

After studying this chapter, you should be able to

- 1** Have a basic understanding of the origins of the Internet, the birth of e-commerce/e-business, and the evolution of business practices, in particular the marketing function, to meet the needs of the new, dynamic e-nvironment
- 2** Be familiar with the demographic composition of the global population of Internet users and the characteristics that define e-consumers
- 3** Appreciate the need for timely, accurate information in the new economy and the new methodologies available to collect market research information
- 4** Understand the impact of Internet technologies on the market planning process
- 5** Be able to ask the questions necessary to develop a comprehensive marketing strategy that mixes traditional and new economy methods

LEARNING OBJECTIVES



INTERNET MARKETING

Barbie, a childhood icon and now a notable collector's item, made her debut to the world at the American Toy Fair held in New York City in 1959. Cast as "the girl next door," Barbie was meant to capture the essence of what all little girls aspired to be when they grew up. In the first year over 350,000 dolls were sold.¹

For those of us who are a little older, born in the mid-1960s, we remember the dream house, the safari van, the portable tent trailer, and, of course, Ken the dream guy. In there somewhere, Skipper came to be, as did a much wider variety of clothing and accessories. However, for those born in the 1980s and 1990s, Barbie's horizons were really starting to expand in keeping with the changing social environment. Theatre Barbie, Dancing Barbie, Glamour Barbie, Classic Barbie, Barbie the Doctor, Barbie the Presidential Candidate, Astronaut Barbie, and Barbie the businesswoman have all appeared on store shelves, each with a unique positioning and marketing strategy.

Today, Barbie even has her own Website (www.barbie.com),

complete with useful links for parents and kids and, of course, a link to a catalogue of Barbie merchandise. Though she has evolved over the years, Barbie continues to be criticized for being unrealistically proportioned and too focused on her looks as opposed to her intelligence, health, or fitness.

Enter the doll of the new millennium. In September 2001, Get Real Girl, a new line of female action figures, hit toy store shelves in Canada. Created by Julz Chavez, a former product designer at Mattel, Get Real Girl dolls are multiethnic and multifaceted in terms of education, interests, and goals. They are also more realistically proportioned with healthy athletic physiques that promote an active lifestyle. Where Barbie features pink tulle and glitter, Get Real Girl dolls come with authentic sports gear and accessories modeled after the real thing.

Aside from looking different, Chavez also has different ideas about marketing the dolls. From guerilla and viral marketing campaigns to traditional advertising like television and print, Chavez plans to reach fans from both a grassroots and mass level. The

Visit the Get Real Doll and Barbie Websites. What are the three most striking differences between these two sites? What does this tell you about the positioning of the two product lines? What are the marketing mix differences (packaging, distribution choices, etc.) that are likely to exist?

www.getrealgirl.com; www.barbie.com



on line

use of the Internet as a marketing tool is also part of the strategy where online surveys and the Team Get Real Girl Club provide direct feedback from the consumer. On-line demographics suggest that girls between two and seventeen are among the fastest-growing demographic segments on the Internet. This is a very inviting target for toy makers that under-

stand how to capitalize on their technological prowess. Yet this target market is also a challenge: studies suggest that young girls tend to be loyal visitors, not surfers.² The challenge is to get them to the site, then encourage repeat visits and, of course, purchases. Use the information in this chapter to evaluate Chavez's marketing strategy.

Overview of the Origins and Impact of the Internet

1

Have a basic understanding of the origins of the Internet, the birth of e-commerce/e-business, and the evolution of business practices, in particular the marketing function, to meet the needs of the new, dynamic e-nvironment

ARAPNET

The original Internet, part of a military networking project.

The Birth of the Internet

The term "Internet" was used for the first time in 1982, but it wasn't until the mid-1990s that the Internet as we know it materialized. The seed of the Internet was **ARAPANET**, a military project aimed at networking research centres to strengthen military defence in the United States. In 1969, UCLA, UC Santa Barbara, Stanford Research Institute, and the University of Utah became the first hosts of ARAPANET. By 1981, ARAPANET had grown to 214 hosts, with a new host joining every twenty days. By the mid-1980s, e-mail had become an integral component of university education and research. But it wasn't until 1991, with the advent of the World Wide Web, that Internet usage began to expand outside of academe.³

If textbook publication dates and university course offerings are any indicator, it wasn't until the mid to late 1990s that the Internet began to be recognized as a powerful business tool. The first publications focused on the technology and mechanics of building Websites. The question being asked today is, "How do we harness the power of the Internet to improve our business success?" Internet technologies and their managerial implications are now integral to business decision making, and as such are fast becoming a focal area in business schools in Canada and around the world (www.business.unbsj.ca; www.dal.ca; www.mcmaster.ca). Students, those who will become senior managers in the new economy, must learn how technology affects business operations, perhaps most importantly the innovation process (see the description of Aliant's Livinglab at www.innovatia.net).

The Internet and Its Role in the Evolution of Marketing

At present, the Internet is the world's fastest-growing communication technology. In its first five years, 50 million people connected to it. To achieve the same user base, the telephone system required twenty-five years, radio thirty-eight years, and television thirteen years. As of November 2000 there were 407.1 million Internet users worldwide.⁴ Given its pervasiveness, it is no surprise that the Internet has had a profound impact on the marketing function.

Marketing is strongly affected by advances in communication technology. The telephone was the first technology to permit one-to-one sharing of information in real time between geographically separated parties. With radio came the ability to

mass-distribute information using sound. Television then added pictures to this capability. Now we have the Internet, which is capable of sound and moving pictures and is also *interactive*. This interactivity enables marketers and consumers to share information and content in real time, on a one-to-one basis or as part of a mass distribution strategy.

A New Element or A New Tool?

Many predicted that the Internet would displace traditional marketing practice, making way for a new set of guiding principles better suited for the new economy. The momentum to establish Websites was high, and the number of new Internet startups became mind boggling. Managers everywhere wanted their company name to end in “.com”. New business models were sought, and traditional strategic marketing activities were abandoned. Banner ads, mass e-mail campaigns, Website development, and on-line transaction capabilities became the flavour of the day.

Recently, the dot.com dream has started to fade. Much-celebrated **pureplays** such as pets.com have failed; others, such as amazon.com, have yet to make a profit. Pureplay mania has given way to a more conservative approach that combines the old and new—a **bricks and clicks** strategy. Today’s dot.com environment is one of takeovers, mergers, and closures. Companies in most industries are coming to realize that not all consumers are connected and that even fewer are willing to make purchases in a purely virtual environment. As a result, pureplays are looking for established, traditional firms to partner with. For their part, these older firms are looking for ways to establish a complimentary virtual presence—one that will supplement their physical presence and expand their market reach. This is evident in most industries, including the retail sector (www.walmart.com) and government services (www.statcan.com), and even in postsecondary education (www.learnsoft.ca/lansbridge.html).

Put simply, the Internet is merely one more tool that marketers have at their disposal. Like the telephone, radio, and television and even the postal service, the Internet is a vehicle that marketers can use to reach their customers, and that consumers can use to reach back. The Internet has affected all aspects of marketing and will continue to do so. The need to understand consumers better has never been greater, and new advances in technology such as scanning devices, **data mining** software, and Internet **cookies** have made it easier and faster to capture and analyze consumer data. New methods of consumer segmentation have been developed, and a degree of consumer Internet savvy has become pivotal to the design of marketing strategies.

