MBE 704: INTERNET MARKETING

NATIONAL OPEN UNIVERSITY OF NIGERIA

COURSE GUIDE

MBE 704
INTERNET MARKETING

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Course Aim

This course has been designed to give marketers of goods and services, and business owners, generally, an understanding of the technicalities of marketing on the Internet. The course further exposes the students to various forms of Internet marketing and how they relate and defer from each other. The course X-rays the advantages and weaknesses of marketing on the Internet compared to the brick-and-mortar traditional marketing.

Course Objectives

The major objectives of this course are to:

- identify some services associated with Internet marketing;
- differentiate Internet marketing from tradfitional form of marketing;
- know the trends in online shopping;
- identify the payment systems available for online shoppers;
- define and understand what is web analytics;
- define and understand what is affiliate marketing;
- define, understand and know the use of digital marketing;
- know what is e-procurement and it advantages and disadvantages;
- know the various forms of e-payments;
- differentiate the various forms of e-payment methods;

i.know what is cost per action;
ii.know how effective is cost per action;

- understand how to develop marketing budget and how to locate a market;
- understand how to develop pricing, promotional and marketing strategies;

*0know what to do in developing internet marketing strategy;

- understand the important things in developing Internet marketing strategies;
- know the outcome of the research by Havard Business School about the economics of e-commerce;
- know the benefits of customer retention strategies;
- identify the numerous functions of VoIP; and

1. have a perspective of the challenges facing Internet marketing.

Credit Units

This course attracts three credit units.

Study Units

The study units of this course are as follows:

Module 1

Module 2

Module 3

Course Assessment

- Assignments = 30 %
- Examination = 70%.

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MODULE 1

UNIT 1 OVERVIEW

CONTENTS

1.0 INTRODUCTION

Internet marketing, also referred to as *online marketing*, *Internet advertising*, *eMarketing* (or *e-Marketing*), is the marketing of products or services over the Internet. When applied to the subset of website-based advertisement placements, Internet marketing is commonly referred to as *Web advertising (Webvertising)* and/or *Web marketing*. The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting response, is a unique quality of the medium. E-marketing is sometimes considered to have a broader scope since it refers to digital media such as web, e-mail and wireless media, but also includes management of digital customer data and electronic customer relationship management systems (E-CRM systems).

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- define Internet marketing
- identify some services associated with Internet marketing
- differentiate Internet marketing from traditional form of marketing
- know the advantages of Internet marketing as well as the limitations
- understand the basic security concerns about Internet marketing;
- answer the question of the impact of Internet marketing to industries
- know what Internet market structure is.

3.0 MAIN CONTENT

3.1 Services

Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sales. Internet marketing methods and strategies encompass a wide range of services:

i.affiliate marketing
ii.behavioral marketing
iii.cause marketing
iv.contextual advertising
v.customer relationship management (CRM) marketing
vi.digital marketing
vii.display advertising
viii.e-mail marketing
ix.in-text advertising
x.interactive advertising
xi.Internet news releases
xii.lead scoring
xiii.newsletter marketing
xiv.online market research
xv.online reputation management (ORM)
xvi.search engine marketing (SEM)
    •pay per click (PPC)
    •search engine optimization (SEO)
i. social media marketing
    •blog marketing
    •multivariate testing or optimization
    •viral marketing
ii. software-based advertising.

Internet marketing does not simply entail building or promoting a website, nor does it mean placing a banner ad on another website.

Effective Internet marketing requires a comprehensive strategy that synergizes a given company's business model and sales goals with its website function and appearance, focusing on its target market through proper choice of advertising type, media, and design.

Internet marketing also refers to the placement of media along different stages of the customer engagement cycle through search engine marketing (SEM), search engine optimization (SEO), banner ads on specific websites, email marketing and Web 2.0 strategies. In 2008 *The New York Times* working with comScore published an initial estimate to quantify the user data collected by large Internet-based companies. Counting four types of interactions with company websites in addition to the hits from ads served from advertising networks, the authors found the potential for collecting upward of 2,500 pieces of data on average per user per month.

3.2 Business Models

Internet marketing is associated with several business models:

•e-commerce – goods are sold directly to consumers or businesses;
•publishing – the sale of advertising;
•lead-based websites – an organization generates value by acquiring sales leads from its website.

There are many other business models based on the specific needs of each person or business that launches an Internet marketing campaign.

3.3 Differences from Traditional Marketing

One-to-one approach

The targeted user is typically browsing the Internet alone, so the marketing messages can reach him personally. This approach is used in search marketing, where the advertisements are based on search engine keywords entered by the user.

Appeal to specific interest

Internet marketing places an emphasis on marketing that appeal to a specific behavior or interest, rather than reaching out to a broadly-defined demographic. "Off-line" marketers typically segment their markets according to age group, sex, geography, and other general factors. Online marketers have the luxury of targeting by activity. For example, a kayak company can post advertisements on kayaking and canoing websites with the full knowledge that the audience has a related interest.

Internet marketing differs from magazine advertisements, where the goal is to appeal to the projected demographic of the periodical. Because the advertiser has knowledge of the target audience – people who engage in certain activities (e.g., uploading pictures, contributing to blogs) – the company does not rely on the expectation that a certain group of people will be interested in its new product or service.

3.4 Advantages

Internet marketing is relatively inexpensive when compared to the ratio of cost against the reach of the target audience. Companies can reach a wide audience for a small fraction of traditional advertising budgets. The nature of the medium allows consumers to research and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to consumers in a medium that can bring results quickly. The strategy and overall effectiveness of marketing campaigns depend on business goals and cost-volume-profit (CVP) analysis.

Internet marketers also have the advantage of measuring statistics easily and inexpensively. Nearly all aspects of an Internet marketing campaign can be traced, measured, and tested. The advertisers either pay per web banner impression, per click (PPC), per play (PPP), or per action accomplished. Therefore, marketers can determine which messages or offerings are more appealing to the audience. The results of campaigns can be measured and tracked immediately because online marketing initiatives usually require users to click on an advertisement, visit a website, and perform a targeted action. Such measurement cannot be achieved through billboard advertising, where an individual will at best be interested, then decide to obtain more information at a later time.

Internet marketing as of 2007 is growing faster than other types of media. Because exposure, response, and overall efficiency of Internet media is easier to track than traditional off-line media – through the use of web analytics for instance – Internet marketing can offer a greater sense of accountability for advertisers. Marketers and their clients are becoming aware of the need to measure the collaborative effects of marketing (i.e., how the Internet affects in-store sales) rather than siloing each advertising medium. The effects of multichannel marketing can be difficult to determine, but are an important part of ascertaining the value of media campaigns.

3.5 Limitations

Internet marketing requires customers to use new technologies rather than traditional media. Low-speed Internet connections are another barrier. If companies build large or overly-complicated websites, individuals connected to the Internet via dial-up connections or mobile devices may experience significant delays in content delivery.

From the buyer's perspective, the inability of shoppers to touch, smell, taste or "try on" tangible goods before making an online purchase can be limiting. However, there is an industry standard for e-commerce vendors to reassure customers by having liberal return policies as well as providing in-store pick-up services.

A survey of 410 marketing executives listed the following barriers to entry for large companies looking to market online: insufficient ability to measure impact, lack of internal capability, and difficulty convincing senior management.

3.6 Security Concerns

Information security is important both to companies and consumers that participate in online business. Many consumers are hesitant to purchase items over the Internet because they do not trust that their personal information will remain private. Encryption is the primary method for implementing privacy policies.

Recently some companies that do business online have been caught giving away or selling information about their customers. Several of these companies provide guarantees on their websites, claiming that customer information will remain private. Some companies that purchase customer information offer the option for individuals to have their information removed from the database, also known as opting out. However, many customers are unaware if an when their information is being shared, and are unable to stop the transfer of their information between companies if such activity occurs.

Another major security concern that consumers have with e-commerce merchants is whether or not they will receive exactly what they purchase. Online merchants have attempted to address this concern by investing in and building strong consumer brands (e.g., Amazon.com, eBay, Overstock.com), and by leveraging merchant/feedback rating systems and e-commerce bonding solutions. All of these solutions attempt to assure consumers that their transactions will be free of problems because the merchants can be trusted to provide reliable products and services. Additionally, the major online payment mechanisms (credit cards, PayPal, Google Checkout, etc.) have also provided back-end buyer protection systems to address problems if they actually do occur.

3.7 Effects on Industries

Internet marketing has had a large impact on several previously retail-oriented industries including music, film, pharmaceuticals, banking, flea markets, as well as the advertising industry itself. Internet marketing is now overtaking radio marketing in terms of market share. In the music industry, many consumers have been purchasing and downloading music (e.g., MP3 files) over the Internet for several years in addition to purchasing compact discs. By 2008 Apple Inc.'s iTunes Store has become the largest music vendor in the United States (US.).

The number of banks offering the ability to perform banking tasks online has also increased. Online banking is believed to appeal to customers because it is more convenient than visiting bank branches. Currently over 150 million US. adults now bank online, with increasing Internet connection speed being the primary reason for fast growth in the online banking industry. Of those individuals who use the Internet, 44 percent now perform banking activities over the Internet.

Internet auctions have gained popularity. Unique items that could only previously be found at flea markets are being sold on eBay. Specialized e-stores sell items ranging from antiques to movie props. As the premier online reselling platform, eBay is often used as a price-basis for specialized items. Buyers and sellers often look at prices on the website before going to flea markets; the price shown on eBay often becomes the item's selling price. It is increasingly common for flea market vendors to place a targeted advertisement on the Internet for each item they are selling online, all while running their business out of their homes.

The effect on the advertising industry itself has been profound. In just a few years, online advertising has grown to be worth tens of billions of dollars annually. PricewaterhouseCoopers reported that $16.9 billion was spent on Internet marketing in the US in 2006.

Internet marketing has had a growing impact on the electoral process. In 2008 candidates for President heavily utilized Internet marketing strategies to reach constituents. During the 2007 primaries candidates added on average over 500 social network supporters per day to help spread their message. Leading Democratic candidate Barack Obama raised over $1 million a day, largely thanks to small online donors.

3.8 Internet Market Structures

According to Mahadevan, all business on the Internet falls into one of three broad market structures: portals, market makers, and product/service providers. B2B portals primarily provide members of an industry with a sense of community by providing them with information about products, services, and general industry information. They are also used as focal points to channel traffic into the websites of product/service providers in the designated industry.

Market makers also offer customers a sense of community and industry information, but they differ from portals in that they participate in the facilitation of business transactions between the buyer and supplier. This market structure can provide an industry with cost reductions by reducing product search costs and transaction costs.

Product/service providers are suppliers that sell to their customers directly via the Internet. Once a company has weighed the pros and cons of taking their business online, they must then decide which direction would be best for their company in terms of implementing an e-business model.

Unfortunately, there is no unique, successful business model for companies that perform electronic business. Just as in traditional business, the model depends on the products and services that the company offers, the market structure, etc. It is also important to understand exactly what a business model is and what the company hopes to accomplish with the model. A good business model is essential to every successful organization, whether it is a new venture or an established player. Success online, just as in traditional business, involves adding value to the firm as well as adding value to the customer. A good business model should tell who the customer is, what the customer values, how the business makes money, and how value is delivered to the customer at an appropriate cost.

All new business models are variations on the generic value chain which underlies all businesses. They consist of two parts; activities associated with making something, and activities associated with selling something. A new business model involves either the design of a new product or a process innovation, a better way of making, selling, or distributing an already proven product or service In terms of business-to-business e-business models, the process innovation models are the way that companies will more commonly use the Internet. It is important for companies to understand that their business model does not have to be set in stone.

According to the article, “Business Models Matter” in Harvard Business Review, “business modeling is… the managerial equivalent of the scientific method – you start with a hypothesis, which you then test in action and revise when necessary" [18].

An eLab Position Paper from the Owen School of Management at Vanderbilt University states that "for many firms… the greatest consequence of the Web for their business is that business models are seen as a challenge".

SELF ASSESSMENT EXERCISE

Is the Internet economy synonymous with e-commerce and e-business?

The CREC (Center for Research and Electronic Commerce) at the University of Texas has developed a conceptual framework for how the Internet economy works. The framework shows four layers of the Internet economy-the three mentioned above and a fourth called intermediaries (see Table 1).

Figure 1. Table 1: Internet Economy Conceptual Frame

Internet Economy Layer	*Layer 1 - Internet Infrastructure:* Companies that provide the enabling hardware, software, and networking equipment for Internet and for the World Wide Web	*Layer 2 - Internet Applications Infrastructure:* Companies that make software products that facilitate Web transactions; companies that provide Web development design and consulting services	*Layer 3 - Internet Intermediaries:* Companies that link e-commerce buyers and sellers; companies that provide Web content; companies that provide marketplaces in which e-commerce transactions can occur	*Layer 4 - Internet Commerce:* Companies that sell products or services directly to consumers or businesses.
Types of Companies	Networking Hardware/Software Companies Line Acceleration Hardware Manufacturers PC and Server Manufacturers Internet Backbone Providers Internet Service Providers (ISPs) Security Vendors Fiber Optics Makers	Internet Commerce Applications Web Development Software Internet Consultants Online Training Search Engine Software Web-Enabled Databases Multimedia Applications	Market Makers in Vertical Industries Online Travel Agents Online Brokerages Content Aggregators Online Advertisers Internet Ad Brokers Portals/Content Providers	E-Tailers Online Entertainment and Professional Services Manufacturers Selling Online Airlines Selling Online Tickets Fee/Subscription-Based Companies
Examples	Cisco AOL AT&T Qwest	Adobe *Microsoft *IBM Oracle	e-STEEL Travelocity e-Trade Yahoo! ZDNet	Amazon.com Dell

Based on Centre for Research in Electronic Commerce, University of Texas, "Measuring the Internet Economy," 6 June 2000.

4.0 CONCLUSION

The advent of the Internet has opened several doors of opportunities in business, even in the area of marketing. The Internet has made the act of marketing to be more dynamic and competitive. The playing field in marketing seems to have levelled and opening up the global market to several players. The concept will continue to thrive and expand so long there are growing demands for goods and services.

5.0 SUMMARY

i.**Internet marketing**, also referred to as *online marketing*, *Internet advertising*, *eMarketing* (or *e-Marketing*), is the marketing of products or services over the Internet.

ii.Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sales. Internet marketing methods and strategies encompass a wide range of services.

iii.Internet marketing is associated with several business models.

iv.Internet marketing differs from magazine advertisements, where the goal is to appeal to the projected demographic of the periodical.

v.Internet marketing is relatively inexpensive when compared to the ratio of cost against the reach of the target audience.

vi.Internet marketing requires customers to use newer technologies rather than traditional media. Low-speed Internet connections are another barrier.

vii.Information security is important both to companies and consumers that participate in online business. Many consumers are hesitant to purchase items over the Internet because they do not trust that their personal information will remain private.

viii.Internet marketing has had a large impact on several previously retail-oriented industries including music, film, pharmaceuticals, banking, flea markets, as well as the advertising industry itself.

ix.According to Mahadevan, all business on the Internet falls into one of three broad market structures: portals, market makers, and product/service providers.

x.The Internet economy is a broader concept than e-commerce and e-business.

ANSWER TO SELF ASSESSMENT EXERCISE

The Internet economy is a broader concept than e-commerce and e-business. It includes e-commerce and e-business.

6.0 TUTOR-MARKED ASSIGNMENT

List ten methods and strategies associated with Internet marketing.

7.0 REFERENCES/FURTHER READINGS

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UNIT 2 ONLINE SHOPPING

CONTENTS

1.0 INTRODUCTION

Online shopping is the process consumers go through to purchase products or services over the Internet. An online shop, eshop, e-store, internet shop, webshop, webstore, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping mall.

The metaphor of an online catalog is also used, by analogy with mail order catalogs. All types of stores have retail web sites, including those that do and do not also have physical storefronts and paper catalogs.

Online shopping is a type of electronic commerce used for business-to-business (B2B) and business-to-consumer (B2C) transactions.

The term **“Webshop”** also refers to a place of business where web development, web hosting and other types of web related activities take place (Web refers to the World Wide Web and “shop” has a colloquial meaning used to describe the place where one’s occupation is carried out).

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- define online shopping
- trace the history and development of online shopping
- identify the target audience of online shopping
- know the trends in online shopping
- identify the payment systems available for online shoppers
- understand the issues of logistics, security, convenience, user interface, and much more.

3.0 MAIN CONTENT

3.1 History of Online Shopping

Since about 1990, online shopping has emerged into every corner of life, linking people to the culture of capitalism in frequent and daily ways. It lets us buy what we want, when we want at our convenience, and helps us to imagine ourselves buying, owning, and having positive outcomes by the goods available out there on the web. Shopping has been a way of identifying oneself in today's culture by what we purchase and how we use our purchases. Online shopping has always been a middle to high class commodity since its first arrival on the internet in society. In 1990, Tim Berners-Lee created The World Wide Web Browser. A few years later in 1994 other advances took place such as Online Banking, After that, the next big development was the opening of an online pizza shop by Pizza Hut. In that same year Netscape introduced SSL encryption to enable encryption over the data transferred online which has become essential for online shopping. In 1995, Amazon started up with online shopping, then in 1996, eBay opened up for online shopping as well. The idea of online shopping pre-dates the World Wide Web for there were earlier experiments involving real-time transaction processing from a domestic television. The technology, based on Videotex was first demonstrated by Michael Aldrich in 1979 who designed and installed systems in the UK, including the first Tesco pilot system in the 1980s.

3.2 Target Audience

In general, shopping has always catered to middle class and upper class women. Shopping is fragmented and pyramid-shaped. At the pinnacle are elegant boutiques for the affluent, a huge belt of inelegant but ruthlessly efficient “discounters” flog plenty at the pyramid’s precarious middle. According to the analysis of Susan D. Davis, at its base are the world’s workers and poor, on whose cheapened labor the rest of the pyramid depends for its incredible abundance.[Shopping has evolved from single stores to large malls with different services such as offering delivery, attentive service and store credit and accepting return. These new additions to shopping have encouraged and targeted middle class women.

In recent years, online shopping has become popular; however, it still caters to the middle and upper class. In order to shop online, one must be able to have access to a computer and most of the time, own a credit card. This technology separates social classes and their ability to shop. The shopping landscape not only helps distract us from the enormous social segregation by race and class that the most privileged Americans find completely natural, it helps to reproduce this segregation.

Shopping has evolved with the growth of technology and that means an even larger separation between social classes and their means to shop. Social position strongly influences individual preferences and tastes in popular culture. According to research found in the Journal of Electronic Commerce, if we focus on the demographic characteristics of the in-home shopper, in general, the higher the level of education, income, and occupation of the head of the household, the more favourable the perception of non-store shopping. It should be remembered that an influential factor in consumer attitude towards non-store shopping is exposure to technology, since it has been demonstrated that increased exposure to technology increases the probability of developing favourable attitudes towards new shopping channels.

Online shopping widened the target audience to men and women of the middle class. At first, main users of online shopping were young men with a high level of income and a university education. This profile is changing. For example, in the United States in the early years of Internet there were very few women users, but by 2001 women were 52.8 percent of the online population. Sociocultural pressure has made men generally more independent in their purchase decisions, while women place greater value on personal contact and social relations. In addition, male shoppers are more independent when deciding on purchasing products because unlike women, they don't necessarily need to see or try on the product.

3.3 Trends and Predictability in Online Shopping

One third of people that shop online use a search engine to find what they are looking for and about one fourth of people find websites by word of mouth. Word of mouth has increased as a leading way that people find websites to shop from. When an online shopper has a good first experience with a certain website sixty percent of the time they will return to that website to buy more.

Books are one of the things bought most online, however clothes, shoes and accessories are all very popular things to buy online. Cosmetics, nutrition products and groceries are increasingly being purchased online. About one fourth of travelers are buying their plane tickets online because it is a quick and easy way to compare airline travel and make a purchase. Online shopping provides more freedom and control than shopping in a store.

According to sociological perspective online shopping is arguably the most predictable way to shop. One knows exactly what website to go to, how much the product will cost, and how long it will take for the product to reach them. Online shopping has become extremely routine and predictable, which is one of its great appeals to the consumer.

3.4 Logistics

Consumers find a product of interest by visiting the website of the retailer directly, or do a search across many different vendors using a shopping search engine.

Once a particular product has been found on the web site of the seller, most online retailers use shopping cart software to allow the consumer to accumulate multiple items and to adjust quantities, by analogy with filling a physical shopping cart or basket in a conventional store. A "checkout" process follows (continuing the physical-store analogy) in which payment and delivery information is collected, if necessary. Some stores allow consumers to sign up for a permanent online account so that some or all of this information only needs to be entered once. The consumer often receives an e-mail confirmation once the transaction is complete. Less sophisticated stores may rely on consumers to phone or e-mail their orders (though credit card numbers are not accepted by e-mail, for security reasons).

3.5 Payment

Online shoppers commonly use credit card to make payments, however some systems enable users to create accounts and pay by alternative means, such as:

- Debit card
- Various types of electronic money
- Cash on delivery (C.O.D., offered by very few online stores)
- Cheque
- Wire transfer/delivery on payment
- Postal money order

•PayPal
•Google Checkout
•Moneybookers
•Reverse SMS billing to mobile phones
•Gift cards
•Direct debit in some countries

Some sites will not allow international credit cards and billing address and shipping address have to be in the same country in which site does its business. Other sites allow customers from anywhere to send gifts anywhere. The financial part of a transaction might be processed in real time (for example, letting the consumer know their credit card was declined before they log off), or might be done later as part of the fulfillment process.

While credit cards are currently the most popular means of paying for online goods and services, alternative online payments will account for 26 percent of e-commerce volume by 2009 according to Celent

3.6 Product Delivery

Once a payment has been accepted the goods or services can be delivered in the following ways.

•**Download:** This is the method often used for digital media products such as software, music, movies, or images.
•**Shipping:** The product is shipped to the customer's address.
•**Drop shipping:** The order is passed to the manufacturer or third-party distributor, who ships the item directly to the consumer, bypassing the retailer's physical location to save time, money, and space.
•**In-store pickup:** The customer orders online, finds a local store using locator software and picks the product up at the closest store. This is the method often used in the bricks and clicks business model.

3.7 Shopping Cart Systems

•Simple systems allow the offline administration of products and categories. The shop is then generated as HTML files and graphics that can be uploaded to a webspace. These systems do not use an online database.
•A high end solution can be bought or rented as a standalone programme or as an addition to an enterprise resource planning programme. It is usually installed on the company's own webserver and may integrate into the existing supply chain so that ordering, payment, delivery, accounting and warehousing can be automated to a large extent.

•Other solutions allow the user to register and create an online shop on a portal that hosts multiple shops at the same time.
•open source shopping cart packages include advanced platforms such as Interchange, and off the shelf solutions as osCommerce, Magento, Zen Cart and VirtueMart.
•Commercial systems can also be tailored to ones needs so that the shop does not have to be created from scratch. By using a framework already existing, software modules for different functionalities required by a webshop can be adapted and combined.

3.8 Information Load

Designers of online shops should consider the effects of information load. Mehrabian and Russel (1974) introduced the concept of information rate (load) as the complex spatial and temporal arrangements of stimuli within a setting. The notion of information load is directly related to concerns about whether consumers can be given too much information in virtual shopping environments. Compared with conventional retail shopping, computer shopping enriches the information environment of virtual shopping by providing additional product information, such as comparative products and services, as well as various alternatives and attributes of each alternative, etc.

Two major sub-dimensions have been identified for information load: complexity and novelty. Complexity refers to the number of different elements or features of a site, which can be the result of increased information diversity. Novelty involves the unexpected, suppressing, new, or unfamiliar aspects of the site. A research by Huang (2000) showed that the novelty dimension kept consumers exploring the shopping sites, whereas the complexity dimension has the potential to induce impulse purchases.

3.9 User Interface

It is important to take the country and customers into account. For example, in Japan privacy is very important and emotional involvement is more important on a pension's site then on a shopping site. Next to that, there is a difference in experience: experienced users focus more on the variables that directly influence the task, while novice users are focusing more on understanding the information.

There are several techniques for the inspection of the usability. The ones used in the research of Chen & Macredie (2005) are: Heuristic evaluation, cognitive walkthrough and the user testing. Every technique has its own (dis-)advantages and it is therefore important to check per situation which technique is appropriate.

When the customers visited the online shop, a couple of factors determine whether they will return to the site. The most important factors are the ease of use and the presence of user-friendly features.

3.10 Convenience

Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home. A visit to a conventional retail store requires travel and must take place during business hours.

Searching or browsing an online catalog can be faster than browsing the aisles of a physical store. Consumers with dial-up Internet connections rather than broadband have much longer load times for content-rich websites and have a considerably slower online shopping experience.

Some consumers prefer interacting with people rather than computers (and vice versa), sometimes because they find computers hard to use. Not all online retailers have succeeded in making their sites easy to use or reliable.

In most cases, merchandise must be shipped to the consumer, introducing a significant delay and potentially uncertainty about whether or not the item was actually in stock at the time of purchase. Bricks-and-clicks stores offer the ability to buy online but pick up in a nearby store. Many stores give the consumer the delivery company's tracking number for their package when shipped, so they can check its status online and know exactly when it will arrive. For efficiency reasons, online stores generally do not ship products immediately upon receiving an order. Orders are only filled during warehouse operating hours, and there may be a delay of anywhere from a few minutes to a few days to a few weeks before in-stock items are actually packaged and shipped.

Many retailers inform customers how long they can expect to wait before receiving a package, and whether or not they generally have a fulfillment backlog. A quick response time is sometimes an important factor in consumers' choice of merchant. A weakness of online shopping is that, even if a purchase can be made 24 hours a day, the customer must often be at home during normal business hours to accept the delivery. For many professionals this can be difficult, and absence at the time of delivery can result in delays, or in some cases, return of the item to the retailer. Automated delivery booths, such as DHL's Packstation, have tried to address this problem.

In the event of a problem with the item - it is not what the consumer ordered, or it is not what they expected – consumers are concerned with the ease with which they can return an item for the correct one or for a refund. Consumers may need to contact the retailer, visit the post office and pay return shipping, and then wait for a replacement or refund. Some online companies have more generous return policies to compensate for the traditional advantage of physical stores. For example, the online shoe retailer Zappos.com includes labels for free return shipping, and does not charge a restocking fee, even for returns which are not the result of merchant error. (Note: In the United Kingdom, Online shops are prohibited from charging a restocking fee if the consumer cancels their order in accordance with the Consumer Protection (Distance Selling) Act 2000).

3.11 Information and Reviews

Online stores must describe products for sale with text, photos, and multimedia files, whereas in a physical retail store, the actual product and the manufacturer's packaging will be available for direct inspection (which might involve a test drive, fitting, or other experimentation).

Some online stores provide or link to supplemental product information, such as instructions, safety procedures, demonstrations, or manufacturer specifications. Some provide background information, advice, or how-to guides designed to help consumers decide which product to buy.

Some stores even allow customers to comment or rate their items. There are also dedicated review sites that host user reviews for different products.

In a conventional retail store, clerks are generally available to answer questions. Some online stores have real-time chat features, but most rely on e-mail or phone calls to handle customer questions.

3.12 Price and Selection

One advantage of shopping online is being able to quickly seek out deals for items or services with many different vendors (though some local search engines do exist to help consumers locate products for sale in nearby stores). Search engines and online price comparison services can be used to look up sellers of a particular product or service.

Shoppers find a greater selection online in certain market segments (for example, computers and consumer electronics) and in some cases lower prices. This is due to a relaxation of certain constraints, such as the size of a "brick-and-mortar" store, lower stocking costs (or none, if drop shipping is used), and lower staffing overhead.

Shipping costs (if applicable) reduce the price advantage of online merchandise, though depending on the jurisdiction, a lack of sales tax may compensate for this.

Shipping a small number of items, especially from another country, is much more expensive than making the larger shipments bricks-and-mortar retailers order. Some retailers (especially those selling small, high-value items like electronics) offer free shipping on sufficiently large orders.

SELF ASSESSMENT EXERCISE

What dangers and security concerns are inherent in internet marketing?

3.13 Fraud and Security Concerns

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store. Merchants also risk fraudulent purchases using stolen credit cards or fraudulent repudiation of the online purchase. With a warehouse instead of a retail storefront, merchants face less risk from physical theft.

Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. Identity theft is still a concern for consumers when hackers break into a merchant's web site and steal names, addresses and credit card numbers. A number of high-profile break-ins in the 2000s has prompted some U.S. states to require disclosure to consumers when this happens. Computer security has thus become a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks.

Phishing is another danger, where consumers are fooled into thinking they are dealing with a reputable retailer, when they have actually been manipulated into feeding private information to a system operated by a malicious party. On the other hand, dealing with an automated system instead of a population of store clerks reduces the risk of employees stealing consumer information, or dumpster diving of paper receipts. Denial of service attacks are a minor risk for merchants, as are server and network outages.

