MODUL PERKULIAHAN ELEARNING
MATA KULIAH - MCM 205 – ECOMMERCE (3 SKS)

PERTEMUAN 4 – *ELEARNING*

# PERIKLANAN PADA ECOMMERCE

Dosen
H. Andri Budiwidodo, S.Si., M.I.Kom.
(ID 7715)

Sumber penulisan modul:
Kenneth C. Laudon and Carol Guercio Traver. 2014. *e-Commerce Business Technology Society*. 10th Edition. New Jersey: Pearson. Halaman 328-375.

# OVERVIEW

Perhaps no area of business has been more affected by Internet and mobile platform technologies than marketing and marketing communications. As a communications tool, the Internet affords marketers new ways of contacting millions of potential customers at costs far lower than traditional media. The Internet also provides new ways—often instantaneous and spontaneous—to gather information from customers, adjust product offerings, and increase customer value.

The Internet has spawned entirely new ways to identify and communicate with customers, including search engine marketing, social network marketing, behavioral targeting, and targeted e-mail, among others. The Internet was just the first transformation. Today, the mobile platform based on smartphones and tablet computers is transforming online marketing and communications yet again. The key changes in 2013 involve social networks, mobile marketing, and location-based services, including local marketing, as well as the increasing prevalence of digital video ads, as discussed in the opening case. Table 1 summarizes some of the significant new developments in online marketing and advertising for 2013–2014.

The subject of online marketing, branding, and market communications is very broad and deep. We have created two chapters to cover the material. In this chapter, we begin by examining consumer behavior on the Web, the major types of online marketing and branding, and the technologies that support advances in online marketing. We then focus on understanding the costs and benefits of online marketing communications.

| Table 1 | What's New in Online Marketing and Advertising 2013–2014 |
|---|---|
| **BUSINESS** | |
| 1) Online marketing and advertising spending increases by 15%, compared to only about 3% for traditional media marketing and advertising.<br>2) Social media marketing and advertising channels expand, but search and display marketing remains dominant.<br>3) Mobile marketing and advertising grows at twice the rate of traditional online marketing.<br>4) Local marketing and advertising based on geolocation services like Groupon and LivingSocial take off.<br>5) Video advertising continues to be one of the fastest growing formats.<br>6) Search engine marketing and advertising continues its dominance, but its rate of growth is slowing somewhat compared to other formats. | |
| **TECHNOLOGY** | |
| 1) Powerful, low-power, handheld mobile devices challenge the PC as the major online marketing and advertising platform. Smartphones and tablet computers become prevalent Web access devices.<br>2) Big data: online tracking produces oceans of data, challenging business analytics programs.<br>3) Cloud computing makes rich marketing content and multi-channel, cross-platform marketing a reality.<br>4) The Twitter, Facebook, and Pinterest platforms grow into valuable social customer relationship management tools, enabling businesses to connect with customers on social network sites. | |
| **SOCIETY** | |
| 1) Targeted advertising based on behavioral tracking on leads to growing privacy awareness and fears.<br>2) Social network sites are accused of abusing customer profile information without providing sufficient user controls over profile distribution.<br>3) Mobile GPS tracking of individual location information built into smartphones and other mobile devices raises privacy concerns. | |

## PART 1. CONSUMERS ONLINE: THE INTERNET AUDIENCE AND CONSUMER BEHAVIOR

Before firms can begin to sell their products online, they must first understand what kinds of people they will find online and how those people behave in the online marketplace. In this section, we focus primarily on individual consumers in the business to consumer (B2C) arena. However, many of the factors discussed apply to the B2B arena as well, in so far as purchasing decisions by firms are made by individuals.

## Internet Traffic Patterns: the Online Consumer Profile

We will start with an analysis of some basic background demographics of Web consumers in the United States. **The first principle of marketing and sales** is "know thy customer." Who is online, who shops online and why, and what do they buy? In 2013, around 243 million people of all ages had access to the Internet. Almost 85 million households in the United States (over 70% of all households) have broadband access to the Internet. By comparison, 98% of all U.S. households currently have televisions and 94% have telephones. Worldwide, around 2.56 billion people are online

Although the number of new online users increased at a rate of 30% a year or higher in the early 2000s, over the last several years, this growth rate has slowed to about 2%–3% a year in the United States. E commerce businesses can no longer count on a double-digit growth rate in the online population to fuel their revenues. The days of extremely rapid growth in the U.S. Internet population are over.

### Intensity and Scope of Usage

The slowing rate of growth in the U.S. Internet population is compensated for, in part, by an increasing intensity and scope of use. Overall, over 80% of adult users of the Internet report logging on on a typical day (Pew Internet & American Life Project, 2013a). Several studies also show that a greater amount of time is being spent online by Internet users—over 2 hours a day (eMarketer, Inc., 2013a). In 2013, mobile smartphones and tablets are major access points to the Internet and online commerce. About 143 million people, almost 60% of all U.S. Internet users, access the Internet using a mobile device. Owners of mobile devices spend over 2 hours a day using them for nontelephone activities. In 2013, around 125 million mobile users played games, around 75 million viewed videos, around 100 million visited a social site, and millions of others listened to music, shopped, and texted (eMarketer, Inc., 2013b). The more time users spend online, becoming more comfortable and familiar with Internet features and services, the more services they are likely to explore, according to the Pew Internet & American Life Project.

### Demographics and Access

The demographic profile of the Internet—and e-commerce—has changed greatly since 1995. Up until 2000, single, white, young, college-educated males with high incomes dominated the Internet. This inequality in access and usage led to concerns about a possible "digital divide." However, in recent years, there has been a marked increase in Internet usage by females, minorities, seniors, and families with modest incomes, resulting in a notable decrease—but not elimination—in the earlier inequality of access and usage (Pew Internet & American Life Project, 2013b).

An roughly equal percentage (about 85%) of men and women use the Internet today. Young adults (18–29) form the age group with the highest percentage of Internet use, at 98%. Adults in the 30–49 group (92%) are also strongly represented. Another fast-growing group online is the 65 and over segment, 56% of whom now use the Internet. Teens (12–17) also have a very high percentage of their age group online (97%). The percentage of very young children (1–11 years) online has also spurted, to 45% of that age group (eMarketer, Inc., 2013c, 2013d). Variation across ethnic groups is not as wide as across age groups. Ten years ago, there were significant differences among ethnic groups, but this has receded. In 2012, user participation by whites is 86%, African Americans, 85%, and Hispanics, 76%.

About 96% of households with income levels above $75,000 have Internet access, compared to only 76% of households earning less than $30,000. Over time, income differences have declined but they remain significant with a 20% gap between the highest category of household income and the lowest. Amount of education also makes a significant difference when it comes to online access. Of those individuals with less than a high school education, only 59% were online in 2013, compared to 96% of individuals with a college degree or more. Even a high school education boosted Internet usage, with that segment reaching 78%. In general, educational disparities far exceed other disparities in Internet access and usage (Pew Internet & American Life Project, 2013b; eMarketer, Inc., 2013c, 2013d).

Overall, there remains a strong relationship between age, income, ethnicity, and education on one hand and Internet usage on the other. The so-called “digital divide” has indeed moderated, but it still persists along the income, education, age, and ethnic dimensions. Gender, income, education, age, and ethnicity also impact online behavior. According to the Pew Internet & American Life Project, adults over the age of 65, those who have not completed high school, those who make less than $30,000 a year, and Hispanics are all less likely to purchase products online. Women are slightly more likely to purchase online than men, but not significantly so. With respect to online banking, the demographics are similar—those 65 and older are less likely than any age group to bank online, while those with at least some college are more likely than those with a high school diploma or less. Online banking is also more popular with men than women. No significant differences were found in terms of ethnicity (Pew Internet & American Life Project, 2012). Other commentators have observed that children of poorer and less educated families are spending considerably more time using their access devices for entertainment (movies, games, Facebook, and texting) than children from wealthier households. For all children and teenagers, the majority of time spent on the Internet has been labeled “wasted time” because the majority of online use is for entertainment, and not education or learning (Richtel, 2012).

