

STRATEGIC DECISIONS IN MARKETING ON-LINE

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In spite of the optimism about the potential benefits of Business to business(B2B) e-commerce for developing country firms, there is remarkably little evidence about the way that it is actually used by producers in developing countries.

For Internet-based B2B e-commerce to become more widespread in a way that benefits producer firms in developing countries, much greater attention will need to be given to how firms relate to each other within global value chains and to the specific types of transactions they are involved in. Even though B2B e-commerce is not very effective for finding new trading partners, the ability to access and use Internet-based trading systems is critical for producer firms that need to be effective partners in their existing global value chains.

'Top-down' government policies promoting 'e-readiness' will be unsuccessful unless much greater effort is given to examining how Internet applications are actually being used and to the circumstances around the implementation of new technologies.

Policy makers, firms and development assistance agencies should support 'bottomup' approaches that are based on realistic assessments of B2B e-commerce opportunities and obstacles, and region- and value chain-specific solutions.

The research also shows that firms are using a variety of Internet applications in their businesses. Even if there has been no massive shift to on-line trading, the Internet is increasingly important for firms doing business internationally. Recognition of the excesses of the e-commerce bubble should not blind policy makers to the increasing use of the Internet in the management of inter-firm relationships in the global economy.

The optimistic view was fuelled by the expectation of specific advantages that B2B e-commerce might bring to firms in developing countries. Use of the Internet was expected to reduce the effect of geographical distance, providing better information on final markets and lowering the costs of registering a presence in global markets.

B2B models of e-business relationships currently represent the largest measurable economic impact of e-commerce technology, and encompass methods and systems to leverage the power of computer technology to improve relationships between businesses. B2B models are directly relevant to relationship marketing to the extent that relationships are also necessarily developed in supplier and distributor markets. The ideas of relationship marketing are largely derived from the field of industrial marketing, where relationships with key customers and suppliers have always been critical. Typically, B2B models are used to facilitate intra-channel communication and efficiency. These models may rely upon the Internet or organization-controlled intranets and extranets, and can include combinations of order processing and tracking, payment, inventory control, and logistics and transportation design and control systems.

Typically, the strategic focus of the B2B model is to serve as a transactional interface— as a method of obtaining and facilitating sales and orders directly from other businesses while eliminating or reducing the need for direct human selling or customer service.

B2C(business to consumer) models focus on the use of the Internet and electronic technology to directly create and support retail transactions. As in the B2B model, the strategic focus of the B2C model is to serve as a transactional interface. The third form of e-business relationship model concerns the use of the Web site and electronic technology as primarily Promotional Media. Often this focus is combined with other models of e-commerce, but in many cases organizations are limited to this Promotional Media model alone due to issues related to product shipping costs or potential channel conflict. From an advertising and promotional perspective, corporate and brand Web sites represent unique opportunities for delivering a message to a specific target audience, and thus strengthening relationships with customers. The Internet will eventually replace other forms of media to a large extent. The strategic focus of the Promotional Media e-commerce model is to utilize the unique strengths of the Internet as a communications channel in order to more efficiently and effectively inform and persuade consumers (and other stakeholders). Internet Portals represent the fourth model of e-relationship strategy. Portals furnish a point-of-entry to the Internet and a search-mechanism for consumers, and have expanded to include numerous consumer services of their own, including e-mail, virtual shopping malls, telephone directories, and various research tools. The strategic focus of the Portal model is to build and retain customer traffic and to form partnerships with organizations that employ other models of e-commerce (typically B2C). The portal organization thus becomes the “shopping mall developer” which then profits by providing traffic (customers) to other retail “stores” for a fee.

The final type of e-relationship models are known as “Peer to Peer” (P2P) or “Consumer to Consumer” (C2C) because they facilitate communication or transactions between third-party individuals or consumers. eBay (Internet auctions—perhaps the oldest and most successful business using this model), Kazaa (music sharing), Groove (peer-group communications and collaborative networking) and Gnutella (file storage and sharing services) are excellent examples of this e-relationship approach.

