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IMPLEMENTING INTERACTIVE AND MULTICHANNEL MARKETING

AFTER READING THIS CHAPTER YOU SHOULD BE ABLE TO:

- Understand what interactive marketing is and how it creates customer value, customer relationships, and customer experiences in the new marketplace.

- Identify online consumers, their profiles, and their purchasing behaviours.

- Recognize why certain types of products and services are particularly suited for interactive marketing.

- Distinguish between multiple channels and multichannel marketing in reaching online customers.

- Understand the differences between transactional Websites and promotional Websites in multichannel marketing.

ANYTIME, ANYWHERE, ANY WAY: THE NEW MARKETING MANTRA

What a difference a year (or three) makes. Just yesterday it seems, the Internet and the World Wide Web's promise of immediacy and interactivity was hailed as a compelling new technology that would revolutionize marketing and forever change how consumers shop and purchase products and services. It's clear that Internet/Web technology has altered consumer behaviour and marketing practice, but not in quite the manner pundits prognosticated.

Internet/Web technology has empowered consumers to seek information, evaluate alternatives, and make purchase decisions on their own terms and conditions. At the same time, this technology has challenged marketers to deliver to consumers *more* (selection, service, quality, enjoyment, convenience, and information) *for less* (money, time, effort). In short, the initial promise of immediacy and interactivity quickly transformed itself into a "straight A" customer value standard and marketing mantra: Anytime, Anywhere, Any way!

Today, consumers expect to shop and buy their favourite products and services anytime, anywhere, and anyway without constraints. Marketers have responded by engaging in interactive and multichannel marketing. This chapter describes how companies design and implement marketing programs that capitalize on the unique value-creation capabilities of Internet/Web technology. We begin by explaining how this technology can create customer value, build customer relationships, and produce customer experiences in novel ways. Next, we describe how consumer behaviour and marketing practice are affected by Internet/Web technology. Finally, we show how marketers integrate and leverage their communication and delivery channels using Internet/Web technology.[1]
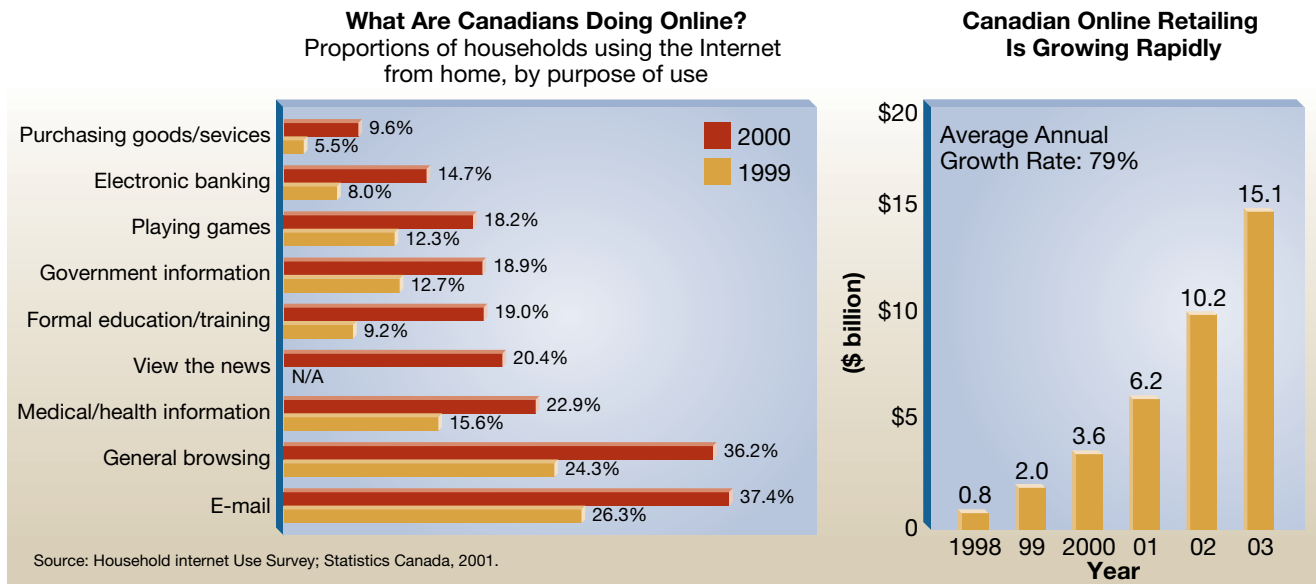
CREATING CUSTOMER VALUE, RELATIONSHIPS, AND EXPERIENCES IN THE NEW MARKETSPACE

Consumers and companies populate two market environments today. One is the traditional marketplace. Here buyers and sellers engage in face-to-face exchange relationships in a material environment characterized by physical facilities (stores and offices) and mostly tangible objects. The other is the marketspace, an Internet/Web-enabled digital environment characterized by "face-to-screen" exchange relationships and electronic images and offerings.

The existence of two market environments has been a boon for consumers. Today, consumers can shop for and purchase a wide variety of products and services in either market environment. Actually, many consumers now browse and buy in both market environments and more are expected to do so in the future as access to and familiarity with Internet/Web technology grows.[2] As an illustration, Figure 21–1 shows the 6-year growth trend in Internet/Web users and estimated online retail sales in Canada.[3] The value of Canada's retail online revenue is not exact as a variety of organizations, including Statistics Canada, The Retail Council of Canada and various consulting companies attempt to estimate the size and growth of purchasing online. What is certain is that more Canadians are purchasing online as more Canadian retailers provide the opportunity to use the Internet for more than simply an information tool.[4]

Marketing in two market environments poses significant challenges for companies. Companies with origins in the traditional marketplace, such as Procter & Gamble, Canadian Tire, and General Motors, are challenged to define the nature and scope of their marketspace presence. These companies need to determine the role of Internet/Web technology in attracting, retaining, and building consumer relationships to improve their competitive positions in the traditional marketplace while achieving a marketspace presence. Consider Toys "Я" Us, a leading toy retailer in the traditional marketplace. It has formed an alliance with Amazon.com to create a marketspace presence—Toysrus.com. Toys "Я" Us leverages its toy merchandising know-how and immense store network with Amazon's knowledge and experience with Internet/Web technology. The result? Toys "Я" Us now has a presence in two market environments. On the other hand, companies with marketspace origins, including Amazon.com, eBay, and E*Trade, are challenged to continually refine, broaden, and deepen their marketspace presence, and consider what role, if any, the traditional marketplace will play in their future. Gateway Computer is a good example.[5] This direct marketer and marketspace pioneer also operates a network of

FIGURE 21–1

The 6-year trend in Internet revenue and activity in Canada

What Are Canadians Doing Online?
Proportions of households using the Internet from home, by purpose of use

Purpose	2000	1999
Purchasing goods/sevices	9.6%	5.5%
Electronic banking	14.7%	8.0%
Playing games	18.2%	12.3%
Government information	18.9%	12.7%
Formal education/training	19.0%	9.2%
View the news	20.4%	N/A
Medical/health information	22.9%	15.6%
General browsing	36.2%	24.3%
E-mail	37.4%	26.3%

Source: Household internet Use Survey; Statistics Canada, 2001.

Canadian Online Retailing Is Growing Rapidly

Average Annual Growth Rate: 79%

($ billion)

Year	$ billion
1998	0.8
99	2.0
2000	3.6
01	6.2
02	10.2
03	15.1

Gateway Country showrooms for personal computer buyers who prefer browsing in a store, physically handling the merchandise, and talking face-to-face with a salesperson. A company's success in achieving a meaningful marketspace presence hinges largely on designing and executing a marketing program that capitalizes on the unique customer value-creation capabilities of Internet/Web technology.

Customer Value Creation in Marketspace

Despite the widespread interest in marketspace, its economic significance remains small compared with the traditional marketplace. Electronic commerce is expected to represent less than 20 percent of Canadian consumer and business goods and services expenditures in 2006, and less than 9 percent of global expenditures.[6] Why then has the new marketspace captured the eye and imagination of marketers?

Marketers believe that the possibilities for customer value creation are greater in marketspace than in the traditional marketplace. Recall from Chapter 1 that marketing creates time, place, form, and possession utilities for customers, thereby providing value. In marketspace, the provision of direct, on-demand information is possible from marketers *anywhere* to customers *anywhere at any time*. Why? Operating hours and geographical constraints do not exist in marketspace. For example, Recreational Equipment (www.rei.com), an outdoor gear marketer, reports that 35 percent of its orders are placed between 10:00 P.M. and 7:00 A.M., long after and before retail stores are open for business. This isn't surprising. About 58 percent of Internet/Web users prefer to shop and buy in their night clothes or pajamas![7] Similarly, a Canadian consumer from Saskatchewan can access Marks & Spencer (www.marks-and-spencer.co.uk), the well-known British department store, to shop for clothing as easily as a person living near London's Piccadilly Square. Possession utility—getting a product or service to consumers so they can own or use it—is accelerated. Airline, car rental, and lodging electronic reservation systems such as Orbitz (www.orbitz.com) allow comparison shopping for the lowest fares, rents, and rates and almost immediate access to and confirmation of travel arrangements and accommodations.

