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.

A profession no less than a craft, is shaped by its tools. The profession of marketing, its theories and its practices are determined by the tools at its disposal at any moment. When the tools change, the discipline adjusts. (Deighton, 1996) A new tool available to marketers is Internet. It is very important, as according to O'Connor and Galvin (1998) it is pervasive. It may have started life as a US phenomenon but now transcends geographic, cultural, industry, and political boundaries. In Europe by 2002, 25 per cent of households are expected to be online. Therefore it has gained momentum among the business community to the point where organisations adopt it as a medium that fundamentally changes the operations and processes of commerce. (Bauer, Colgan 2001) Actually, Internet has impacts on every activity of the organisation as it includes inter-organisational applications, which involve business to business applications and intra-organisational, which involve applications within a single business. We will focus on the impacts it has on business-to-consumer applications, which involve transactions and social interaction. (Nabil et al, 1999) More specifically we will focus on the impact Internet has on the company's marketing mix, as it is the tool with which companies approach targeted audiences. According to Kotler, (2000) marketing mix is defined as:

The set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

McCarthy classified these tools into four broad groups that he called the four P's of marketing: product, price, place, and promotion. Internet influences each element of the marketing mix but besides changing them in isolation, it has also effects on how the trade-off between elements of the marketing mix operates. First, as far as product is concerned the difference is that online information becomes the product. Internet will also have profound effect on place, as the purchase can be anywhere a connection to the Internet exists. The effect of Internet on price will be

that the competition will be higher and the prises will be standardised. (Allen, Fjermestad 2001)

As far as the impact of Internet on promotion is concerned, Allen and Fjermestad (2001) argue that rival products differ so little that brands have become hard to promote through traditional media. Now companies use the Internet to enter into a dialogue with their customers. Technology (availability of powerful computers and the networks), and the World Wide Web, give Internet communication capabilities (Cronin, 1996). Internet allows for engagement with audiences previously unknown. Whereas, traditional top-down one-way communication enables broad, but shallow relationships with large numbers of people, the Internet allows for rich relationships with broad numbers of people. (Ashcroft, Clive 2001) Morgan (1996) argues that Internet represents a paradigm shift in marketing communications as it allows for bottom-up flow of information and two-way interaction between a company and its customers. Therefore we consider that Internet will mostly influence promotion among marketing mix.

According to Fill (1999), the promotional mix includes advertising, public relations, sales promotion, personal selling, and direct marketing. This study will deal with the effects of Internet on each of these promotional tools.

First, online advertising is defined as all paid-for space on a web site or in e-mail. (Strauss, Frost 2001)
Pickton and Broderick (2001) suggest that traditional advertising is good at raising awareness and generating interest, but is not considered to be a strong force in encouraging customers to take action. The big difference with the advent of Internet is its ability to cover all promotional objectives from awareness to action and its strength for direct response advertising. However a research conducted by Forrester in 1997, shows that Internet is not well suited for generating awareness as it suffers of low bandwidth, and less audience than TV for example. Internet is being maligned for this weakness, but Sherwin and Avila (2000) believe that it is the message to blame and not the medium. A more recent research by Morgan Stanley Dean Witter, reports that Internet is more effective in driving recall and more cost-

effective than the traditional media. (Graham, 2001) Furthermore, Carton (2001) argues that Internet is successful in creating both awareness and direct response. Ainscough (1996) refers to it as the virtual storefront. The consumer has the opportunity to respond directly by clicking through a banner ad to the sponsoring web site and complete the transaction online. (Strauss, Frost 2001).

Internet advertising includes web sites and e-mail. Web site advertising is similar to the print and TV advertising since it uses text, sound, and video. However differences exist for four reasons. (Zeff, Aronson 1999) First, it enables advertisers to focus on specific segments of users, according to geographical regions, to time of the day, computer platform and browser. Second, it allows marketers to learn how users interact with their brands and what is of interest to their current and prospective customers. Furthermore, online an ad is delivered 24 hours a day and can be launched, updated, or cancelled immediately. This is a big difference from print, where an ad cannot be changed until a new edition of the publication is published, or TV where the costs of ad development make frequent changes prohibitive. Finally, Internet provides interactivity and dialogue in real time between two parties and enables companies to listen to customers' queries and provide answers. (De-Kare 2000) Web sites can and must be 'married' to e-mail. The web site is the 'shy partner' who passively waits for people to come. However, e-mail is the 'bold, active partner' who goes out to where people are and invites them to come. Together they make a great 'couple'. (Wilson, 2000)

All the above show that Internet is an excellent advertising tool, but unlike Television, where a consumer observes passively, a computer user has the active intent of going on the Internet, and is in complete charge because he/she controls which Web sites to visit. (Van Doren et al, 2000). Therefore the firm should not use Internet only for aggressive selling, which may put off the customer, but use it also as a Public Relations tool.

