



Chapter 6:

E-business marketing and advertising concepts

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E-Business

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Learning outcomes

- ◆ Identify the key features of the Internet audience.
- ◆ Discuss the basic concepts of consumer behavior and purchasing decisions.
- ◆ Understand how consumers behave online.
- ◆ Identify and describe the basic digital commerce marketing and advertising strategies and tools.
- ◆ Identify and describe the main technologies that support online marketing.
- ◆ Understand the costs and benefits of online marketing communications

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Video Ads: Shoot, Click, Buy

- ◆ What advantages do video ads have over traditional banner ads?
- ◆ Where do sites such as YouTube fit in to a marketing strategy featuring video ads?
- ◆ What are some of the challenges and risks of placing video ads online?
- ◆ Do you think Internet users will ever develop “blindness” toward video ads as well?

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Consumers Online: The Internet Audience and Consumer Behavior

- ◆ In 2016, around 265 million people of all ages had access to the internet in U.S.
- ◆ about 75% (92 million) U.S. households have broadband Internet access in 2016.
- ◆ Worldwide, around 3.4 billion people are online.
- ◆ Growth rate has slowed to 2% a year in U.S.
- ◆ Intensity and scope of use both increasing
- ◆ Some demographic groups have much higher percentages of online usage than others
 - Income, education, age, ethnic dimensions

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Consumers Online (cont.)

- ◆ **Broadband and mobile impact**
 - Significant inequalities in broadband access
 - Older adults, lower income, lower educational levels
- ◆ **community effects (neighborhood effect)**
 - Role of social emulation in consumption decisions
 - “Connectedness”
 - Top 10–15% are more independent
 - Middle 50% share more purchase patterns of friends
 - Recommender systems - co-purchase networks

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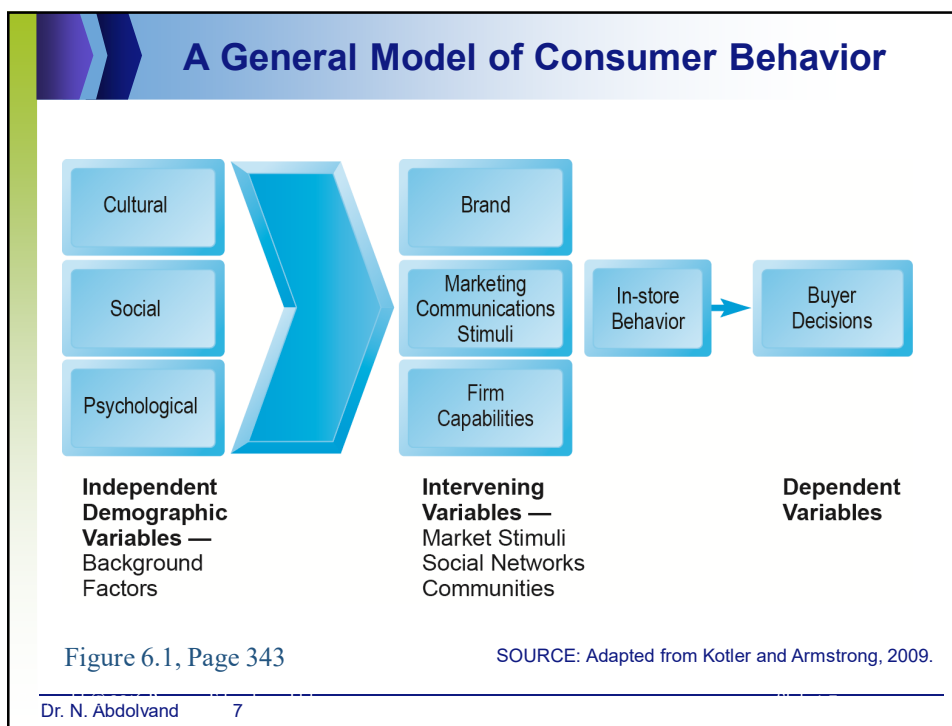
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Consumers Online (cont.)