The greatest marketspace opportunity for marketers, however, lies in its potential for creating form utility. Interactive two-way Internet/Web-enabled communication capabilities in marketspace invite consumers to tell marketers exactly what their

Orbitz offers consumers the most low-cost airfares and flight options on the Web as well as rental cars, lodging, cruises, vacation packages, and other travel deals.

Orbitz
www.orbitz.com

requirements are, making customization of a product or service to fit the buyer's exact needs possible. For instance, KraftCanada.ca encourages customers to try recipes and even provides help for creating meals with ingredients provided in real time. KraftCanada.ca will keep track of your recipes in My Recipe Box.

Interactivity, Individuality, and Customer Relationships in Marketspace

Marketers also benefit from two unique capabilities of Internet/Web technology that promote and sustain customer relationships. One is *interactivity*; the other is *individuality*.[8] Both capabilities are important building blocks for buyer-seller relationships. For these relationships to occur, companies need to interact with their customers by listening and responding to their needs. Marketers must also treat customers as individuals and empower them to (1) influence the timing and extent of the buyer-seller interaction and (2) have a say in the kind of products and services they buy, the information they receive, and in some cases, the prices they pay. In doing so, companies are transforming their customer relationship management (CRM) efforts into **eCRM**—a Web-centric, personalized approach to managing customer relationships electronically.

An integral component of eCRM is interactive marketing. **Interactive marketing** involves two-way buyer–seller electronic communication in a computer-mediated environment in which the buyer controls the kind and amount of information received from the seller. Interactive marketing today is characterized by sophisticated choiceboard and personalization systems that transform information supplied by customers into customized responses to their individual needs.

Choiceboards   A **choiceboard** is an interactive, Internet/Web-enabled system that allows individual customers to design their own products and services by answering a few questions and choosing from a menu of product or service attributes (or components), prices, and delivery options.[9] Customers today can design their own computers with Dell Computer's online configurator, create their own athletic shoe at Niketown.com, assemble their own investment portfolios with Schwab's mutual fund evaluator, and even mix their own cereal ingredients at General Mills's experimental MyCereal.com Website. Because choiceboards collect precise information about the preferences and behaviour of individual buyers, a company becomes more knowledgeable about the customer and better able to anticipate and fulfill that customer's needs. Read the accompanying Marketing NewsNet to learn how Reflect.com uses choiceboard technology to create made-to-order cosmetics and other personal care items for women.[10]

Most choiceboards are essentially transaction devices. However, companies such as Dell Computer have expanded the functionality of choiceboards using collaborative filtering technology. **Collaborative filtering** is a process that automatically groups people with similar buying intentions, preferences, and behaviours and predicts future purchases.[11] For example, say two people who have never met buy a few of the same CDs over time. Collaborative filtering software is programmed to reason that these two buyers might have similar musical tastes: If one buyer likes a particular CD, then the other will like it as well. The outcome? Collaborative filtering gives marketers the ability to make a dead-on sales recommendation to a buyer in real time!

Choiceboards and collaborative filtering represent two important capabilities of Internet/Web technology and have changed the way companies operate today. According to an electronic commerce manager at IBM, "The business model of the past was make and sell. Now instead of make and sell, it's sense and respond."[12]

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eCRM
A Web-centric, personalized approach to managing customer relationships electronically.

INTERACTIVE MARKETING
Two-way buyer–seller electronic communication in a computer-mediated environment in which the buyer controls the kind and amount of information received from the seller.

CHOICEBOARD
One or more specific groups of potential consumers toward which an organization directs its marketing program.

COLLABORATIVE FILTERING
A process that automatically groups people with similar buying intentions, preferences, and behaviours and predicts future purchases.

MARKETING NEWSNET

Reflect.com: Creating Customized Cosmetics

"We're learning that customization is powerful," says Ginger Kent, CEO of Reflect.com (www.reflect.com), based in San Francisco. Reflect.com is the first online marketer that allows users to create their own cosmetics—everything from skin and body care items to hair care, colour cosmetics, fragrances, and accessories. The company lets customers tailor their own products by suggesting beauty ingredients they like most. "It's an incredibly powerful idea—like a throwback to the 1800s and how apothecaries mixed formulas for people," notes Kent.

Reflect.com is targeted to women who crave individualized products. In fact, no Reflect product exists before it is created by the consumer. Over a million "customizations" have been done for online shoppers and the incidence of new users continues to grow. Today, Reflect.com is considered the second most visited beauty Website. Contrary to other beauty Websites that have failed, Kent says confidently: "Our business model has a high profit margin, and also includes repeat customers." What's more, almost 90 percent of customers recommend the site to others.

PERSONALIZATION
The consumer-initiated practice of generating content on a marketer's Website that is custom tailored to an individual's specific needs and preferences.

PERMISSION MARKETING
The solicitation of a consumer's consent (called "opt-in") to receive e-mail and advertising based on personal data supplied by the consumer.

Personalization   Choiceboards and collaborative filtering are marketer-initiated efforts to provide customized responses to the needs of individual buyers. Personalization systems are typically buyer-initiated efforts. **Personalization** is the consumer-initiated practice of generating content on a marketer's Website that is custom tailored to an individual's specific needs and preferences. For example, Yahoo! (www.yahoo.ca) allows users to create personalized MyYahoo pages. Users can add or delete a variety of types of information from their personal pages, including specific stock quotes, weather conditions in any city in the world, and local television schedules. In turn, Yahoo! can use the buyer profile data entered when users register at the site to tailor e-mail messages, advertising, and content to the individual—and even post a birthday greeting on the user's special day!

An aspect of personalization is a buyer's willingness to have tailored communications brought to his or her attention. Obtaining this approval is called **permission marketing**—the solicitation of a consumer's consent (called "opt-in") to receive e-mail and advertising based on personal data supplied by the consumer. Permission marketing is a proven vehicle for building and maintaining customer relationships, provided it is properly used. Companies that successfully employ permission marketing adhere to three rules.[13] First, they make sure "opt-in" customers receive only information that is relevant and meaningful to them. Second, their customers are given the option of "opting out" or changing the kind, amount, or timing of information sent to them. Finally, their customers are assured that their name or buyer profile data will not be sold or shared with others. This assurance is important because 83 percent of non-online shoppers have expressed concern about the privacy of their personal information.[14] See Chapter 18 for more on opt-in and opt-out marketing.

Canadian companies are exploring the opportunities associated with permission-based, outbound e-mail campaigns. Le Chateau's Website is used to contact their loyal clientele on a regular basis. The Website (www.lechateau.ca) has been designed to encourage online customers into their stores. The company has collected more than 20 000 addresses and uses them to create monthly product promotions and contest giveaways.[15]

Creating an Online Customer Experience

A continuing challenge for companies is the design and execution of marketing programs that capitalize on the unique and evolving customer value-creation capabilities of Internet/Web technology. Companies now realize that simply applying Internet/Web technology to create time, place, form, and possession utility

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is not enough to claim a meaningful marketspace presence. Today, the quality of the customer experience produced by a company is the standard by which a meaningful marketspace presence is measured.
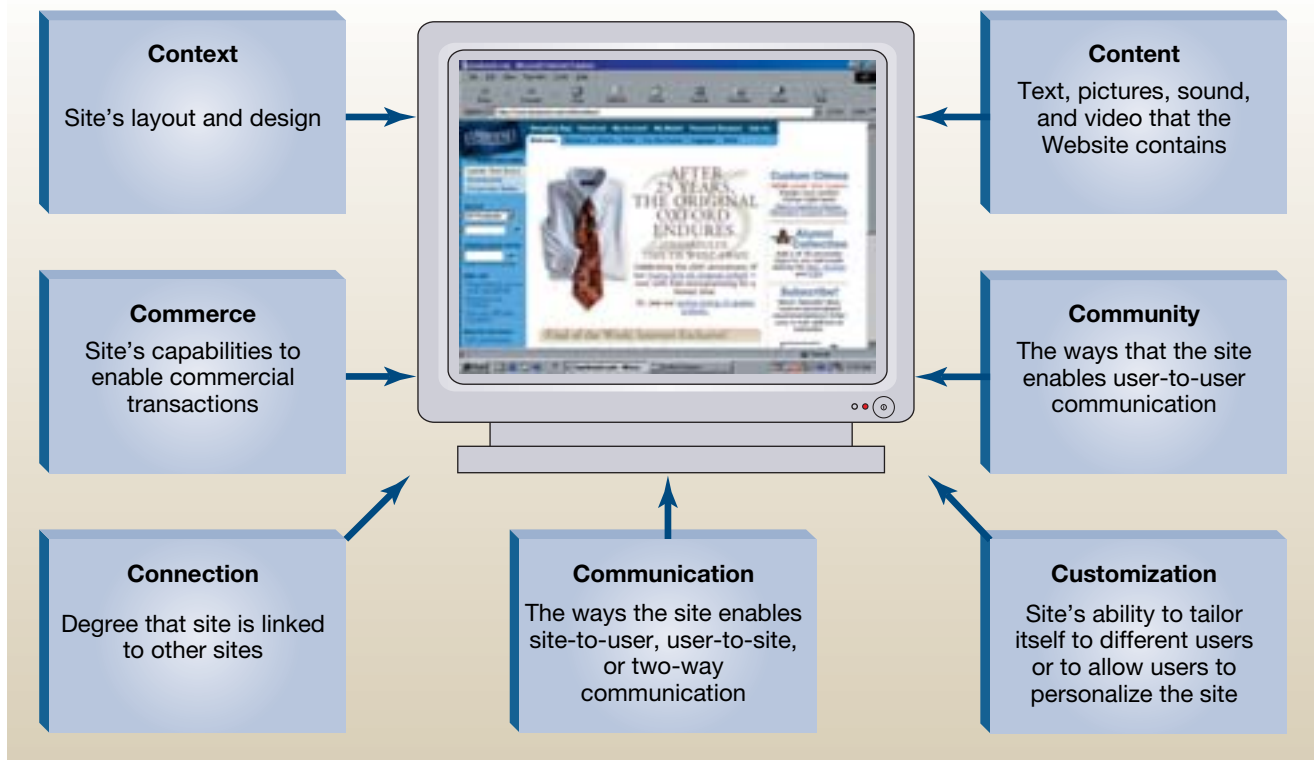
CUSTOMER EXPERIENCE
The sum total of interactions that a customer has with a company's Website.