Public Relations is appropriate for a diverse group of stakeholders and is used to create goodwill among a number of different publics. (Strauss, Frost 2001)

The web is being used more and more for a variety of public relations functions such as the posting of company reports, financial data and the distribution of press releases. (Pickton, Broderick 2001) Haig (2000) argues that the effect of Internet on PR is that it allows for constant communication in an interactive way.

With Internet it is possible to provide a communication channel for customers as a part of a customer service program. The web channel consists of a feedback button or form that delivers an e-mail message to the corporation. (Strauss, Frost 2001) Some companies anticipate questions in advance and provide lists with *frequently asked answers*. (Ainscough 1996)

One more difference is that online Press Releases are always picked up and a firm does not depend on the traditional media to pick up and publish the press release. (Kathleen, Brush, 2001) Also Internet gives us the opportunity to communicate directly with people who share similar interests and build a community online. For example Amazon.com allows customers to send their reviews of several books and to read the reviews of others.

The third communication tool is sales promotion. It includes coupons, product sampling, contests, sweepstakes, and premiums. (Strauss, Frost 2001) Internet uses the traditional tools but in a complete different way. For example, coupons exist on the Web but in a digital format. The customer receives an e-mail, which entitles him/her to some discount for the purchase of a particular product. Competitions are also used and some companies invite users to leave their names and addresses as a part of a competition entry. (Pickton, Broderick 2001) The difference is that the user types his/her personal data instead of sending them by mail and they can be gathered into databases easier. Sampling is used as well. However the products that are mostly sampled online are digital ones. Many software companies provide free download, which expires in 30 to 60 days, after which time the user can choose to purchase the software or remove it from the system. Also, online music stores allow 30 seconds clips of music before ordering the CD. (Strauss, Frost 2001)

Strauss and Frost (2001) argue that as far as personal selling is concerned, Internet is an impersonal medium, and therefore is inappropriate for this promotional tool. However, Ghosh (1998) argues that companies are giving customers about the same level of service through the Internet that they can get from a salesperson. For example, at Le Printemps in France, one of the world's most famous department stores, consumers can go online and talk with salespersons, equipped with laptop computers and video cameras and wearing roller blades, which allow them to move quickly throughout the store. (Blackwell et al 2001)

Despite lingering concerns about security, Internet can be very effective for direct marketing. (Pickton, Broderick 2001) E-mail is the online equivalent of direct mail but the difference is that there are no postage charges, it offers direct response and can be automatically individualised to meet the needs of specific users. (Strauss, Frost 2001) Furthermore, Scott (1999) argues that as far as e-mail marketing is concerned Internet is a measurable medium. A company can identify which e-mail list is more effective at attracting visitors and then it can calculate the relative costs. E-mail lists can be obtained from list brokers, but users should have voluntarily agreed to receive commercial e-mail about topics that might be of interest of them in order to avoid causing dissatisfaction.

The real innovation that Internet brings is that e-mail is not simply postal mail minus the paper and postage. It enables marketers to engage in real dialogue with individual customers, as well as a way to develop broad and deep customer relationships instead of using it merely to acquire customers. (Strauss, Frost 2001)

Word-of-mouth remains equally important online and is called 'word-of-mouse'. It is when individuals e-mail to friends, family and others to suggest a specific product being promoted on the web. (Strauss, Frost 2001) The difference is that a user can e-mail at the same time a large number of people.

Because of these significant impacts the value of Internet has been overestimated. However, the developments in the stock market show that 'dot.coms' do not perform well. For example 'Amazon.com' in the last twelve months faced an 81.2 per cent fall in share price and announced 1300 job cuts – 15 percent of its work

force. (Financial Mail) Furthermore the shares of Yahoo! fell to less than $17 from $205 last year. (Financial Times) This shows that even pioneers in Internet face difficulties. Therefore, an organisation should use Internet as a new marketing opportunity that complements existing marketing schemes, and not as a replacement for existing marketing methods (Collin, 1999).

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