 (*Pastore, 2001*). Moreover, as companies like Tesco benefit from reduced operating costs when operating their business online, it means the need for staff could be reduced. Software is starting to replace employees. There is a shift in the type of jobs that are available. The rise of online banking and the increase in the number of ATM machines resulted in a reduction in the number of human tellers in banks and similarly, retailers will see a shift in working roles as the growth of online shopping requires fewer workers on the shop floor.
- Because of the anonymity of the Internet, surfers are treated in the same way regardless of appearance, age, gender or nationality - or they should be. However, this can change when website owners begin to charge for their online services. It is worth noting that access to the websites of Tesco is completely free of charge. Large sites such as Tesco have become multi-functional, offering such services as career opportunities and banking as well as traditional grocery shopping. These websites are encouraging two-way relationships between customer and organization, allowing greater feedback, input and interaction, a wealth of information and links to further sources of information and advice that is helping to inform and educate its readership.

The electronic capabilities of sophisticated e-commerce sites such as Tesco's are taking shopping to a new dimension. Browsers can surf the depths of cyberspace searching for information, conduct online conversations, interact with unique site features and purchase goods and services whilst oblivious to all sense of time and space if they so wish but as shown by the *CI* reports, e-commerce has a long way to go before it fulfils its potential. Companies need to take greater care with sensitive customer data if they are to gain customer trust and retain loyalty and effectively market their products to them. It can be seen however, that websites are helping to improve relations in many ways and website owners as well as website users must surely be optimistic about the future.

## **SECTION: III**

# **Conclusions & Recommendations**

# Chapter 8: Conclusions

## **8.1 “Commercial websites are effective in use of web marketing strategies and issues derived from marketing activities with the use of Web”**

The above stated hypothesis developed at the beginning of this research study in light of the analysis and the presented discussions can be accepted. Of the many ways in which the web improves marketing processes, four key areas present a summative conclusion to this discussion:

1. Interactive marketing poses new and difficult challenges related to the measurement of its effects and effectiveness. The reciprocal communication between marketer and consumer will make it difficult to isolate the influence of any one marketing exposure. This means that the focus of marketing evaluation will need to shift from a focus on outcomes to a focus on both process and outcome. The role of the consumer in selecting marketing, in choosing when and how to interact (if at all), and the goals and purposes of consumers involved in the interaction will be especially important dimensions of marketing that will require new measures and new conceptualizations of how marketing works. It is also likely that as the marketing mix becomes increasingly integrated and the same vehicles assume multiple functions (communication, distribution etc.), it will become increasingly difficult to conduct relevant research on advertising without consideration of the larger context of the full marketing mix. This does not mean that research on advertising in isolation from other elements of the marketing mix will disappear. It does mean that the study of advertising in the context of the larger mix will need to complement such research. In addition, the consumers' use of other information sources, especially the consumers' interaction with other

consumers, will be important for understanding how and why consumers respond as they do to interactive marketing. Despite the challenges posed by interactive marketing, its wide scale use will provide new opportunities for research and enrich the understanding of marketing effects. Marketing has always been interactive at some level; the consumer has never really been the passive recipient of marketing. Interactive marketing simply makes obvious that the consumer must be the focal point for understanding the effectiveness of marketing.

2. As demonstrated previously in the deployment scenario, the Internet complements other marketing channels by providing an information-rich, low-cost means for customers to interact with a selling organization.
3. Web technologies can facilitate the collaboration among the marketing content, campaign development and deployment teams. This collaborative environment can be used to quickly create virtual teams composed of multi-company, multi-disciplinary resources.
4. Finally, the Internet can provide a centralized console for the management, operation and reporting of marketing campaigns. When these elements are combined, such as in a self-service customer portal, the efficiency and effectiveness results are very high.