At the same time, Internet technology has added decision variables to every element of the marketing mix. Organizations are moving away from standardized, mass-distributed products toward more customized offerings that are better suited to individual needs (dell.com). Customer service and relationship building are becoming important components of the product offering (www.ragu.com). Companies are using technology to provide consumers with “virtual” trial products (www.landsend.com).

Pricing strategies have also been affected by technology. Consumers around the world are now finding it much easier to check competitors’ prices. For example, they can go to sites such as www.mysimon.com and search by product for the best prices available. **Auctions** (www.ebay.com) and **reverse auctions** (www.priceline.com) have also grown in popularity, and this is changing how organizations set prices.

The Internet has profoundly affected promotional strategies. Using Internet technology, companies can now generate databases complete with customer addresses and profiles; this enables them to engage in interactive, personalized communication with consumers via e-mail, and to deliver customized, personalized Web pages to return visitors. The point is always to attract consumers to the

pureplay

An organization or enterprise operating strictly in an on-line environment.

bricks and clicks

An enterprise that integrates both a physical and a Web presence.

data mining

A technique used by researchers to search for patterns in data sets that will provide insight into consumer behaviour.

cookies

Computer codes that enter users’ hard drives and act as identifiers so that organizations can present repeat visitors with customized sites.

auctions

Potential buyers bid on-line for an item; typically, the highest bid wins. Sellers have the option of setting a reserve bid.

reverse auctions

Sellers bid for consumer purchases; typically, the lowest price wins.

company's Website. Banner advertising has become the preferred method of on-line promotion. Sites that provide cross-links and generate electronic coupons are becoming popular. So are sites that offer free services; these support themselves by presenting consumers with ads from site sponsors (www.smtwtfs.net).

The Internet's impact on distribution systems has been a little less visible, but it is significant nonetheless. Organizations are using virtual storefronts and inventory management systems to reduce inventory and storage costs in shipping direct from the Website to the consumer (www.amazon.com). Supply chains and delivery systems are moving away from paper-based toward electronically controlled and monitored systems. The new systems offer all parties easy access to shipment and delivery information (www.fedex.com).

The Internet has affected almost every aspect of marketing. It has changed how consumer segments are defined, how market research is conducted, and how marketing strategy is developed. The rest of this chapter will examine global consumer connectivity, the characteristics of e-commerce consumers, and the Internet's impact on marketing.

Global Statistics

2

Be familiar with the demographic composition of the global population of Internet users and the characteristics that define e-consumers

By the end of 2000, over 400 million people worldwide were connected to the Internet. Canadians and Americans are the greatest proportion of these, but Asians and Europeans are catching up quickly. In 1998, 60 percent of Internet users were North Americans; by November 2000 that figure had slipped to just over 40 percent.⁵ Today, Asia and Europe each account for over 25 percent of the global connected population.

Sweden, Canada, and the United States are the top three nations in terms of Internet penetration. Internet penetration is also high in Germany, South Korea, and Singapore.⁶ According to a report from Newsbytes, almost 99 percent of companies in Singapore are Internet connected.⁷

The predominant language on the Internet is English; however, a study by Ipsos-Reid found that nine in every ten non-English speaking Internet users would prefer to get information in their own language.⁸ In 1999, 52 percent of the world's Internet users were non-English speaking. This figure is expected to rise to 66 percent by the end of 2001. Clearly, multilingual sites are soon going to

exhibit 19.1

On-line Population World-wide

Country	On-line population (millions–1998)	Total % 1998	On-line population (millions–2000)	Total % 2000
Canada & U.S.	87.00	57	167.12	41.0
Europe	32.38	21	113.14	27.8
Asia/Pacific	25.57	17	104.88	25.8
South America	4.5	3	16.45	4.0
Africa	.92	1	3.11	0.8
Middle East	.78	1	2.40	0.6

Source: www.nua.com

exhibit 19.2

Internet Penetration in Sweden, Canada, and the United States

Country	Internet penetration
Sweden	65
Canada	60
United States	59

Source: Ipsos-Reid.

exhibit 19.3

Internet Connectivity at Home and at Work

	Percentage of households			
	1998 home	1999 work	1998	1999
Canada	22.6	28.7	23.3	21.9
Newfoundland	15.4	18.1	17.2	14.2
Prince Edward Island	17.1	20.1	21.0	19.8
Nova Scotia	23.7	26.7	22.9	19.7
New Brunswick	18.2	23.6	19.8	19.2
Quebec	15.6	21.2	16.4	17.2
Ontario	25.5	32.0	25.5	24.2
Manitoba	19.9	24.7	22.3	20.2
Saskatchewan	18.3	23.6	21.5	19.3
Alberta	27.7	34.1	31.7	27.6
British Columbia	27.9	35.8	26.7	23.6

Source: Statistics Canada, CANSIM, Matrix 7944 and Cat. No. 63-016-XPB

be a necessity. By the end of 2000, more than fifty *Fortune* 100 companies had created multilingual sites, up from thirty-three in 1999.⁹

Consumer Characteristics

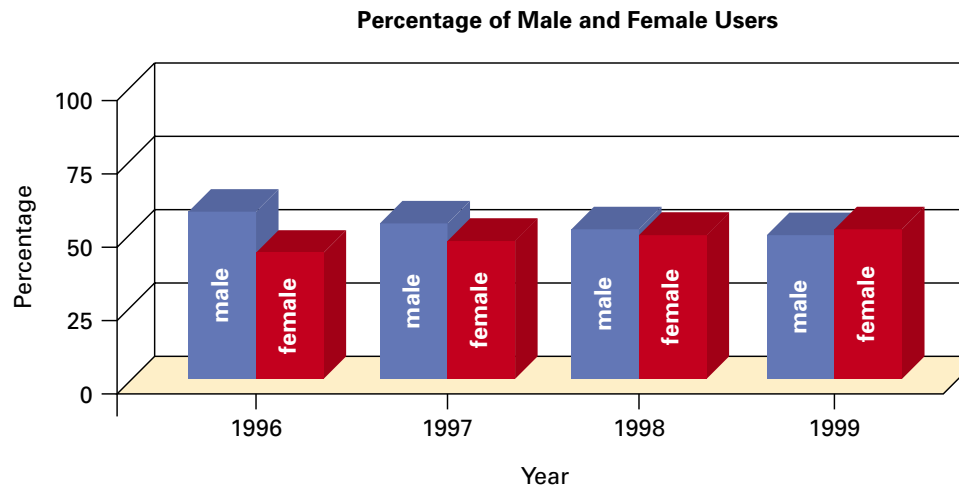
Although the Internet is becoming more and more a fact of daily life everywhere, marketers must make careful note of the differences between those who are connected and those who are not. Connectivity in Canada varies by region; westerners are slightly more connected than other Canadians. The same is true in the United States.¹⁰

Internet users tend to be white; however, African-Americans, Hispanics, and Asian-Americans are catching up.¹¹ Internet penetration among African-American households had reached 51 percent by April 2001—a 35 percent increase in only one year. There was also significant growth in connectivity among seniors and low-income households.¹² Not surprisingly, the age and gender gaps between users and non-users of the Internet appear to be narrowing.¹³

According to a 1999 ACNielsen survey, 49 percent of the population over twelve had access to the Internet and 27 percent had been on-line in the past twenty-four hours.¹⁴ Research suggests that the Internet is cutting into time spent reading and watching television.¹⁵ In other words, we are moving away from a static media environment toward one that is interactive and constantly stimulating.

exhibit 19.4

Percentage of Male and Female Users



From a marketing perspective, the task of getting and keeping consumers' attention is becoming more and more complex.

