Chapter 3. Marketing Strategy in Internet Marketing

3.1 INTRODUCTION

This chapter focuses the link between corporate strategy and marketing strategy, in particular, how good marketing strategy is influenced by corporate strategy. The marketing strategy clarifies and defines the building blocks of traditional marketing strategy: segmentation, target market selection, and positioning. It also explains how the traditional marketing process remains generally the same when applied by pure play online firms - but differs when applied by bricks and mortar firms (BAM). Because BAMs already have existing corporate strategy, marketing strategies and marketing tactics, their online marketing strategies will need to take different factors into account. For example suppose an offline company is operating under a well defined corporate strategy, a well regarded marketing program, and a positioning message & if the company expands onto the web, it faces a number of online marketing strategy issues such as: whether the online market is similar or different from the offline market; whether the company targets the same customers as it does in offline business or new customers; how should company position its site.

Thus, BAMs face the unique issue of making key marketing strategy moves within the context of existing marketing and corporate strategies. The complexities of these choices will also be explored in this chapter.

The scope of Internet marketing strategy

Internet strategy involves wider focus than of a strategy to develop web site services. In formulating Internet marketing strategy, marketers also examine broader issues of using the web, e-mail and databases strategically as communications and relationship-building tools which must integrate with other marketing communications. Internet strategy may
also involve redesigning business processes to integrate with partners such as suppliers and distributors in new ways.

Internet strategy is a channel marketing strategy

Internet marketing strategy is a channel marketing strategy which defines how a company should set channel-specific objectives and develop a differential channel-proposition and channel-specific communications consistent with the characteristics of the channel and consumer usage of it. The Internet marketing strategy determines the strategic significance of the Internet relative to other communication channels which are used to communicate directly with customers at different customer-touch-points. Some organizations such as low-cost airlines have decided to primarily use virtual channels such as the web site and e-mail marketing for delivering services and communicating with customers. Others may follow a strategy where the use of face-to-face, phone or direct mail communications remains important for the time being.

So the focus of Internet marketing strategy is decisions about how to use the channel to support existing marketing strategies, how to exploit its strengths and manage its weaknesses and to use it in conjunction with other channels as part of a multi-channel marketing strategy. This multi-channel marketing strategy defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company. This discussion focuses on the four types of alignment that must be considered and managed to successfully integrate two levels of strategy.

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68 Communications channels with which companies interact directly with prospects and customers. Traditional touch-points include face-to-face (in-store or with sales representatives), phone and mail. Digital touch-points include web services, e-mail and potentially mobile phone.
Business Strategy Directs choices of marketing strategy

Business strategy, then, should relate to marketing strategy by providing good direction, guidance, and benchmarks for alignment. If a company is clear that the firm’s strategic focus on good value and cost effective offerings derive from a combination of market facing choices (e.g., the design of the website, product selection) and back office activities (e.g., the order fulfillment chain). These broad choices for competitive advantage provided a clear umbrella under which the marketing strategy could be implemented. Once the broad business strategy parameters were set, the choices of positioning and associated marketing mix could more appropriately be set.

A marketing strategy works most effectively when it is highly aligned and consistent with the business strategy. But how, specifically, should a marketing strategy be aligned with business strategy; and in this regard, how should success and progress be measured in this alignment.

Criteria to assess alignment between business and marketing strategy

There are four organizational dimensions along which marketing strategy needs to be aligned and integrated with business strategy in order for the two strategies to work optimally. Diagram 3.1 shows that the fit between the two levels of strategy will be enhanced if there is alignment of each strategy’s goals, resources, activities, and implementation of plans. Gauging the fit between marketing and business strategies along these dimensions can give a better idea of how well the two strategies are aligned.
Diagram 3.1

Assessing the Fit between Business Unit Strategy and Marketing Strategy.

Source: E-consultancy (2006)

Goal Alignment

The issue in this dimension is whether the strategic and financial goals of the business unit are consistent with the strategic, financial, and customer goals specified by the managers of the marketing strategy. Very often, even a well intentioned company can misalign goals due to: rapidly changing business strategy; poor communication between senior leaders of the business unit and marketing; lack of process check-points to ensure that the strategy and marketing efforts are in coordinated.
Resource Alignment

At the beginning of each fiscal year, the business unit develops a budget of how resources will be allocated across various activities, functions, and programs. Within this broader budgeting process, resources are allocated to the marketing organization. The issue here is whether the business unit has provided sufficient resources for a particular marketing program or effort to be effectively implemented.

Activity Alignment

Activity or function alignment includes human resources allocation for hiring, choice of website design, reinforces the downstream choice of marketing strategy. This alignment tells about the choice of a firm's activities-order fulfillment, market communications, customer service, and pricing-works together with the marketing efforts to provide a consistent offering to its customers.

