Chapter 8

Marketing and Advertising in E-Commerce

Learning Objectives

1. Describe the factors that influence consumer behavior online.

2. Understand the decision-making process of consumer purchasing online.

3. Discuss the issues of e-loyalty and e-trust in electronic commerce (EC).

4. Describe segmentation and how companies are building one-to-one relationships with customers.

5. Explain how consumer behavior can be analyzed for creating personalized services.
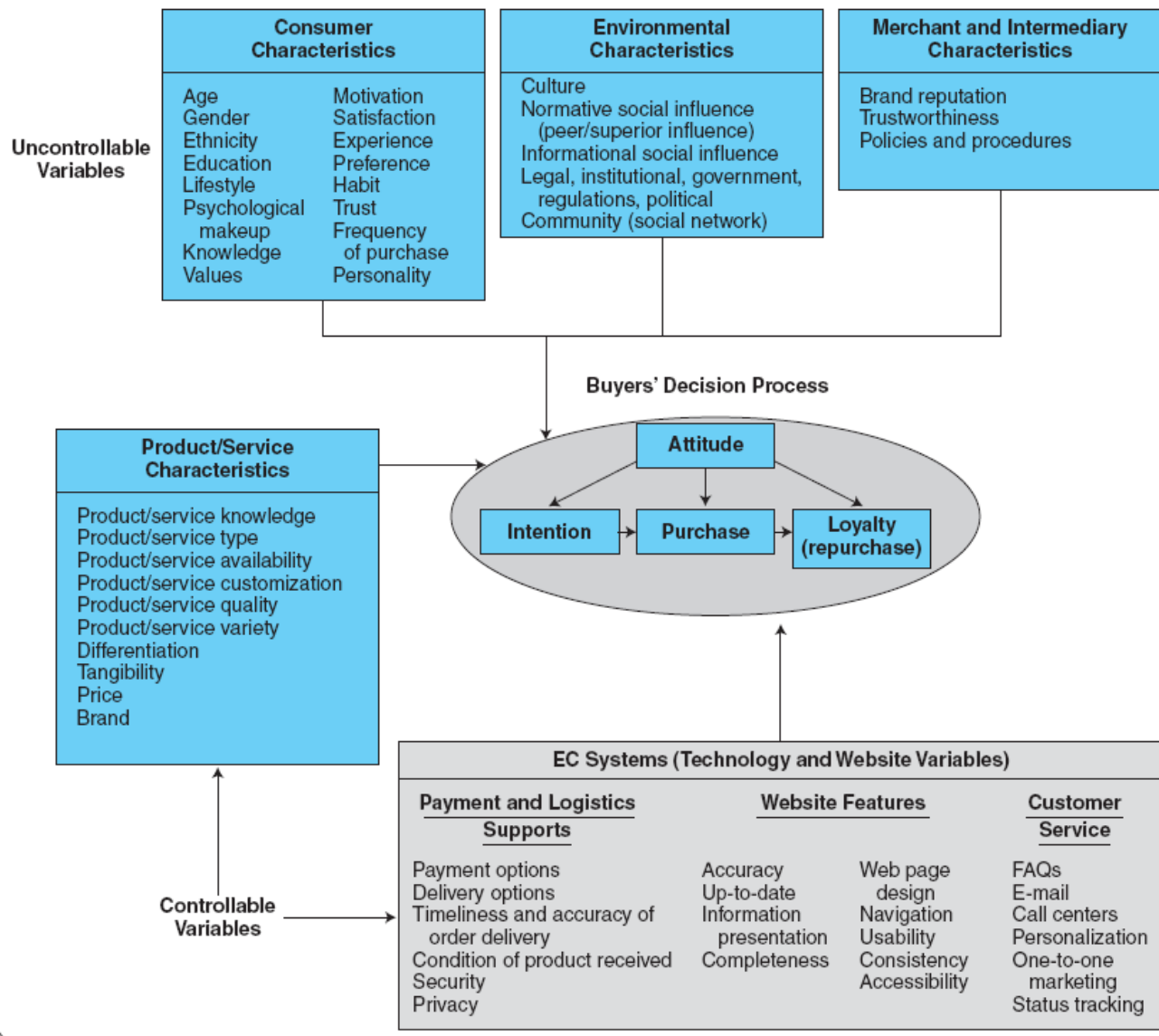
Learning Objectives

6. Describe consumer market research in EC.
7. Describe the objectives of Web advertising and its characteristics.
8. Describe the major advertising methods used on the Web.
9. Describe mobile marketing concepts and techniques.
10. Describe various online advertising strategies and types of promotions.
11. Describe some implementation topics.

Learning About Consumer Behavior Online

- **A MODEL OF CONSUMER BEHAVIOR ONLINE**
  - **The Major Influential Factors**
    - **Personal Characteristics**
    - **Product/Service Factors**
    - **Merchant** (dealer) **and Intermediary Factors**
    - **EC Systems**
      - *Motivational Factors*
      - *Hygiene Factors*
    - **Environmental Factors**
      - *Social Variables*
        - *Cultural/Community Variables*
        - *Other Environmental Variables*

EXHIBIT 8.1 EC Consumer Behavior Model

Consumer Characteristics (Uncontrollable Variables)
- Age
- Gender
- Ethnicity
- Education
- Lifestyle
- Psychological makeup
- Knowledge
- Values
- Motivation
- Satisfaction
- Experience
- Preference
- Habit
- Trust
- Frequency of purchase
- Personality

Environmental Characteristics
- Culture
- Normative social influence (peer/superior influence)
- Informational social influence
- Legal, institutional, government, regulations, political
- Community (social network)

Merchant and Intermediary Characteristics
- Brand reputation
- Trustworthiness
- Policies and procedures

Product/Service Characteristics
- Product/service knowledge
- Product/service type
- Product/service availability
- Product/service customization
- Product/service quality
- Product/service variety
- Differentiation
- Tangibility
- Price
- Brand

Buyers' Decision Process
- Attitude
- Intention → Purchase → Loyalty (repurchase)

