A Study on the Implications of E – Marketing Strategies in Different Contexts: Exploratory Approach

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Abstract— The notion of value creation in electronic marketing, the strategies for competitive advantage and positioning in retailing are analytically presented, and the concept of the virtual retailing mix is then developed. The paper concludes with the step-by-step presentation of the stages of the marketing plan for a virtual retailer. The implementation of the marketing planning process, and the development and execution of marketing plans, can help virtual retailers to sustain their competitive advantages. This paper deals with the use of strategic marketing planning for developing and sustaining competitive advantages in virtual retailing. It develops and presents a useful practical guide for the development of marketing plans by virtual retailers. The paper first examines the role of strategic marketing planning within an electronic commerce context. Technology makes the spread of product knowledge from one person to another faster and more efficient. Today, digital media like the Internet are the new word of mouth networks, which act as easy, additional resources for people to spread the word. Word-of-mouth publicity is a centuries-old marketing technique. Once customers had a good experience with a product, they would tell their friends, who would often buy and use that product and then tell other friends – dispersing information and recommendations about the product via a social network. The Net amplifies the power and accelerates the speed of feedback from users to potential adopters. People have always relied on word-of-mouth to spread the news about products and services. The Internet just speeds things along.

Key words: Electronic Commerce, E – Marketing, Marketing Plan, Virtual Retailing, Word –of – Mouth (WOM)

Objectives:

Objectives of the research paper are mentioned below:

1) To understand the growth pattern of E – marketing in different contexts
2) To study various E – marketing strategies to grow in turbulent marketplace

I. INTRODUCTION

Internet marketing utilizes the power of electronic commerce to sell and market products. Electronic commerce refers to any market on the internet. Electronic commerce supports selling, buying, trading of products or services over the internet. Internet marketing forms a subset of electronic commerce. With the outburst of internet growth, internet marketing has started becoming very popular. It is said that Internet marketing first began in the beginning of 1990 with just text-based websites which offered product information. With growth in internet, it is not just selling products alone, but in addition to this, information about products, advertising space, software programs, auctions, stock trading and matchmaking. A few companies have revolutionized the way, internet can be used for marketing, such as Google.com, Yahoo.com, Amazon.com, Alibaba.com and Youtube.com. Internet marketing has brought forth so many strategies such as affiliate marketing which consists of pay per click,pay per view , pay per call, pay per click advertising. Affiliate marketing also includes banner advertisements. In addition to this e-mail marketing, viral marketing, interactive advertising, blog or article based marketing are also popular. There are newer marketing techniques being invented all the time. It is important to know how the trend would be. Companies are inventing new techniques to find better ways to make revenue and establish their brand on the internet. Consumers are becoming more and smarter. They don't want to be a party to the internet advertising campaigns made by companies unless they get some incentive in doing so. They would be quite keen in participating in campaigns provided they are compensated in someway by the companies. There are usually 2 or 3 parties involved in internet marketing. It is companies and end users or companies, internet marketing companies and end users. If it is a two party model then companies themselves directly gets revenue from the end users. If it is a three party model then internet marketing service providers acts as intermediate revenue providers for companies. In order to attract end users they can share a part of their revenue which they receive from the companies with them. Internet marketing serves three business models. They are the B2B model, B2C model and P2P model. The B2B model deals with complex business to business transactions and internet advertising helps bring revenue to both. B2C model involves direct interaction between the business and customer. P2P model involves distributed computing which exploits individual exchange of goods and services. P2P model was mostly useful for distribution of video and data. But due to copyright problems P2P models have had troubles.

II. LITERATURE REVIEW

The paper examines the role of strategic marketing planning within an electronic commerce context paying particular attention to the discussion of strategies for competitive advantage and positioning in retailing as well as the concept of the virtual retailing mix. It presents a step-by-step process for the development of virtual retailer's marketing plan. The enormous growth of the Internet, and especially the WWW, as Hoffman et al. (1995), Ricciuti (1995) and Phelan (1996) among others note, led to a critical mass of consumers (some estimate it to exceed 30 million customers) and firms participating in a global online marketplace. Currently, it is estimated that over 400,000 companies are doing business on the Internet, and that by the year 2000 consumers will spend about $350 per capita in the electronic markets (Gartner Group, 1999). Malone et al. (1987) first addressed the basic strategic issue of the effects that advances in information technology have on the firm and market structures. They claimed that new information technologies allow closer integration of adjacent steps on the value-added chain through the development of electronic markets and hierarchies.