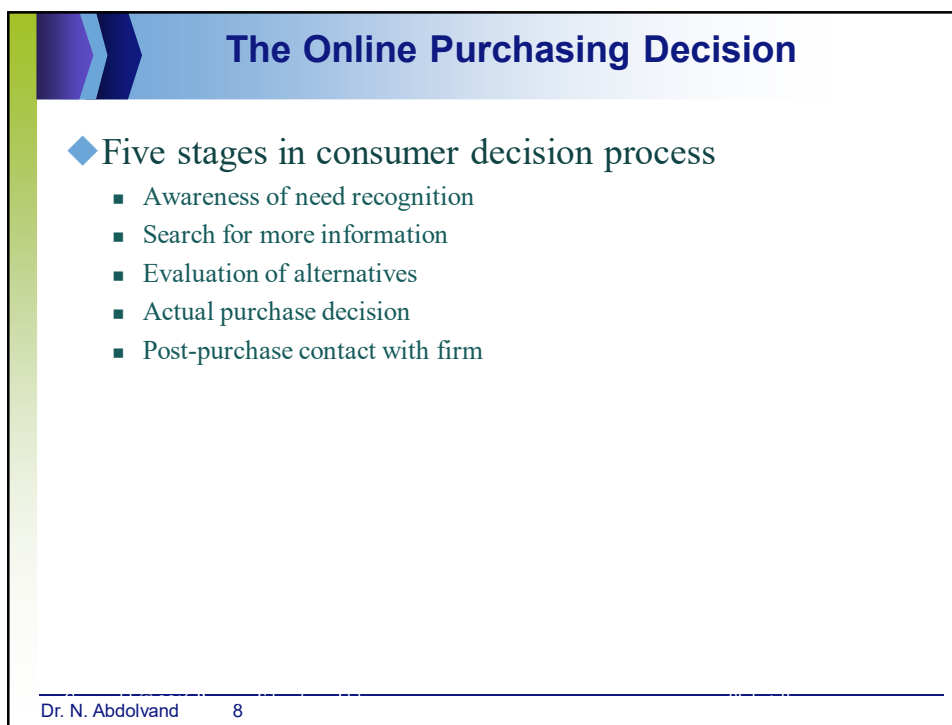
- ◆ **Study of consumer behavior**
 - Social science discipline
 - Attempts to explain what consumers purchase and where, when, how much, and why they buy
 - Consumer behavior models
 - Attempt to predict or explain wide range of consumer decisions
 - Based on background demographic factors and other intervening, more immediate variables
- ◆ **Profiles of online consumers**
 - Consumers shop online primarily for convenience

