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MARKETING STRATEGY SUCCESS AND FAILURE FACTORS OF GERMAN ONLINE START-UPS

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This thesis studies the marketing strategies used by German online start-ups, and examines how the strategies have performed in achieving the objectives of the start-up. The theoretical framework covers different strategic approaches, marketing tactics, consumer behaviour models, and introduces previous studies about start-up marketing strategy success and failure factors.

The empirical research sampled German online start-ups in the first stage of their business operations, with the aim to identify success and failure factors in their marketing strategies. The research was conducted by using quantitative methods combined with semi-qualitative elements to gather more in-depth data. Theories introduced in the theoretical framework were studied in the primary research to evaluate their performance in practice.

The research divided start-ups into two groups: the ones who evaluated that their overall marketing strategy performance was good or excellent; and the ones who evaluated that their overall marketing strategy performance was average or below average. When comparing these two groups, notable differences were found in their chosen strategic approaches.

KEYWORDS:

German Online Start-up Marketing Strategy Online Marketing

Julia Uusitalo

SAKSALAISTEN ONLINE START-UPIEN MARKKINOINTISTRATEGIOIDEN MENESTYS- JA EPÄONNISTUMISTEKIJÄT

Tämä opinnäytetyö tarkastelee start-up-yritysten käyttämiä markkinointistrategioita ja niiden toimivuutta asetettujen tavoitteiden saavuttamisessa. Teoreettisessa viitekehyksessä esitellään erilaisia strategisia lähestymistapoja, markkinointitaktiikoita, kuluttajakäyttäytymisen malleja ja luodaan katsaus niihin liittyviin menestystarinoihin ja epäonnistumisiin.

Tutkimuksen empiirisen osuuden kohderyhmänä käytettiin saksalaisia online-yrityksiä, jotka ovat toimintansa ensivaiheessa. Tutkimuksen toteuttamisessa käytettiin pääsääntöisesti kvantitatiivisia menetelmiä, mutta niiden lisäksi syvempää tietoa hankittiin myös semi- kvalitatiivisten kysymyksien avulla. Empiirisen osion tavoitteena oli selvittää teoreettisessä viitekehyksessä esiteltyjen metodien toimivuutta käytännön tasolla.

Tutkimuksessa yritykset jaettiin kahteen eri ryhmään: niihin, jotka arvioivat markkinointistrategiansa olevan erittäin onnistunut ja niihin, jotka arvioivat sen onnistuneen heikommin. Ryhmien käyttämissä metodeissa oli havaittavissa paikoitellen huomattavia eroja.

AVAINSANAT:

Saksalainen Online Start-up Yritys Markkinointistrategia Onlinemarkkinointi

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THESIS ABBREVIATIONS

Abbreviation	Meaning
AKA	Also known as
APEC	Asia-Pacific Economic Cooperation
B2B	Business-to-Business
B2C	Business-to-Consumer
CRM	Customer Relationship Management
CTR	Click-through rate
IP	Internet Protocol
Kbps	Kilobytes per second
Mbps	Megabytes per second
MMS	Multimedia messaging service
OVP	Online Value Proposition
PPC	Pay per click
PR	Public Relations
RSS	Really Simple Syndication
SEM	Search Engine Marketing
SEO	Search Engine Optimisation
SMS	Short message service
STP	Segmentation, Targeting, Positioning
WOM	Word of mount

INTRODUCTION

1.1 Thesis objectives

The number of innovative German online start-ups is rising rapidly, even to the point that venture capitalists in Silicon Valley are taking notice. The Berlin Chamber of Commerce reports that 1,300 online start-ups have been founded in the city since 2008, of which 500 were established in 2011 alone. Furthermore, according to Thomson Reuters, 103 German online start-ups received global venture capital funding in 2011 – more than any country after China and the U.S. (Winter 2012) In 2011 there were only three German online start-ups with eight-digit financial rounds. Then it started booming. In the first half of 2012 alone there have been an impressive 10 Internet ventures with funding of at least double digit-millions. (Räth 2012)

Due to the relatively new phenomenon of booming German online start-up scene, previous studies of the topic are rather scarce. Although research on start-up marketing strategy success and failure factors has been conducted in the past, there are no country specific studies.

Therefore, the purpose is to research the marketing strategy success and failure factors of German online start-ups in particular. The definition of German online start-up must be bound together from several definitions. Serial-entrepreneur Steve Blank (2010) defines a start-ups as "*an organization formed to search for a repeatable and scalable business model.*" Online company is an electronic business that mainly operates online – it has pure-play Internet model, with no physical presence on the high street. IBM was one of the first to use the term 'e-business' in 1997, and defines it as: *the transformation of key business processes through the use of Internet technologies*".

Taking these into consideration, in this thesis German online start-up is defined as: "Aspiring German company that conducts most or all of its business over the Internet, who is in the first stage of its operations."

The UK's Chartered Institute of Marketing defines marketing as "*The management process responsible for identifying, anticipating and satisfying customer requirements profitably.*" Marketing strategy includes the wider business and marketing objectives and a marketing plan, which defines how the objectives will be achieved through marketing activities. (Chaffey et al. 2009, 414,416,418)

The writer has personal interest towards German online start-ups after working for one in Berlin. Marketing has for a long time been a passion of hers, and writing a thesis about marketing strategies felt natural. Being motivated to work for a German online start-up in the future was also a great driver when forming the topic. The personal interest to gaining a better understanding of what marketing strategies work for the start-ups, the research questions defined in the following chapter were formed.

1.2 Research questions

This thesis aims to answer the following research questions:

1. What were the main factors behind successful marketing strategies of German online start-ups?

2. What marketing strategy factors have caused a failure for German online start-ups?

1.3 Thesis structure

The theoretical framework begins by introducing Internet as a market place. First a brief history of the evolution of the Internet is explained, followed by an external analysis of the Internet as a business environment. The third and fourth chapters of this thesis focus on the marketing strategy by introducing the fundamental principles of segmentation, targeting, positioning, and the digital marketing mix. The fifth chapter relates to the theories of consumer behaviour, and how these theories apply to the online environment. The sixth chapter examines the myriad online marketing tools that the start-ups can employ. Finally, the seventh and eighth chapters introduce previous studies about marketing success and failure factors in the start-up phase.

The chapter nine explains the research methodology choice, research design, and data collection. This chapter also includes the significance, generalizability, reliability and validity aspects of the thesis.

Chapter 10 consists of the empirical analysis of the research. This chapter presents the research findings and while chapter 11 brings the thesis to conclusions.

Chapter 12 includes references followed by appendices.

2 INTERNET AS A MARKET PLACE

2.1 From early days ARPANET to todays Web 3.0: Evolution of the Internet

In 1991, Sir Tim Berners-Lee revolutionised the way of doing business, when he created the first ever web site. Today's technologies based on the Internet, World Wide Web and wireless communications, offer many opportunities for innovative e-businesses to be created. Managers have also noted that these new electronic communications technologies have the potential to take their organisations to the next level. (Chaffey, 2009, 37-39)

In 1962, J.C.R. Licklinder introduced the first recorded descriptions of the social interaction that could be enabled through social networking. While working at Defense Advanced Research Projects Agency, DARPA, Licklinder convinced his successors Ivan Sutherland, Bob Taylor, and MIT researcher Lawrence G. Roberts of the importance of this networking theory. (Kahn et al., 2009)

Meanwhile, Leonard Kleinrock at MIT was researching his packet switching theory. Kleinrock teamed up with Roberts to study further this theory of communications using packets rather than circuits. This was a major step towards computer networking and they decided to continue this promising research even further, trying to make computers able to communicate with each other. In 1965, this experiment resulted in Kleinrock's packet switching theory being confirmed and Roberts putting together a plan for the ARPANET, published it in 1967. By 1969 ARPANET was up and running, growing rapidly from a network of just a few computers to a pioneering packet switching network, when other networks were merged into it. The original Arpanet grew into the Internet. (Kahn et al., 2009)

Within 50 years, Internet has indeed come a long way. In the early days the line speed of ARPANET design was only 2.4 kbps, before it was upgraded to 50 kbps. (Kahn et al., 2009) According to Net Index, average download speed in the EU is 15.98 Mbps, 15.27 Mbps in the U.S., and 12.50 Mbps in the APEC countries. (Net Index 2012) This has enabled web masters to create websites that use more complex technology than ever before.

The first commercial form of World Wide Web was named Web 1.0. According to Amit Agarwal, (2009) founder of Digital Inspiration. Web 1.0 was all about read-only content and static HTML websites with 45 million global users in 1996.

Whereas Web 1.0 concentrated on companies, its follower Web 2.0 focused on communities. The main elements of Web 2.0 are the user-generated content and read-write web. The over 2.2 billion global users (Internet World Stats 2012) are both consuming as well as contributing information through interactive blogs and websites such as Flickr, YouTube and Wikipedia. This results in the line dividing the consumer and content publisher becoming increasingly blurred in the era of Web 2.0. (Agarwal 2009)

Taking a step further, Web 3.0 focuses highly on the individual and user behaviour. Similar to semantic web, Web 3.0 is basically a big collection of databases, which are connected in intelligent context searches. In Web 3.0 the search engine understands who you are, what you have been doing and where you would like to go next. Every interaction you make is registered in the user's "digital life stream". This personalisation also allows contextual advertising to be more engaging – advertainment. (Agarwal 2009)

How does Web 3.0 change the traditional search engines? Jonathan Strickland (2010) gives an example of a consumer who wants to go to the cinema and

grab a bite to eat afterwards. He is in a mood for a comedy and spicy Mexican food. He opens up his computer and heads to Google to search cinemas nearby. He then has to read a short description of each film before making up his mind. Next, he wants to find out Mexican restaurants near the cinemas, and perhaps even check for customer reviews of them. In total, he had visited half a dozen web sites before being ready to head out the door.

As mentioned above, Web 3.0 is all about intelligent search. It allows tasks like a search for cinema and food faster and easier. Instead of several different searches, you can type in complex sentences in your Web 3.0 browser and the web will understand it. With Strickland's example, you could type: "I want to see a comedy and afterwards eat spicy Mexican food. What options do I have?" The Web 3.0 browser analyses the sentences and searches the Internet for all possible answers, organising the results for the user. (Strickland 2010)

Google is taking steps towards creating a Web 3.0 search engine with their Google Search Experiment. This new feature will integrate user's Gmail account into certain types of Google searches, such as band names and locations. When a user searches Google with already booked flight details, the information appears alongside the standard search results. Although Google believes this feature will become a permanent part "Universal Search", it has serious privacy risks to tackle first. When someone borrows a user's personal computer for web search, they may be able see private e-mails that they normally would not read with out visiting Gmail. (Newman 2012) As Web 3.0 search engines aim to record a "digital life stream" of users, they certainly have similar security issues to consider. (Newman 2012)

Many experts believe that Web 3.0 is like a personal assistant for users. The more you search the Internet, the more the browser learns what your interests are and the less specific you need to be with your search questions. In the end you may even ask open questions such as "where should I go for lunch?" The

browser will then go through its records of you taking into consideration your likes and dislikes, before giving you a list of restaurants near your current location. (Strickland 2010)

The difference with the current search engines and Web 3.0 is that the current engines do not really understand the user search. It is based on web pages containing key words, which match the search terms. The search engine will not understand if the page is actually relevant. For example, if a user had searched for "Fuji", s/he would get page results about Fuji the mountain and others about the company. On comparison, Web 3.0 interprets the context of your search. (Strickland 2010)

2.2 Market place analysis

In order to remain competitive in the market, it is essential for all organisations to monitor the changes in the environment, and be aware how these changes may affect the business. SLEPT framework analyses how Social, Legal, Economic, Political and Technological factors affect the business environment. Chaffey et al. (2009, 193) use this framework to review Internet as a marketplace as follows:

- ·*Social factors* – impact of consumer perceptions in determining how they allocate their time for different online activities
- *Legal and ethical factors* – defining the methods how products and services can be promoted and sold online. Government and society aim to protect individuals' rights to privacy.
- *Economic factors* – economic performance changes in different countries and regions affecting spending patterns and international trade
- *Political* – national government and transnational organisations determine how the Internet is controlled and adopted in the future,

and define the national rules

o *Technological factors* – Technological innovations offer new marketing opportunities for products and services

2.2.1 Social Factors

Naturally, it is useful that e-business managers are aware of the factors affecting people's active Internet usage. If these factors regarding target market customers are understood, companies can take action i.e. marketing communications to overcome the barriers that may appear. (Chaffey et al. 2009, 198) All e-businesses should consider the following about their target market:

- What is the **cost of access** for them? This barrier is higher for those without a home computer. The other costs come from using ISP to connect to the Internet. Free access would inevitable increase usage.
- What benefits does the customer get from the company operating online? What is the added **value**?
- How easy is it for our target market to connect and browse the Internet?
- How do we ensure the **security** of our customers that their personal information will not be in risk of leaking?
- How do we overcome the **fear of unknown**? Many people simply feel uncomfortable using new technology and media.

These factors naturally differ from one country to another. If a company seeks to target specific countries, it should therefore investigate how these factors are perceived there. Moreover, the usage type, usage and experience level, and connection speed are worth taking into account. Hence, web services should be tested for lower-speed Internet access too. Table 2.1 illustrates the variations in usage of mobile services in 2012. (ComScore, 2012)

This type of information is vital for managers considering investments in mobile e-commerce services. (Chaffey et al., 2009, 200)

Activity	EU5	France	Germany	Italy	Spain	UK
	Penetration (%) of Mobile Subscribers					
Used Smartphone	45.2%	41.4%	38.2%	44.4%	52.5%	52.6%
Used Application (excl. pre-installed)	39.2%	35.2%	34.7%	34.8%	43.0%	49.8%
Used Browser	39.2%	37.7%	32.2%	35.1%	42.0%	50.6%
Played Games	28.1%	16.5%	25.9%	32.3%	31.3%	35.4%
Sent Text Message	84.5%	86.5%	80.2%	82.1%	81.8%	91.8%
Listened to Music	27.5%	24.1%	27.3%	24.7%	36.2%	27.4%
Accessed Social Networking Site or Blog	26.4%	23.8%	19.9%	23.3%	28.9%	38.0%

Table 2.1. Mobile Benchmark Data for the European Market (ComScore 2012)

2.2.2 Legal and Ethical Factors

Ethical issues and associated laws developed to control the ethical approach to Internet marketing are fundamental matters that online businesses have to take into consideration. Primarily these ethical issues are associated with consumer privacy, because it is a concern for all types of companies, regardless of whether they have transactional e-commerce services.

