Electronic Commerce
Ninth Edition

Chapter 4
Marketing on the Web
Learning Objectives

In this chapter, you will learn about:

• When to use product-based and customer-based marketing strategies
• Communicating with different market segments
• Customer relationship intensity and the customer relationship life cycle
• Using advertising on the Web
Learning Objectives (cont’d.)

• E-mail marketing
• Technology-enabled customer relationship management
• Creating and maintaining brands on the Web
• Search engine positioning and domain name selection
Web Marketing Strategies

- **Marketing mix**
  - Element combination to achieve goals
    - Selling and promoting products and services
- **Marketing strategy**
  - Marketing mix with elements defined
- **Four Ps of marketing**
  - **Product**
    - Physical item or service sold
    - **Brand**: customers’ product perception
Web Marketing Strategies (cont’d.)

- **Four Ps of marketing** (cont’d.)
  - **Price**
    - Amount customer pays for product
    - **Customer value**: customer benefits minus total cost
  - **Promotion**
    - Any means to spread word about product
  - **Place (distribution)**
    - Need to have products or services available in many different locations
    - Getting right products to the right places at the best time to sell them
Product-Based Marketing Strategies

• Web presence must integrate with image and brand
• Managers often think in terms of physical objects
  – Useful Web site design when customers use product categories
    • Web site examples: Home Depot, Staples, Sears
  – Not a useful Web site design when customers look to fulfill a specific need
• Advice: design Web site to meet individual customer needs
  – Offer alternative shopping paths
Customer-Based Marketing Strategies

• Web sites to meet various types of customers’ specific needs
  – First step: identify customer groups sharing common characteristics
  – Second step: identify subgroups
    • Example: Sabre Holdings
• Strategy pioneered on B2B sites
• B2C sites now adding customer-based marketing elements
  – Example: university Web sites
FIGURE 4-1 Sabre home page

links to separate sections of the Web site for each major customer group
Communicating with Different Market Segments

• Communications media selection to carry message
  – Physical world
    • Uses building construction and floor space design
  – Online firm
    • Communications media selection: critical
    • No physical presence
    • Customer contact made through image projected through media and Web site
  – Online firm challenge
    • Obtain customer trust with no physical presence
Trust, Complexity, and Media Choice

• The Web
  – Broad intermediate step
    • Between mass media and personal contact
• Potential customer Web communication offers:
  – Advantages of personal contact selling
  – Cost savings of mass media
• Mass media advertising offers lowest trust level
  – Still used successfully because costs spread over many people
FIGURE 4-2 Trust in three information dissemination models
Trust, Complexity, and Media Choice (cont’d.)

• Complexity level inherent in product and service
  – Important factor in media choice
• Products with few characteristics and easy to understand
  – Promotes well with mass media
  – Mass media: expensive to produce
    • Used primarily for short messages
• Highly complex products and services
  – Promotes well with personal contact
    • Customers may ask questions
Trust, Complexity, and Media Choice (cont’d.)

- Web occupies a wide middle ground
  - Offers various elements
    - Mass media messaging
    - Personal contact interaction
    - Anything in between
- People now resistant to mass media messages
  - Successful mass media campaigns
    - Rely on passive nature of media consumption
- Web user likely to be in an active state
  - Better to use a trust-based model approach
Trust, Complexity, and Media Choice (cont’d.)

• New Internet communications modalities for individuals and companies
  – **Web log** or **blog**
    • Website allowing people to post thoughts and inviting others to add commentary
  – Retailers experimenting with blogs as an adjunct communication device
    • Example: Bluefly
    • Companies use the Web to engage in two-way communications resembling a high-trust personal contact mode of communication
Market Segmentation

• Divides potential customer pool into **segments**
  – Defined in demographic characteristics terms

• **Micromarketing**
  – Practice of targeting very small market segments
  – Hampered by cost increases

• Three categories to identify market segments
  – Geographic segmentation
  – Demographic segmentation
  – Psychographic segmentation

• Television advertisers use all three categories
Companies try to:
- Match advertising messages to market segments
- Build sales environment for a product or service
  - Corresponds to market segment trying to reach
Market Segmentation on the Web

• Web opportunity
  – Present different store environments online
    • Juicy Couture site targets young, fashion-conscious buyers
    • Talbots site targets older, more established buyers

