E-Marketing

Seventh Edition

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Photo Credits: All part and chapter opener photos are from Fotolia.

Judy: To my girls, Cyndi and Malia
Raymond: To my boys, David, Raymond, and Luke

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PREFACE

WHAT'S NEW IN THIS EDITION

This book presents e-marketing planning and marketing mix tactics from a strategic and tactical perspective. Part 1 begins with setting the context for marketing planning. Part 2 discusses legal and global environments. Part 3 begins the e-marketing strategy discussion in depth, and Part 4 continues with marketing mix and customer relationship management and implementation issues.

This edition reflects the disruption to the marketing field based on social media. The seventh edition is a major revision from the sixth. There are many new topics, as dictated by changes in e-marketing practice in the past 2 years. The following are important changes for this edition:

- The previous edition social media chapter was deleted so this topic could be more appropriately integrated throughout the text.
- Many new business models were added and described in detail, such as social commerce (and Facebook commerce), mobile commerce and mobile marketing, social CRM, crowdsourcing, and many important but less pervasive models (e.g., crowdfunding, freemium, flash sales).
- Chapters 12, 13, and 14 were completely rewritten to reflect the move from traditional marketing communication tools to the way practitioners currently describe IMC online: owned, paid, and earned media.
- Chapter 1 includes many new and interesting technologies providing marketing opportunities, both in the Web 2.0 and in 3.0 sections.
- Statistics about internet use and strategy effectiveness were extensively updated throughout every chapter.
- There are two new chapter-opening vignettes, many new images in every chapter, and updated "Let's Get Technical" boxes.
- There are new discussion questions about each chapter opening vignette.
- A few of the additional chapter specific additions include more social media performance metrics (Chapter 2), "big data" and social media content analysis (Chapter 6), new consumer behavior theory and "online giving" as a new exchange activity (Chapter 7), social media for brand building (Chapter 9), and app pricing and Web page pricing tactics (Chapter 10).

FOCUS OF THIS BOOK

The internet, combined with other information technologies, created many interesting and innovative ways to provide customer value since its inception in 1969. Social media for marketing communication, commerce and customer support; one-to-one communication to many different receiving devices; mobile computing; search engine optimization; consumer behavior insights based on offline and online data combination; inventory optimization through CRM–SCM integration; a single-minded focus on ROI and associated performance metrics and the explosion of social media are all on the cutting edge of e-marketing as we write the seventh edition of this textbook and they continue to develop as important strategies.

As internet adoption matured at about 85 percent in the United States in the past few years, we thought things would be pretty quiet on the internet frontier. Then the social media appeared, holding marketers to their Holy Grail that customer needs and wants are paramount. High-readership blogs, social networks (such as Facebook, Twitter and LinkedIn), microblogs (such as Tumblr), and online communities (such as YouTube and ePinions.com) give consumers the opportunity to be heard in large numbers and to begin controlling brand conversations. A.C. Nielsen and others have discovered that consumers trust each other more than they trust companies, fueling the growth of social media and sending more traffic to some Web sites than does Google. Further, search engines are reputation engines, ranking Web sites partially according to popularity and relevancy. A simple brand misstep can appear as an online video showing a product malfunction or in the words posted by thousands of disgruntled customers. Conversely, marketers can use the Web, e-mail, and social media to build stellar brand images online and increase sales both online and offline. To do this, marketers must now learn how to engage and listen to buyers, and use what they learn to improve their offerings. This book tells you how to do this.

The book you have in your hands is the seventh edition of *E-Marketing* (the first edition was named *Marketing on the Internet*). This textbook is different from others in the following important ways:

- We wrote the first edition of this book in 1996, providing a long-term perspective on e-marketing not available in any other book.

