So you want to get involved in E-commerce

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Abstract

The paper examines the issues that must be considered before a firm embarks to develop a successful web business. The paper presents five types of organizational strategies for using the Internet as a marketing tool. Issues related to business-to-business (B2B) marketing and the use of Internet in international business follow in the next two sections. The fourth part probes the unique challenges of developing a successful Internet marketing plan. Each of the four P's (product, place, promotion and price) is discussed in detail. Particular attention is paid to a variety of online and offline promotional activities and pricing strategies. The paper concludes with a discussion of cost of building a website and some problems associated with conducting business over the web. The problems include the issues of security and privacy, and information overload. This paper is for those who think that a Java script is something one gets at Starbucks, yet are curious to wet their feet in Internet marketing. © 2001 Elsevier Science Inc. All rights reserved.

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1. Introduction

Just a few years ago, the expense of developing a website, complicated procedures and arcane protocols put an Internet presence beyond the reach of the average business. For a while, the media predicted that the technologically savvy, twenty-something dot.com entrepreneurs who were building the new economy were going to bury the established brick and mortar businesses. The death of the old economy has been greatly exaggerated. However, exaggerated are also the current reports of the death of the Internet economy. Many small and medium size companies find themselves in a dilemma on how to proceed. Small and medium size businesses are generally in the business of filling a niche need and are not in the business of computer technology. But, clearly, some sort of presence is needed on the World Wide Web. According to ActivMedia Research, there are 163 million users online globally, of which 90 million are online in the US and Canada. Purchasing online is becoming more wide spread, with 74% of the US online population having made at least one online purchase. This is up from 47% in 1998. If these statistics are not convincing enough that a web presence is needed, consider that web revenues reached US$95 billion in 1999. In addition, they are expected to reach US$1.3 trillion in 2003 and US$2.8 trillion in 2005 [18].

The Internet offers attractive opportunities for growth. Despite the initial lure of expanded markets, small businesses are proceeding cautiously into the world of web marketing. Although much has been written about e-commerce, many small business owners have difficulty determining where to start. This paper discusses the critical issues involved in utilizing the Internet as an effective marketing tool. Section 2 explains the five levels of Internet use, which are categorized as either business enhancement or revenue enhancement types. Section 3 explores the issues of business-to-business (B2B) web uses. Section 4 discusses the challenges of Internet use in international markets. Sections 5 and 6 stress the importance of the four P's involved in developing an effective Internet strategy and the costs associated with building a website, respectively. Section 7 concludes by pointing out barriers to using Internet as a marketing tool.

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2. Use of the internet as a marketing tool

Once a business decides that it needs to use the Internet as a marketing tool, the next step would be to decide what type of Internet use is best for the business. There are several types of Internet uses that are considered business enhancement types and others that are considered revenue enhancement types. Table 1 summarizes the various uses of the Internet as a marketing tool. The types presented below are not mutually exclusive and many companies will start out with the first one or two items and progress into the remaining areas, as they become more comfortable with cyberspace.

2.1. Business enhancements

2.1.1. Communication

Effective communication is the lifeblood of most businesses. E-mail is fast becoming the quickest and easiest way to reach both suppliers and customers. In addition to e-mail, discussion groups are a frequently used communication method on the Internet. Discussion groups come in several basic forms including Usenet groups and Listserv groups. Usenets are ongoing discussion groups among people on the Internet who share a mutual interest. They are also called newsgroups. People with links to the Internet read and post their opinions on topics of their interest. Listserv groups are discussion groups where the messages go to a central computer, which then sends the messages back out to the e-mail list. Listserv groups are usually more professional than Usenet groups. Both are excellent tools for establishing and maintaining electronic relationships. These are essentially the online version of networking. Sites like Egroup, AltaVista and Cnet all provide forums for Usenet groups. Also, if you decide to have a website, unsolicited e-mail advertisements can bring visitors to that site.

But a word of caution, even though e-mail is a quick and easy method of communicating, the importance of human interaction and business relationships should not be downplayed. According to Professor Kathleen L. Valley, an associate at Harvard Business School, "Appreciate electronic exchanges for allowing you to stay in touch: you can communicate any time with anyone, inexpensively and efficiently. But spend time sharing with customers and business partners the kind of social information that develops trust. And when it comes to the clinch, meet with the other person, or pick up the phone [21]." NASA's over-reliance on e-mail communications with its suppliers was partly blamed for the recent failure of the Mars probe. While NASA engineers were working in metric system, its suppliers worked in the British system. Face to face meetings could have avoided hundreds of billions of dollars in losses and damage to NASA's and its suppliers' reputations.