From an interactive marketing perspective, **customer experience** is defined as the sum total of the interactions that a customer has with a company's Website, from the initial look at a home page through the entire purchase decision process.[16] Companies produce a customer experience through seven Website design elements. These elements are context, content, community, customization, communication, connection, and commerce, each of which is summarized in Figure 21–2.[17] A closer look at these elements illustrates how each contributes to customer experience.

Context refers to a Website's aesthetic appeal and functional look and feel reflected in site layout and design. A functionally oriented Website focuses largely on the company's offering, be it products, services, or information. For instance,

FIGURE 21–2
Website design elements that drive customer experience

Context — Site's layout and design

Content — Text, pictures, sound, and video that the Website contains

Commerce — Site's capabilities to enable commercial transactions

Community — The ways that the site enables user-to-user communication

Connection — Degree that site is linked to other sites

Communication — The ways the site enables site-to-user, user-to-site, or two-way communication

Customization — Site's ability to tailor itself to different users or to allow users to personalize the site

travel Websites tend to be functionally oriented with an emphasis on destinations, scheduling, and prices. In contrast, the Le Château Website is a more aesthetically oriented site with its focus on fashion products. As these examples suggest, context attempts to convey the core consumer benefit provided by the company's offering(s). *Content* includes all digital information included on a Website, including the presentation form—text, video, audio, and graphics. Content quality and presentation along with context dimensions combine to engage a Website visitor and provide a platform for the five remaining design elements.

Website *customization* is the ability of a site to modify itself to—or be modified by—each individual user. This design element is prominent in Websites that offer personalized content, such as My eBay and MyYahoo. The *connection* element in Website design is the network of formal linkages between a company's site and other sites. These links are embedded in the Website; appear as highlighted words, a picture, or graphic; and allow a user to effortlessly visit other sites with a mouse click. Connection is a major design element for informational Websites such as Canoe.ca. For example, users can access shop.canoe.ca to purchase a range of products, including a direct link to SportChek.

Communication refers to the dialogue that unfolds between the Website and its users. Consumers—particularly those who have registered at a site—now expect that communication be interactive and individualized in real time much like a personal conversation. In fact, some Websites now enable a user to talk directly with a customer representative while shopping the site. For example, two-thirds of the sales through Dell Computer's Website involve human sales representatives. In addition, an increasing number of company Websites encourage user-to-user communications hosted by the company to create virtual communities, or simply, *community*. This design element is growing in popularity because it has been shown to enhance customer experience and build favourable buyer–seller relationships. Examples of communities range from the Fifty-Plus Community sponsored by the Canadian Association of the Fifty Plus (www.50plus.com) to the Harley Owners Group (H.O.G) sponsored by Harley-Davidson (www.harley-davidson.com).

Harley-Davidson pays close attention to creating a favourable customer experience at its Website.

Harley-Davidson
www.harley-davidson.com

The seventh design element is *commerce*—the Website's ability to conduct sales transactions for products and services. Online transactions are quick and simple in well-designed Websites. Amazon.com has mastered this design element with "one-click shopping," a patented feature that allows users to place and order products with a single mouse click.

All Websites do not include all design elements. Although every Website has context and content, they differ in the use of the remaining five elements. Why? Websites have different purposes. For example, only Websites that emphasize the actual sale of products and services include the commerce element. Websites that are used primarily for advertising and promotion purposes emphasize the communication element. The difference between these two types of Websites is discussed later in the chapter.

Concept Check

1. The greatest marketspace opportunity for marketers lies in the creation of what kind of utility?

2. The consumer-initiated practice of generating content on a marketer's Website that is custom tailored to an individual's specific needs and preferences is called _____.

3. Companies produce a customer experience through what seven Website design elements?

ONLINE CONSUMER BEHAVIOUR AND MARKETING PRACTICE IN MARKETSPACE

Who are online consumers, and what do they buy? Why do they choose to shop and purchase products and services in the new marketspace rather than or in addition to the traditional marketplace? Answers to these questions have a direct bearing on marketspace marketing practices.

The Online Consumer

Online consumers are given many labels—cybershoppers, Netizens, and e-shoppers—suggesting they are a homogeneous segment of the population. They are not, but as a group they do differ demographically from the general population.
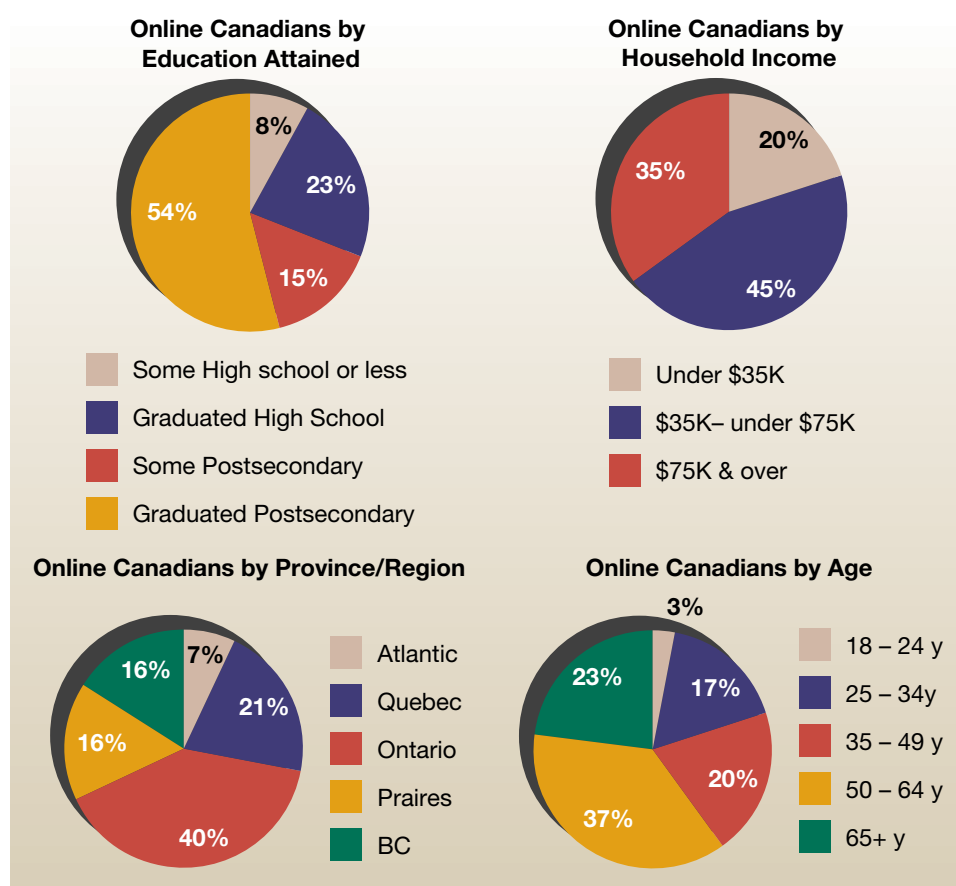
Profiling the Online Consumer   Online consumers differ from the general population in one important respect. They own or have access to a computer or an Internet/Web-enabled device, such as a wireless cellular telephone. Approximately 60 percent of Canadian households have a computer in their home with Internet/Web access, although access is often possible at work or school. Figure 21–3 shows the growth of Internet access at home.[18]

ONLINE CONSUMERS
The subsegment of all Internet/Web users who employ this technology to research products and services and make purchases.

Online consumers are the subsegment of all Internet/Web users who employ this technology to research products and services and make purchases. Research indicates that about 80 percent of all adult Internet/Web users have sought online product or service information at one time or another.[19] For example, some 70 percent of prospective travellers have researched travel information online, even though fewer than 25 percent have actually made online travel reservations. Over 40 percent have researched automobiles before making a purchase, but only 8 percent of users actually bought a vehicle online.[20] About two-thirds of adult Internet/Web users have actually purchased a product or service online at one time or another.[21]

**Online Canadians by
Education Attained**

- Some High school or less
- Graduated High School
- Some Postsecondary
- Graduated Postsecondary

8%
23%
15%
54%

**Online Canadians by
Household Income**

- Under $35K
- $35K– under $75K
- $75K & over

20%
35%
45%

Online Canadians by Province/Region

- Atlantic
- Quebec
- Ontario
- Praires
- BC

7%
16%
21%
16%
40%

Online Canadians by Age

- 18 – 24 y
- 25 – 34y
- 35 – 49 y
- 50 – 64 y
- 65+ y

3%
23%
17%
20%
37%

As a group, online consumers, like Internet/Web users, are evenly split between men and women, and tend to be better educated, younger, and more affluent than the general Canadian population, which makes them an attractive market. Even though online shopping and buying is growing in popularity, a small percentage of online consumers still account for a disproportionate share of online retail sales.

