

THE INTERNET MARKETING MIX
Strategies for Capturing E-Commerce

DAVID GOLDING

**DRAFT COPY
FOR REVIEW PURPOSES ONLY**

©2007 David Golding. Do not distribute without written consent of the author.

INTRODUCTION

MOST INVESTORS CAN RECALL VIVIDLY THE RISE AND FALL OF INTERNET companies during the late 1990s. Urban legends of tech kids making millions in their garages and start-up IPOs pulling in literally hundreds of millions of dollars gave everyone a sweet tooth for the veritable gold rush that occurred with the advent of the world wide web.

The Nasdaq rose 441 percent between August 1995 (the month *Netscape* went public) and March 2000. Internet stocks soared through the roof. *Yahoo!* stock alone rose 375 percent between August 1999 and January 2000.

But when companies like *Yahoo!* couldn't sustain any revenue, investors went bust, and what was once the golden age of the internet came crashing down. *Yahoo!* stock was about as worthy as *Disney*, *Newscorp*, and *Viacom* combined at its peak, but now worth less than a third of *Disney* alone. Of the top internet companies of 2000, only a few have survived, notably *eBay*, *Amazon*, and *Google*.

Certainly this event has taught today's business world a valuable lesson about sustainable growth and the dangers of putting all your eggs into one basket. But a crucial moral of this story is that even the big boys, the corporate giants and geniuses, the captains of technology sometimes don't know what the heck they're doing. The internet made gullible dreamers of us all.

As popular as the internet had become by 2000 at the height of the dot-com crash, it had not the ubiquitousness it has now. Media convergence is seemingly a regular byproduct of day-to-day internet activity. With cell phones on the rise and PDAs and iPods catching up to internet technology, more and more users will turn to the world wide web for their commercial needs. The prospect of one actually purchasing tangible products online is now a multi-billion dollar reality. Before, internet companies had great ideas that didn't materialize; now the bucks are rolling in not from high-stakes IPOs or venture capital investments, but from actual buyers in the

real world. Almost every single company has to seriously consider its presence on the web and how to reach customers via this most powerful channel of commerce.

But having the web commerce better-than-ever mentality is bringing a new problem to the market.

GoDaddy.com began selling domain names in 1997 for around \$10 per year, about a fifth of the going rate at the time. Currently, they boast of managing over 17 million domain names. This incredible success launched a far-reaching trend that brought internet maintenance pricing in the web hosting industry down to nickels and dimes. Today, more and more small businesses are finding it immensely affordable to go online and are making web sites like the Fortune 500 companies tried out prior to the dot-com bust.

All that said, my fear is not that e-commerce will cave in on itself like it did in 2000, nor is it that big-name acquisitions of *MySpace*, *YouTube*, and *Skype* will suddenly become worthless deals. I am concerned that small businesses will jump into cyberspace blindfolded, like *eToys*, *Yahoo!*, and others did in 1999, assuming that because everyone is doing it, the money just flows by having one's own dot-com.

“BLOGS,” “SEO,” “WEB 2.0,” AND OTHER BUZZWORDS

I'm amazed at how many people I run into that cavalierly expect to one day win the number one rank in *Google's* search engine. They run a few searches and find web sites that speak of “search engine optimization” as though it were the end-all of internet activity and commerce. Or, they start a blog, gain a couple readers, and believe that they are really close to making millions from supported pay-per-click advertisements; surely a top ranking is within grasp, they say. Buzzwords make their way into people's vernacular and convince a great many business owners that the web is a creature they can tame on their own.

I recall attending a seminar on “web 2.0,” the current catchphrase for any web site built on the latest technology. Each presenter discussed technological advancements in recent months and how the masses are so immensely benefited by them. Hours were spent explaining the advantages of building web sites using “web 2.0 standards” and detailed tutorials made such implementation look easy.

When the seminar was nearing its end, I was asked by a colleague what I thought about all this great technology and when I would begin building it into my own web projects. I could tell he was a bit shocked when I said I had no immediate plans to use web 2.0 technology and that I thought much of it

was wasteful. We discussed cases of modern inventions that didn't catch on in their time, and how many times new technology is not embraced by the market. What these inventions demonstrated was that sometimes beneficial technology is either not practical enough or comprehensible for the masses. So using asynchronous calls to the server can make a whole slew of user interfaces possible, but I wonder how many consumers get lost in all the new bells and whistles. And what about web 3.0 or 4.0? Certainly the strategies discussed at this conference could easily be blown apart by the next big thing. No, I said to my friend, what this conference needed was a thorough discussion of *marketing in the midst of innovation*.

Innovation is wonderful, but only when it's in tune with coherent, fundamental, accurate marketing strategy. The inventor that has to convert you to the new product has already failed because the masses generally do not want to be converted. Politicians know this all too well. When the candidates campaign for votes, they say what they know the voters want to hear. Those politicians that try to convince the voters to change their minds invariably lose.