2.1.2. Market research tool

The Internet has a vast amount of information and much of it is free. Companies can use the Internet to find out what their customers want, as well as what their competitors are doing. In 1997, the Gallup Organization conducted a poll of how European firms were using the net. Collecting information about competitors and their market was cited by 85% of European companies with an online connection [6]. The US Government supplies a wealth of business information free on the Internet. For example, if you are interested in entering a foreign market, the International Trade Administration sponsors a website at http://www.ita.doc.gov. This website has free information on exporting, country and region information, industry and sector statistics, and other international trade services sponsored by the U.S. Department of Commerce. If you are interested in small businesses online, the Small Business Administration has "E-Commerce Small Businesses Venture Online," a report that examines the involvement of small businesses in electronic commerce. The report can be found free online at http://sba.gov/advo/stats/e_comm.pdf.

One thing that users of the Internet should be aware of is information overload. The enormous amount of information on the Internet makes it difficult to sift through and come up with meaningful information. Another problem with Internet information is the abundance of misinformation and rumors. These can damage a brand quickly. For example, there were e-mails circulating on the Internet that feminine protection products were hazardous to health and contained dioxins and asbestos. Because of the widespread rumors, Procter and Gamble had to post an article on its website that denied the rumors and had pointers to other websites like the FDA to validate its safety claim [7].

Usenet and Listserv groups also can be used to conduct primary market research. They are an excellent way of identifying a target market and finding out what that target market is doing. The limitation of using Usenet and Listserv groups is that the sample of people represents only those individuals who are highly involved with the topic and more computer literate. This could bias the results of the research.

2.1.3. Brand building through a web presence

Many companies, after they "get online" and see what their competitors, suppliers and customers are doing on the

Table 1
Use of the Internet as a marketing tool

Business enhancement	Revenue enhancement
Communication	E-commerce
• E-mail	• Interactive website — allows customers to view, purchase and pay for products (e.g., Borders)
• Usenet groups	
• Listserv groups	
Market research	E-organization
• Search for secondary data	• Majority of revenues generated from internet
• Gather primary data	
Brand building	• Full integration of order taking with supply chain (e.g., e-bay, Covisint)
• Build a website (brochureware)	

Internet, will decide to build a website of their own. The most basic use of a website is "brochureware." Companies like Pepsi, Coke, Minolta and Price Waterhouse Coopers use the web to build their brand. This type of site is used to present information on the company and the products it sells. The simplest form of this is taking the company's existing marketing literature and posting it to the website. More complicated forms include current news, forums, articles and information for customers on various topics of interest, investor information and corporate mission statements. These sites would also have contact information, e-mail, physical address and phone numbers. The site then becomes a point of contact for the company and its potential customers. A survey by PSI Global found that about 19% of small businesses in America operate "brochureware" websites [14].

2.2. Revenue enhancement

2.2.1. E-commerce

E-commerce, as a broad definition, is the use of electronic media such as the Internet to transact business. A company that is using e-commerce to sell products, services and information would set-up an interactive website for its users. The site would offer all the same information as the "brand building" website (see above), but, in addition, it would allow users to purchase products, services or information online. This type of website provides for payment of purchases online and set up of product delivery either electronically (if the product is digital) or through traditional delivery methods such as mail, FedEx or UPS. The challenge of this type of commerce is the integration of the online purchase information with existing order entry systems and back-end systems that a company may already have in place. Frequently, the process of transferring this information is accomplished manually. Examples of companies that sell products online as well as by traditional methods include Toys "R" Us, Lands End and Borders Group.

2.2.2. The E-organization

According to Managing Magazine, an organization can be seen as a true e-business or e-organization when it exhibits the following traits:

- The majority of its revenue is being generated from the Internet.
- All major processes are connected with the online environment.
- The business is set up to run 24/7; the Internet reaches a global audience and an "always open" business is necessary to satisfy this audience.
- The business has a centerless networked organizational structure, instead of a hierarchical organizational structure [15].