EC Systems (Technology and Website Variables) (Controllable Variables)

Payment and Logistics Supports	Website Features		Customer Service
Payment options	Accuracy	Web page design	FAQs
Delivery options	Up-to-date	Navigation	E-mail
Timeliness and accuracy of order delivery	Information presentation	Usability	Call centers
Condition of product received	Completeness	Consistency	Personalization
Security		Accessibility	One-to-one marketing
Privacy			Status tracking

The Consumer Purchasing Decision-Making Process

- **A GENERIC PURCHASING-DECISION MODEL**
  - **Need identification**
  - **Information search**
    - **product brokering**
      Deciding what product to buy
    - **merchant brokering**
      Deciding from whom (from what merchant) to buy a product
  - **Evaluation of alternatives**
  - **Purchase and delivery**
  - **Postpurchase activities**

EXHIBIT 8.2 **Purchase Decision-Making Process and Support System**

Steps in the Decision-Making Process	CDSS Support Facilities	Internet and Web Support Facilities
Need recognition	Agents and event notification, e-personalization	Banner advertising on websites URL on physical material Discussions forums
Information search	Virtual catalogs Structured interaction and question/answer sessions Links to (and guidance on) external sources	Web directories and classifiers Website search engine External search engines Focused directories and information brokers Blogs and discussion forums
Evaluation, negotiation, selection	FAQs and other summaries Samples and trials Models that evaluate consumer behavior Pointers to and information about existing customers	Discussions in newsgroups Cross-site comparisons Social media Consumer reviews
Purchase, payment, and delivery	Ordering of product or service Arrangement of delivery	Electronic cash and virtual banking PayPal Logistics providers and package tracking RFID
After-purchase service and evaluation	Customer support via e-mail, newsgroups, and online chat	Discussions in blogs, forums Consumer reviews

The Consumer Purchasing Decision-Making Process

- **PLAYERS IN THE CONSUMER DECISION PROCESS**
  - Initiator: first suggests or thinks of idea of buying
  - Influencer: advice in making a final purchasing decision
  - Decider
  - Buyer
  - User: consumes or uses

Loyalty, Satisfaction, and Trust in E-Commerce

- **customer loyalty**

  A deep commitment to repurchase or repatronize a preferred product/service continually in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behavior

  - **e-loyalty**

    Customer loyalty to an e-tailer or loyalty programs delivered online or supported electronically

EXHIBIT 8.3 **Factors That Affect Consumer Satisfaction with Internet Shopping**

Information Quality

Accuracy of Content
Up-to-Date Content
Information Presentation
(Visual representation of products)
Completeness of Content
(Detailed description of products)

System Quality

Privacy and Security
Simple Design
Ease of Navigation
Ease of Use
Consistency of Website

Service Quality

Flexibility (Billing and delivery option)
Timeliness of Order Delivery
Accuracy of Order Delivery
Condition of Products Received
Responsiveness
Fairness of Policies and Procedures
Empathy (Compensation and apologies)

Consumer Satisfaction with an Internet Store

Loyalty, Satisfaction, and Trust in E-Commerce

- **TRUST IN EC**
  - **trust**

    The psychological status of willingness to depend on another person or organization

  - **EC Trust Models**
    - **online trust**

      The belief that an online website or other digital entities can deliver what they promise so that the recipient trusts them

Loyalty, Satisfaction, and Trust in E-Commerce

- **How to Increase Trust in EC**
  - Improve Your Website
  - Affiliate (connect) with an Objective Third Party
  - Establish Trustworthiness (Tính chất đáng tin cậy)
- **Other Methods for Facilitating Trust**
  - **reputation-based systems**
    Systems used to establish trust among members of online communities where parties with no prior knowledge of each other use the feedback from their peers to assess the trustworthiness of the peers in the community
  - **Online Word of Mouth (feedback, forum…)**

Mass Marketing, Market Segmentation, and Relationship Marketing

- **FROM MASS MARKETING TO ONE-TO-ONE MARKETING**
  - **Mass Marketing and Advertising**
  - **market segmentation**

    The process of dividing a consumer market into logical groups for conducting marketing research and analyzing personal information

Mass Marketing, Market Segmentation, and Relationship Marketing

- **relationship marketing**

  Marketing method that focuses on building a long-term relationship with customers