Blogging, for instance, became a sensation in recent years because it was already a desire for which millions of internet users had been waiting. Chat rooms, email, and bulletin boards had a lot to offer, but still many wanted more of a voice. Once blogging caught on, average users were reading blogs, commenting on them, and realizing that creating one was not all that difficult. The ones who took that to the bank were companies who had already noticed the demand and simply answered the call of the masses.

Apple's iTunes service singlehandedly revived the stale recording industry after they realized that users participated in illegal file sharing not always because it was free but because a practical online music purchasing alternative did not exist. Their marketing strategy never sought to convert anyone to digital music downloading; they simply positioned themselves as the first useful alternative to file sharing. It worked to the tune of over 2 billion digital music file downloads in under four years (at 99¢ a piece!).

Also, the open source sensation has created a free software phenomenon that has some of the biggest computer companies on board. High-priced software created enough demand for disruptive technology that software developers began coding for free. Small companies have even utilized open source communities to draw publicity to other proprietary products. The market made a call for free software and innovation is coming after that fact, not before, bringing more useful technologies to the consumer.

These successful technological advancements that made better use of the internet were not thrown together in the garage of techno forty-niners hoping to make a buck off some good idea. Teams of marketing and creative

experts found out first what the markets demanded and carefully molded innovative concepts into effective products.

A sad fact prevails, however: Almost all internet activity is used up in frivolous attempts to push web content to the user, to convert users to new technology, or to live the dream of a dog-product that will never get off the ground. Over 90 percent of small businesses fail in the U.S. after just five years. A similar rate of failed or useless web sites represents today's bulk of online activity.

Technology is wonderfully attractive, but dangerous when substituted for effective marketing strategy. Pushing a big red button that makes everything work right sounds great, but can never be true. And all too often, business owners come to expect that the latest technology can solve all their web marketing woes. When learning the latest buzzwords of the web, many fall into a trap of false belief, thinking that since they have a dot-com, have joined the bandwagon, and know how to technically fix a site to rank high in the search engines, consumers will magically appear clicking all through their site. Dismally, the clicks do not come and the leading experts of search engine optimization get phased out by the next slight shift of online consumer behavior.

FUNDAMENTALS, BUT WITH A TWIST

In 1972, college hall-of-fame head coach LaVell Edwards joined Brigham Young University's football program and literally revolutionized the sport. Never was he known for bringing any trick plays to the game or for developing star players that made it big in the NFL. In fact, his coaching style is known today for its intensely conservative approach to football.

What Edwards did that left such an impact, amid heavy coaching on fundamentals, was make the team's strength a passing one. Instead of looking for star running backs, Edwards recruited quarterbacks and receivers. When most coaches called for a running play on first down, Edwards would pass the ball twenty yards down field. None of these plays were all that tricky or special, in fact, only Steve Young stands out as a recognizable alumnus of Edwards' "quarterback factory." But the timing and use of these fundamental plays proved innovative and changed the sport indefinitely.

Internet marketing is grossly ineffective when site administrators employ the latest trick tactics to gain visitors or trust that a short web analytics stint can solve every sales problem. Just like running the same play over and over, some webmasters pore over analytics data looking for the four-leaf clover. Or, some companies spend thousands of dollars on ineffective search engine optimization tactics as if one trick play can save the day.

All that is needed for web sites to succeed is a return to the fundamentals of marketing, but with a twist. Business owners that look for ways to adjust tried-and-true marketing principles to fit the ever-changing playing field of e-commerce will fare better than those that stick to the latest trend of capturing visitors. They are like calling a play to pass the ball on first down instead of making the predictable move.

E-MARKETING IS JUST MARKETING

Most methods of internet marketing experts today are focused on technological tactics unknown to average webmasters because of rapid innovation. These so-called “SEO professionals” (SEO standing for the term “search engine optimization”) are talented with their craft and can repair damaged web sites in a hurry. But calling in an SEO professional to work on your web site is like hiring an auto mechanic to build you an airplane. Yes, a mechanic can fix cars and maybe even build one, but an engineer is one who is expert at the theory and science behind any vehicle. SEO professionals focus almost exclusively on search engines, a useful albeit single channel for promoting web sites.

This book is designed to deal more with strategic concepts of internet marketing. It deals with concepts from the overall marketing level and addresses how proven fundamentals may be adjusted to meet the rigors of internet change without sticking wholly to tactical methods or trendy practices. Where possible, corroborative research will be used. However, most of the time I rely heavily on practical knowledge of consumer behavior under the assumption that most internet users move rapidly from one point to the next, not surveying products like shoppers that peruse the aisle of a brick-and-mortar store.

