



**E-business Research Center Working Paper  
July 2002**

## **The E-Marketing Mix: A Contribution of the E-Tailing Wars**

**Kirthi Kalyanam**

**Shelby McIntyre**

**July 2002**



eBusiness Research Center  
401 Business Administration Building  
University Park, PA 16802  
Phone: 814.861.7575  
Fax: 814.863.0413  
Web: [www.ebrc.psu.edu](http://www.ebrc.psu.edu)

A joint venture of Penn State's Smeal College of Business Administration and the  
School of Information Sciences and Technology





Viewpoint

---

# The E-Marketing Mix: A Contribution of the E-Tailing Wars

Authors:

**Kirthi Kalyanam**  
J.C. Penney Research Professor  
Director, e-commerce Initiatives  
Santa Clara University, Santa Clara, CA  
[lsb.scu.edu/kk](http://lsb.scu.edu/kk)

**Shelby McIntyre**  
Professor of Marketing  
Santa Clara University, Santa Clara, CA

For copyright permission email [kkalyanam@scu.edu](mailto:kkalyanam@scu.edu)



# The E-Marketing Mix:

## A Contribution of the E-Tailing Wars

- What is E-Marketing?
- How is E-Marketing Different?
- The E-Marketing Mix: 4P's + P<sup>2</sup>C<sup>2</sup>S<sup>3</sup>
- Extending the E-Marketing Mix to Relationship Management

In the context of the wars between the upstart internet retailers and the existing brick and mortar retailers, many E-Marketing techniques were invented. A single unifying and theoretically based taxonomy for E-Marketing techniques has not been proposed. This paper develops such a characterization and terms it the E-Marketing mix.

---

### The Dot Com Bust: Is There Value in the Ashes?

In the 5-year period beginning about April 1995 and ending in April 2000, an era known as the dot-com boom, hundreds of businesses that used the internet as a primary means of transacting with consumers (e-tailers) were taken to IPO. In what is referred to as the dot-com bust, from April 2000 to December 2001, the common stock issued by these companies, in virtually all cases, was trading below its issue price. Subsequently, many of these companies terminated operations or ceased to exist as an independent entity.

The dramatic fall of these companies has received considerable attention. Since most dot-coms failed, it has become fashionable to reject everything about them. However, just because these companies failed does it mean everything about them was wrong? Is this the right response? Are we throwing the baby out with the bathwater?

### E-tailers Pioneer E-Marketing

Clearly many aspects of dot-coms are textbook cases about how *not* to start or run a business, be it their get big fast strategy, or their efforts to build a brand before a value proposition or their belief in the economics of shipping 5 pound bags of cat litter. However, in the short period of their existence, these E-Tailers developed and introduced new internet-based marketing techniques at a furious pace, essentially creating a new world of marketing. Figure 1 illustrates a veritable alphabet soup of internet marketing techniques created by these E-Tailers. These E-Tailers also leveraged Internet technologies to make 1:1 marketing a mainstream concept.

While these techniques were mostly developed in the context of E-Tailing, they are being widely utilized by other Business-to-Consumer and Business-to-Business organizations as well. In other words, the marketing techniques that were pioneered by E-Tailers have evolved into E-Marketing. Today, few if any marketing plans can be complete without a blending of the E-Marketing into traditional marketing to form an effective marketing strategy.

In considering the E-Marketing contributions of the Dot-Coms, it is illustrative to consider a perspective provided by Kurt Anderson in *Inside Magazine*<sup>1</sup>. He compared the internet business failures to a business model of Christopher Columbus's voyage. Columbus's business model failed – no direct route to Asia, bad ROI on the venture – but he “discovered America” and thereby changed the world, so too with the failed dot-coms, who invented E-Marketing.



Figure 1: E-Marketing Terms & Techniques

## In Search of a Framework for E-Marketing

As managers race to transform their marketing efforts they struggle with the lack of a standardized E-Marketing vocabulary. Consequently, formulating and communicating the E-Marketing plan is difficult. Our research has identified over thirty E-Marketing tools and techniques. It is hard to formulate strategy while operating at this level of tactical detail. *What managers need is a framework with a few macro-elements rather than a multitude of microelements.*

What managers need is a framework with a few macro elements rather than numerous micro-elements

A framework can specify the scope of marketing activities, and serve as the natural reference point for budget allocation. Vertical industries differ in the manner in which they allocate their marketing budget across the marketing mix. For instance, the

marketing budget in the pharmaceutical industry is heavily skewed towards a sales force that targets doctors, whereas the more typical approach in packaged goods is to emphasize TV advertising to consumers. It is not unusual for marketing managers to benchmark their budgetary allocations with the typical allocation in their industry.

