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21

Implementing Interactive and Multichannel Marketing

LEARNING OBJECTIVES

After reading this chapter you should be able to:

**LO 21-
1**

Describe what interactive marketing is and how it creates customer value, customer relationships, and customer experiences.

**LO 21-
2**

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

**LO 21-
3**

Describe why consumers shop and buy online and how marketers influence online purchasing behavior.

**LO 21-
4**

Define cross-channel consumers and the role of transactional and promotional websites in reaching these consumers.

Seven Cycles Delivers Just One Bike. Yours.

"One Bike. Yours." is the company tagline for Seven Cycles, Inc., located in Watertown, Massachusetts. And for good reason.

Seven Cycles is the world's largest custom bicycle frame builder. The company produces a broad range of road, mountain, cyclocross, tandem, touring, single-speed, and commuter bikes annually, and no two bikes are exactly alike.

At Seven Cycles, attention is focused on each customer's unique cycling experience through the optimum fit, function, performance, and comfort of his or her very own bike. According to one satisfied customer, "Getting a Seven is more of a creation than a purchase."

While Seven Cycles does offer stock frames in more than 200 sizes, each is still built-to-order and a full 95 percent of the bicycle frames that Seven ships are completely custom made. Customized elements include frame size, frame geometry, tubing diameters, and wall thickness, as well as countless options such as cable routing, water bottle mounts, paint color, and decal color. Every custom option is available at no additional charge and the number of combinations is virtually infinite.

The marketing success of Seven Cycles is due to its state-of-the-art bicycle frames. But as Rob Vandermark, company founder and president, says, "Part of our success is that we are tied to a business model that includes the Internet."

Seven uses its multilanguage (English, German, Chinese, Japanese, Korean, and Flemish) website (www.sevencycles.com) to let customers get deeply involved in the frame-building process and the selection of components to outfit their complete bike. It enables customers to collaborate on the design of their own bike using the company's Custom Kit fitting system, which considers the rider's size, aspirations, and riding habits. Then customers can monitor their bike's

progress through the development and production process by clicking “Where’s My Frame?” on the Seven Cycles website.

This customization process and continuous feedback make for a collaborative relationship between Seven Cycles, its nearly 200 authorized retailers in the United States, some 30 international distributors, and customers in 40 countries. “Our whole process is designed to keep the focus on the rider the bike is being built for, so it ends up being a very different and more interactive experience than most people are used to. That experience is a large part of the value we sell, above and beyond the bike,” explains Jennifer Miller, operations manager at Seven Cycles.

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seven cycles



Both photos: Courtesy of Seven Cycles, Inc.

In addition to the order process, website visitors can peruse weekly news stories and learn about new product introductions to get a unique perspective on the business. They can read employee biographies online to learn more about the people who build the bikes. The website also offers a retailer-specific section as a 24/7 repository of updated information for the company's channel partners.

Beyond the website, current Seven owners can interact with the company on the Seven Cycles blog to learn about its activities and products. Seven Cycles also uses its company Facebook Page and Twitter account to post brief and timely updates and build a stronger sense of community around the brand.¹

This chapter describes how companies design and implement interactive marketing programs. It begins by explaining how Internet technology can create customer value, build customer relationships, and produce customer experiences in novel ways. Next, it describes how Internet technology affects and is affected by consumer behavior and marketing practice. Finally, the chapter shows how marketers integrate and leverage their communication and delivery channels using Internet technology to implement multichannel marketing programs to better serve cross-channel consumers.

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CREATING CUSTOMER VALUE, RELATIONSHIPS, AND EXPERIENCES IN MARKETSPACE

LO 21-1

Describe what interactive marketing is and how it creates customer value, customer relationships, and customer experiences.

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

Marketing in Two Environments

The existence of two market environments has been a boon for consumers. Today, consumers can shop for and purchase a wide variety of products and services in either market environment. Actually, most consumers now browse and buy in both market environments. More are expected to do so in the future as mobile devices, notably smartphones, expand their capabilities.

About 90 percent of Internet users ages 15 and older shop online in the United States. They are expected to buy \$414 billion worth of products and services in 2018 (excluding

travel, automobile, and prescription drugs). This figure represents about 11 percent of total U.S. retail sales.²

Marketing in two market environments poses significant challenges for companies. Companies with origins in the traditional marketplace, such as Procter & Gamble, Walmart, and General Motors, are continually challenged to define the nature and scope of their marketplace presence. These companies consistently refine the role of digital technology in attracting, retaining, and building consumer relationships to improve their competitive positions in the traditional marketplace while also bolstering their marketplace presence. Other companies with marketplace origins have chosen not to participate in the marketplace. Luxury fashion designs, for the most part, don't sell their products online. According to the founder of Prada, "We think that, for luxury, it's not right. Personally, I'm not interested."³ Not surprisingly, over 90 percent of luxury fashion merchandise is sold exclusively through stores.

On the other hand, companies with marketplace origins, including Amazon.com, Google, eBay, E*TRADE, and others, are challenged to continually refine, broaden, and deepen their marketplace presence. At the same time, these companies, and other companies, must consider what role, if any, the traditional marketplace will play in their future. For example, eyeglass online retailer Warby Parker, clothing online retailer Bonobos, and jewelry online retailer Blue Nile have opened physical showrooms that give shoppers an opportunity to experience the company's products in person before purchasing them online. Regardless of origin, a company's success in achieving a meaningful marketplace presence hinges largely on its ability to design and execute a marketing program that capitalizes on the unique value-creation and relationship-building capabilities of digital technology in delivering a favorable customer experience.

Creating Customer Value in Marketplace

Why has the marketplace captured the eye and imagination of marketers worldwide? Recall from **Chapter 1** that marketing creates time, place, form, and possession utilities, thereby providing value. Marketers believe that the possibilities for customer value creation are greater in the digital marketplace than in the physical marketplace.

Consider place and time utility. In marketplace, the provision of direct, on-demand information is possible from marketers *anywhere* to customers *anywhere, at any time*.

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Why? Operating hours and geographical constraints do not exist in Page 599
marketspace. For example, Recreational Equipment, Inc. (www.rei.com), an outdoor gear marketer, reports that 35 percent of its orders are placed between 10:00 P.M. and 7:00 A.M., long after and before retail stores are open for business. Similarly, a U.S. consumer from Chicago can access Marks & Spencer (www.marks-and-spencer.co.uk), the well-known British department store, to shop for clothing as easily as a person living near London's Piccadilly Square.

Possession utility—getting a product or service to consumers so they can own or use it—is accelerated. Airline, car rental, and lodging electronic reservation systems such as Orbitz (www.orbitz.com) allow comparison shopping for the lowest fares, rents, and rates and almost immediate access to and confirmation of travel arrangements and accommodations.

The greatest marketspace opportunity for marketers, however, lies in its potential for creating form utility. Interactive two-way Internet-enabled communication capabilities in marketspace invite consumers to tell marketers specifically what their requirements are, making customization of a product or service to fit their exact needs possible. Today, 35 percent of online consumers are interested in customizing product features or in purchasing build-to-order products that use their specifications.⁴ At Seven Cycles, customers can arrange for a custom-made mountain bike to fit their specifications, as described in the chapter-opening example.



Pavement. Dirt. **Whatever.**

No matter what form your two-wheeled passion takes. Whatever road, trail, or entirely improvised route you follow. There is a Seven for you. Expertly designed and handcrafted for who you are and the way you ride.

seven
cycles

www.sevencycles.com telephone 617.923.7774 email info@sevencycles.com One Bike. Yours.

Seven Cycles offers form utility by creating customized bikes for customers in 40 countries.

Seven Cycles, Inc. www.sevencycles.com

Courtesy of Seven Cycles, Inc.

Interactivity, Individuality, and Customer Relationships in Marketspace



Mars, Inc. uses choiceboard technology to decorate M&M's® candies with personal photos and messages.

Mars, Inc. www.mymms.com

© Ira Roberts

Marketers benefit from two unique capabilities of Internet technology that promote and sustain customer relationships. One is *interactivity*; the other is *individuality*.⁵

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Both capabilities are important building blocks for buyer–seller relationships. Page 599

For these relationships to occur, companies need to interact with their customers by listening and responding to their needs. Marketers must also treat customers as individuals and empower them to (1) influence the timing and extent of the buyer–seller interaction and (2) have a say in the kind of products and services they buy, the information they receive, and in some cases, the prices they pay.

Internet technology allows for interaction, individualization, and customer relationship building to be carried out on a scale never before available and makes interactive marketing possible. **Interactive marketing** involves two-way buyer–seller electronic communication in which the buyer controls the kind and amount of information received from the seller. Interactive marketing is characterized by sophisticated choiceboard and personalization systems that transform information supplied by customers into customized responses to their individual needs.

Choiceboards

VIDEO 21-1

My M&M's®

kerin.tv/13e/v21-1

A **choiceboard** is an interactive, Internet-enabled system that allows individual customers to design their own products and services by answering a few questions and

choosing from a menu of product or service attributes (or components), prices, and delivery options. Customers today can design their own computers with Dell's online configurator, style their own athletic shoe at www.reebok.com, assemble their own investment portfolios with Schwab's mutual fund evaluator, build their own bicycle at www.sevencycles.com, create a diet and fitness program to fit their lifestyle at www.e.diet.com, and decorate M&M's® with photos of themselves and unique messages at www.mymms.com. Because choiceboards collect precise information about the preferences and behavior of individual buyers, a company becomes more knowledgeable about a customer and better able to anticipate and fulfill that customer's needs.

