E-Marketing/7E Chapter 2

Strategic E-Marketing and Performance Metrics

Chapter 2 Objectives

- After reading Chapter 2, you will be able to:
  - Explain the importance of strategic planning, strategy, e-business strategy, and e-marketing strategy.
  - Identify the main e-business models at the activity, business process, and enterprise levels.
  - Discuss the use of performance metrics and the Balanced Scorecard to measure e-business and e-marketing performance.
  - Enumerate key performance metrics for social media communication.

The Amazon Story

- Founded in 1995 as an online retailer.
  - Did not become profitable until Q4 2001.
  - In 2011, generated $48.1 billion in net sales, $631 million in net income.
- Leveraged its competencies into different e-business models.
  - Core business is online retailing, "everything store."
  - Established e-commerce partnerships.
  - Developer services provider.
  - Content provider.
  - Created the first affiliate program.

The Amazon Story, cont.

- Founder and CEO Jeff Bezos is not interested in expanding to the physical world.

- Amazon's success is based on selection, lower prices, better availability, innovative technology, and better product information.

- Which of Amazon's core competencies do you think will drive its strategy in the future?

Strategic Planning

- The process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing market opportunities.

- Process identifies firm's goals for
  - Growth
  - Competitive position
  - Geographic scope
  - Other objectives, such as industry, products, channels, etc.

ESP: Environment, Strategy, and Performance

- The ESP model illustrates the relationships among environment, strategy, and performance.

- A SWOT analysis of the business environment (E) leads to the development of strategy (S) and the measurement of performance (P).

- Performance metrics are designed to evaluate effectiveness and efficiency of e-business and e-marketing operations.

ESP model focuses on strategy and performance
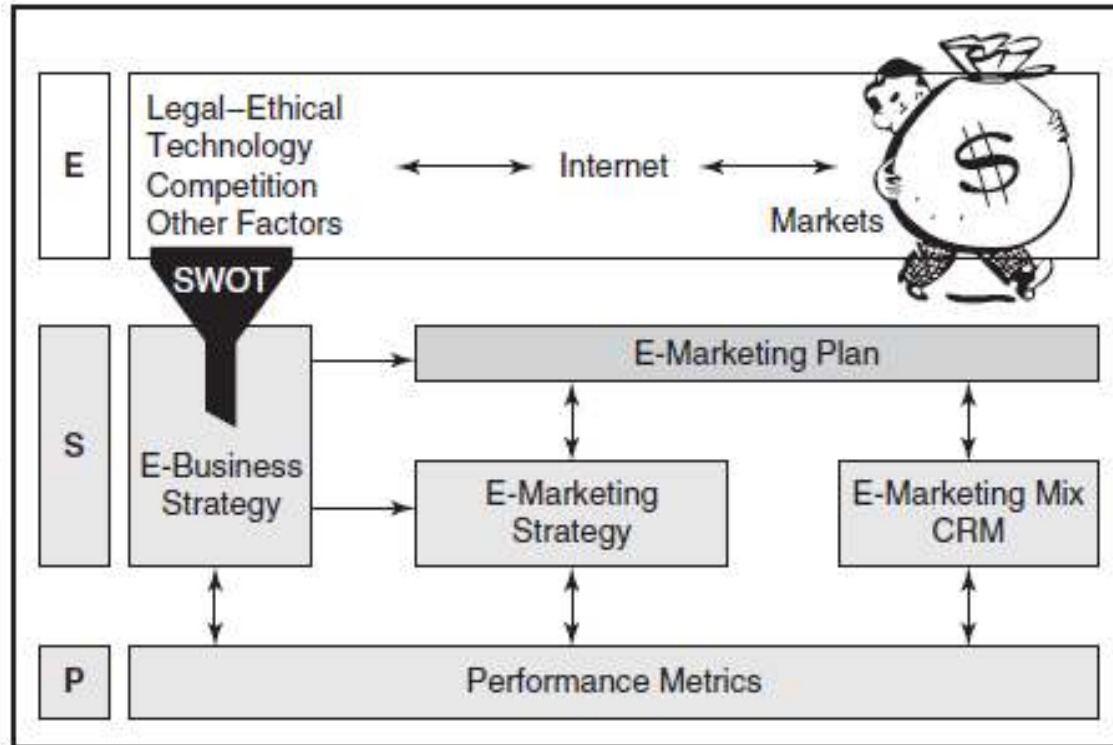
Strategy

- Strategy is the means to achieve a goal.

