

The E- Marketing Plan

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1. Introduction – What is the E-Marketing Plan?

Why would a company pay \$500'000 or more to have a Web site designed and its Internet presence built? Why not buy an off-the-shelf package?

One reason could be that every aspect of a consumer's interaction with the company reflects on the firm and its brands. Putting a bad Web site online could actually do more harm than good! A more important answer lies in the complexity of designing e-marketing strategies and tactics to meet marketing plan objectives. The marketing process entails three steps:

- Marketing plan creation
- Plan implementation
- Plan evaluation/correction

This paper will focus on the first of these steps: how to develop an e-marketing plan.

2. Developing an E-Marketing Plan

Creating an e-marketing plan is a process through which the firm develops a blueprint for strategic direction.

“The blueprint serves as a roadmap to guide the direction of the firm, to allocate resources, and make tough decisions at critical junctures.” (Kalakota 1999)

Many companies short circuit this process and develop strategies *ad hoc*. Most of these companies fail because of fundamental flaws in planning. Thousands of dot-com success stories were based on this strategy. One that took also root this way is Yahoo! but they would not have gone far without astute planning. These ad hoc plans work and are sometimes even necessary given a stodgy corporate culture, but they are seldom sustainable in the long run. This is because it takes good business practices to succeed in business, electronic or terrestrial. This law is becoming increasingly evident as the dot-com shakeout continues.

2.1. The Existing Marketing Plan

Some people feel that planning for e-marketing means starting from scratch. Nothing could be more wrong than that. Working with existing material is an excellent place to start. The current marketing plan will be loaded with information of vital importance to an Internet planner. Furthermore, there will already be established marketing mix strategies designed to reach those targets. The firm's pricing philosophy may dictate online pricing strategies for electronic commerce. The distribution plan will identify areas where promotion is needed and suggest whether online product distribution fits. Promotion plan information will give clues about how the Internet fits with the firm's advertising, sales promotion, and other marketing communications. The plan included also information about the firm and brand positioning in the marketplace. Net planners must decide how closely Web site content and promotion will follow current positioning strategies.

2.2. The Venture Capital E-Marketing Plan

Start-up companies need financing. Some of it is debt financed through bank loans, though most of it is equity financed. A small part comes possibly from private funds (friends and family), angel investors, who invest hundreds of thousands of dollars, and venture capitalists (VCs) who invest millions of dollars. Venture capitalists look for a well-composed business plan and more importantly a good team to implement it. Every business needs a marketing plan to maximize its resources. The plan prepared by entrepreneurs for VCs shouldn't be longer than eight to ten pages, and will contain enough data and logic to prove that the e-business idea is solid, and the entrepreneur has some idea of how to run a business. There are nine questions every business plan should answer:

1. Who is the new venture's customer?
2. How does the customer make decisions about buying this product or service?
3. To what degree is the product or service a compelling purchase for the customer?
4. How will the product or service be priced?
5. How will the venture reach all the identified customer segments?
6. How much does it cost (in time and resources) to acquire a customer?
7. How much does it cost to produce and deliver the product or service?
8. How much does it cost to support a customer?
9. How easy is it to retain a customer?

Venture capitalists typically look for an exit plan – a way to get their money and profits back out of the venture within a few years. The golden exit plan is to go public and issue stock in an initial public offering (IPO). As soon as the stock prices rise sufficiently, the VC cashes out and moves on to another investment. The employees of these start-ups typically work for very low wages – deferring their compensation in stock options. Especially for college graduates is shareholder's equity much more rewarding than a good salary. This is good for the VC's as this means a lower cash layout and the employees have a strong incentive for the venture to succeed.

Critical Success Factors and Dangers for E-Business:

Key Success Factors	Key Dangers
<ul style="list-style-type: none">• Make it easy for the customers to do business with you.• Focus on the end customer for your products and services.• Redesign your customer-facing business processes from the end customer's point of view.• Wire your company for profit: Design a comprehensive, evolving electronic business architecture.• Foster customer loyalty, the key to profitability in electronic commerce.	<ul style="list-style-type: none">• Don't completely redesign a business to become an e-business.• Don't suspend good project management rules in the name of e-business.• Don't assume technology can do all the heavy lifting in e-business implementation.• Don't focus solely on current customers for e-business.• Stay alert for new competition.