Quality seals can be placed on the Shop webpage if it has undergone an independent assessment and meets all requirements of the company issuing the seal. The purpose of these seals is to increase the confidence of the online shoppers; the existence of many different seals, or seals unfamiliar to consumers, may foil this effort to a certain extent.

A number of resources offer advice on how consumers can protect themselves when using online retailer services. These include:

•Sticking with known stores, or attempting to find independent consumer reviews of their experiences; also ensuring that there is comprehensive contact information on the website before using the service, and noting if the retailer has enrolled in industry oversight programs such as trustmark or trust seal.
•Ensuring that the retailer has an acceptable privacy policy posted. For example note if the retailer does not explicitly state that it will not share private information with others without consent.
•Ensuring that the vendor address is protected with SSL (see above) when entering credit card information. If it does the address on the credit card information entry screen will start with "HTTPS".
•Using strong passwords, without personal information. Another option is a "pass phrase," which might be something along the lines: "I shop 4 good a buy!!" These are difficult to hack, and provides a variety of upper, lower, and special characters and could be site specific and easy to remember.

Although the benefits of online shopping are considerable, when the process goes poorly it can create a thorny situation. A few problems that shoppers potentially face include identity theft, faulty products, and the accumulation of spyware. Most large online corporations are inventing new ways to make fraud more difficult, however, the criminals are constantly responding to these developments with new ways to manipulate the system. Even though these efforts are making it easier to protect yourself online, it is a constant fight to maintain the lead. It is advisable to be aware of the most current technology and scams out there to fully protect yourself and your finances.

One of the hardest areas to deal with in online shopping is the delivery of the products. Most companies offer shipping insurance in case the product is lost or damaged; however, if the buyer opts not to purchase insurance on their products, they are generally out of luck. Some shipping companies will offer refunds or compensation for the damage, but it is up to their digression if this will happen. It is important to realize that once the product leaves the hands of the seller, they have no responsibility (provided the product is what the buyer ordered and is in the specified condition).

3.13.1 Privacy

Privacy of personal information is a significant issue for some consumers. Different legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement. Many consumers wish to avoid spam and telemarketing which could result from supplying contact information to an online merchant. In response, many merchants promise not to use consumer information for these purposes, or provide a mechanism to opt-out of such contacts.

Brick-and-mortar stores also collect consumer information. Some ask for address and phone number at checkout, though consumers may refuse to provide it. Many larger stores use the address information encoded on consumers' credit cards (often without their knowledge) to add them to a catalog mailing list. This information is obviously not accessible to the merchant when paying in cash.

Product suitability

Category	**U.S. online sales (2006)**
Apparel, accessories and footwear	$18.3 billion
Computer hardware and software	$17.2 billion
Autos and auto parts	$16.7 billion
Home furnishings	$10.0 billion
Total products sales (excluding travel)	**$146.4 billion**
Travel	$73.5 billion

Many successful purely virtual companies deal with digital products, (including information storage, retrieval, and modification), music, movies, office supplies, education, communication, software, photography, and financial transactions. Examples of this type of company include: Google, eBay and Paypal. Other successful marketers use Drop shipping or affiliate marketing techniques to facilitate transactions of tangible goods without maintaining real inventory. Examples include numerous sellers on eBay. Some non-digital products have been more successful than others for online stores. Profitable items often have a high value-to-weight ratio, they may involve embarrassing purchases, they may typically go to people in remote locations, and they may have shut-ins as their typical purchasers. Items which can fit through a standard letterbox – such as music CDs, DVDs and books – are particularly suitable for a virtual marketer, and indeed Amazon.com, one of the few enduring dot-com companies, has historically concentrated on this field.

Products such as spare parts, both for consumer items like washing machines and for industrial equipment like centrifugal pumps, also seem good candidates for selling online. Retailers often need to order spare parts specially, since they typically do not stock them at consumer outlets – in such cases, e-commerce solutions in spares do not compete with retail stores, only with other ordering systems. A factor for success in this niche can consist of providing customers with exact, reliable information about which part number their particular version of a product needs, for example by providing parts lists keyed by serial number.

Products less suitable for e-commerce include products that have a low value-to-weight ratio, products that have a smell, taste, or touch component, products that need trial fittings – most notably clothing – and products where colour integrity appears important. Nonetheless, Tesco.com has had success delivering groceries in the UK, albeit that many of its goods are of a generic quality, and clothing sold through the internet is big business in the U.S. Also, the recycling program Cheapcycle sells goods over the internet, but avoids the low value-to-weight ratio problem by creating different groups for various regions, so that shipping costs remain low.

3.13.2 Aggregation

High-volume websites offer hosting services for online stores to small retailers. These stores are presented within an integrated navigation framework. Collections of online stores are sometimes known as virtual shopping malls or online marketplaces.

Become.com is a product price comparison service and discovery shopping search engine with a mission to help shoppers make ideal buying decisions. Dulance was a price engine that specialized in searching for hard-to-find products often sold by small independent online retailers (“The Long Tail”).

4.0 CONCLUSION

Indeed online shopping is a form of e-commerce, but more devoted to the buying of goods and services in virtual shop where the goods are physically displayed, though virtually. Though it is not as encompassing as Internet marketing they have the same concept. It has brought a big relive and convenience to shopping experiences all over the world.

5.0 SUMMARY

i.**Online shopping** is the process consumers go through to purchase products or services over the Internet. An online shop, eshop, e-store, internet shop, webshop, webstore, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping mall.

ii.Since about 1990, online shopping has emerged into every corner of life, linking people to the culture of capitalism in frequent and daily ways.

iii.In general, shopping has always catered to middle class and upper class women.

iv.One third of people that shop online use a search engine to find what they are looking for and about one fourth of people find websites by word of mouth.

v.Consumers find a product of interest by visiting the website of the retailer directly, or do a search across many different vendors using a shopping search engine.

vi.Online shoppers commonly use credit card to make payments, however some systems enable users to create accounts and pay by alternative means.

vii.Once a payment has been accepted the goods or services can be delivered in the several ways.

viii.Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home.

ix.One advantage of shopping online is being able to quickly seek out deals for items or services with many different vendors (though some local search engines do exist to help consumers locate products for sale in nearby stores).

x.Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store.

xi.Privacy of personal information is a significant issue for some consumers. Different legal jurisdictions have different laws concerning consumer privacy, and different levels of enforcement

xii.High-volume websites offer hosting services for online stores to small retailers.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.12 for answers.

6.0 TUTOR-MARKED ASSIGNMENT

1. List ten payment options in online shopping.
2. Briefly discuss ways to deliver goods and services in online shopping.

7.0 REFERENCES/FURTHER READINGS

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UNIT 3 WEB ANALYTICS

CONTENTS

1.0 INTRODUCTION

Web analytics is the study of online behaviour in order to improve it. There are two categories; *off-site* and *on-site* web analytics.

Off-site web analytics refers to web measurement and analysis irrespective of whether you own or maintain a website. It includes the measurement of a website's *potential* audience (opportunity), share of voice (visibility), and buzz (comments) that is happening on the Internet as a whole.

On-site web analytics measure a visitor's journey once *on your website*. This includes its drivers and conversions; for example, which landing pages encourage people to make a purchase. On-site web analytics measures the performance of your website in a commercial context. This data is typically compared against key performance indicators for performance, and used to improve a web site or marketing campaign's audience response.

Historically, web analytics has referred to on-site visitor measurement. However in recent years this has blurred, mainly because vendors are producing tools that span both categories.

The remainder of this article concerns on-site web analytics.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- define and understand what is web analytics
- know key terms and definitions associated with web analytics
- know the technologies behind web analytics
- identify the challenges of web analytics
- identify the various methods of web analytics.

3.0 MAIN CONTENT

3.1 Key Definitions

There are no globally agreed definitions within web analytics as the industry bodies have been trying to agree definitions that are useful and definitive for some time. The main bodies who have had input in this area have been Jicwebs (Industry Committee for Web Standards)/ABCe (Auditing Bureau of Circulations electronic, UK and Europe), The WAA (Web Analytics Association, US) and to a lesser extent the IAB (Interactive Advertising Bureau). This does not prevent the following list from being a useful guide, suffering only slightly from ambiguity. Both the WAA and the ABCe provide more definitive lists for those who are declaring their statistics using the metrics defined by either.

•**Hit** - A request for a file from the web server. Available only in log analysis. The number of hits received by a website is frequently cited to assert its popularity, but this number is extremely misleading and dramatically over-estimates popularity. A single web-page typically consists of multiple (often dozens) of discrete files, each of which is counted as a hit as the page is downloaded, so the number of hits is really an arbitrary number more reflective of the complexity of individual pages on the website than the website's actual popularity. The total number of visitors or page views provides a more realistic and accurate assessment of popularity.

•**Page View** - A request for a file whose type is defined as a page in log analysis. An occurrence of the script being run in page tagging. In log analysis, a single page view may generate multiple hits as all the resources required to view the page (images, .js and .css files) are also requested from the web server.

•**Visit/Session** - A series of requests from the same uniquely identified client with a set timeout. A visit is expected to contain multiple hits (in log analysis) and page views.

•**First Visit/First Session** - A visit from a visitor who has not made any previous visits.

•**Visitor/Unique Visitor/Unique User** - The uniquely identified client generating requests on the web server (log analysis) or viewing pages (page tagging) within a defined time period (i.e. day, week or month). A Unique Visitor counts once within the timescale. A visitor can make multiple visits. The Unique User is now the only mandatory metric for an ABCE audit.

•**Repeat Visitor** - A visitor that has made at least one previous visit. The period between the last and current visit is called visitor recency and is measured in days.

•**New Visitor** - A visitor that has not made any previous visits. This definition creates a certain amount of confusion (see common confusions below), and is sometimes substituted with analysis of first visits.

•**Impression** - An impression is each time an advertisement loads on a user's screen. Anytime you see a banner that is an impression.

•**Singletons** - The number of visits where only a single page is viewed. While not a useful metric in and of itself the number of singletons is indicative of various forms of "Click Fraud" as well as being used to calculate bounce rate and in some cases to identify automatons ("bots").

•**Bounce Rate/% Exit** - The percentage of visits where the visitor enters and exits at the same page without visiting any other pages on the site in between.

•**Visibility time** - The time a single page (or a blog, Ad Banner...) is viewed.

•**Session Duration** - Average amount of time that visitors spend on the site each time they visit. This metric can be complicated by the fact that analytics programs can not measure the length of the final page view. Also, if a visit comes back to the site within a short period of time, that can be measured as a continuation of the first session.

•**Page View Duration** - Average amount of time that visitors spend on each page of the site. As with Session Duration, this metric is complicated by the fact that analytics programs can not measure the length of the final page view.

•**Depth/Page Views per Session** - Depth is the average number of page views a visitor consumes before ending their session. It is calculated by dividing total number of page views by total number of sessions and is also called Page Views per Session or PV/Session.

•**Frequency/Session per Unique** - Frequency measures how often visitors come to a website. It is calculated by dividing the total number of sessions (or visits) by the total number of unique visitors. Sometimes it is used to measure the loyalty of your audience.

3.2 On-Site Web Analytics Technologies

Many different vendors provide on-site web analytics software and services. There are two main technological approaches to collecting the data. The first method, *logfile analysis*, reads the logfiles in which the web server records all its transactions. The second method, *page tagging*, uses JavaScript on each page to notify a third-party server when a page is rendered by a web browser. Both collect data that can be processed to produce web traffic reports.

In addition other data sources may also be added to augment the data. For example; e-mail response rates, direct mail campaign data, sales and lead information, user performance data such as click heat mapping, or other custom metrics as needed.

3.2.1 Web Server Logfile Analysis

Web servers have always recorded all their transactions in a logfile. It was soon realised that these logfiles could be read by a program to provide data on the popularity of the website. Thus arose web log analysis software.

In the early 1990s, web site statistics consisted primarily of counting the number of client requests (or *hits*) made to the web server. This was a reasonable method initially, since each web site often consisted of a single HTML file. However, with the introduction of images in HTML, and web sites that spanned multiple HTML files, this count became less useful. The first true commercial Log Analyzer was released by IPRO in 1994.
Two units of measure were introduced in the mid 1990s to gauge more accurately the amount of human activity on web servers. These were *page views* and *visits* (or *sessions*). A *page view* was defined as a request made to the web server for a page, as opposed to a graphic, while a *visit* was defined as a sequence of requests from a uniquely identified client that expired after a certain amount of inactivity, usually 30 minutes. The page views and visits are still commonly displayed metrics, but are now considered rather unsophisticated measurements.

The emergence of search engine spiders and robots in the late 1990s, along with web proxies and dynamically assigned IP addresses for large companies and ISPs, made it more difficult to identify unique human visitors to a website. Log analyzers responded by tracking visits by cookies, and by ignoring requests from known spiders.

The extensive use of web caches also presented a problem for logfile analysis. If a person revisits a page, the second request will often be retrieved from the browser's cache, and so no request will be received by the web server. This means that the person's path through the site is lost. Caching can be defeated by configuring the web server, but this can result in degraded performance for the visitor to the website.

3.2.2 Page Tagging

Concerns about the accuracy of logfile analysis in the presence of caching, and the desire to be able to perform web analytics as an outsourced service, led to the second data collection method, page tagging or 'Web bugs'.

In the mid 1990s, Web counters were commonly seen – these were images included in a web page that showed the number of times the image had been requested, which was an estimate of the number of visits to that page. In the late 1990s this concept evolved to include a small invisible image instead of a visible one, and, by using JavaScript, to pass along with the image request certain information about the page and the visitor. This information can then be processed remotely by a web analytics company, and extensive statistics generated.

The web analytics service also manages the process of assigning a cookie to the user, which can uniquely identify them during their visit and in subsequent visits.

With the increasing popularity of Ajax-based solutions, an alternative to the use of an invisible image, is to implement a call back to the server from the rendered page. In this case, when the page is rendered on the web browser, a piece of Ajax code would call back to the server and pass information about the client that can then be aggregated by a web analytics company. This is in some ways flawed by browser restrictions on the servers which can be contacted with XmlHttpRequest objects.

3.2.3 Logfile Analysis vs. Page Tagging

Both logfile analysis programs and page tagging solutions are readily available to companies that wish to perform web analytics. In some cases, the same web analytics company will offer both approaches. The question then arises of which method a company should choose. There are advantages and disadvantages to each approach.

Advantages of logfile analysis

The main advantages of logfile analysis over page tagging are as follows.

- The web server normally already produces logfiles, so the raw data is already available. To collect data via page tagging requires changes to the website.
- The web server reliably records every transaction it makes. Page tagging relies on the visitors' browsers co-operating, which a certain proportion may not do (for example, if JavaScript is disabled).
- The data is on the company's own servers, and is in a standard, rather than a proprietary, format. This makes it easy for a company to switch programs later, use several different programs, and analyze historical data with a new program. Page tagging solutions involve vendor lock-in.
- Logfiles contain information on visits from search engine spiders. Although these should not be reported as part of the human activity, it is useful information for search engine optimization.

Advantages of page tagging

The main advantages of page tagging over logfile analysis are as follows.

- The JavaScript is automatically run every time the page is loaded. Thus there are fewer worries about caching.
- It is easier to add additional information to the JavaScript, which can then be collected by the remote server. For example, information about the visitors' screen sizes, or the price of the goods they purchased, can be added in this way. With logfile analysis, information not normally collected by the web server can only be recorded by modifying the URL.
- Page tagging can report on events which do not involve a request to the web server, such as interactions within Flash movies, partial form completion, mouse events such as onClick, onMouseOver, onFocus, onBlur etc.
- The page tagging service manages the process of assigning cookies to visitors; with logfile analysis, the server has to be configured to do this.
- Page tagging is available to companies who do not have access to their own web servers.

Economic factors

Logfile analysis is almost always performed in-house. Page tagging can be performed in-house, but it is more often provided as a third-party service. The economic difference between these two models can also be a consideration for a company deciding which to purchase.

- Logfile analysis typically involves a one-off software purchase; however, some vendors are introducing maximum annual page views with additional costs to process additional information. In addition to commercial offerings, several open-source logfile analysis tools are available free of charge.
- For Logfile analysis you have to store and archive your own data, which often grows very large and quickly. Although the cost of hardware to do this is minimal, the overhead for an IT department can be considerable. For example, if you run out of disk space your database will start over writing and this can often be irreparable.
- For Logfile analysis you need to maintain the software, including updates and security patches.
- Complex page tagging vendors charge a monthly fee based on volume i.e. number of pageviews per month collected. However, some vendors now offer page tagging solutions for free. This includes Google Analytics (2005), Microsoft Analytics (beta 2008) and Yahoo IndexTools (2008).

Which solution is cheaper to implement depends on the amount of technical expertise within the company, the vendor chosen, the amount of activity seen on the web sites, the depth and type of information sought, and the number of distinct web sites needing statistics.

Regardless of the vendor solution or data collection method employed, the cost of web visitor analysis and interpretation should also be included. That is, the cost of turning raw data into actionable information. This can be from the use of third party consultants, the hiring of an experienced web analyst, or the training of a suitable in-house person. A cost-benefit analysis can then be performed. For example, what revenue increase or cost savings can be gained by analysing the web visitor data?

3.2.4 Hybrid Methods

Some companies are now producing programs which collect data through both logfiles and page tagging. By using a hybrid method, they aim to produce more accurate statistics than either method on its own. The first Hybrid solution was produced in 1998 by Rufus Evison who then spun the product out to create a company based upon the increased accuracy of hybrid method.

3.2.5 Other Methods

Other methods of data collection have been used, but are not currently widely deployed. These include integrating the web analytics program into the web server, and collecting data by sniffing the network traffic passing between the web server and the outside world. Packet Sniffing is used by some of the largest e-commerce sites because it involves no changes to the site or servers and cannot compromise operation. It also provides better data in real-time or in log file format and it is easy to feed data warehouses and join the data with CRM, and enterprise data.

There is also another method of the page tagging analysis. Instead of getting the information from the user side, when he/she opens the page, it's also possible to let the script work on the server side. Right before a page is sent to a user it then sends the data.

3.3 Challenges in Web Analytics

3.3.1 The Hotel Problem

The hotel problem is generally the first problem encountered by a user of web analytics. The term was first coined by Rufus Evison explaining the problem at one of the Emetrics Summits and has now gained popularity as a simple expression of the problem and its resolution.

The problem is that the unique visitors for each day in a month do not add up to the same total as the unique visitors for that month. This appears to an inexperienced user to be a problem in whatever analytics software they are using. In fact it is a simple property of the metric definitions.

The way to picture the situation is by imagining a hotel. The hotel has two rooms (Room A and Room B).

	Day 1	Day 2	Day 3	Total
Room A	John	John	Jane	2 Unique Users
Room B	Mark	Jane	Mark	2 Unique Users
Total	2	2	2	?

As the table shows, the hotel has two unique users each day over three days. The sum of the totals with respect to the days is therefore six.

During the period each room has had two unique users. The sum of the totals with respect to the rooms is therefore four.

Actually only three visitors have been in the hotel over this period. The problem is that a person who stays in a room for two nights will get counted twice if you count them once on each day, but is only counted once if you are looking at the total for the period. Any software for web analytics will sum these correctly for whatever time period, thus leading to the problem when a user tries to compare the totals.

3.3.2 New Visitors + Repeat Visitors Unequal to Total Visitors

Another common misconception in web analytics is that the sum of the new visitors and the repeat visitors ought to be the total number of visitors. Again this becomes clear if the visitors are viewed as individuals on a small scale, but still causes a large number of complaints that analytics software cannot be working because of a failure to understand the metrics.

Here the culprit is the metric of a new visitor. There is really no such thing as a new visitor when you are considering a web site from an ongoing perspective. If a visitor makes their first visit on a given day and then returns to the web site on the same day they are both a new visitor and a repeat visitor for that day. So if we look at them as an individual which are they? The answer has to be both, so the definition of the metric is at fault.

A new visitor is not an individual; it is a fact of the web measurement. For this reason it is easiest to conceptualise the same facet as a first visit (or first session). This resolves the conflict and so removes the confusion. Nobody expects the number of first visits to add to the number of repeat visitors to give the total number of visitors. The metric will have the same number as the new visitors, but it is clearer that it will not add in this fashion.

On the day in question there was a first visit made by our chosen individual. There was also a repeat visit made by the same individual. The number of first visits and the number of repeat visits will add up to the total number of visits for that day.

3.4 Web Analytics Methods

3.4.1 Problems with Cookies

Historically, vendors of page-tagging analytics solutions have used a third-party cookie that is cookies sent from the vendor's domain instead of the domain of the website being browsed. Third-party cookies can handle visitors who cross multiple unrelated domains within the company's site, since the cookie is always handled by the vendor's servers.

However, third-party cookies in principle allow tracking an individual user across the sites of different companies, allowing the analytics vendor to collate the user's activity on sites where he provided personal information with his activity on other sites where he thought he was anonymous. Although web analytics companies deny doing this, other companies such as companies supplying banner ads have done so. Privacy concerns about cookies have therefore led a noticeable minority of users to block or delete third-party cookies. In 2005, some reports showed that about 28% of Internet users blocked third-party cookies and 22% deleted them at least once a month [3].

Most vendors of page tagging solutions have now moved to provide at least the option of using first-party cookies (cookies assigned from the client subdomain).

Another problem is cookie deletion. When web analytics depend on cookies to identify unique visitors, the statistics are dependent on a persistent cookie to hold a unique visitor ID. When users delete cookies, they usually delete both first- and third-party cookies. If this is done between interactions with the site, the user will appear as a first-time visitor at their next interaction point. Without a persistent and unique visitor id, conversions, click-stream analysis, and other metrics dependent on the activities of a unique visitor over time, cannot be accurate.

Cookies are used because IP addresses are not always unique to users and may be shared by large groups or proxies. Other methods of uniquely identifying a user are technically challenging and would limit the trackable audience or would be considered suspicious. Cookies are the selected option because they reach the lowest common denominator without using technologies regarded as spyware.

3.5 Unique Landing Pages vs. Referrals for Campaign Tracking

Tracking the amount of activity generated through advertising relationships with external web sites through the referrals reports available in most web analytics packages is significantly less accurate than using unique landing pages.

SELF ASSESSMENT EXERCISE

Why are referring URLs unreliable?

4.0 CONCLUSION

Being able to study online behaviour of customers will continually bring about improvements in all forms of Internet marketing and online shopping. A good understanding through web analytics make the business owner to know what attracts clients to their site as well as what puts them off. With this idea, businesses can now design better sites to meet the need of their customers.

5.0 SUMMARY

i.**Web analytics** is the study of online behaviour in order to improve it. There are two categories; *off-site* and *on-site* web analytics.

ii.There are no globally agreed definitions within web analytics as the industry bodies have been trying to agree definitions that are useful and definitive for some time.

iii.Many different vendors provide on-site web analytics software and services. There are two main technological approaches to collecting the data.

iv.Both logfile analysis programs and page tagging solutions are readily available to companies that wish to perform web analytics

v.The hotel problem is generally the first problem encountered by a user of web analytics.

vi.Historically, vendors of page-tagging analytics solutions have used a third-party cookie that is cookies sent from the vendor's domain instead of the domain of the website being browsed.

vii.Tracking the amount of activity generated through advertising relationships with external web sites through the referrals reports available in most web analytics packages is significantly less accurate than using unique landing pages.

ANSWER TO SELF ASSESSMENT EXERCISE

Referring URLs are an unreliable source of information for the following reasons:

1. They may or may not be provided by the web browser.
2. They may or may not be recorded by the web server.
3. They can be obfuscated intentionally by web browsers that wish to browse anonymously.
4. They can be distorted or hidden by redirects, intentionally or not.

6.0 TUTOR-MARKED ASSIGNMENT

Define these terms associated with web analytics:

Session Duration
Page View Duration

Depth/Page View per Session Frequency/Session per Unique.

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UNIT 4 AFFILIATE MARKETING

CONTENTS

1.0 INTRODUCTION

Affiliate marketing is an Internet-based marketing practice in which a business rewards one or more affiliates for each visitor or customer brought about by the affiliate's marketing efforts.

Affiliate marketing is also the name of the industry where a number of different types of companies and individuals are performing this form of Internet marketing, including affiliate networks, affiliate management companies, and in-house affiliate managers, specialized third party vendors, and various types of affiliates/publishers who promote the products and services of their partners.

Affiliate marketing overlaps with other Internet marketing methods to some degree, because affiliates often use regular advertising methods. Those methods include organic search engine optimization, paid search engine marketing, e-mail marketing and in some sense display advertising. On the other hand, affiliates sometimes use less orthodox techniques, such as publishing reviews of products or services offered by a partner.

Affiliate marketing – using one website to drive traffic to another – is a form of online marketing, which is frequently overlooked by advertisers. While search engines, e-mail, and website syndication capture much of the attention of online retailers, affiliate marketing carries a much lower profile. Still, affiliates continue to play a significant role in e-retailers' marketing strategies.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- define and understand what is affiliate marketing
- trace the history and development of affiliate marketing
- know the various methods of available for affiliate marketing
- identify the advantages and disadvantages of affiliate marketing
- know the types of affiliate marketing available
- answer the question of challenges facing affiliate marketing.

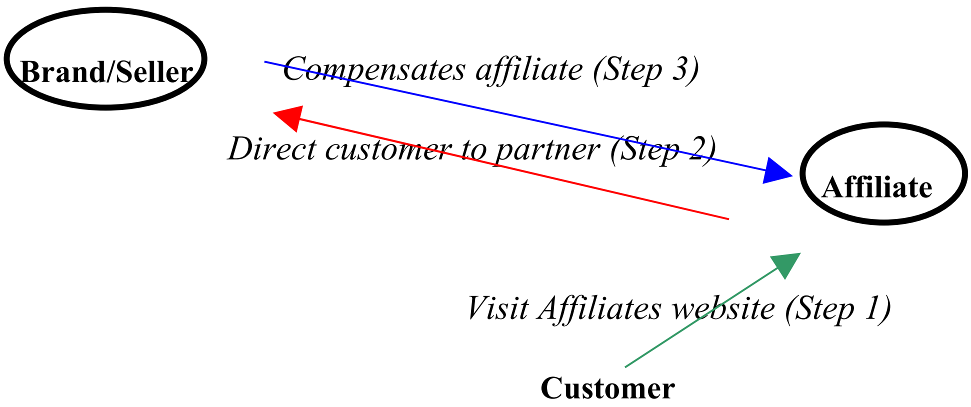

Figure 1: Concept of Affiliate Marketing

3.0 MAIN CONTENT

3.1 Historic Development

Affiliate marketing has grown quickly since its inception. The e-commerce website, viewed as a marketing toy in the early days of the Internet, became an integrated part of the overall business plan and in some cases grew to a bigger business than the existing offline business. According to one report, the total sales amount generated through affiliate networks in 2006 was £2.16 billion in the UK alone. The estimates were £1.35 billion in sales in 2005. Marketing Sherpa's research team estimated that, in 2006, affiliates worldwide earned US $6.5 billion in bounty and commissions from a variety of sources in retail, personal finance, gaming and gambling, travel, telecom, education, publishing, and forms of lead generation other than contextual advertising programmes such as Google AdSense.

Currently the most active sectors for affiliate marketing are the adult, gambling, and retail sectors. The three sectors expected to experience the greatest growth are the mobile phone, finance, and travel sectors. Soon after these sectors came the entertainment (particularly gaming) and Internet-related services (particularly broadband) sectors. Also several of the affiliate solution providers expect to see increased interest from business-to-business marketers and advertisers in using affiliate marketing as part of their mix. Of course, this is constantly subject to change.

3.2 Compensation Methods

3.2.1 Predominant Compensation Methods

Eighty percent of affiliate programs today use revenue sharing or cost per sale (CPS) as a compensation method, nineteen percent use cost per action (CPA), and the remaining programs use other methods such as cost per click (CPC) or cost per mille (CPM).

3.2.2 Diminished Compensation Methods

Less than one percent of traditional affiliate marketing programs today use CPC/PPC and CPM/CPT. However, these compensation methods are used heavily in display advertising and paid search.

CPM requires only that the publisher make the advertising available on his website and display it to his visitors in order to receive a commission. PPC requires one additional step in the conversion process to generate revenue for the publisher: A visitor must not only be made aware of the advertisement, but must also click on the advertisement to visit the advertiser's website.

CPC was more common in the early days of affiliate marketing, but has diminished in use over time due to click fraud issues very similar to the click fraud issues modern search engines are facing today. Contextual advertising programs such as Google AdSense are not considered in the statistic pertaining to diminished use of CPC, as it is uncertain if contextual advertising can be considered affiliate marketing.

3.3 CPM/CPC versus CPA/CPS (Performance Marketing)

In the case of CPM or CPC, the publisher is not concerned about a visitor being a member of the audience that the advertiser tries to attract and is able to convert, because at this point the publisher has already earned his commission. This leaves the greater, and, in case of CPM, the full risk and loss (if the visitor can not be converted) to the advertiser.

