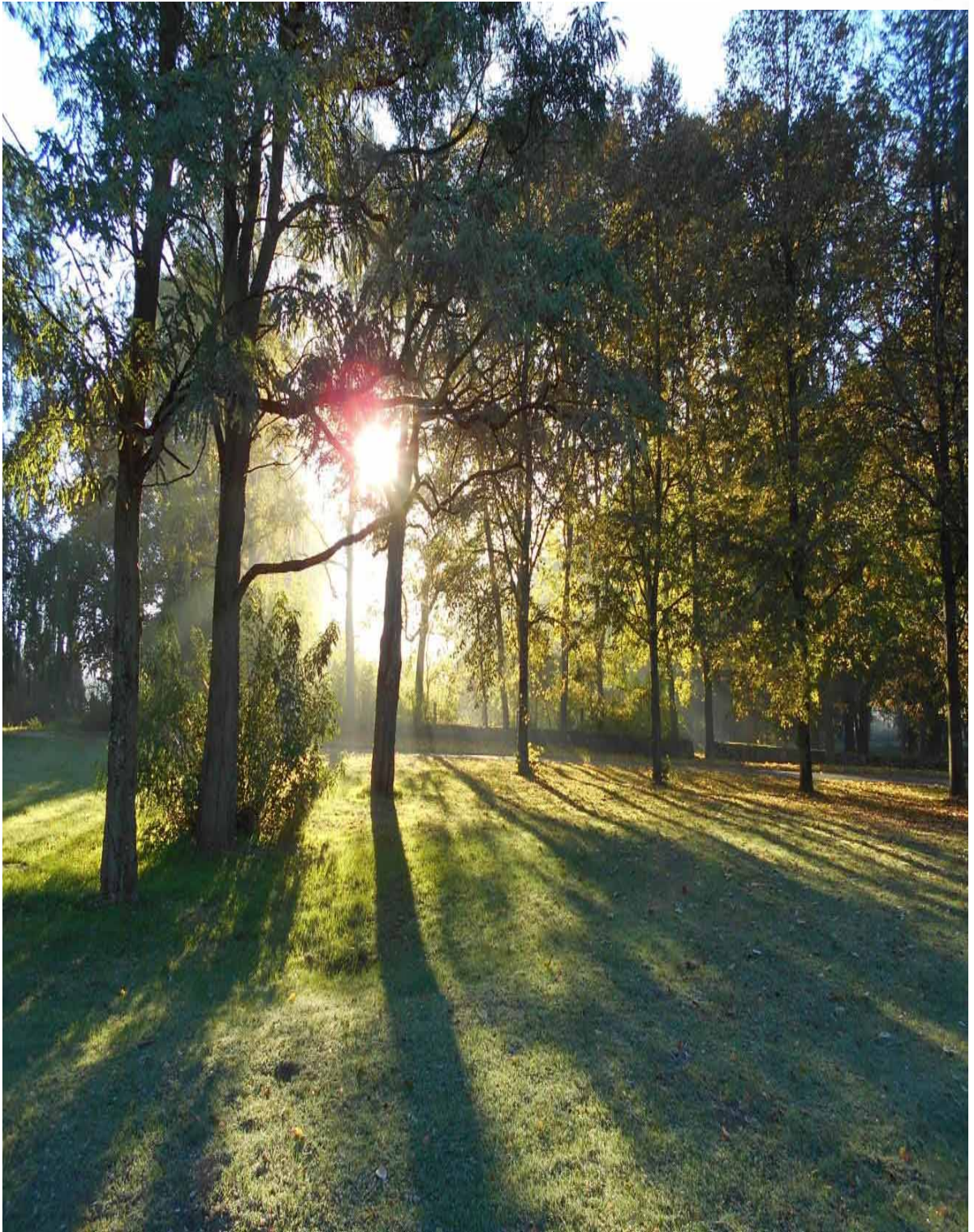


**ELECTRONIC MARKETING**



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## Introduction

Distance learning module "E-marketing" has been produced in accordance with the programme of vocational education and it is intended for marketing and management learners. The students of other programs who are interested in electronic marketing also can use the course material.

The purpose of the module is to provide students with basic knowledge of e-marketing theory in support of the practical applications of e-marketing activities of the enterprises. The course will examine the main terms used in e-marketing, the value of definitions and concepts, it discusses the essential components of e-marketing methods and principles. The main attention is given to the analysis of specific cases on the basis of the experience of Lithuanian and foreign companies.

**The aim of the course** is to bring up the basic training in the subject of e-marketing knowledge and practical application of their skills.

### **Objectives of the course:**

- To be aware of the possibilities of new technologies and understand their importance.
- To be able to use e-marketing solutions in practice.
- To analyse and evaluate the development of the successful experience of international organizations in e-marketing and apply this experience in a particular organization in Lithuania.

**The subject volume in credits :** 5 ECVET (European credit system for vocational education and training).

**The subject volume in hours :** In total 135 hours in learning subject according to the program: 24 hours in theoretical occupations, 32 hours in practical occupations, 79 hours for self-study work.

### **Acquired competences:**

1. To apply the business benefits of ICT and evaluate the functionality and benefits of content management systems by expanding the electronic marketing in your organization.
2. To analyze effectively and properly adapt to changes in the business environment.
3. To evaluate the electronic market players and environment.
4. To adjust the sales-oriented online marketing solutions in practice.

5. To evaluate the effective trade and service businesses experience (in Lithuania and international market).
6. To recommend e-marketing strategies for a specific improvement opportunities within the particular organization in Lithuania.
7. To analyze and submit proposals for the improvement of the web site, expanding the particular organization activities on the Internet.
8. To provide the appropriate domain that affects the success of e-commerce in both Lithuanian and international market in accordance with the specific nature of the organization.
9. To provide the most suitable means of advertising for a particular organization on the Internet in order to create an effective online marketing strategy.

***The learning material is divided into 10 different topics:***

1. The development of information technology and telecommunications and their impact on business.
2. The impact of the Internet on the traditional marketing and fundamental concepts of marketing.
3. The concept of e-marketing.
4. Online marketing objectives and functions.
5. E-marketing strategies.
6. Web sites.
7. Advertising and other communication tools on the Internet.
8. Pricing and delivery channels on the Internet.
9. The assessment of e-marketing mix efficiency.
10. Internet marketing plan.

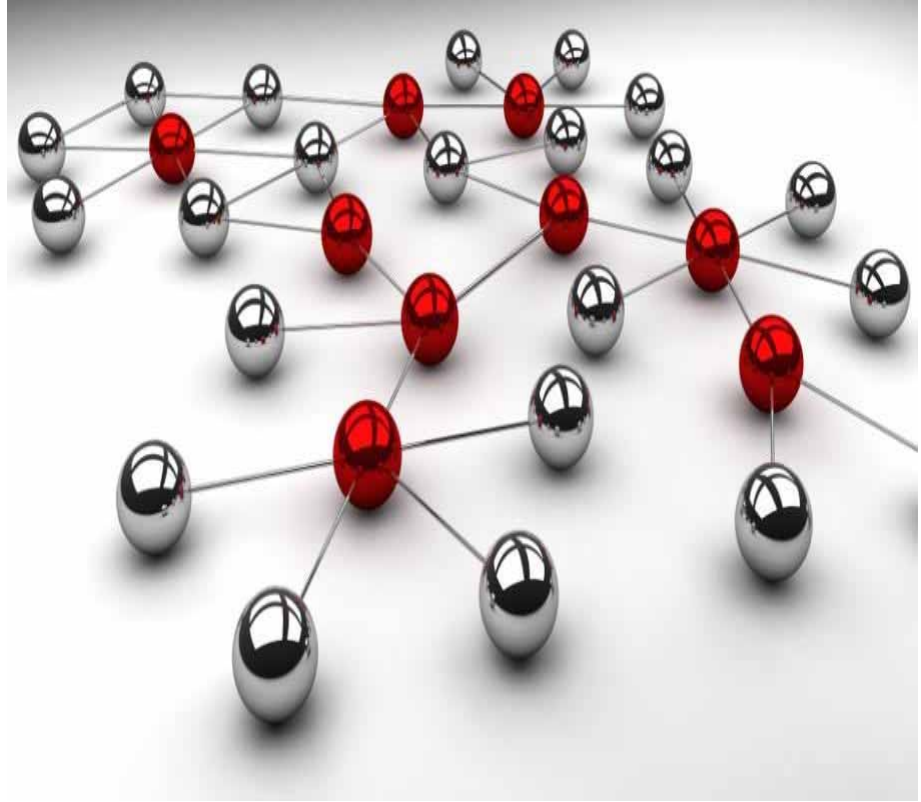
In order to examine each of the topics the purpose and objectives are provided, expected learning outcomes, the duration of the learning topic and key concepts. The questions submitted after examining each of the topics help reinforce the material as the tasks and tests for self-control, whose aim is to check the absorption of the substance. The intermediate knowledge test is given after covering 1 to 5 topics and the assessment is intended to be 15 per cent.

The learners of e-marketing module must prepare the paper. The volume of the paper covers up to 10 pages and the maximum assessment is 25 per cent.

The accumulative grade is used to evaluate students' knowledge. The capacity of the students is checked by the intermediate assessment submitting the paper. The composition of final grade includes:

- *the accumulative grade*– 40 per cent (intermediate assessment, the paper).
- *the final assessment* – 60 per cent.

Reference list and the dictionary of key terms are at the end of the module. All the sources have been referred to in the module are in the reference list.



## Glossary

*Bounce Rate* = This is a relative indicator reflecting what percentage of internet users leave a website after one page view compared to the total number of website visitors

***CPM= (Cost Per Mile) - payment for online display advertising - applies to 1000 units. banners display volume.***

***CPC= ( Cost Per Click) - payment for online advertising clicks.***

*CTR =(Click Through Rate) - online advertising impressions and click-through the ratio*

*CPA= ( Cost Per Action / Acquisition) - payment for online activities.*

*Domain* = a unique Internet address, which is written after the "www" with the ending "en", "EU", "com", "org", "net" and others.

*Discussion group or forum* = is a specific group of people , having much in common with each other, who change and share the information on the Net.

*E-Marketing* = Internet technologies in company's everyday marketing activities.

*E-marketing complex* = this is a unique interrelated set of actions and decisions , which is used in order to reduce the adverse reaction in the target market and to meet the needs of users to achieve the goals of the company.

*E-Marketing goal* = to get the maximum effect from the website (online store, the company's website) traffic, convert visitors to real customers, the result of all this is an increased profit of companies that advertise their goods and services online.

*E-marketing strategy* = the functional character of the strategy in relation to e- marketing complex elements; product formation, pricing, promotion and distribution.

*E-advertising* = the implementation of Internet technologies in everyday corporate's marketing activities.

*E-mail* = is one of the first and in comparison with others popular Internet service which aim is to receive and send information on Internet to another Internet user, which can be used for direct marketing purposes.

*E-marketing / advertising budget* = is part of the overall marketing budget intended for marketing / advertising means execution and implementation on the Internet.

***FF= ( Flat Free) - payment for online advertising time.***

*Information Technology and Telecommunications= (ITT) - technologies that contribute to the faster flow of information - from digital radio and finishing with mobile phones and e-mail.*

*The information society* = is a society that constantly collects information in all scientific and industries branches, later processing this information constantly learn and develop new knowledge and adapt that knowledge in his life and work activities.

*Information person* = is literate person, learning to search for, collect, process and disseminate information.

*Industrial economy* = is one of the economic types, the economic system is based on the material production.

*Integrated marketing communication* = is a marketing planning concept of communication, arising from the need to assess their individual fields (advertising, sales promotion, public relations, etc.) strategic role and searching the optimal combination to ensure the clarity, consistency and communication programs affecting maximizing through coordinated integration of all individual salutations.

*Website* = information resource on the web, which can be achieved by using a Web browser. The information usually contains hypertext markup language (HTML) or extensible hypertext markup language (XHTML) format.

*Contextual advertising* = advertising targeting way, when advertisement on website or other media, depends on the request or on the web page content.

*Communication* = This is when individuals participating in interaction with other individuals, use posts (exchange of information) to create meaning in different contexts.

*Newsletter* = sent a commercial character e-mail, which the consumer ordered to get.

*Link online* = is highlighted, the active word or phrase inserted in the web page content, directing users to a specific and set place on the Internet.

*Banner* = This is not a large-scale graphics (usually GIF, JPEG or Flash (SWF) format), with a limited amount of information, with a link to the advertiser site.

*Marketing is the process* = marketing opportunities analysis, target market selection, complex of marketing development and management of marketing.

*A marketing plan* = is a marketing strategy and action plan for the complex / package intended for companies, product category or brand marketing objectives.

*Marketing* = purchase-sales ratio based on the economic system development process, which formed some form of market and business or individual goals conditions on that market .

*Marketing complex* = certain actions and decisions aimed at the company's goals and meet the needs of users.

*Marketing environment* = is a whole of the forces operating outside the company which have a direct and indirect impact on the activity of the company, it's marketing decisions.

*Marketing ethics* = it's moral principles determining what behavior is appropriate or inappropriate in marketing process.

*Segmentation* = the total market breakdown into separate groups (consumer or organizations) that have similar needs.

*SEO* = (Search Engine Optimization) - this is the web site applications / search engine optimization process.

*Telematic system* = is an integrated information processing and transmission system.

*Blog* = is a website which can manage the same author: uninhibited post his thoughts, post photos, links, receive comments from Internet users .

*The research* = is an activity providing business data / information that is the basis of identified opportunities and problems, marketing activities formation, development, marketing activities and their effectiveness evaluation and so on.

*Content Management System* =(CMS) - is an online tool that can administrate the website information, modify according to their needs at present.

*URL* =( Universal Resource Locator) - this is a web page address.

*Login* = natural person who acquirers or uses the goods and services for not professional consumption

*VPTCS* = This is one of the main web site quality assessment methodologies, which are based on five criteria system - visibility, picking, technology, content and services.

*Viral marketing* = is a strategy that encourages individuals on the basis of the voluntary to transfer an advertising message to other individuals.

*VTR* (View Through Rate) = online advertising displays and views.

*Knowledge economy* = is the legal and economic assumptions of managerial and economic mechanisms of modern technology and human resources harmonized system, arising from evolving market\_s economy and various technologies, particularly information technologies.



# 1. The development of information and communication technologies and their impact on business.

## Introductory description

**The aim** – to familiarize with an impact of information and communication technologies (ICT) development on business and its system.

### Objectives:

- To introduce the development of ICT and management, the impact of ICT development on changes of business environment.
- Be able to understand and distinguish concepts of the knowledge economy and information society.
- To identify and value extents of business transformations.

### Expected learning outcomes and skills:

- Understanding of ICT and management development as well as ability to analyse changes of business environment.
- Perception of concepts of the knowledge economy and information society, ability to distinguish them.
- Ability to identify and value the extent of business transformation.

**Training duration of this topic:** 7 academic hours – 2 academic hours for theoretical occupations, 1 academic hour for practical occupations and 4 academic hours for self-study work.

### Key words:

*Information and communication technologies (ICT)* – technologies, which contribute to faster flow of information – from digital radio to mobile phones and e-mail.