- E-business strategy

  – Deploys enterprise resources to reach performance objectives and create competitive advantage.

- E-marketing strategy

  – Capitalizes on information technology to reach specified objectives.
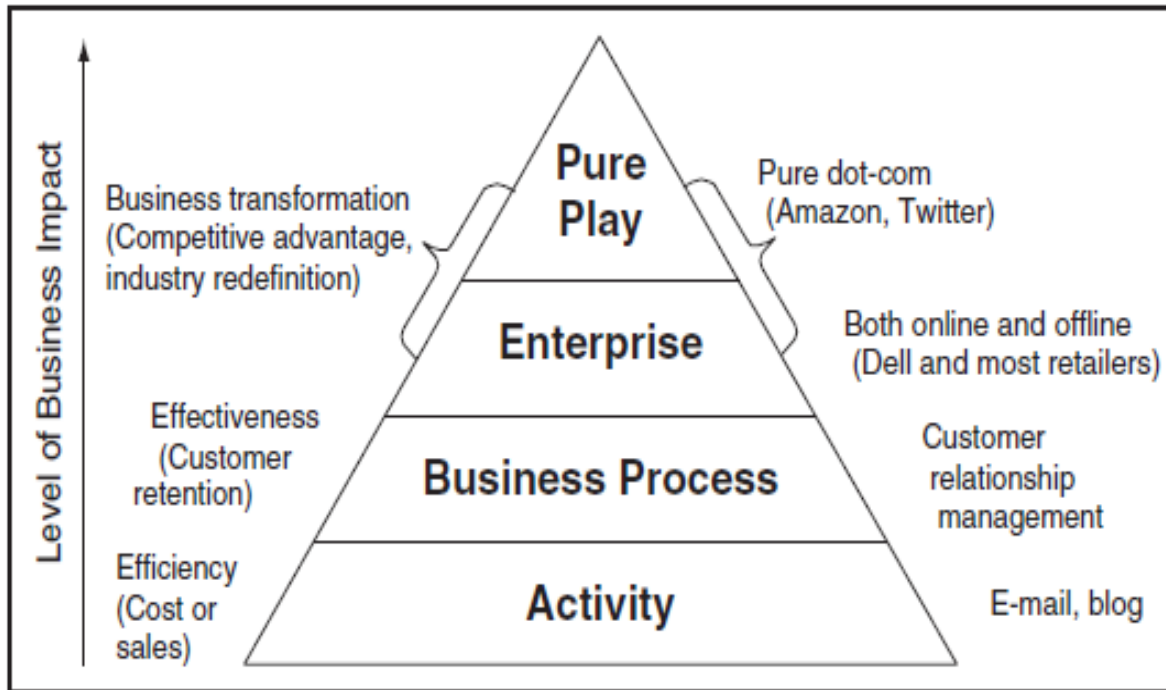
Business Models

- A company will select one or more business models as strategies to accomplish enterprise goals.

- An e-business model is a method by which the organization sustains itself in the long term using information technology, which includes its value proposition for partners and customers as well as its revenue streams.

SELECTING A BUSINESS MODEL

- Components of business model selections:

Customer value	Scope
Price	Revenue sources
Connected activities	Implementation
Capabilities	Sustainability

Level of Commitment to E-Business

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Activity-Level E-Business Models

1. Online purchasing
2. Order processing
3. E-mail
4. Content publishing
5. Business intelligence (BI)
6. Online advertising and public relations (PR)
7. Online sales promotions
8. Pricing strategies
9. Social media communication
10. Search marketing

Business Process-Level E-Business Models

Customer relationship management (CRM)

Knowledge management

Supply chain management

Community building

Affiliate programs

Database marketing

Enterprise resource planning (ERP)

Mass customization

Crowdsourcing

Freemium

Location-based marketing

Enterprise-Level E-Business Models

- **E-commerce** refers to online transactions: selling goods and services on the internet.
- **Social commerce** uses social media to facilitate online sales.
- **Direct distribution** is when manufacturers sell directly to consumers.
- **Content sponsorship** is a form of e-commerce in which companies sell advertising on their Web pages, YouTube videos, or other online media.
- A **portal** is a point of entry to the internet that combines diverse content from many sources.

Enterprise-Level E-Business Models, cont.

- **Social network sites** are those that bring users together to share interests and personal or professional profiles.

- **Online brokers** are intermediaries who assist in the purchase negotiations without actually representing either buyers or sellers.

