Electronic Commerce means Dynamic changes in Consumer Perspectives
Online Shoppers and Buyers

Did not shop or buy online
14%

Buy online
70%

Research, shop online but did not buy
16%

SOURCE: Based on data from eMarketer, Inc., 2009b.
HOW DO FORD & DELL DIFFER IN INTERNET CONSUMERS

Is there a difference concerning customers?
What future for Ford Internet sales?
PRESSURE FROM INTERNET OPPORTUNITIES
<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uneasy about online credit card use</td>
<td>44%</td>
</tr>
<tr>
<td>Concerns about privacy of data</td>
<td>42%</td>
</tr>
<tr>
<td>Shipping charges</td>
<td>37%</td>
</tr>
<tr>
<td>No need to purchase online</td>
<td>33%</td>
</tr>
<tr>
<td>Prefer to touch and feel product before purchase</td>
<td>32%</td>
</tr>
<tr>
<td>Returning a product too difficult</td>
<td>27%</td>
</tr>
<tr>
<td>Not seen anything online interested in buying</td>
<td>21%</td>
</tr>
</tbody>
</table>

Table 6.6, Page 362

What Consumers Buy Online

Figure 6.6, Page 361

SOURCES: Internet Retailer, 2009a; eMarketer, Inc., 2009b; authors’ estimates.

Slide 6-6
Intentional Acts: How Shoppers Find Vendors Online

- 37% use search engines
- 33% go directly to site
- 17% use comparison shopping sites
- 15% use product rating sites

Online shoppers are highly intentional, looking for specific products, companies, services
The Consumer Decision Process and Supporting Communications

<table>
<thead>
<tr>
<th>MARKET COMMUNICATIONS</th>
<th>Awareness—Need Recognition</th>
<th>Search</th>
<th>Evaluation of Alternatives</th>
<th>Purchase</th>
<th>Post-purchase Behavior—Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline Communications</td>
<td>Mass media</td>
<td>Catalogs</td>
<td>Reference groups</td>
<td>Promotions</td>
<td>Warranties</td>
</tr>
<tr>
<td></td>
<td>TV, Radio</td>
<td>Print ads</td>
<td>Opinion leaders</td>
<td>Direct mail</td>
<td>Service calls</td>
</tr>
<tr>
<td></td>
<td>Print media</td>
<td>Mass media</td>
<td>Mass media</td>
<td>Mass media</td>
<td>Parts and Repair</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales people</td>
<td>Product raters</td>
<td>Print media</td>
<td>Consumer groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Product raters</td>
<td>Store visits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Communications</td>
<td>Targeted banner ads</td>
<td>Search engines</td>
<td>Search engines</td>
<td>Online promotions</td>
<td>Communities of consumption</td>
</tr>
<tr>
<td></td>
<td>Interstitials</td>
<td>Online catalogs</td>
<td>Online catalogs</td>
<td>Lotteries</td>
<td>Newsletters</td>
</tr>
<tr>
<td></td>
<td>Targeted event promotions</td>
<td>Site visits</td>
<td>Site visits</td>
<td>Discounts</td>
<td>Customer e-mail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Targeted e-mail</td>
<td>Product reviews</td>
<td>Targeted e-mail</td>
<td>Online updates</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>User evaluations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 6.3, Page 355
Is Pricing Our Advantage?

Average Discount to List Price

- **Buy.com**: 33%
- **Amazon.com**: 18%
- **Barnes & Noble.com**: 17%

*Web sites, GS Research.*
MEETING CONSUMER EXPECTATIONS

FREELOADER’S ROLE

PERCENTAGE OF CUSTOMERS WHO CARE ABOUT ATTRIBUTE

<table>
<thead>
<tr>
<th>ATTRIBUTE</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Support</td>
<td>65%</td>
</tr>
<tr>
<td>On-time Delivery</td>
<td>58%</td>
</tr>
<tr>
<td>Product Shipping &amp; Handling</td>
<td>49%</td>
</tr>
<tr>
<td>Product Content</td>
<td>49%</td>
</tr>
<tr>
<td>Privacy Policies</td>
<td>45%</td>
</tr>
<tr>
<td>Ease of Ordering</td>
<td>24%</td>
</tr>
<tr>
<td>Product Information</td>
<td>24%</td>
</tr>
<tr>
<td>Web Site Navigation &amp; Locks</td>
<td>23%</td>
</tr>
<tr>
<td>*Product Selection</td>
<td>22%</td>
</tr>
<tr>
<td>Product Price</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: JP Morgan Report: eetailing and the five Cs
**Emotional Technology**  “Buy me because through incorporating technology I am better on some powerful but specific functional criteria such as lower price or lower weight” (as seen in the netbook’s list of features); iphone apps

**Cultural Innovation**  “Buy me because through better marketing awareness of customer needs I am able to make you feel special in some important non specific non functional way such as the elegance and lack of clutter associated with the Apple Computer brand, the beauty of the Asus netbook’s exterior finish or integrated ease of use, or the playfulness of some Asian cell phone packaging”.

---

**PRODUCT DESIGN ADD - VALUE**

![Diagram showing the relationship between Emotional Technology, Cultural Innovation, OBM, ODM, and OEM in the context of value orientation and production orientation.](image-url)
THE LONG TAIL OF ECOMMERCE
Do Firms Compete on value Propositions or Value Clusters?

Value Proposition

- target segment
- focal customer benefit
- unique capabilities

Defines how a company’s product or service fulfills the needs of customers
  - Why will customers choose to do business with your firm?
  - What will your firm provide that others do not or cannot?

Examples of successful value propositions:
  - Personalization/customization
  - Reduction of product search, price discovery costs
  - Facilitation of transactions by managing product delivery
OK – What customers do we want?

**Actionable segmentation:** Segmentation must be consistent with how a company can go to market, and must be able to be sized and described.

**Meaningful:**

- easy to identify
- readily reached
- described in terms of their growth, size, profile and attractiveness
### SEGMENTATION APPROACHES

<table>
<thead>
<tr>
<th>Segmentation Type</th>
<th>Description</th>
<th>Examples - Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic</td>
<td>Divides the market into different geographical units</td>
<td>Country / Region / City</td>
</tr>
<tr>
<td>Demographic</td>
<td>Divides the market on the basis of demographic variables</td>
<td>Age, Gender, Income</td>
</tr>
<tr>
<td>Firmographic</td>
<td>Divides the market on the basis of company-specific variables</td>
<td>Number of Employees, Company Size</td>
</tr>
<tr>
<td>Behavioral</td>
<td>Divides market based on how customers actually buy and use the product</td>
<td>Website Loyalty, Prior Purchases</td>
</tr>
<tr>
<td>Occasion (Situational)</td>
<td>Divides market based on the situation that leads to a product need, purchase or use</td>
<td>Routine Occasion, Special Occasion</td>
</tr>
<tr>
<td>Psychographic</td>
<td>Divides market based on lifestyle and / or personality</td>
<td>Personality (laid back, type A), Lifestyle</td>
</tr>
<tr>
<td>Benefits</td>
<td>Divides market based on benefits or qualities sought from the product</td>
<td>Convenience, Economy, Quality</td>
</tr>
</tbody>
</table>
2011, 87% of all teens - 44% of all younger kids will be online more than half will frequent digital worlds. visit virtual online environments e.g. Disney’s Club Penguin.
Welcome
The Wondrous World of Chevron Cars

Play Games
Free online car games. Fun classic, arcade and puzzle games for kids and adults. Check out the

Toy Store
Find all available Chevron Cars including Brent Blizzard. Check out our 50% off sale, with cars as

Meet the Cars
Get to know all 50 lovable Chevron Cars launched since 1996. Get to know them and the
Value Proposition

- target segment
- focal customer benefit
- unique capabilities

**CLUSTERS IS WHERE INTERNET HAS ADVANTAGE**

**METRIC DATA COLLECTION**

Value Cluster

- multiple target segments
- combination of customer benefits
- unique capabilities
Data Mining and Personalization

- Measuring customer response
- Delivery and presentation of personalized information
- Matchmaking
- Building customer profiles (data mining)
- Collecting customer data

Figure 6.13, Page 382

SOURCE: Adomavicius and Tuzhilin, 2001b ©2001 IEEE.