*Knowledge economy* – this is a system where legal and economic assumptions as well as management and economic mechanisms, modern technologies and human resources are combined and which emerges developing the market economy and different technologies especially information technologies.

*Information society* is a society, which collects information continually in all branches of science and industry later on crafting this information learns continually and develops new skills as well as adapts this knowledge to life and work activities.

*Telematic system* is an integrated processing and transmission system of information.



### 1.1 The development of ICT and changes in business environment.

World has been dynamic and constantly changing from the beginning. Society has changed together with the world. During the entire period, it passed several major phases of the development. (Fig. 1).



**Fig. 1 Phases of society's development**

Global crises determined all these revolutions: the foundation of primitive society's existence was use and processing of natural resources. The decline of natural resources led to the crisis, which caused the agrarian revolution. People engaged the cultivation of resources, transition to sedentary life because they have to maintain and foster agricultural land, to sow and to harvest. Immobility and the lack of arable land caused another industrial revolution because there was a need to increase the productivity of existing resources. This period is characterized by heavy investments in productive capacity building, the creation of new products. However, due to the rapid development of technology and productivity growth, market became saturated. This reason is because leading positions occupied not production but sales and marketing processes. All this caused an information revolution. This created favourable conditions for the formation of the information society. Economy and business were increasingly relied on the information and knowledge. Information quickly became strategically important resource which eventually began to lead to the success or failure of business.

Rapid development of information and communications technologies (ICT), globalization, changes in the political environment, the creation of the knowledge economy and other factors have significant impact on business. Necessity to solve a number of non-traditional goals associated with innovation activity appears when need to integrate ICT in organizations. ICT become integral part of the business: firstly as a tool to organize the business and secondly as a line of the business because an emergence of highlighted new business can be identified with the development of ICT.

In most cases the revolution of information age is associated with the emergence of industrial and personal computers in the literature but it can be said that other computer and communication technologies also create preconditions for changes of global business environment.

It can be said too that all three analysed areas is closely related to each other. Transition from industrial society to information society is conditioned by the fact that business is increasingly concerned with information and knowledge rather than physical value of the product.

Intensified development of ICT is conducive to business development in these latter days because business processes, which results in better performance, is restructured. The development of technologies and innovations are main contributors to the formation of competitive advantages and become the main element promoting business growth and development.

The development of ICT affects strongly trends of global society's (including business) development. All this leads to changes of dynamic production and consumption habits. These changes develop new markets and their changes, and it leads to technological development and their dissemination at the same time. ICT directly affects both the value of product and the value of service. Processes of value creation constantly gather speed and the return of capital increases.

The revolution of ICT strategies also affected the competitiveness of the business by reducing operating costs. Industrial indicators confirm that successful adaptability of ICT allows to reduce shipping costs to 10 % and these costs allow to reduce final prices of production. The impact of ICT in the field of employment is less but here is a clear need for retraining.

The impact of ICT on business-to-business relationships manifested primarily developing a suitable network and using telematic systems. However, it evolved very quickly into development of e-commerce and e-market.

The Internet is currently a major means of the communication in business. Two main directions of the internet in business are: 1) communication with business partners; 2) communication with consumers.



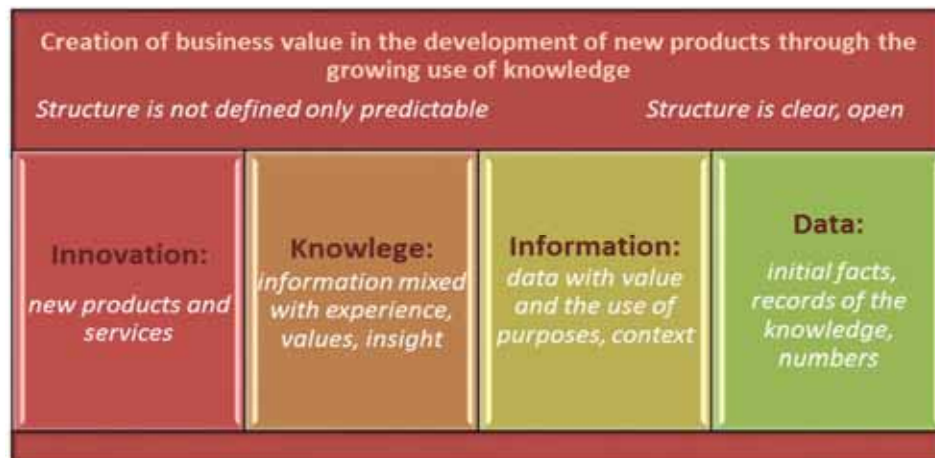
**Fig. 2 Main motivational indicators of the internet use**

**1.2 Knowledge economy, information society.**

*Knowledge has always been important for economy. However, extents of knowledge's creation, dissemination and use, which are increased currently, determine that knowledge can be seen as a key factor of the production and the use of the knowledge is very important factor for economic growth as already was mentioned. In this latter time, it is emphasized that the most important factor in creation of company's value is not material, technological asset, but it is the ability to renew constantly, create new products, processes or services and develop new directions.*

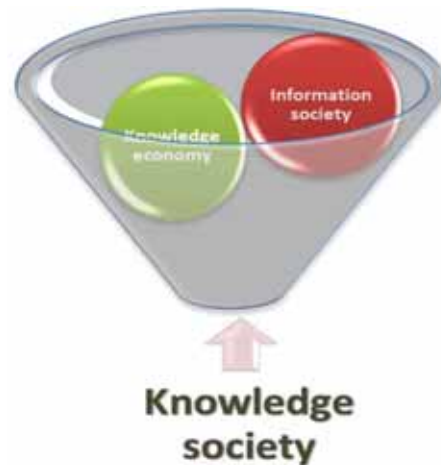


**Fig. 3 Main processes causing growing significance of knowledge in economy**



**Fig. 4 Link of information's value in the market**

Knowledge embodied in the human capital and technologies have become an essential basis in process of the economic development and growth. Therefore, it is safe to say that developed economy and a business of high level involved in it is depended on the intensity of new knowledge's creation, knowledge distribution and their purposeful use. For this reason, growing importance of the knowledge in innovation process formed a new social-economic system of the organization - knowledge economy and information society.



**Fig. 5 The system of knowledge society**

The concept of the knowledge economy formed in the late eighties. For this main reason, the society realised a role of the knowledge and technologies as well as influence on the process of economic growth.

The knowledge economy is the new phenomenon of XX and XXI centuries' junction, which formed for economic transformations, when market situation and needs of people as well as formats of production's factors and forces in development of human capital changed. Due to new systems of information transmission and technologies, not soil or other traditional factors of the production but knowledge capital has become the main competitive force in the country. The foundation of the knowledge economy is not new technologies but people with a lot of knowledge and able to manage it properly, to update and adapt constantly.



**Fig. 6 Criteria of knowledge creation and dissemination in economy**

Creation and dissemination of knowledge in the economy can be evaluated on the following criteria:

- *economic, institutional environment and control* - reflect country's political stability, an efficiency of government activity, market openness and competitive environment, the efficiency of state's control system, media freedom, the protection of property rights.

- *human resources* reflect the residents' level of the education, professional skills and lifelong learning opportunities. It can be argued that workers' professional skills are the main engine of the knowledge-based economy. Both human resources and their management create organizational value and help to tackle rapidly changing issues in the global business environment.

- *information and communication technologies* - represent the competency of institutions providing these services, allow to forecast perspectives of technologies' development used to ensure state's control system and etc.

- *innovation system* represents the corporation of education institutions, research centres, business incubators and other companies with systems of government in order to develop advanced business.

Continuous learning is the main competency of every organization, which wants to remain in the knowledge economy. Market leaders are more interested in the learning process and the diffusion of knowledge. Knowledge gives competitive advantage for organizations. The knowledge economy is higher farm productivity acquired by innovations and knowledge.



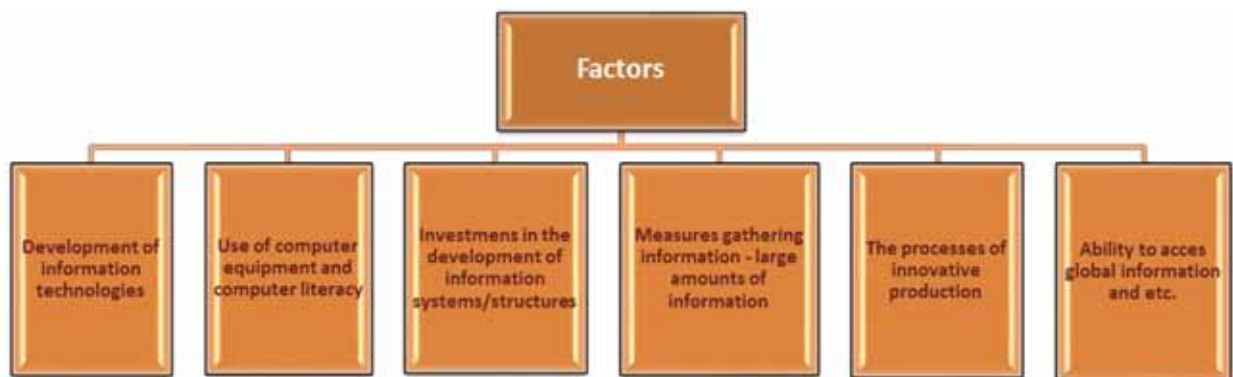
**Fig. 7 Elements of the knowledge economy's development**



The knowledge economy becomes the most important factor determined the development of industrialized countries. Knowledge-intensive industries and the development of information technologies are essential condition of the country's progress, prosperity and well-being.

**Information society.** Rapid development and expansion of information technologies has created favourable conditions for the emergence of global society in the latter decade. New information technologies penetrate not only into business, work environment, life of state and world, but also into human's daily routine and mode of life. All this forms fairly new phenomenon - the information society. This is a new type of the society that is organically linked to the practice of information technologies in various fields of life and activities. The main features of this society:

- information infrastructure - telecommunications, computer networks, databases, information systems and others.
- the ability / proficiency of society's members to use measures of information technologies
- skills to work with computers, to introduce new working methods, to access and use global databases, be able to process data, to communicate with other persons through the Internet and etc.



**Fig. 8 Determinative factors of the information society's development**

These concepts of the information society are distinguished - technological, economic, professional, and cultural.

**The concept of technological information society.** The emergence of information society is related to emergence and development of innovative technologies. Technological information society is based on possibilities of information's formation/creation, storage and use. Modern information technologies allow to process effectively, to store and transmit information or data. It is noted that the recent massive use of technologies led to significantly reduced costs. All this makes the expansion of technologies to scientific field as well as fields of business and private life.

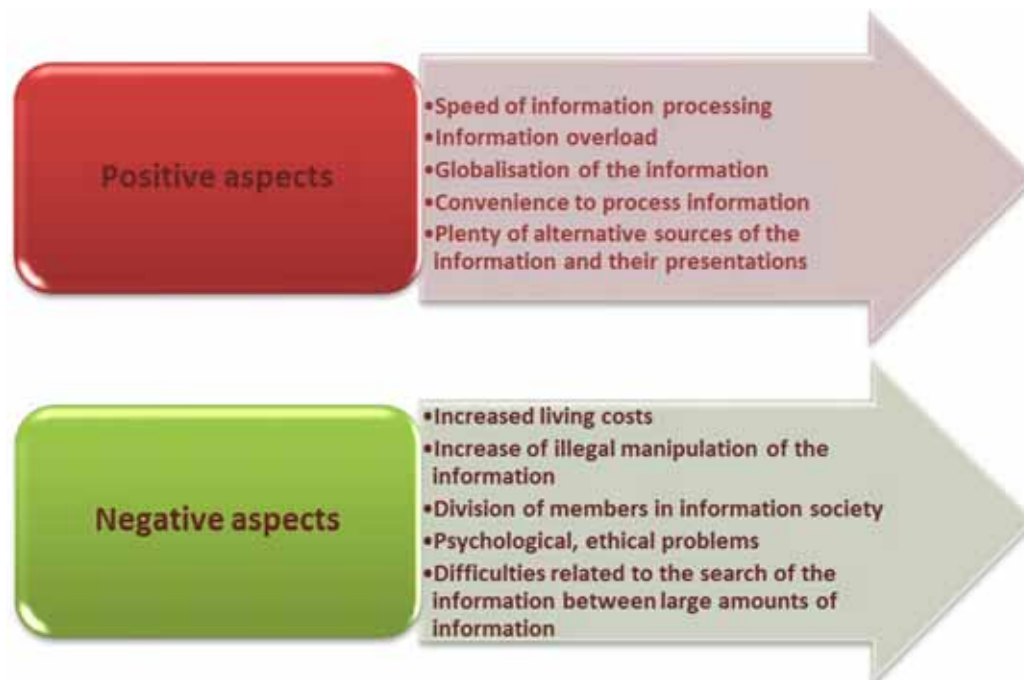
**The concept of economic information society.** Economic information society based on economic aspects. There are 5 component groups - education (universities, schools, and libraries), communication media (radio, television, and press), information equipment (computer software),

information services (insurance, legal services), and other information activities (scientific research). Each of this category is directly related to economic value and contributes to the creation of GDP (gross domestic product) by its increasing part in the latter time.

**The concept of professional information society.** It is noted that the biggest part of professions in the information society is related to the informative work/activities. The biggest part takes professions that come into the contact with information technology in this type of society. Several types of professions that are related to collection, processing and distribution of information can be distinguished – members of information society, who develop, install, and manage telecommunications/information technologies and members, who have a direct connection with gathering, assessment and transfer of information/data.

**The cultural concept of information society.** In this case, members of the society focus on the cultural aspect. In the current information society, the main and the most important element related to culture is the media and its dissemination of information and knowledge. Communication, which is identified as a creation and sharing of information and knowledge, determines largely cultural information society. All this involves media, marketing and Internet.

Information society is distinguished in positive and negative aspects.



**Fig. 9 Positive and negative aspects of the information society**

Citizens, government and business in the information society make an intensive use of information technologies and communications in daily life. Information society creates conditions



for the prompt circulation of knowledge. Knowledge economy cannot become the factor that determines welfare of residents in underdeveloped information society. When the majority of population lives where is exclusion of information only a small elite's islets of the knowledge economy may exist.

Formation of the information society includes the following main processes:



Creation of the information society is the main factor of the economic development, job creation and social prosperity. Foundation of the economy is stored and constantly updated productive knowledge. It takes place when scientific research and practical activities is developed based on knowledge and information technologies as well as is integrated into areas of production, services, business, science and studies of competitive products.

Information society invests in self-education, members of the knowledge society learn constantly and seek higher education. Knowledge and knowledge-based technologies are used effectively in industry and enhance its competitiveness and innovativeness. The most modern information and communication technologies are widely used to transfer knowledge. So it is necessary to have technical measures and to want as well as to learn how to use them as widely as possible. This means that population of all groups must have a certain competence.

The knowledge economy is qualitative assessment of the economy showing that a high part of the society copes with challenges of the changing environment using knowledge in the economic activities. New indicators, which determine the level of the country's development are absolutely necessary when information society is created (it can be the penetration of the Internet, the level of computer literacy, digital level that divide different areas and different groups, e-government level of the development and other).

One of business goals is to reduce risks, which are caused by the development of the information society and to use positive sides at the maximum.



