ICT332
Electronic Commerce and Virtual Organisations

Topic 7
E-commerce Marketing Communications

Ref: Laudon & Traver "E-commerce" Ch 8

Marketing Communications

- **Online marketing communications:** Methods used by online firms to communicate with consumer and create strong brand expectations
- **Promotional sales communications:** Suggest consumer “buy now” and make offers to encourage immediate purchase
- **Branding communications:** Focus on extolling differentiable benefits of consuming product or service

Online Advertising

- **Paid message on a Web site, online service or other interactive medium, such as interactive messaging**
- **2005: $12.9 billion spent, expected to grow to $24.7 billion by 2010**
- **Advantages:**
  - Ability to target ads to narrow segments and track performance in almost real time
  - Provide greater opportunity for interactivity
- **Disadvantages:**
  - Concerns about cost versus benefit
  - Concerns about how to adequately measure results

Online Advertising from 2000-2010

![Graph showing online advertising trends from 2000 to 2010.](https://via.placeholder.com/150)

**Figure 8.1, Page 441**

**Source:** Based on data from Pricewaterhouse Coopers, 2005; eMarketer, Inc., 2005a; Universal McCann, 2005; authors' estimates.

Forms of Online Advertisements

- Display and rich media ads
- Search engine advertising: Paid search engine inclusion and placement
- Sponsorships
- Referrals (affiliate relationship marketing)
- E-mail marketing
- Online catalogs
- Online chat
- Blog advertising
Display and Rich Media Ads

- **Display ads**
  - Banners
  - Pop-ups and pop-unders

- **Rich media ads**: Employ Flash, DHTML, Java, streaming audio and/or video
  - Interstitials
  - Superstitials

- **Banner ads** - Internet advertisements in the form of a graphic image that is typically displayed on a Web page. Standard dimensions include full banner (468 x 60 pixels), half banner (234 x 60) and vertical banner (120 x 240).

- **Popup** - A new browser window that appears on top of the current browser window to display another Web page or advertisement.

- **Popunder** - A new browser window that appears under the current browser window to display another Web page or advertisement.

- **Interstitial** - An advertisement that loads between two content pages.

- **Superstitials** - Rich media ad format developed by Unicast that combines Flash or other animation technology with Java programming to deliver video-like Web commercials.

Types of Display Ads

![Types of Display Ads Diagram](source: Interactive Advertising Bureau, 2005.)

Online Advertising Placement Methods

- **Banner swapping**: Arrangements among firms allow each firm to have its banners displayed on other affiliate sites for no cost.

- **Banner exchanges**: Arrange for banner swapping among firms.

- **Advertising networks**: Act as brokers between advertisers and publishers, placing ads and tracking all activity related to the ad.

Search Engine Advertising: Paid Search Engine Inclusion and Placement

- One of fastest growing and most effective forms of online marketing communications

- **Types**:
  - Paid inclusion
  - Paid placement
  - Keyword advertising
  - Network keyword advertising

- **Paid inclusion** - is a search engine marketing product where the search engine company charges fees related to inclusion of websites in their search index. Paid inclusion products are provided by most search engine companies, the most notable exception being Google.

- **Paid placement**: paying a search engine to have your listing show up prominently. These listings are usually denoted as "sponsored listings."
• **Keyword advertising** refers to a variety of techniques that associate advertisements with particular terms on websites. The most common form is exemplified by [Google AdWords](https://www.google.com/ads) and [Yahoo! Sponsored Search](https://www.yahoo.com/ads) which display ads alongside search engine results. Most ads are composed entirely of text while some may include graphics.

• **Network keyword advertising** - Also called an "ad network," Internet advertising organizations act as a middleman between the advertiser and the Web sites and software publishers that display the ads. They make a profit by selling the online campaign to the advertisers and paying the sites to distribute them. Such organizations may also provide software tools and/or ad-servers that enable an organization to deliver the ads it generates.