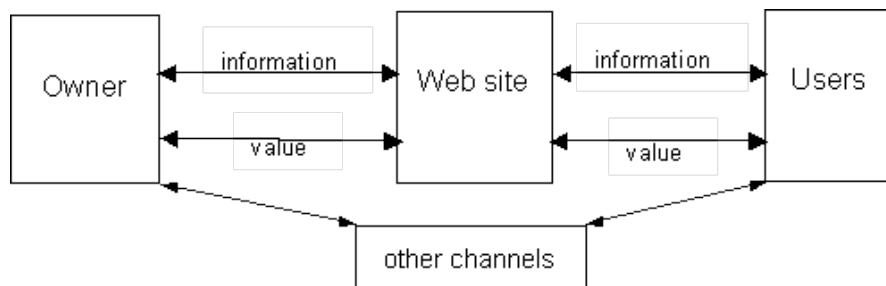
# Chapter 9

## Recommendation: 1

### The Evaluation Framework

The effectiveness of a website can be measured by using the following presented Evaluation Framework developed for the said purpose. Communication via the Web has three points of evaluation, as shown in the following diagram.

**Figure 9.1 The evaluation framework**



This diagram shows the flow of information and value between a web site, its owner, and its users. The bottom loop acknowledges that communication involving the web site can also occur through other channels. Though the arrows are shown as double-headed, this does not imply that the flows are equal in both directions. For most sites, more information flows from left to right (i.e. from owner to users), while the flow of value (for a commercial site) tends to be more the other way. In other words, a commercial site should be profitable for its owners - in a broad sense - which may involve saving money, rather than making it. But it must also deliver enough value to users to make it worthwhile for them to visit the site.



Though separating the owner and the web site may seem odd at first (aren't they all part of the same organization?) this separation acknowledges the fact that a web site is usually not a perfect expression of its owner's intentions. So the separation of owner and web site into two entities enables evaluation of the information flows between them.

## **9.1 Data Sources for Evaluation**

Based on those two sets of principles, evaluating the effectiveness of a web site is done by:

- (a) assessing the barriers to fulfilling the pipe of effectiveness, by
- (b) collecting data on the information and value flows shown in the diagram above.

And where does that information come from, to evaluate the site? Well, all three elements of the above diagram supply some of that information: the site itself, its owner, and its users. Let's consider each of these in turn.

### **9.1.1 Data from the Web Site**

Some information can come from simple inspection of the site - e.g. a heuristic effectiveness audit, which involves comparing the site against industry benchmarks. Other site-based data, usually not available from inspection, includes statistics on visits, and on the size of the site.

### **9.1.2 Data from the Owner**

A more extensive evaluation obtains information from the owners about the site's objectives, target audiences, and performance. Working with the site's owner, we can create a set of use case scenarios (ways in which visitors are expected to use the site) and to evaluate the site's usability in terms of those use cases.

The other type of information that can be confirmed in discussion with the site's owner is the site's specific logic model. The 7-step model above is a generic one, which may need to be changed for a particular site. Defining this model involves asking questions such as "What is the site trying to achieve?" and "How are the users expected to react to the site: to buy products and services (for a commercial site), to change their habits (for a social marketing site), or in some other way?"

### **9.1.3 Data from Users**

The most comprehensive type of evaluation will involve the site's users. Rather than making assumptions about their preferences and behavior, we can study actual users in realistic situations. To identify major problems, a large sample is not necessary. A sample as small as 10 users - if carefully chosen - can often be enough to identify major barriers to the completion of the chain of effectiveness.

When all the above data sources are combined, they can be used to comprehensively evaluate the site's performance, at each stage of its logic model.

## **9.2 Concept in Practice**

A logical approach to evaluate effectiveness involves:

- A scenario-based approach to website evaluation, combined with the Logical Framework matrix used in aid program evaluation.
- Identifying and fixing aspects that are below the expected standard, using a set of criteria customized for that particular type of site.
- Identifying and building on valuable aspects that set the site apart from its competitors. In some way, every website needs to be the best of its kind - though that kind can be quite specialized. (A checklist can't deal with this, so a more creative approach is needed.)