E-Commerce Facts

Forester Research estimates that worldwide revenues from e-commerce will exceed US\$6,500 billion by 2004, up from US\$657 billion in 2000.¹⁶ Also, 6 percent of Canadians now engage in on-line transactions, up from only 3 percent in 1999. Furthermore, 14 percent of American consumers are now purchasing on-line, up from 9 percent in 1999.¹⁷ Interestingly, people with broadband access are 60 percent more likely to purchase on-line than those with only dial-up access. They also spend, on average, 38 percent more per transaction than dial-up consumers.¹⁸

According to CommerceNet, 60 percent of the on-line population is using the Internet to shop for products and services, but not all are buying. Cars and car parts were the most shopped for category on the Internet; books were the most purchased. Some gender differences exist in shopping and purchasing

exhibit 19.5

Internet Usage by Age Groups

	1997	1998	1999
Total	31	37	49
12 to 18	55	59	74
19 to 24	52	53	65
25 to 34	38	50	63
35 to 44	34	40	53
45 to 54	30	37	48
55 to 64	18	27	34
65+	9	14	20

Source: www.acneilsen.ca/sect_fastfacts/index_ff_inter.htm

exhibit 19.6

Top On-line Shopping Categories

Top shopping categories	Millions	Top purchasing categories	\$(millions)
Cars/car parts	18.2	Books	9.2
Books	12.6	CDs/Videos	7.2
Computers	12.4	Computers	5.4
Clothing	11.6	Clothing	4.5
CDs/videos	11.4	Software	4.0

Source: "Facts, Figures and Forecasts," CommerceNet Newsletter 1(6), June 1999.

habits: both men and women are most likely to purchase books when transacting on-line; however, men tend to shop for cars and car parts on-line, women for clothes.¹⁹

Among connected users, privacy and security issues are still the biggest barrier to e-commerce adoption. Consumers are becoming more aware of the capabilities of technology. They are also paying more attention to the privacy and security statements provided on e-commerce Websites and are taking companies who violate these avowed policies to task. Consumers are less concerned than they used to be about the security of financial information provided via the Internet, though this issue is still important to them. However, they are more concerned than they used to be about how personal information about them—information gathered on Websites—is being collected, used, and sold. Governments are responding by introducing legislation restricting how personal information gathered on the Internet can be used (see Bill C-6 on the following Website: strategis.ic.gc.ca/engdoc/main.html).

Connectivity is increasing worldwide. Users are becoming a more homogeneous group, although some differences still exist between users and nonusers of the Internet. For marketers, understanding these differences is of great importance, especially when it comes to market segmentation and targeting. The Internet, then, is both an impetus and a tool for market research activities. In the next section we consider the impact of Internet technologies on market research.

exhibit 19.7

On-line Shopping Habits by Gender

Shopping		Purchasing	
Men	Women	Men	Women
Cars/car parts	Clothing	Books	Books
Computers	Books	CDs/videos	CDs/videos
CDs/videos	Cars/car parts	Computers	Clothing
Books	CDs/videos	Software	Travel
Home electronics	Travel	Clothing	Computers

Source: "Facts, Figures and Forecasts," CommerceNet Newsletter 1(6), June 1999.

The Internet and On-line Research

3

Appreciate the need for timely, accurate information in the new economy and the new methodologies available to collect market research information

newsgroups

On-line discussion forums that typically have periodic e-mail distribution of relevant news items related to a particular topic.

secondary research

Research based on existing data or information.

In 1998 more than US\$13,410 million was spent worldwide on market research activities; 39 percent of this amount was spent in North America.²⁰ Given how Internet technologies have penetrated North America, it is not surprising that many firms are moving their research activities on-line.

On-line information searches help marketers keep pace with new concepts and theories. Trade magazine and journal archives give researchers point-and-click access to libraries of marketing information. Electronic news services relay late-breaking events around the globe and transmit up-to-the-minute economic data. Electronic surveys (www.nua.com) and focus groups (www.itracks.com) reduce administration costs and eliminate coding and transcription errors. Industry **news-groups** and discussion lists circulate innovative ideas and helpful insights.

However, on-line research has its limitations, and if marketers are to make informed decisions they must remember these limitations. According to Amy Yoffie, "Online market research has exploded in the last eighteen months, with a parallel decline in traditional methods such as telephone surveys. Unfortunately, a lot of it is bad research. And frankly, poorly executed research is worse than no research at all."²¹ Research firms are responding to the proliferation of on-line research services and the variations in quality by using traditional research services to support their moves into the on-line environment (www.opinionsite.com).

Secondary research (i.e., research based on existing data or information) is often one of the first steps in the research process. Typically, secondary data are much cheaper and easier to gather than primary data. The Internet has opened up a host of new research tools for consumers, marketers, and firms. Never has gathering data on alternatives, competitors, and consumers been so easy.

Search Engines

Among the most convenient tools for Web research are search engines such as those provided at www.altavista.com/www.altavista.ca; www.yahoo.com/www.yahoo.ca, and www.google.com. However, these commercial search engines only access Internet locations that are registered in their databases. If a Website

exhibit 19.8

Market Research Expenditures in Millions of US Dollars (10 largest markets)

Country	1998 total value
United States	\$4935.1
United Kingdom	\$1525.0
Germany	\$1326.1
France	\$906.1
Japan	\$893.7
Italy	\$414.7
Australia	\$285.0
Spain	\$274.2
The Netherlands	\$259.1
Brazil	\$250.0

Source: *Marketing News*, July 3, 2000, p. 16.

or e-document hasn't been included in the database, no combination of keywords and phrases will divulge its Internet address. So it's important that marketers be aware of specialized search engines that suit particular business needs and make it easy for searching consumers to find them.

A number of services exist to help companies register their Websites with hundreds of search engines. www.submit-it.com will register a URL with more than 400 search engines. www.Websitegarage.com not only registers URLs but also runs performance diagnostics on them and generates press releases. Another service, www.scorecheck.com, actually determines how Websites are ranked by each of the ten major search engines.

On-line Publications and Subscription Services

Many magazines and journals provide businesses with useful marketing information. Often, they also offer convenient archives of past articles. Most of these publishers do more than merely provide citations; in fact, they often provide the full texts of articles on-line. *Advertising Age* (www.adage.com) provides an archive of articles dating back to mid-1995. The Dow Jones publications under the collective title *American Demographics and Marketing Tools* are also available on-line (www.demographics.com), and so is *Harvard Business Review* (www.hbr.com). This is only a sample of what is available through the Internet. Some sites offer their content free of charge; others sell their articles or charge membership fees.

Governments and other publicly funded agencies offer similar services on-line. Canadian population and demographic data can be accessed at www.statcan.com. The U.S. Census Bureau (www.census.gov) offers similar services. Economic and business information can be accessed at sites such as www.strategis.gc.ca, www.statusa.gov, and www.nafta-sec-alena.org. Several universities and research centres provide research articles on-line. The Electronic Commerce Centre (www.ec-centre.com) at the University of New Brunswick, Saint John (www.business.unbsj.ca), and e-labs (ecommerce.vanderbilt.edu) out of Vanderbilt University (www.vanderbilt.edu/research.html) offer access to academic papers and ongoing research projects, as well as links to a host of additional information resources.

