

# Internet Marketing and Society

Submitted in partial fulfilment of the requirements for the degree of  
Master of Communications, Victoria University of Wellington

**Grant Warren Sherson**

**October 2000**

## **Abstract**

*In less than a decade the World Wide Web has changed from a research enclave to the Main Street of the world (Mack, 2000).*

The use of the internet, including internet marketing, has developed into an extensive, seemingly unstoppable, global force. This paper looks at the background and key present developments in internet marketing along with imminent developments and the effect internet marketing has on reshaping society.

## **Introduction**

### **Marketing Background**

According to Boon and Kurtz (1999, p12) there have been four eras in the history of marketing: the production era, the sales era, the marketing era, and the relationship era. Up to the mid 1920s, production was the main focus of business with the view that a good quality product would sell itself. From then till the early 1950s the emphasis changed to focus on effective sales forces to find customers. Personal selling and advertising was seen as the way to convince customers to buy. Later, increased competition encouraged the need for marketing to play a part in the full life cycle of products from the planning through to sales, distribution, and servicing. In the 1990s relationships with customers and suppliers became the focus.

Today, some people still equate marketing with selling while others think marketing is only to do with advertising. For others marketing involves both of those areas and more.

*Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individual and organizational objective (Boon & Kurtz, 1999, p9).*

Modern marketing starts with the first impression of the product or service that will be exchanged. It includes making choices about how to develop or present that product or service and then considers the support required after the sale is made.

## **The Internet**

The internet is basically a collection of networked computers that initially was the playground of universities and government agencies. The information was generally text based and consisted mostly of messaging systems and store and forward newsgroups. It was hard to use and had a narrow focus.

*The development of browsers and the World Wide Web removed these limitations. Web sites containing text, graphics, audio, and video could be accessed simply with the click of a mouse. The browser based web grew exceptionally quickly from its beginnings in 1991, allowing it to become a significant development in Western Society. By 1998 25 percent of America's households had Internet access (Abrahamson, 2000). Current figures suggest 50% of New Zealanders have access to the internet at home or at work (Ministry of Economic Development, 2000).*

## **Key Developments**

### **Internet Marketing**

The use of the internet for marketing has been a natural progression and particularly matched the relationship marketing concept. The internet allows businesses to communicate with consumers more quickly, more powerfully and often more cheaply. It has also helped marketing firms to collect consumer data, customize production and target potential customers.

*With its goal of soliciting and retaining customers, marketing has jumped on the Internet "band wagon" at break-neck speed ... For example, as prospects visit Web Sites, they leave a trail of information that includes e-mail addresses and clues about their lifestyle and interests (Koprowski, 1995 in Bush, Venable and Bush, 2000).*

New information technologies give businesses fast new ways to interact and develop long-term relationships with their customers and suppliers. Marketers using the internet have an increased ability to research, record and analyse customer behaviour and preferences. The cost of this tracking and analysis is now within the reach of most businesses.

*Every day the price of computational power drops. For what the marketer of 1950 would have spent to track all the information available about one customer, the marketer of 1994 can track 4 million customer (Peppers & Rogers, 1994).*

The cost of tracking consumers is not the only cost reduction available. Advertising costs can also be lower. Advertising on a web site might cost \$5 for each 1,000 individuals who view it, while direct mail could cost \$50 to reach the same 1,000 people (Mack, 2000). Communication, relationships, speed and cost advantages have encouraged marketers to use the Internet, making use of a range of different practical developments. The following section outline some of these developments.

## **Web Advertisements and Information Pages**

Web advertisements are typically one or two pages long and represent the Web's version of traditional print advertisements (Smith, 1999b) Information pages provide an online brochure for products and services. More recent developments have taken the form of interactive sites using multimedia, including animated graphics and streaming video.

## **Search Engines**

With the huge uptake of web sites on the internet, search engines have become essential. Even with the most awesome web site in place, a business cannot expect to relate to customers unless those people can find their business.

