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IMPACT OF THE INTERNET ON MARKETING STRATEGY

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Abstract
Internet has become indispensable tool for today business. Every business organization sing it in some way or another these days. It will be disadvantages for marketing manager who fail to use the Internet in formulating theirs companies marketing strategy. These papers discuss how the internet is impacting the conduct of firm marketing strategy. The discussion includes the impact of the internet on product and brand strategy, pricing strategy, distribution, and promotion strategy.

Keywords: Internet, Business, Marketing Strategy, Impact, Distribution, Companies and Promotion.

INTRODUCTION

The Internet is revolving the way business is conducted and its use is becoming increasingly critical to the success of business firms. The Internet is becoming such a pervasive tool that every company will be using it in some way or another in a few years. It is a powerful tool that a business can use to obtain in competitive advantage. It offers many opportunities for businesses to grow in sales and reduces cost. According to the (Howard, 2002), small business that use the Internet have grown 46 percent faster than those that do not use. The Internet can be seen in the way we purchase product and services, obtain information, and conduct our banking. Costumer can quickly find product and price information and obtain advices from a wide variety of sellers. Online visitor can check product availability, place and order, check the status of an order, and pay electronically. The use of the Internet empowers customers because they can go on Web and quickly find out where to get the lowest prices for a particular product or service. Consumer benefit from the Internet because it reduces search costs for products and product-related information. E-tailing increases competition by pitting local against national and international competitors (Quelch and Klein, 1996).

Business organization will not survive the Internet era unless the change the ways in which they conduct their business. There has been tremendous amount of hype about e-commerce. The truth is that despite the changes brought about the Internet, e-commerce is based on the same fundamental principles that governed business for thousands of years (Howard, 2002). A lot of businesspeople view is something completely new that requires a new way of doing business. Success in the Internet age is about learning the new rules of business while not giving up on the basic business principle. Many Internet- based companies fail because they were built on business models that had no chance of ever making a profit (Howard, 2002). While the Internet has become indispensable tool in marketing, many marketing manager do not understand how to integrate the Internet in their marketing strategy.

Development in Web based technologies make it necessary to rethink how firms should conduct their business and market products as this new technology affects all aspects of marketing (Hoffman, 2000). Marketing success depends on the extent of market orientation of the business. Companies that fail to take the customer point of view in designing their Web strategy have only a slim chance of succeeding. Unfortunately, many firms use the Internet without considering how it fits with their marketing strategy. In this paper we provide a number of Internet-based marketing strategies in various the marketing mixed. This paper fills an important gap in our understanding of how to integrate the Internet in marketing strategy formulation. We argue that the Internet should be viewed as part of the firm's long-term marketing strategy and it should be integrated with all other means of formulating and implementing strategies in a way that it conforms to the principles of a sound business strategy (Capon and Hulbert, 2001). Marketing strategist can use the ideas presented in this paper to formulate more effective Internet-based marketing mix strategies. The next section considers the roles of the Internet in developing product, brand, pricing, distribution, and promotion strategies.

IMPACT ON PRODUCT AND BRAND STRATEGY

Internet-based technologies have significantly reduced the marginal cost of producing and distributing digital goods such as software, news stories, music, photographs, stock quotes, horoscopes, sports scores, and health tips. Some firms such as America Online are selling large aggregations of such digital goods for a low flat monthly fee. Such aggregation of so many products would be extremely expensive using traditional distribution media. Such bundling offers economies of aggregation that favours large distributors of such bundles and makes it difficult for smaller companies that sell unbundled products to compete effectively (Bakos and Brynjolfsson, 2000). The Internet has helped create digital goods such as music, software, videos, and pictures. It also enables customization of digital and non-digital products. For example, online customers can purchase personal computers on the Internet in a variety of combinations by choosing the appropriate features or music retailers can create CDs containing songs ordered by customers. A more recent Internet development is recommendation systems that are a form of mass customization (Ansari, Essegaier, and Kohli, 2000). Search engines such as Google and Yahoo use such recommendation systems to recommend relevant products or services on the basis of keywords supplied by users. Electronic book sellers, when a customer is searching for a specific book, recommend other books that the customer could also purchase of other customers. It is important that companies adopt physical and technological processes to keep personal information safe and secure. Many Internet companies take measures to reassure customers that any information customers provide will not be misused and that they will maintain their privacy policy in order to convince customers that the site is secure. Online businesses state their privacy policy in their websites where they explain what information they do and do not gather when someone visits their site. E-businesses also guarantee that if the customer information is abused, they will be responsible for any financial losses may occur. Usually, the personal information provided to the e-retailer when an order is placed or an account is opened is secured using Secure Socket Layers (SSL) encryption technology.