Critical Success Factors and Dangers for E-Business

Source: Success from Seybold (1998); danger from GartenerGroup (1999) taken from the book "E-Marketing" by Jane Strauss & Raymond Frost (2001)

2.3. The Seven-Step Marketing Plan

The seven-step traditional, top-down marketing plan presents a generic plan that includes a menu of tasks from which marketers can select activities relevant to their firm, industry, and internal processes. To do it all might result in "analysis paralysis" but to leave out important steps might result in business failure. Critical steps include gaining an understanding of the competition, the customer, and the firm's strengths and weaknesses; setting goals; designing strategies for accomplishing those goals; and figuring out whether the plan is successful or not on a continuous basis (evaluation). You can't overemphasize the need to build in feedback mechanisms to assess the plan's success and those data to make course corrections along the way.

1. Conduct a **situation analysis**
 - Review the existing marketing plan and any other information that can be obtained about the company and its brands.
 - Examine environmental factors.
 - Develop a market opportunity analysis including a SWOT (strength, weaknesses, opportunities, threats) analysis
2. **Identify target** stakeholders
3. **Set objectives.** Some objectives are global whereas other apply to specific targets.
4. Design **marketing mix strategies** to meet the objectives.
5. Design an **action plan** (tactics to implement the strategies).
6. Develop a **budget**.
7. Develop an **evaluation plan**.

The marketing plan can be understood as an analogy of preparing for a football game. By reviewing of game films, you can analyze the situation, which reveals the strength and weaknesses (e.g. the home team is good at passing the ball, whereas the visitors are good at defense). Therefore the objective would be to throw the ball. Strategies are implemented to meet the objectives. Tactics implement the strategies. Finally there is a post game evaluation.

2.3.1. Situation Analysis

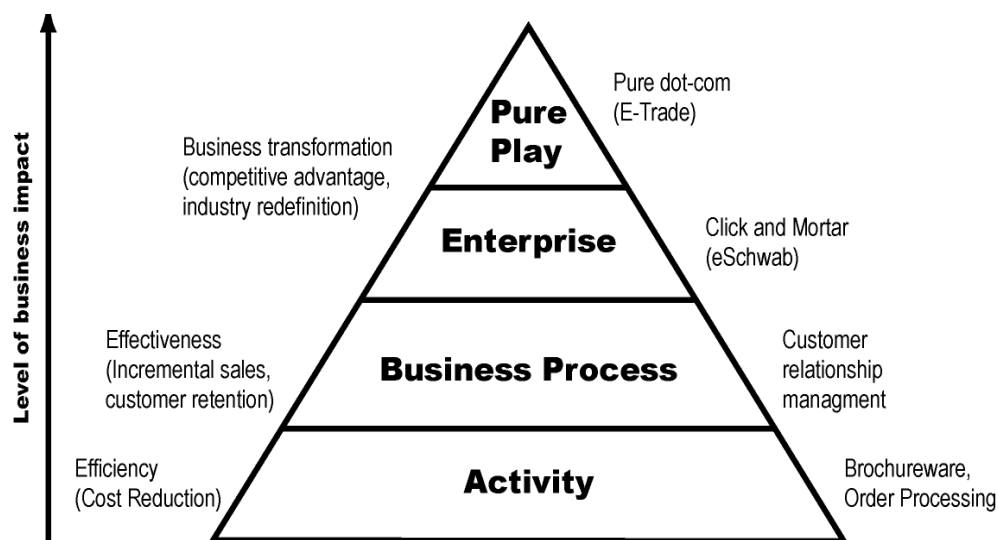
This is the first step of the traditional seven-step marketing plan. Some of the following items will apply more or less to various companies, industries, and brands.

Conducting an environmental scan is an important step in any marketing plan, e-business or otherwise. It helps to set the context within which to plan marketing strategies and opens the door to innovative new strategies. The Web should be treated as a unique environment. A review of Net user characteristics and behavior is critical. The following sections present some environmental factors that are particularly important for Net marketing:

- **Legal/Political Environment:** The online legal and political environments greatly influence marketing strategies. Especially laws regarding taxation, access, copyright, and encryption.
- **Technological Environment:** Technology developments alter the composition of the Internet audiences as well as the quality of material that can be delivered to them. Also important are technology concerns in the developing countries. As communication infrastructures improve, new geographic markets develop. E-Marketing software advances need to be monitored.
- **User Trends:** User trends include user demographics, geographics, psychographics, and online behavior. Changing online demographics present marketing opportunities. Japan and Europe are experiencing tremendous growth presenting huge marketing opportunities. Part of the design process must consider the diverse cultural audiences. Should the site be standardized in English? Or should the content be tailored for each country to fit with its mores and customs? Net marketers constantly monitor online behavior, such as surfing habits and time spent online, which helps design effective communications. Net planners need to take a more longitudinal approach rather than a simple snapshot of who is using the Net today.
- **World Economies:** The Internet is a global market with opportunities existing in unimagined locations. A Net marketing planner must consider economic conditions in potential geographic segments.
- **Develop a market opportunity analysis:** A traditional market opportunity analysis includes both demand and supply analysis. The demand portion reviews various market segments in terms of their potential profitability. The purpose of a supply analysis is to assist in forecasting segment profitability as well as to find competitive advantages to exploit in the online market. The next step sometimes included in the market opportunity analysis is a strengths, weaknesses,