- We explain electronic marketing not simply as a list of ideas, strategies, and techniques, but as part of a larger set of concepts and theories in the marketing discipline. In writing this book, we discovered that most new terminology could be put into traditional marketing frameworks for your greater understanding.
- The text focuses on cutting-edge business strategies that generate revenue while delivering customer value. As well, we reflect current practice by devoting many pages to performance metrics that monitor the success of those strategies.
- We highly recommend that marketers learn a bit about the technology behind the internet, something most of us are not drawn to naturally. For example, knowledge of the possibilities for mobile commerce will give savvy marketers an advantage in the marketplace. This book attempts to educate you, the future marketers, gently in important technology issues, showing the relevance of each concept.
- This book describes e-marketing practices in the United States, but it also takes a global perspective in describing market developments in both emerging and developed nations. Much can be learned from other industrialized nations that lead in certain technologies, such as wireless internet access and faster broadband connectivity.
- Most e-marketing books do not devote much space to law and ethics; we devote an entire chapter to this, contributed by a practicing attorney.

HOW TO USE THIS BOOK

Read, think, explore, and learn. This is not a typical book because the internet is a quickly and ever-changing landscape. Each time we write a new edition we know that by the time it is published some things will already be outdated. To be successful in this course, read and study the material and then go online to learn more about topics that interest you. Think about your use of the internet, the iPhone, iPad, and other technologies and how e-marketers use them to gain your attention, interest, and dollars. Next time you visit Facebook.com, see what kind of ads are there and think about why they were shown to you and not to some of your friends. If you use Hulu.com, Netflix, or a DVR and skip television commercials, think about how producers can afford to provide free programming if consumers don't view the ads that support the production costs.

This kind of critical thinking and attention to your own online behavior will help you understand the e-marketer's perspective, strategies, and tactics better. You likely know a lot about the internet that is not in this book, so work to compare and contrast it to the ideas we present and you'll have a really broad and deep perspective on e-marketing. Most importantly, think like a marketer when you read this book.

HOW THE BOOK HELPS YOU LEARN

Here are some things in this book that may help your learning of e-marketing concepts:

- *Marketing concept grounding.* In each chapter we structure material around a principle of marketing framework and then tell how the internet changed the structure or practices. This technique provides a bridge from previously learned material and presents it in a framework for easier learning. In addition, as things change on the internet, you will understand the new ideas based on underlying concepts. Although social media has really disrupted the marketing field, our basic processes remain the same (e.g., understanding markets through research and developing products that add value).
- *Learning objectives.* Each chapter begins with a list of objectives that, after studying the chapter, you should be able to accomplish.
- *Best practices from real companies.* A company success story starts each chapter. You will find these to be exciting introductions to the material, so don't skip them. New case histories for this edition offer current examples of firms that do it right.
- *Graphical frameworks in each chapter.* We created unique e-marketing visual models to show how each chapter fits among other chapters in the entire part. In addition, several chapters feature models for within-chapter understanding. We hope these help you tie the concepts together.
- *Chapter summaries.* Each chapter ends with a summary of its contents. Although these summaries capsulate the chapter guts, they were not created so that you will read them in lieu of the chapter content. Use them as refreshers of the material.
- *Key terms.* These terms are set in bold text within the chapter to signal their importance and Appendix B is a complete glossary.

- *Review and discussion questions.* Questions at the chapter end will help you refresh and think more deeply about the material. Check them out, even if your instructor doesn't assign them because they will likely help you study for an exam.
- *Web activities.* When you become actively engaged in the material, learning is enhanced. To this end we included several activities and internet exercises at the end of each chapter.
- *Appendices.* Most people don't brag about appendices, but we included three important ones: internet adoption statistics, a thorough glossary, and book references.

We hope you enjoy reading this book as much as we enjoy writing it!

ACKNOWLEDGMENTS

The most pleasant task in this project is expressing our appreciation to the many individuals who helped us create this work. We are always amazed that the scope of the job requires us to request, plead, cajole, and charm a number of folks into helping us. Our gratitude is enormous.