**Type of Internet Connection: Broadband and Mobile Impacts**

While a great deal of progress has been made in reducing glaring gaps in access to the Internet, there are significant inequalities in access to broadband service. In 2013, around 85 million households had broadband service in their homes—70% of all households (eMarketer, Inc., 2013e). Research suggests the broadband audience is different from the dial-up audience: the broadband audience is more educated and affluent. The Federal Communications Commission reports that only 50% of Hispanic and African American homes have broadband, and only 40% of those homes with less than $20,000 in annual income (Federal Communications Commission, 2012). The broadband audience is much more intensely involved with the Internet and much more capable of using the Internet. For marketers, this audience offers unique opportunities for the use of multimedia marketing campaigns, and for the positioning of products especially suited for this audience. On the other hand, the dial-up households still buy products online, visit news sites, and use social network sites—just not as frequently or intensely as broadband households. The explosive growth of smartphones and tablet computers connected to broadband cellular and Wi-Fi networks is the foundation for a truly mobile e-commerce and marketing platform, which did not exist a few years ago. Marketers are now beginning to use this new platform for brand development.

**Community Effects: Social Contagion in Social Networks**

For a physical retail store, the most important factor in shaping sales is location, location, location. If you are located where thousands of people pass by every day, you will tend to do well. But for Internet retailers, physical location has almost no consequence as long as customers can be served by shipping services such as UPS or the post office or their services can be downloaded to anywhere. What does make a difference for consumer purchases on the Internet is whether or not the consumer is located in “neighborhoods” where others purchase on the Internet. These neighborhoods can be either face-to-face and truly personal, or digital. These so-called neighborhood effects, and the role of social emulation in consumption decisions, are well known for goods such as personal computers. In general, there is a relationship between being a member of a social network and purchasing decisions. Research on an Internet grocery found that being located near other users of the online grocery increased the likelihood of purchasing at the site by 50% (Bell and Song, 2004). Yet the relationship between “connectedness” (either offline or online) and purchase decisions is not straightforward or simple. People who score in the top 10%–15% of connectedness “do their own thing” to differentiate themselves and often do not share purchase decisions with friends. In fact, highly connected users often stop purchasing what their friends purchase. One can think of them as iconoclasts. The middle 50% of connected people very often share purchase patterns of their friends. One can think of these people as “keeping up with the Joneses” (Iyengar, et al., 2009). A Forrester Research study found that less than 2% of online purchases could be traced back to social networks, although for short-term, flash sales, the percentage rises to 6% (Forrester Research, 2011a). Other research reported by Goldman Sachs shows that social networks account for about 5% of online purchase activity, compared to search engines (31%) and recommendation engines (27%) (Dyer, 2011).

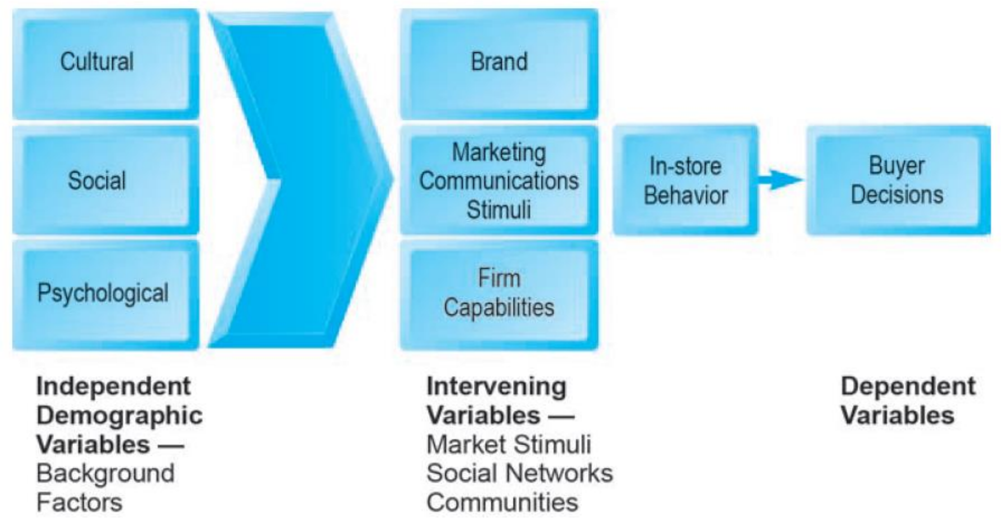
Membership in social networks has a large influence on discovering new independent music, but less influence on already well known products (Garg, 2009). Membership in an online brand community like Ford’s Facebook page and community has a direct effect on sales (Adjei, et al., 2009). Amazon’s recommender systems (“Consumers who bought this item also bought ...”) create co-purchase networks where people do not know one another personally, but nevertheless triple the influence of complementary products (Oestreicher-Singer and Sundararajan, 2008). The value of social networks to marketers rests on the proposition that brand strength and purchase decisions are closely related to network membership, rank, prominence, and centrality. At this point, the strength and scope of the relationship between social network membership, brand awareness, and purchase decisions is not completely understood, although all researchers agree that it exists in a variety of contexts and in varying degrees (Guo, et al., 2011).

## CONSUMER BEHAVIOR MODELS

**consumer behavior,** a social science discipline that attempts to model and understand the behavior of humans in a marketplace

Once firms have an understanding of who is online, they need to focus on how consumers behave online. The study of **consumer behavior** is a social science discipline that attempts to model and understand the behavior of humans in a marketplace. Several social science disciplines play roles in this study, including sociology, psychology, and economics. Models of consumer behavior attempt to predict or “explain” what consumers purchase and where, when, how much, and why they buy. The expectation is that if the consumer decision-making process can be understood, firms will have a much better idea how to market and sell their products. **Figure 1** illustrates a general consumer behavior model that takes into account a wide range of factors that influence a consumer’s marketplace decisions.

**FIGURE 1** | **A General Model of Consumer Behavior**




*Consumer behavior models try to predict the decisions that consumers make in the marketplace.*
*SOURCE: Adapted from Kotler and Armstrong, 2009*

## PROFILES OF ONLINE CONSUMERS

Online consumer behavior parallels that of offline consumer behavior with some obvious differences. It is important to first understand why people choose the Internet channel to conduct transactions. **Table 1** lists the main reasons consumers choose the online channel.

While price appears on this list, overwhelmingly, consumers shop on the Web because of convenience, which in turn is produced largely by saving them time. Overall transaction cost reduction appears to be the major motivator for choosing the online channel, followed by other cost reductions in the product or service.

## THE ONLINE PURCHASING DECISION

Once online, why do consumers actually purchase a product or service at a specific site? Among the most important are price and the availability of free shipping. That the seller is someone whom the purchaser trusts is also a very important factor. The ability to make a purchase without paying tax and the availability of an online coupon are also significant factors.