Online Consumer Lifestyle Segmentation   Not all Internet/Web users use the technology the same way, nor are they likely to be exclusive online consumers. Numerous marketing research firms have studied the lifestyles and shopping and spending habits of online consumers. A recurrent insight is that online consumers are diverse and represent different kinds of people seeking different kinds of online experiences. As an illustration, Harris Interactive, a large research firm, has identified six distinct online consumer lifestyle segments.[22]

The largest online consumer lifestyle segment, called *click-and-mortar*, consists of female homemakers who tend to browse retailer Websites but actually buy products in traditional retail outlets. They make up 23 percent of online consumers and represent an important segment for multichannel retailers that also feature catalogue and store operations, such as J. Crew and JCPenney. Twenty percent of online consumers are *hunter-gatherers*—married baby boomers with children at home who use the Internet like a consumer magazine to compare products and prices. They can be found visiting comparison shopping Websites such as Dealcatcher.com and Mysimon.com on a regular basis. Nineteen percent of online consumers are *brand loyalists* who regularly visit their favourite bookmarked Websites and spend the most money online. They are better-educated and more-affluent Internet/Web users who effortlessly navigate familiar and trusted Websites and enjoy the online browsing and buying experience. Next there are *time-sensitive materialists* who
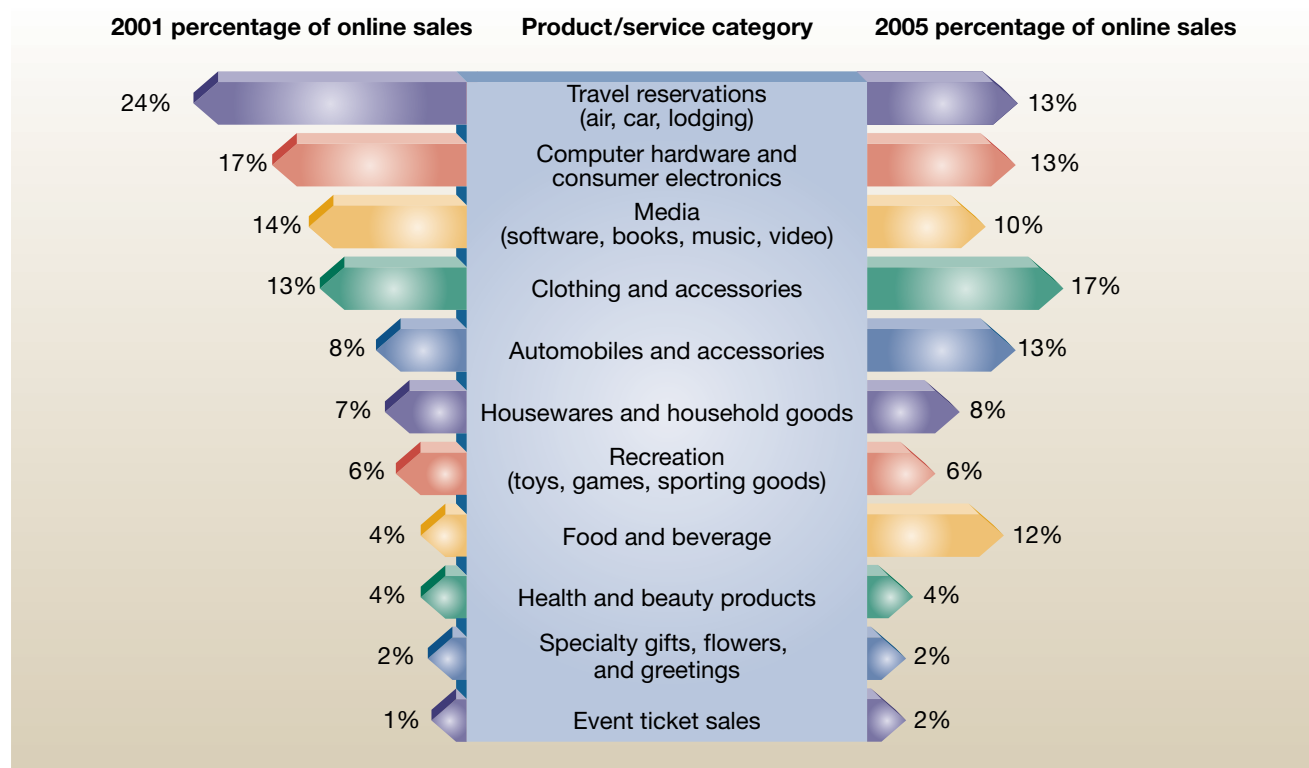
regard the Internet as a convenience tool for buying music, books, and computer software and electronics. They account for 17 percent of online consumers and can be found visiting Amazon.com, Dell.com, Sony.com, and BMG.com. The *hooked, online, and single* segment consists of young, affluent, and single online consumers who bank, play games, and spend more time online than any other segment as documented in the accompanying Web Link. They make up 16 percent of online consumers, enjoy auction Websites such as eBay, and visit game Websites like iWon.com, ea.com, and games.yahoo.com. Five percent of online consumers are the *ebivalent newbies*—newcomers to the Internet who rarely spend money online, but seek product information. Do any of these segments describe your online lifestyle and spending habits?

What Online Consumers Buy

Much still needs to be learned about online consumer purchase behaviour in the new marketspace. While research has documented the most frequently purchased products and services bought online, marketers also need to know why these items are popular and why consumers prefer to shop and buy in the new marketspace.

Six general product and service categories appear to be particularly suited for electronic commerce.[23] One category consists of items for which product information is an important part of the purchase decision, but prepurchase trial is not necessarily critical. Items such as computers, computer accessories, and consumer electronics sold by Dell.com and Egghead.com fall into this category. So do books, which accounts for the sales growth of Amazon.com and Chapters-Indigo (www.chapters.indigo.com). Both booksellers publish short reviews of new books that visitors to their Websites can read before making a purchase decision. According to an authority on electronic commerce, "You've read the reviews, you want it, you don't need to try it on."[24] A second category includes items for which audio or video demonstration is important. This category consists of CDs and videos sold by Columbiahouse.com, CDnow.com, and HMV.com. The third category contains items that can be delivered digitally, including computer software, travel reservations and confirmations, brokerage services, and electronic ticketing. Popular Websites for these items include Travelocity.ca, Ticketmaster.ca, and Schwab.com.

Unique items, such as collectibles, specialty goods, and foods and gifts, represent a fourth category. Collectible auction houses (www.auctions-on-line.com) and (www.eworldauction.com), and flower and gift marketer 1-800-Flowers (www.1800flowers.com) sell these products. A fifth category includes items that are regularly purchased and where convenience is very important. Many consumer-packaged goods, such as grocery products, fall into this category, which has benefited Peapod.com and Netgrocer.com, two online grocers. A final category of

2001 percentage of online sales	Product/service category	2005 percentage of online sales
24%	Travel reservations (air, car, lodging)	13%
17%	Computer hardware and consumer electronics	13%
14%	Media (software, books, music, video)	10%
13%	Clothing and accessories	17%
8%	Automobiles and accessories	13%
7%	Housewares and household goods	8%
6%	Recreation (toys, games, sporting goods)	6%
4%	Food and beverage	12%
4%	Health and beauty products	4%
2%	Specialty gifts, flowers, and greetings	2%
1%	Event ticket sales	2%

FIGURE 21–4

Online consumer sales by product/service category: 2001 and 2005

items consists of highly standardized products and services for which information about price is important. Certain kinds of insurance (auto and homeowners), home improvement products, casual apparel, and toys comprise this category. These categories dominate online consumer shopping today and for the foreseeable future, as shown in Figure 21–4.[25]

Several trends have created opportunities for Canadian shoppers to purchase online. Experienced online purchasers continue to use the Internet for their shopping convenience and over the past few years has increased along with the number of Canadian e-retailers providing availability and selection. The number of Canadian adults who have purchased online exceeds 5 million, almost 25 percent of the population. Canadians are purchasing more from Canadian sites and the major purchases are banking services, computer software, books, music, tickets to events, and consumer electronics.[26]