CPA and CPS require that referred visitors do more than visit the advertiser's website before the affiliate receives commission. The advertiser must convert that visitor first. It is in the best interest for the affiliate to send the advertiser the best-targeted traffic as possible to increase the chance of a conversion. The risk and loss is shared between the affiliate and the advertiser.

Affiliate marketing is also called "performance marketing," in reference to how sales employees are typically being compensated. Such employees are typically paid a commission for each sale they close, and sometimes are paid performance incentives for exceeding targeted baselines. Affiliates are not employed by the advertiser whose products or services they promote, but the compensation models applied to affiliate marketing are very similar to the ones used for people in the advertisers' internal sales department.

The phrase, "Affiliates are an extended sales force for your business," which is often used to explain affiliate marketing, is not completely accurate. The primary difference between the two is that affiliate marketers provide little if any influence on a possible prospect in the conversion process once that prospect is directed to the advertiser's website. The sales team of the advertiser, however, does have the control and influence, up to the point where the prospect signs the contract or completes the purchase.

3.4 Pros and Cons

Merchants favor affiliate marketing because in most cases it uses a "pay for performance" model, meaning that the merchant does not incur a marketing expense unless results are accrued (excluding any initial setup cost). Some businesses owe much of their success to this marketing technique, a notable example being Amazon. Unlike display advertising, however, affiliate marketing is not easily scalable

3.5 Implementation Options

Some merchants run their own (i.e., in-house) affiliate programs while others use third-party services provided by intermediaries to track traffic or sales that are referred from affiliates. Merchants can choose from two different types of affiliate management solutions: standalone software or hosted service typically called affiliate network

3.6 Affiliate Management and Program Management Outsourcing

Successful affiliate programs require significant work and maintenance.

Having a successful affiliate program is more difficult than when such programs were just emerging. With the exception of some vertical markets, it is rare for an affiliate program to generate considerable revenue with poor management or no management (i.e., "auto-drive").

Uncontrolled affiliate programs did aid – and continue to do so today – rogue affiliates, who use spamming, trademark infringement, false advertising, "cookie cutting," typosquatting, and other unethical methods that have given affiliate marketing a negative reputation.

The increased number of Internet businesses and the increased number of people that trust the current technology enough to shop and do business online allows further maturation of affiliate marketing. The opportunity to generate a considerable amount of profit combined with a crowded marketplace filled with competitors of equal quality and size makes it more difficult for merchants to be noticed. In this environment, however, being noticed can yield greater rewards.

Recently, the Internet advertising industry has become more advanced. In some areas online media has been rising to the sophistication of offline media, in which advertising has been largely professional and competitive. There are significantly more requirements that merchants must meet to be successful, and those requirements are becoming too burdensome for the merchant to manage successfully in-house. An increasing number of merchants are seeking alternative options found in relatively new outsourced (affiliate) program management (OPM) companies, which are often founded by veteran affiliate managers and network program managers. OPM companies perform affiliate program management for the merchants as a service, similar to advertising agencies promoting a brand or product as done in offline marketing.

3.7 Types of Affiliate Websites

Affiliate websites are often categorized by merchants (i.e., advertisers) and affiliate networks. There are currently no industry-wide accepted standards for the categorization. The following types of websites are generic, yet are commonly understood and used by affiliate marketers:

- Search affiliates that utilize pay per click search engines to promote the advertisers' offers (i.e., search arbitrage).
- Comparison shopping websites and directories.
- Loyalty websites, typically characterized by providing a reward system for purchases via points back, cash back, or charitable donations.
- Coupon and rebate websites that focus on sales promotions.
- Content and niche market websites, including product review sites.

- Personal websites (This type of website was the reason for the birth of affiliate marketing; however, such websites are almost reduced to complete irrelevance compared to the other types of affiliate websites.)
- Weblogs and website syndication feeds.
- E-mail list affiliates (i.e., owners of large opt-in email lists that typically employ e-mail drip marketing) and newsletter list affiliates, which are typically more content-heavy.
- Registration path or co-registration affiliates who include offers from other merchants during the registration process on their own website.
- Shopping directories that list merchants by categories without providing coupons, price comparisons, or other features based on information that changes frequently, thus requiring continual updates.
- Cost per action (CPA) networks (i.e., top-tier affiliates) that expose offers from the advertiser with which they are affiliated to their own network of affiliates.

3.8 Publisher Recruitment

Affiliate networks that already have several advertisers typically also have a large pool of publishers. These publishers could be potentially recruited, and there is also an increased chance that publishers in the network apply to the program on their own, without the need for recruitment efforts by the advertiser.

Relevant websites that attract the same target audiences as the advertiser but without competing with it are potential affiliate partners as well. Vendors or existing customers can also become recruits if doing so makes sense and does not violate any laws or regulations.

Almost any website could be recruited as an affiliate publisher, although high-traffic websites are more likely interested in (for their own sake) low-risk CPM or medium-risk CPC deals rather than higher-risk CPA or revenue share deals.

3.9 Locating Affiliate Programs

There are three primary ways to locate affiliate programmes for a target website namely:

- affiliate programs directories,
- large affiliate networks that provide the platform for dozens or even hundreds of advertisers, and
- the target website itself. (Websites that offer an affiliate program often have a link titled "affiliate program," "affiliates," "referral program," or "webmasters" – usually in the footer or "About" section of the website.)

If the listed locations do not yield information pertaining to affiliates, it may be the case that there exists a non-public affiliate program. The most definitive method for finding this information is to contact the website owner directly.

3.10 Challenges and Issues

Since the emergence of affiliate marketing, there has been little control over affiliate activity. Unscrupulous affiliates have used spam, false advertising, forced clicks (to get tracking cookies set on users' computers), adware, and other methods to drive traffic to their sponsors. Although many affiliate programs have terms of service that contain rules against spam, this marketing method has historically proven to attract abuse from spammers.

3.10.1 E-mail Spam

In the infancy of affiliate marketing, many Internet users held negative opinions due to the tendency of affiliates to use spam to promote the programs in which they were enrolled. As affiliate marketing matured, many affiliate merchants have refined their terms and conditions to prohibit affiliates from spamming.

3.10.2 Search Engine Spam

As search engines have become more prominent, some affiliate marketers have shifted from sending e-mail spam to creating automatically-generated webpages that often contain product data feeds provided by merchants. The goal of such webpages is to manipulate the relevancy or prominence of resources indexed by a search engine – also known as spamdexing. Each page can be targeted to a different niche market through the use of specific keywords, with the result being a skewed form of search engine optimization.
Spam is the biggest threat to organic search engines, whose goal is to provide quality search results for keywords or phrases entered by their users. Google's PageRank algorithm update ("BigDaddy") in February 2006 – the final stage of Google's major update ("Jagger") that began in mid-summer 2005 – specifically targeted spamdexing with great success. This update thus enabled Google to remove a large amount of mostly computer-generated duplicate content from its index.

Websites consisting mostly of affiliate links are regarded negatively as they do not offer quality content. In 2005 there were active changes made by Google, where certain websites were labeled as "thin affiliates." Such websites were either removed from Google's index or were relocated within the results page (i.e., moved from the top-most results to a lower position). To avoid this categorization, affiliate marketer webmasters must create quality content on their websites that distinguishes their work from the work of spammers or banner farms, which only contain links leading to merchant sites.

Affiliate links work best in the context of the information contained within the website itself. For instance, if a website contains information pertaining to publishing a website, an affiliate link leading to a merchant's Internet service provider (ISP) within that website's content would be appropriate. If a website contains information pertaining to sports, an affiliate link leading to a sporting goods website may work well within the context of the articles and information about sports. The goal is to publish quality information within the website and provide context-oriented links to related merchant's websites.

3.10.3 Adware

Although it differs from spyware, adware often uses the same methods and technologies. Merchants initially were uninformed about adware, what impact it had, and how it could damage their brands. Affiliate marketers became aware of the issue much more quickly, especially because they noticed that adware often overwrites tracking cookies, thus resulting in a decline of commissions. Affiliates not employing adware felt that it was stealing commission from them. Adware often has no valuable purpose and rarely provides any useful content to the user, who is typically unaware that such software is installed on his/her computer.

Affiliates discussed the issues in Internet forums and began to organize their efforts. They believed that the best way to address the problem was to discourage merchants from advertising via adware. Merchants that were either indifferent to or supportive of adware were exposed by affiliates, thus damaging those merchants' reputations and tarnishing their general affiliate marketing efforts. Many affiliates either terminated the use of such merchants or switched to a competitor's affiliate program. Eventually, affiliate networks were also forced by merchants and affiliates to take a stand and ban certain adware publishers from their network. The result was Code of Conduct by Commission Junction/BeFree and Performics, LinkShare's Anti-Predatory Advertising Addendum and ShareASale’s complete ban of software applications as a medium for affiliates to promote advertiser offers Regardless of the progress made, adware continues to be an issue, as demonstrated by the class action lawsuit against ValueClick and its daughter company Commission Junction filed on April 20, 2007

3.10.4 Lack of Self Regulation

Affiliate marketing is driven by entrepreneurs who are working at the forefront of internet marketing.] Affiliates are the first to take advantage of new emerging trends and technologies where established advertisers do not dare to be active. Affiliates take risks and "trial and error" is probably the best way to describe how affiliate marketers are operating. This is also one of the reasons why most affiliates fail and give up before they "make it" and become "super affiliates" who generate $10,000 and more in commission (not sales) per month. This "frontier" life and the attitude that can be found in such type of communities is probably the main reason, why the affiliate marketing industry is not able to this day to self-regulate itself beyond individual contracts between advertiser and affiliate. The 10+ years history since the beginning of affiliate marketing is full of failed attempts to create an industry organization or association of some kind that could be the initiator of regulations, standards and guidelines for the industry. Some of the failed examples are the Affiliate Union and iAfma.

3.10.5 Lack of Industry Standards

Training and Certification

There are no industry standards for training and certification in affiliate marketing. There are training courses and seminars that result in certifications. Some of them are also widely accepted, which is mostly because of the reputation of the person or company who is issuing the certification. Affiliate marketing is also not a subject taught in universities. Only few college teachers work with Internet marketers to introduce the concept of affiliate marketing to students majoring in marketing for example.

Education happens mostly in "real life" by just doing it and learning the details as you go. There are a number of books available, but readers have to watch out, because some of the so-called "how-to" or "silver bullet" books teach how to manipulate holes in the Google algorithm, which can quickly become out of date or that advertisers no longer permit some of the strategies endorsed in the book.

OPM companies usually mix formal with informal training, and do a lot of their training through group collaboration and brainstorming. Companies also try to send each marketing employee to the industry conference of their choice.

Other resources used include web forums, blogs, podcasts, video seminars and specialty websites that try to teach individuals to learn affiliate marketing.

Affiliate Summit is the largest conference in the industry, and it is not run by any of the Affiliate networks, many of which run their own annual events.

3.10.6 "Threat" to Traditional Affiliate Networks

Affiliate marketers usually avoid this topic as much as possible, but when it is being discussed, then the debates are explosive and heated to say the least The discussion is about CPA networks (CPA = Cost per action) and their impact on "classic" affiliate marketing (traditional affiliate networks). Traditional affiliate marketing is resource intensive and requires a lot of maintenance. Most of this includes the management, monitoring and support of affiliates. Affiliate marketing is supposed to be about long-term and mutual beneficial partnerships between advertisers and affiliates. CPA networks on the other hand eliminate the need for the advertiser to build and maintain relationships to affiliates, because that task is performed by the CPA network for the advertiser. The advertiser simply puts an offer out, which is in almost every case a CPA based offer, and the CPA networks take care of the rest by mobilizing their affiliates to promote that offer. CPS or revenue share offers are rarely to be found at CPA networks, which is the main compensation model of classic affiliate marketing.

SELF ASSESSMENT EXERCISE

What challenges and issues of concern arise from affiliate marketing? How do we check or control them?

4.0 CONCLUSION

Affiliate marketing has widened the scope of marketing in that, more organizations, small time and big time, are now involved in marketing products and services. This makes it possible for goods and services to be available to more customers per time and even globally. This has made marketing to be more encompassing and dynamic. An affiliate takes a product beyond its scope to focus directly on target audience.

5.0 SUMMARY

i. Affiliate marketing is an Internet-based marketing practice in which a business rewards one or more affiliates for each visitor or customer brought about by the affiliate's marketing efforts.

ii. Affiliate marketing has grown quickly since its inception. The e-commerce website, viewed as a marketing toy in the early days of the Internet, became an integrated part of the overall business plan and in some cases grew to a bigger business than the existing offline business.

iii. Eighty percent of affiliate programs today use revenue sharing or cost per sale (CPS) as a compensation method, nineteen percent use cost per action (CPA), and the remaining programs use other methods such as cost per click (CPC) or cost per mille (CPM).

iv.In the case of CPM or CPC, the publisher is not concerned about a visitor being a member of the audience that the advertiser tries to attract and is able to convert, because at this point the publisher has already earned his commission.

v.Merchants favor affiliate marketing because in most cases it uses a "pay for performance" model, meaning that the merchant does not incur a marketing expense unless results are accrued.

vi.Some merchants run their own (i.e., in-house) affiliate programs while others use third-party services provided by intermediaries to track traffic or sales that are referred from affiliates.

vii.Successful affiliate programs require significant work and maintenance. Having a successful affiliate program is more difficult than when such programs were just emerging.

viii.Affiliate websites are often categorized by merchants (i.e., advertisers) and affiliate networks.

ix.Affiliate networks that already have several advertisers typically also have a large pool of publishers.

x.Since the emergence of affiliate marketing, there has been little control over affiliate activity. Unscrupulous affiliates have used spam, false advertising, forced clicks (to get tracking cookies set on users' computers), adware, and other methods to drive traffic to their sponsors.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.10.1 – 6.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly discuss 10 forms of affiliate marketing.

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UNIT 5 OTHER FORMS OF INTERNET MARKETING

CONTENTS

1.0 INTRODUCTION

In this unit we re focusing on other forms of Internet marketing strategies and models. As the Internet is global in its usage and applications so are there many forms of Internet marketing strategies.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- define and understand what is e-mail marketing
- know what are the advantages and disadvantages of e-mail marketing
- know the applications of e-marketing
- define, understand and trace the history of search engine marketing
- define, understand and trace the history of search engine optimization
- define and understand lead scoring
- understand the use of search engine optimization as a marketing strategy.

3.0 MAIN CONTENT

3.1 E-Mail Marketing

E-mail marketing is a form of direct marketing which uses electronic mail as a means of communicating commercial or fundraising messages to an audience. In its broadest sense, every e-mail sent to a potential or current customer could be considered e-mail marketing. However, the term is usually used to refer to:

•Sending e-mails with the purpose of enhancing the relationship of a

merchant with its current or old customers and to encourage customer loyalty and repeat business.
•Sending e-mails with the purpose of acquiring new customers or convincing old customers to buy something immediately.
•Adding advertisements in e-mails sent by other companies to their customers.
•E-mails that are being sent on the Internet (E-mail did and does exist outside the Internet, Network E-mail, FIDO etc.)

Researchers estimate that US firms alone spent $400 million on e-mail marketing in 2006.

3.1.1 Advantages

E-mail marketing (on the Internet) is popular with companies because

•the advantage of a mailing list is clearly the ability to distribute information to a wide range of specific, potential customers at a relatively low cost using services;
•compared to other media investments such as direct mail or printed newsletters, it is less expensive;
•an exact Return on investment can be tracked ("track to basket") and has proven to be high when done properly. E-mail marketing is often reported as second only to search marketing as the most effective online marketing tactic;
•it is instant, as opposed to a mailed advertisement, an e-mail arrives in a few seconds or minutes;
•it lets the advertiser "push" the message to its audience, as opposed to a website that waits for customers to come in;
•it is easy to track. An advertiser can track users via web bugs, bounce messages, un-subscribes, read-receipts, click-throughs, etc. These can be used to measure open rates, positive or negative responses, correlate sales with marketing;

•advertisers generate repeat business affordably and automatically;
•advertisers can reach substantial numbers of e-mail subscribers who have opted in (consented) to receive e-mail communications on subjects of interest to them;
•over half of Internet users check or send e-mail on a typical day;
•specific types of interaction with messages can trigger other messages to be automatically delivered;
•specific types of interaction with messages can trigger other events such as updating the profile of the recipient to indicate a specific interest category; and
•green - e-mail marketing is paper-free.

3.1.2 Disadvantages

Many companies use e-mail marketing to communicate with existing customers, but many other companies send unsolicited bulk e-mail, also known as spam.

Internet system administrators have always considered themselves responsible for dealing with "abuse of the net", but not "abuse on the net". That is, they will act quite vigorously against spam, but will leave issues like libel or trademark infringement to the courts. Most administrators passionately hate spam, which they define as **any** unsolicited e-mail. Draconian measures – such as taking down a corporate website with or without warning – are an entirely normal response to spamming. Typically, the "Terms of Service" in Internet companies' contracts allow this, so the spammer has no recourse.

Illicit e-mail marketing antedates legitimate e-mail marketing, since on the early Internet it was not permitted to use the medium for commercial purposes. As a result, marketers attempting to establish themselves as legitimate businesses in e-mail marketing have had an uphill battle, hampered also by criminal spam operations billing themselves as legitimate.

It is frequently difficult for observers to distinguish between legitimate and spam e-mail marketing. First off, spammers attempt to represent themselves as legitimate operators, obfuscating the issue. Second, direct-marketing political groups such as the U.S. Direct Marketing Association (DMA) have pressured legislatures to legalize activities which some Internet operators consider to be spamming, such as the sending of "opt-out" unsolicited commercial e-mail. Third, the sheer volume of spam e-mail has led some users to mistake legitimate commercial e-mail (for instance, a mailing list to which the user subscribed) for spam – especially when the two have a similar appearance, as when messages include HTML and flashy graphics.
Due to the volume of spam e-mail on the Internet, spam filters are essential to most users. Some marketers report that legitimate commercial e-mails frequently get caught by filters, and hidden; however, it is somewhat less common for e-mail users to complain that spam filters block legitimate mail.

Companies considering an e-mail marketing program must make sure that their program does not violate spam laws such as the United States'' CAN-SPAM Act (Controlling the Assault of Non-Solicited Pornography and Marketing Act), the European Privacy & Electronic Communications Regulations 2003 or their Internet provider's acceptable use policy. Even if a company follows the law, if Internet mail administrators find that it is sending spam it is likely to be listed in blacklists such as SPEWS.

3.1.3 Opt-in E-mail Advertising

Opt-in e-mail advertising or permission marketing is a method of advertising via electronic mail whereby the recipient of the advertisement has consented to receive it. It is one of several ways developed by marketers to eliminate the disadvantages of e-mail marketing.

E-mail has become a very popular mode of communication across the world. It has also become extremely popular to advertise through. Some of the many advantages of advertising through e-mail are the direct contact with the consumer and is “inexpensive, flexible, and simple to implement” (Fairhead, 2003). There are also disadvantages attached to e-mail advertising such as, alienating the consumer because of overload to messages or the advertisement getting deleted without getting read.

Permission e-mail marketing may evolve into a technology that uses a handshake protocol between sender and receiver (Fairhaed, 2003). This system is intended to eventually result in a high degree of satisfaction between consumers and marketers. If opt-in e-mail advertising is used, the material that is e-mailed to consumers will be “anticipated.” It is assumed that the consumer wants to receive it, which makes it unlike unsolicited advertisements sent to the consumer (often referred to as spam). Ideally, opt-in e-mail advertisements will be more personal and relevant to the consumer than untargetted advertisements.

A common example of permission marketing is a newsletter sent to a firm’s customers. Newsletters like this are a way to let customers know about upcoming events or promotions, or new products. In this type of advertising, a company that wants to send a newsletter to their customers may ask them at the point of purchase if they would like to receive this newsletter.

With a foundation of opted-in contact information stored in a database, marketers can automatically send out promotional materials. The marketers can also segment their promotions to specific market segments.

SELF ASSESSMENT EXERCISE

What do you understand by the concept E-mail Marketing? Mention and discuss the merits and demerits of that marketing system.

3.2 Search Engine Marketing

Search engine marketing, or **SEM**, is a form of Internet marketing that seeks to promote websites by increasing their visibility in search engine result pages (SERPs). According to the Search Engine Marketing Professional Organization SEM methods include: search engine optimization (or SEO), paid placement, and paid inclusion. Other sources, including the New York Times, define SEM as the practice of buying paid search listings

3.2.1 Market Structure

In 2006, North American advertisers spent US$9.4 billion on search engine marketing, a 62% increase over the prior year and a 750% increase over the 2002 year. The largest SEM vendors are Google AdWords, Yahoo! Search Marketing and Microsoft adCenter. As of 2006, SEM was growing much faster than traditional advertising and even other channels of online marketing.

3.2.2 History

As the number of sites on the Web increased in the mid-to-late 90s, search engines started appearing to help people find information quickly. Search engines developed business models to finance their services, such as pay per click programs offered by Open Text in 1996 and then in 1998. Goto.com later changed its name to Overture in 2001, and was purchased by Yahoo! in 2003, and now offers paid search opportunities for advertisers through Yahoo! Search Marketing. Google also began to offer advertisements on search results pages in 2000 through the Google AdWords program. By 2007 pay-per-click programs proved to be primary money-makers for search engines.

Search engine optimization consultants expanded their offerings to help businesses learn about and use the advertising opportunities offered by search engines, and new agencies focusing primarily upon marketing and advertising through search engines emerged. The term "Search

Engine Marketing" was proposed by Danny Sullivan in 2001 to cover the spectrum of activities involved in performing SEO, managing paid listings at the search engines, submitting sites to directories, and developing online marketing strategies for businesses, organizations, and individuals.

3.3 Search Engine Optimization

Search engine optimization (**SEO**) is the process of improving the volume and quality of traffic to a web site from search engines via "natural" ("organic" or "algorithmic") search results for targeted keywords. Usually, the earlier a site is presented in the search results or the higher it "ranks", the more searchers will visit that site. SEO can also target different kinds of searches, including image search, local search, and industry-specific vertical search engines.

As a marketing strategy for increasing a site's relevance, SEO considers how search algorithms work and what people search for. SEO efforts may involve a site's coding, presentation, and structure, as well as fixing problems that could prevent search engine indexing programs from fully spidering a site. Another class of techniques, known as black hat SEO or spamdexing, use methods such as link farms and keyword stuffing that tend to harm search engine user experience. Search engines look for sites that employ these techniques and may remove them from their indices.

The initialism "SEO" can also refer to "search engine optimizers", terms adopted by an industry of consultants who carry out optimization projects on behalf of clients, and by employees who perform SEO services in-house. Search engine optimizers may offer SEO as a stand-alone service or as a part of a broader marketing campaign. Because effective SEO may require changes to the HTML source code of a site, SEO tactics may be incorporated into web site development and design. The term "search engine friendly" may be used to describe web site designs, menus, content management systems, URLs, and shopping carts that are easy to optimize.

3.3.1 History

Webmasters and content providers began optimizing sites for search engines in the mid-1990s, as the first search engines were cataloging the early Web. Initially, all a webmaster needed to do was submit a page, or URL, to the various engines which would send a spider to "crawl" that page, extract links to other pages from it, and return information found on the page to be indexed. The process involves a search engine spider downloading a page and storing it on the search engine's own server, where a second program, known as an indexer, extracts various information about the page, such as the words it contains and where these are located, as well as any weight for specific words and all links the page contains, which are then placed into a scheduler for crawling at a later date.

Site owners started to recognize the value of having their sites highly ranked and visible in search engine results. They also recognised that the higher their site ranking the more people would click on the website. According to industry analyst Danny Sullivan, the earliest known use of the phrase *search engine optimization* was a spam message posted on Usenet on July 26, 1997.

Early versions of search algorithms relied on webmaster-provided information such as the keyword meta tag, or index files in engines like ALIWEB. Meta tags provided a guide to each page's content. But using meta data to index pages was found to be less than reliable because the webmaster's account of keywords in the meta tag were not truly relevant to the site's actual keywords. Inaccurate, incomplete, and inconsistent data in meta tags caused pages to rank for irrelevant searches Web content providers also manipulated a number of attributes within the HTML source of a page in an attempt to rank well in search engines.

By relying so much on factors exclusively within a webmaster's control, early search engines suffered from abuse and ranking manipulation. To provide better results to their users, search engines had to adapt to ensure their results pages showed the most relevant search results, rather than unrelated pages stuffed with numerous keywords by unscrupulous webmasters. Since the success and popularity of a search engine is determined by its ability to produce the most relevant results to any given search allowing those results to be false would turn users to find other search sources. Search engines responded by developing more complex ranking algorithms, taking into account additional factors that were more difficult for webmasters to manipulate.

Graduate students at Stanford University, Larry Page and Sergey Brin developed "backrub", a search engine that relied on a mathematical algorithm to rate the prominence of web pages. The number calculated by the algorithm, PageRank, is a function of the quantity and strength of inbound links. PageRank estimates the likelihood that a given page will be reached by a web user who randomly surfs the web, and follows links from one page to another. In effect, this means that some links are stronger than others, as a higher PageRank page is more likely to be reached by the random surfer.

Page and Brin founded Google in 1998. Google attracted a loyal following among the growing number of Internet users, who liked its simple design. Off-page factors such as PageRank and hyperlink analysis were considered, as well as on-page factors, to enable Google to avoid the kind of manipulation seen in search engines that only considered on-page factors for their rankings. Although PageRank was more difficult to game, webmasters had already developed link building tools and schemes to influence the Inktomi search engine, and these methods proved similarly applicable to gaining PageRank. Many sites focused on exchanging, buying, and selling links, often on a massive scale. Some of these schemes, or link farms, involved the creation of thousands of sites for the sole purpose of link spamming.

By 2007, search engines had incorporated a wide range of undisclosed factors in their ranking algorithms to reduce the impact of link manipulation. Google says it ranks sites using more than 200 different signals. The three leading search engines, Google, Yahoo and Microsoft's Live Search, do not disclose the algorithms they use to rank pages. Notable SEOs, such as Rand Fishkin, Barry Schwartz, Aaron Wall and Jill Whalen, have studied different approaches to search engine optimization, and have published their opinions in online forums and blogs SEO practitioners may also study patents held by various search engines to gain insight into the algorithms.

3.3.2 Webmasters and Search Engines

By 1997 search engines recognized that webmasters were making efforts to rank well in their search engines, and that some webmasters were even manipulating their rankings in search results by stuffing pages with excessive or irrelevant keywords. Early search engines, such as Infoseek, adjusted their algorithms in an effort to prevent webmasters from manipulating rankings.

Due to the high marketing value of targeted search results, there is potential for an adversarial relationship between search engines and SEOs. In 2005, an annual conference, AIRWeb, Adversarial Information Retrieval on the Web, was created to discuss and minimize the damaging effects of aggressive web content providers.

SEO companies that employ overly aggressive techniques can get their client websites banned from the search results. In 2005, the Wall Street Journal profiled a company, Traffic Power, which allegedly used high-risk techniques and failed to disclose those risks to its clients. Wired magazine reported that the same company sued blogger Aaron Wall for writing about the ban Google's Matt Cutts later confirmed that Google did in fact ban Traffic Power and some of its clients.

Some search engines have also reached out to the SEO industry, and are frequent sponsors and guests at SEO conferences, chats, and seminars. In fact, with the advent of paid inclusion, some search engines now have a vested interest in the health of the optimization community. Major search engines provide information and guidelines to help with site optimization. Google has a Sitemaps program to help webmasters learn if Google is having any problems indexing their website and also provides data on Google traffic to the website. Yahoo! Site Explorer provides a way for webmasters to submit URLs, determine how many pages are in the Yahoo! index and view link information.

3.3.3 White Hat versus Black Hat

SEO techniques are classified by some into two broad categories: techniques that search engines recommend as part of good design and those techniques that search engines do not approve of and attempt to minimize the effect of, referred to as spamdexing. Industry commentators have classified these methods, and the practitioners who employ them, as either white hat SEO, or black hat SEO. White hats tend to produce results that last a long time, whereas black hats anticipate that their sites may eventually be banned either temporarily or permanently once the search engines discover what they are doing.

An SEO technique is considered white hat if it conforms to the search engines' guidelines and involves no deception. As the search engine guidelines are not written as a series of rules or commandments, this is an important distinction to note. White hat SEO is not just about following guidelines, but is about ensuring that the content a search engine indexes and subsequently ranks is the same content a user will see.

White hat advice is generally summed up as creating content for users, not for search engines, and then making that content easily accessible to the spiders, rather than attempting to trick the algorithm from its intended purpose. White hat SEO is in many ways similar to web development that promotes accessibility, although the two are not identical.