These traits allow an organization to be highly flexible and able to execute changes quickly. The ability to respond quickly is essential to success because changes are so rapid in the digital business environment.

According to the above definition, the only true e-organizations are Internet start-up companies like Covisint, Ebay, Yahoo! and Amazon.com. But right beside them are companies like Dell. According to Fortune Magazine, Dell's online sales keep growing and account for more than 40% of the company's revenue. "Today the site gets 2 million visitors a month and sells more than US$30 million in products a day — an increase of 100% since February (1999). By contrast, Amazon's 11 million visitors a month translate into US$3.5 million in sales a day (of course, a book is cheaper than a server) [20]." The Fortune article goes on to say that Dell has used the Internet to cut sales, general and administrative costs from 15% in 1994 to 9% in fiscal 2000. Dell is on its way to linking its 33 suppliers directly to its customers by linking Premier Pages (Dell's customized 12 Corporate Customer web pages) to its ValueChain site (supplier password-protected site). With its almost total integration of business and the Internet, Dell Computers is clearly a successful e-business [20].

3. Business-to-business

One of the fastest growing areas of the Internet is B2B marketing. This is where both buyer and seller are organizations (not individual customers). B2B sector of e-commerce is predicted to surpass the business-to-consumer (B2C) sector in terms of yearly gross revenues. The Gartner Group projects B2B e-business to grow into a US$7.29 trillion industry by 2004 [26]. The idea is to link the companies over a virtual private network (VPN) so that they can exchange information and goods. A VPN is a special combination of encryption, authentication and protocol tunneling technologies that provide secure transport of private communications over the public Internet. By using this VPN technology, an extranet (network of intranets) is created that links business partners electronically.

Some of the benefits that companies hope to gain from an extranet include:

- enhanced communication which can improve client relationships,
- Enhanced productivity which allows the sharing of necessary information for "just-in-time" systems,
- enhanced business development which allows for collaboration in product design and which can lead to lower design and production costs,
- cost reductions from lower administrative and operational costs,
- improved information delivery that is low cost and standardized [24].

These extranets are helping to spur on a new way of doing business called "e-markets" or "net markets." "These are websites that bring together many buyers and sellers on a single site" [13]. What companies are attempting to do is to use this B2B model to transform the current business practices of each company acting on its own for its own benefit alone to one of cooperation (i.e., companies collaborating and creating a trading hub), where products and information are traded by many partners. This allows companies to reap the benefits of centralization and high levels of economies of scale that they may never have been able to attain on their own. An example of a trading hub is General Motors' net market, Covisint, where any partner (which includes Ford and DaimlerChrysler) can go to source parts for automobiles [13]. The number of e-markets in the United States is expected to grow to over 600 by the end of year 2000. Their transaction revenues are projected to reach staggering US$ 1.4 trillion in 2004 [8].

There are many large exchanges that are run and backed by industry giants, but there are also many B2B exchanges that cater to small businesses. There are currently three main B2B models in use on the Internet (see Table 2). The first is an auction house. A business can take its product and put it up for bid on an auction site like http://www.logistics.com, which auctions transport contracts of all kinds including trucking, air and ocean freight. This type of exchange tends to be used predominantly in the spot market and is a good way to move surplus inventory or excess service capacity.

Another model is the reverse auction model, which attempts to sell long-term contracts by codifying the elements of a contract. By standardizing everything from the specifications of the product to performance guarantees, bidders can compete fairly in an auction. The benefit of this is that prices fall over time instead of going up, but this is a very tricky business due to the complexity of contracts. One company that has been successful at it is GoCargo (http://www.gocargo.com), which is an exchange for the container-shipping industry [4]. The last type of B2B exchange uses the procurement model. Under this model, buyers will post their requirements on the site, similar to an

RFQ process, and sellers will have access to these customers' requirements and choose to bid or not to bid on these customers' requests. This allows buyers to compare multiple offerings in a single location and provides sellers with a central point to find potential buyers. An example of this type of small business exchange is Onvia (http://www.onvia.com), which promotes itself as a supplier of any service a small business might need. Hybrids of this B2B model include EqualFooting (http://www.equalfooting.com), which offers buyers an online catalog and gives a comparison list of vendors and prices or OfficeCoop (http://www.icoop.com), which acts as a buying cooperative and offers about 15,000 products to small businesses.

