

Charting the Online Marketing Process

The goals of marketing may remain the same, but in electronic commerce they must adapt to new means. This six-step guide suggests ways to accomplish the challenge.

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Contrary to the hype, marketing on the Internet is neither as easy nor as straightforward as it appears at first glance. Understanding how this process works can help to unravel the "mystery" of Internet marketing. It includes creating a marketing plan, distributing an advertisement and interacting with customers in a clear step-by-step manner.

Creating a successful marketing plan that fulfills expectations under the given financial, time and human resource constraints is a monumental task. The primary goal is to design a marketing campaign up front that leads to cost savings and revenue increases downstream.

Early Internet marketing efforts were oriented toward technology and consequently emphasized the product and its associated information. In recent years there has been a shift in Internet marketing from only complex, information-heavy products, such as software and hardware with their multitude of features, to more commodity-like items like stock quotes, newsletters or flowers. This has resulted in the emphasis shifting from the product

focus to the marketing process of reaching and getting close to the customer. It is this elusive transition from product to process that firms must understand and adapt to in the emerging marketplace.

The unique characteristics of the Internet environment can assist in this monumental task. The ability to reach global

markets at no extra cost alone has the potential to break down the prevailing cost barrier separating small businesses from large corporations. Exorbitant advertising costs have traditionally represented the final barrier to growth for small businesses that could not afford national, let alone international, advertising. With no hyperbole intended, the development of effective methodologies for using the Internet as an international marketing tool could well revolutionize the new product introduction process.

However, in the nascent world of electronic commerce, traditions and norms are few and far between, and the basic issues are just beginning to be addressed. A totally new approach is required to address the fundamental marketing issues that need to be resolved for success in the electronic marketplace. These issues are far-ranging. How to position and differentiate the product in the eyes of the growing Internet population estimated at 20 to 30 million with a 10 percent monthly growth rate? How to generate pull forces emanating from the company that attract and lure the potential customer into visiting the company's server? How to effectively communicate online with the interested customer? How to innovate continuously so the customer returns? To address these basic issues and others, we present the following six-step interactive marketing process (outlined in "The Interactive Marketing Process on the Internet").



Step 1

Segment and Identify the Audience

Market segmentation is the process of dividing the market into separate and distinct customer groups. Its purpose is to determine differences among customers that may be of consequence in choosing whom to target and how—a prerequisite for product positioning.

Segmentation allows companies to identify their target audience, all of whom need to know about the existence of a better product and still need to be convinced that they need one!

Typical segmentation approaches that need to be reengineered and carried out on the Internet include the following:

Demographic approaches categorize the market in terms of population characteristics such as age, sex, income, occupation, family size or religion. The goal is to find the relationship between profits or volume and the identifiable demographic characteristics, and to use those characteristics for formulating the marketing programs. How do we do this without a centralized directory or organization keeping tabs on Internet users?

Benefit or behavioral approaches divide the market according to how people behave, their attitudes or the benefits they seek. One type of Internet behavioral segmentation is based on differentiating between people who use online firms primarily for transactions versus those who use them primarily for prospecting and discovering information.

Volume approaches distinguish heavy, medium, light or nonusers of a product category and, after determining the profitability of the product and whether its users differ in some special way, focus product sales on the right volume target. For example, marketing programs focused on business users are a response to volume segmentation.

Business specialization approaches categorize the market by type or size of industry or institution. This form of segmentation applies primarily to business or institutional markets.

The key question remains: How to accomplish all these segmentation strategies on the Internet's 20 million to 30 million users? Because the interactive marketing strategy hinges on customer satisfaction, careful identification and segmentation of the population on the Internet is vital. Segmentation analysis is based on the premise that large markets such as the Internet that appear to be heteroge-

neous can actually be divided into smaller homogeneous segments. These smaller segments provide opportunities for developing highly customized marketing strategies designed to elicit particular responses from the target audience.