Black hat SEO attempts to improve rankings in ways that are disapproved of by the search engines, or involve deception. One black hat technique uses text that is hidden, either as text colored similar to the background, in an invisible div, or positioned off screen. Another method gives a different page depending on whether the page is being requested by a human visitor or a search engine, a technique known as cloaking.

Search engines may penalize sites they discover using black hat methods, either by reducing their rankings or eliminating their listings from their databases altogether. Such penalties can be applied either automatically by the search engines' algorithms, or by a manual site review.

One infamous example was the February 2006 Google removal of both BMW Germany and Ricoh Germany for use of deceptive practices. Both companies, however, quickly apologized, fixed the offending pages, and were restored to Google's list.

3.3.4 As a Marketing Strategy

Eye tracking studies have shown that searchers scan a search results page from top to bottom and left to right (for left to right languages), looking for a relevant result. Placement at or near the top of the rankings therefore increases the number of searchers who will visit a site. However, more search engine referrals does not guarantee more sales. SEO is not necessarily an appropriate strategy for every website, and other Internet marketing strategies can be much more effective, depending on the site operator's goals. A successful Internet marketing campaign may drive organic traffic to web pages, but it also may involve the use of paid advertising on search engines and other pages, building high quality web pages to engage and persuade, addressing technical issues that may keep search engines from crawling and indexing those sites, setting up analytics programs to enable site owners to measure their successes, and improving a site's conversion rate.

SEO may generate a return on investment. However, search engines are not paid for organic search traffic, their algorithms change, and there are no guarantees of continued referrals. Due to this lack of guarantees and certainty, a business that relies heavily on search engine traffic can suffer major losses if the search engines stop sending visitors. It is considered wise business practice for website operators to liberate themselves from dependence on search engine traffic. A top-ranked SEO blog Seomoz.org has reported, "Search marketers, in a twist of irony, receive a very small share of their traffic from search engines." Instead, their main sources of traffic are links from other websites.

3.3.5 International Markets

The search engines' market shares vary from market to market, as does competition. In 2003, Danny Sullivan stated that Google represented about 75% of all searches. In markets outside the United States, Google's share is often larger, and Google remains the dominant search engine worldwide as of 2007 As of 2006, Google held about 40% of the market in the United States, but Google had an 85-90% market share in Germany. While there were hundreds of SEO firms in the US at that time, there were only about five in Germany.

In Russia the situation is reversed. Local search engine Yandex controls 50% of the paid advertising revenue, while Google has less than 9% In China, Baidu continues to lead in market share, although Google has been gaining share as of 2007.

Successful search optimization for international markets may require professional translation of web pages, registration of a domain name with a top level domain in the target market, and web hosting that provides a local IP address .Otherwise, the fundamental elements of search optimization are essentially the same, regardless of language.

3.4 Lead Scoring

Algorithmic based profiling of leads in order to filter based on a set of predefined criteria.

The practice is becoming increasingly popular in a world of web based server centric CRM software.

An example of this would be generating a score for each client visiting a web site, or reading an email, to determine who is interested in a specific page or offer on a website, or email. The practice can be utilized effectively in delivering relevant content to a web visitor, increasing utility of the website or portal.

The practice is also utilized extensively by Web Ad Serving companies who deliver web advertising based on a browsers previous behavior, or search engines who deliver sponsored ads based on previous searches.

A whole new breed of web based software is being developed and introduced to the market place to enable sales and marketing organizations to make use of lead scoring, factoring in a smorgasbord of variables. Variables can range from human generated rank, to web generated analytics.

4.0 CONCLUSION

E-mail marketing, search engine optimization and lead scoring are all forms of Internet marketing and has continually widen the scope and capability of marketing. These models make it easier for a product or service to be noticed on time and equally make avenues available for immediate purchase. It has made marketing to be much potent.

5.0 SUMMARY

i.**E-mail marketing** is a form of direct marketing which uses electronic mail as a means of communicating commercial or fundraising messages to an audience.

ii.Companies considering an e-mail marketing program must make sure that their program does not violate spam laws such as the united States.

iii.**Search engine marketing**, or **SEM**, is a form of Internet marketing that seeks to promote websites by increasing their visibility in search engine result pages (SERPs). According

iv.**Search engine optimization** (**SEO**) is the process of improving the volume and quality of traffic to a web site from search engines via "natural" ("organic" or "algorithmic") search results for targeted keywords.

v.Webmasters and content providers began optimizing sites for search engines in the mid-1990s, as the first search engines were cataloging the early.

vi.By 1997 search engines recognized that webmasters were making efforts to rank well in their search engines, and that some webmasters were even manipulating their rankings in search results by stuffing pages with excessive or irrelevant keywords.

vii.Eye tracking studies have shown that searchers scan a search results page from top to bottom and left to right (for left to right languages), looking for a relevant result.

viii.The practice of lead scoring is becoming increasingly popular in a world of web based server centric CRM software.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.1, 3.1.1 and 3.1.2

6.0 TUTOR-MARKED ASSIGNMENT

Mention ten advantages of e-mail marketing.

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MODULE 2

UNIT 1 PROMOTION AND ADVERTISING

CONTENTS

1.0 INTRODUCTION

In this unit we shall examine several strategies for promoting and advertising products and services on the Internet. Owing to the divergent understanding and applications of the Internet in marketing we also have multiples of ad and promotional techniques as seen in this unit of the course.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- understand and trace the history of web banner
- know what is Display Advertising
- differentiate the various forms of web advertising
- know what is, and differentiate contextual and interactive advertising
- understand what is social media optimization and origin
- define, understand and know the use of digital marketing
- know what is e-procurement and it advantages and disadvantages.

3.0 MAIN CONTENT

3.1 Web Banner

A **web banner** or **banner ad** is a form of advertising on the World Wide Web. This form of online advertising entails embedding an advertisement into a web page. It is intended to attract traffic to a website by linking to the website of the advertiser. The advertisement is constructed from an image (GIF, JPEG, PNG), JavaScript program or multimedia object employing technologies such as Silverlight, Java, Shockwave or Flash, often employing animation or sound to maximize presence. Images are usually in a high-aspect ratio shape (i.e. either wide and short, or tall and narrow) hence the reference to banners. These images are usually placed on web pages that have interesting content, such as a newspaper article or an opinion piece.

The web banner is displayed when a web page that references the banner is loaded into a web browser. This event is known as an "impression". When the viewer clicks on the banner, the viewer is directed to the website advertised in the banner. This event is known as a "click through". In many cases, banners are delivered by a central ad server.
When the advertiser scans their logfiles and detects that a web user has visited the advertiser's site from the content site by clicking on the banner ad, the advertiser sends the content provider some small amount of money (usually around five to ten US cents). This payback system is often how the content provider is able to pay for the Internet access to supply the content in the first place.

Web banners function the same way as traditional advertisements are intended to function: notifying consumers of the product or service and presenting reasons why the consumer should choose the product in question, although web banners differ in that the results for advertisement campaigns may be monitored real-time and may be targeted to the viewer's interests.

Many web surfers regard these advertisements as highly annoying because they distract from a web page's actual content or waste bandwidth. (Of course, the purpose of the banner ad is to attract attention and many advertisers try to get attention to the advert by making them annoying. Without attracting attention it would provide no revenue for the advertiser or for the content provider.) Newer web browsers often include options to disable pop-ups or block images from selected websites. Another way of avoiding banners is to use a proxy server that blocks them, such as Privoxy.

3.1.1 History

The first clickable web ad (which later came to be known by the term "banner ad") was sold by Global Network Navigator (GNN) in 1993 to a law firm.] GNN was the first commercially supported web publication and one of the very first web sites ever.]

HotWired was the first web site to sell banner ads in large quantities to a wide range of major corporate advertisers. Andrew Anker was HotWired's first CEO. Rick Boyce, a former media buyer with San Francisco advertising agency Hal Riney & Partners, spearheaded the sales effort for the company. HotWired coined the term "banner ad" and was the first company to provide click through rate reports to its customers. The first web banner sold by HotWired was paid for by AT&T, and was put online on October 25, 1994.] Another source also credits Hotwired and October 1994, but has Coors' "Zima" campaign as the first web banner. The hotwired AT&T banner ad and credits can be viewed here.Banner ads tenth birthday.

In May of 1994, an early Internet commercialization pioneer, who mentored Boyce in his transition from traditional to online advertising, first introduced the concept of a clickable/trackable ad. He stated that he believed that only a direct response model – in which the return on investment of individual ads was measured – would prove sustainable over the long run for online advertising.

In spite of this prediction, banner ads were valued and sold based on the number of impressions they generated. This approach to banner ad sales proved successful and provided the economic foundation for the web industry from the period of 1994 to 2000 until the market for banner ads "crashed" and there was a radical revaluation of their value.

The new online advertising model that emerged in the early years of the 21st century, introduced by GoTo.com (later Overture, then Yahoo and mass marketed by Google's AdWords program), closely resembled the pioneer's 1994 projection.

3.1.2 Standard Sizes

Ad sizes have been standardized to some extent; they are:

Rectangular and pop-up ads	**width by height** ***(in pixels)***
Large rectangle	336 by 280
Medium rectangle	300 by 250
Square pop-up	250 by 250
Vertical rectangle	240 by 400
Rectangle	180 by 150
Banner and button ads	
Leaderboard	728 by 90
Full banner	468 by 60
Half banner	234 by 60
Button 1	120 by 90
Button 2	120 by 60
Micro bar	88 by 31
Micro button	80 by 15
Vertical banner	120 by 240
Square button	125 by 125
"Skyscraper" ads	
Skyscraper	120 by 600
Wide skyscraper	160 by 600
Half-page	300 by 600

3.2 Display Advertising

Display advertising is a type of advertising that may, and most frequently does, contain graphic information beyond text such as logos, photographs or other pictures, location maps, and similar items. In periodicals it can appear on the same page with, or a page adjacent to, general editorial content; as opposed to classified advertising, which generally appears in a distinct section and was traditionally text-only in a limited selection of typefaces (although the latter distinction is no longer sharp).

Display advertising uses static and animated images in standard or non-standard sizes called web banners as well as interactive media that might include audio and video elements. Flash by Adobe (originally Macromedia, which was bought by Adobe) is the preferred format for interactive ads on the internet.

Display ads do not have to be rich in images, audio or video. Text ads are also used where text is more appropriate or more effective. An example of text ads are commercial SMS messages to mobile devices users.

3.3 Interactive Advertising

Interactive Advertising is the use of interactive media to promote and/ or influence the buying decisions of the consumer in an online and offline environment. Interactive advertising can utilise media such as the Internet, interactive television, mobile devices (WAP and SMS), as well as kiosk-based terminals.

Interactive advertising affords the marketer the ability to engage the consumer in a direct and personal way, enabling a sophisticated and dimensional dialogue, which can affect a potential customer's buying decisions particularly in an e-commerce environment.

Perhaps one of the most effective implementations of interactive advertising is so-called Viral marketing. This technique uses images, texts, web links, Flash animations, audio/video clips etc., passed from user to user chain letter-style, via email. A notable example of this is the Subservient Chicken, a campaign by Burger King to promote their new line of chicken sandwiches and the "Have It Your Way" campaign.

Interactive advertising is also assuming other avatars, such as online directories for brands. These directories presently perform a complementary role to conventional advertising, helping viewers recall and compare brands primarily seen on television. Response is mediated usually through forms and click-to-call technologies.

3.4 Contextual Advertising

Contextual advertising is a form of targeted advertising for advertisements appearing on websites or other media, such as content displayed in mobile browers. The advertisements themselves are selected and served by automated systems based on the content displayed to the user.

3.4.1 How Contextual Advertising Works

Contextual advertising is targeted to the specific individual visiting a website (or page within a website). A contextual advertising system scans the text of a website for keywords and returns advertisements to the webpage based on what the user is viewing.[1] The advertisements may be displayed on the webpage or as pop-up ads. For example, if the user is viewing a website pertaining to sports and that website uses contextual advertising, the user may see advertisements for sports-related companies, such as memorabilia dealers or ticket sellers. Contextual advertising is also used by search engines to display advertisements on their search results pages based on the keywords in the user's query.

3.4.2 Impact

Contextual advertising has made a major impact on earnings of many websites. Because the advertisements are more targeted, they are more likely to be clicked, thus generating revenue for the owner of the website (and the server of the advertisement). A large part of Google's earnings is from its share of the contextual advertisements served on the millions of webpages running the AdSense program.

Contextual advertising has attracted some controversy through the use of techniques such as third-party hyperlinking, where a third-party installs software onto a user's computer that interacts with the Web browser] Keywords on a webpage are displayed keywords as hyperlinks that lead to advertisers.

3.4.3 Agency Roles

There are several advertising agencies that help brands understand how contextual advertising options affect their advertising plans. There are three main components to online advertising; namely

- **creation** – what the advertisement looks like;
- **media planning** – where the advertisements are to be run; and
- **media buying** – how the advertisements are paid for.

Contextual advertising replaces the media planning component. Instead of humans choosing placement options, that function is replaced with computers facilitating the placement across thousands of websites.

3.5 Social Media Optimization

Social media optimization (SMO) is a set of methods for generating publicity through social media, online communities and community websites. Methods of SMO include adding RSS feeds, adding a "Digg This" button, blogging and incorporating third party community functionalities like Flickr photo slides and galleries or YouTube videos. Social media optimization is related to search engine marketing, but differs in several ways, primarily the focus on driving traffic from sources other than search engines, though improved search ranking is also a benefit of successful SMO.

Social media optimization is in many ways connected as a technique to viral marketing where word of mouth is created not through friends or family but through the use of networking in social bookmarking, video and photo sharing websites. In a similar way the engagement with blogs achieves the same by sharing content through the use of RSS in the blogsphere and special blog search engines such as Technorati.

3.5.1 Origins

Rohit Bhargava was credited with inventing the term SMO. His original five rules for conducting Social Media Optimization are:

- Increase your linkability
- Make tagging and bookmarking easy
- Reward inbound links
- Help your content travel
- Encourage the mashup

3.5.2 Reasons to Adopt Social Media Marketing

In recent weeks I met with a B2B company to discuss marketing options. The topic of community and social media came up and I was reminded of how difficult it has been for the B2B segment of businesses to grasp a hold of the power in social media when one business is marketing to another. The value has still not been understood. They still view this type of marketing as not relating to them, when in actuality social marketing is becoming one of the most effective ways to market online.

In today's economy B2B companies are decreasing their marketing dollars and spending more online. A recent survey by B2B Magazine revealed that over 48% of those surveyed were increasing their online marketing spend.

Why is there such an effectiveness in social media?

Truth is, so many people are tired of "marketing speak." Social media allows companies to relate to one another and bypass the fluff.

Let's take a look at what the online definition of social media, I've chosen to use the definition from wikipedia since it is user generated.

Social media describes the online technologies and practices that people use to share opinions, insights, experiences, and perspectives with each other. Social media can take many different forms, including text, images, audio, and video. Popular social mediums include blogs, message boards, podcasts, wikis, and vlogs.

The definition alone should reveal to you how important it is that B2B companies explore social media marketing channels.

In a recent study done by KnowledgeStorm of B2B technology decision makers the following statistics were revealed:

- 90% participate in Video;
- 80% participate in Blogs;
- 80% participate in Wikis;
- 69% participate in Social Networks; and
- 53% participate in Podcasts.

In the same study it was shared that of 69% of B2B buyers use social networks "primarily for business networking and development."

At a minimum B2B businesses should at least be involved in communities and social network where there customers already are. Explore the opportunity to reach out to key influencers in your target market and optimize your content and social media applications for syndication.

I know that stepping out into social media can feel somewhat daunting for more traditional marketing team, but it doesn't have to be difficult to be successful. Chose a few initiatives that will work well for your company and gain you incremental success until you are more comfortable in really delving into the social media and applications.

Social media:

- enables you to share your expertise and knowledge;
- enables you to tap into the wisdom of your consumers;
- enables customers help customers; and
- engages prospects through customer evangelism.

Can you really afford to continue to dismiss social media as a marketing vehicle?

3.6 Digital Marketing

Digital Marketing is the practice of promoting products and services using digital distribution channels to reach consumers in a timely, relevant, personal and cost-effective manner.

Whilst digital marketing does include many of the techniques and practices contained within the category of Internet Marketing, it extends beyond this by including other channels with which to reach people that do not require the use of the Internet. As a result of this non-reliance on the Internet, the field of digital marketing includes a whole host of elements such as mobile phones, sms/mms, display/banner ads and digital outdoor.

Previously seen as a stand-alone service in its own right, it is frequently being seen as a domain that can and does cover most, if not all, of the more traditional marketing areas such as Direct Marketing by providing the same method of communicating with an audience but in a digital fashion.

3.6.1 Digital Marketing – Pull vs. Push

There are two different forms of digital marketing, each of which has its pros and cons.

Pull

Pull digital marketing technologies involve the user having to seek out and directly grab (or pull) the content. Website/blogs and streaming media (audio and video) are good examples of this. In each of these examples, users have a specific link (URL) to view the content.

Pros

No restrictions in terms of type of content or size as the user determines what they want.

- No technology required to send the content, only to store/display it.
- No regulations or opt-in process required.

Cons

- Considerable marketing effort required for users to find the message/content.
- Limited tracking capabilities – only total downloads, page views, etc.
- No personalization – content is received and viewed the same way across all audiences.

Push

Push digital marketing technologies involve both the marketer (creator of the message) as well as the recipients (the user). Email, SMS, RSS are examples of push digital marketing. In each of these examples, the marketer has to send (push) the messages to the users (subscribers) in order for the message to be received.

Pros

- Can be personalized -- messages received can be highly targeted and specific to selected criteria – like a special offer for females, 21 years old or over and living in California.
- Detailed tracking and reporting – marketers can see not only how

many people saw their message but also specific information about each user such as their name as well as demographic and psychographic data.

- High Return on Investment (ROI) possible – if executed the right way, push messaging can help drive new revenue as well as brand reinforcement.

Cons

- Compliance issue – each push messaging technology has its own set of regulations, from minor (RSS) to heavily controlled (email and text messaging)
- Requires mechanism to deliver content – the marketer has to use an application to send the message, from an email marketing system to RSS feeders.
- Delivery can be blocked – if the marketer does not follow the regulations set forth by each push message type, the content can be refused or rejected before getting to the intended recipient.

3.6.2 Digital Marketing and Multi-Channel Communications

While digital marketing is effective when using one message type, it is much more successful when a marketer combines multiple channels in the message campaigns. For example, if a company is trying to promote a new product release, they could send out an email message or text campaign individually. This, if properly executed, could yield positive results. However, this same campaign could be exponentially improved if multiple message types are implemented.

An email could be sent to a list of potential customers with a special offer for those that also include their cell phone number. A couple of days later, a follow up campaign would be sent via text message (SMS) with the special offer.

Push and pull message technologies can also be used in conjunction with each other. For example, an email campaign can include a banner ad or link to a content download. This enables a marketer to have the best of both worlds in terms of their marketing messaging.

SELF ASSESSMENT EXERCISE

Discuss fully the relevance of digital marketing in today’s world.

3.7 E-Procurement

E-procurement (**electronic procurement**, sometimes also known as supplier exchange) is the business-to-business or business-to-consumer purchase and sale of supplies and services through the internet as well as other information and networking systems, such as Electronic Data Interchange and Enterprise Resource Planning. Typically, e-procurement Web sites allow qualified and registered users to look for buyers or sellers of goods and services. Depending on the approach, buyers or sellers may specify costs or invite bids. Transactions can be initiated and completed. Ongoing purchases may qualify customers for volume discounts or special offers. E-procurement software may make it possible to automate some buying and selling. Companies participating expect to be able to control parts inventories more effectively, reduce purchasing agent overhead, and improve manufacturing cycles. E-procurement is expected to be integrated with the trend toward computerized supply chain management.

E-procurement is done with a software application that includes features for supplier management and complex auctions. eBay's tools for its sellers have similar features.

There are six main types of e-procurement:

•**Web-based ERP (Electronic Resource Planning)**: Creating and approving purchasing requisitions, placing purchase orders and receiving goods and services by using a software system based on Internet technology.
•**e-MRO (Maintenance, Repair and Operating)**: The same as web-based ERP except that the goods and services ordered are non-product related MRO supplies.
•**e-sourcing**: Identifying new suppliers for a specific category of purchasing requirements using Internet technology.
•**e-tendering**: Sending requests for information and prices to suppliers and receiving the responses of suppliers using Internet technology.
•**e-reverse auctioning**: Using Internet technology to buy goods and services from a number of known or unknown suppliers.
•**e-informing**: Gathering and distributing purchasing information both from and to internal and external parties using Internet technology.

The e-procurement value chain consists of Indent Management, eTendering, eAuctioning, Vendor Management, Catalogue Management, and Contract Management. Indent Management is the workflow involved in the preparation of tenders. This part of the value chain is optional, with individual procuring departments defining their indenting process. In works procurement, administrative approval and technical sanction are obtained in electronic format. In goods procurement, indent generation activity is done online. The end result of the stage is taken as inputs for issuing the NIT.

Elements of e-procurement include Request For Information, Request For Proposal, Request for Quotation, RFx (the previous three together), and eRFx (software for managing RFx projects).

3.7.1 Advantages and Disadvantages

Advantages include getting the right product, from the right supplier, at the right time, for the right price and the right quantity. In reality e-procurement has the advantage of taking supply chain management to the next level, providing real time information to the vendor as to the status of a customer's needs. For example, a vendor may have an agreement with a customer to automatically ship materials when the customer's stock level reaches a low point, thus bypassing the need for the customer to ask for it. A major disadvantage to this type of agreement could be that the vendor has the power to take advantage of the customer by knowing more information about the customer than they would have if the customer was in a normal supply chain management structure.

4.0 CONCLUSION

As in conventional traditional marketing of goods and services, in Internet marketing there are several strategies adopted to promote goods and services. These initiatives does not defer much from the conventional forms,, but are only effected electronically. For instance the use of banners to promote and publicize goods and services in traditional setting is also adopted in Internet marketing promotional. It is worthy to note that there continues to be addition of electronic promotional stunts to keep modern day marketing exciting and dynamic.

5.0 SUMMARY

- A **web banner** or **banner ad** is a form of advertising on the World Wide Web. This form of online advertising entails embedding an advertisement into a web page. It is intended to attract traffic to a website by linking to the website of the advertiser.
- **Display** advertising is a type of advertising that may, and most frequently does, contain graphic information beyond text such as logos, photographs or other pictures, location maps, and similar items.
- **Interactive Advertising** is the use of interactive media to promote and/or influence the buying decisions of the consumer in an online and offline environment.

- **Contextual advertising** is a form of targeted advertising for advertisements appearing on websites or other media, such as content displayed in mobile browers.
- **Social media optimization** (SMO) is a set of methods for generating publicity through social media, online communities and community websites.
- **Digital Marketing** is the practice of promoting products and services using digital distribution channels to reach consumers in a timely, relevant, personal and cost-effective manner.
- **E-procurement** (**electronic procurement**, sometimes also known as supplier exchange) is the business-to-business or business-to-consumer purchase and sale of supplies and services through the internet as well as other information and networking systems, such as Electronic Data Interchange and Enterprise Resource Planning.
- The e-procurement value chain consists of Indent Management, eTendering, eAuctioning, Vendor Management, Catalogue Management, and Contract Management.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.6, 3.6.1 and 3.6.2

6.0 TUTOR-MARKED ASSIGNMENT

1. Briefly discuss Interactive Marketing as a form of Internet marketing.
2. Mention five forms of e-procurement.

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UNIT 2 E-PAYMENT METHODS

CONTENTS

1.0 INTRODUCTION

Due to the challenge of payment methods over the Internet, several e-payment options have been developed the ease Internet marketing transactions. The various e-payment methods are emphasised in this unit.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- know the various forms of e-payments
- differentiate the various forms of e-payment methods
- identify the advantages and disadvantages associated with the use of the e-payment methods
- answer the questions of security as well as other challenges that come with use of the e-payment options.

3.0 MAIN CONTENT

3.1 Debit Card

A **debit card** is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it is similar to writing a cheque as the funds are withdrawn directly from either the bank account (often referred to as a *cheque card*), or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card.

The use of debit cards has become wide-spread in many countries and has overtaken the cheque, and in some instances cash transactions by volume. Like credit cards, debit cards are used widely for telephone and Internet purchases. This may cause inconvenient delays at peak shopping times (e.g., the last shopping day before Christmas), caused when the volume of transactions overloads the bank networks.

In some countries the debit card is multipurpose, acting as the ATM card for withdrawing cash and as a cheque guarantee card. Merchants can also offer "cashback"/"cashout" facilities to customers, where a customer can withdraw cash along with their purchase.

3.2 Credit or Debit?

For consumers, the difference between a "debit card" and a "credit card" is that the debit card deducts the balance from a deposit account, like a checking account, whereas the credit card allows the consumer to spend money on credit to the issuing bank.

In some countries: When a merchant asks "credit or debit?" the answer determines whether they will use a merchant account affiliated with one or more traditional credit card associations (Visa, MasterCard, Discover, American Express, etc.) or an interbank network typically used for debit and ATM cards, like PLUS, Cirrus (interbank network), or Maestro.

In other countries: When a merchant asks "credit or debit?" the answer determines whether the transaction will be handled as a *credit transaction* or as a *debit transaction*. In the former case, the merchant is more likely than in the latter case to have to pay a fee defined by fixed percentage to the merchant's bank. In both cases, the merchant may have to pay a fixed amount to the bank. In either case, the transaction will go through a major credit/debit network (such as Visa, MasterCard, Visa Electron or Maestro). In either case, the transaction may be conducted in either online or offline mode, although the card issuing bank may choose to block transactions made in offline mode. This is always the case with Visa Electron transactions, usually the case with Maestro transactions and rarely the case with Visa or MasterCard transactions.

In yet other countries: A merchant will only ask for "credit or debit?" if the card is a combined credit+debit card. If the payee chooses "credit", the credit balance will be debited the amount of the purchase; if the payee chooses "debit", the bank account balance will be debited the amount of the purchase.

This may be confusing because "debit cards" which are linked directly to a checking account are sometimes dual-purpose, so that they can be used seamlessly in place of a credit card, and can be charged by merchants using the traditional credit networks. There are also "pre-paid credit cards" which act like a debit card but can only be charged using the traditional "credit" networks. The card itself does not necessarily indicate whether it is connected to an existing pile of money, or merely represents a promise to pay later.

In some countries: The "debit" networks typically require that purchases be made in person and that a personal identification number be supplied. The "credit" networks allow cards to be charged with only a signature, and/or picture ID.

In other countries: Identification typically requires the entering of a personal identification number or signing a piece of paper. This is regardless of whether the card network in use mostly is used for credit transactions or for debit transactions. In the event of an offline transaction (regardless of whether the offline transaction is a credit transaction or a debit transaction), identification using a PIN is impossible, so only signatures on pieces of paper work.

In some countries: Consumer protections also vary, depending on the network used. Visa and MasterCard, for instance, prohibit minimum and maximum purchase sizes, surcharges, and arbitrary security procedures on the part of merchants. Merchants are usually charged higher transaction fees for credit transactions, since debit network transactions are less likely to be fraudulent. This may lead them to "steer" customers to debit transactions. Consumers disputing charges may find it easier to do so with a credit card, since the money will not immediately leave their control. Fraudulent charges on a debit card can also cause problems with a checking account because the money is withdrawn immediately and may thus result in an overdraft or bounced checks. In some cases debit card-issuing banks will promptly refund any disputed charges until the matter can be settled, and in some jurisdictions the consumer liability for unauthorized charges is the same for both debit and credit cards.
In other countries: In India, the consumer protection is the same regardless of the network used. Some banks set minimum and maximum purchase sizes, mostly for online-only cards. However, this has nothing to do with the card networks, but rather with the bank's judgement of the person's age and credit records. Any fees that the customers have to pay

to the bank are the same regardless of whether the transaction is conducted as a credit or as a debit transaction, so there is no advantage for the customers to choose one transaction mode over another. Shops may add surcharges to the price of the goods or services in accordance with laws allowing them to do so. Banks consider the purchases as having been made at the moment when the card was swiped, regardless of when the purchase settlement was made. Regardless of which transaction type was used, the purchase may result in an overdraft because the money is considered to have left the account at the moment of the card swiping.

Although many debit cards are of the Visa or MasterCard brand, there are many other types of debit card, each accepted only within a particular country or region, for example Switch (now: Maestro) and Solo in the United Kingdom, Carte Bleue in France, Laser in Ireland, "EC electronic cash" (formerly Eurocheck) in Germany and EFTPOS cards in Australia and New Zealand. The need for cross-border compatibility and the advent of the euro recently led to many of these card networks (such as Switzerland's "EC direkt", Austria's "Bankomatkasse" and Switch in the United Kingdom) being rebranded with the internationally recognised Maestro logo, which is part of the MasterCard brand. Some debit cards are dual branded with the logo of the (former) national card as well as Maestro (e.g. EC cards in Germany, Laser cards in Ireland, Switch and Solo in the UK, Pinpas cards in the Netherlands, Bancontact cards in Belgium, etc.). Debit card systems have become popular in video arcades, bowling centers and theme parks. The use of a debit card system allows operators to package their product more effectively while monitoring customer spending. An example of one of these systems is ECS by Embed International. A prepaid debit card looks a lot like a credit card. It even works a lot like a credit card, when you use it in a store to purchase products. However, a prepaid credit card is not a credit card. The two work very differently.