Why Consumers Shop and Buy Online

Marketers emphasize the customer value-creation possibilities, the importance of interactivity, individuality and relationship building, and producing customer experience in the new marketspace. However, consumers typically refer to six reasons why they shop and buy online: convenience, choice, customization, communication, cost, and control (Figure 21–5).
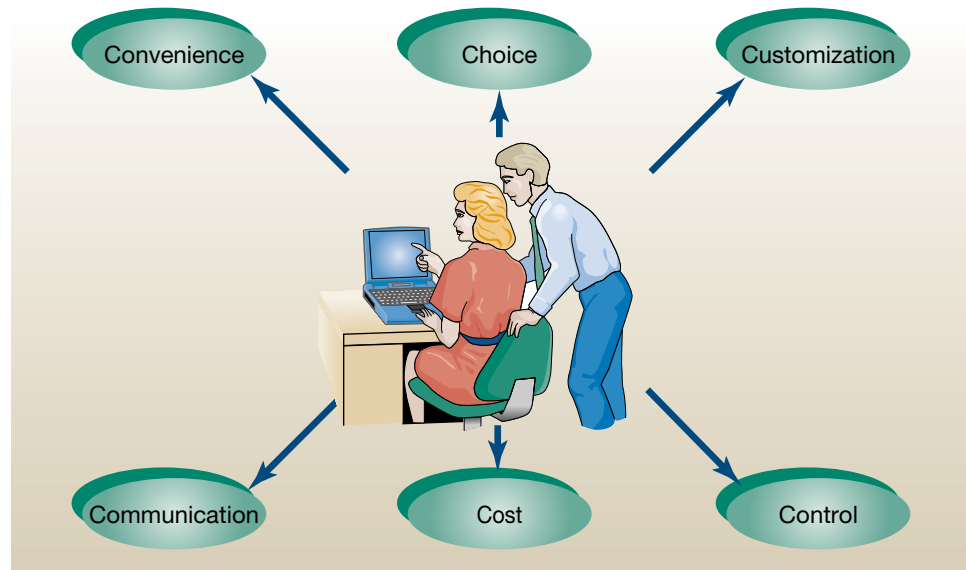
Convenience   Online shopping and buying is *convenient*. Consumers can visit Zellers at www.zellers.ca/zellers to scan and order from among thousands of displayed products without fighting traffic, finding a parking space, walking through long aisles, and standing in store checkout lines. Alternatively, online consumers can use **bots**, electronic shopping agents or robots that comb Websites, to compare prices and product or service features. In either instance an online consumer has never ventured from his or her computer monitor. However, for convenience to remain a source of customer value creation, Websites must be easy to locate and navigate, and image

BOTS

Electronic shopping agents or robots that comb Websites to compare prices and product or service features.

downloads must be fast. As mentioned in Chapter 15, a commonly held view among online marketers is the **eight-second rule**: Customers will abandon their efforts to enter and navigate a Website if download time exceeds eight seconds.[27] Furthermore, the more clicks and pauses between clicks required to access information or make a purchase, the more likely it is a customer will exit a Website.

EIGHT-SECOND RULE
Customers will abandon their efforts to enter and navigate a Website if download time exceeds eight seconds.

Choice   *Choice* is a second reason why consumers shop and buy online and has two dimensions. First, choice exists in the product or service selection offered to consumers. Buyers desiring selection can avail themselves of numerous Websites for almost anything they want. For instance, online buyers of consumer electronics can shop individual manufacturers such as Bose (www.bose.com) or Sony (www.sony.com), or visit iqvc.com, a general merchant, that offers more than 100 000 products. Choice assistance is the second dimension. Here, the interactive capabilities of Internet/Web-enabled technologies invite customers to engage in an electronic dialogue with marketers for the purpose of making informed choices. Lands' End (www.landsend.com) provides choice assistance with its "My Virtual Model" apparel service. Men and women submit their body shape, skin colour, hair style, height, weight, and other attributes. The model then "tries on" outfits identified by the customer. Like any good salesperson, the service recommends flattering outfits for purchase.

Customization   Even with a broad selection and choice assistance, some customers prefer one-of-a-kind items that fit their specific needs. *Customization* arises from Internet/Web-enabled capabilities that make possible a highly interactive and individualized information and exchange environment for shoppers and buyers. Remember the earlier Le Château, Nike, Schwab, Dell Computer, and General Mills examples? To varying degrees, online consumers also benefit from **customerization**—the growing practice of customizing not only a product or service, but also personalizing the marketing and overall shopping and buying interaction for each customer.[28] Customerization seeks to do more than offer consumers the right product, at the right time, at the right price. It combines choice-board and personalization systems to expand the exchange environment beyond a transaction and makes shopping and buying an enjoyable, personal experience.

CUSTOMERIZATION
The growing practice of customizing not only a product or service but also personalizing the marketing and overall shopping and buying interaction for each customer.

Communication   Online consumers particularly welcome the *communication* capabilities of Internet/Web-enabled technologies. This communication can take three

forms: (1) marketer-to-consumer e-mail notification, (2) consumer-to-marketer buying and service requests, and (3) consumer-to-consumer chat rooms and instant messaging.[29] This communication capability is evidenced in the fact that more than 4 trillion e-mail messages are sent annually worldwide.[30]

Communication has proven to be a double-edged sword for online consumers. On the one hand, the interactive communication capabilities of Internet/Web-enabled technologies increase consumer convenience, reduce information search costs, and make choice assistance and customization possible. Communication also promotes the development of company-hosted and independent **Web communities**— Websites that allow people to congregate online and exchange views on topics of common interest. For instance, iVillage.com, the Women's Network, is a web community for women and includes topics such as career management, personal finances, parenting, relationships, beauty, and health. On the other hand, communication can take the form of electronic junk mail or unsolicited e-mail, called **spam**. The prevalence of spam has prompted some online services such as Hotmail to institute policies and procedures to prevent spammers from spamming their subscribers.

Internet/Web-enabled communication capabilities also make possible *buzz*, a popular term for word-of-mouth behaviour in marketspace. Chapter 5 described the importance of word of mouth in consumer behaviour. Internet/Web technology has magnified its significance. In marketspace, the scope and speed of word of mouth has increased fourfold on average because of consumer chat rooms, instant messaging, and product and service review Websites such as epinions.com and consumerreview.com.[31] Buzz is particularly influential for toys, cars, sporting goods, motion pictures, apparel, consumer electronics, pharmaceuticals, health and beauty products, and health care services. Some marketers have capitalized on this phenomenon by creating buzz through viral marketing.

Viral marketing is an Internet/Web-enabled promotional strategy that encourages individuals to forward marketer-initiated messages to others via e-mail.[32] There are three approaches to viral marketing. Marketers can embed a message in the product or service so that customers hardly realize they are passing it along. The classic example is Hotmail, which was one of the first companies to provide free, Web-based e-mail. Each outgoing e-mail message has the tagline: Get Your Private, Free Email from MSN Hotmail at http://www.hotmail.com. Today, Hotmail has some 80 million users! Marketers can also make the Website content so compelling that viewers want to share it with others. De Beers has done this at www.adiamondisforever.com, where users can design their own rings and show them to others. One out of five Website visitors e-mail their ring design to friends and relatives who visit the site. Similarly, eBay reports that more than half its visitors were referred by other visitors. Finally, marketers can offer incentives (discounts, sweepstakes, or free merchandise) for referrals. Procter & Gamble did this for its Physique shampoo. People who referred 10 friends to the shampoo's Website (www.physique.com) received a free travel-sized styling spray and were entered in a sweepstakes to win a year's supply of the shampoo. The response? The promotion generated 2 million referrals and made Physique the most successful new shampoo launched by Procter & Gamble.

Cost   Consumer *cost* is a fifth reason for online shopping and buying. Research indicates that many popular items bought online can be purchased at the same price or cheaper than in retail stores.[33] Although 75 percent of Internet customers indicate low prices as an important factor for online purchases, only 8 percent are "bargain hunters."[34] Lower prices also result from Internet/Web-enabled software that permits **dynamic pricing**, the practice of changing prices for products and services in real time in response to supply and demand conditions. As described in Chapter 14, dynamic pricing is a form of flexible pricing and can often result in lower prices. It is typically used for pricing time-sensitive items like airline seats, scarce items found at

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WEB COMMUNITIES
Websites that allow people to congregate online and exchange views on topics of common interest.

SPAM
Electronic junk mail or unsolicited e-mail.

VIRAL MARKETING
An Internet/Web-enabled promotional strategy that encourages users to forward marketer-initiated messages to others via e-mail.
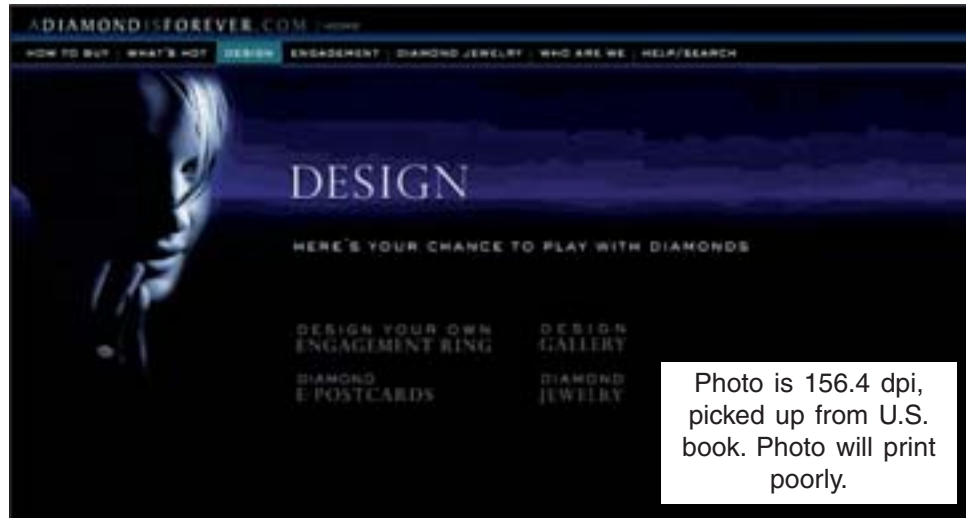
DYNAMIC PRICING
The practice of changing prices for products and services in real time in response to supply and demand conditions.

