E-commerce 2020-2021: Business. Technology. Society.

Sixteenth Edition, Global Edition

Chapter 6

E-commerce Marketing
and Advertising

Learning Objectives

6.1 Understand the key features of the Internet audience, the basic concepts of consumer behavior and purchasing, and how consumers behave online.
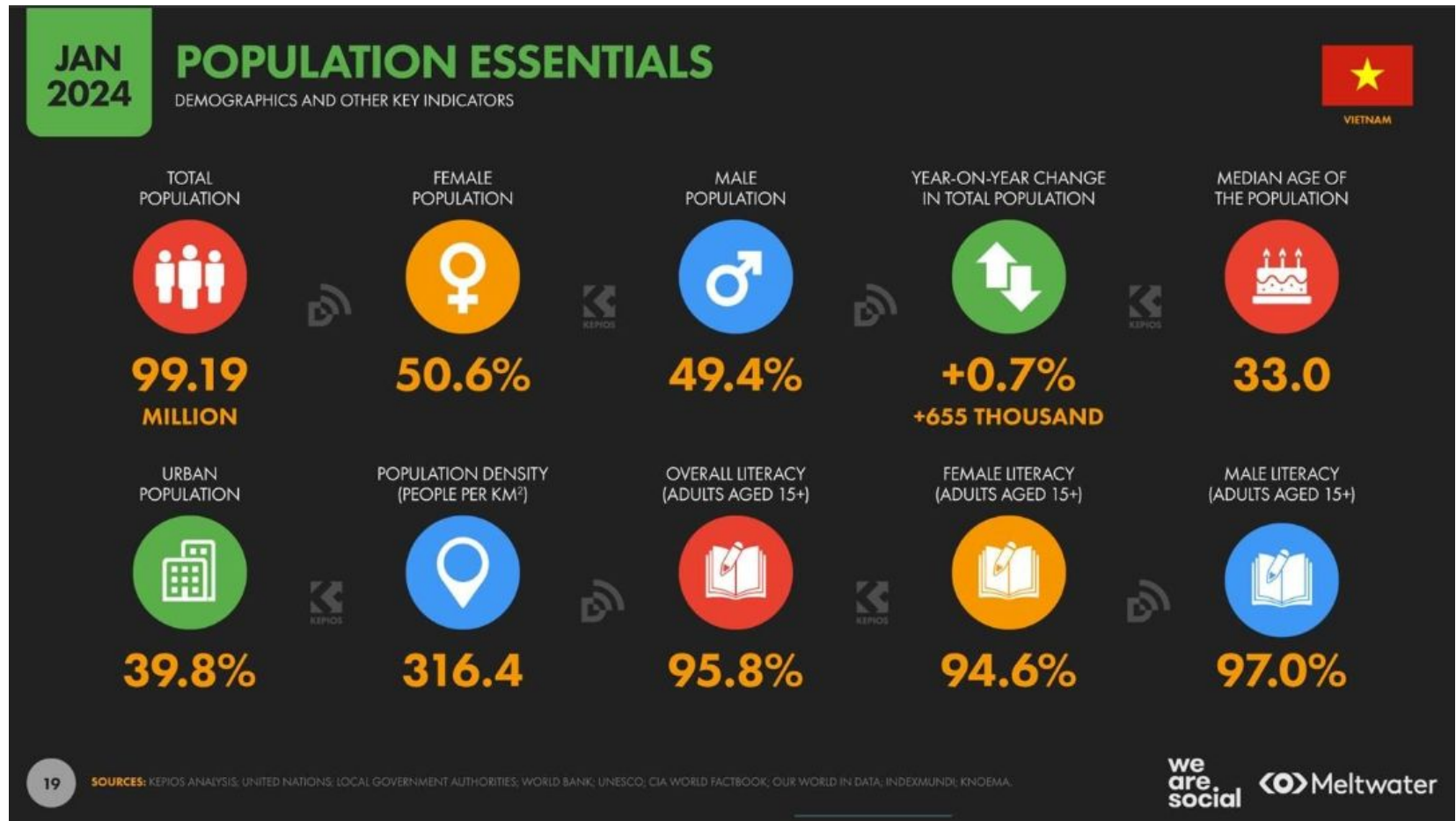
6.2 Identify and describe the basic digital commerce marketing and advertising strategies and tools.