Most newspapers and other news outlets now have an electronic presence. Late-breaking news about industry, commerce, and world events is available twenty-four hours a day on the Internet. On-line versions of venerable business publications such as *The New York Times* (www.nytimes.com), *The Wall Street Journal* (www.wsj.com), and *Time* (www.time.com) can post bulletins about significant events before any printed versions reach newsstands. Web-converted television coverage is available at *CNN Interactive* (www.cnn.com), a site that incorporates both audio and video clips of late-breaking news. Many Websites also offer subscription-based, daily messaging services that bring headlines to readers via e-mail (for example: www.ecommercetimes.com and www.business20.com). Individuals sign up to receive daily alerts that outline the top news stories of the day. If there is something of interest, readers can click on a link for the full-text version of the article.

A number of commercial research firms publish reports and research results on-line. Some of these are accessible free of charge, others offer executive summaries or excerpts to the general population but charge for full-text versions, and still others require reports to be purchased. Companies such as Nua (www.nua.com), Forrester Research (www.forrester.com), and the Gartner group (www.gartner.com) collect broad-range consumer and industry data on a regular basis; this enables benchmarking and forecasting activities. Individuals can access these reports; in some cases they can even sign up to join panels of respondents. Other firms, such as Dow Jones Interactive (www.djnr.com) and Dialog (www.dialog.com), offer access to databases for a fee.

On-line Newsgroups and Discussion Lists

On-line newsgroups and discussion lists are also sources of data. These groups are on-line venues for exchanging ideas, debating issues, providing intellectual support, and promoting new technologies. By joining groups and subscribing to lists, marketers can establish networks of colleagues with similar goals and interests. Some of the most popular discussion lists deal with on-line advertising, consumer research, database marketing, and relationship management. Example: DM-DIGEST www.argo-navis.com. To help marketers locate lists that are especially useful, several Websites post lists of these lists. These list Websites provide short descriptions of each group's purpose and explain how to subscribe to a list. There are also academic-based lists.

The volume of information available has increased dramatically since the advent of the Internet. By typing a few words into the appropriate search engine, individuals can tap into many sources of information on any given topic. This ease of data collection and the amount of free or low-cost information available makes secondary research much more attractive than it used to be. However, secondary research has limitations. The Internet has increased the speed at which information can be found, but that information may not be up to date, especially considering the dynamic nature of the current business environment. The ease of publication also raises some concerns. Who is publishing the information, and for who's benefit? How were the data collected? Is it statistically robust? For example, many Internet demographic survey results are available on-line, but few report similar numbers. Marketers need good information to make good decisions. For that reason it seems best to approach Internet data with caution.

Primary Research

When secondary research does not yield the necessary data, **primary research** is the next step. Primary data are data collected for a specific purpose at the time they are needed. Collecting primary data can be expensive and time consuming; however, the quality and timeliness of the information gathered often makes the extra expense worthwhile. The Internet offers a host of new research tools for marketers—tools that add value to traditional market research techniques.

Qualitative Research

Qualitative research refers to data collection activities where the research results are not subject to quantification or quantitative analysis.²² It is more subjective and open to interpretation. Qualitative methodologies are typically used for exploratory work (i.e., when researchers are investigating or “feeling out” a situation). For example, when researchers at the Electronic Commerce Centre (www.ec-centre.com) were developing a customer satisfaction survey for on-line transactions, they held a series of focus groups to help identify factors that were unique to on-line customer satisfaction evaluations and that should be included in the survey.

With focus groups, individuals are gathered together to discuss an issue. In the past these groups were always conducted using a moderator and boardroom facilities. With the Internet it is now possible to convene these groups on-line. This means that participants can be recruited from around the world and that the costs of arranging physical meeting places are eliminated. The effectiveness of on-line focus groups is still being debated. Some believe that the on-line format reduces the likelihood that certain group members will dominate²³; others believe that the emotionally sterile on-line environment detracts from the overall quality of the data.²⁴ Whatever the truth, many leading research firms are now offering on-line focus group services (www.angusreid.com, www.itracks.com).

The Internet has made observation less intrusive and easier to conduct. Gone are the two-way mirrors; no longer do researchers stand on street corners

primary research

Research conducted for a specific purpose at the time it is needed.

qualitative research

Data collection activities where the research results are not subject to quantification or quantitative analysis.

counting people wearing seatbelts, or in supermarkets watching how many consumers are attracted to a particular end-of-aisle display. Now we can place “cookies” on Websites. Cookies can recognize and respond to return visitors; they can also create logs that provide information about how the visitor came to the site, what he or she did while there, and where the visitor went after leaving the site. A number of data analysis services are available to help companies interpret the data they collect (www.nedstat.com).

Newsgroups, on-line chat rooms, and discussion boards are yet another rich source of data. Companies that monitor these sites are often alerted early to customer concerns or negative rumours. Many firms (www.tide.com) host newsgroups, and encourage customers to join chat rooms and share their experiences with other customers. This provides a service to customers; it also provides the company with direct access to consumer opinion.

Quantitative Research

Quantitative research uses mathematical techniques to analyze data. It yields results that are objective and (usually) statistically robust. Marketing managers often base most of their strategic decisions on quantitative research and sound statistical analysis. The two most common quantitative research methodologies are surveys and experiments.

Traditionally, survey research was conducted either face to face or over the telephone or through the mail. Internet technologies offer several additional options to market researchers: specifically, Web-based surveys and e-mail surveys. The Internet has made easier than ever the task of obtaining and analyzing marketing information. Marketers post a survey form at a Website or send it through e-mail, and then invite individuals in their homes or offices to fill in the requested data. Survey participants can complete the form at a convenient time—day or night—without being restricted to a schedule set by the researcher.

When computer-based surveys are used, all items are completed and there are no “missing data” that might compromise later analyses. Also, surveys can be tailored to specific respondents based on prior answers given. This avoids redundancy and confusion with regard to the questions asked. Another benefit of digital surveys is that they eliminate the coding errors that can arise when paper-based survey answers are keyed into a database. Because each survey respondent inputs his or her own data, the information can be sent directly to the statistical program and analyzed without further human intervention.

Internet and e-mail surveys can reach far more people for much less money. With a Web-based survey, there are no mailing or copying costs. No facilities need to be rented, and no transportation needs to be arranged. Furthermore, personnel costs plummet because fewer people are needed to help the respondents, and no keyboarders are required to input the data.

The Internet makes it easier for researchers to administer and maintain consumer panels and other longitudinal methodologies. Researchers can monitor respondents’ activities electronically and issue surveys through preprogrammed “send” functions. Moreover, researchers can entice participation by using the Internet’s audio and visual capabilities. A number of firms now offer on-line survey solutions—for example, www.surveysite.com, www.websurveyor.com, and www.surveysaid.com. The main challenges relate to recruiting the participants and avoiding **spam** solicitations.

It has always been difficult to conduct “experiments” in market research. The Internet has made it easier. For example, it is much easier to manipulate layout, colour schemes, and pricing on a Website than it is to alter these variables at physical locations. Furthermore, with the Web monitoring and tracking tools that now exist, it is much easier today than it ever was to manipulate the variables in a marketing experiment. For all of the above reasons, Internet-based experimental research is becoming more popular in both business and the academic world.

quantitative research

Uses mathematical techniques to analyze data, yielding results that are typically objective and statistically robust.

spam

Unsolicited, mass-distributed commercial e-mail.

