



# E-commerce

business. technology. society.

*Third Edition*

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# Chapter 8

## **E-commerce Marketing Communications**



# **ESPN Motion: Targeting the 18-to-34 Males**

## **Class Discussion**

- How does the ESPN Motion system differ from ordinary video streaming?
- What is the benefit of this new systems to consumers and to advertisers?
- How does this system avoid Internet congestion?
- Why would sports fans want to watch video advertising that's "just like TV?"
- Why is user control important on the Internet (or on TV)?



# Marketing Communications

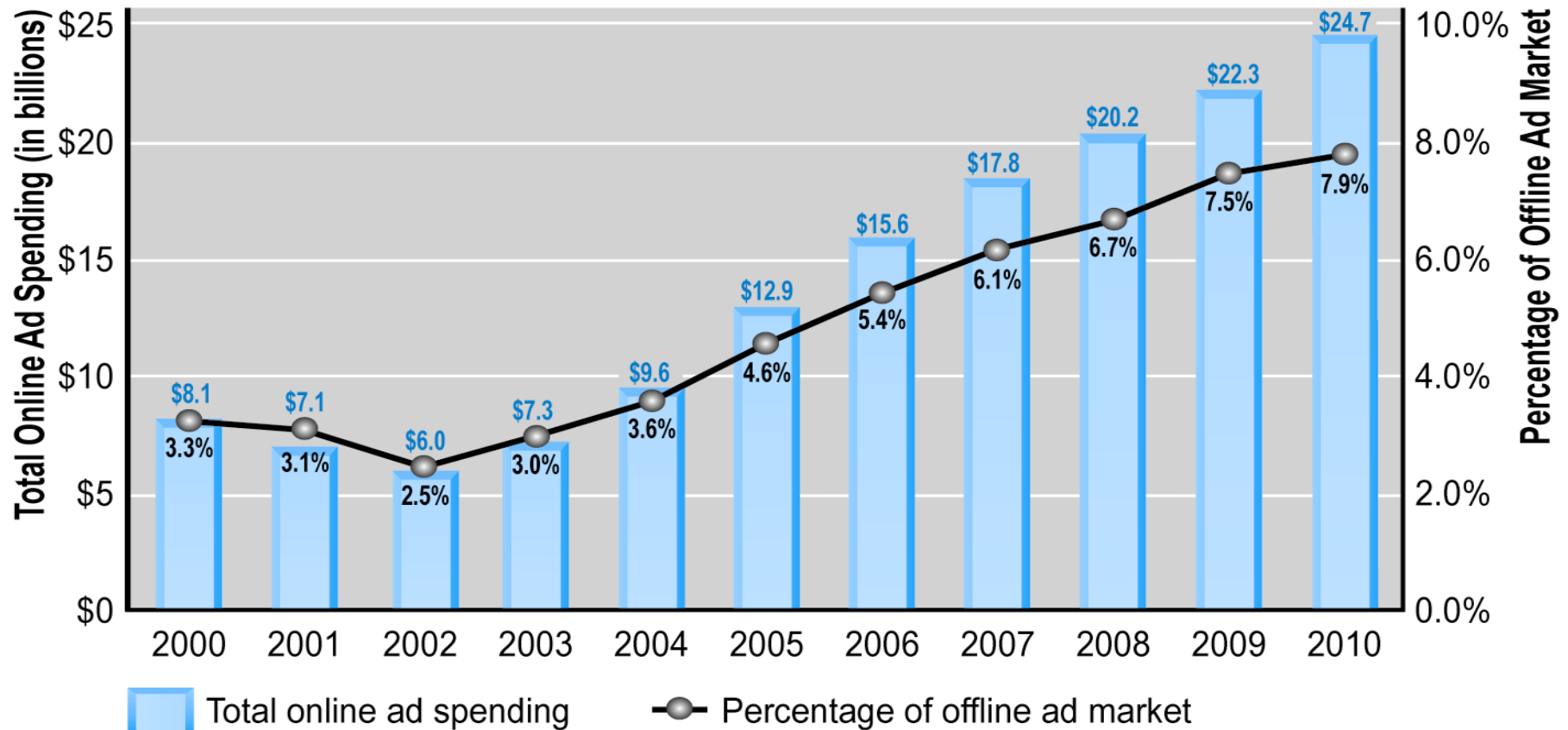
- Online marketing communications: Methods used by online firms to communicate with consumer and create strong brand expectations
- Promotional sales communications: Suggest consumer “buy now” and make offers to encourage immediate purchase
- Branding communications: Focus on extolling differentiable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

