Models of Internet Marketing

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Abstract

This paper examines some of the existing models in Internet Marketing and thereby provides a backdrop for further investigators to proceed upon. As the battle for competition in the market intensifies, capital is increasingly becoming concentrated and centralized. The emergent business world is one of cartels, customs unions and strategic alliances of all possible hues. As technologies expand and simultaneously as the concept of a border less universe is actualized, communication becomes a key denominator of progress. Speed and time take on a greater relevance. Along with this change is witnessed an increasing disequilibrium in the market place caused by change that is at once non-linear and non-Newtonian to quote Sadri. Markets are expanding in terms of mass, magnitude and direction at a hitherto unheard of pace. This resultant market disequilibrium is dynamic in nature and business decisions increasingly have to be taken under conditions of relative uncertainty. It is in this overall climate that both marketing as a specialization and Internet as a technological instrument of communicating across space and time dimensions has gained prominence meriting a scientific investigation such as the present one.

Academicians agree that the mission of marketing, at its core, is to attract and retain customers. To accomplish this goal, a traditional bricks and mortar marketer uses a variety of marketing variables- including pricing, advertising and channel choice- to satisfy current and new customers. In this context, the standard marketing-mix tool-kit includes such mass-marketing levers as television advertising, direct mail, and public relations, as well as customer-specific marketing techniques such as the use of sales representatives.

A new era of marketing has emerged, with the advent of the internet and its associated technology-enabled, screen-to-face interfaces (like mobile phones, interactive television). Well respected academics and practitioners have called for new rules and urged debate about fundamental tenets of marketing, including segmentation, mass marketing, and regionalized programs. At the other extreme, academics have argued that both the basic building blocks of marketing strategy and the pathways to competitive advantage have remained the same.

The approach to be taken should ideally lie between these two extremes. We need to understand that new levers to the marketing mix would have to be added, segments would be narrowed, consumer expectations about convenience would forever be altered and competitive responses would happen in real time. In short, these are new, exciting changes that would have a profound impact on the practice of marketing. At the same time, some of the fundamentals of business strategy-seeking competitive advantage based on superior value, building unique resources, and positioning in the minds of the customers-would remain the same.

Definition and Scope of Internet Marketing

At the outset let us familiarize ourselves with the core concepts associated with marketing. Keeping the same in mind, let us first look at the basic American Marketing Association (AMA) definition of marketing. This will help us define internet marketing and understand its scope.

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

The definition above has four critical features. These are:

(i) Marketing is a Process: A process is a particular method of doing an activity, generally involving a series of steps or operations. The classical marketing approach involves four broad steps: market analysis, market planning, implementation and control. Market analysis involves searching for opportunities in the marketplace, upon which a particular firm-with unique skills-can capitalize. Market planning requires segmentation, target market choice, positioning, and the design of the marketing mix (also called the 4Ps, or marketing program). Market implementation includes the systems and processes to go to market with the marketing program. Finally, marketing control refers to the informal and formal mechanisms that marketing managers can use to keep the marketing program on course. Analysis, planning, implementation and control collectively provide a process for marketing managers to follow in the design and execution of marketing programs.

(ii) Marketing Involves a Mix of Product, Pricing, Promotion, and Distribution: Successful marketing programs do not involve only one action, such as design of a great product. Rather, the most successful marketing programs involve mixing the ingredients of marketing to deliver value to customers. The mixing entails blending the right amounts of the 4Ps, at the right time, and in the right sequence. Too often, marketing programs fail because they allocate too many (or too few) resources in an uncoordinated way. Many a times we have seen that a highly advertised product is not available in the store near your house.

(iii) Marketing is about Exchange: Marketing is not successful unless two parties exchange something of value. The buyer may exchange time, money, or services, while the seller must exchange something of value to the buyer. The traditional retail context provides the simplest illustration of this principle. A given consumer exchanges money for a
particular good or service. Here we must also note that exchange can also occur in a variety of non-monetary contexts. These include bartering, volunteering services, and political donations, too name a few.