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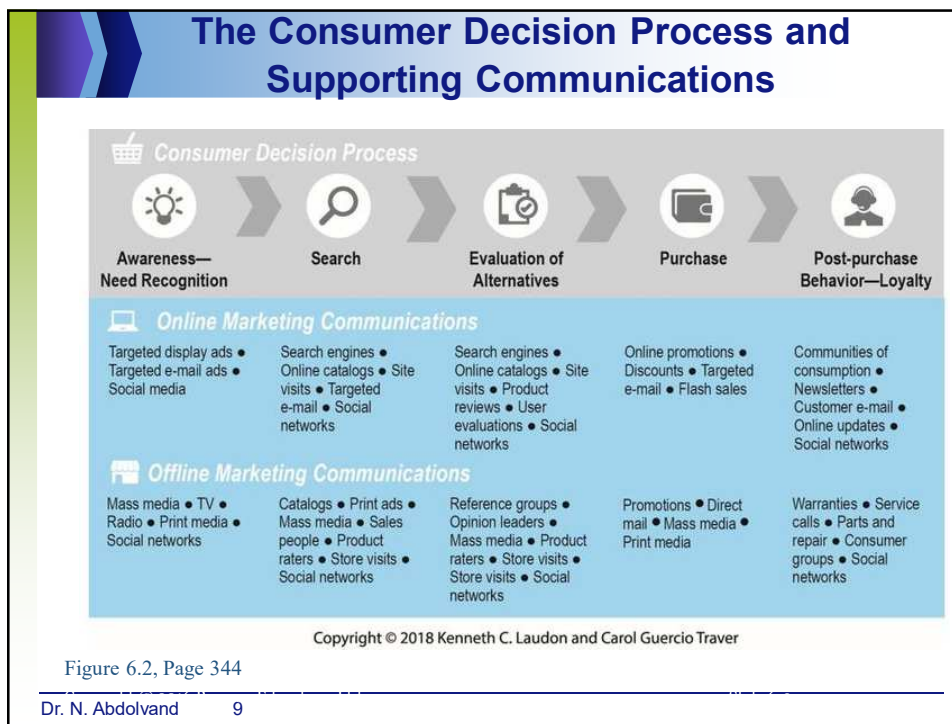
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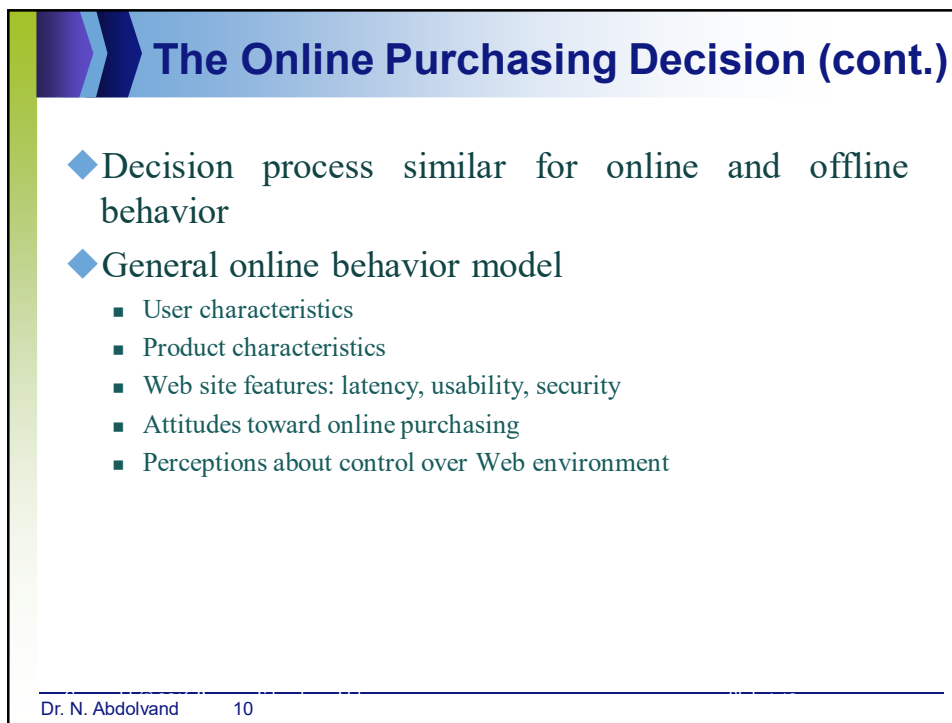
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