E-marketing -- A New Concept

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This paper attempts to contrast e-marketing with traditional brick-and–mortar marketing by proposing the 7 Cs of e-marketing.

These 7 Cs are fundamental to understanding the intricacies of Internet marketing and to transforming a venture from being a mere web presence to a highly successful e-venture. They are also instrumental in shaping the overall business strategy and the economic model that an organization needs to adopt.

The value propositions of products and services offered in the physical world are essentially limited "point solutions" that meet only part of a consumer's need or want. In the online world, even a simple banner advertisement can be both an advertisement and a direct marketing service. The banner raises the passive consumer's awareness of a product. Yet it also encourages the consumer to pursue action by clicking on it.

E-marketing must be defined to include the management of the consumer's online experience of the product, from first encounter through purchase to delivery and beyond. Digital marketers should care about the consumer's online experiences for the simple reason that all of them -- good, bad, or indifferent -- influence consumer perceptions of a product or a brand. The web offers companies' ownership and control of all interactions with customers and thus creates both the ability and the need to improve their overall experience.

There are two reasons for building the concept of e-marketing around consumer experiences. First, this approach forces marketers to adopt the consumer's point of view. Second, it forces managers to pay attention to all aspects of their digital brand's interactions with the consumer, from the design of the product or service to the marketing message, the sales and fulfillment processes, and the after-sales customer service effort.

The 7 Cs of E-Marketing

The Internet allows for the entire sales cycle to be conducted on one medium, nearly instantaneously. From making the consumer aware of the product to providing additional information to transacting the final purchase, the Internet can accomplish it all. The Internet is like one big point-of-sales display, with easy access to products and the ability for impulse shopping. Impulse shoppers have found a true friend in the Internet. Within seconds from being made aware of a product, consumers can purchase it online. Further, with the targeting techniques available to advertisers, consumers who turn down a product because of the price can be identified and served a special offer more likely to result in a purchase. In the right hands, with the right tools, the Internet really is an advertiser's dream come true.

As opposed to the 4 Ps of brick-and-mortar marketing, the changing outlook in the area of e-marketing can be explained on the basis of 7 Cs of e-marketing.

Contract: The e-marketer's first goal is to communicate a core promise for a truly distinctive value proposition appealing to the target customers.

Content: refers to whatever appears on the website itself and on hot linked websites. If chosen appropriately, it can increase both the rates at which browsers are converted into buyers and their transactions.

Construction: The promises made by e-marketers are not unique to the Internet, but the medium's interactive capabilities make it easier for them to deliver on their promises quickly, reliably, and rewardingly. In practice, this means that promises must be translated into specific interactive functions and Web design features collectively giving consumers a seamless experience. Such design features as one-click ordering and automated shopping help deliver the promise of convenience.

Community: Through site-to-user and user-to-user forms of interactivity (such as chat rooms), e-marketers can develop a core of dedicated customers who become avid marketers of the site too.

Concentration: Targeting through online behavioral profiling. Advertisers have known for some time that behavioral targeting (a.k.a., profiling) is vastly superior to simple demographic targeting. Knowledge of a consumer's past purchases interests, likes/dislikes, and behavior in general allows an advertiser to target an advertisement much more effectively. Department stores have long kept track of consumers' past purchases. They are thus able to project what other types of products a consumer might be interested in and then send an appropriate coupon or sale offer. Credit card companies are the ultimate gatherers of behavioral targeting information. They maintain vast databases of cardholders' past transactions, and they sell lists of this data to advertisers. The same type of behavioral model is forming on the Internet. Publishers and advertisement networks monitor the items that a consumer has expressed interest in or purchased on a site (or network of sites) in the past and target advertisements based on this information.

Convergence: We will soon enter the next round of the E-marketing battle as broadband reaches the masses. The Internet will become more ubiquitous and wireless; televisions will become more interactive; video/data/voice appliances will converge; brand advertising and direct marketing practices will integrate; domestic brands, commerce and marketing will become even more global; and big marketing spenders will spend more money online. Many companies that are well positioned today will need to continue to evolve to take advantage of the opportunities. The success of Internet advertising companies will largely be driven by how they maneuver among the coming developments. Rich media, brought on by broadband, will allow advertisers much greater creativity by bringing in new types of advertising to the Internet, as well as enhancing some of the more traditional forms. Broadband technology will allow the convergence of television and the Internet.

Dubbed "interactive TV," in its simplest form, will consist of a television with some interactive capabilities. Basically, a user will see a television screen that is three-quarters traditional television, but with a frame that has Internet capabilities. This frame will allow users to access up-to-the-minute sports scores or news on the Web, for example. More importantly for E- marketers, it would allow viewers to immediately leap to the website of an advertiser whose ad was being shown. The user could find out more information or order the product right there.

Commerce: The last emerging fundamental of e-marketing is commerce, whether it includes offering goods and services directly, or marketing those of another company for a fee, thus helping to cover the fixed costs of site operations and to offset customer acquisition costs.

To be successful on the Internet, e-marketers will have to do more than reproduce their off-line business models on line because these business models work only at considerable scale. Interestingly, It is possible for online marketers to be profitable even at lower sales volume if they exploit efficiencies in e-Emarketing and synergies with the off-line business, with examples as follows.

Exploiting more than one channel to close the transaction: Although early winners on the web might belong to an exclusive club of Internet start-up companies, established players in the off-line industry can catch them and even overtake them by offering a choice of channels.

Leveraging low customer acquisition costs: Traditional brick-and-mortar companies can bring their existing customers online at a much lesser cost than Internet start-up companies who must lay out a hefty amount per head to acquire customers.