- **one-to-one marketing**

  Marketing that treats each customer in a unique way

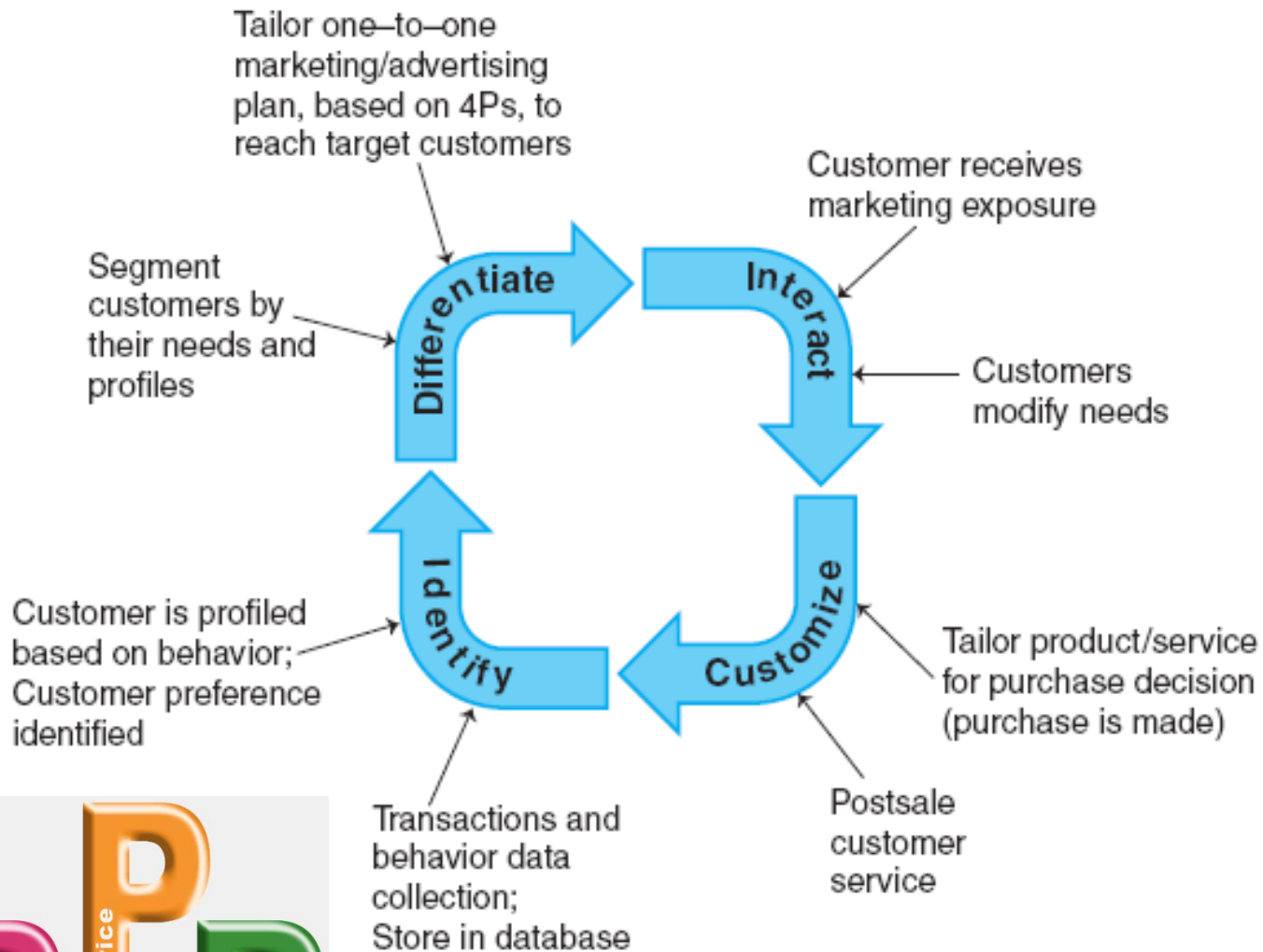# EXHIBIT 8.4 — From Mass Marketing to Segmentation to One-to-One

Factor	Mass Marketing	Market Segmentation	Relationship Marketing (One to One)
Interactions	Usually none, or one-way	Usually none, or with a sample	Active, two-way
Focus	Product	Group (segment)	Customer-focused (one)
Recipient	Anonymous	Segment profiles	Individuals
Campaigns	Few	More	Many
Reach	Wide	Smaller	One at a time
Market Research	Macro in nature	Based on segment analysis or demographics	Based on detailed customer behaviors and profiles

EXHIBIT 8.5 The One-to-One Marketing Cycle

Tailor one–to–one marketing/advertising plan, based on 4Ps, to reach target customers

Customer receives marketing exposure

Segment customers by their needs and profiles

Differentiate

Interact

Customers modify needs

Customer is profiled based on behavior; Customer preference identified

Identify

Customize

Tailor product/service for purchase decision (purchase is made)

Transactions and behavior data collection; Store in database

Postsale customer service

Product P p

Promotion P

Price P

Place P

Personalization and Behavioral Marketing

- **personalization**

  The matching of services, products, and advertising content with individual consumers and their preferences

- **user profile**

  The requirements, preferences, behaviors, and demographic traits of a particular customer

Personalization and Behavioral Marketing

- **Cookies in E-Commerce**
- **cookie**

  A data file that is placed on a user's hard drive by a remote Web server, frequently without disclosure or the user's consent, which collects information about the user's activities at a site

- **Using Personalized Techniques to Increase Sales**

Personalization and Behavioral Marketing

- **behavioral targeting**

  Targeting that uses information collected about an individual's Web-browsing behavior, such as the pages they have visited or the searches they have made, to **select an advertisement to display to that individual**

- **collaborative filtering**

  A market research and personalization method that **uses customer data to predict**, based on formulas derived from behavioral sciences, what other products or services a customer may enjoy; predictions can be extended to other customers with similar profiles

Personalization and Behavioral Marketing

- **Other Methods**
  - Rule-Based Filtering
  - Content-Based Filtering
  - Activity-Based Filtering
- **Legal and Ethical Issues in Collaborative Filtering**
- **Social Psychology and Morphing in Behavioral Marketing**
- **Use of Customer Database Marketing**

Market Research for E-Commerce

- **OBJECTIVES AND CONCEPTS OF MARKET RESEARCH ONLINE**
  - **What Are Marketers Looking For in EC Market Research?**
- **REPRESENTATIVE MARKET RESEARCH APPROACHES**
  - **Market Segmentation Research**
  - **Data Collection and Analysis**
  - **Online Surveys**
  - **Hearing Directly from Customers**

Market Research for E-Commerce

- **Data Collection in the Web 2.0 Environment**
- **Observing Customers' Movements Online**
  - **transaction log**

    A record of user activities at a company's website
  - **clickstream behavior**

    Customer movements on the Internet

Market Research for E-Commerce

- **Web bugs (invisible to the user, checking user has viewed the page or email)**

  Tiny graphics files embedded in e-mail messages and in websites that transmit information about users and their movements to a Web server

- **spyware**

  Software that gathers user information over an Internet connection without the user's knowledge

- **Web Analytics and Mining**

Market Research for E-Commerce

- **clickstream data**

  Data that occur inside the Web environment; they provide a trail of the user's activities (the user's clickstream behavior) in the website

- **Web mining**

  Data mining techniques for discovering and extracting information from Web documents; explores both Web content and Web usage

Market Research for E-Commerce

- **LIMITATIONS OF ONLINE MARKET RESEARCH AND HOW TO OVERCOME THEM**

- **biometrics**

  An individual's unique physical or behavioral characteristics that can be used to identify an individual precisely (e.g., fingerprints)