You also need to consider the process that buyers follow when making a purchase decision, and how the Internet environment affects consumers' decisions. There are five stages in the consumer decision process: awareness of need, search for more information, evaluation of alternatives, the actual purchase decision, and post-purchase contact with the firm. **Figure 2** shows the consumer decision process and the types of offline and online marketing communications that support this process and seek to influence the consumer before, during, and after the purchase decision.

| TABLE 2 | WHY CONSUMERS CHOOSE THE ONLINE CHANNEL |
|---|---|
| REASON | PERCENTAGE OF RESPONDENTS |
| 24-hour shopping convenience | 35.1% |
| Easier to compare prices | 33.1% |
| Free shipping offers | 31.5% |
| No crowds like in mall/traditional stores | 30.8% |
| More convenient to shop online | 29.2% |
| Easier to find items online than in stores | 17.5% |
| Better variety online | 17.4% |
| No sales tax | 14.9% |
| Direct shipping to gift recipients | 13.8% |
| Easier to compare products | 11.4% |

The stages of the consumer decision process are basically the same whether the consumer is offline or online. On the other hand, the general model of consumer behavior requires modification to take into account new factors, and the unique features of the Internet that allow new opportunities to interact with the customer online also need to be accounted for. In **Figure 3**, we have modified the general model of consumer behavior to focus on user characteristics, product characteristics, and Web site features, along with traditional factors such as brand strength and specific market communications (advertising) and the influence of both online and offline social networks. In the online model, Web site features, along with consumer skills, product characteristics, attitudes towards online purchasing, and perceptions about control over the Web environment come to the fore. Web site features include latency (delay in downloads), navigability, and confidence in a Web site's security. There are parallels in the analog world. For instance, it is well known that consumer behavior can be influenced by store design, and that understanding the precise movements of consumers through a physical store can enhance sales if goods and promotions are arranged along the most likely consumer tracks. Consumer skills refers to the knowledge that consumers have about how to conduct online transactions (which increases with experience). Product characteristics refers to the fact that some products can be easily described, packaged, and shipped over the Internet, whereas others cannot. Combined with traditional factors, such as brand, advertising, and firm capabilities, these factors lead to specific attitudes about purchasing at a Web site (trust in the Web site and favorable customer experience) and a sense that the consumer can control his or her environment on the Web site.

| FIGURE 2 | THE CONSUMER DECISION PROCESS AND SUPPORTING COMMUNICATI ONS |
|---|---|

| MARKET COMMUNICATIONS | Awareness—Need Recognition | Search | Evaluation of Alternatives | Purchase | Post-purchase Behavior—Loyalty |
|---|---|---|---|---|---|
| Offline Communications | Mass media<br>TV<br>Radio<br>Print media<br>Social networks | Catalogs<br>Print ads<br>Mass media<br>Sales people<br>Product raters<br>Store visits<br>Social networks | Reference groups<br>Opinion leaders<br>Mass media<br>Product raters<br>Store visits<br>Social networks | Promotions<br>Direct mail<br>Mass media<br>Print media | Warranties<br>Service calls<br>Parts and repair<br>Consumer groups<br>Social networks |
| Online Communications | Targeted banner ads<br>Interstitials<br>Targeted event promotions<br>Social networks | Search engines<br>Online catalogs<br>Site visits<br>Targeted e-mail<br>Social networks | Search engines<br>Online catalogs<br>Site visits<br>Product reviews<br>User evaluations<br>Social networks | Online promotions<br>Lotteries<br>Discounts<br>Targeted e-mail<br>Flash sales | Communities of consumption<br>Newsletters<br>Customer e-mail<br>Online updates<br>Social networks |

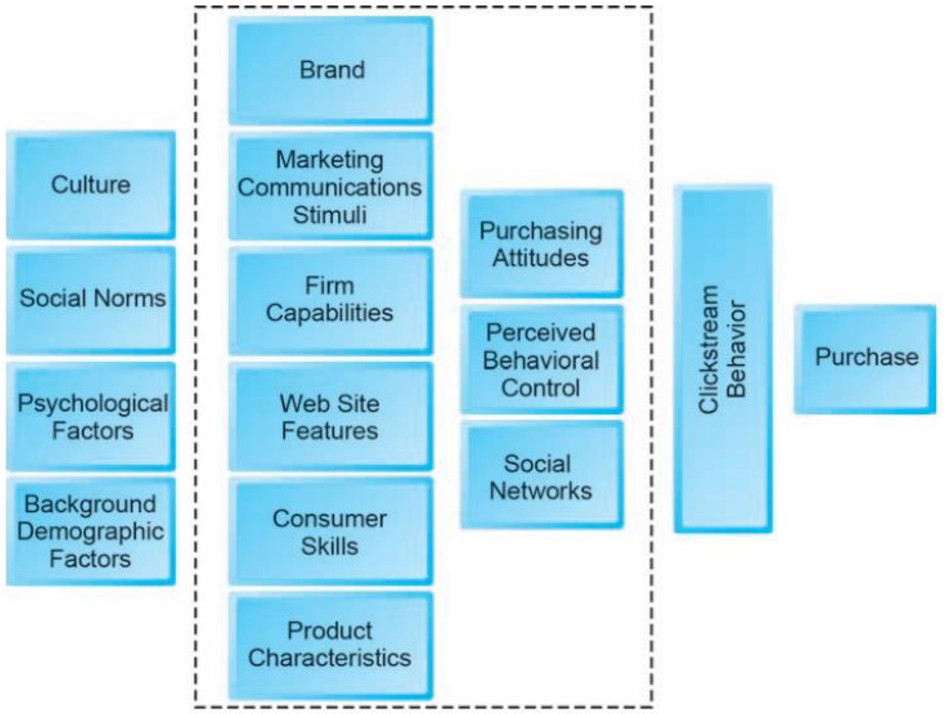
**Clickstream behavior** refers to the transaction log that consumers establish as they move about the Web, from search engine to a variety of sites, then to a single site, then to a single page, and then, finally, to a decision to purchase. These precious moments are similar to "point-of-purchase" moments in traditional retail. A study of over 10,000 visits to an online wine store found that detailed and general clickstream behavior were as important as customer demographics and prior purchase behavior in predicting a current purchase (Van den Poel and Buckinx, 2005).

**clickstream behavior** the transaction log that consumers establish as they move about the Web

**Clickstream marketing** takes maximum advantage of the Internet environment. It presupposes no prior "deep" knowledge of the customer (and in that sense is "privacy-regarding"), and can be developed dynamically as customers use the Internet. For instance, the success of search engine marketing (the display of paid advertisements on Web search pages) is based in large part on what the consumer is looking for at the moment and how they go about looking (detailed clickstream data).

After examining the detailed data, general clickstream data is used (days since last visit, past purchases). If available, demographic data is used (region, city, and gender).

| FIGURE 3 | A MODEL OF ONLINE CONSUMER BEHAVIOR |
|---|---|




*In this general model of online consumer behavior, the decision to purchase is shaped by background demographic factors, several intervening factors, and, finally, influenced greatly by clickstream behavior very near to the precise moment of purchase.*

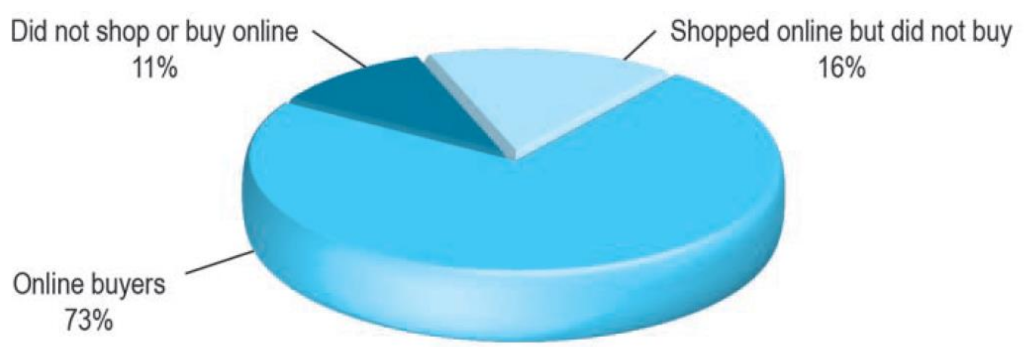
## Shoppers: Browsers and Buyers

The picture of Internet use sketched in the previous section emphasizes the complexity of behavior online. Although the Internet audience still tends to be concentrated among the well-educated, affluent, and youthful, the audience is increasingly becoming more diverse. **Clickstream analysis** shows us that people go online for many different reasons. Online shopping is similarly complex. Beneath the surface of the $362 billion B2C e-commerce market in 2012 are substantial differences in how users shop online.

