



# **E-commerce**

**business. technology. society.**

*Fifth Edition*

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# **Video Ads Cure Banner Blindness: String Master Class Discussion**

What advantages do video ads have over traditional banner ads? Click through (8.5% vs .5%) – Eyes frequently skip banner ads.

# Marketing Communications

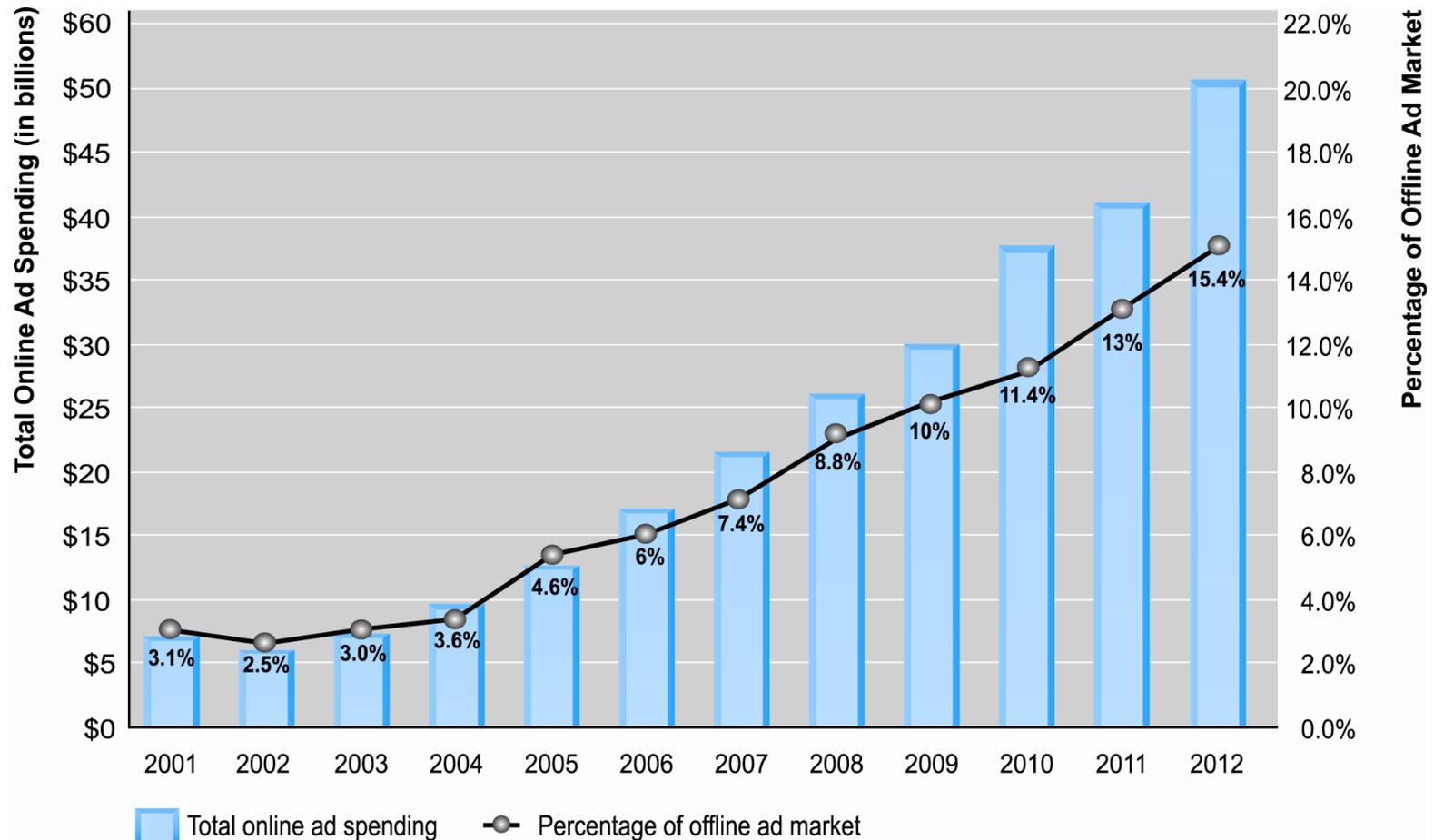
- Online marketing communications:
  - Methods used by online firms to communicate with consumer and create strong brand expectations
- Promotional sales communications:
  - Suggest consumer “buy now” and make offers to encourage immediate purchase
- Branding communications:
  - Focus on extolling differentiable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