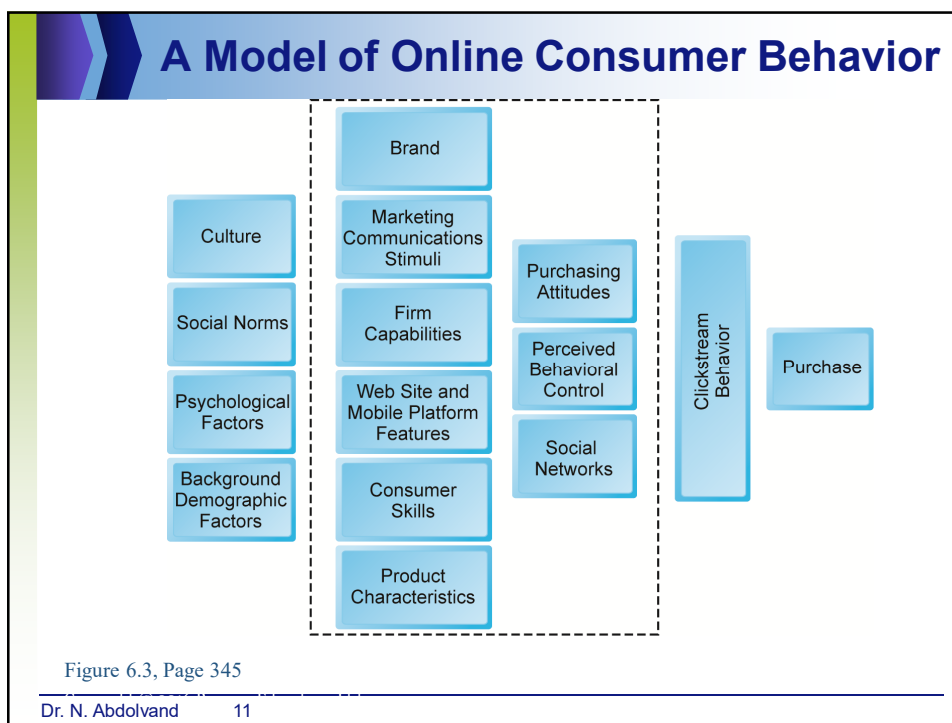
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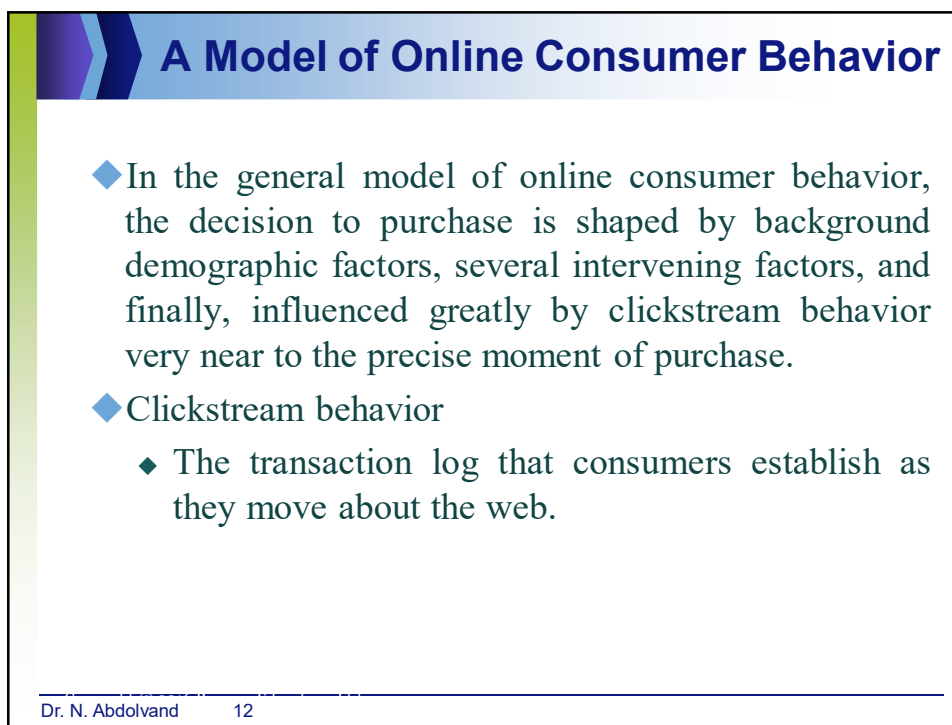
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Shoppers: Browsers and Buyers