Marketers have also been quick to discover that “most people look at only the first 20 listings returned by a search engine. And even the most advanced search engine can profile only a fraction of the Internet.” (Duggan & Deveney, 2000). As a result, marketing efforts are made to improve the position of sites on key search engines. More recently companies have been buying the rights to key words on search engines in order to appear earlier on the result list than their competitors (Mack, 2000).

Along with improving the ability of search engines to find sites, marketers have focused on the numbers of people using search engines. The search engine owners themselves have made use of this by selling advertising on their site and even displaying different advertising depending on the keywords being searched for.

## Online Shops

A development that is the next step, beyond information pages and brochures, is the development of on-line shops. Allowing customers to not only view the product or service but also to order it includes more of the marketing process. Travel tickets, books and even cars or houses can be purchased on-line. On-line shops offer the customer the convenience of 24 hour, 7 day per week access rather than the normal 9-5 business hours (Smith, 1999b). More and more companies are making use of on-line shops. In the year 2000 it is expected that 24 percent of U.S. companies will be selling products over the Internet (Abrahamson, 2000).

*Online shopping sites allow the shopper to browse the web site and add items to their "shopping cart". When the shopping activities are completed, the customer goes to the "check out" and pays for the items selected using a credit card (Smith, 1999b).*

## Online Communities

Building on the importance of relationship marketing is the development of "online communities, which attempt to build a relationship with the customer." (Chiger, 1999). These communities are developed to encourage repeat visits that ultimately will bring about a sale or at least improve the chance for the community owner to sell advertising.

Marketers have discovered that teenage girls feel comfortable enough on the internet to join online communities like SmartGirl Internette and Girl Games (Clemes, 2000 p27). "While the sites look and feel like on-line amusement parks for teens they are virtual information supermarkets for teen marketers" (Clemes, 2000 p27).

Auction sites are another example of community building sites where repeat business is encouraged. In a number of cases these sites attract a customer with a free giveaway and attempt to hook the customer into returning.

## Lists and Email

Getting people to opt-in to receiving regular newsletters or email about subjects of interest to the customer, allows the newsletter developers to include advertising.

*"The trick is to offer people something of value. Give them content they'll be interested in, such as a targeted newsletter." (Harvey, 1999).*

## Banners and Affiliations

The use of banner advertising is another part of internet marketing. Banners are graphics (increasingly interactive) that appear on the top of web pages and work in a similar way to advertising in magazines or newspapers. The difference is that a banner advert contains a hyperlink that normally can be clicked and the advertised product page is then loaded into the user's browser.

Other images and text are also used to link to other sites under a joint arrangement. These relationships are called affiliate programs.

*"Affiliate programs are where one web links to another site and gets a commission for all sales generated by that link." (Chiger, 1999).*

## Contests, Surveys and Awards

Marketers use surveys, contests and awards to entice users to their sites and get them to part with details that turns them into prospects for direct marketing. The teen sites mentioned earlier make extensive use of surveys to build data preferences of teenagers.

## Globalisation

More of a key consequence than a key development is the increased globalisation afforded to businesses by the internet. Internet based communications technology enables companies to manufacture, buy, and sell globally.

The growth of internet use means developments are happening continuously. Bigger, better, brighter products, services and sales systems are appearing daily.

## The Extent of Internet Marketing

*In contrast to Moore's Law, where computer speed and capacity double every 18 months, the Internet seems to double in capacity (if not speed) every 18 week. (Mack, 2000).*

The extent of the use of the internet for marketing is growing at such a rate it is hard to pin it down. The statistics are impressive. A survey of U.S. online households found that 47 percent had made online purchases within the previous six months (Abrahamson, 2000) and U.S. consumers spent at least \$2.3 billion over the internet during the 1998 Christmas season alone (Mack, 2000). The total 1998 e-commerce is estimated to have reached \$102 billion (Abrahamson, 2000).