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Other individuals contributed significantly to this book's content. The late Brian O'Connell contributed the interesting and timely "Ethical and Legal Issues" chapter for the fourth edition, and Lara Pearson and Inna Wood revised it for this edition. Al Rosenbloom wrote the fascinating chapter on "Global eMarkets 3.0." Special thanks to Adel I. El-Ansary at the University of North Florida and Brett J. Trout, Esq., for their expert assistance on earlier editions of this book. Cyndi Jakus single-handedly obtained permission to reprint many of the images in this book. Marian Wood also assisted with some of the material in the book. We also acknowledge the contribution of Jacqueline Pike to the "Let's Get Technical" boxes. Finally special thanks to Henry Mason, Global Head of Research and Managing Partner of Trendwatching.com, for his generosity in providing cutting edge text and examples to begin each chapter.

Finally, support and encouragement to accomplish a major piece of work come from friends and family. To them we are indebted beyond words.

ABOUT THE AUTHORS

Judy Strauss and Raymond Frost have collaborated on Web development, academic papers, practitioner seminars, and three books in 12 editions since 1995. They also developed a new course in 1996, "Marketing in Cyberspace." This book grew out of that course and has significantly evolved along with changes in e-marketing.

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E-Marketing in Context

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Past, Present, and Future

The key objective of this chapter is to develop an understanding of the background, current state, and future potential of e-marketing. You will learn about e-marketing's important role in a company's overall integrated marketing strategy.

After reading this chapter, you will be able to:

- Explain how the advances in internet and information technology offer benefits and challenges to consumers, businesses, marketers, and society.
- Distinguish between e-business and e-marketing.
- Explain how increasing buyer control is changing the marketing landscape.
- Understand the distinction between information or entertainment as data and the information-receiving appliance used to view or hear it.
- Identify several trends that may shape the future of e-marketing, including the semantic Web.

trend

trend
watching
.com

- If 'transparency 1.0' was all about the excitement at being able to see exactly what other (real!) people thought about products or services; 'transparency 2.0' saw this become just a default element of decision-making; now **'transparency 3.0'** will be about making almost all aspects of the transaction *and* experience transparent: manufacturing, pricing, reviews, popularity, and even personal relevance.

impact

- February 2012 saw KLM roll out its ***Meet & Seat*** initiative. The optional service allows passengers to link their booking to their Facebook or LinkedIn profile and select a seat next to the individuals they find most interesting

The Barack Obama Campaign Story

U.S. President Obama made history by his use of e-marketing to win the election in 2008, and his 2012 efforts added higher levels of sophistication. His 2008 campaign used a mix of media: broadcast ($244.6 million), print ($20.5 million), internet ($26.6 million), and miscellaneous ($133.2 million), according to OpenSecrets.org. In 2012, both presidential candidates spent an average of 28.7 percent of their media dollars on internet strategies (an increase from 6.3 percent in 2008). They also used door-to-door personal selling, public relations when interviewed by the media and speaking at events, radio ads, e-mail, a poster, t-shirts, a campaign song, a slogan, and the now famous Obama chant—"Yes We Can."

Many of Obama's 2008 and 2012 internet strategies targeted 18- to 29-year-old voters, because 93 percent of this market is online and uses the internet to get information, upload content, and connect with friends. They are heavy smartphone and social media users. Obama's campaigns brilliantly mobilized this market through forums and social networks, such as Facebook and Twitter. A special 2008 community site where users could create a profile and connect with others was designed. The headline of this page read "It is About You" and continues as a space for supporters to create change in America.

In 2012, Obama dug more deeply into social media. He shared playlists on Spotify, posted recipes on Pinterest, and showed heartwarming, small family video clips on Tumblr. Both candidates maintained Twitter accounts to interact with voters. Obama's campaign staff built a digital database with information about millions of supporters. This allowed for personal communication targeting. The campaign managers were also very careful to guard the privacy of these data.