Some of the business issues that a supplier should consider before using a B2B exchange are:

- How much exposure to new business will you get?
- What are the expected increases in sales?
- What kind of ROI do you expect to see?
- How much are transaction fees? Most exchanges have some sort of charge ranging from 1% to 4% of the transaction.
- Will exposure of your product catalog and its prices to everyone affect some of your existing buyer relationships?
- Can your margins sustain the potential downward pressure on prices as customers can see exactly what the competition is charging for the same product?
- Do your business partners have access and use computers and the Internet?
- What are the technological requirements of the B2B exchanges you want to join?
- What is the background of the exchanges management team that is targeting your particular industry [19]?

Designing an effective B2B connection can be very complex. To enable e-commerce and join an exchange, enterprises need to combine multiple legacy systems on different platforms, install scanners, automated supply chain management systems and real-time inventory control software. To facilitate B2B transactions, large networked communities comprising business partners, suppliers, internal personnel and customers are being formed in nearly every industry [26].

Table 2
Models of B2B E-commerce

B2B model type	Characteristics
Auction house model	
• Selling in the spot market	• Single seller to multiple buyers
• Typically used to sell excess inventory	• Product goes to highest bidder
Reverse auction model	
• Selling long-term contracts on standardized products	• Multiple sellers to multiple buyers
	• Firm with low price gets the contract
B2B exchange procurement model	
• Buyers post their requirements and solicit invitations for bids	• Single buyer to multiple sellers
	• Buyer compares multiple offers

4. Use of the web for global expansion

For a small or medium size business interested in expanding globally, the Internet can help level the playing field against the bigger corporations. It lowers the barriers to global expansion by:·

- Simplifying the operational issues of doing business in other countries. Export documentation, payments, and export assistance can be handled electronically.

- Reducing the dependence on agents and distributors through direct marketing.
- Providing access to low cost or no cost market research. This can make country and market selection decisions easier and more tailored. Because the Internet has no national boundaries, it can be the perfect tool for creating a global niche rather than a country specific audience.
- Allowing companies to monitor the online efforts of competitor's product offerings and pricing, thereby increasing transparency.
- Improving feedback that comes directly from the global market. A wealth of primary marketing data can be collected automatically from a good website by recording the costumer's purchasing behavior, product selection and payment information.
- Enabling firms to reach a larger audience at a relatively low cost, thus, creating economies of scale.

While these benefits are very lucrative, businesses need to also consider the barriers to global expansion. These obstacles include legal, financial and market access issues. At the present time, there is no international consensus or policy on how to treat e-commerce with respect to jurisdiction, export/import regulations, intellectual property rights, encryption technology, authentication procedures, content control or consumer protection. All of these things must be addressed for a truly successful global e-commerce environment to develop [25].

Furthermore, it is very difficult for various countries to monitor or tax products purchased on the Internet. This is especially true for products that are downloaded from the Internet. Goods that arrive by traditional means, such as surface or air transportation, can be monitored more easily and subjected to customs regulations. Unfortunately, clearing customs slows down the delivery and raises the cost. Since timeliness is one of the major lures of the Internet, it can be much easier to market a digitized product that can be downloaded directly from the Internet. But these same downloadable products are forcing many countries to look at ways to regulate and tax the sale of goods on the Internet [25]. Relief may be already under way. The World Customs Organization (WCO) based in Brussels has undertaken sweeping revisions of the customs regulations that should make cross border e-commerce easier. Also, a start-up company, CommerceZone (http://www.gezone. com) is setting up a financial transaction system that would serve as a clearinghouse between vendors and customs authorities [12].

Market access is critical if you are going to reach foreign customers. From a technical perspective, the infrastructure that will link people to the Internet is still being developed. Outside the United States, there is a substantial lag in the building of the infrastructure to support the Internet. A lot of overseas telecommunication infrastructure is old and slow or may not be available everywhere. This is a real deterrent to developing Internet business abroad. Even in

Europe, there are much fewer Internet service providers (ISPs) than in the United States. Of course, there are some countries (e.g., Hong Kong, Australia and Sweden) that have made significant investments in technology and may be ideal (from an access standpoint) countries to expand into first. As infrastructure develops, companies will need to stay current with the technological standards so that systems do not become incompatible between consumer and seller.