Exploiting alternative revenue streams: An online presence offers an E-marketer a wider variety of sales opportunities. For web-based retailers, acting as an agent on behalf of the customer can become a revenue source in the future.

Purchasing scale at low volumes: E-marketers can cut down on their purchasing cost and shorten their procurement cycle by replacing EDI tools with Internet based ones that facilitate product comparison, streamline logistics, and help B2B vendors aggregate their retailer's back office purchases.

Reducing customer churn: Given the high cost of replacing established customers, losing them is expensive. A web presence supplies the personalized attention that could keep customers loyal.

Maximizing the pricing potential: It has been reported by consumer researchers that buyers shop online more for convenience than for cost. In view of this relative indifference to price, e-marketers can capture some margin premium, at least in the early days of their sites.

Challenges in e-marketing: Every online fulfillment operation, large or small, faces four main challenges: controlling customer data, integrating on- and off-line orders, delivering the goods cost-effectively, and handling returns.

Controlling customer data: As outsourcing arrangements proliferate and delivery services become more expert in using information technology, e-marketers risk losing their lock on consumer data. In an economy where knowledge is revenue as well as power, e-marketers must consider how to strike a balance between the efficiencies offered by the out-sourcing of fulfillment and the confidentiality that keeping data in-house preserves.

Integrating on and off-line orders: When the volume of orders is high, companies must decide how much integration they need. In a totally integrated system, Internet orders would be automatically transmitted through a processing center and transferred to the supplier's manifest. An integrated system with full ERP (enterprise resource-planning) capabilities, for example, can ensure that surges in demand don't retard key fulfillment operations such as data entry, inventory, and packing.

Although the problems of rapid growth are complex in themselves, the lack of a fully integrated order management system compounds them. In the future evolution of the Web, however, integration will become essential for building effective customer service and package-tracking systems.

Delivering the goods cost-effectively: At present, every single transaction challenges e-marketers to deliver the goods quickly, cheaply, and conveniently. But this is largely a technical and logistical problem, and it will be possible (though perhaps expensive) to solve it by developing new sorting and scanning equipment and by deploying larger delivery vehicles. Making contact with the recipient is a trickier problem but one that must be resolved if the full potential of "e-impulse" orders is to be realized, for an impulse purchase loses its power to gratify if the product or service takes too long to appear. But since each missed delivery adds as much as a full day to the fulfillment process, spanning that "final mile" to the home can take longer than traveling the rest of the fulfillment loop.

Handling returns: E- marketers, with their emphasis on convenience and customization, must match the high standard of service exhibited by some physical marketers regarding returns. At present, they do not. To begin with, few ecommerce retailers (or mail order companies, for that matter) design their packaging for easy returns. Customers often have to find new packing materials, call to arrange credits and refunds, and physically take packages to delivery services. Each step represents an inconvenience that, however minor, can combine with others to create negative feelings about the vendor. Even if a convenient solution for returns were developed, e-marketers might discover that impulse sales carry hidden costs. The implication is that fulfillment costs must be driven down to preserve profitability.

Choice of Marketing Strategy

An online company's choice of marketing strategy will depend on four main variables: the nature of the customer's interaction with the product and seller; the current capabilities of the business; the capabilities that are (or will become) "commodity" operations, in which competitive advantage cannot be sustained; and the trade-off between time and control.

This is essentially a value chain concept (as propounded by Porter) whereby e-marketers look at each component of the value chain and the support activities to determine where and in what form can they add value to the customer. This translates into their competitive advantage. And in this entire process, it is the 7 Cs of e-marketing that act as fundamental guiding principles.

Rethinking the business model

As e-marketers align the "contract" and the "construction," they must also align the economic model that will sustain their businesses. For most of them, the very process of taking the brand online will force a fundamental reconsideration of the business.

Digital brands offer a richer consumer experience than their physical-world counterparts, so they can and should make money by tapping into broader revenue and profit pools than any single physical-world business might enjoy. The economic model must be expanded because building digital brands around consumer experiences is expensive. A number of different sources of revenue ultimately make it possible for an e-business to deliver a richer experience to the consumer. Since online consumers expect combinations of product types and functional benefits different from those expected by off-line consumers, marketers must adopt several different economic models to succeed.

There are four basic economic models. The success of an e-marketing foray rests on the skill with which two or more of them are combined.

Channel supporter: E-marketers can use the Internet more to support their existing channels than to generate additional sales. Beyond cross-channel promotions, many brick-and-mortar companies can use the web to increase their customers' understanding of their products and services. Others can harness the web's interactivity to improve their product development and product mixes by inviting customer responses on their web sites.

Advisory and information service providers: An expert (such as an investment adviser or a personal shopper) can offer consumers unbiased advice for a fee. A business can also collect, process, and sell information through the Internet.

Retail model: Vendors or products can be aggregated to facilitate transactions for buyers. Many companies can also achieve success as online auctioneers. Sellers of goods and services can provide the content; community may come from matching sellers with buyers and setting bidder against bidder; and commissions on sales and advertising revenue can generate the commerce.

Vertical model: The business model that may take the greatest advantage of the Internet is the vertical model, which specializes, in a particular category or a product. It might provide specialized information and advise as well as access to a community with common interests.

Creating winning e-marketing strategies would require managers to reconsider how they view both Internet and marketing. Off-line Marketers have long thrived by delivering narrow solutions to limited customer needs. Online, however, customers have learned to expect that the companies they patronize will meet a much fuller spectrum of their needs and desires. To succeed online, those companies will have to create full-fledged Internet businesses, or digital experience, that can fulfill this expectation.

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