# Lecture 1.
# Taking marketing to the web

# Marketing

According to *American Marketing Association (AMA)*, Marketing is the an organizational function and a set of processes for creating, communicating and delivering of value to customers and for managing customer relationships in ways that benefit the organization and its stake holders.

Kotler, Armstrong, Agnihotri and Haque (2010) define Marketing as a process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

## Market

A ‘Group of buyers’ is known as the market. Example – Youth market, Urban market, Rural Market, Indian Market, and US market etc.

## Marketer

A firm or an individual seeking to offer something to a market at a certain price to satiate the need(s) and want(s) of the concerned market is known as a Marketer. Example – Titan, Sony, Tata Motors Ltd., and Reliance Communication Ltd. etc.

# The Development of Marketing

- Production period, 1890s-1920s – characterized by a focus on physical production and supply, where demand exceeded supply. This phase took place after the industrial revolution.

- Product (or technology) Concept – Early 1900s - It holds that consumer will prefer those products which offer the most quality, performance or innovative features.

- Sales period, 1920s-1950s – characterized by a focus on personal selling supported by market research and advertising. This phase took place after the First World War.

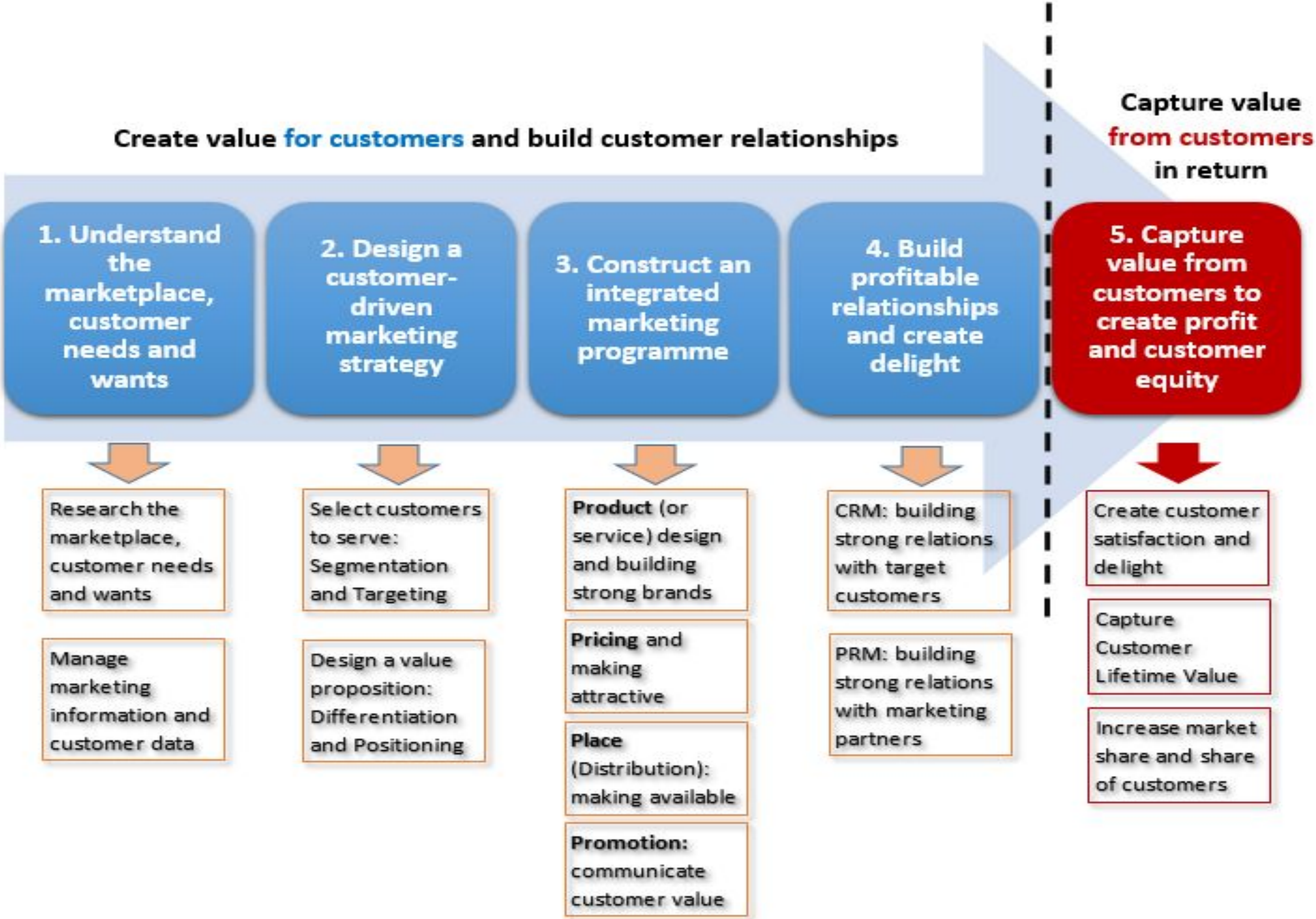
- Marketing period, 1950s – characterized by a more advanced focus on the customer’s needs. This phase took place after the Second World War.