opportunity, and threats (SWOT) analysis. The SWOT analysis objectively evaluates the company's strengths and weaknesses with respect to the environment and the competition. Strengths can be used to take advantage of opportunities or to combat threats, whereas weaknesses may exaggerate threats or prohibit jumping on opportunities found in the firm's environment. Always keep in mind that a company's strengths and weaknesses in the online world may be somewhat different than from the brick-and-mortar world.

- Menu of strategic opportunities: A key element in setting strategic goals is to take stock of where the company currently is and the level of commitment that it wishes to make to e-business in general and e-marketing in particular. The level of commitment falls along a continuum that is appropriately represented as a pyramid since few businesses occupy the top position. The higher the firm travels up the pyramid, the greater its level of commitment to e-business and the greater the impact on the firm. Also, the more strategic moves are at the top, while the more tactical activities are at the lower levels and, thus, higher levels are more risky than lower levels for most firms.



Level of Commitment to E-Business

Source: adapted from www.mohanbirswahney.com and the book "E-Marketing" by Judy Strauss & Raymond Frost (2001)

➤ Activity, Business Process and Enterprise Transformation:

- First of all the lowest level of commitment to e-business is not on the pyramid, there isn't any e-business involvement at all. Many small local retailers and other business are at this level and might be advised to stay there based on their customer basis and capabilities. Note how the pyramid builds by adding clusters of related activities.
- The lowest level of the pyramid impacts individual business activities such as order processing. In this low-risk area, the firm realizes cost

reductions through e-business efficiencies (e.g., migrating order processing online or conducting competitive intelligence online).

- The next level of the pyramid impacts business processes such as customer relationship management. The firm can actually improve customer retention and lifetime customer value by automating the business process via enabling software and tools.
- At the enterprise level of the pyramid, the firm automates many business processes in a unified system. This is the first level in which the firm shows a significant commitment to e-business. E-business is defined as a sum of multiple business processes together, that is :

e-business = e-commerce + business intelligence + customer relationship management + supply chain management + enterprise resource planning

The danger at the enterprise level is that the established corporate culture might squash e-commerce initiatives or more likely, simply slow them down with the best of intentions.

Evaluation of e-business opportunities at the first three levels, when combined with the SWOT and other situation analysis data, allows firms to identify a strategic direction.

➤ **Pure Play:**

Pure plays are companies without a brick-and-mortar presence. They need to take customer away from those businesses, which is a significant challenge. The successful ones have been able to do so by industry redefinition (i.e., changing the rules of the game) (Modahl 2000). One way to change the rules is to invent a new business model. The key to all of them is offering greater customer value. Pure plays have two advantages:

1. They are not held to the same standards of profitability as the brick-and-mortar stores.
2. They tend to be smaller and have more agile cultures able to move quickly in response to market fluctuations.

However, customer acquisition is a problem for pure plays.

2.3.2. Identify Target

E-marketing plans are targeted to many additional stakeholders. In this stage, a firm decides with which stakeholders it wants to build relationship. When multiple targets are identified, they should be ranked in order of importance so that resources can be allocated to priorities. Each target will be well profiled by its characteristics, behavior, and desires in the firm's product category. Firms want to understand the value proposition for each market (i.e., what benefits and costs are perceived in each target group.) Customer acquisition and retention analysis help firms to design marketing strategies for various targets. The best marketers analyze markets at the individual level, using sophisticated profiling, data mining, and other technology tools.

2.3.3. Set Objectives

When the firm is only using technology to create internal efficiencies such as stakeholder communication, there are other worthwhile objectives. It is important to carefully word the objectives that flow from plan analysis. Each objective will have a task, containing a specific measurement device, and have a time frame for accomplishment. The following points are opportunities at various levels of commitment.