For instance, as shown in **Figure 4**, about 73% of U.S. Internet users, age 14 and older, are "buyers" who actually purchase something entirely online. Another 16% research products on the Web ("**browsers**"), but purchase them offline. With the teen and adult U.S. Internet audience (14 years or older) estimated at about 213 million in 2013, online shoppers (the combination of buyers and browsers, totalling 89%) add up to a market size of almost 190 million consumers. Most marketers find this number exciting.

The significance of online browsing for offline purchasing should not be underestimated. Although it is difficult to precisely measure the amount of offline sales that occur because of online product research, several different studies have found that about one-third of all offline retail purchasing is influenced by online product research, blogs, banner ads, and other Internet exposure. The offline influence varies by product. This amounts to about $1.3 trillion in annual retail sales, a truly extraordinary number. By 2015, Forrester predicts that more than 50% of all retail commerce in the United States will be influenced by the Web (Forrester Research, 2012a).

**FIGURE 4** **ONLINE SHOPPERS AND BUYERS**




*About 89% of U.S Internet users, age 14 and older, shop online, either by researching products or by purchasing products online. The percentage of those actually purchasing has increased to about 73%. Only about 11% do not buy or shop online.*
*SOURCE: Based on data from eMarketer, Inc., 2013g*

E-commerce is a major conduit and generator of offline commerce. The reverse is also true: online traffic is driven by offline brands and shopping. While online research influences offline purchases, it is also the case that offline marketing media heavily influence online behavior including sales. Traditional print media (magazines and newspapers) and television are by far the most powerful media for reaching and engaging consumers with information about new products and directing them to the Web. Online communities and blogging are also very influential but not yet as powerful as traditional media. This may be surprising to many given the attention to social networks as marketing vehicles, but it reflects the diversity of influences on consumer behavior and the real-world marketing budgets of firms that are still heavily dominated by traditional media. Even more surprising in the era of Facebook, face-to-face interactions are a more powerful influence than participation in online social communities.

These considerations strongly suggest that e-commerce and traditional commerce are coupled and should be viewed by merchants (and researchers) as part of a continuum of consuming behavior and not as radical alternatives to one another. Commerce is commerce; the customers are often the same people. Customers use a wide variety of media, sometimes multiple media at once. The significance of these findings for marketers is very clear. Online merchants should build the information content of their sites to attract browsers looking for information, build content to rank high in search engines, put less attention on selling per se, and promote services and products (especially new products) in offline media settings in order to support their online stores.

## What Consumers Shop for and Buy Online

You can look at online sales as divided roughly into two groups: **small-ticket** and **big-ticket** items. **Big-ticket** items include computer equipment and consumer electronics, where orders can easily **be more than $1,000**. **Small-ticket** items include apparel, books, health and beauty supplies, office supplies, music, software, videos, and toys, where the average purchase is **typically less than $100**. In the early days of e commerce, sales of small-ticket items vastly outnumbered those of large-ticket items. But the recent growth of big-ticket items such as computer hardware, consumer electronics, furniture, and jewelry has changed the overall sales mix. Consumers are now much more confident spending online for big-ticket items. Although furniture and large appliances were initially perceived as too bulky to sell online, these categories have rapidly expanded in the last few years. Free shipping offered by Amazon and other large retailers has also contributed to consumers buying many more expensive and large items online such as air conditioners. The types of purchases made also depend on levels of experience with the Web. New Web users tend primarily to buy small-ticket items, while experienced Web users are more willing to buy large-ticket items in addition to small-ticket items. Refer to **Figure 5** to see how much consumers spent online for various categories of goods in 2012.

## Intentional Acts: How Shoppers Find Vendors Online

Given the prevalence of **“click here”** banner ads, one might think customers are “driven” to online vendors by spur-of-the-moment decisions. In fact, only a tiny percentage of shoppers click on banners to find vendors. E-commerce shoppers are highly intentional. Typically, they are focused browsers looking for **specific products**, **companies**, and **services**. Once they are online, a majority of consumers use a search engine as their preferred method of research for purchasing a product. Many will go directly to a online marketplace, such as Amazon or eBay, and some will go directly to a specific retail Web site. Merchants can convert these “**goal-oriented**,” intentional shoppers into buyers if the merchants can target their communications to the shoppers and design their sites in such a way as to provide easy-to-access and useful product information, full selection, and customer service, and do this at the very moment the customer is searching for the product. This is no small task.

**FIGURE 5** **Online Retail Sales by Category, 2012**


*The mix of products sold online has significantly broadened, although computers and other electronics remain the leading category, with $56.8 billion in sales.*
*SOURCES: Based on data from U.S. Department of Commerce, 2013; eMarketer, Inc., 2013a; Internet Retailer, 2013; authors' estimates.*

## Why More People Don't Shop Online

A final consumer behavior question to address is: Why don't more online Web users shop online? About 27% of Internet users do not buy online. Why not?

Probably the largest factor preventing more people from shopping online is the "**trust factor**," the fear that online merchants will cheat you, lose your credit card information, or use personal information you give them to invade your personal privacy, bombarding you with unwanted e mail and pop-up ads. Secondary factors can be summarized as "**hassle factors**," like shipping costs, returns, and inability to touch and feel the product.

### Trust, Utility, and Opportunism in Online Markets

A long tradition of research shows that the two most important factors shaping the decision to purchase online are utility and trust (Brookings Institute, 2011; Kim, et al., 2009; Ba and Pavlou, 2002). Consumers want **good deals**, **bargains**, **convenience**, and **speed of delivery**. In short, consumers are **looking for utility**. On the other hand, in any seller-buyer relationship, there is an asymmetry of information. The seller usually knows a lot more than the consumer about the quality of goods and terms of sale. This can lead to opportunistic behavior by sellers (Akerlof, 1970; Williamson, 1985; Mishra, 1998). Consumers need to trust a merchant before they make a purchase. Sellers can develop trust among online consumers by **building strong reputations of honesty**, **fairness**, and **delivery of quality products**—the basic elements of a brand. Feedback forums such as Epinions.com (now part of Shopping.com), Amazon's book reviews from reviewers, and eBay's feedback forum are examples of trust-building online mechanisms (NielsenWire, 2012; Opinion Research Corporation, 2009). Online sellers who develop trust among consumers are able to charge a premium price for their online products and services (Kim and Benbasat, 2006, 2007; Pavlou, 2002). A review of the literature suggests that the most important factors leading to a trusting online relationship are **perception of Web site credibility**, **ease of use**, and **perceived risk** (Corritore, et al., 2006). An important brake on the growth of e-commerce is lack of trust. Newspaper and television ads are far more trusted than online ads (Nielsen, 2011). Personal friends and family are far more powerful determinants of online purchases than membership in social networks (eMarketer, Inc., 2010a). These attitudes have grown more positive over time, but new concerns about the use of personal information by Web marketers is raising trust issues among consumers again.

## PART 2. DIGITAL COMMERCE MARKETING AND ADVERTISING STRATEGIS AND TOOLS

Internet marketing has many similarities to, and differences from, ordinary marketing. The objective of Internet marketing—as in all marketing—is to build customer relationships so that the firm can achieve above-average returns (both by offering superior products or services and by communicating the brand's features to the consumer). These relationships are a foundation for the firm's brand. But Internet marketing, including all forms of digital marketing, is also very different from ordinary marketing because the nature of the medium and its capabilities are so different from anything that has come before.