• Limitations of physical retail stores
  – Floor and display space
  – Must convey one particular message

• Web stores
  – Separate virtual spaces for different market segments
Offering Customers a Choice on the Web

• **One-to-one marketing**
  – Offering products, services matched to needs of a particular customer

• **Example: Dell**
  – Offers several different ways to do business
  – Home page links for each major customer group
    • Specific products, product categories links available
  – Dell Premier accounts
    • High level of customer-based market segmentation
Beyond Market Segmentation: Customer Behavior and Relationship Intensity

• Recap
  – Companies target similar customer groups as market segments
  – One-to-one marketing
    • Chance to create individually unique Web experiences

• Next step
  – Use the Web to target specific customers in different ways at different times
Segmentation Using Customer Behavior

- Same person
  - Needs different combinations of products and services
    - Depending on the occasion
- **Behavioral segmentation**
  - Creation of separate customer experiences based on their behavior
  - **Occasion segmentation**
    - Behavioral segmentation based on things happening at a specific time or occasion
Segmentation Using Customer Behavior (cont’d.)

- Online world single Web site design
  - Easier to meet needs of different behavioral modes
  - Can include elements appealing to different behavioral segments

- **Usage-based market segmentation**
  - Customizing visitor experiences to match the site usage behavior patterns of each visitor or type of visitor

- Categories of common patterns of online behavior
  - Browsers, buyers, and shoppers
Segmentation Using Customer Behavior (cont’d.)

• Browsers
  – Visitors just surfing or browsing
  – Web site: must offer something to pique visitors’ interest
  – **Trigger words**
    • Prompt visitor to stay and investigate products or services

• Have links to site explanations, instructions
• Include extra content related to product, service
  – Leads to favorable impression (bookmark)
Segmentation Using Customer Behavior (cont’d.)

• Buyers
  – Ready to make a purchase right away
  – Offer direct route into purchase transaction

• Shopping cart
  – Part of the Web site
    • Keeps track of selected items for purchase
    • Automates purchasing process
  – Page offers link back into shopping area

• Primary goal: get buyer to shopping cart as quickly as possible
Segmentation Using Customer Behavior (cont’d.)

• Shoppers
  – Motivated to buy
  – Looking for more information before purchase
• Offer comparison tools, product reviews, and features lists
• People do not retain behavioral categories from one visit to the next
  – Even for the same Web site
Segmentation Using Customer Behavior (cont’d.)

• Alternative models
  – McKinsey & Company’s six behavior-based categories
    • Simplifiers (convenience)
    • Surfers (find information, explore new ideas, shop)
    • Bargainers (search for good deal)
    • Connectors (stay in touch with other people)
    • Routiniers (return to same sites over and over)
    • Sportsters (spend time on sports, entertainment sites)

• Must identify groups and formulate ways of generating revenue
Customer Relationship Intensity and Life-Cycle Segmentation

- One-to-one marketing and usage-based segmentation value
  - Strengthen companies’ relationships with customers
- Good customer experiences
  - Create intense loyalty feeling
- Typical five-stage model of customer loyalty
  - First four stages show increase in relationship intensity
  - Fifth stage (separation)
    - Decline occurs, relationship terminates
• **Touchpoints**
  – Online and offline customer contact points

• **Touchpoint consistency**
  – Goal of providing similar levels and quality of service at all touchpoints

**FIGURE 4-4** Five stages of customer loyalty
Customer Relationship Intensity and Life-Cycle Segmentation (cont’d.)

• Characteristics of the five stages
  – Awareness
    • Customers recognize company name, product
  – Exploration
    • Customers learn more about company, products
  – Familiarity
    • Customers have completed several transactions
    • Customers aware of returns and credits policies
    • Customers aware of pricing flexibility
Customer Relationship Intensity and Life-Cycle Segmentation (cont’d.)

• Characteristics of the five stages (cont’d.)
  – Commitment
    • Customer experiences highly satisfactory encounters
    • Customer develops fierce loyalty or strong preference
  – Separation
    • Conditions that made relationship valuable change
    • Parties enter separation stage
  – Life-cycle segmentation
    • Customer life cycle (the five stages)
    • Using stages to create customer groups in each stage
Acquisition, Conversion, and Retention of Customers

• Goal
  – Attract new visitors to a Web site

• Acquisition cost
  – Total amount of money site spends drawing one visitor to site (average)

• Conversion
  – Convert first-time visitor into a customer

• Conversion cost
  – Total amount of money site spends (average) to induce one visitor to make a purchase, sign up for a subscription, or register
Acquisition, Conversion, and Retention of Customers (cont’d.)