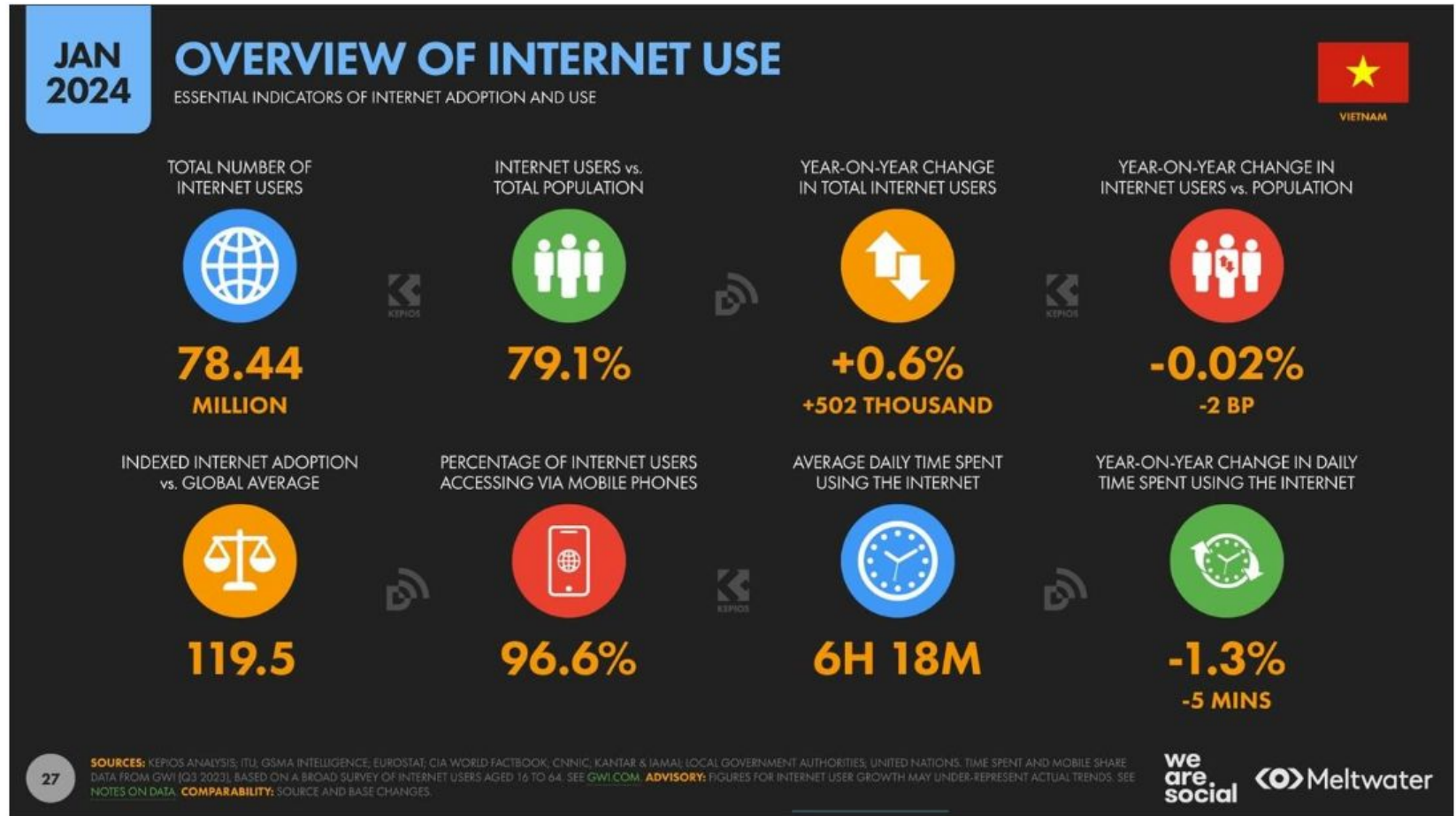**6.3** Identify and describe the main technologies that support online marketing.