Chaffey et al. (2009) define privacy as "A moral right of individuals to avoid intrusion into their personal affairs by third parties". As the identity thefts increase, consumers are becoming more concerned about using e-commerce services, as they believe their personal data may be in risk. Information about consumers likes and dislikes, needs, characteristics and behaviours is highly valuable for marketers, because it allows them to create more personalised and targeted communications, e.g. e-mails and web-based personalizations. Although Web 3.0 is already creating new and more effective marketing opportunities, this is still a huge dilemma for marketers: how to gather consumers' personal data without violating any privacy laws or data protection

acts. (Chaffey, 2009, 209-210) The concept of IP tracking is covered in chapter 6.9.

Due to the fact that new technology is introduced rapidly, laws regarding e-commerce often lag behind. This creates a tricky situation for e-managers, as they may have to take decisions not only based on law, but their own intuition of the ethicality of their business practice. Problems arising from shady business practices and consumer complaint may end up damaging the brand. (Chaffey, 2009, 209)

2.2.3 Economic factors

Different countries' e-commerce potential is estimated by economic health and competitive environment. Chaffey et al. (2009, 232) argue that managers of multinational companies developing new e-commerce strategies will initially target the most tech-savvy countries.

2.2.4 Political factors

There are several influencers that shape the political e-environment including government agencies, public opinion, consumer pressure groups, and industry-backed organisations e.g. TRUSTe known for its online privacy seals. The political environment is often the driver establishing new laws to ensure privacy and achieve taxation.

Government agencies take political action to control the adoption of the Internet as follows:

- Informing consumers and business about the benefits of the Internet in

> boosting a country's economic prosperity

- Introducing new laws to control taxation and protect privacy
- Supporting organisations when forced to abide on new laws
- Setting up international organisations and other independent trusts to coordinate the Internet and control the e-technology

In many of these activities, the political involvement aims to improve the economic competitiveness of (groups of) countries. Quayle (2002) has summarised e-commerce strategies of the UK government, which are also typical for many other countries. (Chaffey et al., 2009, 238) These strategies aiming to increase industry competitiveness include: Establishing an international brand in e-commerce; Transforming already existing businesses; Supporting in e-commerce creation and boosting growth; Acquiring skilled workforce; Engaging in international e-commerce policy development; and creating an e-Government. Online businesses aware of these initiatives can apply for funding to support their own online operations. (Chaffey et al. 2012) In Germany, start-ups have a possibility to get "start-up subvention" and "beginning-money". There are also various other programmes designed to help academics, craftsmen, students and women to start up their own business, including business plan contests. (Working in Germany 2012)

2.2.5 Technological factors

One of the biggest challenges for online businesses is assessing which new technological innovations will gain them competitive advantage. Competitive edge is one of the biggest challenges for online businesses. Nokia serves as an example of how crucial the adoption of new technology is, even for an established company. Nokia, which has been the market leader for 14 years, has now lost half of its 40 per cent global market shares, and within the past 18 months has lost over 70 per cent of its stock price. Even though the company predicted the revolution of smartphones and spent over $40 billion in R&D, they failed to turn this technology into competitive products fast enough. (Pearlstein

2012) Successful technology-prediction and adoption of new technological innovations before others is particularly vital for start-ups.

It is difficult to anticipate the market impact of technologies, because sometimes it takes a long time to for a new technology to emerge. For instance, Speech Recognition software, whose aim is to replace keyboards and pushbuttons with speech input. Although the prospective potential has attracted both large and small companies, still after 50 years of basic research the market is still in the making. (Viardot, 2004, 38-39)

Even if the technological feasibility of an innovation would be confirmed, it seems that people are nonetheless unable to anticipate the future business impact of the promising innovations. For example, even the inventor of the radio did not believe that the invention would ever be used to communicating to a large audience, until it was used in public broadcasting of Sunday sermons. Similarly, lasers range of use has expanded tremendously in many directions since it was invented in the 20th century. Nowadays laser is used form metallurgy and cutting textile, as well as to produce high-quality sound, text, and drawing through laser printers. (Viardot, 2004, 39)

Failing to predict the future potential of a new technology is often due to the inability to overcome the uncertainties associated with new technology. One of the reasons is that new technologies often come into the world in a rudimentary condition, so it challenging to predict the trajectory of future progress in performance, size, price, and economic consequence. Moreover, it is difficult and time consuming to identify new technologies, especially when they emerge from pure scientific research only. Another reason is that the impact of an innovation often relies on complementary inventions, which contribute to a full system solution, which will add to its performance and, consequently, demand. Final reason that makes prediction of new technologies difficult is that many

inventions proceed to solve a specific problem, but frequently turn out to have unexpected uses in unexpected conditions. Viardot, 2004, 40-41)

During the introduction phase of an innovation, it is vital to convince the innovators, because as soon as they buy the product and make it popular, a larger majority will become interested. Sales will increase until the late majority has adopted the product. (Fig. 2) (Viardot, 2004, 177)

The weakness of being an early adopter organisation of new technology, are of course the risks involved. New technologies could have bugs, they may fail to integrate with existing systems, or the marketing benefits may not fulfil their promises. However, when this risk taking pays off, it offers huge rewards in gaining a competitive edge. (Chaffey, 2009, 243)

Adoption of new, and right technology is also useful in the marketing level. Not only can new technology be used to improve the company's website, it can also bring about new methods used to attract visitors to destination sites. (Chaffey, 2009, 241) As described previously, Web 3.0 has potential to revolutionise the World Wide Web.

2.3 Importance of Environmental Scanning

To indicate the challenges of assessing macro-environment factors, Chaffey et al. (2009, 194) have illustrated a figure called "winds of change" (Fig.2.1). This figure illustrates how fluctuations in the characteristics of different aspects of the environment vary at different rates through time. Changes in social culture and especially pop culture tend to be the most fast-paced.

Changes in the technological level are also rapid, as new technologies are introduced constantly and their popularity varies. Governmental and legal changes tend to take place over longer time frames. However, Chaffey et al. (2009, 194) point out that this study is a generalization – at times new laws can be introduced relatively fast.
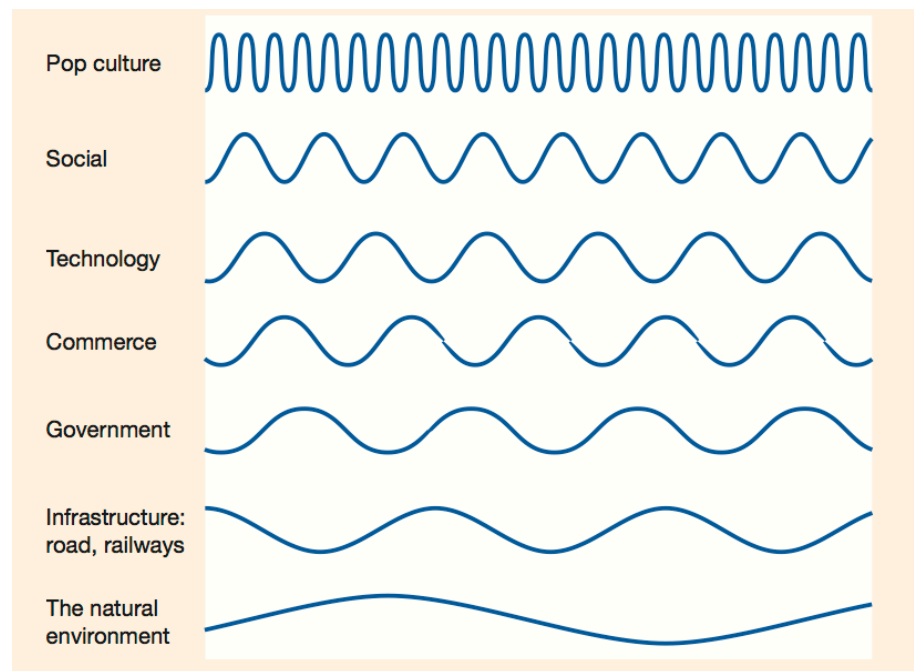
Figure 2.1. Winds of Change (Chaffey et al. 2009)

The fundamental point of this study is to show managers the important factors they need to identify in e-commerce. It is crucial to monitor and respond accordingly to these factors, as they are significant in staying competitive and ensuring excellent service. Chaffey et al. (2009, 194) refer to this process as *Environmental scanning*. They argue that organizations, which do not perform environmental scanning, will not remain competitive and may even fail. The fundamentals for many online companies are the technological and legal factors.

2.3.1   Identifying emerging technologies

PMP Research Foundation (2008) has identified four ways to keep up with latest technology innovations. (Chaffey et al., 244)

- In **Technology Networking** individuals monitor trends through their networks and technological scouting, before sharing their findings through an infrastructure that supports information sharing.
- In **Crowdsourcing** approach company seeks to solve problems through ideas from customers, partners or inventors.
- In **Technology Hunting** company performs structural review of new technologies by analysing the capabilities of start-ups.
- **Technology mining** is traditional literature review of new technologies

3 STP ANALYSIS AS PART OF MARKETING STRATEGY FORMULATION

3.1 Customer vs. Users

Quote from Peter Drucker summarises the importance of customers:

There is only one valid definition of business purpose: to create a customer.

Customer is an interesting term among online companies, because for some user and customer mean the same. For e-retailer, a user visiting their website is an actual or potential customer – for online magazine anyone reading the full version of their website, is defined as subscription-paying customer. In comparison, for many other online companies users and customers are very separate groups of people. Google's customers are the advertisers using the AdWords service, not the users coming to the website in search for information. Online companies should be clear about identifying who are their users (creating traffic) and who are their customers (generating revenue) in order to establish profitable revenue models. As customers are the basis for revenue, their loyalty and retention are vital for any company. (Soskin, 2010, 29-31) The following quote from the CEO of Rent-a-Car, Andy Taylor summarises this insight:

"The only way to grow a business is to get customers to come back for more and tell their friends."

Due to the uncertainties of purchasing or using services online, the role of positive Word-of-Mouth (WOM) is immense. The idea is to understand early-adopters' needs, wants, preferences, and behaviour through Customer Relationship Management (CRM), so that they will perform as promoters for the company, pursuing late-adopters to become customers through WOM.

3.2   Segmentation: the critical first step

Once a company has identified its customers, they should divide the market into segments. This performs as base for a targeted and effective marketing plan, as it enables decisions about of marketing activities in particular segments. When developing an online marketing plan, companies can analyse **each of the segments** in order to assess:

- The sizes, values, and future size predictions of the segment and estimating the organisation's potential market share within the segment.
- Competitors' market shares in the segment, how easy it is to get into the segment
- Needs and wants of the segment, especially the unmet needs. Consider what people like to buy online.
- Organisation and competitors' offers and propositions for the segment in all the aspects of the buying process. (Chaffey et al, 2009, 438)
- The cost of acquiring new customers, average order size of new and repeat customers, likelihood of repeat purchases, time between the purchases. (Sweeney et al., 2006,160)

By performing this evaluation, companies will be able to spot potential gaps in the market – which is often a basis to starting up a business. To fully understand the segments, consumer markets can be segmented further by using four customer characteristics: *demographic, geographic, psychographic, and behavioural*.

Geographic characteristics define where customers live and do business. Although geographics may not be relevant to online companies, information about your customers may still have potential to be valuable. Demographics refer to statistical information, such as age, gender, family size, education, income, occupation, economic class, religion, ethnicity, and language.(Karunakaran, 2008, 41-21) In the online marketplace such data is often used as the basis for purchasing display ads or renting mailing lists with

for targeted email marketing. (Chaffey et al. 2009, 438) Psychographics correspond to the customers' psychological traits that determine the customers' personality, beliefs, values, lifestyle, and attitudes. Buyers in the same demographic group can have very different psychographic variables. Behavioural characteristics divide the buyers into groups based on their knowledge, attitude, uses, or responses to a product. Many marketers believe that the best starting point in building market segments are behavioural characteristics. (Karunakaran, 2008, 41-21) Behavioural targeting is also a big opportunity in digital marketing. This topic is discussed further in the next chapter 2.3 Targeting.

3.3 Targeting: Focus on those whom you can bring the most benefit

Based on the segmentation, the next step is to select the target market(s) to focus on. This is a vital strategic decision in online marketing. The online target segment(s) are chosen by evaluating the most attractive one(s), in terms of growth and profitability. In the digital market place it is important for online companies to understand who uses their website and why. The key of having a successful online presence is knowing how to communicate to people and getting them to respond – not everyone responds the same when put into the same situation. By using web analytics, companies can monitor the behaviour of their website visitors and establish segments based on that. Basic target segments might include:

- New or repeat visitors (individuals or companies)
- New or repeat customers (individuals or companies)
- Customers or people seeking for customer service
- People visiting the site due to marketing campaign X,Y, or Z.
- Newsletter subscribers
- Bargain hunters
- Quality-conscious shoppers

- People who landed on the website from search engines, e-mail, or through partner networks. These people might have very distinctive behavioural differences depending on how they found out about the website. (Sweeney et al., 2006,160)

The company will then apply an appropriate marketing to reach the target market(s).

Undifferentiated marketing

This strategy means the company will ignore the differences in market segments and targets the whole market with the same offer. The product will be designed based on what is common in the needs of consumers. The mass marketing strategy will appeal to the largest number of customers. (Karunakaran, 2008, 46)

Differentiated marketing

When a company decides on differentiated marketing, they will operate in several market segments and designs separate offers for each. By offering varied product and marketing options to the chosen segments, company has potential to achieve higher sales and a stronger position within each market segment. Although this strategy creates more total sales than mass marketing, the company has to invest more money in marketing. (Karunakaran, 2008, 47)

Micro marketing

Companies choosing micro marketing will tailor their products and marketing programmes to suit the tastes of specific individuals and locations. The process where companies interact on a one-to-one basis with masses of customers is called mass customisation. (Karunakaran, 2008, 49)

Niche

Here the company focuses its marketing efforts to a very small, but profitable market segment. This narrowly defined customer group desires for a distinctive mix of benefits. Niches are often identified through dividing a segment into sub-segment. (Karunakaran, 2008, 47)

Suresh Vittal, blogger for Forrester, wrote an interesting entry about applying customer value to online targeting. (2009) He has identified three different behavioural targeting approaches on how to target visitors on company website.