Exercise 3: **RFID**

- Radio-frequency identification (RFID)
  - Give your short description about RFID.
  - RFID applications in Vietnam. Give examples.
  - RFID applications in the world. Give examples.
  - And more

Web Advertising

- **interactive marketing**

  Online marketing, facilitated by the Internet, by which **marketers and advertisers can interact directly with customers**, and **consumers can interact with advertisers/vendors**

EXHIBIT 8.6 The Advertising Cycle

Need Assessment: Why Advertise

Conceive High-level Concept, Initial Planning

Determine the Targets: Mass, Group, Individuals

Determine the Method (E-mail, Banner, etc.) How to …

Launch the Campaign

Target

Measure and Analyze Results
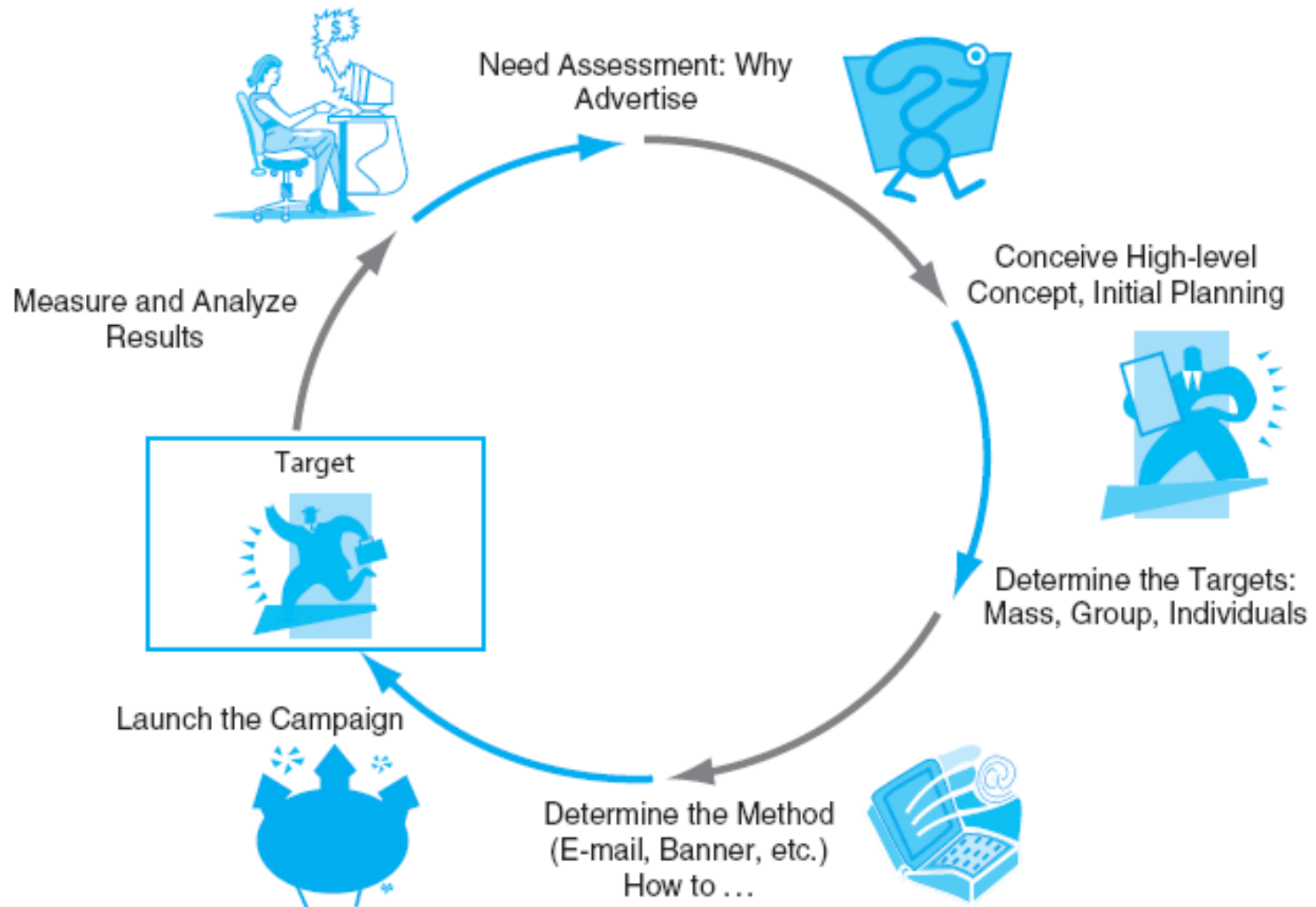
Web Advertising

- **SOME BASIC INTERNET ADVERTISING TERMINOLOGY**
  - **ad views**

    The number of times users call up a page that has a banner on it during a specific period; known as *impressions* or *page views*

  - **button**

    A small banner that is linked to a website; may contain downloadable software

Web Advertising

- **page**

  An HTML (Hypertext Markup Language) document that may contain text, images, and other online elements, such as Java applets and multimedia files; may be generated statically or dynamically

- **click (ad click)**

  A count made each time a visitor clicks on an advertising banner to access the advertiser's website

- **CPM (cost per mille, i.e., thousand impressions)**

  The fee an advertiser pays for each 1,000 times a page with a banner ad is shown

Web Advertising

- **conversion rate**

  The percentage of clickers who actually make a purchase

- **click-through rate/ratio (CTR)**

  The percentage of visitors who are exposed to a banner ad and click on it

- **hit**

  A request for data from a Web page or file

Web Advertising

- **visit**

  A series of requests during one navigation of a website; a pause of a certain length of time ends a visit

- **unique visit**

  A count of the number of visitors entering a site, regardless of how many pages are viewed per visit

- **stickiness**

  Characteristic that influences the average length of time a visitor stays in a site