With this much sales activity on-line it is not surprising that the estimated number of Fortune 500 companies with a Web presence increased in 1996 from 175 to 400 (Leckenby and

Hong, 1998 in Bush et al, 2000). The extent of internet marketing even includes those involved in traditional marketing areas, as approximately 88% of all publishers are now taking subscription orders via the Web (Harvey, 1999).

Basically there are few areas of western society that have not been impacted by internet marketing. The lure of big money and global competition has accelerated this development. There is definitely money to be made especially for the companies doing the marketing. In 1998, Internet advertising, generated revenues of \$1.92 billion, compared to \$1.58 billion generated by traditional outdoor advertising (Abrahamson, 2000).

## Imminent Developments

*Welcome to the 1:1 future-a new paradigm of competition based on share of customer, not market share. Traditional mass marketers find customers for their products. One-to-one (1:1) marketers find products for their customers (Peppers & Rogers, 1994).*

The advances in technology are changing the rules of marketing. It is expected that marketing firms will work even harder to add people to their databases and contact them directly with targeted advertising. Marketers want to contact potential customers, without investing in a big advertising or research budget.

Customised production will become the order of the day for an increased number of products. It is already possible with sales items like computers and cars for customers to custom select the version, colour, and accessories. Promotion and even pricing is likely to become customized based on the customer's previous behaviour.

In conjunction with this customisation is the perception that small businesses will prosper. The move to customisation takes the focus of opportunity away from mass marketing and allows small businesses to succeed with individual customer markets (Peppers & Rogers, 1994). The focus will be on building share of customers, not market share.

Internet based advertising is likely to become more visually grabbing, as the marketing companies try and overcome the impatience of web surfers. Live interactive banners will start to appear as bandwidth improves. Other technologies will include "Gigapop" and information "cashing" sites that will expand bandwidth and alleviate bottlenecks in the flow of information on the Internet (Smith, 1999a).

Universal acceptance of internet based transactions is also likely. The whole marketing process from collaborative design by internet connected workers through to internet based service and support will be a likely scenario. More integrated e-commerce products will appear allowing companies to automate large sections of the marketing process. An example of this sort of product is WebOrder;

*WebOrder is a completely integrated e-commerce system developed by marketing company Smith-Gardner. When you place an order, the system automatically notifies the warehouse, updates inventory lists, and checks price codes. The system can even tell which Web site ad delivered you to their door (Mack, 2000).*

It is suggested that there will simply be more advertising on the internet. New systems will be developed to allow advertising in more places more often and for longer periods.

The use of intelligent 'advocates' scouring the internet for the best deals is another imminent development (Darko, 1999). These "Shopping agents are electronic agents that receive written requested online and search online businesses for items that match the specified criteria." (Smith, 1999a). However, like search engines, they are likely to have companies purchasing the right to put specific key products higher on their list.

## **Effect on Society**

*The Internet has fundamentally changed our economic, political and cultural life (Abrahamson, 2000).*

The internet has already reshaped western society dramatically. Not only has it set new records for the speed of development but "this growth is predicted to continue to increase, with the number of users multiplying by 61 percent in the United States, by 88 percent in Europe and by 400 percent in the rest of the world over the next five years." (Duggan & Deveney, 2000). The proliferation of internet marketing will go hand in hand with the general development of the internet.

Internet Marketing has even started to make inroads into the established mass media marketplace. The effect of this change is likely to be reflected in the amount of advertising making use of traditional media.