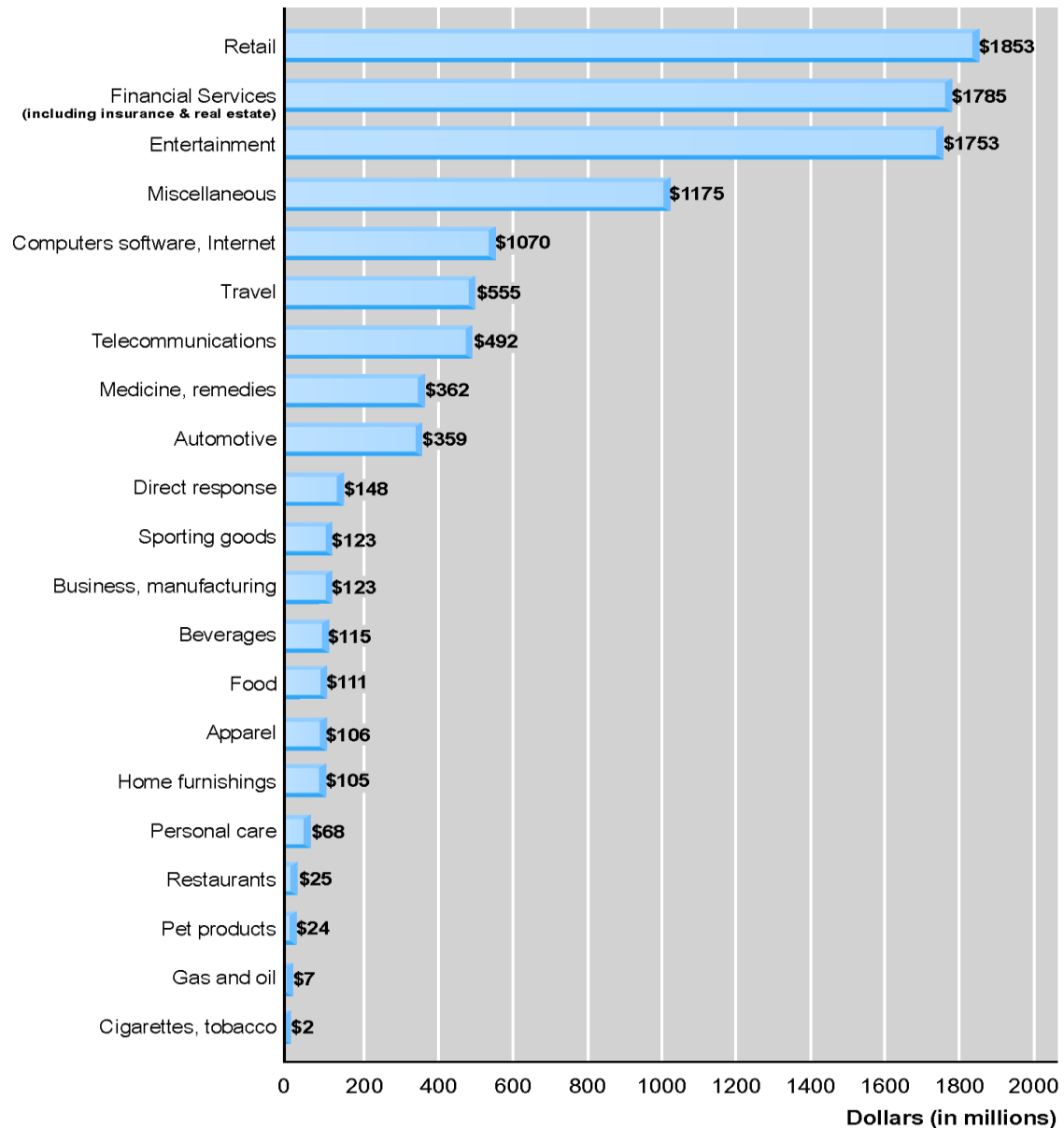
Figure 8.1, Page 441



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

# Online Advertising by Industry

Figure 8.2, Page 442



**SOURCE:** Based on data from eMarketer, Inc., 2004a, 2005c; 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

# Types of Display Ads

Figure 8.3, Page 445

**Full Banner:**  
468 x 60 pixels



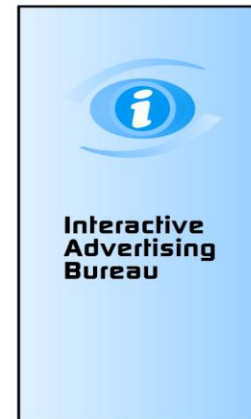
**Half Banner:**  
234 x 60 pixels



**Micro Bar:**  
88 x 31 pixels