An "electronic marketplace" is created when an information system can serve as intermediary between buyers and sellers in a vertical market (Bakos 1991, 1997). Such electronic market systems typically reduce the information (search) costs for buyers (i.e., costs related to information about product offerings and prices in the market), consequently affecting market efficiency and competitive behavior. Information Technology developments enable retailers in particular to focus their marketing efforts on managing their customers more effectively (Mulhern, 1997). Hoffman et al. (1995) argue that the appropriate marketing objective is to integrate "Destination" and "Web Traffic Control" sites into a coordinated plan designed to achieve generation of initial visits and secure repeat visits. According to Schneider (1994), virtual retailing is in its infancy in terms of its adoption, but is expected to grow rapidly soon. The great opportunity for virtual retailing also arises from the fact that up to 20% of a product's price may represent costs of running retail stores (O'Connor and Galvin, 1997).

Recently, Doherty et al. (1999) examined the use of the Internet in the UK retail sector and its potential as a new retail channel. They identified the following advantages of the Internet as a retail channel: (a) accessibility, (b) direct communications, (c) cost savings, and (d) additional sales through existing customers or new ones from new markets. As far as retailers' perceptions of the Internet's comparative advantages are concerned, the same study showed that they unanimously agree that the Internet: (a) provides market development opportunities through the many services that it offers to customers, and (b) enables them to access wider markets.

However, Phelan (1996) argues that the Internet as a marketing tool has occurred so quickly that it has not been subject to the typical scrutiny in academic marketing forums. Phelan goes as far as claiming that the Internet has greater value as a promotional device for manufacturers and wholesalers than as a direct sales channel. Word-of-mouth techniques are vital to marketing on the Internet. Consumers say the primary source of credibility that makes them visit a Web site is word-of-mouth referrals, usually an e-mail from a friend, according to the Internet research firm Jupiter Research. Tim Draper, one of the founding investors for the free e-mail product Hotmail, and a partner with the venture firm Draper Fisher Jurvetson (www.dfj.com), coined the term "viral marketing" in 1997 when he first noticed similarities between the rapid adoption of products via word of mouth and the spread of biological viruses. Draper noted the viral phenomenon after Hotmail went from 0 to 12 million subscribers in just eighteen months, largely because the product included a linked advertisement link for their service at the bottom of every email and offered a compelling service. Viral marketing describes any strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message's exposure and influence. On the Web, the technique has been called "word-of-modem," "word-of-mouse," "networked-enhanced word of mouth," "grass-roots marketing," and "a highly infectious digital sneeze." A virally-marketed product is often said to have "buzz." Fundamentally, viral marketing on the Internet is the simple technological extension of word-of-mouth marketing. This paper analyzes the different components of Web-based viral marketing, citing examples and establishing which factors are necessary for the widest product adoption and what products are "buzz" friendly. In addition, we analyze the marketing campaign for the independent film The Blair Witch Project, a case that used both online and offline viral marketing techniques. Finally, we look at the future of the technique as the Internet becomes more pervasive, consumers become increasingly savvy, and the "word" becomes both more complex and easier to spread.

One would wonder what would drive firms to pursue internet marketing effectively and what size of firms would be interested in internet marketing. When we refer to size of firms it is important to state how firms are categorized into small, medium or big. There is lot of existing work done in this area.(Maria Bengtsson et al 2007) provides valuable information in her publication regarding what are the factors that would drive companies to adopt to internet marketing. Her study is based on a survey conducted in various Swedish companies of different sizes. They have categorized companies into different sizes depending upon the number of employees. Their study states that different factors drive companies of different sizes to pursue internet marketing. The drivers are willingness to cannibalize, entrepreneurial drivers, management support, and market pressure. In addition to this their study exactly pointed out which of these factors drive what size of firms. The authors could have considered turnover and profit in addition to just considering number of employees to be the only criteria for categorizing companies by size

(Jaeki song et al 2006) in their work compares and contrasts between companies motivation to choose between internet channels and traditional channels. He suggests web would a serious alternative to traditional marketing and proper pricing by internet companies is what which attracts the consumer. I totally agree to this view. However we believe that examples are provided only of some successful dotcoms at least failure, reasons of failure of some dotcoms should have been taken into consideration for discussion. That would have provided some more insight into their research. Market access, price information, Competition and pricing policies have been used to compare between both the channels. But internet security issues and fraudulent practices in the internet by companies are excluded in this discussion. His primary finding is that internet offers consumers better prices.