# Online Advertising

- Paid message on Web site, online service or other interactive medium, such as interactive messaging
- Expected to be \$30 billion in 2009
- Advantages:
  - Internet is where audience is moving
  - Ad targeting: Ability to target ads to narrow segments and track performance in almost real time
  - Greater opportunities for interactivity
- Disadvantages:
  - Cost versus benefit
  - How to adequately measure results
  - Supply of good venues to display ads

# Online Advertising from 2001-2012

Figure 7.1, Page 423



**SOURCES:** Based on data from eMarketer, 2008a

# Forms of Online Advertisements

- Display ads
- Rich media/video ads
- Search engine advertising
- In-game ads
- Social network, blog, and game advertising
- Sponsorships
- Referrals (affiliate relationship marketing)
- E-mail marketing
- Online catalogs

# Display Ads

## ■ Banner ads

- Rectangular box that links to advertiser's Web site
- IAB guidelines
  - Full banner is 468 x 60 pixels, 13K

## ■ Pop-up ads

- Appear without user calling for them
- Provoke negative consumer sentiment
- Twice as effective as normal banner ads
- Pop-under ads: Open beneath browser window

# Rich Media/Video Ads

- Use Flash, DHTML, Java, streaming audio/ video
- Boost brand awareness by 10%
- Other types of rich media ads (skip)
  - Interstitials (in between)
  - Superstitials (wait until click to display)

# Online Advertising Placement Methods

- Advertising networks (e.g. DoubleClick)
- Ad agencies with ad placement staff
- Direct dealing with publisher
- Banner swapping
  - Arrangements among firms allow each firm to have its banners displayed on other affiliate sites for no cost
- Advertising exchanges
  - Brokers between advertisers and publishers
  - Place ads and track all activity related to ad

# Search Engine Advertising

- One of fastest growing and most effective forms of online marketing communications
- 40% of online ad spending in 2008
- Types:
  - Paid inclusion
    - Inclusion in search results
    - Sponsored link areas
  - Keyword advertising
    - e.g. Google AdWords
  - Network keyword advertising (context advertising)
    - e.g. Google AdSense
    - Mesothelioma keyword click: \$800 per click

# Search Engine Advertising (cont'd)

- Google, Yahoo, MSN are leaders in this technology
- Issues:
  - Appropriate disclosure of paid inclusion and placement practices
    - 62% users unaware of difference between paid and unpaid search engine results
  - Search engine click fraud
    - Competitor hires third parties to fraudulently click on competitor ads to drive up costs
  - Ad nonsense
    - Google AdSense ads that are inappropriate for content

# Sponsorships and Referrals

## ■ Sponsorship

- Paid effort to tie advertiser's name to particular information, event, venue in way that reinforces brand in positive yet not overtly commercial manner