Deterministic targeting

This approach is the most commonly used approach on companies' websites. This form of marketing gives different offers to visitors based on their actions on the website. Another way is to offer products based on which segment the visitor belongs to.

Non-deterministic targeting

This is also known as "self learning". Decision system applies advanced analytics to train a model and apply it to making decision based on visitors' behaviour.

Predictive targeting

This approach takes non-deterministic targeting even further and applies business rules, constraints, pre-existing segmentation and analytical techniques to drive the targeting process. Due to the complex process of this approach, a complete profile of a customer is needed.

These techniques come with costs such as system, data, analytical and experience costs. The experience costs refer to the costs of presenting an offer to a visitor and the subsequent reaction and impact to the future value, making these costs the most difficult to assess. Therefore, before marketers decide to target a visitor online they must understand the overall value of them to current and future business. Companies will be able to assign a "value" for each visitor based on how much is known about them and people like them. (Vittal 2009) Thus, this value estimation can be used as a guide to help choosing the most appropriate targeting approach: simple and cheap deterministic targeting, or complex and expensive predictive targeting approach with higher chances of success. Online companies can also use a value proxy to help them analyse whether or not it is reasonable to target all visitors in the first place. (Vittal 2009)

3.4   Positioning: Long-term success with online value proposition

After choosing its target market, the company must then decide how it wants consumers to perceive their products and services in terms of value elements: product quality, customer service quality, fulfilment time and price. Companies will then decide how to highlight the desirable product attributes that are not currently matched by competitor offerings. By emphasizing these benefits, the company will create a differential advantage over the rival's products. (Chaffey et al., 2009, 441)

Internet enables consumers to compare different products and services thoroughly at search engines, comparison sites, blogs, news and other media sites, before making their decision. Therefore, having a clear and powerful online positioning is crucial. This is also important to customer retention, because the first brand experiences will determine whether the customer returns to the supplier as first choice, or searches the web for other alternatives. (Chaffey et al. 2009, 441) Not only are repeat customers valuable for companies in assuring regular revenue, but also in acquiring new customers. When a company learns that certain repeat customers are likely to make a purchase each month, often at the same time every month, and they tend to purchase "recommended" items, this information is highly valuable, as it helps the company to predict the reactions of new customers in the attempt to convert them into repeat customers. (Sweeney et al., 2006,161)

The differential advantage and positioning can be communicated by creating an online value proposition (OVP). The idea is similar to unique selling proposition, but adjusted to online environment and building on the core proposition of the company e-commerce services. OVP is particularly important for start-up companies, because they need to convince customers to turn to them. When developing an OVP, the company should make sure there is a clear differentiation between competitor product features or service quality. Moreover,

this proposition should be appealing to the target market segment(s) and clearly stated on the easily navigated website, for example though tag lines, images, video, animation and other entertainment. Different OVPs can be developed for different products or segments. It is also worth considering how the OVP is delivered across the different part of the buying process. (Chaffey, et al., 2009, 441) Managers should keep in mind that the proposition is more than just having the best price, selection, or shipping time – it should reinforce the core brand proposition genuinely, and communicate what the company can offer the visitor, that the competitors are not able to. The company website should also endorse the core proposition of the brand or products. (Bosomworth 2010)

Possessing a clear online value helps users to distinguish an e-commerce site from its competitors' – this should be a website design objective too. In addition, having a clear OVP helps to focus on marketing efforts and enables staff to be clear about the purpose of the site. Finally, it can be used for PR and WOM recommendations about the company. As discussed previously, the impact of WOM is significant in acquiring new customers. Research conducted by Varianini and Vaturi (2000) about failures in online B2C companies reveals that many of the problems have resulted from failing to apply established marketing orientation approaches. They agree that defining a distinctive value proposition will deliver value for the company. Agrawal et al. (2001) also suggest that matching clear value proposition successfully to segments explains the prosperity of leading e-commerce companies. (Chaffey et al., 2009, 441)

4 E-MARKETING MIX

Neil Borden was the first to introduce the term "marketing mix" in 1953. Jerome McCarthy developed this idea further and in 1964 he defined 4 Ps marketing mix as a combination of all the factors which managers may leverage to satisfy market needs, including product, price, place, and promotion. (Dominici, 2009, 17)

Gandolfo Dominici (2009) has noticed that McCarthy's version is lacking some elements, which are essential for the digital environment, such as explicit customer orientation, which is fundamental in digital environment. His research found that the traditional 4Ps could be extended to 8Ps e-Marketing mix with Precision, Payment systems, Personalisation, and Push & Pull, even though many still argue that those additional Ps can be sub-categorised under the traditional 4Ps. In turn Chaffey et al. (2009) include three additional Ps: People, Process, and Physical Evidence in addition to the 4Ps.

4.1 Product

Product refers to both the products and services that a company offers. Yudelson (1999) defines product as: *all the benefits through time that the user obtains from the exchange.* This is still relevant in the digital context. From the supplier's perspective the Internet offers great opportunities to engage the consumer to long-term relationships, which in turn will lead to development of new products. (Dominici, 2009, 19) This is important, as in the global e-marketplace companies will have to introduce new products more rapidly in order to stay competitive. As explained previously in the chapter 2.2.5 about Technological factors, the pace of technological changes translates into drastically shorter product lifecycles, so bringing new products rapidly into the

market is essential.

Moreover, the interactive and connective potential of Internet results in a new product concept: the "virtual product". One of the key elements of virtual product is that it can be delivered from producer to consumer in digital formats, such as mp3 for music, avi for films, pdf for books, magazines and other publications. The virtual product is a combination of tangible and intangible aspects, which is personalized and customized according to individual preferences by the active help of consumers. (Dominici, 2009, 19) Also known as made-to-order, or tailor-made, mass customisation has increased dramatically since the Internet was commercialised and e-commerce boomed. Enabling individual customer to design a product to their own specifications leads to greater levels of customer satisfaction and loyalty. (Viardot, 2004, 162)

Bundling is also an option. For instance, EasyJet offers several complementary travel-related services including flights, packages and car hire. The Internet can also be used to vary the extended product, which refers to the additional features and benefits beyond the fundamental features. These can be e.g. endorsements, testimonies, customer comments, warranties and guarantees, money-back offers, customer service, and incorporating tools, which support customers during their use of the product. (Chaffey et al. 2009, 451-452) As noted previously in this thesis, customer comments, that is WOM, is an essential factor in customer adoption of new products and services.

Nelson's classification (1970) divides products into two categories: "search", when the product information is possible to obtain before purchase, and "experience", when it is not possible, or it is too expensive to gather information before the use of the product. Internet has revolutionised the purchasing process for "search" products, because retrieving information online is affordable and easy. Furthermore, the quantity of information combined with the

interactivity of Web 2.0, has enabled transforming experience products into search products. (Dominici, 2009, 19-20)

4.2   Price

Price stands for everything given by the acquirer in terms of money, time and efforts given to obtain the product (Yudelson, 1999) For consumers, one of the main benefits of the Web, is that the Internet allows them to compare prices in real time and gain more transparency. For example, a supplier may have different prices for different countries. However, customers may find out about this price discrimination and object to it. Artificial Intelligent Agents enable automatic and tailored comparisons of prices and features, reducing consumers' time and effort, as do price comparison websites, too. This allows consumers to be more selective with their choice of products, which in turn forces online businesses to re-think their pricing strategies. (Dominici 2009, 20)

Consequently, Internet has introduced new pricing approaches to e-businesses, for instance dynamic pricing. Dynamic pricing concept allows producers to modify prices in real time, according to the type of customer or current market condition. However, this may lead to dangerous price competitions with reduced profit margins. These aggressive reverse auctions are especially fatal for business commodities. To avoid this, online companies should focus on emphasising the qualitative aspects and differentiation attributes of the product. (Dominici 2009, 20) Online start-ups often use low prices to gain a customer base.

Baye et al. (2007) have studied successful online pricing, and developed a dashboard for online pricing from the results. When setting a price, it naturally must be above the incremental cost leading to sale. Incremental costs include

the expected click-through fees paid to platforms. E-business will then assess how much above the incremental cost to set the price. This is where price sensitivity of consumers becomes relevant. The optimal mark-up factor will be lower on products which consumers are more price-sensitive towards, and higher for those items, where consumers are less price sensitive. (Baye et al., 2007, 3-6) Thus, optimal price is:

Optimal price = Incremental Cost x Optimal Mark-up factor

To estimate the price sensitivity of consumers, marketers can conduct periodic experiments to gauge the how price sensitivities are changing over time. This price experiment can be examined either by altering the price available to all customers over time, or by simultaneously offering different prices to separate subsets of consumers. For most products, including electronics, books, and fashion items, early adopters are the least price sensitive, whereas consumers who delay the purchase process tend to be more price-sensitive. Therefore, companies seeking for optimal price must monitor the consumer price sensitivities throughout the product life cycle to dynamically adjust the mark-up. (Baye et al., 2007, 6-9)

As stated previously, the Internet enables new competitors to enter the market easily. Online companies should thus consider their competitors' strategic responses in their pricing strategy. Consequently, not only are the consumers better informed about prices, so are the competitors. A clever move to prevent rivals predicting your next step is to add an element of randomness into the your pricing strategy with e.g. "hit and run" strategy, where prices are temporarily lowered for unpredictable time, followed by a leap back to higher price point. By using this strategy will also enable companies to assess consumers' price sensitivity, as mentioned above. (Baye et al., 2007, 15-18)

The trick is to allow price points to respond rapidly to the dynamically changing competitive environment at the individual product level, while maintaining margins. E-businesses applying hit and run strategy while monitoring their competitors pricing strategy, can gain a huge competitive advantage and

consequently earn higher profits in the long run. (Baye et al., 2007, 7-15)

4.3   Place

Yudelson (1999) defines place as *everything that is done and necessary to smooth the process of exchange.* The Internet has perhaps had the biggest impact on place for its global reach. (Dominici, 2009, 20) Furthermore, the Internet is open 24/7, encouraging consumers to shop whenever they want, and due to increase of wireless communications systems, wherever they want.

In the digital context, the purchasing process needs to be included in place as one of the key features. The process should be smooth and easy while building a relation with the customer. Not only is the biggest contribution of the Internet to sell products online, but the capability to build relationships with customers. The interactive capabilities of Web 2.0 enable the implementation of more efficient and effective systems to digital Customer Relationship Management (e-CRM). Customer information can be obtained more easily, for example when customer register to company's website or when they purchase online. This helps to maintain high service level and improve managing the customer portfolio. (Dominici, 2009, 20)

The global reach and new channels will make companies consider several aspects about where and how to sell the products or services. There are five different types of electronic marketplace location where to operate:

- *Seller-controlled sites*: main home page of the company with e-commerce operation
- *Seller-oriented sites*: controlled by third parties, representing the seller instead of providing a full range of options
- *Natural sites*: independent evaluator intermediaries with price and product comparison features. Transactions made on seller home page.
- *Buyer-oriented site*: controlled by third parties and buyers

- *Buyer-controlled sites*: intermediary websites where consumers can post what they wish to purchase – buyer initiates the market making. The wish is sent to supplier register, and more offers are awaited. Aggregators are a group of purchasers combining to make a multiple order and thus reducing the purchase cost. (Chaffey et al., 2009, 67-68)

Each channel the company sells through will have to be able to motivate the customers to take action. Thus, each channel may require different marketing efforts to recoup the investments company has made in that marketing channel. The effectiveness of each channel should also be monitored, to ensure appropriate customer response. (McPheat, 2011, 20)

4.4 Promotion

Yudelson (1999) defines promotion as *all the information that is transmitted among parties*. Promotion is usually part of the communication strategy. The Internet offers new marketing communication channels to inform the customer about the product benefits and assist in the buying decision. There are two approaches for developing promotional tactics. First approach specifies how the communications techniques need to be applied for the different stages of the buying process. The second approach assesses the digital promotional techniques can be used to generate customer traffic to a website. (Chaffey et al., 2009, 462) The e-communications tools will be examined in chapter six.

As noted in the Targeting chapter, the personal interaction of the Internet allows issuing messages to a specific individual, with a flexibility that no other media is capable of. Besides, this enables to reach the target customer, while they are in a situation of relax and confidence – similar to television, but with higher informative capability thanks to the multimedia features of Web 2.0. After all, online communications is not just about advertising a product, but to build a relationship and create a perception of trust in the customer. (Dominici, 2009, 20)

There are three important decisions about investment for the online promotion. First of all, the company should ensure that the e-marketing plan specifies the budget for creation, maintenance and promotion of the website, so that there is a sensible balance among each activity, and to assure none of the functions is underfunded. Secondly, companies should decide how to divide investments in online promotion techniques in comparison to offline promotion. This division is based on

- Amount of customers in a segment that can be reached with traditional and digital media
- Amount of customers in target market who search and purchase products online
- The relative cost-effectiveness of online media compared to traditional media (Chaffey et al. 2009, 462-463)

Television and print ads are widely used by online companies aiming to generate traffic to their websites. This is also a trend among German online start-ups: MISTER SPEX, mymuesli, 9flats, simfy, Hitmeister and WIRKAUFENS, among others, are all investing in offline channels. The online shoe retailer Zalando is a great example of a start-up that has invested heavily on TV ads. With their TV campaign valued at over €85 million gross in 2010, Zalando reported that its brand awareness two years later is over 85% in Germany. (German Media Pool 2011)

Third of all, the company needs to decide how much to invest in different online promotion techniques. To achieve a competitive advantage through online promotion, the company should consider: the reach – how many potential customers can be reached with their e-commerce site; richness – how in-depth and detailed is the information both collected of, and provided to the customer; affiliation – whose interest is the selling e-business representing, consumers or suppliers. Especially relevant to retailers, this suggests that consumers will prefer retailers who can provide them with the richest information on competitive products. (Chaffey et al., 2009, 462-463)

4.5 Additional Ps

Precision, Payment systems, Personalization, Push and Pull

These additional 4Ps were originally developed by Chinese researchers of National Taiwan University (1999), who wanted to highlight the importance accorded to the environment and interaction. In this model *Precision* refers to the increased accuracy of the selection process of the target segment and digital market positioning, due to database management systems. The *Payment Systems* must be secure and easy for customers to use, so that their personal information is in no risk. Although often categorised under Product, in this model researchers wanted to emphasise the value of *Personalisation*, so they felt it needed to be categorised on its own. As explained previously, personalisation refers to the process where the flexible product is adaptable to customers' needs and wills. *Push and Pull* stand for the: 1) pushing a message to the user through active digital communications, and 2) process, where users seek out and pull the content e.g. with search engines. Extensive marketing efforts are often used to drive users to the content. (Dominici, 2009, 19)

People, Process, Physical Evidence

Chaffey et al. (2009, 464) extended the 4 traditional Ps to 7. The added 3Ps, people, process, and physical evidence, are particularly important for service delivery, which is fundamental for e-commerce sites. *Process* involves the methods and procedures companies use to achieve all marketing functions. *Physical Evidence* includes for example the site design and the accompanying packaging when products are delivered. *People* refer to the extent to which people can be replaced or their work automated. Such examples are: auto-responders, which generate a response via e-mail, or when someone submits an online form; automatic e-mail notifications to update customers about the status of their order; call-back facilities, where customer leaves an online call-back form; frequently asked questions listed on the website; and virtual assistants that guide customers through maze of choices.