Slide 6-19
Figure 4.17: E-Commerce Web Site Features That Annoy Customers

DESIGN ISSUES TO CONSIDER
Designing for Accessibility

- Section 508 - 1998 REHABILITATION ACT

- Why are merchants reluctant to make their sites accessible to disabled Americans?

- How can sites be made more accessible?

- Should all Web sites be required by law to provide “equivalent alternatives” for visual and sound content?

- 2006 TARGET CASE – ADA DOES APPLY
7 Cs of design and Customer Interface

**Context**

*Site’s layout and design*

**Content**

*Text, pictures, sound and video that web pages contain*

**Commerce**

*Site’s capabilities to enable commercial transactions*

**Community**

*The ways sites enable user-to-user communication*

**Connection**

*Degree site is linked to other sites*

**Customization**

*Site’s ability to self-tailor to different users or to allow users to personalize the site*

**Communication**

*The ways sites enable site-to-user communication or two-way communication*
Hello, Yannis Dosios. We think you will like these items.

### In Books
  - Average Customer Rating: ★★★★★

### In DVD & Video
- **Monty Python's Flying Circus: Set 1, Episodes 1-6** DVD
  - ~ John Cleese
  - Average Customer Rating: ★★★★★

### In Music
- **Buena Vista Social Club**
  - ~ Ry Cooder, et al.
Context ARCHETYPES - Design

Look and Feel

- Section Breakdown
  - Linking Structure
  - Navigation Tools
  - Site Performance
  - Aesthetics
  - Color Scheme
  - Visual Themes

- Context Archetypes form and function
  - Aesthetically Dominant:
  - Functionally Dominant:
  - Integrated: Balance of form and function.
FUNCTIONAL DOMINATE

THE BizTech Network

Enter keyword: [ TABLE OF CONTENTS ]. Click Here for Choices

- Search Options, Examples
- View Site Map
- Help & FAQs
- Make this your Start Page
- Join the Network
- Sign the Guestbook
- Add @Brint.com to Your Site
- Tell a Friend

E-Business

Business
- Society
- Home
- Computer
- Reference
- Shopping

Knowledge Management

News
- Regional
- Games

General Business

Health
- World
- Art
- Science
- Travel
- Sports

YOUR SURVIVAL NETWORK FOR THE BRAVE NEW WORLD OF BUSINESS

Friday, December 10, 1999

Join millions of users from six continents!!

Global Community Network

JOIN THE NETWORK of the worldwide community of @Brint.com and get FREE access to resources and special offers for success and performance in the new world of business. It's Free & Easy!!

Network Member Services

- Our Global Community of Users
- E-zine: In depth Reports & Articles
- Online 24x7 Discussion Forums
- Global Events, Conferences & Expos
- Books: Bestsellers & Others
- For Authors & Speakers
- Jobs at Big4, Fortune 1000, IPOs
- $1000s in Free Raflles for Success, Don't Miss

Congratulations to winners of $15,500+ Raflle!
Aesthetic Dominate – KMGI.COM

A LEADER IN INTERESTING WEB DESIGNS
INTEGRATED APPROACH – PATAGONIA.COM

Exhibit 6-7: Integrated Approach Example — Patagonia.com
CONTENT: MULTIMEDIA, TEXT, PICTURES, ETC.
WHAT IS A COMMUNITY AND WHY DEVELOP ONE?
Community Archetypes

- Club
- Theme Park
- Theater
- Bazaar
- Café
- Shrine
Bazaar: users wander through a vast number of interest areas but does not provide means for users to interact with one another
**Theme Park:** finite interest areas organized by categories. Sites host a number of communities where members interact with one another speakout.com
**Club:** Focuses on one area of interest, promotes considerable interaction among members
gillettecancerconnect.org
Theater: particular area but allows for moderate interaction among members  ifilm.com
Café: common area of interest provides considerable interaction among members  bolt.com
**Shrine:** Exhibits extreme enthusiasm a common object minimal interaction between members [elvis.com](http://elvis.com)
COMING UP NEXT:
metrics for online businesses
Current Challenges to Specifying
Meaningful Metrics

WHAT ARE THE TYPES OF THINGS YOU WANT TO KNOW ABOUT YOUR CUSTOMERS AND SITE?

http://www.sports.co

Whose your market? Wants? Interests? Products?
SITES USE METRICS FOR CUSTOMIZATION

METRICS – COMPANY USE

METRICS – FOR CONSUMER USE
A Model of Online Consumer Behavior

- Clickstream factors include:
  - Number of days since last visit
  - Speed of clickstream behavior
  - Number of products viewed during last visit
  - Number of pages viewed
  - Supplying personal information
  - Number of days since last purchase
  - Number of past purchases

- Clickstream marketing
Web Transaction Logs

- Built into Web server software
- Record user activity at Web site
- WebTrends: leading log analysis tool
- 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 Web Bugs

Cookies:

- Small text file Web sites place on visitor’s PC every time they visit, as specific pages are accessed
- Provide Web marketers with very quick means of identifying customer and understanding prior behavior

Web bugs:

- Tiny (one pixel) graphic files embedded in e-mail messages and on Web sites
- Used to automatically transmit information about user and page being viewed to monitoring server
Insight on Society
Marketing with Web Bugs
Class Discussion

- Are Web bugs innocuous? Or are they an invasion of personal privacy?
- Do you think your Web browsing should be known to marketers?
- What are the different types of Web bugs?
- What are the Privacy Foundation guidelines for Web bugs?
- What protections are available?
AIRFRANCE - THE IMPORTANT METRICS?
WHAT ARE THE ISSUES
WHAT ARE THE METRICS
Metasearch Engine—Kayak

- Kayak searches airline and travel websites to offer best deals
  - Differentiated from Orbitz, Expedia, and Travelocity because those companies pre-purchase inventory
- Search and clickstream data not integrated with DoubleClick
- Aggregate performance indicates 0.8% CTR higher than airline industry average
- Extrapolate weekly report to improve performance
Summary and Key Takeaways

- Increasing funding with a high probability of booking/low CPC publisher will have greatest impact on net revenue and ROA
- Low booking probability/low CPC publishers should be targeted for copy improvements
- Copy improvements that increase CTR and/or TCR will have the second greatest impact on net revenue and ROA
- High booking probability/high CPC publishers should be targeted with tactical campaign changes indicative of high ROA campaigns
Meaningful Metrics

WHAT ARE SOME MEANINGFUL METRICS?

WHY?

AND WHAT DO WE DO WITH THE INFORMATION?
Marketspace Offering Metrics
Reflect the entire decision process from pre-purchase to post-purchase. Focus more on the nuts-and-bolts features, attributes and functionality of the site.

Resource System metrics
Benefits offered to consumers. From these benefits, the firm would analyze the capabilities that are necessary to supply the benefits.
Meaningful Metrics

Measurements for Evaluating Traffic

Percentage Online Users Visit a Specific Site (Reach)
Duration of Customer Visits
Frequency of Customer Visits
Visits Resulting in a Purchase (Conversion Rate)
Number of Customers
Growth in Customer Base
Customer Acquisition Costs
Revenue per Active Customer
Revenue Repeat Visitors and Frequency of Purchase
Inventory Turns
Massive Data is Confusing and Overwhelms.

• Numbers and information generated to measure/monitor online commerce overwhelms.

• There is no one statistic that provides insights for e-merchants to evaluate performance/adjust strategies. D

• Data must be evaluated to appreciate what is/not working. Benchmark results against key competitors, segment by individuals & perform trend analysis to discount the impact of short-term promotions and seasonality.

