BTEC National Diploma In Business- Internet Marketing

Benefits, Opportunities & Challenges of Internet Marketing (P2,P3,P4 also good for M1 & M2)

Extracts taken from
"Internet Marketing: Strategy, Implementation and Practice, Chaffey et. Al., Prentice Hall International, Fourth Edition 2009, ISBN-9780273717409"

The 5 Ss of Internet Marketing- Chaffey & Smith 2008: (Good to refer to these in M1 & M2)

Benefit of e-marketing	How benefit is delivered	Typical objectives
Sell-Grow Sales	Includes direct online sales and sales from offline channels influenced online. Achieved through wider distribution to customers you cannot readily service offline or perhaps through a wider product range than in-store, or lower prices compared to other channels.	• Achieve 10% of sales online in market • Increase online sales for product by 20% in year
Serve- Add Value	Achieved through giving customers extra benefits online or inform product development through online dialogue and feedback	• Increase interaction with different content on site • Increase dwell-time duration on site by 10% (sometimes known as 'stickiness' • Increasing number of customers actively using online services (at least once per month) to 30%
Speak- Get closer to customers	Creating a two-way dialogue through web interactions like forums and surveys and conducting online market	• Grow e-mail coverage to 50% of current customer database

	research through formal surveys and informally monitoring chat rooms to learn about them	• Survey 1000 customers online each month • Increase visitors to community site section by 5%
Save –Save Costs	Achieved through online e-mail communications, sales and service transactions to reduce staff, print and postage costs. Savings also accrue through 'web self-service' where customers answers queries through online content.	• Generate 10% more sales for same communications budget • Reduce cost of direct market by 15% through e-mail • Increase web self-service to 40% of all service enquiries and reduce overall cost-to-serve by 10%
Sizzle-Extend the brand online	Achieved through providing new propositions, new offers and new experiences online while at the same time appearing familiar	• Improve branding metrics such as brand awareness, reach, brand favourability and purchase intent.

Chaffey & Smith 2008

Benefits of using digital media: (P2 & useful also for M1)
(Chaffey 2009)

1, Accountability:
Digital media are potentially more accountable through the use of measurement systems known as web analytics. Google provides the free tool known as Google Analytics to enable its advertisers to test the value generated from its ads.

2,Testing:
Testing becomes more straightforward ay a lower cost with the option to trial creative messages or offers. Google offers a free tool – the Website Optimiser- to test alternative landing pages.

3, Flexibility:
Campaigns can be more flexible with the capability to change, copy (words) or offers during a campaign. Alternative ads can be served within Google to evaluate which works

best. Google AdWords also offers dayparting where ads can be displayed at different times of the day.

4, Micro-Targeting
Alternative messages can be delivered for different audiences according to what they are searching for. Potentially a company can show a different advert in Google AdWords for each term searched on.

5, Cost-control:
Costs can be controlled for each group of search terms entered by customers through the search engine, managed collectively, and bids made can be increased or decreased with the aid of software.

<center>**Benefits of Internet Marketing (the 6 Is)- (P2 & Also M1-analysis)**</center>

Internet Marketing allows new forms of interaction and new models for information exchange.
McDonald & Wilson-1999:
The 6 Is of the e-marketing mix:
1, Interactivity:
- The customer initiates contact
- The customer is seeking information or an experience (pull)
- It is a high-intensity medium-100% attention
- A company can gather & store response of individual
- Individual needs of customer can be addressed & taken into account in future dialogues

Important to have good visibility on search engines such as Google, Yahoo & MSN www.nescafe.co.uk- used for interaction with competitions & sales promotions, where customers enter personal details.
Podcasts are an important part of Interactivity.

2, Intelligence:
Relatively low cost method of collecting market research, e.g. about customer perceptions of products. Nestle can profile customers' characteristics based on questionnaire responses.
Analysis of website itself- marketers use "Web analytics" to build knowledge of customer preferences. Every time a website visitor downloads content, this is recorded and analysed as 'site statistics' in order to build up a picture of how consumers interact with the site.

3, Individualisation:
Marketing communications can be tailored to the individual at relatively low costs. Individualisation can be based on the intelligence collected about site visitors & then stored in a database. E.g. Personalisation used by Amazon, where customer is greeted by name. Also can use 'sense & respond communications'.