It is clear that electronic commerce will change the structure, if not the level, of pricing as more and more products are subject to the differential pricing associated with customised products, fine market segmentation and auctions, and as the ease of changing prices increases. While these changes will generally improve economic efficiency, they may raise some consumer concerns. While consumers are accustomed to paying different prices for products such as cars, they may be less comfortable with differentiated pricing for smaller, common purchases. In addition, the more widespread use of variable pricing, the advent of greater price competition, and the ability to change prices quickly may affect expectations about prices and therefore have some bearing on monetary policy. In any case, changes in the structure of price setting will affect the ability to measure changes in prices and inflation accurately. Electronic commerce is transforming the marketplace by changing firms’ business models, by shaping relations among market actors, and by contributing to changes in market structure. Given the dynamic nature of these processes, the impact of electronic commerce will be firm-, sector-, and time-specific. Even if cyber-traders do not present a new commercial paradigm today, they play a catalytic role for other, more traditional companies that are entering electronic markets. Key market actors can thus contribute to the evolution and diffusion of e-commerce by forcing e-commerce solutions in sectoral and national contexts and, particularly, on suppliers. Electronic commerce does not always lead to greater market competition, but it changes firms’ competitive advantages, the nature of firms’ competition, as well as the market on which firms compete. The open, and potentially global, nature of electronic commerce is likely to increase market size and change market structure, in terms of the number and size of players and the way in which players compete on international markets. But the extent to

which firms can reorganise in the new electronic environment will crucially depend on the flexibility and adaptability of the work force. The impact of e-commerce on the marketplace will also depend on the existence of a critical mass of consumers. A novel aspect of e-commerce is the emergence of virtual communities in online networks. E-commerce favours the combination of streamlined business processes, flat organisational hierarchies, continuous training and skills acquisition, inter-firm collaboration, and networking. All these elements contribute to a favourable environment for innovation and improve performance. The speed with which information technology is transforming the economy and society makes it difficult to determine with absolute confidence the full range of social impacts and the net balance of social benefits and costs. It is clear, however, that fundamental changes are taking place at virtually every level of society, prompted by the growth of the Internet, electronic commerce and other applications of information networks. One of the hallmarks of electronic commerce is that, by drastically reducing transaction and search costs, it reduces the distance between buyer and seller, enabling businesses to target very small niches, develop individual customer profiles, and essentially provide a means of marketing on a one-to-one basis. The ability to realize this goal will largely hinge on the climate of confidence businesses are able to create in their relations with their business partners and customers. Assurances about protection of privacy and personal information play an important role in building that confidence.

We are living a time when humankind is using computer technology to push the boundaries of knowledge and freedom. People are looking for immediate results, answers, personalized information, and the Internet provides options. Internet is thus becoming a means of living and a way to do business. The question that is asked at the moment is no longer if one should use the Internet technology or not, but how to use it to be competitive on the market. An electronic marketing strategy is necessary to give a direction to the company's Internet marketing activities, to integrate them into the marketing activities and to sustain the company's general objectives.

The process of elaborating and implementing an electronic marketing strategy follows a logic similar to that of a corporatist strategy. Moreover, an Internet marketing strategy should determine a much more rapid reaction towards the environment, especially due to the rhythm of changes seen on the Internet. Therefore, the following should be considered:

- A continuous research and analysis of the environment
- Clearly defining objectives
- Developing the strategy
- Implementing
- Control
- The strategy should lead to an immediate answer to environment changes.

A first decision in elaborating a strategy is evaluating and selecting the market segments and developing the suitable offers. In the context of the Internet, organizations usually look for those groups of clients with the highest probability to act online, so for those groups that present interest through the profit they might bring the company. Using the Internet to propose personalized offers for the first 20% of a company's clients, for example, has direct repercussions on its income. A well made website can support customers in taking the decision to buy, by providing information of interest and which lead to rising the company's credibility. The Internet can be used to reach certain segments that are more difficult to touch when using other environments or it can be an efficient instrument for making customers loyal.

Positioning is the act of projecting the proposition and image of a company so that this can occupy a distinct and valuable position in the attention of the targeted customers. In other

words, the purpose of positioning is to conceive the proposition and the image of the company so that they occupy a distinct and significant position in the minds of the targeted clients.

In the online environment, the positioning of products can be made according to the following four variables: the quality of the product, the quality of the service, price and time. The equivalent of the unique sale proposition in traditional marketing is the online value proposition. The online value proposition must:

- Clearly stand out from the offline companies and their propositions
- Differentiate online propositions by cost, the degree of innovation of the product and the quality of the service
- Attract specific market segments
- Effectively communicate with the web page visitors
- Clarify the means and resources necessary for supplying the product to the parties involved in the acquisition process.

Another strategic decision is maintaining a balance between the investments for attracting new customers and retaining these customers. Initially, many start-up companies have invested enormously to attract new consumers, without balancing these expenses with competitive strategies for retaining them. In general, studies have shown that it is easier for companies to attract visitors to the web pages they own, rather than determine them to buy or to turn occasional buyers into loyal buyers. Therefore, is it efficient for a company to direct its funds towards attracting customers, towards retaining the customers they have or should they choose a middle course?