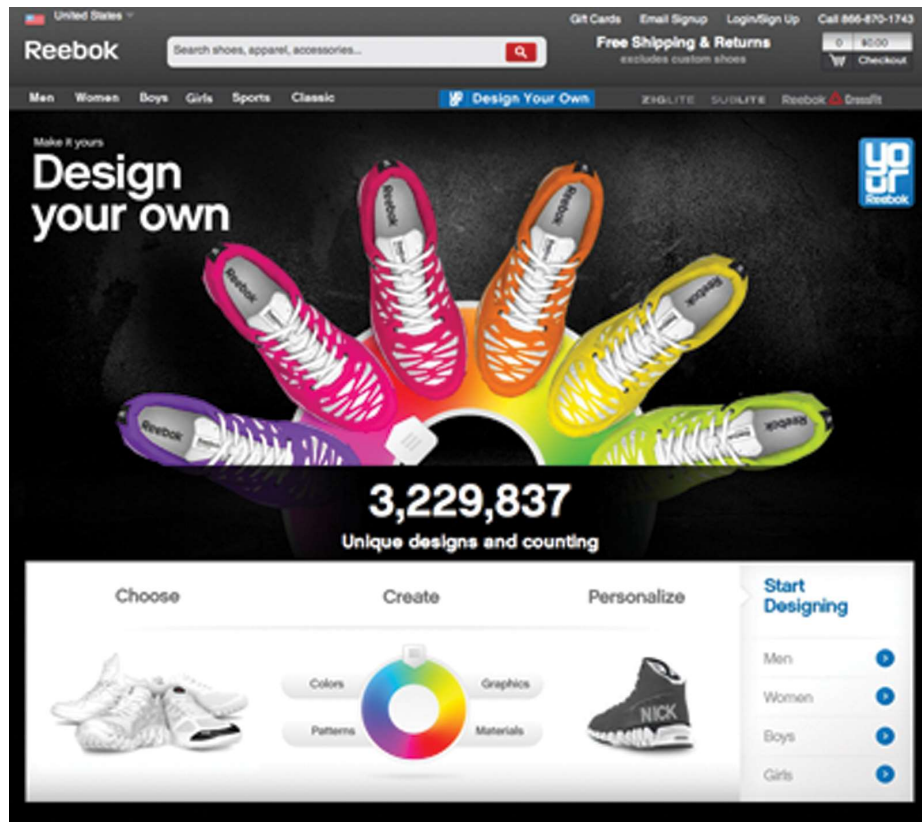
Most choiceboards are essentially transaction devices. However, companies have expanded the functionality of choiceboards using collaborative filtering technology. **Collaborative filtering** is a process that automatically groups people with similar buying intentions, preferences, and behaviors and predicts future purchases. For example, say two people who have never met buy a few of the same DVDs over time. Collaborative filtering software is programmed to reason that these two buyers might have similar musical tastes: If one buyer likes a particular DVD, then the other will like it as well. The outcome? Collaborative filtering gives marketers the ability to make a dead-on sales recommendation to a buyer in *real time*. You see collaborative filtering applied each time you view a selection at Amazon.com and see "Customers who bought this (item) also bought...."

Personalization

Choiceboards and collaborative filtering are marketer-initiated efforts to provide customized responses to the needs of individual buyers. Personalization systems are typically buyer-initiated efforts. **Personalization** is the consumer-initiated practice of generating content on a marketer's website that is custom tailored to an individual's specific needs and preferences.

Today, one-half of the largest online retailers in the United States use personalization techniques.⁶ For example, Yahoo! (www.yahoo.com) allows users to create personalized MyYahoo! pages. Users can add or delete a variety of types of information from their personal pages, including specific stock quotes, weather conditions in any city in the world, and local television schedules. In turn, Yahoo! uses the buyer profile data

entered when users register at the site to tailor e-mail messages, advertising, and content to the individual—and post a happy birthday greeting on the user's special day.



Reebok uses choiceboard technology to create customized athletic shoes for its customers.

Reebok www.reebok.com

Courtesy of Reebok International Ltd.

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An important aspect of personalization is a buyer's willingness to have tailored communications brought to his or her attention. Obtaining this approval is called **permission marketing**—the solicitation of a consumer's consent (called *opt-in*) to receive e-mail and advertising based on personal data supplied by the consumer. Permission marketing is a proven vehicle for building and maintaining customer relationships, provided it is properly used. Page 601

Companies that successfully employ permission marketing adhere to three rules.⁷ First, they make sure opt-in customers receive only information that is relevant and meaningful to them. Second, their customers are given the option to *opt-out*, or change the kind, amount, or timing of information sent to them. Finally, their customers are assured that their name or buyer profile data will not be sold or shared with others. This assurance is important because 76 percent of adult Internet users are concerned about the privacy of their personal information.⁸

Creating an Online Customer Experience

A continuing challenge for companies is the design and execution of marketing programs that capitalize on the unique customer value-creation capabilities of Internet technology. Companies realize that applying Internet technology to create time, place, form, and possession utility is just a starting point for creating a meaningful marketplace presence. Today, the quality of the customer experience produced by a company is the standard by which a meaningful marketplace presence is measured.

From an interactive marketing perspective, *customer experience* is defined as the sum total of the interactions that a customer has with a company's website, from the initial look at a home page through the entire purchase decision process.⁹ Companies produce

a customer experience through seven website design elements. These elements are context, content, community, customization, communication, connection,

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and commerce. Each is summarized in **Figure 21–1**. A closer look at these elements illustrates how each contributes to customer experience.

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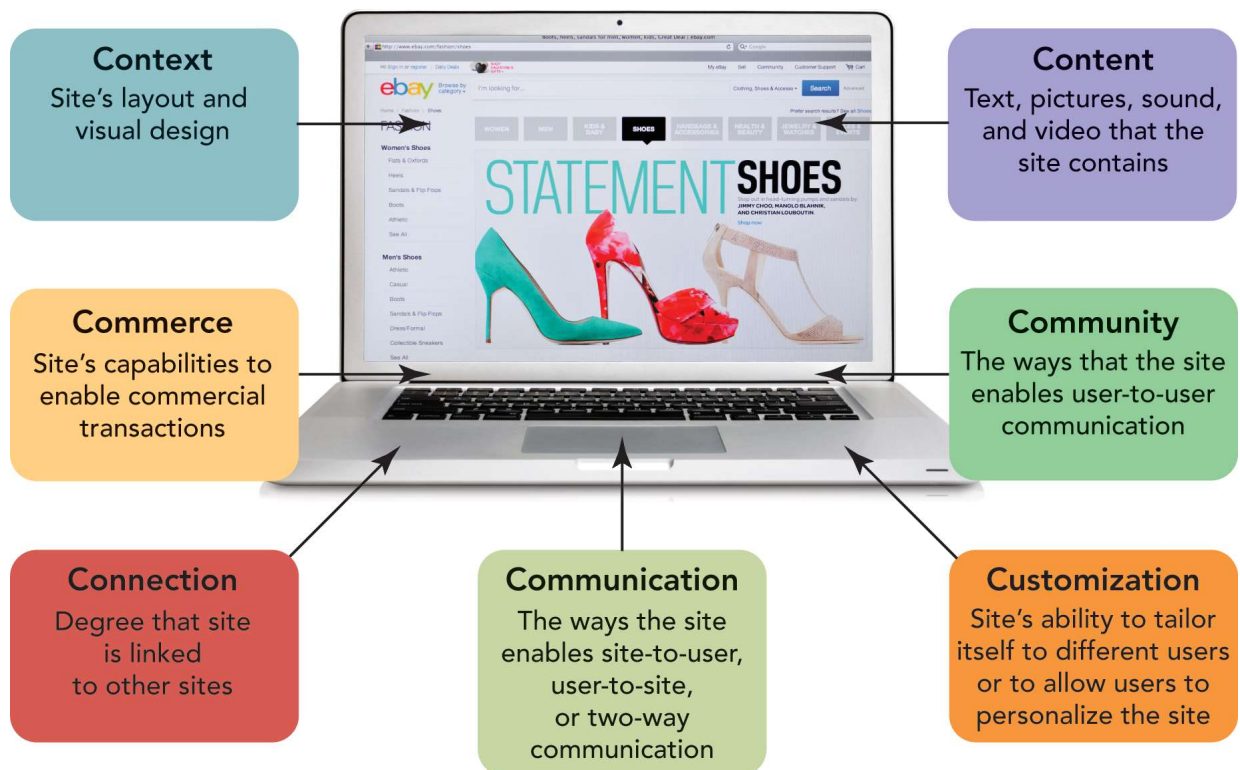


Figure 21–1 Seven website design elements that drive customer experience.

Photo: © NetPhotos/Alamy

Context

Context refers to a website's aesthetic appeal and the functional look and feel of the site's layout and visual design. A functionally oriented website focuses largely on the

company's offering, be it products, services, or information. Deal-oriented travel websites, such as Priceline.com, tend to be functionally oriented with an emphasis on destinations, scheduling, and prices. In contrast, beauty websites, such as Revlon.com, are more aesthetically oriented. As these examples suggest, context attempts to convey the core consumer benefit provided by the company's offerings.

Content

Content applies to all digital information on a website, including the presentation form—text, video, audio, and graphics. Content quality and presentation along with context dimensions combine to engage a website visitor and provide a platform for the five remaining design elements.

Customization

Website *customization* is the ability of a site to modify itself to, or be modified by and for, each individual user. This design element is prominent in websites that offer personalized content, such as My eBay and MyYahoo!

Connection

The *connection* element is the network of linkages between a company's site and other sites. These links are embedded in the website; appear as highlighted words, a picture, or graphic; and allow a user to effortlessly visit other sites with a mouse click. Connection is a major design element for informational websites such as *The New York Times*. Users of NYTimes.com can access the book review

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section and link to Barnes & Noble to order a book or browse related titles without ever visiting a store.

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Travelocity pays close attention to creating a favorable customer experience by employing all seven website design elements.

Travelocity www.travelocity.com

© Ira Roberts

Communication

Communication refers to the dialogue that unfolds between the website and its users. Consumers—particularly those who have registered at a site—now expect that communication to be interactive and individualized in real time much like a personal conversation. In fact, some websites now enable a user to talk directly with a customer representative while shopping the site. For instance, two-thirds of the sales through Dell.com involve human sales representatives.

Community

In addition, many company websites encourage user-to-user communications hosted by the company to create virtual communities, or simply, *community*. This design element is popular because it has been shown to enhance customer experience and build

favorable buyer–seller relationships. Examples of communities range from the Pampers Village hosted by Procter & Gamble (www.pampers.com) to the Harley Owners Group (HOG) sponsored by Harley-Davidson (www.harley-davidson.com).

Commerce

The seventh design element is *commerce*—the website’s ability to conduct sales transactions for products and services. Online transactions are quick and simple in well-designed websites.

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

Companies use a broad array of measures to assess website performance. For example, the amount of time per month visitors spend on their website, or “stickiness,” is used to gauge customer experience.¹⁰ Read the Applying Marketing Metrics box to learn how stickiness is measured and interpreted at one of the largest automobile dealerships in the United States.¹¹

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Applying Marketing Metrics

Sizing Up Site Stickiness at Sewell Automotive Companies

Automobile dealerships have invested significant time, effort, and money in their websites. Why? Car browsing and shopping on the Internet is now commonplace.

Dealerships commonly measure website performance by tracking visits, visitor traffic, and “stickiness”—the amount of time per month visitors spend on their website. Website design, easy navigation, involving content, and visual appeal combine to enhance the interactive customer experience and website stickiness.

