The Role of Internet in Marketing Strategies

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Abstract

The use of the Internet has increased in recent years remarkably. Conducting business in the digital economy means using Web- based systems on the Internet and other electronic networks to do some form of electronic commerce. Many research findings confirm and support being of positive effects of Internet on an enterprise's competitive advantage. In this paper, I will illustrate that enterprises can acquire relational and informational competency through Internet technology, and based on these competencies they can succeed in competitive cyber markets. According to the Internet competencies, Internet marketing strategies can be divided into five categories: Transactional, Profile, Customer-oriented, Relationship, and Knowledge strategies. Choosing and implementing any category of strategies depends on the degree of internet competencies (informational and relational) that a firm has. When both are high, proper internet marketing strategy seems to be knowledge strategies; and when both are low, transactional internet marketing strategies would be the suitable category.

Keywords: *Internet marketing strategies, Information technologies, Network computing, Digital economy, Information system*

JEL Classification: M31

1. Introduction

The digital economy refers to an economy that is based on digital technologies, including digital communication networks, computers, software, and other related information technologies. The digital economy is also some times called internet economy, the new economy, or the Web economy.

In this new economy, digital networking and communication infrastructures provide a global platform over which people and organizations devise strategies, interact, communicate, collaborate, and search for information.

The Internet and Information Revolution has created fundamental shifts in business and consumer behavior similar to the changes made by Industrial Revolution. The emergence of the Internet seems to be analogous to the advent of the printing press or the railroads, which changed monetary, communication and exchange platforms. Similar evolutions took place with the introduction of automobiles and telephones that reduced the need for channel immediacy.

The use of Internet has become increasingly popular in recent years, where the cost of accessing and building on Internet and web site is relatively low [Ranchhod et.al, 2000]. Companies employ the World Wide Web to gather and disseminate information to and from actual and potential customers and increasingly for end-consumer business transactions through electronic commerce [Romano, 2002].

As McFarlane (1984), Porter and Millar (1985) and Cash and Konsynski (1985) explained; Since the beginnings of the computing era, Information Technology [IT] has suggested that the implementation of computing technologies would have a serious positive effect on the enterprise. These authors assert that Internet technology may serve as a strategic tool, which has a potential effect in any of porter's competitive strategies [Obra, et.al, 2002].

Some of the research results do not entirely support the academic literature which assumes to be a net positive effect of the Internet on the competitive advantage of the enterprise [Obra, et.al, 2002].

According to resource-based Theory, Internet technology could not be as a source of sustainable competitive advantage, because Internet is imitable and it is not rare. Therefore, companies must identify their competitive advantage and then develop an Internet marketing strategy for success in the Internet markets. The authors believe that companies should understand their core competencies in the Internet markets then develop their Internet marketing strategies. Internet is a tool for marketing and creating competencies, and it could not be a competency or source of sustaining competitive advantage itself.

2. Literature review

Marketers have long accepted that success in the competitive markets requires the identification of competitive advantages which are capable for distinguishing an organization from others operating in the same market sector [Chasten, 2001]. Although competence-based marketing strategy has not been explained and discussed enough in the literature, we discussed some of the Internet marketing strategy and then develop a competence-based marketing strategy for Internet markets.

The characteristics of virtual markets reduces costs of information processing, allows for profound changes in the ways through which companies operate, and in how economic exchanges are structured. They also open new opportunities for value and wealth creation [Amit and Zott, 2001]. Then marketing strategies in these markets need to be different and in new type. Many of authors have discussed Internet marketing strategies based on 4Ps framework [Brennan et al, 2003], but we think that marketing strategy is beyond 4Ps.

In the virtual markets, information can fundamentally influence the dimensions of competitive advantage in terms of efficiency and effectiveness. It concentrates on examining the achievement of advantages for physical outputs in terms of effectiveness, and then the market space offers improvement potentials, in two ways [Weiber and Kollman, 1998]:

- Increase in effectiveness through the acquisition of information.
- Increase in effectiveness through the transfer of information.

Internet marketing entails using the Internet to provide information, to communicate and to conduct transactions. The Internet is a ubiquitous information platform, allowing internal and external customers to reduce costs for both firms and customers. Therefore, the companies can act as topical-leaders or speed-leaders in the market space.

Teo et al [2002] argued that for achieving overall growth for the company, we could set online marketing strategies in five categories: To attract, To engage, To retain, To learn, To relate.

In the new competitive environment, it is increasingly evident that successful marketing strategies are based on an amalgam of three critical elements. These elements include:

- Creation of consumer franchise: whereby end-users are attracted to the product/service because of perceived superior offers.
- Strong customer franchise: where intermediaries want to do business with us because of a tangible economic benefits.
- Under-pinning supply chain effectiveness: that delivers superior service at less cost.