### 1.3 Transformations in business

Business is a consistent process comprising the following main stages: search for new ideas, an assessment of economic and social idea, the preparation of business plan, the search of resources needed for business development, the management of enterprise activities. The management of enterprise activities includes the following *main* processes: the creation of the service or product, the purchase of raw materials, the production of product/service, the delivery/sale of the service/product, post-warranty maintenance and *auxiliary* processes: personnel management, bookkeeping as well as financial and managerial accounting, planning, marketing, and quality control. All these stages and processes are depended on each other and any business cannot survive without them.

Rapid development of the information technology caused transformations of business processes and all business transforms moving from traditional/physical space in the e-space. All this forms very significant changes of the marketing and measures of marketing in the market.

Reasons for changes in the field of marketing:

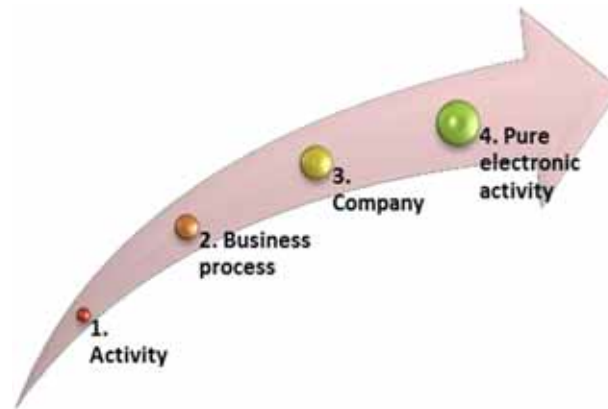


Digital transformation is characterized by four principles (4 —CI):



When transformation takes place, business methods (commerce) of transactions change, information (content) is used, people (community) with whom are communicating also change, methods of cooperation (collaboration) change too.

All effective e-business strategies plan to implement electronic transformation. Transformation can be implemented inside the company or outside the company (by establishing a branch or subsidiary company). Business transformation to e-space can be carried out in the stages or only certain level of company's activities can be transformed to e-space (Fig. 10).



**Fig. 10 Levels of e-business in organization**

1. *Activity level.* Increase of the efficiency of organization's activities – reduction of cost.
2. *Level of business process.* Increase of the efficiency related to business processes (main/additional) - improved marketing, the maintenance of consumers, the management of relations with customer and others.
3. *Level of company.* Integration of both internal and external organization's processes and their management in e-space.
4. *Level of pure e-activities.* Organization carries out a comprehensive business transformation from traditional/physical space into electronic space in this stage – the redirection of the branch takes part, significant competitive advantage is formed. Organization exists and operates only in the electronic medium at this level.

The level of business transformation is measured in respect of two criteria - a speed and price. In order to retain customers as well as to ensure successful development and expansion of business, certain interdependence connection, complexity and balance must be set between speed and price. In this case, 4 digital principles of the transformation as commerce, content, community, collaboration will be transformed by equal level and a synergistic effect will be achieved. If any of elements transforms too quickly and without changing a price, misunderstanding and fluster may emerge between consumers but if there is too much focus on price and focus on speed doesn't appear, the confidence of costumers can be lost.

Main business principles of the information are reflected in Figure 11.





**Fig. 11 Principles of the transformation in business**

Another aspect, which includes two principles (2 \_c'), is also important in the digital transformation:

- Cost.
- Culture.

Mistake cannot be done making a decision about the digital transformation of company if there is not an evaluation of the level of future costs and company's corporate culture. For example, the decision to implement the digital transformation within the company is adopted in mind that this restructuring will integrate easily into specific of activities. But the need of costs and significant cultural changes can make the transformation project outside the company. That is over company\_s structure. Technological factor has a significant importance. Bad decisions are possible, if technologies are not analysed as a major, crucial factor but as a supporting factor for business. There are many examples when companies started e-business and went bankrupt because they were unable to foresee ongoing changes and to cope with new challenges.

Transformation in business changes working methods of employees starting from director and ending to ordinary seller. All four mentioned principles of the business change. Collaboration with costumers also changed. On-line makes a possibility to provide more information (content) for consumers; relations of partnership have changed and when a virtual production is created relations with partners (community and collaboration) change too; trade begins over the Internet (commerce).

Transformation in business is necessary not for fashion or in order to reach external effect, its aim is to increase the efficiency of the work. For example, the website of Levi's company was very modern but it was forced to refuse electronic program, because all used effective things didn't increase sales. Meanwhile, Intel, Hewlett-Packard websites are designed in such way that customer

receives all necessary information and when it is necessary to find any information he does not need to move many times from one page to another. Website should be maximally functional.

Question always arises - what should take a decision for carrying out the transformation of business and taking responsibility for possible consequences at the same time. This should not be only a director of the company or ICT department, or the department of marketing. It must be an initiative of all company's workers because success can be expected just then. As practice shows that order from the top is not enough. Those workers, who do not want reforms, usually do not hold down a job in reformed company.

### **Self-evaluation Questions**

- 1. What are e-business levels in the organization? What are their main aspects?**
- 2. What are positive and negative aspects of the information society?**
- 3. The concept and attributes of the economic information society?**
- 4. What is a knowledge-based economy? What determines the development of knowledge economy?**
- 5. What are main 4 processes which cause the growing significance of knowledge economy?**

## 2. The information technology and telecommunications development and its impact on business

### Introductory description

**The aim** – to get acquainted with information technology and telecommunication development's impact on business through the prism of the consumer and the economy

### Objectives:

- To acquaint with changes in consumer behaviour that influences the development of ICT.
- To analyze and be able to identify consumer behaviour.
- To identify the knowledge of economy and industrial economic concept and reveal the fundamental differences between the knowledge and the industrial economies.

### Expected learning outcomes and skills:

- Internet user behaviour perception and understanding.
- Ability to identify different internet users.
- Knowledge of economic and industrial economic concept, the processes of perception and the ability to distinguish them.

**Duration of subject learning:** 7 AH (academic hour) - 2 AH - on learning of the module (theoretical classes), 1 AH – on practical workshops and 4 of AH-on self-employment.

### Basic concepts:

*Informative man-* is a literate person, who knows how to search for, collect, elaborate and disseminate information.

*User-* natural person who acquires or uses goods and services not for professional consumption

*Industrial economy-* is one of the kinds of economies where the economic system is based on material production

### 2.1. The changers of consumer behaviour related to ICT development

Today consumers are more demanding, less loyal and are hard to forgive for business organizations, if their products / services do not satisfy user requirements. Customer loyalty programs and marketing communications are a response to such customers, who have become less loyal and are more likely to change products. The reasons why companies attribute strategic importance for information systems and technologies.

- The practical usage of computers (increasing computer access and their confidence).

- Information and information technology concepts change (they started to treat as strategic resources).
- Successful use of the results.
- ITT prevalence (commercial software boom).
- Intensive and global competition (global cost-cutting trend effect)

The market, which consists of Internet users has two aspects - quite limited (only with access to the Internet and able to use it can become potential customers), on the other hand - much wider than that which consists of the district or city dwellers, as the Internet connects the entire world computers. The online market is global, because it has not got any geographical restrictions. It is observed a considerable impact on Internet marketing to individual elements that can have a significant impact on consumer behaviour. Looking on the internet entirely of the company's position is not enough. It is important to analyze what the consumer reach, using the Internet. Modern information technology and telecommunication change any business activity. Companies use the Internet for financial transactions, for investor communications, partners and customers to establish, maintain and distribute their goods. In their e-commerce Website Company or entrepreneur provides detailed information about their products and services, so that customers and partners will know they are interested in their goods and using services and application instructions, technical specifications, prices, available quantity, delivery time, their ordering ways etc. The Internet revolutionizes sales and brand management. It gives the company a new revenue-raising potential, opportunities to improve customer service, reach new markets and find new ways to gain new resources and also save the available finances. Internet Technologies forces companies to act quickly on the market, faster serve the consumer. At the same a user requires to be served 24 hours per day, 7 days a week with current information about products and services.

Internet creates conditions for companies to overstep the usual organizational and geographic boundaries and create new structures that combine business with customers, suppliers, partners and other institutions.

In the information age, the information technologies in business processes is increasingly associated with business survival, as it allows companies to increase information receiving and processing speed and the ability. Delivered and received information in time, rapid communication with business partners, the company's competitiveness is determined by both real and virtual market. The change of information technology affects new business forms and methods, the emergence of companies or the appearance of a meltdown.



The development of information technology affects not only the competitiveness of businesses, but also transaction costs. The Internet's possibilities and its impact on the transaction costs also determine the role of mediators in the exchange of business processes. In some cases, it means a complete disappearance of the mediation, in other cases it is the emergence of the new mediators and mediation services.

Traditional companies implement its functions by conventional methods (advertising in mass- media, meetings with customers, suppliers, personal dating, socializing on the phone, employee labour exchanges). Innovative companies transfer part of its functions to an electronic (virtual) media - the Internet (customer information by e-mail, contracts and transmission of documents by EDI (Electronic Data Interchange) format and must be signed by electronic signature, looking for information on the Internet, information on the company's website presentation) .

There are many reasons forcing companies to implement e-business models:

**The process of globalization:**

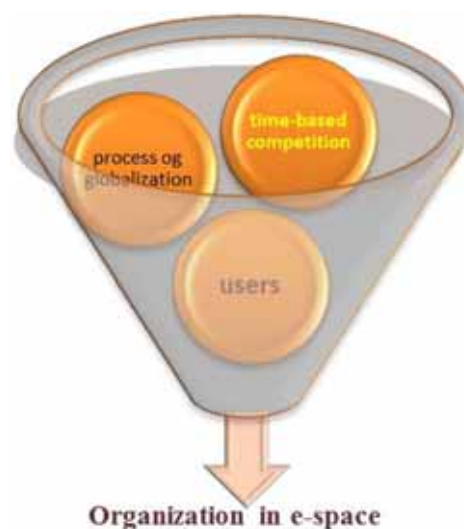
- The disappearance of geographical boundaries between markets
- Growing competition

**Time-based competition:**

- Monitoring the actions of competitors
- Ability to respond quickly

**Users:**

- Consumer's demand - various, changing



**Fig. 12. The reasons forcing businesses to adopt e-commerce models.**



The following factors support the view that organizations can have a significant benefit of using information technology, e.g. online marketing:

- ***Universal access.*** Global communication helps businesses to achieve maximum number of users and provide them with information about their company and products.
- ***Immediate access in real time.*** The Internet allows consumers to immediate access to information 24 hours per day, 7 days per week with one click. Real-time means that users are free to decide when to send and receive information
- ***An infinite space.*** Space on the Internet is infinite and can publish information on the Internet without any restrictions or the amount of printing and publishing costs.
- ***Interactivity.*** Two-way communication, where users receive and send information, is the explanation of interactivity. The Internet gives the user more control over transactions and gives the ability to learn more about the company, product and brand.
- ***Multimedia.*** It is described as communication and technology, which integrates a number of different media types into a single system. The Internet makes it possible to communicate with consumers using different formats ( 3D media) that involve users in more visual and attractive world. To understand the behaviour of consumers on the Internet, it is necessary to identify the reasons which encourage the Internet users to become e-customers.

The main lifestyle trends of consumers:

- ***Lots of money, a little time.*** Today, many people do not have enough income, but no longer have the time. These consumers are looking for convenience, speed and are tend to manage the affairs on the phone or the Internet. Sophisticated online shoppers require the information which will be available within 1-5 seconds. If it takes longer, they lose patience and go to look for faster operation competing sites offering the same services. From a marketing position, this means that consumers have unprecedented opportunities to participate not only in exchange, but also in the value creation process. It encourage business organizations to look for new and more efficient solutions to the product / service development, presentation and other areas.
- ***Longer leisure time.*** When users are limited up to 40 hours of work per week, then eating outside the home, health clubs and other forms of leisure time are increased in popularity.
- ***Increased ownership of technology.*** Consumers are vigorously embracing new technologies. The Internet took about 5 years to reach even 100 million users (TV achieve the same result in 13 years)
- ***The increasing pace of life.*** Users seek to have the product here and right now, without any delay, waiting in queues or waiting for order execution etc..
- ***The importance of self-expression.*** The increased demand of self- expression which is satisfied through the products which consumers buy and consume.

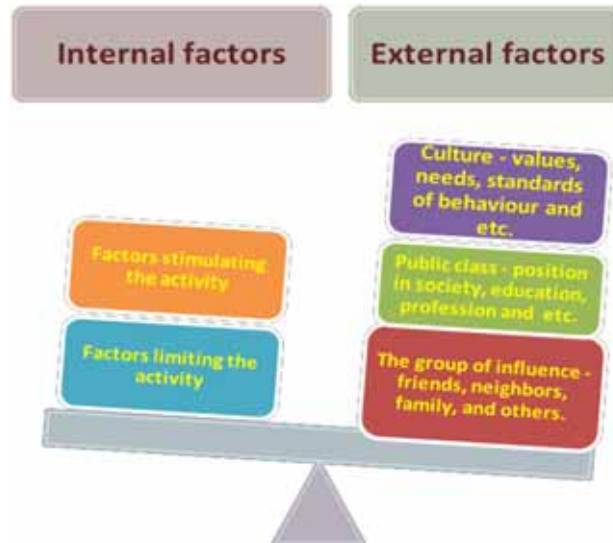


**Fig. 13. The main lifestyle trends of consumers**

While surfing the Internet, the user is involved in what he sees and does and it is difficult to distract him from the quest. The user in this state is extremely sensitive and open to the information he reaches, especially if it meets his needs. The customer uses the Internet on his own - forms the desired image by himself because it is easy to do, by repeatedly clicking the mouse. After walking through the website the user is satisfied with the information needs and searches the answers to the questions that will help him to take a buying decision. As a certain physiological or psychological need bring a customer to the store, the visitor is brought to the Internet for the demand of information.

Virtual environment, there dominant information technology and its possibility influence the user's behaviour.





**Fig.14. The system of factors, influencing behaviour of the user in e-space**

Based on the above figure (picture), we will focus more on internal factors.



**Fig. 15. Factors encouraging users' activity**

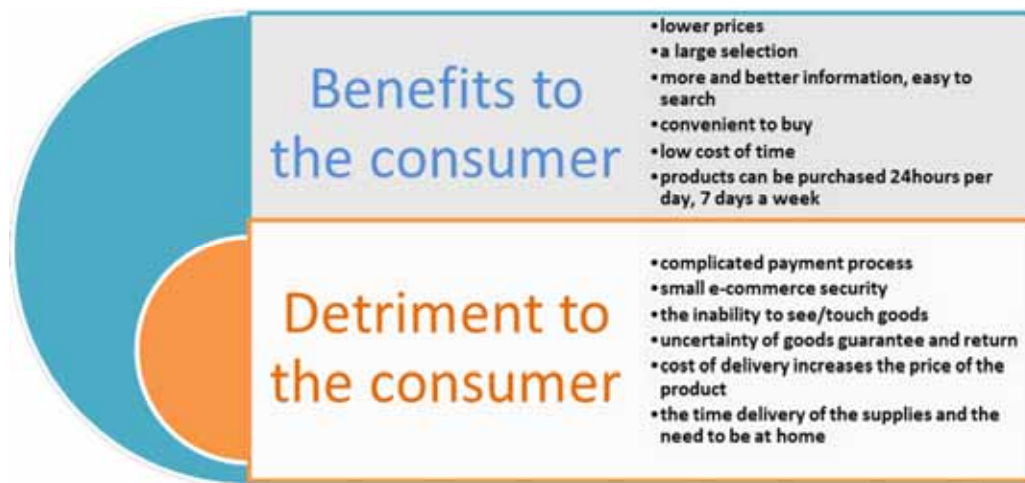


**Fig. 16. Factors limiting a consumer activity**

There are distinguished six types of online shoppers and identified possible measures to attract them.