(iv) Marketing is intended to Satisfy Individual and Organisational Needs: The aim of marketing is to provide a satisfactory outcome for both the firm and the customer. Firms can have highly satisfied customers if they provide services for free. However, these firms are not likely to have a long life. The key to modern marketing is simultaneously satisfying the customer, the firm and its shareholders. In the long run, the firm must have a positive cash flow or show a clear path to profitability for investors to maintain confidence.

Internet Marketing

Now that we have had a look at the definition of marketing, let's build upon the same and define internet marketing and discuss its scope.

Internet marketing is the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both parties.

The above definition can be divided into five critical components:

(a) It is a Process: Like a traditional-marketing program, an internet-marketing program involves a process. In comparison with the 4 steps of the marketing process, internet marketing has a more comprehensive process of seven stages or steps. The seven stages are setting corporate and business-unit strategy, framing the market opportunity, formulating the marketing strategy, designing the customer experience, designing the marketing program, crafting the customer interface, and evaluating the results of the marketing program.

(b) Building and Maintaining Customer Relationships: The goal of marketing is to build and create lasting customer relationships. Hence, the focal point shifts from finding customers to nurturing a sufficient number of committed, loyal customers. Successful marketing programs move target customers through three stages of relationship building: awareness, exploration and commitment. It is important to stress that the goal of internet marketing is not simply building relationships with online customers. Rather, the goal is to build offline (as relevant) as well as online relationships. The internet marketing program can well be part of a broader campaign to satisfy customers who use both online and offline services.

(c) Online: Internet marketing deals primarily with levers that are available in the world of the internet. But, as we have mentioned above the success of an internet marketing program may rest with traditional, offline marketing vehicles. Consider for example, the recruiting and job-seeking portal naukri.com. Naukri’s success can be tied directly to the effectiveness of its catchy television advertising and other promotions like print-media and hoardings.

(d) Exchange: At the core of both online and offline marketing programs is the concept of exchange. In the new economy, firms must be very sensitive to cross-channel exchanges. That is, an online marketing program must be evaluated according to its overall exchange impact—not just the online exchange impact. Hence, online marketing may produce exchanges in retail stores. Firms must be increasingly sensitive to these cross-channel effects if they are to measure the independent effects of online and offline marketing programs.

(e) Satisfaction of Goals of Both Parties: Let us understand this component with the help of the world’s most popular search portal Google.com. There are millions of users satisfied with the ability of this portal to help them search for any information which may be of use to them for any application. This drives the satisfied customers repeatedly to their site. To the extent that Google.com can monetize this loyalty—most likely, in the form of advertising revenue. In this case both parties will be satisfied. However, if the firm is unable to meet its financial obligations to employees, suppliers or shareholders, then the exchange is unbalanced. Customers are still happy, but the firm is unable to sustain its revenue model. Both parties must be satisfied for exchange to continue.

A Viewpoint on Its Scope and Impact

Based on the above discussion, we can explore the scope and impact of internet marketing programs. We will consider two important parameters which organizations use in their marketing formats, firstly the allocation of marketing resources and secondly the location of revenue streams. Consider exhibit 1 where we have divided the marketing resources allocation as online and offline and also the division of revenue streams as either online or bricks-and-mortar. This gives rise to four cells. Cell 1 represents a situation in which the marketing effort is online (for example banner ads, pop-ups) and the sales revenue is realized online. Online marketing clearly produces online-based revenue. The advertisements of online subscription services of the Harvard Business Review and the Far Eastern Economic Review are an example of this. However, consider cell 2. Here, the online marketing effort has led to revenue increases offline. The advertising effort of Suzuki motorcycles or Samsung electronics online pushes customers to their retail outlets. Cell 3 represents the reverse effect. That is, traditional offline marketing activities (for example the print and TV media advertisements and billboards of Naukri.com) drive traffic and purchases at the website. Cell 4 is a situation in which traditional advertising drives the traffic and purchases at the retail store.
The above discussion implies that a narrow view of internet marketing would be that it focuses primarily on cell 1. Advocates of this view would argue that it is only in this cell, that one can truly measure and attribute the effects of internet marketing. Other cells (or the spill-over effects) should not be counted. On the other hand, it could be argued that cells 1, 2 and 3 should be counted as part of the overall internet marketing effort. After all, the firm would realize lower total revenue if the cross-channel marketing effects did not occur. Hence, these cross-channel impacts should be considered part of internet marketing. Practically speaking, organizations must adopt the broad view of internet marketing. The benefits would be maximized when all four cells are coordinated and managed effectively in an integrated manner.

