Topics

- Netflix: The Next Blockbuster?
- Consumer Online: The Internet Audience and Consumer Behavior
- Basic Marketing Concepts
- Internet Marketing Technologies
- B2C and B2B E-Commerce Marketing and Branding Strategies
Consumers Online

- The Internet Audience
  - Who use the Web?
  - Who shop on the Web?
  - What do they buy?

Consumer Profile: Internet Traffic Patterns

- Intensity and Scope of Usage
- Demographics and Access
  - Gender, Age, Ethnicity, Community Type, Income Level, Education
- Type of Internet Connection
  - Broadband and Mobile
- Community Effects
  - Social Contagion in Social Networks
- Lifestyle and Sociological Impacts
- Media Choices and Multitasking
  - Online, email, Facebook, TV, Radio, etc
Consumer Behavior Models

- Figure 6.1 A general Model of Consumer Behavior

![Diagram of Consumer Behavior Models]

Consumer Behavior Models

- Figure 6.2 The Consumer Decision Process and Supporting Communications

<table>
<thead>
<tr>
<th>MARKET COMMUNICATIONS</th>
<th>Awareness—Need Recognition</th>
<th>Search</th>
<th>Evaluation of Alternatives</th>
<th>Purchase</th>
<th>Post-purchase Behavior—Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline Communications</td>
<td>Mass media</td>
<td>Print ads</td>
<td>Reference groups</td>
<td>Promotions</td>
<td>Warranties</td>
</tr>
<tr>
<td>Online Communications</td>
<td>Search engines</td>
<td>Online catalogs</td>
<td>Search engines</td>
<td>Online promotions</td>
<td>Communities of consumption</td>
</tr>
<tr>
<td></td>
<td>TV</td>
<td>Catalogs</td>
<td>Direct mail</td>
<td>Search engines</td>
<td>Newsletters</td>
</tr>
<tr>
<td></td>
<td>Radio</td>
<td>Print ads</td>
<td>Mass media</td>
<td>Online catalogs</td>
<td>Customer e-mail</td>
</tr>
<tr>
<td></td>
<td>Social media</td>
<td>Mass media</td>
<td>Opinion leaders</td>
<td>Site visits</td>
<td>Online updates</td>
</tr>
<tr>
<td></td>
<td>Social networks</td>
<td>Product people</td>
<td>Mass media</td>
<td>Product reviews</td>
<td>Social networks</td>
</tr>
<tr>
<td></td>
<td>Social networks</td>
<td>Social networks</td>
<td>Product reviews</td>
<td>User evaluations</td>
<td>Online updates</td>
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<td></td>
<td>Social networks</td>
<td>Social networks</td>
<td>Social networks</td>
<td>Social networks</td>
<td>Social networks</td>
</tr>
</tbody>
</table>

Legend:
- Mass media: TV, Radio, Social media
- Print ads: Catalogs, Online catalogs
- Reference groups: Opinion leaders, Mass media
- Promotions: Direct mail, Mass media
- Warranties: Service calls, Parts and repair
- Communities of consumption: Newsletters, Customer e-mail
Consumer Behavior Models

- Figure 6.3 A Model of Online Consumer Behavior

Figure 6.4 Online Shoppers and Buyers

- Did not shop or buy online: 12%
- Shop online but did not buy: 15%
- Online buyers: 73%
Consumer Behavior Models