**A beginner user.** Customers who have recently surf the Net. They usually use it as a shopping search tool and are likely to buy different stuffs, which do not pose a high risk.

1. **Distrustful – a contrary customer.** Customers who are usually very worried about the security and privacy. Due to this fear, they mostly use the Internet for shopping and just looking but it is difficult for them to purchase.
2. **Saving –a buyer looking for transactions.** For these consumers the most important is price, so they often compare company stores' prices with others.
3. **A decisive buyer.** All these type of buyers, before connecting the Internet, know what they need and what they will buy. In most cases, they have set certain criteria, information about the product search criteria, therefore, it is quite difficult to change their provisions. They tend to buy what exactly comply with their attitudes and beliefs
4. **An enthusiast customer.** For these enthusiastic customers walking for online stores and shopping is just a form of relaxation. They buy very often and look for a long time.
5. **A super buyer.** This group of shoppers buy more because of the need than on their leisure spending time. They usually have already created their own search strategy and have certain habits, know what they look for, so do not want to waste their time on a futile search.



**Fig. 17. Product purchasing online**

It also emphasizes money as a factor determining consumer behaviour, importance. In this context the nature importance of money influences the user's behaviour. People are easily tend to spend money when the process is less tangible, e.g. digital transfer, digital money. However, the tangibility of money concept is differently adapted to the different exchanges types of situations. When money operation is desired, people prefer to experience pleasure from direct operations actions - giving away money is not painful. On the other hand, when the operation is undesirable, it is better to pay in digital form. Less tangible forms of transactions can not only increase the

probability and frequency of transactions, but also customer satisfaction in return. To sum up, it could be said that the Internet environment, that separates the cash value from their physical presence may facilitate the unexpected, unwanted or separate operations.

The listed reasons and provided consumer habits and goals, force companies to look for new ways to organize their business more efficiently and survive in strengthened competition conditions. In order to survive in the increased competition conditions, companies need to develop competitive advantages that allow to survive in the competitive battle and even better and more appropriate to satisfy the needs of users.

## 2.2 Industrial and knowledge-based economic analysis

For a long time the world relies on dominated industrial economy. However, the information technology started to develop, the trend has changed and become relevant to the knowledge-based economy - the knowledge economy. The main difference between the traditional knowledge and the economy reflects the knowledge based on characteristic features of economy.

- There is a tendency that adapting new knowledge in the online business, means refusing to tie up to specific points of sale, because customers have enough knowledge and opportunities to buy products without leaving their home.
- Information used to modernize the company's business and remain in competitive battle.
- It is noticed that knowledge-intensive products and technologies have grown considerably in price.
- More popular and valued are these companies, which both focus on human capital, ( it means to allocate funds for regular professional development and lifelong learning) and innovation in enterprise.

The main differences between industrial and knowledge-based economies are presented in table 1.

Table 1. The economic values of different economies

Industrial Economics	Knowledge- based economy
Value is obtained through the efficiency	Value is obtained through creativity
Investments in production	The investment in innovation
Orientation to the product - mass production	Orientation to the customer
Local-level production	Global production
Planning	Change and Innovation
Competition support relationship	Relation based on cooperation
Financial capital	Information

Based on organization level	
The labor force is managed by the tools, equipment and instruments	Tools, facilities and equipment managed by the labor force
Routine, repetitive tasks	Creative, informative work
Instructions and Control	Joint control
Growth based on financial capital	Growth based on knowledge

The knowledge economy is characterized by:

- Innovation system, but not innovation chain.- Strategic, complexity having business network, but not the business units of isolated knowledge base.
- The creative collaboration with the market, but not competition.



### [Youtube video](#)

**Market Sensing: Consumer Behavior Influences**

<https://www.youtube.com/watch?v=LuK1dHcEjcQ>

**Decision Making Process: How Consumers Make Buying Decision?**

<https://www.youtube.com/watch?v=Rn5a03Xp0Kc>

**Pros and Cons of Email Marketing**

[https://www.youtube.com/watch?v=ZVnW6s\\_a90c](https://www.youtube.com/watch?v=ZVnW6s_a90c)

### 3. Internet impact on traditional marketing, basic marketing concepts

#### (I)

##### **Introductory description**

**The goal** – to introduce with the impact of online technologies and the influence of traditional marketing system.

##### **Objectives:**

- To identify and introduce the main Internet technology affected by the traditional marketing concepts and issues
- To analyze the impact on the Internet traditional marketing complex elements.

##### **Expected learning outcomes and skills:**

- Traditional and online marketing principles affected by perception.
- The influence of Internet technology complex elements and the identification of changes in their knowledge on marketing

**Duration of subject learning:** 7 AH (academic hour) - 2 AH - on learning of the module (theoretical classes), 1 AH – on practical workshops and 4 AH-on self-employment.

##### **Basic concepts:**

*Marketing* - purchasing and sales relationships are based on economic system development process, which formed some form of market and business enterprise or individual goals in the market conditions.

*Marketing complex* - certain actions and decisions aimed at the company's goals to satisfy the needs of users.

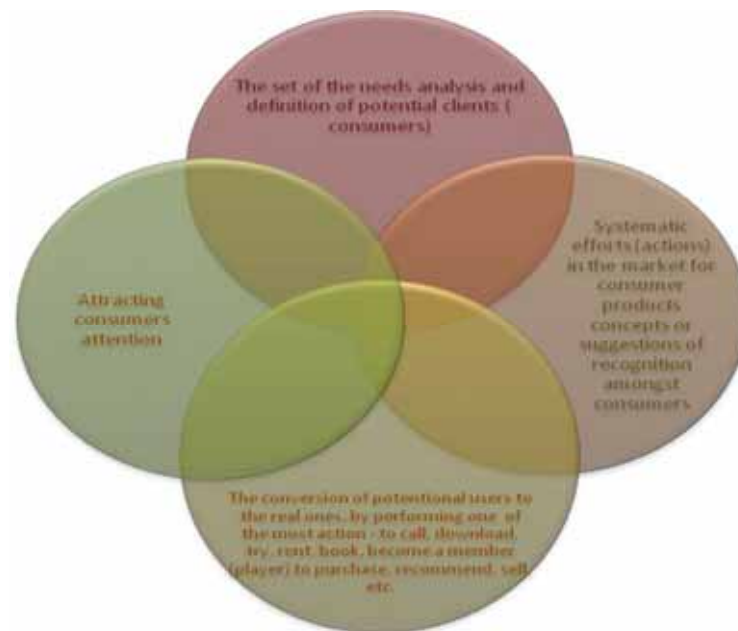
#### **3.1 Basic definitions**

Historically, this concept appeared by strong development of the industry. Previously, manufacturers did not have any problems in marketing in realising their products, because a demand was higher than a supply. However, the growth of industrial productivity caused the excess of production that is supply outgrew the demand. For this reason, the market has changed from "*upstream market*" to "*—consumer market*". "Manufacturers have changed the orientation (paradigms) "*sell what is produced*" to "*how to produce in order to buy*".

In the past, manufacturers were focused on product (Eng. Focused product) and by employing sales managers (Eng. Salesman, salesperson) forced the entire sales team to "push" products on the market, sometimes even without taking into account the market needs. Belief in the omnipotent effects of advertising and promotional power has formed a number of provisions, concepts such. 4P(Eng. Product, Price, Promotion, Placement ").

Traditionally, marketing has been the term used for vendors (more manufacturers, producers), bringing it closer to customers, consumers and the process sometimes is mistakenly interpreted too narrowly. The economic crisis demanded to change paradigms and business theorists suggested *to focus on the client (Eng. Focused client or client centered)*. The essence of this orientation is firstly, to determine what the clients need and then produce.

Eventually, concerning the systems theory, process approach and modern marketing prevailed to understand as 4-step process



**Figure17. The steps of marketing process**

### **3.2 The impact of Internet marketing concepts and the complex of traditional marketing.**

In recent years, the use of the Internet in the retail trade has increased and this had a significant impact on many clients' buying process. One of the many problems that business people are interested today is the problem of growth and access to the Internet. This growth includes entertainment, e-commerce, e-banking and e-marketing. All signs point to both business and clients growing dependence on the Internet and its related processes in the whole world.

Another important feature of the Internet- the possibility to facilitate the information search for consumers. The process of product acquisition is encouraged by allowing users to achieve greater quantities and more detailed information, depending on the product features, price, and the availability of a common value of the supply, especially when the Internet is used in conjunction of search of traditional marketing channels.



So far, in terms of e-marketing it has been suggested that the impact of the internet marketing was limited to simply creating a web site and using the Internet as a new tool for some support measures.

Internet leads to changes not only in business but also in marketing. The Internet as a tool shapes the differences between traditional and online marketing. Evaluation of the Internet as the main e-marketing tool, it is necessary to compare the traditional marketing mix and 4C (*consumer, cost, communication, convenience*) marketing model elements with new forms of these elements which are acquired online.



The examination of the affected Internet marketing became clear that the decision may have shifted from the manufacturer to the user side. Prevailing marketing situation, the manufacturer decide which products to produce, but now the consumer is a key element determining the decision. The main problem of these days is no longer the production of the product - the problem is communication, communication with the consumer. It take times to build contacts, because the user is not a machine that in certain periods comes on the market and buys the unit of a standardized product. User is a person who wants attention, helpful service, product installation, guarantee service, spare parts, etc. Purchasing decision is no longer a decision of buying an item; it is the solution to establish long-term relationships.

- Long-term relationships with customers is becoming increasingly important for two reasons
- Marketing of the mass-market is gradually moving towards micromarketing.
  - Most markets have already reached a mature phase, when there are not any new users anymore, so there is a need to share with current ones.

Organizations no longer have the ambition to attract more customers, while trying to retain and better serve existing ones. The latter business model is not a new thing - long applied to B2B (business-to-business) level, however a change in the rules of the game market, all organizations have realized for each individual customer / user importance. The users of today's organizations are standard statistical units that can be replaced by others, new ones. Marketing communications - is long-term customer relationship formation, maintenance, improvement, in order to satisfy the needs of users. Thus, the market focused on the customer and he is given the power to decide what, where and when to buy. With constant access not only to the company but also its competitors' offers and product information, the customer may encourage the company to meet its needs.

Dynamic Marketing frames. It discusses a number of ways, as it should be replaced by marketing, according to the basic provisions:

- Increased focus on user knowledge than ever before, and new consumer awareness creation.
- Relations with users with the information they provide, which is stored in the user database.
- Supply-making, use of information technology and the Internet in order to enhance the product value of the perception of the product or to raise the price of the service and support quality.
- Product delivery to the consumer using ICT / Internet in order to ensure efficient sales and service delivery

The use of the Internet allows business users to communicate with clients and conversely interact with consumers at anytime and anywhere. Another important reason that makes e-marketing unique is that it is a "dimensional" because all the marketing phase take place simultaneously. Traditional marketing is the opposite - "linear" by nature, because marketing includes stages: marketing research, product development, customer complaints, etc.

Online marketing enables closer relationships with customers and better personal marketing. It is now generally accepted that the Internet did not change the basic principles of marketing management, however it is noticed a considerable impact on Internet marketing to individual elements that can have a significant impact on consumer behaviour.



**Figure 18. E- marketing aspects that are influenced by the Internet**

Marketing enables closer relationships with customers. It is generally agreed that the Internet did not change the basic principles of marketing management. But it is noticed a considerable impact on the Internet marketing to individual elements that can have a significant impact on a consumer behaviour. To understand better the impact that the Internet has on traditional

marketing and consumer behaviour on the Internet, it is important to take into account changes related to the marketing complex and the 4P model.



**Figure 19. Marketing 4 P model**

Internet impact marketing complex elements - **product:** - Internet prompted the addition of products (e.g., After-purchase service) and many new products only exist due to the Internet. - The Internet provides a faster setting of user needs, product testing, better product customization and shorter life cycle of a product.

- Genuine product on the Internet has been replaced by product information which itself creates value for the consumer.

- In some e-business, information is collected about users; it is much more valuable than the most sold product or service. In the Internet networks, this phenomenon is known as data mining. This is the exact dimension that helps determine the suitability of the product for sale online.

- The Internet allows users to perform a detailed choice of a product / service and almost without any costs.

- Often, there are offered products or services on the Internet which can be digitized and available to the consumer online - directly to a computer.

- It is stated the importance of the Internet in developing new platforms for the new product innovation, with direct access to consumers, in order to collect information for the development of new products that meet consumers' needs.

- Some of the products, compared to others, have a higher demand on the Internet than in physical sales points (e.g. tickets).



Internet impact on marketing complex elements - **price:**

- Internet leads to greater price competition and leads to price standardization, the reduction of differences. Add to this the possibility to compare prices among all suppliers online.

- Product or service price reaches their limit costs / expenses by increasing competition. Organizations will have to adjust to new pricing models using the Internet.

- The critical element linked to the price - the exchange rate. If an organization wants to sell its products in international markets are required to publish the prices in the target currency, or allow the user to access the site installed automatic currency conversion system or post links to help carry out this action.

- Prices of perception affect user satisfaction with e-marketing time. Prices honesty can be a dominant factor in satisfaction and influence the desire to return to the website. So, in order to keep customers, e-merchants should not only provide the goods and services prices, additional charges, but also constantly updated to avoid misunderstandings.



Internet impact of marketing complex element - **distribution / location:**

- Place on the Internet is understood as an online organization websites.

-Place on the Internet is identified as a product or service delivery channels. Product or service delivery: the organization itself performs delivery, uses third parties or directly delivers the product via the Internet (for informative, software, entertainment and financial services products).

- The Internet makes it possible in certain cases to avoid the intermediate links of organizations - mediators; cooperation is going on with competitors and suppliers - extended their pages offering products of competitors.

-E-business on the Internet sites are competing in quality, design, attractiveness of the proposals, a variety of product presentations and so on.

- Physical distribution of goods / delivery takes longer. The negative feature in online shopping is the time during which the purchase is coming from a seller to the customer. It is not valid for digital goods (movies, music, e-books, software, etc.) In order to reduce the influence of this factor in the case of physical production, a new niche is becoming popular for - express services which the main purpose is to deliver orders as quickly as possible.