## ■ Referral (affiliate relationship)

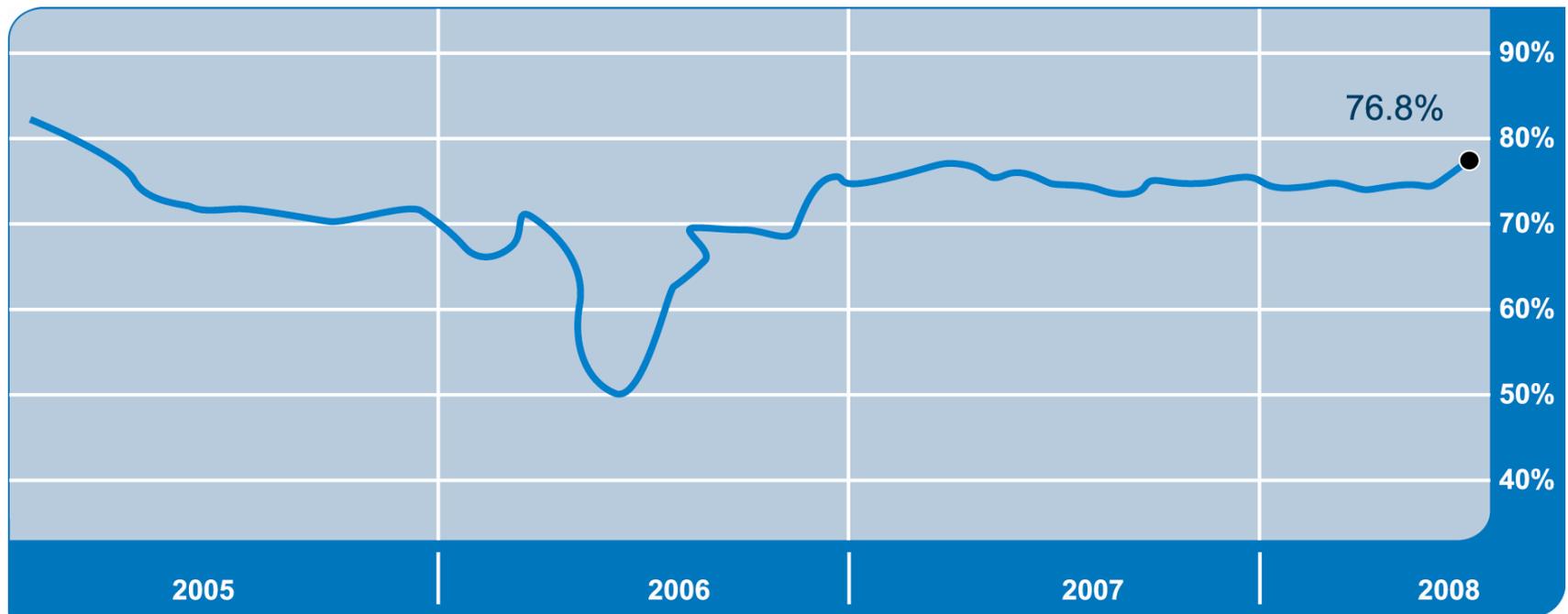
- Permits firm to put logo or banner ad on another firm's Web site from which users of that site can click through to affiliate's site

# E-mail Marketing and the Spam Explosion

- Direct e-mail marketing: E-mail sent directly to interested consumers who “opt-in” or have not “opted-out”
- Spam: Unsolicited commercial e-mail
  - Spam is exploding out of control: 70%–80% of all e-mail purportedly is spam
  - Efforts to control spam:
    - Technology (filtering software) (only partly effective)
    - Government regulation (CAN-SPAM and state laws) (largely unsuccessful)
    - Self-regulation by industry (ineffective)
    - Volunteer efforts (not enough)