# Marketing Process

Marketing -

a. is an exchange process.
b. Is wherein both the buyer and the seller(marketer) must gain.
c. should result in a long term satisfying relationship between both the buyer(s) and the seller(s)

The **Marketing Process** can be divided into two large parts: the first one consists of activities that create value for customers. This is the largest and main part of the process, and can be further subdivided into four steps. In return, the company can capture value from customers, which is the second part of the Marketing Process. The steps are illustrated in the diagram on the next slide.




Source: Kotler, Armstrong, Agnihotri and Haque (2010, p.29)

# **Marketing mix** (*or Four Ps*) -

The business tool that a firm utilizes in reaching to its customers in a better way.

**E. Jerome McCarthy** is credited for discovery of the concept of **Four Ps**

1. **Product**
2. **Price**
3. **Place** - Distribution place
4. **Promotion** – sales promotion, advertising, public relations, personal selling etc.

Four **Cs** (R. F. Lauterborn (1990))

1. Consumer (need and want)
2. Cost (to the customer)
3. Convenience
4. Communication

# Web marketing mix (*or 4Ss*)

**Efthymios Constantindes** is credited for discovery of the concept of **Four Ss**

1. **Scope (strategy)** - it includes **strategic activities** - linking the internet activities of the organization with its **marketing strategy**, **market analysis**, setting objectives and organization's tasks, definition of the potential customers and analysis of their purchasing behavior on the web
2. **Site** - websites today are often the main way of the communication (and sales) between the organization and its customers. For the design of the successful sites is therefore crucial to find out:
   - What are the expectations of the customers to the site?
   - Why would they want to use the site?
   - Why would they want to return to the site?
3. **Synergy** - to ensure the synergies of three key components:
   - *Front Office Integration* - linking of the internet activites with other marketing activites of the organization (a single form of the communication, identical symblos, logs, uniform branding)
   - *Back Office Integration* - linking the internet activities with other processes within the organization and with related IT infrastructure and services
   - *Integration with external partners* - linking the site with the site and IT services of the third party
4. **System** - it includes the management and **operation** of all the technological background of the website (hardware, software, network infrastructure and related IT services - administration of the web site, payment system, web traffic monitoring)

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# How to absorb the Web into the overall business plans

- One must have the business fundamentals right before one can have a truly successful Web site.
- Successful Web marketing requires a combination of methods
- The customer is the measure of all things Web, from site design to marketing

# Rearranging the Marketing Mix

First, make a four-column list organized as follows:

- ✓ The first column lists all the marketing techniques you currently use.
- ✓ The second column lists the target market you reach with that technique.
- ✓ The third column lists how many new customers you think that technique brings in.
- ✓ The fourth column lists how much you spend per year on that technique.

# Reaching your current audience online

- If you haven't done so in a while, write a paragraph describing your current customers: age, gender, income level, education, geographical region, or job title (if you sell business to business).

  What else do they buy?

  What do they like to read?

  It's easy to research your markets online.

- If you need to, **segment** your customers into different groups that share the same characteristics. When you design your site and implement your Web marketing campaign, use these profiles to decide what to do and where to spend.