- Cognitive and Attitude Goals
 - Increase awareness of a new brand
 - Position a brand as high tech
 - Make employees aware of an incentive program
 - Increase knowledge of the company's many brands
 - Disseminate information about a particular topic (e.g., risk of smoking)
 - Build relationships with users as evidenced by return visits to a Web site
 - Build positive attitudes through more effective customer service
 - Customize Web page content using real-time profiling
- Transactive Behavior Goals
 - Build sales of a product distributed over the Internet
 - Increase the amount or frequency of sales from current customers
 - Increase advertising space sales on the Web site
 - Sell content to regular subscribers
 - Increase the number of points of sale for a product by building the associate program
- Internal efficiencies (Activity Level of Pyramid)
 - Decrease promotion costs
 - Decrease staff travel costs through online collaboration
 - Increase customer retention rates
 - Increase supply chain coordination
 - Decrease distribution costs, thus lowering prices
 - Decrease order-taking, fulfillment, and billing costs
 - Increase the LTV (life time value) of each loyal customer

2.3.4. Marketing Mix Strategies

In this step you get to decide on how to accomplish the objectives through e-marketing strategies. Some encompass low levels of commitment to e-business (e.g. content publisher) and others are higher risk (e.g. e-tailer). Some of these models represent huge business transformations and some simple strategies such as using e-mail for marketing communication with stakeholders. Many firms combine two or more business models.

The following table shows some of the most used business models:

Marketing Mix Component	Business Model
Product	Digital value through new products
Price	Cost reduction using E-marketing Negotiation Segmented pricing
Distribution	Content sponsorship Direct selling Infomediary Intermediaries Broker: Online exchange Online auction Agent: Manufacturer's agent Affiliate program Metamediary Virtual mall Shopping agent Reverse auction Buyer cooperative E-tailer bit vendor Tangible products
Marketing Communication	Content publishing E-mail Community building Online advertising Online sales promotion
Relationship Marketing	CRM

Selected E-Business Models Are Also Marketing Strategies

Source: taken from the book "E-Marketing" by Judy Strauss & Raymond Frost (2001)

Most marketing plans include rationale for the selection of particular objectives and strategies. Kalakota (1999) suggests four appropriate types of rationale:

1. Strategic justification shows how the strategy fits with the firm's overall mission and business objectives, and where it will take the firm if successfully accomplished.
2. Operational justification identifies and quantifies the specific process improvements that will result from the strategy. For example, if CRM software is proposed, how will that translate to increased customer retention and subsequent increased revenues?
3. Technical justification shows how the technology will fit and provide synergy with current information technology capabilities. For example, is there interoperability along the currently integrated supply chain?
4. Financial justification examines cost/benefit analysis and puts it into standard measures such as ROI (return on investment) and NPV (net present value).

2.3.5. Action Plan

In this phase, the marketer identifies specific tactics to implement selected strategies. This is the daily action plan. Unless the firm is a pure play, the plan will be integrated with current marketing efforts. An important part is to specify personnel and identify necessary training. This is especially important as a firm moves up the e-business food chain (i.e., pyramid) because brick-and-mortar firms are generally inexperienced in mass customization, CRM possibilities, and other creative ways of using Internet technology.

Let's explain this on a Web site example:

1. Project scope:

How big of an Internet commitment does the firm want to make? Larger interactive sites need much more planning and resources. If it includes an e-mail communication program, the firm will need a database software, procedures, and staff to write and respond to stakeholders e-mails.

2. Site development:

Who will build the Web site? This is the "build, buy, or rent" decision.

- In-house production can result in trial and error, which may be more expensive in the long run.
 - Outsourcing has many reasons:
 - Speeds up the completion of the project > personnel cost saving
 - Likely that the site loads faster
 - More user-friendly product
 - Graphic and information tends to be more polished and professional
 - Awareness of copyright rules
 - Never get a second chance to make a first impression
- ⇒ Outsourcing may be more expensive

3. Site promotion:

- Register at search engines.
- Use metatags and keywords in HTML tags to help search engine spiders find the site.
- Get the site listed in all appropriate directories.
- Send electronic press releases about the new site to everyone who might run them.
- Ask complementary Web sites to link to your site.
- Include your Web site address in all offline promotional material and in your e-mail signature file.
- Consider key word banner advertising at search engines.

4. Site maintenance:

Part of the action should include a section on Internet program maintenance, often an expensive part of the plan. Web sites change on average every 75 days, and many change daily. You want to take advantage of new technologies. Web site maintenance may be more difficult and costly if outsourced than if done in-house.

2.3.6. Budgeting

In this step we identify the expected returns from an e-marketing investment. These can then be matched against costs to develop a cost/benefit analysis, ROI figure, or internal rate of return (IRR), which will ultimately help to determine whether the effort is worthwhile. Investments can produce intangible results which bring long-term returns, such as recognition in the industry, brand building, or favorable stakeholder images.