To gauge stickiness, companies monitor the average time spent per unique monthly visitor (in minutes) on their websites. This is done by tracking and displaying the average visits per unique monthly visitor and the average time spent per visit, in minutes, in their marketing dashboards. The relationship is as follows:

$$\text{Average Time Spent per Unique Monthly Visitor (minutes)} = \left(\frac{\text{Average Visits per Unique Monthly Visitor}}{\text{Unique Monthly Visitor}} \right)$$



Your Challenge

As the manager responsible for Sewell.com, the Sewell Automotive Companies' website, you have been asked to report on the effect that recent improvements in the company's website have had on the amount of time per month visitors spend on the website. Sewell ranks among the largest U.S. automotive dealerships and is a recognized customer service leader in the automotive industry. Its website reflects the company's commitment to an unparalleled customer experience at its family of dealerships.

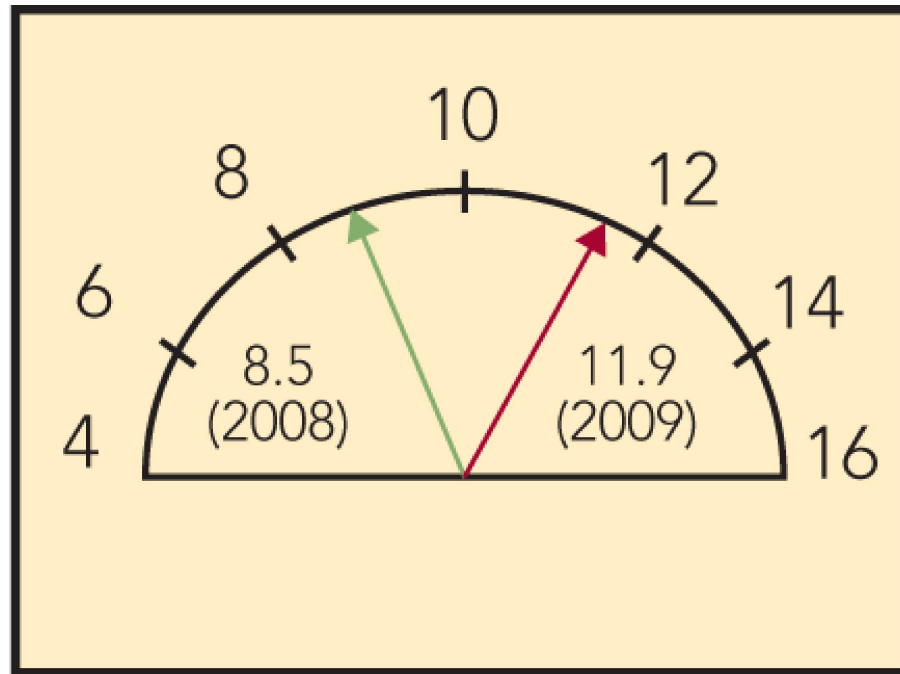
Your Findings

Examples of monthly marketing dashboard traffic and time measures are displayed below for June 2008, three months before the website improvements (green arrow), and June 2009, three months after the improvements were made (red arrow).

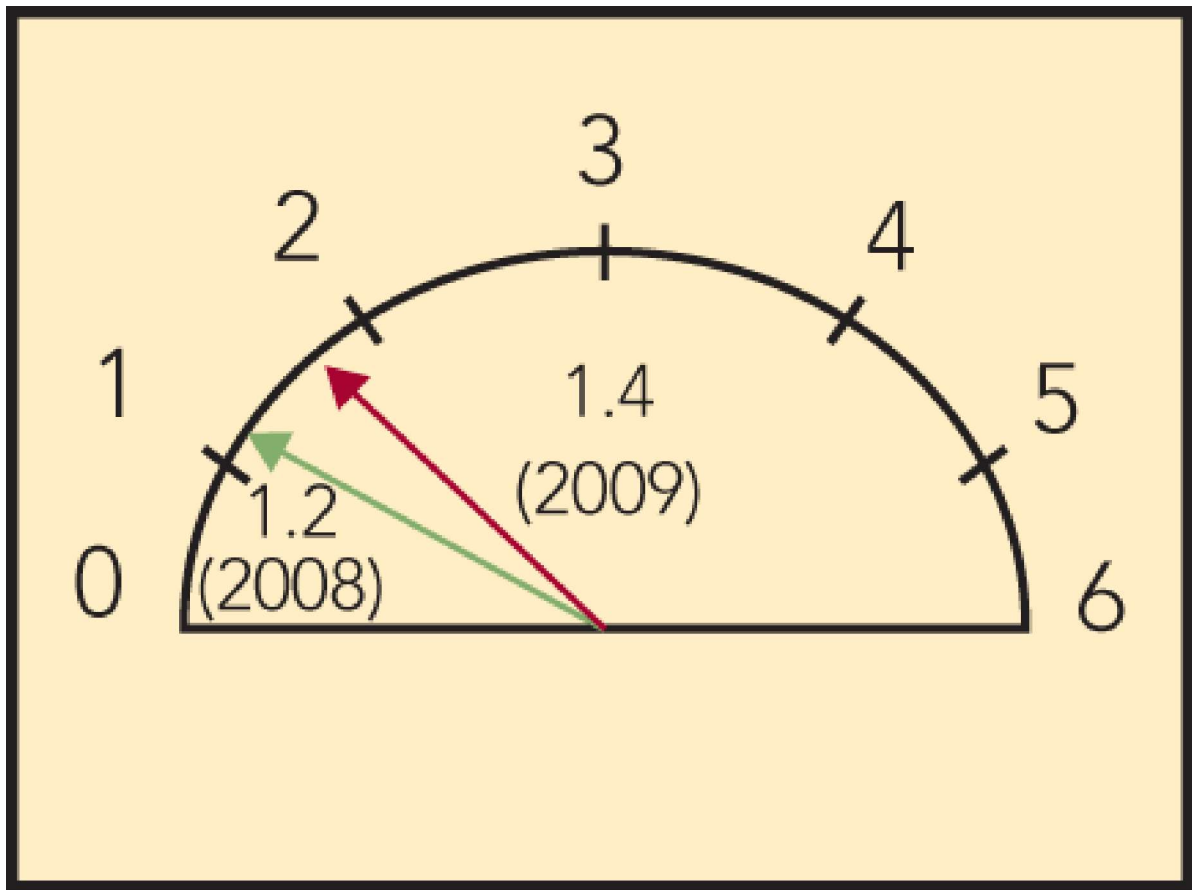
The average time spent per unique monthly visitor increased from 8.5 minutes in June 2008 to 11.9 minutes in June 2009—a sizable jump. The increase is due primarily to the upturn in the average time spent per visit from 7.1 minutes to 8.5 minutes. The average number of visits also increased, but the percentage change was much less.

Your Action

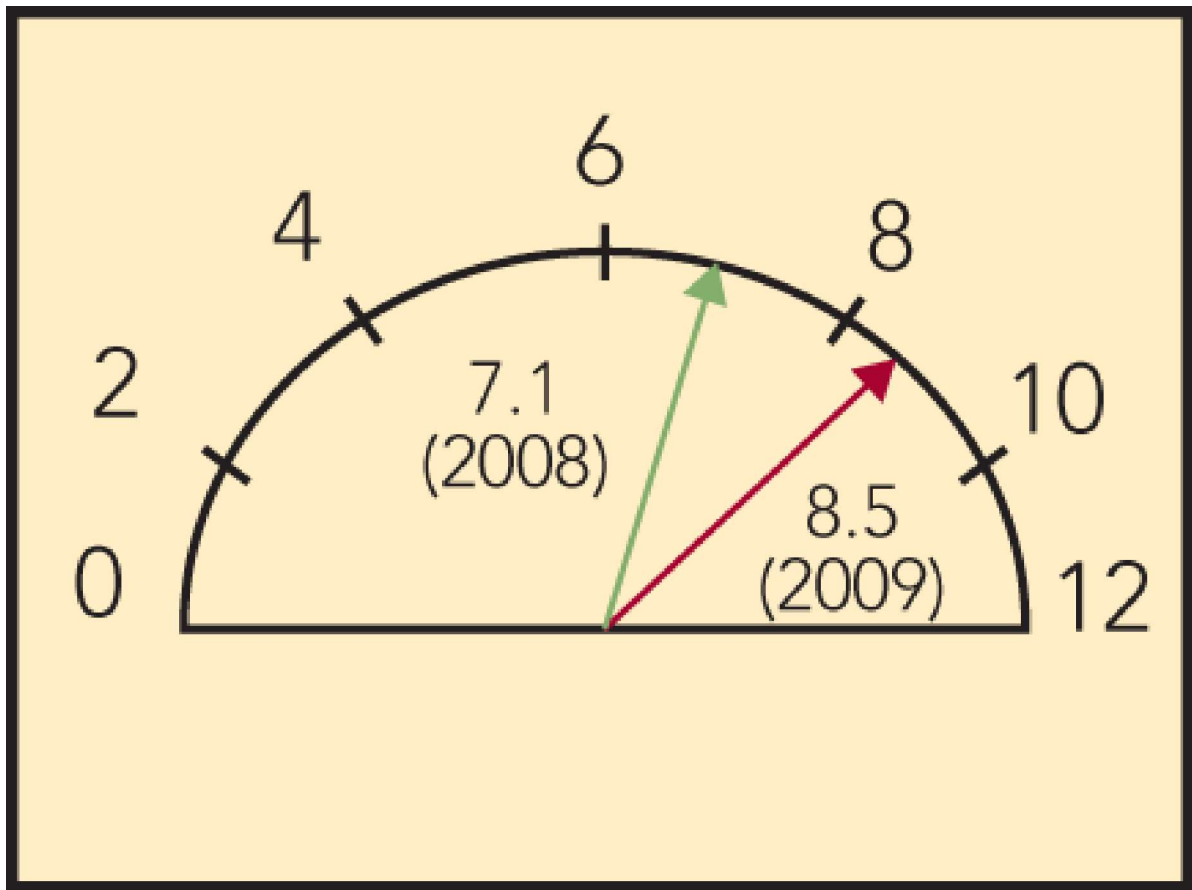
Improvements in the website have noticeably “moved the needle” on average time spent per unique monthly visitor. Still, additional action may be required to increase average visits per unique monthly visitor. These actions might include an analysis of Sewell's web advertising program, search engine initiatives with Google, links to automobile manufacturer corporate websites, and broader print and electronic media advertising.