Figure 1 summarizes the three source of marketing advantage through marketing strategies [Christopher, 1996].

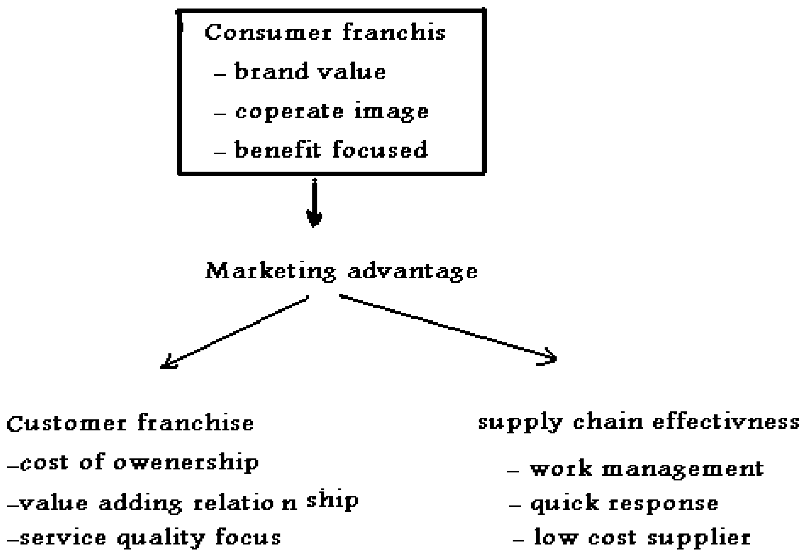

Figure 1 Three Sources of Marketing Advantage

As figure 2 shows, Internet marketing strategies has been divided into five categories [Kassaye, 1997]:

- Entry strategies
- Experimental strategies
- Assortment of incremental strategies
- Nichiny strategies
- Consolidation strategies

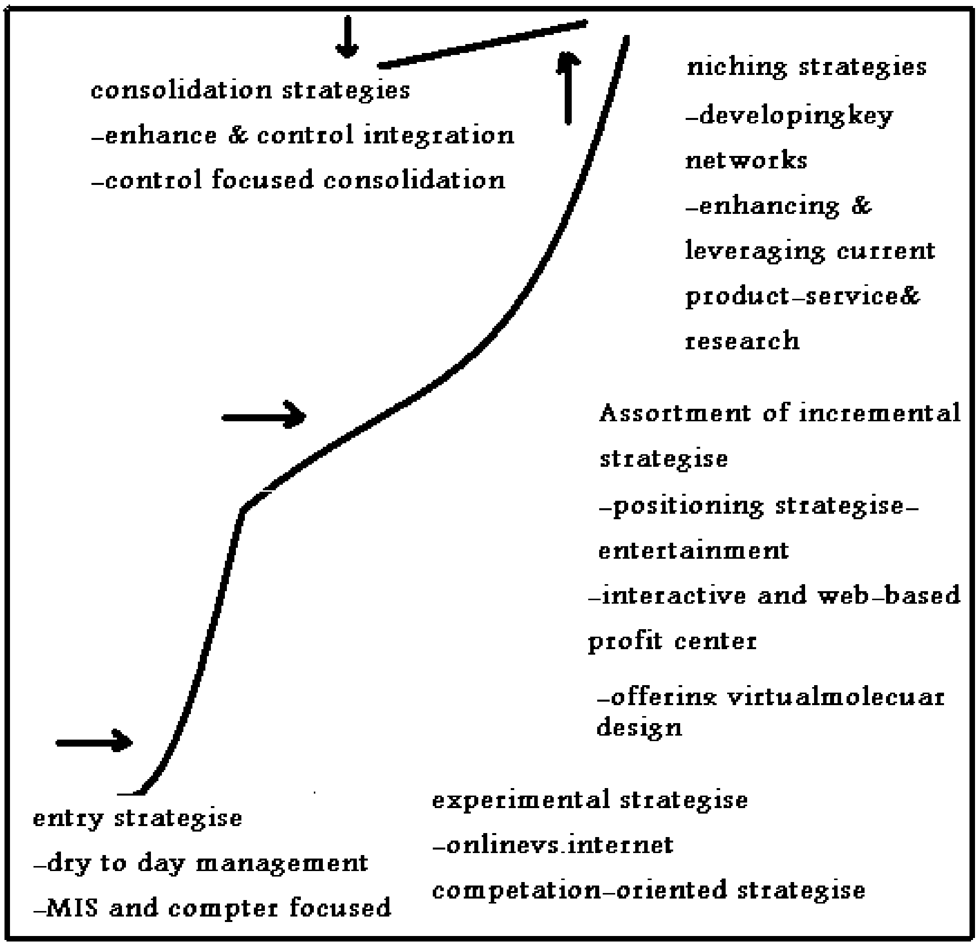

Figure 2 Evolutionary Internet Marketing Strategies for Biotechnology Companies

In an effort to clarify and reconcile the various views and streams of marketing, Boride et al [1997] developed a classification scheme based on a synthesis of both European and North American schools of thought in marketing, across the service, interaction, channels, and network streams of research. From this, two general marketing perspectives were identified encompassing four distinct types of marketing [Zineldin, 2000]:

1. Transitional marketing
2. Relationship marketing:
   a. Database marketing
   b. Interaction marketing
   c. Network marketing

Zineldin [2002] added technological ship marketing to this perspective and argued that in technological ship marketing customers are considered more individually and products are customer defined and customer specific. In this perspective marketing rules continually evolve, driven by technology and market is borderless by default.

Some of authors argued and explained one-to-one marketing strategy in the Internet markets [Weng and Liu, 2003; Sharma and Sheth, 2002]. One2one marketing strategy seems to be necessary to [a] identify customers; [b] differentiate customers; [c] interact with customers; and [d] personalize products or services to tailor-suit customers [Wang & Liu, 2003]. Personalization, customization and recommendation systems are very important in one-to-one marketing strategy.

From company's point of view, it is decisive to be able to offer and transfer better information to customers, because this ability can result in obtaining more and better information about customers than competitors [Weiber & Kollmann, 1998]. According to Wong et al [2003] this is the co sharing dimension of information. The term of co-sharing involves information competency and information sharing. Information competency can be regarded as the ways that companies process and manage Information they have gained. If companies cannot be able to manage information system well, they will only get meaningless and disorganized data and information which are not applicable for company's decision making and action taking.

Information sharing is defined as "formal and informal sharing of meaningful and timely information intra and inter firms". The Information obtained can assist companies to understand customer's need, wants and desire precisely.

Information Technology (IT) has allowed sellers to tailor "mass customized" propositions to individual customer through continuous cycle of dialogues with the customers. As marketers learn more about their customers, they can use this information to create and propose more value for customers; attract them to buy the offered products, increase customers' loyalty, and make long run, interactive and beneficial relationships. By this way of thinking and acting, it is expected of companies to protect and enhance their own market share in the intensively competitive cyber markets.

Companies to achieve information competency should create intellectual marketing strategies [Seyed Javadein S. R. et al, 2003]. The body of marketing knowledge is continually evolving [Trim, 2002]. Companies can create marketing knowledge through intelligence toward their competitive markets. Having intellectual competency, a company can gather useful information from customers, competitors and market then it can formulate an effective marketing strategy. Intelligent marketing is a process of knowing what the competitors are up to and staying one step ahead of them, by gathering actionable information about the competitors and ideally, applying it to short and long-term strategic planning [Wee, 2001].

One of most important sources for information gathering is customer knowledge that companies should manage it for achieving to core competency. Customer knowledge is an important asset for all businesses. The data collected at the customer interface can be translated into business intelligence and customer knowledge [Rowley, 2002]. Companies can use the Internet to do this, because the Internet's core advantage lies in its great capacity of fast, efficient, integrated, and interactive exchange of information [Avlonitis and Karayanni, 2002].

With an increase in usage of the Internet, customer will take an increasing role in the fulfillment process, leading to “co-creation” process. Co-creation involves both customers and marketers interacting in aspects of design, production, and consumption of the product or service [Sharma & Sheth, 2002]. Co-creation which require applying IT intensively, is a strategic process based on the philosophy reverse marketing. According to reverse marketing, Internet changes the focus of marketing from a "supplier perspective" to a "customer perspective". For example, in reverse marketing price is not a function of cost but cost is a function of price. In other word, first customers determine their price and then company should try to produce that at a desired price, so they should use price-based costing not cost-based pricing.

3. Model development

Internet realizes two principle characteristics: timely, vast and fast information exchanges; and borderless, effective and long run interactions and ties. An enterprise based on these characteristics, can create two types of competencies through applying Internet: informational and relational competencies.

Relational competency: refers to the use of Internet technology for establishing, maintaining, and managing customer relationship. This competency can be gained by long-rang relationship, customer loyalty, branding, customer relationship management (CRM) and so on. The importance of such relationships to the practice of marketing is evidenced in the emergence of “relationship marketing” as a dominant focus of both marketing theorists and practitioners. Because these relational assets are based on factors such as trust and reputation, the potential exists for any organization to develop intimate relations with customers to the point that they may be relatively rare and difficult for rivals to replicate. Relational resources tend to be intangible, hard to measure and therefore not nurtured. They are external to the firm, often merely “available” to a firm, and not “owned.”