The definition and scope of internet marketing has given us some insight into the purpose of developing this area as an integral part of the business strategy of majority of organizations. It would be appropriate now for us to look at the various processes involved in making internet marketing a successful tool. These processes will be termed as the seven stages of internet marketing. Exhibit 2 depicts these stages in the form of a process cycle. The seven stages are: setting corporate and business-unit strategy, framing the market opportunity, formulating the marketing strategy, designing the customer experience, designing the marketing program, crafting the customer interface, and evaluating the results of the marketing program.

**STAGE ONE: Setting Corporate and Business-Unit Strategy:** Corporate strategy addresses the interrelationship between the various business units in a firm, including decisions about which units should be kept, sold, or augmented. Business-unit strategy focuses on how a particular unit in the company manages the market to gain competitive advantage. Consider, for example the popular website Amazon.com. Corporate strategy issues relate to the choice, mix, and number of business units such as books, music, electronics, kitchen ware, and tools/hardware. Once these business units are established and incubated in Amazon’s corporate headquarters, the senior leadership team of each unit sets the strategic direction and steers the business unit towards its goal.

**STAGE TWO: Framing the Market Opportunity:** Stage two entails the analysis of the market opportunities and an initial first pass of the business concept- that is, collecting sufficient online and offline data to establish the burden of proof of opportunity assessment. Lets say, for example, that you are running a major dot-com business such as Amazon. The senior management team is continually confronted with go/no-go decisions about whether to add a new business unit or develop a new product line within an existing business unit. What mechanism do they put in place to evaluate these opportunities? In this second stage of the internet marketing process, a simple six-step methodology helps evaluate the attractiveness of the opportunity. Exhibit 3 depicts the same.

The six steps include: seeding the opportunity, specifying unmet or underserved customer needs, identifying the target segment, declaring the company’s resource based opportunity for advantage, assessing opportunity attractiveness, and making the final go/no-go decision. This final choice is often a corporate or business-unit decision. However it is very important to stress that marketing plays a critical role in this market-opportunity assessment phase. In order for the firm to make an informed choice about the opportunity, the management team needs to obtain a sufficient picture of the marketplace and a clear articulation of the customer experience that is at the core of the opportunity. Thus, during the market-opportunity assessment phase, the firm also needs to collect sufficient market research data.
STAGE THREE: Formulating the Marketing Strategy: Internet marketing strategy is based upon the corporate, business-unit and overall marketing strategies of the firm. This set of linkages is shown in exhibit 4. The marketing strategy goals, resources, and sequencing of actions must be tightly aligned with the business-unit strategy. Finally, the overall marketing strategy comprises both offline and online marketing activities. This is illustrated in exhibit four with example of Amazon’s tools and hardware business unit.
Exhibit 3

FRAMEWORK FOR MARKET OPPORTUNITY

Seed Opportunity in Existing New Value System

Identify Unmet and Underserved Need (S)

Identify Target Segment (S)

Declare Company’s Resource-based Opportunity for Advantage

Assess Competitive, Technological, and Financial Opportunity Attractiveness

Make “Go/No Go” Assessment
STAGE FOUR: Designing the Customer Experience: Organizations must understand the type of customer experience that needs to be delivered to meet the market opportunity. The experience should correlate with the firm’s positioning and marketing strategy. Thus, the design of the customer experience constitutes a bridge between the high-level marketing strategy (step three) and the marketing program tactics (step five).

STAGE FIVE: Designing the Marketing Program: The completion of stages one to four of the internet marketing process, results in clear strategic direction for the firm. The firm by now has made a go/no-go decision on a particular option. Moreover, it has decided upon the target customer. Stage five entails designing a particular combination of marketing actions (termed levers) to move target customers from awareness to commitment. The framework used to accomplish this task is the Marketspace Matrix. Basically, the internet marketer has six classes of levers (pricing, product, communication, community, distribution and branding) that can be used to create target customer awareness, exploration, and, it is hoped, eventually, commitment to the firm’s offering. However prior to the discussion on the marketspace matrix, the stages of the customer relationship and the associated classes of levers must be studied.

