

December 2002

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Recommended Citation

Wielki, Janusz, "Marketing in eWorld Era: Opportunities, Challenges and Dilemmas" (2002). *BLED 2002 Proceedings*. 31.
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Marketing in eWorld Era: Opportunities, Challenges and Dilemmas

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Abstract

The paper discusses the problem of impact of electronic environment on marketing process. In the first part, utilization of various tools and techniques is presented and analyzed. Second part of the paper is focused on challenges emerging in the new e-reality. Next part briefly discusses opportunities arising for marketers with electronic environment development. Finally conclusions are provided.

1. Introduction

The 1990's was a period of time when more and more noticeable became lowering efficacy of mass marketing approach. Customers got far more demanding, their level of loyalty had significantly dropped, while offering modern, high quality products became not sufficient to stay competitive and succeed in the rapidly globalizing marketplace [16]. According to the report of the Gartner Group from 1996, the most important trends negatively impacting traditional marketing were [9]:

- less differentiation of products,
- increasing competition,
- rising consumer expectations,
- splintering mass markets,

- diminishing effectiveness of mass media,
- heightened consumer privacy and security concerns.

Almost at the same time the rapid development of the Internet became a reality. Marketers were among the first who noticed the opportunities arising from this fact and many of them put their strong faith in this new medium. The elements especially underlined were interactivity of the new medium and its high potential for building close relationships with customers. In this time there could be found numerous enthusiastic voices about abilities of the new marketing tools or effectiveness of the Internet advertising¹. So, at the end of the '90s more and more common became opinions that new marketing era became a fact. According to Postma, this new marketing era can be characterized by three points [12]:

- marketing management according to the information held in marketing databases rather than that acquired through market research and generic models,
- the use of media instead of generic (thematic) advertising to stimulate trade,
- management of personal client relationships as opposed to management of more or less defined target groups.

The basic question is if access of marketers to new tools (mainly Internet ones), caused that new marketing era really became a fact or rather it is still to come and maybe not so quickly as it was expected at the end of the previous decade.

2. Utilization of the Electronic Environment for Marketing Purpose

There is no doubt that on-line marketing tools have been quite commonly accepted by marketers. According to a study of DoubleClick conducted in December 2001, one-half of surveyed European marketers employs on-line marketing techniques, although their usage significantly differs between countries (see table 1).

¹ In 1994, Potter claimed that usage of the Web sites for advertising purpose results in "10 times as many units [sold] with 1/10 of the advertising budget" [15].

Table 1: *Percentage of Marketers Using On-Line Marketing in Selected European Countries*

Country	Percentage
UK	73
Spain	66
Germany	43
Scandinavian countries	34
Italy	31
France	21

Source: DoubleClick in [2]

In fact with development of the Internet, tool kit available to marketers has been significantly enriched. New on-line marketing tools comprises:

- various forms of e-mail (from simple text messages to advanced HTML ones, employing Flash technology),
- tools based on e-mail:
 - electronic newsletters (text and HTML ones),
 - discussion lists,
 - newsgroups,
 - autoresponders,
- Web pages (the most popular on-line advertising medium) and numerous forms of Internet advertising used there, e.g.:
 - banners (stationary, animated or interactive e.g. teletbanner),
 - pop-up ads,
 - interstitials,
 - supersticials,
 - poltergeist,
 - mediabreak,
 - Active Pilot,
 - Charlie Behind (pop-out),
 - MicroAds (sponsored links).

But if someone expected that because of their interactive nature, new marketing tools will be commonly employed by companies for building close relationships with customers and “one-sided bombardment” (see [12]), common in a real-world, will be widely replaced on-line by dialogue must be disappointed. In fact as a result

of the Internet usage for marketing purpose, this “one-side bombardment” became far more troublesome for consumers and it is expected that situation will be getting worse in the next few years. According to Jupiter Media Metrix, by 2005 average consumer will be inundated with 3000 ad impressions daily, 863 of those on-line [14].