4, Integration:
E.g. the internet can be used as a direct-response tool, enabling customers to respond to offers and promotions publicised in other media.
Outbound internet-based communications-(organisation to customer) we need to ask how does the internet complement other channels in communicating to new & existing customers regarding products?
Inbound internet-based communications- (customer to organisation) how can the internet complement other channels to deliver customer service to customers; e.g. e-mail responses are fed into existing call centres.

5, Industry restructuring
Which intermediaries (middle men) should we appear on? How do our offerings compare to those of competitors in terms of features, benefits and price?
Disintermediation (not using middle men that were used before), Reintermediation (creation of new intermediaries between supplier & customer).

6, Independence of location:
Possibility of increasing the reach of company communications to the global market. Although this may conflict with sales made from a local agent in another country.

P3 & M2
Opportunities (of using Internet Marketing): (P3, also possibly use for M2)

(Chaffey 2009)
"This can be linked to the **strategic marketing grid of Ansoff** (1957).
The internet can potentially be used to achieve four strategic directions:

1, Market Penetration-
The internet can be used to sell more existing products into existing markets.

2, Market Development-
Here the Internet is used to sell into new geographical markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customers' countries.

3, Product Development-
New products or services are developed which can be delivered by the Internet. These are typically digital products.

4, Diversification-
In this sector, the Internet supports selling new products which are developed and sold into new markets."

P3 & M2-Opporunities- Geyskens:

Geyskens et.al. (2002)
"Companies using Internet channels:
1, Market expansion-
This occurs when new segments of customers are reached who did not previously buy in a category- they give the example of Estee Lauder who hopes that the Clinique.com site will attract customers who avoid buying at a cosmetics counter because they find the experience intimidating.

2, Brand switching-
Which is by winning customers from competitors

3, Relationship deepening-
Which is selling more to existing customers.

For well established brands with a loyal customer-base price reduction relative to other channels is not necessarily essential or some web-channel price reductions can be used, but they note that often competitive pressures may require lower online prices."

Chaffey- 2009-also see the potential benefits of reduction in transactional and distribution costs through introducing a direct Internet channel once initial start-up costs are incurred.

P4 & M2
Challenges (Potential Problems) in Managing Internet Marketing Strategy (P4 & M2)

Digital Media are not always quick, cheap & easy to deploy.
If a business was to use a *Google AdWords* campaign, challenges include the following:

Complexity:
For personalisation & testing, time has to go into structuring the campaign, although the search engines provide defaults. This requires specialist expertise to manage the campaign either in-house or in an agency.

Responding to competitors:
Competitors can change what they're doing, so more resource has to be used to monitor competitor activity. Automated tools known as bid-management tools can assist with this-they will automatically check amounts competitors are paying and then adjust them according to pre-defined rules.

Responding to changes in technology:
Google & other companies innovate to offer better capabilities for their customers. This means that staff managing campaigns need training to keep up-to-date. Google offers 'Adwords Qualified Professionals' so that companies can be certain of minimum skills levels.

Cost:
Costs can be controlled, but in competitive categories, costs can be high exceeding $10 per click.

Attention:
Online paid search ads are highly targeted, but not everyone will view paid adverts. 'Banner Blindness' is where web users ignore online ads. On social networks & other sites, there are low rates of people clicking on ads.

Challenges of Internet Marketing (P4 & Also M2)

- Problems if no specific objectives are set for Internet Marketing
- Insufficient budget is allocated for Internet Marketing because customer demand for online services is underestimated and competitors potentially gain market share through superior online activities.
- Budget is wasted as different parts of an organisation experiment with using different tools or suppliers without achieving economies of scale.
- New online value propositions for customers are not developed since the Internet is treated as 'just another channel to market' without review of opportunities to offer improved, differentiated online services.
- Results from digital marketing are not measured or reviewed adequately, so actions cannot be taken to improve effectiveness.
- An experimental rather than planned approach is taken to using e-communications with poor integration between online and offline marketing communications.

EConsultancy (2008)- investigated the challenges of managing Internet Marketing. Many companies had problems linked to the right resources.
- Gaining senior management buy-in or resource (67% agreed)
- Gaining buy-in or resource from traditional marketing functions or brands (66% agreed)

- Gaining IT resource or technical support (61% agreed)
- Finding suitable staff (75% agreed)
- Finding suitable digital media agencies (54% agreed)

SOME IMPORTANT KEY TERMS:

- **Digital Media Channels**

Online communications techniques used to achieve goals of brand awareness, familiarity, favourability and to influence purchase intent by encouraging users of digital media to visit a website to engage with the brand or product, and ultimately to purchase online or offline through traditional media channels such as by phone or in-store.