Average Time Spent per
Unique Monthly Visitor (minutes)



Average Visits per
Unique Monthly Visitor



Average Time Spent
per Visit (minutes)

learning review

- 21-**The consumer-initiated practice of generating content on a
1. marketer's website that is custom tailored to an individual's specific needs and preferences is called _____.
- 21-**What are the seven website design elements that companies use
2. to produce a customer experience?

ONLINE CONSUMER BEHAVIOR AND MARKETING PRACTICE IN MARKETSPACE

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

Who Is the Online Consumer?

Online consumers are the subsegment of all Internet users who employ this technology to research products and services and make purchases. As a group, online consumers are equally likely to be women and men, and they tend to be better educated, younger, and more affluent than the general U.S. population.

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This makes them an attractive market. Even though online shopping and buying is popular, a small percentage of online consumers still account for a disproportionate share of online retail sales in the United States. It is estimated that 20 percent of online consumers account for 69 percent of total consumer online sales. Also, women tend to purchase more products and services online than men.¹²

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Marketing Insights About Me

Am I Addicted to the Internet? Answer 20 Questions to Find Out

Online shopping has become commonplace in the United States. For some consumers, however, online shopping has become an Internet shopping addiction. If you exhibit the following symptoms, you may be addicted:

1. You spend more time than you should shopping online.
2. You promise to stop ordering so much online, but are unable to resist.
3. Your frequent purchases and spending causes financial problems and relationship troubles.
4. When you are not shopping online, you are planning your next online shopping spree.
5. Internet shopping has a negative impact on other parts of your life, such as work, school, friendships, and family.



© Alex Slobodkin/iStock/Getty Images

Internet shopping addiction is considered part of a broader condition known as Internet addiction. PsychCentral has an online, interactive quiz to test whether your Internet behavior is, or is becoming, an addiction. Visit the PsychCentral website at www.psychcentral.com/netaddiction/quiz/, answer 20 questions, and get your Internet addiction score.

The prevalence of online shopping and buying has sparked interest in how the Internet has contributed to compulsive shopping and buying among online consumers. Read the Marketing Insights About Me box to spot the symptoms of Internet shopping addiction, one form of Internet addiction. Click the link shown in the box, answer 20 questions, and see how you score on the Internet Addiction Quiz.

What Online Consumers Buy

LO 21-2

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

Much still needs to be learned about online consumer purchase behavior. Although research has documented the most frequently purchased products and services bought online, marketers also need to know *why* these items are popular in the digital marketplace.

Six general product and service categories account for about 70 percent of online consumer buying today and for

the foreseeable future, as shown in **Figure 21–2**.¹³ One category consists of items for which product information is an important part of the purchase decision, but prepurchase trial is not necessarily critical. Items such as computers, computer accessories, and consumer electronics fall into this category.

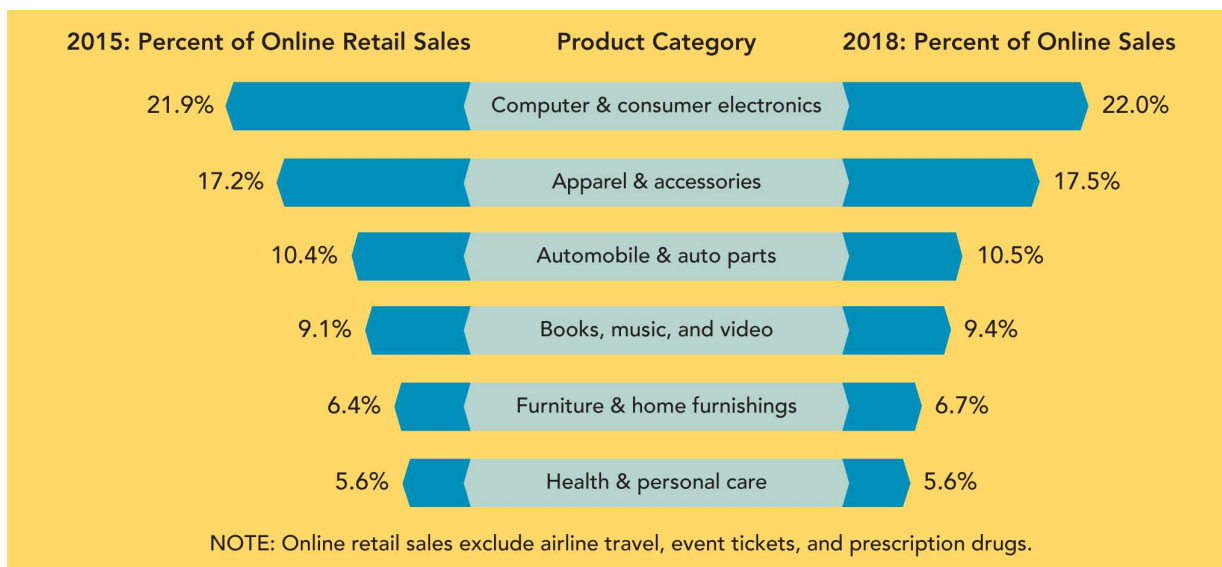


Figure 21–2 Five product categories account for about 70 percent of online retail sales today—a trend that is projected to continue in the future.

A second category contains items that can be delivered digitally, including computer software, books, music, and video.

Unique items, such as specialty products, foods, beverages, and gifts, represent a third category. A fourth category includes items that are regularly purchased and where convenience is very important. Many consumer packaged goods, such as grocery products, health care and personal care items, and home office products, fall into this category. A final category of items consists of highly standardized products and services for which information about price is important. Certain kinds of home furnishings, automotive products, and casual apparel make up this category.

Why Consumers Shop and Buy Online

Why do consumers shop and buy online? Marketers emphasize the customer value-creation possibilities, the importance of interactivity, individuality, and relationship building, and their ability to produce a positive customer experience in the new marketplace.

LO 21-3

Describe why consumers shop and buy online and how marketers influence online purchasing behavior.

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However, consumers typically refer to six reasons they shop and buy online: convenience, choice, customization, communication, cost, and control (**Figure 21-3**).

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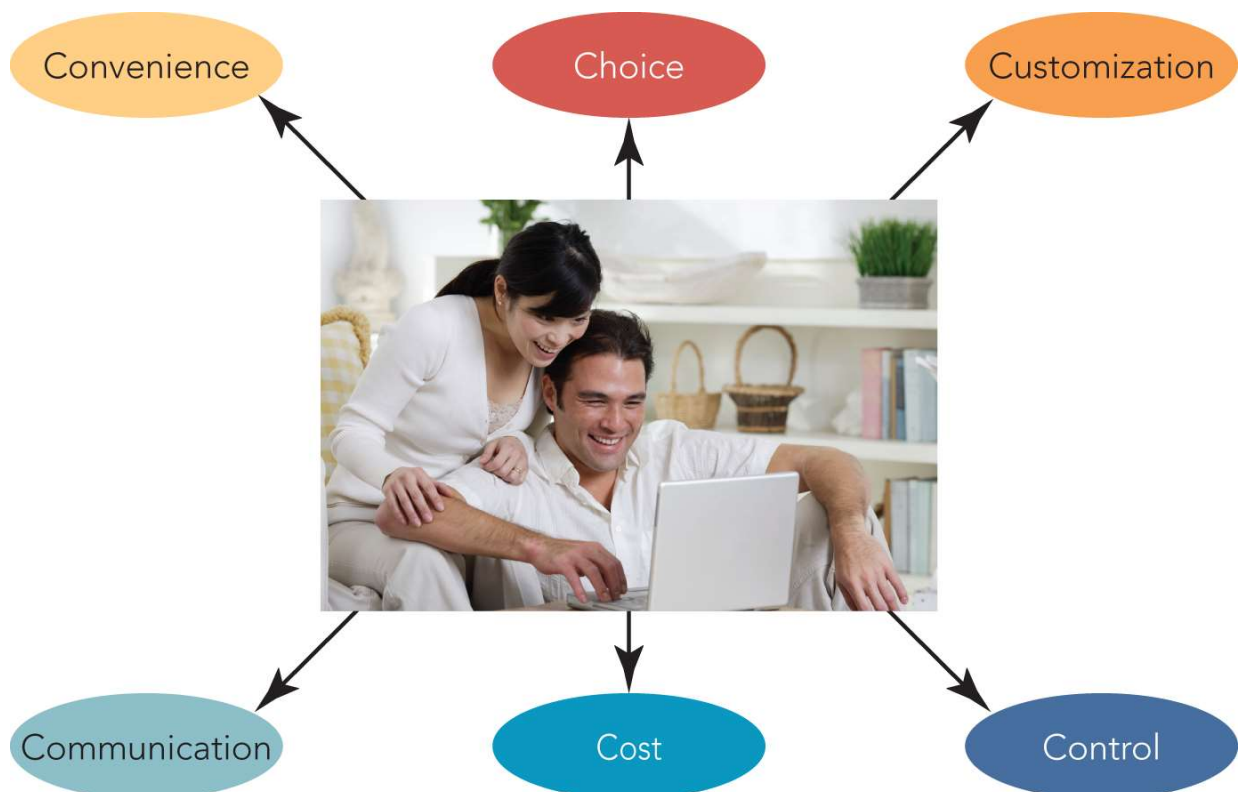


Figure 21-3 Why do consumers shop and buy online? Read the text to learn how convenience, choice, customization, communication, cost, and control result in a favorable customer experience.

Photo: © Fuse/Getty Images

Convenience

Online shopping and buying is *convenient*. Consumers can visit Walmart at www.walmart.com to scan and order from among thousands of displayed products without fighting traffic, finding a parking space, walking through long aisles, and standing in store checkout lines. Alternatively, online consumers can use **bots**, electronic shopping agents or robots that search websites to compare prices and product or service features. In either instance, an online consumer has never ventured into a store. However, for convenience to remain a source of customer value creation, websites must be easy to locate and navigate, and image downloads must be fast.

A commonly held view among online marketers is the **eight-second rule**: Customers will abandon their efforts to enter and navigate a website if download time exceeds eight seconds. Furthermore, the more clicks and pauses between clicks required to access information or make a purchase, the more likely it is a customer will exit a website.

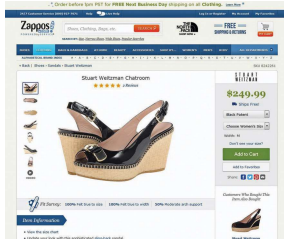
Choice

Choice, the second reason consumers shop and buy online, has two dimensions. First, choice exists in the product or service selection offered to consumers.