-Time changes. In a traditional trade or other business very important are working hours. The influx of customers before the holidays, after work or at the weekends is not so important, because the Internet does not depend on time. The Internet has reduced its value because it can be used at any time of the day



Internet impact on marketing complex elements - **support:**

- The Internet enables organizations to communicate interactively with consumers.
- The Internet enables to reach international customers much cheaper than using traditional media methods
  - Companies can use various supporting techniques, e.g., to pay for the placement of links in websites which are popular among the company's target consumers and are less expensive option than advertising in traditional media channels.
  - The possibility of free exchange "free" advertising to other sites.
  - Speeches in online discussion forums that are related to the company's sales of goods or services or type of target market is a great way to attract potential visitors to the site with a probability to gain new consumers.
  - Brand Management remains the most important factor in online marketing - it is very important to the company and its subsidiaries to have different sites that use different formats, visuals, messages and content.
  - The use of e-marketing instruments - target marketing by e-mail; blog; SEO- search engine optimization ; social networks; banners.
  - Internet customers, buying online prefer suppliers, from who have previously bought in the traditional way (not the Internet). Consumers buying online not the first time take preference for a well-known traditional offline merchant's website. The company wishing to move into e-business space should inform and prepare consumers to become e-customers.



**Generalized traditional and technology affected marketing are given in Table 2.**

Table 2. Traditional marketing and technology affected comparison

Marketing area	Marketing actions	
	Traditional marketing	Internet marketing
Segmentation	Demographic	Behavioural
Advertisement	"Pushing"	"Pulling"
Support	Massive	Adapted
Pricing	Established by organizations	Established by users
Delivery channels	Through intermediaries	Directly
New products	Restrict	Focused on consumers

For more information about e-marketing complex, possible extensions and the addition of new elements presented - e-marketing complex.



### Self-evaluation questions

**The impact of the Internet technology on marketing complex element "product"?**

**Internet impact on marketing complex elements – price:?**

**The impact on Internet technology marketing complex element "distribution"?**

**4The Internet Impact on marketing complex elements - support:?**

**Comment on how information technology has changed the attitude on consumer?**

## 4. Internet impact on traditional marketing, basic marketing concepts

### (II)

#### Introductory description

**The goal** – to get acquainted with the effects of online technologies and the influence of marketing communication system.

#### Objectives:

- To identify and introduce basic Internet technology, affected by the marketing concepts and communication aspects.
- To present a systematic approach to marketing communication.
- Be able to assess what is typical of integrated marketing communication, what are its features.

#### Expected learning outcomes and skills:

- Internet technology affects the perception of the principles of marketing communications.
- Has brought a systematic approach to marketing communication.
- Ability to apply integrated marketing communication in practical aspects.

**Duration of subject learning:** 7 AH (academic hour) - 2 AH - on learning of the module (theoretical classes), 1 AH – on practical workshops and 4 AH-on self-employment.

#### Basic concepts:

*Communication* - this is when the individuals are involved in an interaction with other individuals, using posts (exchange of information) to create meanings in different contexts.

*Integrated marketing communication* - is marketing communication planning concept, arising from the need to assess their individual fields (advertising, sales promotion, public relations, etc.) the strategic role, and the search for optimal combination to ensure clarity, consistency and maximizing the effects of communication programs through coordinated integration of all individual salutations.

#### 4.1 The impact of the Internet marketing communication process

Recently, a marketing concept is very often associated with communication. Marketing communication is more than a marketing function and covers all elements of the entire marketing support, which helps the organization to communicate with the target market players.

Traditional marketing has been applied to the case of simple communication option - **one-sided mass communication**.

The traditional way of advertising on television, radio and the press is one of many typical communication patterns - strategy. This type of mass communication is very popular, because have

the ability to reach a wide audience. In the figure below (Fig. 21), are presented the recent communication model scheme.



**Marking:** P - advertising provider; U user

**Figure 21. The traditional model is one to many communications**

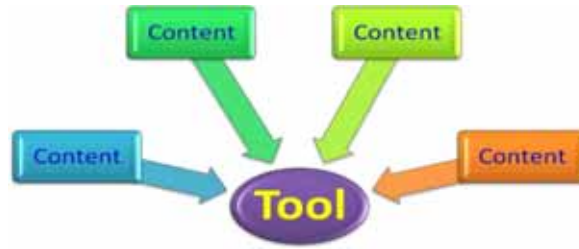
Recently, the market and the business took place in a number of related changes of information technology that led to another attitude towards communication and the exchange of the emergence. The Internet, which is a new form of communication, combines a large and extensive network, which covers different Internet users / consumers. In this case, both consumers and advertising suppliers may have a role in online information provider. Users have the ability to create web sites, to publish articles in it or promote various products.

Thus, the Internet and related technologies, and the development is associated with the formation of the close link between consumers and advertisers. Users can freely collect and provide information to commercial sites, communicate with other users. Advertising providers may also collect and use the information obtained from the customers and information about the consumers. All this creates conditions for advertising messages profiling, segmentation of the audience and information about the goods in order to facilitate the search.



As well as advertising providers, through a variety of means, like email, mail, websites, video conferencing, etc., can provide consumers with information, entertainment and so on. All these involves a number of many new marketing communication model / system (Fig. 22)





**Marking:** P - advertising provider; U- user

**Figure 22. A number of many communication online models.**

More and more companies are implementing their activities, moving to integrated marketing communications concept (*Eng. IMC - Integrated Marketing Communications*). The essence of this concept is to combine and integrate all marketing efforts and thereby achieve better results. This ensures a greater co-operation department of the company (general manager of communication, the overall budget responsibility), directional perception and common objectives. To achieve common goals of marketing, IMC uses the concept of marketing communications. A greater effect is achievable by using IMC synergies, which is not possible through individual communications. This leads to improve marketing performance at a lower cost.

IMC is traditionally divided into 4 communications.



**Figure 23. IMC communication**



Telecommunications and the Internet can be distinguished as a separate communication channel. On the one hand, the Internet would be the fifth IMC communication, on the other - it combines four traditional marketing communications and significantly expands their opportunities.

Internet - a strategically important decision. Internet users look for, learn about, choose, purchase. The entire sales process, from the user wish to the emergence of a transaction, can occur online. Therefore, communication with the (potential) consumers must be provided for each stage of the purchasing process. For this reasons a lot of different online marketing channels are used: any e-marketing campaign or program, from search engine optimization (SEO), online payment, partner programs, e-mail advertising, mail, advertising bands to the latest web technology based online conferencing, blogs, audio and video broadcasting and Internet TV. These measures are intended not only to implement operative purposes (as sales increasing), but there are also strategically important steps toward new markets, a favourable image on the Internet or customer loyalty.

A large part of the Internet firms appreciate business advantages, opportunities and move to e-commerce space. Part of businesses move all trade into a "new space" This is especially true for service providers, who are interested in making orders and its execution carried out in the customer's premises. Other - exploiting e-commerce as an alternative possibility, by increasing numbers of users and sales.

E-marketing is not limited to geographic frames. By implementing marketing campaign online sometimes is difficult to choose the right tools. Therefore, it should be chosen by non-traditional distribution: advertising, PR, direct marketing and sales promotion, based on their goals. Internet tools are so closely related that are often difficult to classify. Campaigns use the advantage of promotion opportunities (discounts, loyalty programs), which cannot exist without PR measures on the Internet (blogs, e. letters information campaigns), the implementation of which may be based on the direct marketing (direct e-mail. letters, payments via the Internet) means.

***There are distinguished integrated marketing communications (IMC) properties:***

- Clearly identify whether marketing communications objectives are consistent with the organization's goals.
- The planned approach, which fully covers the marketing communication activities in a coherent and synergistic manner.
- The range of target audiences - is not limited only to users or potential customers, but there is communication with interested persons, —employees, shareholders, suppliers and others" as well as consumers.

- All forms of communication, which can form marketing communication activities, management. This includes any related communication, resulting from the organization's internal and external communications.
- In support of activities as well as they are involved in human resources management and effective integration.
- All products / brands and corporate marketing communications efforts in connection.
- Supporting measure range - are used to support all combinations elements.
- Messaging range - branded product or company sponsorship must arise from a simple coherent strategy. Integrated marketing communication efforts to ensure that all messages are formed in synergistic way to maximize each other's strengths, or at least minimize the resulting inconsistencies.
- Information transporters (media) range - used for a wide range of measures aimed at the dissemination of the report, not only to mass communication tools.

All the above mentioned features rarely occur at the same time, even in the most successful organizations, but it should not be seen as a drawback because in practice it is not always feasible to implement. The essential advantage of marketing communications integration is synergy which occurs through a variety of marketing communications aspects of each other co-operation, supportive and enforcing ways. In particular the advantages of integrated marketing communications are provided with its advantages.



**Figure 24. The benefits of integrated marketing communication.**

The biggest impact on marketing communication is achieved when all its elements will be integrated into a single whole. Marketing complex elements should be integrated in such a way that they will work in harmony with each other. In other words give a synergy effect, it means allow to increase all efforts in marketing communications efficiency. Thus, the communication synergies effect is the fact that the complex means of communication (integrated communications), the

efficiency of usage differs from each method and its efficiency. This effect is visible, and the following formula 1:

$$E1 + E2 + E3 + E4 = E \quad (1)$$

E - The effectiveness of integrated marketing communication.

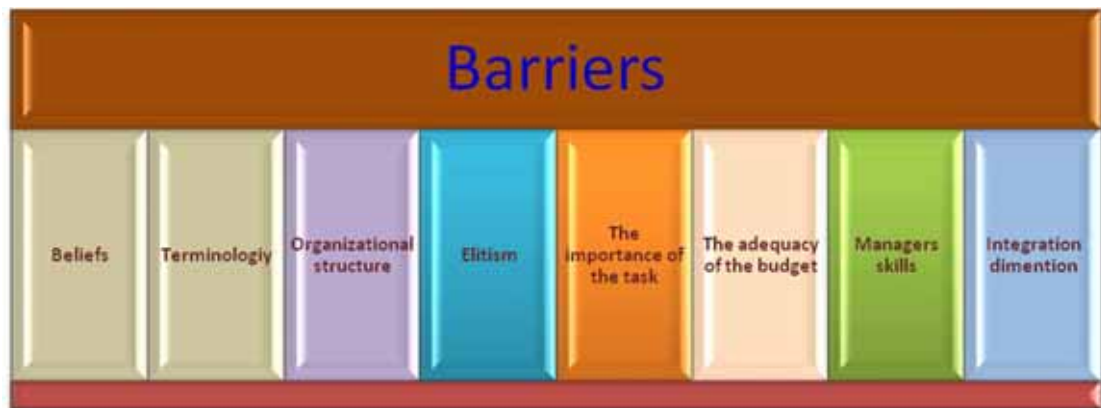
E1 - The effectiveness of public relations (opinion-forming)

E2 - The effectiveness of advertising.

E3 - The effectiveness of personal sales.

E4 - The effectiveness of sales promotion.

By planning an integrated marketing communications called (*Eng. "spill-over"*) effect, it means that it is impossible to identify the individual communication effectiveness on using them together. Despite many factors that promote the development of integrated marketing communications, there are also barriers, where organizations inevitably face in order to adopt a new approach.



**Figure 25. Integrated marketing communication development barriers**

- *Beliefs*. In many cases, beliefs are a change brake.

- *Terminology*. There is no single terminology and a single support of element classification. It is often said about the same things, but are used different terms. This leads to a lot of miscommunication.

- *Organizational structure*. In many organizations, the structure can cause a number of problems in the management of IMC. Integration requires a crisis of change, conflict and management communication skills.

- *Elitism*. The specialist of each supporting element thinks that his sphere is the most important in a supporting complex. This creates a lot of conflict.

- *The importance of the task*. To achieve the integration effect, it is very difficult to determine the required influence of the organization. Nevertheless, in order to install the IMC it requires the engagement of the whole organization.

- *The adequacy of the budget*. Organizations often approve a budget that is focused on short-term effect and is much smaller than it should be to implement new methods of IMC

- Managers' skills. Interdisciplinary skills are obstacles to the IMC. IMC requires a wide range of skills, it is extremely important to be able to manage and use it effectively.

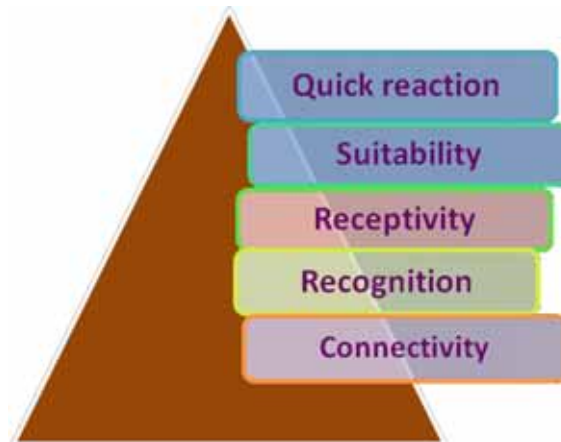
- Integration dimension. IMC Concept has many dimensions of integration, but the organizations very often are aware only of interdisciplinary integration. This is a wrong approach, which could lead to negative results of the IMC installation.

In marketing communication activities, coordination and integration are necessary to reach the consumer and enable organizations to compete in the market. Every tool of communication should not be treated as a separate stand-alone activity, but as whole interrelated marketing tools that complement each other. Each communication element is associated with each part of the preparation plan. Each piece should be linked with other parts that might lead to synergies.

IMC planning process can be understood as a never-ending, an ongoing planning. Planning and decision-making process similar to traditional marketing planning process, but here all the essential elements in the process (objectives, strategies, and tactics of the budget) is integrated. This process extends the analysis and evaluation cycle, which allows the former to evaluate the effectiveness of campaigns and improve future decisions.

The planning of marketing communications can be used in a variety of models. Traditional marketing uses the 4P marketing management framework which principles remain unchanged in the IMC concept. Abstract planning guidelines provide 5R model, which recognizes the consumer's market power and marketing systems interaction changes.





**Figure 26. 5R model**

1. *Quick reaction* - how quickly and effectively marketing manager can respond to user and customer requirements and needs. Most organizations are not prepared to fast response. In fact, they are ready not to speak, but to listen. In this case, the market, where marketing manager has been controlled, the reaction has not been very important. The new interoperable market reaction is necessary.

2. *Suitability* - occurs by how appropriate a marketing communication is for persons to whom it is addressed. This becomes an important issue when users expect and are invited to adopt the marketing communication rather than simply being disturbed. In addition, the appropriate communication is provided to the target audience, which is likely to receive and accept.