Informational competency: refers to application of Internet for gathering information about customer's behavior, building customer profile and database, and managing customer knowledge. Informational competency is a type of knowledge that a firm acquires when it is intelligent toward its competitive environment.

Firms have a major strategic and informational problem (and opportunity) facing of marketplace heterogeneities in demand (customer preferences) and product supply. Such opportunism is aided by market orientation which advocates systematic acquisition, dissemination, and use of information to guide strategy development and implementation. At a minimum, business strategy involves identifying and selecting market segments, developing appropriate offerings and assembling the resources required to produce and deliver the offerings. This in turn requires that organizations increasingly invest considerable time, energy and money to create deep and insightful customer knowledge.

Based on the degree of having of these two competencies (currently or in the future), an enterprise can select and formulate its Internet marketing strategies. As figure 3 shows, I classified these strategies into five categories:

- Transactional
- Profile-based
- Relational
- Knowledge-based
- Customer-oriented

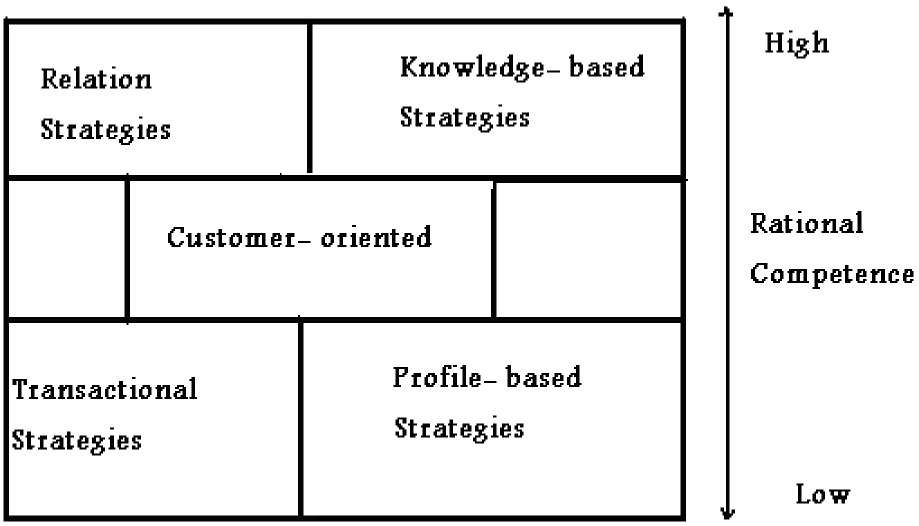

Figure3 Marketing Strategies in the Internet Markets

Transactional strategies

Having this category of strategies, a company uses Internet and Information Technology tools to reduce cost or improve product quality. Therefore, this kind of strategies covers porter's generic strategies [cost leadership and differentiation].

Relational strategies

In this quadrant, a company tries to use Internet to achieve a relational competency. Based on this type of e-competency, a company will be able to make a long-range mutual and beneficial relationship with its customers.

Profile-based strategies

Many of companies use some e-tools such as data mining, cookies, etc for creating a profile for customers. They use customer profiles to conduct marketing activities flexibly and response to customer needs and satisfy them effectively.

Knowledge-based strategies

The profile-based and knowledge-based strategies are different from together. In former, a company tries to act in response and reaction to the customer changing needs but in later, companies are not reactors; they are very proactive and make a long-range relationship with their customers.

However, it should be noticed that formulating knowledge-based strategies requires customer profiles.

Customer-oriented strategies

Different companies may select and implement different categorizes of strategies depends on their own situations. In some conditions, it seems useful to apply an integrated category of them. The category of customer-oriented strategies is an integrated combination of four categorizes of strategies [Transactional, Relational, Profile-based, and Knowledge-based strategies].

Conclusion

In this paper, I reviewed the literature of Internet marketing strategies. Using strategic management theories, I achieved a contingent approach to develop a new model to build and introduce Internet marketing strategies. Then, I classified new developed Internet marketing strategies based on competency approach of strategic management as a contingent approach. In terms of competency approach, I identified two types of competencies in Internet. Internet competencies can be divided into relational and informational competency. Based on these two Internet competencies we can classify Internet marketing strategies into five categories: Transactional, Relational, Profile-based, Customer-oriented, and knowledge-based strategies. As figure 3 illustrates when both informational and relational competencies of an enterprise are high, it can formulate and implement knowledge-based marketing strategies; when they are low, suggested strategies will be transactional marketing strategies; relational marketing strategies advised for the case in which relational competencies are high and informational competencies are low; profile-based marketing strategies seem to be suitable for an enterprise that has high informational competencies; and finally customer-oriented marketing strategies as an integrated group of strategies are fit for condition in which both competencies of an enterprise are middle.

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