• Conversion cost may be greater than profit earned on the average sale

• **Retained customers**
  – Return one or more times after making first purchases

• **Retention costs**
  – Costs of inducing customers to return and buy again

• Importance of measuring these costs
  – Indicates successful advertising, promotion strategies
    • More precise than classifying into five loyalty stages
Customer Acquisition, Conversion, and Retention: The Funnel Model

• Funnel model
  – Conceptual tool
    • Provides understanding of overall nature of marketing strategy
    • Clear structure for evaluating specific strategy elements
  – Very similar to customer life-cycle model
    • Less abstract
    • Better at showing effectiveness of two or more specific strategies
  – Provides good analogy for the operation of marketing strategy
FIGURE 4-5 Funnel model of customer acquisition, conversion, and retention
Advertising on the Web

• Effective advertising involves communication
• Five-stage customer loyalty model: helpful in creating advertising messages
  – Awareness stage
    • Advertising message should inform
  – Exploration stage
    • Message should explain how product, service works
    • Encourage switching brands
Advertising on the Web (cont’d.)

• Five-stage customer loyalty model (cont’d.)
  – Familiarity stage
    • Message should be persuasive, convince customer to buy
  – Commitment stage
    • Customer sent reminder messages
  – Separation stage
    • Customer not targeted

• Online advertising
  – Always coordinate with existing advertising efforts
Banner Ads

• **Banner ad**
  – Small rectangular object on Web page
  – Displays stationary or moving graphic
  – Includes hyperlink to advertiser’s Web site
  – Versatile advertising vehicle

• **Attention-grabbing banner ads**
  – Use **animated GIFs** and **rich media objects**
    • Created using Shockwave, Java, Flash

• **Interactive marketing unit (IMU) ad formats**
  – Voluntary standard banner sizes
Banner Ads (cont’d.)

• **Leaderboard ad**
  – Designed to span Web page top or bottom

• **Skyscraper ad**
  – Designed to be placed on Web page side
    • Remains visible as user scrolls through page

• **Advertising agencies**
  – Create banner ads for online clients
    • Price range: $100 to more than $5000

• **Companies can make their own banner ads**
Banner Ads (cont’d.)

• Banner ad placement
  – Use a **banner exchange network**
    • Coordinates ad sharing
  – Find Web sites appealing to company’s market segments
    • Pay sites to carry ad
  – Use a **banner advertising network**
    • Acts as broker between advertisers and Web sites that carry ads
Banner Ads (cont’d.)

• New strategies for banner ads
  – Banner ads were a novelty initially
    • Lost ability to attract attention
  – Solutions
    • Introduce animated GIFs with moving elements
    • Create ads displaying rich media effects (movie clips)
    • Add interactive effects (Java programs): respond to user’s click with some action
    • Create ads acting like mini video game
    • Create ads appearing to be dialog boxes
FIGURE 4-6 Disguised banner ads
Text Ads

- Short promotional message
  - No graphic elements
    - Usually placed along Web page top or right side
- Deceptively simple but very effective
- Example: Google
  - Initially criticized for including unobtrusive ads on its pages
  - Now clearly labels ads (to prevent confusion)
- **Inline text ad**
  - Text in stories displayed as hyperlinks
Other Web Ad Formats

• **Pop-up ad**
  – Appears in its own window
    • When user opens or closes Web page
  – Considered to be extremely annoying
    • Must click close button (small) in window of ad

• **Pop-behind ad**
  – Pop-up ad followed by a quick command
    • Returns focus to original browser window

• **Ad-blocking software**
  – Prevents banner ads and pop-up ads from loading
Other Web Ad Formats (cont’d.)