Building and Nurturing Customer Relationships

A relationship can be defined as a bond or connection between the firm and its customers. The bond can originate from cognitive or emotional sources. The connection may manifest itself in a deep, intense commitment to the brand. (for example the Shoppers Stop First Citizens Club member). Whether defined as a function or an organization-wide culture, marketing is responsible for acquiring and retaining target customers. In this process, successful marketers manage to move desirable customers from awareness through exploration and, finally, commitment. Once customers reach commitment, the firm is in a position to observe their behaviour patterns and determine which customers to nurture and which customers to terminate (or serve at a lower level of cost). Managing this building and pruning process is one of marketing’s key tasks. The four stages of customer relationships are outlined in exhibit 5 and discussed below.
(a) **Awareness:** When customers have some basic information, knowledge, or attitudes about a firm or its offerings but have not initiated any communications with the firm, they are in the awareness stage. Consumers become aware of firms through a variety of sources, including word-of-mouth, traditional marketing such as TV advertising, and online marketing programs such as banner advertising. Awareness is the first step in a potentially deeper relationship with the firm.

(b) **Exploration:** In the exploration stage, both the customers (and firm) begin to initiate communications and actions that enable an evaluation of whether or not to pursue a deeper connection. This stage is also likely to include some trial on the part of the customer. Exploration is analogous to sampling songs at Planet M or a Music world store or test-driving a car. In the online world, exploration may take the form of frequent site visits, some e-commerce retail exchanges and may include phone call follow-ups on delivery times or e-mails about product inventory. The exploration stage may take only a few visits or perhaps years to unfold.

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**Exhibit 5**

**THE FOUR KEY STAGES OF CUSTOMER RELATIONSHIP**

(c) **Commitment:** In this context, commitment involves feeling a sense of obligation or responsibility for a product or firm. When customers commit to a website, their repeated, enduring attitudes and behaviour reflect loyalty. Commitment is a state of mind (for example, I strongly prefer Amazon.com over Barnes&Noble.com) as well as a pattern of behaviour (example all my online books are bought at Amazon.com). One direct measure of commitment to a particular site is the extent to which the individual has invested in customizing the site (example creating a My-weather page on weather.com).

(d) **Dissolution:** Not all customers are equally valuable to the firm. In an industrial marketing context, managers often refer to the 80/20 rule of profitability. That is, 20% of the customers would provide 80% of the profit. By implication, therefore, a large number of customers are unprofitable or have high cost to serve. Firms must segment their most valuable and less valuable customers. The most valuable customers may be identified based on profit, revenue, and/or strategic significance (example, a large well-regarded customer may not be profitable but opens the door to new accounts). The firm does not want this set of customers to terminate the relationship.

On the other hand, unprofitable, non-strategic customers are a different matter. Often it is in the best interests of the firm to terminate the relationship or encourage this set of customers to disengage with the firm.

The four stages of customer relationships discussed above, vary by the intensity of the connection between the firm and the customer as shown in Exhibit 6. Intensity of connection may be defined as the degree or amount of connection that unfolds between the firm and its target customers. Three dimensions mentioned below, capture the intensity of the frequency of the connection (how often does the customer visit the site), the scope of the connection (how many different points of contact does the customer have with the firm), and the depth of contact (how thoroughly is the customer using the site).

A customer might visit a website such as Amazon on a regular basis, but only to purchase books. This visitor would have a high level of contact but a low level of scope. Another customer might visit Amazon frequently but not stay on the site for a long duration or engage in deeper connections such as writing reviews, commenting on products, or communicating with other Amazon users. This customer would have high frequency but low depth. In all cases, relationship intensity is correlated with the stage of the relationship.