There are **four features of Internet marketing** that distinguish it from traditional marketing channels. Compared to traditional print and television marketing, Internet marketing can be **more personalized**, **participatory**, **peer-to-peer**, and **communal**. Not all types of Internet marketing have these four features. For instance, there's not much difference between a marketing video splashed on your computer screen without your consent and watching a television commercial. However the same marketing video can be targeted to your personal interests, community memberships, and allow you to share it with others using a Like or + tag. Marketers are learning that the most effective Internet marketing has all four of these features.

## Strategic Issues and Questions

In the past, from 2000 to 2010, the first step in building an online brand was to build a Web site, and then try to attract an audience. The most common "traditional" marketing techniques for establishing a brand and attracting customers were search engine marketing, display ads, e mail campaigns, and affiliate programs. This is still the case: building a Web site is still a first step, and the "traditional" online marketing techniques are still the main powerhouses of brand creation and online sales revenue in 2013. But today, marketers need to take a much broader view of the online marketing challenge, and to consider other media channels for attracting an audience such as social network sites and mobile devices, in concert with traditional Web sites.

The five main elements of a comprehensive multi-channel marketing plan are: (1) **Web site**; (2) **traditional online marketing**; (3) **social marketing**; (4) **mobile marketing**, and (5) **offline marketing**. **Table 3** illustrates these five main platforms, central elements within each type, some examples, and the primary function of marketing in each situation. Each of the main types of online marketing are discussed in this section and throughout the chapter in greater detail. Immediately, by examining **Table 3**, you can understand the management complexity of building brands online. There are five major types of marketing, and a variety of different platforms that perform different functions. If you're a manager of a start-up, or the Web site manager of an existing commercial Web site, you face a number of strategic questions. Where should you focus first? Build a Web site, develop a blog, or jump into developing a Facebook presence? If you have a successful Website that already uses search engine marketing and display ads, where should you go next: develop a social network presence or use offline media? Does your firm have the resources to maintain a social media marketing campaign?

**A second strategic management** issue involves the integration of all these different marketing platforms into a single coherent branding message. Often, there are different groups with different skill sets involved in Web site design, search engine and display marketing, social media marketing, and offline marketing. Getting all these different specialties to work together and coordinate their campaigns can be very difficult. The danger is that a firm ends up with different teams managing each of the four platforms rather than a single team managing the digital online presence, or for that matter, marketing for the entire firm including retail outlets.

**TABLE 3 THE DIGITAL MARKETING ROADMAP**

| TYPE OF MARKETING | PLATFORMS | EXAMPLES | FUNCTION |
|---|---|---|---|
| **Web Site** | Traditional Web site | Ford.com | Anchor site |
| **Traditional Online Marketing** | Search engine marketing | Google; Bing; Yahoo | Query-based intention marketing |
| | Display advertising | Yahoo; Google; MSN | Interest- and context-based marketing; targeted marketing |
| | E-mail | Major retailers | Permission marketing |
| | Affiliates | Amazon | Brand extension |
| **Social Marketing** | Social networks | Facebook/Google +1 | Conversations; sharing |
| | Micro blogging sites | Twitter | News, quick updates |
| | Blogs/forums | Pinterest; TheFancy | Communities of interest; sharing |
| | Video marketing | YouTube | Engage; inform |
| | Game marketing | Farmville; SimCity | Identification |
| **Mobile Marketing** | Smartphone site | m.ford.com | Quick access; news; updates |
| | Tablet site | t.ford.com | Visual engagement |
| | Apps | Ford Mustang Customerizer | Visual engagement |
| | | Vehicle Brochure Apps | Visual engagement |
| **Offline Marketing** | Television | Cadillac CTS Olympics 2012 | Brand anchoring; inform |
| | Newspapers | Nike Olympics ambush campaign | Brand anchoring; inform |
| | Magazines | BMW Expression of Joy print and video campaign | Brand anchoring; inform |

**A third strategic management** question involves **resource allocation**. There are actually two problems here. Each of the different major types of marketing, and each of the different platforms, has different metrics to measure its effectiveness. In some cases, for new social marketing platforms, there is no commonly accepted metric, and few that have withstood critical scrutiny or have a deep experience base providing empirical data. For instance, in Facebook marketing, an important metric is how many Likes your Facebook page produces. The connection between Likes and sales is still being explored. In search engine marketing, effectiveness is measured by how many clicks your ads are receiving; in display advertising, by how many impressions of your ads are served. Second, each of these platforms has different costs for Likes, impressions, and clicks. In order to choose where your marketing resources should be deployed, you will have to link each of these activities to sales revenue. You will need to determine how much clicks, Likes, and impressions are worth.

## TRADITIONAL ONLINE MARKETING AND ADVERTISING TOOLS

Below is description of the basic marketing and advertising tools for attracting e-commerce consumers: **search engine marketing**, **display ad marketing** (including banner ads, rich media ads, video ads, and sponsorships), e-mail and permission marketing, affiliate marketing, viral marketing, and lead generation marketing.

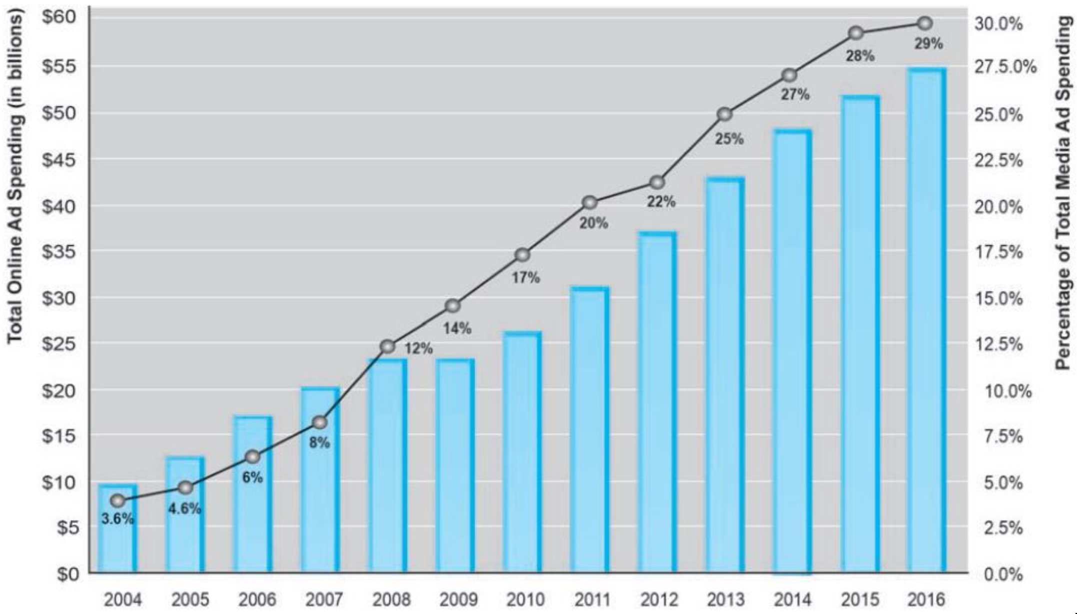
Companies will spend an estimated $171 billion on advertising in 2013, and an estimated $42 billion of that amount on online advertising, which includes display (banners, video, and rich media), search, mobile messaging, sponsorships, classifieds, lead generation, and e-mail, on desktop, laptop, and tablet computers, as well as mobile phones (see **Figure 6**) (eMarketer, Inc., 2013h).

**online advertising** a paid message on a Web site, online service, or other interactive medium

In the last five years, advertisers have aggressively increased online spending and cut outlays on traditional channels such as newspapers and magazines while outdoor, television, and radio advertising have shown modest growth. Over the next five years, online advertising is expected to continue to be the fastest growing form of advertising, and by 2017, it is expected to be the second largest ad channel with over a 30% share.