• E-retailers know limits of metrics and not alter strategies to produce attractive numbers
The End of The Day
Measurements for Evaluating Traffic

The Internet provides online retailers with a wide array of measurements for evaluating traffic, performance and the effectiveness of business strategy. Data gathered on traffic and shopping patterns can provide valuable feedback to allow e-tailers to evaluate and fine-tune their businesses as they evolve. Not all metrics are meaningful, however and the misinterpretation of some measures can lead online businesses astray. The following metrics are commonly tracked.

Site Traffic

Site traffic is important because every visit is an opportunity to capture a transaction. However, it is also important to ascertain why visitors are coming. They may be attracted by one-time promotions or may be surfing and not buying. Very large traffic percentage increases are easier to achieve when the site is first initiated. Gradual and sustained increases in traffic over time often are indicative of a site that has established a successful online strategy, and its customer base may include a higher percentage of repeat buyers.
Percentage Online Users Visit a Specific Site (Reach).
This helps e-tailers determine if the increased traffic is site-specific or just due to an overall increase in Internet usage. It also helps to assess how well known the Web site is relative to competitors. This is not a proxy for market share, since visitors may not necessarily be buyers.

Duration of Customer Visits.
Customers who spend more time one the site are typically more engaged and more likely to become shoppers. E-retailers need to develop content and site designs that attract and hold visitors for longer periods.

Frequency of Customer Visits.
This measurement provides insight on the attractiveness of the site, the value of content provided to customers and customer loyalty. Visitors who have a pleasant experience are more likely to come back and eventually shop. Jupiter Research reports that 76% of consumers visit two or more sites before making a purchase, and 49% visit three or more sites.
E-tailer acquiring loyal customers or driving transactions.

Promotions and discounts can bring in customers but, with the ease of comparison-shopping on the Internet, these customers may leave when the offer expires. Building customer loyalty is an important component in a successful business strategy. Some products and services require a higher level of visits before a purchase is made. (includes travel purchases and high-cost items).
Number of Customers (Customers Base).
This figure often is cited by online retailers as a measure of their success in attracting business. However, it is ambiguous because it does not convey the number of active customers or repeat customers. Customers who have bought only once are included in the customer base even if they never shop there again. Some companies report “registered users,” that is, those who have provided personal information, but may never have shopped. Also, scale alone will not ensure profitability if e-retailers are luring customers with discounts and promotions. Large increases in the customer base, therefore, may not be an accurate comparative measure.

Growth in Customer Base.
Growth in the number of customers is a factor of advertising dollars and the effectiveness of marketing and promotion.
Origin of Visitors and Purchasers.
Monitoring traffic log files and click-through rates can help to determine the source of interested visitors and help to assess the effectiveness of referral programs advertisements on other sites. E-retailers need to know how much portals and affiliates are aiding in customer acquisition and retention.

Customer Acquisition Costs.
Marketing costs need to decline to a level at which they can be funded from operations, if businesses are to achieve long-term profitability. This has not been the experience of many online merchants that continue to spend heavily to drive traffic to their sites. Initially high customer acquisition costs are inevitable in order to build awareness and attract customers. Some sectors, like groceries, have higher average customer acquisition costs than others.

Revenue per Active Customer.
The decline in the marketing cost per customer relative to the revenue per customer is an indication of marketing and merchandising effectiveness. Revenue per customer is also a reflection of the effectiveness of converting browsers to buyers, the number of repeat visitors and the average order price.
Average Order Size & Number Products per Transaction

The growing number of online shopper will put downward pressure on average order sizes in the near term as more merchants come online and increase competition, new entrants rely on price discounting to attract customers, and more consumers with lower incomes shop online. However, increased familiarity with products, the addition of new categories and improved cross-selling techniques should boost revenue per active customer over time.

Number of Repeat Visitors.

This is an indication customer loyalty and is essential for long-term viability. Repeat customers convert to purchasers at a far higher rate than first-time customers do. Churn rate, which is the percent of the customer base that does not return to shop in a given period, is an indication of the number of customers who are being lured away by competitors.
Revenue Repeat Visitors and Frequency of Purchase.

The most loyal customers come back most often and buy from multiple categories. They also refer friends to the site. Focusing on repeat customers and building loyalty is the most important step an online retailer can take.

Revenue Growth.

Sales growth often is used to value an online company. Growth in revenue is a reflection of a number of factors including percent of repeat customers, ticket size and frequency of orders.

Gross Profit Per Order.

This measure allows the merchant to determine if he is covering his average customer acquisition expenses after promotions (including free shipping) and discounts. As a company matures, it must shift focus to concentrate on performance metrics if it is going to toward profitability.
Inventory Turns.
inventory the online merchant’s highest cost. Critical business turn inventory as quickly as possible. High volume of Internet traffic & scalability of online operations allow online retailers to turn much faster than offline competitors.

Customer Service Response Time.
Online sellers provide more than low prices. Can build loyalty by enhancing customer service. One way -provide feedback to customers through customer call centers. Customer response time one measure of program effectiveness.

Massive Data is Confusing and Overwhelms.
Numbers and information generated to measure/monitor online commerce overwhelms. There is no one statistic that provides insights for e-merchants to evaluate performance/adjust strategies. Data must be evaluated to appreciate what is/not working. Benchmark results against key competitors, segment by individuals & perform trend analysis to discount the impact of short-term promotions and seasonality. E-retailers must know limits of metrics and not alter strategies to produce attractive numbers (reducing scale to improve conversion rates or increasing promotions to inflate sales).
Exhibit 6-20: Drill Down - Focus vs. Interactivity

FOCUS

Bazaar

Theme Park

Mall

Non-equilibrium state: Successfully-managed communities will move toward higher levels of interaction

Games.yahoo.com

Contact Consortium.com

VoxCap.com

Bolt.com

leonardodicaprio.com

iFilm.com

Women’s Cancer Connection

Trace.com

INTERACTIVITY
Customization

- Customization refers to a site's ability to tailor itself to each user or to be tailored by the user

- Dimensions of Customization
  - **Personalization**: The user initiates and manages the customization process
  - **Tailoring by site**: Software dynamically publishes unique versions of the site to address specific user's interests, habits and needs more appropriately
    - Tailoring based on past user behavior
    - Tailoring based on behavior of other users with similar preferences
Welcome To FreeMerchant

The Best Place to Build, Run and Promote Your Online Store

If you've got a brilliant idea, FreeMerchant is the perfect way to set up an online storefront or improve the one you've got.

Whether you've got big expansion plans or you're happy working out of your garage, FreeMerchant has a package to suit your needs.

About Us | Privacy Policy | Investor Relations | Career Opportunities | Contact Us
Traded on OTC: NWKC.OB Copyright © 2001 Network Commerce Inc.
Customization (Cont’d)

- **Customization Archetypes**
  - *Personalization by User*: Enables the user to modify site content and context based on consciously articulated and acted-upon preferences
  - *Tailoring by Site*: Enables the site to reconfigure itself based on past behavior by the user or by other users with similar profiles
Exhibit 6-21: Personalization by User Example — MYLOOK.COM
Communication

- Communication refers to the dialogue between a site and its users

- Dimensions of Communication
  - *Broadcast*: One-way information exchange from organization to user. Broadcast communication can be in the form of mass mailing, FAQ, e-mail newsletters, content-update reminders and broadcast events
  - *Interactive*: Two-way communication between the organization and a user. Interactive communication can be in the form of e-commerce dialogue, customer service and user input
  - *Hybrid*: Combination of broadcast and interactive communication
Communication (Cont’d)

- **Communication Archetypes**
  - **One-to-Many, Non-Responding User**: Site messages are announcements that users receive without needing to respond
  - **One-to-Many, Responding User**: Site messages are invitations to users to submit their comments and responses
  - **One-to-Many, Live Interaction**: Information is exchanged back and forth in real time
  - **One-to-One, Non-Responding User**: User receives personalized messages to address specific interests or needs without a need to respond
  - **One-to-One, Responding User**: User responds to personalized messages sent by the site
  - **One-to-One, Live Interaction**: Site sends and receives personalized user messages in real time
Exhibit 6-24: One-to-Many, Responding User Example — BIZRATE.COM

Go Shop at Patagonia

Store Description

The Patagonia online store offers a wide variety of outdoor wear designed for specific outdoor sports activities and also casual wear. Customers can shop the site by activity (biking, snowboarding, climbing, etc.) or by product (jackets, pants, footwear, surfboards, etc.). The site also features a guide where customers can have their questions answered by qualified Patagonia employees.
Exhibit 6-25: One-to-Many, Live Interaction Example — Accrue 2000 Web Seminar

Seminars

January 19, 1999

Paving the way for e-tailing and "Clicks-and-Mortar" profitability

Profitability and e-commerce should not be contradictory ideas, yet in practice they have proved elusive. Inside every loss-making e-commerce site is a profitable business waiting to be uncovered. Accrue invites you to learn how driving factors in one-to-one customer relationship management can be applied to Web-based retailing via advanced data mining techniques.