The SSL technology prevents such information from being intercepted and read as it is transmitted over the Internet to the company's serves. This information is decrypted only when it reaches the company's serves and is then stored on restricted access computers located at restricted access sites. Online companies create strong e-brands and highly satisfied customers by providing them with a positive experience and with the use of traditional advertising and promotional efforts. Many of the things that lead to higher customer satisfaction and loyalty in traditional businesses also work in e-businesses. Delivering excellent service and value is equally important for customer satisfaction, customer loyalty, and retention in offline and online businesses. Companies hoping to attract and most importantly retain visitors to their website need to improve their service levels and offer online customer superior value and satisfaction. Branding is becoming important in Internet-based businesses because online consumers prefer to buy from well-known and reputable e-companies. Companies such as Amazon.com and Schwab are widely known, recognized, and trusted by online consumers. Many consumers avoid purchasing online because of trust and privacy issues (Ipsos Reid, 2002). Gaining people's trust is a major challenge for Internet companies as many online visitors are reluctant to provide credit card information because they do not trust the visiting site. Traditional retailers with established names usually have an advantage over certain Internet-only companies because they have been known for years and enjoy a higher degree of trust by consumers. The reputation and image of the website may have an impact on the offline business.

IMPACT ON PRICING STRATEGY

Among the marketing areas that have been affected the most by the Internet is pricing. The Internet influences a firm's pricing strategy in multiple ways, including providing consumers with more information, increasing competition, increasing the number of suppliers, the establishment of various auction houses, and pricing research.

a. Increased Information

One major effect of the Internet is the explosion of information that has resulted in more competition among firms and lower prices (Zettelmeyer, 2000). Many Internet-only companies offer substantially lower prices than other retail or even mail order firms. For examples, customers of Autobytel.com, an Internet referral service on automobile dealer pricing, pay less for a particular car than customers who don't use this referral service (Morton, Zettelmeyer and risso, 2001). Online book ang CD prices are 9 to 15 percent lower than prices in conventional retail stores (Clay, Krishan and Wolff, 2001).

b. Interactive Shopping Agents

The Internet makes the search for the lowest prices for products easy, quick, and at a low cost, especially with the various interactive shopping agents who provide one-click access to price and availability information about a relatively large number of online suppliers (Iyer and Pazgal, 2003). Interactive shopping agents or shop boots are designed to make online shopping easier by checking availability and company prices of the same item in different online stores.

c. Growth of Online Suppliers

The growth of Internet users and the entry of large numbers of electronic retailers, which have provided online shoppers with a wide variety of choices to further enhancing their bargaining power and putting downward pressure on prices include. The numbers of suppliers has increased even further by the elimination of the distance barrier, as people can now purchase from online vendors located anywhere in the world, and the elimination of many traditional intermediaries has led to lower prices.

d. Auction Houses

The various Internet auction houses such as eBay.com also affect the prices of products sold on the Internet. Online auctions serve as powerful methods of real-time pricing. These auctioneers enable buyers and sellers to buy or sell products through an online bidding process that usually results in products sold at lowers prices. The Internet is making it possible to auction many more products than has ever been possible previously. One of the biggest problems with auctions was bringing enough bidders together in the same place at the same time. The Internet has solved this problem as bidders no longer have to be physically present, decreasing the cost of participation in auctions, and increasing the number of bidders. The larger number of participants often results in somewhat higher auction prices making auctions more profitable to sellers in comparison with non-Web auctions (Hanson, 2000).

e. Pricing Research

Another impact of the Internet on pricing practices is that it offers marketers excellence new pricing research and testing capabilities. In contrast to traditional retailing where pricing research is costly in terms of time and money, the Internet allows marketers to research and test pricing decisions in real-time and with low costs. By making it easier to track consumer responses to prices, e-retailers can set prices with far greater precision and make appropriate price adjustments when necessary (Baker, Marn and Zawada, 2001). Online pricing research makes available information from multiple sources such as customer buying history stored in databases or in cookies created in customers' computer or click stream information. Such pricing information can help managers segment their markets in new ways and uncover profitable customer groups. However, sales of the fourth product more than doubled because it had uncovered a new segment of latent demand made up of high school and university students. This finding led the company to create a special website for these segments and offer special prices not available to other segments (Baker, Marn, and Zawada, 2001).