Knowing the heavy use of mobile phones in this market, Team Obama used mobile devices for text messaging, interactive voice response, and mobile banner ads. Obama reached voters via opt-in text messages in 2008, such as mobile banner ads inviting users to sign up to receive a text message as

soon as the team selected its vice presidential candidate. "Be the first to know," the banner ad said. This line showed Obama's astuteness because he tapped into a key value in the target market. Obama was honest, direct, personable, and up front in his campaign, and this generated trust in this young-voter market. It worked in both elections, as evidenced by the following performance metrics:

- 2008: The vice president opt-in text banner resulted in the database capture of 2.9 million cell phone numbers from supporters, according to mobilemarketer.com.
- 2008: During the campaign, My.BarackObama.com hosted nearly 10,000 local groups, 20,000 volunteer blog pages, and 4,000 special-interest groups, according to WiderFunnel.com.
- 2008: Two-thirds of all the campaign funds raised came from the online channel ($500 million of $750 million total), according to Desktop-Wealth.com.
- 2012: Obama's Facebook account displayed over 33 million "likes" and 1.5 million talking about it.
- 2012: The Obama YouTube video channel had over 286,000 subscribers and 288 million upload views.

- 2012: Some of Obama's Tumblr posts received over 70,000 "notes," "likes," or reposts.

Why do we begin this book with a campaign story? Because politicians are products, promoting their benefits to consumers in hopes that they'll "purchase" with a vote. Obama's use of e-marketing is a stellar example for businesses and demonstrates the internet's changing landscape. Obama's campaign selected an important target market, made it all about them (the customers), reached them via the media they prefer (social media and mobile), and created a dialog with them, often initiated by them—versus the corporate one-way monologue on many Web sites. The 2008 campaign successfully mobilized voters to start the conversations themselves and build their own groups, both online and offline, in a perfect example of creating brand advocates. Finally, both campaigns used performance metrics to measure the success of their strategies and tactics. And it worked, because Obama made the sale twice: Nominee Obama became President Obama.

Sources: NYTimes.com, politico.com, candidates' social media pages, and others listed within this text.

E-MARKETING LANDSCAPE

The Obama example demonstrates that some marketing principles never change. Companies must meet the needs of their customers. Further, markets always welcome good products and demand good company–customer communication. Customers trust well-respected brands and talk to other people about them. What is new is that these classic concepts are enhanced and often more challenging when applied to social media, huge databases, mobile devices, and other internet technologies.

What Works?

The rapid growth of the World Wide Web (basis for "www.") in the 1990s, the subsequent bursting of the dot-com bubble, and mainstreaming of the internet and related technologies created today's climate: the comprehensive integration of e-marketing and traditional marketing to create seamless strategies and tactics. This provides plenty of profitable opportunities, as discussed in the following sections. This chapter is just a sampling of what you'll find in later chapters.

- *The customer is CEO.* After all those years of marketers talking about the customer being their focus, finally this has become a reality. The consumer is now in charge. This power shift means that companies must be transparent, be authentic, monitor online discussion about brands, and engage customers to help improve products (a strategy called crowdsourcing).
- *E-commerce.* U.S. consumers spent an estimated $194.3 billion online during 2011, representing 4.6 percent of all retail sales and a 16 percent increase over 2010. Over 70 percent of connected consumers

use the internet to buy products, bank, make travel reservations, or research products before buying. Mobile commerce sales in 2012 were predicted to reach $11.6 billion, growing to $31 billion by 2015.

- *Advertising online.* Online advertising is a bigger part of advertisers' media budgets than every other medium except television. Marketers spent $31 billion on online advertising in the United States in 2011. Mobile advertising is the fastest growing category, nearly doubling from the first half of 2011 to 2012 (from $636 million to $1.2 billion).
- *Search engine marketing.* This marketing tactic is hugely important. Paid search accounts for 47 percent of online advertising budgets (i.e., purchasing keywords that present ads on search engine results pages). Google gets the lion's share of the user search market at 67 percent, and most e-marketers use search engine optimization to be sure their sites appear near the top of the first page of the search engine results pages for natural searches.
- *Owned, paid, and earned media.* Marketing communication planning now involves owned (e.g., Web sites), paid (e.g., banner ads), and earned (e.g., blogs and Facebook posts) media. The traditional marketing communication tools of advertising, sales promotion, personal selling, direct marketing, and public relations are used within this new context to generate earned media.
- *Mobile marketing.* Seventy-seven percent of American adults now have mobile phones, providing plenty of profitable opportunities for smartphone applications and advertising. When added to mobile computing (iPads and netbooks), the wireless internet offers users anytime, anywhere access for consumers—and where consumers go, marketers follow.
- *User-generated content.* Now a huge part of online content, this includes everything from consumer-created commercials and product improvement suggestions to YouTube videos, Flickr photos, iTunes