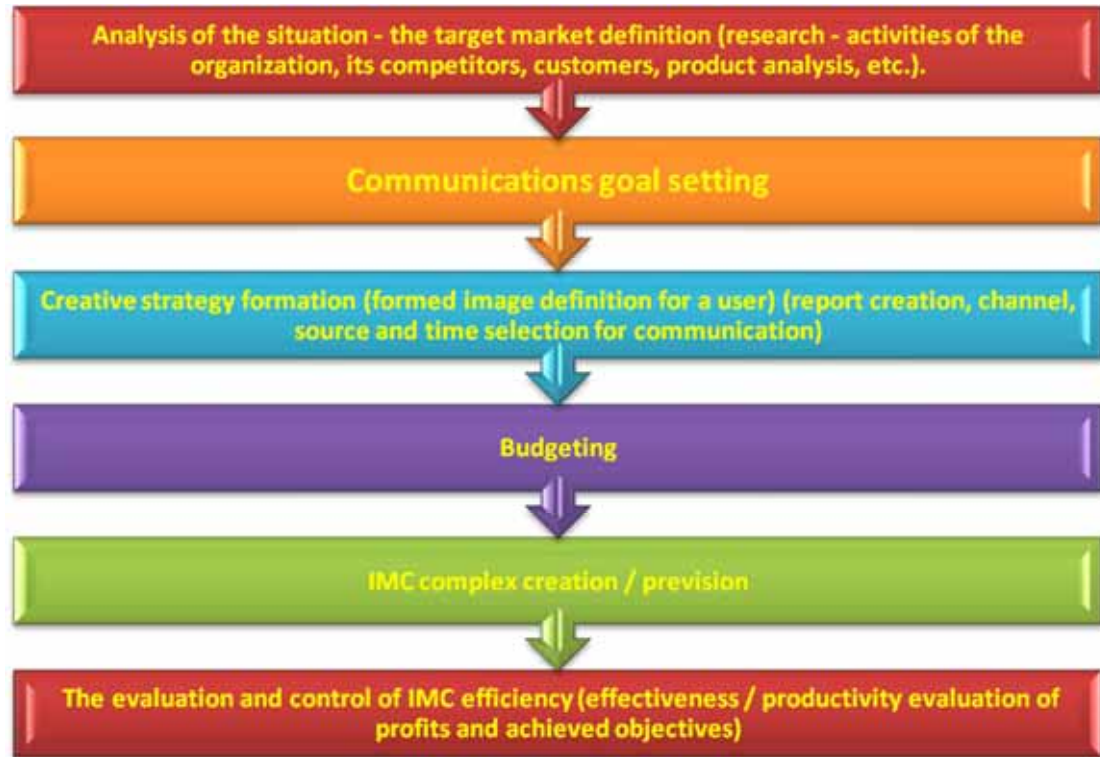
3. *Receptivity* - In a new interoperable market marketing challenge for communicators is achieved when users or future clients want to obtain information not necessarily when the marketing manager wants to provide information. So the challenge for a new market - communication is the time when "the customer wants to buy", not when the —salesman wants to sell." This changes the number of communication rules, such as efficiency and effectiveness through the choice of target setting, when consumers contact with the organization, but not when marketing leaders themselves send information and promotion.

4. *Recognition* - interacting market brands is becoming a necessity. It provides an instant trust and recognition. It functions quickly and effectively, allowing consumers to make decisions based on the experiences or recommendations. Market brands often become the most important marketing asset of the organization where a lot of votes require attention or where a wide range of alternatives are possible.

5. *Connectivity*- it is not a big problem that the new market will be based on communication.

This value is common for both customers and organizations. The ongoing "give and take" between the customer and the organization, where each part "wins" in each exchange process, will

be the objective of marketing , rather than one-time sale. The marketing organization more no longer can force users to obey. This will be the consumer who determines the duration, intensity and depth of the relationship, which is trying to build an organization.



**Figure 27. The stages of integrated marketing communication process.**

In order to simplify the planning of communication is used "5K" pattern - formed on the basis of questions:

- Who are our target customers?
- What do we need to achieve them?
- How should we communicate?
- Where should we communicate?
- When should communicate?



All activities of the organization (including communication and marketing) directly and / or indirectly influence by various environmental variables, and ongoing environmental survey and its analysis is a very important process of each organization's well-being. Both the communication process as well as a whole business activity takes place in one or another environmental context. Environment forms a communication context in which operates all communications of marketing. Therefore, the creation of IMC plans is essential to carry out full and detailed analysis of all the relevant environmental factors that can affect the success of the communicative process. All organizations' influencing environmental factors in their broad sense are divided into micro (immediate, direct environment, in which occurs marketing communication, the microenvironment considered to be one of the key factors, that influence the marketing communication effectiveness) and macro (environment, which is functioning organization that includes internal and external factors), which form the communication context.

In one or another case, the most attention has been focused on marketing communications macro environment that has changed dramatically in the last decade. Creating IMC plans it is important to take into account the environmental changes, which directly affects the IMC - computer technology, communication technology, social changes, increased market segmentation significance, variable marketing role and expectations of production systems, technology changes, international competition and the market, the marketing communications industry structure, changes in the organization and management, marketing communication production changes in technology, marketing communications industry regulatory changes.

The integral use of sources increase efficiency and allows users to achieve better positions in the subconscious of the market distribution period. Also, this way, companies reduce the cost of management, staff, marketing and sales budget account.





### **Self-evaluation Questions**

**What methodology is applied in order to simplify the communication planning?**

**What are the advantages/ benefits of integrated marketing communication?**

**What are the main features of the integrated marketing communications / issues?**

**What is the difference of traditional and online marketing communications?**

**What are the major stages of integrated marketing communication process?**

## 5. Concept of e-marketing

### Introductory description

**Goal** – to introduce the online marketing system, its principles and aspects

**Objectives:**

- To get acquainted with the basic principles and concepts.
- To be able to create marketing mix
- To know the chain of Internet marketing activities.

**Expected learning outcomes and skills:**

- To know basic principles and concepts.
- To be able to create marketing mix.
- To know the chain of Internet marketing activities.

**Duration of topic studying:** 7 academic hours – 2 of them are allocated to the study of the module (theoretical classes), 1 academic hour – practice classes and 4 academic hours – self-study.

**Key words**

*E-marketing* – application of IT to company's marketing activities.

*E-marketing mix* – a unique set of inter-related actions and tactics which are used to reduce the desired respond in the target market and to achieve company's goals by meetings the customers' needs.

*The marketing environment* – refers to forces outside the company, which have a direct or indirect impact on company's work and its marketing decisions.

*Marketing ethics* – deals with the moral principles which determine what is appropriate and inappropriate behaviour in marketing process.

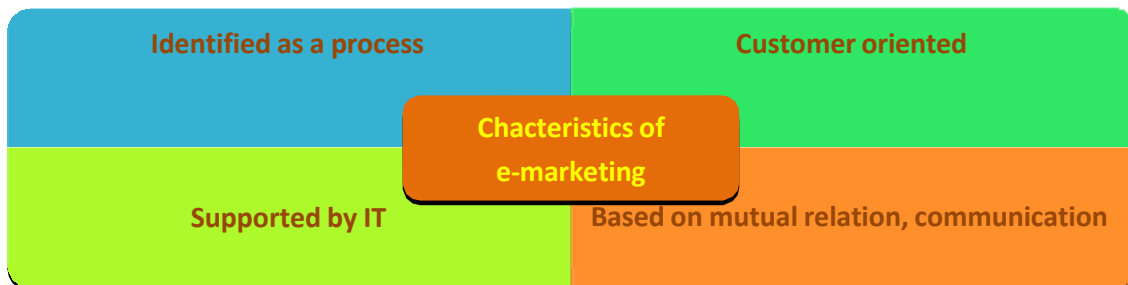
### 5.1. Basic principles and concepts.

Business, at least in part, is forced to move into the electronic space. It is due to spread of the Internet, competition rise and globalisation of business. In order to attract more customers and survive in the global market entrepreneurs have also had to change means of advertising. It is not enough to have high quality products to operate successfully in the market; high quality service and successful introduction of new methods of competition are vital.

Online marketing (e-marketing) – is an interactive process, when using information technologies long-term relations between the company and customers are developed. In the broad sense, marketing comprises strategic and tactic planning processes which are to meet customers' needs and bring maximum profit. E- marketing can be of two types:

- As a marketing strategy component of a whole organisation.
- As a standalone system, which contains all traditional marketing components, but they are transferred into e-space.

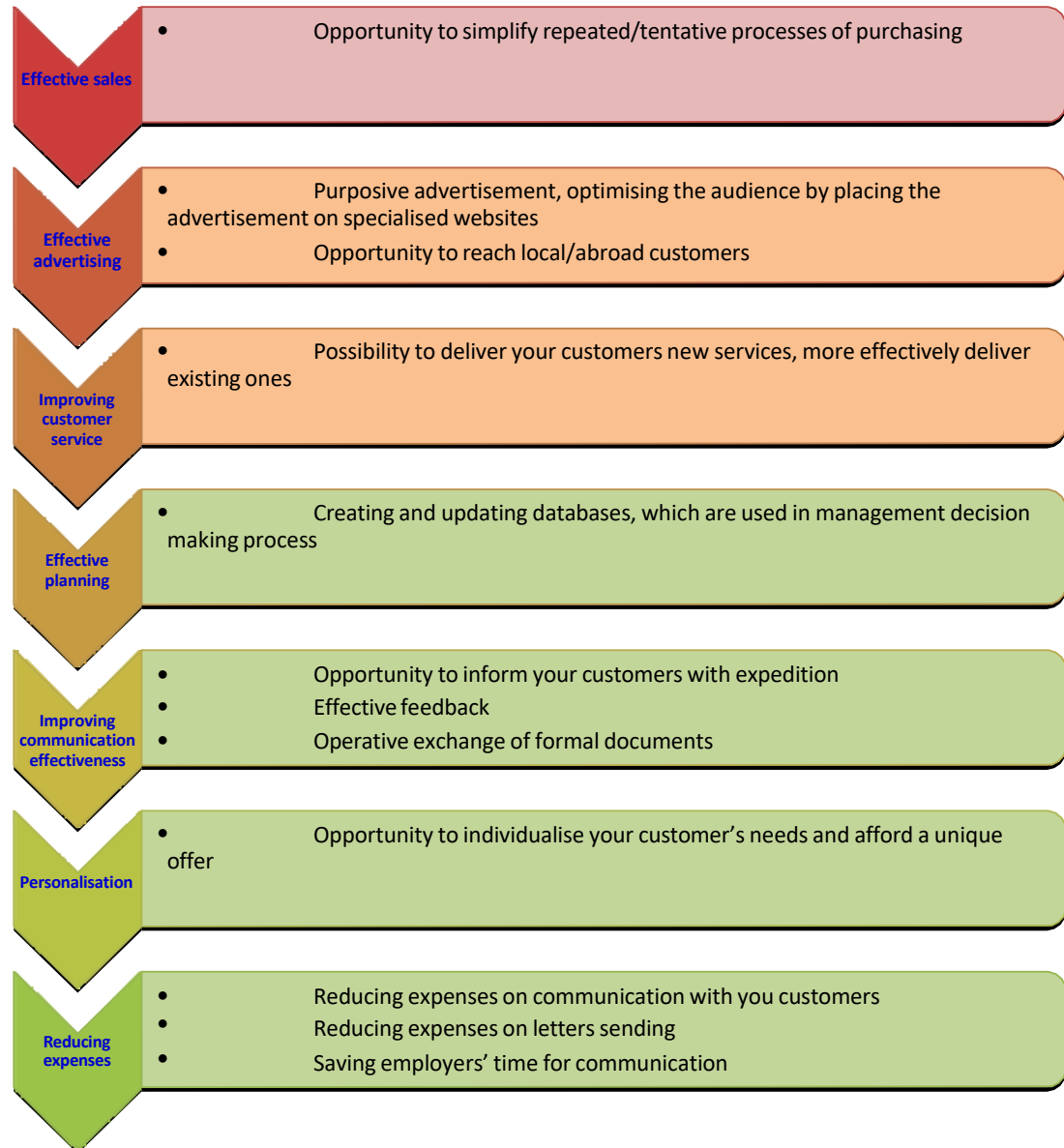
In e-marketing customers are not grouped into segments by the traditional demographic method but by their behaviour. To provide more and better quality information sales advertising is used. The number of distribution channels grows and the number of intermediaries increases as manufactures discover new ways of delivering the product to the buyer directly. Companies have to introduce a different type of marketing to be able to adjust to new circumstances. E-marketing is characterised by certain features:



**Fig. 28 Characteristics of e-marketing**

E-marketing is associated more with an external perspective, how the Internet can be used to liaise with traditional environment, providing services to customers and reducing costs (administrative, etc.). Internet technologies make it possible for businesses to create the following competitive advantages:





**Fig. 29 The Internet and its ability to create competitive advantages.**

The impact of information technology on e-marketing

- *A customer is the most important.* In today's business world conditions are dictated by consumers who determine competition conditions. Increased buying power, constantly changing needs and expectations lead to a shortened product life cycle.
- *Speed.* Information on the Internet is changing at a high speed, so the customer has to constantly monitor the process.
- *Distance abolition.* With the emergence of the Internet geographical barriers have disappeared. Companies communicate with their clients from various parts of the world.

Attainability on a global scale is the factor which allows reaching markets which previously were not available. Therefore, the Internet is regarded as the global market with no limits.

- *Lack of time constraints.* It is non-stop activity, that is twenty-four hours a day, seven days a week (24/7)
- *The intellect-based capital* – imagination, creativity and entrepreneurship are more important resources than financial capital.

The impacts of electronic technology mentioned above let us conclude that e-marketing is a complex process designed for marketing purposes using the Internet and other digital technologies related to it.

Impact of the virtual environment on traditional marketing:

- Increases effectiveness of traditional marketing functions.
- Provides flexibility for marketing solutions (abolition of physical limits, access to information about products and services, transformation from a passive customer's state to an active).

### **5.1.1 Particularity of the Internet: environment, markets, target audience etc.**

A company is continuously affected by some uncontrolled forces: competitors, government issued regulations, etc. This is marketing environment which cannot be changed, that is why the only way is to adapt to it.

**Internal restrictions (Who are we?)** When making decisions on marketing mix a number of constraints, that exist both internally and externally, should be taken into account. Goals of the company, nature of business, financial resources, strengths and skills of the company and its weaknesses can be mentioned as basic company's inner restrictions.

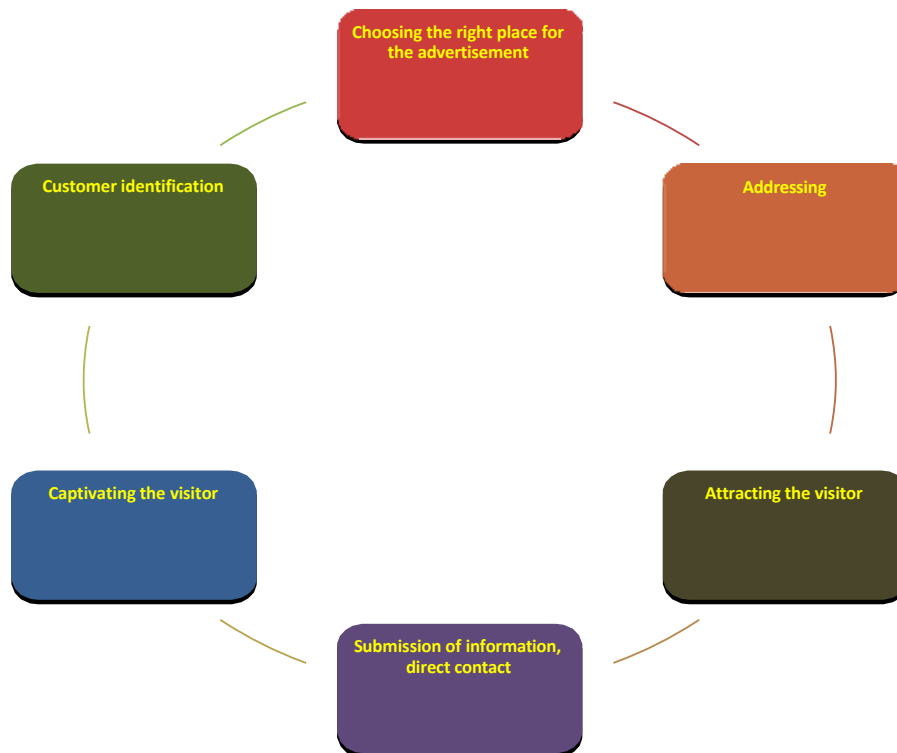
**External restrictions (Where are we? What is around us?)** There are external forces not subject to the will of the company management. They operate according to their own laws and no single company can change the situation – it is company's environment. It is impossible to create universal marketing mix forever and suitable for most business companies.