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Buyers desiring selection can avail themselves of numerous websites for almost anything they want. For instance, online buyers of consumer electronics can shop individual manufacturers such as Bose (www.bose.com) and QVC.com, a general merchant that offers more than 100,000 products.

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Zappos.com is successful because it meets all the requirements necessary for consumers to shop and buy online. In less than 10 years, the company has posted significant annual sales of shoes, apparel, bags, accessories, housewares, and jewelry.

Zappos.com www.zappos.com

© Ira Roberts

Choice assistance is the second dimension. Here, the interactive capabilities of Internet-enabled technologies invite customers to engage in an electronic dialogue with marketers for the purpose of making informed choices. Choice assistance is one of the reasons for the continued success of Zappos.com. The company offers an online chat room that enables prospective buyers to ask questions and receive answers in real time. In addition, carefully designed search capabilities

permit consumers to review products by brand and particular items.

Customization

Even with a broad selection and choice assistance, some customers prefer one-of-a-kind items that fit their specific needs. *Customization* arises from Internet-enabled capabilities that make possible a highly interactive and individualized information and exchange environment for shoppers and buyers. Remember the earlier Reebok, Schwab,

Dell, and Seven Cycles examples? To varying degrees, online consumers also benefit from **customerization** —the practice of not only customizing a product or service but also personalizing the marketing and overall shopping and buying interaction for each customer.¹⁴

Customerization seeks to do more than offer consumers the right product, at the right time, and at the right price. It combines choiceboard and personalization systems to expand the exchange environment beyond a transaction and makes shopping and buying an enjoyable, personal experience.

Communication

Online consumers particularly welcome the *communication* capabilities of Internet-enabled technologies. This communication can take three forms: (1) marketer-to-consumer e-mail notification, (2) consumer-to-marketer buying and service requests, and (3) consumer-to-consumer chat rooms and instant messaging, in addition to social networking websites such as Twitter and Facebook.



Staffers in Gatorade's "Mission Control" room in Chicago, Illinois, monitor Internet and social media outlets, such as Facebook and Twitter, 24 hours a day. Whenever someone uses Twitter to say they are drinking a Gatorade or mentions the brand on Facebook or in a blog, it pops up on-screen at Mission Control. In this way, conversations featuring Gatorade provide useful consumer insights into how the brand is viewed and used.

Gatorade www.gatorade.com

© Clayton Hauck Photography

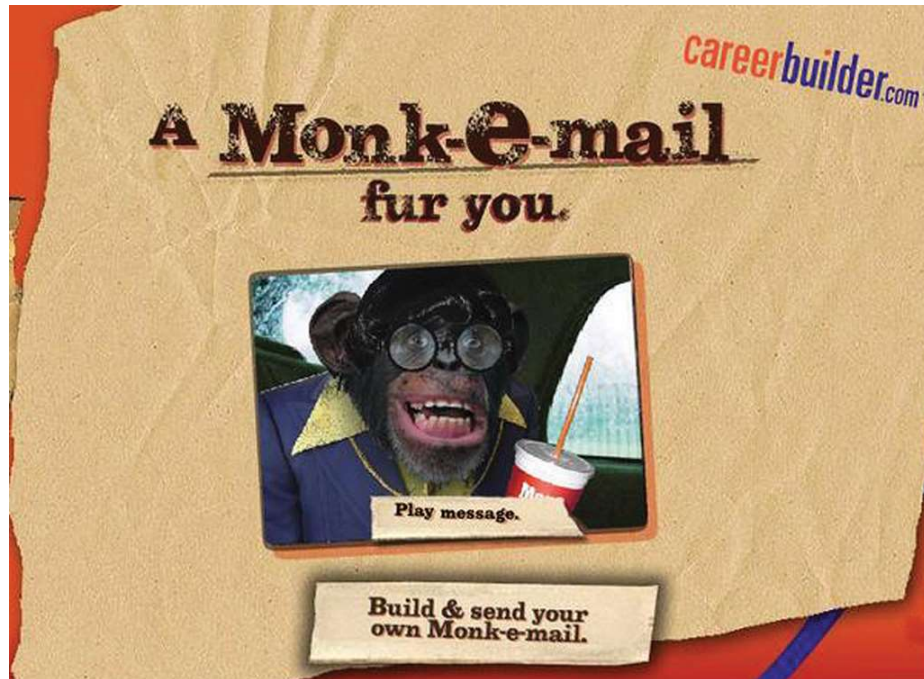
Communication has proven to be a double-edged sword for online consumers. On the one hand, the interactive communication capabilities of Internet-enabled technologies increase consumer convenience, reduce information search costs, and make choice assistance and customization possible. Communication also promotes the development of company-hosted and independent **web communities**—websites that allow people to congregate online and exchange views on topics of common interest. For instance, Coca-Cola hosts MyCoke.com, and iVillage.com is an independent web community for women and includes topics such as career management, personal finances, parenting, relationships, beauty, and health.

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Web logs, or blogs, are another form of communication. A *blog* is a web page that serves as a publicly accessible personal journal for an individual or organization. Blogs are popular because they provide online forums on a wide variety of subjects ranging from politics to car repair. Companies such as Hewlett-Packard, PepsiCo, and Harley-Davidson routinely monitor blogs and social media posts to gather customer insights.¹⁵

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On the other hand, communications can take the form of electronic junk mail or unsolicited e-mail, called **spam**. In fact, 67 percent of e-mail messages in the world are spam.¹⁶ The prevalence of spam has prompted many online services to institute policies and procedures to prevent spammers from spamming their subscribers, and several states have antispamming laws. The 2004 *CAN-SPAM (Controlling the Assault of Non-Solicited Pornography and Marketing) Act* restricts information collection and unsolicited e-mail promotions on the Internet.



Careerbuilder.com, an online career placement company, has produced a great viral marketing success with its Monk-e-mail featuring talking monkeys. People can stylize their monkeys by choosing headgear, clothes, glasses, backgrounds, and other features. They can also record a message using one of four monkey voices, or their own voice. Monk-e-mail can be sent to friends or posted on Twitter.

CareerBuilder www.careerbuilder.com

© Ira Roberts

Internet-enabled communication capabilities also make possible *buzz*, a popular term for word-of-mouth behavior in marketspace. **Chapter 5** described the importance

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of word of mouth in consumer behavior. Internet technology has magnified its Page 609 significance. According to Jeff Bezos, president of Amazon.com, “If you have an unhappy customer on the Internet, he doesn’t tell his six friends, he tells his 6,000 friends!”¹⁷ Buzz is particularly influential for toys, cars, sporting goods, motion pictures, apparel, consumer electronics, pharmaceuticals, health and beauty products, and health care services. Some marketers have capitalized on this phenomenon by creating buzz through viral marketing.

Viral marketing is an Internet-enabled promotional strategy that encourages individuals to forward marketer-initiated messages to others via e-mail, social networking websites, and blogs. There are three approaches to viral marketing. First, marketers can embed a message in the product or service so that customers hardly realize they are passing it along. The classic example is Hotmail, which was one of the first companies to provide free, Internet-based e-mail. Each outgoing e-mail message had the tagline: “Get Your Private, Free Email from MSN Hotmail.” This effort produced more than 350 million users.

VIDEO 21-2

Frito-Lay

kerin.tv/13e/v21-2

Second, marketers can make the website content so compelling that viewers want to share it with others. Careerbuilder.com has done this with its Monk-e-mail site, which

allows users to send personalized, private-themed e-cards for all occasions. More than 100 million Monk-e-mails have been sent since 2006. Finally, marketers can offer incentives (discounts, sweepstakes, or free merchandise). For example, Burger King asked, “What do you love more, your friend or the Whopper?” in its Whopper Sacrifice campaign. Facebook users were asked to “unfriend” 10 people from their Facebook friends list in exchange for a free burger.¹⁸

Cost

Consumer *cost* is a fifth reason for online shopping and buying. Many popular items bought online can be purchased at the same price or cheaper than in retail stores.¹⁹ Lower prices also result from sophisticated software that permits **dynamic pricing**, the practice of changing prices for products and services in real time in response to supply and demand conditions. As described in **Chapter 14**, dynamic pricing is a form of flexible pricing and can often result in lower prices. It is typically used for pricing time-sensitive items such as airline seats, scarce items found at art or collectible auctions, and out-of-date items such as last year’s models of computer equipment and accessories. Ticketmaster has recently experimented with dynamic pricing to adjust the price of sports and concert tickets in response to demand.

A consumer’s cost of external information search, including time spent and often the hassle of shopping, is also reduced. Greater shopping convenience and lower external search costs are two major reasons for the popularity of online shopping and buying among women—particularly those who work outside the home.

Control

The sixth reason consumers prefer to buy online is the *control* it gives them over their shopping and purchase decision process. Online shoppers and buyers are empowered consumers. They deftly use Internet technology to seek information, evaluate alternatives, and make purchase decisions on their own time, terms, and conditions. For example, studies show that automobile shoppers spend an average of eleven hours researching cars online before setting foot in a showroom.²⁰ The result of these activities is a more informed and discerning shopper.

Even though consumers have many reasons for shopping and buying online, a segment of Internet users refrains from making purchases for privacy and security reasons. These consumers are concerned about a rarely mentioned seventh C—cookies.

Cookies are computer files that a marketer

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can download onto the computer and mobile phone of an online shopper who visits the marketer's website. Cookies allow the marketer's website to record a user's visit, track visits to other websites, and store and retrieve this information in the future. Cookies also contain visitor information such as expressed product preferences, personal data, passwords, and credit card numbers.

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Cookies make possible customized and personal content for online shoppers. They also make possible the practice of behavioral targeting for marketers. **Behavioral targeting** uses information provided by cookies for directing online advertising from marketers to those online shoppers whose behavioral profiles suggest they would be interested in such advertising. A controversy surrounding cookies is summed up by an authority on the technology: "At best cookies make for a user-friendly web world: like a salesclerk who knows who you are. At worst, cookies represent a potential loss of privacy."²¹ Read the Making Responsible Decisions box to learn more about privacy and security issues in the digital marketplace.²²

Making Responsible Decisions Ethics

Who Is Responsible for Internet Privacy and Security?

Privacy and security are two key reasons consumers are leery of online shopping and buying. A recent Pew Internet & American Life Project poll reported that 76 percent of online consumers have privacy and security concerns about the Internet. And, 73 percent of online consumers considered it an invasion of privacy if a search engine tracked their activity to personalize future search results. Even more telling, many

have stopped shopping a website or forgone an online purchase because of these concerns. Industry analysts estimate that over \$30 million in e-commerce sales are lost annually because of privacy and security concerns among online shoppers.