Whenever you use a credit card, you are borrowing money from someone else to purchase something. A creditcard is then, in essence, a loan. It doesn’t matter if it is a secure credit card, a small business credit card or anything else: the credit card company is lending you money in order to make your purchase, for which you are going to be charged interest on later (assuming you don’t pay the total balance within a 30 day period).

A prepaid debit card, on the other hand, is not a loan. It is simply a method following some of the principles of credit cards for the basic transaction, but instead of borrowing money from a third party you are taking money straight from your debit card account. This is why it is referred to as prepaid: you put the money into the account, then you can take the money out of it using your debit card, as opposed to paying for the purchase after the fact with a credit card.

There are therefore no interest rates applied to debit cards, although there are sometimes fees associated with them. You never have to worry about going into debt using a debit card, since you are only taking out what you take in. Many people find them a welcome alternative to traditional credit cards.

3.3 FSA Debit Cards

In the U.S.A, a FSA debit card only allows medical expenses. It is used by some banks for withdrawals from their FSAs, MSAs, and HSAs as well. They have Visa or MasterCard logos, but cannot be used as "debit cards", only as "credit cards"", and they are not accepted by all merchants that accept debit and credit cards, but only by those that accept FSA debit cards. Merchant codes and product codes are used at the point of sale (required by law by certain merchants by certain dates in the USA) to restrict sales if they do not qualify. Because of the extra checking and documenting that goes on, later, the statement can be used to substantiate these purchases for tax deductions. In the occasional instance that a qualifying purchase is rejected, another form of payment must be used (a check or payment from another account and a claim for reimbursement later). In the more likely case that non-qualifying items are accepted, the consumer is technically still responsible, and the discrepancy could be revealed during an audit.

3.4 Wire Transfer

Wire transfer is a method of transferring money from one entity to another. A wire transfer can be made from one entity's bank account to the other entity's bank account, and by a transfer of cash at a cash office.

3.4.1 History

Although the genesis of the idea dates as far back as the giro, the modern wire transfer was a product of the telegraph companies, which made it possible to wire a money order from one office to another. Later, it became possible to wire money between banks, which is essentially the same process as the giro. Therefore, the term giro is still used for it in many other European countries.

3.4.2 Process

Bank wire transfers are often the most expedient method for transferring funds between bank accounts. A bank wire transfer is effected as follows:

- The sending bank transmits a message, via a secure system (such as SWIFT or Fedwire), to the receiving bank, requesting that it effect payment according to the instructions given.
- The message also includes settlement instructions. The actual transfer is not instantaneous: funds may take several hours or even days to move from the sender's account to the receiver's account.
- Either the banks involved must hold a reciprocal account with each other, or the payment must be sent to a bank with such an account, a correspondent bank, for further benefit to the ultimate recipient.

3.4.3 Regulation

Bank transfer is the most common payment method in Europe], with several million transactions processed each day. Debit cards are used extensively to pay in stores, while monthly bills are usually paid with a direct transfer (by cellular phone or Internet, or at the bank or an ATM). In 2002, the European Commission relegated the regulation of the fees that a bank may charge for payments in Euros between European Union member countries down to the domestic level resulting in very low or no fees for transfers within the Eurozone; wire transfers between this zone and external areas can be expensive.

In the United States, domestic wire transfers are governed by Federal Regulation J and by Article 4A of the Uniform Commercial Code.

3.4.4 Security

Bank-to-bank wire transfer is considered the safest international payment method. Each account holder must have a proven identity. Chargeback is unlikely, although wires can be recalled. Information contained in wires is transmitted securely through encrypted communications methods. The price of bank wire transfers varies greatly, depending on the bank and its location; in some countries, the fee associated with the service can be costly.

Wire transfers done through cash offices are essentially anonymous and are designed for transfer between persons who trust each other. It is unsafe to send money by wire to an unknown person to collect at a cash office: the receiver of the money may, after collecting it, simply disappear. This scam has been used often, especially in so-called Nigerian letters, also called *advance fee fraud* or *419 scams*.

International transfers involving the United States are subject to monitoring by the Office of Foreign Assets Control (OFAC), which monitors information provided in the text of the wire to ascertain whether money is being transferred to terrorist organizations or countries or entities under sanction by the United States government. If a financial institution suspects that funds are being sent from or to one of these entities, it must block the transfer and freeze the funds.

3.4.5 Methods

Western Union

One of the largest companies that offers wire transfer is Western Union which allows individuals to transfer or receive money without an account with Western Union or any financial institution. Concern and controversy about Western Union transfers have increased in recent years, because of the increased monitoring of money-laundering transactions, as well as concern about terrorist groups using the service, particularly in the wake of the September 11, 2001 attacks. Although Western Union keeps information about senders and receivers, some transactions can be done essentially anonymously, for the receiver is not always required to show identification.

International

Most international transfers are executed through SWIFT, a co-operative society, founded in 1974 by seven international banks, which operate a global network to facilitate the transfer of financial messages. Using these messages, banks can exchange data for funds transfer between financial institutions. SWIFT's headquarters are in La Hulpe, on the outskirts of Brussels, Belgium. The society also acts as a United Nations – sanctioned international-standards body, for the creation and maintenance of financial-messaging standards.

Each financial institution is provided an ISO 9362 code, also called a *Bank Identifier Code* (*BIC*) or *SWIFT Code*. These codes generally are eight characters long For example: Deutsche Bank is an international bank, with its head office in Frankfurt Germany, the SWIFT Code for which is *DEUTDEFF*:

- *DEUT* identifies Deutsche Bank.
- *DE* is the country code for Germany.
- *FF* is the code for Frankfurt.

Using an extended code of 11 digits (if the receiving bank has assigned extended codes to branches or to processing areas) allows the payment to be directed to a specific office. For example: DEUTDEFF500 would direct the payment to an office of Deutsche Bank in Bad Homburg.

European banks making transfers within the European Union also use the International Bank Account Number, or IBAN.

United States

Banks in the United States use SWIFT to make payments to banks in other countries.

Domestic bank-to-bank transfers are conducted through the Fedwire system, which uses the Federal Reserve System and its assignment of routing transit number, which uniquely identify each bank.

SELF ASSESSMENT EXERCISE

Western Union Money Transfer has reduced the concerns, bottleneck, and problems encountered in remittance of funds from one person to another. Discuss

3.5 Money Order

A **money order** is a payment order for a pre-specified amount of money. Because it is required that the funds be prepaid for the amount shown on it, it is a more trusted method of payment than a personal check. Merchants welcome the extra security of a pre-paid money order instead of a personal check, which can bounce.

3.5.1 History of Money Orders

The money order system was established by a private firm in Great Britain in 1792, and was expensive and not very successful. In about 1836, it was sold to another private firm which lowered the fees which therefore significantly increased the popularity and usage of the system. The Post Office noted the success and profitability, and took over the system in 1838. Fees were reduced further, and usage increased further, making the money order system reasonably profitable. The only drawback was the need to send an advance to the paying Post Office before payment could be tendered to the recipient of the order. This drawback was probably the primary incentive for establishment of the Postal Order System on 1 January 1881

3.5.2 Using Money Orders

A money order is purchased for the amount desired. In this way it is similar to a certified check The main difference is that money orders are usually limited in maximum face value to some specified figure (for example, the United States Postal Service limits domestic postal money orders to US$1,000 as of July 2008) while certified checks are not.

Money orders typically consist of two portions: the negotiable check for remittance to if the person can relate to the matter made creditor, and a receipt that the customer retains for his/her records. The amount is printed by machine or checkwriter on both portions, and similar documentation, either as a third hard copy or in electronic form and retained at the issuer and agent locations.

Money orders were originally issued by the U.S. Postal Service as an alternative to sending cash through the postal system for those who did not have checking accounts. They were later offered by many more vendors than just the postal service as a means to pay bills and send money internationally where there were not reliable banking or postal systems.

3.5.3 Drawbacks of Money Orders

Money orders have limited acceptance in the insurance and brokerage industry because of concerns over money laundering. Because of provisions within the USA PATRIOT Act and the Bank Secrecy Act, money orders require far more regulatory processing requirements than personal checks, cashier's checks, or certified checks. Thus, most brokerage firms, insurance firms, and even many banks will not accept them as payment.

As of 2006 there has been a significant increase in counterfeit postal money orders. Often, such a counterfeit will be sent to an unwitting victim who is instructed, on some pretext, to deposit it at his/her bank and return some of the funds. The victim is more likely to trust an “official” money order than a regular check, for the reasons given above. However, because money orders are paid through the postal service rather than the usual check clearing system, they often take longer to “bounce” than an ordinary check. When this finally occurs it is charged back to the victim, who may already have sent back the funds, for which he or she must take the loss. For this reason banks are now applying increased security to incoming money orders, and are becoming more reluctant to accept them. A safer approach is to cash them at a post office. In this case, the authenticity of the item is immediately determined, and if deemed good, the holder is paid and absolved of further responsibility for the funds.

3.5.4 Money Orders in India

In India, a Money Order is a service provided by the Indian Postal Service. A payer who wants to send money to a payee pays the amount and a small commission at a post office and receives a receipt for the same. The amount is then delivered as cash to the payee after a few days by a postal employee, at the address specified by the payer. A receipt

from the payee is collected and delivered back to the payer at his address. This is more reliable and safer than sending cash in the mail.
It is commonly used for transferring funds to a payee who is in a remote, rural area, where banks may not be conveniently accessible or where many people may not use a bank account at all. Money orders are the most economical way of sending money in India for small amounts.[2]

3.5.5 Money Orders in the United States

In the United States, money orders are typically sold by third parties such as the United States Postal Service, grocery stores, and convenience stores. Some financial service companies such as banks and credit unions may not charge for money orders to their clients. Money orders remain a trusted financial instrument. In 2005, 889 million money orders were purchased in the United States for a gross transaction volume of $145 billion. (source: Federal Reserve). However, just because a particular business can issue a money order does not necessarily mean that they will cash them.

3.5.6 International Money Orders

An international money order is very similar in many aspects to a regular money order except that it can be used to make payments abroad. With it, a buyer can easily pay a seller for goods or services if he or she resides in another country. International money orders are often issued by a buyer's bank and bought in the currency that the seller accepts. International money orders are thought to be safer than sending currency through the post because there are various forms of identification required to cash an international money order, often including a signature and a form of photo identification.

When purchasing an international money order, it is important to ensure that the specific type of money order is acceptable in the destination country. Several countries are very strict that the money order be on **pink and yellow paper** and have the words "**international postal money order.**" In particular, the Japan Post (one of the largest banking institutions in the world) requires these features. Most other countries have taken this as a standard when there is any doubt of a document's authenticity.

3.5.7 Alternatives to Money Orders

In the last decade a number of electronic alternatives to money orders have emerged and have, in some cases, supplanted money orders as the preferred cash transmission method. In Japan, the konbini system enables cash to cash transfers and is available at many of the thousands of convenience stores located in the country. Many of these alternatives use the ubiquitous Visa/MasterCard payment systems to settle transactions. In Italy the PostePay system offered through the Italian post office. In Ireland, 3V is offered through mobile top-up locations, and in the United States, PaidByCash is offered at 60,000 grocery and convenience stores.

4.0 CONCLUSION

One issue that was really a threat to electronic form of business was the payment methods, bearing in mind the frauds. However several e-payment options that are effective have been developed. Though this has not ruled out the threat of fraud completely, but it has giving occasion for businesses to be transacted electronically, successfully. The variety of payment options matches the concept of Internet marketing that is out to give consumers several options and convenience.

5.0 SUMMARY

i.Due to the challenge of payment methods over the Internet, several e-payment options have been developed the ease Internet marketing transactions.

ii.For consumers, the difference between a "debit card" and a "credit card" is that the debit card deducts the balance from a deposit account, like a checking account, whereas the credit card allows the consumer to spend money on credit to the issuing bank.

iii.A **debit card** is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it is similar to writing a cheque as the funds are withdrawn directly from either the bank account (often referred to as a *cheque card*), or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card

iv.In the U.S.A, a FSA debit card only allows medical expenses. It is used by some banks for withdrawals from their FSAs, MSAs, and HSAs as well.

v.**Wire transfer** is a method of transferring money from one entity to another. A wire transfer can be made from one entity's bank account to the other entity's bank account, and by a transfer of cash at a cash office.

vi.A **money order** is a payment order for a pre-specified amount of money. Because it is required that the funds be prepaid for the amount shown on it, it is a more trusted method of payment than a personal check. Merchants welcome the extra security of a pre-paid money order instead of a personal check, which can bounce.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.4.5

6.0 TUTOR-MARKED ASSIGNMENT

1. Describe briefly the process banks use to transfer/wire funds electronically.
2. Identify five points associated with debit cards.

7.0 REFERENCES/FURTHER READINGS

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OFAC facts

Western Union Money Transfer Options

Can Western Union Keep On Delivering? Business Week

About BIC. Swift - BIC Portal

UNIT 3 COSTS AND ECONOMICS

CONTENTS

1.0 INTRODUCTION

Costing and being able to determine the true monetary value of business transactions is pertinent to the success of electronic forms of business, Internet marketing inclusive. This guides both business owner, especially, and the customers in knowing if electronic options of doing business is really worth it.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- know what is cost per action
- know how effective is cost per action
- identify some companies using cost per action
- know what is revenue sharing and its applications
- define pay per click as well as the categories associated with it
- define paid inclusion and its applications.

3.0 MAIN CONTENT

3.1 Cost Per Action

Cost Per Action or **CPA** (sometimes known as **Pay Per Action** or **PPA**) is an online advertising pricing model, where the advertiser pays for each specified action (a purchase, a form submission, and so on) linked to the advertisement.

Direct response advertisers consider *CPA* the optimal way to buy online advertising, as an advertiser only pays for the ad when the desired action has occurred. An *action* can be a product being purchased, a form being filled, etc. (The desired *action* to be performed is determined by the advertiser.) Google has incorporated this model into their Google AdSense offering while eBay has recently announced a similar pricing called *AdContext*.

The *CPA* can be determined by different factors, depending where the online advertising inventory is being purchased.

3.1.1 CPA as "Cost Per Acquisition"

CPA is sometimes referred to as "Cost Per Acquisition", which has to do with the fact that most CPA offers by advertisers are about acquiring something (mostly new customers, prospects or leads). Using the term "Cost Per Acquisition" instead of "Cost Per Action" is not incorrect. It is actually more specific. "Cost Per Acquisition" is included in "Cost Per Action", but not all "Cost Per Action" offers can be referred to as "Cost Per Acquisition".

3.1.2 Effective Cost Per Action

A related term, eCPA or effective Cost Per Action, is used to measure the effectiveness of advertising inventory purchased (by the advertiser) via a CPC, CPM, or CPT basis.

eCPA is used to measure the effectiveness of advertising inventory purchased (by the advertiser) via a CPC, CPM, or CPT basis. In other words, the **eCPA** tells the advertiser what they would have paid if they purchased the advertising inventory on a *CPA* basis (instead of a CPC, CPM, or CPT basis).

Companies

- Google started testing CPA on 2006. On June 2007 Google expanded its beta trial, opening it to users of AdWords
- eBay has moved into CPA advertising with its AdContext system on 2006
- Snap.com, CPA pioneer and later merged with other to form NBC Internet (NBCi), has long touted the advantages of the CPA model, such as the elimination of click fraud.
- ViralyticsMedia.com, Created the first CPA e-mail marketing network in the Fall of 2007.. Jellyfish.com was the Internet's first

comparison shopping search engine to operate exclusively on a Cost Per Action (CPA) ad model, has a patent pending on an improvement over CPA where part of the ad revenue goes to the customer, and has been bought by Microsoft for integration into Live Search.

- Hydra, LLC launched the first-ever exclusive, fully transparent CPA network, called Hydra Elite in 2008..

3.2 Revenue Sharing

Revenue sharing has multiple, related meanings depending on context. In business, revenue sharing refers to the sharing of profits and losses among different groups. One form shares between the general partner(s) and limited partners in a limited partnership. Another form shares with a company's employees, and another between companies in a business alliance.

On the Internet, revenue sharing is also known as cost per sale, and accounts for about 80% of affiliate compensation program. E-commerce web site operators using revenue sharing pay affiliates a certain percentage of sales revenues (usually excluding tax, shipping and other 3rd party cost that the customer pays) generated by customers whom the affiliate refer via various advertising methods.

United States government revenue sharing was in place from 1972-1987. Under this policy, Congress gave an annual amount of federal tax revenue to the states and their cities, counties and townships. Revenue sharing was extremely popular with state officials, but it lost federal support during the Reagan Administration. In 1987, revenue sharing was replaced with block grants in smaller amounts to reduce the federal deficit.

SELF ASSESSMENT EXERCISE

What do you understand by the term Revenue Sharing?

3.3 Pay Per Click

Pay per click (**PPC**) is an Internet advertising model used on search engines, advertising networks, and content websites, such as blogs, where advertisers only pay when a user actually clicks on an advertisement (ad) to visit the advertisers' website. Advertisers bid on keyword phrases relevant to their target market. When a user types a keyword query matching an advertiser's keyword list, or views a webpage with relevant content, the advertiser's ads may be displayed. Such ads are called a *sponsored links* or *sponsored ads*, and appear adjacent to or above the "natural" or organic results on search engine results pages, or anywhere a webmaster or blogger chooses on a content page.

Although many pay per click providers exist, Google AdWords, Yahoo! Search Marketing, and Microsoft adCenter are the largest network operators as of 2007. Minimum prices per click, often referred to as *costs per click* (CPC), vary depending on the search engine and the level of competition for a particular phrase or keyword list – with some CPCs as low as US$0.01. Very popular search terms can cost much more on popular search engines. The PPC advertising model is open to abuse through click fraud, although Google and other search engines have implemented automated systems to guard against abusive clicks by competitors or corrupt webmasters.

3.3.1 Categories

Pay per click campaigns can be categorized into two major categories: sponsored match (or keyword) and content match. *Sponsored match* campaigns involve the display of ads on search engine results pages, whereas *content match* campaigns involve the display of ads on publisher websites, newsletters, and e-mails.

There are other types of pay per click programs that target product or service searches and product comparison sites. Search engine companies may participate in more than one category. PPC programs do not generate any revenue solely from Web traffic for websites that display the ads: Revenue is generated only when a user clicks on the ad itself.

3.3.1.1 Keyword-Based PPC

Keyword pay per click advertisers bid on *search terms* – keywords consisting of words or phrases, and possibly product model numbers. When a user searches for a particular keyword, the list of advertiser links appears, where the ordering of those links is based on the amount bid for the given keyword. Keywords are the very heart of PPC advertising, and are guarded as highly-valued trade secrets by the advertisers. Many advertising firms offer software or services to help advertisers develop keyword strategies. Content Match, a service offered by Yahoo!, distributes the keyword ad to the search engine's partner sites and/or publishers that have distribution agreements with the search engine company.

As of 2007, the following are notable PPC keyword search engines:

- Ask.com
- Baidu

- Google AdWords
- LookSmart
- Microsoft adCenter
- MIVA
- Yahoo! Search Marketing
- Yandex

3.3.1.2 Product Engines

Product engines (a.k.a. *product comparison engines* or *price comparison engines*) are search engines for products, and let advertisers provide "feeds" of their product databases. When a user searches for a product, links to advertisers are displayed for that particular product. More prominence is given to advertisers who pay more; however, the user can typically sort by price.

Some product engines such as Shopping.com use a pay per click model and have a defined rate card. Other engines such as Google Product Search part of Google Base (previously known as Froogle), do not charge for the listing, but still require an active product feed to function. The following are notable PPC product engines:

- NexTag
- PriceGrabber
- Shopping.com
- Shopzilla

3.3.1.3 Service Engines

Service engines let advertisers provide feeds of their service databases. When a user searches for a service, links to advertisers are displayed for that particular service. More prominence is given to advertisers who pay more; however, the user can typically sort by price or other criteria. Some pay per click product engines have expanded into the service space, while other service engines operate in specific vertical markets. The following are notable PPC service engines:

- NexTag
- SideStep
- TripAdvisor

3.3.1.4 Pay Per Call

Pay per call is a business model for ad listings in search engines and directories that allows publishers to charge local advertisers on a per-call basis for each sales lead (i.e., call) the publishers generate. The term "pay per call" is sometimes confused with click-to-call, which along with call tracking, is a technology that enables the pay-per-call business model.

Pay per call is not restricted only to local advertisers. Many of the pay per call search engines allow advertisers with a national presence to create ads with local telephone numbers.

According to the Kelsey Group, the pay per call market is expected to reach US$3.7 billion by 2010.

3.3.1.5 Pay Per Delivery (PPD)

Pay per delivery is a variation on pay per click used in e-mail marketing. Email marketing campaigns are charged only on the basis of e-mails that are delivered successfully.

3.3.1.6 Pay Per Action (PPA)

Pay per action is a variation on pay per click adopted by many search engines. An advertiser pays a specified amount upon successful completion of some action (e.g., conversion, sales lead, or sale). PPA was a beta test for advertising distribution within the Google Content Network. However, Google announced in July, 2008 that the program will be discounted in August, 2008.

3.3.2 History

In February 1998 Jeffrey Brewer of Goto.com, a 25-employee startup company (later Overture, now part of Yahoo!), presented a pay per click search engine proof-of-concept to the TED8 conference in California. This presentation and the events that followed created the PPC advertising system. Credit for the concept of the PPC model is generally given to Idealab and Goto.com founder, Bill Gross.
Google started search engine advertising in December 1999. It was not until October 2000 before the AdWords system was introduced, allowing advertisers to create text ads for placement on the Google search engine. However, PPC was only introduced in 2002; until then, advertisements were charged at cost-per-thousand impressions (CPM). Yahoo! advertisements have always been PPC since their introduction in 1998.

For a more in-depth presentation of PPC's history, see Fain and Pedersen (2006)

Use in "paid to surf" websites

Pay per click search engines enlist members, known as *affiliates*, to display webpages called *portals*, which display various keywords. PPC affiliates will advertise their portals to paid to read (PTR) websites, in the hopes that the PTR affiliates will click a keyword, and then click one of the results. The PPC affiliates receive a small commission for each search.

Owners of paid to surf websites may advertise their own search portals, sending more ads — and essentially more money — to their affiliates who click more keywords and search results. However, this process is frowned upon, as many consider these webmasters to be forcing their affiliates into committing click fraud, as the majority of the paid to surf site's revenue may come from the webmasters' PPC commissions.

Popular PPC-based search engines

- Ask.com
- Business.com
- Google (Google AdWords
- Looksmart
- MSN/Live Search (Microsoft adCenter)
- Yahoo! (Yahoo! Search Marketing)

3.4 Paid Inclusion

Paid inclusion is a search engine marketing product where the search engine company charges fees related to inclusion of websites in their search index. Paid inclusion products are provided by most search engine companies, the most notable exception being Google.

The fee structure is both a filter against superfluous submissions and a revenue generator. Typically, the fee covers an annual subscription for one webpage, which will automatically be catalogued on a regular basis. A per-click fee may also apply. Each search engine is different. Some sites allow only paid inclusion, although these have had little success. More frequently, many search engines, mix paid inclusion (per-page and per-click fee) with results from web crawling. Others, Define paid inclusion and its applications.do not let webmasters pay to be in their search engine listing (advertisements are shown separately and labeled as such).

Some detractors of paid inclusion allege that it causes searches to return results based more on the economic standing of the interests of a web site, and less on the relevancy of that site to end-users.

Often the line between pay per click advertising and paid inclusion is debatable. Some have lobbied for any paid listings to be labeled as an advertisement, while defenders insist they are not actually ads since the webmasters do not control the content of the listing, its ranking, or even whether it is shown to any users. Another advantage of paid inclusion is that it allows site owners to specify particular schedules for crawling pages. In the general case, one has no control as to when their page will be crawled or added to a search engine index. Paid inclusion proves to be particularly useful for cases where pages are dynamically generated and frequently modified.

Paid inclusion is a search engine marketing method in itself, but also a tool of search engine optimization, since experts and firms can test out different approaches to improving ranking, and see the results often within a couple of days, instead of waiting weeks or months. Knowledge gained this way can be used to optimize other web pages, without paying the search engine company.

4.0 CONCLUSION

Cost per action, paid inclesion and pay-per-click are worthy tools in statistical analysis of the cost implications of doing business over the Internet. Though good for now, more techniques should be developed to help in analysing business transactions over the net, given the dynamic nature of the Internet.

5.0 SUMMARY

i.Costing and being able to determine the true monetary value of business transactions is pertinent to the success of electronic forms of business, Internet marketing inclusive.

ii.**Cost Per Action** or **CPA** (sometimes known as **Pay Per Action** or **PPA**) is an online advertising pricing model, where the advertiser pays for each specified action (a purchase, a form submission, and so on) linked to the advertisement.

iii.On the Internet, revenue sharing is also known as cost per sale, and accounts for about 80% of affiliate compensation program. E-commerce web site operators using revenue sharing pay affiliates a certain percentage of sales revenues (usually excluding tax, shipping and other 3rd party cost that the customer pays) generated by customers whom the affiliate refer via various advertising methods.

iv.**Pay per click** (**PPC**) is an Internet advertising model used on search engines, advertising networks, and content websites, such as blogs, where advertisers only pay when a user actually clicks on an advertisement (ad) to visit the advertisers' website.

v. **Pay per action** is a variation on pay per click adopted by many search engines.

vi. **Paid inclusion** is a search engine marketing product where the search engine company charges fees related to inclusion of websites in their search index. Paid inclusion products are provided by most search engine companies, the most notable exception being Google.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.2

6.0 TUTOR-MARKED ASSIGNMENT

1. Briefly discuss revenue sharing in business and Internet.
2. Mention five popular PPC-based search engines.

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UNIT 4 INTRODUCTION TO MARKETING PLAN

CONTENTS

1.0 INTRODUCTION

Many first-time business owners think that by simply placing an ad in a local newspaper or a commercial on a radio or a television station, customers will automatically flock to purchase their product or service. This is true to a certain extent. Some people are likely to learn about your invention and try it, just out of curiosity. But hundreds, even thousands, of other potential customers may never learn of your business. Do develop an adequate marketing program.

What you as a potential business owner must do is maintain a thorough understanding of your marketing program, and use it to extract advantages from the marketplace. Go over different strategies and techniques until you understand how to apply them to get the results you desire. Remember, your aim is not only to attract and keep a steady group of loyal customers, but also to expand your customer base by identifying and attracting, new customers and to reduce risks by anticipating market shifts that can affect your bottom line.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- know and identify the four **P**s of marketing
- be able to define a target market
- know how to identify competition
- understand how to develop marketing budget and the location of a market
- understand how to develop pricing, promotional and marketing strategies
- know how to find the right market mix.

3.0 MAIN CONTENT

3.1 The Four Ps of Marketing

To help you accomplish this aim, your marketing plan should include strategies typical of any marketing plan. The plan should especially include what marketers dub as the four **P**'s of Marketing:

- PRODUCT
- PRICE
- PLACE
- PROMOTION

Review your plan. Make certain it contains the strategies listed below and on the next page and then determine how these strategies will be applied by you. Include a brief explanation for each strategy.

3.2 Describe your Target Market

- By age
- By sex
- By profession or career
- By income level
- By educational level
- By residence

Identify and describe your customers (target market) by their age, sex, income/educational levels, profession/career and residence. Know your customers better than you know anyone - their likes, dislikes, expectations. Since you will have limited resources target only those customers who are more likely to purchase your product. As your business grows and your customer base expands, then, you may need to consider modifying this section of the marketing plan to include other customers.

3.3 Identify your Competition

- By market research data
- By demand for product
- By your nearest direct and indirect competitors
- By the strengths and weaknesses of competitors
- By an assessment of how competitors businesses are doing
- By a description of the unique features of your product
- By the similarities and dissimilarities between your product and competitor's

•By a pricing strategy for and comparison of yours and the competition's.

Identify the five nearest direct competitors and the indirect competitors. Start a file on each identifying their weaknesses and strengths. Keep files on their advertising and promotional materials and their pricing strategies. Review these files periodically determining when and how often they advertise, sponsor promotions and offer sales.

3.4 Describe your Product

Try to describe the benefits of your goods from your customer's perspective. Emphasize its special features - i.e., the selling points. Successful business owners know or at least have an idea of what their customers what or expect from them. This type of anticipation can be helpful in building customer satisfaction and loyalty.