We will discuss how the internet has affected for the worse the traditional marketing mix and how a new model can amplify your site’s coverage, increase sales conversion, and reduce production costs. This model does not depart from customary marketing principles, rather accentuates the “passing plays on first down,” the adjustments that move your marketing plan ahead more rapidly.

In the end, e-marketing is just marketing. It is not some special field immune to the rite of passage for effective business. It is not a magic big red button that can bypass effective strategy in the name of cutting-edge technology.

Through the principles explained in this book, your site will be able to withstand the ebb and flow of e-commerce. It will not fall victim to the future crashes of pitiful investments, incomprehensible technology, or flimsy

trends of fleeting web gurus. When competing sites flounder in the guesses of today's latest crazes, your company will reach consumers because of your own custom marketing strategy rooted in the combined wisdom of decades past. ■

SUCCESSFUL INTERNET MARKETING STRATEGY

MARKETING DEFINITIONS VARY BETWEEN CUSTOMER AND COMPETITION perspectives. In most 101 classes, marketing is defined as the sum of business activities designed to provide for customer needs and wants. Some strategists claim that marketing is a type of battle between products in the mind of consumers and that strategy ought to be defined in terms of competitive forces.

Whatever the perspective, one thing is certain of marketing: it is the science behind the sale.

In other words, whenever a sale is made, the activity leading up to the sale to attract and satisfy the consumer, to win over an alternative offering, and, after the purchase, to influence the buyer to return—the sum of all that activity is marketing.

Many marketers understand marketing activity in terms of four elements:

- Product
- Price
- Place (distribution channel)
- Promotion

This framework for understanding marketing activity is referred to as the *Marketing Mix*, or the *four P's*. (In many instances, a fifth element is listed as “Post-purchase” activities. I consider post-purchase behavior a subset of Promotion and will therefore group it with advertising and publicity strategies.)

The product itself, how it's packaged, what functions it may serve, who it's designed to satisfy, and other product considerations could all be regarded as marketing strategies relating to the Product category.

Many times the price of the product is what either attracts or repels the consumer. Whether to lower or raise the price of the product certainly in-

volves financial strategies but price changes always relate to the consumer's response and the sale itself. And lower prices don't always mean more sales. For example, should *BMW* release a line of cars that would sell for the same as *Hyundai*, the result would likely be fewer sales; higher prices relate to the luxury component that makes *BMW*s desirable.

How the product gets into the hands of the consumer affects the sale as well. Going back to the *BMW* example, if *Wal-Mart* began selling luxury cars, many buyers might feel uncomfortable shopping at a discount location for such a high-end product. Detailed distribution strategy is essential to sound marketing strategy.

Lastly, getting the word out is vital to making the sale. At some point the consumer must be informed about the product, where to buy it, and, in all cases, must be persuaded in some measure that the product will satisfy a desire of some sort. Promotional strategy can many times eclipse other aspects of marketing strategy. Every year we find myriad products that are doomed to fail yet persist only because someone is pouring millions of dollars into advertising. Once the funds run out, the product disappears.

PROBLEMS INTRODUCED BY THE INTERNET

The internet introduces some constraints on the marketing mix. Primarily, the internet is just one medium of the Place component. When dealing with the marketing mix, therefore, we are restricting marketing activity to this one channel, which affects all other components of strategy.

Intangible Products

Products on the internet are always intangible, at least while marketing activity takes place. Even when buyers purchase physical goods, they have no way of testing the product tangibly unless by their own volition. A buyer may know that a specific computer model is what he or she wants, and may even physically try out the product prior to making an internet purchase via a store display or a friend's model. But the web site itself cannot provide tangible interaction with the product. In many ways, physical products become treated by the consumer much like intangible services are assessed and bought.

Auxiliary Prices Inevitable

The internet forces tangible products to be delivered by some outside source. Some marketers have attempted to bypass this fact by promoting free shipping and handling offers. And many consumers have come to expect a shipping charge to be applied even when it is never mentioned un-

til final checkout procedures. Regardless, the presence of auxiliary pricing on tangible products cannot be entirely bypassed. Either the firm or the consumer will assume the expense which will affect pricing strategy. With marketing services, auxiliary pricing can be adjusted or left out altogether. But as of yet, no clear solution to auxiliary pricing affecting tangible goods has gotten off the ground.

Instant Notification Vs. Instant Gratification

Purchasing products over the web can be anti-climactic, especially for highly involved decisions. The buyer is able to get instant notification for every step of the process; everything is just a click away. He or she selects the product, enters a credit card number, all in a matter of seconds, and then is told that the product will arrive within a matter of days. Going from seconds to days can be disheartening, and in fact, many buyers avoid e-commerce for that fact.

Online retailers like *Wal-Mart* and *REI*, as well as online car dealers, have helped to improve the problem by accepting the online transaction and making the product available for pick up. However, these methods of distribution frequently require the consumer to make the trip. He or she might as well do the shopping offline in such cases, and many do forego the web site in favor of the tangible shopping experience.