Other barriers that companies need to overcome are similar to the traditional barriers to trade. Foreign currency and exchange rates are an added challenge of doing business globally. Much of this problem can be alleviated through the use of credit cards as a payment medium, but business will still need to be aware of the exchange rate risk.

Another issue facing businesses with foreign target markets is the language or languages the site should be written in. Although English is a widely accepted language on the Internet, to reach a target market, you may need to translate your site into other languages. This can be a time consuming and costly task if done by a human translator. "It currently takes a human translator about a week to translate a medium website into just one language. The cost ranges from US$10,000 to US$500,000, depending on the complexity of the site and languages of translation [25]." Fortunately, for the small business, there are automated solutions available to translate a website. One such solution is WorldPoint Passport multilingual software (http://www.freetranslation.com), which provides free translation in eight languages. AltaVista also provides the same translation service for free for French, German, Italian, Portuguese and Spanish. It can be found at http://babelfish. altavista.digital.com/cgi-bin/translate. It should be noted that free sites offer a lower capability of translation than the fee based language translation providers. The ability to use these automated translation sites is a function of the complexity of the text being translated.

5. Internet marketing strategies (the 4 P's)

When a business decides to enter the e-commerce arena, it needs to create an Internet marketing plan. Marketing on the Internet is a very different process from traditional marketing. In traditional marketing, the target market is bombarded with an advertising message via various media including publications, televisions, radio and billboards. This push method of promotion is not very effective on the Internet. As many businesses have found out, just building a site and advertising it does not guarantee an audience or an effective revenue stream. A website has to attract customers.

The key to a more successful marketing effort on the Internet will be an interactive strategy. A site must be highly interactive and customized to the audience. In order to attract new and repeat customers, a website must add value

beyond being an electronic catalog of products. The Internet is not only a tool for business, but also a form of entertainment. If a site is static and never changing, once it has been visited one time there is no reason to return. Since there is no interaction, a bland site will not help build an "electronic relationship." Customers know what they like, what they want and what they need. An effective site should be guided by its visitors and change with their suggestions and comments. A business cannot "push" products onto the Internet community. Customers will just find another business that will meet their needs better.

5.1. Product and place

As part of a good marketing plan, a company must design new or improved products that meet the customer's current or latent needs, find an efficient way to bring that product to the consumer, and provide after-sales support. The Internet can dramatically improve the entire process. This is especially true if the product being offered can be transformed into a digital product. But even if the product is not digital, many companies can still take advantage of the Internet to streamline their businesses.

The single biggest advantage of selling over the Internet is the efficiency and cost savings of product distribution. On the Internet, location issues become non-existent and distribution issues can be greatly reduced. According to Merrill Lynch's Jeanne G. Terrile, "The Internet is borderless and the opportunity to sell over the net in a standardized way eliminates many natural barriers to entry..., such as the high cost of retail space in London or the extra security needed to do business in Moscow [23]." Any one connected to the Internet can retrieve your product by ordering it from your website or by downloading it from that same website. Companies no longer have to devise long and expensive distribution channels to bring their product to the consumer. The customer can have fast and easy access to the products they want. This is a major lure for customers to use the Internet to shop. For example, if you would like a copy of Stephen King's latest book, you can get online, pay for the product via credit card and then download the book immediately.

This same method can also be used to maintain after sale support efficiently and inexpensively. If a product needs to be upgraded to meet customer needs, the upgrade can be distributed automatically over the Internet without human interaction or distribution costs. An obvious example of this would be Intuit's Turbo Tax product. This product is sold to customers even before all the new tax year's changes have been made and, thus, requires updating. Each time the customer uses the product, the program asks if the user would like to automatically update the program with the latest changes in tax forms and programming. If updating is desired, the software then automatically connects to the Internet, downloads the upgrade, automatically installs the upgrade and logs back off the Internet. The product is then kept current without any interaction required of the customer or the vendor. The best part is that the distribution of the upgrade is cost free to the vendor and the customer feels satisfied with the instant level of support they are receiving.

5.2. Promoting your e-business

As mentioned above, one of the biggest problems facing businesses on the web is an overabundance of information and no all-inclusive or meaningful systems that categorize that information. So, how does a customer find your website when the amount of information available is so enormous? There are both online and offline methods to advertise your website. A successful business will deploy both in their marketing plan. The most often utilized methods are search engines, links from other sites, printed media, word of mouth, newsgroups, e-mail, television and books [1].