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**Search Engine Advertising: Paid Search Engine Inclusion and Placement (cont’d)**

- **Google** and **Yahoo** (Overture.com) leaders in this technology
- **Issues**
  - Appropriate disclosure of paid inclusion and placement practices
  - Search engine click fraud (when competitor hires third parties to fraudulently click on competitor ads to drive up costs)
  - Ad nonsense (Google AdSense ads that are inappropriate for content)

**Sponsorships and Affiliate Marketing**

- **Sponsorship**: Paid effort to tie an advertiser’s name to particular information, event, venue in way that reinforces brand in a positive, yet not overtly commercial manner
  - Advertorial a common form
- **Affiliate relationship**: Permits a firm to put its logo or banner ad on another firm’s Web site from which users of that site can click through to the affiliate’s site
  - Sometimes called tenancy deals
  - Amazon/Toys "R" Us an example
  - Customer hijacking an issue

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**Insight on Society: Marketing to Children: The Digital Culture Class Discussion**

- Why is online marketing to children a controversial practice?
- What is the Children’s Online Privacy Protection Act (COPPA) and how does it protect the privacy of children?
- How do companies verify the age of online users?
- Should companies be allowed to target marketing efforts to children under the age of 13?

**E-mail Marketing and the Spam Explosion**

- **Direct e-mail marketing**: E-mail marketing messages sent directly to interested consumers who “opt-in” or have not “opted-out”
- **Spam**: Unsolicited commercial e-mail
  - Spam is exploding out of control—Estimated 60%–70% of all Internet e-mail purportedly was spam
  - Efforts to control spam:
    - Technology (Filtering software) (only partly effective)
    - Government regulation (CAN-SPAM and state laws) (largely unsuccessful)
    - Self-regulation by industry (ineffective)
    - Volunteer efforts (not enough)
Typical Statistics

• > Statistics for March 2006
• > -------------------------
• > Attempted connections: 9,253,083
• > Blocked connections: 3,342,159
• > Processed messages: 8,402,522
• > Identified as spam: 4,275,534
• > Identified as suspected-spam: 9,468
• > Identified as virus, suspected-virus, worm: 14,505
• >

Main results

• > -------------------------
• > *** Up to 36% of connections to deliver email are dropped because they
• > are from known spamming sites.
• >
• > *** Of the messages accepted for delivery, 51% are identified as spam.
• >

Definitions

• > "Attempted connections" - An SMTP (mail) server established a connection with our gateways.
• > "Blocked connections" - The established SMTP connection was blocked because it was a known spamming mail server or did not complete the connection properly.
• > "Processed messages" - The number of email messages accepted from a non-blocked connection.
• >

Percentage of E-mail That Is Spam

Figure 8.7, Page 460

SOURCE: Based on data from MessageLabs.com, 2005.

2. Spam

problems

• No Anti-SPAM/Anti-virus solution at The Internet gateway (perimeter)
• No Anti-SPAM software at the PC client side
• No Security Awareness Training for users
• Email publish on the Internet (for example: corporate web site or free web board)
• Email Harvester/Bots harvest our email address
How spammer find you?

- Search or Harvest our email address from Google

Meet the Spam King

Alan Ralsky, spammer.

Richard Colbert, spammer.

Sale of Spammed Email

http://www.fxstyle.net

“https://richter.wwar.com/orders/email-index.html”

Sale of Spammed Email

One lot on eBay.com offers 100 million email addresses plus email software, with bidding starting at under $10.

Spammer Bulletin Board

80 million general interest emails for sale $200
Do The Math

- SoBig virus spammed mail to over 100 million inboxes
- If 10% read the mail and clicked the link
  - = 10 million people
- If 1% of people who went to site signed up for 3-days free trial
  - = (100,000 people) x ($0.50) = $50,000
- If 1% of free trials sign up for 1 year
  - = (1,000 people) x ($144/yr) = $144,000/yr

Source: Microsoft.com

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Oz nails its first spammer

- Australia has convicted its first spammer under the country's tough anti-spam laws. Wayne Mansfield, and his company Clarity1, from Perth in Western Australia, were held liable for sending more than 56m spam messages in the 12 months following the introduction of Australia’s Spam Act laws in April 2004.
- Justice Nicholson of the Federal Court in Perth dismissed defence arguments that recipients had consented to receive junk mail messages. He also rejected the line that Clarity1’s use of harvested lists acquired before the Spam Act came into force excluded them from prosecution.
- http://www.theregister.co.uk/2006/04/19/oz_spam_convi ction/
2. Spam

Solutions
- Using Anti-SPAM/Anti-virus solution at the Internet gateway
- Anti-spam software at client side
- Control the usage of corporate Email
- Do not publish corporate email address
- Corporate Email Security policy

Virus, Spam and Spyware relationship

Other Forms of Online Marketing Communications
- Online catalog: Provide equivalent of paper-based catalog
- Online chat: Provides equivalent of help from sales representative
- Blog advertising: Online ads related to content of blogs