**Vertical Banner:**  
120 x 240 pixels



**Skyscraper:**  
120 x 600 pixels



**Button-1:**  
120 x 90 pixels



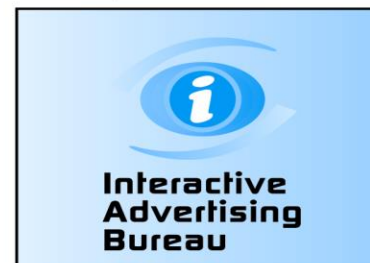
**Button-2:**  
120 x 60 pixels



**Square Button:**  
125 x 125 pixels



**Rectangle:**  
180 x 150 pixels



**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



# 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



# **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?

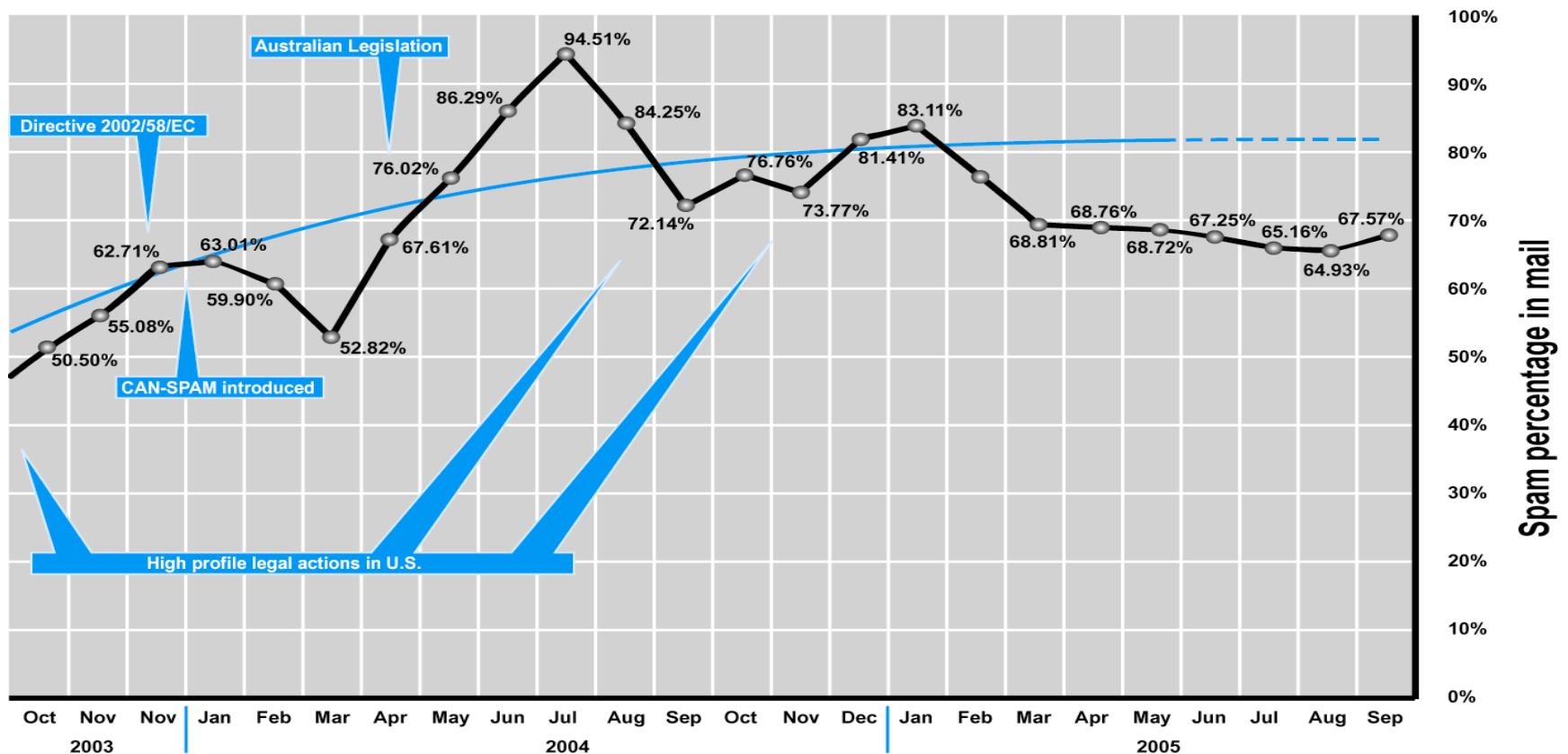
# E-mail Marketing and the Spam Explosion