The success of a virtual entrepreneur could be modeled and controlled using the following performance-factors:

Attraction power of the site, which refers to the type and number of visitors, the cost of attracting visitors and the income generated by visitors (for the media sites).

1. Conversion is a factor that takes into account the customers' database, the costs for attracting customers, the weight of the total number of clients-visitors, the number of transactions per buyer, the income generated by transactions, the income per customer, and the cost of retaining clients.
2. The Retention of customers focuses on the costs for retaining customers, on the income generated by loyal customers, on the weight of the income generated by loyal customer from the total incomes, the income generated by repeated acquisitions.

These factors highlight the necessity and importance of marketing communications for the success of the company's online activity.

The Internet offers many opportunities for expanding markets and products. The Ansoff matrix is useful for marketers to define their strategic options using Internet technology.

1. Entering the market. Digital channels can be used to sell "old" products on already existing markets (these represent a rather conservative approach of the use of Internet).
2. Developing the market. In this case, online channels are used to sell on new markets, taking advantage of an international, low cost promoting, without the need for the support of a selling infrastructure. Even if in this case too we can talk about a conservative way of using the Internet, this strategic option can be extremely profitable for increasing exports from small and medium-sized enterprises.

3. Developing the product. New products (usually information products) and digital services for existing markets can be developed and distributed via the Internet. In this case we have an innovative way of using the Internet.
4. Diversifying. This strategic option implies entering new markets with the aid of new products, a process that the Internet facilitates a lot.

There are two perspectives of the Internet marketing. The first one refers to the consideration of the internet-based marketing as a way of creating an added value for the customers, company, investors, and media. For example, a page dedicated to the products of the company can give a lot of information about them helping the consumers to take the decision to buy; an e-mail connection to the service department makes the time needed for an answer to be smaller and the client satisfaction to rise.

The second perspective refers to the use of the internet for developing marketing strategies and tactics outside the company site. The purpose of these programs is often to create traffic on the company site, but this is done with external means such as banners, sponsorship and e-mail campaigns. Often, these tactics are part of an elaborate promotion strategy.

Web-based marketing offers a new extraordinary possibility to approach the existing and potential clients, with lots of supplementary advantages.

Web-based marketing can lead to the extending of the geographical coverage area of the sales and can open access to some markets that are impossible to touch with other resources. Likewise, it offers the possibility to promote the brand in places where the company does not advertise or does not have any physical presence and the visitors interested in the company's site can rapidly become potential and then real clients. When online clients have access to press releases, information on the product or prices, the costs and the time needed for distributing the information on printed support is considerably decreased. A web site and a web-based marketing campaign can extend the geographical sales coverage and can uncover new markets that would normally be impossible to approach.

A gift shop with only one location that had loyal clients - but entirely local – has added a list of gifts for young newlyweds on the web site. Soon, persons from out of town began using the list to shop online for the couples that were about to get married. Without the list, the sells would have been smaller.

Likewise, new communication channels with the clients are opening; with the help of web-based marketing materials such as online news bulletins, the clients will be automatically informed about different aspects regarding the company. More than that, internet marketing ensures quantitative reactions to the manifesting tendencies, to customers' satisfaction and buying behavior.

A scuba-diving products company sends e-mail messages to the online clients to confirm their acquisition, payment and the estimated date for receiving the product. In addition, the company has added in these messages personalized special offers to each client depending of what he bought. For example, one of the clients who bought a scuba-diving costume can be offered a mask or swimming fins at a deducted price.

A web site can reduce the costs for customer service by allowing the online clients to obtain information on the product and price, and to communicate online with the customer service representative during the process of deciding to buy.

A tea and coffee shop chain has added a new function to their web site, which allows visitors to find near-by shops, apart from shopping online. The visitor fills in the application form with his address and the site automatically provides a map of the nearest shops. This

function reduced the number of telephone asking for addresses of the nearby shops and the brand began to be more visible in the online and offline community.

The possibilities of marketing will grow with the use of new instruments such as online market research, testing and promotion marketing. It has to be mentioned that with the aid of the Internet, communications with the clients is permanent, 24 hours a day, 7 days a week.

Web-based marketing can make the clients database grow very fast and in a very flexible way, with reduced costs. The initiatives can be launched faster and they can be targeted towards any part of the client database or to the potential clients. Web-based marketing activity can be personalized and adapted to the specific interests of each client.

Moreover, web-based marketing can increase the capacities of the marketing department to include market research, testing marketing and different online promotions.

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