(Davidson Alistair et al 2006) have discussed how web-mavens positively influence the minds of both consumers and companies. I fully agree with authors that web mavens come in handy when consumers find it difficult to purchase products that are technically complex and buying the best value products taking into consideration frequent model changes. It would be good if we had included what extent of sophistication is required for consumers in order to understand web mavens. It would have been good to include how useful consumers perceive web mavens information and utility. We fully agree with the authors that constructive criticism by the web mavens on the products can help improve the product quality by companies quickly, improve loyalty to the product and help them gain market share. The author could have included information as to whether companies are still able to sell well without actually being concerned about web mavens at all. If so it would be good to see how they manage to do it. It would also be interesting the percentage of companies that react to web mavens and those who don't. This would establish more credibility of web mavens. The entire way of value creation for the customer should be reconsidered by companies in the marketspace (Weiber and Kollmann, 1998). Porter's (1985, p.59) value chain can be used in the virtual markets, as highlighted by the work of Rayport and Sviokla (1994, 1995). They spoke of a "virtual-actual value chain," as the relevant activities of the actual value chain also form the basis of activities in the marketspace. They argue that a common value matrix will exist in the future which will be formed through an intensification of different value chains, based on new inputs from information processes. Weiber and Kollmann (1998) go beyond the arguments of Rayport and Sviokla, claiming that there are also autonomous value creation activities in marketspace, which can be traced back to the importance of information in its own right. Weiber and Kollmann (1998) support that by information functioning as a source of competitive advantage in its own right, virtual value creation activities can emerge in the marketspace, independent of a physical value chain. The virtual value creation activities take the form of the collection, systemization, selection, combination and distribution of information.

Bloch et al. (1996) looked at sources of value of electronic commerce for a company and explored its effects along with its potential for competitive advantage. Some of their propositions are the following. Electronic Commerce offers a cost advantage through less expensive product promotion, less expensive distribution channels and direct savings. It helps the company to differentiate itself through price, product innovation, time to market and customer service. It enables the company to implement customer focus strategies through better customer relationships. It allows the company to raise the entry barriers in some markets, to enter easily into traditionally hard to access markets. It facilitates the introduction of substitute products in a market due to product innovation.

Benjamin and Wigand (1995) supported that electronic marketing gives consumers increased access to a vast selection of products, but on the other hand, causes a restructuring and redistribution of profits among the stakeholders along the value chain. Lower coordination costs would apply throughout the chain, since direct electronic transactions with the consumers reduce intermediary transactions and unneeded coordination. As a result, physical distribution costs will also be lowered.

There is an evolution away from single-source electronic sales channels toward "electronic markets" which include many suppliers' offerings (Malone et al., 1989). A good, illustrative example of this is the case of airline reservations systems. United Airlines' reservations system was one of the first to become an electronic market, since it listed flights from other airlines, as well. Initially, in 1976, United had created Apollo, a single-source sales channel which allowed travel agents to book flights on United only. Apollo provided a competitive advantage for United, until American Airlines created Sabre, a system which included flights from other airlines. Profits and net worth for the companies adopting such electronic market systems, increase, and the competitive dynamics of their industries permanently change. As the competitive landscape changes, note Malone et al. (1989), some companies will emerge as winners. They are the companies which make, or wisely use, electronic markets.

(Liebermann et al 2002) in their publication identify some of the key factors which would prevent users from participating in the internet and ecommerce. The key identified factors are internet credit card stealing, fear of supplying personal information, pornography and violence, vast internet advertising, information reliability, lack of physical contact, not receiving internet products purchased, missing the human factor when internet purchases are made, internet usage addiction. I find that their most valuable contribution comes from the fact that they have considered demographic traits such as gender, younger/older age, married/unmarried, high/low education and also considered usage behavior variables such as internet user/non user, bought online/not bought online, heavy/light internet user to arrive at their model. Their conclusions support the fact that consumers consider credit stealing and fear of supplying personal information as risky. From the authors results one can conclude that in the perception of risk gender and age usage patterns and buyer or non buyer play an important role.

(Chiu Yu-Bin et al 2005) in their work discuss how different genders perceive internet marketing. Their empirical model is a direct modification of technical acceptance model. They use four antecedent constructs namely personal awareness of security, personal innovativeness, and perceived ease of purchasing and perceived usefulness. Some of the key gender based findings are as follows. Improving the usage speed of the site is a driver for males to do shopping. Male consumers are more goal oriented in their approach towards shopping. Male consumers will make purchases when they are confident that their sensitive information is safe regardless of the security provided on the website. They claim that females use word of mouth broadcasting to help other females overcome the barrier in internet shopping at least during the initial stages. The most valuable contribution from this author is bringing out the differences in what each gender perceive about internet marketing. In the publications we have considered the value contributions have been importance of consumer privacy, role of web mavens, consumer's preference in the selection of internet services, building consumer trust with companies, consumer behavior in internet purchasing, and gender differences. I consider protection of consumer privacy and trust to be most significant for consumers to indulge in internet marketing. Without these factors internet marketing cannot grow.

III. VALUE PROPOSITION

The value proposition of viral marketing is largely related to its use of existing digital networks, which are relatively inexpensive, fast, and easy to use, and often include a global audience. Fortune magazine calls viral marketing "inexpensive and potent." It is easy to target a viral message because they naturally circulate among persons with common behaviors or interests. The technique is valuable for both consumers and companies. Consumers get things they want, such as discounts, free products, or valuable information. Companies like buzz in the on-line arena because it is an inexpensive way to establish themselves, grow their brand, and increase their customer base.