6.4 Understand the costs and benefits of online marketing communications.

VIETNAM DIGITAL 2024

Vietnam overview

Internet users
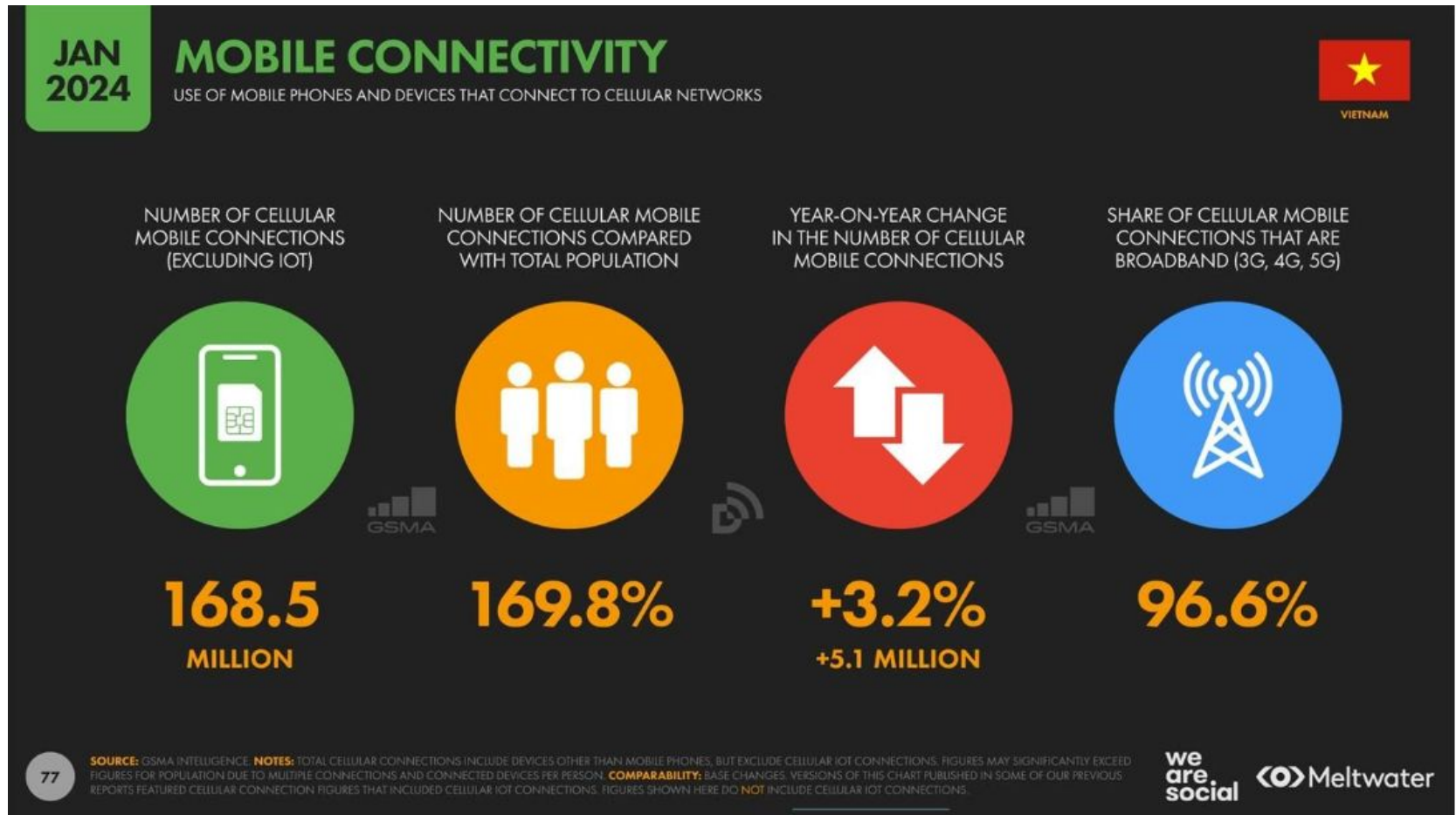
Social media platforms: Facebook

Social media platforms: Youtube

Social media platforms: Tiktok

Mobile connections

InMobi's Global Mobile Ad Network

- Class Discussion
  - What advantages do mobiles have over traditional banner ads?
  - Where do social networking sites such as Facebook fit in to a marketing strategy featuring mobile ads?
  - What are some of the challenges and risks of placing ads on the Web?
  - Do you think Internet users will ever develop "blindness" toward ads on the Web as well?