As it is commonly observed growing number of marketers tend to use on-line various aggressive techniques in order to capture consumers’ attention. Most of them are employed on the Web. Cyveillance in its study conducted in December 2001, identified top 10 intrusive technology tactics currently used by marketers there. They comprise [1]:

- **Spawning** – automatic opening of a new browser window upon entering a Web site, upon exit or on delay. Currently the most popular examples of this technique, forcing consumers to at least look at advertising window before closing it are pop-up and pop-under ads. It is estimated that about 30% of U.S. and 20% of European top sites use spawning. But despite such popularity among marketers, this type of advertising is very negatively perceived by consumers. The result of it is their growing interest in programs that can block spawned browser windows².
- **Mouse-trapping** – these techniques disable consumers’ ability to go back to the previous page, exit it or close a Web page. According to Cyveillance study, about 5,2% of Web sites use this approach.
- **Invisible seeding** – this tactic is based on unauthorized incorporation of popular brands names, key words or phrases, unrelated to visible site content, within non-visible page elements (e.g. meta tags). The aim is optimization search engines rankings.
- **Unauthorized software downloads** – highly aggressive approach which amounts to download of software (e.g. containing embedded advertising) onto the computer of consumer, without his/her awareness and acceptance.
- **Spoof pages** – tactic is based on placing in a Web site special pages (containing selected words or brand names) in order to attract search engine traffic for higher ranking on search results.
- **Typo-piracy and cyber squatting** – approach based on usage misspelled brand names in order to divert traffic to an unintended Web site.
- **Changing home pages or favorites** - unauthorized replacement of a home page setting or adding a Web site address to the user's “favorites” list.
- **Visible seeding** – this tactic means incorporation of trusted brands, proprietary content or key words within visible elements of page (e.g. title, URL) to optimize search engine rankings

² On the Top 20 Download list of the popular Web site ZDNet from January 10, 2002 two programs blocking pop-up ads hold very high rank. Namely, Zero Popup was ranked second, while Pop-Up Stopper seventh.

- **Mislabeled links** – tactic based on false labeling of hyperlinks sending consumer to an unintended destination.
- **Framing** – keeping consumer (convinced that he or she left a site) on the original Web site while viewing the content of another, through the original site's window.

It is estimated that over 25% of all Web sites are now employing one of mentioned above tactics [1].

As another symptom of growing intrusiveness of marketers on-line should be also perceived introduction by IAB in February 2001, new standards of banner sizes. Added new units are larger, more visible and cover bigger part of a browser window. Undoubtedly, this action was a result of the frustration caused by effectiveness of Internet advertising significantly lower than it was expected few years ago. One of symptoms of such situation is continuously falling click-through rate, considered as important (although not the only one³) metric of on-line advertising effectiveness. In the middle of 1996 the average CTR was 2,1%, in 1998 it was 1%, while in July 2001 it declined to 0,28% [14].

But consumers are not only bombarded with advertisements on the Web. Since marketers very eagerly reach for e-mail as marketing tool, one of the biggest problems consumers face today are numerous unsolicited messages containing ads⁴ received by them almost everyday. The motivation for spam usage is based on three elements [17]:

- minimal cost of obtaining new e-mail address,
- the marginal cost of contacting additional consumer,
- easiness to deceive the consumer.

According to Jupiter Media Metrix, by 2006 the average Internet user will receive each year about 3,800 e-mails, including 1,400 spams [13]. Growing popularity of mobile phones causes that also this communication channel has been used by marketers for “attacking” consumers. More and more popular becomes usage SMS messages for forwarding ads⁵.

Taking into consideration all mentioned above issues, it seems that it can be distinguished three predominant characteristics of utilization the electronic environment for marketing purpose, which can be observed nowadays:

³ Internet Advertising Bureau underlines branding effectiveness of banners [7].

⁴ It estimated that nowadays spam accounts for 10% of all messages sent over the Internet [11].

⁵ According to the study conducted by Forrester Research in January 2002, 56% of direct marketers plan regular SMS campaigns by next year and devoting about 7% of their budgets to SMS marketing by then [10].