**Table 4** provides some comparative data on the amount of spending for certain advertising formats. The online advertising format that currently produces the highest revenue is paid search, followed by display ads, but the fastest growing online ad format is video ads. Note, however, that this does not include mobile ads, which are growing fastest of all.

| FIGURE 6 | ONLINE ADVERTISING FROM 2004–2017 |
|---|---|




*Spending on online advertising is expected to grow from $43 billion in 2012 to over $60 billion by 2017, and comprise an increasing percentage of total media ad spending. SOURCES: Based on data from eMarketer, Inc., 2013h.*

**ad targeting** the sending of market messages to specific subgroups in the population

Spending on online advertising among different industries is somewhat skewed. Retail accounts for the highest percentage (20%), followed by financial services (13%), automotive (12%), telecommunications (11%), leisure travel (9%), computing products (8%), consumer packaged goods (7%), pharmaceuticals and healthcare (6%), media (5%), and entertainment (4%) (Interactive Advertising Bureau/PricewaterhouseCoopers, 2013). Online advertising has both advantages and disadvantages when compared to advertising in traditional media, such as television, radio, and print (magazines and newspapers). One big advantage for online advertising is that the Internet is where the audience has moved, especially the very desirable 18–34 age group. A second big advantage for online advertising is the ability to target ads to individuals and small groups and to track performance of advertisements in almost real time. **Ad targeting**, the sending of market messages to specific subgroups in the population in an effort to increase the likelihood of a purchase, is as old as advertising itself, but prior to the Internet, it could only be done with much less precision, certainly not down to the level of individuals. Ad targeting is also the foundation of price discrimination: the ability to charge different types of consumers different prices for the same product or service. With online advertising, it's theoretically possible to charge every customer a different price.

Theoretically, online advertising can personalize every ad message to precisely fit the needs, interests, and values of each consumer. In practice, as we all know from spam and constant exposure to pop-up ads that are of little interest, the reality is very different. Online advertisements also provide greater opportunities for interactivity—two way communication between advertisers and potential customers. The primary disadvantages of online advertising are concerns about its cost versus its benefits, how to adequately measure its results, and the supply of good venues to display ads. For instance, the owners of Web sites who sell advertising space ("publishers") do not have agreed-upon standards or routine audits to verify their claimed numbers as do traditional media outlets.

**TABLE 4 ONLINE ADVERTISING SPENDING FOR SELECTED FORMATS (In Billions)**

| FORMAT | 2013 | 2017 | AVERAGE GROWTH RATE |
|---|---|---|---|
| Search | $19.6 | $25.6 | 8.1% |
| Banner ads | $8.6 | $12.2 | 7.4% |
| Video | $4.1 | $9.2 | 26.6% |
| Classifieds | $2.7 | $3.1 | 3.6% |
| Rich media | $2.0 | $5.4 | 24.9% |
| Lead generation | $1.9 | $2.3 | 6.5% |
| Sponsorships | $1.9 | $3.1 | 15.4% |
| E-mail | $0.23 | $0.26 | 3.4% |

*SOURCES: Based on data from eMarketer, Inc., 2013i*

## Search Engine Marketing and Advertising

**Search engines** are the largest marketing and advertising platform on the Internet, and until recently, the fastest growing. In 2013, companies will spend an estimated $19.6 billion on search engine marketing and advertising, almost half of all spending for digital marketing. On an average day in the United States, around 116 million American adults (around 59% of the adult online population) will use a search engine (Pew Internet & American Life Project, 2013a). Briefly, this is where the eyeballs are (at least for a few moments) and this is where advertising can be very effective by responding with ads that match the interests and intentions of the user. The click-through rate for search engine advertising is generally 1%–5% and has been fairly steady over the years. The top three search engine providers (Google, Microsoft/Bing, and Yahoo) supply more than 95% of all online searches. **Search engine marketing** (SEM) refers to the use of search engines to build and sustain brands. **Search engine advertising** refers to the use of search engines to support direct sales to online consumers.

**search engine marketing (SEM)** involves the use of search engines to build and sustain brands

**search engine advertising** involves the use of search engines to support direct sales to online

Search engines are often thought of as mostly direct sales channels focused on making sales in response to advertisements. While this is a major use of search engines, they are also used more subtly to strengthen brand awareness, drive traffic to other Web sites or blogs to support customer engagement, to gain deeper insight into customers' perceptions of the brand, to support other related advertising (for instance, sending consumers to local dealer sites), and to support the brand indirectly. Search engines can also provide marketers insight into customer search patterns, opinions customers hold about their products, top trending search keywords, and what their competitors are using as keywords and the customer response. For example, Pepsico, home of mega brands like Pepsi and Doritos, makes no sales on the Web, but has several branding Web sites aimed at consumers, investors, and shareholders. The focus is on building, sustaining, and updating the Pepsi collection of branded consumer goods. A search on Pepsi will generate numerous search results that link to Pepsi marketing materials.

**Types of Search Engine Advertising**. There are at least **three different types of search engine advertising**: (1) keyword paid inclusion (so-called "**sponsored links**"); (2) advertising keywords (such as Google's AdWords), and (3) search engine context ads (such as Google's AdSense). Search engine sites originally performed unbiased searches of the Web's huge collection of Web pages and derived most of their revenue from banner advertisements. This form of search engine results is often called **organic search** because the inclusion and ranking of Web sites depends on a more or less "unbiased" application of a set of rules (an algorithm) imposed by the search engine. Since 1998, search engine sites slowly transformed themselves into digital yellow pages, where firms pay for inclusion in the search engine index, pay for keywords to show up in search results, or pay for keywords to show up in other vendors' ads.

**organic search** inclusion and ranking of sites depends on a more or less unbiased application of a set of rules imposed by the search engine

Most search engines offer **paid inclusion** (also called sponsored link) programs, which, for a fee, guarantee a Web site's inclusion in its list of search results, more frequent visits by its Web crawler, and suggestions for improving the results of organic searching. Search engines claim that these payments—costing some merchants hundreds of thousands a year—do not influence the organic ranking of a Web site in search results, just inclusion in the results. However, it is the case that page inclusion ads get more hits, and the rank of the page appreciates, causing the organic search algorithm to rank it higher in the organic results.

**paid inclusion** for a fee, guarantees a Web site's inclusion in its list of sites, more frequent visits by its Web crawler, and suggestions for improving the results of organic searching

Google claims that it does not permit firms to pay for their rank in the organic results, although it does allocate two to three sponsored links at the very top of their pages, albeit labeling them as "Sponsored Links." Merchants who refuse to pay for inclusion or for keywords typically fall far down on the list of results, and off the first page of results, which is akin to commercial death.

The two other types of search engine advertising rely on selling keywords in online auctions. In keyword advertising, merchants purchase keywords through a bidding process at search sites, and whenever a consumer searches for that word, their advertisement shows up somewhere on the page, usually as a small text-based advertisement on the right, but also as a listing on the very top of the page. The more merchants pay, the higher the rank and greater the visibility of their ads on the page. Generally, the search engines do not exercise editorial judgment about quality or content of the ads although they do monitor the use of language. In addition, some search engines rank the ads in terms of their popularity rather than merely the money paid by the advertiser so that the rank of the ad depends on both the amount paid and the number of clicks per unit time. Google's keyword advertising program is called AdWords, Yahoo's is called Sponsored Search, and Microsoft's is called adCenter.

**Network keyword advertising** (**context advertising**), introduced by Google as its AdSense product in 2002, differs from the ordinary keyword advertising described previously. Publishers (Web sites that want to show ads) join these networks and allow the search engine to place "relevant" ads on their sites. The ads are paid for by advertisers who want their messages to appear across the Web. Google-like text messages are the most common. The revenue from the resulting clicks is split between the search engine and the site publisher, although the publisher gets much more than half in some cases. About half of Google's revenue comes from AdWords and the rest comes from AdSense.