Web Advertising

- **Advertising Online and Its Advantages**
  - Cost
  - Richness of format
  - Personalization
  - Timeliness (being at the right time, fresh and up-to-the-minute)
  - Location-based (using Wireless technology and GPS)
  - Linking
  - Digital branding (nhãn hiệu hàng hóa, Amazon.com)
- **Traditional Versus Online Advertisement**

Online Advertising Methods

- **MAJOR CATEGORIES OF ADS**
  - Classified Ads (usually use text, may include photos)
  - Display Ads (graphics, logos, colors, special designs)
  - Interactive Ads (video content)
- **banner**

  On a Web page, a graphic advertising display linked to the advertiser's Web page
  - **keyword banners**

    Banner ads that appear when a predetermined word is queried from a search engine

Online Advertising Methods

- **random banners**

  Banner ads that appear at random, not as the result of the user's action

- **live banners (even update in real time)**

  A banner ad that is created dynamically (or whose content is created dynamically) at the time of display, instead of being preprogrammed with fixed content

- **Benefits and Limitations of Banner Ads**

Online Advertising Methods

- **pop-up ad**

  An ad that appears in a separate window before, after, or during Internet surfing or when reading e-mail

- **pop-under ad**

  An ad that appears underneath the current browser window, so when the user closes the active window the ad is still on the screen

Online Advertising Methods

- **e-mail marketing**

  A form of direct marketing which uses e-mail as a means of communicating commercial messages to an audience

- **e-mail advertising**

  Adding advertisements to e-mail messages sent to customers

  - **The Major Advantages and Limitations of E-Mail Advertisement**

  - **Implementing E-Mail Advertising**

Exercises: Create a mailing list

- Groups.yahoo.com
- Topica.com
- Give an example of Fraud email related to credit card

Online Advertising Methods

- **search advertising**

  A method of placing online advertisements on Web pages that show results from search engine queries
  - **URL Listing**
  - **Keyword Advertising**
  - **search engine optimization (SEO)**

    The craft of increasing site rank on search engines; the optimizer uses the ranking algorithm of the search engine (which may be different for different search engines) and best search phrases, and tailors the ad accordingly

EXHIBIT 8.7   The Process of Search Engine Optimization

- Site Maintenance, Reoptimize
- Build Your Content
- Analyze Traffic Conversation (Success)
- Decide on Keywords
- Optimize Pages
- Add Keywords to Content
- Find Existing Ranking in Search Results
- Submit to Search Engine
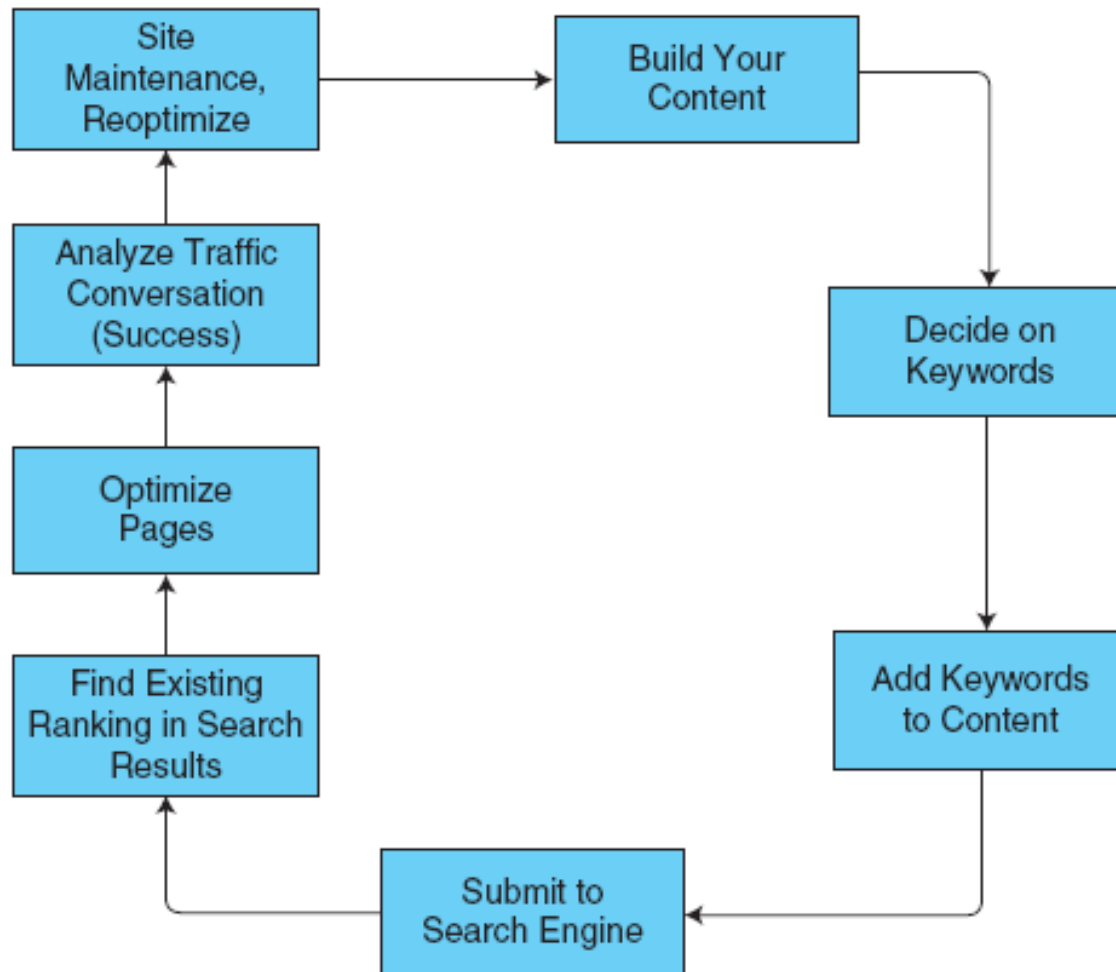
Online Advertising Methods

- **GOOGLE: THE ONLINE ADVERTISING KING**
  - **Google's Major Advertisement Methods: AdWords and AdSense**
- **viral marketing (viral advertising)**