3.5 Develop a Marketing Budget

•For your advertising and promotional plan
•For costs allocated for advertising and promotions
•For advertising and promotional materials
•For a list of advertising media to be used

Operating an effective marketing plan requires money, so you will have to allocate funds from your operating budget to cover advertising, promotional and all other costs associated with marketing. Develop a marketing budget based on the cost for the media you will use, and the cost for collecting research data and monitoring shifts in the marketplace.

3.6 Describe Location (Place)

•description of the location
•advantages and disadvantages of location.

Again, try to describe the location of your business from your customer's perspective. Describe its assets – i.e., the convenience, whether or not public transportation is accessible, the safety aspects - street lighting, well lit parking lot or facility, decor, etc. Your location should be built around your customers, it should be accessible and should provide a sense of security.

3.7 Develop Pricing Strategy

•pricing techniques and brief description of these techniques
•retail costing and pricing
•competitive position
•pricing below competition
•pricing above competition
•price lining
•multiple pricing
•material costs
•labor costs
•overhead costs.

Although your pricing strategy may be based on the strategy devised by others, you should study this plan and the strategies used by competitors. That way you will acquire a thorough understanding of how to price your product, and you can determine if your prices are in line with competitors, if they are in line with industry averages and what adjustments you can make to bring them in line.

The key to success is to have a well-planned strategy, to establish your policies and to constantly monitor prices and operating costs to ensure profits. Keep abreast of changes in the marketplace because these changes can affect your bottom line.

3.8 Develop an Effective Promotional Strategy

•advertising media
•print media (newspaper, magazine, classified ads, Yellow Pages advertising, brochure)
•radio
•television
•networking
•business cards
•tee shirts, hats, buttons, pens
•Internet.

Develop a promotional strategy that uses various media for promoting your business. Monitor the different media identifying those that most effectively promote your business. Concentrate on developing material for these formats that clearly identifies your services, its location and price.

Since financial institutions weigh the soundness of your marketing plan when deciding whether your business is a good risk for their money, it is important that you prepare and present credible market data that shows there is a need in the community for your business and that demonstrates your ability to compete.

SELF ASSESSMENT EXERCISE

Discuss the 4**P**s in marketing.

3.9 Internet Marketing as Promotional Strategy

Internet marketing can attract more people to your website, increase customers for your business, and enhance branding of your company and products. If you are just beginning your online marketing strategy the top 10 list below will get you started on a plan that has worked for many.

2. Start with a web promotion plan and an effective web design and development strategy.
3. Get ranked at the top in major search engines, and practice good Search Optimization Techniques.
4. Learn to use E-mail Marketing effectively.
5. Dominate your marketing niche with affiliate, reseller, and associate programs.
6. Request an analysis from an Internet marketing coach or Internet marketing consultant.
7. Build a responsive opt-in e-mail list.
8. Publish articles or get listed in news stories.
9. Write and publish online press releases.
10. Facilitate and run contests and giveaways via your website.
11. Blog and interact with your visitors.

3.10 Internet Marketing and Home Business

Of all of the components of **Internet marketing**, prospective customers and clients expect a business to have a website. In fact, not having one could raise a red flag to a prospect. Online usage has become so pervasive today, many prospects might easily choose to do business with a company that they can get up-to-date information on 24 hours per day, seven days per week.

Even a business that only has very local customers, such as a single location restaurant or shoe store can benefit from having a Web site. And, those businesses whose customers are not restricted to a geographical area might have a difficult time finding an alternate method of attracting customers that offers the reasonably low expense and worldwide reach of a Web presence.

Because of the "virtual" nature of most home businesses, websites, if not an absolute necessity, can certainly provide benefits to a home business operator. Since most home-based businesses don't have a physical location, a website provides an inexpensive means for prospects to get to know what you do or what you sell and can even be a "storefront" for selling goods and services directly.

The Internet has greatly enabled home businesses to prosper because of the reasonably low cost to start and maintain a web presence. Therefore, Internet marketing should be part of your business plan and your marketing strategy.

3.11 Finding the Right Internet Marketing Mix

How much of your marketing strategy should be handled online, which Internet marketing elements you use, and the importance you should give to your Web site, depends on the nature of your business, your budget, and, to some extent, your personal traits.

Unless you transact business only online, for example if you are an eBay reseller, you will probably want to include some traditional offline marketing elements in your strategy. Even those who conduct business only online might consider placing traditional ads in newspapers or magazines to bring prospects to their website to transact business. Perfect examples of this are Expedia, Travelocity and Monster.com. While they are online businesses, they invest heavily in traditional advertising, including radio and TV advertising, to draw traffic to their sites where the actual business is conducted.

If you have a personal distaste for "spam", which most of us do, you may not want to include E-mail marketing in your Internet marketing strategy. However, E-mail marketing doesn't have to mean just sending out unsolicited messages to every e-mail address you can gather. If you include a visitor registration form on your website, for example, or if you exhibit at trade shows, you have the vehicles needed to collect email addresses of interested prospects. You might consider creating a newsletter and sending it to these prospects on a regular basis. Or, you might just set up a schedule where you periodically send an email to your interested prospects to see how they're doing, if you can be of assistance to them, or if their needs have changed since you last talked.

Of course, your budget will also determine the components you use in your **Internet marketing strategy**. A website will require you to register a domain name and to purchase web hosting services for your website. Both items are deeply discounted, in fact I recently saw an offer for domain name registration for only $1.99 per year - provided you also purchase other services, like hosting, which is now also available for less than $10 per month.

Once that's done, you'll need a design and content for your website, which you'll either need to provide yourself or pay to have a web content professional and/or web designer handle it for you.

Once your content and design are in place, you'll want your site to be found, so you'll want to either learn about search engine optimization (SEO) or pay an SEO contractor to do it for you. Depending on your budget, you should also research which directories are available and how much they cost for a paid listing (PFI).

Ideally, if you pay to have web content written for you, that content should be optimized when it's written. Likewise, you or your web designer should know something about SEO because how your site is designed can enhance or limit your site traffic. In both cases, you may pay a bit more, but you'll save time in the long run. Once the site is up and running, you'll either need to maintain it yourself or outsource the duties to an independent Webmaster to do it for you.

Pay-per-click advertising, like Google AdWords can be easy on your budget because you can specify how much you're willing to pay when someone clicks your ad and how much you're willing to pay per day. You can also specify whether you want to include your ad only on search pages or on other websites related to your keywords. Plus, they're fairly easy to activate, disable, rack, and update. You can also use images with PPC advertising, which may be more cost effective than placing banner ads on other Web sites.
On the other side of the coin, you can use pay per click ads to make money with your website, through programs like Google AdSense, Yahoo Publisher or Microsoft AdCenter.

3.12 Tracking Results

Let's face it: the average home business operator is not awash in cash. If you're going to be spending money on Internet marketing you need to track its effectiveness. As you do so, you'll discover what works and what doesn't work for your business. And, you cam learn from the mistakes you make in your Internet advertising campaign to become an Internet advertising success. Knowing what's worth spending money on and what isn't is critical for your business success.

Keep in mind, in most cases patience is a true virtue. Search engines aren't likely to find you overnight and your Internet marketing campaign and search engine marketing programs may not generate a bundle of revenue right away. Because you'll have literally millions of competitors on the Internet, it will behoove you to keep up to date and keep on your toes. However, some knowledge, some capable assistance, and a well-managed **Internet marketing strategy** can increase your chances for home business success.

4.0 CONCLUSION

A good marketing plan will always go a long way in determining the how well the product or service is received in the market place, be it the traditional way of doing business or the modern way of business transactions through electronic platforms. It will help business owners to know exactly what they are doing and what they are expecting in return.

5.0 SUMMARY

i.Many first-time business owners think that by simply placing an ad in a local newspaper or a commercial on a radio or a television station, customers will automatically flock to purchase their product or service.

ii.To help you accomplish this aim, your marketing plan should include strategies typical of any marketing plan. The plan should especially include what marketers dub as the four P's of Marketing.

iii.Successful business owners know or at least have an idea of what their customers what or expect from them. This type of anticipation can be helpful in building customer satisfaction and loyalty.

iv.Internet marketing can attract more people to your website, increase customers for your business, and enhance branding of your company and products.

v.Of all of the components of **Internet marketing**, prospective customers and clients expect a business to have a website.

vi.How much of your marketing strategy should be handled online, which Internet marketing elements you use, and the importance you should give to your Web site, depends on the nature of your business, your budget, and, to some extent, your personal traits.

vii.Let's face it: the average home business operator is not awash in cash. If you're going to be spending money on Internet marketing you need to track its effectiveness.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.1, 3.2, 3.3, 3.4, 3.5, 3.6

6.0 TUTOR-MARKED ASSIGNMENT

1. Identify five factors used to describe target market.
2. Briefly discuss how Internet marketing has aid home businesses.

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MODULE 3

UNIT 1 INTERNET MARKETING STRATEGIES

CONTENTS

1.0 INTRODUCTION

It is pertinent to explore strategies and techniques that you can use on the Internet that will enhance and support your business overall marketing objectives. The strategies include learning how to conduct banner promotions, generate targeted online traffic, positioning your content, and overall brand awareness.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- know what to do in developing internet marketing strategy
- understand the important things in developing internet marketing strategies
- know some myths to avoid in internet marketing
- understand how to market in a virtual marketing world
- know how to network on the Internet.

3.0 MAIN CONTENT

3.1 Internet Marketing Strategy: What can it do for You?

Having a Internet marketing strategy gives you a measurable and definitive way to target your market and position your business so that those looking for what you have to offer are finding you easily. This is only the first level of the sales process, but it is vital to the success of your online business, but remember traffic marketing is not sales.

Traffic can be increased by search engine optimization, using pay per clicks, or marketing your site in advertising campaigns. After completing the marketing step which brings the traffic you must then turn your attention to selling to your visitor once they get there.

How are you approaching those prospective clients and customers that are visiting your site? Are you persuading them to take the action that you want them to take? Have you defined what it is that you want them to do? Perhaps you want them to...

Buy a product? Request more information? Subscribe to your newsletter or request a free report?

There are proven methods and tactics that you can use online to increase your conversion rate and get that prospect to become a customer or client. If you haven't taken time to plan your Internet Marketing Strategy you have made a costly mistake that could be draining to your business and costing you customers.

Consider this "What is the annual worth of one customer to you?" Is it $25, $250, or perhaps $2500? If having an Internet Marketing Strategy would help you cultivate and convert just 1 new customer each week would planning that strategy be worth it to you?

Truth is that Internet Marketing differs in many degrees from traditional brick and mortar marketing, but there are a few strategies that remain the same and must be present in order for your online marketing to be successful. For example consider the following:

What is the Key Missing Component in the Virtual Sales Process?

When marketing virtually you are missing a key component to the sales process. Do you know what one thing is lacking and could cause a potential problem and cost you a loss of sales if not approached with a real solution? The answer is human interaction. This has been the biggest struggle to e-commerce businesses online.

Let's think about this for a moment. When a person enters a physical store they are met with the interaction of a sales person. Face-to-face contact takes place and over 90% of normal communication between the two people is non-verbal.

Websites or virtual storefronts as I like to call them don't allow that non-verbal communication to take place in the traditional way and the friendly sales person is replaced with the cold technology of background code.

The key question we must ask ourselves here is “How can you provide that human interaction to potential clients and customers so that you are able to move that client or customer through a successful sales process?”

3.2 Internet Marketing Strategy: Why is it Important?

Would you start a business without a business plan? Would you place your yellow pages ad in an irrelevant category just to see if anyone would call? Would you pay thousands of dollars to have a billboard ad created and placed where there is no traffic?

If you are among the majority of business owners you probably answered no to all of the above questions. Businesses are very careful when it comes to spending marketing dollars, but truth is most businesses have neglected the most effective marketing tool that they have which is the strategic planning of their internet presence. It's not a problem to spend thousands of dollars to pay for the design and development but the planning process and strategy building has been neglected. Why? Many are under the misconception that a web designer is an expert in the area of Internet marketing and that they are also well versed in search engine optimization. They are only met with disappointment. Do you know anyone who has experienced following problems:

- Minimal sales and conversion.
- Traffic to the site is not as expected or hundreds of dollars are being paid for traffic leads but still there is no conversion from that traffic.
- Subscriptions to reports or newsletters that you offer are slim to none.
- You have received only minimal requests for services or products by email or telephone since your site launch.

How could these problems have been avoided? An Internet Marketing Strategy can help position you to your target and niche market as well as increase conversion by following the five levels of the sales process mentioned below. While the answer seems simple the process is a bit more involved but vital to the success of a business that is about to launch online.

SELF ASSESSMENT EXERCISE

Why is internet marketing strategy important?

3.3 Four Myths to Avoid in Internet Marketing Strategies

There's more marketing hype published on the Internet in one day than P.T. Barnum generated in his lifetime. Like a worm swallowing its tail, the Internet marketing beast feeds mostly on itself. The vast majority of what appears on the Internet about marketing is designed to help you market products and services sold and delivered exclusively on the Internet.

So what does that mean for the independent professional whose web presence is primarily aimed at selling his or her own personal services? You know, services delivered the old-fashioned way, by humans interacting face-to-face or at least voice-to-voice. At best, the average professional is likely to be overwhelmed by the sheer volume of Internet marketing advice available. At worst, he or she is being seriously misled by it.

The problem is that marketing your own professional services is simply not the same as marketing a retail product or an anonymous business service. You cannot sell corporate consulting like you do web hosting; nor can you sell life coaching the same way you do an e-book. If you try to market yourself by following advice designed for marketing Internet products and services, you're likely to make some serious mistakes.

Here are four Internet marketing myths that may be hazardous to the health of your business. So you need to be mindful of them in developing your marketing strategies.

Myth One – It all starts with a great website

Actually, the place where it starts is with a well-defined service. If you don't have a crystal clear picture of who you are marketing to and exactly what you are selling them, the best web site in the world would not get you clients. Before you even think about building a web site, you should know who your target market is, how to describe your professional specialty, and what specific benefits your work provides for your clients.

The content of your site is much more important than the design. Yes, you should have a professional-looking site, but a brilliant design and dazzling graphics would not pay off anywhere near as well as a clear explanation of why a client should work with you. Useful material such as articles, assessments, and other samples of your expertise will go much further to persuade prospective clients than flash intros and interactive menus.

Myth Two – More traffic translates to increased profits

The only result that more traffic to your web site guarantees you is increased bandwidth use by your web host. Before spending money on banner ads, web directories, or pay-per-click listings to drive more visitors to your site, you need to be sure that they will want to do business with you once they get there.

Ask your colleagues and current clients to critique your site. Do they understand what you are offering? Can they see concrete benefits to your target audience? Revise your site based on their feedback. Then personally invite some prospective clients to visit and touch base afterward. Do your prospects seem more inclined to do business with you after seeing your site? If so, you are on the right track. If not, you still have more work to do.

Myth Three – Do whatever it takes to build your list

There is no question that a substantial opt-in mailing list is a valuable marketing asset, but the quality of names on your list is much more important than the quantity. Acquiring names through giveaways of other people's material, trading lists with joint venture partners, or purchasing them from a vendor rarely provides qualified buyers truly interested in your services.

Absolutely, ask your site visitors and people you meet to join your mailing list and offer them something of value in return. A well-written ezine, helpful report, or informative audio are all effective premiums. But, your premium should be directly related to the services you provide and also serve to increase your professional credibility. Names acquired from promotional gimmicks or unknown sources seldom turn into paying clients.

Myth Four – Killer copy is the secret to sales

Hype-laden web copy may be effective in selling certain info-products or courses, but it hardly inspires trust. You are not going to convince anyone to hire you individually as a consultant, coach, trainer, designer, or financial advisor by offering “not one, not two, but three valuable bonuses” as if you were selling steak knives on late-night TV.

Your Internet marketing persona should reflect the same professionalism as the work you do with your clients. If writing marketing materials isn't your forte, by all means hire a professional copywriter. But be sure you hire one with experience writing for professionals like yourself. The copy on your web site should inspire feelings of confidence about your abilities, and communicate your reliability and solid qualifications.

3.4 Marketing in a Virtual World

Before the Internet, small business owners like yourself were usually limited to a local market-resorting to expensive advertising and brochures, direct mail, cold-calling, networking at the local Chamber of Commerce or Rotary. You hoped customers found you through word-of- mouth or a Yellow Pages ad.

Today, you can work with a consultant, a financial planner, or a business coach across the country as easily as someone across town. In the Internet age, prospects often find you (instead of the other way around).
This is the age of the virtual customer. Yet, although the Internet has made it perfectly reasonable to land a major client you have never met in-person, it has also created new expectations among consumers.

Prospects now "Google" around to find someone with your skills. They expect you to make a good virtual "case" for yourself. If you don't pass the test, or make a bad impression, or appear lackluster compared to your competitors, you will lose the potential client.

The only way to be truly successful in business is by establishing a good reputation. And understanding the way business has shifted in the Internet age can help you bring the potential of marketing your business into the virtual world.

3.4.1 The Virtual First Impression

The Internet has increased the expectation among consumers that businesses will have a credible online presence.

Many of us now form "first impressions" of people and companies via our Internet browsers. From the moment your name and business appear in a Web browser to the moment your Web site loads, your first impression often means the difference between a shot at your prospect's business, or being shut out.

Think about it. You have probably used the Internet to research a company or a person you're considering doing business with. Certainly potential clients and customers are checking you out online, too.

Prospects you've never met are forming opinions about your business at the click of a mouse. Internet first impressions are not just influenced by how your Web site looks, but also by how often your business appears or how high it ranks in a web browser.

3.4.2 Become an Online Center of Influence

We all know people who command rapt attention whenever they speak. Others want to listen to, learn from, and emulate them. They are centers of influence, a distinction you can pursue online by developing the following qualities:

- Share inside knowledge with your target market;
- Participate, listen, contemplate, and offer thoughtful responses;
- Be willing to voice an opinion;
- Assume leadership positions in your industry.

Certainly, experience counts. But this is not the only prerequisite to becoming an online center of influence that will earn you the distinction of 'trusted advisor' within your target market.

Start by making your Web site a resource for your industry. Feature lots of useful information, including articles, links, downloadable files, customer resources, and anything else of use to your target market. Be generous and give, give, give!

3.4.3 Create a Virtual Podium with Teleclasses

Teleclasses are a great way for businesses to develop a virtual reputation. They can be promoted easily by email, and provide information to prospects, clients, and customers all over the world, with minimal cost and effort.
Business coach and teleclass leader Michael Losier set up a teleclass about exhibiting at trade shows: 'I had 60 students in my first class, which was very profitable, and many later hired me as a consultant."

Also, it may be just as effective and less effort to participate as a guest lecturer in another professional's class rather than producing your own teleclass.

3.4.4 Placing Articles Online

Online articles draw upon your expertise by providing useful information that Web site visitors are actively seeking out. Online articles position you as an expert in your field and convey a level of authority that establishes trust and sets the stage for sales.

When high-traffic, high-credibility Web sites and newsletters publish your articles, you ride on the coattails of their loyal relationships with readers. Your articles are seen by visitors as referrals from trusted friends.

Some of the most prime "real estate" in the world these days is at the top of the search engine listings. The most widely used search engines rank Web sites by the quantity of other Web sites that link to them. This means that every article you publish that links to your Web site can improve your search engine rankings.

3.4.5 Build Online Relationships

Most business networking used to happen when we recommended an associate, swapped business cards, or connected with colleagues over lunch. But increasingly, social networking is migrating to the Internet. Through social networking Web sites and online discussion lists, entrepreneurs can access virtual communities of prospects and associates while developing virtual "platforms" to generate leads and sales and establish themselves as recognized experts.

Marketing consultant Max Blumberg credits his involvement in Ecademy.com, a business networking Web site, with elevating his business profile and generating new clients. "When I first encountered Ecademy I'd never heard of online networking, but the benefits of a large community where I could share ideas and cultivate new relationships was very appealing."

Blumberg started by posting a profile about his business, then started sharing his knowledge with other Ecademists. "I set up a club where members could get help with common marketing challenges. Many of these people became clients and friends with whom I socialize. We reciprocally use each other's services," says Blumberg, whose Ecademy presence has even been noticed by large companies who are starting to contact him.

The key to building a niche community is identifying your ideal customers and the communities they belong to. By targeting the best, most favorably inclined prospects within a niche, you can become your target market's vendor of choice, and sell more with far less effort.

3.5 Networking on the Internet

Networking is one of the most effective ways to find clients for any consulting or professional services business. But if you limit your networking to only what you can do in person, you will be missing out on a huge number of possibilities.

Networking is more than entering a room full of people and exchanging business cards. It's creating a pool of contacts with which you can exchange clients, referrals, resources, ideas, and information. Networking can happen by phone, by mail, over coffee, and increasingly, over the Internet.

The growth of the Internet has created many new ways to network without ever leaving your home or office. Pick a topic, any topic, and there will be multiple web sites and online communities devoted to it. Almost any type of Internet presence offers opportunities for networking.

In your favorite search engine, type the name of your profession or specialty, e.g. "interior design" or "marketing communications." Or, if you have a clearly defined target market, you can use that, e.g. “baby boomers” or “biotechnology.” Skip the sponsored links or banner ads and focus on the detailed results. What you will find is the following:

•**Professional Associations and Schools -** Many association or school sites provide member rosters, resource pages, back issues of newsletters, event calendars, and bulletin boards or discussion lists. Not all of these features will be restricted to members or students.

•**Resource Sites and Online Communities -** These include directories of people in the profession, vendors, articles, event calendars, bulletin boards, discussion lists, live chats, and links to even more resource sites.

•**Publications -** Magazines and newsletters maintain sites that offer everything from back issues to complete online communities.

•**Job Postings -** These may appear on any of the above sites, and often include opportunities for independent professionals, not just those looking for full-time employment.

•**Colleagues and Competitors -** Colleagues and competitors may be exactly the same people, depending on your relationship with them. Their sites will tell you more about them and their work, and may offer many of the same features as resource sites.

•**Potential Clients –** Their sites will tell you about the work they do, current and upcoming projects, and even the names of executives and managers.

Also, if you subscribe to an online service offering interactive "channels," like America Online, CompuServe or MSN, there may be an entire area dedicated to your profession or target market. Some of these resources are available to non-members as well.

Now, how can you use all this information to network? Here are some of the most common ways:

•**Bulletin Boards -** These are web pages where you can view and post questions and comments on a specific subject. Answering a posted question is an excellent way to demonstrate your expertise, become known to the people who frequent the board, and get to know others in your field.

> Don't be overly self-promotional when posting, just include a signature line at the end of your post, e.g. "Ingrid Gustafsson, Nordic Design." If you see someone else on the board who you would like to get to know in a collegial way, e-mail them. But never directly approach for business the people you find there. You might find yourself banned from membership.

•**Discussion Lists –** These are like bulletin boards, but are e-mailed to members of the list daily, weekly, or whenever a new posting arrives. When posting to these lists, you can include more information about yourself in a signature box at the end of each e-mail. Keep it short, but include some reason for people to get in touch with you outside the list, such as, "Subscribe to my free newsletter," or, "Visit my web site for a free resource guide."

> In addition to locating discussion lists through search engines as described above, you can find them through online community hosts such as Yahoo Groups or MSN Groups.

•**Live Chats –** Many online communities sponsor real-time chats on specific topics. Participating in these chats is an excellent way to meet people interested in the subject being discussed. Chat rooms that require membership are best, because you are more likely to encounter professionals seriously interested in the topic instead of people just looking for a date.

> Attending chats featuring a guest speaker can be more valuable than you might think. If you ask a question during one of these, do not be surprised if people contact you by e-mail during or after the chat to offer you more resources related to your question. You

can make exactly the same type of contacts when you are the one who has something to offer.

•**Articles –** Notice who is writing them and who is being written about. These people are likely to be leaders in your field, or at least highly visible. That makes them good contacts for you. Send them an e-mail complimenting them on the article and suggesting you get acquainted for mutual benefit. Make a specific suggestion about what you can offer, e.g. referrals or resources.

•**Others in Your Field** – These may be colleagues, competitors, vendors, or potential clients. Approach them collegially with ideas about how a relationship could benefit you both, such as exchanging referrals, pooling resources, links on each other's web site, or trading endorsements or articles in each other's ezine.

If you cannot find a board, list, chat, or site with the exact focus you want, consider starting one of your own. While hosting one of these communities takes time and effort, it will also put you in the center of the network that forms around it instead of on the outskirts.

3.6 Strategies to Boost your Online Sales

There is really no deep secret about increasing sales through the Internet. You drive traffic by creating more sales leads. When these newbie shoppers show up, you engage them and convert their interest into a transaction.

But all that is much easier said than done. Here are specific ways to build sales momentum and to make your online store crackle and then pop.

3.6.1 Seek out Strategic Partners

Question: What's the online retail equivalent of "location, location, location?" Answer: Links to your site in all the right places. You want to create awareness of your wares among customers. So the first step is to truly define your target buyer. Thoroughly research your customer's profile and preferences. Next, develop come-hither offerings, teasers, interactive ads and must-read content for as many appropriate sites as you can manage and afford. "Small businesses can develop relevant content for other sites that drives traffic on a very low-cost basis," says Andrew Restivo, founder of GourmetFoodMall.com, a New Orleans-based online shopping mall for more than 150 specialty food companies. In considering sites as partners or affiliates, don't forget professional organizations and associations, especially when you market services or business products. Try trading or paying for links with other small or midsize e-commerce marketers. But before making customers may never even make it to your home page," says Michelle Jackson, spokesperson for Range Online Media, a Fort Worth, Texas, search marketing company. Also, consider easy ways to get to the shopping cart and reliable site-wide product search functionality. When a shopper arrives with product specifics already in mind, you do not want to make that buyer work or wait.

3.6.2 Cross-promote like Crazy

Do not make your online store a stand-alone orphan; make it work with other sales channels. Successful sellers have figured out that the Web is just one sales channel, like mail-order catalogs, phone orders or face-to-face contact. Everything must work together. That means customers being able to research one of your products online, buying it by phone, and picking it up at the offline store. If you only sell online, you must make sure your branded URL is seen far and wide. That includes using it in every e-mail signature of every employee you have. Print the store URL on all brochures, catalogs, packing material, shipping boxes, shopping bags, delivery trucks, posters and postcard notices. If you attend trade shows or conferences, make sure your booth signage and promotional material also have a big, bold printed URL stamped on them. Don't miss an opportunity. Also, register variants and misspellings of your domain name so customers who get it wrong will find you anyway. For instance, a company named "Baskets R Us" should also register "Baskets Are Us." Think about it: For a few hundred dollars in registration fees, you might net one return customer who buys thousands of dollars worth of wares over time.

3.6.3 Keep it Personal

Customers will feel more valued and comfortable about buying online if you establish a bond. The more you're in touch and display a personal tone, the more your customer will relax.

3.6.4 Be Specific (and Honest) About Your Product Offerings

"The more detail you include, the better. People like to know the histories of what you're selling and who you are," advises Lynne Dralle, an eBay Power Seller who has sold thousands of items at online auctions. "Always describe exactly what the buyer is getting. Be honest," she says. When selling her collectibles, Dralle mentions any chips or flaws, but she also tells stories, like how her Aunt Mary brought an item over from England. High-quality photographs of products also are a must. If you don't have a digital camera, consider investing in one so you can upload images to your PC.

3.6.5 Set Delivery Policies that Work for Your Business Model

The great debate about whether free shipping boosts online sales is finally fading into individual solutions. While you still find advocates pro and con, it's now boiling down to a matter of your product pricing. "Free shipping costs can kill you if you can't include them in the price of the product," says GourmetFoodMall.com's Restivo, whose company regularly surveys online consumers on such issues. But if you jack up your price to accommodate free shipping on commodity items that only sell at the lowest price possible, you lose. In those cases, customers expect to pay a reasonable amount for shipping, Restivo says. On the other hand, high shipping prices are a big detriment to sales of perishable or premium products, presumably because it's easy to forgo those items when they don't feel like a "bargain." Restivo's tip: Rely on second-day-air shipping. Costs are much cheaper than overnight and customers are satisfied.

3.6.6 Spruce up Your Site and Service

The goal is to get customers to return and to spread the word among friends and family that your online shop is worth a visit. So do everything you can to make the experience fast, fun and fabulously better than your competitors. Explain all your policies, upfront. Promise 100% money-back guarantees with no strings attached. Offer free samples. Quickly respond to every query or comment. Invest in a live chat function so that customers can get answers to product questions immediately. Create reasons to return to your site with a loyalty club or contests or email games and discounts. Make connections with customers and don't let go.

One last point: Don't forget that having well-written content and product descriptions are important – because you want the search engines to find you. Learn how to optimize your site for search engines.

4.0 CONCLUSION

Indeed there are several strategies being adopted in internet marketing. Thus, there is no one strategy that could be all encompassing but basic the rule remain that the goals must be well spelt out and the market and the audience. Well identified A true test of any strategies will be how effective and efficient the strategy is capturing business as well as positioning the organization to compete better in the global market.