Figure 6.4 What Consumers Buy Online

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount Spent (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass merchant/department store</td>
<td>$56.5</td>
</tr>
<tr>
<td>Computers/electronics</td>
<td>$26.0</td>
</tr>
<tr>
<td>Office supplies</td>
<td>$18.0</td>
</tr>
<tr>
<td>Apparel/accessories</td>
<td>$8.0</td>
</tr>
<tr>
<td>Books/music/video</td>
<td>$5.3</td>
</tr>
<tr>
<td>Housewares &amp; home furnishings</td>
<td>$4.1</td>
</tr>
<tr>
<td>Health/beauty</td>
<td>$4.1</td>
</tr>
<tr>
<td>Specialty/non-apparel</td>
<td>$3.5</td>
</tr>
<tr>
<td>Hardware &amp; home improvement</td>
<td>$3.3</td>
</tr>
<tr>
<td>Food/drug</td>
<td>$3.0</td>
</tr>
<tr>
<td>Sporting goods</td>
<td>$2.1</td>
</tr>
<tr>
<td>Toys/hobbies</td>
<td>$1.6</td>
</tr>
<tr>
<td>Flowers/gifts</td>
<td>$1.1</td>
</tr>
<tr>
<td>Jewelry</td>
<td>$1.0</td>
</tr>
</tbody>
</table>

Table 6.7 Why Internet Users Do Not Buy Online

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Want to see and touch before buying</td>
<td>34%</td>
</tr>
<tr>
<td>Concerns about personal financial information</td>
<td>31%</td>
</tr>
<tr>
<td>Delivery costs are too high</td>
<td>30%</td>
</tr>
<tr>
<td>Concerns that returns will be a hassle</td>
<td>26%</td>
</tr>
<tr>
<td>Prefer to research online, then buy in a store</td>
<td>24%</td>
</tr>
<tr>
<td>No need to buy products online</td>
<td>23%</td>
</tr>
<tr>
<td>Can’t speak to a sales assistant in person</td>
<td>14%</td>
</tr>
</tbody>
</table>
Basic Marketing Concepts

- Figure 6.6 Feature Set (Each element in the Feature Set can be used to differentiate a product from others in the market)

- Figure 6.7 Marketing Activities: From Product to Brands
Internet Marketing Technologies

- Impacts
  - Scopes
  - Richness
  - Information Intensity

- Technologies
  - Web Transaction Logs
  - Tracking files
  - Database, Data Warehouses, Data Mining
  - Advertising Networks
  - CRM (customer relationship management) Systems

Internet Marketing Technologies

- Web Transaction Logs
  - Built into Web server software
  - Record user activity at Web server site
  - Webtrends: Leading log analysis tool
  - Provides much marketing data, especially combined with:
    - Registration forms
    - Shopping cart database
  - Answers questions such as:
    - What are major patterns of interest and purchase?
    - After home page, where do users go first? Second?
Internet Marketing Technologies

- Tracking Files
  - Track browsing activities, from site-to-site

- Four Types of Tracking Files
  - Cookies
    - Small text file placed by Web site
    - Allow Web marketer to gather data
  - Flash cookies
  - Beacons (bugs)
  - Apps

Insight on Society: Every Move you Take, Every Click you Make, We’ll be Tracking you

- Are beacons innocuous? Or are they an invasion of personal privacy?

- Do you think your Web browsing should be known to marketers?

- What are the Privacy Foundation guidelines for Web beacons?

- Should online shopping be allowed to be a private activity?
Internet Marketing Technologies

- Databases
  - Stores records and attributes
  - Database management system (DBMS):
  - SQL (Structured Query Language):
  - Relational database:
    - Represents data as two-dimensional tables with records organized in rows and attributes in columns; data within different tables can be flexibly related as long as the tables share a common data element

Figure 6.9 A Relational Database View of E-Commerce Customers
Data Warehouses and Data Mining

- **Data warehouse:**
  - Collects firm’s transactional and customer data in single location for offline analysis by marketers and site managers

- **Data mining:**
  - Analytical techniques to find patterns in data, model behavior of customers, develop customer profiles
    - Query-driven data mining
    - Model-driven data mining
    - Rule-based data mining
    - Collaborative filtering

Insight on Technology: The Long Tail: Big Hits and Big Misses

- What are “recommender systems”? Give an example you have used.

- What is the “Long Tail” and how do recommender systems support sales of items in the Long Tail?