Attention must be paid to the market definition which focuses on two categories of customers, actual and potential:

- *Actual* customers are those who have already bought the product, and the marketing efforts should be put into ensuring that they will remain loyal to the product.

- *Potential* customers are those who have not bought the product yet but using active marketing tools could become such.

### 5.1.2 E-marketing chain of activities



**Fig. 30 E- marketing chain of activities**

In e-marketing the following chain of activities can be identified:

- *Choosing the right place for the advertisement.* It must be found out: How many visitors does this place get? What percentage of visitors meet the company's target audience definition? On average, how much does it cost the company to show the ad to one member of the target group?

- *Addressing.* It is not necessary in an advertisement to identify particular mark of a product or service. 'Rough lie' may make visitors interested, but may repel them. It is important at any cost to attract those visitors who are defined as target group members.

- *Attracting the visitor.* The main objective here is to lure the visitor into the company's product catalogue. Critical factors: attractive homepage of a company, high speed loading the page, clear and easy link to the product or service catalogue.

- *Captivating the visitor.* The visitor should like the product so much that they want more information about it. Critical factors: good products, attractive presentation, easy link to request information.

- *Customer identification.* The visitor must disclose their data and request more information. Critical factor: a balanced information order form, not deterrent, promising an adequate compensation for the effort when presenting all the information needed for marketing.

- *Submission of information, direct contact.* The visitor has to get all the data they want, and even more, just to feel flattered. Critical factors: efficient and accurate response, direct work with the client, constant feedback.

When planning successful e-marketing campaigns, it is necessary to bear in mind the core needs of each customer:

- Customers want their purchased services and products to work.
- Customers do not want to pay too much.
- Customers do not want to waste their time.
- Customers do not want any trouble.
- Customers do not want any surprises.
- Customers do not want to go deep into technology.
- Customers want to feel respected.
- Customers do not want to feel deceived.
- Customers generally do not want to learn new things.

Neither traditional nor online marketing campaign will help if there is no attention paid to the customer and their needs.

### **5.1.3 Ethical code, regional specifics, consumer mentality.**

There are 4 main reasons why marketers should stick to the ethics:

1. Ethical marketing can boost the process of decline in public confidence. Marketing prestige has been diminished in the eyes of many people. In addition, the emergence of very questionable activities contributes to customer issues. Although it is often related to a small part of marketing activities, all marketing specialists' reputation suffers.
2. Ethical marketers' behaviour would help to avoid increasing government regulation. Some apathy and resistance arise in business when unethical behaviour symptoms increase the likelihood of government regulation.
3. Ethical marketing helps to restore public confidence.

#### 4. Ethical marketing helps to protect company's image.

Ethics is the basis of many companies' business success. It is therefore not surprising that such internationally recognised corporations as „Johnson & Johnson—, „Coca-Cola—, „IBM—, „Kodak—, „Xerox—, „Gerber— permanently increase their annual profit.

Marketers, who care about social welfare, try to create products which would not only appeal to the customers, but also be useful. Products can be divided into two categories: ones that bring short-term satisfaction, others – long-term benefit. A fake product (e.g. tasty but ineffective drug) neither brings short-term satisfaction nor long-term benefit. An attractive product satisfies the needs fully and quite quickly, although it may be harmful for the user (e.g. cigarettes). A useful product does not satisfy the needs immediately but in the long term it is beneficial. (e.g. car safety belts). A desirable product satisfies the needs immediately and provides long-term benefit. (e.g. delicious and nutritious breakfast cereals). Attractive products are sold quickly but can be harmful for the user. A manufacturer can adjust the composition of the product at the same time not reducing attractiveness of the product. Customers should be given the opportunity to choose by giving them clear, truthful information. They can complain about an improper delivery of goods or services and thus discipline companies.



## 5.2 E-marketing mix

The biggest advantage of e-marketing is that the Internet makes it possible to provide services at every stage of selling the product: before selling the product, during the sales and after the sales transaction.

To achieve marketing objectives, after the target group i.e. customers have been identified, the next step is to foresee marketing measures and actions and their application. Following traditional marketing strategy model a company develops integrated marketing tools and set of actions which are called marketing mix. In the traditional marketing case it includes *product, price, promotion and distribution*. However, transferring this set into the Internet, the power of decision-making moves from seller to buyer. The main focus is on the communication with the customer, who has the



power of decision-making. That is why the manufacturer has to figure out the needs of the customer even before the production stage.

Traditional marketing mix does not possess elements of interactivity, consequently e-marketing, unlike traditional, is characterised by a wider scope.



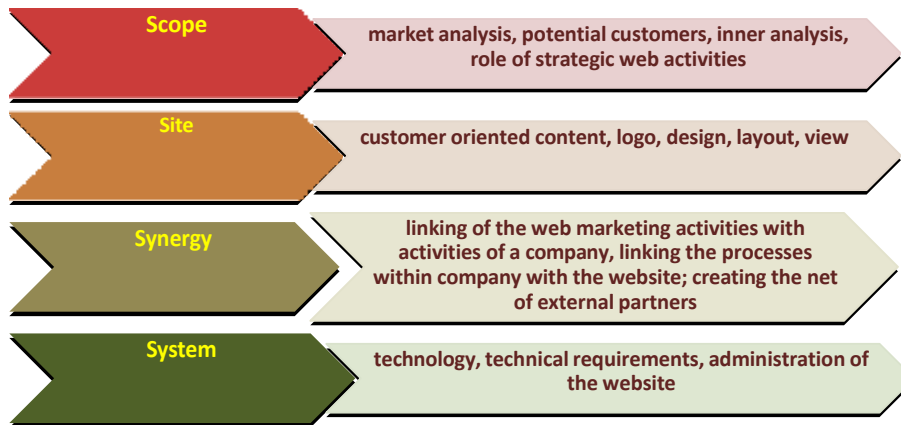
**Fig. 31. E-marketing mix**

Various authors treat e-marketing and its elements differently. What is more, some treat it at different levels and to different degrees.



**Fig. 32 . E-marketing mix – 2P-2C-3S**

E-marketing is attractive and useful because it enables to establish communication with customers, and therefore, it requires special attention.

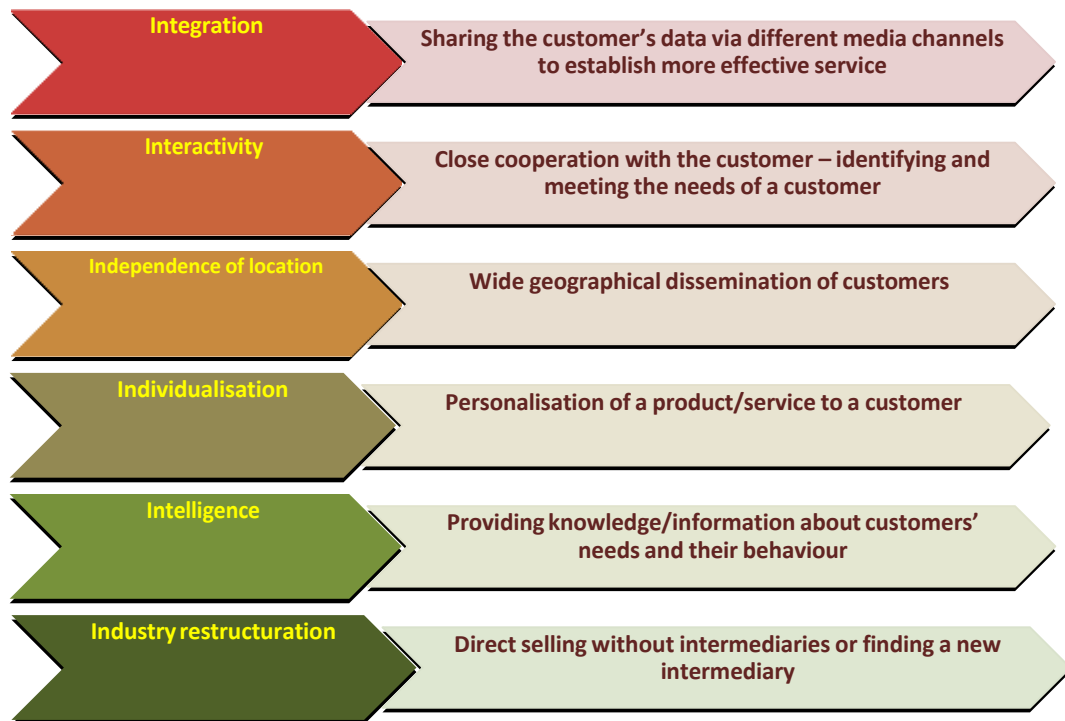


**Fig. 33 . E-marketing mix 4S**

In e-marketing it is advisable to stick to the 4C model:

- *Customers needs and wants*
- *Cost to the customer*
- *Convenience*
- *Communication*

When coordinating web marketing 6I system should be followed



**Fig. 34. E-marketing based on a 6I system**

E-marketing – is a set of actions which are used to strengthen business position according to 4P model, incorporating interactivity and its elements, but not excluding them as separate elements and evaluating when making marketing decisions.

- Web design matches product packaging.
- Navigation, ease of use and content reflects quality.
- Website addresses are often consistent with the trademark
- The speed of communication channel enables the user to receive the product or service at any time and therefore it characterises the product not the place.

More information about the impact of IT on the basic elements of marketing mix is presented in Part 3.2.

There can be distinguished two main features in e-marketing mix:

1. Controlled area within the company's scope
2. Properly coordinated marketing mix gives company synergistic effect

- overall result of marketing mix impact is bigger than the effect of separate constituent elements. If a synergistic effect does not occur it means that marketing mix (actions and decisions) is managed badly.

Information and globalisation have radically changed marketing goals – from strongly homogenous actions, tailored for masses, marketing is becoming heterogenous and focuses on specific target markets. It means that all marketing mix elements need to be adapted not for the masses but for specific target market segments.

In e-marketing key elements of marketing are implemented –*product, price, distribution, communication/promotion*. All other elements such as interactivity, personification and so on are considered as complementary to the basic elements, although they are sometimes distinguished as separate elements.



**Product/Service.** Products in a virtual environment are divided by *nature*:

- *Physical products* – tangible goods – household appliances, books, cars, etc. Drawback – when buying on the Internet there is no possibility to test them.
- *Digital products* – goods existing only in cyberspace. They include software, e-books, pictures, audio and video e-products, etc.
- *Services* – this produce cannot be separated from the service provider, it is intangible, they are used and supplied at the same time when two parts, i.e. the service provider and the user, are present. These services include travelling, distance learning, virtual games and so on.

IT allows the customer to save money, time, and this in turn contributes to a higher value of goods on the Internet. It is very important to provide the most complete information about the product on the website.

**Pricing.** The Internet is seen as an efficient market, since it is marked by such features as lower prices, increased price flexibility, frequent but less significant changes in prices. *Lower costs* of commercial activities on the Internet lead to lower prices – reduces need for staff, no expenses for premises rent and maintenance, etc. Buying agents contribute to lowering the price (public presentation of benchmarking results), reverse auctions (buyers set the price and the supplier tries to meet the offer), tax-free zones (lower taxes are imposed as there are no state borders), venture capital (most e-businesses are funded by venture capital funds and the latter is focused on the long-term rather than faster and higher profits), active competition (a large number of market participants, easy price comparison, simple replication of commercial offers, etc.). *Price flexibility* is caused by variety of purchasing behaviour and price changes. Aspiration to attract price-sensitive customers, easy and simple process of price changing, experimentation and possibility to compare prices lead to *frequent and less significant changes in prices*.

***Prices increase determinants on the internet:***



- *Distribution* – retail trade participants on the Internet are exposed to significant product distribution expenses since the goods are transported to various places. Very often customers themselves cover delivering costs to the indicated address. In this case the cost of the product online increases.

- *Partnership programmes* - the vast majority of websites selling their products online carry out partnership programmes, so they pay from 7% to 15 % interest rate for each transaction. These costs contribute to the price rise of the product and reduce company's profit.

- *Website design and maintenance* – requires considerable financial resources. Maintenance includes such expenses as hardware, software, the Internet, etc.

*E-marketing and e-advertising* – the Internet is dominated by harsh competition thus it requires heavy fixed costs on advertising to attract and retain customers online. According to world studies up to 40 % of the Internet revenue is allocated to e-marketing.

***Price types on the Internet:***



- *Tangible price* – it is physical, i.e. price shown in figures next to the product on a website. According to this type of price, the Internet user knows the value of the product.

- *Intangible price* – it is a price that is usually attributed to cyber products. The Internet user has an impression that the information online is free, but in reality the company providing the product receives in return user's attention and consumers traffic. Thus it is possible to direct user's attention to the online advertisement, which is paid by a company which ordered to put it on a website offering free information for a user. The core point of this price type strategy is to attract as many users as possible and make them spend a lot of time on the website.

- *United price* – it is use of both tangible and intangible price strategy. On informative websites a part of information is free, the other – not. (e.g. [www.vz.lt](http://www.vz.lt))

***Internet pricing strategy:***



- *Penetration price* – to enter easier and occupy the biggest part of a market a lower price for a new product is set.

- *Market skimming* – to attract consumers who like Internet innovations a high price is set. Subsequently, the price is gradually lowered.

- *Estimated profit and cost recovery* – pricing is based on a simple methodology – markup is added to the price of a product.

- *Achievement of projected earnings growth* – pricing is based on product cost. Project profit achievement is possible by reducing costs, increasing sales and price.



- *Price as a quality indicator* – an appropriate pricing strategy when the customer is not well acquainted with product features. In this case, high price sends a signal to the customer that a product or service is good and of high quality.
- *Promotional price* – this pricing method is used to stimulate sales and thus to lure and attract customers. This method is usually used for a short time in order to achieve sales growth effect.
- *Leadership price* – according to this method the lowest price is set for a particular product or service category. In this case it is necessary to cut the costs to the minimum.
- *Segmented price* – pricing approach, focusing on a specific, target group of customers in order to better meet their needs.
- *Prestigious price* – some consumers feel comfortable paying high price. By doing this they seek to obtain a valuable product or service.

Due to constantly changing customer needs online prices are dynamic and active. Therefore, it is necessary to combine and apply complex pricing methods, principles and strategies.



**Distribution/Supply.** Product distribution channels are identified by the following aspects – *the type of an intermediary* involved in the distribution channel and the *functions* carried out by an intermediary in the same distribution channel.

In e-marketing similarly to traditional marketing there are the same channel *intermediaries* – wholesalers (buy product from manufacturers and sell to retailer), *retailers* (purchase products from wholesalers and sell them online directly to customers), *brokers* (help to conduct transactions between buyers and sellers) and *agents* (help to conduct e-transactions, but unlike brokers they represent either buyer or seller.)