5.0 SUMMARY

i.It is pertinent to explore strategies and techniques that you can use on the Internet that will enhance and support your business's overall marketing objectives. The strategies includes learning how to conduct banner promotions, generate targeted online traffic, positioning your content, and over all brand awareness.

ii.Having a Internet marketing strategy gives you a measurable and definitive way to target your market and position your business so that those looking for what you have to offer are finding you easily.

iii.There are proven methods and tactics that you can use online to increase your conversion rate and get that prospect to become a customer or client. If you haven't taken time to plan your Internet Marketing Strategy you have made a costly mistake that could be draining to your business and costing you customers.

iv.There is more marketing hype published on the Internet in one day than P.T. Barnum generated in his lifetime. Like a worm swallowing its tail, the Internet marketing beast feeds mostly on itself. The vast majority of what appears on the Internet about marketing is designed to help you market products and services sold and delivered exclusively on the Internet.

v.Before the Internet, small business owners like yourself were usually limited to a local market -resorting to expensive advertising and brochures, direct mail, cold-calling, networking at the local Chamber of Commerce or Rotary

vi.Networking is one of the most effective ways to find clients for any consulting or professional services business. But if you limit your networking to only what you can do in person, you'll be missing out on a huge number of possibilities.

vii.There's really no deep secret about increasing sales through the Internet. You drive traffic by creating more sales leads. When these newbie shoppers show up, you engage them and convert their interest into a transaction

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.2

6.0 TUTOR-MARKED ASSIGNMENT

1. Mention five things you can do in marketing in a virtual world.
2. Identify five strategies to increase your online sales.

7.0 REFERENCES/FURTHER READINGS

Laura Lake, About.com

C.J. Hayden, for About.com

Steve Van Yoder, for About.com

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UNIT 2 CUSTOMER RETENTION STRATEGIES

CONTENTS

1.0 INTRODUCTION

Loyalty may not be first idea that pops into your head when you think about e-commerce. After all what relevance could such an old-fashion notion hold for a world in a world in which customers defect at the click of the mouse. What good is a small town virtue amid a faceless anonymity of the Internet's global market place? Loyalty must be on a fast track toward extinction, right? **No! NOT AT** all. Chief executives of the cutting edge e-commerce care deeply about customer retention and consider it vital to the success of their online operations. They know that loyalty is an economic necessity; acquiring customers on the Internet is expensive, and unless those customers stick around and make a lot of repeated purchases over the years, profit will remain elusive. They also know it is a competitive necessity; in every industry, some companies will figure out how to harness the potential of the Web to create exceptional value for customers, and that company is going to lock in many profitable relationships at the expense of slow-footed rivals. Without the glue of loyalty, even the best-designed e-business model will collapse.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- know the outcome of the research by Havard Business school about the economics of e-commerce
- know the benefits of customer retention strategies
- understand the basic elements in building customer loyalty
- know the expectation of customers from Internet marketing operators
- know what is database marketing and its applications in building customer loyalty.

3.0 MAIN CONTENT

3.1 The Economics

Ten years ago, Bain & Company, working with Earl Sasser of Havard Business School, analyzed the cost and revenues derived from serving customers over their entire online /Internet purchasing cycle, the result showed that in industry after industry, the high cost of acquiring customers render many customer relationships unprofitable during their early years. Only ion later years, when the cost of serving loyal customers falls and the volume of their purchases rises, do relationships generate returns. The bottom line: increasing customer retention rtes by 5% increase profit by 25% to 95%. Those numbers startled many executives, and the result of the research set a rush to craft retention strategies, many of which continues to pay large dividends.

When the same methodology is applied to analyzing customer life-cycle economics in several e-commerce sectors, including books, apparel, groceries, and consumer electronics, it was found that classic loyalty economics at work. In fact, the general pattern – early losses, followed by rising profits- is actually exaggerated on the Internet. At the beginning of a relationship, the outlays needed to acquire a customer are often considerably higher in e-commerce than in traditional retail channels. In apparel e-tailing, for example, new customers cost 20% to 40% more for pure-play Internet companies than for traditional retailers with both physical and online stores. That means that the losses in the early stages of relationships are larger.

In future years, though profit growth accelerates at an even faster rate. In apparel e-tailing, repeat customers spend more than twice as much in months 24-30 of their relationships than they do in the first six months.

3.2 The Benefits

1. Since it is relatively easy for Web stores to extend their range of products, they can sell more and more kinds of goods to loyal customers broadening as well as deepening relationships over time. The evidence indicates, in fact, that Web customers tend to

consolidate their purchases with one primary supplier, to the extent that purchasing from the supplier's site becomes part of their daily routine. This phenomenon is particularly apparent in the business-to-business sector. For example, W. W. Granger, the largest industrial supply company in the United States discovered that long time customers whose volume of purchases through Granger's traditional branches had stabilized, increasing their purchases substantially when they began using Granger's Web site. Sales to these customers increased at triple the rate of similar customers who used only the physical outlets.

2. In addition to purchasing more, loyal customers also frequently refer new customers to supplier, providing another rich source of profits. Referrals are lucrative in traditional commerce as well, but again, the Internet amplifies the effect since word of mouse spread even faster than world of mouth. Online customers can, for example, use e-mail to broadcast a recommendation for a favorite Web site to dozens of several friends and family members. Many e-tailers are now automatically the referral process, letting customers send recommendations to acquaintances while still at the e-tailers sites. Because referred customers cost so little to acquire, they begin to generate profits much earlier in their lifer cycles.

3. The combination of these economic factors pointed out in points 1 &2 above means that the value of loyalty is often greater on the Internet than in the physical world. For all companies doing business on the W, the implication is clear: you cannot generate superior long-term profits unless you achieve superior customer loyalty.

3.3 Elements of Building Internet Customer Loyalty

The following are some of the elements that constitute e-commerce loyalty strategies.

3.3.1 A Matter of Trust

To gain the loyalty of customers, you must first gain their trust. That's always been the case, but on the Internet, where business is conducted at a distance and risks and uncertainties are magnified, it truer than ever. Online customers can't look at a sales clerk on the eye, cannot size up the physical space of a store or office, and can't see and touch products. They have to rely on images and promises, and if they don't trust the company presenting those images and promises they will shop elsewhere. In fact when Web shoppers were asked to name the e-attributes of tailers that were most important in earning there business, the number one answer was a Web site "that I know and trust". All other attributes including lowest cost and broadest section, lagged far behind. Price does not rule the Web, trust does.

3.3.2 Focusing on the Right Customer

When many executives and entrepreneurs look at the Net, they see an opportunity to break free from one of the core constraints of the traditional business world, the need for focus. Because a Web site is accessible to any online customer anytime, anywhere, there is a huge temptation to try to attract as many potential customers as possible. That temptation is reinforced by the vast upfront investments in site development and process design that companies often have to make in launching an e-business. Executives presume that these fixed costs should be amortized over, as many customers are possible. So they become caught up in frenzy on indiscriminate customer acquisition, gauging the success by sneer number of page view, unique visitor s and sales they rack up. The fat that careful customer selection has always been a foundation of business success gets completely ignored.

A lack of focus makes building much more difficult. Customers want Web sites that are simply designated, fast to load, and easy to see,. But tempts to serve, the more complex its size inevitably becomes. In trying to be all things to people – to accommodate all levels of technical expertise, all service requirements, all price sensitivities, and degrees of brand preference – it must constantly add new features and functions. As it does, its site becomes slower to load and more complicated to use. Customers flock in but, confused by what they find, they rarely return.

3.3.3 Learning about Loyalty

While the Internet may seem like an anonymous space, in reality it is far easier to track customers, their purchase histories, and their preferences online than in traditional business setting. Customers in brick-and-mortar stores leave no record of their shopping purchase patterns is transparent. Every move they make can be documented electronically, click-by-click. If a customer exits a Web site when the price screen appears, it's a fair bet that he is price sensitive. If he jumps from page to page without even initiating a transaction, he's probably frustrated at being unable o find what he wants.

By providing such rich data, the Internet offer companies unprecedented opportunities for getting to know their customer in depth and for customizing offerings to meet their preferences. Very few companies, however, are actually doing much to even track customer retention rigorously, let alone try to systematically learn from customer defective patterns. Instead, they are fixated on building their Web capacity and increasing their visitor counts, click-through, and online sales. As a result, they overlook opportunities for up selling and cross selling and end up capturing a much smaller share of customer's overall purchases than they might have. Research shows that, in fact, that the average Web site achieves less than 30% of its full sales potential with each customer.

3.3.4 The Big Picture

Many companies have been tempted to split their Web businesses from the rest of their operations in hopes of cashing in on investor's enthusiasm of dot-coms or of making it easier to attract the kind of talent required to manage Web activities. In the short run, such a strategy may create benefits, over the long run, however, it is likely to erode customer loyalty. After all, when a customer does business with a company, the customer does not distinguish between a transaction on the Web and one in a physical store or branch – they are both elements of the customers total experience with the company. Leaders like Vanguard, Dell and Graubger understand that loyalty is determined by full range of their interactions with customers, and they consciously integrate their operations to produce a seamless, quality experience.

In this view, the web becomes, to borrow a phrase from Vanguard's Jack Brennan, "a tool, bit a strategy". Its unique capabilities are used to improve communications with customers, to enhance organizational learning about customers' needs and increase responsiveness, to reduce customers' transaction costs, and to enhance convenience – all of which are vital for developing strong and durable relationships. But these relationships are not exercised in isolation. They are plugged into the full range of corporate capabilities.

3.3.5 Nothing but the Truth

In the end, loyalty is not won with technology. It is won through the delivery of a consistently superior customer experience. The Internet is a powerful tool for strengthening relationships, but the basic laws and rewards of building loyalty have not changed. By encouraging repeat purchases among a core of profitable customers, companies can initiate a spiral of economic advantages. This loyalty effect enables them to compensate their employees more generously, provide investors with superior cash flows, and reinvest more aggressively to further enhance the value delivered to the customers.

What is changing is the pace at which these economic rules are playing out, and the speed with which companies must improve their products and services if they hope to keep customers loyal. Customer's tolerance for inconsistency and mediocrity is rapidly disappearing. In the past, convenient store locations, aggressive sales forces, and a general lack of information shielded companies from the penalties of providing anything less than the best product and service quality; customers where loyal by necessity not by choice. Thanks to the Internet, those shields have been dismantled. Customers can compare suppliers in real time, all the time. Building superior customer loyalty is no longer just one of the many ways to boost profits. Today it is essentially for survival.

SELF ASSESSMENT EXERCISE

List and discuss the elements of building internet customer loyalty.

3.4 Consumer Expectations

The main idea of online shopping is not in having a good looking website that could be listed in a lot of search engines and it is not about the art behind the site. It also is not only just about disseminating information, because it is all about building relationships and making money. Mostly, organizations try to adopt techniques of online shopping without understanding these techniques and/or without a sound business model. Rather than supporting the organization's culture and brand name, the website should satisfy consumer's expectations. Many researchers notify that the uniqueness of the web has dissolved and the need for the design, which will be user centered, is very important. Companies should always remember that there are certain things, such as understanding the customer's wants and needs, living up to promises, never go out of style, because they give reason to come back. And the reason will stay if consumers always get what they expect. McDonaldization theory can be used in terms of online shopping, because online shopping is becoming more and more popular and website that wants to gain more shoppers will use four major principles of McDonaldization: efficiency, calculability, predictability and control.

Organizations, which want people to shop more online for them, should consume extensive amounts of time and money to define, design, develop, test, implement, and maintain website. Also if company wants their website to be popular among online shoppers it should leave the user with a positive impression about the organization, so consumers can get an impression that the company cares about them. The organization that wants to be acceptable in online shopping needs to remember, that it is easier to lose a customer then to gain one. Lots of researchers state that even when site was a "top-rated", it would go nowhere if the organization failed to live up to common etiquette, such as returning e-mails in a timely fashion, notifying customers of problems, being honest, and being good stewards of the customers' data. Organizations that want to keep their customers or gain new ones try to get rid of all mistakes and be more appealing to be more desirable for online shoppers. And this is why many designers of webshops considered research outcomes concerning consumer expectations. Research conducted by Elliot and Fowell (2000) revealed satisfactory and unsatisfactory customer experiences.

3.4.1 Satisfactory

- Increased customization, e.g. "capability to treat customers as individuals".
- Convenience in purchasing "anytime, from anywhere, to anywhere".
- Responsiveness in product delivery, e.g. "instantaneous distribution of digital products and services".
- Cost savings through lower prices, e.g. "site aims at providing lower costs and latest information on music scene".
- Able to fulfill most shoppers needs. Comparison shop several online stores at once.

3.4.2 Unsatisfactory (unsatisfactory experiences)

- Security
- Ease of use
- Poor levels of service
- Costs
- Product delivered did not meet expectations.

3.5 Database Marketing

Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The method of communication can be any addressable medium, as in direct marketing.

The distinction between direct and database marketing stems primarily from the attention paid to the analysis of data. Database marketing emphasizes gathering all available customer, lead, and prospect information into a central database and using statistical techniques to develop models of customer behavior, which are then used to select customers for communications. As a consequence, database marketers also tend to be heavy users of data warehouses, because having a greater amount of data about customers increases the likelihood that a more accurate model can be built.

The "database" is usually name, address, and transaction history details from internal sales or delivery systems, or a bought-in compiled "list" from another organization, which has captured that information from its customers. Typical sources of compiled lists are charity donation forms, application forms for any free product or contest, product warranty cards, subscription forms, and credit application forms.

The communications generated by database marketing may be described as junk mail or spam, if it is unwanted by the addressee. Direct and database marketing organizations, on the other hand, argue that a targeted letter or e-mail to a customer, who wants to be contacted about offerings that may interest the customer, benefits both the customer and the marketer.

Some countries and some organizations insist that individuals are able to prevent entry to or delete their name and address details from database marketing lists.

3.5.1 Sources of Data

Although organizations of any size can employ database marketing, it is particularly well-suited to companies with large numbers of customers. This is because a large population provides greater opportunity to find segments of customers or prospects that can be communicated with in a customized manner. In smaller (and more homogeneous) databases, it will be difficult to justify on economic terms the investment required to differentiate messages. As a result, database marketing has flourished in sectors, such as financial services, telecommunications, and retail, all of which have the ability to generate significant amounts transaction data for millions of customers.

Database marketing applications can be divided logically between those marketing programs that reach existing customers and those that are aimed at prospective customers.

3.5.1.1 Consumer Data

In general, database marketers seek to have as much data available about customers and prospects as possible.

For marketing to existing customers, more sophisticated marketers often build elaborate databases of customer information. These may include a variety of data, including name and address, history of shopping and purchases, demographics, and the history of past communications to and from customers. For larger companies with millions of customers, such data warehouses can often be multiple terabytes in size.

Marketing to prospects relies extensively on third-party sources of data. In most developed countries, there are a number of providers of such data. Such data is usually restricted to name, address, and telephone, along with demographics, some supplied by consumers, and others inferred by the data compiler. Companies may also acquire prospect data directly through the use of sweepstakes, contests, on-line registrations, and other lead generation activities.

3.5.1.2 Business Data

For many business-to-business (B2B) company marketers, the number of customers and prospects will be smaller than that of comparable business-to-consumer (B2C) companies. Also, their relationships with customers will often rely on intermediaries, such as salespeople, agents, and dealers, and the number of transactions per customer may be small. As a result, business-to-business marketers may not have as much data at their disposal. One other complication is that they may have many contacts for a single organization, and determining which contact to communicate with through direct marketing may be difficult. On the other hand the database of business-to-business marketers often include data on the business activity of the respective client that can be used to segment markets, e.g. special software packages for transport companies, for lawyers etc. Customers in Business-to-business environments often tend to be loyal since they need after-sales-service for their products and appreciate information on product upgrades and service offerings.

Sources of customer data often come from the sales force employed by the company and from the service engineers. Increasingly, online interactions with customers are providing b-to-b marketers with a lower cost source of customer information.

For prospect data, businesses can purchase data from compilers of business data, as well as gather information from their direct sales efforts, on-line sites, and specialty publications.

3.5.2 Analytics and Modeling

Companies with large databases of customer information risk being "data rich and information poor." As a result, a considerable amount of attention is paid to the analysis of data. For instance, companies often segment their customers based on the analysis of differences in behavior, needs, or attitudes of their customers. A common method of behavioral segmentation is RFM, in which customers are placed into subsegments based on the recency, frequency, and monetary value of past purchases. Van den Poel (2003) gives an overview of the predictive performance of a large class of variables typically used in database-marketing modeling.

They may also develop predictive models, which forecast the propensity of customers to behave in certain ways. For instance, marketers may build a model that rank orders customers on their likelihood to respond to a promotion. Commonly employed statistical techniques for such models include logistic regression and neural networks.

3.5.3 Evolution

While the idea of storing customer data in electronic formats in order to use them for database-marketing purposes has been around for decades the computer systems available today make it possible to have the complete history of a client on-screen the moment he or she calls. Today's Customer Relationship Management systems use the stored data not only for direct marketing purposes but to manage the complete relationship with this particular customer and to further develop the range of products and services offered.

4.0 CONCLUSION

It is one thing to attract customers to a market site and it is entire another thing to make the customers, not only to buy some goods, but to return again and again. And being mindful of loyalty in dealing with customers is one of the tested ways to keep customers coming again and again, whether you are doing your business in the traditional way or adopting electronic options.

5.0 SUMMARY

i.Loyalty may not be first idea that pops into your head when you think about e-commerce. After all what relevance could such an old-fashion notion hold for a world in a world in which customers defect at the click of the mouse.

ii.Ten years ago, Bain & Company, working with Earl Sasser of Havard Business School, analyzed the cost and revenues derived from serving customers over their entire online /Internet purchasing cycle, the result showed that in industry after industry, the high cost of acquiring customers render many customer relationships unprofitable during their early years iii.Since it is relatively easy for Web stores to extend their range of products, they can sell more and more kinds of goods to loyal customers broadening as well as deepening relationships over time.

iv.To gain the loyalty of customers, you must first gain their trust. That's always been the case, but on the Internet, where business is conducted at a distance and risks and uncertainties are magnified, it truer than ever. Online customers can't look at a sales clerk on the eye, cannot size up the physical space of a store or office, and can't see and touch products

v.The main idea of online shopping is not in having a good looking website that could be listed in a lot of search engines and it is not about the art behind the site. It also is not only just about disseminating information, because it is all about building relationships and making money

vi.**Database marketing** is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The method of communication can be any addressable medium, as in direct marketing.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.2

6.0 TUTOR-MARKED ASSIGNMENT

Identify five each of satisfactory and unsatisfactory experiences of consumers to e-commerce.

7.0 REFERENCES/FURTHER READINGS

Anonymous, Economics of E-Business

"http://en.wikipedia.org/wiki/Database_marketing"

UNIT 3 VOICE OVER INTERNET PROTOCOL

CONTENTS

1.0 INTRODUCTION

Voice-over-Internet protocol (**VoIP**) is a protocol optimized for the transmission of voice through the Internet or other packet-switched networks. VoIP is often used abstractly to refer to the actual transmission of voice (rather than the protocol implementing it). This latter concept is also referred to as *IP telephony*, *Internet telephony*, *voice over broadband*, *broadband telephony*, and *broadband phone*.

VoIP providers may be viewed as commercial realizations of the experimental Network Voice Protocol (1973) invented for the ARPANET providers. Some cost savings are due to utilizing a single network to carry voice and data, especially where users have underused network capacity that can carry VoIP at no additional cost. VoIP-to-VoIP phone calls are sometimes free, while VoIP calls connecting to public switched telephone networks (VoIP-to-PSTN) may have a cost that is borne by the VoIP user.

Voice-over-IP systems carry telephony signals as digital audio, typically reduced in data rate using speech data compression techniques, encapsulated in a data-packet stream over IP.
There are two types of PSTN-to-VoIP services: Direct inward dialing (DID) and *access numbers.* DID will connect a caller directly to the VoIP user, while access numbers require the caller to provide an extension number for the called VoIP user.

2.0 OBJECTIVES

At the end of this unit the student is expected to:

- define VoIp and trace its history and development
- identify the numerous functions of VoIP
- answer the questions of challenges facing application of VoIP
- understand how to implement VoIP
- identify the various uses of VoIP in business and other facets of life.

3.0 MAIN CONTENT

3.1 History

Voice-over-Internet Protocol has been a subject of interest almost since the first computer network. By 1973, voice was being transmitted over the early Internet. The technology for transmitting voice conversations over the Internet has been available to end-users since at least the early 1980s. In 1996, a shrink-wrapped software product called VocalTec Internet Phone (release 4) provided VoIP along with extra features such as voice mail and caller ID. However, it did not offer a gateway to the PSTN, so it was only possible to speak to other Vocaltec Internet Phone users. In 1997, Level 3 began development of its first softswitch (a term they invented in 1998); softswitches were designed to replace traditional hardware telephone switches by serving as gateways between telephone networks.

Revenue in the total VoIP industry in the US is set to grow by 24.3% in 2008 to $3.19 billion. Subscriber growth will drive revenue in the VoIP sector, with numbers expected to rise by 21.2% in 2008 to 16.6 million. The US's largest VoIP provider is Vonage.

SELF ASSESSMENT EXERCISE

Trace the history of Voice over Internet Protocol.

3.2 Functionality

VoIP can facilitate tasks and provide services that may be more difficult to implement or more expensive using the PSTN. Examples include:

- The ability to transmit more than one telephone call over the same broadband connection. This can make VoIP a simple way to add an extra telephone line to a home or office.
- Conference calling, call forwarding, automatic redial, and caller ID; zero-or near-zero-cost features that traditional telecommunication companies (telcos) normally charge extra for.
- Secure calls using standardized protocols (such as Secure Real-time Transport Protocol.) Most of the difficulties of creating a secure phone connection over traditional phone lines, like digitizing and digital transmission, are already in place with VoIP. It is only necessary to encrypt and authenticate the existing data stream.
- Location independence. Only an Internet connection is needed to get a connection to a VoIP provider. For instance, call center agents using VoIP phones can work from anywhere with a sufficiently fast and stable Internet connection.

•Integration with other services available over the Internet, including video conversation, message or data file exchange in parallel with the conversation, audio conferencing, managing address books, and passing information about whether others (e.g. friends or colleagues) are available to interested parties.
•Advanced Telephony features such as call routing, screen pops, and IVR implementations are easier and cheaper to implement and integrate. The fact that the phone call is on the same data network as a user's PC opens a new door to possibilities.

3.3 Implementation

Because UDP does not provide a mechanism to ensure that data packets are delivered in sequential order, or provide Quality of Service (QoS) guarantees, VoIP implementations face problems dealing with latency and jitter. This is especially true when satellite circuits are involved, due to long round-trip propagation delay (400–600 milliseconds for links through geostationary satellites). The receiving node must restructure IP packets that may be out of order, delayed or missing, while ensuring that the audio stream maintains a proper time consistency. This function is usually accomplished by means of a *jitter buffer* in the voice engine.

Another challenge is routing VoIP traffic through firewalls and address translators. Private Session Border Controllers are used along with firewalls to enable VoIP calls to and from protected networks. Skype uses a proprietary protocol to route calls through other Skype peers on the network, allowing it to traverse symmetric NATs and firewalls. Other methods to traverse firewalls involve using protocols such as STUN or ICE.

3.4 VoIP Challenges

•Available bandwidth
•Network Latency
•Packet loss
•Jitter
•Echo
•Security
•Reliability
•In rare cases, decoding of pulse dialing.

Many VoIP providers do not decode pulse dialing from older phones. The VoIP user may use a pulse-to-tone converter, if needed.

Fixed delays cannot be controlled but some delays can be minimized by marking voice packets as being delay-sensitive (see, for example, Diffserv).

The principal cause of packet loss is congestion, which can sometimes be managed or avoided. Carrier VoIP networks avoid congestion by means of teletraffic engineering.

Variation in delay is called jitter. The effects of jitter can be mitigated by storing voice packets in a jitter buffer upon arrival and before producing audio, although this increases delay. This avoids a condition known as buffer underrun, in which the voice engine is missing audio since the next voice packet has not yet arrived.

Common causes of echo include impedance mismatches in analog circuitry and acoustic coupling of the transmit and receive signal at the receiving end.

3.4.1 Reliability

Conventional phones are connected directly to telephone company phone lines, which in the event of a power failure are kept functioning by backup generators or batteries located at the telephone exchange However, IP Phones and the IP infrastructure they connect to (routers and servers) typically depend on the availability of mains electricity or another locally generated power source.

Voice travels over the internet in almost the same manner as data does in packets. So when you talk over an IP network your conversation is broken up into small packets. The voice and data packets travel over the same network with a fixed bandwidth. This system is more prone to congestion and DoS attacks than traditional circuit switched systems
To increase the reliability of VoIP phones the VoIP provider needs to increase dedicated and redundant connectivity via T-1 access and backup DSL, with automatic failover at each location. The company can create a reliable network by reducing the number of single points of failure.

3.4.2 Quality of Service

Some broadband connections may have less than desirable quality. Where IP packets are lost or delayed at any point in the network between VoIP users, there will be a momentary drop-out of voice. This is more noticeable in highly congested networks and/or where there are long distances and/or interworking between end points. Technology has improved the reliability and voice quality over time and will continue to improve VoIP performance as time goes on.

It has been suggested to rely on the packetized nature of media in VoIP communications and transmit the stream of packets from the source phone to the destination phone simultaneously across different routes (multi-path routing). In such a way, temporary failures have less impact on the communication quality. In capillary routing it has been suggested to use at the packet level Fountain codes or particularly raptor codes for transmitting extra redundant packets making the communication more reliable.

3.4.3 Security

Many consumer VoIP solutions do not support encryption yet, although having a secure phone is much easier to implement with VoIP than traditional phone lines. As a result, it is relatively easy to eavesdrop on VoIP calls and even change their content. An attacker with a packet sniffer could intercept your VoIP calls if you are not on a secure VLAN. This security vulnerability could lead to Denial of Service (DoS) attacks to you and anyone on your network. The DoS would devastate your phone network by creating a continuing busy signal and forced disconnects. Viper Lab predicts VoIP attacks against service providers will escalate since unlicensed mobile access technology becomes more widely deployed to allow calls to switch from cell networks to VoIP networks, Viper Labs warns that "service providers are, for the first time, allowing subscribers to have direct access to mobile core networks over IP, making it easier to spoof identities and use illegal accounts to launch a variety of attacks.[16] There is no such thing as a 100% secure solution to network security. The implementation of voice over internet protocol just adds to that complexity, by giving hackers another means to access your system. Customers can secure their network by limiting access to the virtual local area network, thus hiding their voice data network from the users. If the customer maintains a secure and properly configured gateway, you can keep most of the hackers out. There are several open source solutions that facilitate sniffing of VoIP conversations. A modicum of security is afforded due to patented audio codecs that are not easily available for open source applications, however such security through obscurity has not proven effective in the long run in other fields. Some vendors also use compression to make eavesdropping more difficult. However, real security requires encryption and cryptographic authentication which are not widely available at a consumer level. The existing secure standard SRTP and the new ZRTP protocol is available on Analog Telephone Adapters (ATAs) as well as various softphones. It is possible to use IPsec to secure P2P VoIP by using opportunistic encryption. Skype does not use SRTP, but uses encryption which is transparent to the Skype provider.

The Voice VPN solution provides secure voice for enterprise VoIP networks by applying IPSec encryption to the digitized voice stream.

3.5 The Use of VoIP

3.5.1 Corporate and Telco Use

Although few office environments and even fewer homes use a pure VoIP infrastructure, telecommunications providers routinely use IP telephony, often over a dedicated IP network, to connect switching stations, converting voice signals to IP packets and back. The result is a data-abstracted digital network which the provider can easily upgrade and use for multiple purposes.

Because of the bandwidth efficiency and low costs that VoIP technology provides, businesses are slowly beginning to migrate from traditional copper-wire telephone systems to VoIP systems to reduce their monthly phone costs.

Corporate customer telephone support often use IP telephony exclusively to take advantage of the data abstraction. The benefit of using this technology is the need for only one class of circuit connection and better bandwidth use. Companies can acquire their own gateways to eliminate third-party costs, which is worthwhile in some situations.
VoIP is widely employed by carriers, especially for international telephone calls. It is commonly used to route traffic starting and ending at conventional PSTN telephones.

Many telecommunications companies are looking at the IP Multimedia Subsystem (IMS) which will merge Internet technologies with the mobile world, using a pure VoIP infrastructure. It will enable them to upgrade their existing systems while embracing Internet technologies such as the Web, email, instant messaging, presence, and video conferencing. It will also allow existing VoIP systems to interface with the conventional PSTN and [mobile phone]s.

