Master Student Tip

Reading a textbook chapter before a lecture will help you understand new words and information.

ACTIVITY 6 Using your text to prepare for a lecture

The following passage is from a textbook that is used in a business course. Read the passage, and make note of its important ideas. As you read, find out the meaning of words that interest you.

THE DYNAMIC NATURE OF ELECTRONIC MARKETING

1 In this chapter, we focus on how the Internet, especially the World Wide Web, relates to all aspects of marketing, including strategic planning. Thus, we use the term electronic marketing (or e-marketing) to refer to the strategic process of creating, distributing, promoting, and pricing products for targeted customers in the virtual environment of the Internet.

2 One of the most important benefits of e-marketing is the ability of marketers and customers to share information. Through company websites, consumers can learn about a firm's products, including features, specifications, and even prices. Many websites also provide feedback mechanisms through which customers can ask questions, voice complaints, indicate preferences, and otherwise communicate about their needs and desires. The Internet has changed the way marketers communicate and develop relationships not only with their customers but also with their employees and suppliers. Many companies use e-mail, groupware (software that allows people in different locations to access and work on the same file or document over the Internet), and videoconferencing to coordinate activities and communicate with employees. Because such technology facilitates and lowers the cost of communications, the Internet can contribute significantly to any industry or activity that depends on the flow of information, such as entertainment, health care, government services, education, travel services, and software.

3 Telecommunications technology offers additional benefits to marketers, including rapid response expanded customer service capability (e.g., 24 hours a day, 7 days a week, or "24 × 7"), decreased operating costs, and reduced geographic barriers. Data networks have decreased cycle and decision times and permitted companies to treat customers more efficiently. In today's fast-paced world, the ability to shop for books, clothes, and other merchandise at midnight, when traditional stores are usually closed, is a benefit for both buyers and sellers. The Internet allows even small firms to reduce the impact of geography on their operations. For example, Coastal Tool & Supply, a small power tool and supply store in Connecticut, has generated sales from around the world through its website.

4 Despite these benefits, many companies that chose to make the Internet the core of their marketing strategies— often called "dot-coms"— failed to earn profits or acquire sufficient resources to remain in business. Even Amazon.com, the world's leading online retailer, continues to struggle to earn a profit. The table on page 70 lists a sampling of failed Internet-based companies. In some cases, their brand names, once backed by millions of promotional dollars, have been acquired by competitors that appreciate the strong brand equity these names represent. KB Toys, for example, purchased the name and inventory of the defunct Web retailer eToys.

5 Many dot-coms failed because they thought the only thing that mattered was brand awareness. In reality, however, Internet markets are more similar to traditional markets than they are different. Thus, successful e-marketing strategies, like traditional marketing ones, depend on creating, distributing, promoting, and pricing products that customers need or want, not merely developing a brand name or reducing the costs associated with online transactions. In fact, traditional retailers continue to do quite well in some areas that many people thought the Internet would dominate just a few years ago. For example, although many marketers believed there would be a shift to buying cars online, experts predict that just 3 percent of all new cars will be sold through the Internet in 2003. Research suggests that online shoppers are very concerned about price, and a firm's profits can vanish quickly as competition drives prices down. Few consumers are willing to spend $30,000 online to purchase a new automobile. However, consumers are increasingly making car-buying decisions on the basis of information found online.