De Beers effectively applied viral marketing in the launch of its custom ring Website.

De Beers

www.adiamondisforever.com

art or collectible auctions, and out-of-date items such as last year's models of computer equipment and accessories. A consumer's cost of external information search, including time spent and often the hassle of shopping, is also reduced. Greater shopping convenience and lower external search costs are two major reasons for the popularity of online shopping and buying among women, and particularly for those who work outside the home.

Control   The sixth reason consumers prefer to buy online is the *control* it gives them over their shopping and purchase decision process. Online shoppers and buyers are empowered consumers. They deftly use Internet/Web technology to seek information, evaluate alternatives, and make purchase decisions on their own time, terms, and conditions. Nearly 80 percent of online consumers regularly engage **portals** and "search engines," which are electronic gateways to the World Wide Web that supply a broad array of news and entertainment, information resources, and shopping services.[35] Well-known portals include Yahoo.ca, Sympatico.ca, and Canoe.ca. To evaluate alternatives, consumers visit comparison shopping Websites such as comparenet.com and price.com or employ bots such as Yahoo! Shopping and Excite's Product Finder, which provide product descriptions and prices for a wide variety of brands and models. The result of these activities is a more informed consumer and discerning shopper. In the words of one marketing consultant, "In the marketspace, the customer is in charge."[36]

Even though consumers have many reasons for shopping and buying online, a segment of Internet/Web users refrain from making purchases for privacy and security reasons, as described in the accompanying Ethics and Social Responsibility Alert.[37] These consumers are concerned about a rarely mentioned seventh "C"— cookies. **Cookies** are computer files that a marketer can download onto the computer of an online shopper who visits the marketer's Website. Cookies allow the marketer's Website to record a user's visit, track visits to other Websites, and store and retrieve this information in the future. Cookies also contain information provided by visitors, such as expressed product preferences, personal data, and financial information, including credit card numbers. Clearly, cookies make possible customized and personalized content for online shoppers. The controversy surrounding cookies is summed up by an authority on the technology: "At best a cookie makes for a user-friendly Web world: like a doorman or salesclerk who knows who you are. At worst, cookies represent a potential loss of privacy."[38]

PORTALS
Electronic gateways to the World Wide Web that supply a broad array of news and entertainment, information resources, and shopping services.

COOKIES
Computer files that a marketer can download onto the computer of an online shopper who visits the marketer's Website.

ETHICS AND SOCIAL RESPONSIBILITY ALERT
Sweet and Sour Cookies in the New Marketspace

Privacy and security are two key reasons consumers are leery of online shopping. An Angus Reid report (www.angusreid.ca) shows that Canadians are concerned about giving out personal and credit card information online, and very concerned about someone being able to track where they go as they travel online.

The privacy and security concerns of online consumers are related to the "cookies" described in the text and how those cookies can be used or misused. The Canadian Marketing Association (CMA) introduced new regulations regarding online marketing by its members. Consumers must be informed if information is being collected on them when they visit Websites, and how this information will be used. Consumers must also be able to opt out from having such information collected or transferred for marketing purposes. The CMA says members who break these regulations face public censure or expulsion from the CMA.

The Personal Information Protection and Electronic Documents Act (Part 1, Bill C-6) became law January 1, 2001. This bill deals with sensitive forms of information, such as health information, and contains important opt-out provisions. The provinces have until 2004 if they wish to enact their own privacy legislation. Alberta, Saskatchewan, and Manitoba already have some legislation. For information on Bill C-6 see Industry Canada at e-com.ic.gc.ca.

Do you think that government regulation or self-regulation is the best way to deal with issues of privacy and security in the new marketspace?

When and Where Online Consumers Shop and Buy

Shopping and buying also happen at different times in marketspace than in the traditional marketplace.[39] About 80 percent of online retail sales occur Monday through Friday. The busiest shopping day is Wednesday. By comparison, 35 percent of retail store sales are registered on the weekend. Saturday is the most popular shopping day. Monday through Friday online shopping and buying often occurs during normal work hours—some 40 percent of online consumers say they visit Websites from their place of work, which partially accounts for the sales level during the workweek.[40] Favourite Websites for workday shopping and buying include those featuring event tickets, online periodical subscriptions, flowers and gifts, consumer electronics, and travel. Websites offering health and beauty items, apparel and accessories, and music and video tend to be browsed and bought from a consumer's home.

Consumers are more likely to browse than buy online. Although 9 in 10 online consumers regularly shop in the marketspace of Websites, over half (51 percent) confine their purchases to the traditional retail store marketplace.[41] Consumer marketspace browsing and buying in the traditional marketplace has popularized multichannel marketing, which is described next.

1. What is the eight-second rule?

2. Which online consumer lifestyle segment spends the most money online and which spends the most time online?

3. What are the six reasons consumers prefer to shop and buy online?

MULTICHANNEL MARKETING TO THE ONLINE CONSUMER

The fact that a large number of consumers browse and buy in two market environments means that it is commonplace for companies to maintain a presence in both market environments of some kind and measure. This dual presence is called multichannel marketing.

Integrating and Leveraging Multiple Channels with Multichannel Marketing

Companies often employ multiple marketing channels for their products and services. *Dual distribution* is the term used to describe this practice, which focuses on reaching different consumers through different marketing channels. The Avon example that introduced Chapter 15 highlighted this practice. Avon markets its health and beauty products directly through Avon sales representatives, a brochure, shops in department stores, and an Avon Website. The various communication (representatives and brochures) and delivery (shops) channels allow Avon to reach different consumers, feature different brands, and provide different shopping and buying experiences.

MULTICHANNEL MARKETING
The blending of different communication and delivery channels that are mutually reinforcing in attracting, retaining, and building relationships with consumers.

Sears Canada makes every effort to integrate all aspects of the customer's shopping experience.

Multichannel marketing bears some resemblance to dual distribution. For example, different communication and delivery channels are used such as catalogues, kiosks, retail stores, and Websites. In fact, retailers that employ two or more of these channels are labelled *multichannel retailers*, as described in Chapter 17. However, the resemblance ends at this point. **Multichannel marketing** is the *blending* of different communication and delivery channels that are *mutually reinforcing* in attracting, retaining, and building relationships with consumers who shop and buy

Photo updated to get better resolution. Photo is 180 dpi, photo will print poorly.

MARKETING NEWSNET
The Multichannel Marketing Multiplier

Multichannel marketing is the blending of different communication and delivery channels that are mutually reinforcing in attracting, retaining, and building relationships with consumers who shop and buy in the traditional marketplace and marketspace. Industry analysts refer to the complementary role of different communication and delivery channels as an "influence effect."

Retailers that integrate and leverage their stores, catalogues, and Websites have seen a sizeable "lift" in yearly sales recorded from individual customers. Canadian Tire is a case in point. Customers who shop in two channels spend more money annually.

To build its multichannel operations and expand its contact list, Canadian Tire launched an online component to the "Big Spender Giveaway" contest in the fall of 2001. A total of $350 000 in merchandise and Canadian Tire money™ was given away to those entering either online or in-store. The online entrants were able to participate in an extra game: looking for the "Big Spender Briefcase" hidden in the site. This is considered one of the most popular online promotions in Canada, attracting 2.5 million visitors to Canadian Tire's Website.

in the traditional marketplace and marketspace. Multichannel marketing seeks to integrate a firm's communication and delivery channels, not differentiate them. In doing so, consumers can browse and buy "anytime, anywhere, anyway" expecting that the experience will be similar regardless of channel. At Sears Canada, every effort is made to integrate all aspects of the customer's shopping experience. The multichannel retailer has 118 retail stores, 37 furniture and appliance stores, 15 outlet stores, 66 auto centres, 38 floor-covering centres, 131 dealer stores, and 2110 pick-up locations to support its catalogue business. Sears Canada is the dominant catalogue retailer in Canada and used its expertise to create Sears.ca, one of the most visited Websites in Canada.[42]

Multichannel marketing also can leverage the value-adding capabilities of different channels.[43] For example, retail stores can leverage their physical presence by allowing customers to pick up their online orders at a nearby store or return or exchange nonstore purchases if they wish. Catalogues can serve as shopping tools for online purchasing, as they do for store purchasing. Websites can help consumers do their "homework" before visiting a store. Office Depot has leveraged its store, catalogue, and Website channels, with impressive results. The company, which is the world's largest office supply retail chain, is the second largest Internet retailer in the world (behind Amazon.com), doing about $1 billion in online retail sales annually.[44] The benefits of multichannel marketing are also apparent in the spending behaviour of consumers, as described in the accompanying Marketing NewsNet.[45]

Implementing Multichannel Marketing

Not all companies employ Websites for multichannel marketing the same way. Different companies apply the value-creation capabilities of Internet/Web technology differently depending on their overall marketing program.

