MARKETING TO CHILDREN: THE DIGITAL CULTURE

Children as young as three or four years old can often recognize brands and status items before they can even read, and 73% of four-year-olds generally ask their parents for specific brands. These findings are cause for celebration for some marketers. In the United States, 53 million school-age children spend approximately $100 billion annually of their own and their family’s money on food, drinks, video and electronic products, toys, and clothing, and they influence family spending decisions valued at another $165 billion. In order to capture a portion of this spending and position themselves for future purchases as the child ages, marketers are becoming increasingly interested in advertising aimed at children.

In addition to investing in television advertising, which accounts for around 70% of the total amount spent on advertising to children in the United States, marketers focused on children are now migrating to the Web, where over 20% of all Internet users are children, totaling more than 34 million users between the ages of 3 and 17. Using custom banner ads, product characters, games, and surveys, marketers are both influencing behaviors and gathering valuable data about purchasing preferences and family members. Coupled with in-bedroom televisions, video games, cell phones, and other digital paraphernalia, a child’s “digital culture” has been created with built-in avenues to the psyche of very young minds—minds that are so young they are unlikely to know when they are being marketed to and when they are given misleading or even harmful information.

While such moves may be savvy marketing, are they ethical? Some people say no.

Research conducted in 1996 by the Center for Media Education (CME), showed that young children cannot understand the potential effects of revealing their personal information; neither can they distinguish between substantive material on Web sites and the advertisements surrounding it. While some parents tried to monitor their children’s use of the Internet services, many of them failed due to lack of time, computer skills, or awareness of risk. Targeting of children by marketing techniques resulted in the release of a large amount of private information into the market and triggered the need for regulation.

Experts argue that since children don’t understand persuasive intent until they are eight or nine years old, it is unethical to advertise to them before they can distinguish between advertising and the real world. Others believe that fair advertising is an important, and necessary, process of the maturation process for future adults in today’s society. But does that argument hold when children are gaining increased access to information about unhealthy activities, such as beer drinking, for example, through Web sites geared to a younger audience? Although brewers admit they are targeting a younger market segment—twenty-somethings—they have set up warning screens and registration pages that require users to enter a birth date proving they are of legal drinking age. Of course, there is no process to verify such data, making it easy for underage consumers to gain access to, and be influenced by, entertaining content at drinking-oriented Web sites.

In 1998, Congress passed the Children’s Online Privacy Protection Act (COPPA) after the FTC discovered that 80% of Web sites were collecting personal information from children, but (continued)
only 1% required their parents' permission. Under COPPA, companies must post a privacy policy on their Web sites, detailing exactly how they collect information from consumers, how they'll use it, and the degrees to which they'll protect consumer privacy. Companies are not permitted to use personal information collected from children under 13 years of age without the prior, verifiable consent of parents. But the problem is that the FTC and others have been unable to specify exactly what "verifiable consent" means. Until technologies such as digital signatures are widely available, there appears to be no reliable way to provide verifiable consent online. The FTC recognized this fact by issuing a temporary ruling (now permanent) requiring a sliding scale of "verifiable parental consent." If firms want to use the personal information of children for internal uses only, the FTC requires an e-mail from the parent plus one other form of verification (such as a credit card or phone number). A stricter standard is required of firms who want to sell personal information about children: these Web sites are required to use one of the following means of verification in addition to an e-mail: a print-and-send consent form, credit card transaction, a toll free number staffed by trained personnel, or an e-mail with a password of PIN. In January 2005, the FTC recognized that digital certificates were not being used on the Internet to identify parents or other users, and recommended the temporary sliding scale become permanent.

Since the law took effect, the FTC has filed a complaint and obtained settlements in 11 cases and issued fines as high as $400,000. Firms such as Mrs. Fields' Original Cookies, Hershey Foods, and The Ohio Art Company (Etch-A-Sketch) have been fined for collecting the names, mailing addresses, e-mail addresses, age, and dates of birth from children to aid their marketing efforts. In 2004, the FTC settled a complaint against UMG Recordings, Inc., which operates several hundred music-related Web sites, and BONZI Software, Inc., distributor of BonziBuddy software. The BONZI Software case was the first COPPA case to challenge the information collection practices of an online service in connection with a software product. Previous FTC COPPA cases addressed Web site operators' information collection practices. UMG Recordings agreed to pay civil penalties of $400,000, and BONZI Software, $75,000.

While in general, voluntary compliance with COPPA has been good, and most Web sites are careful to avoid gathering personal information on children as a part of their marketing effort, some Web sites are directly aimed at very young children. Sites such as NeoPets.com, HabboHotel.com, and EverythingGirl.com provide online tools and play environments that enable young users to interact, adopt pets, play sponsored advergames, and reveal personal information. In the process of playing the games, children produce marketing information for product designers. While each of these Web sites' privacy policies claim strict adherence to the restrictions of COPPA, it is unclear how they ascertain who is over 13 and who is under 13, or if those under 13 have parental consent.