Implementation Alignment

It is entirely possible that the goals, activities, and resources of the business unit strategy and marketing strategy are aligned, but the collective strategies are not executed well in the market. This could be due to poor implementation when going to market. Thus, even if the strategies are sound, there could be problems related to timing-for instance, correctly sequencing the marketing program with vendor product availability, or correctly timing the allocation of business unit resources to effectively implement marketing programs. Thus, significant problems can arise from poor implementation even if the other three dimensions are aligned.

The key message in this section is that business unit strategy and marketing strategy need to be coordinated. Even in the most well intentioned firms, there can be a misalignment of goals, resources, activities, or implementation that hampers optimal execution of either
strategy. The firm must continually monitor the consistency and fit between these two strategies.

**Key concepts in Marketing strategy**

The term marketing strategy consists of segmentation, targeting, and positioning. This strategy is then supported by marketing program, which involves decisions related to marketing mix - product, price, promotion and distribution as shown in diagram 3.2.

**Diagram 3.2**

**Marketing strategy decisions**

![Diagram 3.2](image)

When companies are in starting stage, i.e. when the customer base has not been segmented, target customer segments have not been well identified, a positioning message has not been established, and the product has not been fully developed, at this stage the marketing strategy might consist of a comprehensive process of the marketing mix. If BAM is moving online, the product may have already been designed and a minimum price point established. The distribution channel may also be constrained by the firm’s distinctive competencies. Accordingly, the marketing managers focus their efforts on the positioning strategy, then
communications, and finally the target market. Each decision context is unique.

While formulating the marketing strategy, process will not be the same for an Internet pure play as it is for BAM. Managers need to be familiar with the following key concepts in planning any Internet marketing strategy, regardless of how their companies are positioned:

- **Segmentation:** Most of the market can be usefully divided into sub units of consumers who are similar in what they value within the product category, or in terms of their cost to serve, or characteristics that make them accessible to a particular marketing program. These sub units are called market segments.

- **Target Market selection:** The target market is that segment or segments of the market that is most attractive to the firm, because of profitability, cost to serve, accessibility, growth potential, or a host of other criteria.

- **Positioning:** Ries and Jack said positioning influences the mind of the prospect. In other words, positioning is about affecting consumers’ perceptions of the product. This usually means designing the marketing message so that the product is perceived to be both unique and valued by the target market.

### 3.2 INTERNET MARKETING SCENARIO

While marketing strategy can effectively be used on the Internet by both a pure play and a traditional ‘Bricks and Mortar’ (BAM) firms, the marketing decision that these two players will face can differ significantly. For instance, a pure play that is just beginning its marketing campaign will have more freedom in positioning a product than an offline company that is moving its old brand online. Naturally, the options available to each

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player will not be the same. Diagram 3.3 explains the two separate discussion processes that unfold for pure play versus BAM businesses.

**Diagram 3.3**

**Marketing strategy formulation for Pure Play versus BA**

<table>
<thead>
<tr>
<th>Pure Play</th>
<th>BAM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Online Business unit strategy</strong></td>
<td><strong>Business unit strategy</strong></td>
</tr>
<tr>
<td><strong>Marketing strategy for Online Business</strong></td>
<td><strong>Integrated marketing strategy</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source**: Barbara Cox, William Koelzer, *Internet Marketing*

**Pure Play Scenario**

For Internet pure play firms such as Yahoo, sify & rediff, the business and marketing strategy formulation process occurs as articulated on the left side of Diagram 3.3. First, the business unit strategy is defined. Then, the marketing strategy is specified, following the traditional processes of segmentation, targeting and positioning. Though Internet marketing strategy is employed for the online business, still both online and offline marketing levers (e.g., customer e-mails and print advertisements) are going to be used to build a customer relationship. In this scenario, the processes of segmentation, targeting and positioning remain largely the same as for a completely offline business.

**Bricks-and-Mortar Scenario**
For BAM players’ business and marketing strategy formulation process occurs as articulated on the right side of diagram 3.3, it shows that BAMs must first consider its overall business unit strategy - mission, goals, competitive advantage and revenue model. The firm must develop an integrative marketing plan, one that reflects both the online and offline efforts. This integrative marketing planning effort combines the marketing effort for the offline business (as market strategy for offline business) and the marketing effort for the online business (as market strategy for online business).

There are certain contexts and parameters that the marketing strategy must take into account. Formulating the marketing strategy, then, requires choosing the degree of correspondence and consistency between the existing offline brand and assets. The BAMs online marketing strategist must make choices related to: segmentation approach, target segment, subsequent positioning in light of the constraints and opportunities posed by the firm’s offline operations and strategic focus.

3.3 INTERNET MARKETING STRATEGY

Internet marketing strategy can be discussed with reference to pure play firms and BAMs (Bricks and Mortar).