**network keyword advertising** (**context advertising**) publishers accept ads placed by Google on their Web sites, and receive a fee for any click throughs from those ads

**Search engine advertising** is nearly an ideal targeted marketing technique: at precisely the moment that a consumer is looking for a product, an advertisement for that product is presented. Consumers benefit from search engine advertising because ads for merchants appear only when consumers are looking for a specific product. There are no pop-ups, Flash animations, videos, interstitials, e-mails, or other irrelevant communications to deal with. Thus, search engine advertising saves consumers cognitive energy and reduces search costs (including the cost of cars or trains needed to do physical searches for products). In a recent study, the global value of search to both merchants and consumers was estimated to be more than $800 billion, with about 65% of the benefit going to consumers in the form of lower search costs and lower prices (McKinsey, 2011).

Because search engine marketing can be very effective, companies optimize their Web sites for search engine recognition. The better optimized the page is, the higher a ranking it will achieve in search engine result listings, and the more likely it will appear on the top of the page in search engine results. **Search engine optimization** is the process of improving the ranking of Web pages with search engines by altering the content and design of the Web pages and site. By carefully selecting key words used on the Web pages, updating content frequently, and designing the site so it can be easily read by search engine programs, marketers can improve the impact and return on investment in their Web marketing programs.

**search engine optimization** techniques to improve the ranking of Web pages generated by search engine algorithm

**Social Search**. Social search is an attempt to use your social contacts (and your entire social graph) to provide search results. In contrast to the top search engines that use a mathematical algorithm to find pages that satisfy your query, social search reviews your friends' (and their friends') recommendations, past Web visits, and use of Like buttons. One problem with Google and mechanical search engines is that they are so thorough enter a search for "smartphone" and in .28 second you will receive 504 million results, some of them providing helpful information and others that are suspect. Social search is an effort to provide fewer, more relevant, and trustworthy results based on the social graph. For instance, Google has developed Google +1 as a social layer on top of its existing search engine.

Users can place a +1 next to Web sites they found helpful, and their friends will be automatically notified. Subsequent searches by their friends would list the +1 sites recommended by friends higher up on the page. Facebook's Like button is a similar social search tool. Facebook's Graph **Search** is a **social search engine introduced by Facebook** in March 2013. Graph Search produces information from within a user's network of friends supplemented with additional results provided by Bing.

**social search** effort to provide fewer, more relevant, and trustworthy results based on the social graph

**Search Engine Issues**. While search engines have provided significant benefits to merchants and customers, they also present risks and costs. For instance, search engines have the power to crush a small business by placing its ads on the back pages of search results. Merchants are at the mercy of search engines for access to the online marketplace, and this access is dominated by a single firm, Google. How Google decides to rank one company over another in search results is not known. No one really knows how to improve in its rankings (although there are hundreds of firms who claim otherwise). Google editors intervene in unknown ways to punish certain Web sites and reward others. Using paid sponsored listings, as opposed to relying on organic search results, eliminates some, but not all, of this uncertainty.

Other practices that degrade the results and usefulness of search engines include:

1) **Link farms** are groups of Web sites that link to one another, thereby boosting their ranking in search engines that use a PageRank algorithm to judge the "usefulness" of a site. For instance, in the 2010 holiday season, JCPenney was found to be the highest ranked merchant for a large number of clothing products. On examination, it was discovered that this resulted from Penney's hiring a search engine optimization company to create thousands of Web sites that linked to JCPenney's Web site. As a result, JCPenney's Web site became the most popular (most linked-to) Web site for products like dresses, shirts, and pants. No matter what popular clothing item people searched for, JCPenney came out on top. Experts believe this was the largest search engine fraud in history.

**link farms** groups of Web sites that link to one another, thereby boosting their ranking in search engines.

2) **Content farms** are companies that generate large volumes of textual content for multiple Web sites designed to attract viewers and search engines. Content farms profit by attracting large numbers of readers to their sites and exposing them to ads. The content typically is not

original but is artfully copied or summarized from legitimate content sites.

**content farms** companies that generate large volumes of textual content for multiple Web sites designed to attract viewers and search engines.

3) **Click fraud** occurs when a competitor clicks on search engine results and ads, forcing the advertiser to pay for the click even though the click is not legitimate. Competitors can hire offshore firms to perform fraudulent clicks or hire botnets to automate the process. Click fraud can quickly run up a large bill for merchants, and not result in any growth in sales.

**click fraud** occurs when a competitor clicks on search engine results and ads, forcing the advertiser to pay for the click even though the click is not legitimate