- rising aggressiveness,
- mass-marketing approach usage,
- fascination of technological novelties.

3. Challenges Emerging on the Threshold the New Marketing Era

The new marketing era means not only revising so far used paradigms or developing new approaches to the relationship between a company and a consumer, but also emergence of challenges unknown in the traditional “mass-marketing world”. Although nowadays marketing seems to be on the threshold of the new era, numerous challenges have already appeared - mostly ethical ones. They relate mainly to two issues [5]:

- utilization of various marketing techniques,
- consumer information protection.

As the first issue is concerned, there is important question which should be asked. Namely, how the new marketing tools and techniques will be used? In fact there are two options which may be followed:

- employing them in a short-sighted manner in order to achieve temporary benefits,
- their utilization in a such way which will lead to establishing long-term relationships with customers, based on mutual trust and satisfaction.

Unfortunately, most of marketers prefer first approach which raises numerous ethical concerns. Examples of such behavior are various aggressive techniques employed on the Web as spawning “mouse-trapping” or cookies utilization. Also in case of e-mail usage as a marketing tool, both approaches are easily noticeable. Forwarding unsolicited promotional messages to thousands of consumers without asking them for their permission to receive them is an example of the first option. The same is in situation when opt-out practice (preferred by many marketers) is employed. In fact only in case of usage opt-in base, building relationship with a customer takes place.

Second challenge, which becomes more and more important on the threshold of the new marketing era is consumer information protection. While in mass marketing era customers of brick-and-mortar stores or supermarkets were almost completely anonymous, with development of e-reality the situation has dramatically changed. Because of technological advances (Internet technologies, CRM software)

organizations can easily collect very detailed information about their customers or prospects, as noticed by Kelly, “on an unprecedented scale” [8]. And organizations has already started to do it. Survey of commercial Web sites conducted by the Federal Trade Commission in March 1998 revealed that in case of the sites form Comprehensive Sample (sample drawn form all commercial U.S. sites), 92% of them collected personal information of various type. Their scope was very wide comprising name, e-mail and postal address, telephone and fax number, credit card number, Social Security Number (SSN) etc. (see Fig. 1)

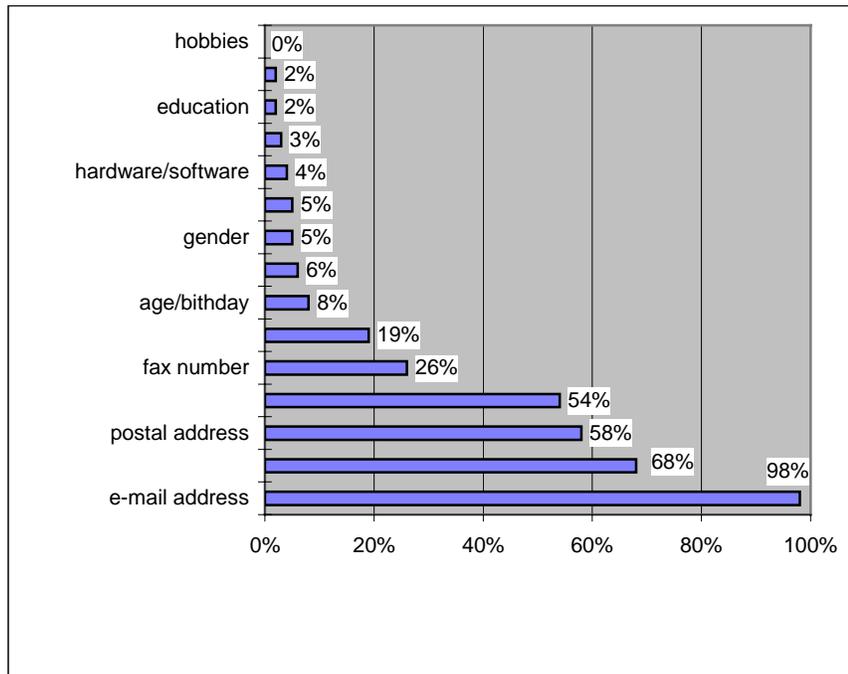


Figure 1: Personal Information Collected by the Commercial Web Sites in the U.S.