• **Interstitial ad**
  – User clicks link to load page
    • Interstitial ad opens in its own browser window
    • Instead of page user intended to load
  – Many close automatically
  – Others require user to click a button

• **Rich media ads (active ads)**
  – Generate graphical activity that “floats” over the Web page itself
  – Example: 30 second ad before television show
Site Sponsorships

• Web sites offer advertisers opportunity to sponsor all (or parts) of their sites
  – More subtle
• Goals similar to sporting event sponsors, television program sponsors
  – Tie company (product) name to an event (set of information)
• Ethical concerns raised
  – If sponsor is allowed to create content or weave advertising message into site’s content
Online Advertising Cost and Effectiveness

• Companies want Web sites to make favorable impression on potential customers
• Raises issue of measuring Web site effectiveness
• **Cost per thousand (CPM)**
  – “M” from Roman numeral for “thousand”
  – Dollar amount paid for every thousand people in the estimated audience
Online Advertising Cost and Effectiveness (cont’d.)

• Measuring Web audiences (complicated)
  – Web’s interactivity
  – Value of visitor to an advertiser
    • Depends on information site gathers from visitor

• Visit
  – Occurs when visitor requests a page from Web site

• Trial visit
  – First time a particular visitor loads Web site page

• Repeat visits: subsequent page loads
Online Advertising Cost and Effectiveness (cont’d.)

- **Page view**: each page loaded by a visitor
- **Ad view**: occurs if page contains an ad
- **Impression**: each time banner ad loads
- **Click (click-through)**
  - Action whereby a visitor clicks banner ad to open advertiser’s page
<table>
<thead>
<tr>
<th>Medium</th>
<th>Description</th>
<th>Total cost</th>
<th>Audience size</th>
<th>Cost per thousand (CPM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network television</td>
<td>30-second commercial</td>
<td>$80,000–$600,000</td>
<td>10 million–20 million</td>
<td>$5–$30</td>
</tr>
<tr>
<td>Local television station</td>
<td>30-second commercial</td>
<td>$1000–$50,000</td>
<td>50,000–2 million</td>
<td>$3–$25</td>
</tr>
<tr>
<td>Cable television</td>
<td>30-second commercial</td>
<td>$3000–$10,000</td>
<td>100,000–500,000</td>
<td>$8–$20</td>
</tr>
<tr>
<td>Radio</td>
<td>60-second commercial</td>
<td>$200–$1000</td>
<td>50,000–2 million</td>
<td>$1–$18</td>
</tr>
<tr>
<td>Major metro newspaper</td>
<td>Full-page ad</td>
<td>$20,000–$80,000</td>
<td>100,000–600,000</td>
<td>$80–$130</td>
</tr>
<tr>
<td>Regional edition of a national magazine</td>
<td>Full-page ad</td>
<td>$5000–$50,000</td>
<td>50,000–900,000</td>
<td>$40–$80</td>
</tr>
<tr>
<td>Local magazine</td>
<td>Full-page ad</td>
<td>$2000–$10,000</td>
<td>3000–80,000</td>
<td>$100–$140</td>
</tr>
<tr>
<td>Direct mail coupon pack</td>
<td>Mailed in letter-sized envelope</td>
<td>$100–$3000</td>
<td>10,000–200,000</td>
<td>$15–$20</td>
</tr>
<tr>
<td>Billboard</td>
<td>Highway billboard</td>
<td>$5000–$25,000</td>
<td>100,000–3 million</td>
<td>$2–$5</td>
</tr>
<tr>
<td>World Wide Web</td>
<td>Banner ad</td>
<td>$100–$2000</td>
<td>10,000–50 million</td>
<td>$1–$50</td>
</tr>
<tr>
<td>World Wide Web</td>
<td>Rich media ad</td>
<td>$200–$1 million</td>
<td>10,000–50 million</td>
<td>$18–$50</td>
</tr>
<tr>
<td>World Wide Web</td>
<td>Text ad</td>
<td>$100–$2000</td>
<td>10,000–50 million</td>
<td>$1–$200</td>
</tr>
<tr>
<td>World Wide Web</td>
<td>Site sponsorship (exclusive)</td>
<td>$600–$5 million</td>
<td>10,000–50 million</td>
<td>$60–$100</td>
</tr>
<tr>
<td>World Wide Web</td>
<td>Site sponsorship (shared)</td>
<td>$200–$2 million</td>
<td>10,000–50 million</td>
<td>$20–$50</td>
</tr>
<tr>
<td>Targeted e-mail</td>
<td>Single mailing</td>
<td>$50–$150,000</td>
<td>10,000–10 million</td>
<td>$5–$15</td>
</tr>
</tbody>
</table>