5 CONSUMER BEHAVIOUR AND ONLINE BUYING PROCESS

It is useful to understand how customers use the new media in their purchasing decision-making, because it enables marketers to develop integrated communication strategies to support each stage of the buying process. The predominant approach to consumer behaviour (e.g. Kotler, 2003) describes the buying process as a learning, information-processing and decision-making activity, which consists of the following steps:

1. Problem identification
2. Information search
3. Alternatives evaluation
4. Purchasing decision
5. Post-purchase decision

Distinction is often made with high and low involvement purchasing, implying that in practice the actual buying process might not be this comprehensive, depending on the consumer's perceived risks of buying. High involvement purchases are usually linked with cost. However, high involvement consumer purchases can vary significantly from individual to individual on the rational / emotional scale. Low involvement purchases often happen out of habit and without much thought. High / low involvement also relate to buyer's experiences. When products are purchased the first time they often require more involvement than frequently purchased products. Many academics and experts agree that demographics, social, economic, cultural psychological and other personal factors – which marketers may not be able to control or influence – have a significant effect on consumer behaviour and purchasing decision. Because marketers are unable to influence some of those factors, they can try leading the outcome of the buying process by engaging marketing tools, such as the previously described marketing mix in chapter four. (Constantinides, 2004, 111)

5.1   The Customer web experience

The online shopping experience is a vital e-commerce marketing issue. Web experience refers to consumers' total impression about the online company, based on their exposure of a combination of virtual marketing tools, which are aimed to influence the buying behaviour of an online consumer. Web experience includes elements like searching, browsing, finding, selecting, comparing and evaluating information, as well as, interacting and transacting with the online company. Web experience is a fundamental element of customer influence, and is therefore crucial for online companies to pay attention to.

Constantinides (2004) has developed the building blocks for positive customer web experience. These consist of three main blocks: functionality factors, psychological factors, and content factors, and their sub-categories illustrated in Table 5.1 below.

Main building blocks of Web experience and their sub-categories

Functionality factors		Psychological factors	Content factors	
Usability	Interactivity	Trust	Aesthetics	Marketing mix
Convenience	Customer service/after sales	Transaction security	Design	Communication
Site navigation	Interaction with company personnel	Customer data misuse	Presentation quality	Product
Information architecture	Customization	Customer data safety	Design elements	Fulfillment
Ordering/payment process	Network effects	Uncertainty reducing elements	Style/atmosphere	Price
Search facilities and process		Guarantees/return policies		Promotion
Site speed				Characteristics
Findability/accessibility				

Table 5.1. Main building blocks of Web experience and their sub-categories (Constantinides, 2004)

The website should be seen as vital instrument of customer service and persuasion, instead of a catalogue for company offerings. Dieringer Research Group found out that half of all adult Internet users, who abandoned their orders, changed their opinion about brands based on negative online

experience. Further more, 60% of those switched brands at purchase. (Constantinides, 2004, 112-113)

Online trust is frequently associated with the success or failure of online companies. Research by Harris Interactive (2001) showed that up to 70% of the US Internet users are apprehensive about the safety of their personal information, security of transactions, and misuse of private consumer data. Start-ups and companies yet to establish a strong brand, should focus on building consumer trust as part of their web experience. Investments in content elements, including aesthetics and marketing mix, are found to be essential in creating a positive web experience. First impression of the online company is crucial and people tend to form their opinion within few seconds. (Constantinides, 2004, 118-120)

5.2   Search behaviour

There are great variations of user access in different countries. This reflects in variations between buying behaviours among different countries or among different segments, based on how sophisticated customers are in their use of Internet. Naturally, individual preferences for using the Internet will differ, and to clarify this, Lewis and Lewis (1997) research has identified five different types of web users with different searching behaviour.

Directed information-seekers will be looking for product, market, or leisure information. They tend to be experienced in using the web, and proficient with search engines and directories.

Undirected information-seekers, AKA surfers, like browsing and changing sites by following hyperlinks. They are novice to some extent, and are likely to click on display advertisements. As people are getting more used to the Web, this behaviour is now less common.

Directed buyers are online to purchase specific products. They frequently visit brokers or cybermediaries, there they can compare product features and prices.

Bargain hunters are seeking for offers available from sales promotions such as free samples or prizes.

Entertainment seekers use the web for enjoyment.

One person may exhibit these different types of behaviours in different sessions online, or even during the same session.

5.3   Buying differences: B2B vs. B2C

Buying behaviour between B2B and B2C are naturally very different, which must be taken into account in e-marketing communications. Firstly, B2B purchases are higher than B2C orders, in terms of volume and value. Also, in B2B there are a lot fewer, but bigger buyers. This means that the suppliers are also fewer, and relatively well known. Therefore, marketing methods to promote web site e.g. banner and search engine advertising become less important, compared to consumer brands. Business customers can be contacted directly, via email, post, or by sales representative via phone to make them aware of how the website can help them. To support customers and encourage loyalty, B2B suppliers should keep their web site highly informative, but avoid away too much information for their competitors to see as well. (Chaffey et al., 2009, 493-494)

The B2B decision-making process is more complex and lengthy since more people are involved: users, influencers, buyers, deciders, and gatekeepers. Suppliers can ease up this by tailoring their web site content to different members of the buying unit visiting the website. Furthermore, the selection and buying process should be easy to encourage repeat purchases. (Chaffey et al., 2009, 494)

As noted in chapter 5.1, the importance of trust is fundamental in the buying process. The online environment lacks the physical reassurance, which stores have. Consumers are looking for certain cues of trust on the company website, such as brand familiarity, site design, type of content, accreditation and recommendations of other customers. Recommendations are becoming increasingly important. According to Harward Business Review, (Beinhocker et al., 2009) the consumer trust towards corporations has declined dramatically after the economic crisis. In fact, in 2008 62% of adults in 20 countries said they now trust less in organisations than they did a year before. This low-trust environment makes doing business even more difficult, as for companies it will mean higher transaction costs, lower brand value, or even result in boycotts, negative publicity, and unwanted regulations. (Beinhocker et al., 2009) Consequently, consumers have started to believe each other more than companies, thanks to social media. Nielsen Global Survey has found that fewer consumers rely on company-generated advertising. Instead, around 90 per cent of surveyed consumers trust recommendations of people they know, and 70% believe the customer opinions posted online. However, this is not to say marketing is ineffective, but the way the message is communicated. According to Kottler, (2009, 30-31) marketing is too often mixed up with selling, and uses the persuasive, even manipulative techniques. Therefore, to gain back the consumer trust, companies will need to change their communications voice.

Trust is essential in B2B environment too. The buyers worry that they will not get quality products delivered in the right quantity at the right time and at the right price. As the transactions are made online, data security and confidentiality is a major issue of trust. (Cullen International 2008)

5.4   Consumer profiles of e-Commerce

E-commerce expert SeeWhy (2012) has identified three buyer persona trends to illustrate the marketing tactics to be used in addressing these new

behaviours. They do not describe unique customer segments, but more their behavioural trends. Customers will exhibit one or more of these three behavioural characteristics.

Connected customers are excited, thrifty and productive, describing themselves as savvy shoppers. Connected customers are 52 per cent women, with the average age of 40 and household income of $63.000. Around four fifths of Connected customers report to be active Facebook users, and 43 per cent say shopping makes them happy. These consumers have a shopping cart abandon rate of 96%, so it is therefore essential to make the whole buying process as effortless as possible, and remarket by sending a link back to the online shopping cart.

For **Discount Seeker** price is the most critical factor. They use devices to research products and services, and compare prices. Roughly three fourths of them say that free shipping is the most important promotion. Nearly half of them say they will never, or hardly ever buy a full price product or service. When targeting Discount Seekers, online companies should consider having permanent shipping offers, for example free shipping for minimum order or members. These consumers are attracted with discounts so exclusive offers and promo codes are great way to get their attention.

The **Social Butterfly** uses devices to share and socialise. They are trendy consumers who seek for suggestions from peers. Furthermore, 89 per cent of social network users receive advice on purchases from friends via social network, and half of these have made a purchase based on a recommendation. E-marketers should encourage Social Butterflies for social sharing in everything the company does. This allows marketers to recognise the super fans and reward them by giving them something exclusive, which will potentially be generating positive word-of-mouth. Social Butterflies should be encouraged to

write reviews, which, as noted before, consumers consider to be more reliable than company marketing.

Media Metrix Worldwide has been researching the behavioural differences of male and female online shoppers. The study found that women spend approximately 20 per cent more time browsing through online shopping sites than men. Women also spend significantly more on most categories online – sports, electronics, and outdoor goods being the only exceptions. Women and men also tend to approach online shopping differently. Males tend to stick to the mission when shopping online, and search for information on the products, whereas women will wander among different product categories more freely and quickly scan the product information before moving to the next potential product. The study also found out that women tend to rely more on social media before making a purchase decision. However, it seems that the younger the shoppers, the more identical the shopping patters are between male and female. (Redstage 2012)

6 ONLINE MARKETING COMMUNICATIONS

The Web 2.0 and digital media have transformed marketing. It has gone from push to pull and monologue to dialogue as the figure 6.1 shows.

Analogue world: Approximate number of daily exposure to adverts

Marketers push their messages → Media → 200,000 ads → Filtered by consumer's choice of media → Consumer receives thousands of adverts, (many are irrelevant)

Digital world: Approximate number of daily exposures to adverts

Consumer pulls dozens of adverts relevant to their search and intentions ← Search filter pulls in relevant adverts ← 200,000 ads ← Media ← Marketers

Figure 6.1. Moving from marketing push to marketing pull (Sheenan, 2010)

Moreover, as described the in the targeting section, you can now target one individual and tailor the message to best suit their needs, whereas it used to be one-to-many, and one-to-some style in traditional media. New media also enables many-to-many communications, where customers interact with each other via the company web site, or an independent community. In the traditional media, advertising was largely made through TV, radio and print publications. Although these have migrated online too, the digital media has brought up many other intermediaries to communicate in, such as online-only publishers, search engines and industry specific sites. (Chaffey et al., 2009, 499-501)

6.1   Search Engine Marketing & Search Engine Optimisation

Consumers use search engines as the primary method for finding information about a company and its products. Thus, if a company is not listed in search engines, potential revenue could be lost. As the saying goes: *If you are not in Google, you do not exist.* Web presence is after all what makes a successful start-up – the one that stands out.

Search engine optimization is used to improve the position of the company or its products in search engine organic results listings for selected key phrases. It also involves index inclusion, and ensuring that as many pages as possible of the site are listen in the search engine. Companies may take advantage of paid listings, AKA sponsored links, which are similar to conventional advertising. When a user types in a certain phrase, the search engine displays a relevant text with a link to the company page. On comparison to traditional advertising, the advertiser does not pay when the ad is displayed, but when the ad is clicked on, leading to the company website. This process is known as pay-per-click marketing (PPC). (Chaffey et al. 2009, 507-510) Paid search is important, because it guarantees a certain level of visibility and performance. With billions of websites, no one wants to disappear in the clutter. However, natural search results have even higher click rates, with 70 per cent of users choosing those organic listings first. People also compare the paid listings to the natural ones they see below. The organic listings thus lend credibility to the paid ones. (Sheenan, 2010, 38-39)

The search engines have a quality scope, which means that the paid ads will be moved lower when they are not clicked on, in other words they do not appear relevant. Although PPC may sound like it is possible to click on competitors' links and bankrupt them, the search engine networks detect multiple links from the same computer through IP address and filter them out. However, there are techniques to mimic multiple clicks from different locations, for example with

software tools, or even with services where a team is hired to click on those links. (Chaffey et al. 2009, 507-510) Despite of some uncertainties, SEO is still the most invested inbound marketing tactic, in terms of time and money. According to SEOmoz, 57 per cent of respondents worldwide say they use SEO on a daily basis. (eMarketer a) 2012, b) 2012)

The future looks bright for search engines thanks to Web 3.0. *Social search* will order search result based on recommendations of a vast extended social network similar to each user. The social network can be similar for a certain user by features, such as, age, ethnicity, geographic location or attitudes. For example, when user is looking for a restaurant, social search uses sources from people living in the user's neighbourhood to get as relevant result as possible, instead of Web 2.0 algorithms. *Personalised search* personalises search results based on the information a user gives about oneself. (Sheenan, 2010, 43)

6.2   Display Ads

Display ads are like small newspaper ads with links leading to advertiser's page. An effective display ad should be interactive with brief and provocative copy and designed by a graphic designer specifically to the site where it is put on. By reducing the file size of the ad, companies will improve loading speed. Despite of the factors, display ads still have a very low level of engagement and click-through rate (CTR). According to Google the CTR of display ads is only 0.1 per cent. People have become blind to online ads and ignore them easily. Besides, people get annoyed with pop-ups and that come up before even getting to the website. These may hinder the advertiser as much, as help. New formats of large display ads have been created in the hopes of large size leading to a better result, and bringing more advertising money to the websites. (Sheenan, 2010, 74-76)

Display ads still have value even when people do not click on them. While they may not drive conversion and sales, they increase awareness and affect preference cognitively. According to ComScore and OPA Europe (2010), display ads are persistent in driving traffic to the company website, even weeks after users have been exposed to the ad. One third of people exposed to the display advertising researched for the advertising brands. The study also reports that those users exposed to display advertising are more engaged, spend more time on the website, and visit more pages than the average visitor. The biggest post-exposure engagement was seen in Germany. (ComScore 2010) Behavioural targeting has allowed marketers to create relevant display ads.