On-line primary data collection has some limitations. As a demographic group, Internet users do not reflect the population as a whole, so the results of primary research cannot be generalized as if they were. The CommerceNet/Nielsen Internet Demographics Study (www.nielsenmedia.com) is an Internet survey being conducted in tandem with a phone survey to assess the biases inherent in data collected on the Web.

Sampling bias is another issue. What kinds of individuals seek out on-line surveys? How do we verify the identity of respondents? And how representative are the research results? Anyone with access to the Internet can answer an on-line survey. Are those who “self-select” different from the general population? Researchers can prescreen participants to determine whether the individual should be given access to the survey site. Alternatively—a more targeted approach—individuals can be invited to participate via e-mail and provided with the means (e.g., a password) to access the site only once. As well, cookies can be used to ensure that only one survey is completed per IP address.

Some individuals don’t want to participate in Internet surveys for security and privacy reasons. How can we ensure that consumers’ privacy and security needs are met? As Gerry McGovern puts it: “If I come to your Website I am not there as some ‘lab rat’ to test out your latest fixation.”²⁵ How reliable are the research results? There is no question that Internet technologies are going to play an important role in market research activities, both now and in the future, and that the information garnered from this research will play an important role in developing comprehensive marketing strategies.

The Internet and the Marketing Strategy

4

Understand the impact of Internet technologies on the market planning process

There is no doubt that the Internet is having a profound impact on all aspects of marketing strategy and planning. The task for marketing managers is to integrate effectively the new technologies with traditional marketing methodologies. No one believes anymore that the Internet is going to eradicate traditional marketing activities. Nowadays, marketers see the Internet as one more tool in the marketing kit. And the goal is still the same: to meet the needs of consumers as effectively and efficiently as possible while maintaining profitable operations.

The first step in the development of any marketing strategy is to identify the segment(s) of the population on which to focus. The demographic profile of Internet users is gradually becoming more similar to that of the population as a whole, but it is not yet identical. Internet users still tend to be better educated, younger, and more cosmopolitan.²⁶ This reminds us of how important it is to meld traditional and Internet segmentation tools to ensure that target segments are accurately defined and that appropriate marketing strategies are put in place. If you are looking to market a product that is used mainly by those over sixty-five, the Internet is probably not going to play a big role in your marketing strategy.

A number of companies specialize in customer profiling. SRI Consulting Business Intelligence (SRIC-BI) is one of them. SRI collects data and then uses this information to segment the market into homogeneous groups. It then creates profiles and sells them to companies that need help choosing appropriate target segments. Visit <http://future.sri.com/VALS/> for more information on SRI and its surveys.

Defining the Product

When we think of a “product” from a marketing perspective we think of a “bundle of attributes,” not just the product, service, or idea itself. This means that

things like the colour, texture, and size of the package, the smell of the contents, the font of the lettering, and the associated brand name all affect consumer perceptions of the product. We all know that perception is more important than reality when it comes to predicting how consumers will behave. Say that someone gives you a choice of two gold bracelets: one in a clear plastic box, and the other in a black velvet box with gold lettering. Which one are you more likely to choose? Why?

So what constitutes “product” when we factor Internet technologies into our product strategy? When a company moves to an on-line environment, what we see on its Website automatically becomes part of the “product” offering. That Website becomes part of the product image and constitutes a factor that consumers will consider when developing their impression of the product. Like all elements of the marketing mix, consistency of cues is important. Discrepancies between a product, its physical location, and its Website can cause image confusion for consumers. Consider the differences between the physical stores of Holt Renfrew and Wal-Mart. Do you expect similar differences in their virtual environments? Visit www.walmart.com and www.holtrenfrew.com. Are they what you expected? If you had no previous information about the types of retailer they were, would your image of these retailers be different based on their Websites?

The Internet offers companies a great deal of potential to expand their market reach. However, along with that expansion comes an increase in competition. Pureplay companies—those with only a virtual presence—are struggling to build an image and a brand for themselves and to differentiate themselves from their competition. As in the traditional market, having a good product or a good Website is not enough: Websites need to attract consumers, gain their attention, maintain their interest, and encourage them to engage in an interaction of some type, be it a transaction or simply information gathering. Many companies are adding entertainment categories (www.pepsi.com, www.coke.com), communities of interest (www.hog.com), value-added services such as stain removal advice (www.tide.com), and 3-D capabilities (www.landsend.com) to their sites in an effort to tangibilize their offerings, build relationships with consumers, and differentiate themselves from their competitors. Specialization is becoming vital. For local businesses, being a generalist may be OK, but the on-line business environment requires specialists. The companies that stand out the most are the most likely to succeed.²⁷

Setting the Price

Internet technologies have had a clear impact on pricing. Some consumers see the costs involved in running a virtual business as much less than those for operating a physical location. Whether this is true or not, many customers now expect to pay less when purchasing on-line. Amazon (www.Amazon.com) has reinforced this belief by undercutting traditional booksellers. Consumers probably neither understand nor consider the costs involved in developing and maintaining a virtual storefront, managing the technology, and so on. They see a company that pays no rent, has no employee salaries, and pays no utilities, and automatically see lower costs.

Marketers now refer to the pricing function in the new economy as being transparent—that is, open to consumers’ scrutiny either through their own research or with the help of Websites such as www.carcostcanada.com, which provides consumers with actual dealer cost figures on new model vehicles. For consumers, comparison pricing has probably never been easier. They can easily surf the Internet, comparing the prices of various vendors; also, services are now available (www.mysimon.com, www.dealtime.co.uk, www.checkaprice.com) that will search the Web for them, identifying the lowest prices and reporting back to them! (See also www.internetmall.com/29142393645.)

In addition, Internet technologies have created a different kind of purchasing environment: price setting is no longer always under the absolute control of the seller.

More and more, consumers are resorting to alternative buying methods to get the lowest prices possible. At auctions, they bid on items until they become uncomfortable with the price level (www.ebay.com, www.half.com). At reverse auctions, they name their price (www.priceline.com, www.egghead.com). Both these alternatives are growing in popularity. So are aggregate buying groups, where buyers team up to negotiate better pricing from sellers (ukonlineshop.about.com/aboutuk/ukonlineshop/library/weekly/aa082800a.htm; www.uniondream.com/GB_EN/index.cfm; www.letsbuyit.com/en_GB/index.jhtml?requestid=67060). Ease of barter and technology-enabled price transparency have forced sellers to adjust their price-setting strategies. Consumers expect value for their dollar, in the form of convenience, customization, or choice, and the Internet has made it easier for them to demand it.

Distributing the Goods

Some believe that the future of e-commerce companies is going to depend on the efficiency of their distribution networks.²⁸ Certainly, distribution is how companies keep their promises to cyber-customers.²⁹ The Internet has opened up a global market for any company that joins it. What companies often forget is that they still have to ship their products to consumers around the world in a timely and cost-efficient manner.