- 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)

# Percentage of E-mail That Is Spam

Figure 8.7, Page 460

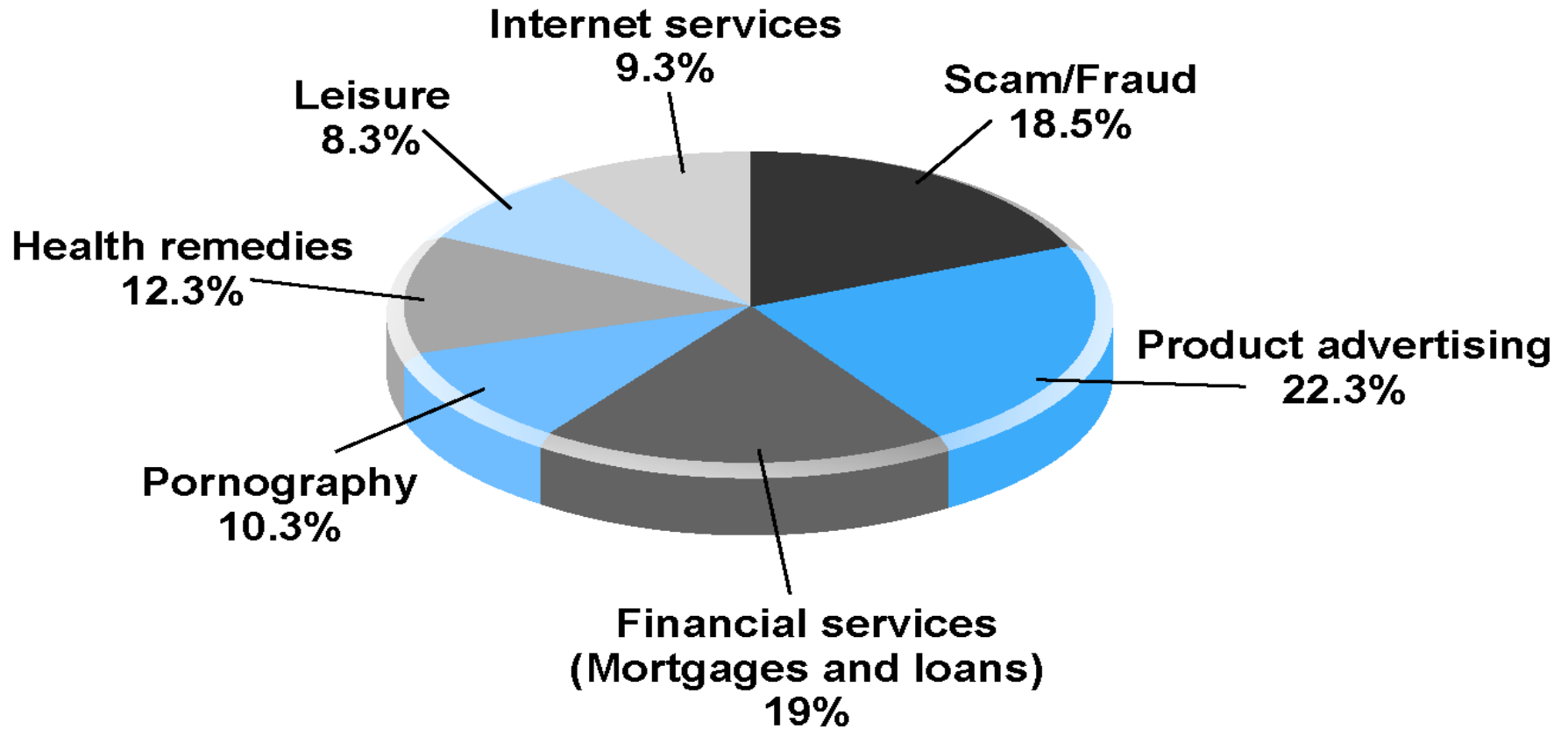
Average global ratio of spam in email scanned by MessageLabs



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

# Spam Categories

Figure 8.8, Page 461



SOURCE: Based on data from Symatec, 2005b, 2005c; Dunn, 2005.