Newsgroups on the Internet provide a convenient starting point. An estimated 6,000 newsgroups are organized into a hierarchy that provides a loose form of a priori segmentation. It is very important to further reduce these newsgroups into segments that are interested in specific areas and thus could benefit from target products. Advertisers should start by reading the frequently asked questions (FAQ) files associated with many newsgroups to determine the exact nature of the forum and acceptable use policies. Within some Internet forums, commercial activity, no matter how subtle, is considered inappropriate and will be met with strong disapproval. The next step for advertisers is to understand the selected newsgroups in order to tailor the product information.

Sorting through the hundreds of newsgroups is extremely labor intensive. For the immediate future, at least, the costs of Internet-facilitated marketing will most probably be a function of the labor

involved in the segmentation phase, especially as Internet growth pushes the number of forums to the tens of thousands.

In sum, segmentation means "picking your spots," focusing more on business in one part of the market than another to gain a more profitable mix. Success will depend on selecting the right segment and creating an appropriate package with the image, products and services required to meet those needs. This last step creates perceived extra value and institutional distinctiveness in electronic markets.

Differentiation and Positioning

Central to all businesses is *product differentiation*—success in appealing to desirable market segments so as to maintain visibility and create defensible market positions. Differentiation is based on the view that charging a better price or achieving higher profit on products or services is dependent on the ability to differentiate oneself from the pack and forge an institutional identity. As the blurring of distinctions among firms in electronic markets increases, survival requires that you identify your unique role in the marketplace in terms of value to the customer.

Although there is relatively little dif-

The Interactive Marketing Process on the Internet

- Step 1** Segment and identify potential customers.
Initial market research done by reaching relevant groups (Web servers, listservs, newsgroups).
- Step 2** Create promotional, advertising and educational material.
Web page with multimedia effects (audio and video).
Product information and complementary products, order forms and questionnaires.
- Step 3** Put material on customers' computer screens.
Push-based marketing: direct marketing using newsgroups, listservs and e-mail.
Pull-based marketing: indirect (static) marketing using Web pages.
- Step 4** Interact with customers.
Dialogue with the customer through interactive discussion about various features offering endorsements, testimonials, questions and answers.
- Step 5** Learn from customers. (Repeat customers are 80 percent of the customer base.)
Incorporate feedback from customers in advertising and marketing strategy.
Identify new markets, using experience in new product development.
- Step 6** Provide online customer service.

differentiation among online firms today, most will have to choose a niche in the market rather than try to be all things to all people. This implies that there should be some extra value in doing business with the online firm. Thus differentiation is the process of focusing on the identification of tangible and intangible customer needs (for both consumer and corporate markets) and creating an appropriate superior or cluster of products, value-added services and image to meet those needs.

While the notion of differentiation is easy to articulate, it is often difficult to execute. Added to that, there is much confusion about what differentiation really means in the context of electronic markets and how to go about finding your best market niche. Segmentation is only one technique for creating value-added differentiation. Differentiation goes beyond segmentation to other techniques—product bundling and packaging, price, service quality, delivery systems and organization, and strategic themes like rewarding customer loyalty—that create perceived extra value in the eyes of the customers and thereby establish the institutional distinctiveness required for survival.

Step 2

Create a Coherent Advertising Plan

The product differentiation plan should carefully lay out the advertising campaign. Online advertising is a form of investment similar to other investments to improve and expand business. The returns depend on the planning and thought that precede the actual commitment and expenditure of advertising dollars. By first developing an effective advertising plan, firms increase the likelihood of a positive return on the advertising investment.

The first step in developing your advertising plan is to *specify your advertising goals*. Why are you advertising online? What do you want to achieve? Everyone wants advertising to increase business, but for your advertising plan to work you must be precise. Goals for your advertising include increasing awareness of your business, attracting competitors' customers, increasing the likelihood of keeping current customers and developing their loyalty, and generating immediate sales or sales leads.