- North America Sessions
  - 9:00 a.m. PST (click here to register)
  - 11:00 a.m. PST (click here to register)
Exhibit 6-26: One-to-One, Responding User Example — AMAZON.COM

CREATIVE LABS NOMAD II DIGITAL AUDIO PLAYER

Price: $304.99 (plus $8.00 fee: $10.00)
Seller: guilt: ★★★★★ (2) saw comet's other listing
Location: Emeryville, CA, United States
Quantity: 75

Accepted Payment Methods: Amazon.com Payments (Visa/MC/American Express), PayPal, Personal Check, Money Order, Wire Transfer
Shipping Terms: Buyer pays shipping, will ship internationally

Item Description

Details
NOMAD II DIGITAL AUDIO PLAYER RETAIL PRICE $329 OUR PRICE $299 YOU SAVE $24.00 • Elite digital audio player! • 64MB storage, backlit LCD • Built-in FM tuner, USB From Creative, the leader in PC audio, comes the next generation portable digital audio player — NOMAD II. This compact, non-mechanical player is designed for crystal clear, slip-free digital audio no matter where you take it. Designed to be the next generation portable digital audio platform, the NOMAD II features a reprogrammable firmware to support multiple digital audio formats and software upgrades. With a 64MB SmartMedia Flash memory card, it lets you enjoy hours of CD-quality audio and 6 hours of voice recording. And it is the first portable digital audio player that offers you a built-in FM tuner that chooses up to 30 preset stations.
Exhibit 6-27: One-to-One, Live Interaction Example — LIVEPERSON.COM

Chat with Tracey

Tracey: Besides text, LivePerson operators can send more complex information, such as links, like this one

Leo: It would be interesting to see any other capabilities.

Tracey: Is there anything else I can do for you?

Leo: Name: Leo Griffin Company: Monitor Marketspace Center Address: 100 Wilshire Blvd, Santa Monica CA 90404 Email: leo_griffin@monitor.com

Tracey: Would you like to see an example of some of our other capabilities?

Tracey: I see.

Leo: Yes - I read about you in the I Standard I think

Tracey: If you would like more information, Leo, please leave us your name, company, phone# and email.

Tracey: Sure.

Leo: I am interested in getting some literature on your service

Tracey: Is this your first visit to LivePerson.com? How did you hear about us?

Tracey: Hi there, Leo. What can I help you with today?
Connection with Other Businesses

- Connection is the degree to which a given site is able to link to other sites

- Dimensions of Connection
  - Links to Sites: Links that take the user completely outside the home site and into a third-party site
  - Home Site Background: Links that take the user to a third-party site, but the home site is noticeable in the background
  - Outsourced Content: The site content is derived from third parties
  - Pathway of Connection: Refers to the links to access additional information
    - Pathway-out - links cause the user to completely exit website
    - Pathway-in - links cause the retrieval of material from the same or other sites without exiting the current website
Connection Archetypes

- **Destination Site**: Provides almost exclusively site-generated content with very few links to other sites.
- **Hub Site**: Provides a combination of site-generated content and selective links to sites of related interests.
- **Portal Site**: Consists almost exclusively of links to a large number of other sites.
- **Affiliate Programs**: Directs users to affiliated websites through embedded links.
- ** Outsourced Content**: Contains content generated by third parties.
- **Meta-Software**: Utilities and Plug-in software applications created to assist user in narrowly defined tasks.
Exhibit 6-28: Destination Example — NYTIMES.COM

Israel and Palestinians Agree On West Bank Land Transfer

Israel and the Palestinians broke a deadlock in peacemaking on Tuesday, agreeing to carry out a long-delayed transfer of Israeli-occupied West Bank land. Go to Article

Invoking Legacy of Reagan, Elizabeth Dole Endorses Bush

Asserting that the Texas governor would restore trust to the White House, Elizabeth Dole endorsed George W. Bush for the Republican presidential nomination. Go to Article

Stocks Slump on Wall Street Amid Interest Rate Concerns

Stocks slumped in Tuesday trading on fears of rising interest rates with Internet, financial, retailers, gold and telecommunications shares leading the slide. Go to Article

INTERNATIONAL
Ruling Party Suffers Defeat in Croatian Election

ARTS
Santana Leads Grammy Nominees

INTERNATIONAL
Former German Chancellor Urged to Quit Politics
Exhibit 6-30: Portal Example — YAHOO.COM
Exhibit 6-31: Affiliate Program Example — ONHEALTH.COM and PROFLOWER.COM
Exhibit 6-32: Outsourced Content Example — REAL.COM
Exhibit 6-33: Meta-software Example — R U SURE.COM

This is a simplified R U sure network of software products.

Palm: The Palm Pilot operates in this environment.

The Palm Pilot should be able to communicate with the
Meta-software network to share information.

The Meta-software network should be able to pop up if
the Palm Pilot did not support other network services.
- Commerce refers to the sale of goods, products or services on the site.

- **Dimensions of Commerce**
  - *Functional tools that are the commerce-enabling features of a website*
    - Registration
    - Shopping Cart
    - Security
    - Credit-Card Approval
    - One-Click Shopping
    - Orders Through Affiliates
    - Configuration Technology
    - Order Tracking
    - Delivery Options
Commerce (Cont’d)

- **Commerce Archetypes**
  - *Catalog Pricing*: The price of goods and services are preset by the seller
  - *Auction Pricing*: Buyers bid against each other, and the highest bid wins the supplier's products or services
  - *Reverse-Auction Pricing*: Sellers bid against each other, and the lowest bid wins the buyer's business
  - *Demand-Aggregation Pricing*: Buyer demand for specific products is aggregated in order to achieve economies of scale
  - *Haggle Pricing*: Buyer and seller can negotiate over price
Exhibit 6-34: MarketWatch.com Site

Market shakes Cisco fears
Nasdaq strengthens late, taking on 2%; Dow up 0.4%

Fed rate cut hopes trumped profit growth worries Monday as stocks had a late session rally, more Silicon Stocks: Cisco vs. optimists

Disney will take $750 million charge to unplug Go.com, its star-crossed portal, more List ten ABN Amro comments

Stocks
Cheering InfoSpace, the Internet company topped analysts' profit view, Plus: Gateway founder named CEO

Software
Agile move: Anks paying $2.6 billion, a premium, for Agile, more Listen: Agile CEO & Portal Software AOL post

Auto
Carmaker slashes payroll: DaimlerChrysler to cut work force by 20 percent, also: Lessons for investors

Gates' last stand
Microsoft, Oracle, and Cisco on the move

Commentary
Online Customer Service

- Provided in conjunction with online sales
- Provided to products which are sold offline
- Example: service and support homepage of Hewlett Packard (HP)
- By using computer telephone integration (CTI) technology, the same screen that a customer sees can be automatically displayed to the human agent (and vice versa) who responds to the customer’s call watching the online data about the customer
- Does it matter if it is B2B or B2C?
Active Electronic Intermediaries