podcasts, as well as all the text on blogs, social networks, and user review sites (such as the Amazon.com book reviews).
- *Social media communities.* These communities gather users with like-minded interests for conversation and networking. This includes social networking sites such as LinkedIn, Twitter, and Facebook and social media sites such as Wikipedia, YouTube, Yahoo! Answers, and more. Marketers use these sites to build brands and engage customers.
- *Content marketing.* Marketers are becoming publishers, creating content on Web sites and in social media to attract and engage prospects and customers. Some companies publish small items, such as videos, press releases, and blog posts. Others create lengthy white papers, infographics, and eBooks. Content is king and customer engagement online is queen.
- *Local and location-based marketing.* These efforts work well online, thanks to Google local search, Foursquare, eBay classifieds, and the hugely popular Craigslist. Smartphone users can easily find a local business with a global positioning system (GPS) and the Google application or check into local businesses with Foursquare.
- *Brand transparency.* This means that marketers are rewarded for being honest, open, and transparent in their communication with internet users. Those who are not get called out under the bright lights of the blogosphere, product review sites, and elsewhere in the social media.
- *Inbound marketing.* The days of "interrupt" marketing are waning, such as spam and television commercials. Consumers are not waiting for marketing messages. Inbound marketing strategies are about enticing consumers to find companies online (more in this chapter).
- *Metrics rule.* Web analytics and many other techniques allow marketers to keep track of every mouse click and use it to improve strategy efficiency and effectiveness. There

are millions of metrics and marketers select the most appropriate for their objectives and tactics and follow them daily.

Internet 101

Technically speaking, the **internet** is a global network of interconnected networks. This includes millions of corporate, government, organizational, and private networks. Many of the servers (hard drives and software) in these networks hold files, such as Web pages and videos, that can be accessed by all networked computers. Every computer, cell phone, or other networked device can send and receive data in the form of e-mail or other digital files over the internet. These data move over phone lines, cables, and satellites from sender to receiver. One way to understand this process is to consider the internet as having three technical roles: (1) content providers who create information, entertainment, and so forth that reside on Web servers or computers with network access; (2) users (also known as *client* computers) who access content and send e-mail and other content over the network (such as a Facebook comment); and (3) technology infrastructure to move, create, and view or listen to the content (the software and hardware). Note that individuals can be both users and content providers at various times so the line between roles 1 and 2 is slowly disappearing. In *E-Marketing* we stopped capitalizing the word *internet*. Following *Wired Magazine*'s suggestion, we agree that the internet is not a place (requiring a proper noun's capitalization) but a medium, similar to radio and television.

There are three types of access to the internet:

1. *Public internet*—The global network that is accessible by anyone, anywhere, anytime.
2. *Intranet*—A network that runs internally in a corporation but uses internet standards such as HTML and browsers. Thus, an intranet is like a mini-internet but with password protection for internal corporate consumption.
3. *Extranet*—Two or more proprietary networks that are joined for the purpose of sharing information. If two companies, or a company and its suppliers or customers, link their intranets, they would have an extranet. Access is limited to extranet members.

E-business, e-marketing, and e-commerce are internet applications. **E-business** is the optimization of a company's business activities using digital technology. Digital technologies include products and services, such as computers and the internet, which allow the storage and transmission of data in digital formats (1s and 0s). In this book, we use the terms *digital technology* and *information technology* interchangeably. E-business involves attracting and retaining the right customers and business partners. It permeates business processes, such as product buying and selling. It includes digital communication, e-commerce, and online research, and it is used in every business discipline. **E-commerce** is the subset of e-business focused on transactions that include buying/selling online, digital value creation, virtual marketplaces and storefronts, and new distribution channel intermediaries. Mobile commerce (M-commerce) and social commerce are subsets of e-commerce (discussed in Chapter 11).