You may want your advertising to achieve all of these goals plus some others. What is important is that you prioritize

your goals. Keep in mind that advertising works best when it is developed to meet one specific goal at a time.

Once you have determined your advertising goals, *select the target audience* for your message. Advertising that tries to reach "everyone" rarely succeeds. Successful advertising is written with a specific customer in mind. Try to picture the customer you must reach in order to achieve your advertising goals.

Once you know who your target audience is and what they are looking for in terms of the product or service you offer, you can decide *what your advertising will say*. Your advertising should "speak" convincingly to your target audience, explaining the important benefits your product or service offers.

New advertising options are becoming increasingly available. In the online approach, you can place ads in newsgroups, bulletin boards, Yellow Page directories and Web pages. Where you place your advertising should be guided by a simple principle: Go where your target audience will have the highest likelihood of seeing or hearing it. As you consider media choices, look for one that fits your advertising goals, reaches your target efficiently and cost-effectively, and is within your budget.

Traditional advertising copy tends to be linear in nature and typically assigns the customer a passive role. *Interactive advertising*, in which the customer has control over what he or she sees, is known as nonlinear advertising and is made possible through the use of hypermedia that allow the reader to click on specially highlighted items to immediately access more information. The challenge in this new environment is the creation of appropriate interactive content that is compelling, informative and nonlinear. Several variations of hypermedia documents need to be developed and experimented with to determine overall guidelines for the development of effective promotional materials tailored specifically for this medium.

Interactivity alone is not enough. To support it, value-laden content is essential. The Internet community appreciates quality information that adds value, since nothing is more obvious than empty promises. So do not expect product advertising alone to be sufficient. To support content-oriented marketing, companies often publish or mail electronic newsletters that report relevant innovations or news. This way,

each customer can quickly learn about and assess the comparative advantages of various products in the news.

Content-oriented marketing requires a company to master a broad range of knowledge: the technology in which it competes, its competition, its customers, new sources of technology that can alter the competitive environment, and its own organization, capabilities, plans and way of doing business. Armed with this mastery, companies can put it to work in three essential ways: integrate the customer into the process to guarantee a product that is tailored not only to the customer's needs and desires but also to the customer's strategies; generate niche thinking to use the company's knowledge of channels and markets to identify segments of the market that the company can own; and develop the infrastructure of suppliers, vendors, partners and users whose relationships will help sustain and support the company's reputation and technological edge.

Step 3

Get the Content to the Customer

Dissemination of information about the company and its products via newsgroups, listservs and e-mail will constitute a cost-effective method to reach large numbers of individuals in various target audiences. Although on the surface this closely resembles a traditional push strategy, an important difference lies in the ability to build in valuable feedback loops.

Alongside this approach, however, a strong pull-based marketing (marketing by invitation, not intrusion) is a more effective method of marketing on the Internet. One of the essential ingredients of pull-based marketing is the skilled management of customer information and their activities on the Internet so that the most responsive customers can be identified through the use of predictive models. These models will enable you to send the right message, at the right time, to the right people in the right form.

Feedback loops should be incorporated in the strategy to help continuously drive the marketing program to greater and greater efficiencies and productivity. These loops will capture and store respondent names, response rates to various mailings, and customer activity in terms of access logs of the interactive content stored on the Web page.

Companies must explore the accumu-

lation of customer data through nonintrusive means. Under traditional circumstances, it is difficult for most companies, particularly for start-ups where contact costs are high, to obtain data on their customers, their interests and demographic variables. In contrast, once acquired and analyzed, online information can be immediately used to feed the modeling process and change the interactive content for greater effectiveness. The expected results of this vastly increased flexibility are greater market share, cross-selling successes, and improved customer retention and satisfaction.