**The Internet Marketing Mix**

The traditional 4Ps of marketing are product, price, promotion, and place/distribution. All four of these choices are part of the internet marketing mix, plus two new levers: community and branding. Community is the level of interaction that unfolds between the users. Certainly, the firm can encourage community formation and nurture community development. However, community is about user-to-user connections. Branding is a critical component of building long-term relationships on the web. Thus, rather than view branding as a sub-component of the product, it is looked at as a moderating variable upon the levers-product, price, communication, community and distribution. Let us look at each lever individually and its relevance to the internet marketing mix.

(i) **Product:** The product is the service or physical good that a firm offers for exchange. A wide range of product forms are being offered on the internet, including tangible goods (clothing, computers), information intensive products (
example Harvard Business Review online) and services (online ticketing/hotel booking services). Frequently the offerings are a combination of all three forms. In the course of building customer relationships, the firm can use a variety of product levers to build enduring relationships. Product packaging is often used to build customer awareness, upgrades and complementary services enable customers to explore a deeper connection, and customized offerings strengthen commitment (example Jet Airways privilege club offering its Platinum members discounts to an International Summit or Conference). The key point is that specific product levers can be used to encourage a stronger connection.

(ii) Pricing: Price is the amount the firm charges customers for a particular market transaction. This would include the price of the product, shipping, handling, warranty and other financial costs incurred by the customer. Price is critical as it influences the perceived customer value (the complete product offering minus the cost is often termed as customer value). There is a wide variety of traditional and modern levers that emerge on the internet. Traditional levers include such potential choices as tiered loyalty programs, volume discounts, subscription models, and targeted price promotions. The internet has created an entirely new category of pricing tools for new economy firms to use, including dynamic pricing strategies. There are two main ways in which the internet has enhanced the attractiveness of dynamic pricing. In the first case, for goods marketed on the web, it is easy and virtually costless to change product prices, compared to physically changing price tags on products in a retail store. Given this environment, it is very attractive for firms to change their prices based on demand and supply conditions. In the second case, the internet makes it easier for sellers and buyers around the world to interact and negotiate prices sitting in their offices or home anywhere in the world. This makes it easier to conduct dynamic pricing structures.

(iii) Communication: Marketing communication can briefly be defined as activities that inform one or more groups of target customers about the firm and its products. A broad view of marketing communication would include all types of firm level communications, including public relations, and online advertising. Marketing communication can also encourage exploration, commitment and dissolution. For example, viral marketing (where one user informs another user about a site through emails) often leads to exploration of a firm’s offerings by new customers. Also permission marketing (where customers opt to receive communications from the firm) is intended to encourage commitment to the firm. Both offline and online communication levers can encourage customers to build a stronger bond with the firm and should be integrated in a marketing program.

(iv) Community: Community is defined as a set of interwoven relationships built upon shared interests, which satisfy member’s needs otherwise unattainable individually. One of the unique aspects of the internet is the speed with which communities can be formed. Equally important is the impact that these communities have on the firm. The challenge for internet marketers is to leverage the power of communities to build deep customer relationships. Communities can be leveraged to build awareness (example user-to-user communication to make others aware of product promotion), encourage exploration(example, user groups discussing which automotive options to purchase—or not to purchase), and commitment(example, bonds between users lead to deepening involvement with the site). Thus community levers can be employed to nurture customer relationships.

(v) Distribution: With respect to the role as a distribution channel, the internet has the power to shift customers to a new channel-or to use this channel in combination with other channels(example search the internet and then purchase at the retail store).Distribution levers include the number of intermediaries (both online and offline), the breadth of channel coverage, and the messaging from the channel. Broad levels of distribution impact both customer awareness and the potential for more customer exploration of the firm and its offerings.

(vi) Branding: Branding plays two key roles in marketing strategy. First, branding is an outcome or result of the firm’s marketing activities. Marketing programs affect how consumers perceive the brand, and hence its value. Second, branding is a part of every marketing strategy. That is, each marketing activity is enhanced if the brand is strong, or suppressed if the brand is weak. Thus, a strong advertising program for Naukri.com is likely to produce better results than a strong advertising program for a site with a weaker brand, such as Jobsahead.com. Branding levers work in concert with other marketing levers to produce positive financial and/or customer results for the firm.