5.3. Online promotion techniques

5.3.1. Search engine

The first step to "getting found" on the Internet is to register your website with as many search engine databases as possible. Search engines are websites that allow you to use keywords to make a query on their database of websites. The query sets the criteria that the database will use to display listings of website. On many search engines, these sites are listed in the order of probability that they might meet the established criteria. Examples of search engines include: Yahoo!, Alta Vista, Infoseek, Excite, Hotbot, Lycos and WebCrawler. There are also meta-search engines such as Google and Northern Light, which try to organize results from multiple searches.

The registration process requires a business to submit each Uniform Resource Locator (URL otherwise known as a web page address) that it wants indexed. Frequently, search engines only allow one entry per company. Unless the firm submits each page individually, the search engine decides which of the remaining website pages will be indexed. "Search engines utilize electronic indexing software agents often called robots or spiders. These electronic agents are programmed to constantly 'crawl' the web in search of new or updated pages. They will essentially go from URL to URL until they have visited every website on the Internet. When visiting a website, an agent will record the full text of every page (home and subpages) within the site. It will continue to visit all external links [27]."

Although a search engine will eventually find all the pages of your website, you can speed up the process by manually submitting each URL individually to each search engine you want to be listed on. The registration process can be a very time consuming. For this reason, it is important to submit only the most important web pages on your site. You should consider registering your home page and any critical pages that are major topic pages, pages with unique content or pages that describe a specific

product or service. If you do not have the resources to spend on the registration process, several website businesses, such as Submitit.com, provide automated search engine registration for a fee. Submitit.com has over 400 Internet search engines and directories in its database. All you need to do is enter your web page information once and Submitit.com will register it in as many search engines as currently you want. It costs as little as US$59 for two URLs for a 12-month license. There is a sliding scale up to 40 URLs for US$500 a year.

In addition, web pages need to be optimized so that for a given keyword or keywords your site will appear at or near the top of the list when a query is done. Each search engine has its own set of criteria for ranking websites. Since each site uses a different set of criteria, a company would be well advised to visit the websites of the major search engines and find out the specific ranking criteria that the search engine uses. A business should try to include as many of these criteria in the web page design as is practical. Some of the common elements to include:

- Using keywords in the ⟨TITLE⟩ of your document and making it as descriptive as possible.
- Place important page text at or near the top of the page. Search engines will generally assume that the author presents the most important information first.
- Use ⟨META⟩ tags, which will allow you to provide extra information about your page to the search engine without it being visible to the reader. Note: not all search engines make use of ⟨META⟩ tags.

After the site is built and submitted to the various search engines, it will be necessary to visit the site and see where it ranks under various queries. If the site does not rank high on those queries, the site may need to be revised and resubmitted to the search engines.

5.3.2. Links from other sites

Everyone who has ever been on the Internet has seen the abundance of online advertisements and banner links. According to CNET News.com, in 1999 ad spending on the Internet reached US$4.62 billion [10]. This is an "in your face" form of advertising and is used by many businesses on the web. Banner advertising can cost around US$0.90–2.67 per visitor to a site. At this price, banner ads would seem like a low cost form of advertising. Unfortunately, <1% of the visitors are likely to click through a banner ad. Of the 1% that do click through, <1% of these people actually become a customer. Because banner ads are everywhere, people actually tend to ignore them [3]. Many of the companies that are using this type of advertising are using it for brand building and recognition, not necessarily for soliciting immediate sales from customers. If your company does decide to use this method of advertising, it is very important that the company puts in place ways to monitor and evaluate the effectiveness of such advertising.

A better form of site linking is one where you can get your site listed on another site with similar or complementary objectives. If your website link can be listed as an additional source of information on another site, you are likely to get a more targeted audience who have already narrowed their search and are interested in what you have to offer.