- How can human editors, including consumers, make recommender systems more helpful?
Internet Marketing Technologies

Technologies

• Web Transaction Logs
• Tracking files
• Database, Data Warehouses, Data Mining
• Advertising Networks
• CRM (customer relationship management) Systems

Figure 6.10 A Customer Relationship Management System
B2C and B2B E-Commerce Marketing and Branding Strategy

Figure 6-11 Generic Market Entry Strategies

<table>
<thead>
<tr>
<th>&quot;CLICKS&quot; PURE PLAY</th>
<th>NEW FIRM</th>
<th>EXISTING FIRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>First mover</td>
<td>Amazon.com</td>
<td>Fast follower</td>
</tr>
<tr>
<td>eBay.com</td>
<td>Netflix</td>
<td>RiteAid</td>
</tr>
<tr>
<td>Alliances</td>
<td>KBKids.com</td>
<td>Brand extender</td>
</tr>
<tr>
<td>(BrainPlay.com)</td>
<td>KB Toys</td>
<td>L.L.Bean</td>
</tr>
</tbody>
</table>

Establishing the Customer Relationship

- Advertising networks
  - Ad server selects appropriate ad based on cookies, Web bugs, backend user profile databases
- Advertising exchanges
  - Auction ad slots over many advertising networks
- Permission marketing
- Affiliate marketing
B2C and B2B E-Commerce Marketing and Branding Strategy

Figure 6-12 How an Advertising Network Such as DoubleClick Works

Establishing the Customer Relationship

- Viral marketing
- Blog marketing
- Social network marketing
  - Driven by social e-commerce
    - Social sign-on
    - Collaborative shopping
    - Network notification
    - Social search (recommendation)
- Mobile marketing
Insight on Business: Class Discussion
Social Network Marketing: Let’s Buy Together

- Why do social networks represent such a promising opportunity for marketers?
- What are some of the new types of marketing that social networks have spawned?
- What are some of the risks of social network marketing? What makes it dangerous?
- Have you ever responded to marketing messages on Facebook or another network?

Establishing the Customer Relationship

- Social marketing and wisdom of crowds
  - Large aggregates produce better estimates and judgments, e.g.,
    - “Like” button
    - Folksonomies
    - Social tagging
- Mobile platform marketing
- Local marketing
- Brand leveraging
Customer Retention

- Mass marketing
- Direct marketing
- Micromarketing
- Personalized, one-to-one marketing
- Personalization

Other Customer Retention Marketing Techniques

- Customization
  - Customizing product to user preferences
- Customer co-production
  - Customer interactively involved in product creation
- Customer service
  - FAQs
  - Real-time customer service chat systems
  - Automated response systems
**B2C and B2B E-Commerce Marketing and Branding Strategy**

- Figure 6-13 The Mass Market-Personalization Continuum

<table>
<thead>
<tr>
<th>MARKETING STRATEGIES</th>
<th>MARKETING ATTRIBUTES</th>
<th>Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Marketing</td>
<td>Simple</td>
<td>All consumers</td>
</tr>
<tr>
<td>Direct Marketing</td>
<td>Stratified</td>
<td>Segments</td>
</tr>
<tr>
<td>Micromarketing</td>
<td>Complex</td>
<td>Micro-segments</td>
</tr>
<tr>
<td>Personalized, One-to-one Marketing</td>
<td>Highly complex</td>
<td>Individual</td>
</tr>
</tbody>
</table>

**Net Pricing Strategies**

- **Pricing**
  - Integral part of marketing strategy
  - Traditionally based on:
    - Fixed cost
    - Variable costs
    - Demand curve
- **Price discrimination**
  - Selling products to different people and groups based on willingness to pay
Net Pricing Strategies (cont.)

- Free and freemium
  - Can be used to build market awareness
- Versioning
  - Creating multiple versions of product and selling essentially same product to different market segments at different prices
- Bundling
  - Offers consumers two or more goods for one price
- Dynamic pricing:
  - Auctions
  - Yield management
  - Flash marketing

Channel Management Strategies

- Channels:
  - Different methods by which goods can be distributed and sold
- Channel conflict:
  - When new venue for selling products or services threatens or destroys existing sales venues
  - e.g., online airline/travel services and traditional offline travel agencies
- Some manufacturers are using partnership model to avoid channel conflict
Summary