In contrary, ComScore (2012) reports that on an average 31% of display ads are never seen by users – and on some sites as many as 91%. The study found that users do always scroll the page down enough to see the ads below the fold. On other cases, ads were placed high, but users scroll past them before they have had a chance to load. The study also found that some ads were even delivered outside the intended geographic area. However, what was even more worrying, was that some ads were delivered beside content seen as "not brand safe" by the advertiser. (Parker 2012)

6.3   Online PR

Internet stands for interconnected networks, and mentions of a brand or a site on other web sites are a powerful tool in shaping opinions and bringing visitors to the company website. Online PR aims to maximise favourable – and also minimise the unfavourable mentions – of the company, its brands, products, and websites on third party sites likely to be visited by its target audience. Besides, there more there are links from other website to the company's the higher the company website will be ranked in the organic listings of a search engine. Online PR involves the following activities.

Communication online with media (journalists) through disseminating press releases on the company website, third party sites, and via email. Companies should consider adding a press release area on their site, creating email alerts for journalists and third parties about the company news, and submitting these news to online feeds. (Chaffey et al., 2009, 511)

Link building is a fundamental for SEO. Link building is about getting the brand visible on third-party sites. Ken McGraffin (2004) says the following about successful link building: '*Create great content, link to great content and great content will link to you'.* After all, quality links with relative content will make the company position higher in the organic search engine results. (Chaffey et al., 2009, 511)

Blogs are regularly published web pages i.e. online journals, diaries or event listings. Blogging is a good way to inform people about what the company is offering. Blogs are a focal point and act as a base for marketing communications – supported with other social media. When links are clicked on Facebook and Twitter, there still needs to be a landing point, and blogs are excellent destination sites. (Bentwood 2011) According to eMarketer, blogging for marketing proposes has increased steadily year after year. Blogs allows companies to address questions and concerns that their audience finds important. The interaction within the blog can be more in-depth and focused, compared to other channels like Twitter, where posts are limited to 140 characters. On Facebook lengthy posts may be considered unappealing. Through blogging companies are able to create an image of an expert, build trust as well as their brand, stay on top of their field, differentiate from competition, improve search engine rankings and thus increase traffic on their website. (Bentwood 2011) In addition, blogs are useful for broadcasting the expertise of staff; get consumers to spend more time on the site; improving consumers' perceptions towards the company with transparent and honest entries; and social sharing. (Sheridan 2012) Although blogs require more effort than e.g. Facebook, the content will always belong to the company, and they

will never find competitors advertising on their blog – which they might find on Facebook.

Companies can also release audio containing **podcasts** on their site. **Really Simple Syndication (RSS)** is an extension of blogging, where subscriber receives feeds of blogs, news or any type of content through an RSS reader. (Chaffey et al., 2009, 512) Companies can also co-operate with bloggers to promote their products and services, with readers in target audience.

The reason why Web 2.0 social networks are so popular is because people love to socialise and share experiences. Companies should therefore analyse how their target audience uses social networks, and what opportunities does the company have in reaching and interacting with them. Social media marketing is discussed in chapter 6.6. (Chaffey et al., 2009, 514)

Companies can set up monitoring services to help managing how a brand is presented on third-party sites. This helps organisations respond rapidly to potential negative PR. Googlealert can be used in **online reputation management**. (Chaffey et al., 2009, 514)

Viral marketing is all about creating a buzz and generating WOM. Marketers see huge potential in it, because although the content may be expensive to produce, the media costs are incredibly low if people are sending it around. However, just wanting something to go viral, and actually being able to do so are two different things. The success rates for viral branded content are minimal.

Successful viral ads:

- Avoid hard product sell. Branding and use of product is subtle or completely natural
- Awake strong emotions by being extremely funny, interesting, or riveting
- Make people want to share them, and passing them on is not seen as junk (Sweeney, 2010, 79)

6.4   Affiliate marketing

Affiliate marketing is a commission-based arrangement where an e-retailer pays other websites for bringing visitors to the company website through affiliate's own marketing efforts. For marketers affiliate is zero-risk-advertising, because affiliates are only paid when the lead is generated, or when a purchase is made. Fees can be set to fixed amount, or as a percentage, and payment made on cost-per-click, cost-per-sale, cost-per-action, or cost-per-lead basis. Affiliate marketing no longer has to be as simple as a banner, for the technology has enabled the use of more sophisticated formats, including games, viral marketing, software products, java applets, flash, blogs, RSS feeds, and e-books. (Sweeney, 2006, 51-52)

One major benefit of affiliate marketing is that it sends targeted, prequalified potential customers to the merchant's website. Furthermore, as noted earlier, every affiliate link helps increasing the page rank of the company website, as well as increase the company's position in the search engine. In contrary, affiliate marketing is facing some issues in the field of privacy and security laws, hackers, or even be tricked by the affiliate in false advertising. (Sweeney, 2006, 52-53)

Affiliate marketing is easy to measure, and companies are able to track their performance in real time, enabling marketers see what is working and what is

not. Monitoring the campaigns also helps to reduce the risks of the company being duped. After all balancing affiliate marketing with other marketing communication techniques is tricky. (Sweeney, 2006, 53)

6.5   Content Marketing

The idea of content marketing is to produce quality content that informs and entertains; content that benefits users by solving a problem or fulfilling a need or a want. After all, the whole point of sales is to fulfil needs, and providing your audience with relevant online content is a great start. Content marketing can be done using social media or the company website. With content marketing companies will drive quality traffic to their website, which is eventually likely to convert into sales. Content marketing also increases the company's position in search engine listings. (Horton 2012) However, managing content should be considered carefully. Offering free services to attract traffic on destination site is a difficult balance to get right. Webshots.com provides a comprehensive image library and screensavers for free, but hopes to gain revenue from those who wish to download many images. The free facility was so good, that it became difficult for Webshots.com to encourage payment for only marginally better services. (Chaffey et al., 2009, 315-316) Spotify is another company trusting in content marketing, collecting revenue through upgraded premium accounts.

6.6   Social Media Marketing

With 800 million active users – of which half log in everyday – connected to an average of 130 friends with 20 million app downloads everyday, brands are increasingly heading to Facebook to reach and interact with their customers. However, as companies are rushing to join the social network phenomenon, they should be careful not to get stuck in Facebook, but look around to see where their customers' attention really lies on. Brand conversation is not only

taking place on social networks, but across a wide range other medias too. For instance, it can be more insightful and influential for technology brands to converse in specialist blogs than in social networks. (Curtis, 2012) There are many benefits for companies utilizing the Web intensively. According to a study by McKinsey, companies that use Web 2.0 to interact with consumers and to share information more extensively reported greater market shares and higher margins. (Bughin & Chui 2010)

Furthermore, people do not stick to Facebook only either. Consumer trend is shifting more towards a cross-platform behaviour including the likes of Twitter. Companies should hence work seamlessly across platforms to ensure they engage consumers on their terms, and ensuring strategies are relevant for the audience on each platform. Other social networks may also be more open to brands, and a lack of presence may cause companies to react slowly on customer complaints. According to TNS, 32% used social networking profile to voice their opinion of a brand, whereas 38% have used review sites, another 38% posted comments directly to the company website, and 34% said to have used blogs and forums for expressing their thoughts of a product. Then again, during the purchasing process 53% of buyers used consumer or expert reviews on dedicated websites, while 44% relied on social networks to research. Comparing Twitter and Facebook, two thirds of Twitter users have commented a brand online, while less than half of Facebook users have done so. In general Twitter users are more likely to be early adopters, topping Facebook users in buying apps, accessing location-based services and mobile e-commerce. Still, Facebook has some of the most detailed ad targeting information in the world thanks to the amount of information people share with friends – and thus with Facebook. The key is to develop an understanding of how online activity translates into the final transaction. (Curtis, 2012)

Social Bookmarking

Social bookmarking is similar to bookmark function on browser toolbar, except the sites are categorised with tags and made available for everyone to see. It has some attributes similar to search engines, however, all the content in the databases are user generated. Users are able to recommend information on social bookmarking sites, and the more votes for each submitted content, the more likely other users are able to see it. Companies can use social bookmarking to enhance their status as an expert in the field. To get more viewing to their content, companies can also take advantage of paid discovery (pay-per-view), where their content is featured higher. In addition to companies sharing their content, also visitors of company website or blog can easily share the content through social bookmarking in their social networks. (Huber 2012) Some social bookmarking sites offer analytics tools, where companies can see what users have shared and how many clicks those shares have driven, as well as topics that interest the sharers, influencers, and clickers. By understanding what these influencers care about, companies can optimize the content to drive more sharing, which can ultimately generate traffic back to their website from different social media sites. (Thorp 2010)

Instagram

Instagram can be useful for some companies too. According to a study by Simply Measured, 40 per cent of the top 100 companies have adopted Instagram as part of their social network portfolio. Most of them have also made their Instagram profiles independent of Facebook, making it exclusive for Instagram users only. The followers want to see behind the scenes action and sneak peak of new products. But most of all, fresh photos connecting the company and its target audience go a long way towards establishing a type of trust that garners loyal and lifelong customers. Another way companies can engage their customers through Instagram, is encouraging them to send pictures, which the company can upload on their profile. Loyal customers want to feel like they are part of the brand, and with this kind of social connection company can establish good relationships. Furthermore, by uploading new

pictures – fresh content- companies increase their ranking in search engines. (Hawkins 2012)

6.7   Email marketing

Email campaigns can be very cost-effective, because they are cheap to produce. Moreover, consumers are able to read their emails from their mobile phones and desktop without an Internet Service Provider. However, due to the increasing number spam, consumers have got a low tolerance for emails that they consider as junk. This is why opt-in mailing lists are highly valuable for companies, because the consumer has requested to receive emails in the future. Opt-out is where the consumer continues to receive messages unless they wish to be taken off the mailing list. Both approaches respect the consumer by asking for their permission to continue sending information. The biggest e-mail marketing mistake marketer can do is to is to continue sending emails against their will. (Sheenan, 2010, 84)

Email marketing is an excellent equaliser for SMEs – requiring it is executed correctly. It has been estimated that in 2014 companies will spend over £1.2 billion on email marketing in the US alone. The study also predicts that due to inappropriate targeting, much of these investments will be wasted. Nonetheless, according to a study by Econsultancy, 61% of email marketers have reported an average ROI of 300% for their campaigns, and further 30% announce it to be above 500%. In order to achieve results like that, marketers should consider the following principles. (Bates, 2009)

1. **Relevant content.** When marketing to the wrong audience, companies might lose their opt-outs, which are valuable for the future campaigns. Therefore it is better to target smaller audience, rather than sending the message to contacts at random. In the future Web 3.0 gives companies

the opportunity to learn immensely about their customers, enabling effective segmentation.

2. **Email frequency.** Although some like receiving emails frequently, over-mailing can turn off even the most engaged customer.

3. **Test messaging.** This is important, especially before a large campaign, as it will show how efficient the content is. Changes can be made before sending the offer to the rest on the target audience.

4. **Graphics.** Large images can hide the content below the fold, and slow message loading. Moreover, most email clients turn off images by default.

5. **Personalisation.** Generic emails with random content will make customers hit delete, while personalised, dynamic content is linked to driving more revenue.

6. **Responding to customers**. Before a large email marketing campaign it is wise to anticipate demand and plan accordingly. Especially the unsubscribe requests should be processed quickly to protect the performance of future campaigns.

7. **Data management.** Managing the data can be very challenging for marketers, especially when dealing with high volumes. Maintaining flexible and dynamic customer databases with useful information on each customer will help marketers creating relevant and timely content. (Bates, 2009)

6.8   Mobile Marketing

According to predictions of eMarketer (c) 2012), more than nine in 10 Internet users will shop online this year, and nearly eight in 10 will make a purchase – beating the US. Recent study by comScore reports that mobile retail was the fastest growing mobile activity in Germany. The average rise was a whopping 92 per cent from May to July, compared to the same period the year before. In May 2012, Germany had the second greatest growth in retail site visits via smartphones, and the second highest percentage of smartphone users visiting

mobile retail sites. As the smartphone user base is growing, online companies may want to consider integrating mobile marketing into their marketing strategy.

Many global companies have noted this, and according to Tata Consultancy Services, an average European company will spend $1.59 million on mobile marketing this year. These numbers are expected to rise, and Tata estimates the investment levels rise to $1.76 in the year 2015. (Economic Times 2012)

SMS marketing is one of the first and still the most common forms of mobile marketing. Because text messaging requires consumers to opt-in, give permission for market, it is also highly effective. Despite of the increasing number of smartphone owners, major benefit of SMS marketing is that consumers do not need a web-enabled phone to receive messages. Still, text messaging is tricky. Despite people opting-in, badly targeted messages have potential to be perceived as spam. To avoid this, some countries have introduced legislations to curb unsolicited text messages. Marketers should therefore be wary about the potential impact of text messaging on their relationships with consumers. (Sheenan, 2010, 124)

SMS applications have also become popular. For example, quick response is a barcode published in newspapers or billboards, which people can scan with their mobile phone camera. This barcode will take the consumer directly to a website without requiring any specific soft wares. (Chaffey et al., 2009, 181) Mobile communications processes that entice consumers to "pull" marketing information would be ideal. This is what makes mobile apps superior. (Sheenan, 2010, 124)

Multimedia Messaging Service (MMS) are very popular nowadays thanks to applications such as WhatsApp. MMS is able to combine colour images, video clips, text, and sound files to be sent and received via mobile phones. This

brings new dimensions for mobile marketing, providing endless marketing opportunities. (Sweeney et al., 2006, 64-65)

Tracking

Not only do "Like" button on Facebook, or "Tweet" in Twitter allow users to share content with their networks, but they also let marketers collect data about the websites they are visiting. The social widgets on companies' websites inform those social media sites when a user has visited there, even if they would not be clicked on. This being a huge concern among Internet and smartphone users, members of the US Congress are aiming to disable user tracking. (Efrati 2011) Also Apple is tracking its iPhone 5 users. The system being very difficult opt-out, it allows advertisers to target users more effectively than ever. (Edwards 2012) This tracked information can be collected into a database, which can then be rented or bought buy a company to produce highly targeted advertising.