Consumer concerns are not without merit. According to the Federal Trade Commission, 46 percent of fraud complaints are Internet related, costing consumers \$560 million. In addition, consumers lose millions of dollars each year due to identity theft resulting from breaches in company security systems.

A percolating issue is whether the U.S. government should pass more stringent Internet privacy and security laws. About 70 percent of online consumers favor such action. Companies, however, favor self-regulation. For example, TRUSTe (www.truste.com) awards its trademark to company websites that comply with standards of privacy protection and disclosure. Still, consumers are ultimately responsible for using care and caution when engaging in online behavior, including e-commerce. Consumers have a choice of whether or not to divulge personal information and are responsible for monitoring how their information is being used.



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What role should the U.S. government, company self-regulation, and consumer vigilance play in dealing with privacy and security issues in the digital marketplace?

When and Where Online Consumers Shop and Buy

Shopping and buying also happen at different times in marketspace than in the traditional marketplace.²³ About 80 percent of online retail sales occur Monday through Friday. The busiest shopping day is Wednesday. By comparison, 35 percent of retail store sales are registered on the weekend. Saturday is the most popular shopping day. Monday through Friday online shopping and buying often occur during normal work hours—some 30 percent of online consumers say they visit websites from their place of work, which partially accounts for the sales level during the workweek.

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Favorite websites for workday shopping and buying include those featuring event tickets, auctions, online periodical subscriptions, flowers and gifts, consumer electronics, and travel. Websites offering health and beauty items, apparel and accessories, and music and video tend to be browsed and bought from a consumer's home.

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learning review

- 21-3.** What are the six reasons consumers prefer to shop and buy online?
- 21-4.** What is the eight-second rule?

CROSS-CHANNEL CONSUMERS AND MULTICHANNEL MARKETING

Consumers often shop and buy in both online and offline environments. Individuals who move effortlessly between these environments have given rise to the cross-channel consumer and the importance of multichannel marketing.

LO 21-4

Define cross-channel consumers and the role of transactional and promotional websites in reaching these consumers.

Who Is the Cross-Channel Consumer?

A **cross-channel consumer** is an online consumer who shops online but buys offline, or shops offline but buys online. They differ from exclusive online consumers and exclusive offline consumers (see **Figure 21-4**). These distinctions will vary by the products or services shopped and bought.²⁴ For example, e-books are shopped and purchased by exclusive online consumers. Expensive, custom-made furniture and home furnishings are typically shopped and purchased by an exclusive offline consumer.



Figure 21-4 Cross-channel consumers engage in "showrooming" and "webrooming" depending on how they shop and buy online and offline.

Showrooming

Cross-channel consumers who shop offline but buy online engage in **showrooming** — the practice of examining products in a store and then buying them online for a cheaper price. While obtaining a lower price is the primary motivation for showrooming, showroomers often gather additional merchandise information, look for online promotions or deals, and check merchandise reviews and rating. About three-fourths of online consumers have engaged in showrooming for one or more products. Consumer electronics and home appliances are the most popular showrooming product categories.

Webrooming

Cross-channel consumers who shop online but buy offline engage in **webrooming** — the practice of examining products online and then buying them in a store. While lower price is a significant motivator for webrooming, webroomers cite other factors as well: avoid shipping costs, gain immediate possession of a product, and allow for easier returns. About 80 percent of online consumers have engaged in

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webrooming for one or more products. Automobiles and auto parts, apparel (including shoes), and home office equipment are popular webrooming product categories.

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Recent research indicates that 6 in 10 webroomers have showroomed while 9 in 10 showroomers have webroomed. Cross-channel consumers overall account for a significant amount of online activity and sales. Retail sales from cross-channel consumers is estimated to be about five times greater than from online-only retail sales.

Implementing Multichannel Marketing

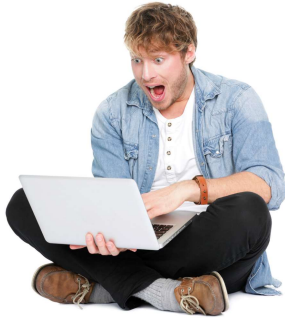
The prominence of cross-channel consumers has focused increased attention on multichannel marketing. Recall from **Chapter 15** that *multichannel marketing* is the blending of different communication and delivery channels that are mutually reinforcing in attracting, retaining, and building relationships with consumers who shop and buy in the traditional marketplace and marketpace—the cross-channel consumer.

The shopping and buying path for cross-channel consumers indicates that company websites should be different. And they are. Websites play a multifaceted role in multichannel marketing because they can serve as either a communication or delivery channel. Two general applications of websites exist based on their intended purpose: (1) transactional websites and (2) promotional websites.

Multichannel Marketing with Transactional Websites

Transactional websites are essentially electronic storefronts. They focus principally on converting an online browser into an online, catalog, or in-store buyer using the website

design elements described earlier. Transactional websites are most common among store and catalog retailers and direct selling companies, such as Tupperware. Retailers and direct selling firms have found that their websites, while cannibalizing sales volume from stores, catalogs, and sales representatives, attract new customers and influence sales. Consider Victoria's Secret, the well-known specialty retailer of intimate apparel for women ages 18 to 45. It reports that almost 60 percent of its website customers are men, most of whom generate new sales volume for the company.²⁵



Promotional websites seek to engage the visitor in an interactive experience involving games, contests, and quizzes with electronic coupons and other gifts as prizes.

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Transactional websites are used less frequently by manufacturers of consumer products. A recurring issue for manufacturers is the threat of *channel conflict*, described in **Chapter 15**, and the potential harm to trade relationships with their retailing intermediaries. Still, manufacturers do use transactional websites, often cooperating with retailers. For example, Callaway Golf Company markets its golf merchandise at www.callawaygolf.com but relies on a retailer close to the buyer to fill the order.

The retailer ships the order to the buyer within 24 hours and is credited with the sale. The majority of retailers that sell Callaway merchandise participate in this relationship, including retail chains Golf Galaxy and Dick's Sporting Goods. According to Callaway's chief executive officer, "This arrangement allows us to satisfy the consumer but to do so in a way that didn't violate our relationship with our loyal trade partners—those 15,000 outlets that sell Callaway products."²⁶

Multichannel Marketing with Promotional Websites

VIDEO 21-3

Pampers

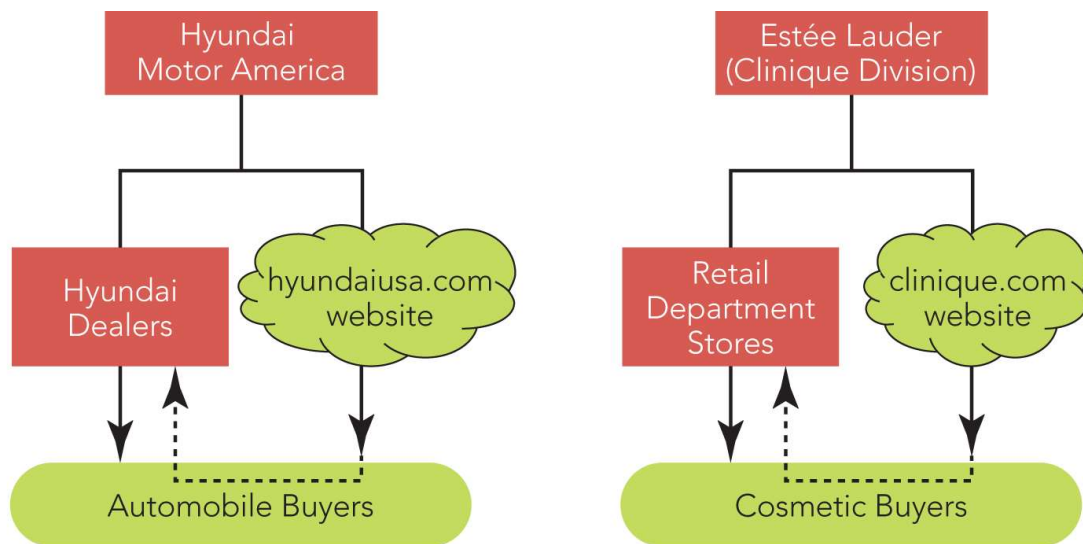
kerin.tv

Promotional websites have a very different purpose than transactional sites. They advertise and promote a company's products and services and provide information on how items can be used and where they can be purchased. They often engage the visitor in an interactive experience involving games, contests, and quizzes with electronic coupons and other gifts as prizes. Procter & Gamble maintains separate websites for many of

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its leading brands, including Scope mouthwash (www.getclose.com) and Pampers diapers (www.pampers.com). Promotional sites are effective in generating interest in and trial of a company's products (see **Figure 21–5**).²⁷ Hyundai Motor America reports that 80 percent of the people visiting a Hyundai store first visited the brand's website (www.hyundaiusa.com) and 70 percent of Hyundai leads come from its website.

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- 70% of Hyundai leads come from its website.
- 80% of people visiting a Hyundai dealer first visited its website.

- 80% of current Clinique buyers who visit its website later purchase a Clinique product at a store.
- 37% of non-Clinique buyers make a Clinique purchase after visiting its website.

Figure 21–5 Implementing multichannel marketing with promotional websites is common today. Two successes are found at Hyundai Motor America and the Clinique Division of Estée Lauder, Inc.

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

The popularity of multichannel marketing is apparent in its growing impact on online retail sales.²⁸ Fully 70 percent of U.S. online retail sales are made by companies that practice multichannel marketing. Multichannel marketers are expected to register about 90 percent of U.S. online retail sales in 2018.

learning review

- 21-A cross-channel consumer is _____.
- 5.
- 21-Channel conflict between manufacturers and retailers is likely to
- 6. arise when manufacturers use _____ websites.

LEARNING OBJECTIVES REVIEW

LO 21-1 *Describe what interactive marketing is and how it creates customer value, customer relationships, and customer experiences.*

Interactive marketing involves two-way buyer–seller electronic communication in a computer-mediated environment in which the buyer controls the kind and amount of information received from the seller. It creates customer value by providing time, place, form, and possession utility for consumers. Customer relationships are created and sustained through two unique capabilities of Internet technology: interactivity and individuality. From an interactive marketing perspective, customer experience represents the sum total of the interactions that a customer has with a company's website, from the initial look at a home page through the

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entire purchase decision process. Companies produce a customer experience through seven website design elements. These elements are context, content, community, customization, communication, connection, and commerce.