- ◆ Shoppers: Almost 90% of Internet users
 - Over 77% buyers
 - 13.8% browsers (purchase offline)
- ◆ Online research influences over \$1.3 trillion of retail purchases in 2016.
- ◆ Online traffic also influenced by offline brands and shopping
- ◆ E-commerce and traditional commerce are coupled: Part of a continuum of consuming behavior

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What Consumers Shop for and Buy Online

- ◆ Big ticket items (\$1000 or more)
 - Travel, computer hardware, electronics
 - Consumers now more confident in purchasing costlier items
- ◆ Small ticket items (\$100 or less)
 - Apparel, books, office supplies, software, and so on
- ◆ Sales of bulky goods, furniture, and large appliances rapidly expanding

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How Consumers Shop

- ◆ How shoppers find online vendors
 - Highly intentional, goal-oriented
 - Search engines
 - Marketplaces (Amazon, eBay)
 - Specific retail site
- ◆ About 9% of Internet users don't shop online
 - Trust factor
 - Hassle factors (shipping costs, returns, inability to touch and feel the product)

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Trust, Utility, and Opportunism in Online Markets

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

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Digital Commerce Marketing and Advertising: Strategies and Tools

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

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Establishing the Customer Relationship

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

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Online Advertising

◆ Online advertising

- A paid message on a website, online service, or other interactive medium.
- Companies spend \$195 billion on advertising in 2016 and \$72 billion of that amount on online advertising.
- Fastest growing form of advertising
- Advantages:
 - 18–34 audience is online
 - Ad targeting: the sending of market messages to specific subgroups in the population
 - Price discrimination: the ability to charge different types of consumers different prices for the same product or service.
 - Personalization: can personalize every ad message to precisely fit the needs, interests, and values of each consumer.

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Traditional Online Marketing and Advertising Tools

- ◆ Search engine marketing and advertising
- ◆ Display ad marketing
- ◆ E-mail marketing
- ◆ Affiliate marketing:
 - ◆ Commission fee paid to other Web sites for sending customers to their Web site
- ◆ Viral marketing
 - ◆ Marketing designed to inspire customers to pass message to others
- ◆ Lead generation marketing
 - ◆ Services and tools for collecting, managing, and converting leads

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Search Engine Marketing and Advertising

- ◆ Search engine marketing (SEM)
 - Use of search engines for branding
- ◆ Search engine advertising
 - Use of search engines to support direct sales
- ◆ Types of search engine advertising
 - Paid inclusion
 - Pay-per-click (PPC) search ads
 - Keyword advertising: merchants purchase keywords through a bidding process at search sites
 - Network keyword advertising (context advertising) : publishers accept ads placed by Google on their Web sites, and receive a fee for any click-throughs from those ads

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Search Engine Marketing (cont.)

- ◆ Search engine optimization (SEO)
 - techniques to improve the ranking of Web pages generated by search engine algorithms
- ◆ Google search engine algorithms
 - Panda, Penguin, Hummingbird, Knowledge Graph
- ◆ Social search
 - Utilizes social contacts and social graph to provide fewer and more relevant results
- ◆ Search engine issues
 - Paid inclusion and placement practices
 - Link farms (groups of Web sites that link to one another,), content farms (companies that generate large volumes of textual content for multiple Web sites designed to attract viewers and search engines)
 - Click fraud (occurs when a competitor clicks on search engine results and ads, forcing the advertiser to pay for the click even though the click is not legitimate)

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Display Ad Marketing

- ◆ **Banner ads:**
 - displays a promotional message in a rectangular box at the top or bottom of a computer screen
- ◆ **Rich media ads**
 - Interstitial ads
 - ad employing animation, sound, and interactivity, using Flash, HTML5, Java, and JavaScript
- ◆ **Video ads**
 - Far more effective than other display formats
- ◆ **Sponsorships**
 - a paid effort to tie an advertiser's name to information, an event, or a venue in a way that reinforces its brand in a positive yet not overtly commercial manner native
- ◆ **Native advertising**

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Display Ad Marketing (cont.)

- ◆ **Advertising networks (an intermediary database company)**
 - connect online marketers with publishers by displaying ads to consumers based on detailed customer information
- ◆ **Programmatic advertising:** automated, auction-based method for matching demand and supply for online display ads
 - Real-time bidding process (RTB): used to match advertiser demand for display ads with publisher supply of Web page space
 - Ad exchanges: auction-based digital marketplace where ad networks sell ad space to marketers
- ◆ **Display advertising issues**
 - Ad fraud
 - Viewability

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E-mail Marketing

- ◆ Direct e-mail marketing
 - Messages sent directly to interested users
 - Benefits include
 - Inexpensive
 - Average around 3% to 4% click-throughs
 - Measuring and tracking responses
 - Personalization and targeting
- ◆ Three main challenges
 - Spam
 - Anti-spam software
 - Poorly targeted purchased e-mail lists

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Spam

- ◆ Unsolicited commercial e-mail
- ◆ Around 53% of all e-mail in 2016
- ◆ Most originates from bot networks
- ◆ Efforts to control spam have largely failed:
 - Government regulation (CAN-SPAM)
 - State laws
 - Voluntary self-regulation by industries (DMA)
 - Canada's stringent anti-spam laws