- **Pay-per-Click search Marketing**

PPC refers to when a company pays for text ads to be displayed on the search engine results pages as a sponsored link (typically above, to the right of or below the natural listings) when a specific keyphrase is entered by the search users. It is so called because the marketer pays each time the hypertext link in the ad is clicked on. If a link is clicked repeatedly, then this will be detected by the search engine as click fraud and the marketer will not be charged.

- **Search Engine Optimisation**

A structured approach used to increase the position of a company or its products in search engine natural or organic results listings (the main body of the search results page) for selected keywords or phrases.

- **Display ads (Advertising)**

Use of graphical or *rich media ad units* within a web page to achieve goals of delivering brand awareness, familiarity, favourability and purchase intent. Many ads encourage interaction through prompting the viewer to rollover to play videos, complete an online form or to view more details before clicking through to a site.

- **Affiliate Marketing**

A commission-based arrangement where referring sites (publishers) receive a commission on sales or leads by merchants (retailers). Commission is usually based on a percentage of product sale price or a fixed amount for each sale, but may also be based on a per-click basis, for example when an aggregator refers visits to merchants. *(Pay-per-acquisition is a now a popular way for merchants to control costs, e.g. Elephant car insurance acquiring sales via Confused.com)*.

- **E-mail Marketing**

Typically applied to outbound communications from a company to prospects or customers to encourage purchase or branding goals. E-mail marketing is most commonly used for mailing to existing customers on a house-list, but can also be used for mailing prospects on a rented or co-branded list. E-mails may be sent as part of a one-off

campaign or can be automated event-based triggered e-mails such as a welcome strategy which can be broadcast based on rules about intervals and customer characteristics.

- **Landing Page**

A destination page when a user clicks on an ad or other form of link from a referring site. It can be a home page but more typically and desirably, a landing page is a page with the messaging focused on the offer in the ad. This will maximise conversion rates and brand favourability.

- **Rich Media**

Advertisements or site content that are not static, but provide animation, sound or interactivity. An example of this would be a display advertisement for a loan in which a customer can type in the amount of loan required, and the cost of the loan is calculated immediately.

- **Viral Marketing**

A marketing message is communicated from one person to another, facilitated by different media such as word of mouth, e-mail, or websites, in particular social network or blog sites. Viral marketing implies rapid transmission of messages is intended.

- **Podcasts**

Individuals and organisations post online media (audio and video) which can be viewed in the appropriate players including the iPod which first sparked the growth in this technique.

- **Web analytics**

Techniques used to assess and improve the contribution of e-marketing to a business, including reviewing traffic volume, referrals, clickstreams, online reach data, customer satisfaction surveys, leads and sales.

- **Personalisation**

Delivering individualised content through web pages or e-mail.

- **Sense & respond communications**

Customer behaviour is monitored at an individual level and the marketer responds with communications tailored to the individual's need.

- **Mass Customisation**

Delivering customised content to groups of users through web pages or e-mail.

- **Outbound internet-based communications**

The website and e-mail marketing are used to send personalised communications to customers.

- **Inbound internet-based communications**

Customers enquire through web-based forms and e-mail.

- **Mixed-mode buying**

The process by which a customer changes between online and offline channels during the buying process.

- **Disintermediation**

The removal of intermediaries such as distributors or brokers that formerly linked a company to its customers.

- **Reintermediation**

The creation of intermediaries between customers and suppliers providing services such as supplier search and product evaluation.

TASK 1

The 5 Ss of Internet Marketing- Chaffey & Smith 2008: **(P2)**

Insert the correct terms into the boxes:

1, Save –Save Costs
2, Sizzle-Extend the brand online
3, Sell-Grow Sales
4, Speak- Get closer to customers
5, Serve- Add Value

Benefit of e-marketing	How benefit is delivered	Typical objectives
	Includes direct online sales and sales from offline channels influenced online. Achieved through wider distribution to customers you cannot readily service offline or perhaps through a wider product range than in-store, or lower prices compared to other channels.	Achieve 10% of sales online in market Increase online sales for product by 20% in year