## What is E-Marketing?

E-Marketing enables “relational exchanges in digitally networked and interactive (DNI) environments.” Early on in the history of marketing thought, marketing was conceptualized as focusing on exchange. At least two broad trends suggest that the *exchange paradigm* is a limiting way of

E-Marketing enables relational exchanges in Digital, Networked, Interactive (DNI) Environments

characterizing E-Marketing. First, during the 1990's marketing theory has moved towards the *relational exchange paradigm*. This is because marketing has historically overemphasized customer acquisition when compared to customer

retention. Evidence has shown that there is a strong economic benefit from the loyalty effect flowing from customer retention. Others have synthesized these perspectives into the notion of Relationship Marketing including the need for 1:1 interactions with individual customers. As Kotler's leading marketing management text now states “transaction marketing is part of a larger idea called relationship marketing”. This larger perspective views marketing as a relationship made up of a continuing series of collaborative interactions *with each customer individually*.

The second impact on marketing philosophy is the reality of web-based interactions, which are one of the most common forms of digital interactions. In the web-based environment, customers can initiate an interaction at any time and from anywhere, as well as before, during, or after the exchange, making the exchange paradigm very limiting when thinking about E-Marketing. Further, most web-based interactions tend to be personalized, at least in some minimal way, such as recognizing a visitor using a cookie. As Peppers and Rogers (1999) point out, “Relationship marketing has only recently become practical and cost-efficient on a large scale because of database technology and the internet.” These trends indicate that the marketing should be defined from a *relational exchange* perspective rather than a transactional perspective. Relational exchanges are exchanges and interactions which are remembered by the firm, usually in a database, and utilized in customizing some aspects of the interaction with a given customer.

The scope of E-Marketing, then, includes the tools that enable interactions with individuals in digitally networked and interactive (DNI) environments. This constitutes interactive communications using digital media. All, web-based interactions are a form of digital networked interactions. Such interaction can be about any aspect of a potential marketing relationship or a specific exchange. The interaction can extend to the actual delivery of a growing number of digital products such as maps, art, news, software, photographs, tickets, written materials, information, music, movies, etc. Digital interactions would encompass what has been called marketing in “computer mediated environments.” Digital interactions thus would include reading a marketing e-mail offline on a handheld device.

<sup>1</sup> December 2000 Issue.

It is also important to clarify what is not included in the scope of our definition. A consumer watching digital TV would not be included (since no two-way digital interaction takes place). Even if the consumer uses a

- *Digital* – 0,1 encoded material that can be moved over the Internet
- *Network* – Anytime, anywhere linked access
- *Interactivity* – Synchronous and asynchronous response in communication

digital remote control for changing channels this would not constitute a digital interaction. However, if the consumer were able to use that remote to inspect a product on the screen or interact with the program in any “marketing oriented way” then it would constitute a

digital interaction in our framework. Also, a mobile consumer who is in the supermarket and receives, on a shopping-cart based screen, a coupon-message about Cheerios while walking past the box on the shelf

- *Included:* Marketing e-mail read off-line (asynchronous interaction potential)
- *Not included:* Watching digital TV with a remote (no interaction with the marketer involved)

would not constitute digital interaction (since the communication is one-way). But a two-way device that is on the shopping cart that the consumer uses to enable in-store activities would be included.

## E-Marketing Functions

### The Basic Functions for Exchange (4Ps)

What functions need to be performed to enable relational exchanges in Digital, Networked, Interactive environments? Early marketing theory focused on the notion of exchanges and identified the offer, valuation, communication and accessing the offer as four essential functions that mapped into **Product, Price, Promotion and Place**, the four P's of marketing. In addition to these exchange functions the marketer needs to provide the relational functions of Personalization, Security, Privacy, Site (e.g., any time anywhere access), and Customer Service. We now discuss these functions in more detail.