Internet Marketing Strategy for Pure play firms

Pure-play Internet firms can still effectively use the basic building blocks of marketing strategy. In this section, the marketing strategy process for pure-play firms will be more clearly articulated, and the execution of this process remains generally the same whether online or offline.
Segmentation for pure plays

The process of segmentation involves breaking up a market of customers into large, identifiable groups, or segments. This division is done on the basis of certain variables, which can range from age and address to lifestyle and loyalty to a certain product. Within a large market of customers, it is likely that there will be several subgroups of customers, each with different needs, that one product alone cannot satisfy. Segmentation is the first step in allowing firms to create or market product for specific groups of customers. It reveals potential marketing opportunities and provides a firm with clearer guidance for product development and marketing strategy. Ideally, this strategy also serves sales or higher prices for more effectively meeting a consumer group’s needs.

Effective Segmentation

Not all market segmentations make sense - a market might be segmented so minutely, into so many different groups, that the cost of serving each segment separately would be unfeasible. Designing different offerings for too many different groups would prove too costly and unprofitable.

Segmentation would also not be useful if the customers were segmented on an unrelated variable such as mobile phone buyers are segmented on the basis of their eye color. In order for segmentation to be effective, it needs to follow three rules. Segmentation must be

- Meaningful: It must help describe and explain why customers currently behave in a specific way.
- Actionable: It must allow for feasible execution, in terms of targeting and positioning to that segment.

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70 Barbara Cox, William Koelzer, Internet Marketing
Financially attractive: Target segments must be economically worth going after.

Target Market selection for pure plays

During the targeting process, firms choose among the opportunities that segmentation uncovers. For instance, segmentation might reveal groups of customers who have unmet needs. These unmet needs can mean potential opportunities for existing or new products to gain position. The next task is to more closely evaluate these segments and decide which is most attractive.

The marketing strategy now changes to targeting, or the process of evaluating market segments for overall attractiveness, and choosing segments that are consistent with the firm’s marketing strategy and capabilities. In evaluating market segments for overall attractiveness, firms can look at three factors

1. Segment Size and Growth
2. Segment Structural Attractiveness
3. Company Objectives and Resources

1. Segment size and growth

A primary factor in the targeting process is deciding if the segment would be worthwhile financially – not only now, but in the future also. Appropriately attractive segment size depends largely on the firm. For instance, small companies might avoid large segments if they require too many resources to serve. Segment growth is usually a natural attraction for choosing segments; ideally, a firm can hope to grow in line with the growth of the segment.

2. Segment Structural Attractiveness

Analyzing a segment’s structural attractiveness can give insight into a segment’s future profitability. A segment that may be large and growing may still have many characteristics that make it ultimately undesirable down the road. The most widely used framework for analyzing an Industry’s current and future structural attractiveness is Porter’s five forces model as shown in diagram 3.4.

**Diagram 3.4**

**Porter’s five forces model**

Potential Entrants: It refers to threats of new entrants it may include the following:

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Economies of Scale
- Product Differences
- Brand Identity
- Switching Costs
- Capital Requirements
- Access to Distribution

Cost Advantages
- Access to Necessary Inputs
- Low cost Product Design
- Government Policy
- Expected Retaliation

**Buyers**: It refers to bargaining power of buyers it may include the following:

- Buyer Concentration V/s. Firm Concentration.
- Buyer Volume.
- Buyer Switching Cost to Firm Switching Cost.
- Buyer Information.
- Price Sensitivity.

**Product Differences.**
- Brand Identity.
- Impact on Quality.
- Buyer Profits.
- Decision Makers & Incentives.

**Substitutes**: It refers to the threats of substitute products or services it may include the following:

- Relative Price Performance of Substitutes.
- Switching Costs.
- Company Objectives and Resources.

**Buyer propensity to Substitute.**

**Suppliers**: It refers to the bargaining power of suppliers it may include the following:

- Differentiation of Inputs.
- Switching Costs of Suppliers & firms in the Industry.
- Presence of Substitute inputs.

- Supplier Concentration.
- Importance of Volume to Supplier.
- Impact of Inputs on Cost.
**Rivalry with existing companies**: It refers to the competition from the existing firms it may include the following:

- Industry Growth.
- Fixed/Storage Costs/Value Added.
- Intermittent Overcapacity.
- Product Indifferences.
- Brand Identity.
- Switching Costs
- Concentration and Balance.
- Informal Complexity
- Diversity of Competitors.

3. **Company Objectives and Resources**

Even if a segment is financially and structurally attractive, it may not be in a firm’s best interest to pursue that segment if it is not consistent with the firm’s own goals and resources. A firm’s own business capabilities must be able to meet the requirements of the chosen target segments, and different segments necessitate different skills and resources. If a company cannot meet, build, or acquire those necessary competencies, it would be wise to avoid such a segment. Instead, firms would do better to pursue segments that offer them a sustainable competitive advantage.