6.9   Most popular communications tools

In addition to SEO, social media marketing and content marketing are the most popular marketing methods among marketers around the world. (eMarketer a) 2012) According to Social Media Marketing Report 2011, B2C companies focus their social media efforts to Facebook, while B2B marketers concentrate on LinkedIn, videos and blogging. Marketers also responded to increase the use of Youtube/Video content, Facebook, blogs, Twitter, LinkedIn, and social bookmarking. Furthermore, only 36 per cent said to increase their forum activities, whereas 35 per cent reported not to have any plans utilizing them. Despite of the rising number of mobile phone users, more than half of the marketers said they have no plans to utilize geolocation apps, such as Foursquare, while a third reported to invest in it. Only a fifth will increase the use of deal-of-the-day websites, while a 67% say they have no plans to utilize

them. (Stelzner 2011) However, this does not necessarily mean marketers are fully neglecting deal-of-the-day sites in the future. As the study was made in 2011, websites such as Groupon were still relatively young and marketers may have been wary with them at the time. Myspace was the least popular social media site, with 81% marketers reporting they have no plans to utilize it in the future. (Stelzner 2011)

7 SUCCESS FACTORS

Study by Jeffcoate et al. (2002) examines the success factors of e-strategies of SMEs. They suggest SMEs should analyse their own strengths and weaknesses as an on-going process and compare them with those of their competitors. Furthermore, Jeffcoate et al. have identified 11 critical success factors, which are as follows:

- **Content**: Effective presentation of product or service offered over the Internet
- **Convenience**: Usability of the website for the purpose it was designed for
- **Control**: Degree to which the company has defined processes they can manage
- **Interaction**: Building relationship with the customer
- **Community**: Building relationships with like-minded groups of individuals or organisations
- **Price sensitivity**: How sensitive the product or service is for price competition over the Internet
- **Brand Image**: Ability to build a brand name for the online company, and its products and services
- **Commitment**: Motivation for using the Internet and willingness to innovate
- **Partnership**: Using partnerships to leverage online presence and expand business
- **Process improvement**: Changing and automating business processes
- **Integration**: Link between IT systems in support of partnership and process improvement.

Marketing 3.0 sets the new rules

In the book Marketing 3.0, Kotler et al. (2010) observe how marketing approaches have changed during the years. According to them Marketing 1.0 was a product-based approach focusing on the "mind" of a consumer. Marketing 2.0 was the era of consumer-based approach focusing on the "heart". Nowadays, the shift towards consumer behaviour has moved the focus to "spirit", creating a value-based approach, called Marketing 3.0.

In Marketing 3.0 companies need to address consumers as whole human beings: mind – capable of independent thought and analysis, heart – feels emotions, and spirit – the soul. Traditional positioning aims to position a product uniquely in consumers *mind*, and according to Kotler,et al. (2009, 34-36) targeting the mind is no longer enough – you need to capture the emotional *hearts*, which bear feelings, too. Marketing needs to evolve to the third stage where it addresses the *spirit* of a consumer in order to understand the anxieties and desires of a consumer. Therefore, the goal is to target consumers as whole human beings who consist of minds, hearts, and spirits.

Kotler et al. have developed a 3i-model to provide guidance in brand, positioning, and differentiation in the context of Marketing 3.0. (Table 7.1) The 3i-model consists of a consonant triangle of brand, positioning and differentiation, completed with the three i's: brand *identity*, brand *integrity*, and brand *image*. If a brand articulates positioning only, it is useless in consumers' horizontal world. Even though a brand might have a clear identity in consumers' minds, it necessarily is not a positive one. Hence, positioning alone is not enough. Differentiation composes the brand DNA that reflects the true integrity of a brand, proving that it delivers what it promises. It is basically about keeping customers satisfied. Differentiation is the base for good brand image.

Table 7.1. The 3i-model (Kotler et al. 2009)

Brand identity is about positioning your brand, as well as ensuring it is heard and noticed in the cluttered marketplace. Naturally, it should be relevant to the rational needs and wants of the consumer. Brand integrity is all about fulfilling what is communicated through positioning and differentiation. Company has to be credible, fulfilling its promise, and establishing consumer trust in the brand, to target the spirit of the consumer. Finally, the brand image aims to acquire a strong share of consumers' emotions. Moreover, the brand value should be appealing to the consumers' emotional needs and wants beyond the product features. (Kotler et al., 2010, 36-37)

This model shows that marketers should target the consumers' minds, hearts, and spirits simultaneously. Firstly, positioning will trigger the mind to consider the buying decision. Then a brand requires an authentic differentiation for the human spirit to confirm the decision. Finally, the heart will then lead the consumer to respond and make the buying decision. (Kotler et al., 2010, 37)

Creativity matters

Creativity is the key for communications success. Peter Field from Warc has analysed campaigns from the IPA Effectiveness Awards and those that performed well in the Gunn report. He found out that creative campaigns are eleven times more effective than non-creative campaigns in terms of driving market share. The reason why creativity works, is because drives buzz, and as noted earlier in the thesis, WOM is one of the most effective communications tools. (Tiltman, 2011) Creativity also appeals to emotions, which according to Kottler (2010) is one of the three cornerstones of Marketing 3.0.

Paid, owned, earned- model

Recent study by McKinsey (2010) found that companies that use intensively the Web will gain market share and enjoy higher margins. (Bughin & Chui 2010) Furthermore, according to Tiltman (2011), social media is a great tool for supporting companies' other marketing activities. He studied some of the most successful marketing campaigns during the past few years, and has found features common to them. Tiltman calls this model: paid, owned, earned. Paid media refers paid-media slots; owned media includes the assets the brand owns that can be used as a marketing channel e.g. social media; and earned media is what consumers or media outlets do on the company's behalf, such as press articles, WOM recommendations, and Twitter tweets. The idea is to hit a huge audience with a brilliant piece of creative ad, for example on TV. The aim is not create brand awareness, but to drive WOM and get people share the content. Once the buzz is achieved through paid media, earned and owned media are used to increase consumer engagement. This is where the company's online assets become essential. Although traditionally very separate functions at a client level, this model is bringing marketing and public relations much closer. This makes sense, for both disciplines are playing in social channels and are performing similar things in those channels. After all, keeping

in mind the commercial value of WOM, jointing these disciplines makes sense, because both PR and marketing are driven from it. (Tiltman, 2011)

8 FAILURE FACTORS

No matter how strong the business idea, the product can nonetheless fail due to bad marketing.

Anita Basalingappa (2012) introduces a case study about marketing a good product badly. Tata Motors is one of the biggest car manufacturers in India, focusing on light commercial vehicles and passenger cars. The company made it to headlines all over the world in 2009, when announcing they will be launching the world's cheapest car at INR 100.000 (around $2,000). Entitled Tata Nano, it was aimed at the lower- and middle-income segments in India. Despite of a highly promising start with large, growing target segment; worldwide publicity; catchy brand name; award-winning communication; very little competition; and positive reviews from the motor press on launch, the company faced several teething problems, which caused the product fail. Basalingappa found out that the biggest failure problems for Tata Nano were the following:

Positioning. Tata Nano's positioning was too focused on the low price, and emphasised the cheapness more than its *basic-but-appealing* features. All the positive features about the car were lost in the price & value-for-money positioning. Moreover, this may have put off customers from the second segment who were middle-class and slightly better off.

Price. The pricing was misleading as additional input costs pushed the price up by roughly 15 per cent. On top of that were additional luxuries that came at an extra cost. The other issue was that there was no effective system of finance made available for the customers. Banks, fearing defaulters, were hesitant to give loans to the low-income-group,

Product. Cheap can also be interpreted as corner cutting. It did not help Tata Nano that several engineering errors were also reported, such as engine heat causing cars to catch fire, inefficient air-conditioning, and suspect suspension.

Promotion. The company's strategy was to use conventional media in an unconventional manner. The campaign entitled "Nanovations" won several awards for innovative use of the media. The campaign included special Nano websites where customer could design their own Nano car and play games. Social network sites such as Facebook and Orkut were also highly integrated in the campaign. However, the communication failed to hit the target audience. It turned out many of the potential customers in the rural area had never heard of the car. Furthermore, the ones who did buy the car reported poor after-sales services. (Basalingappa, 2012)

In short, the marketing plan meant that many of the target audience had not heard of the car, and the ones who did and wanted to buy it were not able to do so. Secondly, the outcome was a safe car, whose safety was questioned, poor people's car that the poor were not buying and a cheap vehicle, which after all was not as cheap as promised. (Basalingappa, 2012)

Varianini and Vaturi (2000) have identified some failure factors of marketing strategies of online start-ups. One of the common paths to start-up failure is the **speed with which the start-up is launched**. While the some companies aim for speedy launch in order to grab share of the market, the start-ups launched on the second wave will have the benefit of learning from the pioneers' mistakes. As speedy launch will increase difficult trade-offs, Varianini and Vaturi suggest always focusing on the customers and their needs, as sensible trade-offs require an understanding of what customers really value. However, speedy launch is nonetheless important due to fast moving technology and competitors. The pressure for speedy launch may result in cutting corners in certain areas, such as market research. With a little knowledge about the customer needs and behaviour, these companies believe that they will succeed by showing what they are good and automatically find a profitable market. Studies show that 50 per cent of the visitors of a website never get past the home page, indicating that consumers will not spend time exploring if the site does not immediately show how it will fulfil some unmet needs. Furthermore, some start-ups are

forced selling their products below cost even months after the launch, as they are yet to figure out how to raise prices to profitable level. (Varianini & Vaturi, 2000, 86-89)

As also noted earlier in chapter 3.4, another reason for start-up marketing failure is **not having distinctive enough online value proposition** (OVP). The OVP must be clearly defined and delivered through the right product and right channels, and it must be communicated constantly. This helps start-ups build a strong, long-lasting brand that delivers value for the company marketing it. (Varianini & Vaturi, 2000, 88)

Due to the short launch frame, marketing activities are often carried out in an illogical order. For example, the company cannot test their OVP before having a website to show to consumers. But if the company waits, they may be reluctant to make major changes based on the findings due to time and expenses involved. (Varianini & Vaturi, 2000, 90)

In addition, Varianini and Vatani argue that companies **failing to collect the right information, analyse it and adjust their operations fast accordingly** will have difficulties to learn their customers' wants, correct their mistakes, and ultimately make money. Therefore maintaining a constant flow of information and feedback of their activities is important. Thus, start-ups should constantly monitor the reactions to their online and offline communications and conduct brief online surveys for customer feedback about new features or service performance. (Varianini & Vaturi, 2000 95)

Thus, the most vital issues for online start-ups is to know when you can and cannot cut corners; know what you need to know; and know that you do not have to know everything before the launch. (Varianini & Vaturi, 2000, 86)

9 RESEARCH METHODS

Primary data can be either quantitative or qualitative. While quantitative data is considered to test hypotheses and theories, qualitative research explores a topic aiming to generate hypotheses and theories. (Blaxter 2010, 185) In other words, qualitative research aims to achieve "depth" and quantitative method "breadth". (Blaxter, 2010, 65) Ideally, primary research would combine both qualitative and quantitative methods, in order to avoid bias, and create thorough, justifiable conclusions.

The research questions of the thesis are:

1. **What were the main factors behind successful marketing strategies of German online start-ups?**

2. **What factors have caused a market strategy failure for German online start-ups?**

The research objectives require both quantitative and qualitative research in order to be answered. Quantitative methods will test the theory on the thesis literature review regarding marketing strategy, while qualitative research aims to identify the success and failure factors, thus generating hypotheses.

Keeping this in mind, online surveys were chosen as the primary research method. As one of the most preferred methods for collecting primary data, surveys enable to obtain plenty of information of a single respondent at a time. Although questionnaires are often strongly associated with collection of quantitative data through using multiple-choice questions or pre-coded

responses, they can also include open-ended questions leading to in-depth qualitative data. (Blaxter, 2010, 65)

9.1 Design

The questionnaire was designed based on the theoretical framework, including questions of the fundamental marketing strategy approaches. The specific theories relating to survey question is presented on Appendix 3. To avoid creating too extensive of a questionnaire, the questions were limited to 17, of which three were background questions. Four open-ended questions were included to gather more in-depth data. Due to the sensitivity of the questions, the wording was aimed to keep as neutral as possible to avoid leading questions. Furthermore, neutral wording also reduces bias and prevents misunderstandings. The survey design can be found in Appendix 2.

The questionnaire had a clear structure, with maximum three small questions per page. To make responding as effortless as possible, all questions were above the fold to avoid scrolling. Surveyexpression.com was the tool used to create the questionnaire. This tool was chosen, because it ensures data confidentiality and respondent anonymity, enables complex questions, and has advanced tools for data analysis.

9.2 Data collection

As the potential respondents for this survey are narrowly defined to German online start-ups, purposive sampling was used to select the respondents. Definition for German online start-ups can be found in chapter one. Due to respondents being so defined, the sample was consequently relatively small. Altogether 80 German online start-ups were hand-picked to take part in the

survey, based on their age, size, country of origin and the fact that they operated online. Formal invitation was sent to these start-ups followed by a reminder one week later. This invitation can be found in the appendices (Appendix 1).

9.3   Ethical Considerations

Ensuring that the research is ethically appropriate is an essential part of a sound research. As this study focused on the marketing strategies of German online start-ups, data confidentiality and participant anonymity had to be ensured due to the sensitivity of the research topic. No data was given to any third parties, and no IP address tracking was used. After finishing the survey, the participants had the option to fill in their email addresses, if they wanted to receive a report of the findings. These emails were not connected to participants' answers.

9.4   Significance, Generalizability, Reliability and Validity

The thesis and its research findings can be considered significant to German online start-ups, individuals connected to German start-ups, individuals studying or working in marketing, strategists, entrepreneurs, and venture capital firms investing in online start-ups.

Out of the 80 start-ups 19 replied, equalling a response rate of 24%. Due to the small sample and response rate, the findings cannot be generalised without further research. Thus, the findings apply only for these German online start-ups that responded in the survey. Another important point is that the findings are based on the start-ups' own evaluation of their marketing strategy performance, and therefore the results may not be calibrated.

As noted previously, the questionnaire was created in such manner that it would cause as little bias as possible, aiming for full reliability. Wording was well thought-through, and questions critically evaluated to prevent misunderstanding and leading questions. Furthermore, the invitation for survey was only sent to the start-ups personally, and was not published elsewhere in the web. The link could be opened only once.

The quantitative research method combined with elements of qualitative methods enabled to gather in-depth data, as the participants had a chance to express their reasons freely. While the open-ended questions offer high-quality data, the multiple-choice questions collected numerical data to test theories introduced in the literature review.