**FIGURE 4-7** CPM rates for advertising in various media
Online Advertising Cost and Effectiveness (cont’d.)

• New metrics to evaluate advertising yield outcomes
  – Measure number of new visitors who buy first time after arriving at site
    • By way of click-through
  – Calculate advertising cost of acquiring one customer on the Web
    • Compare to how much it costs to acquire one customer through traditional channels
Effectiveness of Online Advertising

- Online advertising effectiveness
  - Remains difficult to measure
- Major problem
  - Lack of single industry standard measuring service
- Solution (2004)
  - Set of media measurement guidelines
    - Used by all online advertisers
    - Produce comparable ad view numbers
- Difficulties remain
  - Site visitors change Web surfing behaviors, habits
E-Mail Marketing

• Can be a powerful element of advertising strategy
  – Used to announce new products or features
  – Used to announce sales on existing products

• Key element:
  – Obtain customers’ approvals
    • Before sending marketing or promotional e-mail message
Permission Marketing

- **Conversion rate**
  - Percentage of recipients responding to an ad or promotion
  - Ranges from 10 percent to more than 30 percent on requested e-mail messages

- **Opt-in e-mail**
  - Practice of sending e-mail messages to people who request information
    - Part of marketing strategy: permission marketing
Permission Marketing (cont’d.)

• **Opt-in e-mail** (cont’d.)
  – More successful than mass media general promotional message
    • Makes better use of customer’s time
  – ConstantContact and Yesmail offer permission-based e-mail and related services
  – Return Path offers opt-in e-mail services
    • Provides e-mail addresses to advertisers
    • Rates vary depending on type and price of the product
      – Minimum of about $1 to a maximum of 25–30 percent of the selling price of the product
Combining Content and Advertising

- Using articles, news stories of interest to specific market segments
  - Increases acceptance of e-mail
- Advertisers send content by:
  - Using hyperlinks inserted into e-mail messages
    - Takes customers to advertiser’s Web site content
    - Easier to induce customer to stay on the site and consider making purchases
- Coordination across media outlets
  - Important element in any marketing strategy
Outsourcing E-Mail Processing

• Number of customers opting in to information-laden e-mails
  – May outgrow capacity of an information technology staff

• Solution
  – Company may use an e-mail processing service provider
Technology-Enabled Customer Relationship Management

• **Clickstream**: the information gathered about visitors

• **Technology-enabled relationship management**
  – Firm obtains information on customer behavior to:
    • Set prices, negotiate terms, tailor promotions, add product features, customize customer relationship
  – Also known as:
    • Customer relationship management (CRM)
    • Technology-enabled customer relationship management
    • Electronic customer relationship management (eCRM)
<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Technology-enabled customer relationship management</th>
<th>Traditional relationships with customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Provide information in response to specific customer inquiries</td>
<td>“Push and sell” a uniform message to all customers</td>
</tr>
<tr>
<td>Targeting</td>
<td>Identify and respond to specific customer behaviors and preferences</td>
<td>Market segmentation</td>
</tr>
<tr>
<td>Promotions and discounts offered</td>
<td>Individually tailor to customer</td>
<td>Same for all customers</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Direct or through intermediaries; customer’s choice</td>
<td>Through intermediaries chosen by the seller</td>
</tr>
<tr>
<td>Pricing of products or services</td>
<td>Negotiated with each customer</td>
<td>Set by the seller for all customers</td>
</tr>
<tr>
<td>New product features</td>
<td>Created in response to customer demands</td>
<td>Determined by the seller based on research and development</td>
</tr>
<tr>
<td>Measurements used to manage the customer relationship</td>
<td>Customer retention; total value of the individual customer relationship</td>
<td>Market share; profit</td>
</tr>
</tbody>
</table>

**FIGURE 4-8** Technology-enabled relationship management and traditional customer relationships
CRM as a Source of Value in the Marketspace

• **Marketspace**
  – Commerce in the information world
  – Value creation requires different processes
  – Firms use information to create new value for customers

• Track and examine Web site visitor behavior
  – Use that information to provide customized, value-added digital products and services

• Early CRM efforts failed
  – Overly complex
CRM as a Source of Value in the Marketspace (cont’d.)