IMPACT ON DISTRIBUTION STRATEGY

Electronic channels are any channels that involve the use of the Internet a means of reaching end users (Coughlan, Anderson, Stern, and El-Ansary, 2001). The Internet is changing distribution like no other environment force since the industrial revolution because it breaks many of the assumptions on which channels are based, transforming or even obliterating channels themselves in many cases, while giving rise to new forms of channels of distributions (Pitt, and Berthon, 1999). The customer first locates a product such as computer software or airline ticket and then makes a purchase online. Once credit card information is entered, the customer proceeds to download the software. For non-digital products, the seller must arrange with a shipping company to have them delivered to the customer's address. Online distribution has a number of characteristics which differentiate it from offline distribution.

a. Greater Convenience

Convenience of online shopping, by allowing consumers to shop at home, is one of the biggest advantages of electronic shopping (Coughlan, Anderson, Stern, and EL-Ansary, 2001). The Internet makes shopping more convenient as consumers can search and compare products and prices and place an order without visiting stores. People who prefer shopping online value the when shopping offline. In a study of business to business companies, it was found that most purchasing managers buy online because it lowers transaction and search costs and because it automates purchasing information for tracking inventory (Baker, Marn, and Zawada, 2001).

b. More Time Consuming

One disadvantage of e-commerce is the time it takes for delivery of the merchandise after the order is placed. This is not a problem for downloadable digital goods such as stock trading, music, online banking, movies, videos, and software. But non-digital goods such as books and DVDs must be shipped after the customer places an order and it can take a substantial amount of time for delivery of the merchandise. Consumer demands for faster delivery is putting pressure on e-retailers to increase the speed of product delivery and has enhanced the importance of quick delivery companies such as UPS, Federal Express, and others. To alleviate this problem, some electronic retailers offer various shipping choices ranging from overnight express or Canada Post Express post to slower shipping methods such as U.S ground mail and Canada Post's Expedited Parcel services.

c. Electronic Data Interchange

The Internet offers firms the ability to use Electronic Data Interchange (EDI) systems, which are used to integrate the computers of different companies. EDI consists of various electronic technologies that enable companies to share data on shipments, orders, and sales. (Coughlan, Anderson, Stern, and El-Ansary, 2001). It commonly involves a computer platform

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that is proprietary to the buyer making it necessary for suppliers serving many retailers to use a different computer for connecting with each customer. EDI is used by many business-to-business firms and most major retailers. EDI technology allows firms to improve sales forecasting and reduce the amount of inventory they carry along with the costs associated with high inventory levels such as pilfering, obsolescence, and tying up scarce capital. Also, there is a much better information flow about sales of specific items to the supplier, who this way, knows what to replenish and when. For example, when a customer buys a certain type of toothpaste at retail, the item sold is recorded when the store clerk scans the item's tag the checkout counter. This information is transmitted back to the supplier who, this way, knows exactly how much is sold and how much needs to be restocked at a particular store. There is a trigger point, a minimum stock level arrived at by a mutual agreement between the suppliers and the buyer, which when reached automatically calls for restocking. A well-known example of EDI is Procter & Gamble's agreement with Wal-Mart, which has been widely credited as a major contributor to Wal-Mart's highly effective inventory management.

d. Death of Distance

A major consequence of the Internet is death of distance. Location for a traditional retail store matters a great deal. It needs to be in a high traffic location with appropriate surroundings. However, location is not a key marketing decision for Internet based firms since the Internet has made location irrelevant. Death of distance implies that geographic location is no longer a crucial factor in business as the Internet has made place irrelevant. The Internet minimizes the impact of distance only for goods that can be digitized such as pictures, words, videos, and software (Pitt, Berthon, and Berthon, 1999). This also has contributed to the process of disintermediation that reduction in the number of intermediaries in a channel of distribution.

e. Time Compression

Traditional distribution takes place within certain times during the day, or on certain days of the week. The Internet, on the other hand, is independent of time as sites are always open for business. Internet transactions take place on real time basis as customers can shop and place orders any time and sellers can also serve customers anytime. Time compression means that the Internet has made time less relevant for business transactions as online stores can be open 24 hours a day. This has triggered a process of homogenization of time across countries and causing time zones to disappear (Pitt, Berthon, and Berthon, 1999).

Many E-businesses use more than one type of distribution. Using multiple channels enables Internet companies to exploit alternative ways of obtaining greater market coverage. Companies that combine a physical presence with an effective online strategy is known as "clicks and mortars" strategy is often have an advantage over companies that employ either strategy but not both. Many people prefer to obtain information about a company's products online and then make an actual purchase in the store. Or they first visit the store to personally inspect the merchandise and then place an order online to benefit from lower Internet prices. Some retailers have computer facilities in their stores so customers can order books online.

Many online retailers also offer customer the flexibility to return unwanted merchandise purchased online to the store adding an extra layer of convenient and flexibility to the purchasing process. There are many people with either have no access to the Internet or are not willing to use it for making purchases. Also many people prefer the personal contact and service that can be only provided in a store environment. The best strategy is often combining both offline and online approaches because, as it was noted earlier, it provides customer with the option of buying either offline, online, or both. However, there is potential for conflict when a firm sells the same product through both traditional stores and the Internet. This type of distribution arrangements tends to alienate intermediaries as their prices are usually higher than Internet prices. For example, Hewlett Packard face this problem for years and it made it difficult to compete against Dell Computer which was selling its products direct. This fear of distributor black lash often forces companies to charge the same prices in both channels.