For some companies, viral marketing's value proposition is branding. Having a company or product name exposed to millions of people may increase brand awareness, regardless of whether the viral promotion is acted upon. In a survey of 400 companies by IMT strategies, companies reported that the most common reason they implemented a viral marketing campaign was to increase brand or product awareness. Viral marketing may help companies gain first-mover advantage if they can delay revenue maximization and focus on establishing brand awareness and building barriers to switching for customers. Finally, because of the Internet's unique tracking abilities, it is very easy for viral marketers to monitor the progress of their campaigns.

IV. Key Issues

Obviously, one of the biggest issues with viral marketing is spam. "A highly-charged anti-spam sentiment has emerged over the past 12 months, forcing several companies to pull viral marketing efforts," according to a recent article in Adweek. Companies wishing to use viral marketing campaigns need to make sure the motivation they offer persons to spread the buzz is not so great that it encourages spamming. "If you under motivate, you don't get much interest. If you over motivate, you'll have cheating and all kinds of problems," says Kim Brooks of Bardo International.

Privacy is a related issue. Some persons referred to companies by friends do not appreciate companies keeping their personal information, such as their e-mail address. In 1999, the Swedish furniture chain IKEA canceled a viral marketing campaign that offered coupons in exchange for passing on an e-mail postcard after persons referred expressed concern that their e-mail address was being added to IKEA's database for future spamming. Companies should make clear their policy of not retaining the personal information of persons referred, and instead should allow those persons to "opt-in" for the service.

Of course, bad news can travel can just as fast as good news. "Part of the problem lies in the very quality of the Net which makes viral marketing possible – the speed with which information spreads. The information may be positive, deliberately generated by a company or brand. Or it may just as easily be negative and damaging. Finally, there are technological issues to consider. Viral marketing can involve substantial programming. It also assumes that the target audience will have the technology and skills to participate.

V. The Marketing Plan for a Virtual Retailer

The first stage in the development of a marketing plan is the situation analysis. It consists of five thorough analyses and its significance lies with the assessment of the current position of the retailer. The situation analysis relies on analysis of facts rather than on the presentation of what has to be done. The later is the main subject of the steps that follow.

With the sales analysis, store sales and profit data (total, by region, by customer type, etc.) are evaluated. Also comparisons to past sales and to industry averages are useful. A simple presentation of sales data over time is not enough. Instead, a thorough analysis of the data should be performed, aiming at the identification of sales problems with certain regions, or customer types.

Retail market attractiveness analysis starts with the definition of the relevant industry or retail market. Then, its attractiveness is determined by evaluating market factors (e.g., size, growth, cyclicity, seasonality, etc.), industry factors (e.g., capacity, barriers to entry, power of suppliers, etc.) and exogenous – marketing environment – factors (e.g., government, social, technological, economic, etc). Bakos (1991) notes the following regarding electronic marketplace attractiveness: (a) The benefits realized by individual participants increase as more organizations join the system. (b) However, potential participants in electronic marketplaces face substantial uncertainty as far as the actual benefits of joining such a system are concerned. (c) Electronic marketplaces can impose significant switching costs on their participants. (d) They typically require large capital investments and offer substantial economies of scale and scope. In general, the factors that normally contribute to low retail market attractiveness include the following: competitive intensity, barriers to entry, inter-industry competition, high level of concentration, low growth rate, high capital requirements, high bargaining power of customers and/or vendors (Loughlin, 1999), legal restrictions, and high cyclicality or seasonality. The first three factors are most closely related to competitive advantage of the virtual retailer.

A detailed breakdown of current and potential customers in terms of who they are, is crucial. Customer analysis requires a well-thought and executed segmentation of the market. Furthermore, the analysis should identify what each segment of customers wants, what might cause a segment's members to change their behavior, and how these changes would affect the virtual retailer. Particular emphasis is placed on the customer value each category of customers perceives receiving from a particular virtual retailer.

VI. Conclusion

Viral marketing is a powerful way to enlist customers in a marketing strategy, and when applied correctly, can boost sales for the right product into the stratosphere and speed the transition from the stage of early adoption to widespread use. The most important part is to understand the target audience, craft and test the message, and target influentials in the relevant communities to implement the campaign. Motivate people to pass along the marketing message, but not so much that encourages spamming. Marketers need to make it easy for people to participate in the marketing campaign and let people know their e-mail address or personal information will not be used without their permission. We need to offer a product or service that is worthy of conversation. Marketers need to have on-line and off-line components in the viral marketing campaign at the same time make sure the campaign is integrated with the larger marketing strategy and not a one-time incident. We need to track and analyze the results of the campaign.

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