**Site (Anytime Anywhere Digital Access Point):** A digital media based relationship requires an anytime, anywhere digital access point. We use the term Site, which is commonly understood industry parlance, to designate this function. We recognize that a web site is only one manifestation of Site. The interface on a hand held Personal Digital Assistant (e.g. Palm Pilot) is another manifestation. The access point can be used to interact about any aspect of a relational exchange. A customer can obtain product information, pricing, access the latest sales

promotion or request customer support. The access point moderates all E-Marketing functions, and is considered an overlapping function.

**Personalization:** Once a relationship is the marketing goal an important step is to identify individual customers and to gather information about them, which is the foundational concept of Personalization.

Personalization, then, is defined to be any form of customization that occurs because of specific recognition of a given customer. For example, a cookie placed on the visitors computer can allow a site to deliver a home page low in graphical content if the user appears to be on a slow dial-up modem. Such personalization is a matter of degree. Personalization can be applied across any aspect of the E-Marketing mix and is, therefore, overlapping and moderating with regard to the effect those other functions have on the customer experience.

**Privacy:** The collection of information for Personalization forces upon the marketer a decision about how this information is to be used, and particularly with regard for access to it – thus the basic decision about Privacy. Note, that Privacy related decisions are inescapable once the marketer collects information about individuals and stores it. Furthermore, Privacy considerations are well recognized by the policy-making forces in society and often carry the force of laws.

**Security:** Another “essential” function of E-Marketing, once we move beyond the concept of simply a transaction, is the issue of Security. There are at least two aspects to Security, the first being Security during the transaction. An example of the first type of Security is to ensure that a third party is not hijacking aspects of the transaction. The need for credit card numbers and other critical information on the internet exposes the customer to risks beyond just the current transaction and, therefore, involves a trust in the marketer that goes well beyond just the probity and punctuality of the current transaction and heightens the relationship nature of these digital interactions. This trust now encompasses beliefs about the Security-related diligence of the marketer.

The second aspect of Security is regarding the data that is being recorded about the individual (e.g., providing adequate Security to the consumer that a third party cannot break into the database). There is a constant battle between methods of Security (encryption, for instance) and the sophistication of hackers. It is the marketers responsibility and competitive necessity to keep ahead in this technological race. A lapse in the Security domain could easily be the end of a company.

**Customer Service:** Many early marketing mix taxonomy specifications included Customer Service as a support function often needed to make a transaction happen (and therefore a situational function). The introduction of “time” into the exchange paradigm (the driving factor in moving to a relationship perspective) means that the marketer is forced to considering providing support to the customer *over time*. This necessitates

consideration of Customer Service (in it's broadest sense) as an ongoing and essential function. The service can be an issue about product availability, service plans, pricing or promotions. Hence Customer Support is an overlapping function.

## Community

In addition to perspectives on relationships and exchanges, another perspective on E-Marketing focuses on the fact that the internet is a network. Access to the internet also means access to other individuals that are a part of the network. Metcalf's law states that a network is valuable in proportion to the number of individuals involved in the network. This phenomenon emphasizes a positive externality evolving from participation in a networked group. The essence of this externality leads to the value of what has been called Community on the internet.

We define a Community as a set of interwoven relationships, built upon shared interests to satisfy members' needs that would otherwise be unattainable individually. Customers are members within a Community who interact with one another over time (either independently or under some influence from the marketer). A marketer-influenced interaction can be to exchange support information about the product or to provide something as simple as FAQs. Hence, Community building is now recognized as an important function to be addressed by marketing management. However, it is not essential. The interactions in the Community can be about any of the other functions, Community moderates other functions and is an overlapping function.

## The E-Marketing Mix

The preceding discussion leads to the E-Marketing taxonomy portrayed on a cube in Figure 2. Functions that do not as much moderate other functions (non-overlapping) are shown on the top surface of the cube. The overlapping functions are placed in the lower part of the cube to convey that they operate mainly by moderating any of the functions on the top surface in addition to moderating each other. The resulting E-Marketing Mix is expressed in the acronym:  $4Ps + P^2C^2S^3$  (see Figure 2 below). The Product, Price, Place, Promotion and Sales Promotion functions are as described in the traditional marketing mix. We note that most of the new elements are considered essential from an E-Marketing perspective and overlap across the other elements.