For some products, such as digital music, digital books, on-line courses, and software products, the answer is quite simple: customers pay for the privilege of downloading items, which they then use at their leisure. Companies that can sell products this way enjoy reduced costs, which they may or may not pass on to consumers. However, this approach also makes it possible for consumers to continue distributing products on their own, with no benefit to the distributing firm. For years people have bought and sold used books, pirated software and music, and shared course materials. The Internet has simply made it simpler to do so. Take Napster as an example (www.napster.com). Napster has been ordered by the courts to block access to copyrighted songs, yet traffic to this site continues to grow, and downloads from it are increasing.³⁰

Cost savings are also apparent in the services sector. Two industries that have been heavily affected by e-technology are travel and banking. Airline customers can now visit an air carrier's site, choose their preferred travel dates, destinations, and seating classifications, pay for the flight, print an "e-ticket," and be ready to travel. On some sites they can even look at a diagram of the plane, study the menu and the flight plan, and check which movie will be showing (www.aircanada.ca). Electronic distribution costs are less than one-quarter the cost of traditional distribution. Similar results are evident in the banking industry. Many banks now offer 7/24 service virtually anywhere in the world. Customers can pay bills, manage investments, transfer funds, and check balances and account activities anywhere they can access a computer. Transaction costs are about one-third less this way. Also, customer access and convenience are improved, and staffing requirements are reduced.³¹

These changes in distribution methods have their critics. In a number of industries, **disintermediation** is a concern. Take the car industry as an example. For decades, most cars were sold at local dealer lots. Buyers spoke with salespeople, who provided information about vehicles, offered test drives, and arranged financing. The negotiating skills of buyer and seller often determined the quality of the deal. Today, almost everything about cars can be researched on the Internet. Sites such as www.mazda.com and www.ford.com make it possible for customers to calculate prices based on make, model, year, and options. Prices

disintermediation

The shortening of the distribution channel as the result of technologically enhanced links between buyers and sellers.

have been standardized on a national basis, if not globally. Many local dealer sites are now synchronized with the parent Website. Salespeople who are Web-savvy can actually use the sites as sales tools.

The Internet, instead of getting rid of intermediaries, may be creating new kinds, **cyber-intermediaries**. Companies are being established to carry out various enhancements. Some provide security for e-commerce (www.verisign.com), and ensure that both companies and consumers are protected during on-line transactions. On-line malls are being developed to serve as catalysts for one-stop shopping (www.cybermall.com). Portals are being developed (www.smallbizinfocentre.com) to perform sorting and assorting functions for consumers. The roles and the players may have changed, but intermediaries have far from vanished.

cyber-intermediaries

A new type of intermediary formed to handle functions unique to an electronic business environment.

Promotion

One of the toughest tasks for companies involved in on-line activities is attracting traffic. As an on-line presence becomes more the norm for companies than the exception, the “clutter” facing consumers will continue to grow. Companies need to get consumers to their sites and then turn them into repeat visitors. How do they do that? “Bricks and clicks” companies are finding it relatively easy to blend traditional promotional activities with those of the new economy. They simply print their Web address on all their traditional print materials—bags, receipts, promotional brochures, and so on—to increase consumers’ familiarity with the address. For pureplay companies the task is often rather more difficult.

The company must first choose a domain name. A simple typographical error can be disastrous here. Take Macy’s as an example: www.macys.com is the Website for Macy’s department store. If an “e” is mistakenly added to the name (www.maceys.com) the consumer is taken to the site of a supermarket chain—a fact that may not be clear for two or three clicks. The expanding number of extensions is also a problem; for example, www.innovatia.net and www.innovatia.com are two distinct companies. Consumers need to be educated regarding domain names, especially if the domain name is different from the name of the physical location or is not related to the nature of the business (www.sandbox.com, www.amazon.com). Amazon provides a good example of the expense and energy involved in fostering consumer familiarity and generating traffic. When the firm’s name is the same as the domain name, and the more familiar “.com” is in place, consumers will have an easier time finding the appropriate site (www.staples.com, www.sears.com).

The Internet has opened up a variety of new promotional techniques for both pureplay and bricks-and-clicks firms. Banner ads, which are almost synonymous with the Internet, are one of the most popular methods of e-promotion. Banner ads now come in a variety of forms: static ads, which simply appear on a page for viewers to read; interactive ads, which encourage consumers to respond; and promotional banners, which offer limited time specials. It was once thought that banner ads would revolutionize e-commerce. Many are no longer so sure.

Some firms sponsor sites to encourage visits to their own sites. As with traditional sponsorship, firms that go this route tend to sponsor nonprofit, social cause, or educational sites (www.e-commercesociety.com). Sponsoring firms provide monetary and other support for the sponsored sites; in return, those sites post links to the sponsor. A similar technique is the use of affiliate programs. With affiliate programs, sites feature affiliate links and are monetarily compensated if customers click and purchase as a result of using the link on the site. www.smallbizinfocentre.com has an affiliate relationship with a number of firms.

Internet sales promotions are also common. Electronic coupons are available both from couponing sites (www.e-coupons.com) and from host sites (www.atlanta.com). E-coupons are often found on tourism sites. With these, restaurants, bars, and entertainment venues offer discounts to encourage trav-

ellers to choose their establishments. Sweepstakes are also accessible via the Internet. Sites such as www.iWon.com offer individuals a chance to try their luck—typically in exchange for some personal information. Some firms offer sweepstake promotions to consumers engaging in on-line transactions, or simply to site visitors (www.pepsi.com).

Whether the company is pureplay or bricks-and-clicks, the most effective approach to promotion is likely to involve a blend of traditional and new economy methods. Methods of measuring on-line promotional effectiveness are still being developed. Although relied on heavily, measures like the “click-through” rate have not yet been linked conclusively to increased levels of awareness, more positive attitudes, or the likelihood that a transaction will occur. Some consumers operate exclusively in the traditional environment (i.e., they aren’t yet hooked to the Internet); more and more are becoming “connected.” The exclusively electronic consumer is likely still a few years away.

Developing a Comprehensive Marketing Strategy

5

Be able to ask the questions necessary to develop a comprehensive marketing strategy that mixes traditional and new economy methods

The Internet has not altered the steps for developing marketing strategy. Firms still must choose an appropriate market segment(s) and structure the marketing mix elements to convey a consistent and desirable image to consumers. What is different about e-commerce is that a number of additional variables must be considered. Are the targeted consumers connected? What are their Internet habits? Will a Website add value to the product or service offering? Can target consumers be reached via electronic distribution channels? Are the products or services in question appropriate for electronic distribution? Will efficiencies be realized that will translate into cost savings for consumers? How can traffic be brought to the Website? What on-line promotional techniques will add value to the traditional promotional strategy? Is an on-line component a vital part of a comprehensive marketing strategy for this firm?

LOOKING BACK

Now that we have closely examined the impact that new technology has had on strategic market planning, let’s reconsider the story about Get Real Girl dolls. Get Real Girl dolls are positioned to compete head-to-head with Barbie for the lucrative female adolescent market. Positioned as more realistic and as more positive role models, Get Real Girl dolls tend to be less focused on beauty and fashion and more interested in health and fitness. Chavez’s decision to use an Internet-based promotional strategy is both innovative and interesting. Given that females aged two to seventeen are among the fastest-growing Internet segments,

Chavez may be positioned to capitalize on a highly targeted marketing campaign—a campaign that traditional media and methods may be incapable of carrying out, given the characteristics of this particular segment. In addition, Get Real Girl’s focus on a more interactive, more educational experience seems to be more in line with current North American values. This type of strategy may be indicative of what is to come as this cohort ages and younger, more technology-savvy cohorts follow. Watch out Barbie—here comes the real thing!