10 EMPIRICAL ANALYSIS OF THE RESEARCH

10.1 Background of the start-ups

Half of the start-ups were serving in both B2B and B2C sides, while 22% of respondents were B2B companies and further 28% were operating on B2C sector. As there were no significant differences on B2B, B2C, and B2B/B2C answers, it was not considered necessary to review results with that approach. All of the start-ups that responded to the survey have less than 50 employees. In fact, 89% of the start-ups have less than 25 employees. The majority with 61% were launched within the past 12 months, while the rest 39% of the start-ups were set up over a year ago.

10.2 How results were reviewed

To identify the success factors, the respondents were divided into two categories:

1. Start-ups who evaluated that their overall marketing strategy performance was good or excellent
2. Start-ups who evaluated that their overall marketing strategy performance was average or below average

The respondents on the 1st group will be referred to as **successors**, and the 2nd group will be called **moderates**. The survey answers were filtered through these two groups to find significant patterns or results that can be interpreted as success or failure factors for these start-ups. The findings apply for the start-ups that took part in the survey.

10.3 Research findings

Environmental scanning

The chapter 2.3 of this thesis highlighted the importance of environmental scanning for online companies, due to the rapid changes in the industry. The emergence of the web has enabled companies to respond quickly to external changes, thus they are now faster than ever in responding to competitors' moves. According to Chaffey et al. (2009, 194) companies, which perform environmental scanning will remain competitive and can ensure excellent service.

When asked about monitoring the external environment, 88% of the start-ups said it is an on-going process, while 12% reported to monitor the environment half yearly. None of the start-ups said they never monitor their external environment. From the successors 86% perform environmental scanning as an on-going process, while 80% of moderates said to do so. As both groups focus to monitor external environment continuously it can be considered essential for all start-ups. Still, as more successors report continuous scanning, it suggests that on-going environmental scanning is one of the factors towards successful marketing strategies of German online start-ups.

Precisely defined Segmentation, Targeting and Positioning concepts

STP process is discussed further in chapter three. The key benefits of segmentation, targeting and positioning are that they enhance the start-ups competitive position by providing direction and focus for marketing strategies;

help to examine and identify growth opportunities; and help achieve higher return on marketing investment through more efficiently used resources.

The start-ups were asked how precisely defined would they say their market segments are. Figure 10.1 demonstrates the differences of successors' and moderates' segmentation, targeting, and positioning concepts, among those who evaluated their STP concepts defined or somewhat defined.

Figure 10.1. Difference between successors and moderates
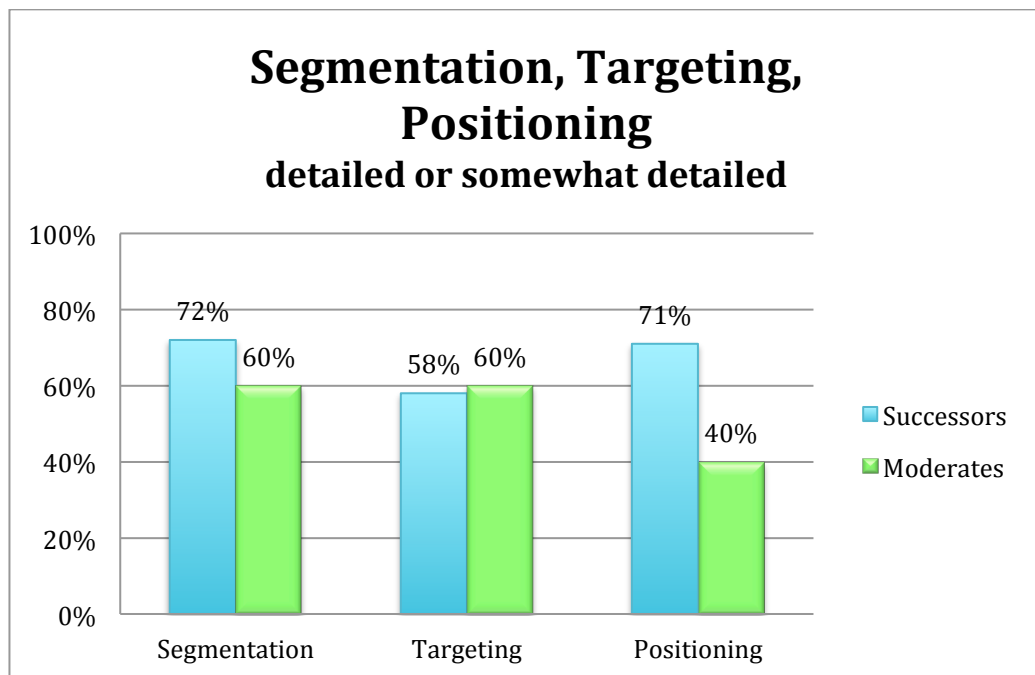
It shows that successors tend to have clearer market segments and positioning strategy than the moderates, while both groups are almost equally clearly defined their target markets. Successors' lower percentage in defined target market(s) is perhaps due to the fact that 85% of the successors aim their products and marketing to all, or at least two segments of the market.

Thus it can be argued that taking the time to clearly define the market segments, target market(s), and the positioning strategy, have positively affected the marketing strategies of German online start-ups.

Does having a formal marketing plan matter?

One of the survey questions asked if the start-up has a formal, written marketing plan. Formal marketing plan involves an analysis, description of strategy development and implementation of the marketing mix. The aim was to figure out whether or not a formal marketing plan would be one of the success factors.

Marketing plan can generally offer several advantages for companies. For example, having a marketing plan makes objectives clearer and more specific. It can also help start-ups reduce uncertainties and prepare them for future challenges, and ultimately provide competitive edge. However, as start-ups are often launched at a strict time frame, there might not be time for writing a marketing plan. In addition, plan can make administration inflexible due to fast-paced nature of online start-ups, when they need to adapt to changes rapidly. Finally, collecting, analysing, and evaluating information is expensive for start-ups in terms of time, money and effort.

The majority of start-ups reported they do not have a formal marketing plan with 53 per cent. The age of start-up did not have a significant impact on whether the company had a formal marketing plan or not.

There were slight differences among those start-ups with, and without the formal marketing plans, when examining their segmentation, targeting, and positioning strategies. Start-ups with a written marketing plan, had also invested

more time in defining segmentation and positioning concepts, compared to start-ups without one. In turn, those without a formal plan had defined their target market in more detail. Figure 10.2 illustrates the differences among start-ups with detailed or somewhat detailed STP concepts – between those with, and those without a formal marketing plan.
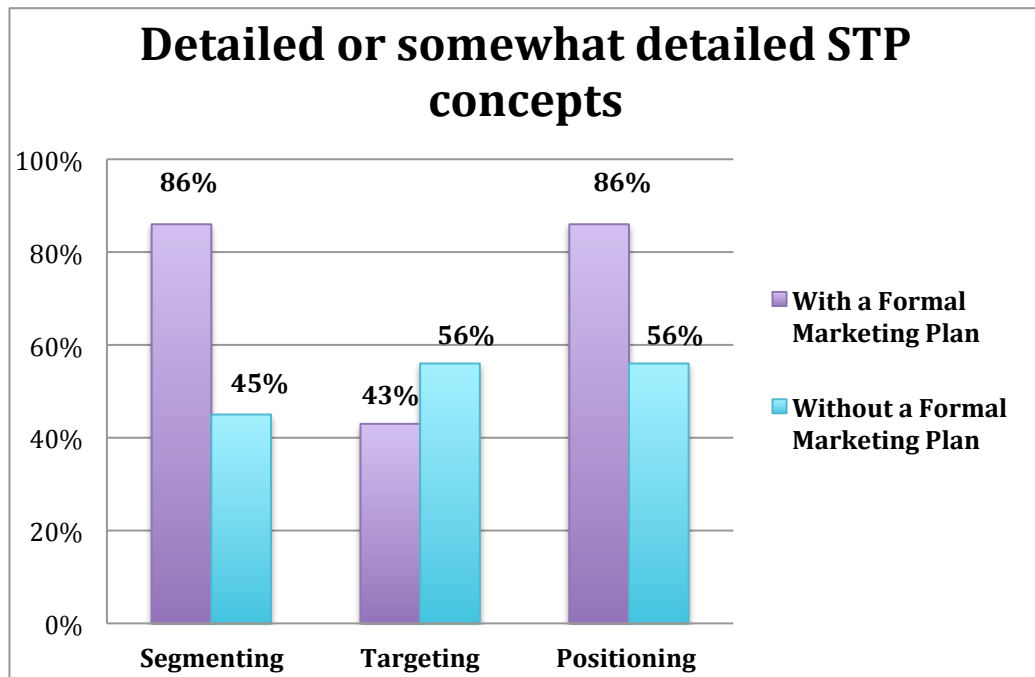
Figure 10.2. Differences with start-ups with, and without a formal marketing plan

All of those with a formal marketing plan also said for them environmental scanning is an on-going process, while 78% of those without one said the same. The further 22% of those without a formal marketing plan said they perform environmental scanning half early.

The survey also revealed that formal marketing plan tends to be more important for those whose products or services are tailored for individual needs, or aimed at a narrowly defined niche.

Of the successors only 28% did have a formal marketing plan, and 40% of the moderates reported to have one. This suggests that having a formal marketing plan was not essential for start-up marketing strategy to succeed. However, it has benefits such as understanding external environment through environmental scanning, as well as having clearer and more detailed segmentation and positioning concepts.

Customer web experience

Customer web experience is a vital part e-commerce for online start-ups, because it is directly linked to customer influence. Therefore start-ups were asked about the factors that they consider the most important in building customer web experience. These factors are most likely to differ among B2B, B2C, and B2B/B2C companies, but there were not enough responses to start generalising these findings. Therefore these results will be analysed from the successors' and moderates' responses. More about web experience can be found on chapter 5.1 of the thesis.

Figure 10.3 shows the factors, which successors considered the most important. Constantinides (2004) has identified the main building blocks of customer web experience, which consists of three categories: functionality, psychological and content factors. These three blocks have sub-categories: usability, interactivity, trust, aesthetics, and marketing mix. The factors successors consider the most important on Figure 10.3, are evenly divided between the sub-categories.

Most Important Factors in Building Customer Web Experience - Successors

Site navigation	14%
Findability / Accessibility of the site	11%
Site speed	6%
Ordering / payment process	6%
Customer service / Sales	9%
Interaction with site personnel	6%
Customer data safety	6%
Guarantees / return policies	3%
Transaction security	3%
Website design and design elements	11%
Website atmosphere	9%
Product presentation	6%
Information about products	9%
Pricing policies	3%

Legend:
- Usability
- Interactivity
- Trust
- Aesthetics
- Marketing Mix

Axis: 0% 5% 10% 15% 20%

Figure 10.3. Most important factors on building web experience by successors.

In turn, Figure 10.4 illustrates the important customer web experience building factors to moderates. The moderates have not paid attention to their marketing mix when forming the customer web experience, and more emphasis is put on the usability of the site.
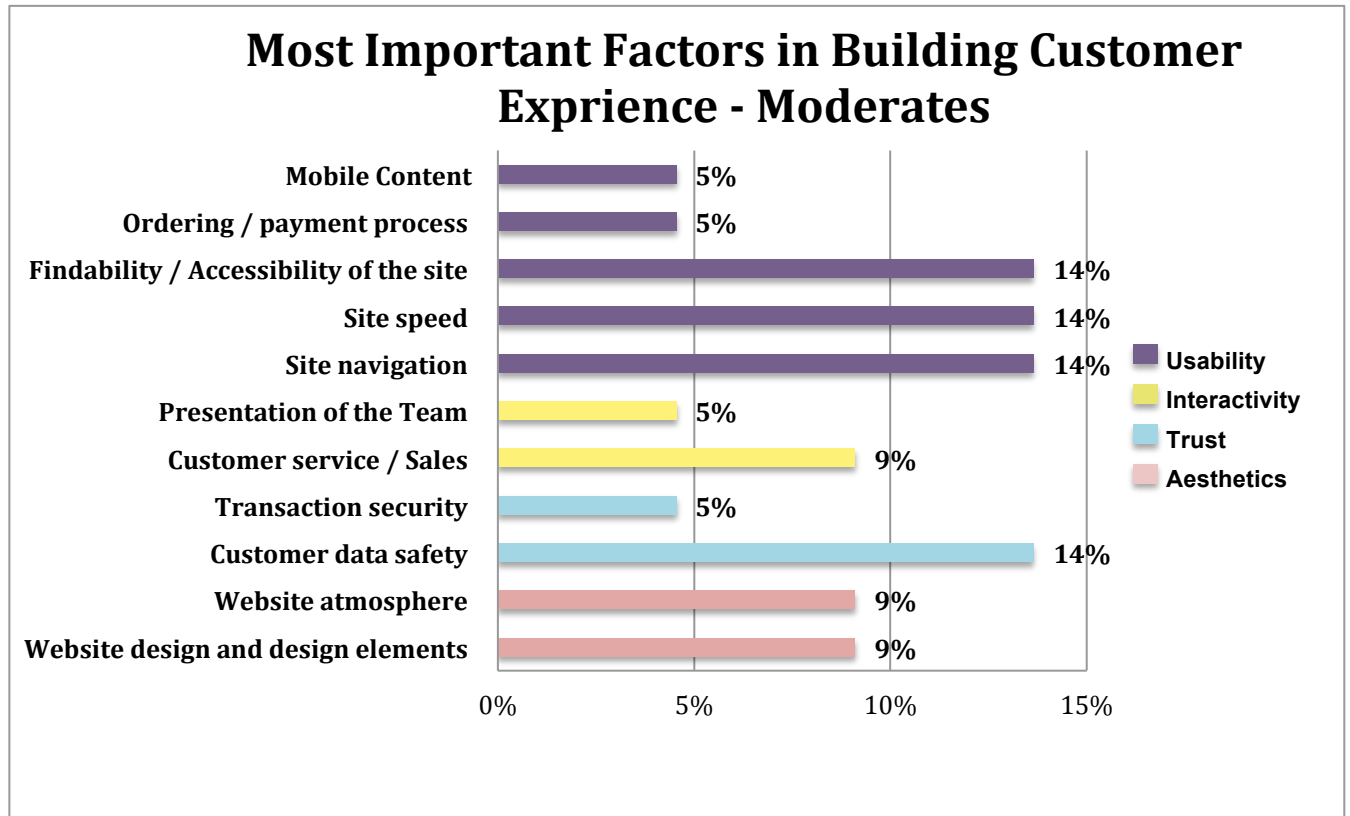
Figure 10.4. Most important factors on building web experience by moderates.