*The last half-decade saw declines of around 5% in the amount of hours per week that Americans watched network TV, listened to the radio, and read newspapers (Mack, 2000).*

This change will have a significant effect on the traditional marketing development environment. Paper based advertising is likely to become less cost effective than digital advertising reshaping the makeup of marketing firms. A side issue of this is the information overload coming as a result of the internet. All marketing areas are discovering that getting people's attention in the midst of an information explosion isn't as easy as it once was. Internet Marketing has also been considered as the cause of the general increase in annual expenditure (Fetto, 1999). Not only has there been more spending, but also there has been

a huge increase in specifically on-line spending. "Online clothing sales tripled to \$330 million from 1997, The New York Times noted, and are expected to continue growing at a similar rate." (Mack, 2000). Some of this change has been a preference for the immediacy and simplicity of sitting down at a computer, searching for a product ordering and paying for it without the hassle of shopkeepers and parking.

*"The more difficult and/or time-consuming it is to purchase a product, the more likely consumers will prefer to use the Internet over the traditional shopping experience." (What sells online, Accessed 2000).*

For some industries the effect of this increased on-line purchasing will remove retail outlets and warehouses and mean the consumer will deal directly with manufacturers. Associated with that trend is the development of more a more customised product that will mean the consumer will have progressively more control of their purchasing. "Personalized, individualized, customized, these transparencies will give the consumer substantial leverage by the year 2020." (Raymond, 1999).

Globalisation is also reshaping society. Although not completely attributable to internet marketing, the potential for global sales is now a real option for even a small start-up business. With 259 million internet users worldwide and an expected 300 million by 2005 (Duggan & Deveney, 2000), having a marketing presence on the internet allows access to all of those users. This in itself will require businesses to be more globally aware. "This does not mean that you must have your web site available in Welsh and Mandarin. It does mean that you may receive queries from around the world and should be prepared to answer them." (Duggan & Deveney, 2000).

The other side of the globalisation coin is that industries that once operated entirely within national boundaries now compete against global rivals. Anyone from around the world is now both a potential customer and a potential competitor.

Increased use of e-commerce, encouraged by internet marketing, is another aspect that will reshape society. Credit card use, smartcards and even disposable credit cards (Abramson, 2000) will increasingly become the only acceptable currency.

*Smart cards and digital cash will also be used for electronic commerce. Instead of reentering name, address and credit card information each time a purchase is made at a different Web site, information already stored on the smart card will be transmitted to the merchant electronically, saving steps for the consumer and reducing fraud by automatically validating the consumer's identity (US Department of Commerce, 1998).*



New business, ethical, regulatory and legal issues are also going to result from the increase in on-line internet marketing and its global nature. The speed of development and adoption of internet marketing means that there are openings for con artists and crooks who hide behind international boundaries and unclear jurisdiction.

*The classic New Yorker joke that "on the Internet, no one knows you're a dog" is taking on new meaning in the growing epidemic of fraudulent sales practices (Mack, 2000).*

Government and public policy decision makers are faced with a complicated dilemma - how to regulate internet marketing while ensuring universal access by the public.

Another globalization factor relating to the internet is the use of language. Currently only 50% of all Internet users are native English speakers and yet 78% of all web sites and particularly 96% of e-commerce web sites are in English (Lyman & Varian, 2000). It seems logical then that English language will be forced on the world through e-commerce and internet marketing.

Internet marketing allows the consumers to customise their own purchasing. Unfortunately, each one of those choices is being recorded for use by marketers. Linda Cox puts it this way.

*In the new world order, stores and websites are clubs, brands are families, and a person is defined simply as the combination of several dozen brand settings, like toggle switches on a motherboard: Coke (not Pepsi). Chevy (not Ford). Burger King (not McDonalds). Shaken (not stirred). Catholic (not Protestant). White Sox (not Cubs) (Cox, 2000).*

There are many areas of society that are effected by internet marketing. As the development continues at such a huge rate, it will be difficult to anticipate all of the consequences social consequences. One thing that can be anticipated - it is likely that internet marketing will have an increased effect on society.