Consumers Online: The Internet Audience and Consumer Behavior

- Around 280 million in the U.S. have Internet access in 2018

- Growth rate has slowed

- Intensity and scope of use both increasing

- Some demographic groups have much higher percentages of online usage
    - Income, education, age, ethnic dimensions

Consumers Online: The Internet Audience and Consumer Behavior

- Broadband and mobile
  - Significant inequalities in broadband access
  - Older adults, lower income, lower educational levels
  - Non-broadband household still accesses Internet via mobile or other locations

- Community effects
  - Role of social emulation in consumption decisions
  - "Connectedness"
    - Top 10-15% are more independent
    - Middle 50% share more purchase patterns of friends
  - Recommender systems - co-purchase networks

Consumers Online: The Internet Audience and Consumer Behavior

- Consumer behavior models
    - Study of consumer behavior; social science discipline
    - Attempt to predict or explain wide range of consumer decisions
    - Based on background demographic factors and other intervening, more immediate variables

- Profiles of online consumers
    - Consumers shop online primarily for convenience

Figure 6.1 A General Model of Consumer Behavior

Adapted from Kotler and Armstrong, *Principles of Marketing, 13e, 2009, reprinted by permission of Pearson Education Ltd*.

The Online Purchasing Decision

- Five stages in consumer decision process
  - Awareness of need
  - Search for more information
  - Evaluation of alternatives
  - Actual purchase decision
  - Post-purchase contact with firm

Figure 6.2 The Consumer Decision Process and Supporting Communications

The Online Purchasing Decision

- Decision process similar for online and offline behavior

- General online behavior model
  - User characteristics
  - Product characteristics
  - Website features: latency, usability, security
  - Attitudes toward online purchasing
  - Perceptions about control over Web environment

- Clickstream behavior

Figure 6.3 A Model of Online Consumer Behavior

CUSTOMER JOURNEY

Customer Journey Framework

- AIDA (4A)

- Marketing 5A

Customer Journey Mapping

Stage	Awareness		Consideration			Decision		Delight
Touch Point	Facebook Posts	Facebook Page	Website	Email Enquiry	Phone Call	School Tour	Sign up	Referral
Customer process	Browsed Facebook and stumbled upon a post by your child care centre	Browsed through the posts and photo albums on Facebook Page	Searched and arrived at your school website via mobile phone	Signed up email enquiry	Scheduled a phone call to find out more	Asked about school curriculum	Considered the location and price. Decided to enroll after comparing.	Referred a friend after 2 months.
Experience	🙂	🙂	😐	🙂	😐	🙂	🙂	🙂

Customer journey map

STAGE	Awareness	Consideration	Decision	Service	Loyalty
CUSTOMER ACTIONS	View online ad, see social media campaign, hear about from friends	Conduct research, research competitors, compare features and pricing	Make a purchase	Receive product/service, contact customer service, read product/service documentation	Make another purchase, share experience
TOUCHPOINTS	Traditional media, social media, word of mouth	Word of mouth, website, social media	Website, mobile app, phone	Phone, chatbot, email	Word of mouth, social media, review sites
CUSTOMER EXPERIENCE	Interested, hesitant	Curious, excited	Excited	Frustrated	Satisfied, excited

