UNIVERSITY of SALFORD
SCHOOL of MANAGEMENT

MSc Marketing

Module: "SERVICES AND THE MARKETING MIX"

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Assignment

Select the "P" of the four P's (Product, Place, Promotion, Price) that you feel will be most effected by the Internet. State your reasons for your choice. Endeavour to use external sources, both commercial and academic, to support your arguments and conclusions.

Marketers use numerous tools to elicit desired responses from their target markets. These tools constitute the marketing mix. As Kotler (2000) defines "Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market". These tools are classified into four broad groups that are called the four Ps of marketing: product, price, place and promotion. A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (Kotler, 1991). For most companies the place aspects of the marketing mix involve marketing channels. Marketing channels can be defined as interdependent organizations involved in the process of making a product or service available for use or consumption (Kotler, 1991). Price is the only element of the marketing mix to generate revenues. As Kotler (1991) suggests, all other elements of a business operation represent costs. Promotion encompasses all the various ways an organization undertakes to communicate its products' merits and to persuade target customers to buy from them (Kotler, 1991). In the last few years, many companies to pursue their marketing objectives through the Internet have used all these tools. Obviously, that will affect the way we used to see and use those tools, as all the business is done not on the traditional way.

So, as far as product is concerned, in an e-commerce marketing strategy it is important to remember that information is now its own viable product. Rayport and Sviokla, for instance, discuss transactions, where the actual product has been replaced by information about the product. This change has resulted from technology that has brought down the cost of collecting and disseminating information about consumers and products. On place the effect of the Internet is also important. The global reach of the Internet is creating a larger marketplace and exactly that reach is the most visible difference between e-commerce and the physical world (Alen and Fjermestad, 2001). Although there are changes occurring in these three tools of the marketing mix, what seems to be more influenced by Internet is promotion.

There are many advantages of promoting products through the Internet. Evan and Wurster (1999) discuss these advantages in relation to the richness of information they can provide consumers. The Internet provides a low cost way for the manufacturer to build a direct link with the consumer. Incumbents can use their traditional sources of

consumer information (e.g. product testing, focus groups) in addition to the information that is easily collected from e-commerce sites (e.g. sales information, customer demographics). Using data mining they can build customer profiles that allow them to offer distinct promotions that are tailored to their customers. This advantage is as its greatest when the consumer is interested in detailed product information (Evan and Wurster, 1999).

Morgan (1996) recognizes another advantage of Internet. Traditional marketing channels are one-many, whereas the Internet is not only two-way, but also offers the potential for many-many communications between all the players in a market. In effect, a many-many relationship on the Internet generates new opportunities including the identification and exploitation of new market niches, new information-based products and services, new methods of promotion, new methods of delivery and payment as well as new organizational forms for market players (Morgan, 1996). Similarly, Ashcroft and Hoey claim that a two-way process allows the customer and supplier to communicate, contrasting with the more familiar one-way business transaction. The supplier can get to know the customer and his needs, giving an opportunity to tailor products accordingly. Without the necessity for physical presence and the normal restrictions of time and place, the new media, including the Internet, also provide an ideal forum for group communication and interaction. United by a common interest, these groups, or communities, can communicate via discussion groups, videoconferences, mailing lists and so on, and these can be either formal or informal (Ashcroft and Hoey, 2001).

Some interesting points are also made by Allen and Fjermestad (2001), who believe that traditional marketing has become more expensive and less effective over time. Rival products differ so little that brands have become hard to promote. Various attempts to re-organize companies or motivate sales forces have not solved the problem. Now companies can use the Internet to enter into a dialogue with their customers. They can replace the salesperson while increasing the level of service. In doing so they can use one medium for the customer and exploit and discover customers' individual interests.

With the Internet it is possible to gain permission to discuss your products, as opposed to interruption marketing, such as TV commercials. Advertising, research, sales, promotion, coupon distribution, and customer support can all be done on the Internet.

Eventually companies can develop relationships with customers that will allow them to continuously re-supply after initial permission is obtained. Retailers will weaken in power and trade-marketing expenses for manufacturers will start to go away in favor of improving products and promoting brands (Allen and Fjermestad, 2001).

Ellworth and Ellsworth note that compared with traditional marketing communications channels, the Internet is faster, less expensive, round the clock and global. It allows bi-directional marketing and offers wider and deeper material and richer advertisement content (Morgan, 1996). In effect, they say that the Internet offers competitive advantage over traditional marketing channels, not only through cost savings, but because it can significantly reduce the information float –the time which transpires during which business cannot be conducted because of the need to process information. Emery, likewise, lists several ways in which Internet marketing differs from traditional marketing. These are mostly to do with cost savings. He lists relatively low cost of setting up, of updating information, of provided customized information, of transaction processing, of delivering information, of providing information to additional prospects and of increasing quality. He also notes the ease of delivering a high density of information (Morgan, 1996).

Finally, Deighton (1996) uses the term 'interactive', which points two to features of communication: the ability to address an individual and the ability to gather and remember the response of that individual. Those two features make possible a third: the ability to address the individual once more in a way that takes into account his or her unique response. Thus he sees interactivity as a tool that allows good marketing to become good conversation (Deighton, 1996).

