Chapter Five

Business-to-Consumer eCommerce

Objectives

In this lesson, you will learn about:

- ✍ Business-to-Consumer Marketing and eCommerce Strategies

- ✍ Key Principles of Relationship Marketing

- ✍ Business-to-Consumer Marketing Evolution

- ✍ Pull advertising and Customer Service

- ✍ Sales and Channel expansion

eCommerce is re-shaping the way businesses communicate with and do business with consumers. In this lesson, you will review the changing shape of business-to-consumer strategies and how the World Wide Web is being used to transform them.

You will learn the key principles of relationship marketing and the evolution enabled through this dynamic technology. Following this discussion, you will review a few case studies to illustrate key points.

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4005 MIRANDA AVE., SUITE #175
Palo Alto, CA 94304

PHONE: 650.858.1930
FAX: 650.858.1936
URL: www.commerce.net

Business-to-Consumer Marketing and eCommerce Strategies

Business-to-consumer marketing is no longer driven by mass marketing but rather by target marketing and interactive dialogues with customers. The basic concepts of the new marketing game include:

- Customer Retention - the value of customer retention and loyalty: lifetime value of a customer

- Mass Customization - the ability to customize products on a mass basis, requiring a one-to-one dialogue

- Buyer values - understanding what the customers are really looking for

- Customer equity - placing the emphasis on customer equity instead of brand equity

- Target customers - obtaining a targeted audience through customer information

While companies are now required to know more than ever about their customers and work to retain them, there are a number of challenges make it even more difficult to win in a business to consumer sale:

- The increasing number of choices consumers have

- Competition for attracting and retaining customers.

- Consumers' and businesses' access to real-time information requiring faster decision-making

The World Wide Web changes the marketing/selling experience for businesses and their customers because of a number of unique characteristics:

- Interactivity

- Fast response

- Global reach

- Tailored and targeted information

- Compressed marketing/sales cycle

eCommerce is also changing the paradigms for pricing, buying and selling to consumers. New virtual companies like Virtual Vineyards and Amazon.com maintain zero inventory yet successfully sell to consumers. They assemble a number of pieces that are required to deliver the product to the customer, including:

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- A Web page

- Just-in-time inventory system

- Strategic alliances and partnerships

- Electronic payment options

- UPS and Federal Express to deliver physical product

Key Principles of Relationship Marketing

Relationship marketing.

Relationship Marketing is matching consumer preferences to product and services solutions on a one-to-one basis. It measures the lifetime value of the customer rather than a single transaction value. Relationship marketing also creates customer satisfaction and loyalty.

Relationship marketing itself is not a new concept. Companies have long sought customer loyalty by making sure their products/services match customer preferences. In the past, this was accomplished by the sales force. For example, Nordstrom generates customer loyalty despite premium pricing because of its excellent sales staff. Nordstroms sales staff spend the time required to find out what a consumer really wants, often by iterating through several rounds of suggestions until arriving at the consumer's true preference. Consumers leave the store with the products they believe they need and want, feeling that they have been valued. Those customers are more likely to return to the store for similar purchases in the future.

eCommerce makes it possible to perform similar functions on line. The web allows companies to track consumer preferences closely -- both by asking the consumer directly or by auditing the consumer's actions as they surf the company web site. This information can be used as a basis for providing a product or service that is customized to the consumer's preferences. The web allows companies to perform simultaneously, several key marketing activities that in the past were done by separate groups or intuitively by sales people:

- Design And Development

- Advertising

- Distribution

- Service

- Support.

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This technology is particularly effective for products with a large information technology, compressing the process of finding and meeting consumer preferences. With web technologies, a consumer's preferences can be polled even as he/she is sampling an advertised version of the company's product. The polled information can instantly be used to customize the product to meet the consumer's preferences -- all in the same session.

Business-to-Consumer Marketing Evolution

There are four stages of development of eCommerce for business-to-consumer marketing. They are:

- Pull advertising

- Basic customer service

- Sales and distribution channel expansion

- Relationship marketing - preference identification, combining push and pull strategies.