Shopping New Car
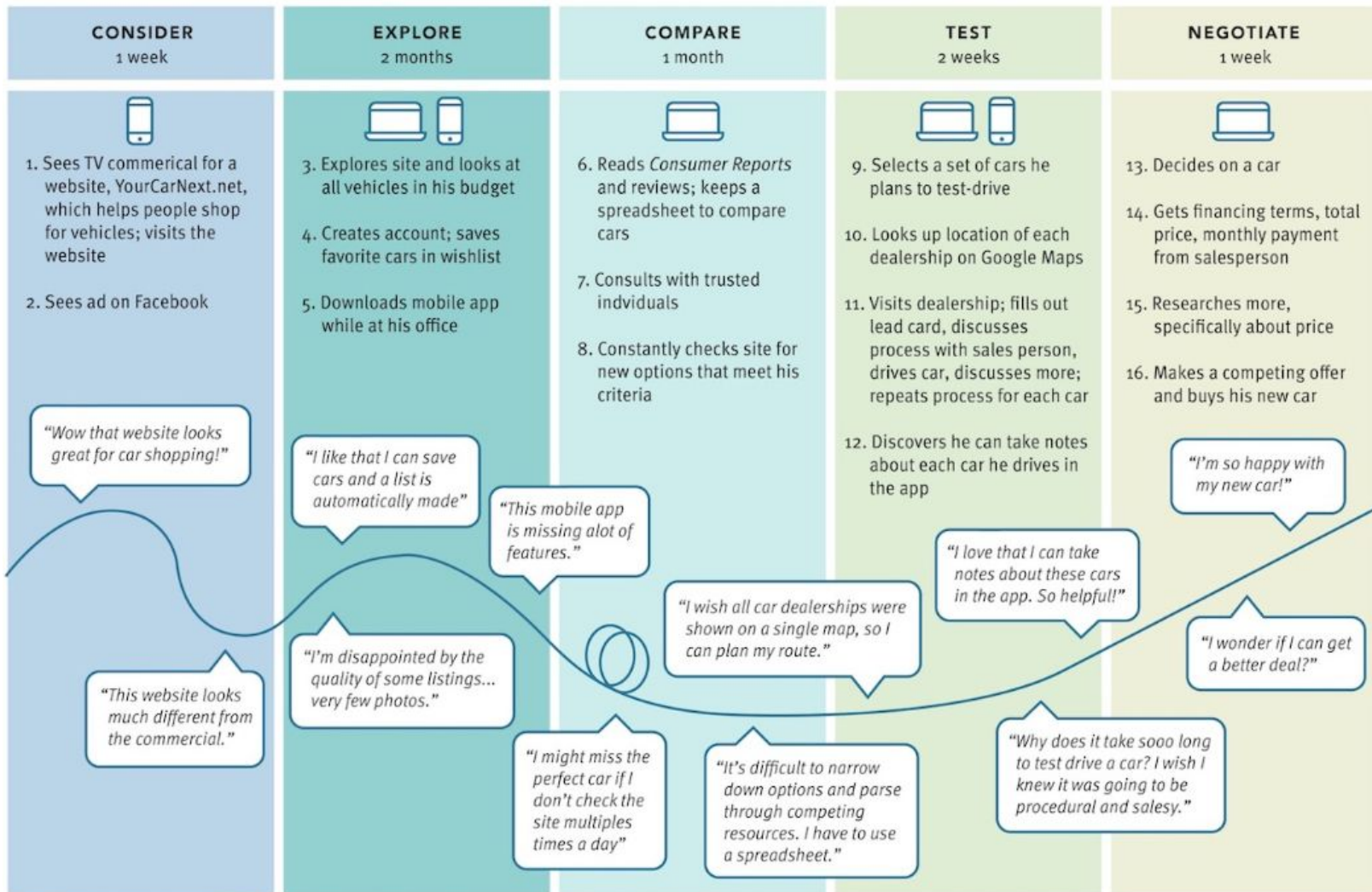
Shoppers: Browsers and Buyers

- Shoppers: Over 90% of Internet users
  - Around 80% are buyers
  - Around 13% are browsers (purchase offline)

- Online research influenced about $2.6 trillion of retail purchases in 2018

- Online traffic also influenced by offline brands and shopping

- E-commerce and traditional commerce are coupled: Part of a continuum of consuming behavior

What Consumers Shop for and Buy Online

- Big ticket items ($1000 or more)
  - Travel, computer hardware, electronics
  - Consumers now more confident in purchasing costlier items

- Small ticket items ($100 or less)
  - Apparel, books, office supplies, software, etc.

- Sales of bulky goods, furniture and large appliances, rapidly expanding

How Consumers Shop

- How shoppers find online vendors
  - Highly intentional, goal-oriented
  - Search engines
  - Marketplaces (Amazon, eBay)
  - Specific retail site

- About 8% of Internet users don't shop online
  - Trust factor
  - Hassle factors (shipping costs, returns, etc.)

Trust, Utility, and Opportunism in Online Markets

- Two most important factors shaping decision to purchase online:
    - Utility:
        - Better prices, convenience, speed
    - Trust:
        - Perception of credibility, ease of use, perceived risk
        - Sellers develop trust by building strong reputations for honesty, fairness, delivery

Digital Commerce Marketing and Advertising: Strategies and Tools

- Features of Internet marketing (vs traditional)
  - More personalized
  - More participatory
  - More peer-to-peer
  - More communal
- The most effective Internet marketing has all four features

Multi-Channel Marketing Plan

- Website

- Traditional online marketing
  - Search engine, display, e-mail, affiliate

- Social marketing
  - Social networks, blogs, video, game

- Mobile marketing
  - Mobile/tablet sites, apps

- Offline marketing
  - Television, radio, newspapers

Strategic Issues and Questions

- Which part of the marketing plan should you focus on first?

- How do you integrate the different platforms for a coherent message?