  Word-of-mouth marketing by which customers promote a product or service by telling others about it

Online Advertising Methods

- **VIDEO ADS**
  - **Consumer-Generated Videos**
  - **interactive video**

    A technique used to blend user interaction and videos

  - **viral video**

    A video clip that gains widespread popularity through the process of Internet sharing, typically through e-mail or IM messages, blogs, and other media-sharing websites

EXHIBIT 8.8 — IAB Model of Video Advertisement

	IN-STREAM VIDEO		IN-BANNER VIDEO	IN-TEXT VIDEO
Video Ad Experience	IN-STREAM VIDEO		IN-BANNER VIDEO	IN-TEXT VIDEO
Core Video Ad Products	**LINEAR VIDEO ADS** (Pre-rolls, takeovers) REFERENCE (A)	**NON-LINEAR VIDEO ADS** (Overlays, bugs) REFERENCE (B)	Rich Media	Rich Media
Consumer Ad Experience	Ads take over the full video experience for a period of time	Ads running in parallel to video content experience and do not take over the full video experience	Video triggered within the banner, often expanding outside of	Video ad delivered when users choose to mouse-over relevant words
Ad Product Placements	Before, between, after video content	During, over, within video content	Within the Web page, generally surrounded by content	Identified as a highlighted word found within relevant content
Companion Ad Products Tied to Core Video Products	Text, Banners, Rich Media, Video Player Skins Surrounding the Video Experience REFERENCE (C)		None	None

Online Advertising Methods

- **advergaming**

  The practice of using computer games to advertise a product, an organization, or a viewpoint

- **augmented reality (AR)**

  A live direct or indirect view of a physical, real-world environment whose elements are *augmented by computer-generated* sensory input, such as sound or graphics

- **ADVERTISING IN CHAT ROOMS AND FORUMS**

Exercises: Advergaming

- https://itmanagerduels.intel.com/en_us/Tutorial (an example of Intel's website)

Mobile Marketing and Advertising

- **mobile marketing**

  Conducting marketing on or with a mobile device

- **mobile advertising (m-advertising)**

  Ads sent to and presented on mobile devices

  - **Mobile Interactive Advertising**
  - **Types of Mobile Ads**
  - **Viral Mobile Marketing**
  - **Mobile Marketing and Advertising Campaigns**
  - **Representative Examples of Mobile Advertising**

EXHIBIT 8.9 The Mobile Advertising Process
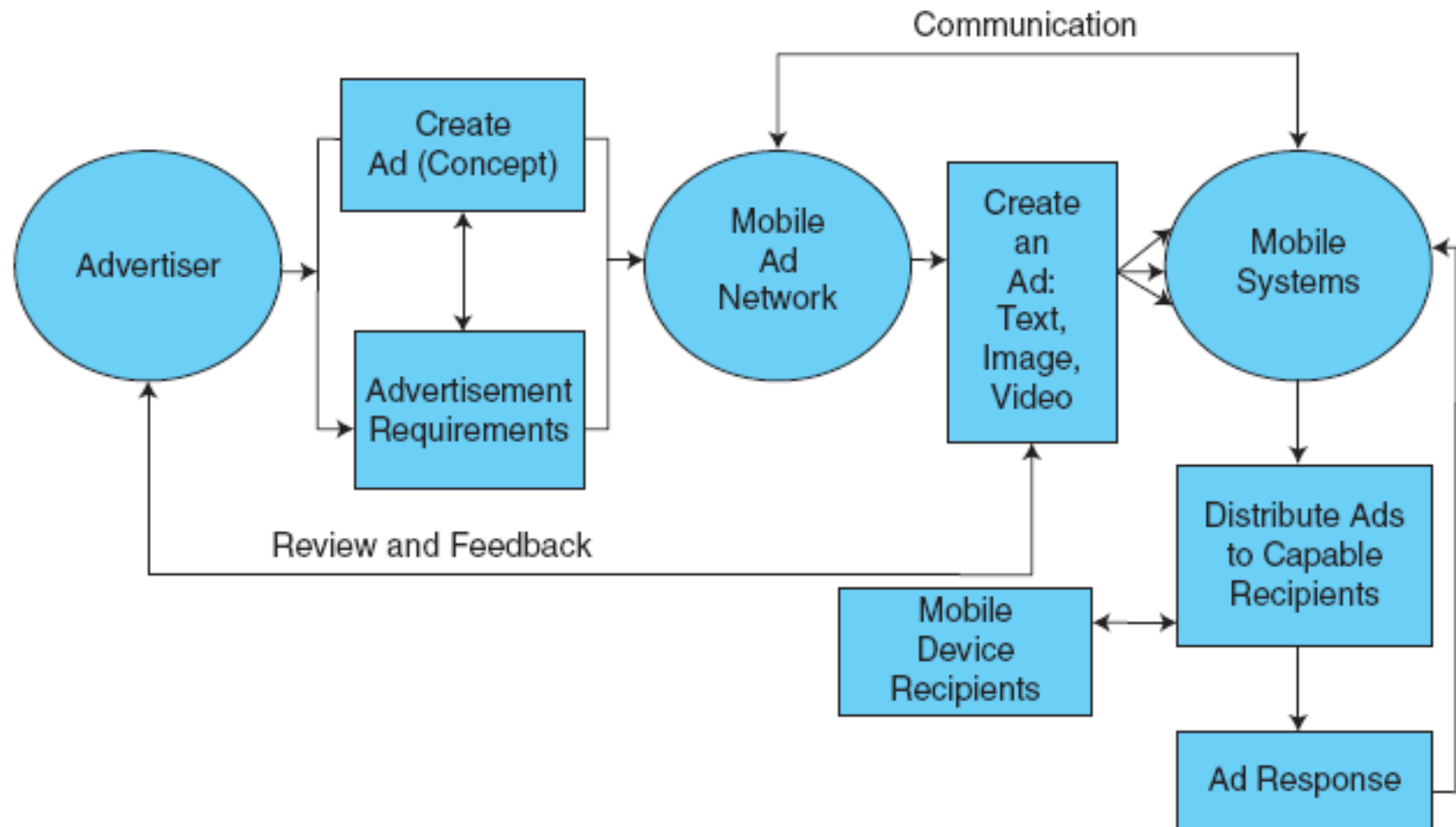
Mobile Marketing and Advertising