# Finding new customers

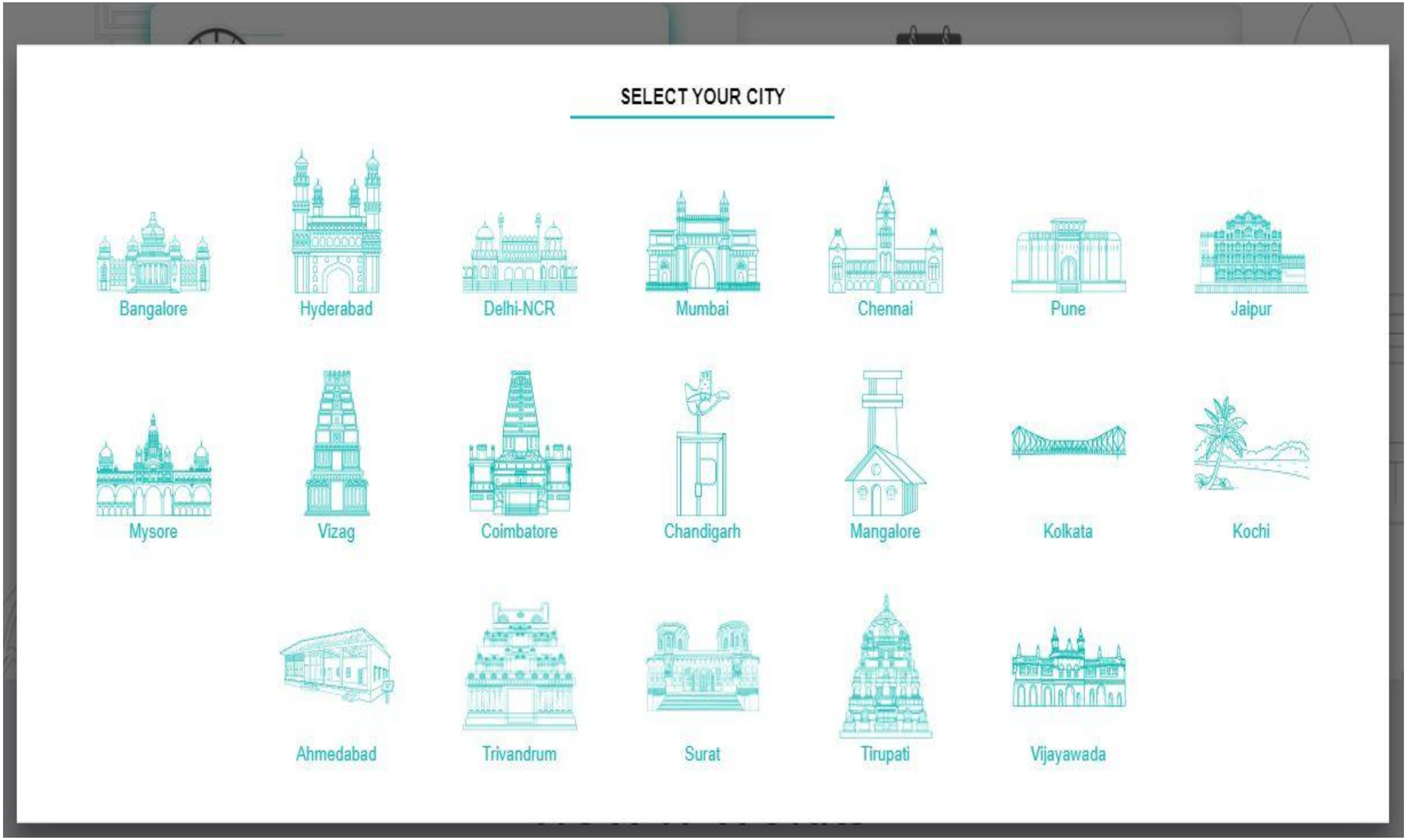
- If you intend to use the Web to find new customers, decide whether you're simply expanding your geographical reach; going after a new consumer demographic or vertical industry segment for existing products, or selling new products and services to completely new audiences.