- How do you allocate resources?
  - How do you measure and compare metrics from different platforms?
  - How do you link each to sales revenues?

Establishing the Customer Relationship

- Website functions to:
  - Establish brand identity and customer expectations
    - Differentiating product
  - Anchor the brand online
    - Central point for all marketing messages
  - Inform and educate customer
  - Shape customer experience

Online Marketing and Advertising

- Online advertising
  - Display, search, mobile messaging, sponsorships, classifieds, lead generation, e-mail
  - Advantages:
    - 18-34 audience is online
    - Ad targeting to individuals
    - Price discrimination
    - Personalization

Traditional Online Marketing and Advertising Tools

- Search engine marketing and advertising

- Display ad marketing

- E-mail marketing

- Affiliate marketing

- Viral marketing

- Lead generation marketing

Search Engine Marketing and Advertising (1 of 2)

- Search engine marketing (SEM)
  - Use of search engines for branding

- Search engine advertising
  - Use of search engines to support direct sales

- Types of search engine advertising
  - Paid inclusion
  - Pay-per-click (PPC) search ads
    - Keyword advertising
    - Network keyword advertising (context advertising)

Search Engine Marketing and Advertising

- Search engine optimization (SEO)

- Google search engine algorithms

- Social search
    - Utilizes social contacts and social graph to provide fewer and more relevant results

- Search engine issues
    - Paid inclusion and placement practices
    - Link farms, content farms
    - Click fraud

Display Ad Marketing

- Banner ads

- Rich media ads
  - Interstitial ads

- Video ads
  - Far more effective than other display formats

- Sponsorships

- Native advertising

Display Ad Marketing

- Content marketing

- Advertising networks

- Ad exchanges, programmatic advertising, and real-time bidding (RTB)

- Display advertising issues
  - Ad fraud
  - Viewability
  - Ad blocking

Figure 6.6 How an Advertising Network Works

E-mail Marketing

- Direct e-mail marketing
  - Messages sent directly to interested users
  - Benefits include
    - Inexpensive
    - Average around 3% to 4% click-throughs
    - Measuring and tracking responses
    - Personalization and targeting

- Three main challenges
  - Spam
  - Anti-spam software
  - Poorly targeted purchased e-mail lists

Spam

- Unsolicited commercial e-mail

- Around 55% of all e-mail in 2018

- Most originates from bot networks

- Efforts to control spam have largely failed:
  - Government regulation (CAN - SPAM)
  - State laws
  - Voluntary self-regulation by industries (DMA)
  - Canada's stringent anti-spam laws

Other Types of Traditional Online Marketing

- Affiliate marketing
  - Commission fee paid to other websites for sending customers to their website

- Viral marketing
  - Marketing designed to inspire customers to pass message to others

- Lead generation marketing
  - Services and tools for collecting, managing, and converting leads

Social, Mobile, and Local Marketing and Advertising

- Social marketing and advertising
  - Use of online social networks and communities

- Mobile marketing and advertising
  - Use of mobile platform
  - Influence of mobile apps

- Local marketing
  - Geotargeting
  - Display ads in hyperlocal publications
  - Coupons

Multi-Channel Marketing

- Integration of online and offline marketing

- Increasing percentage of American media consumers use several media at once

- Reinforce branding messages across media

- Most effective multi-channel campaigns use consistent imagery across media

Insight on Business: Are the Very Rich Different from You and Me?

- Class Discussion
  - What distinguishes luxury marketing from ordinary retail marketing?
  - What challenges do luxury retailers have in translating their brands and the look and feel of luxury shops into Web sites?
  - How has social media affected luxury marketing?
  - Visit the Net-a-Porter website. What do you find there?

Other Online Marketing Strategies

- Customer retention strategies
  - One-to-one marketing (personalization)
  - Behavioral targeting (interest-based advertising)
  - Retargeting

- Customization and customer co-production

- Customer service
  - FAQs
  - Real-time customer service chat systems
  - Automated response systems

Pricing Strategies

- Pricing: integral part of marketing strategy

- Traditional pricing based on fixed costs, variable costs, demand curve
    - Marginal costs
    - Marginal revenue

- Piggyback strategy

- Price discrimination

Pricing Strategies

- Free and freemium

- Versioning

- Bundling

- Dynamic pricing
  - Auctions
  - Yield management
  - Surge pricing
  - Flash marketing

Long Tail Marketing

- Internet allows for sales of obscure products with little demand

- Substantial revenue because
  - Near zero inventory costs
  - Little marketing costs
  - Search and recommendation engines

Insight on Technology: The Long Tail: Big Hits and Big Misses

- Class Discussion
  - What are recommender systems? Give an example of one you have used.
  - What is the Long Tail and how do recommender systems support sales of items in the Long Tail?
  - How can human editors, including consumers, make recommender systems more helpful?