- **Manufacturer's agents** represent more than one seller.

- **Purchasing agents** represent buyers.

Pure Play

- Pure plays are businesses that began on the internet.

  – They represent the final level of the pyramid.

- Pure plays face significant challenges.

  – They must compete as new brands.

  – They may need to take customers away from established businesses.

- Some pure plays have redefined industries: Yahoo!, Google, Twitter, Flickr, and eBay.

Performance Metrics Inform Strategy

- Performance metrics are specific measures designed to evaluate the effectiveness and efficiency of operations, online and offline.

- Performance metrics:

  – Provide measurable outcomes.

  – Must be easy to understand and use.

  – Must be actionable.

 – Can motivate employees to make decisions that lead to desired outcomes.

Web Analytics

- Web analytics is the e-marketing term for the study of user behavior on Web pages.
- Metrics measure activities such as:
  - Click throughs from advertising.
  - Page views.
  - Number of comments posted on a blog.
  - Number of fans on a company Facebook page.
  - Conversions to sales.

Data Collection

- Data for Web analytics are collected in several ways:
    - Website server logs
    - Cookie files
    - Page tags
    - Geolocation

Metrics Used to Measure Internet Marketing Performance
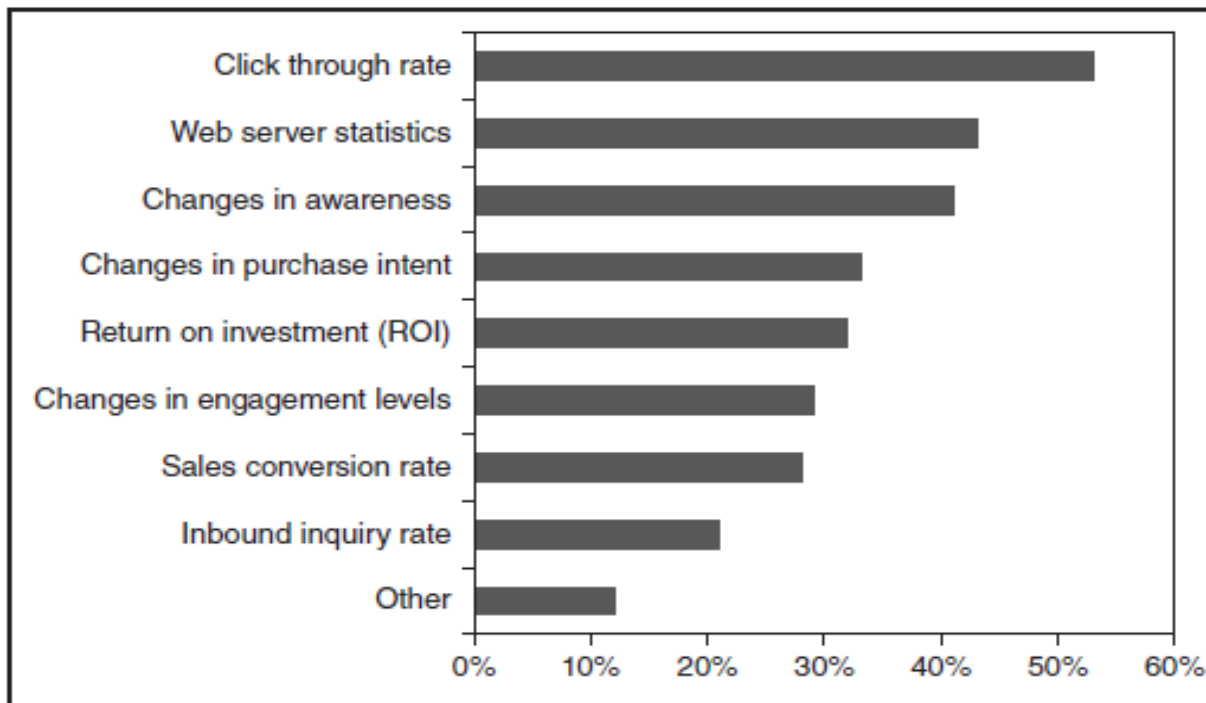
The Balanced Scorecard

- The Balanced Scorecard provides a framework for understanding e-marketing metrics.
- The Balanced Scorecard provides 4 perspectives.
  - Customer perspective
  - Internal perspective
  - Learning and growth perspective
  - Financial perspective

The Balanced Scorecard: Customer Perspective

- The customer perspective scorecard includes ways to measure goals such as customer satisfaction, engagement and retention.

  – Loyalty and satisfaction measures may include percentage of visitors who return to site, time between visits, and shopping cart abandonment.

  – Customer engagement could include the number of comments, photos or videos posted.

- Exhibit 2.7 provides a list of customer goals and measures.

The Balanced Scorecard: Internal Perspectives

- The Internal perspective includes ways to measure goals related to the quality of online services and measures for the entire supply chain.
  - Number of customers who use service
  - Number of complaints in social media
  - Amount of time to answer customer e-mail
  - Number of updates per day
- Exhibit 2.8 provides a list of internal goals and measures.
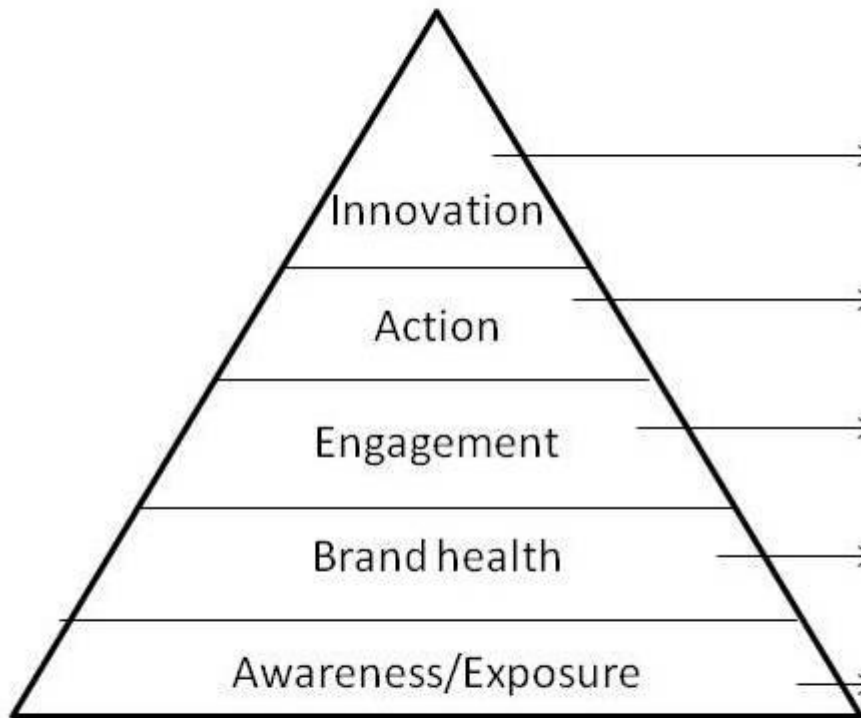
The Balanced Scorecard: Learning and Growth Perspectives

- The learning and growth perspective scorecard includes human resources, product innovation and continuous improvement of marketing processes.
  - Number of new service products to market
  - Number of customer complaints and fixes
  - Number of conversions from online leads
- Exhibit 2.9 provides a list of learning and growth goals and measures.

The Balanced Scorecard: Financial Perspectives

- The financial perspective scorecard includes ways to measure financial goals such as sales, profits and return on investment (ROI), including:
  - Sales growth and market share.
  - Average order value.
  - Individual customer profit.
- Exhibit 2.10 provides a list of financial goals and measures.

Social Media Performance Metrics

- Unique visitors

- Page views

- Impressions

- Number of searches

- Search engine ranking

- Number of followers, registrations, or subscribers

Innovation → Number of ideas, trend spotting

Action → Click through, contact form completion or registration, event attendance, purchase

Engagement → Content viewership, tagging/bookmarking/likes, membership/follower, number of shares, content creation

Brand health → Share of voice, sentiment, brand influence

Awareness/Exposure → Unique visitors, page views, impressions, number of searches, search engine ranking, number of followers/registrations/subscribers

Social Media Measurement Pyramid   Sample Metrics

Brand Health Metrics

- Share of Voice (SOV)

- Sentiment

- Brand influence

Engagement Metrics

- Content viewership

- Tagging, bookmarking or "likes"

- Membership/Follower

- Number of shares

- Content creation

Action & Innovation Metrics

- Action metrics
  - Click-through to an advertiser's site.
  - Contact form completion or registration.
  - Event attendance.
  - Purchase.
- Innovation metrics
  - Number of ideas shared.
  - Trend spotting.

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