# Percentage of E-mail That Is Spam

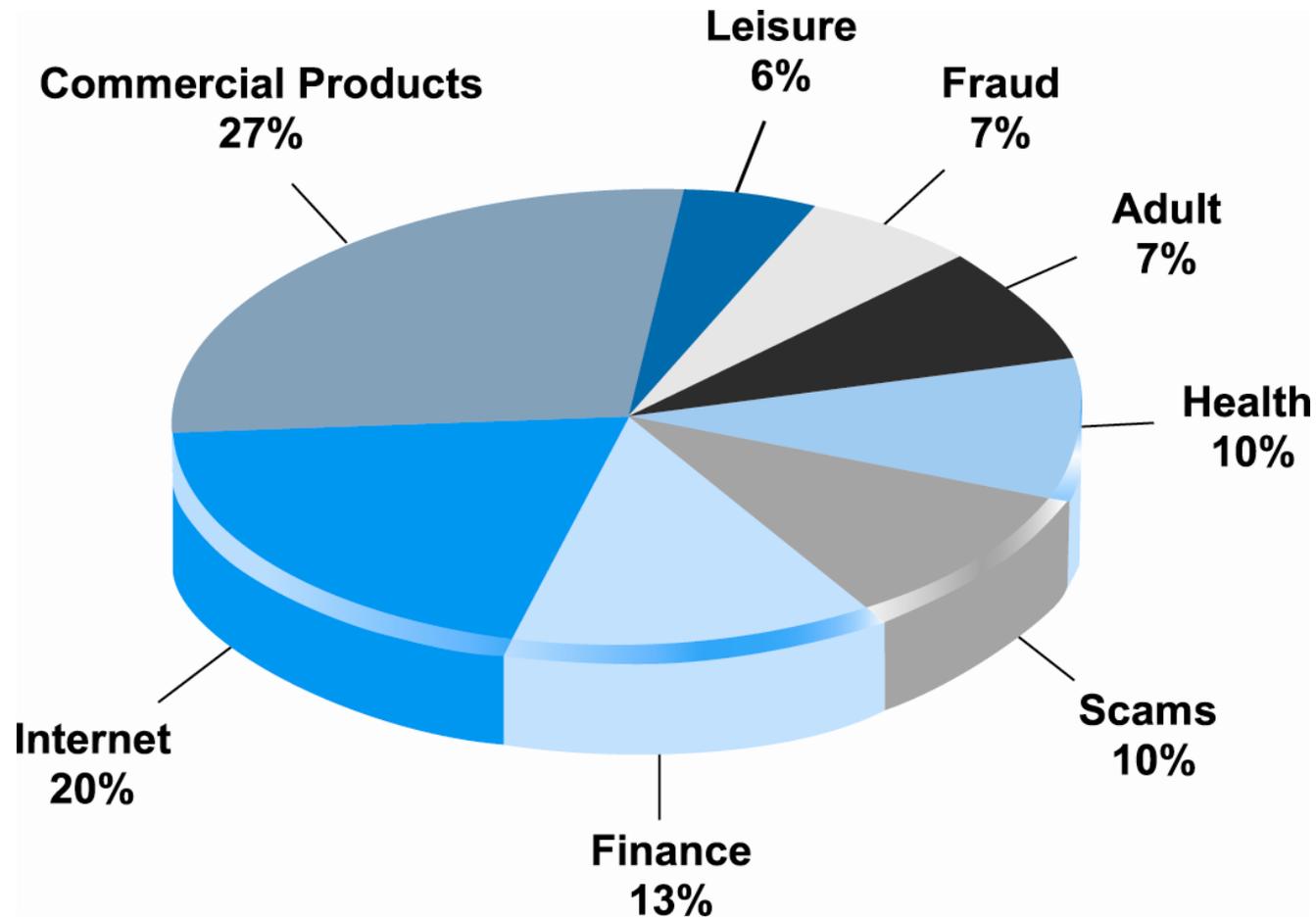
Figure 7.6, Page 438



**SOURCE: MessageLabs.com, 2008**

# Spam Categories

Figure 7.7, Page 439



SOURCE: Symantec, 2008

# Online Catalogs (skip)

- Equivalent of paper-based catalogs
- Graphics-intensive; use increasing with increase in broadband use
- Two types:
  - Full-page spreads
    - Landsend.com, Restorationhardware.com
  - Grid displays
    - Amazon, LLBean, Gap.com
- In general, online and offline catalogs complement each other

# Social Marketing

- Adopts many-to-many model
- Uses digitally enabled networks to spread ads
  - Blog advertising
    - Online ads related to content of blogs
  - Social network advertising:
    - Ads on MySpace, Facebook, YouTube, etc.
  - Game advertising:
    - Downloadable “advergames”
    - Placing brand-name products within games

# Behavioral Targeting

- Web as “Database of Intentions”
- Behavioral targeting
  - Based on real-time information on visitors
  - Data used to develop profiles
  - Ads delivered based on profile
  - May be hundreds of versions of single ad for different profile groups
- 2008, U.S. firms spent \$1 billion on behavioral targeting; one of fastest growing online marketing techniques
- Raises privacy concerns

# Mixing Offline and Online Marketing Communications

- Traditional offline consumer-oriented industries have learned to use Web to extend brand images and sales campaigns
- Online companies have learned how to use traditional marketing communications to drive sales to Web site
- Most successful marketing campaigns incorporate both online and offline tactics

*Insight on Business*

**The Very Rich Are Different From You and Me:  
Neiman Marcus, Tiffany & Co., and Armani  
Class Discussion**

- Why have online luxury retailers had a difficult time translating their brands and the look and feel of luxury shops into Web sites?
- Why did Neiman Marcus' first effort fail?
- Why did Tiffany's first effort fail?
- Visit the Armani Web site. What do you find there?