**Positioning for Pure Plays**

Once markets have been segmented and targeted, positioning then becomes the next step in the marketing strategy. Positioning allows companies to stake claims about their products in the minds of their target segment, letting companies communicate distinct advantages over competing brands. Strategies for positioning combine strategies for the product, distribution channel, price, and promotion. Ultimately, positioning will articulate what the brand will stand for in the consumer’s mind.

There are the strategies to promote differentiation. Some marketers promote only one difference – for the sake of a singular, consistent, and easily remembered message – while others promote double or even triple

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benefit positioning that can be successful if a firm is targeting a particular niche. Some of the positioning strategies are as follows:  

**Positioning on features/service:** To be perceived as the best in a particular product or service attribute, like style or speed of delivery.

- **Positioning on benefits:** To be perceived as effectively providing benefits such as happiness or fun

**Positioning on specific usage occasions:** To be perceived as being practical and functional for a given purpose.

- **Position for user category:** To be perceived as the appropriate offering for a specific type of user

**Positioning against another product:** To be perceived as better than a particular competitor

- **Product-class positioning:** To be perceived as offering a different type of product than what consumers expect (for example position a milk biscuit as a tonic, rather than an eatable)

- **Hybrid positioning:** A combination of two or more of the above categories

The Positioning Plan for Pure Plays

Once markets have been segmented and targeted and a positioning strategy has been chosen, a positioning plan can be put into place. Norton Paley outlines five steps as shown in diagram 3.5 that firms should follow when creating a positioning plan.  

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Diagram 3.5
Norton Paley’s five step model

Identify Actual Product Positioning

Determine ideal product positioning

Develop alternative strategies for achieving ideal product position

Select & implement the most promising alternative

Compare new actual position with ideal position


Internet Marketing Strategy for Bricks-And-Mortar firms

Online marketing strategy, for BAMs create a different set of choices within each step of the process which has been shown in the following section:

Segmentation for BAMs Moving Online

The basis for segmenting markets will naturally change when offline companies begin looking at customers on the Internet; where variables such geography were of primary important in the past, ISP domain might now be considered. Alternatively, new variables, such as Internet access speed or computing power, might become important. While the methods for
evaluating effective segmentation remain the same, the basis for segmentation commonly changes, as do the segments themselves.

Traditional firms new to the Internet will find that online segmentation can yield four different scenarios, characterized in diagram 3.6. The first dimension of this matrix focused on whether the market segment size changes; the second dimension focuses on whether the actual criteria to segment markets significantly change when the firm moves to the Internet. This results in four options:

Diagram 3.6

Bricks-And-Mortar segmentation scenarios

<table>
<thead>
<tr>
<th>No Change</th>
<th>Market Expansion</th>
<th>Reclassified Expansion</th>
<th>Market Reclassification</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Barbara Cox, William Koelzer, Internet Marketing

No change: Segment characteristics and size stay the same.
- Market expansion: Segment size, financially or otherwise, changes.
- Market reclassification: Segment characteristics changes, such that online consumer segments have distinctly different needs and tastes.
• **Reclassified expansion**: Segments change in both size and characteristics.

Targeting for BAMs Moving Online

Chosen segments should be significant in size and structurally attractive, and segment needs should be consistent with firm resources. While the process remains the same, the online choices of segments may be very different from the offline choices.

The following scenarios show four possible strategies in which traditional firms can target online segments in relation to the traditional offline segment. In these scenarios, diagram 3.7 highlights two important dimensions:

1. The focus of the marketing effort (on an entire segment or a portion of a segment).

2. **Customer similarity to the firm’s offline market** (similar or different customers)

With this cross tabulation, four target market options for the BAM firm can be observed:
Diagram 3.7
Bricks-And-Mortar Targeting Scenarios

<table>
<thead>
<tr>
<th>Customer Similarity</th>
<th>Same customers</th>
<th>Different Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Blanket Targeting</td>
<td>“Be Different” Targeting</td>
</tr>
<tr>
<td></td>
<td>Beachhead Targeting</td>
<td>Bleed-over Targeting</td>
</tr>
</tbody>
</table>

Source: Kim M. Bayne, The Internet Marketing Plan; A Practical Handbook for creating implementing and assessing your online presence.

1. **Blanket targeting:**

   Firms might find that online segmentation does not reveal anything new—that, in, effects, the general characteristics of the segments remain the same as those of the offline segments. Alternatively, they may find that segment characteristics stay the same, but that the segments get larger due to factors such as increased geographic reach. This situation might occur if
many of an offline company’s customers are typical Internet users, more customers are reached through the Internet, and all of them exhibit the same behavior and buying preferences online as they do offline.