The Online/Offline Advertising Conundrum

When the world wide web got its big boom in the late 1990s, nearly every advertisement was laden with “www” and “dot com” slogans, urging the prospective buyer to someday visit the web site. Yet, many prospects simply forgot the address or got distracted by search engine listings before reaching the site. Offline advertisements for online experiences ended up not doing as well as many ad agencies had hoped. Now, web site addresses have become the status quo, but still, promotional campaigns designed to get people to visit a web site typically have a hard hill to climb before any noticeable results occur.

I remember seeing a rather flashy billboard ad on the side of a very busy freeway. In fact, construction had forced the traffic to nearly a stop, and so I had ample time to digest the ad. In terms of target advertising, the billboard did its job perfectly: the company was an internet-based firm and the ad simply said, “Google ... what?” followed by the web site address. I was clearly interested in such a seemingly audacious headline and decided consciously (a rare thing for most billboard ads which are seen usually in only the blink of an eye, resulting in subconscious consumer behavior) that I would, first thing at work, browse the site. The firm also made an effective move in pub-

lishing a simple address, one that consisted of only four letters: Doba.com.

Doba. Easy enough. Not fifteen minutes later, I sat at my desk and thought, “Now, what was that company’s name...?”

Duba? Nope.

Daba? Nope.

I swear it was Daba... Maybe Daba.net? Nope.

I give up.

And I was a dedicated, techno-savvy consumer. I chuckle at this story now, but in all honesty, it wasn’t until the company removed the headline from the billboard and had it read, simply “Doba.com” in huge black letters against a solid white background that I successfully found the site.

Now, in this case the ad worked: I did end up behaving in the way the firm was hoping. But for all the impressions before I successfully responded to the ad, the marketing activity to get me to act was ineffective. Consumers usually have to exert a moderate to high level of brain power to recall a web address verbatim from scratch minutes or hours after the ad impression was made, an exertion most human beings are not willing to make. And if the site is not remembered verbatim, the user is taken to the wrong location and the whole effort was for naught. In these cases, offline advertising for online responses is expensive and wasteful.

So, how do we promote web sites if not offline? Well, online of course. But online navigation is faster than any other advertising response. The average user spends less than 1.6 seconds reviewing the home page of a site, and even less before making a decision to scroll, click, or do otherwise. Chains of clicks can lead someone off topic in under three clicks on average. Distractions are rampant no matter where the user is browsing. How, then, can we possibly catch the user’s attention if the only thing separating he or she from responding is the glance of the eye? And if one does, in fact, click the ad, one can exit the page as quickly as one got there.

Online promotion isn’t altogether ineffective, but the issues just presented demonstrate limitations of how far we may take our internet promotion strategy.

SEARCH ENGINES, THE ANSWER?

In response to many of these online marketing constraints, many webmasters favor search engines for these reasons:

- Getting listed usually is free.
- Search engines are almost always the starting point for most users.
- Organic results (results obtained from non-paid sources) are more trusted than paid ads.

- Search engines are major thoroughfares for the bulk of internet activity, and as such, can refer high amounts of traffic.
- Users spend more time on sites referred by search engines.

Yes, search engines are highly effective at producing targeted traffic. And, they are all of those things. No web site can expect moderate or better success without passing through search engines at some point. But the door swings both ways:

- Search engines are not perfectly relevant and are updated frequently without notice to improve relevance, necessitating sometimes drastic changes to web sites to maintain ranking position.
- Search engines often take weeks to months to even list your site. For exceptional results, on average, they require years of consistent modifications.
- Algorithms that determine relevance are highly safeguarded by search engine companies. Thus, no one outside the company knows positively every factor that will improve rank.
- Sites compete over search engines more easily than offline. For most keywords, small businesses are unable to segment themselves away from bigger companies without incurring substantial expenses that they are unable to afford.

Search engines are definitely *one* answer to improving marketing strategy online, but clearly not *the* answer.

MEASURING MARKETING SUCCESS ONLINE

Understanding the limitations of the traditional marketing mix when doing business online helps to curb out losses. For all these negative aspects of internet marketing, there are ample positives that surely make taking your business to the web worth it. One major contribution of the speed and accessibility of the internet to online marketing is how easily success can be measured.

Recall that our definition of marketing is any and all activity designed to facilitate and effect a sale. Marketing success, then, can be expressed in terms of sales: the higher the sales, or the profits gained from sales, the more effective the marketing strategy. Since the internet is just one channel of activity, all sales can be expressed thus:

$$\text{Traffic} \times \text{Conversion Rate} \times \text{Average Sale Price} = \text{Revenue}$$

In one way or another, all marketing activity will affect either the number of unique visitors that browse the site (traffic), the number of visitors