## 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

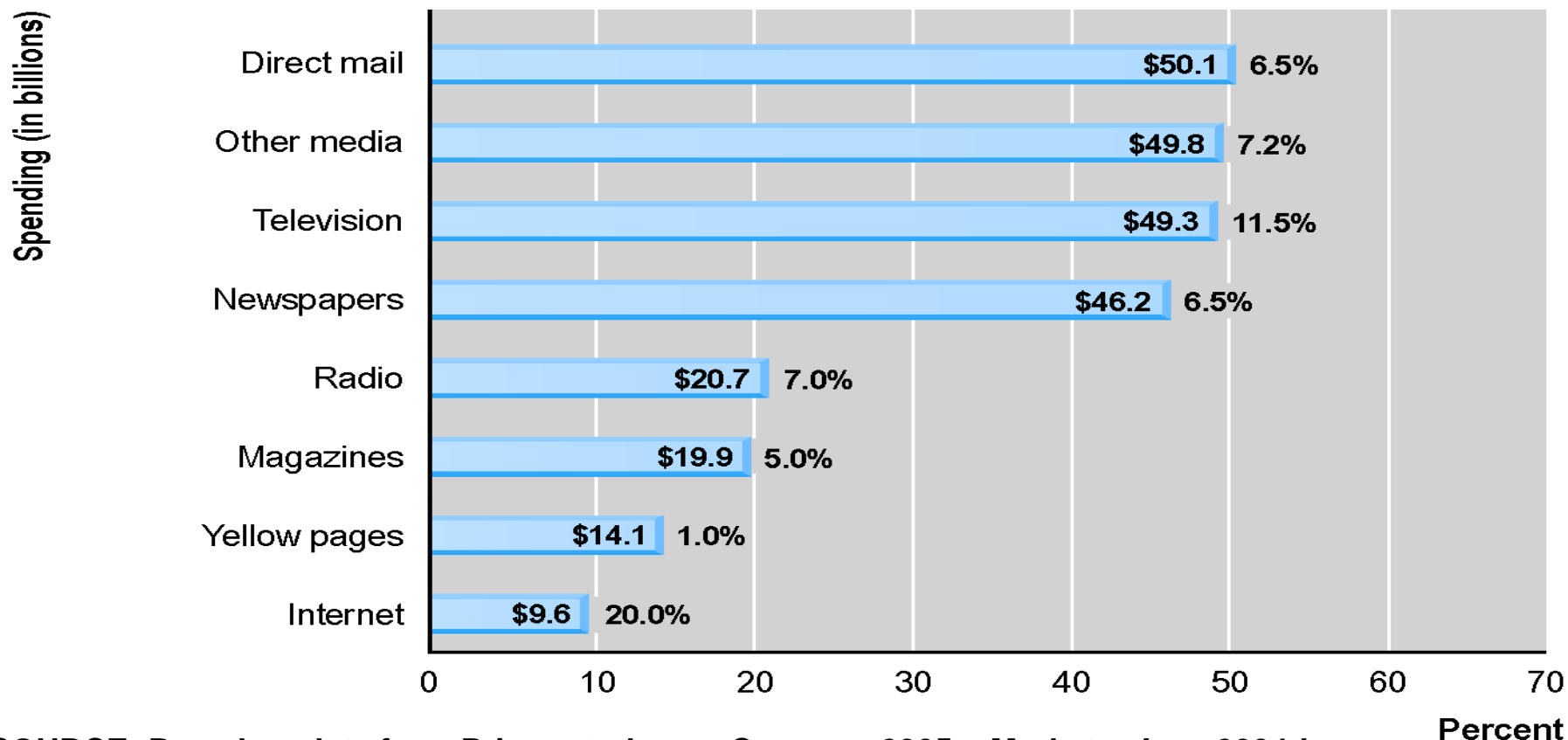


# Mixing Offline and Online Marketing Communications


- 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

Figure 8.10, Page 467



**SOURCE:** Based on data from Pricewaterhouse Coopers, 2005; eMarketer, Inc., 2004d, 2005b; authors' estimates.



# **Insight on Business: The Very Rich Are Different From You and Me: Neiman Marcus, Nordstrom, and Tiffany & Co.**

## **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

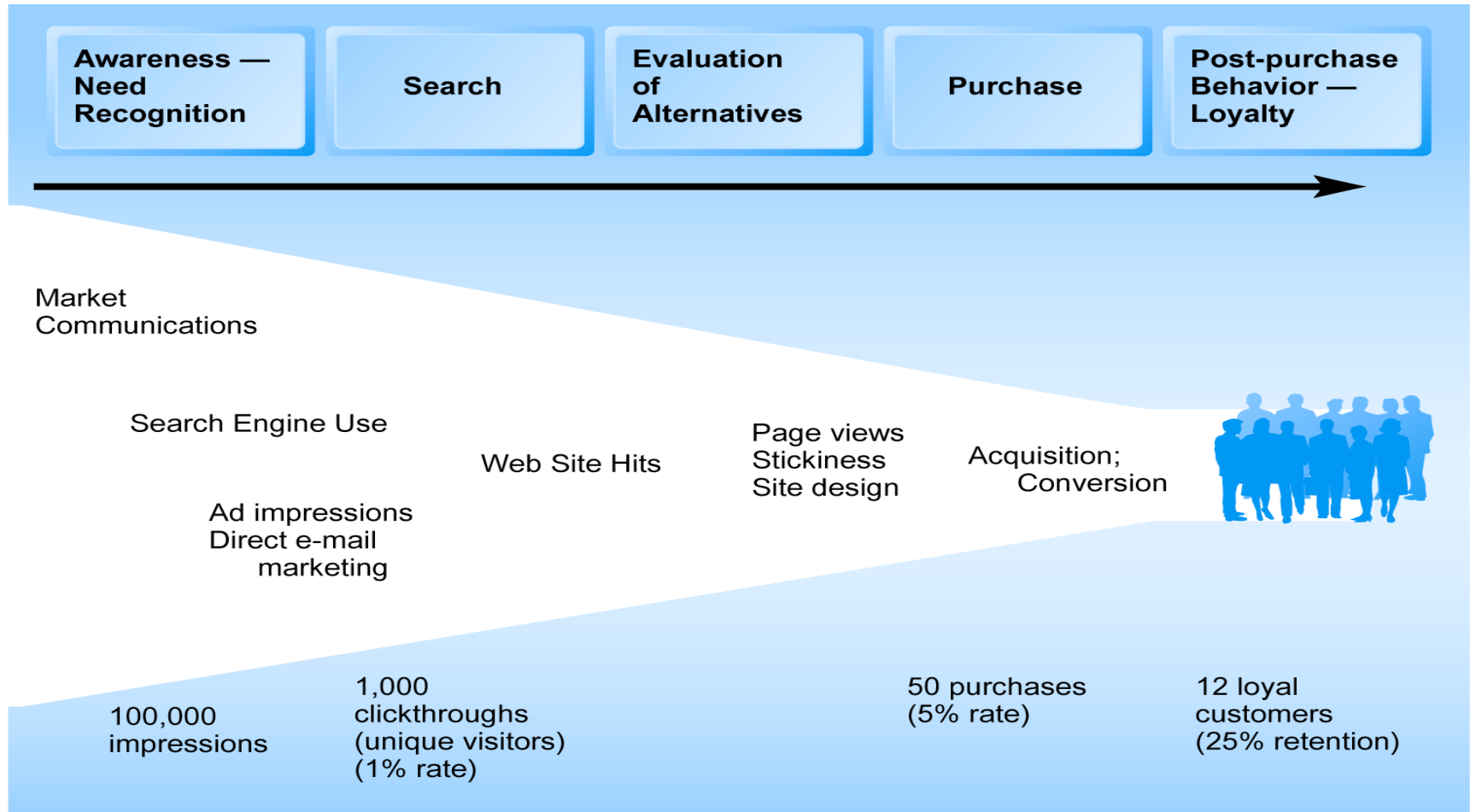