- **MOBILE MARKETING IMPLEMENTATION GUIDELINES**
  - Notice
  - Choice and consent (respecting)
  - Customization and constraint
  - Security
  - Enforcement and accountability (MM Association)
- **TOOLS TO SUPPORT MOBILE ADVERTISEMENT**
- **MOBILE AD TRENDS**

Advertising Strategies and Promotions

- **spamming**

  Using e-mail to send unwanted ads (sometimes floods of ads)

- **permission advertising**

  Advertising (marketing) strategy in which customers agree to accept advertising and marketing materials (known as *opt-in*)

Advertising Strategies and Promotions

- **OTHER ADVERTISING STRATEGIES**
  - **affiliate marketing**

    A marketing arrangement by which an organization refers consumers to the selling company's website
    - **affiliate network**

      A network that acts as an intermediary between publishers (affiliates) and merchant affiliate programs
  - **Ads as a Commodity (Paying People to Watch Ads)**
    - **Mypoints.com, click-rewards.com**
  - **Selling Space by Pixels**
    - **http://milliondollarhomepage.com/**

Advertising Strategies and Promotions

- **Personalized Ads**
- **Webcasting**

  A free Internet news service that broadcasts personalized news and information, including seminars, in categories selected by the user

- **Ad Exchanges**
- **Advertisement as a Revenue Model**
  - **pay per click (PPC)**

    A popular Internet advertising payment model where advertisers pay their host only when the ad is clicked on
- **Choose-Your-Own-Ad Format**

Advertising Strategies and Promotions

- **ONLINE EVENTS, PROMOTIONS, AND ATTRACTIONS**
  - **Live Web Events for Advertising**
- **localization**

  The process of converting media products developed in one environment (e.g., country) to a form culturally and linguistically acceptable in countries outside the original target market

- **INTELLIGENT AGENTS APPLICATIONS**
- **DEVELOPING AN ONLINE ADVERTISING PLAN**

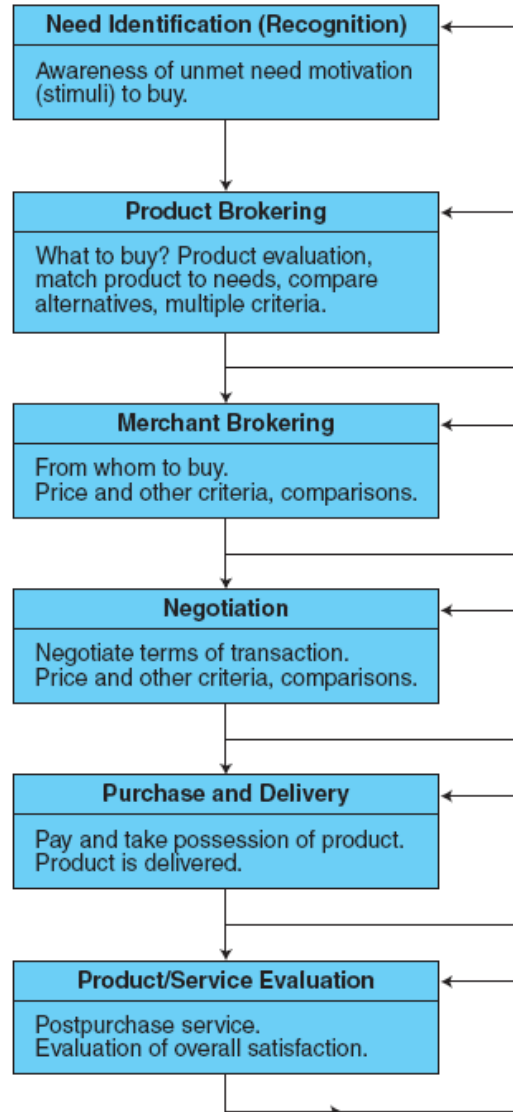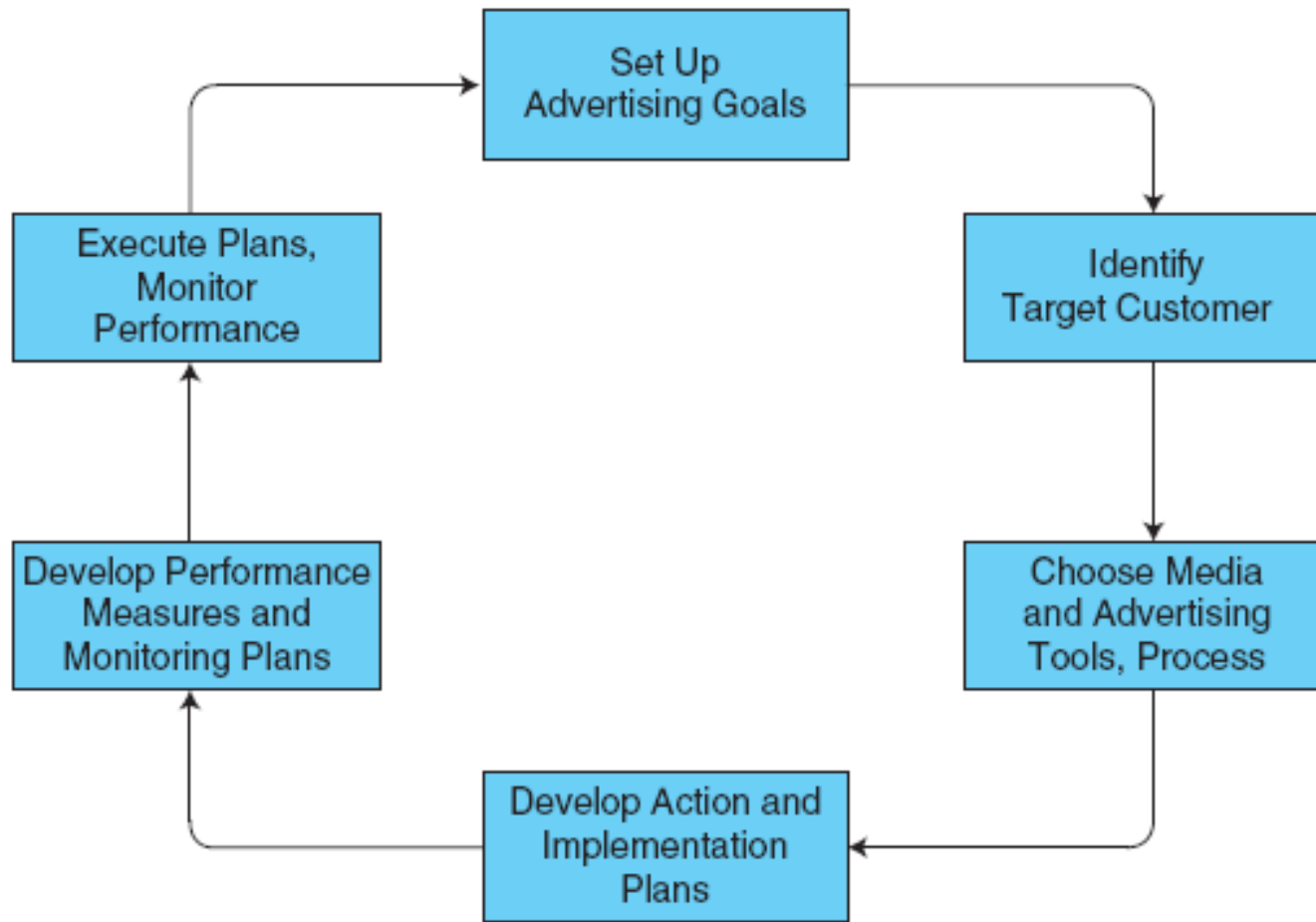**EXHIBIT 8.10** The Purchase Decision-Making Process: Agent Classification