# Online Marketing Metrics: Lexicon

- Metrics that focus on success of Web site in achieving audience or market share
  - Impressions
  - Click-through rate (CTR)
  - View-through rate (VTR)
  - Hits (number of HTTPs served)
  - Page views
  - Stickiness (duration)
  - Unique visitors
  - Loyalty
  - Reach
  - Recency

# Online Marketing Metrics (cont'd)

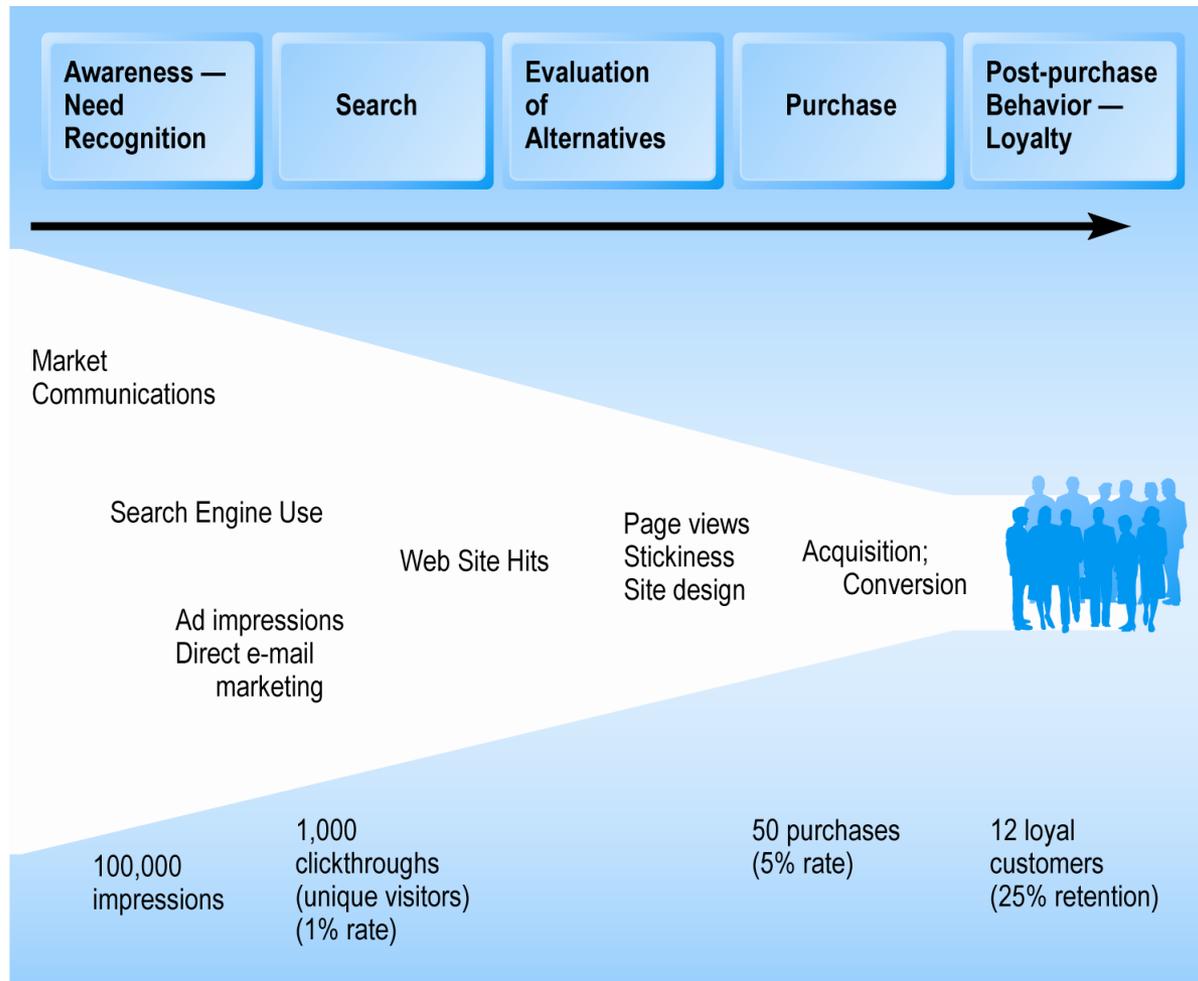
- Metrics that focus on conversion of visitor to customer
  - Acquisition rate
  - Conversion rate
  - Browse-to-buy-ratio
  - View-to-cart ratio
  - Cart conversion rate
  - Checkout conversion rate
  - Abandonment rate
  - Retention rate
  - Attrition rate