The internet, i.e. virtual space, allows transforming the mediation process efficiently – inefficiently acting agents are removed from the distribution channel and functions are transferred to other intermediaries.

- *Customer relations* – the Internet technology makes it possible to form relations and keep in touch with customers. The Internet is considered to be 4<sup>th</sup> channel after personal selling, mail and telephone.

- *Marketing communication* – advertising and product promotion measures are often distributed between distribution channel participants – e.g. a manufacturer may carry out an advertising campaign and an e-retailer offers e-coupons.

- *Physical distribution* – a vast majority of products sold in e-shops are distributed and disseminated using traditional channels – courier services and so on. However, digital conversion of product allows transforming distribution channel and delivering the product directly to the customer's computer. Such products as text, video and audio content, e-books, e-magazines, software, etc. can be delivered in this way.

- *Product accumulation* – produce suppliers/manufacturers are more likely to supply/produce high volume production. The Internet users, on the contrary, want to buy smaller quantities but have a wide choice of products. In this case distribution channel intermediaries play a very important role – they collect produce from many different suppliers. In this way, consumers are offered a wide range of options.

- *Transactions* – e-channels enable to great extent to reduce costs of ongoing transactions.

- *Third party logistics* – conflicting objectives, i.e. to deliver the product on time quickly and cheaply, at the same time not storing large production supply is usually the biggest logistics/distribution challenge and problem in b2b market. This opportunity may be created by transferring whole produce to the third party. In this case, a logistic company may be more involved in the delivery chain and its management – managing process of orders, stock replenishment, etc.

Companies carrying out online sales can allocate the produce they sell through different distribution channels:

- Online channel
- Hybrid channel, which includes both traditional and online channels

Hybrid distribution channel has some advantages – it increases marketing reach and each customer segment can be served separately.

Another important element of e-marketing – communication and support/incentives.



## Self-evaluation Questions

**Name and briefly describe basic aspects and factors that influence price growth of products online?**

**Types of products in a virtual environment by *nature*:?**

**What is the impact of information technology on e-marketing ?**

**What influences lower prices of produce sold online?**

**What are the elements of e-marketing mix?**



## 6. Online marketing objectives and functions

### Introductory description

**The goal** - to introduce with the objectives and functions of online marketing

### Objectives:

- Identify the main e-marketing objectives and functions.

### Expected learning outcomes and skills:

- The perception of systemic uptake of e-marketing aspects through the prism of the objectives and functions.

- Internet technology affects the perception of the principles of marketing communications.

**Duration of subject learning:** 6 AH (academic hour) - 2 AH - on learning of the module (theoretical classes), 1 AH – on practical workshops and 3 AH-on individual work.

### Basic concepts:

The objective of e- marketing - to get the maximum effect from the web site (online store, the company's Web site) visitors, convert visitors to real customers, the result of all this is the increased profits of companies which advertise their goods and services online.

### 6.1 Online marketing objectives and functions

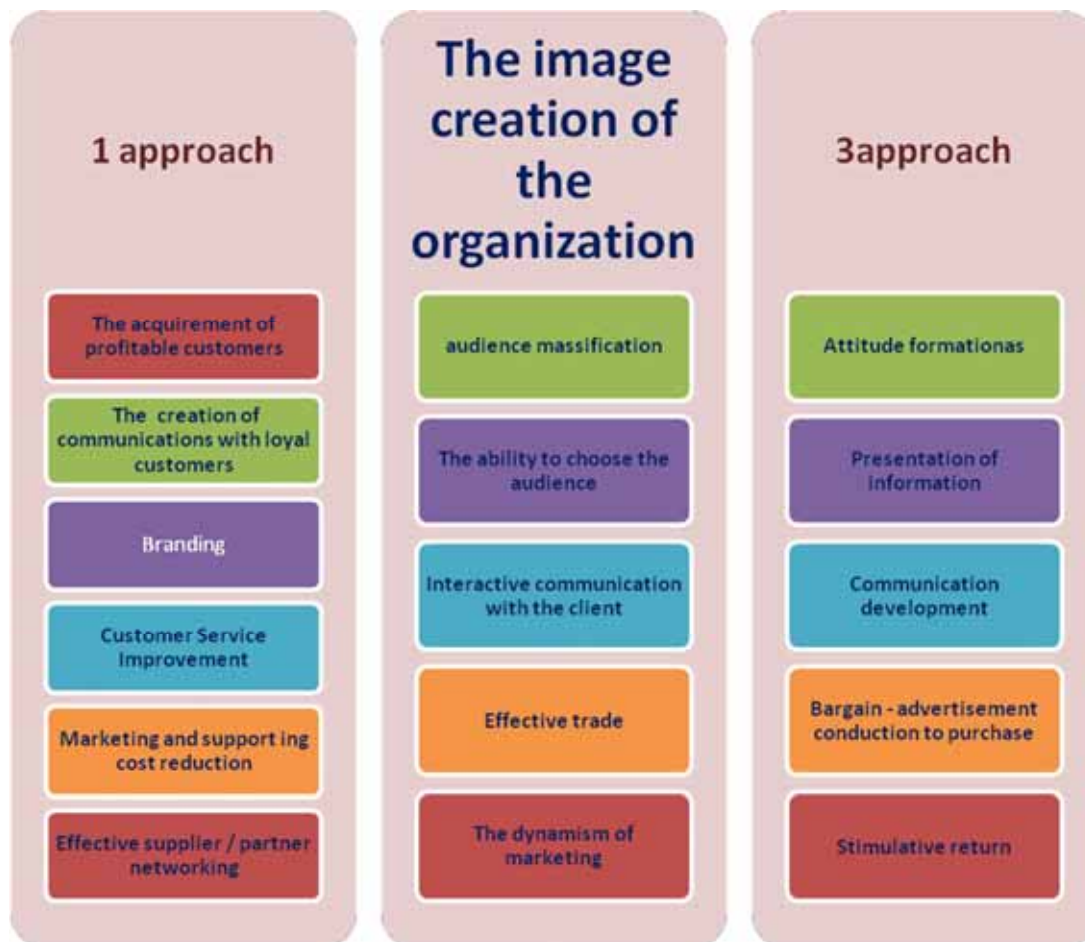
In today's world of business, marketing online is becoming one of the most effective ways to attract more users. E-marketing facilitates the investigation and form the market, consumer opinion and occasional users to make it permanent. Marketing online is identified as traditional advertising and direct marketing interaction:



**Figure 35. The interaction of online e-advertising**

Online marketing goals should be linked and be formed from the general company's marketing objectives. They must have formed links with marketing strategy decisions, target market and so on. Essentially, online marketing goals are very similar to the general marketing goals, but before the formation of them, it is necessary to identify and fix the real needs of the organization /

target marketing on the Internet. A distinction is made between different online marketing objectives presented in Figure 36



**Fig. 36 E-marketing and the general objectives of the e-business dimension**

In the above figure 36, 1st and 2nd approaches are reflecting the general e-marketing objectives and 3rd approach is more focused on online advertising goals, however, in e-Marketing, e-advertisements goals are consistent with the general e-marketing objectives level. The organization, through internet marketing, has consistently performed the following steps for achieving the objectives (2<sup>nd</sup> approach - Fig. 36).

- *Improving the image of the organization* - the organization has a virtual space to present their work using the latest technologies and the application of innovative e-marketing tools.
- *Audience massification* - the organization must be able to attract the widest possible group of users because the Internet technology makes it possible to have access to the rapidly expanding global audience that is not limited by any boundaries and limits
- *Ability to select audience* - organization, planning and implementing e-marketing efforts should focus on the target group of Internet users, as new technology makes it possible to achieve easily

the desired users or their group. According to the types of the Internet users of organization it is easy to identify the target audience.

- *Interactive communication with the consumer* - has an active form that is interactive, relationship with their consumers. In this case, the company must provide not only detailed information about its activities, products, and any effort to learn about the client, to know his opinion, comments and so on. It can also be applied to fans, fan communities creation and so on.

- *Effective business* - organization, using technology, by the instruments of advanced virtual payments should allow consumers conveniently to purchase goods, take orders and apply innovative methods of payment for goods.

- *The dynamism of marketing* - has constantly updated information and data contained in the web space, website and so on. Enterprise users must keep themselves informed about the activities, products and services.

According to figure 36, illustrated in the 3rd approach, to get e-advertising goals to general marketing objectives contribute as follows:

- *Attitude Formation* - custom e-articles, blogs and more, makes it possible to create a positive attitude about the organization, improve the company's reputation, website or brand of the company.



- *The provision of information* – various e-advertising tools (e.g. advertising banners, e. mail, and so on.) direct users to the organization's Internet site, where they usually find complete information about a product or service that are interested in or want to buy

- *Communication development* - viral marketing, contextual advertising, e. mail, forums, blogs, contribute to an interactive, that is two-way communication between the organization and the user creation.

- *Bargain, leads advertisements to a purchase* - The Internet user is directed to the organization's web site, usually perform the act of purchasing or guide it to a direction

*Simulative return* – e- advertising tools (newsletters, advertising banners, etc.) offering promotions, discounts and so on, enables the Internet user keep coming back to the organization's website, interested organizations products or services.

Depending on how the user purchases a product online, or how reacts to the applied marketing tools, can be formed into goals, customer orientation - communication, attracting contacting, action and maintenance.

The Internet's possibilities can be used for e-marketing functions as:



**Figure 37. Internet's possibilities in e-marketing functions**

According to the company's role in the internet marketing applications / features:



**Figure 38. According to the company's role in internet marketing applications / functions**

According to the direction of online marketing communication applications / features:



**Figure 39. According to the direction of online marketing communication applications / functions**



- The flow of information outside - "telling."

This can be a company's advertising, information about the company, the sale of products and services and other information aimed to affect the environment, affect the company's customers.

The flow of information inside - "listening".

By these flow patterns can be carried out market analysis, customer surveys, dissatisfaction registration

- Interactive communication - „conversation."

Interactivity occurs in serving customers, solving their complaints or consulting them and performing other tasks that are required by dialogue.



## 7. Electronic Marketing Strategy

### Introductory description

**The goal** - to introduce the effect of the Internet market segmentation and consumer research

### Objectives:

- To get acquainted with the market segmentation, analyze and identify e-market segmentation process and basic principles.
- To introduce the online research types, methods and principles

### Expected learning outcomes and skills:

- The main market / customer segmentation principles of knowledge and ability to apply and form them.
- Ability to recognize different types of users on the Internet.
- Research and implementation of the principles of the Internet awareness and knowledge, ability to choose and apply according to the situation and the need.

**Duration of subject learning:** 7 AH (academic hour) - 2 AH - on learning of the module (theoretical classes), 1 AH – on practical workshops and 4 AH-on individual work

### Basic concepts:

*Segmentation* - this is the total market breakdown into separate groups (consumer organizations) that have similar needs.

*The research* - is an activity providing business data / information that is the basis of identified opportunities and problems of marketing actions formation, development, marketing activities and their performance evaluation and etc.

*The marketing process* - it's the analysis marketing opportunity, selection of target markets, marketing complex creation and marketing management.

### 7.1 Research - e-market segmentation features.

**The concept of segmentation, the process and basic criteria.** The market is characterized by different users or groups, which differ not only in terms of the needs, desires, habits or interests, but also for its financial strength. This situation leads to certain difficulties to the organization presenting products on the market – i.e. the organization's target consumer, to whom, how and at what price to offer a product or service, which should be applied to the marketing strategy and marketing activities, or pay off the investment in sponsorship and many other issues.

All this affects the need for the market to break down, i.e. segmented into separate parts - segments of the market, it is more appropriate to identify and recognize users who have the same or a similar response to ongoing marketing efforts and ultimately possess similar consumer

behaviour. Thus, segmentation makes possible to better satisfied the needs of users and the needs, which create a strong competitive advantage not only by the organizations as a market participant, but also the production situation of other products or services in the same market or in a part of it and thus significantly increase sales and generate higher profits.

**There are 3 main market segmentation related concepts:**



**Figure 40. The main concept of market segmentation**

- *Market segmentation* - the market is splitting into separate groups of customers, some customers (consumers) react similar or equally to marketing efforts.
- *Market Segment* - this part of the market where consumers have similar needs, desires, values and purchasing behaviour.
- *Target market* - a market part of (consumer group), in which an organization directs its marketing efforts.

*The target market* can be twofold - firstly, it is a consumer or group of organizations, which are the most appropriate for organizational goals. Secondly, the proposed packages of production or output variation which can the best meet the needs of different user groups. It is impossible to satisfy all the needs of the market, so it is necessary to decide which market segments are relevant and targeted and which are irrelevant. The next step is to assess the profitability of the segments i.e. potential. So, the essence of market segmentation is to identify groups of consumers or market share, which has the same or similar needs or consumption habits. Market's segmentation goal is far as possible to ensure that resources, which will be directed to those users or organizations from which they can expect the highest returns.

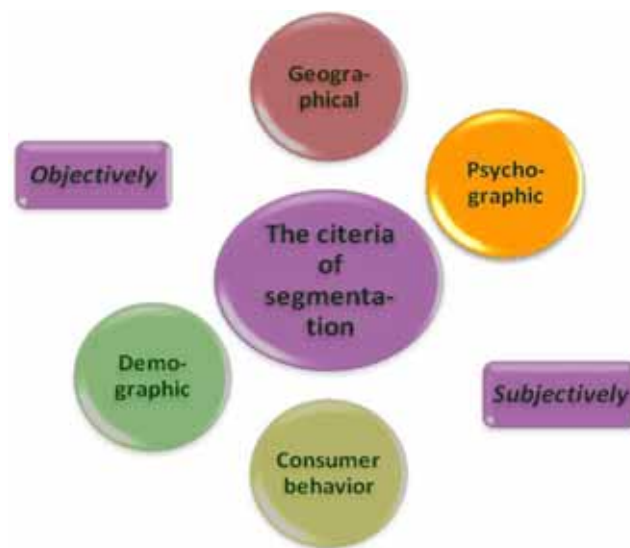
**Requirements segmentation:**

- Market segment of users needs to be like.
- Market has to be segmented by the principle in order to collect the information from the separate segments.
- The segments must be clearly defined and easily measurable.

- Market segments must have growth, profitability and expansion opportunities.
- Segment has to be easily available of support and product distribution operations.



There is no single and the best segmentation model and method, but in practice usually segmentation based on criteria that are presented in Figure 41.



#### 41 Figure. Market segmentation criteria

E-trade-i.e. in case of e-market, the bigger parts of consumers do not have membership. Therefore are hard to evaluate, due to lack of data, geographic, demographic and psychographic market segmentation criteria. But e-market is characterized by the fact of the data collection about consumers' habits and actions, and in this case, it is the most appropriate segmentation criteria of consumer behaviour.

The organization, shaping marketing strategy and marketing activities in e-space has to segment customers by their behaviour and understand how consumers make decisions in the e-market. The advantage is that digital technology makes it possible to segment customers in real time - this is the process where is identified each web site user and compared with the types of segments about the information to whom it is stored on the database. According to this system it can shape and adapt differentiated pricing.

Segmentation - an important method of market research, consumer research and *marketing process of policy-making basis*. Market segmentation process and its stages are described below:



