

## **Information Technology as a Marketing Tool**

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**Information Technology as a Marketing Tool**

**(The perception of customers regarding the Internet as a promotional medium)**

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**TO MY LATE FATHER**

## **ABSTRACT**

Due to changes which are occurring in the information technology sector, the way businesses are being carried out and also the development of the Internet. I have set out in this dissertation to identify the perception of customers regarding Internet as a promotional medium.

Primarily, I set out to give an overview of marketing issues related to promotion, issues including the customer's perception, buying influences and the decision process, placing a highlight on the marketing mix influences particularly on promotion. I proceeded by giving an outline of the e-commerce and e-business, identifying the different categories within e-commerce, the steps involved in developing e-business within an organisation.

The study identified a number of findings related to the perception of customers regarding the Internet as a promotional medium. Some of the most relative findings indicate that customers still perceived the traditional method of advertising as the best type. A positive feedback has been received regarding the Internet as a marketing tool but there seems to be a lack of trust, which has to be dealt with by companies to make customers overcome this obstacle. Finally customers feel that the human interaction is an important element which has to be made present on website.

Companies have to do their best to make utmost use of latest technologies and developments, such as the Internet, so as to maximise organisations goals. To do this the whole organisation has to be committed and the implementation has to be a comprehensive one. Furthermore companies have to ensure that such a development should be used not only to communicate to the customers, but with the customers, benefiting from their feedback.

## **STATEMENT OF AUTHENTICITY**

I hereby declare that my dissertation entitled Information Technology as a Marketing Tool (The perception of customers regarding the Internet as a promotional medium) is a result of my own research, and conclusions unless otherwise stated.

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Edward Pullicino

July 2002

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## **CHAPTER 1**

### **INTRODUCTION**

## **1 INTRODUCTION**

Today, the amount of business carried out over the Internet is growing fast and has developed to become the business arena for a number of players of all sectors, size and nationality. Most of these companies are putting considerable effort into conquering an anticipated market, offering appealing, attractive and often expensive interfaced web pages over the Internet.

The Internet has created the next revolution in marketing. It has opened up brand new communication channels, the Web, e-mail, and mobile devices with the promise of even more new channels as the wireless era unfolds. (David Kenny, 2000, Pg123) It gives marketers the tools to capture detailed information about individual customer preferences, and use that knowledge for personalised marketing; to some extent such an approach is recreating the intimacy of personal selling. This situation has brought about a number of complex issues.

Each customer communication channel, may it be the traditional print media or the Internet, have unique characteristics. Companies need to understand these characteristics so that they can choose and co-ordinate the most effective channels so as to suit the requirements of their companies. Use of the wrong combination of channels, or misuse of a particular channel can bring about failure. (M. J. Hoogeveen 1995 pg 10) Companies are struggling where to allocate their resources, trying to find the right combination between traditional marketing channels and the newer channels. Establishing and retaining customer loyalty through promotion requires putting together multi-channel marketing efforts.



New marketing skills capabilities, understanding and identification are needed to leverage new opportunities presented by the Internet. Companies need to understand the possibility and manner of how to collect detailed information about customers, create customer profiles and then use this information to offer the right products and promotions to the right market segments. One must also highlight and identify the importance of being able to devise a multi-channel marketing strategy, prior to the delivery of consistent messages across the Web, e-mail and traditional printed media.

In order to build such a marketing strategy, one needs to identify:-

Identify the customer's perception, buying influences and the decision process?

What are the advantages, disadvantages and obstacles of an e-business?

What new capabilities are available through E-Commerce and what the impact will be?

How is e-Commerce evolving and what will be required for success in the near future?

What processes and functions must be implemented to remain competitive?

In this section I pointed out the importance of marketing within the growing use and potential of the Internet. Given the above, the main research question of this dissertation is formulated as follows:

**What is the perception of customers regarding the Internet as a promotional medium?**

Answering this question should lead to more insight into this media, and the factors involved influencing the viability of the *Internet as a promotional medium*. The effects of implementing a web page in terms of meeting business objectives, this insight may lead to

useful guiding principles for the improvement and development of e-commerce, with particular insight into realistic business objectives and business opportunities which may prove worthwhile. This dissertation should give a further understanding into the success/risk factors which strengthen or threaten the *internet as a promotional medium*, it may also prove useful when companies are developing or branching into e-commerce by helping them to avoid costly mistakes.

## **1.1 OUTLINE OF THE THESIS**

The outline of this dissertation follows the activity structure and order of sub questions presented in the previous section. In this chapter the research subject, the research question, and the research approach followed are introduced and explained.

In **Chapter 2** I will forward a literature review on the subject. Here I will outline some basic principles about marketing. These will include the customer's perception, buying influences and the decision process. Here I will explain the buying influences, psychological influences, socio-cultural influences, marketing mix influences and situational influences.

In the next part I will explain the decision process. Here I will outline the steps of the process which include limited and extended problem solving and special categories of buying behaviour. Finally, I will carry out an evaluation of these models

I will move on to explain the perceptual process, high lighting the main steps in the process. Then I will proceed to explain e-commerce and e-business identify the categories of e-commerce and mention the development process of an e-business within an

organisation placing an emphasis on Internal marketing and the methods and tools for an e-business implementation. Furthermore, I will make a mention to reasons leading to e-business success and failure. I will then go into some detail on promoting products and how the methods of promoting are changing together with different types of advertising and the marketing communication mix. Finally I will give a brief outline of the internet users in Malta today.

In **Chapter 3** I will be introducing the methodology to be used in my survey, where I will be collecting primary data in connection with the main research question. *How are companies using the Internet as a promotional medium*, where my aim will be to identify some of the most effective means of promotion.

In **Chapter 4** I will move on to the presentation of data and carry out an analysis on the data. The next part will discuss and interpret the findings from the survey.

Finally **Chapter 5**, Conclusions, Implications and Recommendations returns to the main research question presented in the first chapter. An answer is given on the main research question. This chapter is concluded by looking forward and formulating recommendations for further research on the perception of customers regarding the Internet as a promotional medium and how to establish human interaction within websites.

## **CHAPTER 2**

### **LITERATURE REVIEW**

## **2 LITERATURE REVIEW**

### **2.1 THE CUSTOMER'S PERCEPTION, BUYING INFLUENCES AND THE DECISION PROCESS**

There are a number of similarities and differences one could note with regards to the influences and the decision making process for a customer to purchase a service or product via an e-business channel compared to the traditional business method.

One must understand and identify what factors make a consumer take a decision to buy a product and why this consumer decides to purchase a type of product and not another, using one channel and not another, the processes involved in the decision making process and the perceptual process, both of which are affected by a number of outside influences.

#### **2.1.1 The Buying Influences**

There are many influences that may, to some degree act upon the purchasing decision of a customer. Marketers may have influences on customers, but there exists more powerful influence that marketers have little influences upon, such as socio-cultural influences. The following diagram outlines the main influences that act upon a consumer. These will be discussed later in this chapter.

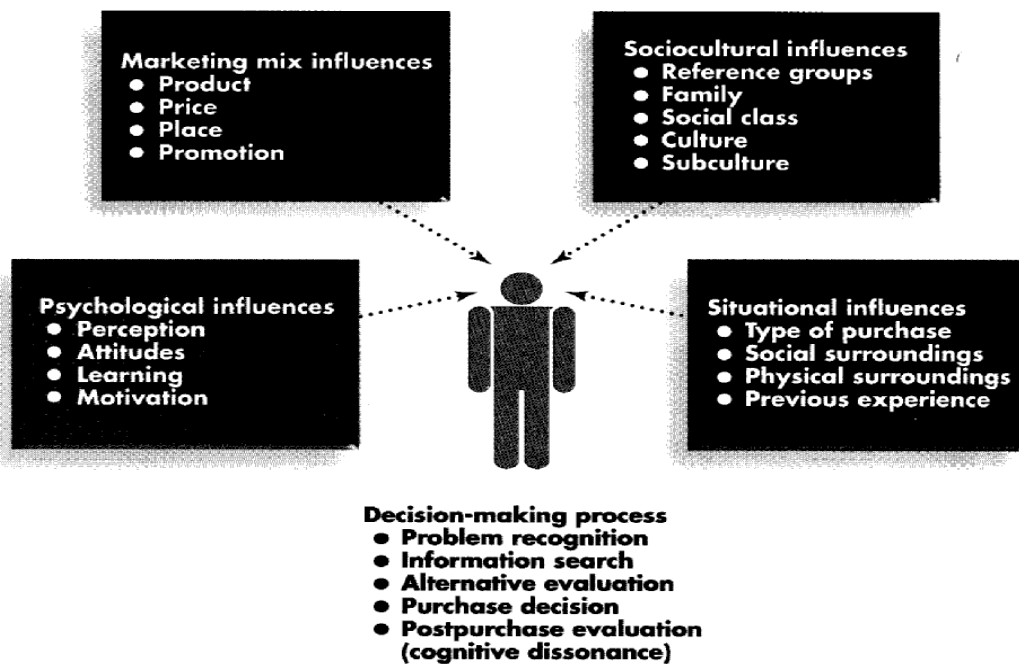


Fig 2.1 The consumer decision making process and outside influences

(Nichels 2002 pg. 416 )

### 2.1.1.1 Psychological Influences

*Attitudes* are considered an important element in the buying decision. However, there is no empirical evidence to link a favourable attitude directly with consumer purchases. (Understanding Customers 1999)

*Learning* involves changes in an individual's behaviour arising from experience (Philip Kotler 2000 pg173) A popular model for buyer behaviour which included learning was developed by J A Howard (1963) The model divides learning into three major phases.

*Initial stage:* A buyer has limited experience of the product, and seeks information. This is the situation one would expect to find for a first time purchase of a book over the Internet. The buyer would seek advice from colleagues, magazines or friends. A customer for a Christmas present could also fall in this stage, example, a buyer buying without any knowledge of computers wishes to purchase a computer for his son. In the Initial stage a consumer probably makes a rational purchase decision.

*Intermediate stage:* This stage could usually fit in the case of purchasing a book over the net. The buyer would rely more on his/her own experience and less on outside information to make the purchase decision. Maybe the buyer would have already purchased over the net, but could ask some questions to make sure that the product is suitable to his requirements.

*Final stage:* The buyer knows what he/she wants This is the situation one would expect to find while buying for example, an ink cartridge for his printer, the consumer will probably buy the same type again unless put off by a bad experience. Once a buyer has learned enough to reach this stage, buying may even become a perfect routine.

**Loyalty** (a psychological influence) A consumer may demonstrate a loyalty towards a particular company's goods or to a brand, or even to a particular web site, shop or retail chain.

**Personality.** A consumer's buying behaviour is influenced by his or her personality.

Traits such as self confidence, dominance and autonomy may be found more in individuals who are willing to leave their parent's home to purchase a new house. An individual who has sociability as a principal personality trait would probably want to invite many friends home, he/she would want to design and purchase his house with this in mind. Such a person would be willing to spend more time and money when it comes to carrying out a purchase.

#### **2.1.1.2 Socio-Cultural Influences**

Socio-cultural influences of buyers raise many purchasing issues, influencing the way each individual lives, buys and consumes his/her goods and services. The following are the main areas where Socio-cultural influences affect a purchase.

What is bought. Do products have to be branded? Do they have to be produced in a specific manner such as recycled?

If buying a car, is it going to be new or old, saloon or sports car?

When things are bought. Is the shopping of an individual done on Sundays because he/she works shop hours? If so the individual will be restricted to a limited number of shops opening on Sunday. At what age or stage of life is a purchase being carried out?

How things are bought If one is buying books are they bought over the Internet and delivered directly or does the individual prefer buying or ordering from a high street store,



even at a higher price? If purchasing a car, is it going to be paid for by instalments or is it going to be paid on purchase? Do consumers haggle about the price even when purchasing low cost items?

Where things are bought. Do these types of customers buy their requirements from the shop round the corner or do they prefer a complex with a parking facility? Do they use the mailing catalogues or phone orders? In the case of a high priced item would the buyer prefer to deal with a consultant or direct? Is the customer buying from a remote area?

Why things are bought .Culture would influence one's needs, if it is within one's culture to own a laptop then probably this individual would buy one.

### **2.1.1.3 Marketing Mix Influences**

The Internet marketing mix consists of the same elements as elsewhere. It has to be noted that the concept of marketing mix is evolving both in the Internet marketing and other media. The typical marketing mix components consist of Product, Price, Place, and Promotion.

#### ***2.1.1.3.1 Product***

Almost any goods or services can be marketed on the Internet. Furthermore completely new products or services have become available with the advent of the commercialisation of the Internet. From the customer's point of view, a customer would try to identify what advantages does this product have over other substitutes?

### ***2.1.1.3.2 Price***

Price is one of the most important evaluation criteria in all products in question. One's choice will be heavily affected by price. The Price on the Internet plays a more important part, as in the traditional shopping method. In the traditional shopping method one would expect to pay a higher price when purchasing from a luxury high street outlet, on the same basis one expects to find low prices when purchasing from a warehouse sale. These scenarios are more difficult to implement on the Internet, since the customer is always purchasing from his Internet browser or other similar means. In addition a number of third party "search agents" can collect pricing information from various sources over the Internet, and consumers can compare prices and products. The Internet will increase standardisation of prices across borders. Another factor to consider is the escalation of bidding "bots" is certainly influencing pricing. These software robots do bidding on behalf of consumers and help automate bargain hunting. A number of new web sites are now mushrooming to do various price equilibrium search tasks between buyers and sellers. An especially important factor in the formation of The Internet as a new market is the fact that transaction costs are small. This escalates the adoption of Internet as a growing e-market.

### ***2.1.1.3.3 Place***

Where the customer is going to go to buy the desired products? Is the customer going to a high street store, or is he or she going to purchase from the closest store or shall the customer buy from his desk using the Internet? The Internet is a place in itself, a place in the context of the Internet implies creating methods for using the Web to market and sell products. All points on the Internet are virtually equidistant and available 24-hours a day.

This means that all the *real estate* of the Internet has an equal value, at least theoretically. Small companies can look like their much bigger competitors.

On the Internet, if the product can be sent via the Net in electronic form, economic viability can be very easily attained and the physical distance between the buyer and seller is irrelevant. On the other hand, if the product needs to be distributed by mail or freight, then regular limits of mail-order weight-based economic geography and time for delivery apply.

Two determinants of virtual addressing methods on the Internet can be found. One is the exact computer server and address, where the document is located, that is the web site address, or Uniform Resource Locator (URL) which specifies an absolute address. The other form of address definition is relative addressing using hyperlinks. A document or site is defined in relation to other established documents or homepages by means of a quantity of hyperlinks pointing to the absolute address. In the case of such links, users usually do not see the absolute address when clicking the hyperlinks, although if the user wishes to see this address he or she can do so. The more links a page has pointing towards it, the easier it is for a user to find the site. The better a site is, the higher the chances it gets hits.

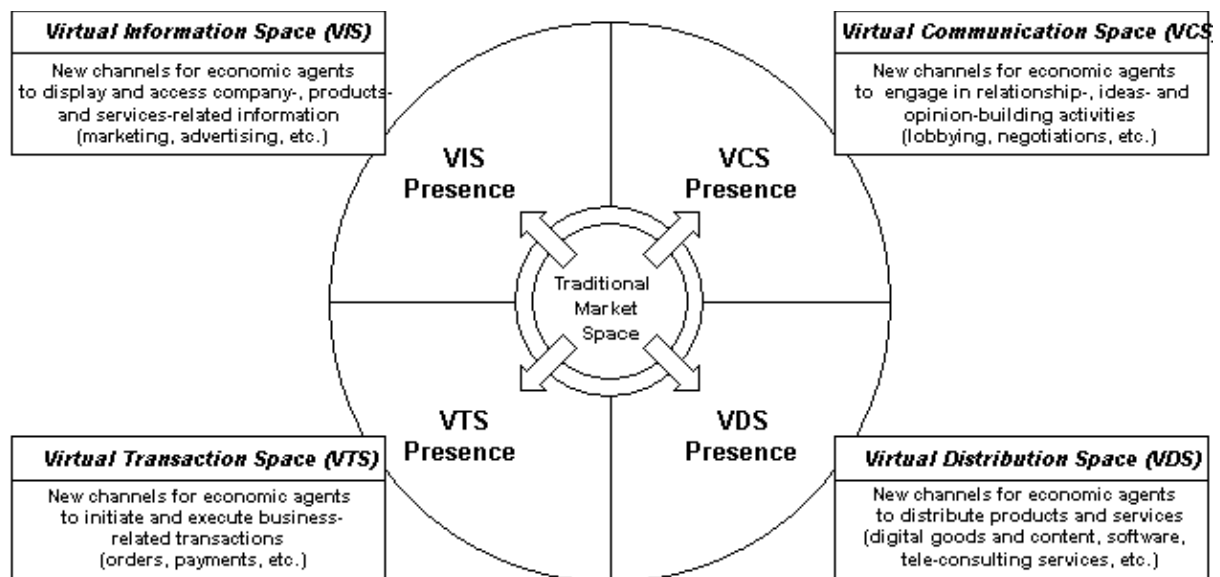
Inter-media support activities have popularised the absolute addresses among other media. Berthon, Pitt and Watson noted that URLs in traditional media advertising began to appear in 1995 to support the Web effort. (Berthon, Pierre 1999 pg43) The main forms of media such as TV, newspapers billboards and magazines can be extremely effective at driving audiences to web sites This trend had another implication. The print media started to offer URL lists of their advertisers as a form of paid advertising. The more absolute URL publicity is gained, the better the site address is established. (Coffey, Steve 1998. pg 61)

**2.1.1.3.3.1 The four virtual spaces**

Angehrn (2002) has modelled the Internet business strategies around the concept of space. The Model of four virtual spaces is presented in the following diagram. According to this model, there are four separate channel functions that the Internet can be used for, these are the following:

- Information channel
- Communication channel
- Distribution channel
- Transaction channel.

These channels form four separate spaces within the virtual medium.



**Fig 2.2 The four virtual spaces (Albert A. Angehrn 2002)**

#### 2.1.1.3.3.1.1 Virtual Information Space (VIS)

The Internet provides new channels for displaying or accessing information. It removes obstacles to information dissemination, and therefore solves the logistic problems of information for those who have the Internet available. To some types of businesses VIS brings significant cost reduction. This is especially true for firms in publishing, information services or digital product categories. With the Net, distribution costs or costs-of-sales shrink to zero.

Since information can be transmitted at a low cost, many companies have adopted a policy to publish in quantities and let the consumer decide which information is interesting.

#### 2.1.1.3.3.1.2 Virtual Communication Space (VCS)

The Internet removes many barriers to communication for customers and employees by eliminating the obstacles created by geography, time zones, and location. As a Virtual Communication Space, the Net provides new channels for companies to engage in economic relationships and opinion-changing activities.

#### 2.1.1.3.3.1.3 Virtual Distribution Space (VDS)

The Internet facilitates new channels for participants to distribute products and services. This is the Virtual Distribution Space. It has been suggested that retailing is going to be affected more than the advertising industry. VDS is bringing about an improvement in direct marketing techniques, and a reduction or an eventual elimination of middlemen.

#### 2.1.1.3.3.1.4 Virtual Transaction Space (VTS)

Finally, the Internet is a place where companies can carry out business transactions. This is Virtual Transaction Space, which evolved later than the previous ones, due to problems in transaction standards, security and legal issues.

Angehrn points out that these virtual spaces can be bases for business approach, depending on which part of the virtual space is the most profoundly used.

#### **2.1.1.3.4 Promotion**

Promotion is an attempt by marketers to inform people about products and to persuade them to participate in an exchange. This is done by the seller using a number of different techniques to motivate the customer to buy products or services. Promotion will be discussed in further detail at a later stage.

#### **2.1.1.4 Situational Influences**

Physical Example, the smells in a coffee shop or any other shop can influence a buyer either negatively or positively to spend more or to leave the premises at once. Other influences could be the sounds, light, weather etc.

Social Surrounding, the people that are around an individual, while carrying out a purchase may to some extend affect the purchase.

Time, many time factors may affect a purchase, such as: time when the purchase is taking place, time to make the payment of purchase or time from last purchase.

Task, making a purchase for oneself or for some one else,

Antecedent states, the temporary moods or conditions that the consumer brings to the situation, such as a customer who has received a hefty rise and is purchasing a present for his loved one.

Other factors that affect the purchase is whether the goods are durable or not.

Non-durable goods are goods which are consumed in one or a few uses. Since non-durable goods will usually be purchased frequently, they are made available in many locations, profit margins will be low and producers will try to encourage brand loyalty.

Durable goods, are goods that are used up very slowly and only after many times used. Purchases of durable goods are infrequent, and usually need more direct selling effort.

### **2.1.2 The Decision Process**

The purchasing of goods or services could be divided into four types, as displayed in the following table, the decision process depends on the type of purchase.

	<b>High Involvement</b>	<b>Low Involvement</b>
<b>Significant differences between brands</b>	Complex buying behaviour <i>e.g. mobile phone</i>	Variety seeking buying behaviour <i>e.g. gift</i>
<b>Few differences between brands</b>	Dissonance reducing buying behaviour <i>e.g. House</i>	Habitual buying behaviour <i>e.g. foodstuff</i>

**Table 2.1 The decision process**

The products that would fall under low involvement would be both of Limited Problem Solving (LPS) or habitual decision making. While in the case of high involvement it would be classified as Extended Problem Solving (EPS).

### **2.1.2.1 Limited Problem Solving**

When it comes to buying items that fall under the LPS category, the consumer will be low involved in such a decision. This is because it is usual that the amount of dissonance after such a purchase is usually relatively little. Another point one could note is that with such goods or services there may be little differences between brands of such a purchase.

Most customers' everyday purchases are undertaken by habit or LPS. On the other hand the purchase of a product with low involvement and a high difference between brands usually follows a 'variety seeking buying behaviour'. For this reason we will be considering the five-stage model of the buying process displayed in following figure.

#### ***2.1.2.1.1 Need or Problem Recognition***

One could state that this stage could be triggered by psychological, physiological and social factors. The process centres on the degree of discrepancy as shown in the following diagram.



### 2.1.2.1.2 Information Search

At this stage the consumer would identify the sources and be influenced by attitudes and perceptions.

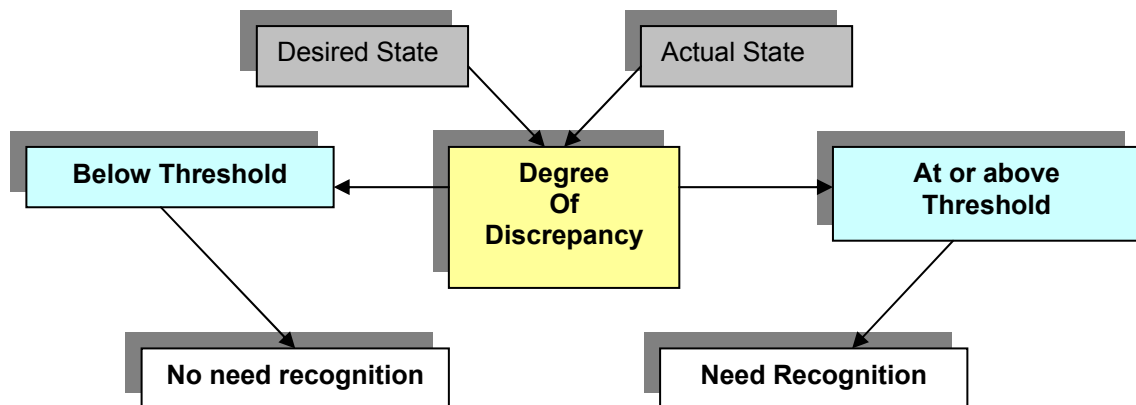


Fig 2.3 Information search

### 2.1.2.1.3 Alternative Evaluation

In such a case the alternatives may be either a close substitute or between two products produced in a different way.

### 2.1.2.1.4 Purchase Decision

At this point the purchase is made and the consumer will pay and take the products with an intention to consume them.

### 2.1.2.1.5 Post-Purchase Evaluation.

Experience 'feed back' to the beginning of the process providing positive or negative reinforcement of the purchase decision. If the consumer is dissatisfied, the consumer will

be back at the need / problem recognition stage again. If the consumer is satisfied, the next decision process for the purchasing of the same items may be cut short and go straight to the decision, on the basis of loyalty.

### **2.1.2.2 Special Categories of Buying Behaviour**

Two types of special categories of buying behaviour are variety seeking and impulse buying. This type of purchase for the goods in question would only happen in the case of low involvement products but surely not in the case of, for example, a car.

#### ***2.1.2.2.1 Impulse Buying***

The so-called impulse purchase is an unplanned or spur-of-the-moment action that is triggered by product display or point-of-sale promotion. This is the least complex form of LPS but differs in some important ways. The following are the characteristics of impulse buying (James F. Engel, et, al. Pg. 159)

A sudden and spontaneous desire to act accompanied by urgency.

A state of psychological dis-equilibrium in which a person can feel temporarily out of control.

The onset of conflict and struggle that is resolved by an immediate action.

Minimal objective evaluation-motional considerations are dominant. A consumer would buy a product to take home from the supermarket because it seems to be at a good price.

Making this purchase regardless of the fact that the consumer already has a quantity of such products at home.

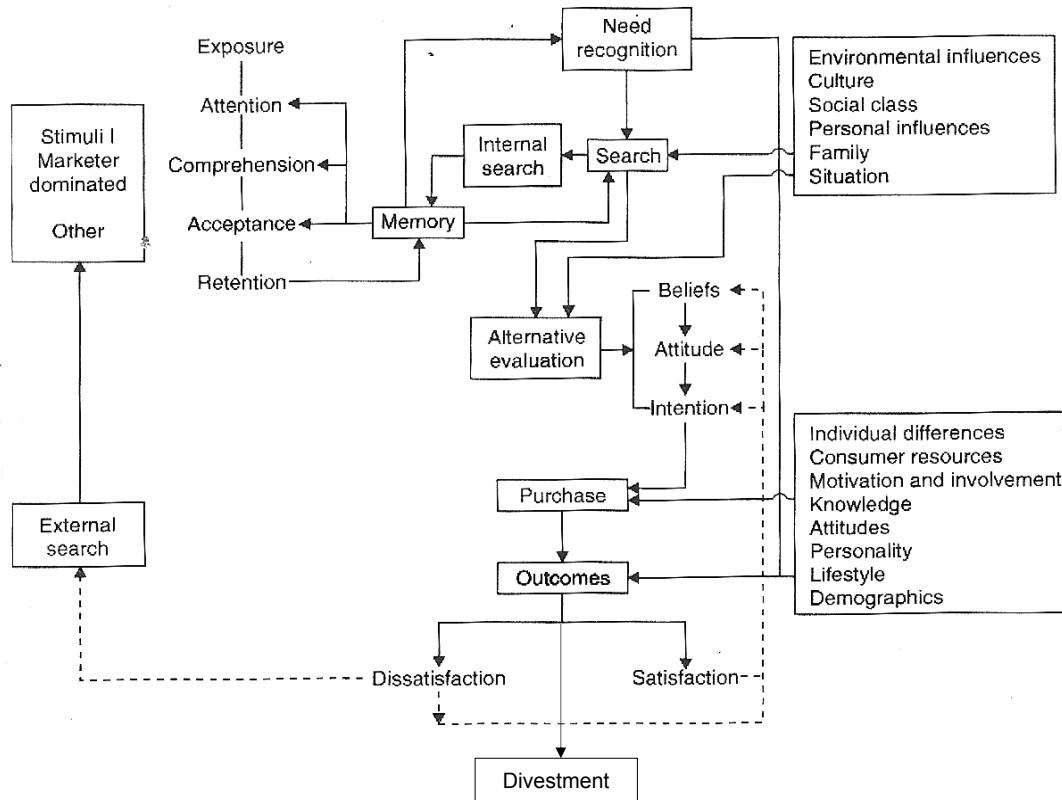
During an impulse purchase there may come about a lack of regard for consequences. Example purchasing of a product that one does not need or use.

#### ***2.1.2.2 Variety Seeking***

Although consumers may be satisfied with their former purchases, the customer, just not to do the same old thing will decide to purchase from a different retail outlet.

#### **2.1.2.3 Extended Problem Solving (EPS)**

The first time purchase of a car is considered as a problem that requires high involvement. This is because the person carrying out the purchase knows that this purchase is going to affect the buyer in the long run. The buyer has to make sure that the purchase is done at the right price and the right product for the individual is chosen. For this reason a more complex model is used when it comes to the decision process, although the five major activities are the same but occur over a span of time. Another point on which a first time buyer of a car would consider to be very different from the other products is the divestment stage. The following will outline the major differences between the EPS and LPS. It is important to note that most points mentioned in LPS should also be considered for EPS.



The Engel – Blackwell - Miniard model

Fig 2.4 Consumer decision process model (J. E. Engel et, al. pg 154)

### 2.1.2.3.1 Need Recognition

The starting point of the process is the customer's perception of a want or need for his house, this being a problem which must be satisfied. This stimulates the start of the next stage, information search, which can be divided into two further stages.

### ***2.1.2.3.2 Search***

First, the customer searches his internal memory to ascertain what is known about potential solutions to the problem. The customer remembers how a friend of his got to know about his purchase or he/she remembers about a store selling such products which may suit his/her needs. If insufficient information is found, the customer will begin the process of external search. The likelihood of external search is also affected by environmental factors, such as the urgency of the need to buy the required product. Another factor that is important is the individual characteristics of the customer. For example, individuals who are low risk takers will tend to seek more information, visit more stores and probably see more products, ask advice from advisors before making the decision to purchase the required product.

### ***2.1.2.3.3 Alternative Evaluation***

The Engel – Blackwell - Miniard (1995 pg154) model identifies the various ways in which the problem can be solved. Those various ways are then evaluated. The alternative evaluation stage which involves comparing the alternative products offers against evaluative criteria, which are 'product judging standards that have been stored in the permanent memory'. This evaluation process may lead to changes in beliefs regarding the purchase which, in turn, leads to changes in attitudes and intentions to purchase.

The process of alternative evaluation leads to an intention to make a purchase of the most favourable evaluated product. This intention will be translated into action unless unforeseen circumstances intervene to postpone or prevent the purchase of the product.

Once the purchase occurs, the customer will use the product and will continue to evaluate the purchase by comparing the purchased product against expectations the buyer had of the product. If the chosen purchase does not meet expectations, the result is dissatisfaction and this may lead to further search for information about the alternatives to rectify the problem. This could bring about changes in beliefs of the buyer. The overall process can, therefore, be seen as a continuous one. (Loudon, David et, al 1993. pg 149)

#### ***2.1.2.3.4 Divestment***

Another important stage in this model is the last stage, divestment. This stage would be considered to a high extent in the purchase of a product that may have a high resale value. In some instances the buyer may want to ensure that his purchase, which may also be considered as an investment, would place the buyer in an advantageous position when it comes to divesting (selling).

#### ***2.1.2.3.5 Evaluation of This Model***

Evaluation of this model has found that it provides a popular representation of the buying behaviour process. The major drawback of this model is the vagueness regarding the role of variables such as the environment and motive in influencing behaviour. (Loudon, David et, al 1993. pg 150)

From the above we can conclude that the behaviour of customers is determined by economic, psychological and sociological considerations. The reason for a purchase varies

from person to person, or product to product. The weight given to each reason in the mind of the customer also varies.

We can note that marketers have some influence, but it is not usually as strong as socio-cultural influences. The marketers, by use of advertising and other marketing tools help consumers with their information and their evaluation of alternatives. Combinations of all these factors make up the motivation mix and perception of the customer.

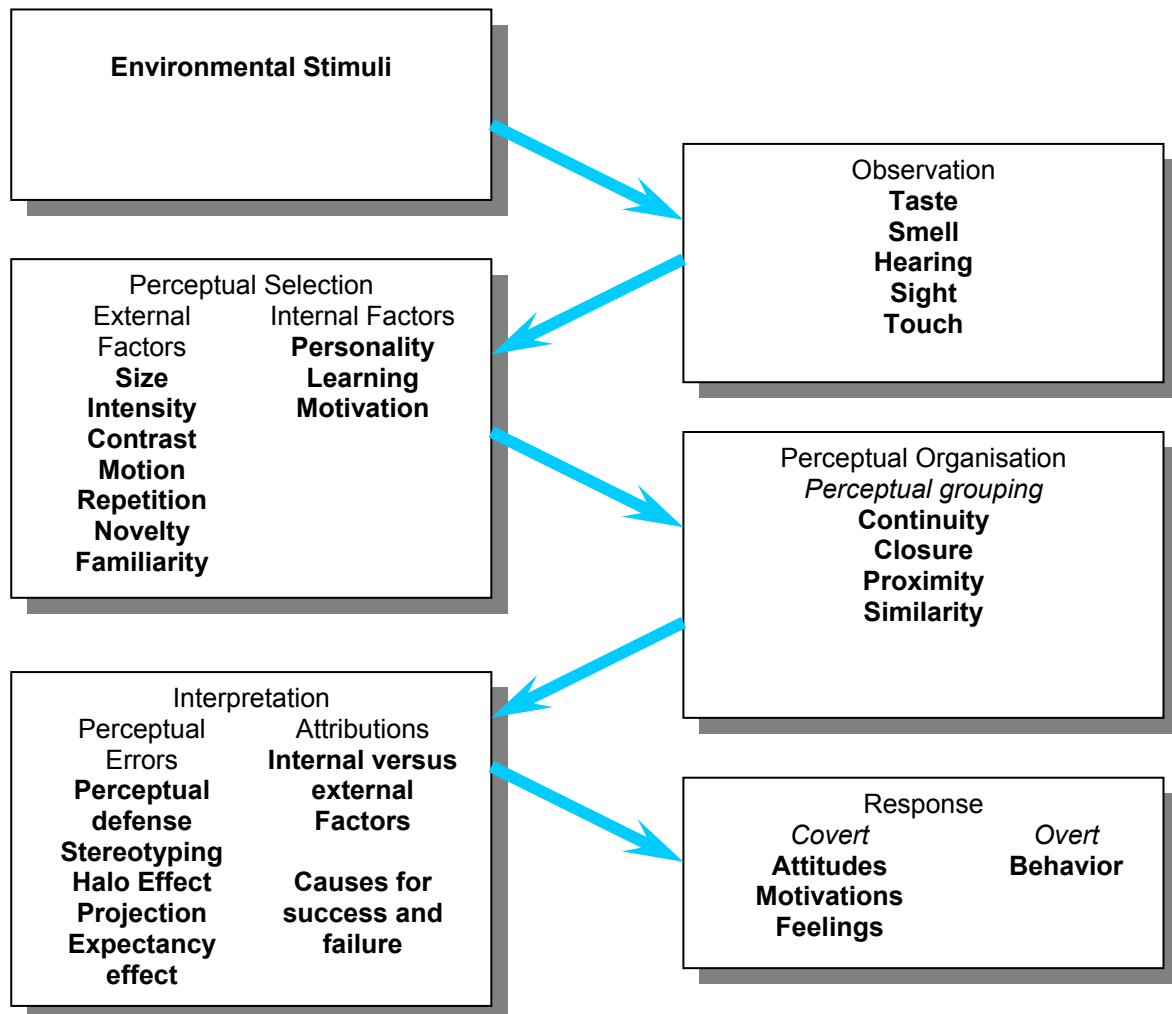
## **2.2 THE PERCEPTUAL PROCESS**

A customer perception is to build up the selection and organisation of environmental stimuli to provide meaningful experiences, for the customer Perception involves searching obtaining, and processing information. It represents the psychological process whereby people take information from the environment and build up an idea of the situation.

The key main processes of perception are selection and organisation. Different people often perceive a situation differently, both in terms of what they selectively perceive and how they organise and interpret the things perceived. The following figure summarises the basic elements in the perceptual process from initial observation to final response.

People receive stimuli from the environment through their five senses: taste, smell, hearing, sight and touch. Everyone selectively pays attention to some aspects of the environment and selectively ignores other aspects at any particular time. A person's selection process involves both external and internal factors, filtering sensory perceptions and determining which will receive the most attention. The individual then organises the stimuli selected into meaningful patterns.

How people interpret what they perceive also varies considerably. A wave of the hand maybe interpreted as a friendly gesture or as a threat, depending on the circumstances and the state of mind of those involved.



**Fig 2.5 Basic elements in the perceptual process (Hellriegel et. al. pg. 75)**



A person's interpretation of sensory stimuli will lead to a response, either overt (actions) or covert (motivation, attitudes, and feelings)-or both. Each person selects and organises sensory stimuli differently and thus has different interpretations and responses. Perceptual differences help explain why people behave differently in the same situation. People often perceive the same things in different ways, and their behavioural responses depend, in part, on these perceptions.

## **2.3 THE INTERNET IN MALTA**

### **2.3.1 History of the Internet in Malta**

Prior to 1995, very few people had access to the Internet in Malta. The service was only available at a few large companies, some institutes and government bodies. The cost to have Internet was beyond the financial capabilities of most companies or individuals. In November 1995 most service providers started operating and offering free trial accounts. The service was provided via telephone modem or a leased line, which was relatively expensive. In 1996 Internet service providers (ISP) starting competing with each other, offering the best deals for an account. Hundreds of subscribers started to find an ISP. Line congestions started to appear while the ISP started to upgrade their systems. Eventually ISPs introduced new fees, most of which where inflated, resulting in hundreds of subscribers fleeing to other ISPs, or terminating their service due to poor service. (The Internet Situation In Malta) In due course Melita Cable, Malta's only TV cable network, tried to introduce Cable Internet to Maltese at a relatively affordable price. This brought about a number of legal problems mainly created by other local ISPs. Finally Melita Cable "teamed" up with another ISP to give cable internet to Maltese population. During the

same period, Maltacom Malta's only telephone network company introduces the ADSL service.

The liberalisation in the communication field is to be effected by the end of the year and is expected to bring about a transformation in this sector.

### **2.3.2 The Current Situation of the Internet**

In an article referring to a survey (survey details not mentioned) indicated Internet subscriptions sustained a growth of 56.1 per cent during the reference twelve months (2000-2001). The article indicated that the growth rate has slowed down during the last two quarters to 4.7 per cent compared to the rate of 15.7 per cent recorded during the first two quarters of the reference period.

The survey indicated that the total number of Internet users during the year 2000 was 60,850. Another interesting point is the frequency of use of the Internet during the reference period. 22 per cent indicated that they used the Internet everyday, whilst at the other end, 39 per cent claimed to have not used the Internet at all.

From the survey it resulted the age group of main users was registered amongst the 16-24 years bracket. The use of Internet decreased proportionally with the rise in the age. (The Information Society marketplace 2002)

From statistics issued from the local National Statistics Office the following table was extracted regarding Internet users..

	<b>September 2000</b>	<b>December 2000</b>	<b>March 2001</b>	<b>June 2001</b>	<b>September 2001</b>
<b>Total</b>	<b>29743</b>	<b>34409</b>	<b>41538</b>	<b>44347</b>	<b>46436</b>
<b>Per 100 population</b>	<b>7.6</b>	<b>8.8</b>	<b>10.6</b>	<b>11.3</b>	<b>11.8</b>

**Table 2.2 Internet users**

This table (National Statistics Office 2002) indicates that the number of Internet users in September 2001 was 46436.

Furthermore in an article written by MM News it indicated that 61% of computer users surf the Internet. This article gets its source from a survey concluded by the National Statistics Office (NSO) early 2001. It further points out that 61 per cent of Maltese computer users aged over 16 years use the Internet regularly. From the study, it emerged that 32.2 per cent of the target population used a Personal Computer, less than once a week, during the reference year. It was also estimated that a notable fraction of 61.2 per cent of computer users accessed also the Internet. The number of Internet users in the target population amounted to 60,850 persons. (MM News 2002)

## **2.4 E- COMMERCE & E-BUSINESS**

### **2.4.1 What is E-Business?**

E-Business embraces e-commerce but has a wider perspective since it is concerned with redefining old business models with the aid of technology. It alters the business foundations and it is not about automating parts of the business that was often the case, but about rethinking and redesigning business models, which is essential for surviving in an information era. Most organisations have found that success in e-business is typically based on building efficient value-added relationships with their customers. For example, the travel industry offers on-line bookings, through which the company can gain valuable insight about the need of its customers. This is only possible if the company makes the data customer-friendly, so that the customer can easily make use of it and subsequently provide feedback to the company about his needs. Only through this enhanced customer relationship can an organisation provide better service. E-Business is concerned with changing the business operations in order to bring competitive advantages to the concerned company. The characteristics of e-business that distinguish it from legacy business solutions are:

- E-business facilitates transactions with a much wider group of respondents.
- Communications and other transactions are instantaneous.
- Customers are empowered.
- Fierce competition.

## **2.4.2 What is E-Commerce?**

The word e-commerce may be interpreted in various ways, some have a very narrow view such as selling products and services on the Web, while others have a much broader perspective . In my opinion e-commerce consists of the broader perspective made up of a number of functions mentioned below. E-commerce is any networked enabled business practice such as Electronic Data Interchange (EDI), the World Wide Web, direct telephone connection e-mail and more

### **2.4.2.1 Categories of E-Commerce**

One can categorise e-commerce into four functions, which are communication, process improvement, service management, and transaction capabilities.

#### ***2.4.2.1.1 Communication Function***

The communication function is the delivery of information and/or documents to facilitate business transactions. E-mail is an excellent example, but one can also include other forms of communication such as fax transmission as well as Electronic Data Interchange. Furthermore this function can play a very important part with the introduction of teleworking. Today teleworking is being implemented by a number of organisations and thanks to the communication tele-workers are able to work from their home or from a remote site.

#### ***2.4.2.1.2 The Process Improvement Function***

The second function is the process improvement function. This function includes the automation and improvement of business processes, such as : networking two computers together so they could share and transfer data.

#### ***2.4.2.1.3 Service Management***

Service management is the third function of e-commerce. This is the application of technology to improve the quality of service. A good example of this function could be found on the Internet with various websites. One must bear in mind that Service management e-commerce does not only exist on the internet, but also exists using other media of communication, such as by direct connection. Example, a service offered by Bank of Valletta's "visual link" where one could carry out a number of enquiries eg, getting the balance of one's account, or producing a statement. This "link" also offers the customers the possibility to make transactions, although with some limitations. This service could definitely be extended to be used over the net, and therefore would be much more accessible to BOV customers. The Federal Express Web site is a good example of a Service management site. This location is not there to promote it's services but is there to give a service to customers. It permits customers to track shipments and schedule pick-ups 24 hours a day world wide without having to talk to a customer service representative. Making use of this site, customer service is greatly enhanced due to the capabilities of the web page.

#### **2.4.2.1.4 Transaction Capabilities**

The final function of e-commerce is transaction capabilities. This provides the ability to buy/sell on the Internet or some other on-line service. The primary purpose of such sites is to sell the company's products although they do combine other functions such as communication and service management. These sites also highlight the fact that the four functions could be combined. There is a fair bit of overlap and many websites today combine many, if not all, of them.

### **2.4.3 Developing E-Business Within an Organisation**

#### **2.4.3.1 The Methods and Tools for E-Business Implementation**

Implementation of e-business requires both methods and tools. Choosing the right ones is important, wrong methods or tools can be fatal to the E-Business implementation effort. Each organisation wishing to implement e-business will have to choose both the tools and the methods depending on the organisation itself. (Bennet P. Lientz Kathryn P. Rea 2001 pg. 10)

A *method* is a technique for doing a specific piece of work. Examples include how the collection of data is being done, the development of the new workflow and procedures, and testing of such methods. A *tool* supports a method by making it easier and more effective to follow the method. Tools include transaction mapping, flowchart software, programming, testing, and simulation tools. Implementing may not require tool but the use

of tools may enable the organisation to implement the method in a faster, smoother or more economical manner. Tools, implemented without methods, often fail, because people do not know the proper use of the tool. Tools in implementing e-Business, as with any other use of any tools, have to be supported by training, experts, guidelines, lessons learned, and management expectations on both what the tools are to achieve and how to make good use of them. For these reasons the implementers, whether they be external consultants or internal staff need to build a very clear idea how the organisation is working.

#### **2.4.3.2 Internal Marketing**

While developing an e-business solution it is critical to have a vision for integrating business processes to better serve the customers. Streamlining of individual processes without regard to their overall context result in merely a better individual process. Integrating all the individual processes can result in increased competitive advantages and levels of satisfaction, but implementing e-business within an organisation is not something one can do at a touch of a button and could bring about a number of problems. To solve such problems the company would have to carry out internal marketing. The following are some reasons why an organisation may find it difficult to implement e-business (Bennet P. Lientz Kathryn P. Rea 2001pg. 205)

There is often no natural sponsor or specific department to champion E-Business. It is too new to the organisation.

The business activities cross multiple departments, and each department has its own agenda. The departments may have long-standing hostilities toward each other.



E-Business involves a large project and requires time and effort; large projects are more difficult to market.

Numerous points in the project require successful marketing, failure with any one of these may doom the entire project.

Improving the organisation's and infrastructure's business activity at the same time adds complexity.

Time-honoured policies and roles are difficult to change. Resistance can be both direct and subtle.

Internal marketing is the starting point for the implementation process, failure to carry out internal marketing is one of the leading causes of e-Business implementation failure. People assume that just because management mandates e-Business, everyone will get on board. Marketing includes direct and indirect sales and marketing. When one conducts demonstrations, gathers information, reviews results and presents documents and plans related to e-Business, one is in fact carrying out a marketing exercise. The care and attention given to marketing, sales, overcoming resistance and meeting challenges are critical success factors.

Presenting a new e-Business activity requires careful marketing preparation where one must identify the company's capabilities and the matching process. ( Malcolm McDonald & John Leppard 1991 pg7) When one comes up with a new concept, one raises excitement and interest. If the company is not careful, it risks raising unreasonable expectations. This may also bring about a raise in fears of change. Internal marketing is also important

because an e-Business projects substantial human interaction, thus bringing about a risk of misunderstandings.

### **2.4.3.3 E-Business Success and Failure**

Lientz stated that successful companies and managers cite a number of major benefits as a result of E-Business projects. It was also mentioned that there are a number of obstacles and reasons for failure. Some of the more common reasons for success, failure and obstacles are the following: (Bennet P. Lientz Kathryn P. Rea 2001 pg. 11)

Reduced the amount of routine tasks. Customers and suppliers are performing some of the simpler tasks related to ordering, status checking, tracking and credit checking.

Streamlined, simpler business activities. When implementing e-Business, the company makes the effort to drive out the exceptions, manual steps in transactions and to eliminate shadow systems.

Improved employee morale. This may occur after the routine steps have been eliminated. Many employees often find the new work to be more creative and challenging.

Improved work quality. With E-Business, since more is automated, there should be a smaller number of errors.

More information. The implementation of e-business creates a large amount of structured information on staff, customer and supplier behaviour and purchasing. This data can be stored in a database and queried to retrieve further conclusive information.

Better decisions. Any organisation tends to make better decisions with more information.

More flexible business policies. Since the company can implement new policies such as promotions faster, the company will be able to gain greater flexibility in positioning its products.

Improved customer satisfaction. Once the company combines the convenience of electronics with excellent customer service and competitive pricing, customers will be more satisfied when provided with more information on the products and services to them.

Ability to enter new markets and reach new customers. Through the implementation of e-business, companies will be able to move into new markets and also expand their product range.

Some common reasons for "e-failure" are outlined in the following points:

High expectations. Management gets towering expectations based on the hype generated by the media for e-commerce.

Underestimation of effort. Management gets the wrong perception that just implementing the e-commerce systems and software will lead to a full e-business implementation

Implementation of some outlandish techniques The firm selects system techniques that may not be suited to the culture of the firm or the country.

The implementation project focuses on only a few activities. Whilst implementing e-business the company should plan beyond converting a few activities. It should at least plan for a whole e-business implementation and put into practice , if necessary, in stages.

Lack of consideration of all the environment. Some firms that fail do not consider the internal or external environmental structure. One major pitfall is that of not gaining major support, especially internally.

Over-control by vendor or consultant. The organization turns the project over to an outside firm. The new approach never takes hold after the consultants leave. This can lead to high billing and high dependence on the consultant or system vendor.

Excessive upper management involvement. This is the extreme in which management attempt to take full control of the E-Business project.

Some of the most common E-business obstacles are:-

Coping with legacy systems and old technology

Changing the internal organization culture

Building an implementation team for E-Business

Resolving conflates between channels

Upper management support

Educating managers about E-Business and overcoming resistance (Bennet P. Lientz

Kathryn P. Rea pg. 10)

## **2.5 PROMOTING PRODUCTS**

Promotion is an attempt by marketers to inform people about products and to persuade them to participate in an exchange. Marketers use many different tools to promote their

products and services. The main traditional tools consist of advertising, personal selling, public relations and sales promotion. The combination of such tools is referred to as the promotion mix.

Integrated marketing communication combines all the promotional tools into one comprehensive and unified promotional strategy. The idea is to use all the promotional tools and company resources to create a positive brand image.(Luc Hatlestad 2000 pg 172)

Over the years, companies have including a new tool to their mix, Internet promotions. Both the Internet and the process for creating an integrated marketing communication system have developed to be the two fastest-growing parts of promotion.

In a newsletter, titled "Discover How To Grow Your Sales"( Randall 2001) the following had been highlighted:

“Any successful marketing campaign/strategy does not begin with someone coming up with a bunch of wild and crazy idea's (like how the movies and novels depict advertising agencies dreaming up new campaigns) and then magically the perfect answers pops out. Instead, real marketing successes actually begin with serious analysis and research about the marketplace, your competitors, existing sales processes and similar key issues”. (Randall 2001)

The newsletter mentions that there are a number of key facts a company should know about their marketing programs and marketplace, in order to truly boost their sales and cash flow.

Which specific marketing and sales systems that the company is currently using is actually producing sales,

What's the overall competitive environment,

What is your average cost per sale and

What is your allowable sales investment to acquire a new customer.

Controls have to be implemented within the organisation, since it is vitally important to get to the bottom of which marketing and sales components were actually working and which weren't and why, so one could immediately stop the unprofitable ones and start or continue using only the profitable ones. ( Hellriegen et, al . 1999 Pg 665)

### **2.5.1 How Constant Change is Affecting Promotion**

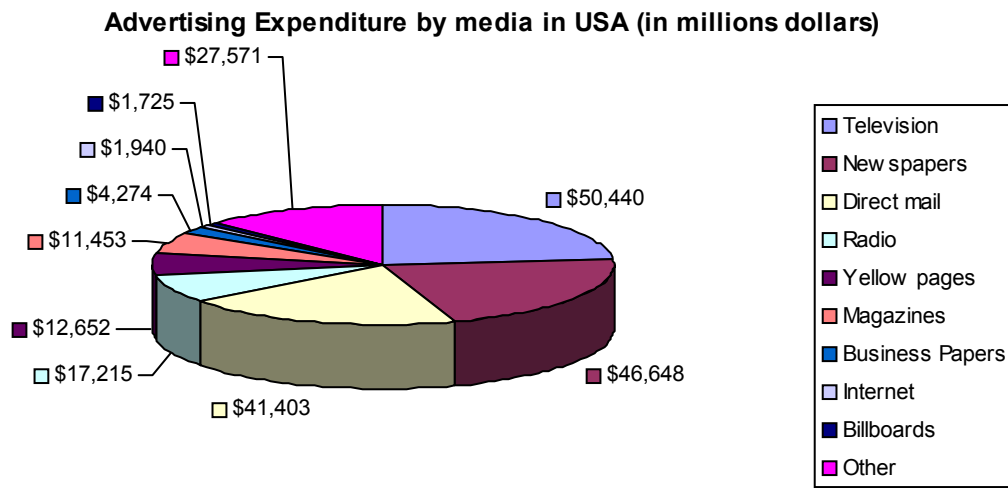
The rapidly changing business environment has affected promotion as much as any other area in business, technology has dramatically changed the role and activities of organisations. Similar changes have occurred in all the promotional areas. Such an example can be noted in the dramatic increase in the number of television channels available through both the relatively new transmitting media such as satellite or cable and the traditional UHF or VHF transmissions. These new channels have lessened the number of viewers for any given program. This means that advertisers must be more creative in trying to reach large audiences, by competing for advertising on the most popular shows. Another very fast changing and new media is the internet, this is changing the whole approach to working with customers. The latest challenge for marketers is to build

relationships with customers over time. That means carefully listening to what consumers want, tracking their purchases, providing them with better service, and giving them access to more information.

Interactive promotion changes the promotion process from a monologue, where sellers tried to persuade buyers to buy things, to a dialogue in which buyers and sellers can work together to create mutually beneficial exchange relationships. For example, Garden.com is an online retailer of garden products and services. Dionn Schaffner, vice president of marketing, says, "Gardening is an information intensive activity. Customers obviously want to learn about gardening, but they also seek inspiration by communicating with fellow gardeners and experts."(Nichels 2002 Pg 394)

## **2.5.2 Different Types of Advertising**

Different kinds of advertising are used by various organisations to reach different market targets. The major categories of forms of advertising are included in the chart. The importance of advertising in the United States is very apparent, the chart clearly identifies this. The total adverts volume exceeds \$215 billion yearly. Television, in all its forms, is the number one medium (about 23 per-cent of the total). Newspapers are number two, with about 21 percent of the total expenditures. Closely following is direct mail, at a little over 19 percent. Note that Internet advertising, while growing by about 85 percent a year, still only takes less than 2 percent of the total expenditure.



Source: Nickels McHugh 2002Pg.492

**Fig 2.6 Advertising Expenditure**

Companies must allocate the promotion budget over the main five promotional tools—advertising, sales promotion, public relations and publicity, sales force, and direct marketing. Within the same industry, companies can differ considerably in their allocations. Any organisation is always searching for ways to gain efficiency by substituting one promotional tool for another. Many companies have replaced some field sales activity with adverts, direct mail, and telemarketing and introduced the Internet as a media. Companies have also increased their sales-promotion expenditures in relation to advertising. The substitutability among promotional tools justify why marketing functions need to be co-ordinated. (Kotler Philip 2000 pg563)



At its most basic the choice of promotional tools should be exercised within the following objectives. (Marketing Operations 1998 Pg 104)



**Fig. 2.7 Promotion Tools**

Choosing the correct tools for a particular promotions task is not easy. The process is still very much an art, though it is becoming more scientific because of the access to consumer and media databases. Matching consumer characteristics with media databases can be carried out very rapidly by computer and promotional budgets can be evaluated for a variety of different mixes. Using the Internet may make this easier as all transactions are carried out through computers and information regarding the customer may be easier to collect. The Internet still has a number of shortcomings to be used as a sole tool.

David Rosenblatt, president of online marketing firm DoubleClick was asked whether it is possible to build a brand strictly by using the Web; he indicated that most experts in the field say it is. Furthermore such experts will qualify their answer confirming that it is possible, but are not sure it's the most effective way to build a brand.

"The fundamental idea of any kind of marketing is to meet the consumer where he or she is. And as much as online use has grown, most people still spend more time offline," Rosenblatt said. Indeed, while some of the Web's best-known brands, such as Amazon.com, eBay and Yahoo!, got an initial foothold by marketing on the Web, all eventually saw the need to extend their message to print, television, radio and direct mail channels.

Still, one can identify examples of fairly new brands that have been built almost exclusively on and through the Web. Such an example is X10.com, which sells wireless cameras and networking products. X10 gained fame by becoming one of the first serious users of pop-up advertising, which is now used widely on the Web.

Target audience is also a key consideration. Marketers can easily target teenagers who spend hours online each day. Still, the value of reinforcing the message is important, for this reason it has been recommended that multiple approaches are necessary in almost all cases. The difficulty lies in the suitable mix for such a market but it has been recommended that the marketing should try to meet the audience in more than one place. One other important aspect of online brand building is that it will be easier, if the brand in question has an offline foundation on which to build. ConsumerReports.com, for instance, has racked up huge success as one of a handful of successful pay-for-content sites. Thanks largely to its deeply entrenched offline brand image.

One other important issue for the success of a webpage, is the domain name, one example is yellowpages.com. Madsen, CEO of YellowPages.com, an online directory of businesses stated "I always say we won the lottery when we got our domain," Madsen said, noting that the original owner of the domain name had let his registration lapse. "But we could screw it up badly if we didn't operate it effectively. I think it's hard to completely destroy a brand, but it can be messed up."

In fact, Madsen argued that the difficulty of brand-building has less to do with marketing and more to do with executing a business plan. For example, early dot-coms like Amazon have thrived because they delivered what customers expected and, whenever possible, exceeded those expectations. (Keith Regan 2002)

A study to identify if online brand advertising works has shown that this does work, The study focused on three primary objectives: (Vertical Web Media 2002)

Can Internet advertising drive offline sales of consumer packaged goods products?

Is online advertising an effective medium for branding consumer packaged goods products?

Is online advert impact related to offline advertising sensitivity?

From the study it was concluded that online advertising positively influences consumer perceptions of brands and increases offline sales by an average of 6.6% for major consumer packaged goods. Furthermore it was concluded that a growth in brand awareness, message recall and sales that was incremental to the base levels achieved through TV, radio and print advertising. The sales lift resulting from online advertising ranged from flat for two brands up to 22.5% for a brand with a new line extension.

The research shows that online advertising can impact sales. The study identified that companies should no longer doubt if online advertising works but to recognise how one can maximise the impact and return on investment of Internet advertising within the marketing communications mix.

### **Internet Advertising**

Advertising on the Internet is often referred to as sponsorship. Internet advertising is considered to be effective when it is passive, non-intrusive, graphical and containing

potentially valuable information. Internet advertising has a combination of characteristics that combine those of the print, broadcast, outdoor, and direct response media. Internet advertising has been identified to creating awareness, demonstrating the product, providing information, providing help in the evaluation and selection process, and projecting a favourable corporate image

Advertisement on the Net is "any content on a web site which intends to act as a commercial device to carry a message or attract a user. This typically takes the form of a static image or a text message, but could easily be an MPEG clip, a Real Audio stream, an animated image, or a Java applet (Interactive Advertising 2002)

#### **2.5.2.1.1.1 Types of Advertising on the Internet**

An article by Chaplin identified five general types of web advertising formats which are:

1. Banners -an advert appearing at the top of a web page
2. Vertical Columns - on a frame web page positioned alongside requested content (often as form of sponsorship)
3. Pop-Up windows - Java script opens a browser window with an advert
4. Interstitials - full screen adverts that appear on a web browser while a page is loading
5. Advertorials - content-based advertising related to an article or other site content.

The research carried out by John Chaplin in the year 2000 highlighted Banner adverts to be the most used advertising tool on websites, followed by sponsorships, interstitials (adverts

inserted between pages) and other forms of advertising including directory/classified/e-mail and others. (John Chaplin 2002)

Much of the current emphasis is on "rich media", which uses multimedia interactive marketing tools, i.e. web pages or banner adverts that contain multimedia components such as audio, video or special effects using Shockwave, Flash or Java Script. These tools push the transaction as far out from the corporate website as possible, making purchases available directly from the banner.

Other online formats, which tend to be variants of the five mentioned above, include hyperstitials - companion applications that run alongside a browser and let advertisers present full-screen adverts during page load delays, and Meta Adverts - adverts displayed on results pages keyed to online searches.

Chaplin noted that the US and Canada showed banner advertisements to be the most used advertising tool on websites in 1998, accounting for 52% in the US and 69% in Canada. Sponsorships accounted for 40% in the US and 24% in Canada. These were followed by interstitials and other forms of advertising, including directory/classified/e-mail and others.

The high bandwidth which is already available, accessible and affordable in many countries including Malta will be expected to bring about a rise in the following types of adverts.

Click-to video - used by WebTV to let users click on banners and view commercials through their TV set

Extramercials - ZDNet livens up unused space on the right of its pages with micro-buttons that link to full-column adverts

Interactive - an advert for Amazon.com offered surfers an instant excerpt print out of Tom Wolfe's "Man in Full" book

Telephone Call - Telepost allows users to type in a telephone number into a RingMeNow advert-banner, triggering an immediate or scheduled toll-free callback

E-mails - Lycos is distributing interactive e-mail-based cartoon characters. These advert-sponsored entertainment shows offer powerful inducements to keep visitors coming back to Lycos.

Contextual Integration - SpeedyClick is looking to incorporate a sponsor or advertiser's name or product as part of a game or contest.

Such rich media is expected to be much more effective than traditional banners and interstitials.

#### **2.5.2.1.1.2 Targeting Adverts**

The Internet has provided new tools for targeting by which the content or advert can be adapted to better suit the individual user. Microtargeting will be the future of online advertising. This is being done by breaking markets into smaller, more differentiated

pieces. Niche markets appear, followed by niche products, niche financing, and niche players in the stock market. Niche advertising fills niche media

The Internet is making it possible to tailor site content to the profile of the person visiting the website. This will result in creating a highly interactive browsing experience.

Usually, targeting has been made for reasons of cost. The Net is a different world, where targeting is done to give as accurate and well-fitting content to online customers as possible, while the internet users do their own targeting by clicking hyperlinks.

The ability to target adverts is based on criteria including, but not limited to, use of implicit data and requirements of user input. Use of implicit data might include: page sponsoring, searchable terms or phrases, browser information, and content stream. Requirements of user input may include demographics, geography, stated interests, psychographics, and collaborative filtering.

#### **2.5.2.1.1.3 Interactive and Passive Advertising**

Internet Advertising consists of a combination of both Passive and Interactive Advertising. Internet advertising can be directly compared to traditional advertising in that it incorporates both passive and interactive advertising. All forms of banners and links on publisher web sites are a type of passive advertising, whereas advertisers' web sites in their own right are the highest form of interactive advertising. (James R. Lussier 2002)

As an Internet user visits a publisher's web site, he or she is exposed to one or more forms of passive advertising: banners, logo icons or sponsorships on the site's home page. This type of advertising is very similar in effect as when an individual sees a billboard.

One advantage Internet advertising has over other types of advertising is that it allows passive advertising to become interactive. In most traditional passive advertising today, a viewer will notice the advertising message, or subconsciously note the logo, but will usually not immediately react by trying to contact the company making the advert for more information, even if he does, he or she will have to use some other form of media to contact the company.

### **2.5.2.2 Direct Sales**

Most corporate Internet sites have - as one goal - the aim to bring about direct sales. Order processing may be offered via the Internet or by traditional communication means. McBride notes that, "Many companies have discovered that, while a large number of people will access their home page, this does not result in sales or other useful business activity." (Novak, Tamas 2001)

One reason why consumers use the Internet is to seek information about products, way in advance before possible purchase. In many instances these products may be eventually purchased from another source.

An effective way that is used as to carry out direct sales is via classified adverts. In most instances a number of popular sites offer this service for free. This method is a method to



get off to a fast and relatively cheap start. Robert E. Hall suggests the following steps should lead to an effective and low cost direct sales method.

The individual or company placing the advert must be able to write effective classified adverts. Only well written adverts will produce the results. The next step is to find a software program to help while posting adverts to the free classified sites. Many of these programs are free... some will have web site address listings of the sites that accepts free classified adverts. One can also go to any search engine and do a search for classified advert sites. One should find many sites that will accept this type of advertising.

Start posting the adverts to the free sites and post often. Old adverts roll down as new adverts are posted. Adverts near the top of a section will produce better results than the one in the middle. Test the classified adverts on the free advert sites first. Once the advert is successful then try paid adverts in sites that charge to post adverts. Advertising on these sites will bring better results. Always try to improve the pulling rate by testing a new advert copy. (Robert E. Hall Bob 2002)

## **2.6 MAIN FOCUS IN THE DEVELOPMENT OF A WEBSITE**

“New technologies are emerging that will enable businesses to reach customers whenever and wherever they are ready to buy. The focus of e-commerce will shift from content to context, knocking many corporate web sites into irrelevance” (David Kenny et, al)

An article by Robert Dwek has highlighted that dot-com businesses are in danger of seriously overestimating the sophistication of online consumers, according to a recent study. (Robert Dwek 2000 Pg. 23)

The study suggests dot-coms are less in touch with consumer needs and wants than traditional companies with a Web presence.

Despite the common belief among Internet start-ups that they are champions of the consumer, the report shows a lack of consumer-focused research in the dot-com sector.

Liz Hauck, chief executive of Hauck Research International, says:

"There is clear evidence that consumers are bookmarking a much more limited number of websites than one would expect. Many are just going through their ISP and that is their only frame of reference for the Web."

The study has identified that even young consumers "lack sophistication" in the number of sites they use.

The research was carried out using extended in-depth interviews with a small sample of consumers and companies. Taking the qualitative rather than quantitative research method.

The research identified that the lack of sophistication of consumers online was news to all the companies involved in this report, but it was particularly relevant to the dot-commers because they have done relatively limited consumer research themselves. Furthermore, it has been identified that there is a need to develop transactional, interactive sites that both replicate the consumer thinking process and offering a good experience. All too often, instead of looking deeper into the online consumer's needs, desires and apprehensions, the technical aspects of website design become the main focus. (4-d marketing.com 2001)

In this newsletter it was mentioned that most web sites and offline businesses suffer greatly because their marketing was either conceived or implemented by an inexperienced, yet well meaning "advisor."

The newsletter identified that in order for a company to succeed on the Internet or offline, from a marketing perspective, one needs all of the exact same ingredients as with all successful marketing systems anywhere else. In other words, good successful marketing is independent of the medium the company is using. Hence, one should only let successful professional marketers make the companies' Internet marketing plans and decisions.

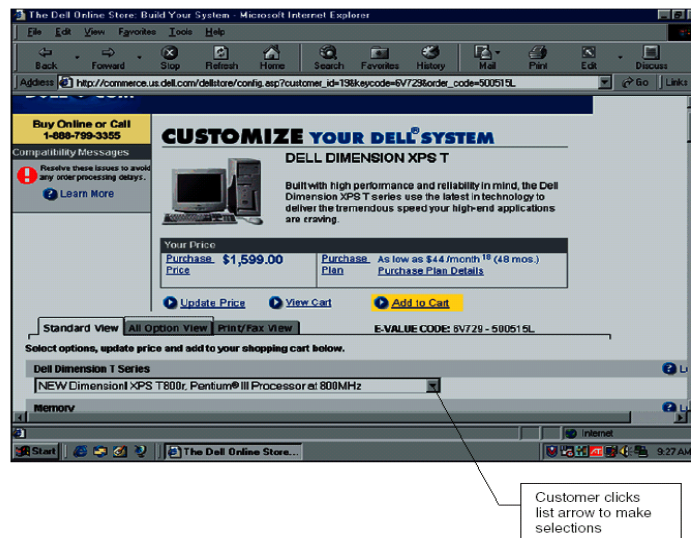
The news letter points out that the function of marketing should always be a separate practice in any business, regardless if it's on the Net, a local business, or a major retailer at your mall. Finally the newsletter stated:

“Successful marketing is actually much more of a "sales activity" than any kind of "artistic or creative process" or "programming function." Successful companies know that this is the only way to operate, and for good reason. Because it works best!”(Randall)

### **2.6.1 Interactivity**

Interactivity within a web page can be very important. One may judge the issue of importance of interactivity depending on what the main objectives of the organisation and the use of the web page. For instance in the case of a web page where the company's main aim is to use the page as an introduction or promotion to the company then interactivity may not be such an issue. On the other hand if the organisation is going to use its page to

sell its goods or service as well as a promotional medium, interactivity will have to be implemented to a higher degree. In the following example one can see a web page with the possibility of interaction.



**Fig 2.8 Interactive web site**

In the above example the customer can click on the list and select the components he or she would like to include into his computer system. In such a case the web page will calculate the cost for each system the customer desires. One of the most successful first interactive websites is that of Federal Express which lets their customers track their packages and see online the progress of the package, seeing the date and time when it was collected and when it is to be delivered. (www.Fedex.com)

## **2.6.2 Graphics**

Just as with other media, graphics often mean the difference between a good web site and a great one. And the quality of a site is often dependent on what viewers remember about it which is often directly related to the graphics. A "pleasing" site is one that provides information in a quick, yet graphically attractive manner, and this means paying close attention to the graphics function and form, and avoiding large graphics that take too long to load. (Janet A. Barker 2002)

One other factor that must be considered is the number of browsers available and how web graphics appear differently on each of them. The older browsers may not support some of the features that may be present on a website, such as frames while others may require plug-ins which the user may opt not to download and some browsers seem to change the layout without permission. For these reasons the developer must be careful as how to design the web page and he or she must be able to predict what kind of browsers his audience are using. In some instances some web pages give the user the option to select the layout and type of graphics to include. In other instances the developer may develop the web page to be able to identify the type of browser the user is using. In such case different pages will have to be developed for different types of browsers, this would imply higher cost during the page development and maintenance.

## **2.6.3 Payments Over the Net**

Online fraud is one of the largest barriers for both customers and businesses operating over the net. Businesses are continually trying to create an environment of confidence while

customers are regularly hearing, or maybe even being victims, of online fraud. Such an issue poses a threat, especially for the new or not so well known companies, since the customer may prefer purchasing from well-known sites. Furthermore, one must remember that strictly speaking, the Internet is not governed or controlled by anyone but, as will be pointed out, authorities are trying to ensure that the internet is a safe place to carry out business from both the customers and businesses point of view.

A report on Internet fraud released by the Internet Fraud Complaint Centre, a partnership between the FBI and the National White Collar Crime Centre identified that the top complaint reported was online auction fraud, with nearly 66 percent of complaints coming in that category. This was followed by non delivered merchandise or payment at 22 percent and credit or debit card fraud at nearly 5 percent.

These frauds led to over \$4.6 million in total losses, with the average loss being \$894. Despite such a high average amount, only 17 percent of the losses were over \$1,000. The majority of losses totalled less than \$500. Investment fraud led to the biggest losses. Auction fraud, despite being the largest culprit percentage-wise, led to the lowest average losses.

The perpetrators of the fraud tend to be male, according to the report, and are overwhelmingly U.S. residents (92 percent) living in large states. The most perpetrators (17 percent) live in California. The average victim of online fraud also lives in a large and populous state -- California, Texas, Florida or New York -- is male and between the ages of 30 and 50. The report notes however that women have also fallen prey to online fraud, and that the ages of victims range from 10 to 100.

Over 50 percent of fraud victims are initially contacted by e-mail, with 38 percent of contacts coming via a Web page, the report said. The leading methods of payment in fraud cases are money order and credit card. (Sam Costello 2001)

On the other hand, an article titled "Users conquer credit card fraud fear", indicates that UK Internet users are less anxious about credit card security over the Net. According to the article, 48% of all Internet users consider credit card usage over the Net to be secure. This contrasts with 39% in December 1999 and an average of 35% in 1998.

It was also mentioned that the rising confidence will help to accelerate the already fast-growing e-commerce sector, since fear of credit card fraud is one of the key barriers to e-commerce participation among Internet users. But it warns that this new-found consumer confidence "is fragile and needs to be reinforced continuously by the industry." The report identifies an increase of more than 30 per cent in only four months. However, security concerns persist, mainly among female Internet users and the over 55 year-old age group. Only two-fifths of each of these groups considers credit card usage on the Net to be safe.

These attitudes are reflected in online buying patterns. Only a third of women and over-55 Web users have purchased goods or services online, compared with two fifths of the total UK Internet population. (Marketing Week 29 June 2000 pg 64)

To further build up trust in the internet several authorities including the EU are taking action to combat cyber crime, on the other hand, the freedom of the Internet, the source of its very success, has to be preserved. No security on the Internet would imply, no trust and

no transactions, this in return would mean that the impressive growth forecasts for e-commerce will remain an illusion if people cannot trust electronic transactions.

The European Union stated, it is implementing a policy to combat computer crime doing so without hindering the rapid development of e-commerce in the EU or affecting citizens' fundamental right to privacy. (EU unveils plan to fight cyber crime 2001)

On this issue the European justices pass stiff e-commerce law, such laws may have a double edge sword effect.

"A lack of consumer confidence is the main thing holding up the development of e-commerce here," said Leonello Gabrici, spokesman on judicial matters for the Commission. He said that by handing jurisdiction of such cross-border disputes to the courts in the consumers' country, the regulation would be encouraging consumers to purchase online.

But industry representatives in this debate argue that this approach will create legal uncertainty for small and non-international companies using the Internet. For large International companies the problem is not serious, because they have offices and lawyers in all EU countries. The smaller companies would be burdened with substantial legal and insurance and travel costs if they took protection against litigation from outside their home market. (European justices pass stiff e-commerce law 2000)

#### **2.6.4 Customer Service on the Internet**

The Internet has gathered a great deal of hype and media attention in the past few years. The descriptions of the Internet as a whole new way to communicate and to do business, is now a fact that cannot be contradicted.



It would be improper to ignore a new way to communicate with one's customers. Today, a number of companies are building websites in order to communicate to their customers instead of with them. Most Web sites are created to provide an electronic brochure, essentially the Internet version of a sales pitch, a sort of on-line television ad. Customers can get the specific information they're interested in, but companies are giving little thought to two-way communication. Companies have to identify the Internet as a communication tool rather than a broadcast medium. Brand managers and market researchers must fully embrace the Internet if they are to learn from their customers (Haig M. 2000 Pg 71)

The Internet offers a whole new way to establish rapport with customers. Answering customer questions, solving their problems, and selling them additional products can now be computerized.

The Web offers an additional means of creating the all-important bond of trust and loyalty between buyer and seller. The web has given customers another means of conducting business. The rewards have been lower customer service costs and higher customer satisfaction. These are clearly goals to be envied.

Jim Sterne identified eight steps to superior customer service on the Web, the steps will not only create a better customer service but also lead to long term savings and higher profits. The steps are outlined in the following points: -( Ron Zemke & John A. Woods. Amacom 1999 pg.301)

#### **2.6.4.1 Recognize That The World Has Changed.**

The Web represents a fundamental shift in the way business communicates. Bringing customers into your company through the Web will cause ripples of change throughout the organisation. Upper management must embrace this new media and stand behind the idea. Those ripples of change will include the way one runs his business internally. The company will have to set up systems to give its employees access to enough information that they can then service the customers. On this issue Christopher Locke stated:

“The Internet is creating a myriad of micro-markets, controlled not by companies but by customers. Yet in most businesses, the mass-market mind-set continues to hold sway.....

It's time for marketers to wake up.”(Christopher Locke)

#### **2.6.4.2 Post a "Frequently Asked Questions" Document.**

A large number of customers call to enquire about the same questions, the company's telephone operators and sales people could identify these frequently asked questions (FAQ), then post the answers for all to see.

Eventually the FAQ can grow to include a knowledge base of answers. The software development tools company. If a customer has a problem using the companies products, then he or she could refer to the knowledge base. It's the place the company stores all the problems people have had and all the answers they've offered.

If the organisations site is large enough, implement a search engine. It should be accessible from the home page and from any page on the site. It should be powerful and easy to use. Placing a search icon on your home page and a search button on the generic, site-wide

button bar is straightforward and easy to do. Providing a search tool that is both powerful and easy to use is not straightforward and easy to do, but it's a great benefit to your customers.

#### **2.6.4.3 Respond to your e-mail.**

When customers use e-mail instead of the telephone, one needs to be ready to respond. There have to be people assigned to answering e-mail and properly trained in its use.

As a start, offer multiple e-mail addresses for your customers. Such as `accounting@company` or `sales@company.com`. This will allow customers to choose-and save the company sorting time and effort.

When an issue is critical, a customer will usually call. If it's a contractual issue, they'll send a fax with its inherent status as a legal document. But if it's merely important a product question, a service modification, a clarification of some kind they'll send an e-mail. They don't need an immediate answer, but they're not doing it for nothing. They expect an answer within 24 hours and it's up to the company to get the answer. (Burns P. 2000 Pg . 14)

Organisations may implement systems that could automatically identify to whom the message is intended and forward it directly to the correct person, the system could be set up to send an auto-response back to the sender, all the while recording who's working on the subject and how much time goes by between receipt and reply. Implementing this, the customer knows the message was received and has a tracking number. Implementing would allow management to get status reports about customers and productivity.

#### **2.6.4.4 Create a Bulletin Board.**

Take advantage of bulletin boards and e-mail lists to give your customers a place for online discussions. They know things about using the company's products that the company does not and they can help each other use the products better. It is also a great way to learn what the customers are thinking.

#### **2.6.4.5 Keep a Customers' Log.**

A company should keep a log of what the customers look at, how they navigate, and what they search for. This will give the company a lot of clues about what interests them and how easy your site is to use. Pay attention to the most frequently asked questions. If one knows what people are asking, one can provide the answers up front, such as in marketing materials, instruction manuals, on home page. Give customers the answers before they ask.

Provide access to as much information as possible.

The ideal Web site has so much information that everybody who comes there can find something to help him or her. Every time the company comes up with more tips, advice, or pointers, be sure to post them on the Web site. Make your site the vault of all knowledge and your customers will get used to looking there first.

Don't publish everything on one page, instead, offer the basics up front and let them drill down to the information they need, when they need it, and at their own pace. The person who's happy with a terse reply can click and run. The person who wants a more detailed explanation can get it.

#### **2.6.4.6 Give Access to live Information.**

The reason the FedEx Web site is always held up as a vanguard of business on the Web is because it allows direct access to live data. Any company's customers want to know more than just the basic information. They want to know the delivery time, if the problem they reported has been solved, and if the new version will be out soon.

#### **2.6.4.7 Every Customer Is An Individual.**

Your customers are uniquely individual. Not just each company you sell to, but each person in each company you sell to. Track them all as individuals. A Web site can recognize individuals and treat them as such. This can be done by making maximum use of database technology, which probably is already available within the organisation. Once this is implemented greet customers by name when they show up at the company's site. Show them what has been added to the site since the last time they visited. This isn't a generic "What's New" page. This is a call to the customer database to see exactly when this person last visited, to create a "What's New to You" page. Let your customers review their billing statements. Let them see the status of their back order. Let them make their purchasing decisions based on your stock-on-hand.

Successful customer service always means looking at the products, the company, and the customer service methods through the customers' eyes. Customers don't care how the company is organised. They just want answers to their questions and solve their problems.

An important task for a customer service Web builder is to maximise the use of the *Internet as a promotional medium*, promoting by giving to the customers what they want.

This is done by figuring out what the customer will want to see, will want to ask, and will want to get out of the experience.

#### **2.6.4.8 Loyalty On The Internet**

While one is looking to make a purchase or strike a deal over the Internet it is usual for the customer to brows through a number of sites before making a decision.

Normally, individuals like meeting people and prefer purchasing from a friendly sales person. (Christopher Locke) Sales people are a big part of a purchasing decision and convincing the customer that the product is suitable for him or her. In some instances, one may remain loyal to a less efficient supplier simply because sales persons are nice or because of a rapport that was built over time. This is very difficult to do on the Internet, since building a rapport with a web page is not usual for a customer to do. The removal of sales people from the process removes the personal bias on the decisions. The practical issues get renewed precedence. For example: is the product good? How easy is the site to use? Is the transaction safe? One other issue is that once a client uses a web site and has built up a positive perception of the company, maybe due to a combination of the information the site offers, the service given to the clients and the promotion the site carries out, the customer will prefer to use that site next time.

Such issues are the most important when setting a marketing strategy. On the Internet, one's competitor's site is no more than a few clicks away, if the client gets bored on a site, he will go and check another. These arguments raise the following issues:-

The Internet will force your business to become genuinely customer-focused. If a company is not giving the customers exactly what they want through the company's site, then the customers are going to go elsewhere very quickly.

The sites that can build in some human element into their websites are going to do better.

Large mail order catalogues come online with their telephone numbers proudly displayed, this makes it very easy for a client to pick up the phone and contact a sales person who can help the client and conclude the sale.

Without human interaction a client who may be browsing may soon decide to move on to another site especially if the page being downloaded may take some extra time, even if this at the end will be more impressive, finally *Bill Fryer, creative director of Bill Fryer Direct Marketing* concluded :-

"Because websites eschew personal interaction, they need to develop new approaches to customer loyalty. Online marketers should spend less time talking about customer loyalty and pay more attention to customer promiscuity. " (Bill Fry 2000 Pg. 16)

## **CHAPTER 3**

### ***HYPOTHESES AND METHODOLOGY***



## **3 HYPOTHESES AND METHODOLOGY**

### **3.1 HYPOTHESES**

The purpose of this study is to investigate and analyse the perception of customers regarding the Internet as a promotional medium and identify ways businesses with Internet presence can improve their marketing functions.

The literature review indicates that if organisations are to be successful in implementing web based E-Business, they are to follow some basic rules to improve the marketing function regarding customer perception.

- **Customers, while browsing on the web are *freer* to move about from one web page to another.**
- **Although the idea of a web page is to remove human interaction, it is very important to make the necessary to allow customers to communicate with well-trained sales people. This may be done in various ways.**
  - **By displaying clearly a telephone number on which they can call**
  - **Allowing the customer to input his phone number so as the company's sales person may contact him or her**
  - **Or by e-mail or some other form of communication.**
- **Customers are only looking at a web page and may not have a clear idea regarding the company behind the web page.**
- **Customers may not feel safe to effect payments over the Internet**

- **Where necessary and possible when creating a website allow interactivity and up to date information.**
- **Graphics form an important part of a web page but one should not over do it.**
- **When a company is carrying out such a task as implementing E-business within an organisation, as with any other project, it is essential to select an appropriate and capable team or individual to do the job.**
- **Companies are to consider the Internet as a virtual *Place* with many differences from the traditional *Place* described in the traditional marketing mix**
- **It is vital to have all the staff from the bottom right up to the top committed in the implementing of the e-business concept and common marketing standards, having this reflected through various media, business operations and actions .**

## **3.2 METHODOLOGY**

A survey has been undertaken to research and evaluate the perception of customers regarding Internet as a promotional medium, this research will set out to find what the perception of potential customers is towards Internet vendors and their promotion.

### **3.2.1 The data collection method**

With regards to primary data, this is being collected by means of a questionnaire; the questionnaire has been developed using a WebPages maker development tool, converted to HTML and sent to about 400 individuals by e-mail..

### **3.2.2 Secondary Data**

The amount of data selection to be used will be relatively little, this will be used to give a wider idea of the perception of customers regarding Internet as a promotional medium locally. With this data I will be able to give estimates of the total number of Internet buyers and the general perception on a number of issues. The source of the secondary data used is the local National Statistics Office

### **3.2.3 Primary Data**

The primary data collected has been done with the use of the mentioned e-mailed questionnaire

### **3.2.4 The Questionnaire Layout**

The questionnaire has been forwarded to the selected group by e-mail; this would show up as an html attachment. With the attachment came a short introduction to the questionnaire, explaining what the attachment consisted of and a brief explanation of the reason for the questionnaire. This was also accompanied by some instructions on how to use and return the questionnaire.

Once the attachment was opened there was again a similar description within the questionnaire, this was repeated because it is the habit of many individuals to open an attachment before reading all the text contents of the e-mail. The questionnaire had 4 types of possible answers.

The first one used was as shown in the following extract, where the respondent had to select the three most effective means of advertising a website, in such a case the respondent could use the check box, the check box could allow the respondent to select more than one suitable statement.

In your Opinion, what are the 3 most effective means of advertising a website?

- Search Engine Submissions (like Google, Yahoo and Excite)
- Traditional Print Media (newspaper adverts, radio, billboard...etc.)
- Newsgroups - an electronic bulletin board devoted to talking about a specific topic and open to everybody.
- E-mail Announcements
- Word of mouth - recommended by others
- Banners -an ad appearing at the top of a web page
- Vertical Columns - (on a frame web page positioned alongside requested content - often as form of sponsorship)

The second type of question was one where the respondent is requested to select with a scale. In the case of this example the respondent is to select a number between one and

five, 1 Nearly never and 5 Very often. The respondent may select tab, once the respondent clicks on the tab all the options 1,2,3,4,5 will appear and the respondent selects the desired one.

While browsing how often do you click on online adverts?  1 Nearly never 5 Very often

The other type of question is exclusive selecting from a list. In the following extract the respondent is requested to select a statement that matches the amount of time he or she spends browsing on the Internet

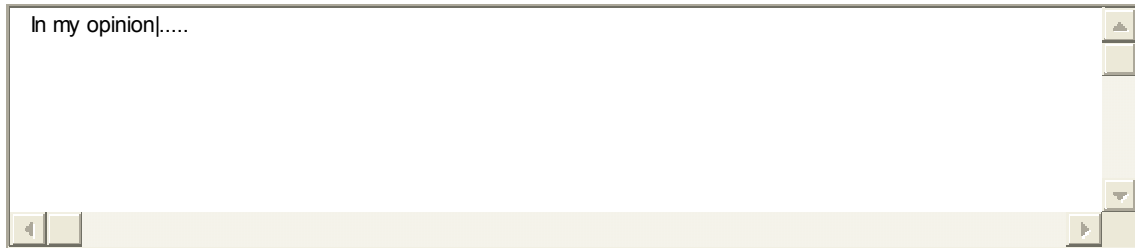
How much time do you spend browsing the Internet

- Less then an hour a week
- 1-5hours a week
- 5 to 10 hours a week

In such a case the respondent can only select one radio button and if a second is selected the first one is deactivated.

The final type of response method I used is that for open ended questions, in this case I created a space where the respondent may enter a length of text.

Give any additional comments on the subject:

A screenshot of a web browser's text input field. The field contains the placeholder text "In my opinion|....". The input area is light gray with a thin border. On the right side, there is a vertical scrollbar. At the bottom, there are horizontal scrollbars on both the left and right sides.

### **3.2.4.1 The questions asked and possible answers**

The following are a list of all the questions included in the questionnaire:-

**In your Opinion, what are the 3 most effective means of advertising a website?**

For this question the respondent had to select three of the following types

Search Engine Submissions (like Google, Yahoo and Excite)

Traditional Print Media (newspaper adverts, radio, billboard... etc.)

Newsgroups - an electronic bulletin board devoted to talking about a specific topic and open to everybody.

E-mail Announcements

Word of mouth - recommended by others

Banners -an ad appearing at the top of a web page

Vertical Columns - (on a frame web page positioned alongside requested content -often as form of sponsorship)

Pop-Up windows - Java script opens a browser window with an ad

Interstitials - full screen ads that appear on a web browser while a page is loading

Advertorials - content-based advertising related to an article or other site content.

One of the reasons for asking these questions was to be able to identify which type of advert is the most effective one on the internet and to identify what, in the user's opinion is the best way to advertise a web site.

The second question required the user to select a grade from one to five. This question has been done to find out the percentage of respondents who click online adverts. This again can be used to correlate with, for example, users who purchase over the Internet.

**While browsing how often do you click adverts? -1 Nearly never 5 Very often.**

For the following question the respondent had to select one of the listed options. The reason for this question is to be able to find out how much time the users are spending on the internet and can be used so as to correlate time spent with purchasing over the internet and other issues.

**How much time do you spend browsing the Internet**

Less than an hour a week

- 1-5hours a week
- 5 to 10 hours a week
- 10-20 hours a week
- over 20 hours a week

For the following statements the respondent had to select a grade one to five where one would imply the respondent strongly disagrees and five indicates that he strongly agrees. The following questions should give an overall idea of the respondents' perception of Internet vendors and the Internet as a business and promoting arena.

In your opinion, do you feel that the Internet is an effective medium in which to advertise?

It is easy to find a Web-based vendor that sells the item you wish to purchase.

Internet vendors are better at providing information about products and updates

It is easier to compare similar items and prices between different Internet vendors.

It is more risky to make payment to Internet business when purchasing an item.

**It takes longer to receive the item purchased from Web-based vendors.**

Returns and refunds are easier with Web-based vendors.

I would trust online vendors enough to feel safe shopping over the Internet

Shopping over the Internet would allow me to do my shopping more quickly and at any time

Overall, I believe that Shopping over the WWW would be easy to do.

I've had a great deal of opportunity to try shopping over the WWW.



The next question is one where the user has to select a yes or no and if yes is selected the respondent is invited to answer some further questions. With this question one could segregate individuals who purchased products or services and to carry out a study on their response. The sub questions will enable the identification if users mostly purchase products or services, the method of payment used and to some extent the percentage of purchasing over the internet.

**Have you ever purchased any products or services over the Internet    If Yes**

**Which are the most common products or services you purchase over the net**

Products (delivered on line e.g. software)

On line Services ( e.g. domain name)

Product to be delivered (e.g. books)

Other services (not online)

Payments of licences fines etc.

Stocks, Shares, etc.

**Method of payment mostly used**

Credit card

Payment by cheque or postal order

Other

**Most of my purchasing is done over the Internet.**

1 Strongly disagree    5 Strongly agree

Finally the respondents are asked to select an age group, their gender and give any additional comments on the subject.

**Age**

**Sex**

**Give any additional comments on the subject:**

#### **3.2.4.2 Dispatch Of Questionnaire**

The questionnaire has been sent by e-mail as an attachment, this has been sent with a short introduction to the questionnaire within the e-mail as text.

#### **3.2.4.3 Collection Of Questionnaire**

The user would send the questionnaire by e-mail. This has been done in a user friendly and simple way as much as possible. Once the user has finished filling his questionnaire he or she clicks the submit button at the bottom of the questionnaire. The contents of the questionnaire will then be e-mailed to me.

### **3.2.5 Sample Selection**

The questionnaire is aimed towards Internet users only. This is the reason e-mail has been used as the means of communication. All e-mail users are strictly speaking, Internet users, since e-mail is a major part of the Internet. It stands to reason that e-mail users would not imply that the user is also a WWW browsing individual or a user of other functions of the Internet.

### **3.2.6 Pilot Study**

Before the questionnaire had been completed, it had been sent through a pilot run. This was done on a group of five individuals that consisted of both individuals who were highly knowledgeable in information technology and the Internet and Marketing, and others who had little knowledge in these subjects. After they completed the questionnaire, they came up with suggestions on how to improve the layout or questions within questionnaire. After discussing their suggestions the necessary improvements and changes were made.

### **3.2.7 Method of Analysis**

The data collected will be analysed using Microsoft Excel 2000, where the data will be imputed into a worksheet, sorted on a number of worksheets and correlated where necessary. The results being given out in forms of graphs, tables, bar graphs, median ranges and descriptions. In the case of correlations, when these will be carried out a skater

chart will be used and the function CORREL within the statistical functions of MS Excel 2000 will be employed to calculate the correlation coefficients

### **3.2.8 Limitations**

As in most research, some limitations should be kept in mind when reviewing and interpreting the results of this study.

The study only reflects the perception of Maltese users, as all surveyed were Maltese. Perceptions across different cultures and countries are sure to be different.

Since the selection of those to be surveyed was not a completely random sample, these results may not be exactly representative of the population of Maltese Internet users.

The study's scope is has not been to identify the type of Internet user in respect to his or her social class, education, income, geographic location and other such segments.

Due to the fact that the questionnaire may have been refused, where approximately three-quarters did not respond, may also be another reason so as to skew the results. The reasons for refusal were not known (except for about 1%), which would lead to some possible conclusions that these non-respondents had some negative attitudes about marketing research activities on the Internet or negative attitudes regarding the internet and its use.

**CHAPTER 4:**

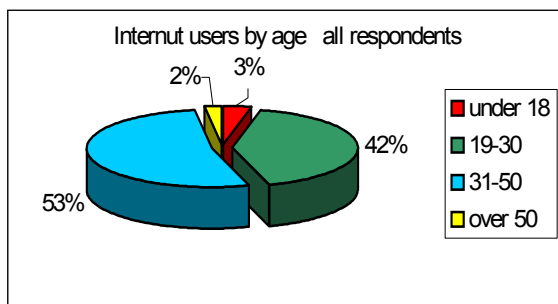
***PRESENTATION AND ANALYSIS OF DATA***

## 4 PRESENTATION AND ANALYSIS OF DATA

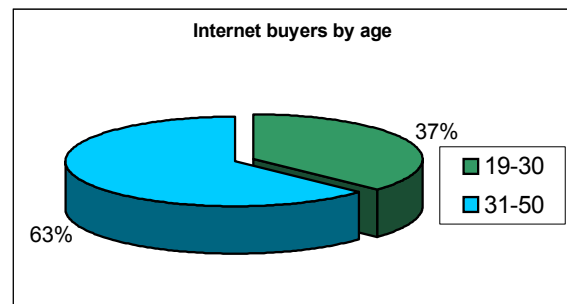
In this chapter I will be analysing the response of the questionnaires. For the questions where the respondent had to select a number between one and five, on the charts I have indicated 1 as strongly disagree and 5: Strongly agree, 2, 3 and 4 would represent disagree, unsure and agree respectively. These are represented on the X axis.

### 4.1 AGE OF RESPONDENTS

From the survey one can conclude that the average age for the respondents is approximately 33 years. The following chart displays both the respondents who are internet users and internet shoppers



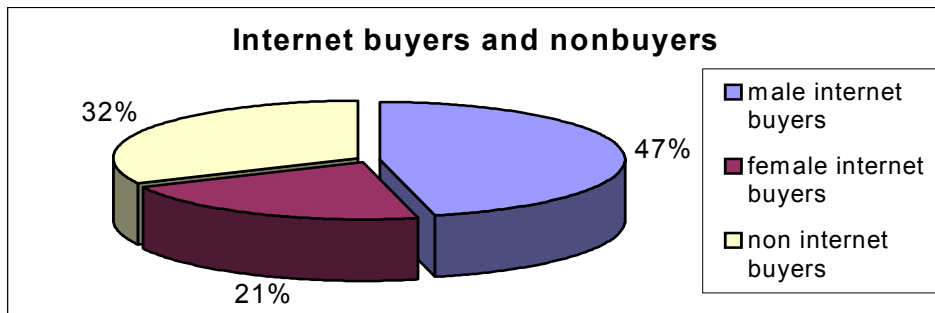
**Fig 4.1 Age of respondents**



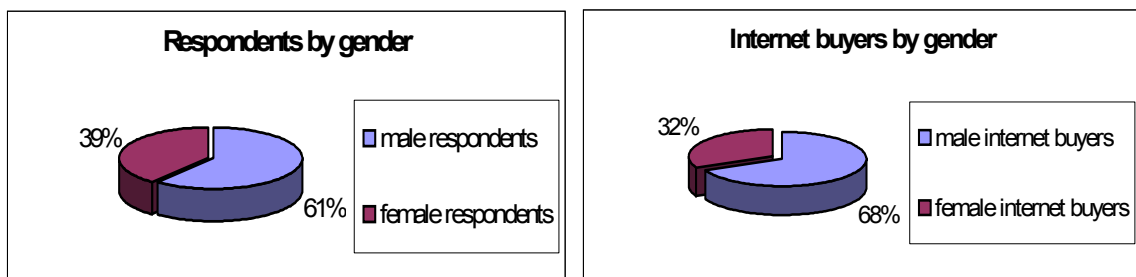
**Fig 4.2 Age of Internet buyers**

## 4.2 GENDER OF RESPONDENTS

The following charts examine the percentage of male and female respondents and the male and female Internet buyers



**Fig. 4.3 Internet buyers by gender**



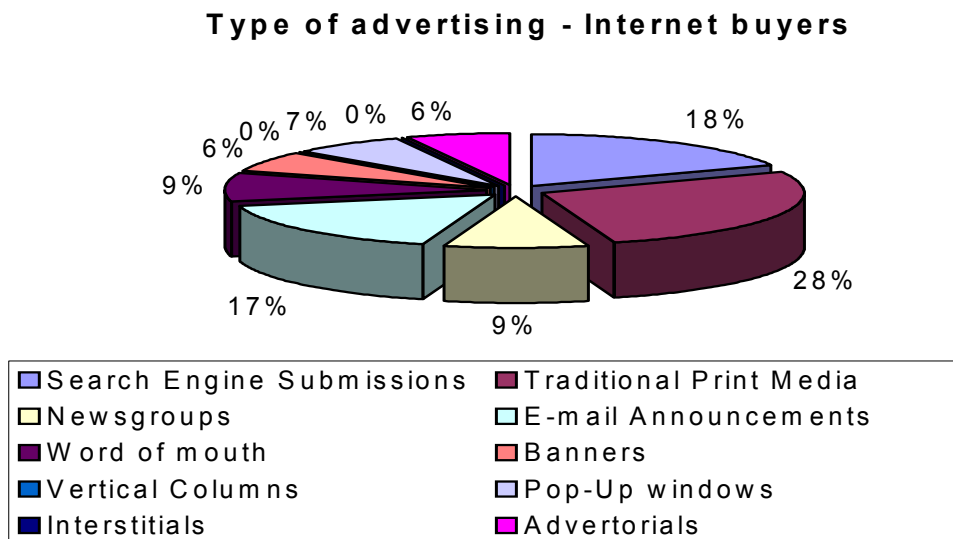
**Fig 4.4 Age of respondents**

**Fig 4.5 Age of Internet buyers**

### 4.3 ADVERTISING MEDIUM

The first question's aim was to identify some of the most effective means of advertising a website?

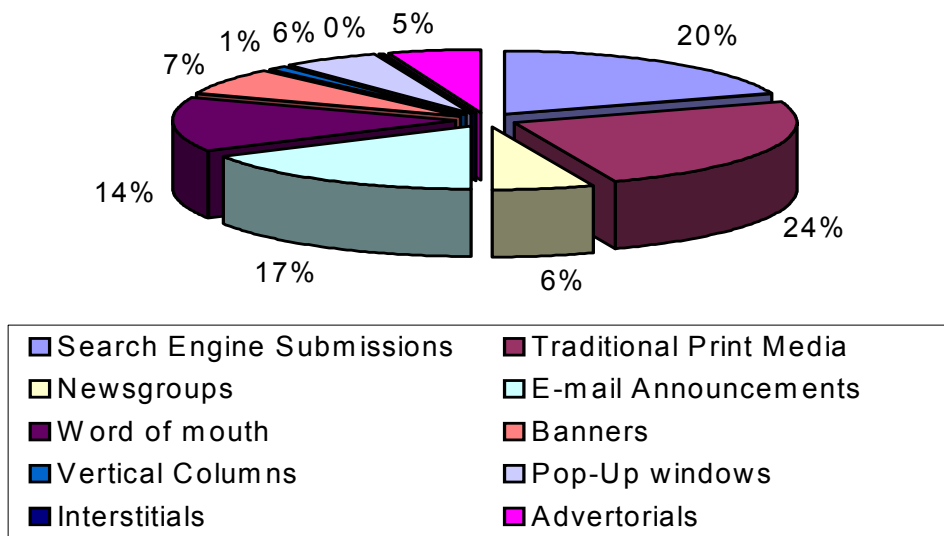
The options included Search Engine Submissions, traditional Print Media, Newsgroups E-mail Announcements, word of mouth, banners, vertical Columns, pop-up windows Interstitials and advertorials. The following pie charts show the response on this question.



**Fig 4.6 Types of adverts**



**Type of advertising - All respondents**



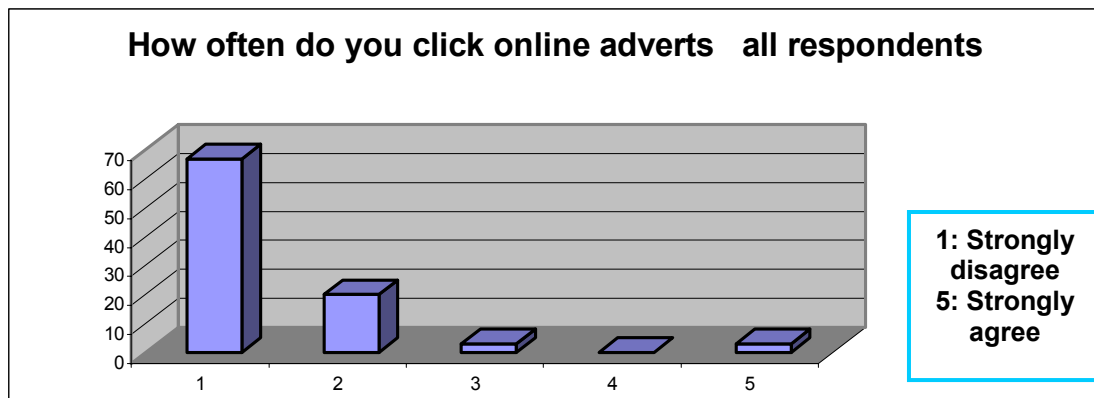
**Fig 4.7 Types of adverts all respondents**

From the above charts it shows that most respondents feel that the traditional print media is still the most effective means of advertising even if it is advertising a website. This is the case for both Internet buyers and non-buyers. In addition to the above the following is a comment placed by a respondent.

“I strongly believe that 'old fashioned' adverts i.e. newspapers, T.V. etc. are still the most effective form of advertising today, especially in Malta and moreover if you are targeting a certain age group.”

**4.4 AMOUNT OF ONLINE ADVERTS VISITED**

The aim of the second question was to identify the amount of online adverts visited while browsing.

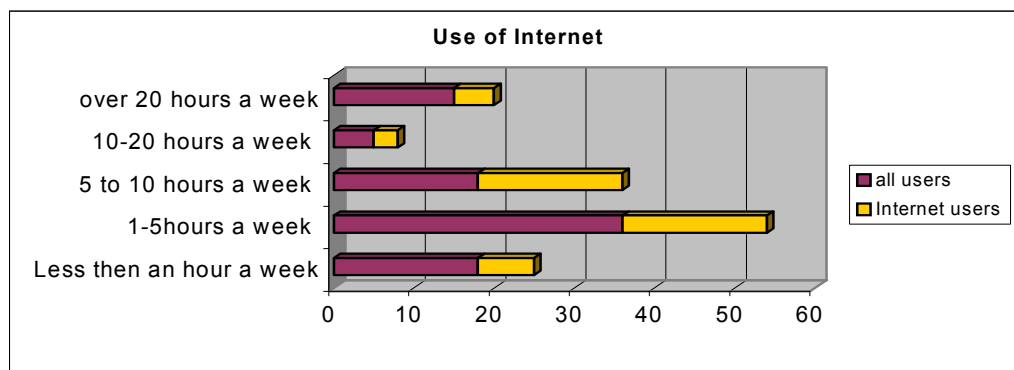


**Fig 4.8 Online adverts all respondents**

The response from this question clearly shows that most Internet users do not click often into any type of advert. Most of the respondents replied as nearly never.

### 4.5 THE AVERAGE TIME AN INDIVIDUAL SPENDS BROWSING

The following question’s aim is to identify the average time an individual spends browsing the Internet. This question could be used to be correlated with other questions.



**Fig 4.9 Use of Internet**

The above chart clearly indicates that within the respondents there are all types. Internet users who spend ranging from less than an hour a week, to over twenty hours a week. A point one can mention is the fact that I had a relatively small number of e-mails that stated that they only use the Internet for e-mail and did not return the questionnaire for this reason. This amount would make up approximately 3% compared to the total respondents.

### 4.6 OVERALL PERCEPTION

The following table gives a brief outline of the reply for the following statements or questions. The percentage figure represents the average respondent’s reply. Where a negative 100% would imply strongly disagree and a positive 100% would imply strongly agree. From this, one can conclude that the respondents, overall have a positive perception of the Internet but there seems to be a substantial lack of trust from the consumers.

Do you feel that the Internet is an effective medium in which to advertise?	17.4%
It is easy to find a Web-based vendor that sells the item you wish to purchase.	24.2%
Internet vendors are better at providing information about products and updates	30.9%
It is easier to compare similar items and prices between different Internet vendors.	48.4%
It is safe to make payment to Internet business when purchasing an item.	-17.8%
It takes longer to receive the item purchased from Web-based vendors.	-4.1%
Returns and refunds are easier with Web-based vendors.	-14.5%
I would trust online vendors enough to feel safe shopping over the Internet	-12.9%
Shopping online would allow me to do my shopping more quickly and at any time	41.0%
Overall, I believe that Shopping over the WWW would be easy to do.	37.1%
I've had a great deal of opportunity to try shopping over the WWW.	13.3%

Table 4.1 Overall

### 4.7 THE INTERNET AS AN EFFECTIVE PROMOTIONAL MEDIUM

For the statement on the questionnaire; In your opinion, do you feel that the Internet is an effective medium in which to advertise?

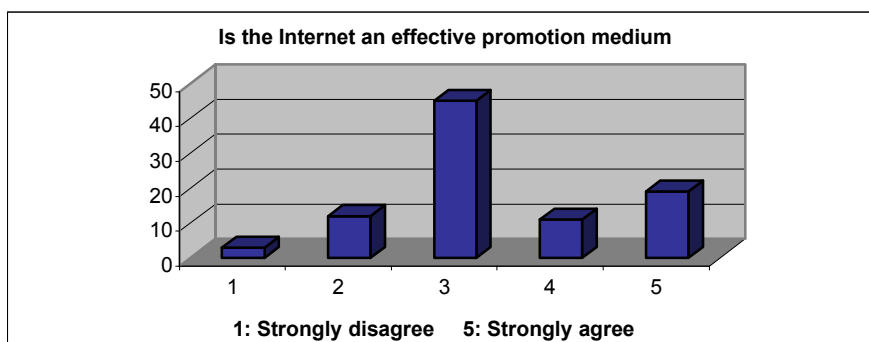
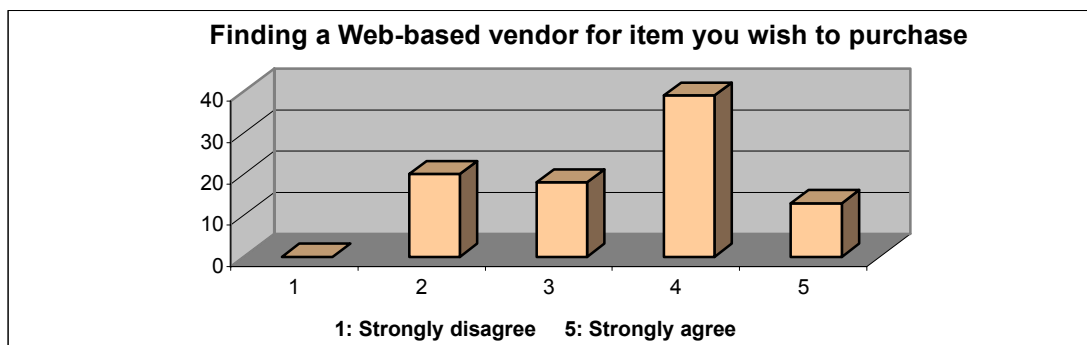


Fig 4.10 Effective medium

The highest respondents selected three, the middle option. This shows that most respondents still do not have a very positive perception of the Internet as a promotional medium. The graph also clearly points out that a higher amount of respondents agree with the statement and very few strongly disagree.

For the questionnaire statement: It is easy to find a Web-based vendor that sells the item you wish to purchase, the following graph outlines the response.

### 4.8 FINDING PRODUCTS OR SERVICES OVER THE INTERNET



**Fig 4.11 Finding products or services**

As one can see from the graph it is tilted towards a positive answer for this question. The highest selected option the respondents chose was that they agree and one respondent selected the strongly disagree option. This clearly shows that most individuals believe that on the Internet they can find what they wish to purchase. The following is a comment included by a respondent related to this area.

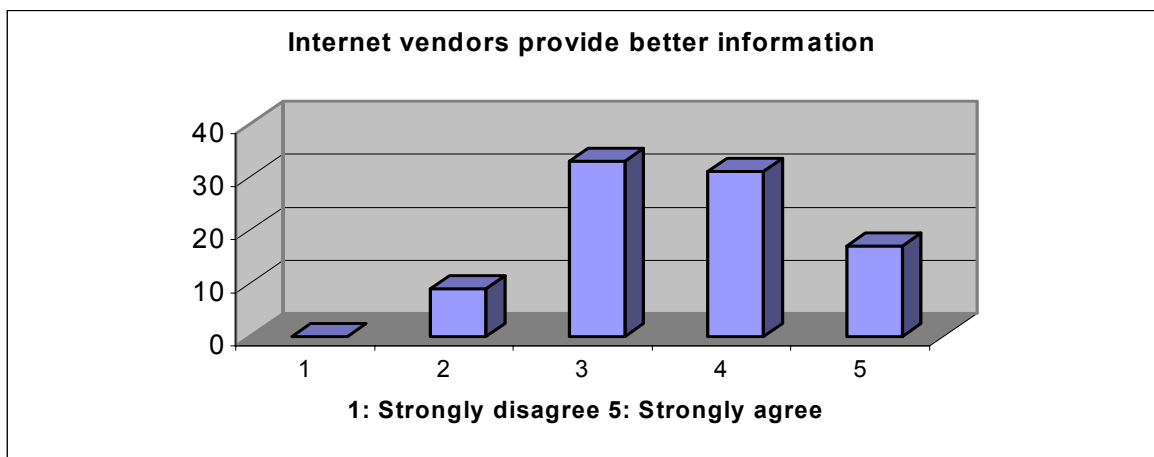
“Shopping on the Internet is especially useful to source goods that are not available locally and very often delivery time is very good.”

Another interesting comment mention by a respondent is the following.

“Internet Sales have to have added value to be preferable to conventional sales (convenience, purchase of locally unavailable goods/services, specialist online stores, auctions or second hand sales).”

#### **4.9 BETTER INFORMATION OVER THE INTERNET**

The following question set out to identify if it is easy to find a Web-based vendor that provides you with better information than can be found in "normal" shop outlets that sell the item you wish to purchase.

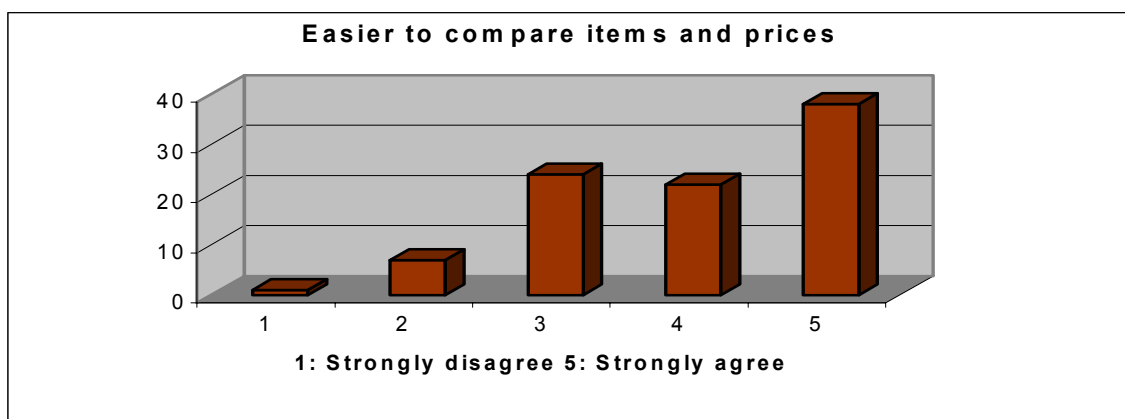


**Fig 4.12 Provide better Information**

From the survey it is clear that the respondents have a relatively high perception on the issue, where no respondents selected the strongly disagree option, while about 10% disagree.

### **4.10 COMPARING ITEMS AND PRICES OVER THE INTERNET**

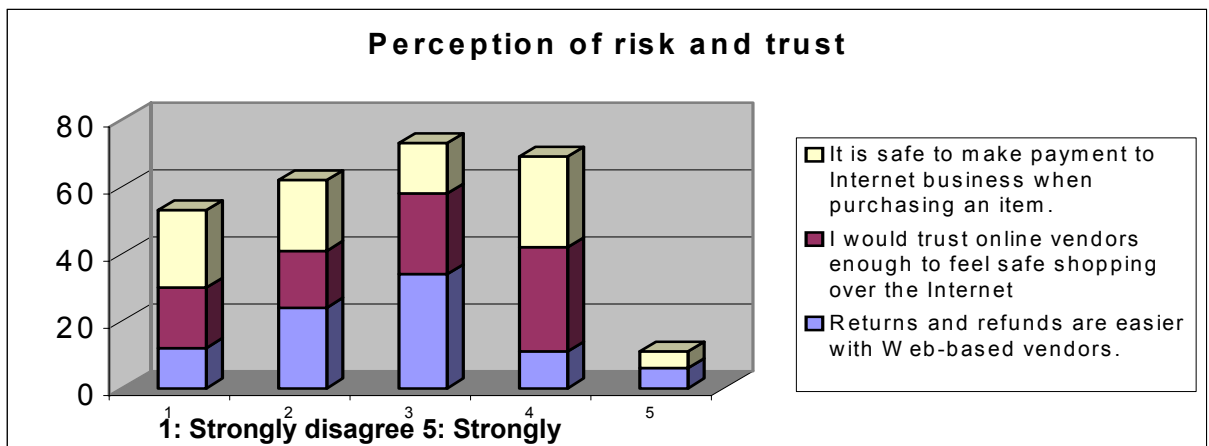
It is easier to compare similar items and prices between different Internet vendors. In this statement a total of over 90 % believe that that the internet could be an ideal location where to compare prices and items. The highest selected option is that of strongly agreeing with the statement. This shows that the respondents have a high perception regarding the Internet as a source of information on products services and prices. This may imply that the Internet may act as a “show case” and source of information rather than as a shop.



**Fig 4.13 Easer to compare items and prices**

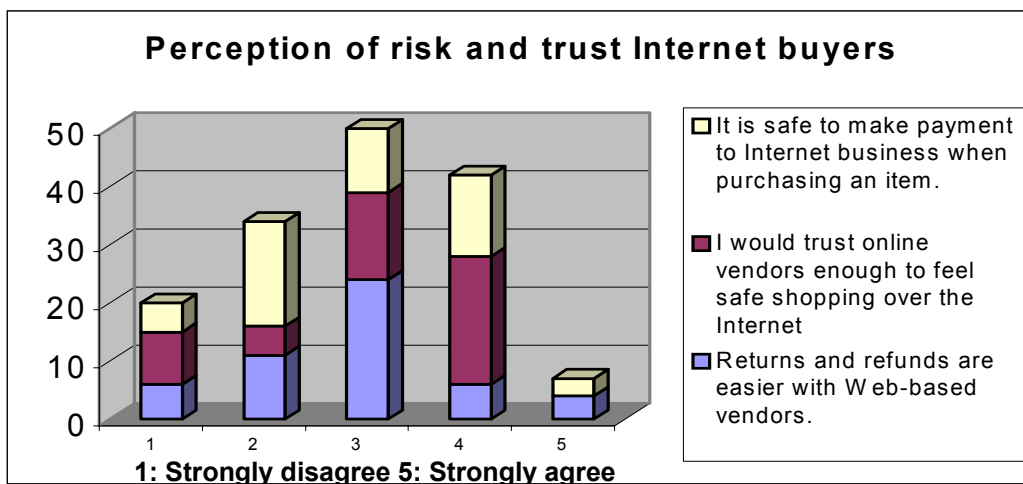
### **4.11 PERCEPTION OF RISK AND TRUST**

In the following chart I am bringing out the perception of the respondents with regards to what they believe, concerning trust and how safe they perceive the Internet to be, while carrying out transactions.



**Fig 4.14 Perception of risk**

The graph clearly shows that, on the whole, the respondents have a negative idea on these issues. Note that the first question and data for this question have been inverted from the original question, this has been done so as to follow the trend of the other two questions. Now I will give the same graph but for Internet shoppers only.



**Fig 4.15 Perception of risk Internet buyers**



As one can note, while comparing both charts, in both cases they have a negative perception regarding the Internet vendors, but it is clear that the Internet buyers seem to trust the Internet vendors more.

One should also mention some respondents comments on the issue such as

“I do not trust Web-based vendors. The only one that I trust, should I ever be in need of purchasing from it, is the Amazon. Yet the idea of waiting ages for the products to arrive (and they never arrive in perfect condition) does not make me really prefer buying from the Net instead of from a local store, unless I really have to (e.g. rare books).”

From this, one can note, for this respondent to purchase from the Internet he or she would have to consider the vendor as a reliable and well-known business. On this basis one can suggest that businesses, which already have a highly reputable name, are able to capitalise from this by having a web presence. To add to this another respondent concluded:

“Shopping over the Net has started strongly, even locally, but more needs to be done on issues such as building customer confidence, improving delivery times and reducing delivery charges.”

The following two charts compare the statement “It is more risky to make payment to Internet business when purchasing an item.” The first in blue is for all Internet users, while the second is only for Internet buyers. Overall the results for both buyers and non-buyers are very similar.

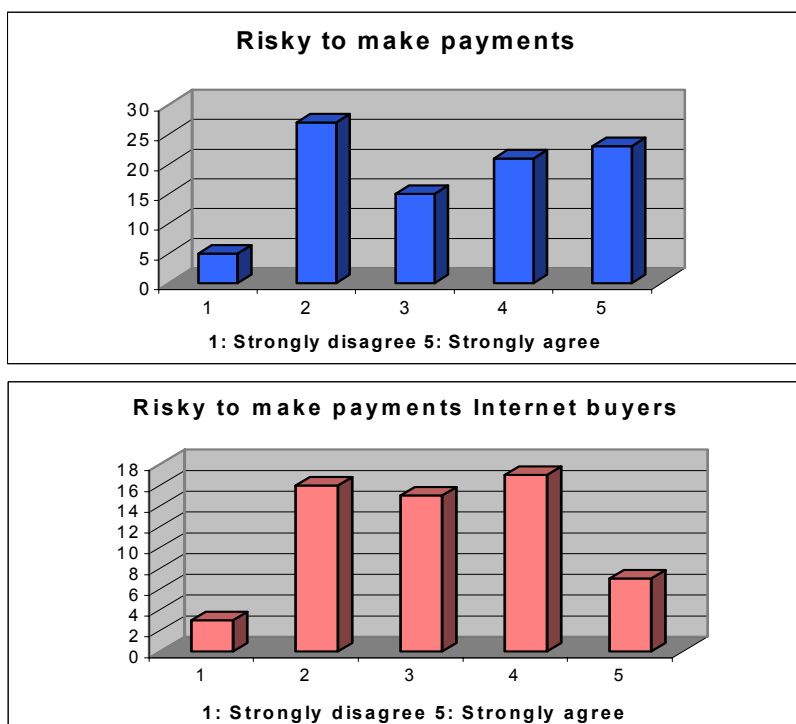


Fig 4.16 Perception of risk

## 4.12 SHOPPING OVER THE INTERNET AT ANY TIME

From the survey one can deduce that customers have a perception that shopping over the Internet could be done more quickly and at any time. This statement has had such a response both for Internet shoppers as well as non-shoppers. The following chart exhibits the results. From these results one can also note that the Internet buyers are slightly less in agreement with this statement.

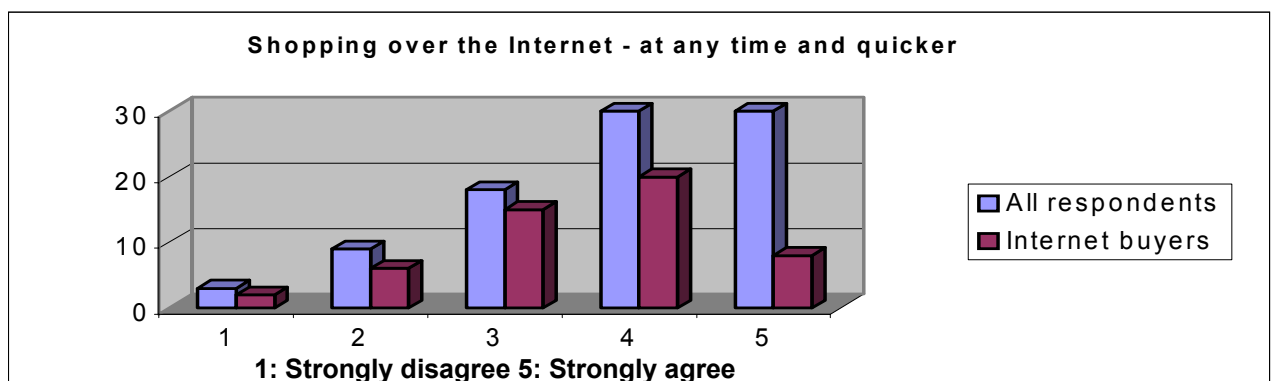


Fig 4.17 Shopping over the Internet at any time and faster

### 4.13 METHOD OF PAYMENT

Regarding the method of payment, it is very clear that most respondents use the credit card. Note that this question allowed the users to select more than one option, this is the reason why the total percentage adds up to over 100%. This implies that there are a small number of users, approximately 7%, who use both the credit card and cheque or postal order.

Credit card	96.9%
Payment by cheque or postal order	9.4%
Other	0.0%

Table 4.2 Method of payment

### 4.14 PRODUCTS AND SERVICES PURCHASED

The following table seeks to exhibit and identify which type is the most common product or service purchased over the net.

<b>Product to be delivered (e.g. books)</b>	<b>49.6%</b>
<b>Products (delivered on line eg. software)</b>	<b>21.6%</b>
<b>On line Services ( eg. domain name)</b>	<b>12.0%</b>
<b>Other services (not online)</b>	<b>7.2%</b>
<b>Payments of licences fines etc.</b>	<b>7.2%</b>
<b>Stocks, Shares etc.</b>	<b>2.4%</b>

**Table 4.3 Products or services**

Further to the above, a respondent included this comment: -

- “Some things must be physically seen before being bought (e.g. I would never buy a Persian rug on-line). I tried buying my groceries online from a supermarket but the selection wasn't as wide as at the supermarket
- It was a slow process (I don't have ADSL)”

## **4.15 CORRELATION**

The following four charts have been done to establish if a correlation exists between the time spent on the internet, the age of respondents, number of adverts clicked and internet shoppers. So as to be able to identify the number of users, a slight modification has been made to the figures. This has been carried out so as to see the frequency around a selected range. Therefore, if an individual's selected use of internet was between five to ten hours then figures were set at random within this range.

The function CORREL within the statistical functions of MS Excel 2000 has been used to calculate the indicated correlation coefficients.

Correlation of age (y axis) with hours (x axis) time spent in hours using the internet

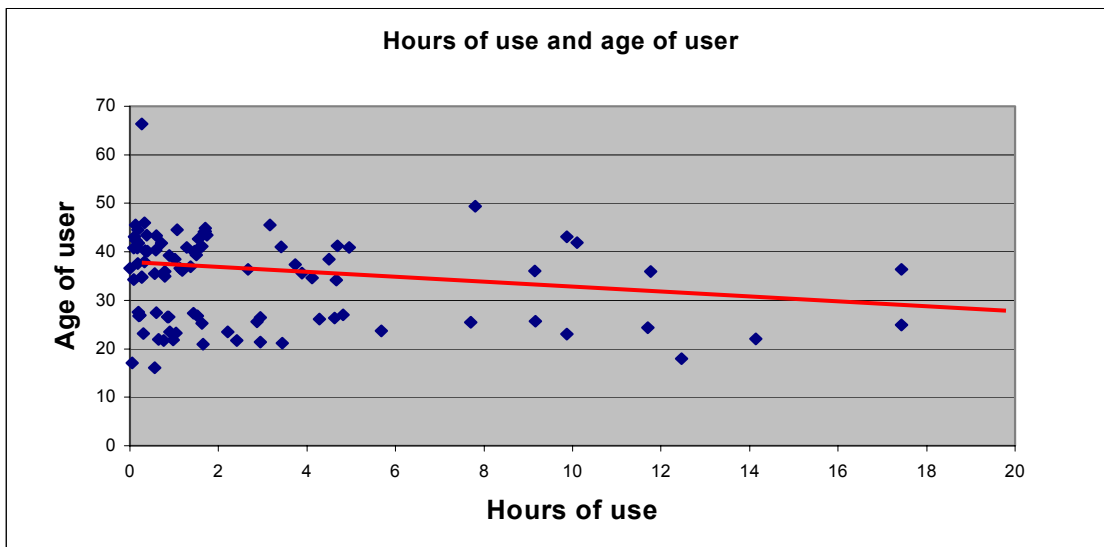


Fig 4.18 Correlation 1

For the above graph the correlation coefficient is **-0.150**, indicating it is a negative slope and the points do not follow a clear pattern since the number is not close to one.