In diagram 3.8, this is represented by the “entire segment-same customers” box, which shows that all the members of target segment display the same characteristics, online or offline. Hence, the targeting choice also remains the same. The firm’s online offering blankets the segment in the same way that it blanketed the offline segment. While the online segment might also value the Internet’s added capabilities generally similar to those of the offline segment.

2. Beachhead targeting

Another possible scenario arises when the online segment of customers is found to be smaller than the offline segment, perhaps representing a narrower band of tastes and preferences. This might be true if only part of a might show increasing preferences for using the Internet but still exhibit generally the same buying preferences as offline customers. Here, the firm’s offering might be more targeted to a smaller customer segment, as it attempts to establish a beachhead so that it can attack its larger segment later down the road, when the rest of the segment moves online as shown in “portion-same customer” diagram 3.8. This smaller segment is generally the same as the offline customer segment. It could be argued that autoindia.com is in this situation, because not all car buyers surf the Web. This is not to say that in future most buyers will be looking to the Internet for car information. However given limited resources, it is perhaps in auto-india’s best interest to establish an initial hold in the market rather than simultaneously try to move non Internet users online.
3. **Bleed-over targeting**

In this third scenario, the online target segment includes part, but not all, of the offline segment but also targets part of a distinctly new customer segment. The new target segment might include different types of customers if the online offering is enlarged from the offline offering. Here, the targeted segment can include individuals previously ignored in offline targeting choices because the online offering now has something appealing to attract these customers. This targeting strategy attempts to bleed the online offering to make it attractive for new, slightly different customers. This scenario is depicted by the “portion-different customers” in diagram 3.8, signifying that a portion of the new target segment is different from the offline target segment.

4. **Be different” targeting**

An online marketing strategy might choose an entirely different target segment. Here, the target customer segment represents distinctly different needs and preferences than the traditional offline segment. This scenario might occur when products take on a different, new meaning for customers in different geographic locations, or if previous marketing campaigns were not able to reach and influence product perception. Typically, this approach involves a new brand name and a new position. In diagram 3.8 it is represented by the “entire segment-different customers” which shows that all the members of target segment display the different characteristics, online or offline. Hence, it is said different targeting.

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76 Kim M. Bayne, The Internet Marketing Plan: A Practical Handbook for creating implementing and assessing your online presence.
Positioning for BAMs Moving Online

Each of these four scenarios requires a different positioning approach. Positioning strategy must emphasize differences that are meaningful communicable, and financially attractive. However, the new positioning choices that rise online are still worth examining. Diagram 3.8 outlines the appropriate positioning strategy and guidelines for each scenario.

**Diagram 3.8**

**Bricks-And Mortar Positioning Scenarios and Guidelines**

<table>
<thead>
<tr>
<th>Customer Similarity</th>
<th>Same customers</th>
<th>Different Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blanket Targeting</td>
<td>• Borrow heavily from existing offline positioning</td>
<td>Be Different Targeting</td>
</tr>
<tr>
<td></td>
<td>• Advertize basic advantages of the Internet Convenience and accessibility.</td>
<td>• Reposition entirely.</td>
</tr>
<tr>
<td></td>
<td>• Stress value added advantages of the Internet</td>
<td>• Position differentiations which cater to the new segment.</td>
</tr>
<tr>
<td>Beachhead Targeting</td>
<td>• Also borrow from offline positioning.</td>
<td>Bleed-Over Targeting</td>
</tr>
<tr>
<td></td>
<td>• Focus more, however, on needs of the smaller group.</td>
<td>• Use dual positioning.</td>
</tr>
<tr>
<td></td>
<td>• Stress value added advantages of the Internet</td>
<td>• Leverage existing positioning.</td>
</tr>
</tbody>
</table>

*Source: Kim M. Bayne, The Internet Marketing Plan; A Practical Handbook for creating implementing and assessing your online presence.*
1. Blanket Positioning

In the first scenario, the target segment does not change, and appropriate positioning is fairly simple. A good strategy would likely borrow heavily from existing offline positioning strategies, since the goal is to appeal to the same group of customers. Additionally, the offering would be positioned with the added advantages of the Internet, such as convenience and access.

2. Beachhead Positioning

In the second scenario, in which the target segment is sub section of the larger, offline segment, the positioning is similar but might be more focused towards the smaller customer group. A positioning strategy here might stress more of the value added advantages of the Internet. This positioning assumes that the smaller segment puts more value on the Internet’s extended capabilities for convenience and access.

3. Bleed-Over Positioning

The third scenario assumes that the target segment is composed of both old customers and a new type of customer. Here, the positioning would resemble the offline offering, but also make the online offering attractive to new types of customers.

4. Be Different Positioning

This scenario repositions the offering entirely, attempting to capture the attention of a completely new target segment. Such a positioning strategy is more effective if previous offline positioning strategies have not yet affected the new segment’s perception of the offering. This works, for instance, when increased geographic reach now allows a firm to communicate with new and different customers over the Internet, giving that firm a chance to build a new position.
3.4 MARKET STRATEGY IN NEW ECONOMY FIRM

In marketing strategy positioning becomes a new experience for offline firms moving online. As marketing strategy takes on new meaning on the Internet, there will also be new implications for marketing strategy in the new economy firm.

The Internet has and will continue to affect marketing strategy for new economy firms in four broad ways:

1. Through finer classifications of segmentation.
2. Through faster cycle time on marketing strategy development.
3. Through increased accountability of marketing efforts.
4. Through increased integration of marketing strategy with business strategy and operations.

1. Through finer classifications of segmentation

With the declining costs of information gathering and processing on the Internet, firms will be able to more accurately segment customers. While up-to 1990s may have seen the use of broader segmentation, firms in the new economy will be able to conduct finer classifications of segments through the use of better data gathering tools, so that the needs and types of customers can be better understood. By using better offline sources as well as online data gathered by tracking customer behavior, valuable profiles can be readily created that make customers easier to understand, identify, and segment. Marketing strategy, then, will shift closer to one to one marketing, as opposed to broader segment marketing.

2. Through faster cycle time on marketing strategy development

Marketing strategy will also be affected by the increased speed with which marketers can gather information through the Internet. For example, while customer and management interviews once took months for a given
marketing project, now customer feedback and interviews can be gathered continuously and much faster online, so that up-to-date information is always available. As a result, marketing plans can change more quickly and flexibly—on the fly—rather than in discrete projects.77

3. Increased accountability of marketing efforts

As information gathering becomes quicker and easier, so too does tracking marketing efforts. As a result, accountability for good marketing strategy will increase, making marketing successes or mistakes more transparent. Accountability for past successes and failures are heightening the awareness and need for good Internet marketing strategy.

4. Increased integration of marketing strategy with business strategy and operations

Marketing strategy is increasingly becoming integrated into the different functions of the organization, so that marketing strategy will necessarily become more aligned with business strategy and operations. The firms are realizing the benefits of alignment and hence they are integrated with various firm-wide goals and operations.

3.5 CUSTOMER EXPERIENCE

Once analysis has determined the information needs of the site, the site can be designed. Design is critical to a successful web site since it will determine the quality of experience users of a site have; if they have a good experience they will return, if not they will not. A "good experience" is determined by a number of factors such as those that affect how easy it is to find information: for example, the structure of the site, menu choices, searching facilities, the graphical design and layout of the site.

Since the main reason for returning to a web site is high-quality content, it is important to determine, through analysis, that the content is correct. However, the quality of content is determined by more than the text copy. It is important to achieve high-quality content through design. To help in this it is useful to consider the factors that affect quality content that are shown in diagram 3.9.

**Diagram 3.9**

**Different aspects of high-quality information content of a web site**

- Relevant
- Personalized
- Easy to find
- Detailed
- Timely
- Clear
- Accurate
- Up to date

**Source**: *Mitch Meyerson, Success Secrets of the Online Marketing Superstars.*

In case of baazee.com it is the experience of the researcher: the website is simple and straightforward—there is plenty of white space, user friendly and category of goods are clearly marked. The researcher searched the site for a particular product. Very quickly, he found exactly what he was looking for on the website—although it was obvious that there was very limited inventory relative to what was available at the physical market place.

Then, he proceeded to the checkout section of the site. At this point, two problems arose. First, he had trouble in finding transportation costs. However he received an e-mail at checkout with the exact amount of the total purchase, including the cost of shipping. While the amount was a bit higher
than he expected, he still proceeded with the transaction. However, as he clicked on the final approval, he received an order summary that was incorrect. Rather than displaying his purchases, the site displayed only the invoice for purchases that his sister had made the previous day. Since he did not know how to generate his correct invoice, he promptly abandoned his shopping and moved on to a competitor’s site.

The experience of researcher beginning from the initial look at the homepage through the entire purchase experience includes the decision to abandon a shopping. Hence the researcher’s interpretation had a number of components—from his evaluation of the site’s ease of use, its functionality, and easy location of products to the strong emotional reaction that he had to the invoice. The experience is a function of all senses, thoughts, and emotional feelings—not just the obvious observation of surroundings.

**Phases of customer experience**

There are seven key phases of customer experience, shown in diagram 3.10, which point to different methods by which users’ interactions with a site can be evaluated.
1. The Objective Experience

A certain level of functionality must exist in order for a site to work. When site features are non-existent, broken, or impossible to interpret, it is easy to identify the problem. Examples of objective experience problems that can be assessed by third parties include complex checkout, poor site reliability and accessibility (e.g. the site is “down”), poorly designed or implemented search software that makes products difficult to find, missing information, and incorrect price listings. These are objective in the sense that almost all target consumers and third parties would agree that they are problems.