- **Pure Emall * List of Emalls** *(cybermall.com)*
  - Company’s retailing business exists only on the Internet
  - Electronic distributors
    - take full responsibility of fulfilling orders and collecting payments
- **Electronic brokers**
  - assist the search process of finding the appropriate products and their vendors *Internet Mall* and *imall* comparison agent
  - Partial electronic mall
- **Electronic mall as one of existing distribution channels**
Active Electronic Intermediaries

- Generalized Electronic Intermediaries

Examples: Internet Mall and imall comparison agent Compare.net

directory, keyword search engine, message encryption, optional Web site hosting service and a common platform of electronic payments

Necessary factors to make shopping successful
- Screening quality and reliability for assurance
  - customers need a reliable screening capability of quality and reliability of brands and companies
  - e-brokers should create a trusted third party

Competing electronic channels
- several electronic channels help in finding the items needed
  - e-brokers should provide some differentiated attraction
Active Electronic Intermediaries

- Specialized Electronic Distributors

Cyber Bookstores
- Amazon, Barnes and Noble
  - BestBookBuys.com

Cyber CD Stores
- Columbia House, Music Boulevard, CD Universe, and CDNow

Digitized Products and Services Stores
- Software, games, CDs, and videos

Cyber Flower Stores
- 1-800-FLOWERS
  - These Can Run into Competition from .coms like Buy.com
Reactive Moves: Electronic Department Store

The J.C. Penney Case

The Internet-based revenue amounts to only 1 to 2% of $30.5 billion total sales of 1997 (3.5% in 1999)

Updating prices and adding new items to the electronic catalogs is convenient and inexpensive
Overcoming the limitations of paper catalogs without incurring extra distribution cost
Different Way to go Internet Shopping: The Consumer’s Perspective

- Preliminary requirement determination to meet the needs
- Search for the available items that can meet the requirements RE: AskJeeves
- Compare the candidate items with multiple perspectives: specification, price, delivery date, and other terms and conditions RE: Best Book Buys and Compare.net
The Impact of EC on Traditional Retailing System

- **Disintermediation and Re-intermediation**

  **Disintermediation** — Removal organizations or business process layers responsible for steps in a given value chain

  Eliminating the traditional intermediaries, such as wholesalers, distributors, and retailers, to reduce the cost

  **Re-intermediation** — Shifting/transfer of intermediary functions rather than complete elimination

  Intermediation such as electronic shopping malls, directory and search engines, comparison aids/agents function as re-intermediation
The Impact of EC on Manufacturer’s Distribution Strategy Retailing System

• Manufacturer’s monopolistic Internet-based distribution:
  • Levi’s does not allow any one else to sell the Levi’s product on the Internet (policy changed in 1999).
  • Delta ticket policy changed 2001.

• Coexistence with the dealers:
  • Case in car distribution.

• Regionally mixed strategy:
  • Nike sells on the Internet, but only in the U.S.A.

• Mass Customization for Make-to-Order:
  • Manufacturers to be adaptive to customized orders manufacturer should be ready for mass customization.
WHAT DO WE KNOW ABOUT BUY.COM?

WHAT ARE SIMILARITIES / DIFFERENCES BUY.COM AND ONLINE STOCKBROKERS THAT CHARGE MINIMAL FEES?

IN WHAT WAYS WILL DISTRIBUTORS SUCH AS INGRAM MICRO BE CHANGED?

WHY DOES A COMPANY LIKE NOKIA NEED BUY.COM?

SOFTBANK A CONSERVATIVE JAPANESE INVESTMENT FIRM INVESTED $20 MILLION FOR 10.5% BUY.COM GOOD IDEA?
ON TO
INTERNET CONSUMERS
Chapter 7: Market Communications and Branding

Questions answered in this chapter:

- What are the four categories of market communications?
- What is a good brand?
- What is a 10-step branding process?
- How does online branding compare between American Airlines and Continental Airlines?
- What are the point-counterpoint arguments for leveraging an offline brand into the online environment?
Integrating Communications and Branding

- **Branding** is about consumer’s perception of the offering—how it performs, how it looks, how it makes one feel, and what messages it sends

- **Market communications** represent customers’ interaction with the brand and, more generally, mass-marketing approaches
  - In the offline world, market communications tend to be one-way, from the firm to the customer
  - In the online world, market communications become much more interactive (two-way)
Communications and brands are the media of which the Web is made

- Old marketing notions—“shelf space equals market share” in retail, or “mind share leads to market share” in entertainment
- On the Internet, mental space is market space
- If brands are real estate owned by companies in the minds of consumers, then communications and brands on the Web represent real estate competing to attract the scarcest resource in the new economy—consumer attention
What are the Four Categories of Market Communications?

- Market communications refers to all the points of contact that the firm has with its customers:
  - General online communications
  - Personalized online communications
  - Traditional mass media communications
  - Direct communications
Decision stages of the buying process:

- **Brand awareness** and **product consideration** can be communicated through television ads, general interest magazines, web banners.
- **Product preference** can be fostered through niche magazines and company websites.
- **Purchase decisions** can be triggered by point-of-sale promotions, direct marketing, daily specials, sweepstakes, and first-time order incentives.
- **Brand loyalty** can be developed through product experience, buyer’s clubs, e-mail alerts, newsletters.
Exhibit 7-1: Evolution of Customer Buying Process

Buying Process

[Flowchart showing the evolution of customer buying process]

Traditional Market Communication
- Television ads
- General interest magazines

Early Web Market Communication
- Buttons
- Banners
- Sponsorships

Awareness
- Television ads
- General interest magazines

Consideration
- Television ads
- General interest magazines

Preference
- Niche magazines
- Collateral

Purchase
- Point-of-sale promotions
- Direct marketing

Loyalty
- Product experience
- Buyers' clubs

Source: Forrester Research, Monitor Analysis
### Table 7-1: Framework for Marketing Communications

<table>
<thead>
<tr>
<th>Audience Focus</th>
<th>Direct</th>
<th>Personalized</th>
<th>Traditional Mass Marketing</th>
<th>General Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline</td>
<td>Online</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individualized</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Communications Media
Table 7-2: The Four Categories of Communications

<table>
<thead>
<tr>
<th>Direct</th>
<th>Personalized</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Salesforce</td>
<td>• Permission marketing</td>
</tr>
<tr>
<td>• Retail sales</td>
<td>• Personalized recommendations</td>
</tr>
<tr>
<td>• Customer service reps</td>
<td>• Personalized advertisements</td>
</tr>
<tr>
<td></td>
<td>• Personalized webpages</td>
</tr>
<tr>
<td></td>
<td>• Personalized upsell</td>
</tr>
<tr>
<td></td>
<td>• Personalized e-commerce</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Traditional Mass Marketing</th>
<th>General Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Television</td>
<td>• Banner ads</td>
</tr>
<tr>
<td>• Radio</td>
<td>• E-mail</td>
</tr>
<tr>
<td>• Print</td>
<td>• Viral marketing</td>
</tr>
<tr>
<td>• Billboards</td>
<td>• Portal sponsorship/exclusive agreements</td>
</tr>
<tr>
<td>• Superior customer service</td>
<td>• Associate programs</td>
</tr>
<tr>
<td></td>
<td>• On-line and off-line partnerships</td>
</tr>
<tr>
<td></td>
<td>• Provide information to entice customer purchases</td>
</tr>
<tr>
<td></td>
<td>• Leverage customer base</td>
</tr>
</tbody>
</table>

The Four Categories of Communications:

- **Direct**:
  - Salesforce
  - Retail sales
  - Customer service reps

- **Traditional Mass Marketing**:
  - Television
  - Radio
  - Print
  - Billboards
  - Superior customer service

- **Personalized**:
  - Permission marketing
  - Personalized recommendations
  - Personalized advertisements
  - Personalized webpages
  - Personalized upsell
  - Personalized e-commerce

- **General Approaches**:
  - Banner ads
  - E-mail
  - Viral marketing
  - Portal sponsorship/exclusive agreements
  - Associate programs
  - On-line and off-line partnerships
  - Provide information to entice customer purchases
  - Leverage customer base
The Four Categories of Communications