• **Current CRM efforts more successful**
  – Information gathered from customer interactions on the company’s Web site
    • Combine with other information gathered

• **Customer touchpoint**
  – Any occurrence of contact between customer and company

• **Data warehouse** (large database)
  – Contains multiple sources of information about customers, their preferences, their behavior
CRM as a Source of Value in the Marketspace (cont’d.)

• **Data mining (analytical processing)**
  – Technique that examines stored information
  – Looks for unknown, unsuspected patterns in the data

• **Statistical modeling**
  – Technique that tests CRM analysts’ theories about relationships among customer and sales data elements
FIGURE 4-9 Elements of a typical CRM system
Creating and Maintaining Brands on the Web

• Branded products
  – Easier to advertise and promote
    • Each product carries reputation of the brand name

• Value of trusted major brands
  – Far exceeds cost of creating them
Elements of Branding

- Three key brand elements
  - Product differentiation
    - Clearly distinguish product from all others
  - Relevance
    - Degree to which product offers utility to customer
  - Perceived value (key element)
    - Customer perceives a value in buying product
- Brands can lose their value
  - Environment changes
<table>
<thead>
<tr>
<th>Element</th>
<th>Meaning to customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation</td>
<td>In what significant ways is this product or service unlike its competitors?</td>
</tr>
<tr>
<td>Relevance</td>
<td>How does this product or service fit into my life?</td>
</tr>
<tr>
<td>Perceived value</td>
<td>Is this product or service good?</td>
</tr>
</tbody>
</table>

**FIGURE 4-10** Elements of a brand
Emotional Branding vs. Rational Branding

- Emotional appeals
  - Work well if ad targets in passive mode of information acceptance
    - Television, radio, billboards, print media
  - Difficult to convey on Web
    - Active medium controlled by customer

- **Rational branding**
  - Offer to help Web users in some way
    - In exchange for viewing an ad
  - Relies on cognitive appeal of specific help offered
Brand Leveraging Strategies

• Brand leveraging
  – Extend dominant positions to other products and services
  – Examples
    • Yahoo!
    • Amazon.com
Brand Consolidation Strategies

• Market intermediary

• Example
  – Della & James: online bridal registry
    • Now WeddingChannel.com
  – Created single registry connecting to several local and national department, gift stores
  – Logo and branding of each participating store
    • Featured prominently on WeddingChannel.com site
  – Provides valuable consolidating activity for registering couples, guests
Costs of Branding

• Transferring existing brands to the Web
  – Less expensive than creating entirely new brand
• 1998
  – Top 100 e-commerce sites each spent $8 million (average)
• March 2000: money supply began drying up
  – Resulting in smaller advertising expenditures
• Company Web presence
  – Integral part of brand development, maintenance
  – Place company URL on product packaging, mass media advertising
Affiliate Marketing Strategies

• **Affiliate marketing**
  – One firm’s Web site (affiliate site)
    • Includes descriptions, reviews, ratings, other information about a product linked to another firm’s site (offers item for sale)
  – Affiliate site receives commission
    • For every visitor following link from affiliate’s site to seller’s site
  – Affiliate saves expenses
    • Handling inventory, advertising and promoting product, transaction processing
Affiliate Marketing Strategies (cont’d.)

• **Cause marketing**
  – Affiliate marketing program benefiting charitable organization
  – Visitor clicks on link (on affiliate’s Web page)
    • Donation made by a sponsoring company
  – Page loads after visitor clicks donation link
    • Carries advertising for sponsoring companies
Affiliate Marketing Strategies (cont’d.)

• Affiliate commissions
  – Pay-per-click model
    • Affiliate earns commission
    • Each time site visitor clicks link, loads the seller’s page
  – Pay-per-conversion model
    • Affiliate earns a commission
    • Each time site visitor converted from visitor into qualified prospect or customer
Affiliate Marketing Strategies (cont’d.)