Summary

1 Have a basic understanding of the origins of the Internet, the birth of e-commerce/e-business, and the evolution of business practices, in particular the marketing function, to meet the needs of the new, dynamic e-nvironment. The

Internet, or ARPANET, was originally a military project aimed at networking research centres to strengthen military defence in the United States. By 1981, ARPANET had grown to 214 hosts, with a new host joining every 20 days. The advent of the World Wide Web in 1991 was the point at which Internet use began to expand outside of academe.

2 Be familiar with the demographic composition of the global population of Internet users and the characteristics that define e-consumers. Connectivity is growing worldwide. Internet users are no longer typically upper-class, better educated, younger males. More and more seniors, ethnic minorities, children, and women are linking to the Web. Also, reluctance to participate in e-commerce—to actually engage in transactions on-line—is diminishing. Consumers are still concerned about privacy and security, but companies and legislators are moving to address these issues. As a result, the revenues generated by on-line transactions are expected to grow exponentially over the next few years.

3 Appreciate the need for timely, accurate information in the new economy and the new methodologies available to collect market research information. On-line transactions are not the only form of e-business activity. Marketing activities have been profoundly affected by the Internet. It is now much easier for marketers to collect data. Though privacy and ethical issues are still a concern, the new tools available to conduct traditional market research are making the process much more efficient and effective. Also, new methods—including collecting scanner data and feeding on-line survey data directly into databases—have made the process more accurate. It is fitting that Internet technologies have enhanced market research capabilities, given marketers' need for the “good” information to make complex and quick decisions in the new economy.

4 Understand the impact of Internet technologies on the market planning process. Once thought to be a replacement for traditional marketing activities, the Internet is now seen as one more tool that marketers have at their disposal when making strategic decisions. Internet technologies have affected product innovation and the basic definition of offerings. A firm's Website is now part of the “bundle of attributes” that consumers consider when making purchase decisions. Pricing has become transparent, and the power to set prices has shifted partly to the consumer. Individuals can easily check list prices, compare competitive prices, and use services to find the lowest prices. Competing on price, though never a recommended strategy even in the traditional economy, has become an even more questionable approach in the new economy.

Distribution is now seen as key to success in e-commerce. The e-market is global, and firms must be able to keep their promises to customers wherever they live, so a viable distribution strategy is crucial. Some products and services can be distributed digitally, but others cannot. Companies need to consider many logistical factors when identifying appropriate markets and developing strategies to reach them. Finally, the Internet is a communication medium and as such plays an important role in a firm's promotional activities. Methods are being developed to promote products and services on-line, but their effectiveness is debatable.

5 Be able to ask the questions necessary to develop a comprehensive marketing strategy that mixes traditional and new economy methods. The Internet presents new opportunities to companies, but it also carries risks. Companies, whether pureplay or “bricks and clicks,” need to develop comprehensive marketing strategies that integrate traditional marketing tools with those of the new

Do You Know These Terms?

ARAPNET 19-4
auctions 19-5
bricks and clicks 19-5
cookies 19-5
cyber-intermediaries 19-17
data mining 19-5
disintermediation 19-16
newsgroups 19-10
primary research 19-12
pureplay 19-5
qualitative research 19-12
quantitative research 19-13
reverse auctions 19-5
secondary research 19-10
spam 19-13

economy. More and more consumers can be accessed electronically. However, few people are presently operating entirely in an on-line environment. The key? Know your consumers, use that information to identify appropriate strategies, use all the tools in your tool box, identify and meet their needs, and ask the right questions. Then, in the words of Spock, “Live long and prosper”!

Internet Exercises

1. From the Barbie.com site, choose Generation Girl from the Sister Sites link. Compare the eight dolls featured on that site to the six Get Real Girl dolls profiled on the Get Real Girl site. Which do you think is better positioned to meet the needs of a global market?
2. Read the article in Red Herring about Get Real Girl doll. (www.redherring.com/story_redirect.asp?layout=story_generic&doc_id=RH410014041&channel=70000007). Besides the Website, how is Chavez planning to increase consumer awareness of the dolls? Now that you have read the chapter, do you think this product launch will succeed? Will it cut into Barbie’s market share? Is Chavez making the best use of traditional and Internet-based marketing tools?
3. Visit www.landsend.com and www.sears.com. You are looking for a new pair of dress pants and a blazer to wear to an awards banquet next Friday. Be sure to use the “shopping aids” offered on the sites (i.e., the personal model feature on Land’s End). Are interactive shopping aids useful to you as a consumer? Do they add value to your shopping experience or are they merely gimmicks? What other types of shopping aids would have improved this shopping experience for you?
4. Your job requires you to move to Arizona for six months. You miss the taste of Quebec maple syrup, smoked Atlantic salmon, and P.E.I. lobster. Go to www.yahoo.com, www.yahoo.ca, www.altavista.com, and altavista.ca to search for these products. Which of the four sites provided you with the most useful information? Would your response have been different had your key words been “Maine lobster”?
5. Complete the values, attitudes and lifestyles survey found at future.sri.com/VALS/VALSindex.shtml. Read the description of your profile. Is it accurate? Based on the profiles provided for the VALS categories, which segment is likely to exhibit the highest connectivity and Internet usage? The lowest? Explain.
6. Why are Web ratings so important to on-line companies? Why is it so difficult to determine accurately how many people visit a Website? What are the differences between hits, sessions, and unique visitors when reviewing Website statistics? Which is likely to be the best indicator of site value? Visit www.businessweek.com/1998/17/b3575155.htm and investigate the alternative Web stats packages that are currently available for site assessment.
7. On-line Seals of Approval tend to help build consumer confidence in on-line commerce, in much the same way as a “Better Homes and Gardens Seal of Approval” or a positive rating by the Better Business Bureau. Examine the certification procedures of three such organizations. Find out which seals provide consumers with real protection against unscrupulous sellers, and how much it costs to display each seal. Do you think the seals are effective? Explain. (Check out www.webwatchdog.com and www.bizrate.com.)
8. Identify a strictly pureplay organization. Using a strategic marketing framework, assess the organization’s suitability to an on-line presence. Would this organization be a viable bricks-and-mortar enterprise? Explain. What strategic elements would have to change?

Application for Small Business

Businesses in the twenty-first century are expected to have a Website, target a global market, offer customization options, respond quickly to customer demands, and offer interactive customer relationships. They are also expected to have the capacity for on-line transactions in a safe and secure environment. A tall order for any organization, but a daunting and perhaps unrealistic task for small businesses.

The Internet has become integral to any comprehensive marketing strategy and, for that matter, to any quality business plan. Businesses of all sizes must decide which of the various electronic strategy components are appropriate given the business they are in, the clients they serve, and the competitive environment in which they operate. That said, besides traditional methodologies, managers must now also consider which electronic components they must add to their strategic planning process. This holds for all steps in the process.

The Internet has opened a global market to any company interested in participating. Companies are no longer restricted to customers in their geographic vicinity. For some organizations—those with excess supply—this is a benefit. For others—those with limited capacity—this may be harmful. Take, for example, a local chocolatier (think of the movie *Chocolat*). A one or two person operation can probably meet local demand but will probably be unable to handle a 5,000-fold increase in specialty orders. On the other hand, a local software development company selling off-the-shelf solutions may well benefit from an increase in the number of potential consumers.