2. The Perceived Experience

Each customer’s experience is unique. While the objective experience focused on the absence or disrepair of basic core functionality, perceived
experience related to the individual’s perception of the encounter with the site. Some customers may not have noticed or cared about the limited online inventory, others may have had quick and easy checkouts with clear invoices. Hence, their evaluations would have been much higher. Every experience needs to be understood in terms of how each customer perceives, or interprets, his or her interactions with a site.

3. The Encounter Experience

Customer experience takes into account the entire customer encounter experience—not simply the economic transaction. Thus, it includes both process and output measures of shopping experience. The customer who abandoned his shopping noticed the inventory, the prices, and the delivery times, as well as contextual features of the site. Indeed, on this particular occasion his purpose may simply search the inventory for potential gift ideas. Thus, the customer experience may have been defined largely by the ease of search, quality of the inventory, prices and the contextual feel of the site—with no weight assigned to the actual economic transaction.

This is a critical point because many online retailers track output marketing measures—number of visitors, conversion rates, average order size and frequency of purchase and infer a customer experience form this data. There are two types of customer measures—those that capture outputs such as the direct measures and those that track the process of using the site. In order to fully track reactions, it is important to assess both process and output measures. Moreover, the objective measures often focus only on the transaction, not the comprehensive encounter. The focus of data collection and assessment must be on both process and output measures throughout the encounter.
4. The Reaction to stimuli experience

The website of the company should be very consistent with the offline business in terms of brand feel, presentation of merchandise, and types of merchandise and this consistency can, in many cases, prove reassuring for the online shopper. Hence, the user’s online customer experience reflects his or her reactions to both tactical design decisions and the higher order strategy choices of the firm.

5. The Sensory Experience

The website stimulates only one sense—sight—through text, photographs, and other graphics. However, many sites now enrich the sensory experience by including audio/video files or the option of making direct contact with a service representative. It is necessary that all sites need to provide audio, video, etc. A comprehensive assessment of the customer experience should take all sensory input into account.

6. The Cognitive and Emotional Experience

Customer reactions are both cognitive (“I think the site is easy to navigate”) and emotional (“I feel good about this brand”). Cognitive responses are more thoughtful and evaluative in nature; emotional responses tend to capture the moods, attitudes, and feelings of the customer. While the customer had a number of strong, positive cognitive reactions to the site (e.g., “It is easy to use, the colors are pleasant”), he also had strong negative, emotional reactions (e.g., “Why can’t this site track his order correctly; how this mix-up did occurs; does this invoicing problem mean that his sister’s purchase is also questionable?”)

7. The Relative Experience

All consumers have prior shopping experiences, and most have prior experience on other websites. This relative experience can affect a
consumer’s reaction to various stimuli during a site visit or a purchase. A consumer’s prior experience significantly influences the judgment or assessment of the current customer experience. In the example, the researcher, whose shopping was dissatisfied at the website, compares that experience to experiences he has had on other retail sites.

Stages of Customer experience

The experience hierarchy outlines the four stages of customer experience from a user’s first click on a site to the point at which that user experience site loyalty. It is clear that customer experience evolves and changes over time, and that process occurs in distinct, progressive stages. These stages also imply that certain customer experiences at one stage cannot be achieved without first meeting the pre-requisites of the previous stage. The following points focus on the characteristic of each stage from the customer’s perspective.

Stage One: Experiencing Functionality “Functionality of the Site”

Much of the work on customer experience focuses on simply understanding the basics. Mr. Sujane78 said that his profitability would increase by 50 percent if the firm simply implemented the basics correctly i.e., if it displays the right set of products, in the right category and in the right time period. Those three basic elements were thought to have a 50 percent impact on the bottom line. In the online world, getting the basics right can be equally important. Those basics are as follows:

- **Usability and Ease of Navigation**

  It is the ease with which a site can achieve a user’s goals. If a user want to search inventory, check prices, make a purchase, usability would describe the degree to which the site facilitates or hinders the achievement of those goals. Usability is affected by many elements of a site. Like, the site’s loading speed, the structure of its pages, and its graphic design.

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78. Mr. Suvir Sujane, CEO, Baazee.com
• **Speed**

Speed refers to the time required to display a site page on the user’s screen. The quickness of the site is key issue, several consumers still use dial up models, so every bit of information needs to count.

• **Reliability**

It is the extent to which a website experiences periods of down time or times when users cannot access its pages, typically due to planned maintenance or unplanned system crashes. Reliability also defines the extent to which the site correctly downloads to the user; though the site may be running, it may not download properly or readably to user’s screens.