• Affiliate commissions (cont’d.)
  – Affiliate program broker (clearinghouse or marketplace)
    • Sites running affiliate programs
    • Sites wanting to become affiliates
Viral Marketing Strategies

• **Viral marketing**
  – Relies on existing customers
    • Tell other people (prospective customers) about products or service
  – Use individual customers to spread the word about a company
  – Example: BlueMountain Arts
    • Electronic greeting cards
    • E-mail messages that include link to greeting card site
Search Engine Positioning and Domain Names

• Ways that potential customers find Web sites
  – Referred by friend
  – Click a link on a referring Web site
  – Referred by affiliate marketing partner
  – See site’s URL in print advertisement, television
  – Arrive unintentionally after mistyping similar URL
  – Use a search engine or directory Web site
Search Engines and Web Directories

• **Search engine**
  – Web site that helps people find things on the Web

• **Search engine major parts**
  – **Spider (crawler, robot, bot)**
    • Program that automatically searches Web to find potentially interesting Web pages for people
  – **Index (database)**
    • Storage element of search engine
  – **Search utility**
    • Takes terms, finds matching Web page entries in index
Search Engines and Web Directories (cont’d.)

• Web directories
  – Provide classified hierarchical lists of categories

• Search engine ranking
  – Weighting of factors
    • Search engines use factors to decide which URLs appear first on searches for a particular search term

• Search engine positioning (search engine optimization, search engine placement)
  – The combined art and science of having a particular URL listed near the top of search engine
Paid Search Engine Inclusion and Placement

• **Paid placement (sponsorship, search term sponsorship)**
  – Offer good ad placement on search results page
    • For a price
• Buy banner ad space at the top of search results pages that include certain terms
• **Search engine positioning: complex subject**
• Spending on online advertising
  – Grew rapidly in the early Web days
    • Virtually zero in 1995 to about $8 billion in 2000 (U.S.)
FIGURE 4-11 U.S. online advertising expenditures, actual and projected
FIGURE 4-12 U.S. advertising expenditures by medium, 2010 estimates
Paid Search Engine Inclusion and Placement (cont’d.)

- **Search engine placement brokers**
  - Aggregate inclusion and placement rights on multiple search engines
    - Sell those combination packages to advertisers
- **Google does not use placement broker**
  - Sells services directly (Google AdWords program)
- **Contextual advertising** (potential flaw)
  - Ads placed in proximity to related content
- **Localized advertising**
  - Ads related to location on search results
FIGURE 4-13 Google’s AdWords program home page
Web Site Naming Issues

• URLs should reflect company name or reputation
• Troublesome domain names
  – Purchase more suitable domain names
  – Examples:
    • www.iflyswa.com changed to www.southwest.com
    • www.deltair.com changed to www.delta.com
• Companies often buy more than one domain name
  – In case user misspells URL
    • Redirected to intended site
  – Have different names or forms of names
• Buying, selling, and leasing domain names
  – Recently, higher prices have prevailed in the market for domain names

**FIGURE 4-14** Domain names that sold for more than $1 million

<table>
<thead>
<tr>
<th>Domain name</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business.com</td>
<td>$7.5 million</td>
</tr>
<tr>
<td>Altavista.com</td>
<td>$3.3 million</td>
</tr>
<tr>
<td>Loans.com</td>
<td>$3.0 million</td>
</tr>
<tr>
<td>Wine.com</td>
<td>$3.0 million</td>
</tr>
<tr>
<td>Autos.com</td>
<td>$2.2 million</td>
</tr>
<tr>
<td>Express.com</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>WallStreet.com</td>
<td>$1.0 million</td>
</tr>
</tbody>
</table>
Web Site Naming Issues (cont’d.)

- URL brokers and registrars
  - Sell, lease, auction domain names
- Internet Corporation for Assigned Names and Numbers (ICANN)
  - Maintains accredited registrars list
- Registrars offer domain name search tools
- **Domain name parking (domain name hosting)**
  - Service permitting domain name purchaser to maintain simple Web site
    - So domain name remains in use
Summary

• Achieve Web marketing goals
  – Use principles of marketing strategy
  – Use the four Ps of marketing
  – Product-based marketing strategy
  – Customer-based strategy
  – Web enables companies to mix strategies
• Market segmentation works well on the Web
• Online advertising
  – More intrusive since introduction
    • Various types available
Summary (cont’d.)

• Use Web to manage customer relationships
  – Focused CRM efforts
    • More successful than earlier comprehensive attempts
• Use rational branding instead of emotional branding techniques on the Web
• Critical to success
  – Successful search engine positioning
  – Domain name selection
• Companies must integrate Web marketing tools into a cohesive and customer-sensitive overall marketing strategy