IMPACT ON PROMOTION STRATEGY

The Internet has becomes an important component of a firm's promotion strategy as it provides a new way to reach people and deliver the company's message. Marketers who use the Internet as part of an integrated marketing communication mix must assess its role as an advertising medium and its position in a firm's marketing communications mix (Berthon, Pitt, and Watson, 1996). Firms must ensure that their online message and employee emails convey an image that is consistent with all other communication efforts.

A website can be seen as a mix between direct selling (as it can engage the visitor in a dialogue) and advertising because it can be generate awareness, provide information, and demonstrate the product. Also, a website may be viewed as complementary to the personal selling effort by business-to-business suppliers and advertisers of consumer products. In addition, the Internet may be viewed as a cross between an electronic trade show and a community flea market (Berthon, Pitt, and Watson,1996).

As an electronic trade show it can be considered a huge exhibition hall where potential customers can enter any time of the day or night and visit prospective sellers. It resembles a community flea market because it is open, informal, and interactive characteristics that are often associated with flea markets. An important aspect of marketing is to establish an ongoing communications program with desirable customers. Some companies carry out this communication task by building websites that focus on keeping customers informed and providing ways for customers to communicate their opinions, thoughts, and questions to customer service and sales.

The websites of such companies provide links to other sites for additional information and technical help as part of their service offering. Some of these websites obtain the visitor’s name and use it to greet the visitor with new information related to the visitor’s interests every time he or she returns to the site. Many companies use their websites as a source of product information to potential customers who then call a toll-free number to place an order or visit the store. Large ticket items such as automobiles, furniture, or appliances are commonly purchased in actual stores but many customers gather product-related data from the company’s website before visiting the store. For example, a car dealership’s website such as AutoBytel can help generate sales leads.

These customers visit the dealership armed with information and “having kicked tires on the Internet (Karakaya and White, 2000). In addition to its role as a product information source, companies create websites to create a favourable image in the eyes of visitors. They provide quick access to information about the company. Such websites commonly emphasize a firm’s mission, stock market success, or industry leadership. The main objective of such sites is to impress investors, stock market analysts, shareholders, and customers. They serve mostly as public relations and positioning tools. Corporate identity sites play the same role as corporate annual reports - they promote the company’s philosophy and history.

Electronic retailers are discovering that with the number of websites proliferating, it takes an enormous amount of spending to convince online customers to visit their website let alone to get them to make a purchase and subsequently retain them (Hoffman and Novak, 2000). Many retailers spend between $100 and $500 or even higher amounts in some cases to acquire a new customer. Internet companies also use banner advertising that promotes a firm’s website and provides links to the company’s website. Many companies promote their site by registering it with several search engines and directories such as Google and Yahoo.

A necessary requirement for e-business success is to establish two-way communication with online customers. Effective two-way communication involves communicating with customers and allowing them to easily contact the company. Company initiated communication involves e-mailing customers with information about items they may be interested in purchasing. Many such efforts are rejected by people as a nuisance if they realize that they are automatically created through some database technology but lacks personal touch. On the other hand, information that is valuable to customers such as upcoming events or new products, special offers, and personalized information could be of more interest to people and probably will not be rejected.

Making it easy for customers to communicate with the company is an important aspect of the communication effort. Providing an email address is often what is needed for customers to get in touch with the company. Other companies provide toll-free telephone numbers to call when they have questions or face problems. Some sites include a toll-free phone number for people who prefer to shop by phone. Others provide online chat rooms where customers can exchange information with company employees. Some online companies customize their sites around customer preferences. For example, customers provide their preferences and companies use them to communicate interesting information or design banner advertisements that take into account the product preferences of targeted customers.

CONCLUSIONS

The Internet is revolutionizing the way companies conduct their business and it is becoming an increasingly critical tool for marketing success. The Internet enables companies to obtain several competitive advantages over the competition. Some of the changes brought about by the Internet can be seen in the way we purchase goods and services, find information about products and services, and do our banking. The Internet has significantly reduced the cost of producing and distributing digital goods such as software, news, music, stock quotes, and pictures. Marketing managers must assess the role of the Internet in their marketing strategy. The Internet has changed the way marketing strategy is formulated and executed in a number of ways. All aspects of marketing including marketing research, consumer behaviour, segmentation, relationship marketing, product management, pricing, distribution, and promotion are affected by the Internet. Today many companies are integrating the Internet with traditional marketing methods into a holistic view of consumers and business. This process implies a fusion of offline and online approaches into a new business model and value proposition. The exact nature of the new entity will depend on the particular business. Every organization must strike the right balance between its offline and online business to meet the needs of its customers.

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