5.4. Newsgroups and e-mail

These forums can be used to introduce or announce your product or service to a very targeted audience. To use these channels successfully, a company must find groups that are comprised of people who would like to hear about your product or service. After you find the target group, it is important to follow the group's postings before making your own posting. A business should not just advertise openly on the newsgroup or e-mail discussion list. "The key is to participate with the proper Internet etiquette (Netiquette), which means contribute to the discussion at hand first and foremost. It requires a light touch to deliver the sales message properly, such as in a signature file, for example" [17]. A signature file is a three or four line message that is automatically added to the bottom of an e-mail. It can be used to communicate the sender's company, job title, address, phone number or website address. What a business does not want to do is use this forum for "spamming." "Spamming is an attempt to deliver a message over the Internet to someone who would not otherwise choose to receive it. Spam is the Internet version of 'Junk Mail'" [5]. Spam messages are not well received by the Internet community and they usually create more ill will than good publicity. Currently, there is legislation before Congress, which would require the marking of unsolicited commercial e-mail, but that legislation is not yet complete.

Other forms of announcements include e-mailing a small targeted list of reporters who are receptive to e-mail and also fax reporters or analysts who have provided similar information in the past (be selective). There are also services available on the Internet that will distribute press releases to journalists. One such service is the Internet News Bureau at http://www.newsbureau.com/services/.

5.5. Offline promotion techniques

5.5.1. Traditional forms of advertising

Due to the infancy of the Internet and the industries within it, it can be very costly to acquire and retain customers through online efforts. Some companies on the web are spending from US$30 to US$300 to acquire their retail customers. This is expensive when compared to major mail order companies that can recruit customers for as low as US$7 through newspapers [3]. "Luxury e-tailer Ashford.com spent 70% of its revenue on advertising during the quarter that ended in December (1999), while posting a loss of US$19 million in the third quarter. In contrast, brick-and-

mortar competitors like Gucci on average spend 8% of revenues on advertising" [11]. Cost alone is a very good argument for using traditional forms of advertising. All forms of advertising can be used to promote websites including outdoor ads, publication ads, public relations, television, and radio. All of these methods are heavily used by companies in their marketing efforts.

At a minimum, companies should advertise their website to their existing customers by mailing out an announcement of the website launch. Employees should all be briefed about the general contents of the website and they should know the web address [2]. A company's website address should be included in their traditional marketing message and this will keep that website in the minds of their target users. The Company's website address should also be placed on company letterhead, business cards and promotional material.

5.5.2. Word of mouth

Of course, the most authentic and highly receptive type of advertising is word of mouth. Priceline.com's initial success, according to its founder, Jay Walker, was largely due to positive word of mouth. On an average, Priceline customers told 14–15 other people about their experience [28]. Any kind of publicity you can get for your company or the launch of your website is not only free, but can be effective at getting people to go to your website. One way to do this is to create controversy. The media loves to write about companies that are not mainstream in their approach. Not only will this gain publicity for the company, but it will force the competition to acknowledge the company as a player. Word of mouth, however is a double edge sword. A dissatisfied customer is more likely to share his negative experience than a satisfied customer. The spectacular decline in the fortunes of Priceline.com is a painful testimony to that effect.

5.6. Pricing

As with all other aspects of marketing products, the Internet changes the environment that determines prices. Customers are more informed about products and prices due to the wealth of choices and pricing information available. Information brokers replace traditional brokers with offerings of product and price comparisons. These information brokers match sellers with buyers and vice versa [23]. Examples include http://www.carpoint.msn.com and http://www.cars.com where individuals interested in buying a car can make comparisons of features and prices. Another example would be http://www.pricewatch.com, which lists competing companies' prices and specifications for computer components. Customers are able to bargain for the best value for their money, because they are more informed.

For many products, such as books and CDs, which are viewed as standardized products or commodities, competition in electronic commerce is brutal. Only those companies that can achieve high economies of scale will be able to compete on price in the long run. That is the basic premise behind Amazon.com. Amazon.com sells books, music, videos, electronics and software at discount prices. Even though books are profitable, Amazon has not shown enough profits yet to cover all products it is selling. But, the infrastructure that Amazon is building is meant to obtain economies of scale. Amazon's investors believe that in the long run Amazon will turn a profit, and perhaps dominate the market.