Need Identification (Recognition)
Awareness of unmet need motivation (stimuli) to buy.

Product Brokering
What to buy? Product evaluation, match product to needs, compare alternatives, multiple criteria.

Merchant Brokering
From whom to buy.
Price and other criteria, comparisons.

Negotiation
Negotiate terms of transaction.
Price and other criteria, comparisons.

Purchase and Delivery
Pay and take possession of product.
Product is delivered.

Product/Service Evaluation
Postpurchase service.
Evaluation of overall satisfaction.

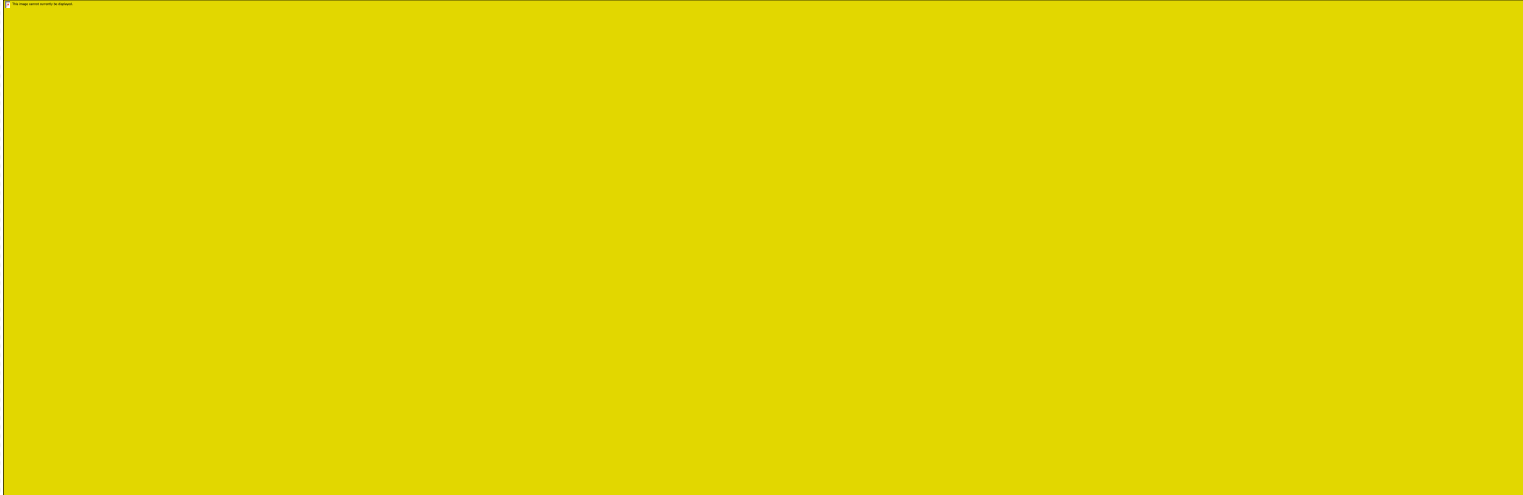EXHIBIT 8.11 The Life Cycle Steps of Advertising Plans

Managerial Issues

1. Do we focus on value-creating customers?
2. Which Internet marketing/advertising channel do we use?
3. What metrics do we use to guide advertisers?
4. What is our commitment to Web advertising?
5. Should we integrate our Internet and non-Internet marketing campaigns?
6. Who will conduct the market research?
7. Should we use intelligent agents?
8. Should we use mobile coupons?
9. What ethical issues should we consider in online marketing?

Summary

1. Factors influencing online consumer behavior
2. The online consumer decision-making process
3. Increasing loyalty and trust
4. Market segmentation and building one-to-one relationships with customers
5. Online personalization
6. EC consumer market research
7. Objectives and characteristics of Web advertising
8. Major online advertising methods
9. Mobile Marketing
10. Various advertising strategies and types of promotions