**Media Accessibility**

With the proliferation of Internet-enabled devices, or Web appliances, media accessibility-the ability of a site to download to various media platforms-is becoming increasingly important. Hence, websites may need to be simplified and specifically designed for multiple platforms until standards are established and accepted universally across all platforms.

• **Security**

The site should be secure; Customer privacy should be protected; Customer can trust the site to manage his credit card. After this, consumers attempt to determine if they can trust a particular site. If this basic trust is violated, then it affects not only to focal company but the entire industry.
Stage Two: Experiencing relationship “They know my taste”

The second stage focuses on how firms move customers from the general delivery of a good experience to an experience that is both good and intimate.

- **Customization**

  It is defined as the site’s ability to tailor itself or to be tailored by each user. Customization initiate or managed by the firm is called tailoring; customization initiated or managed by the user is called personalization. Once the functionality groundwork is laid, the user begins to assess the degree to which the site is able to provide a rich, meaningful experience that is customized to his or her world. The experience of customization moves from “Does the site work” to “How effectively do it meet individual customer’s needs”

- **Communication**

  It refers to dialogue that unfolds between the site and its users. This communication can take three forms:
  1. Firm to user communication (e.g. e-mail notification)
  2. User to firm communication (e.g. customer service request)
  3. Two way communication (e.g. instant messaging)

  Good communication requires high performance on the part of the online vendor. This may be measured in terms of the efficiency (e.g. time to respond) as well as effectiveness (e.g. accuracy of response).

- **Consistency**

  It refers to the degree to which the site experience or retail store experience is repeated over time. It may be the case that a customer has a good experience purchasing form a particular site. The consistent repetition of this experience, however, is another matter.

  This difference can be explained by the expectancy-discrepancy notion of customer satisfaction, which holds that customers establish a reference level of expectation. For example, a customer might expect to log on to a
particular site, order an item, and receive the same in 5 days. In this case, the 5 days delivery becomes the expectation. If the customer places several orders and receives them all in 5 days, and then suddenly has to wait 9 days for an order to arrive, the customer’s expectation will not be met and that customer will be unsatisfied. Expectations are established during the use experience, and that deviation from these expectations is what ultimately matters not the objective experience.

Stage Three: Experiencing the site offline “its part of me”

In stage three, the user does not simply evaluate his or her customer experience in real time. Rather, having internalized the experience, the user re-creates and replays it when he or she is no longer directly engaged with the site. This relates to the actual consumption experience, future consumption experiences or simple role playing e.g., when the consumer imagines using the site or describes the site while engaging in chat room activity.

Exceptional Value

At this stage, the user is convinced with the firm’s offer which is of exceptional value-and he or she cannot be easily persuaded otherwise. Every consumer has an attachment to brands, products, or experiences that cannot be explained using pure economic logic. Customer can easily identify the products he or she values the most. The products may vary widely, but they are usually well known. Customers can become convinced and unwavering in their belief that the products they identify are the best.

- Shift from consumption to leisure activity

Instead of thinking about a visit to the firm’s website as a task that needs to be done, users now-a-days begin to think about such visits as something they do for pleasure. Thus, uses of the product or discussions about the firm are no longer purely economic. This is also evident in site usage like at autoindia.com, while customers do visit autoindia.com to
receive a good deal on the automobiles they are looking for; the autoindia.com experiences go beyond the simple exchange of products for money. It becomes recreational.

At this stage, customers prefer to be engaged in such activities rather than other activities, whether work or leisure. Great customer experiences at this stage often preoccupy users even when they are not actively engaged in the experiences. Thoughts such as “I wish I could check what’s on autoindia.com” come to mind as the consumer sitting idle in the office or walking in the shopping mall. The firm has managed to create user experiences in the minds of customers even when they are not directly engaged with the firm.

**Active community membership**

This stage is also characterized by the emergence of active community membership. Those who reach this stage often want to participate with other like-minded persons who share the same passion for the experience.

- **The company cannot manage without me**

A key characteristic at this stage is the perception that the firm is either incapable of managing the experience without the user, or that the user may pitch in to help. These customers are in group and company realizes the value of these customers. Moreover, these loyal customers are not only profitable, but also carried enormous word of mouth impact not just for customers, but for the very creators of the products.

Stage Four: Experiencing the habit of sharing - “I love to share the story”

At this final stage, the customer becomes a champion, market maven, or out of ordinary user. Here, the individual feels compelled to spread the word about the product or brand. Users have so internalized the experience and been rewarded with such exceptional value that they cannot wait to share the story with friends, relatives, and acquaintances.
• **Taking the word to the market**

  Individuals often love to tell stories about products with which they have had wonderful, exceptional experiences. It means that customers who have passed through the first three stages cannot wait to be evangelists for the brand. There is a clear emotional connection and passion about telling the story. Even if the price point is high, the evangelist feels that it is a good deal relative to competitors' products.