

# **INTERNET MARKETING: A NEW PHENOMENON AND ITS IMPLICATIONS ON MARKETING**

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## **Abstract**

This review is about Internet marketing. In order to have a full understanding of online marketing, studies approaching various topics about Internet marketing from the perspective of two major players in the field are examined. One group of studies displays consumer buying behavior. On the other side, the business perspective has also been investigated. The framework of this review can serve as a skeleton explaining the accumulated state of knowledge about Internet marketing and can be a useful starting point for studies aiming to expand the views about this area further.

## **Internet Implications for Marketing**

The Internet makes it possible to change the marketing mix to a certain extent. MARCOM and organization interfaces can be personalized based on the channel fragmentation opportunities provided by the Web (Kambil, 1995). Distribution is totally personal by the very nature of online shopping. Prices are also much more flexible compared to the marketing environment. Studies show that consumers are willing to accept and adopt new offerings and also they have a much more positive attitude toward Web sites. On the other hand, the Web could become a very difficult environment where the consumer continuously takes personal risks and has the responsibility to make the own decision in each purchase. An important difference between traditional and Internet marketing is the reduced or eliminated distance between producers and consumers. The fact that, it is not possible to

distribute goods physically on the Internet is a major disadvantage. In other words, while the Web can transfer title of ownership, it cannot perform physical movement (Warden, 2002). There are many studies that emphasize the comparative shopping advantage of the Web market. The common view is that the Internet lowers the search costs of acquiring information about products as well as the transaction costs of purchasing them (Elofson and Robinson, 1998; Bakos, 1997).

In this environment, consumers can personally make price comparisons at different e-tailers. Besides, there are many Web sites that specifically extract comparative information on behalf of consumers (Bellman, 2001). At first sight, being able to compare so many alternatives seems to be very advantageous. This discussion brings up the importance of developing decision support systems that facilitate consumers' online shopping. Creating these systems will lead online shoppers to the optimum choice in less time with minimum effort. If such systems can be developed and implemented effectively, informed, wise, and easy comparative shopping can become an equally available opportunity for all online consumers rather than the wizards or experienced ones only. It seems companies need some patience before they can communicate with their customers. E-marketing is the marketing model that is most suitable for changing the whole nature of relationships between companies and customers (Coviello et al., 2001). However, utilization of this benefit requires the acculturation of consumers to engage in online relationships with virtual companies, which is obviously going to take some more time.

### **Marketing Mix and the Internet**

There are many studies that have examined some of the aspects of brand management in an online context. One group of studies questions how to manage brands on the Internet. McWilliam (2000) has focused on the utilization of online communities for this purpose while Chiagouris (2000) advocates the criticality of successful relationship-building activities. The common finding of similar studies is that the personalization value and the level of customer participation encouraged by the online business are essential components of creating brand loyalty in the online environment (Holland and Baker, 2001). Actually, customer participation and C2C interaction can be so important that the number and tone of messages on a discussion forum may have a significant impact on the evaluation of the relevant brand and attitude toward the online business (Chiou and Cheng, 2003). Although most studies praise some advantages, there are arguments about the questionable value and usefulness of brand-based differentiation in an online context. According to this view, alternative competitive advantages such as cost reduction through commoditizing products (Mathwick et al., 2001) might be much more meaningful. However, studies showing the importance of brand evaluations on people's attitudes toward Web sites or the importance of the branding potential of Web sites have received more acceptances and deserve even further attention (Balabanis and Reynolds, 2001; Simeon, 2001). Services are an ignored area of the Internet marketing. Although service industries represent very promising markets for the online environment, little has been done to identify service classifications and

assess the online potential of various service types. However, many further studies are needed to understand the different aspects of service industries in an online context.

Pricing is an emerging topic of interest in the e-marketing. Pricing emphasizes the competitive power of price, price changes on the Web market, auctions, price expectations and value perceptions in the online market. With the increasing use of price search services, price wars are becoming bloodier than they are in the retail arena (McCune, 1999). Cyber consumers are ready to pay more for more satisfying and less risky purchasing processes. As such, although there are many advocates of the idea that price is the major or even the sole factor differentiating products and services in the online market. Besides, pricing tactics are determined as a result of the power interaction between buyers and sellers (Pitt et al., 2001), which marketers proudly call "dynamic pricing". Different strategies are created when buyers are stronger than sellers, whereas alternative strategies are preferred when the reverse is true. This might raise a very crucial discussion. Consumers already perceive quite high levels of risk in online shopping activities. While many studies show that security problems constitute a considerable part of this risk, an equally important question mark on the buyer's mind is whether he/she will make the correct choice in a borderless market with endless product and price variety. Most of the studies about online pricing emphasize the quantitative value of price and the arithmetic games played on this element. However, it is important to study the antecedents of price expectations and value perceptions in an online context. Certain factors in the electronic retailing environment facilitate the formulation of price expectations (Grewal et al., 2003). Researchers need to investigate the value of price as a "quality positioner" in the online environment and to find out how the same price can mean different things to different consumers on the Web market.