But, to be more specific, the promotional tool has some elements: advertising, public relations and sponsorship, direct marketing, sales promotion. These are also affected on the Internet in relation to their traditional form. Starting with advertising, which is defined by Kotler as: "Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor" (Pickton and Broderick, 2001). M. Thomsen underlines some changes caused in advertising by Internet. The Internet has great potential as media carrier compared to traditional media. It offers higher selectivity with tailored adverts to the users profile. The customer can also

customize the advert as he is in charge of his own navigation. Through the Internet the advertiser can get easy, quick and inexpensive feedback in real time, which no other media offers, providing a higher feedback rate. However, research reveals that not many companies take advantage of this opportunity.

The Internet offers unlimited low cost space compared to the expense and limited capacity found in traditional media. Breath and depth of customized product information assist customer purchase decisions. Nevertheless, the original company brochure is unlikely to generate success if it has not been adjusted for interactive purpose.

Compared to traditional media, costs on the Internet are fairly low. The costs of setting up a web site ranges from several hundred dollars to as much as several million dollars depending on the companies' objectives and resources. This means that even a small company can take advantage of the Internet. But prices are raising sharply as demand increases. Novel web pages are very important in attracting new or repeat visitors. The Internet offers high measurability by the use of software registration processes. In relation to traditional advertising, which is consumed passively, yet on the Internet users have to actively select an advert. This changes the way advertisers generate and re-train customers. To persuade visitors to revisit and spend time on the web site advertisers must fulfil real customer needs on continuos basis. This requires clear objectives and targeting. Informative quality concept, advertisement with interesting entertainment or direct sales possibilities can add value to the customer (source: Internet).

Similarly, Pickton and Broderick (2001), support that the Internet can be a cheap means of getting an advertising message across to a large number of people whether on your own web site or through advertising on others' sites. It does not permit targeting as such, other than through the selection of which web sites to use for advertising purposes. It is the users' self-selection of sites that creates the targeting process –Internet users will view those sites that are of interest to them as they 'surf the net'.

The second element of the promotional tool is public relations. Public relations have to do with many groups of people: advice and counseling, relations with employees during redundancy and closure, relations with the local community and interests group, lobbying, developing goodwill among all publics, and monitoring public opinion. All

these in order to: publicity, sponsorship and donations, dealing with negative publicity and 'crisis management' situations, the preparation of press releases and publications, helping to develop and maintain the corporate image, arranging events etc. (Pickton and Broderick, 2001).

The Web is being used more and more for a variety of public relations functions such as the posting of notices on new products, company reports, financial and performance data, monitoring newsgroups for coverage and opinions on companies and brands, and the distribution of press releases. Most companies, who distribute press releases, will archive these releases and other promotional articles so that users can access them easily again. Web 'press kits' can be proved packed with material for use by journalists and for distributor promotions. Other organizations sponsor Web pages and use the Web for sponsoring conferences, industry and sporting events and publications (Pickton and Broderick, 2001).

So, the Internet has altered at least one traditional public relations practice. Previously, the issuance of press releases was limited (or should have been limited) to news that had a high probability of being picked up by the media. Now press releases are always picked up, that is, if you count the publication on a company's web site. While this may not be as valuable as really being picked up, it may have significant competitive value. Prospective customers doing pre-purchase product research via the Internet will often look at a company's press pages to gain assurances that the company is delivering new product functionality and otherwise making headlines (source: Internet).

All these have, of course, affected sales promotion. Widely used term covering a myriad of promotional activities, excluding advertising, public relations and personal selling. Sales promotion is associated with free offers, price deals, premium offers, and other promotions including merchandising, point-of-sales displays, leaflets and product literature (Pickton and Broderick, 2001).

Finally, the influence on direct marketing is also very significant. Traditionally, this form of marketing communication involves a face-to-face dialogue between two persons or by one person and a group. Message flexibility is an important attribute, as in the immediate feedback that often flows from use of this promotional tool. Despite lingering concerns about security, the Web is being used more and more for distributing

product information and on-line ordering. Computer hardware and software, books, music and vacation/travel-related items are the biggest sellers on the Web. Amazon, for instance, has become extremely large and profitable company by selling books on a global scale over the Internet.

E-mail, a new method of direct marketing on the Internet, is a powerful marketing and communication tool that can be leveraged to improve the efficiency of your marketing and customer-relations efforts. Direct e-mail provides some very important advantages to companies. First, it enables a company to precisely target a defined group of individuals. Second, it is a high measurable medium. Third, when you are working within a tightly allocated marketing budget it gives you the ability to track performance data to ensure accountability. Finally, direct e-mail can form part of a flexible and versatile general direct mail campaign, including different phases, from a simple postcare to a detailed letter or color brochure. Another way to use direct e-mail to your company's advantage is by partnering with other businesses, who are not your competitors and obtaining placement of your marketing message on their e-mail marketing vehicles (source: Internet).

Although Internet still has some fundamental limitations as a marketing channel, it is obvious that it can be effectively and efficiently used as an alternative or expletory promotional tool. The promotional tool seems to be more influenced by Internet than the other three tools of the marketing mix. And not only that. This influence on the promotional methods, probably, have caused changes on the other three tools, and not Internet itself. That is why, many large Internet organizations, like Yahhoo!, have problems. It is not the products, the price, or the distribution methods, that are going wrong, but promotion and the difficulties related with it (Abrahams and Harding, 2001). In other words, the promotional tool seems to be the most important one, if companies want to succeed in doing business on the Internet.

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