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Social, Mobile, and Local Marketing and Advertising

- ◆ Social marketing/advertising
 - Use of online social networks and communities
 - Fastest growing type of online marketing
- ◆ Mobile marketing/advertising
 - Use of mobile platform
 - Influence of mobile apps
- ◆ Local marketing
 - Geotargeting
 - Display ads in hyperlocal publications
 - coupons

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Mobile Marketing and Advertising

- ◆ 44% of online marketing, growing rapidly
- ◆ Major formats:
 - Display, rich media, video
 - Games
 - E-mail
 - Text messaging (SMS)
 - In-store messaging
 - Quick Response (QR) codes
 - Couponing
- ◆ App marketing

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Local Marketing

- ◆ Geared to user's geographic location
- ◆ Advertisers expected to spend around \$45 billion on online local ads in 2016 in U.S.
- ◆ Most common local marketing tools
 - Geotargeting with Google Maps
 - Display ads in hyperlocal publications
 - Daily deals
 - Coupons

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Multi-Channel Marketing

- ◆ Integrating online and offline marketing
- ◆ In 2016, average adults spends about 5 hours and 45 minutes a day online
- ◆ Consumers also multitask, using several media
- ◆ Internet campaigns strengthened by using other channels
 - Most effective are campaigns using consistent imagery throughout channels

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Multi-Channel Marketing Plan

1. Web site
2. Traditional online marketing
 - Search engine, display, e-mail, affiliate
3. Social marketing
 - Social networks, blogs, video, game
4. Mobile marketing
 - Mobile/tablet sites, apps
5. Offline marketing
 - Television, radio, newspapers

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Other Online Marketing Strategies

- ◆ Several strategies are more focused than traditional online and newer strategies
 - Customer retention strategies
 - Pricing strategies
 - Long Tail marketing

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Online Marketing Strategies: Customer retention strategies

- ◆ Personalization and one-to-one marketing (interest-based advertising)
 - Retargeting
 - Behavioral targeting
 - Based on data from search engine queries, clickstream history, social network data, and integration of offline personal data and records
 - Effectiveness still inconclusive
 - Privacy issues

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Online Marketing Strategies: Customer retention strategies

- ◆ Customization
 - Changing the product
 - Information goods ideal for differentiation
- ◆ Customer co-production
 - Customers help create product
- ◆ Customer service
 - FAQs
 - Real-time customer chat systems
 - Automated response systems

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Online Marketing Strategies: Pricing Strategies

- ◆ Pricing
 - Integral part of marketing strategy
 - Traditionally pricing based on
 - Fixed cost
 - Variable costs
 - Demand curve
- ◆ Piggyback strategy (free users piggyback on premium users)
- ◆ Price discrimination
 - Selling products to different people and groups based on willingness to pay

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Pricing Strategies (cont.)

- ◆ Free and freemium
 - Premium sales pay for free users
 - Can be used to build market awareness
- ◆ Versioning
 - Creating multiple versions of product and selling essentially same product to different market segments at different prices
- ◆ Bundling
 - Offers consumers two or more goods for one price
- ◆ Dynamic pricing
 - Auctions
 - Yield management: Amazon
 - Surge pricing: Uber
 - Flash marketing: Rue La La, HauteLook, Gilt Groupe

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Online Marketing Strategies: Long Tail Marketing

- ◆ Internet allows for sales of obscure products with little demand (e.g. obscure books on Amazon.com)
- ◆ Substantial revenue because
 - Near zero inventory costs
 - Little marketing costs
 - Search and recommendation engines

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Internet Marketing Technologies

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

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Web Transaction Logs

- ◆ Built into Web server software
- ◆ Record user activity at Web site
- ◆ Provides much marketing data, especially combined with:
 - Registration forms
 - Shopping cart database
- ◆ Answers questions such as:
 - What are major patterns of interest and purchase?
 - After home page, where do users go first? Second?