Source: [4]

So as marketing’s future will be more and more based on common utilization of databases containing detailed information about customers⁶, issue which becomes to be of great importance is personal information handling. It relates to such aspects as [5]:

- usage of collected information (e.g. disclosure to third parties)
- protection of information transfer and storage,

⁶Importance of database marketing underlines marketing ”guru” Philip Kotler (see [12]).

- consumer's access to the information about him/her,
- possibility of consumer to review and correct the information,
- permission of consumer for gathering information about him/her.

Cases of trading databases containing detailed customers' information⁷ (despite fact that they were assured that such data will be never shared with third parties), which has already taken place show that this issue will a key aspect of the new marketing reality.

4. Opportunities to Be Exploited

In spite of numerous opportunities emerging with internet-based technologies development, most of marketers still fail to exploit them. It happens despite interactivity of the new environment and opportunities for rapid, low cost communication. In that regard very good example seems to be response rate to customer service e-mail enquiries. According to report of Jupiter Media Matrix, in case of almost one-third of U.S. brick-and-mortar retail companies operating on-line, their response time was more than 3 days or there was no response at all (see Fig. 2). What can be really amazing in case of Dot-Coms, results were even worse.

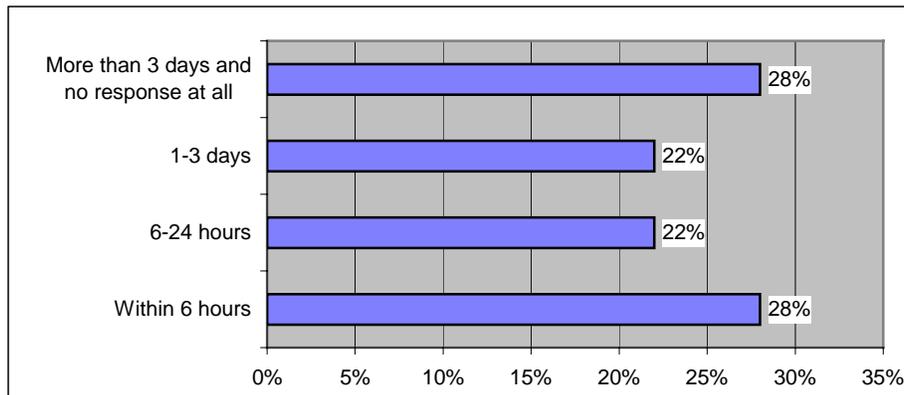


Figure 2: U.S Brick-And-Mortar Retailers' Response Time to Customers' On-Line Inquires

Source: [3]

⁷ In 2000 on-line drugstore More.com decided to sell HealthCentral.com all assets, including customer list together with information about products and prescriptions purchased by them [17].

Acting in this way companies lose unique chance for establishing and developing long-term personal relationships with their customers and their loyalty. This kind of behavior is completely incomprehensible in situation of rapidly growing competition level where customers' loyalty is the key aspect.

It seems that in case of most of companies the basic problem is that although they eagerly employ various new marketing tools and techniques, in fact they haven't redesigned their marketing processes in order to adapt them to the new conditions. Since these processes are adjusted to the mass marketing reality they require implementing deep changes, otherwise companies will fail to exploit numerous opportunities offered by electronic environment. It relates to many aspects as [15]:

- scope of new tools utilization,
- policy of their usage,
- employees' training,
- shifts in so far used procedures,
- changes in workers' scope of responsibilities,
- integration on-line and off-line activities.

In fact redesign necessity of marketing processes was forecasted in 1996 by Gartner Group in its "Interactive Marketing Strategic Analysis Report", although company was too optimistic predicting that by the year 2000 "70 percent of enterprises will reengineering and automate their marketing process" [9]. Also proposed by them new interactive marketing model (see Fig. 3) based on utilization databases containing detailed customers data still waits to be commonly implemented.