E-marketing is only one part of an organization's e-business activities. **E-marketing** is the *use of information technology* for the marketing activity, and the processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. More simply defined, *e-marketing* is the result of information technology applied to traditional marketing. E-marketing affects traditional marketing in two ways. First, it increases efficiency and effectiveness in traditional marketing functions. Second, the technology of e-marketing transforms many marketing strategies, as shown in the Obama example. This transformation also results in new business models that add customer value and/or increase company profitability, such as the highly successful Craigslist, Facebook, Twitter, and Google AdSense advertising models.

However, e-marketing involves much more than these basic technologies and applications.

E-Marketing Is Bigger than the Web

The Web is the portion of the internet that supports a graphical user interface for hypertext navigation, with browsers such as Internet Explorer and Mozilla Firefox. The Web is what most people think about when they think of the internet. Electronic marketing reaches far beyond the Web. First, many e-marketing technologies exist without the Web, which include mobile apps, software and hardware used in customer relationship management, supply chain management, and electronic data interchange arrangements predating the Web. Second, non-Web internet communications such as e-mail, internet telephony (e.g., Skype), and text messaging are effective avenues for marketing. Some of these services can also use the Web, such as Web-based e-mail; however, most professionals do not use the Web for e-mail (preferring software such as Microsoft Outlook). Third, the internet delivers text, video, audio, and graphics to many more information-receiving appliances than simply personal computers (PCs). As shown in Exhibit 1.1, these forms of digital content also go over the internet infrastructure to the television, personal digital assistants, cell phones, and even the refrigerator or automobile. Finally, offline electronic data-collection devices, such as bar-code scanners and databases, receive and send data about customers and products over an intranet.

It is helpful to think of it this way: Content providers create digital text, video, audio, and graphics to send over the internet infrastructure to users who receive it as information, entertainment, or communication on many types of appliances. As marketers think outside of the Web and realize that most users are also now content providers, they find many new possibilities for creating products that provide value and communicate in ways that build relationships with customers.

E-Marketing Is Bigger than Technology

The internet is like a watering hole for humans. We come for easy, inexpensive, and quick access to digital information, connections, and entertainment, and in turn it transforms individuals, businesses, economies, and societies. This book focuses on the union of technology and marketing; however, a brief overview of the big picture is useful for understanding e-marketing's impact.

INDIVIDUALS   The internet provides individual users with convenient and continuous access to information, entertainment, networking, and communication. If "information is power," individuals have more power than ever before, as many companies experience. Consumers compare product features and prices using search engines and read product reviews from other consumers at epinions.com, Facebook, and other sites. Further, consumers use the internet to bring music, movies, and other types of entertainment
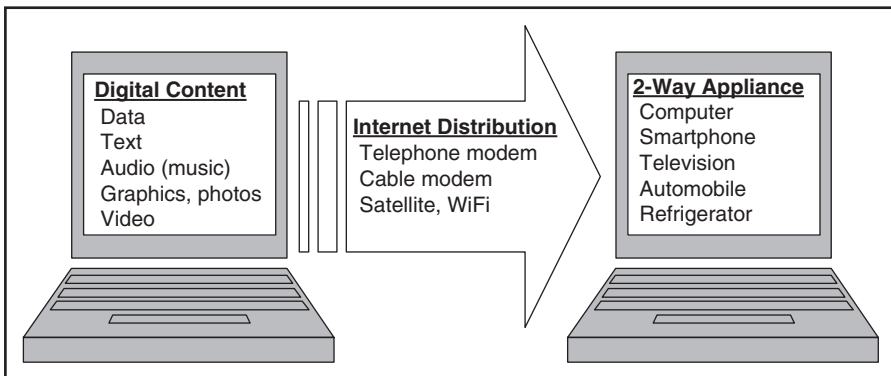

EXHIBIT 1.1   The Web Is Only One Aspect of E-Marketing

directly to their PCs, iPads, and televisions—on their schedule and preferred receiving device, not those of the medium distributor. Finally, the internet enables multimedia one-to-one communication through e-mail, internet-based telephone services, collaborative software such as NetMeeting, and more. The internet continues to affect the way many individuals work, communicate, and consume, and marketers scramble to provide value and earn a piece of the profits.