The technological developments hosted by the Internet make it a fruitful environment for Marketing Communication (MARCOM). There are important differences between online and offline environments as marketing communication media. The Web offers many advantages such as huge amounts and unlimited delivery of information, the ability to target specific groups or individuals, and interactivity (Yoon and Kim, 2001). Attitude toward advertising is an investigated topic in marketing. However, traditional models measuring this construct have not been adapted to the online context to measure attitudes toward Internet advertising. An issue that yet remains uninvestigated is the comparison between consumers' attitudes toward online and offline advertising. Various studies examine the use and effectiveness of specific online advertising and communication tools, but there are many conflicting results in this research area. Recent examples really show that Net users have become resistant to banner ads and that click-through rates are dropping (Koch and Cebula, 2002). This leads researchers to consider the reasons of what can be called "banner ad blindness" and investigate the effectiveness of alternative communication tools such as e-catalogs (Prior, 2000), promotional activities like coupons (Fortin, 2000) or more targeted efforts like permission e-mail marketing (Marinova et al., 2002). The ongoing interest in topics about online advertising and

communications is very beneficial for the advancement of our knowledge about e-marketing. However, there is a critical underinvestigated point that should receive rapid attention. Web-based advertising and promotion attempts cannot carry companies very far if they are not integrated into the overall marketing communication plans of firms (Sinden, 2001). Marketers need to see beyond the Web site and build an "integrated" online marketing strategy of which Web sites and interactive advertising are only tools. Messages, media and delivery routes all need to be synchronized in correspondence with each other so that Internet advertising serves its critical role of facilitating integrated marketing communication plans and strategies (Schumann et al., 2001).

### **Consumers, Companies and the Internet**

The number of studies handling consumer-related aspects of the e-marketing is unmentionably high. Customers' shopping behavior and purchasing processes have also received much attention from researchers. Drawing the profile of the current and potential online consumer community is a major concern both for researchers and online marketers. Looking at more recent work, it is easy to see that the typical Internet user of the 20<sup>th</sup> century is young, professional, and affluent with higher levels of income and higher education (Palumbo and Herbig, 1998). They value time more than money, which automatically makes the working population and dual-income or single-parent households with time constraints better candidates to be targeted by non-store retailers (Burke, 1996). Gender produces significant results in some studies. Male consumers with higher levels of income seem to be more prone to online purchases compared to females and lower income groups (Kwak et al., 2002). Those consumers using the Internet for a longer time from various locations and for a higher variety of services are considered to be more active users (Emmanouilides and Hammond, 2000). As Bellman (1999) argues, demographics are not so important in determining online purchasing potential. Whether the consumer has a wired lifestyle and the time constraints the person has, are much more influential. Risk taking propensity is also a powerful factor. E-shoppers have higher risk taking tendencies. Consumers with high levels of privacy and security concerns have lower purchasing rates in online markets, but they balance this characteristic with their quest for making use of the information advantage of the environment (Kwak et al., 2002; Miyazaki and Fernandez, 2001). These individuals, as more confident decision makers, are much more demanding and have greater control over the purchasing process from initiation to completion (Rao et al., 1998). Investing in consumer satisfaction from the online experience and creating brand or site loyalty are critically important for companies that want to have a long-run presence on the Web. The online environment accommodates so many opportunities for creating loyalty that even offline offerings can be effectively facilitated with supporting after-sale services provided through the Web (Van Riel et al., 2004). There are certain attempts to adopt classical attitude-behavior models to explain online consumer behavior. Theory of reasoned action and, consequently, theory of planned behavior is the most commonly used model aiming to determine the impact of beliefs, attitudes, and social factors on online purchase intentions (Yoh et al., 2003). Some of the other models used include the Technology Acceptance

Model, Flow Theory (Koufaris, 2002), and Social Cognitive Theory. Further applications and adaptations can produce very fruitful results.