Alternative pricing strategies have sprung up in the online environment including the increase in real time pricing and auction houses such as http://www.ebay.com and http://www.auctions.com. The Internet is very conducive to auctions, because it is extremely easy to bring a large number of buyers and sellers together. It is also much easier to inform participants about products being offered and answer questions that may arise. This can be done right online or via e-mail. Competitive bidding via auction houses is a natural extension of this real time environment. Since prices and history of product sales can be kept and updated in real time, buyers and sellers can make more informed decisions quicker. In the future, it is expected that changes in price will move extraordinarily fast in the digital world. This will shatter the more traditional price methods including cost plus pricing, which still continues to exist because of imperfect information in the traditional selling environment. It should be noted that the customers' online education will spill over to traditional selling venues and should cause sellers to rethink their pricing strategies. Even if customers do not buy online they will go online to get educated about a product and its pricing. Their online education will make consumers more knowledgeable and informed when they go to the store.

If a company's products cannot compete on price, then the company must find ways to differentiate their online offerings from their competitors. Value-added products are even more important in the online setting than they are in the traditional brick and mortar arena. The more unique value or additional benefits a product has, the less price sensitivity that product will experience. The more true value and the less flash and hype a product has, the greater the chance a company will be able to sustain a premium price on the Internet. The difficult part is to convince consumers that your product has added value that warrants a premium price. Consumer can be skeptical and it is necessary to provide hard facts, solid testimonials and hands-on trial use to prove to consumers that what you offer is better than the competitive product [6].

6. Cost of building a website

Planning a realistic budget for your website is difficult. The cost will vary with the complexity of the site you wish to build. It is important not only to plan for the hardware

and software costs, but also to consider the costs associated with content and on going maintenance or updating. Consultants, like Robert Overgard of Just in Time Marketing, strongly suggest "that the bulk of the budget be spent on meticulous planning of the marketing and technical strategies for the site and in implementing content consistent with those strategies. It is the content and not the hardware that actually generates the benefits" [16]. Overgard estimates that the cost of a site can range from US$6000 for a small simple site without transactions capabilities to US$200,000 for a large complex site with transactions capabilities. An average website required an investment of US$37,000 in site development in 1999 [18]. This includes things like server platform, modem/router/LAN upgrade, firewalls, web server software, marketing consultants, web design, 1 year of hosting service and 1 year of Internet connection.

7. Internet business barriers

Unfortunately, having an e-commerce presence on the web does not guarantee that a company will be able to avail itself of all the above benefits. There are still some problems to be considered before a business jumps into e-commerce. This medium is still in its infancy and several issues still need to be refined and addressed by the Internet community.

Among these issues is security of personal information. From a psychological standpoint, many people who use the Internet are still uncomfortable with actually making purchases over the Internet. Consumers are aware that their payment information may not be secure and could be "stolen" and used without their authorization. Security standards are still developing worldwide. The two most popular web browsers (Netscape Navigator and Microsoft Internet Explorer) are able to encrypt transactions using Secure Sockets Layer (SSL) technology, which uses public key encryption technology. This is a strong encryption technology and, if it is being used, it is at least as safe as ordinary credit card purchases [9]. The problem is gaining the public's trust of such technology.

Another major problem of the Internet is information overload. The volume of information and sites on the Internet is growing exponentially. There is no way at the current time to catalog the wealth of information on the Internet in a meaningful format for all users. There are search engines on the Internet, but predominantly they rely on website owners to register the information with the site and on consumers to apply meaningful queries to find the sites they need.

Also, because of the Internet's infancy, it can be difficult to locate and market directly to a company's target market or segment. In response to this problem "portals" are being developed. A portal is a website that is the first place people see when using the web. Typically a "portal site" has a catalog of websites, a search engine, or both. America On Line and Yahoo! are examples of a generic portal sites.

Increasingly, these portals are being tailored to specific target markets. Association with such a portal can be a good way to quickly reach your intended audience. According to The New York Times, the company ibelong.com is putting a fresh spin on "affinity portals." The concept is that portals are designed around associations that already cater to specific target groups. The portals they build become the start-up page for subscribers and include features such as e-mail, shopping, chat areas, news and financial information. "The difference is that the content for each organization is tailored to that group's interests" [22].

8. Conclusion

For the small to medium size business, the question of using the Internet as a marketing tool should be one of "when" and "how." Even if the initial effort on the Internet is small, companies should establish a presence on the Internet now and then "e-volve" into more sophisticated Internet user as the business warrants. Even though the Internet environment is a new type of business concept, remember that the basics of a market plan still apply. A well structured and a well thought out business plan is still the backbone of any company that is going to be successful in any medium.

Acknowledgments

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