$$4P's + P^2C^2S^3$$

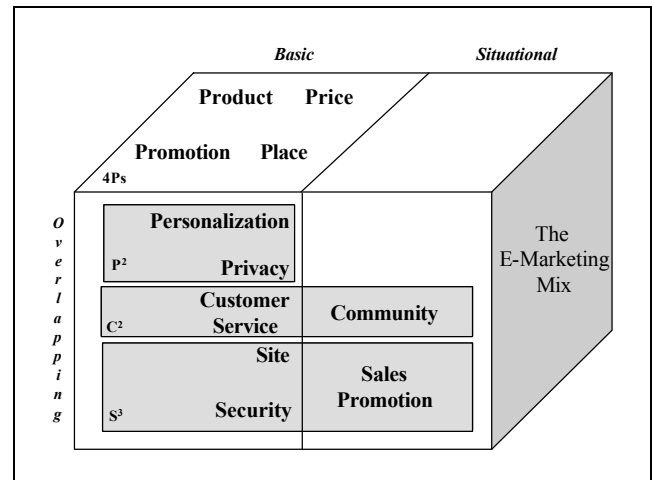


Figure 2: The E-Marketing Mix

## The E-Marketing Mix in Action:

Of course, the objective is not to think about the E-Marketing Mix as a conceptual exercise, but rather to put it to use in developing better marketing plans and strategies. This has to be done in the situation-specific context of a given company, or business unit within a larger company, and for a particular market setting.

## Making Sense of the E-Marketing

### Alphabet Soup

While managers must grapple with a host of E-Marketing tools, it is helpful to organize them into the E-Marketing Mix. Figure 3 illustrates how the E-Marketing tools are classified into the functions of the E-Marketing Mix. Tools under the same function are to be thought of as alternative ways of accomplishing the same functional objective, in part or by a combination of them. Tools should also be classified based on what function they support.

Consider the use of E-Mail. This tool can serve the function of Promotion when used as part of an outbound mailing program, not unlike direct mail. E-Mail can also be employed as a form of customer service when it is employed as an inbound e-mail response management system. Thus E-Mail is further categorized into inbound and outbound and classified under Customer Support and Promotion..

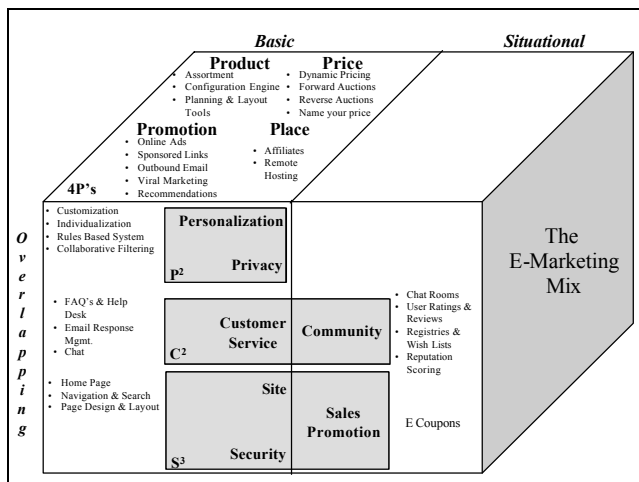


Figure 3: A Taxonomy of E-Marketing Tools

## Creating an E-Marketing Plan

The marketing functions identified in this mix can constitute the chapters or sections of a comprehensive marketing plan. Possible starting points for your thinking about the E-Marketing Mix are the following exercises.

1. What are the most serious problems and weaknesses in your industry and organization that E-Marketing can help address?
2. What are the biggest sources of customer dissatisfaction or complaints about your company? Your industry? Put an asterisk next to those you think can benefit from E-Marketing programs. How so?
3. Name the leading direct competitors of your company and what they are doing about E-Marketing.
4. Identify the 3 best E-Marketers who affect you as a business buyer and 2 that affect you as a general consumer.
5. What attracts you about the concept of E-Marketing?
6. Identify 4 reasons to move your company further toward E-Marketing? Rank order those reasons.
7. [Elevator speech]: If your boss asked you to describe the importance of E-Marketing for your company, what would you say?
8. Consider the ways a commodity business, such as a large gas station, might use E-Marketing to build a relationship with you and thus grow its share of your gas purchases.
9. Describe the E-Marketing objectives for your company, the importance of each E-Marketing function and the E-Marketing tools that you would use to enable each function. This would provide a starting plan for the E-marketing plan.