# Online Marketing Metrics (cont'd)

- E-mail metrics
  - Open rate
  - Delivery rate
  - Click-through rate (e-mail)
  - Bounce-back rate
  - Unsubscribe rate
  - Conversion rate (e-mail)

# An Online Consumer Purchasing Model

Figure 7.9, Page 457

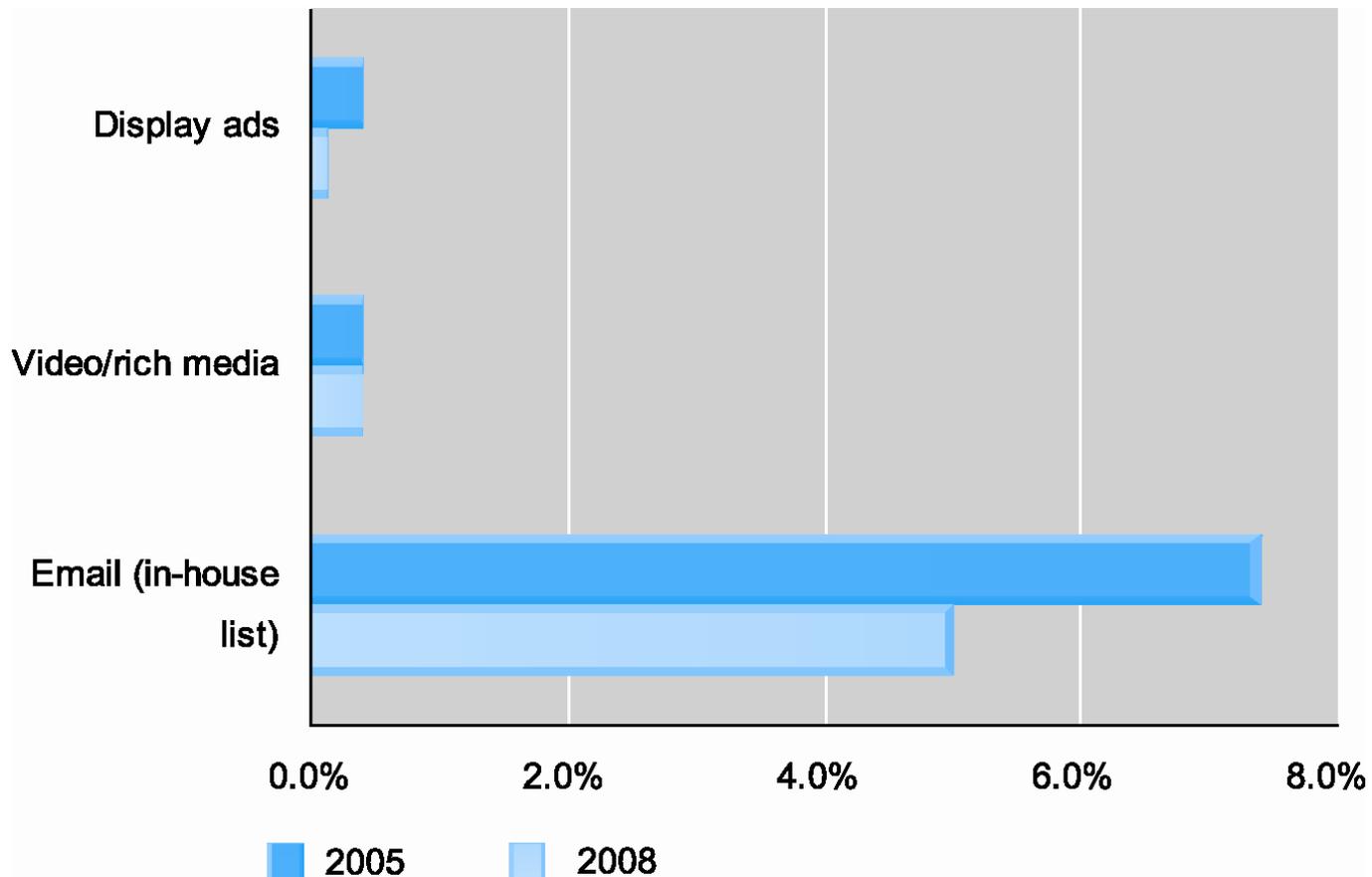


# How Well Does Online Advertising Work?

- Effectiveness measured by ROI, including cost of production
- Highest click-through rates: Permission e-mail campaigns
- Video interaction rates high
- Online channels compare favorably with offline
- Most powerful marketing campaigns use multiple channels, including online, catalog, TV, radio, newspapers, stores

# Click-through Rates by Format 2005–2008

Figure 7.10, Page 459



SOURCE: DoubleClick, 2007a, b; eMarketer, Inc., 2008h; author estimates.