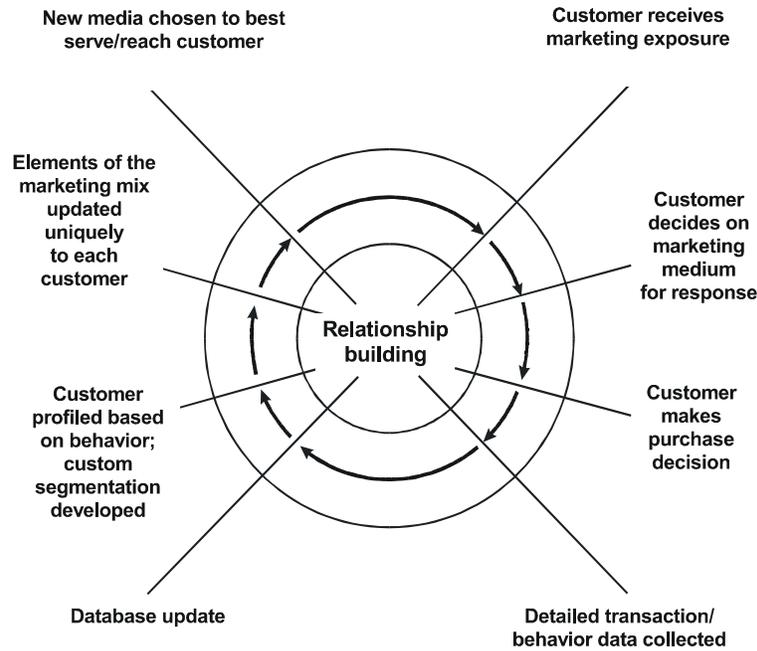


Figure 3: *New Interactive Marketing Model*

Source: [9]

It's obvious that possible strategies of utilization new marketing opportunities are quite different in various industries. They depend on many issues as specificity of industry, type of offered products, possibilities of single customer identification or chances of collecting information about his or her preferences. For example many opportunities for implementation one-to-one marketing approach have financial institutions as banks. The most important elements deciding about it comprise [18]:

- possibility of each customer identification and detailed information about him or her,
- intangible character of offered products,
- utilization of various communication channels,
- usage of numerous distribution channels.

Basing on mentioned above issues, banks are able to prepare a customized offer for an individual customer and reach him or her with tailored promotional message, using for this purpose medium which is the most preferred by a client (eg. e-mail, SMS, phone etc.). Numerous CRM initiatives undertaken by banks around the world prove that many of them have noticed such chances.

In quite different situation are such companies as breweries for which their customers are completely anonymous and which have no chance to customize their products. An example of one of the biggest Polish breweries proves that also in this situation there are chances for implementation new marketing approach. Recently this company made the SMS campaign, reaching some of its potential customers with personalized message promoting one of its new brands of beer. Their names and mobile phones numbers were collected during various competitions on Web sites.

Mentioned above examples prove that marketers from all types of companies, operating in various industries can utilize opportunities arising with electronic environment development. The basic challenge is choosing such strategy of new tools and techniques exploitation which would be the most appropriate for a specific business activity of a firm.

5. Conclusions

It seems that for the time being opinions that marketing has already entered the new era are obviously premature. In fact it is rather on its threshold. As it can be commonly observed, relatively low number of marketers perceive specificity of the new medium and the whole opportunities it provides, while majority of them follows stereotypical mass marketing approach. Instead of utilization new tools and techniques for building long-term relationships with customers, which is undoubtedly difficult and arduous process, they prefer to use them in the manner characteristic for “interruptive marketing” (see [6]), “bombarding” clients more heavily. Now both: on-line and off-line. It is very short-sighted policy and undoubtedly this is not the right way to achieve success in the new reality – e-reality. Only those of them who will understand peculiarity of the new business environment and redesign their marketing processes can succeed.

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