Activities supported by business-to-consumer marketing include:

- Design and development

- Advertising and promotion

- Sales and distribution

- Service and support

Pull Advertising and Basic Customer Service

Most companies have rudimentary web sites that only provide information on their company, products and services. They've added or moved advertising to the web channel. Such sites usually also offer some customer service on line -- at the very least through an email link for questions. Often, such sites do not even have a systematic way of tracking customer movements through the site, let alone a way of linking such information to product design. An example of such a site is the Hewlett-Packard site , an advertising and customer service site. Hewlett-Packard's site provides access to a wide array of information on the company and its products. It also provides access to one of the most commonly requested customer service items – printer drivers.

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Levi's is another example of a company with an extremely attractive web site that is still being used as a push advertising vehicle.

Sales and Distribution Channel Expansion

Another way in which companies have exploited the web is by moving only their distribution activities onto it. For example, J. Crew, a catalog marketing company, allows consumers to order products on line through its web site. However, the consumer has to have a catalog on hand to enter the correct model number for the product. No product information and very little advertising is actually available on the web.

The Internet Shopping Network is an example of a company that is using the Web as its primary channel. In addition to ordering capabilities, ISN is a full electronic catalog, offering advertising and promotion; sales and distribution; and service and support.

Relationship Marketing

A company that comes closest to exploiting web technologies for relationship marketing is Firefly. Firefly is an audio entertainment distributor. Firefly uses a web application, enhanced by intelligent agent technology, for CD sales. Consumers join the Firefly community and immediately get a list of CDs to rate. These ratings are used to identify other CDs that the consumers might like -- based on the ratings of other similar consumers. The longer a consumer stays and rates CDs on the Firefly system, the better it is at predicting the consumer's preferences and the better its suggestions. Firefly provides the following services to its customers:
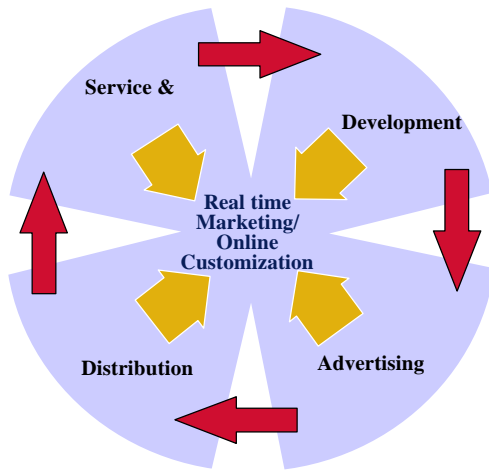
- Design and development activities. The company's product (an inventory of CDs) is being customized to meet the consumer's preferences.

- Product Review. Consumers can view product previews such as song snippets, artists' discographies and biographies.

- On-line purchasing. Firefly completes the loop by providing its own distribution system and letting consumers purchase the CDs directly on the web.

- Customer service . This is provided through web links -- both to FAQs and through email. Information collected on consumer's usage of customer feedback is used to improve the Firefly platform and customer service offerings

The following chart illustrates the complete cycle of relationship marketing. Think about this cycle for your own business and

how eCommerce can enhance and transform your current programs.

Building Customer-Product Relationships

The companies we've illustrated demonstrate a number of marketing and sales activities they provide to their customers.

Activities: \ Companies:	Levis	JCrew	HP	ISN	Firefly
Design & Development					✓
Advertising & Promotion	✓		✓	✓	✓
Sales & Distribution		✓		✓	✓
Service & Support			✓	✓	✓

Lesson Summary

In this lesson, you have learned about current and evolving applications of business-to-consumer eCommerce applications; key principles of relationship marketing and how they are enabled through web technologies.

Something to think about

Very likely, your company has already used some of the capabilities of eCommerce to begin a web-based marketing strategy. How far along the evolutionary stages are you? What activities could you perform that will provide another level of service to your customers? How can you strengthen your long-term relationship with your customers?