- **General online communications**
  - **Banner ads** are box-like, graphical ads displaying a simple message designed to entice viewers to click the ad
  - **Unsolicited e-mail advertising** (extensively used by Cyber Promotions)
  - **Viral marketing** occurs when awareness about company-developed products, services, or information is passed from user to user
  - **Sponsorship and exclusive partner agreements** expand brand and product exposure
  - **Affiliate programs** refers to arrangements where a particular site directs a user to an e-commerce site receiving a commission on sales generated by that user
Exhibit 7-2: Banner Click-Through Rates

Banner Click-Through Rates (Apr 1999-Jan 2000)

Note:
Source: Nielsen-NetRatings
The Four Categories of Communications (cont’d)

• Personalized online communications. The manner in which transactions occur on the Web provides e-commerce companies with detailed information on their customers and gives the opportunity to create one-to-one marketing relationships
  - **Permission marketing** involves customers volunteering information regarding their on-line interests and preferences in exchange for some offered benefit
  - **Personalized recommendations** entail specific merchandise recommendations for each user based on past purchases, site pages viewed, and survey information that the user has provided
  - **Personalized advertisements** provide a customer with dynamically updated personalized ads
  - Many portals and e-commerce sites allow users to create their own **personalized web pages**, encouraging users to return more often and increasing the user’s familiarity with the site
The Four Categories of Communications (cont’d)

- **Traditional mass media communications**
  - Television. Many online companies find that television, while expensive, can provide a critical exposure to large audiences and generate explosive growth in customer base (Monster.com)
  - Radio. In 1999, Priceline.com management allocated two-thirds of its $60 million marketing budget to radio and claimed that it was the most effective medium for reaching potential customers
The Four Categories of Communications (cont’d)

- **Direct communications**
  - Sales representatives. When properly managed, the Web can lead to the increased effectiveness of sales representatives, rather than making them obsolete.
  - Direct marketing. With the new information gained online, e-commerce companies are able to better target and customize conventional direct marketing mailings.
What is a “Good” Brand

- According to the American Marketing Association, a brand is “name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition”
- A good brand provides positive consumer responses and benefits both target customers and the firm
Exhibit 7-3: What Is a Good Brand?

- Mix of off-line and on-line advertising
- Emphasizes advantages to AAdvantage memberships, including non-expiring miles and on-line services
- Superior service
- AAdvantage frequent flier mile club
- Award winning Admirals Club lounges
- Comfortable chairs
- Portable defibrillators on every flight
- Safe, on-time transportation from A to B
Brand equity is “a set of assets (and liabilities) linked to a brand’s name and symbol that add to the value provided by a product or service to a firm and/or that firm’s customers”
A Simple Conceptual Model of Brand Equity

- A brand has three components:
  - Core product/service
  - “Wrap-around”
  - Marketing communications
- Consumer responses can take two broad forms:
  - Brand awareness (depth, breadth)
  - Brand associations (strength, valence, uniqueness)
- Consumer benefits may include the increased confidence in the purchase decision, loyalty to the brand, and satisfaction with the experience
- Firm benefits translate into top-line revenue growth, increased margins, and lower marketing costs
Exhibit 7-4: A Simple Conceptual Model of Brand Equity

A good brand...

... provides positive consumer responses...

BRAND AWARENESS
- Depth
- Breadth

BRAND ASSOCIATIONS
- Strength
  - Relevant
  - Consistent
- Valence
- Uniqueness
  - Memorable
  - Distinctive

... and benefits both target customers and the firm

CUSTOMER BENEFITS
- Confidence
- Loyalty
- Satisfaction

FIRM BENEFITS
- Reduce marketing costs
- Increased margins
- Opportunity for brand extensions

Source: Kevin Keller, Strategic Brand Management (Saddle River: Prentice-Hall, 1998); David Aaker, Building Strong Brands (New York: The Free Press, 1995); Strategic Market Research Group; Marketspace Analysis.
Types of Brands

- Pure offline and online brands
  - Classic offline brands include the Gap, UPS, and Disney
  - New online brands include Amazon, Yahoo, and Priceline

- Blurring of the distinction
  - Brands such as Yahoo were established online but use offline promotional activities to grow brand awareness
  - Brands such as Yahoo Internet Life magazine are traditional brands, but they are extensions of the online brands—and thus a mixture of the two
  - Brands such as Egghead.com have completely shifted from an offline brand to a purely online brand
  - Brands such as WingspanBank were established in the virtual world but by a traditional brand
  - Brands such as Schwab have successfully bridged the gap between online and offline activities
Table 7-3: Types of Brands

<table>
<thead>
<tr>
<th>Traditional Brands</th>
<th>On-line Brands</th>
</tr>
</thead>
</table>
| • The product / service with which the brand is associated was established offline in the bricks-and-mortar world  
  * Examples:  
  – The Gap  
  – UPS  
  – Dell  
  – J Crew  
  – McDonalds  
  – Office Max  
  – Ragu  
  – Coca-Cola  
  – Disney  
| • The product / service with which the brand is associated was established in the online world  
  * Examples:  
  – Amazon  
  – Yahoo  
  – ZDNet  
  – AOL  
  – Priceline  
  – CDNow  
  – Wingspanbank  
  – E*Trade |
Exhibit 7-5: Brand Presence

Source: Monitor Analysis
Exhibit 7-6: Building an On-Line Brand

1. Clearly define the brand audience
2. Understand the customer
3. Identify key leverage points in customer experience
4. Continually monitor competitors
5. Design compelling and complete Brand Intent
6. Execute with integrity
7. Be consistent over time
8. Establish feedback systems
9. Be opportunistic
10. Invest and be patient
Table 7-4: Similarities and Differences in Offline vs. Online Branding

<table>
<thead>
<tr>
<th>Branding Element</th>
<th>Off-line</th>
<th>On-line</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clearly define the brand audience</td>
<td>• Limited to manageable number of segments to prevent inconsistent messaging</td>
<td>• Could include larger number of segments, with customer driven messages</td>
</tr>
<tr>
<td>2. Understand the customer</td>
<td>• Requires understanding of environment, desired purchase and usage experience</td>
<td>• Requires more thorough understanding of desired purchase and usage experience in an interactive environment</td>
</tr>
<tr>
<td>3. Identify key leverage points in customer experience</td>
<td>• Buying process is typically a simplified representation of customer segment behavior with static leverage points</td>
<td>• Buying process tends to be more dynamic and flexible</td>
</tr>
<tr>
<td>4. Continually monitor competitors</td>
<td>• Requires monitoring of competitor advertisements &amp; activities</td>
<td>• Competitor advertisements &amp; activities can be monitored online</td>
</tr>
<tr>
<td>5. Design compelling and complete Brand Intent</td>
<td>• Brand intent (desired positioning) is designed to address the needs and beliefs of target segments</td>
<td>• Greater opportunity for customization of key messages</td>
</tr>
<tr>
<td>Branding Element</td>
<td>Off-line</td>
<td>On-line</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>6. Execute with Integrity</td>
<td>• Strong, positive brands are built up over time</td>
<td>• Online interactions bring in added concerns of security &amp; privacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Limited familiarity with on-line brands makes fostering trust more difficult</td>
</tr>
<tr>
<td>7. Be consistent over time</td>
<td>• Brand intent guides marketing communications</td>
<td>• Brand intent guides marketing communications</td>
</tr>
<tr>
<td></td>
<td>• Image reinforced through variety of offline media</td>
<td>• With the ability to customize, one customer’s brand image may be different than another customer’s brand image</td>
</tr>
<tr>
<td>8. Establish feedback systems</td>
<td>• Collecting and analyzing customer feedback is more time consuming</td>
<td>• Sophisticated tools exist for tracking online; allow for anonymous, interactive, quick feedback</td>
</tr>
<tr>
<td>9. Be opportunistic</td>
<td>• Marketing strategy includes plan for sequenced growth and adjustment of brand based on changing customer needs</td>
<td>• Customization for multiple segments and opportunity for early recognition of changing customer needs corresponding tailoring of brand intent</td>
</tr>
<tr>
<td>10. Invest and be patient</td>
<td>• Building brand awareness requires significant investment</td>
<td>• Building brand awareness requires significant investment, especially for those competitors who are not first in their category online</td>
</tr>
<tr>
<td></td>
<td>• Building brand loyalty takes time offline, especially because early customer receptivity to brands is difficult to assess (and usually involves market research)</td>
<td>• Brands have the potential to generate loyalty more quickly, especially if customers are targeted effectively</td>
</tr>
</tbody>
</table>