Electronic Numbering (ENUM) uses standard phone numbers (E.164), but allows connections entirely over the Internet. If the other party uses ENUM, the only expense is the Internet connection. Virtual PBX (or IP PBX) allow companies to control their internal phone network over an existing LAN and server without needing to wire a separate telephone network. Users within this environment can then use standard telephones coupled with an FXS, IP Phones connected to a data port or a

Softphone on their PC. Internal VoIP phone networks allow outbound and inbound calling on standard PSTN lines through the *use of FXO adapters.*

Use in amateur radio

Sometimes called Radio Over Internet Protocol or RoIP, Amateur radio has adopted VoIP by linking repeaters and users with Echolink, IRLP, D-STAR, Dingotel and EQSO. In fact, Echolink allows users to connect to repeaters via their computer (over the Internet) rather than by using a radio. By using VoIP Amateur Radio operators are able to create large repeater networks with repeaters all over the world where operators can access the system with actual ham radios.

Ham Radio operators using radios are able to tune to repeaters with VoIP capabilities and use DTMF signals to command the repeater to connect to various other repeaters, thus allowing them to talk to people all around the world, even with "line of sight" VHF radios.

3.5.2 Click to Call

Click-to-call is a service which lets users click a button on a company website and immediately speak with a customer service representative. The call can either be carried over VoIP, or the customer may request an immediate call back by entering their phone number. One significant benefit to click-to-call providers is that it allows companies to monitor when online visitors change from the website to a phone sales channel.

3.6 Mobile Number Portability (MNP) in the Internet Telephony Environment

Mobile number portability (MNP) also impacts the internet telephony, or VOIP (Voice over IP) business. A voice call originated in the VOIP environment which is routed to a mobile phone number of a traditional mobile carrier also face challenges to reach its destination in case the mobile phone number is ported. Mobile number portability is a service that makes it possible for subscribers to keep their existing mobile phone number when changing the service provider (or mobile operator).

VoIP is clearly identified as a Least Cost Routing (LCR) voice routing system, which is based on checking the destination of each telephone call as it is made, and then sending the call via the network that will cost the customer the least. With GSM number portability now in place, LCR providers can no longer rely on using the network root prefix to determine how to route a call. Instead, they now need to know the actual current network of every number before routing the call.

Therefore, VoIP solutions also need to handle MNP when routing a voice call. In countries without a central database like UK it might be necessary to query the GSM network about the home network a mobile phone number belongs to. As VoIP starts to take off in the enterprise markets because of least cost routing options, it needs to provide a certain level of reliability when handling calls.

MNP checks are important to assure that this quality of service is met; by handling MNP lookups before routing a call and assuring that the voice call will actually work, VoIP companies give businesses the necessary reliability they look for in an internet telephony provider. UK-based messaging operator Tyntec provides a Voice Network Query service, which helps not only traditional voice carriers but also VoIP providers to query the GSM network to find out the home network of a ported number.

In countries such as Singapore, the most recent Mobile number portability solution is expected to open the doors to new business opportunities for non-traditional telecommunication service providers like wireless broadband providers and voice over IP (VoIP) providers.

In November 2007, the Federal Communications Commission in the United States released an order extending number portability obligations to interconnected VoIP providers and carriers that support VoIP providers.

3.7 Integration into Global Telephone Number System

While the wired public switched telephone network (PSTN) and mobile phone networks share a common global standard (E.164) which allocates and identifies any specific telephone line, there is no widely adopted similar standard for VoIP networks. Some allocate an E.164 number which can be used for VoIP as well as incoming and external calls. However, there are often different, incompatible schemes when calling between VoIP providers which use provider-specific short codes.

3.8 VoIP Phone Accessibility and Portability

If using a software based *soft-phone*, calls can only be placed from the computer on which the soft-phone software resides. Thus with a soft-phone the caller is typically limited to a single point of calling. When using a hardware based VoIP phone-device/phone-adapter it is possible to connect traditional analog phones directly to a VoIP phone-adapter without the need to operate a computer. The converted analog phone signal can then be connected to multiple house phones or extensions, just as any traditional phone company signal can be connected. A second VoIP hardware configuration option involves the use of a specially designed VoIP telephone which incorporates a VoIP phone adapter directly into the phone itself, and which also does not require the use of a computer. A third VoIP hardware configuration option involves the use of a WiFi router and a WiFi SIP phone which can extend a service range throughout a home or office. WiFi SIP phones can also be used at any location where an "unauthenticated" open hotspot Wi-Fi signal is available. However, note that many hotspots require browser-based authentication, which most SIP phones do not support.

3.9 Mobile Phones and Hand-Held Devices

Telcos and consumers have invested billions of dollars in mobile phone equipment. In developed countries, mobile phones have achieved nearly complete market penetration, and many people are giving up landlines and using mobiles exclusively. Given this situation, it is not entirely clear whether there would be a significant higher demand for VoIP among consumers until either public or community wireless networks have similar geographical coverage to cellular networks (thereby enabling mobile VoIP phones, so called WiFi phones or VoWLAN) or VoIP is implemented over 3G networks. However, "dual mode" telephone sets, which allow for the seamless handover between a cellular network and a WiFi network, are expected to help VoIP become more popular.
Phones like the NEC N900iL, and later many of the Nokia Eseries and several WiFi enabled mobile phones have SIP clients hardcoded into the firmware. Such clients operate independently of the mobile phone network unless a network operator decides to remove the client in the firmware of a heavily branded handset. Some operators such as Vodafone actively try to block VoIP traffic from their network and therefore most VoIP calls from such devices are done over WiFi.

Several WiFi only IP hardphones exist, most of them supporting either Skype or the SIP protocol. These phones are intended as a replacement for PSTN based cordless phones but can be used anywhere where WiFi internet access is available.

Another addition to hand held devices are ruggedized bar code type devices that are used in warehouses and retail environments. These type of devices rely on "inside the 4 walls" type of VoIP services that do not connect to the outside world and are solely to be used from employee to employee communications.

3.10 Mass-Market Telephony

A major development starting in 2004 has been the introduction of mass-market VoIP services over broadband Internet access services, in which subscribers make and receive calls as they would over the PSTN. Full phone service VoIP phone companies provide inbound and outbound calling with Direct Inbound Dialing Many offer unlimited calling to the U.S., and some to Canada or selected countries in Europe or Asia as well, for a flat monthly fee.

These services take a wide variety of forms which can be more or less similar to traditional POTS. At one extreme, an analog telephone adapter (ATA) may be connected to the broadband Internet connection and an existing telephone jack in order to provide service nearly indistinguishable from POTS on all the other jacks in the residence. This type of service, which is fixed to one location, is generally offered by broadband Internet providers such as cable companies and telephone companies as a cheaper flat-rate traditional phone service. Often the phrase "VoIP" is not used in selling these services, but instead the industry has marketed the phrases "Internet Phone", "Digital Phone" or "Softphone" which is aimed at typical phone users who are not necessarily tech-savvy. Typically, the provider touts the advantage of being able to keep one's existing phone number.

4.0 CONCLUSION

The availability of voice in Internet marketing and online shopping brought about by the VoIP has brought about improvement and convenience in doing business over the Internet. The technology is being worked upon to improve beyond its level of deployment in e-commerce. It is a multi billion dollar business that will ever be on the increase because of the better conviction voice will continue to bring to business.

5.0 SUMMARY

i. **Voice-over-Internet protocol (VoIP**) is a protocol optimized for the transmission of voice through the Internet or other packet-switched networks. VoIP is often used abstractly to refer to the actual transmission of voice (rather than the protocol implementing it).

ii. Voice-over-Internet Protocol has been a subject of interest almost since the first computer network. By 1973, voice was being transmitted over the early Internet. The technology for transmitting voice conversations over the Internet has been available to end-users since at least the early 1980s. In 1996, a shrink-wrapped software product called

iii.VoIP can facilitate tasks and provide services that may be more difficult to implement or more expensive using the PSTN

iv.Because UDP does not provide a mechanism to ensure that data packets are delivered in sequential order, or provide Quality of Service (QoS) guarantees, VoIP implementations face problems dealing with latency and jitter.

v.Although few office environments and even fewer homes use a pure VoIP infrastructure, telecommunications providers routinely use IP telephony, often over a dedicated IP network, to connect switching stations, converting voice signals to IP packets and back.

vi.If using a software based *soft-phone*, calls can only be placed from the computer on which the soft-phone software resides. Thus with a soft-phone the caller is typically limited to a single point of calling

vii.Telcos and consumers have invested billions of dollars in mobile phone equipment. In developed countries, mobile phones have achieved nearly complete market penetration, and many people are giving up landlines and using mobiles exclusively

viii.A major development starting in 2004 has been the introduction of mass-market VoIP services over broadband Internet access services, in which subscribers make and receive calls as they would over the PSTN.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.1

6.0 TUTOR-MARKED ASSIGNMENT

1. Briefly discuss functionalities of VoIP.
2. Identify five challenges facing VoIP.

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UNIT 4 CHALLENGES OF INTERNET MARKETING

CONTENTS

1.0 INTRODUCTION

Like millions of other small business owners and professionals, you are discovering that having a website doesn't easily translate to greater profits. How do you attract more visitors to your site and turn these "window shoppers" into paying customers?

You may not have a big budget (or any budget) for building an optimized website. You may have little time to handle online marketing, and not know how to do the technical tasks required.

Like many professionals, you may wear both the marketing and technology hats in your company.

Even with staff to help, you have to know what to do, and where to spend your time, energy, and money when it comes to creating an effective online marketing plan.

Fortunately, new tools exist today that let you build and present an effective Internet site – one that rivals those of much larger companies – at a fraction of the investment and with minimal effort.
This unit examines some of the marketing challenges that small web-based businesses must overcome in order to survive and thrive in a *very* crowded field.

And it introduces you to an economical and professional solution for your online marketing.

2.0 OBJECTIVES

At the end of this unit you are expected to:

- have a perspective of the challenges facing Internet marketing
- identify some Internet marketing woes
- understand the attending challenge of attracting customers to the Internet marketing
- understand the challenge of keeping the customers as the come
- know some of the ways to attract customers to Internet market
- identify the specific challenges facing small scale businesses.

3.0 MAIN CONTENT

3.1 Common Online Marketing Woes

The Internet marketplace is a competitive arena. There are many reasons why this is true, but the main reason is the size of the Internet: Today's worldwide web is an elaborate grid of millions of websites and businesses, all competing for the attention (and dollars) of millions of web visitors.

One of the first things a business does after it goes online is put up a website that looks like a brochure.

The results are usually far less than spectacular.

When surveyed about their websites, many business owners had comments like these:

- "It doesn't get enough traffic."
- "We just need to revise it, but it's expensive."
- "We need to update it, but the web designer is never available."
- "We don't have the money right now to invest in search engine optimization."
- "We like our website, but it never gets us any clients."

With a marketplace as large as the Internet, it's a constant challenge to find better, more effective ways to capture the attention of the right people: *your* future clients.

Small businesses and independent professionals find part of their challenge lies in competing with bigger businesses that have more resources to market and make an impact. Minimal marketing budgets and few people on staff means you have to manage your Internet marketing strategies yourself.

Sure, it seems daunting at first.

But here's the good news: A small business does ***not*** have to surrender to big business. Small businesses are very capable of competing with the big guys.

You just have to know how to do it.

3.2 Attracting E-Shoppers to Visit the Website and to Buy

There are two key e-marketing challenges for the organisation that wants to exploit web-enabled or the web-enhanced business to master. These are attracting e-Shoppers to visit the website and then getting them to buy.

The first great challenge is the visit. A visit is definitely not the same as a purchase but without the visit by the e-Shopper there is no chance of anything being bought. Having your website easily found by the major global and local search engines and web directories is an important factor in attracting visitors, but it is by no means sufficient to generate a sound e-business. Attracting visitors to a website is not a simple matter of keeping the search engines up to date with the appropriate keywords. There is far more to this than search engines.

Web-enabled or the web-enhanced business has not been around long enough for the web to be the first choice of shopping for many people. Websites need to be promoted and they have to be made attractive to visitors. Thus the e-Business needs a carefully formulated strategy, which will bring in e-Shoppers to the website and ultimately convert them to e-Buyers.

The established, well-known players such as Yahoo, Amazon, Altavista and Dell have spent hundreds of millions or even billions of dollars on repetitive high-density broad-based advertising in an attempt to build up a high level of awareness in the user of the web. This has been done by a combination of different types of advertising ranging from billboards in railway stations and on the sides of motorways, to television and radio commercials to banner advertisements on the web itself. By and large this advertising has not been highly targeted, but rather has been aimed at as wide a group as possible. For the big names on the Web this has been an area of major expense and it certainly contributes quite significantly to some of these organisations' long, steep and precarious curve to profitability. This sort of money is not available to many web-enabled or web-enhanced businesses. In fact with the cool down of the venture capitalist money, finding large sums for advertising a website has become harder and harder to find. Advertising effectiveness is thus a critical success factor for any e-Business.

Fortunately extensive, costly, repetitive, high-density, broadly aimed advertising is not the only way of attracting e-Shoppers. There are alternative strategies for getting one's business name about in the right places.

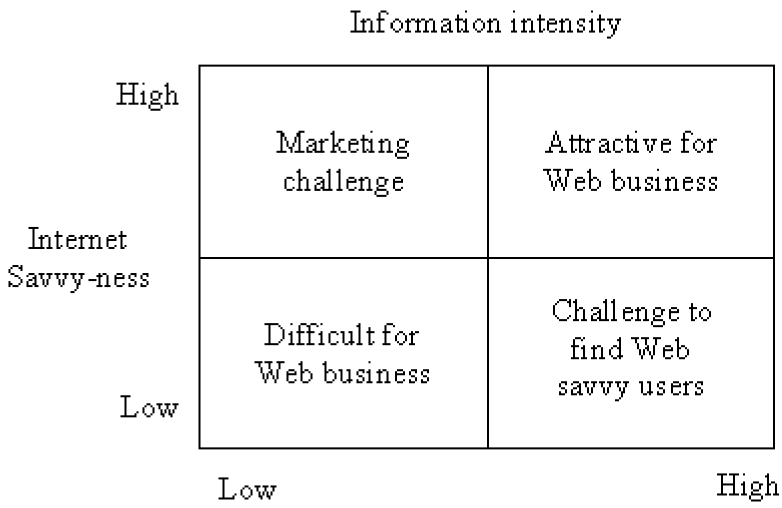
Before discussing these strategies it is important to understand one of the key drivers of web usage. Although a wide range of people uses the web, it is used more intensively by some than by others. The intense users tend to be those who are most familiar with it and what it has to offer, and these people are increasingly referred to as being Internet or Web Savvy.

A good example of Internet savvy people is university students. Today when anyone registers at a university they are immediately given an Internet ID and e-mail address. Every university campus has hundreds of personal computers or work stations which are generally connected to the web with wide bandwidth lines available to all. Furthermore they soon learn that e-mail has become the first means of communication between students and that the web is a source of learning material that can support their studies and their research. Web usage from this group could be expected to be very high indeed. To emphasis this point, Internet savvy students can be contrasted with single parents, who as a group would not naturally not have access to personal computers or workstations, who would not have e-mail addresses or be especially interested in learning how to use the web. Web usage from this group could be expected to be much lower.

The development and subsequent sale of the website student.co.uk demonstrates the importance of the concept of Internet Savvy people. In a few short months three students from Nottingham Trent University in the UK built up the usage on this website to the extent that they were able to sell it for approximately £10 million. No big repetitive high-density advertising was required. This website had a natural constituency and they flocked to it. Contrast this with a website like ZedZed.Com, an independent travel website aiming at the general public who were not web savvy, and that after months of struggle just had to close down.

The lesson to be learnt from these websites is that if your target market is Internet or Web Savvy then getting e-Shoppers to your site is very much easier. You target the Internet Savvy group with highly specific advertisements at a fraction of the cost required to attract the attention of a general group. Then if you have a compelling and preferably unique reason why people will want to buy from you or engage in the activity you are offering etc., you will convert the e-Shopper into an e-Buyer and the revenue stream starts rolling in.

Now add to the Internet Savvy question the issue of Information Intensity. Some products and services are high on the Information Intensity scale and these products lend themselves especially to Web enabled or the Web enhanced business. Well-known examples of these are financial services, travel and accommodation reservations and books. Products low on the Information Intensity scale would be fashion items such as those sold by Boo.Com. If the two dimensions of Internet Savvy and Information Intensity are combined then it is clear that organisations that are selling Information Intense products into Internet Savvy markets can relatively easily attract e-Shoppers. On the other hand if organisations are selling non-information intense products into non-Internet Savvy markets then it is indeed quite a difficult matter to attract e-Shoppers. In fact with this combination of Internet Savvy and Information Intensity it may not be wise to try to set up an e-Business. The diagram below highlights this issue.



Besides repetitive high density advertising there are other approaches to getting e-Shoppers to visit your website. One of the most important of these is affiliate programmes that deliver visitors to a website at about half the cost of traditional advertising. An affiliate is another organisation's or individual's website from which there are direct links to your website. The affiliate agrees to have a button located on their site that directly connects to an order form or processing system of your e-Business.

Thus the affiliate website acts as a conduit for business to your site and in return receives a commission from you. The most celebrated affiliate programme is that run by Amazon.Com who have more than 400,000 direct links. This contributes substantially to their business.

Even with the most favourable combination of Internet Savvy and Information Intensity there is still a need to incorporate specific tactics in the Website design to attract e-Shoppers. These Website design tactics are referred to as attractors.

There are at least six significantly important ways to attract e-Shoppers to a Website:

Professional advice (or historical and background information)

1. Calculators
2. Sponsorship
3. Conferences
4. Free gifts
5. Entertainment – games and contests.

One or more of these so-called attractors may be incorporated into the Website design and this will increase the number of e-Shoppers visiting.

Furthermore the more original the attractor the more difficult it is likely to imitate it the more effective it is likely will be. A successful e-Business will plan ahead and incorporate changing attractors.

Looking at each of these attractors in turn provides an understanding how they work.

Sites such as the RAC depend on offering professional advice as a key attractor. BCG.Com and MySap.Com are other examples of professional advice delivering sites. A virtual museum displaying the history of the product, service or organisation can also be an attractor to e-Shoppers. The Ford Motor library of photos, Boeing's information on the aircraft industry, and Sainsbury's history of how the grocery shop and supermarket developed are good examples.

Calculators can be an effective way to attract e-Shoppers. Such Websites include SeaFrance, which offers an instant fare calculate and the AA, which allows visitors to calculate the distance between two places. Moneygator.co.uk will calculate mortgage interest and repayment schedules. Pap.fr allows visitors to value their own home on-line. These websites need to supply immediate information and offer a solution to a problem.

Sponsoring an event such as a chat show or a rock concert, which will be held on a website can be a powerful attractor. Events will produce high traffic to the website for a limited period of time. Examples of such sites are IBM who sponsored the Sydney 2000 Olympics and Texaco, which publishes the radio schedule for the Metropolitan Opera in New York on public radio. Mars Confectionery uses their Snickers product to attract large numbers of visitors due to their sponsorship of football. Other organisations that use sponsorship effectively include Johnson & Johnson, The Coca-Cola Co., and Hewlett-Packard etc.

Hosting a prominent speaker or group of speakers on a topical subject is a useful attractor. This allows people to interact with individuals they would not otherwise be in a position to meet. This can increase an organisations' credibility in the industry by providing access to experts. An example of this is the Financial Times' business chat-room or the on-line conferences hosted by the Open University.

The giving of free gifts and samples can be an effective attractor. Of course, digital gifts are the easiest to deliver. Guinness.com offers free screen savers. A number of gambling sites are offering $25 of free chips to visit their website. Another aspect of this type of marketing is web-based loyalty schemes of which there are a growing number. Probably the best-known is the Beenz points programme where these points may be traded in for goods. There is also Free-PC.com, which periodically gives away computers for completing lengthy customer surveys.

Some websites use entertainment as an attractor by means of games and contests to help promote a product or service. Examples of such websites are GTE Laboratories Fun Stuff .com, Guinness.com and Barbie.com. These websites need to be interactive, recreational and challenging. They need to promote an image of a dynamic, exciting and friendly organisation, which in turn will bring e-Shoppers.

Different web-site situations will be able to take advantage of different methods of attracting visitors and the method is likely to change over time in order to maintain a degree of intrigue to attract visitors back to the site.

Being able to devise and implement a strategy that gets e-Shoppers to your site is central to e-Business success. Unless this is successful it doesn't matter how smart the business model is or how good the product or service is. The success of the e-Business first and foremost revolves around being able to attract e-Shoppers and this needs to be handled efficiently and effectively.

3.3 Challenges of E-Commerce for Small Businesses

Based on experience, we identify five challenges applicable to most cases. Store owners can usually arrive at the same conclusions through trial and error, but in e-commerce the long way is always the expensive way. The best option is then to learn from the success of other on-line stores.

3.3.1 Your Potential Customers DO NOT Trust Your Site

The Internet allows mom-and-pop websites to look just as good -maybe even better- than the websites of large corporations. All potential customers are well aware of this and they will be unimpressed by a sophisticated layout and a professional logo. Potential customers DO NOT trust the site they have just arrived at, and it must be your conscious decision to do what it takes to make them change their minds. Start by displaying a physical address, a telephone number, and a list of people behind the site. Consider joining forces with other websites that will create legitimacy for your own. If you can get your suppliers and distributors to mention you on their websites, this will surely make your business appear more trustworthy. Join a best practices organization such as the Better Business Bureau, or a privacy certification program such as Truste. Encourage and provide the means for your customers to review your products or services under their name and company. Publish success stories, always making sure the author is clearly identified. And most importantly: answer all pre-sales questions fully and in a timely manner. Many potential customers will contact you with very basic questions, or for information already provided in your FAQ section, just to test your company's responsiveness. Allocate the necessary resources to assure quick, personalized and courteous responses to all pre-sales inquiries.

3.3.2 Your Products or Services WILL NOT Sell Themselves

An alarming number of e-commerce store owners believe in the following equation blindly:

Traffic + Good Prices = Sales

Unfortunately, the reality is much more complex than that. Your products or services WILL NOT sell themselves. Even if you have a significant number of visitors and the lowest price, potential customers may choose to purchase elsewhere on the web. Why is that? Maybe other sites have invested more resources to showcase the same product. Make sure your shopping cart allows you to present products and services like you want them to be seen. If you need five images per item, a long description including HTML formatting, multiple categories, external links and reviews, adapt the application to suit your needs rather than adapting your business to the limitations of the shopping cart. Also, add your own unique text to the standard product descriptions provided by the manufacturer or supplier. If you feel you don't have the skills to create attractive descriptions for your products, hire a writer you can afford at Guru. Make an effort to get the lowest possible shipping rates or offer free shipping, and publish rates along with shipping delays before the customer checks out. Displaying your products and services fully and thoroughly, investing time and efforts, will help the products on your website outshine the same products offered elsewhere on the web, boost your reliability, and rank your website in search engines.

3.3.3 The Urge to Purchase DOES NOT Last Long

Even if a potential customer finds your site, comes to trust your business, and feels compelled to purchase your products or hire your services, that urge DOES NOT last long. Therefore, your website must be designed to let it flow and enjoy it while it lasts. The information required at each step, and the number of steps proper, must be as little and as few as possible. If you sell downloadable software, prompting for a shipping address is definitely a waste of precious time. The shopping cart you have purchased may boast thousands of features, but one of the few features which will truly make a difference in terms of sales is a short and simple checkout. Even if you have already invested in a design or in a shopping cart program with an inconvenient checkout, weigh in the revenue you are missing out on due to a bad decision when you set up your business. Don't hesitate to switch providers. When you do, remember that the ideal checkout that will make the most of customers' urge to buy is one where the process is complete with three screens: product view, input of customer and payment information, and confirmation. The simpler, the better. If you have no choice but to present a more complex process, make sure it is not too removed from the ideal three-step model.

3.3.4 Customers DO NOT Favor Stores which are too Standard

Many small stores don't have a budget to hire a consultant that will devise a custom strategy, so they settle for standard tools. Instead of hiring a web designer, they purchase a template. Instead of purchasing an exclusive template, they purchase a shared template that can be seen everywhere on the web. Instead of developing a custom e-commerce application, or customizing an existing one, they use a standard e-commerce service provided by the hosting company. A direct consequence is that potential customers perceive a lack of commitment by the company to adapt standard tools and create a unique purchasing experience. Therefore, the relationship of trust is not created and the urge to buy is hampered. This means it is crucial to adapt standard tools: the look of the shopping cart should match the overall look of the site, and the functionality must be in line with store requirements (going back to the example above, stores selling digital goods must not prompt for shipping information or quote shipping rates). If you lack the necessary resources, hire a programmer or designer at Rentacoder. There you can post your job and available budget, and receive bids by programmers willing to take up your project.

3.3.5 Your Small E-commerce Site WILL NOT go Unnoticed by Hackers

Even if you have overcome the difficulties of setting up your site and you are happy with your sales, there may still be trouble ahead: e-commerce sites are one of the favorite targets of hackers. If you think your site is not relevant enough to catch their attention, you are wrong, and this way of thinking will not help you prepare to face related risks. All e-commerce sites, even those which sell one product a week, are the target of multiple attacks. Some attacks are not successful at all, others have some level of success, and others are so successful that the consequences for the owner of the store can be devastating. The main purpose of hackers is to get customer information and credit card data, redirect payments, and obtain products free of charge or at a lower price. If a hacker steals your customer database and sells it to spammers, the reputation of your site will be ruined. Not to mention what will happen if the hacker commits fraud with the credit card data. Hackers who attack e-commerce sites randomly usually don't take the time to devise specific ways to intrude. They simply determine which shopping cart and payment method are used, they try to access with default passwords, they look for databases in their standard locations, and they try to intrude the database by means of a common attack known as SQL Injection. If their attempts are not fruitful, they just move on to the next potential victim. So, in terms of security it is not absolutely necessary to have a big budget and hire an expert, either. The key lies in your attitude: define complex passwords, customize your shopping cart installation (change the location of the control panel, change passwords, change the location of the database), and check that the versions of the software you use for your web server, FTP server, database and shopping cart don't have any known and patched vulnerabilities. Last but not least: keep informed; stay in touch with software vendors and visit websites where security issues are reported, such as NewOrder. This will minimize the chances that security in your site is compromised, and you will be able to focus on your real target: selling more and selling better.

SELF ASSESSMENT EXERCISE

In what way or ways does laptop affect the health of its users? List and discuss the laptop related health challenges.

4.0 CONCLUSION

Internet marketing, though it is still in an embryonic condition, is growing rapidly and is likely to have a dominant position in the knowledge economy of tomorrow. Already, its economic impact is much greater than was predicted not so long ago, as it is not limited to the Internet – which, though its role as a catalyst is important, is only one of the media involved. Governments from industrialised and developing countries see e-commerce as very important, as it constitutes a promising instrument of economic growth and a far from negligible job creation tool. The business community, for its part, cannot stand aloof from this new trading dynamic: they must take advantage of the many opportunities offered by e-commerce. Even though the obstacles are considerable and there are many challenges to be met, ignoring this new form of trade is hardly a viable solution. The lag we now observe in the corporate world, and particularly among SMEs and their larger

5.0 SUMMARY

iii.Like millions of other small business owners and professionals, you're discovering that having a website doesn't easily translate to greater profits. How do you attract more visitors to your site and turn these "window shoppers" into paying customers?

iv.The Internet marketplace is a competitive arena. There are many reasons why this is true, but the main reason is the size of the Internet: Today's worldwide web is an elaborate grid of millions of websites and businesses, all competing for the attention (and dollars) of millions of web visitors.

v.There are two key e-marketing challenges for the organisation that wants to exploit web-enabled or the web-enhanced business to master. These are attracting e-Shoppers to visit the website and then getting them to buy.

vi.Now add to the Internet Savvy question the issue of Information Intensity. Some products and services are high on the Information Intensity scale and these products lend themselves especially to Web enabled or the Web enhanced business. Well-known examples of these are financial services, travel and accommodation reservations and books.

vii.Based on experience, we identify five challenges applicable to most cases.

viii.The Internet allows mom-and-pop websites to look just as good – maybe even better- than the websites of large corporations. All potential customers are well aware of this and they will be unimpressed by a sophisticated layout and a professional logo.

ix.Even if you have overcome the difficulties of setting up your site and you are happy with your sales, there may still be trouble ahead: e-commerce sites are one of the favorite targets of hackers.

ANSWER TO SELF ASSESSMENT EXERCISE

See 3.3

6.0 TUTOR-MARKED ASSIGNMENT

1. List 5 ways to attract customers to the Internet market despite obvious challenges.
2. Mention the common comments made by web site owners about their sites relative to the challenges that face Internet marketing.

7.0 REFERENCES/FURTHER READINGS

Patsi Krakoff, Psy. D. and Denise Wakeman, *The Great Internet Challenge: How to Get Your Business Found on the Web.*

Sue Nugus and Dr. Dan Remenyi, *Marketing Challenges.*