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LO 21-2 *Explain why certain types of products and services are particularly suited for interactive marketing.*

Certain types of products and services seem to be particularly suited for interactive marketing. One category consists of items for which product information is an important part of the purchase decision, but prepurchase trial is not necessarily critical. A second category contains items that can be digitally delivered. Unique items represent a third category. A fourth category includes items that are regularly purchased and where convenience is very important. A fifth category consists of highly standardized items for which information about price is important.

LO 21-3 *Describe why consumers shop and buy online and how marketers influence online purchasing behavior.*

There are six reasons consumers shop and buy online. They are convenience, choice, customization, communication, cost, and control. Marketers have capitalized on these reasons through a variety of means. For example, they provide choice assistance using choiceboard and collaborative filtering technology, which also provides opportunities for customization. Company-hosted web communities and viral marketing practices capitalize on the communications dimensions of digital technologies. Dynamic pricing provides real-time responses to supply and demand conditions, often

resulting in lower prices for consumers. Permission marketing is popular given consumer interest in control.

LO 21-4 *Define cross-channel consumers and the role of transactional and promotional websites in reaching these consumers.*

A cross-channel consumer is an online consumer who shops online, but buys offline or shops offline, but buys online. These shoppers are reached through multichannel marketing. Websites play a multifaceted role in multichannel marketing because they can serve as either a delivery or communication channel. In this regard, transactional websites are essentially electronic storefronts. They focus principally on converting an online browser into an online, catalog, or in-store buyer using the website design elements described earlier. On the other hand, promotional websites serve to advertise and promote a company's products and services and provide information on how items can be used and where they can be purchased.

LEARNING REVIEW ANSWERS

21-1 The consumer-initiated practice of generating content on a marketer's website that is custom tailored to an individual's specific needs and preferences is called _____.

Answer: personalization

21-2 What are the seven website design elements that companies use to produce a customer experience?

Answer: From an interactive marketing perspective, customer experience is defined as the sum total of the interactions that a customer has with a company's website, from the initial look at a home page through the entire purchase decision process. Companies produce a customer experience through seven website design elements, which are: (1) context—a website's aesthetic appeal and functional look and feel reflected in site layout and visual design; (2) content—all digital information

on a website, including the text, video, audio, and graphics; (3) community—the user-to-user communications hosted by the company to create virtual communities; (4) customization—the ability of a site to modify itself to, or be modified by, each individual user; (5) communication—the dialogue that unfolds between the website and its users; (6) connection—the network of linkages between a company’s site and other sites; and (7) commerce—the website’s ability to conduct sales transactions for products and services. Most websites do not include every design element. Although every website has context and content, they differ in the use of the remaining five elements. See **Figure 21–1**.

21-3 What are the six reasons consumers prefer to shop and buy online?

Answer: The six reasons consumers prefer to shop and buy online are: convenience, choice, customization, communication, cost, and control. See **Figure 21–3**. A potential seventh reason is cookies.

21-4 What is the eight-second rule?

Answer: The eight-second rule is a view that customers will abandon their efforts to enter and navigate a website if download time exceeds eight seconds.

21-5 A cross-channel consumer is _____.

Answer: A cross-channel consumer is an online consumer who shops online, but buys offline, or shops offline, but buys online.

21-6 Channel conflict between manufacturers and retailers is likely to arise when manufacturers use _____ websites.

Answer: transactional

FOCUSING ON KEY TERMS

behaviorial targeting , 610

bots , 606

choiceboard , 599

collaborative filtering , 599

cookies , 609

cross-channel consumer , 611

customerization , 607

dynamic pricing , 609

eight-second rule , 606

interactive marketing , 599

online consumers , 604

permission marketing , 601

personalization , 599

showrooming , 611

spam , 608

viral marketing , 609

web communities , 607

webrooming , 611

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APPLYING MARKETING KNOWLEDGE

1. Have you made an online purchase? If so, why do you think so many people who have access to the Internet are not also online buyers? If not, why are you reluctant to do so? Do you think that electronic commerce benefits consumers even if they don't make a purchase?
2. Like the traditional marketplace, the digital marketspace offers marketers opportunities to create time, place, form, and possession utility. How do you think Internet-enabled technology rates in terms of creating these values? Take a shopping trip at a virtual retailer of your choice (don't buy anything unless you really want to). Then compare the time, place, form, and possession utility provided by the virtual retailer to that provided by a traditional retailer in the same product category.
3. Visit Amazon.com (www.amazon.com) or Barnes & Noble (www.barnesandnoble.com). As you tour the website, think about how shopping for books online compares with a trip to your university bookstore to buy books. Specifically, compare and contrast your shopping experiences with respect to convenience, choice, customization, communication, cost, and control.

4. You are planning to buy a new car so you visit www.edmunds.com. Based on your experience visiting that site, do you think you will enjoy more or less control in negotiating with the dealer when you actually purchase your vehicle?
5. Visit the website for your university or college. Based on your visit, would you conclude that the site is a transactional site or a promotional site? Why? How would you rate the site in terms of the six website design elements that affect customer experience?

BUILDING YOUR MARKETING PLAN

Does your marketing plan involve a marketplace presence for your product or service? If the answer is “no,” read no further and do not include this element in your plan. If the answer is “yes,” then attention must be given to developing a website in your marketing plan. A useful starting point is to:

1. Describe how each website element—context, content, community, customization, communication, connection, and commerce—will be used to create a customer experience.
2. Identify a company’s website that best reflects your website conceptualization.

Video Case 21

Video Case 21: Pizza Hut and imc²: Becoming a Multichannel Marketer



VIDEO 21-4

Pizza Hut Video Case

kerin.tv/13e/v21-4

It's no surprise that Pizza Hut is the world's largest pizza chain with more than 10,000 restaurants in 100 countries. But did you know that Pizza Hut became one of the top 35 U.S. Internet retailers in 2009?

According to Brian Niccol, Pizza Hut's chief marketing officer (CMO), "We've done what many would say is impossible. We successfully built an online business in three years that produces hundreds of millions of dollars in annual revenue. Today, Pizza Hut is a category leader in the interactive and emerging marketplace." So how did they do it? Pizza Hut simply revolutionized the quick serve restaurant (QSR) world through a multichannel marketing approach that created a customer experience and a customer engagement platform that was second to none.



Source: Pizza Hut, Inc.

THE RETAIL PIZZA BUSINESS

With three national competitors dominating the marketplace, the pizza business is very competitive. Even customers who could be considered heavy users of a particular brand regularly purchase from competitors on the basis of timing, pricing, and convenience.

In general, Pizza Hut's most frequent customers (and likely those of the other two major competitors) divide into two categories: (1) families, primarily time-starved mothers, looking for a quick and simple mealtime solution; and (2) young adult males who fuel their active lifestyle

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with one of the world's most versatile and convenient foods (no cooking, no utensils, no cleanup, and leftovers are perfect for breakfast). While these two groups could not be more dissimilar on the surface, value and convenience are important for both groups. Cost-conscious mothers look for a good quality product and a hassle-free eating experience. Deal-seeking young adult males seek more of the food they love with less time and cash invested in the process.

Page 616

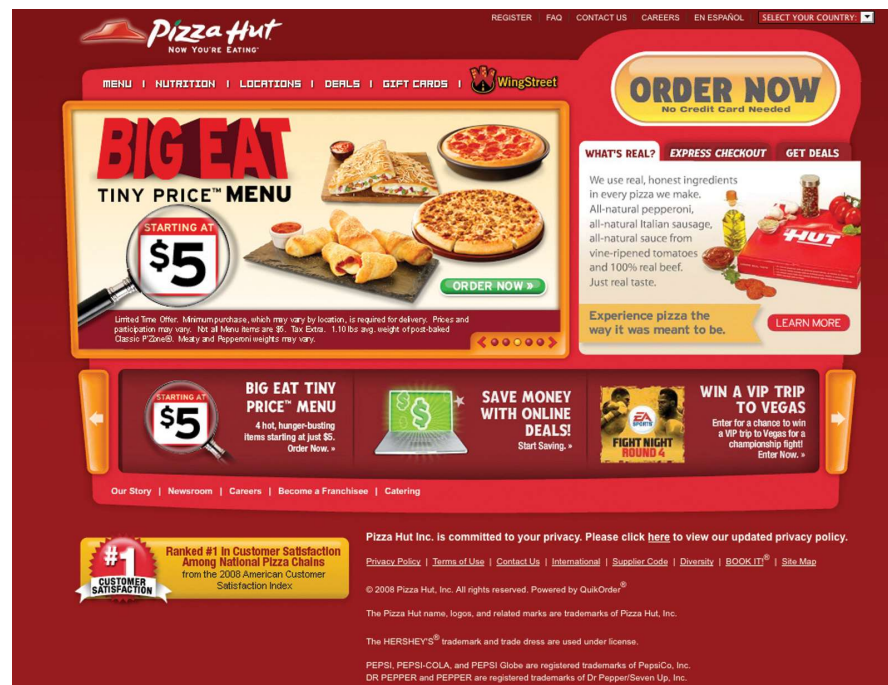
The importance of the take-home and delivery segment of the U.S. pizza market is illustrated by the fact that Pizza Hut's principal national competitors focus exclusively on this aspect of the business. Most take-home and delivery sales are ordered before a customer enters the restaurant. By 2006, a growing number of retail pizza customers had become comfortable ordering pizza online. Pizza ordering, as it turned out, was an ideal product for the digital world. People understood the basic menu, generally knew that they could customize their order in a variety of ways, and were accustomed to not being in the store when ordering. Brand retail presence and established customer delivery networks also made the shift to online ordering easier for national pizza chains than other national quick serve restaurants. But, as Pizza Hut understood, there is still an incredible level of complexity in making something truly sophisticated simple and easy for the customer.

CREATING A PLAN OF ACTION

For the most part, the intent of online ordering for the pizza business was to make transactions with the customer easier and cheaper for the brand. Pizza Hut recognized the opportunity to engage people with its brand and with other people directly and do something special; namely, build sustainable relationships with its

customers and enable Pizza Hut to engage people in a more meaningful and profitable way. In short, Pizza Hut set about to reinvent the retail pizza business by breaking away from a transactional platform to an efficient and powerful customer engagement platform by reaching out to customers' kitchens and couches to offer a better mealtime ordering, delivery, and dining experience.