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Cookies and Tracking Files

- ◆ Users' browsing tracked as they move from site to site
- ◆ Four types of tracking files
 - Cookies
 - Small text file placed by Web site
 - Allows Web marketers to gather data
 - Flash cookies (Adobe Flash – can be set to never expire)
 - Web Beacons (“bugs”)
 - Tracking headers (supercookies)
- ◆ Other tracking methods
 - Deterministic cross-device tracking
 - Probabilistic cross-device tracking

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Online Marketing Metrics: Lexicon

| | |
|---|---|
| <p>◆ Audience size or market share</p> <ul style="list-style-type: none"> ■ Impressions ■ Click-through rate (CTR) ■ View-through rate (VTR) ■ Hits ■ Page views ■ Viewability rate ■ Stickiness (duration) ■ Unique visitors ■ Loyalty ■ Reach ■ Recency | <p>◆ Conversion to customer</p> <ul style="list-style-type: none"> ■ Acquisition rate ■ Conversion rate ■ Browse-to-buy ratio ■ View-to-cart ratio ■ Cart conversion rate ■ Checkout conversion rate ■ Abandonment rate ■ Retention rate ■ Attrition rate |
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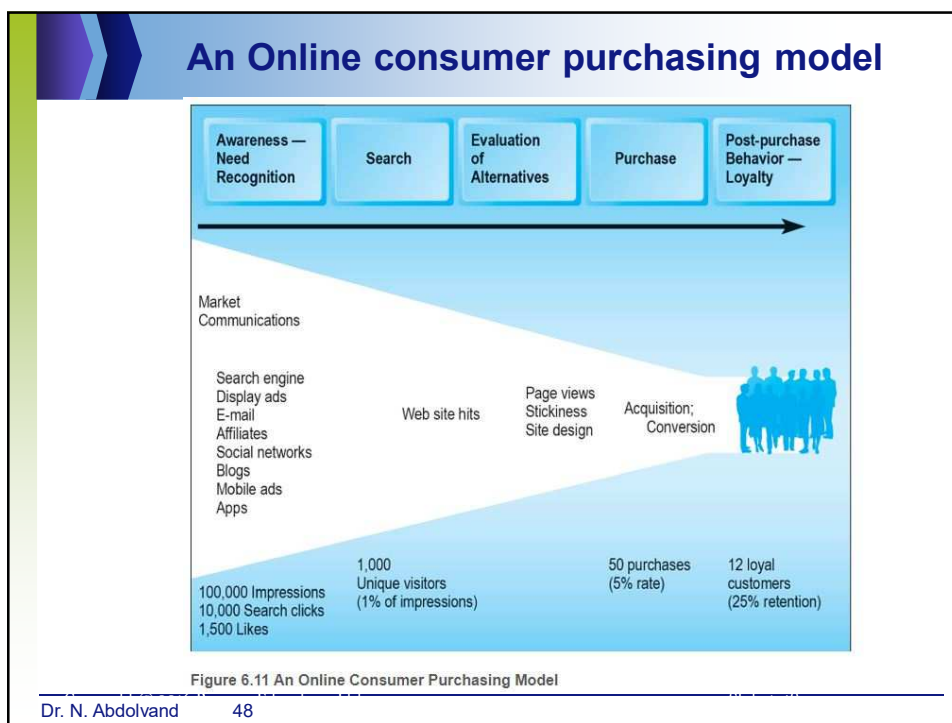
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Online Marketing Metrics (cont.)