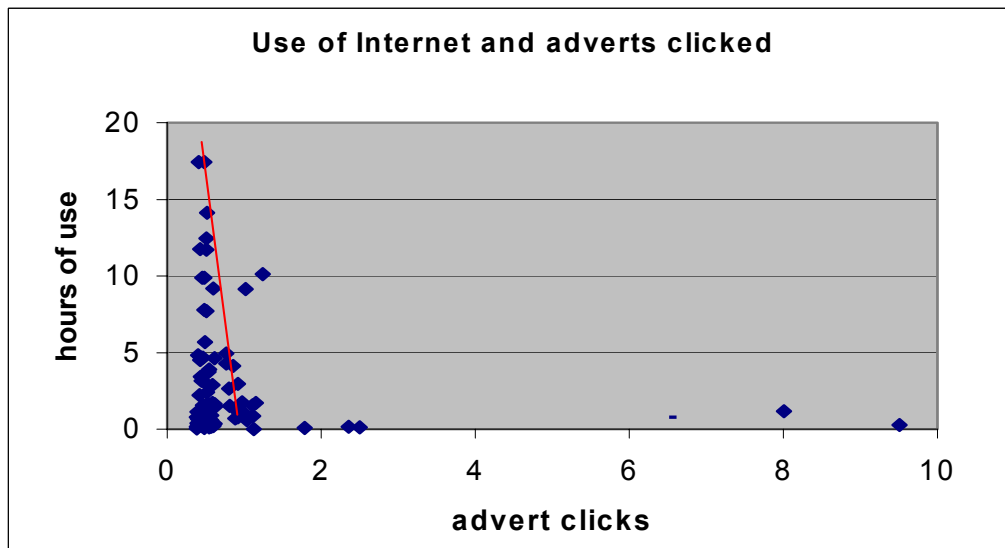
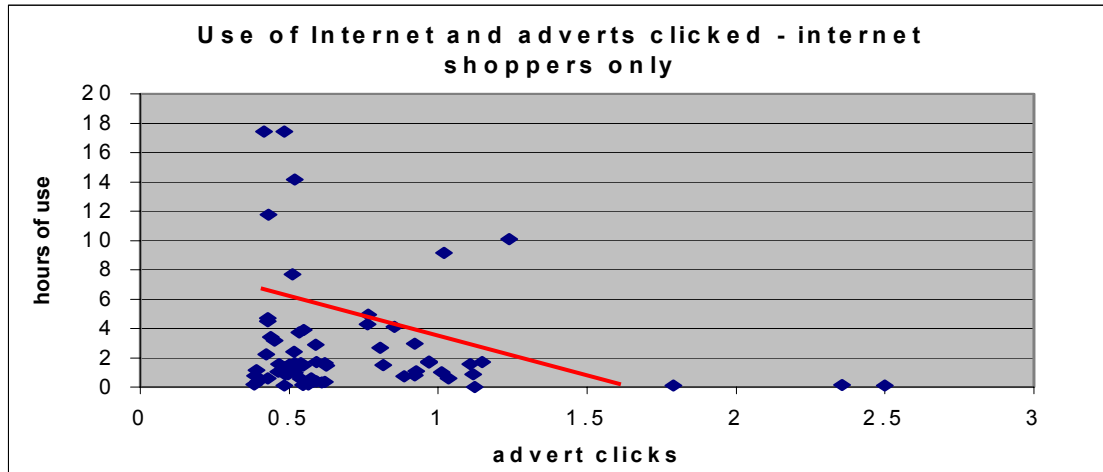


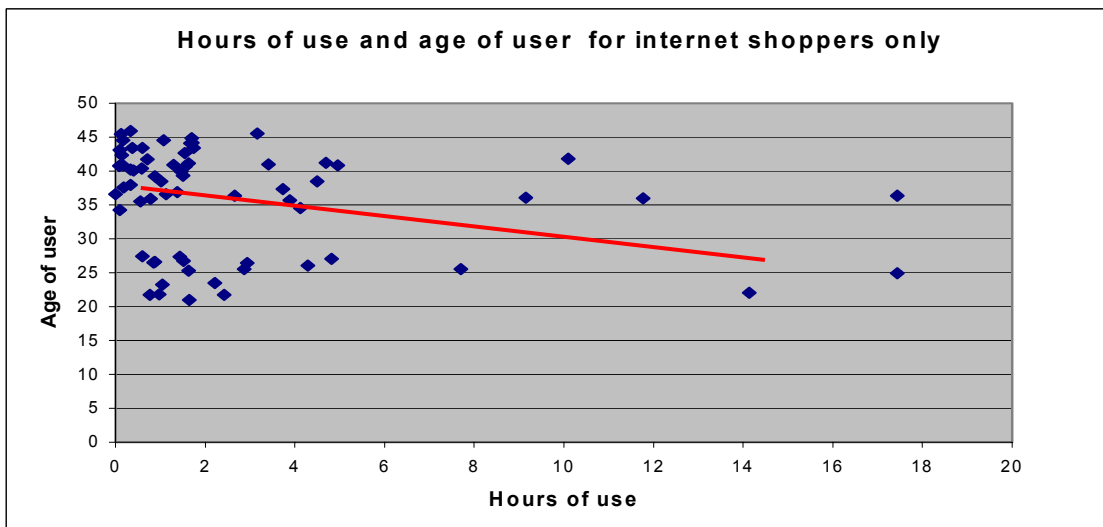
Fig 4.19 Correlation 2

For the above graph the correlation coefficient is **-0.132**, indicating it is a negative slope and the points do not follow a clear pattern since the number is not close to one.



**Fig 4.20 Correlation 3**

For the above graph the correlation coefficient is **-0.126**, indicating it is a negative slope and the points do not follow a clear pattern since the number is not close to one.



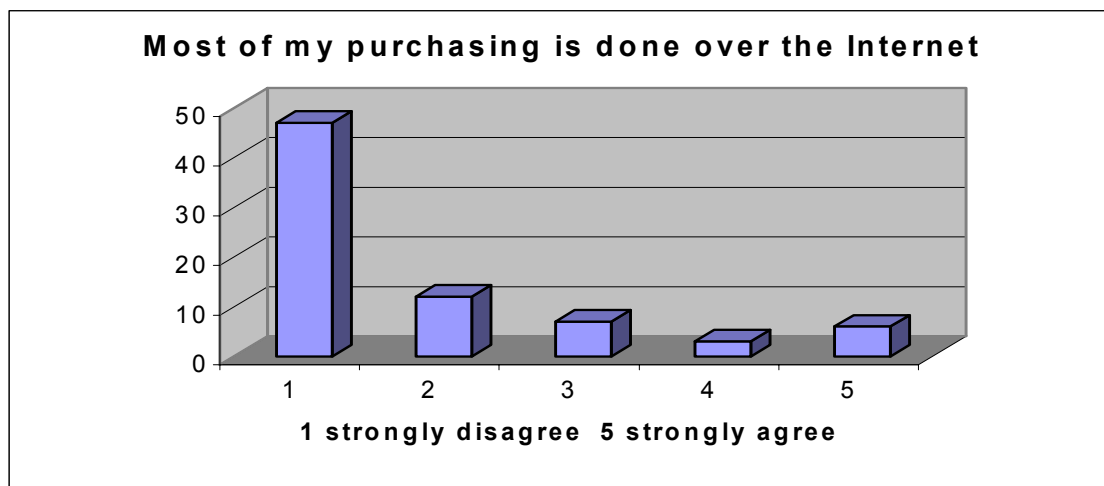
**Fig 4.21 Correlation 4**

For the above graph the correlation coefficient is **-0.189**, indicating it is a negative slope and the points do not follow a clear pattern since the number is not close to one.

For the above correlation charts and from correlation coefficients calculated, one can conclude that no clear and definite correlation exists for the tested data.

### **4.16 PURCHASES OVER THE INTERNET**

Finally I will be examining the questionnaire statement “most of my purchasing is done over the internet” in the following chart.



**Fig. 4.22 Internet shopping**

From the above chart one can note that most of the respondents disagree with this statement, approximately 25 % selected between three and five. This could imply that this percentage spend a good share of their pay over the Internet.

By using use the percentages of this graph one can reflect the local population of Internet buyers and how much they are buying (using 60,000 as the figure of internet users)

	Percentage from total respondents	Percentage from Internet buyers	Reflected Maltese Internet buyers
1: Strongly disagree	52%	63%	31,333
2: Disagree	13%	16%	8,000
3: Wavering	8%	9%	4,667
4: Agree	3%	4%	2,000
5: Strongly agree	7%	8%	4,000
Internet buyers from respondents	83%		50,000

**Table 4.4 Internet shoppers**

From the above one can estimate that there are a total of 50,000 Maltese who carry out purchase over the Internet and just over 10,000 fall between options three and five, implying that they purchase high volumes.



#### **4.17 CONCLUSIONS FROM ANALYSIS OF DATA**

Overall this analysis has brought about a number of points concerning the perception of customers regarding the Internet as a promotional medium. The study identified that customers still perceived the traditional method as the best way to advertise, even while advertising a website. On the whole, the customers have a positive insight with regards to the Internet but there seems to be a lack of trust which has to be managed by companies to make customers overcome this barrier. Furthermore, from the comments made by the respondents it seems that the issue of lack of human interaction is an important one and customers feel a great lack of such interaction. Businesses may adopt some method to try to reduce this void in both their web pages and whilst communicating over the Internet.

**CHAPTER 5:**

**CONCLUSIONS AND RECOMMENDATIONS**

## **5 CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 CONCLUSIONS**

This study set out to identify **what is the perception of customers regarding the Internet as a promotional medium?**

Findings from the study indicate that the traditional forms of media are still the most effective ones, even when it comes to advertising a website. It is very difficult for a website advert to offer the mass exposure of traditional media. The study identified search engine submissions and e-mail announcements as the two most popular Internet tools so as to advertise over the Internet. The true potential of web site advertising lies in its ability to deliver qualified prospects or customers to the advertising company.(Semich, 1995).

The study concluded that Customers have a very positive perception regarding the Internet as a medium to compare items and prices. It has also been identified that Internet vendors are better at providing information on their products and services. Moreover the respondents tend to agree that shopping online would allow them to do their shopping quicker and at any time. This would be the ideal shopping arena for shoppers who work long hours or who are working during traditional shop hours, or individuals who have to tend to their young children, or for some other reason cannot leave their home. The Internet should be promoted much more amongst the older generation or others who are still sharp in their thoughts but may be confined to their homes. The Internet would give them not only the chance to purchase goods or service, but allow them to share and communicate their experiences and possibly also work over the Internet. To further support this point, the study indicated that shopping over the world wide web would be easy to

carry out. In addition the Internet has been identified as the place to find a web based vendor that sells the desired product or service.

On the other hand the study indicated a number of negative points relating to the perception of customers regarding the Internet. Approximately sixty percent feel that the Internet is not a safe place to make a payment to Internet vendors. In addition, customers feel that the Internet may pose some difficulty for customers to return their goods and claim a refund. A respondent stressed that Internet purchases must have added value to be preferable to conventional purchases.

Finally the survey exposed the idea that customers do not trust online vendors enough to shop over the Internet. This is probably because of negative publicity due to a number of incidents that have occurred over the Internet.

For some time the Internet has been tarnished with a number of incidents such as fraud, hoaxes and cons. In due course Internet users have reacted and today a number of websites have been developed to prevent such occurrences; Websites such as e-complaints and Planet Feedback, give information both regarding online companies and companies without Internet presence. On the subject Matthew Haig stated:

“The age of information is also the age of customer feedback. In cyberspace the truth is always out there. If the truth undermines the brand message then the brand is in trouble.” (Haig 2000 pg. 71)Netting consumer Opinion

Such developments have been catalysts in helping to create a positive atmosphere over the Internet, which has helped to increase online business drastically over the last few years. (Dwek Robeit 2000.Pg. 16)

## **5.2 RECOMMENDATIONS**

Related to the above subject on improving confidence between the customer and vendor, the following comment was given by a respondent:

“Purchasers on the net can enhance their service and build consumer confidence by providing back-up services such as

1. 24-hr customer tel. lines (establishing human element)
2. Technical support: e-mail support within 24-hrs.
3. Promise to replace if all else fails, at no charge to consumer (courier costs covered)

If companies implemented such policies they would surely increase confidence. Its important that a company clearly display such policies, creating a higher level of confidence.

In addition, companies should do their best to implement practices that would create more of a relationship of trust between themselves and the customers.

Customers prefer to create a personal relationship, both with the company and with the sales person, or individual dealing with the customer. This would count, even more in Malta, where everyone seems to have a friend or a relative in every organisation. One suggestion that could be made is to give the option to customers to select from a list of sales people or contacts they wish to deal with over the internet; I would consider it also recommendable to show the photo of the sales person or individual alongside their name,

their direct telephone number and e-mail. By doing this one is increasing the element of human presence on the Internet. A similar method could be implemented even when sending or replying to an e-mail of a customer for a simple query. Attached with the e-mail could be a photo of the individual sending the e-mail response together with contact details including direct telephone number indicating the time at which he or she will be available.

Further to the above, businesses have to look at the broader framework in which customers select, buy, and use products and services. Not observing on customer *scenario* could result in missing chances to deepen customer loyalty and expand sales (Seybold Patricia B. 2001 pg 82)

From literature review one can conclude that the Internet has had limited impact on how most companies operate. The Internet has done little more than facilitate access to consumers worldwide, and speed up a number of processes. Overall, its strategic impact has been weak. The literature review has indicated that the Internet is capable of doing much more than this.

It has the capacity to transform former niche markets into mass markets. Moreover, the low cost of distribution on the Internet makes it viable to serve whole new market segments.

Companies hoping to leverage the potential of the Internet will also have to create new roles, or even whole functions, such as a scanning function to monitor and influence Internet opinion; a new service development function to think up new ways of creating value for customers; and archivists responsible for keeping track of content generated on the company's Web sites.

Companies should take full advantage of the benefits the Internet offers, advantages such as the low-cost distribution network, or a way of searching for business partners, and of collecting critical information about distant markets and resources. Finally they should move on and exploit other forms of non-PC based Internet. This type of Internet is growing at a far faster rate than the PC-based Internet, such Internet include mobile phones, car navigation games and TV (LaPlant, 2002.)

### **5.3 FURTHER RESEARCH**

On the basis of the above I offer some suggestions regarding future research directions. Many companies have capitalised on the issue that the Internet, backed with technology and know-how, could replace a number of jobs such as that of sales, communication of information to customers, support to customers and other similar areas that could be automated. In theory, and many times in practice, this type of implementation has been successful, but it has been identified that a number of customers may not be satisfied with a completely automated system. The idea to send an e-mail and hopefully receive an answer within twenty-four hours may be a relatively long time. A customer may simply browse off to another website and make his or her purchase there. Using the current technology, a system where a customer may contact an individual from the company of the website he or she is visiting is already possible. If and how much this is being done is a question worth asking. Implementing such a method would definitely result in establishing and improving human interaction within corporate websites. This may bring about other questions such as, what if any further applications may be needed and, can the hardware and connection of most users be used to implement such systems? Finally what will be the financial costs and overall benefits of implementing such facilities within websites?

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# Appendix

## Questionnaire

In partial fulfilment of the requirements of a degree in Masters in Business Administration, I am undertaking research to evaluate *how companies are using the internet as a promoting media?* This research will set out to find what the perception of potential customers is towards Internet vendors and their promotion.

**In your Opinion, what are the 3 most effective means of advertising a website?**

- Search Engine Submissions (like Google, Yahoo and Excite)
- Traditional Print Media (newspaper adverts, radio, billboard...etc.)
- Newsgroups - an electronic bulletin board devoted to talking about a specific topic and open to everybody.
- E-mail Announcements
- Word of mouth - recommended by others
- Banners -an ad appearing at the top of a web page
- Vertical Columns - (on a frame web page positioned alongside requested content -often as form of sponsorship)
- Pop-Up windows - Java script opens a browser window with an ad
- Interstitials - full screen ads that appear on a web browser while a page is loading
- Advertorials - content-based advertising related to an article or other site content.

**While browsing how often do you click on online adverts**  1 Nearly never 5  
Very often

**How much time do you spend browsing the internet**

- Less than an hour a week
- 1-5 hours a week
- 5 to 10 hours a week
- 10-20 hours a week
- over 20 hours a week

**In your opinion, do you feel that the Internet is an effective medium in which to advertise?**

1: Strongly disagree 5: Strongly agree

**It is easy to find a Web-based vendor that sells the item you wish to purchase.**

1: Strongly disagree 5: Strongly agree

**Internet vendors are better at providing information about products and updates**

1: Strongly disagree 5: Strongly agree

**It is easier to compare similar items and prices between different Internet vendors.**

1: Strongly disagree 5: Strongly agree

**It is more risky to make payment to Internet business when purchasing an item.**

1: Strongly disagree 5: Strongly agree

**It takes longer to receive the item purchased from Web-based vendors.**

1: Strongly disagree 5: Strongly agree

**Returns and refunds are easier with Web-based vendors.**

1: Strongly disagree 5: Strongly agree

**I would trust online vendors enough to feel safe shopping over the Internet**

1: Strongly disagree 5: Strongly agree

**Shopping over the Internet would allow me to do my shopping more quickly and at any time**

1: Strongly disagree 5: Strongly agree

**Overall, I believe that Shopping over the WWW would be easy to do.**

1: Strongly disagree 5: Strongly agree

**I've had a great deal of opportunity to try shopping over the WWW.**

1: Strongly disagree 5: Strongly agree

**Have you ever purchased any products or services over the Internet**

**If Yes**

**Which are the most common products or services you purchase over the net**

- Products (delivered on line eg. software)
- On line Services ( eg. domain name)
- Product to be delivered (e.g. books)
- Other services (not online)
- Payments of licences fines etc.
- Stocks, Shares, etc.

**Method of payment mostly used**

- Credit card
- Payment by cheque or postal order
- Other

**Most of my purchasing is done over the internet.**

1: Strongly disagree 5: Strongly agree

Age **Select group**

Sex

Give any additional comments on the subject:

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Thank you for your contribution

Best regards

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