Pizza Hut selected imc² as one of its lead agencies to plan a comprehensive interactive strategy that focused first on the redesign of the Pizza Hut corporate website (including redefining the customer experience online and across all of the brand's touchpoints) and then on a series of progressively sophisticated and industry-leading customer engagement strategies. imc² brought 15 years of experience in interactive marketing and brand engagement to the assignment. Its clients have included Coca-Cola, Johnson & Johnson, Pfizer, Omni Hotels, Hasbro, Procter & Gamble, and Samsung, among a host of other companies, large and small.



Source: Pizza Hut, Inc.

PIZZAHUT.COM, CUSTOMER EXPERIENCE, AND BRAND ENGAGEMENT

Pizza Hut and imc² executives agreed that the strategy

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for reinventing the retail pizza business would involve developing opportunities for customers to engage with the brand by using the right technologies to enable and encourage interaction. A new website was necessary to better address all major design elements. How Pizza Hut and imc² executed these design elements not only created value for its customers, but also served as a basis for differentiation in the retail pizza business. Let's look at these design elements and PizzaHut.com's performance.

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The Pizza Hut website was completely redesigned to support nationwide online ordering in 2007 (including all franchise locations for the first time) and is updated frequently to keep up with the company's fast-paced marketing strategy and ambitious product innovation rollout schedule. Since promotions are an important expectation in pizza purchasing and speak to the brand's consumers in a language that clearly connects with their desire for value, the website *context* and *content* balance the ability to shop for a deal with quick and easy ordering access for people who arrive at PizzaHut.com ready to purchase. The site presents a number of Pizza Hut's current offers in the central viewing window as well as through the rolling navigation directly underneath the main content. Primary navigation for information, such as the menu, locations, and nutrition facts, are displayed horizontally across the top of the rotating content.

Website *customization* is achieved in several ways, but the primary utility is to simplify ordering. For customers who have already registered, there are several personalization options, including rapid ordering called *Express Checkout*—a feature that's based on saved preferences similar to a "playlist." For example, if you have a group of friends that likes to watch movies together, you might create an order named

Movie Night that has your group's favorite pizzas. Using the *Express Checkout* option accessible directly on the home page, you can select *Movie Night*, quickly review the order, click the “submit” button, and the pizzas are on their way, relying on saved delivery and payment options through a stored *cookie* (a piece of digital code that is used to identify previous visitors) to speed the transaction. With this type of functionality, you can think of convenience as an investment that creates loyalty and somewhat insulates the brand against switching down the line when customers would have to register with and learn a competitor's system, and where access to their favorite features might not be available.



Source: Pizza Hut, Inc.

Website *content* and *communications* are integrated with the company's overall communications programs—including traditional media—with product innovations, promotions, and special events shared across platforms. True to the brand, communications are fun and energetic, matching bold images and vibrant color with a smart, clever, and lighthearted voice. One noteworthy example includes the 2008 April Fools' Day rebranding of the company as “Pasta Hut” to coincide with the launch of the brand's innovative line of Tuscani Pastas. This campaign included online support in the form of display media (banner ads) and the temporary rebranding of PizzaHut.com as PastaHut.com with special imagery and copy supporting the name change. Not only did the brand get plenty of coverage in the press, but it deepened the connection with customers by showing their willingness to be spontaneous and fun, inviting people to play along with the joke.

Pizza Hut's integrated marketing communications approach enables the company to easily test and incorporate other items and brands under the larger corporate umbrella, such as the WingStreet operation and the pasta extension. This demonstrates the brand's ability to stretch the QSR concept way beyond its pizza roots and suggests the kind of direction the company may pursue in the future.

PizzaHut.com and the brand's other online assets are all about getting the world's favorite pizza and signature products into the hands and stomachs of customers. Since *commerce* is a huge consideration on the site, there are multiple pathways for ordering, including several onsite methods, a Facebook app (the first national pizza chain to produce an ordering application for the world's leading social networking site), a branded desktop widget, mobile ordering (also known as Total Mobile Access, added in 2008, that includes both a WAP [wireless application protocol] site and text ordering), and a sophisticated and simple iPhone app released in 2009 that lets customers build and submit their order visually. Additional revenue streams can also be quickly built online, as demonstrated by the eGift Card program conceived and implemented by imc² over a weekend during the 2008 holiday season.

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Realizing that it did not make sense for the company or its customers to create a *community* on the site, Pizza Hut tapped into Facebook to achieve results in a very cost-effective manner. With approximately 1 million fans and the first of its kind Facebook ordering application, the brand can efficiently engage a huge group of people in a very natural way without disrupting their daily routine. Again, the brand understands that if you make something convenient, you can increase trust while securing greater transactional loyalty. Pizza Hut's 2009 program to identify a summer intern, or *Twintern*, responsible for monitoring and encouraging dialogue on Twitter and other social media networks is another example of how the brand is building on existing platforms and making effective use of the massive social marketing infrastructure.

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PizzaHut.com connects mobile, desktop, social networks, and other digital gateways to complement traditional media and its retail presence. So when Pizza Hut thinks about the *connection* design element, it includes more than just linking to other websites online. Rather, it provides a comprehensive approach to creating a seamless customer experience wherever and whenever people want to engage with the brand.

PERFORMANCE MEASUREMENT AND OUTCOMES

Pizza Hut diligently measures the performance of Pizza Hut.com. The company created a customized marketing dashboard that allows the Pizza Hut management team to monitor various aspects of the brand's marketing program and provides an almost constant stream of fresh information that it can use to optimize engagement with people or tweak various aspects of performance.

The results have been remarkable, but understand that due to the highly competitive nature of the industry, they are fluid and only represent a moment in time. Consider, for example:

1. PizzaHut.com dominates the pizza category with number one rankings in website traffic and search volume. According to comScore, a global leader in digital analytics and measurement, the Pizza Hut site achieves the most traffic per online dollars spent in the pizza category.
2. PizzaHut.com became one of the top 35 Internet retailers in the United States in 2009, up from 45th in 2008.
3. Pizza Hut's iPhone app had more than 100,000 downloads in the first two weeks after release.

WHAT'S NEXT

So what's next for PizzaHut.com? While the brand has made huge gains in a very short time period, staying on top in the rapidly evolving digital marketplace requires constant attention. Pizza Hut envisions that its online business will surpass the \$1 billion mark within the next five years, and that digital transactions will lead all revenue within a decade.

While understandably protective of the company's future strategy, Pizza Hut CMO Niccol has ambitious goals and he's not joking when he deadpans, "I want Pizza Hut to become the Amazon of food service and be pioneers for the digital space. I do not want us to be a brick-and-mortar company that just dabbles in the space." The transition to something along the lines of the Amazon model suggests that the brand might further evolve its identity as a pizza business and stretch or completely redefine the QSR model.

Most brands that want to grow in the evolving economy will have to think and plan long-term and be able to act swiftly as marketplace conditions change. imc² Chief Marketing Officer Ian Wolfman, when assessing the future of marketing, sums up the opportunity neatly. "Our agency believes that marketing's current transformation will result in a complete reorientation of how brands and companies engage with their consumers and other stakeholders. Brands that thrive will be those, like Pizza Hut,

that can efficiently build sustainable relationships with people—relationships that have both high trust and high transactions” (see **Figure 1**). He goes on to explain that “brands taking a longer view have an unexpected

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advantage over traditional models that often focus too tightly on hitting
near-term quarterly targets.” Referring to research his agency has done on
the subject, Wolfman points out that the most successful brands in the future will
likely be those that resonate with people on a deeply emotional level and operate with
a clearly defined sense of purpose.

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Imc² Brand Sustainability Map

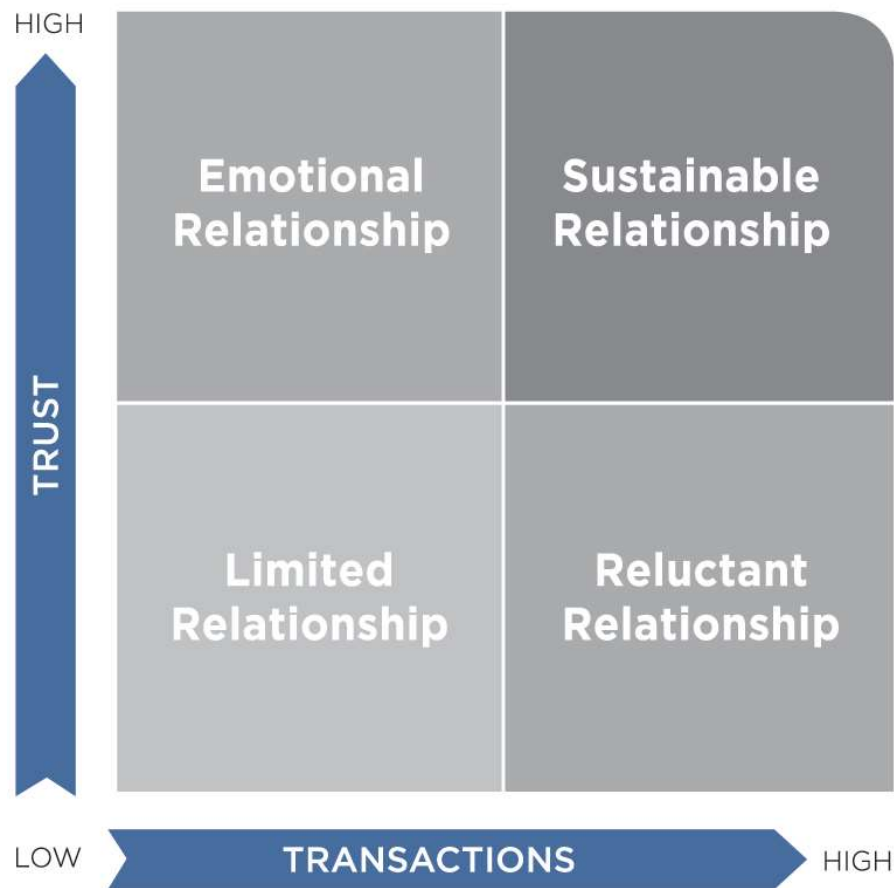


Figure 1

Pizza Hut, with its focus on digitally enabled customer convenience and category innovation, is ideally positioned to connect with people on a level that builds trust and increases transactions. Referring to the initial time investment, however modest, that customers have to make in registering with the system and enabling various devices, Niccol sees the landscape as very promising for brands that put their customers' interests and preferences first. "If we do our job right—creating authentic engagement and making it convenient and valuable for people to interact with the brand—the numbers follow."²⁹

Questions

1. What kind of website is PizzaHut.com?
2. How does PizzaHut.com incorporate the seven website design elements?
3. How are choiceboard and personalization systems used in the PizzaHut.com website?

Chapter Notes

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