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**THE FOUR KEY STAGES OF CUSTOMER RELATIONSHIP BY LEVEL OF INTENSITY**

![Diagram of Level of Intensity and Degree of Relationship](image-url)

- **Awareness**
- **Exploration**
- **Commitment**
- **Dissolution**

**Stages of Customer Relationships**
As we have seen in the above discussion, the marketing mix comprises six classes of levers. Exhibit 7 uses a cloud metaphor to show how branding mixes with each of these elements to produce an interactive effect. This interactive, or multiplier, effect of the brand can be positive or negative. Branding is unique as it is both a lever and an outcome of marketing actions.

Individualization and Interactivity

In our earlier discussion, we have seen an overview of the six variables in the internet marketing mix. However, simply specifying that the firm is able to manage these six classes of variables in an online environment does not do full justice to the uniqueness of the internet environment. Two important concepts need to be introduced to fully understand the profound implications that the internet brings to business. These two concepts are individualization (or customization) and interactivity.

The first concept is individual-level marketing exchange. In addition to high levels of interactivity, customers expect to have a personal experience with the firm. Broadcast approaches send the same messages to all members of the target audience. The internet enables the firm to engage in customer-specific actions—a broadcast to an audience of one. Equally important, the customer can control the degree of customization by taking action to set the level of customization he or she desires. Hence, the amount of individualization can be controlled either by the firm or by the customer.

Interactivity is defined to the extent which a two-way communication flow occurs between the firm and the customers. The internet enables a level of customer dialogue that has not been previously experienced in the history of business. Certainly customers could have conversations with retail-store clerks, sales representatives, or managers, however, it was not possible at the scale the internet affords. Hence, the fundamental shift is one from broadcast media such as television, radio, and newspapers to one that encourages debate, exchange, and conversation.

Exhibit 8 shows how the 2 Is (interactivity and individualization) impact the design of all of the levers of the internet marketing mix. Pricing can be both interactive and individualized. This is the essence of dynamic pricing. Even marketing communication can be both interactive and individualized—that is the purpose of real-time customer service on the web. Furthermore, products and services can be designed in real time by the customer, maximizing both interactivity and customization. This level of customer dialogue has revolutionized the impact of the internet on marketing.

The Marketing Matrix

The discussion on customer relationships, the internet marketing mix, and 2Is, helps us develop the Market space Matrix. Exhibit 9 illustrates the key cross-tabulation that needs to be managed by the internet marketing team. The design of the marketing program—or, to put it differently, the process of filling in the relationship-levers matrix is based on some principles. We have to keep in mind the fact that the 2Is should influence the design of each cell in the matrix. Similarly, branding can also accentuate (or lessen) the impact of the levers in each cell.

STAGE SIX: Crafting the Customer Interface: The internet has shifted the locus of the exchange from the market place (that is face-to-face interactions) to the market space (that is screen-to-face interactions). The key difference is that the nature of the exchange relationship is now mediated by a technology interface. This interface can be a desktop personal computer, laptop, personal digital assistant, mobile phone, wireless application protocol (WAP) device, or other internet enabled devices. As this shift from people mediated to technology mediated interfaces unfolds, it is important to consider the types of interface design considerations that confront the marketing team.

STAGE SEVEN: Evaluating the Marketing Program: This last stage involves the evaluation of the overall internet marketing program. This includes a balanced focus on both customer and financial metrics.

Conclusion

The age of Internet is at hand and the marketing science is foremost in using it to promote the future of business and industry. It is important for a company of this era to have access to the Internet to be more successful. Nowadays people
always find themselves under stress of working long hours and they don’t have enough time for social activities or even shopping. They thus develop this new millennium where internet marketing through E-commerce becomes an everyday thing and routine for them. This can only be done through an understanding of the fundamental concepts involved. This paper has been attempted to give the reader a brief picture of the models used by Marketing Specialists to promote a company using IT. In the process it has taken the reader through a tour of the major views on the subject and thereby tried to shed some light on an otherwise opaque area of management sciences. Internet marketing does not only target consumers, but also Internet advertisements client marketers from companies.

References