# Online Marketing Metrics: Lexicon (cont'd)

- 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



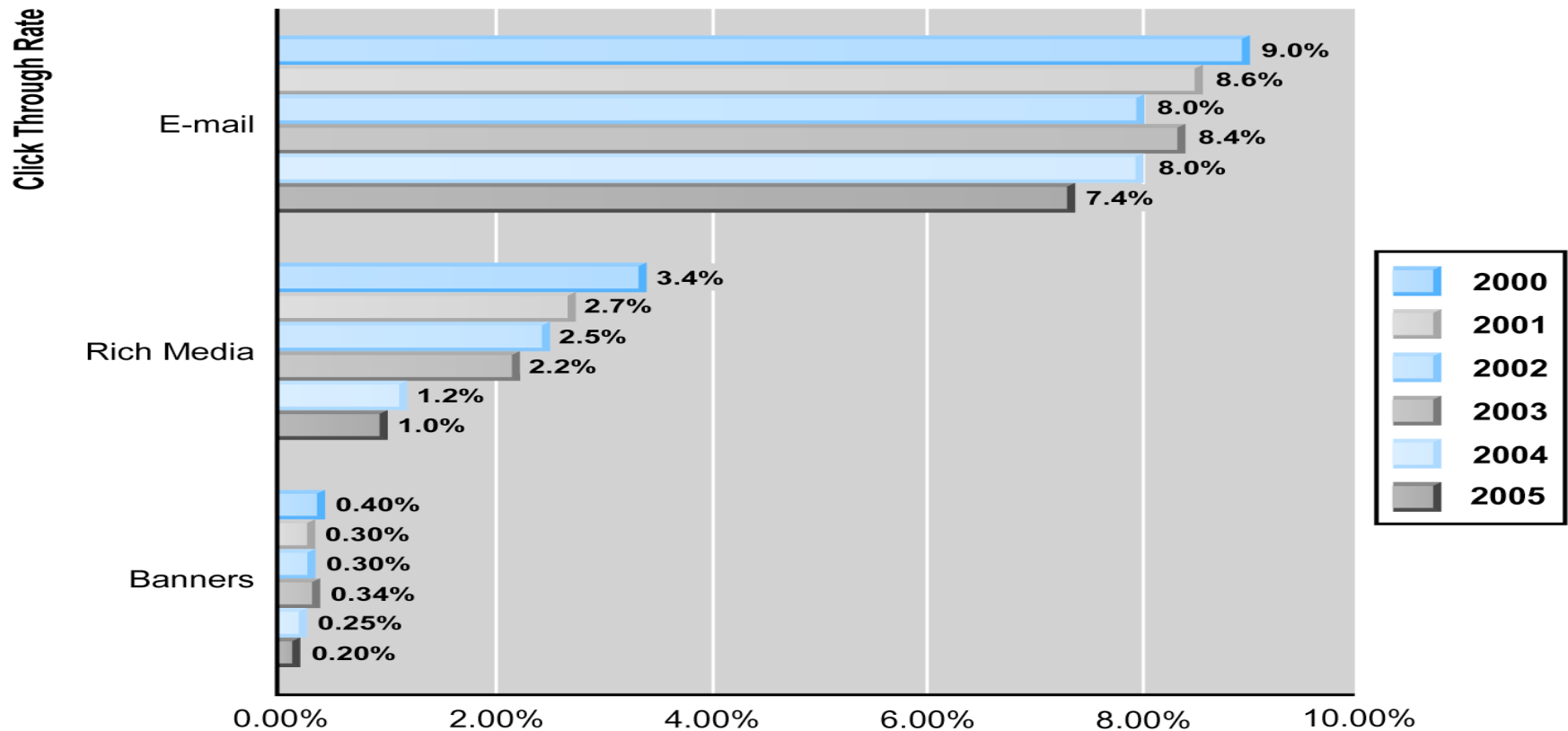


# How Well Does Online Advertising Work?

- 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



**SOURCE:** Based on data from DoubleClick, 2005, 2004; eMarketer, Inc., 2005h, 2004; authors' estimates.

# 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

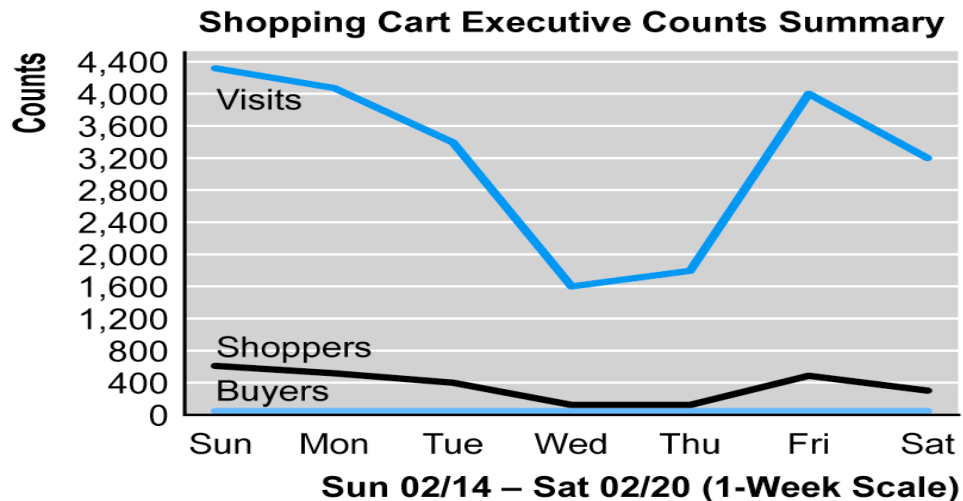


# Software for Measuring Online Marketing Results

- 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

Figure 8.14, Page 480



Shopping Cart Executive Summary	
Total visits	24,134
Engagement rate	16.7%
Total shoppers	4,031
Abandonment rate	97.4%
Conversion rate	0.4%
Total buyers	103

## Shopping Cart Executive Summary – Help Card

**Abandonment rate** — The percentage of **shoppers** who did not become **buyers**. This includes both **cart abandoners** and **checkout abandoners**.