	Achieved through giving customers extra benefits online or inform product development through online dialogue and feedback	Increase interaction with different content on site Increase dwell-time duration on site by 10% (sometimes known as 'stickiness' Increasing number of customers actively using online services (at least once per month) to 30%
	Creating a two-way dialogue through web interactions like forums and surveys and conducting online market research through formal surveys and informally monitoring chat rooms to learn about them	Grow e-mail coverage to 50% of current customer database Survey 1000 customers online each month Increase visitors to community site section by 5%
	Achieved through online e-mail communications, sales and service transactions to reduce staff, print and postage costs. Savings also accrue through 'web self-service' where customers answers	Generate 10% more sales for same communications budget Reduce cost of direct market by 15% through e-mail Increase web self-service to 40% of all service enquiries and reduce overall cost-

	queries through online content.	to-serve by 10%
	Achieved through providing new propositions, new offers and new experiences online while at the same time appearing familiar	Improve branding metrics such as brand awareness, reach, brand favourability and purchase intent.

Chaffey & Smith 2008

TASK 2
Benefits of using digital media: (P2)

(Chaffey 2009)

Match the following with the statements:
- **Micro-Targeting**
- **Accountability**
- **Testing**
- **Cost-control**
- **Flexibility**

A, Digital media are potentially more accountable through the use of measurement systems known as web analytics. Google provides the free tool known as Google Analytics to enable its advertisers to test the value generated from its ads.

B, Testing becomes more straightforward ay a lower cost with the option to trial creative messages or offers. Google offers a free tool – the Website Optimiser- to test alternative landing pages.

C, Campaigns can be more flexible with the capability to change, copy (words) or offers during a campaign. Alternative ads can be served within Google to evaluate which works best. Google AdWords also offers dayparting where ads can be displayed at different times of the day.

D, Alternative messages can be delivered for different audiences according to what they are searching for. Potentially a company can show a different advert in Google AdWords for each term searched on.

E, Costs can be controlled for each group of search terms entered by customers through the search engine, managed collectively, and bids made can be increased or decreased with the aid of software.

P3

Opportunities (of using Internet Marketing): (P3)

(Chaffey 2009)
"This can be linked to the strategic marketing grid of Ansoff (1957).

The internet can potentially be used to achieve four strategic directions:

Match the correct strategy with the definition:

- **Market Penetration-**
- **Diversification-**
- **Product Development-**
- **Market Development-**

A, The internet can be used to sell more existing products into existing markets.

B, Here the Internet is used to sell into new geographical markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customers' countries.

C, New products or services are developed which can be delivered by the Internet. These are typically digital products.

D, In this sector, the Internet supports selling new products which are developed and sold into new markets."

TASK 4
P3- Market Opportunities

Geyskens et.al. (2002)
"Companies using Internet channels:

Match the 3 functions of Internet Marketing against the definitions:

- **Relationship deepening**
- **Market expansion**
- **Brand switching**

A, This occurs when new segments of customers are reached who did not previously buy in a category- they give the example of Estee Lauder who hopes that the Clinique.com site will attract customers who avoid buying at a cosmetics counter because they find the experience intimidating.

B, Which is by winning customers from competitors

C, Which is selling more to existing customers.

TASK 5
P4
Challenges (Potential Problems) in Managing Internet Marketing Strategy (P4)

Try & guess what the missing words are in the following text:

Digital Media are not always…………………, cheap & easy to deploy.
If a business was to use a Google AdWords campaign, challenges include the following:

Complexity:
For personalisation & testing, …………….has to go into structuring the campaign, although the search engines provide defaults. This requires specialist expertise to manage the campaign either in-house or in an agency.

Responding to …………………………..:
Competitors can change what they're doing, so more ……………………….has to be used to monitor competitor activity. Automated tools known as bid-management tools can assist with this-they will automatically check amounts

competitors are paying and then adjust them according to pre-defined rules.

Responding to changes in technology:
Google & other companies ……………………………… to offer better capabilities for their customers. This means that staff managing campaigns need training to keep up-to-date. Google offers 'Adwords Qualified Professionals' so that companies can be certain of minimum …………………………………. levels.

Cost:
Costs can be controlled, but in ……………………………categories, costs can be high exceeding $10 per click.

Attention:
Online paid search ads are highly ……………………………………….. but not everyone will view paid adverts. 'Banner Blindness' is where web users ignore online ads. On social networks & other sites, there are low rates of people clicking on ads.

Quick, Time, competitors, resource, innovate, skills, competitive, targeted,