# The Costs of Online Advertising

- Cost per thousand (CPM):
  - Advertiser pays for impressions in 1,000 unit lots
- Cost per click (CPC):
  - Pre-negotiated fee for each click ad receives
- Cost per action (CPA):
  - Pre-negotiated amount only when user performs a specific action
- Hybrid:
  - Two or more models used together
- In general, online marketing more expensive on CPM basis, but more effective

# Web Site Activity Analysis

Figure 7.12, Page 464



## Shopping Cart Executive Summary – Help Card

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

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

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

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

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

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

## *Insight on Technology*

# **It's 10 P.M. Do You Know Who Is On Your Web Site?**

## **Class Discussion**

- What are some of the services offered by Omniture's SiteCatalyst?
- Why would you as a webmaster be interested in these services?
- Why is site analysis and customer tracking so important to online marketing?
- How did HP use SiteCatalyst?

# The Web Site as a Marketing Communications Tool

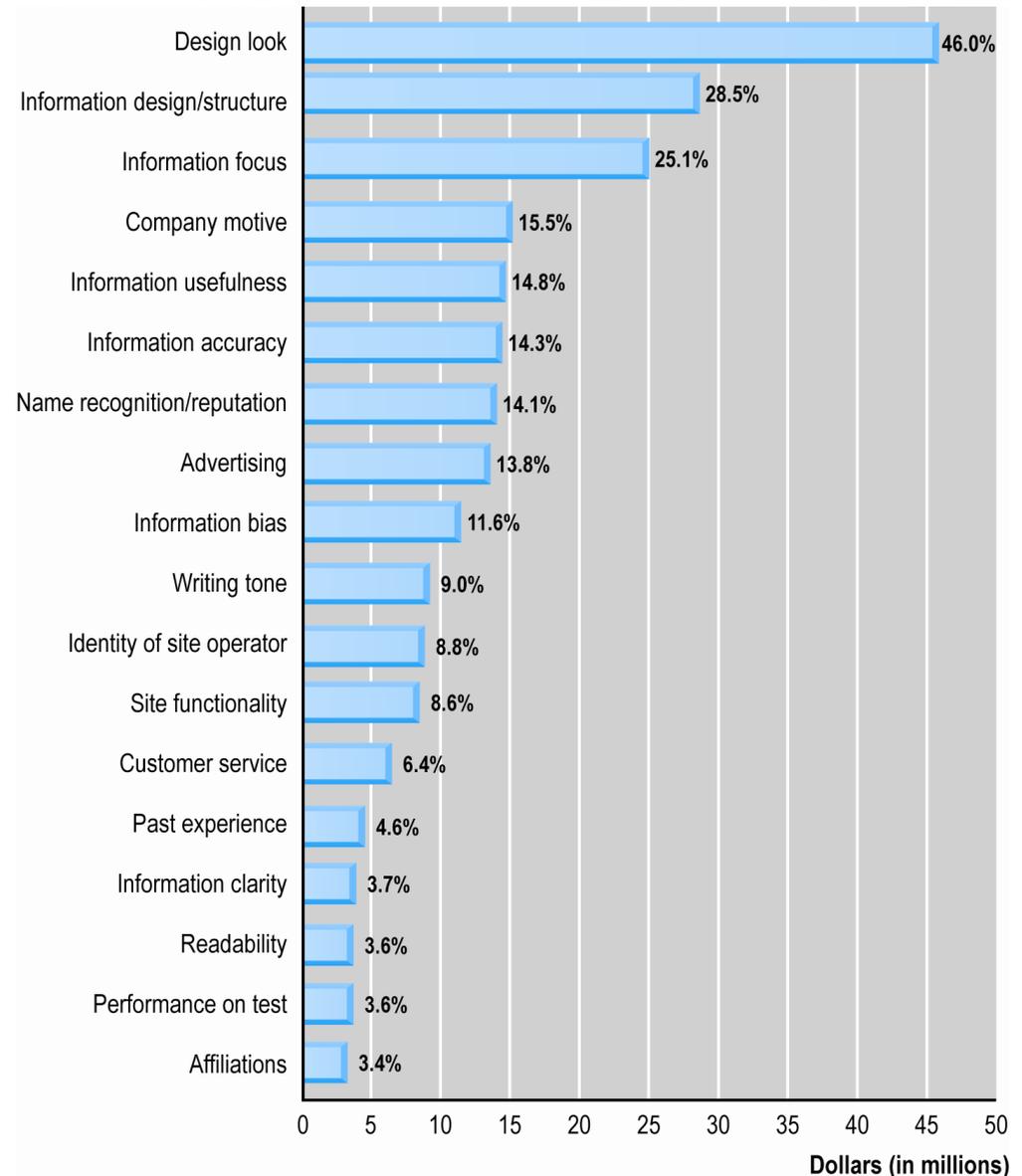
- Web site can be viewed as extended online advertisement
- Domain name: First communication e-commerce site has with prospective customer
- Search engine optimization:
  - Register with as many search engines as possible
  - Ensure that keywords used in Web site description match keywords likely to be used as search terms by user
  - Link site to as many other sites as possible
  - Get professional help