- All the **guerrilla marketing** aphorisms apply online. Rifles, not shotguns! ***Target one narrow market at a time, make money, and reinvest it by going after another market.*** Don't spread your marketing money around the way bees spread pollen — a little here, a little there. That will dilute your marketing dollars and reduce the likelihood of gaining new customers.

- Write up the same type of profile for your new target audience(s) that you write up for your existing ones. As you read through the marketing chapters of this book, match the profiles of your target markets to a given technique to find a good fit.

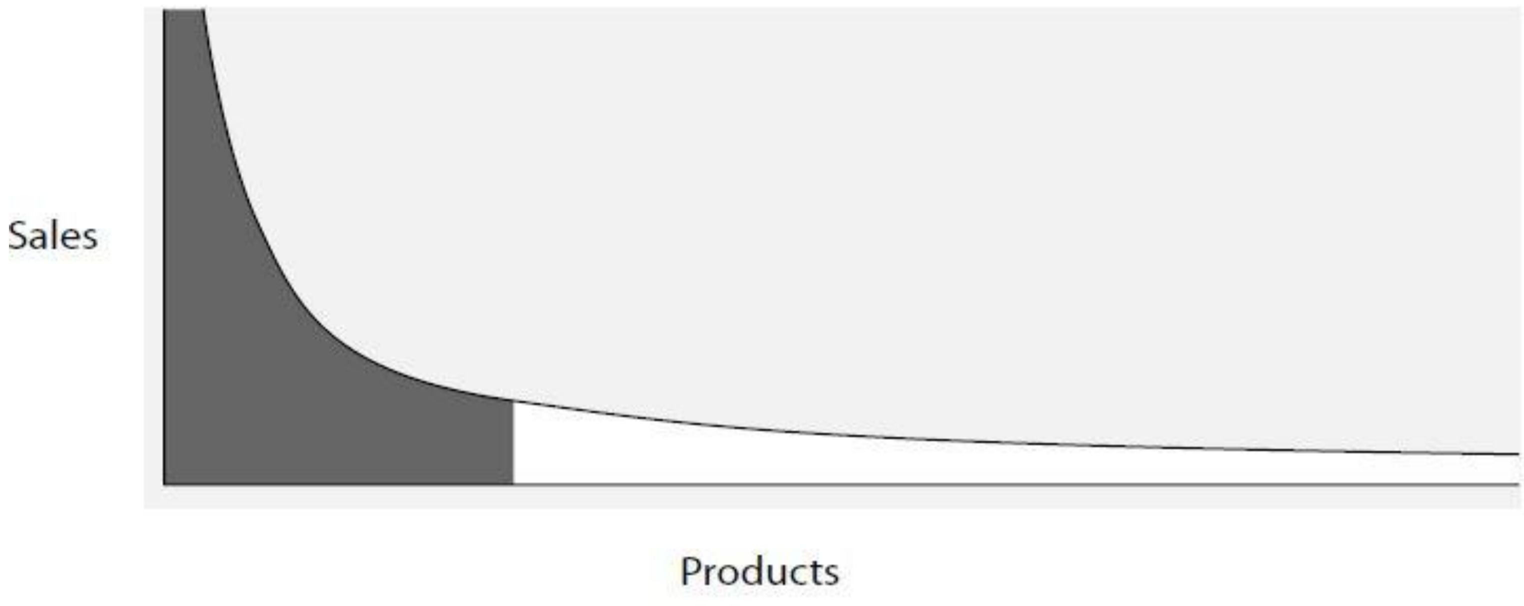
- Plan your work, and work your plan. Every marketing problem has an infinite number of solutions. You don't have to find the perfect one, just one that works for you.

# REVV
## *Self drive car rentals*



# Discovering the long tail of opportunity

You might hear the phrase *The Long Tail to describe the market model used* by some successful business-to-consumer (B2C) e-commerce sites. The *Long Tail, shown in the graph describes a situation in which the* revenue from many low-frequency events (think sales for various products) totals more than the results of a few, high-frequency events. Low-frequency events may tail off, but added together they constitute more than half the total revenue.