### **9.2.1 What's Wrong with Checklists?**

On the Web one can find a number of usability checklists, listing a number of criteria for a "good site". (The most I came across is 37 criteria.) The idea is that you compare every page of your site against the checklist, to find problems that need fixing. Then you fix all the problems, and you'll have a perfect site.

I set out to build my own checklist, covering the 7 steps above. When it reached over 24 items (*see Annex-I*), I realized that a perfect site, according to the checklist, would have lots and lots of features, and all those features would have no faults. But when I compared the checklist with some highly successful sites, I realized that I was making a mistake. Successful sites (e.g Amazon Books) fail a lot of the tests on a long checklist, but the reason those sites are successful is not because they minimize the number of things they do badly. It's because they do a few things very well indeed - and that gets them noticed among the world's millions of websites. Above all, they've earned the trust of their users. Look at all the subtleties of the way Amazon does business, including the "tone of voice". Most points are fairly obvious, but put them all together and they say "you can trust this site."

After my research on various websites by using developed checklists, I've found that it is feasible to use checklists for the early stages of the path: findability, availability, and accessibility - and for some of the elements that encourage users to trust a site. But for usability as such, the heuristic checklist approach just doesn't work well. There are too many possible items on the checklist, and many of them don't apply to most sites - even within the same industry.

### **9.2.2 Determining the Key Tasks**

These are the ways in which its visitors will want to use it – not necessarily the ways the owners have in mind. Most sites have between about 2 and 5 main purposes. For an e-commerce site, these tasks are done by customers and potential customers:

- deciding whether this site is trustworthy enough to make a purchase from
- getting information about the purchase and delivery process
- finding whether the site is offering anything that they want to buy
- registering or logging in
- making a purchase

Those conditions probably apply to all e-commerce sites, and there are probably few other tasks that customers would do (though other types of audience would do other tasks – e.g. suppliers, regulators, search crawlers).

### **9.2.3 Carrying Out the Tasks:**

For each key task, this means trying to carry it out in ways that typical customers might. (The more you know about the habits of Web users and the site's customers, the more realistically this can be done.) While navigating around the site, trying to perform the task, the user records each page visited, the exact time, and makes comments about (a) what they are trying to do at this point, and (b) how well this was achieved. The important thing here is to do tasks as realistically as possible, e.g. without pre-planning each move.

# Chapter 10

## Recommendation: 2

### Five Key Strategies for Effective Multi-Channel Marketing in Today's Business Environment

#### 10.1

***The Customer (Data) is King*** » Just as an oil company would not blindly drill small holes in the earth in search of oil, your organization shouldn't contact millions of consumers blindly, banking on a very small portion accepting your offer. Rather, seek out or build a repository that identifies which consumers are more likely to find your offer compelling.

#### 10.2

***Get Customers to "Opt-in"*** » Companies that can build their own opt-in lists, or use qualified industry opt-in resources, are in a better position to communicate and market to both consumers and businesses. Explore methods, such as periodic e-mail newsletters, that provide valuable information and purchase opportunities simultaneously.

#### 10.3

***Invest in Personalizing Communications*** » The overwhelming response to the "do not call" registry underscores consumer frustration with intrusive, irrelevant communications. Research shows that by a ratio of over 3:1, recipients prefer personalized communications. Research also shows that the more personalized an offer is, the higher likelihood of response. It will require

an increased investment in creating content and designing campaigns, but you can expect double-digit response rates.

## **10.4**

**Leverage More Effective Customer Channels** » Design and execute new marketing campaigns that leverage the full spectrum of marketing channels. Personalized direct mail, permission-based e-mail and Internet technologies can be employed to dramatically increase the returns on the marketing dollar. Coordinate marketing campaigns using multiple channels and take advantage of the “multiplier effect.”

## **10.5**

**Simplify the Transition by Using Service Providers** » Personalizing communications and running multichannel campaigns can be a challenge for those selling organizations that do not currently have the technology or process infrastructure to develop multi-channel strategies, manage customer data, manage marketing content and execute integrated campaigns. Sellers will find that there are several service providers that can help them transition from their current practices to leverage more effective marketing practices.

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