Websites play a multifaceted role in multichannel marketing because they can serve as either a communication or delivery channel. Two general applications of Websites exist based on their intended purpose: (1) transactional Websites, and (2) promotional Websites.

Multichannel Marketing with Transactional Websites *Transactional Websites* are essentially electronic storefronts. They focus principally on converting an online browser into an online, catalogue, or in-store buyer using the Website design elements described earlier. Transactional Websites are most common among store and catalogue retailers and direct selling companies, such as Tupperware. The Gap, for instance, generates more sales volume from its Website (www.gap.com) than any one of its stores, save one.[46] Retailers and direct selling firms have found that their Websites, while cannibalizing sales volume from stores, catalogues, and sales representatives, attract new customers and influence sales. Consider Victoria's Secret, the well-known specialty retailer of intimate apparel for women ages 18 to 45. It reports that almost 60 percent of its Website customers are men, most of whom generate new sales volume for the company.[47]

Transactional Websites are used less frequently by manufacturers of consumer products. A recurring issue for manufacturers is the threat of *channel conflict*, described in Chapter 15, and the potential harm to trade relationships with their retailing intermediaries. Still, manufacturers do use transactional Websites, often cooperating with retailers. For example, Ethan Allen, the furniture manufacturer, markets its product line at www.ethanallen.com. Whenever feasible, Ethan Allen retailers fill online orders, and receive 25 percent of the sales price. For items shipped directly from the Ethan Allen factory, the store nearest the customer receives 10 percent of the sales price.[48] In addition, Ethan Allen, like other manufacturers, typically lists stores on their Website where their merchandise can be shopped and bought. More often than not, however, manufacturers engage multichannel channels, using Websites as advertising and promotion vehicles.

Multichannel Marketing with Promotional Websites *Promotional Websites* have a very different purpose than transactional sites. They advertise and promote a company's products and services and provide information on how items can be used and where they can be purchased. They often engage the visitor in an interactive experience involving games, contests, and quizzes with electronic coupons and other gifts as prizes. Procter & Gamble maintains separate Websites for dozens of its leading brands, including Pringles potato chips (www.pringles.com), Vidal Sassoon hair products (www.vidalsassoon.com), Scope mouthwash (www.scope-mouthwash.com), and Pampers diapers (www.pampers.com).[49] Promotional sites can be effective in generating interest in and trial of a company's products

FIGURE 21–6
Implementing multichannel marketing with promotional Websites.
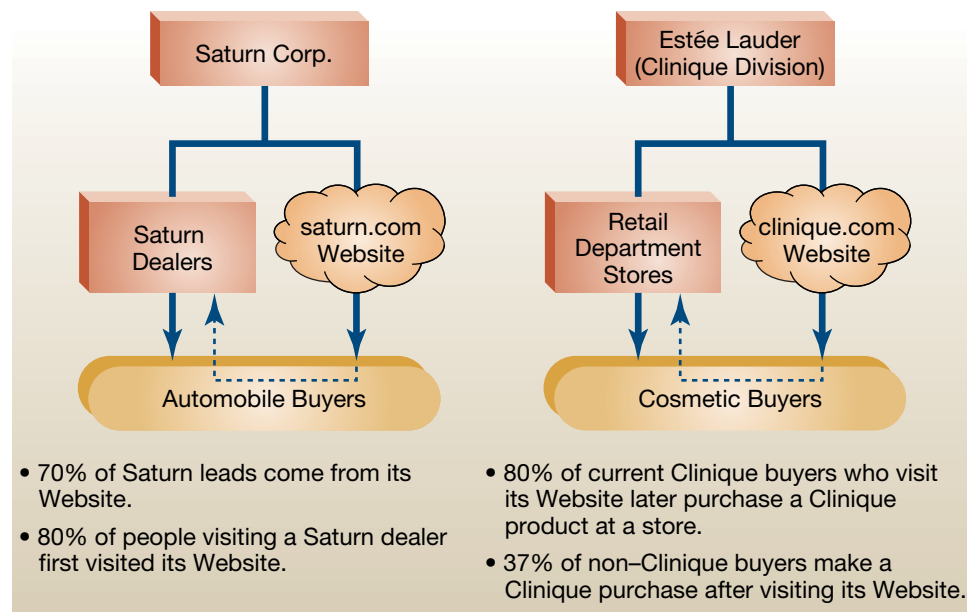
and services (see Figure 21–6).[50] General Motors reports that 80 percent of the people visiting a Saturn store first visited the brand's Website (www.saturn.com) and 70 percent of Saturn leads come from its Website.

Promotional Websites also can be used to support a company's traditional marketing channel and build customer relationships. This is the objective of the Clinique Division of Estée Lauder Companies, which markets cosmetics through department stores. Clinique reports that 80 percent of current customers who visit its Website (www.clinique.com) later purchase a Clinique product at a department store; 37 percent of non-Clinique buyers make a Clinique purchase after visiting the company's Website.

Concept Check	**1.** Multichannel marketing is _____.
	2. Channel conflict between manufacturers and retailers is likely to arise when manufacturers use _____ Websites.

SUMMARY

1 Consumers and companies populate two market environments today—the traditional marketplace and the new marketspace. A company's marketspace success hinges largely on designing and executing a marketing program that capitalizes on the unique value-creation capabilities of Internet/Web technology.

2 Internet/Web technology creates time, place, form, and possession utility in novel ways, resulting in customer value.

3 Marketers benefit from two unique capabilities of Internet/Web-enabled technology that create customer relationships—interactivity and individuality—creating interactive marketing. Interactive marketing, in turn, is characterized by choiceboard and personalization systems transforming information supplied by customers into customized responses to their individual needs.

4 The quality of the customer experience creates meaningful marketspace presence measured by seven Website elements: context, content, community, customization, communication, connection, and commerce.

5 Online consumers, a segment of all Internet/Web users, differ demographically from the general population and exhibit distinct lifestyle and spending profiles. Six general product and service categories are bought by online consumers. However, banking services, computer hardware and software, books, music, and tickets to events account for the majority of consumer purchases.

6 Consumers refer to six reasons they shop and buy online: convenience, choice, customization, communication, cost, and control. Marketers capitalize on these reasons using a variety of approaches including electronic shopping agents (bots), Web communities, viral marketing, and dynamic pricing. However, consumers are concerned about electronic junk mail (spam) and online privacy and security.

7 Multichannel marketing is the blending of different communication and delivery channels that are mutually reinforcing in attracting, retaining, and building relationships with consumers who shop and buy in the traditional marketplace and marketspace.

8 Multichannel marketing can be approached with the use of transactional Websites and promotional Websites.

KEY TERMS AND CONCEPTS

bots p. XX
choiceboard p. XX
collaborative filtering p. XX
cookies p. XX
customer experience p. XX
customerization p. XX
dynamic pricing p. XX
eCRM p. XX
eight-second rule p. XX

interactive marketing p. XX
multichannel marketing p. XX
online consumers p. XX
permission marketing p. XX
personalization p. XX
portals p. XX
spam p. XX
viral marketing p. XX
Web communities p. XX

INTERNET EXERCISE

What are the most recent statistics and trends in interactive and multichannel marketing? Look no further than Nua Internet Surveys (Nua), an online service that abstracts up-to-date research on Internet/Web usage and applications from around the world. Nua conveniently organizes research by business, social, technical, demographic, and geographical categories for easy inspection.

Visit the Nua Website at www.nua.ic/surveys. Your assignment is as follows:

1 Choose a topic covered in the chapter that interests you, such as the demographics of Internet/Web users. Compare and contrast the most recent research published in Nua with information contained in the chapter. Don't be surprised if you find differences!

2 Choose two regions of the world, such as North America and Europe. How does Internet/Web usage and interactive marketing differ between the two regions based on the most recent research?

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APPLYING MARKETING CONCEPTS AND PERSPECTIVES

1 By early 2002, about one-quarter of Internet/Web users had actually purchased something online. Have you made an online purchase? If so, why do you think so many people who have access to the Internet and the World Wide Web are not also online buyers? If not, why are you reluctant to do so? Do you think that electronic commerce benefits consumers even if they don't make a purchase?

2 Like the traditional marketplace, marketspace offers marketers opportunities to create greater time, place, form, and possession utility. How do you think Internet/Web-enabled technology rates in terms of creating these values? Take a shopping trip at a virtual retailer of your choice (don't buy anything unless you really want to). Then compare the time, place, form, and possession utility provided by the virtual retailer with that you enjoyed during a nonelectronic experience shopping for the same product category.

3 Visit Indigo Books & Music (www.indigo.ca). As you tour the company's Website, think about how shopping for books online compares with a trip to your university bookstore to buy books. Specifically, compare and contrast your shopping experiences with respect to convenience, choice, customization, communication, cost, and control.

4 Suppose you are planning to buy a new Ski Doo, so you decide to visit www.ski-doo.com. Based on your experience visiting that site, do you think you would enjoy more or less control in negotiating with the dealer when you actually purchase your vehicle?