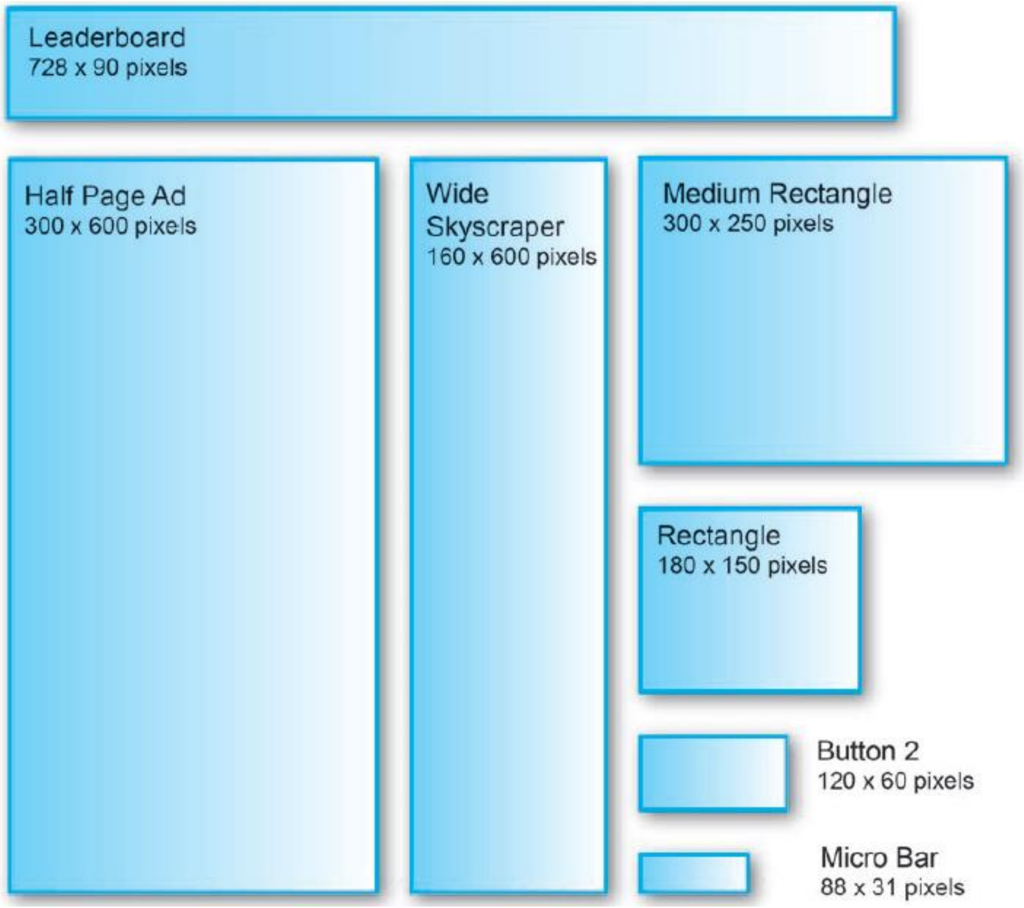
## Display Ad Marketing

In 2013, companies spent around $17.6 billion on display ad marketing, over 40% of all spending for digital marketing. Over 5.3 trillion display ad impressions were served in 2012 (comScore, 2013). The top five display ad companies are Google, Facebook, Yahoo, Microsoft, and AOL, and together they account for over 50% of U.S. display ad revenue. The Interactive Advertising Bureau (IAB), an industry organization, has established voluntary industry guidelines for display ads. Publishers are not required to use these guidelines, but many do. One objective of IAB is to give the consumer a consistent experience across all Web sites. The various types of ads are designed to help advertisers break through the "noise" and clutter created by the high number of display ad impressions that a typical user is exposed to within a given day. **Figure 6** shows examples of the seven core standard ad units, as specified by the IAB. The top three ad formats—the medium rectangle, the leaderboard, and the wide skyscraper—account for nearly 80% of all display ad impressions served (Google, 2012). Eye-tracking research has found that for both desktop and tablet computers, leaderboard ads are the most effective in grabbing a user's attention and holding it (Tobii/Mediative, 2012). Display ads consist of four different kinds of ads: banner ads, rich media ads (animated ads), sponsorships, and video ads.

**Banner Ads**. Banner ads are the oldest and most familiar form of display marketing. They are also the least effective and the lowest cost form of online marketing. A banner ad displays a promotional message in a rectangular box at the top or bottom of a computer screen. A banner ad is similar to a traditional ad in a printed publication but has some added advantages. When clicked, it brings potential customers directly to the advertiser's Web site, and the site where the ad appears can observe the user's behavior on the site. The ability to identify and track the user is a key feature of online advertising. Banner ads feature Flash video and other animations. It's important to note, although the terms banner ad and display ad are often used interchangeably, that banner ads are just one form of display ad.

**banner ad** displays a promotional message in a rectangular box at the top or bottom of a computer screen

| FIGURE 7 | TYPES OF DISPLAY ADS |
| --- | --- |




*In addition to the various display ads shown above, IAB also provides standards for six new formats called "Rising Star" display ad units.*
*SOURCE: Based on data from Interactive Advertising Bureau, 2011*

**Rich Media Ads**. Rich media ads are ads that employ animation, sound, and interactivity, using Flash, HTML5, Java, and JavaScript. Rich media ads are expected to account for about $2 billion in online advertising expenditures (about 5% of total online advertising) in 2013. They are far more effective than simple banner ads. For instance, one research report that analyzed 24,000 different rich media ads with more than 12 billion impressions served in North America between July and December 2011 found that exposure to rich media ads boosted advertiser site visits by nearly 300% compared to standard banner ads. Viewers of rich media ads that included video were six times more likely to visit the advertiser's Web site, by either directly clicking on the ad, typing the advertiser's URL, or searching (MediaMind, 2012a).

**rich media ad** ad employing animation, sound, and interactivity, using Flash, HTML5 Java, and JavaScript

The IAB provides guidance for a number of different types of rich media ads, such as those that contain in-banner video, those that are expandable/retractable, pop-ups, floating versions, and interstitials. An **interstitial ad** (interstitial means "in between") is a way of placing a full page message between the current and destination pages of a user. Interstitials are usually inserted within a single Web site, and displayed as the user moves from one page to the next. The interstitial is typically contained in its own browser window and moves automatically to the page the user requested after allowing enough time for the ad to be read. Interstitials can also be deployed over an advertising network and appear as users move among Web sites. Since the Web is such a busy place, people have to find ways to cope with overstimulation. One means of coping is known as sensory input filtering. This means that people learn to filter out the vast majority of the messages coming at them. Internet users quickly learn at some level to recognize banner ads or anything that looks like a banner ad and to filter out most of the ads that are not exceptionally relevant.

**interstitial ad** a way of placing a fullpage message between the current and destination page of a user**.**

Interstitial messages, like TV commercials, attempt to make viewers a captive of the message. Typical interstitials last 10 seconds or less and force the user to look at the ad for that time period. IAB standards for pre-roll ads also limit their length. To avoid boring users, ads typically use animated graphics and music to entertain and inform them. A good interstitial will also have a "skip through" or "stop" option for users who have no interest in the message.

The IAB also provides mobile rich media ad interface definitions (MRAID) in an effort to provide a set of standards designed to work with HTML5 and JavaScript that developers can use to create rich media ads to work with apps running on different mobile devices. The hope is make it easier to display ads across a wide variety of devices without having to rewrite code (Interactive Advertising Bureau, 2012).

**Video Ads**. Video ads are TV-like advertisements that appear as in-page video commercials or before, during, or after a variety of content. **Table 5** describes some of the IAB standards for video ads.

**video ad** TV-like advertisement that appears as an in-page video commercial or before, during, or after content

**TABLE 5 TYPES OF VIDEO ADS**

| FORMAT | DESCRIPTION | WHEN USED | USED WITH |
|---|---|---|---|
| Linear video ad | Pre-roll; takeover; ad takes over video for a certain period of time | Before, between, or after video | Text, banners, rich media video player skins |
| Nonlinear video ad | Overlay; ad runs at same time as video content and does not take over full screen | During, over, or within video | |
| In-banner video ad | Rich media; ad is triggered within banner, may expand outside banner | Within Web page, generally surrounded by content | None |
| In-text video ad | Rich media; ad is delivered when user mouses over relevant text | Within Web page, identified as a highlighted word within relevant content | None |

Although from a total spending standpoint, online video ads are still very small when compared to the amount spent on search engine advertising, video ads are one of the fastest growing forms of online advertisement, accounting for about $4.1 billion in online advertising spending, which is expected to more than double to $9.2 billion by 2017. The rapid growth in video ads is due in part to the fact that video ads are far more effective than other display ad formats. For instance, according to research analyzing a variety of ad formats, in-stream video ads had click-through rates 12 times that of rich media and 27 times that of standard banner ads (MediaMind, 2012b). Exactly how to best take advantage of this opportunity is still somewhat of a puzzle. Internet users are apparently willing to tolerate advertising in order to watch online as long as the ads are not too long and don't interfere too much with the viewing experience.

There are many formats for displaying ads with videos. The most widely used format is the "pre-roll" (followed by the mid-roll and the post-roll) where users are forced to watch a video ad either before, in the middle of, or at the end of the video they originally clicked on.

There are many specialized video advertising networks such as SAY Media, Advertising. com, and others who run video advertising campaigns for national advertisers and place these videos on their respective networks of Web sites. Firms can also establish their own video and television sites to promote their products. Retail sites are among the largest users of advertising videos. In 2011, Zappos, the largest online shoe retailer, created a video for every one of its products, adding 100,000 videos to its Web sites.

**Sponsorships**. A sponsorship is a paid effort to tie an advertiser's name to particular information, an event, or a venue in a way that reinforces its brand in a positive yet not overtly commercial manner. In 2013, companies will spend about $1.9 billion for sponsorship marketing. Sponsorships typically are more about branding than immediate sales. A common form of sponsorship is targeted content (or advertorials), in which editorial content is combined with an ad message to make the message more valuable and attractive to its intended audience. For instance, WebMD.com, the leading medical information Web site in the United States, offers "sponsorship sites" on the WebMD Web site to companies such as Phillips to describe its home defibrillators, and Lilly to describe its pharmaceutical solutions for attention deficit disorders among children. Social media sponsorships, in which marketers pay for mentions in social media, such as blogs, tweets, or in online video, have also become a popular tactic. Sponsorships have also moved onto the mobile platform. For instance, Suburu sponsors an app called MapMyDogwalk, a GPS-enabled dog walking tool.

**Sponsorship** a paid effort to tie an advertiser's name to information, an event, or a venue in a way that reinforces its brand in a positive yet not overtly commercial manner