Let's explain this on a Web site example:

1. Revenue streams: Initial funds come from investors, loans, and the firm's operating budget. Revenue streams that produce Internet profits come mainly from Web site direct sales, advertising sales, commissions, and other fees.
 - E-Commerce: Web sites that sell online use the revenue streams for break-even and other budgeting analysis. The most popular payment form is the credit card in the USA. This is okay for larger purchases, but what about micropayments of 50 pennies? Online subscription has not been a very successful business model; however there are notable exceptions such as *The Wall Street Journal*.
 - Content Sponsorship: Many content providers sell advertising in the form of banners, buttons, and sponsorships. This model is so successful it allows the content to be delivered for free. Unfortunately 90 % of the advertising dollars go to the top 100 Web sites, leaving little money for smaller sites.
 - Intermediary fees: These include broker and agent fees. Some of the more common fees include referral, listing, preferred listing, and transaction fees.
2. Cost savings: Money saved through Internet efficiencies is considered soft revenue for a firm.
3. Intangible benefits: When the Internet program seeks cognitive or attitude objectives the benefits are difficult to measure. Advertising strategies to build brand awareness or image and Web sites that serve public relations purposes fall in this category. Even more difficult is the value of customers with whom a firm uses an Internet-based CRM program. Complicating matters are difficulties with audience measurement at Web sites: This makes benefit extrapolation a wild guess.
4. Cost/benefit analysis: Investment benefits derived from a Web site typically involve either an increase in revenue (e.g., sales) or a decrease in costs (e.g., lower coupon delivery costs). Additional and intangible benefits include goodwill, brand/image building, and relationship building. Against this benefits are the costs of an Internet program. These include some of the following: connecting to the Internet (e.g., the ISP), hardware and software, Web site and advertising designers, and staff to maintain Web site content and manage e-mail with stakeholders. The point is that a firm must attempt a cost/benefit analysis for its Internet marketing program. These break-even and other analysis are very difficult and unreliable in this constantly changing frontier called the Internet.

2.3.7. Evaluation Plan

Once the e-marketing plan is implemented, its success needs continuous evaluation. This involves tracking systems that must be in place before the electronic doors are opened. To measure are the plan objectives. Here a few examples:

- Cognitive objectives of awareness: number of unique visits and impressions at a site
- Firm's objectives
- Transitive behavior is the easiest to measure because the user must physically do something such as enter an online order and use a credit card. Marketing managers want to track not only number of purchases but also what path users took through the site prior to purchasing. Also important is what sites users viewed immediately prior to purchasing.
- Tracking user behavior
- CRM effectiveness: measure retention rates and costs, increased average order value (AOV) and lifetime customer value (LTV).
- Supply chain management (SCM): measures inventory levels over time, inventory turnover, order-to-delivery time, delivery costs, and channel partner satisfaction; are just a few examples.

3. Conclusion & Personal Remarks

I believe that if you want to accomplish much with your business and get high up in the e-business pyramid, it is important to follow at least this structure of the seven-step marketing plan:

1. Conduct a Situation Analysis
 - Review the existing marketing plan and any other information that can be obtained about the company and its brands.
 - Examine environmental factors.
 - Develop a market opportunity analysis including a SWOT (strength, weaknesses, opportunities, threats) analysis
2. Identify target stakeholders
3. Set objectives. Some objectives are global whereas other apply to specific targets.
4. Design marketing mix strategies to meet the objectives.
5. Design an action plan (tactics to implement the strategies).
6. Develop a budget.
7. Develop an evaluation plan.

It is important for a company to gain an understanding of the competition, the customer, and the firm's strengths and weaknesses, set goals, design strategies for accomplishing those goals, and figure out whether the plan is successful or not on a continuous basis.

The venture capitalist plan is definitely a good way to start up a company, especially for students or anybody with a great idea. I have a friend who started up his company like this. He was studying business and as creating a business plan was part of the curriculum, he decided to create a Web site where you can download Indian music. As he worked through all the points of a regular business plan, obviously including the seven step marketing plan, he found out that there is a good chance that his idea would actually bring quite a success. So he started up the Web site at first financing it mostly with banners, and advertising but soon the activity on the Web site started to grow and he wasn't able to do it on his own anymore. In order to satisfy the stakeholder's needs he had to hire people to help him and for all this he needed more financing which he got from investors. With this money he could even expand and today he also sells videos, pictures, and news.

This example shows the importance of following the e-marketing plan in order to be successful online.

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