Mixing Offline and Online Marketing Communications
- Traditional offline consumer-oriented industries have learned to use Web to extend brand images and sales campaigns
- Online companies have learned how to use traditional marketing communications to drive sales to Web site
- Most successful marketing campaigns incorporate both online and offline tactics

The Mix of Online and Offline Marketing Communications

Class Discussion
- Why have online luxury retailers have had a difficult time translating their brands and look and feel of luxury shops into Web sites?
- Why did Nieman Marcus’ first effort fail?
- Why did Tiffany’s first effort fail?
- How do the Nordstrom and Christian Dior sites differ from the first efforts of Nieman and Tiffany?
Online Marketing Metrics: Lexicon
- Metrics that focus on success of Web site in achieving audience or market share
  - Impressions
  - Click-through rate (CTR)
  - View-through rate (VTR)
  - Hits
  - Page views
  - Stickiness (duration)
  - Unique visitors
  - Loyalty
  - Reach
  - Recency

Online Marketing Metrics: Lexicon (cont’d)
- Metrics that focus on conversion of visitor to customer
  - Acquisition rate
  - Conversion rate
  - Browse-to-buy-ratio
  - View-to-cart ratio
  - Cart conversion rate
  - Checkout conversion rate
  - Abandonment rate
  - Retention rate
  - Attrition rate

Online Marketing Metrics: Lexicon (cont’d)
- E-mail metrics
  - Open rate
  - Delivery rate
  - Click-through rate (e-mail)
  - Bounce-back rate
  - Unsubscribe rate
  - Conversion rate (e-mail)

An Online Consumer Purchasing Model
Figure 8.11, Page 473

How Well Does Online Advertising Work?
- Click-through rates may be low, but these are just one measure of effectiveness
- Research indicates that most powerful marketing campaigns include both online and offline advertising

Click-through Rates by Format 2000–2005
Figure 8.12, Page 475
The Costs of Online Advertising

- **Cost per thousand (CPM):** Advertiser pays for impressions in 1,000 unit lots
- **Cost per click (CPC):** Advertiser pays pre-negotiated fee for each click ad receives
- **Cost per action (CPA):** Advertiser pays pre-negotiated amount only when user performs a specific action
- **Hybrid:** Two or more of the above models used together

Software for Measuring Online Marketing Results

- **WebTrends:** Software program that automatically calculates activities at site, such as abandonment rate, conversion rate, etc.
- **WebSideStory:** Web service that assists marketing managers

Web Site Activity Analysis

- **WebTrends:** Software program that automatically calculates activities at site, such as abandonment rate, conversion rate, etc.
- **WebSideStory:** Web service that assists marketing managers

Insight on Technology: It's 10 P.M. Do You Know Who Is On Your Web Site?

Class Discussion

- What are some of the services offered by WebSideStory’s HBX Analytics products?
- Why would you as a webmaster be interested in these services?
- Why is “real time” analysis and action so important to online marketing?
- How did CBS Sportsline use HBX Analytics?

The Web Site as a Marketing Communications Tool

- Web site can be viewed as an extended online advertisement
- Domain name: First communication an e-commerce site has with a prospective customer
- Search engine optimization:
  - Register with as many search engines as possible
  - Ensure that keywords used in Web site description match keywords likely to be used as search terms by user
  - Link site to as many other sites as possible
  - Get professional help
The G-Factor is based on the following premises:

1. Universities are in the business of creating and disseminating knowledge.
2. Universities are prolific sources of web content.
3. The truism that “an organization becomes its website” really is true for universities (or at least the totality of the web content of a university is more than a reflection of the total embedded knowledge of the university - it is increasingly IS the embedded knowledge of the university).

The G-Factor is based on the following premises:

4. “If it's not on Google is doesn't exist!” Disturbing to a few academic conservatives, but a reality to the majority for whom the Web has become a seamless part of their knowledge environment. Academics and institutions that recognize and respond to this new environment ultimately will be among its beneficiaries.
5. Citation is the highest form of flattery in academia: measures of citation rates, while they remain controversial in the detail of how they are applied, are generally acknowledged in principle as one of the most objective measures of the importance of academic works.

Factors in the Credibility of Web Sites

|--------|-------------------------------------|

Web Site Functionality

- Factors affecting effectiveness of a software interface:
  - Utility
  - Ease of use
- Factors in credibility of Web sites:
  - Design look
  - Information design/structure
  - Information focus
  - Responsiveness