**Conversion rate** — Percentage of visitors who became **buyers**.

**Engagement rate** — Percentage of visitors who become **shoppers**.

**Total buyers** — Number of buyers who visited your site. Buyers are visitors who reached a page that you configured as an **order complete page**.

**Total shoppers** — Number of shoppers who visited your site. A shopper is a visitor who reached a page that you configured as a **shopping page**.

**Total visits** — Number of times a visitor came to your site.



# **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

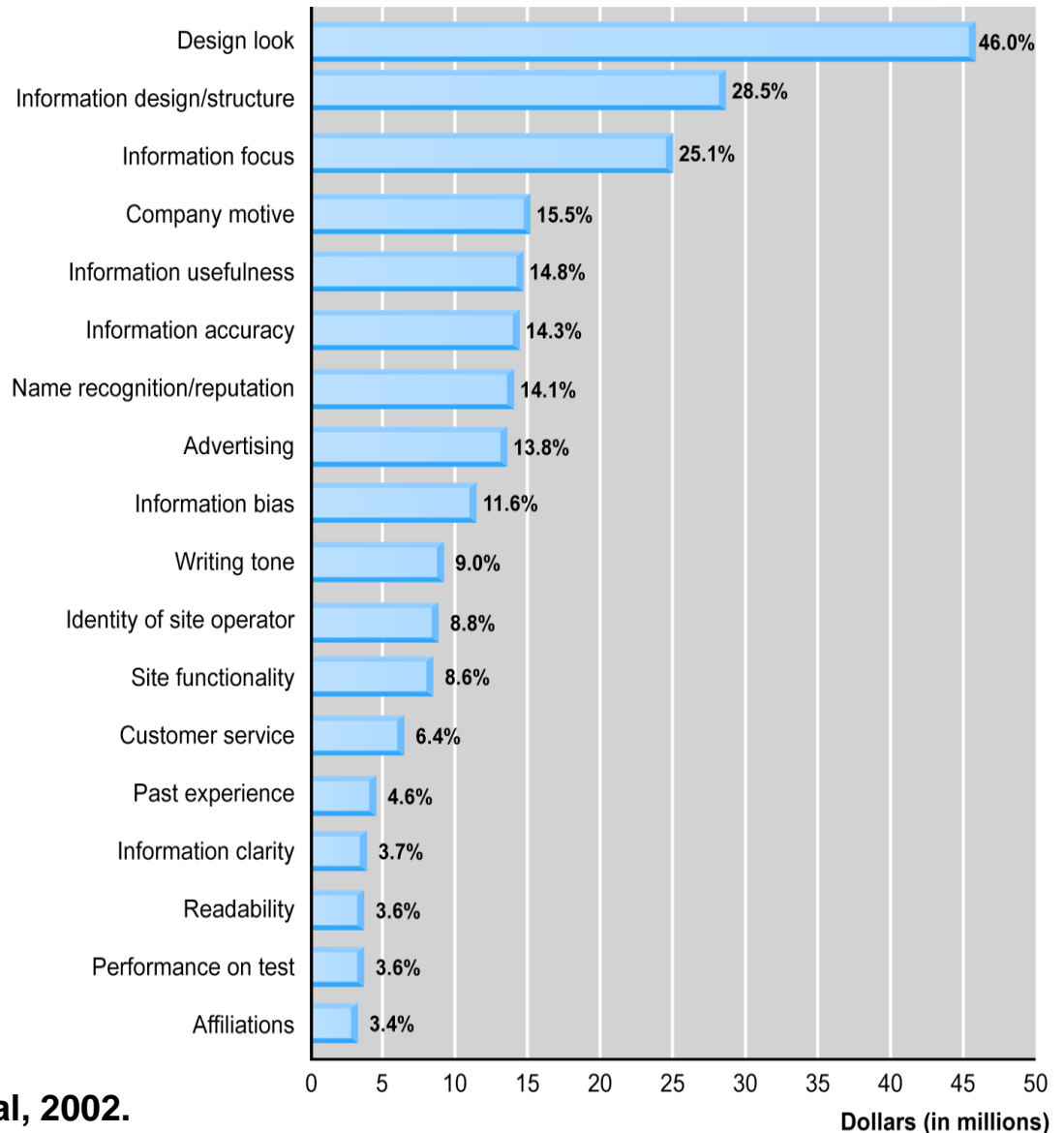


# Web Site Functionality

- 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

# Factors in the Credibility of Web Sites

Figure 8.15, Page 486



SOURCE: Based on data from Fogg, et al, 2002.