- This theory suggests that the reach of the Web is so vast that you can have a profitable business selling many lower-priced, hard-to-find items in small quantities rather than spending a humongous marketing budget to sell a few items in large quantities, as long as you have a large inventory and set a profitable price point. It works for Amazon.com, Netflix, iTunes, and eBay. Why not for you? The trick is that those people need to find your products in the vastness of cyberspace, or you have to find them.

- Of course, that's Web marketing, which is what this book is all about. If you're curious, read more about The Long Tail at http://en.wikipedia. org/wiki/The_Long_Tail, or in Chris Anderson's book *The Long Tail: Why the Future of Business is Selling Less of More (Hyperion)*.

# Understanding Web Marketing Essentials

- ✓ Do your plans fit with the needs and interests of your target audience?
- ✓ Do your plans make financial sense?
- ✓ Are your plans within your capabilities to execute?

Create two new folders in your bookmarks, one for sites you love and another for sites you hate. Better yet, set up an account at http://delicious.com, which allows you to gather all your bookmarks in one, convenient, online account, accessible anywhere. With one click, you can *tag (bookmark) any site you see for future reference.*

Whatever your online activities, make a habit of tagging or bookmarking the sites that appeal to you and the ones you can't stand. Don't worry if you don't yet have the vocabulary to explain your reactions. By the time you're ready to talk to a developer about designing a new site or upgrading an existing one, your library of saved sites can provide essential information about where you want to go.

# Estimating the cost of customer acquisition

Can you acquire customers for less than the average \$20–\$30 cost of finding a new retail customer offline? Maybe, but it depends on what you're selling. Generally, the more expensive your product or service, the more you must spend to acquire a new customer.

The cost of lead acquisition equals your marketing cost divided by the number of customer leads that the activity generates:

cost of lead acquisition = marketing cost ÷ # of leads

If you spend \$100 for pay per click ads on Google to get 20 people to your site, your cost is \$100 divided by 20, or \$5 per lead. If only two of those 20 people buy, your cost of customer acquisition is actually \$50. That's fine if they each spend \$250 on your site, but what if they spend only \$25? You can compute acquisition cost for any single marketing campaign or technique or across an entire year's worth of marketing expenditures.

The average cost of acquiring a new customer approximately equals the profit derived from an average customer's purchases in the first year. In other words, you might not make a profit on your customers unless they spend more than the average or you retain them for more than a year. Yes, indeed, it's a cold, cruel world. However, if you take advantage of the many free and low-cost techniques in this book, you can reduce your dollar cost of customer acquisition and stand a better chance of making a profit.

It takes three times as much money to acquire a new customer as it does to keep an existing one.

# Computing your break-even point

*Break-even is the number of sales at which revenues equal total costs. After* you reach break-even, sales start to contribute to profits. To calculate the break-even point for your Web site, subtract your *cost of goods (or cost of* delivering services) from your revenues. This yields the *gross margin:*

revenues – cost of goods = gross margin

Now, total your *fixed costs (charges that are the same each month, regardless* of how much business you do) for your Web site, such as monthly developer's fees, hosting, charges for your Internet service provider (ISP), overhead, and in-house labor. Finally, divide your *fixed costs by your gross margin. The* result tells you how many sales you must make to pay for your basic Web expenses.

fixed costs ÷ gross margin = break-even point (in unit sales)

*Costs of sales are expenses that vary with the amount sold, such as shipping* and handling, commissions, or credit card fees. For more accuracy, you can also subtract these from your revenues before calculating gross margin. Divide the result into your fixed costs to get the break-even point.

# Figuring out whether you'll make money online

*Return on investment (ROI) looks at the rate at which you recover your investment* in site development or marketing. Often you calculate ROI for a period of a year. To calculate ROI, simply divide profits (not revenue) by the amount of money invested to get a percentage rate of return:

profits ÷ investment = rate of return

You can also express ROI by how long it will take to earn back your investment. An annual 50 percent ROI means it will take two years to recover your investment. As with acquisition costs, you can compute ROI for your original investment in site development, for any single marketing campaign or technique, or across an entire year's worth of Web expenses.

Don't spend more on marketing than you can make back. Losing money on every sale is not a good business plan. Now, go have some fun and make some money online!