The literature about e-marketing has quite a wide range. Just as much as the effort spent to understand the consumer perspective, significant level of attention has been directed toward the firm side of the e-marketing world. Companies can communicate continuously with their business partners and consumers, get and disseminate information, and solve business problems immediately and effectively through the use of advanced information technologies. Exchanging sectoral information so easily is also an important source of efficiency for any online company (Emerick, 1996; Eder and Darter, 1998). The Web can also be used for communicating company image and philosophy. Firms can establish an online presence, give information about themselves and their offerings and promote their philosophies very effectively through the Web (Palmer and Griffith, 1998; Palumbo and Herbig, 1998). Besides these information-based transactions, the functional advantages of the Web market are also innumerable. Companies can perform almost anything they do in the offline market in an online context. Taking and placing orders, following new business opportunities, B2B marketing, consumer research, promoting and advertising offerings, increasing brand awareness, communicating with other firms, bypassing traditional channels and augmenting traditional markets, boosting service and auctions are only a part of the uncountable business activities that can be performed on the cyber marketplace (Palmer and Griffith, 1998; Palumbo and Herbig, 1998; Senn, 1996; Emerick, 1996). Business-to-business and business-to-consumer markets carry important differences from each other in an online context. Most statistical figures comparing the volume, spending and percent of commercial transactions show that the Web market is a more promising medium for business-to-business transactions and those B2B activities will continue to dominate the e-marketing environment (Friel, 1999; Oliver, 1999; McCune, 1999; Partick, 1999; Ragins and Greco, 2003). One of the main reasons behind this dominance is the fact that the Internet reduces the cost of buying and selling and accommodates supply chain irregularities and imbalances which cannot be managed so easily in real marketplaces (Banham, 2000). However, system integrity is very important to be successful in managing such B2B operations and compatibility of information systems among all partners in the B2B system is the key to success (Falcioni, 1999).

Meanwhile, the similarities between the purchasing behavior of B2B and B2C buyers should not be ignored. Just like B2C purchasers, buyers in the B2B environment are also innovative and convenience-seeking companies and they prefer the Web for simple new purchases, or routine reorders rather than modified reorders or complex new purchases (Kennedy and Schmelz, 2001). The Web opens the doors of all businesses and consumers to the entire world and creates a convenient platform to conduct international marketing activities. Homogenous customers, economies of scale, leading market customers, low communication costs, low entry barriers, low regulation barriers, and information advantages are only some of the most prominent benefits offered by the Web to conduct global operations (Globerman et al., 2001; Palumbo and Herbig, 1998; McCune, 1996; Lin, 1997). Thus, large multinationals are losing their size advantage, as the same opportunities are made available to large and small companies worldwide through the cyber market (Quelch and Klein, 1996; Sterrett and Shah, 1998). However, this should

not mean that foreign market expansion is an automatic result of going online. Firms can end up at different levels of internationalization on the Internet ranging from a very limited level to a widespread global one (Petersen et al., 2002). There are many problems that companies can face during this globalization period as well. Language and political barriers, intercultural problems or the threat of not being able to run an international business because of a domestic structure and limited capabilities, can be very problematic issues (Lin, 1997; Gray, 1996; Sheldon and Strader, 2002). The common conclusion drawn from such attempts is that, it is not possible to talk about "the typical Internet consumer". There are significant differences between the characteristics and perceptions of Internet shoppers between countries (Lynch and Beck, 2001; Lynch et al., 2001; Lee, 2001). This generates the necessity to conduct cross-cultural studies to understand the dynamics of these differences.

### **Conclusion**

This paper reveals many important points. Internet marketing is not part of the MARCOM of a company and a company does not become e-company by just creating a Web site. One important observation is that there are numerous studies tackling the major differences between online and offline marketing. The overall belief is that individuals will make use of the advantages and be bothered about or avoid the disadvantages of the e marketing. Consumers are given more information, choice and service than they would ask for. Studies about different elements of the marketing mix are enlightening. One very important research avenue is to predict how the portfolio of products or services exchanged over the Web market will change. There are many studies that examine the suitability of different product classes for the Web market today. Still, another very crucial research topic is online service quality. What is so challenging about the e-marketing mix is how flexible and contextually dependent it has become. The important point here is that although this review shows that some headings have received more attention while some remain less touched or totally unrevealed, no topic can be accepted to be fully saturated in the context of Internet marketing. The Web market is so dynamic and the developments are so rapid that most of the studies conducted for today's market may need to be reshaped to fit into the conditions of the near future.

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