COMMUNITIES   Strangers in countries worldwide form online communities to discuss a variety of things, facilitated by the internet. Consumers pay fees to compete in highly engaging multimedia games as mobile apps or on the Web and virtual worlds online, such as Second Life. Communities form around shared photos (Flickr), videos (YouTube), and individual or company profiles (Facebook). See Exhibit 1.2 for an idea of the huge number of internet users belonging to online communities. Companies and consultants gain exposure to customers on Web logs (blogs). **Blogs** are online diaries, or journals, frequently

updated on Web pages. Micro sites and micro blogs, such as tumblr.com and twitter.com, allow individuals to follow each other's short posts and link uploads. Business communities also abound online, especially around shared industries or professions (such as ELMAR for marketing professors). Another example of online communities is auctions in both business and consumer markets. Finally, independent, private communities have formed around peer-to-peer file sharing. Individuals upload, share, and collaborate on documents and files at Google Docs and Dropbox from far away geographic locations.

BUSINESSES   The digital environment enhances business processes and activities across the entire organization. Employees across disciplines work together in cross-functional teams worldwide using computer networks to share and apply knowledge for increased efficiency and profitability. Financial experts communicate shareholder information and file required government statements online. Human resources personnel use the internet for electronic recruiting and training—in
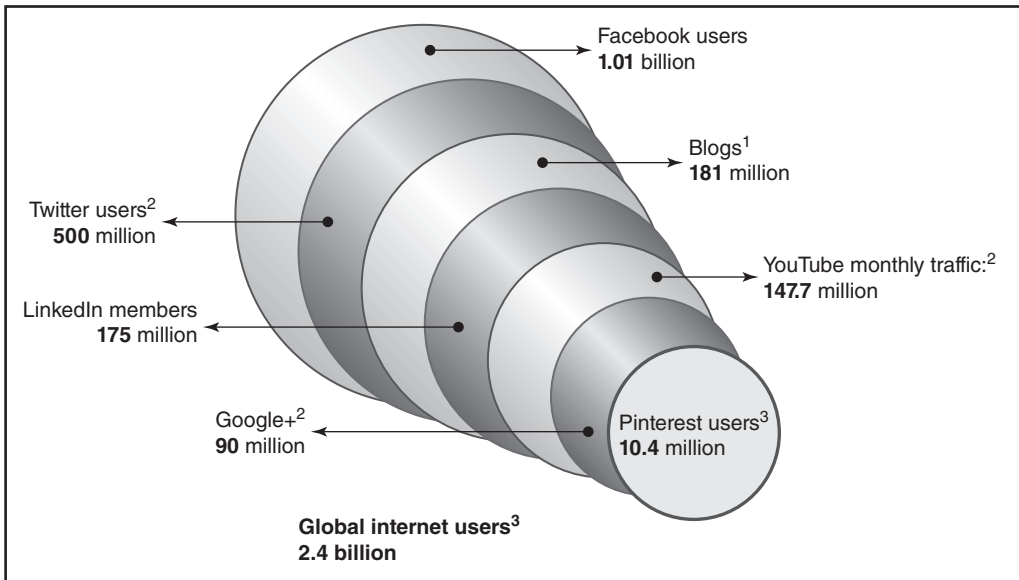

EXHIBIT 1.2   Internet Communities in 2012   *Sources*: [1] "Buzz in the Blogosphere," 2012. Available at blog.nielsen.com [2] Miel Opstal, "10 Social Networks and a Bunch of Stats," 2012. Available at slideshare.net [3] internetworldstats.com. All those without footnotes were obtained from the sites themselves.