Internet Marketing Technologies

- Internet's main impacts on marketing:
  - Scope of marketing communications broadened
  - Richness of marketing communications increased
  - Information intensity of marketplace expanded
  - Always-on mobile environment expands marketing opportunities

Web Transaction Logs

- Built into web server software

- Record user activity at website

- Provides much marketing data, especially combined with:
  - Registration forms
  - Shopping cart database

- Answers questions such as:
  - What are major patterns of interest and purchase?
  - After home page, where do users go first? Second?

Cookies and Tracking Files

- Types of tracking files
  - Cookies
  - Flash cookies
  - Web beacons ("bugs")
  - Tracking headers (supercookies)

- Other tracking methods
  - Deterministic cross-device tracking
  - Probabilistic cross-device tracking

Insight on Society: Every Move You Make, Every Click You Make, We'll be Tracking You

- Class Discussion
  - Are beacons innocuous? Or are they an invasion of personal privacy?
  - Do you think your web browsing should be known to marketers?
  - Why hasn't the DNT effort been successful thus far?
  - What impact might Apple's ITP system have?

Databases

- Enable profiling

- Store records and attributes

- Database management system (DBMS):

- SQL (Structured Query Language):
  - Industry-standard database query and manipulation language used in a relational database

- Relational databases

Data Warehouses and Data Mining

- Data warehouse:
  - Collects firm's transactional and customer data in single location for offline analysis by marketers and site managers

- Data mining:
  - Analytical techniques to find patterns in data, model behavior of customers, develop customer profiles

- Query-driven data mining

- Model-driven data mining

- Rule-based data mining

Hadoop and the Challenge of Big Data

- Big data
  - Petabyte, exabyte range
  - Web traffic, e-mail, social media, content
  - Traditional DBMS unable to process the increasing volume of data

- Hadoop
  - Open-source software framework
  - Processes any type of data, even unstructured
  - Distributed processing

Marketing Automation and Customer Relationship Management (CRM) Systems

- Marketing automation systems
  - Track steps in lead generation

- CRM systems
  - Manage relationship with customers once purchase is made
  - Create customer profiles

- Customer data used to:
  - Develop and sell additional products
  - Identify profitable customers
  - Optimize service delivery, and so on

Figure 6.9 A Customer Relationship Management System

Online Marketing Metrics: Lexicon

- Audience size/market share metrics

  - Impressions, click-through rate (CTR), page views, viewability rate, stickiness, loyalty, reach, recency

- Conversion to customer metrics

  - Acquisition rate, conversion rate, browse-to-buy ratio, cart conversion rate, abandonment rate

- Video ad metrics

  - View time, completion rate

- E-mail campaign metrics

  - Open rate, delivery rate, click-through rate, bounce-back rate

Figure 6.10 An Online Consumer Purchasing Model

How Well Does Online Advertising Work?

- Use ROI to measure ad campaign

- Difficulty of cross-platform attribution

- Highest click-through rates: Search engine ads, permission e-mail campaigns

- Online channels compare favorably with traditional

- Most powerful marketing campaigns use multiple channels, including online, catalog, TV, radio, newspapers, stores

The Costs of Online Advertising

- Pricing models
  - Barter, cost per thousand (CPM), cost per click (CPC), cost per action (CPA), hybrid, sponsorship

- Measuring issues
  - Correlating online marketing to online or offline sales

- In general, online marketing is more expensive on CPM basis, but more efficient in producing sales

- Effective cost-per-thousand (eCPM)

Marketing Analytics

- Software that analyzes data at each stage of the customer conversion process
  - Awareness
  - Engagement
  - Interaction
  - Purchase activity
  - Loyalty and post-purchase

- Helps managers
  - Optimize ROI on website and marketing efforts
  - Build detailed customer profiles
  - Measure impact of marketing campaigns

Figure 6.11 Marketing Analytics and the Online Purchasing Process

Careers in E-commerce

- Position: Digital Marketing Assistant

- Qualification/Skills

- Preparing for the Interview

- Possible Interview Questions

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