## References

- Abrahamson, T. (2000). Life and death on the internet: To web or not to web is no longer a question Journal of College Admission, 168, p.6.
- Abramson, R (2000, October 18). The throwaway credit card The Standard Media International [Online] Available URL:  
<http://www.thestandard.com/article/display/0,1151,19505,00.html> (Accessed Oct 2000)
- Boon, Louis & Kurtz, David (1999). Contemporary Marketing 1999 Orlando FL: The Dryden Press.
- Bush, V., Venable, B., & Bush, A. (2000). Ethics and marketing on the Internet: Practitioners' perceptions of societal, industry and company concerns Journal of Business Ethics 23 (3), 237-248
- Chiger, S. (1999, Jun). The 10 best internet marketing concepts Catalog Age 16 (7) 203-206
- Clemes, M. (2000). New Zealand case studies in strategic marketing. Wellington: Daphne Brasell Associates.
- Cox, L. (Accessed Oct 2000). Better marketing through mind control [Online] Available URL:  
<http://www.1000magazines.com/mindcontrol.htm>
- Darko, K.(1999, September) What works from shelf to cyberspace. American Demographics. [Online] Available URL:  
[http://www.demographics.com/publications/ad/99\\_ad/9909\\_ad/ad990911.htm](http://www.demographics.com/publications/ad/99_ad/9909_ad/ad990911.htm) (Accessed Oct 2000)
- Duggan, M., & Deveney, J (2000, Apr/May). How to make internet marketing simple Communication World 17 (4) 58-61
- Fetto, J. (1999, August). 'Twas long before christmas American Demographics. [Online] Available URL:  
[http://www.demographics.com/publications/ad/99\\_ad/9908\\_ad/ad990805a.htm](http://www.demographics.com/publications/ad/99_ad/9908_ad/ad990805a.htm) (Accessed Oct 2000)
- Harvey, M. (1999, Sept). Internet marketing: Moving past the test phase Folio: The Magazine for Magazine Management 28 (12) 73-75

Lyman, P. & Varian, H. (2000) How much information? [study attempting to measure how much information is produced in the world each year] [Online] Available URL: <http://www.sims.berkeley.edu/how-much-info/internet.html> (Accessed Oct 2000).

Mack, T. (2000, Mar/Apr). Electronic marketing: What you can expect The Futurist 34 (2), 40-44

Ministry of Economic Development (2000, June) Statistics on information technology in New Zealand 2000 - 5. Personal use of information technology [Online] Available URL: <http://www.med.govt.nz/pbt/infotech/currentstats/itstats2000-04.html> (Accessed Oct 2000)

Peppers, D., & Rogers, M. (1994, April/May). Welcome to the 1:1 future Marketing Tools [Online] Available URL: [http://www.demographics.com/publications/mt/94\\_mt/9404\\_mt/mt176.htm](http://www.demographics.com/publications/mt/94_mt/9404_mt/mt176.htm) (Accessed Oct 2000)

Raymond, J., (1999, December) 20/20 vision American Demographics [Online] Available URL: [http://www.demographics.com/publications/ad/99\\_ad/9912\\_ad/ad991201.htm](http://www.demographics.com/publications/ad/99_ad/9912_ad/ad991201.htm) (Accessed Oct 2000)

Smith, S (1999a) Internet Marketing Brigham Young University [Online] Available URL: <http://marketing.byu.edu/htmlpages/courses/490r/chapters/chapter1/chapter1.html> (Accessed Oct 2000)

Smith, S (1999b) Internet Marketing Brigham Young University [Online] Available URL: <http://marketing.byu.edu/htmlpages/courses/490r/chapters/chapter5/chapter5.html> (Accessed Oct 2000)

US Department of Commerce (1998, April) The emerging digital economy - Chapter 5 [Online] Available URL: <http://www.ecommerce.gov/danc5.htm> (Accessed, Oct 2000)

What sells online (Accessed Oct 2000) - gomerchant.com [Online] Available URL: <http://www.gomerchant.com/whatsells.htm> (Accessed Oct 2000)