Table 7-4: Similarities and Differences in Offline vs. Online Branding, cont’d
Table 7-5: Case Studies of Successful Online Branding Efforts

<table>
<thead>
<tr>
<th></th>
<th>Established as Traditional Brand</th>
<th>Established as On-line Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bradding On-line</td>
<td>Branding and Selling On-line</td>
</tr>
<tr>
<td>Business to Consumer</td>
<td>Ragu</td>
<td>American Airlines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monster.com</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CDNow</td>
</tr>
<tr>
<td>Business to Business</td>
<td>FedEx</td>
<td>Cisco Systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Healtheon</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ventro</td>
</tr>
</tbody>
</table>
Branding Choices

- A firm’s online branding choices depend upon its communications objectives
  - Brand creation. The objective may be to build a new-to-the-world brand name
  - Sales leads. The company may decide that the Internet will be used to facilitate the sales-lead process
  - Store traffic. The principal objective for some sites may be to increase store traffic
  - Product trial. A fourth objective may be trial usage of the product
  - Product sales. The company can also measure the success of a campaign based upon the actual increase in product or service sales
  - Brand reinforcement. Finally, it is possible that the communications effort is focused on reinforcing a brand image that is already widely accepted in the marketplace
What value do you want to derive from your on-line presence?

Brand Creation
Sales Leads
Store Traffic
Product Trial
Product Sales
Brand Reinforcement

Brand Awareness
Brand Association
Customer Benefits
Firm Benefits

Target Audience
Product Scope
Value Objective
Component of Brand Equity

Who do we want to target?
What product / service are you offering them?
What value do you want to derive from your on-line presence?
What part of brand equity do you want to build?

Broad Vs. Focused (Specific Segments)
Broad Vs. Focused (Specific Products / Services)

Source: Forrester Research, Monitor Analysis
Case Study: American Airlines

Overview of American Airlines’ online branding efforts

- First to have a service-oriented website (May 1995)
- First to launch an e-mail service of discounted fares, Net SAAver Fares (March 1996)
- First to offer real-time flight information (Spring 1996)
- First to offer flight information on competitors (Spring 1996)
- First to offer airline reservations online (June 1996)
- First to offer paperless upgrade coupons and stickers (Spring 1997)
- First to send e-mail confirmation of itinerary and ticket purchase (Fall 1997)
- First to offer high personalization for consumers (June 1998)
- First airline to partner with AOL to create AOL AAdvantage Rewards Program (Fall 2000)
### Exhibit 7-9: Assessment of Key Branding Elements

#### On-line Branding Best-in-Class

<table>
<thead>
<tr>
<th>Key Elements</th>
<th>Rating</th>
<th>Rationale</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clearly Define the Brand Audience</td>
<td>●</td>
<td>Specifically targets AAdvantage members – highly profitable and loyal with travel (and thus more likely to buy tickets online)</td>
<td>●</td>
<td>Targets both high spending business customers, as well Onepass members, and non Onepass members</td>
</tr>
<tr>
<td>2. Understand the Customer</td>
<td>●</td>
<td>Constantly anticipates and innovates to meet the needs of the customer</td>
<td>●</td>
<td>Tends to be a “follower” in the industry, late in launching its website (6/97)</td>
</tr>
<tr>
<td>3. Identify Key Leverage Points in Customer Experience</td>
<td>●</td>
<td>Net SAAvers and new customization program leverage consumers desire for finding cheap fares into transaction by sending out e-mails each week</td>
<td>●</td>
<td>Sends C.O.O.L. e-mails similar to Net SAAvers and added a personalization feature to the site, but late identification of this leverage point has resulted in significantly lower subscription rates</td>
</tr>
<tr>
<td>4. Continually Monitor Competitors</td>
<td>●</td>
<td>If a competitor adopted a technology before American, it was quick to follow</td>
<td>●</td>
<td>Tends to follow what competitors are doing at a slower pace, launching “copy-cat” initiatives many months after competitor roll-out</td>
</tr>
<tr>
<td>5. Design Compelling and Complete Brand Intent</td>
<td>●</td>
<td>Focus, streamlining, and ease of use of website all convey American's message of customer needs first</td>
<td>●</td>
<td>Unclear target segment (business travelers? OnePass members?) causes lack of clarity with Brand Intent</td>
</tr>
<tr>
<td>6. Execute with Integrity</td>
<td>●</td>
<td>Trust fostered in the offline world carries over into the online world</td>
<td>●</td>
<td>Trust fostered in the offline world carries over into the online world, with extensive information for members on privacy and use of provided information</td>
</tr>
<tr>
<td>7. Be Consistent Over Time</td>
<td>●</td>
<td>Although constantly innovating new technologies and features, stays true to “something special online”</td>
<td>●</td>
<td>Different URLs for different portions of the site do not convey message of consistency</td>
</tr>
<tr>
<td>8. Establish Feedback Systems</td>
<td>●</td>
<td>Customer service offered as a service at the top of each page in small letters, but is not labeled as a specific menu item</td>
<td>●</td>
<td>Very easy to access, prominent feature for obtaining customer feedback on the website</td>
</tr>
<tr>
<td>9. Be Opportunistic</td>
<td>●</td>
<td>Leader in its industry in innovation and development</td>
<td>●</td>
<td>Follower in the industry</td>
</tr>
<tr>
<td>10. Invest and Be Patient</td>
<td>●</td>
<td>Invests significantly in technology for the future</td>
<td>●</td>
<td>Has a tendency to wait too long to make changes competitors make to their sites</td>
</tr>
</tbody>
</table>

= very low  = low  = moderate  = high  = very high
Exhibit 7-10: Assessment of Key Brand Attributes

<table>
<thead>
<tr>
<th>Key Attributes</th>
<th>Rating</th>
<th>Rationale</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
</table>
| 1. Relevant    | ⬠      | • Up to date flight and gate check information  
                • Personalized information based on AAdvantage profiles  
                • PDA applications with flight information | ⬠      | • Offers only information for Continental airlines, but does offer bookings for rental cars and hotels  
                • Allows travel preferences to be saved in profiles |
| 2. Distinct    | ⬠      | • Availability of competitor information  
                • Offers highly personalized experience  
                • First to offer tie in with PDA applications | ⬠      | • Offers extensive online customer service options  
                • Offer customized services for the business traveler |
| 3. Consistent  | ⬠      | • Portrays an image of something “special online”, consistent with its image of offering something “special in the air” | ⬠      | • No key messages online associated closely with the offline campaign |
| 4. Memorable   | ⬠      | • Provides a unique service others cannot offer (in terms of personalization)  
                • Net SAAvers is the most well known and effective e-mail marketing tool | ⬠      | • Multiple URLs associated with the site and lack of online / offline message association fail to create a cohesively memorable brand for the consumer |

○ = very low  ● = low  ◇ = moderate  ▼ = high  ● = very high
Case Study: Monster.com

Overview of Monster.com’s branding efforts and achievements

- Launched in 1994 as the 454th website in the world
- Monster.com has over 50% of the online-recruitment ad market
- Revenue increased from $6.9 million in 1996 to $133.5 million in 1999
- The site’s traffic—averaging 3.6 million unique visitors in January 2000—translates into more than 5% of all U.S. Internet users
- At the end of 2000, Monster.com had 7.2 million resumes on file and more than 273,000 registered recruiters
- In February 1999, Monster.com’s Super Bowl TV ads generated 2.2 million searches, a 450% traffic increase in one week
- To further its branding efforts, Monster.com signed alliances with Yahoo and a $100 million four-year agreement with AOL to be its exclusive career-information provider
Exhibit 7-11: www.monster.com
## Exhibit 7-12: Assessment of Key Branding Elements