THE VERY RICH ARE DIFFERENT FROM YOU AND ME: NIEMAN MARCUS, NORDSTROM, AND TIFFANY & CO.

"The very rich are different from you and me," Nick Carroway observed, in a memorable line from The Great Gatsby, a novel by F. Scott Fitzgerald about life among the very wealthy in the 1920s. But when it comes to using the Web, apparently the wealthy are not much different from the rest of us. Selection, ease of use, speed, and trustworthiness are the key factors. Market researchers tell us that 50% of the highly affluent (greater than $150,000 in income) use the Web as their primary source of information compared to 32% of all adults, and 57% of the affluent made purchases in the last year compared to 34% of all adults. With so much leisure time, the affluent are much more likely to use the Web to gather travel information, for instance, than others.

Yet luxury retailers such as Neiman Marcus, Tiffany, Christian Dior, Fendi, and upstart Net-a-Porter.com have had a difficult time developing an online presence for their wealthy customers. Critics argue they have had a difficult time understanding their wealthy online customers, who on average spend $1,466 a year on the Web compared to only $817 for the average Web customer. Luxury brands and retailers must try to please not only their wealthy older customers, but also their younger children who are used to shopping online. The future of luxe is online.

When Neiman Marcus introduced its Web site in 2000 with two virtual boutiques, featuring tours of Kate Spade handbags and John Hardy silver cufflinks, Web designers were awed by the display of graphics and motion. But most customers were turned off because they could not find enough goods for sale, and could not easily navigate the site. Pretty snazzy stuff, but today, it's all gone. Niemannmarcus.com now features animations, no Flash graphics, but much more merchandise neatly arranged by category and designer: in short, an online catalog much like JCPenney's. The new Neiman Marcus Web site gets generally high marks for the simplicity of design and efficiency of navigation, although critics point out that it's still difficult to find the online version of Neiman Marcus' most popular off-line marketing tool: its Christmas catalog that features "beyond the pale" luxury items such as suits of armor for $20,000 and underwater personal submarines for $1.7 million. The best proof is in the sales results, however: Neiman Marcus recorded $313 million in sales at its three Web sites in 2005, an increase of over 30% from the previous year.

Developing an online marketing approach that increases a company's access to consumers while retaining an image of exclusivity was the challenge faced by the world-renowned jeweler Tiffany & Co. when it redesigned its Web site in 1999. The company was in the enviable position of being perhaps the most famous jewelry company in the United States. Tiffany's offline marketing communications sought to engender feelings of beauty, quality, and timeless style as hallmarks of the Tiffany brand. How could Tiffany maintain its approach on the Web, a medium that often emphasizes speed and flashy graphics over grace and elegance?

Tiffany's Web designers, Oven Digital Inc., built a Web site that used soft, neutral colors throughout, sparse wording, and pictures that fade slowly onto the screen. The shopping portion of the Web site showed just one large item, with
some smaller photos that can be enlarged by clicking at the bottom of the screen. The Web site also included information on buying and caring for jewelry. Caroline Naggiar, Tiffany's senior vice president of marketing at the time, characterized the site "as an enormous exercise in reserve." But that same "reserved" quality made it difficult for consumers to find out what was for sale. Critics complained that the Tiffany Web site had too few products online, the Flash graphics were slow, there were too many animations, and the product line available was poorly organized. While Tiffany claimed there were 2,000 products online, finding them and buying them was an arduous process. Critics complained the Web site was dull with all the white space, surfing was tedious, and only those not in a hurry could navigate it. The site was re-designed in 2003 with a view toward making it more focused.

It is clear that online luxury retailers face a difficult time translating their brands and the look and feel of their luxury shops that connote exclusivity, extravagance, excessive wealth, and entertainment into a Web site that the masses will see. There have been some exceptions, however.

In a Forrester Research survey of the top 30 luxury goods Web sites, Nordstrom (the Washington-based high-end department store known for service and customer loyalty) ranked first. Not surprisingly, the Nordstrom.com Web site is a marvel of simplicity. There are few gimmicks or gadgetry, and no Flash animations, streaming videos of happy customers, or travelogues. Instead, you find tons of products—5,000 in all—shown in big clear pictures and organized in a thoughtful manner. The Web site for Christian Dior has also received kudos from critics. Dior launched in 1947, setting Paris ablaze in haute couture, and has since developed into a collection of luxury brands under the Dior label. ChristianDior.com provides a strong and provocative reflection of its brand image by using models displaying its many brands, high-end technology featuring splashy colorful images, and superb navigation where products are organized by sub-brands (Dior Femme, Dior Homme, Dior Rasta, Dior Logo, and others). Luxury retailer Bergdorf Goodman is another firm that apparently has done it right the first time. Bergdorf opened its Web site in August 2004 and logged purchases from 46 states in the first month. This extended the Bergdorf brand name throughout the country, far beyond its traditional markets in the major cities of a few states.


of Web traffic or visits, even though they are generally easy to measure; the sheer volume of hits can be huge—and sound impressive, but not be a true measure of activity. **Page views** are the number of pages requested by visitors. However, with increased usage of Web frames that divide pages into separate sections, a single page that has three frames will generate three page views. Hence, page views per se are also not a very useful metric.