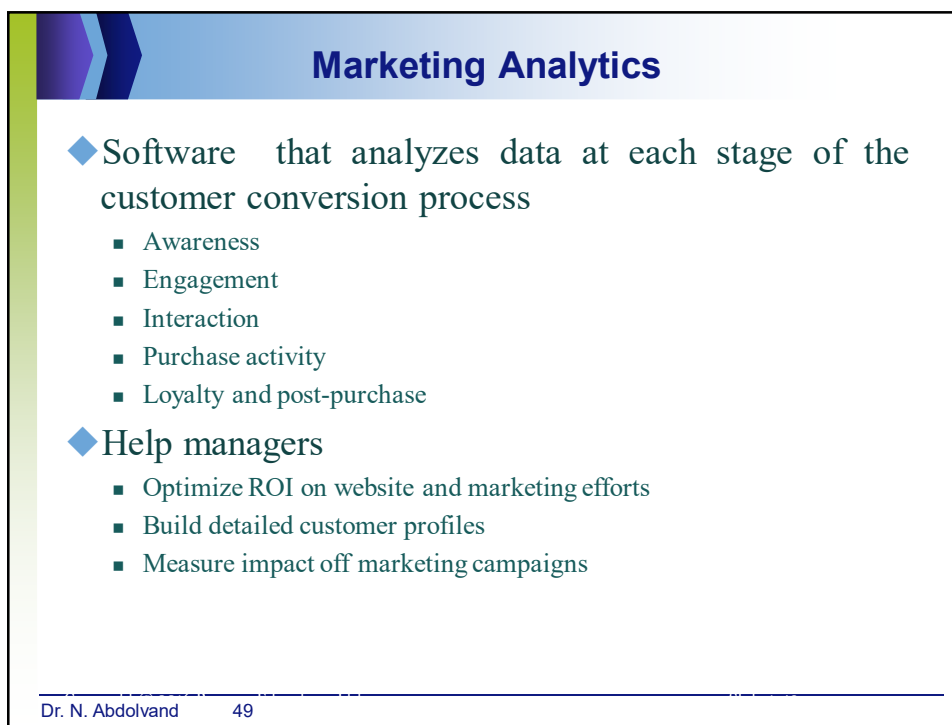
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|---|--|
| <p>◆ Social marketing</p> <ul style="list-style-type: none"> ■ Conversation ratio ■ Applause ratio ■ Amplification ■ Sentiment ratio | <p>◆ E-mail metrics</p> <ul style="list-style-type: none"> ■ Open rate ■ Delivery rate ■ Click-through rate (e-mail) ■ Bounce-back rate |
|---|--|

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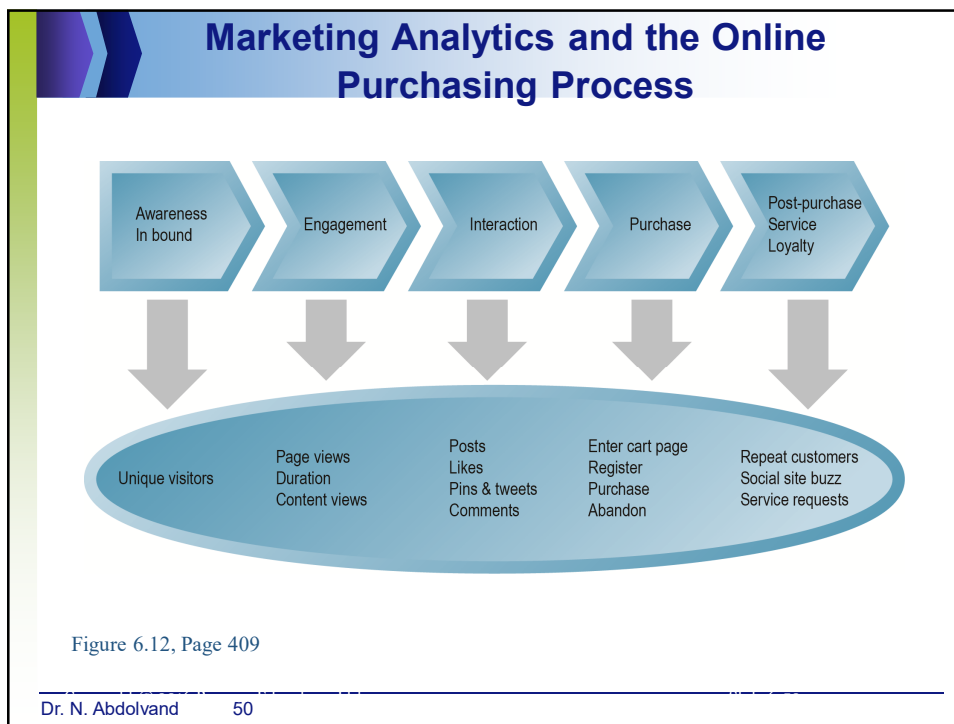
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