<table>
<thead>
<tr>
<th>Key Elements</th>
<th>Rating</th>
<th>Rationale</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clearly Define the Brand Audience</td>
<td>☑️</td>
<td>• Within the employer market, targets all types of companies, from startups to large corporations</td>
<td>☑️</td>
<td>• Appeals to a wide range of job seekers, but it specializes in the intern and entry level positions</td>
</tr>
<tr>
<td>2. Understand the Customer</td>
<td>☑️</td>
<td>• Offers highly personalized services for the job seekers, addresses security concerns, and offers value added services (resume help, advice, interactive communication with other job seekers.)</td>
<td>☑️</td>
<td>• Only site to offer privacy feature which allows job seeker to select which companies have access to their resume</td>
</tr>
<tr>
<td>3. Identify Key Leverage Points in Customer Experience</td>
<td>☑️</td>
<td>• Provides interactive career information for customers that are not necessarily “looking,” thus increasing the probability that they will become job seekers</td>
<td>☑️</td>
<td>• Allows recruiting process to become internal through HotJobs.com and its proprietary Softshoe technology, and eliminates concerns about adding an additional venue for recruiting</td>
</tr>
<tr>
<td>4. Continually Monitor Competitors</td>
<td>☑️</td>
<td>• Currently a leader in providing unique services to its consumers, but does not have some features that competitors do</td>
<td>☑️</td>
<td>• Adopts successful features of the Monster.com site, but usually on a lesser scale</td>
</tr>
<tr>
<td>5. Design Compelling and Complete Brand Intent</td>
<td>☑️</td>
<td>• Message of “there’s a better job out there” combined with diversified strategic alliances and “intern-to-CEO” strategy convey the idea that Monster.com can find you that better job</td>
<td>☑️</td>
<td>• Message of “all the hottest jobs at all the hottest companies” was overshadowed in the spring with controversy over tastefulness of ads which were rejected by networks</td>
</tr>
<tr>
<td>6. Execute with Integrity</td>
<td>☑️</td>
<td>• Offers password and ID protection, as well as some ability to selectively decide when and where your resume can seen;</td>
<td>☑️</td>
<td>• Offers most specialized security measures for individual users (prevent current employers from viewing resume)</td>
</tr>
<tr>
<td>7. Be Consistent Over Time</td>
<td>☑️</td>
<td>• In the short time since “there’s a better job out there” messages have been consistent</td>
<td>☑️</td>
<td>• Recent “Hottest Hand on the Web Campaign” different from past branding messages</td>
</tr>
<tr>
<td>8. Establish Feedback Systems</td>
<td>☑️</td>
<td>• Offers extensive feedback system for users, allowing users to even selecting categories of information / feedback</td>
<td>☑️</td>
<td>• Also offers feedback mechanism for users, although less specialized</td>
</tr>
<tr>
<td>9. Be Opportunistic</td>
<td>☑️</td>
<td>• Partners with firms that could potentially be competitors, rather than trying eliminate competition</td>
<td>☑️</td>
<td>• Took a risk with Super Bowl advertising, even without a compelling ad campaign, to raise brand awareness</td>
</tr>
<tr>
<td>10. Invest and Be Patient</td>
<td>☑️</td>
<td>• Willing to invest heavily in the offline world to gain brand recognition</td>
<td>☑️</td>
<td>• Also willing to invest in the offline world to gain brand recognition</td>
</tr>
</tbody>
</table>
### Exhibit 7-13: Assessment of Key Brand Attributes

**Online Branding Best-in-Class**

<table>
<thead>
<tr>
<th>Key Attributes</th>
<th>Rating</th>
<th>Rationale</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Relevant</strong></td>
<td>⬤</td>
<td>For job seekers: Provides information for individuals regardless of whether or not they are actively pursuing a new position, including career information, and chats with other members on various career topics</td>
<td>⬤</td>
<td>For job seekers: Provides information geared more specifically for those individuals that are seeking positions</td>
</tr>
<tr>
<td><strong>2. Distinct</strong></td>
<td>⬤</td>
<td>For job seekers: Aids in resume building, personalization with “My Monster” pages and enhanced privacy options; also offers opportunity for interactive communication with other members</td>
<td>⬤</td>
<td>For job seekers: Allows selection of companies that view posted resumes</td>
</tr>
<tr>
<td><strong>3. Consistent</strong></td>
<td>⬤</td>
<td>Recent partnerships have been consistent with Monster.com’s aim to provide the most diverse set of individuals with the most diverse set of employment opportunities</td>
<td>⬤</td>
<td>New “Hottest Hand on the Web” campaign, although new and catchy, has not been consistent since the company’s beginning</td>
</tr>
<tr>
<td><strong>4. Memorable</strong></td>
<td>⬤</td>
<td>Witty and award winning offline advertising have allowed Monster.com to cement itself as the best known online career site on the web</td>
<td>⬤</td>
<td>Although also one of the most well known online career services on the web, has not been as successful as Monster.com in creating a uniquely memorable advertising campaign and message</td>
</tr>
</tbody>
</table>
THE END
UNFORTUNATELY IT'S NOT SUNNY FOR ALL
ADVERTISING IS A WINNER!

Real money
Business-to-business infomediary market revenues, $bn

- Advertising
- Commerce

Source: Volpe Brown Whelan & Co.
*Estimate
The Employment Placement Market (cont.)

- The Internet Job Market
  - The Internet offers a perfect environment; it is especially effective for technology-oriented jobs.
    - Job seekers
    - Job offerers
    - Recruiting firms
    - Government agencies and institutions
The Employment Placement Market (cont.)

- For employers
  - Ability to advertise to a large number of job seekers
  - Ability to save on advertisement costs
  - Lower the cost of processing (using electronic application forms)
  - Ability to provide greater ‘equal opportunity’ for job seekers
  - Ability to find highly skilled employees
  - Ability to conduct tests quickly, online
  - Ability to change and update ads quickly
  - Ability to fill up positions rapidly
  - Interviewing from distance
The Limitations of the Electronic Job Markets

- Many people do not use the Internet
- Security
- Privacy
- Lack of face-to-face contact
Real Estate: From Virtual Realtors to Virtual Reality

- You can view many properties on the screen
- You can sort and organize properties
- You can find detailed information about the properties
- You can search, compare and apply for loans
Real Estate Applications

International Real Estate Directory and News is the most comprehensive Web site

www.ired.com

– National listing of real estate properties
  www.cyberhomes.com

– Commercial real estate directory
  www.comspace.com

– The complete real estate software catalog
  www.mnink.com/re/cover.html
Real Estate Applications

- Mortgage comparisons and calculations and other financing information; mortgage application
  [www.eloan.com](http://www.eloan.com);
  [www.homeshark.com](http://www.homeshark.com)

- Searching residential real estate in multiple databases
  [www.homescout.com](http://www.homescout.com)

- Real estate related maps are available on:
  [www.mapquest.com](http://www.mapquest.com)

- Automating the closing of real estate transactions, which is overwhelmed by paperwork
Real Estate Applications

- The National Association of Realtors, [www.realtor.com](http://www.realtor.com) has links to property listings in all major US cities
- To find how much house you can afford, consult: [www.replace.com/links.html](http://www.replace.com/links.html)
- Mortgage brokers can pass on loan applications over the Net and receive bids from lenders that want to issue the mortgages
Real Estate Applications

- To find mortgage interest rates online use:
  - www.bankrate.com
  - www.eloan.com
  - www.quickenmortgage.com

- To rent an apartment or a house try www.rent.net
  Several additional services are available including a virtual walk through of some listings