Then there is the question of segmenting the market. What are the characteristics of the company's target market? The number of physically challenged people who are connected is quite low; in fact, this is one of the only demographic categories that is not rapidly getting connected. Most small businesses have a narrow target market. If the demographics of that market are not synergistic with the demographics of typical Internet users or on-line buyers, the organization should think twice about including electronic components in their overall strategic planning process.

The next decisions centre around the four Ps. In terms of product definition, the Website of a company is part of its product bundle. So companies must be strongly committed to developing and maintaining an electronic presence. As with all other elements of the marketing mix, the company's e-presence must be consistent with its image and functions as a whole. Building a Website is no longer enough: consumers demand interactivity and value. As well, the company must have a strategic plan for its Internet presence. Will it be providing a Web brochure or a site with full transactional capabilities?

An electronic presence affects an organization's pricing structure. How do the costs of developing and maintaining an on-line presence compare to the costs of maintaining a physical presence? What are the customers' expectations? Do they expect to save money by transacting with the firm on-line or do they do so simply as a convenience?

The Internet can be an excellent promotional tool. However, many organizations are discovering that the Web is becoming cluttered. The challenge, then, is to find ways to pull consumers to the site, where they will be exposed to the company's messages. Promoting a Website is far from easy. Usually, traditional marketing activities are the best approach.

Finally, how does a firm deliver on what its Website has promised? Small, local businesses can find it enormously difficult to deliver products halfway around the world. Ignorance of legal and political issues, and unsophisticated inventory and logistics, can result in catastrophe.

Small and medium-sized businesses often find it difficult to include electronic components in strategic decision making. An electronic strategy is not appropriate for all businesses. The factors that influence this decision include size, industry, capital available, long-term goals and plans, and the competitive environment. Not every company should incorporate technology, but every company should at least consider its potential. In the new economy, a good manager asks the right questions to determine whether e-commerce is an appropriate direction to go.

Questions

1. Identify a small business in your local area. Does it currently have an electronic component in its overall business strategy?
2. Is an electronic component of strategy appropriate for this organization? Explain.
3. Use the information contained in the resource and checklist sections of SBIC (www.smallbizinfocentre.com) to help you with this exercise.

VIDEO CASE

Elderly Instruments: Marketing Music On-line

Elderly Instruments is a music store and mail-order service that stocks a wide variety of new and used instruments, from guitars to harmonicas, mandolins to violins, and dulcimers to accordions. To complement its stock of instruments, Elderly also has musical equipment, an extensive selection of instructional books and videos, and thousands of hard-to-find CDs and cassettes. Until the advent of the Internet, Elderly sold its wide variety of musical products through more traditional channels, like its showroom in Lansing, Michigan, its full-colour general mail-order catalogue, and its four specialized catalogues. New technology, however, helped the company realize that electronic commerce can create new opportunities without cannibalizing existing business.

What the Internet offers small companies like Elderly is the potential to participate in the global market and to deliver truly unique goods and services. Via the World Wide Web, Elderly can reach not only current Internet users but also the 52,000 people who access the Internet for the first time *each day*. This ever-increasing group of potential customers is distributed across the more than 150 countries that have direct Internet access, and Elderly can market its products to all of them. Because Elderly records the number of hits on each page, the company can assess the level of interest these new cyber customers have in each individual page of its Website. This kind of information is

invaluable to a company trying continually to improve its relationship with customers who shop over the Internet.

In order to promote its Website, Elderly Instruments puts its Web address on its print advertisements and stationery. The site itself attracts shoppers with its design, content, and unique features. The home page provides general information about the company and its offerings, and navigation icons lead shoppers to specific locations within the site: vintage and used instruments, new instruments, gear, books, videos, CDs, bargains, check-out, or a search for something else. The organization of the site helps consumers locate name-brand or off-brand merchandise easily and reduces the cost to comparison shop to nothing since customers can find the lowest prices internationally in just minutes.

Elderly realizes that if its Website is not convenient, easy to use, and effective, consumers will not shop there, so the company updates its site frequently to keep the information fresh. Clear instructions on each Web page help customers find what they need quickly, and many areas of the site are refreshed regularly. *The Cheapo Depot* page lists the hottest items on sale, and this page is revised often. *The Compact Disc & Cassette* page tells customers to click on *What's New* for recording updates or on the *Artist Index* to find a favourite recording artist. Another benefit of the on-line store is its hours. The nature of electronic commerce means that customers can receive information and order merchandise twenty-four hours a day, seven days a week. In marketing terminology, this means its

products have “time free, location free” availability to the potential market.

Despite the convenience of the Elderly Website, one challenge Elderly still faces in reaching global markets is the language barrier: its Website is written entirely in English with prices listed only in U.S. currency. Though 64 percent of on-line shoppers use English, predictions are that non-English speakers will soon outnumber English speakers, and while credit card payment simplifies conversion from dollars to other currencies, buyers prefer prices listed in their own currency. One way to meet the needs of foreign customers would be to allow shoppers to select different languages and to offer a currency conversion page.

One important way that Elderly Instruments capitalizes upon the technology of the Internet is by mass-customizing products. Over the Web, products can be cost-effectively customized to meet each shopper’s needs. For example, if a customer wants a Martin guitar, Elderly can put together an individual package that includes strings, a case, and other related accessories. Likewise, if a band needs recording equipment or electronic accessories, Elderly can offer the customer the ability to order a package tailored to fit its needs. The one-size-fits-all mentality has no place in Elderly’s marketing strategy. Mass customization is quite effective because it allows the company to better serve its customers’ needs at any given time. Personalizing the customer relationship can be inexpensive to do on the Web, but efforts like remembering customers’ preferences can translate into increased customer loyalty and more on-line business. Furthermore, mass customization helps Elderly differentiate its products and unique services from those offered by its competitors.

Developing a personal relationship with its cyber customers requires the company to collect information about them. When an on-line visitor provides informa-

tion by filling in a form or providing an e-mail address, two-way interaction begins. Customers who participate in this interaction provide Elderly with a wealth of information that the company can use to promote products through targeted and personalized interactive ads. In addition to the more conventional methods of collecting information about Internet customers, Elderly uses the Internet to “talk” to its customers. Under the heading *We Buy and Trade on the Vintage and Used Instruments* page, shoppers are invited to start an e-mail dialogue about selling, trading, or consigning their instruments on-line and to use the preliminary used-instrument evaluation form for “honest reliable estimates.” Building on-line customer dialogue and feedback fosters greater customer satisfaction and provides the company with insight for better products and service. The e-mail function of the site provides a way for Elderly to listen to the ever-increasing number of Internet consumers and build a solid business relationship with its cyber customers that competitors find hard to beat. For Elderly, electronic commerce is nothing less than a dynamic new business opportunity.

Bibliography

Elderly Instruments Website: www.elderly.com

“Computer Titans See Internet Commerce Opening New Paths,” *Odessa American*, February 2, 1999, p. 3C.

Questions

1. What are the advantages of on-line commerce for Elderly Instruments?
2. Why is on-line mass customization a useful tool for Elderly Instruments?
3. How does Elderly’s electronic commerce channel help it conduct marketing research?
4. What challenges does Elderly face in reaching global markets?