Step 4 Correspond and Interact with Customers

One of the most powerful features of Internet-facilitated marketing is the variety of potential interactions possible. Among them are four levels of interaction with potential customers:

Passive interaction via anonymous FTP sites. A broad variety of information about the company, product and other related material can be placed in a public area accessible by any interested party by simply dialing in and using the user name: anonymous and password: guest. The goal of this well-known method is to provide a channel where the customer is completely unfettered to do as he or she pleases with no sales pressure.

Direct interaction (one-on-one) via e-mail or chat facility. The goal of direct interaction is to answer questions, answer requests for more information and follow up on a customer.

Group dialog between company and customers through bulletin boards, newsgroups and other forums. The goal of group interaction is to encourage discussion among customers, provide an easy way to answer questions about unanticipated problems that may occur during product usage and simply build a database of long-term, experience-based knowledge about the product and its usage. To do this, create a Usenet news group for discussion of your products. By creating your own forum, moderating the submissions (filtering out irrelevant postings) and providing high-quality information, not only about your products but about your particular commercial sector, you can establish a growing readership in much the same way that newsstand

magazines function.

Video conferencing on the Internet using the Multicast Backbone (MBone) facility where several distributed parties can actively participate and monitor product-related activities. MBone allows the digital broadcast of live audio, video and text with interaction among the participants through a common whiteboard. MBone is a relatively new tool and shows the potential of digital video broadcasts to subscribing audiences.

Step 5 Learn from Customers

Since good ideas are often a company's scarcest resource, efforts to encourage and reward their generation, dissemination and application in the further development of products will build both relationships and profits. One part of learning is evaluation. A real-world test of the marketing plan will provide estimates of marketing-plan productivity, suggestions for improving its productivity and a disaster check.

The market provides measures of consumers' responses to those elements that have been pretested—the product, the price and the communication plan. It also measures the acceptance of these measures. By measuring levels of consumer awareness, product trial, repeat purchase, market share and sales volume, the market gives some indication of the productivity of the elements of the marketing plan.

The information regarding the tracking of accesses to the company's materials over the Internet can be compared with any tangible results obtained through other channels (inquiries, contacts with distributors, end sales, references in literature). This analysis will be used to determine how the company's promotional and marketing strategy and materials can be altered to better suit the needs of the target groups they are reaching as well as to determine how best to reach the target groups not yet responding.

Step 6 Provide Customer Service and Support


Online customer service is an essential part of the electronic commerce chain, where people are more in touch with one another than in any other type of market. This has both good and bad consequences. Word about a new product from

a small company can spread quickly and widely if there is excitement; conversely, problems can be reported with equal speed and breadth. Thus companies must be constantly on their toes when it comes to customer service.

When problems confound users, good vendors know the support they provide must run the gamut of phone, fax, CD-ROM, third-party and online services. Online services can include bulletin boards and knowledge bases provided directly by the vendor, public forums or special interest groups (SIGs) on commercial services, or newsgroups and archives on the Internet. Increasingly, however, vendors and users alike are turning to online support over other options for a variety of reasons. Going online may seem impersonal, but it's often less hassle than phoning up a technician who may or may not be there, explaining your problem to a voice-mail machine, providing documentation for your symptoms and then waiting for a reply.

Brand loyalty through customer service needs to be cultivated among online customers so that they can come back for repeat purchases. Few consumers seem to demonstrate lack of brand loyalty quite like those online. When information is needed, the customer is more interested in the source than in a particular brand or even small variations in price. So there is a definite need to develop loyalty-building methods in the electronic marketplace. The question is how and in what form.

Loyalty and service quality are often interrelated and involve several questions: What does service quality mean in online environments? What are the dimensions of it? Is it based on the quality and speed of delivery, presentation and interface clarity and ease of usage, organization of various products on electronic shelves, and speed of transaction and settlement?

Clearly, marketing strategies and processes must undergo significant modifications to succeed online. Both marketing personnel and the IS people who support their activities will have learn about each other's skills to achieve the results that their organization desires. 

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