5 Visit the Website for your university or college. Based on your visit, would you conclude that the site is a transactional site or a promotional site? Why? How would you rate the site in terms of the six Website design elements that affect customer experience?

6 One of the benefits that interactive marketing provides for companies is the ability to obtain consumer information that can be used to more effectively manage the marketing mix. Canadian Tire, for example, creates profiles of its online customers. Some consumers, however, worry about their privacy as companies like Canadian Tire create customer databases. Visit Canadian Tire's Website at www.CanadianTire.ca to determine what information you must provide. Is the added value of the Canadian Tire online money worth the price of the information you must reveal to participate? Why or why not?

VIDEO CASE 21–1 Connecting and Communicating without Wires

Consumers and businesses have embraced the Internet. Offering convenient and easy communication, the Internet continues to change our lives as new applications for its technology are developed. Internet use and applications have grown largely because manufacturers and software developers have continued to improve on the original concept and infrastructure. Now, wireless communication offers an opportunity to advance this process by stimulating new products, new processes, and new ways of communicating. Wireless opportunities and applications appear to be endless. An obvious benefit of wireless is the elimination of the nest of cables behind desks. From a manufacturing perspective, there are anticipated cost savings as well. Most promising, however, are the opportunities wireless offers for more interactive and instantaneous communication. The promise of wireless takes "anywhere, anytime" to a new level.

A variety of technologies can be used to create wireless products and services. There is long-range and short-range wireless. Wireless can be delivered via satellite or cellular, and now for short-range options there is Bluetooth and 802.11. Wireless technology development and adoption is where the Internet was more than five years ago. There is promise, there is excitement, and there is uncertainty.

CONSUMER ELECTRONICS PRODUCTS AND BLUETOOTH

What is Bluetooth and what could it possibly do for us? These were the questions on the minds of the attendees of the Consumer Electronics Show (CES) in Las Vegas, Nevada in 2001, where the buzz was "wireless." Just a few years ago Comdex, the largest computer trade show, attracted large audiences. However, with the slowdown in the computer and telecommunication industries, manufacturers are bringing new products to CES. The major players in the computer and telecommunications industries see the consumer electronics market as an opportunity to generate revenue by showcasing how they are using technology convergence to develop not just consumer gadgets, but new products and infrastructure formats to improve productivity and connectivity and to open new markets.

Bluetooth is a technology standard allowing electronic products, computers, and components to communicate with each other without the use of cables. It uses radio transmissions and the device looks like a tiny radio transmitter on a microchip. The range for Bluetooth transmission is about 10 metres, making it ideal for office and home use providing wireless connections between computers, keyboards, printers, and fax machines. "Cable spaghetti" from under the desk could be a thing of the past. In addition, the possibilities for wireless products include watches that can take pictures and watches that can help you if you are lost and need to know your location. There are attachments that can transform a personal digital assistant (PDA) into a phone. And, in case you don't have enough radio stations on your car radio, it is now possible to receive satellite radio in your car. Although this product is illegal in Canada, it is possible in other parts of the world to purchase a laser radio detector. Another benefit of Bluetooth comes from the ability to connect to the Internet from virtually anywhere using handheld devices.

A VIKING KING BRINGS TOGETHER MODERN MARKET COMBATANTS

Bluetooth is an appropriate name for this wireless technology standard that is undertaking to increase connectivity globally. Bluetooth was the nickname of a Danish king who was able to successfully bring together clans in Denmark to battle foreigners instead of each other. Like this Viking king, the Bluetooth Special Interest Group (SIG) is a consortium of major industry players in computing, telecommunications, and networking working with each other to develop and commercialize this particular wireless standard. Ericsson, a Swedish telecommunications company, was the founder, and has come together in a unique partnership with others such as IBM, Intel, Nokia, and Toshiba in an attempt to set the industry standard before the product battles in the marketplace happen. So, in contrast to the Beta and VHS battle for a video industry standard, a consortium of more than 2000 companies worldwide is jointly developing Bluetooth technology.

Skip Bryan from Ericsson is convinced that this big new idea will be successful where others have failed. To begin with, the large number of consortium members will assist in new-product development and adoption. Second, due to the large number of members, companies from a wide range of industries are developing wireless applications including such industries as health care, avionics, and oil and gas. Within these industries it is the large organizations such as Shell, Sony, Casio, and Boeing that are investing in and experimenting with this wireless standard. Unlike the competing wireless standard IEEE 802.11, Bluetooth adopters have access to it through a royalty-free licence. This removes a financial barrier for those companies wanting to experiment with wireless technology and product development. The access to this technology to use in product and service development is similar to the access of the Internet for new applications.

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CANADIAN COMPANIES EMBRACE BLUETOOTH

Dr. Jeff Rabin, a technology analyst and leading expert on wireless technology from Dundee Securities in Toronto, believes Bluetooth has great potential to succeed. "There's so much momentum behind it and it's such a juggernaut moving forward." Dr. Rabin sees Canadian companies playing a role in the adoption of this technology. Canadian companies that are members of the consortium include Mitel and Research in Motion (RIM). Although RIM has yet to announce any Bluetooth products, Mitel is actively pursuing this opportunity.

The number of Canadian companies doing well with products and software applications to support Bluetooth continues to grow. Manufacturing companies like Mitel are developing wireless products; there are, however, more Canadian companies involved in the development of software and special applications rather than hardware. This, says Dr. Rabin, is due to the lower capital requirements necessary to start a software company compared with a manufacturing plant. Arkon Networks in Richmond, B.C. is a success story in providing design expertise in wireless technology. Other companies such as PsiNaptic in Calgary and Colligo Networks, Inc. in Vancouver are involved in developing applications for supporting wireless networks through unique offerings. There appears to be a wide range of applications for wireless technology in consumer electronics, computer and telecommunication hardware, and network services for both offices and home environments.

THE POSSIBILITIES OF A FUTURE WITH WIRELESS

An important factor to consider in the adoption of wireless products is the nature of the technology itself. Wireless benefits are obvious. The freedom to talk on the phone or use the computer without lines and cables is appreciated by anyone using electronic products. With cable-free access and lower costs, wireless success appears inevitable. However, it appears that these benefits are only the beginning. Applications for wireless are being explored in a wide range of industries for a multitude of purposes. Extending the access to connectivity is a reality. The C-pen scans text and sends it to a computer, eliminating that onerous task of rekeying information. Ericsson has introduced a wireless headset, for U.S.$299, to connect a cell phone in a purse, briefcase, or pocket. For those concerned about exposure to microwaves so near their head, this new headset provides hands-free access to a cell phone without fear of health issues. With new legislation in both Europe and the United States prohibiting the use of handheld phones while driving, wireless technology could play a role in making driving and talking safer. The wireless headset is one hands-free option, but DaimlerChrysler will soon introduce another option with a wireless docking station and entertainment unit.

There are many ways in which wireless technology will continue to provide new product development opportunities for companies and benefits for connecting everyone, everywhere. Wireless provides faster access to the Internet. In Europe, wireless data services such as text messaging are widely used. This is one of the most valuable benefits in the long term for this technology. Wireless means instantaneous information exchange, resulting in quicker decisions. Many believe that this is what will continue to drive demand and application development. Mike Walters, a Nokia marketing manager, says, "The single most valuable advertising space on the planet will be the display on your hand-set." Retailers need to be looking at the opportunities of "location-based advertising." This is where companies can provide local, timely messages to customers as they enter a store or restaurant. For example, McDonald's could use Bluetooth technology to transmit ads or discount coupons to any cell phone in one of its restaurants. Another possible use of the technology is within a bookstore, such as Indigo, where a customer could use his or her cell phone or PDA to receive book reviews of any book on the shelf. Location-based advertising has great potential to assist the customer in-store with specific information on products, services, discounts, coupons, and loyalty incentives. Marketers selling without wires will need to carefully implement their programs to meet the changing needs of their customers.

Cable replacement is not just for computers and peripherals. E-books could evolve into wireless books. Cars could be produced without wiring harnesses. Short-range wireless could make it easier for anyone in an office or plant to access important production or customer data—anywhere, anytime.

The possibilities with wireless appliances, electronics devices, PDAs, cell phones, computers and peripherals create almost endless opportunities to generate new products and markets. Changes in communication access and purchasing patterns began with the adoption of the Internet and e-mail. With the successful adoption and integration of wireless technology, the implications for marketing companies interested in interactive communication is wide ranging. Wireless technology enhances Internet access and broadens the scope of applications for a variety of industries to improve and increase communication with suppliers, customers, family, and friends.

The future of this technology lies in the ability of the computing, electronics, and telecommunication industries to continue working together in an effort to create products and applications useful to the market. The Bluetooth SIG has a vested interest in making technology convergence through wireless not just hype, but a reality.

Questions

1   Identify wireless products or applications that will enhance connecting a customer with a company. Discuss the implications of being able to connect with a customer everywhere.

2   In your opinion, will wireless technology support multichannel marketing? Yes or no. Discuss your position.

3   If you were a product manager at Maytag, a leading manufacturer of household appliances, would you be interested in exploring the possibilities of integrating wireless technology in any of your products? Why or why not? Discuss your position.

4   Location-based advertising is an interesting way to communicate with a customer. Discuss the pros and cons of this concept from the perspective of both the retailer and the customer.

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