# Web Site Functionality

- Main factors in effectiveness of software interface
  - Utility
  - Ease of use
- Top factors in credibility of Web sites:
  - Design look
  - Information design/structure
  - Information focus
- The way information is organized is important for first-time users, but declines in importance over time as information content becomes the major factor attracting further visits

# Factors in the Credibility of Web Sites

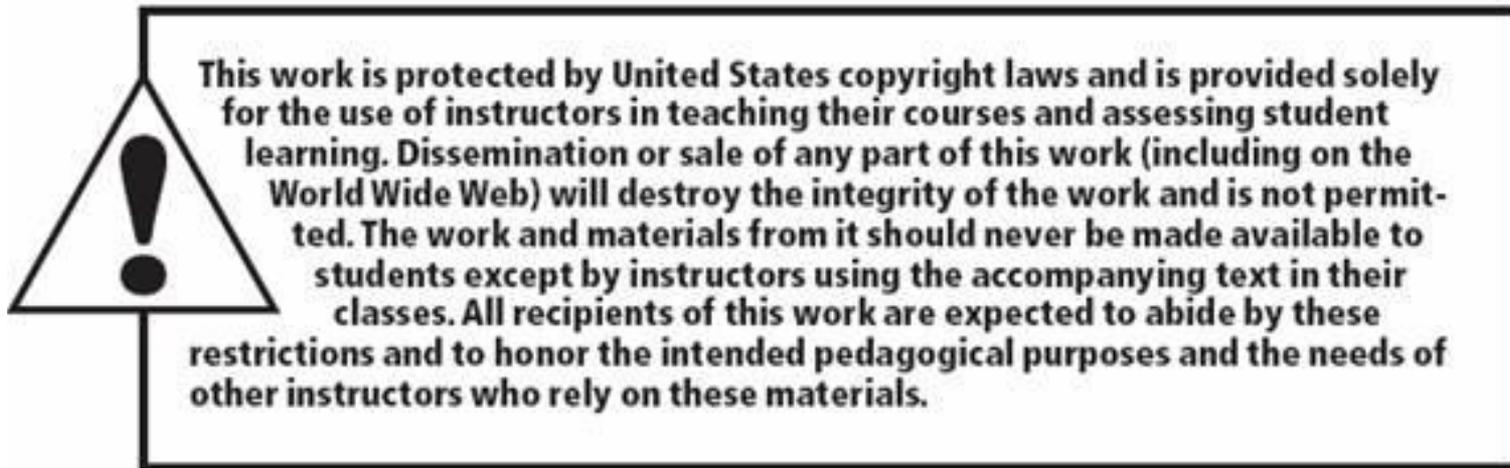
Figure 7.13, Page 469



**SOURCE:** Based on data from Fogg, et al, 2003.

# Web Design Features That Impact Online Purchasing

- Compelling experience
- Editorial content
- Fast download times
- Easy product list navigation
- Few clicks to purchase
- Customer choice agents
- Responsiveness



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