**Stickiness** (sometimes called **duration**) is the average length of time visitors remain at a Web site. Stickiness is important to marketers because the longer the amount of time a visitor spends at a Web site, the greater the probability of a purchase.
IT'S 10 P.M. DO YOU KNOW WHO IS ON YOUR WEB SITE?

Chances are you don't, but if you used a Web site analytics company such as WebSideStory.com, you might. And if you did pay attention to these matters, you most surely would be making more money from your Web site. Why? Because if you knew in real time what types of people were on your Web site hour by hour, you would be able to adjust your marketing and advertising messages, adjust your product mix, change product placement, and greatly improve the conversion process from mere visitors to actual purchasers.

In an industry where the players cannot seem to agree on standards for measuring Web site performance, and where webmasters are overwhelmed with Web site traffic data, WebSideStory.com is working to help Web managers make sense out of their clickstream traffic. WebSideStory is an ASP (applications service provider) that sells Web site analytics and optimization services to other firms. In 2005, WebSideStory generated about $38 million in revenue, up considerably from the post dot.com bust years. The company has approximately 2,450 customers in the United States and Europe, about 550 of whom subscribe to its HBX On-Demand Web Analytics services, and more than 1,800 of whom subscribe to its HBX Services Professional services. Founded in 1996, the company initially tried to go public in 1999 but eventually withdrew the effort. Finally in September 2004, riding a wave of increased e-commerce and online advertising, it completed a successful public offering at $8.50 per share, with its stock price increasing 17% in the first day of trading. In 2005, the stock sold in the $11–$15 range.

Other competitors in the same business include Coremetrics, Nedstat, and Omniture; network management software and business intelligence vendors such as NetIQ and SPSS that offer Web analytics as part of their larger product offerings; and digital marketing and e-commerce services providers such as aQuantive and DigitRiver that incorporate Web analytics in their services.

WebSideStory services allow webmasters to monitor and analyze their Web traffic in real time, collect visitor intelligence, and enable faster adjustments to underperforming pages. It also provides most, if not all, of the answers to questions about performance and ROI that Web site marketing managers want.

WebSideStory's major service is called HBX Analytics. HBX collects, processes, stores, and reports on Internet user behavior based on browser activity. The reporting allows customers to measure which marketing initiatives visitors responded to, what search engines they used, what keywords they entered, how much time they spent on pages, what they bought online, when they abandoned shopping carts, and where they live. The available reports and features include Web site navigation analysis, conversion rate analysis including calculating the long-term value of customers, marketing campaign measurement, executive dashboards, and visitor identification that can be used for further marketing.

HBX Services can evaluate a page-by-page navigation path a visitor has taken through a Web site. The service works by imbedding a small piece of code into each HTML page a client wants to track and analyze. One benefit to clients is that HBX Services eliminates the need to capture, store, and process log files, which are expensive to run and maintain and consume a good bit of a company's time and resources.

A variety of different subscription models exists for HBX Services; a free version available (continued)
for customers who place a banner ad on their Web site in exchange for the service; a small business version called HBX Services Professional for Web sites that have fewer than 500,000 page-views a month; and two higher-volume business versions, one for online retail Web sites called HBX Services Commerce.

WebSideStory also offers StatMarket, statistics on global Internet user trends. The statistics at StatMarket are culled from the collective surfing behavior of more than 50 million daily unique visitors to more than 150,000 Web sites using WebSideStory’s HBX Services technology. StatMarket statistics provide daily and historical data on Web browser versions, installed Netscape plug-ins, referring search engines, operating system versions, peak Internet traffic hours, and more.

In February 2005, the company purchased Atomz, a Web content management firm, as part of an effort to diversify from analytics into active management of Web content for firms. It launched a new suite of Web management tools, including Bid (an online keyword management product), Search (search engine software), and Content Manager (an easy-to-use tool for marketing managers that allows them to quickly change Web site content).

CBS.Sportsline.com is one WebSideStory client. With more than 1 billion page views monthly, CBS Sportsline’s Web logs offer a mountain of data that is impossible to analyze in a timely fashion with traditional software tools. Getting visitor traffic statistics only once a day made Web site content decisions a guessing game. One of the main problems was to understand spikes in traffic. Sportsline’s executives realized that if they could monitor the spikes in real time, they could optimize the placement of ads—put the ads where the eyeballs are. This sounds simple, but few software tools can analyze that much data this fast.

Another problem involved understanding when and how users get lost on a Web site, and then improving the navigational design. WebSideStory’s HBX Services Enterprise helped Sportsline solve these problems and make more informed decisions about Web site programming, interface, and navigation.