This suggests that a key to a great customer web experience was a well-balanced combination of all the sub-categories in Constantinides' study. In other words, customers will not buy the products or services from a website, even if it was aesthetically the most appealing, unless they can trust the site, nor will they purchase products from a perfectly functioning website, if the marketing mix is not appropriately utilised.

Setting objectives and formulating strategy

The start-ups' critical strategy and objectives formulation motives were researched. This open-ended question provided plenty of in-depth responses. The successors reported that one of the critical strategy/objective formulation factors were the results from environmental scanning. They said their external analysis had brought about new opportunities in terms of technological

developments and customer needs. However, due to the competitive and rapidly changing markets, many of the successors noted that their strategies were often forced to be chanced fast and are therefore short-term. Hence, due to the fast-paced business environment, the marketing methods were chosen which reach the most consumers the fastest. It was highlighted that for some it was critical to focus communication to as many customers of their target market as possible.

Furthermore, successors also said due to the newness on the market it is critical to hit product/market fit as soon as possible and scale business from there. The product/market fit is obtained when customers are buying the products as fast as a start-up can produce them – or in case of online start-up – usage is growing as fast as the start-up can add more servers.

For the moderates one of the critical strategy factors was to outdo competitors by being the first mover on their market segment. The risks of being an early adopter were discussed in chapter 2.2.5. Speedy launch also has several risks, as noted in the chapter 8.

Successful marketing tools

One of the questions examined the marketing activities that start-ups have used, and asked to evaluate how well each activity has helped them achieve their objectives. Figure 10.5 indicates the most used marketing activities among German online start-ups. It shows that the five most used marketing tactics are: social networks, SEO, SEM, blogs, and micro-blogs, followed by online ads, photo sharing, and viral marketing. The least used tactics were the offline-channels, including, TV ads, billboards, print, radio and newspaper. The start-ups that had used offline tactics said those tactics helped them achieve their objectives adequately, less than adequately or poorly. There were no significant

differences among the start-ups less than 12 months old and those over 12 months, who had used offline-channels.

Marketing Tactics Used by Start-ups

Tactic	Percentage
Social Networks	90%
Search Engine Marketing	74%
Search Engine Optimization	74%
Micro-blogs, (Tumblr, Twitter)	73%
Blogs	73%
Online ads (banners, pop-ups)	66%
Photo Sharing	65%
Viral marketing	64%
Content marketing	57%
Forums / Communities	49%
Email marketing	49%
Press releases	48%
Rating and Review sites	48%
Affiliate marketing	32%
Video Sharing	32%
Mobile marketing	24%
Print	24%
Newspapers	16%
Radio	8%
Billboards	8%
TV ads	8%

Figure 10.5. Marketing Tactics used by all start-ups

Comparing the online start-up marketing tactics to established companies; Social Media Marketing Report 2011 revealed that the most used marketing tactics used by established companies are social networks, email marketing, blogs, SEO, and press releases. (Stelzner 2011)

When asked what made the start-ups choose the tactics in particular, many said the low-cost was the number one priority. The return on invest was important. While this may be important to established companies also, start-ups operating with shoestring budget need to ensure profitable cost/return ratio. In this case

some chose affiliate marketing. Despite of the limited resources, several start-ups are likely to invest in more expensive methods in the future, including offline channels. Another reason that made start-ups choose a particular tactic was because it was considered the best channel to reach their target segment(s).

Figure 10.6 illustrates the marketing tactics used by successors, which have helped them meet their objectives well or excellently. It shows that the most successful tactics for start-ups are SEM, content marketing, blogs, SEO and social networks – thus no major changes compared to methods employed by all respondents.

Marketing tactics that have helped achieve objectives well or excellently - Successors

Tactic	Percentage
Affiliate marketing	28%
Blogs	56%
Content marketing	57%
Email marketing	42%
Forums / Communities	42%
Micro-blogs, (Tumblr, Twitter)	42%
Mobile marketing	14%
Online ads	42%
Photo Sharing	14%
Press releases	28%
Rating and Review sites	14%
Search Engine Marketing	70%
Search Engine Optimization	56%
Social Networks	56%
Video Sharing	14%
Viral marketing	42%

Figure 10.6. Successors' marketing tactics that helped them achieve objectives well or excellently

Primary success factors of the marketing strategy

Open-ended question asked start-ups to evaluate what were the primary success factors of the marketing strategy in their case. The responses of online start-ups can be categorised within the 5Ps of the marketing mix, including product, price, place, promotion, and people. However, although pricing was agreed to be important, it was not considered as one of the primary success factors of the marketing strategy.

Many said the factors regarding the product have been the key for marketing strategy success. For some it was the distinctive positioning in the market giving them a competitive edge. Standing out from existing competitors is vital for start-ups. Some reported trial & error approach as the primary success factor, where different possibilities are experimented in order to determine which option produces the desired outcome.

Place was also reported a primary success factor. For some start-ups the distribution channels were essential. Once their product or service is sold in a popular website, it reflects positively on the sales. The others said the online market place provides them with a lot of data, which continuously helps them improve their business through evaluating the performance. Besides, minor improvements can be made in real-time.

Most of the start-ups said promotion was the primary success factors for them. Several said viral marketing and WOM, including customer reviews has been crucial. The advantages of WOM have been discussed in the chapter 3.1. WOM is perhaps the most effective communications tool, as consumers are losing faith in traditional advertising, and rely more on each other's reviews. Others said personal contacts and networking both online and offline have been

essential, because it allows them connect with helpful people. Well-managed PR was also said to be important.

The importance of people was also highlighted. Some said that for them the primary success factors was not the strategy itself, but the great execution of it. Skilled and dedicated people can make a marketing strategy succeed, even if the strategy would have minor flaws. In turn, the best strategy will fail if executed poorly.

When asked if there were something the start-ups would do differently regarding their marketing strategy, the answers were fairly similar. Most said they would take more risks and move faster. They would also test their products and services more. In the future, start-ups want to challenge themselves and push the limits by always keeping their eyes open for something new.

11 CONCLUSIONS OF THE RESEARCH

The objective of this research was to identify the success and failure factors of the marketing strategies of German online start-ups. The research questions were the following:

- What were the main factors behind successful marketing strategies of German online start-ups?

- What factors have caused a marketing strategy failure for German online start-ups?

To identify these factors quantitative methods with semi-qualitative elements were chosen and the questionnaire was sent to 80 start-ups. The survey questions were drawn from a number of marketing strategy theories presented in the theoretical framework. The research methods, reference to theories and results are introduced in more detail in chapter 9, 10 and appendix 3.

In order to identify the success and failure factors, respondents of the study were divided into two groups:

- Successors, who evaluated that their overall marketing strategy performance was good or excellent
- Moderates, who evaluated that their overall marketing strategy performance was average or below average.

The survey answers were analysed through these two groups to find significant patterns or results that can be interpreted as success or failure factors for the start-ups that took part in the survey.

11.1 Main Findings

The start-ups were asked about environmental monitoring, based on an Environmental Scanning theory by Chaffey et al.(2009). According to them, environmental scanning is important for online companies due to the rapid technological changes in the industry. Furthermore, they argue that companies, which perform environmental scanning, will remain competitive and can ensure excellent service.

The study revealed that for vast majority of the start-ups environmental monitoring is an on-going process – with 88% of successors and 80% of moderates reporting on-going scanning. As both groups strongly root for continuous environmental monitoring, it can be considered vital for all start-ups. As with the subtle majority of successors, we can suggests that:

On-going environmental monitoring is essential for all start-ups and was a success factor behind the marketing strategies of German online start-ups.

The importance of environmental monitoring was also confirmed, when asked the start-ups what they consider critical in strategy and objective formulation.

Being fundamental elements of marketing strategy, segmentation, targeting and positioning strategies of the start-ups were also examined. The research revealed that successors had defined their segmentation and positioning concepts in more detail than moderates. With a 2 per cent difference, moderates with 60% had defined their target market in more detail. This is perhaps due to the fact that 85% of the successors aim their products and marketing to all, or at least two segments of the market.

Thus it can be argued that:

Taking the time to clearly define the market segments, target market(s), and positioning strategy had positively affected the marketing strategies of German online start-ups.

The importance of having a formal and written marketing plan has been widely argued. Hence, it was examined whether or not a formal marketing plan has an impact in the overall performance of a marketing strategy. Majority of start-ups did not have one, while only 28% of successors and 40% of moderated reported having it written down. However, the start-ups with a formal marketing plan had focused more on performing environmental monitoring and defining their STP concepts. In the open-ended questions start-ups pointed out that due to rapidly changing business environment strategies are forced to changed also, and often short-term. This makes a formal plan complicated. Therefore it can be said that:

Formal marketing plan was not essential for a start-up marketing strategy to succeed. However, it helped start-ups to better understand their external environment and perceive their segmentation, targeting and positioning strategies.

The study also examined how start-ups have built their customer web experience, based on research by Constantinides (2004). His research concluded that positive customer web experience is essential for an e-commerce company and will eventually lead to increased sales. The topic is discussed further in chapter 5.1.

This study found that while successors took all the building blocks of excellent customer web experience in to consideration, moderates failed to balance these five blocks.

Therefore:

Achieving positive customer web experience has had an impact in the success of German online start-ups' marketing strategies.

The start-ups were asked what marketing tools they have employed, and how well would they say each tactic has helped them achieve their objectives. Successors' tactics, which helped them meet the objectives well or excellently were: SEM, content marketing, blogs, SEO and social networks. The worst performing tactics were those of the offline channel.

The main motives for choosing these tools were the low cost, return on invest, and ability to effectively reach target market. Successors' most used marketing tactics tick these boxes. SEM, SEO, and Content marketing are great tools to generating high volumes of targeted traffic. It is wise to mix both SEM and SEO, because SEM gives quick results, while SEO offers medium term and longer lasting results. Blogs and social networks may be low-cost, but require investments in time and effort. They are also great tools for creating buzz. Although it depends on the start-up what methods are the most appropriate, in the start-up phase many focus on creating buzz and spread the word about the business. Thus it can be generalised that:

Inexpensive yet effective marketing tactics that helped create buzz and spread the word about the business to the target audience, such as SEM, SEO, content marketing, blogs and social networking worked well for the start-ups.

Start-ups evaluated their primary success factors of the marketing strategy in their case. The results were afterwards categorised within the 5Ps of the marketing mix, including product, price, place, promotion and people – though considered important, pricing was not seen as the ultimate success factor.

Most start-ups saw product and promotion elements as the primary success factors, while the others thought the skilled people and place were crucial for them. Keeping these factors in mind, it can be said that:

Having an appealing, differentiated product that is promoted to create buzz by skilled labour was a factor behind successful marketing strategies of German online start-ups.

The failure factors highlighted by the research were contradicted. While the others said they were moving too fast, the other regretted moving too slow and not testing their products or services enough. Based on this it can be argued that:

Not knowing when to cut corners and move fast, or when to slow down to test the products was a factor causing marketing strategy to fail.

11.2 Suggestions for further research

Further research on the topic can be conducted by selecting a larger sample of German online start-ups in order to generalise the findings. Different qualitative research methods, such as case studies and in-depth interviews could also be used to gather more high-quality data and improve the validity and reliability. It would also be interesting to conduct a start-up comparison study about the marketing strategies of German online start-ups and those in Silicon Valley.

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Appendix 1. Questionnaire Cover Letter

Dear Sir or Madame,

My name is Julia Uusitalo, and I am an International Business student at Turku University of Applied Sciences, Finland. I am currently writing my thesis about factors behind successful marketing strategies of German online start-ups.

To examine this I am conducting a brief online survey about the marketing methods used by start-ups. I would kindly like to ask if you could respond to my survey. It takes only a few minutes of your time. The survey is anonymous, and no data will be given to third parties.

I would really appreciate this, and in exchange I would be happy to provide you with my findings and final thesis. After completing the survey, you will have the opportunity to fill in your email to receive a copy of the final thesis. Your email will not be connected with your answers.

The survey can be accessed by clicking on the link below. If you are not the right person to respond to this survey, could you please forward this email to the appropriate person?

<< Questionnaire link >>

Thank you very much for your time.

Sincerely yours,

Julia Uusitalo

Appendix 2. Questionnaire Design

Bachelor Thesis about Marketing Strategies of German Online start-ups

Thank you for taking the time to complete this survey. I am a student at Turku University of Applied Sciences, and this survey will be part of my Bachelor thesis. The aim of the thesis is to identify factors behind successful marketing strategies of German Online Start-ups.

This survey will take only about 5-7 minutes of your time. Your answers will be completely anonymous and won't be given to any third parties. After completing the survey you will have the option to fill in your email address to receive a report of the findings and a copy of the final thesis.

Your email address won't be connected with your answers.

Any questions marked with an asterisk (*) require an answer in order to progress through the survey.

If you have any questions about the survey, please contact me at julia.xxxxxxx@xxxxxxxxxxx.fi

or call me on +358 xxxxxxxxx.

Thank you,

Julia Uusitalo

1. What is the business model of your start-up?

◯ Busiess-to-Business

◯ Business-to-Consumer

◯ Both B2B and B2C

2. How many employees do you have?

◯ 1-4

◯ 5-9

◯ 10-24

◯ 25-49

◯ 50-99

○ 100-149

○ 150-199

○ 200 +

3. How long has the company been operating?

○ < 6 months

○ 6-12 months

○ 1-2 years

○ > 2 years

4. How often do you usually monitor your external environment?

Including Customer analysis, Competitive analysis, Market analysis or Environmental analysis.

○ It is an on-going process

○ Monthly

○ Quarterly

○ Half yearly

○ Annually

○ Never

○ We do not perform environmental scanning ourselves

5. Do you have a formal marketing plan?
Including an analysis, description of strategy development and implementation of the marketing mix.

○ Yes

○ No

6. On scale 1-5, how precisely would you say your market segments are defined?

○ 1 - Basic   ○ 2   ○ 3   ○ 4   ○ 5 - Detailed

7. On scale 1-5, how precisely would you say your target market(s) are defined?

○ 1 - Basic   ○ 2   ○ 3   ○ 4   ○ 5 - Detailed

8. On scale 1-5, how precisely would you say your positioning strategy is defined?

○ 1 - Basic   ○ 2   ○ 3   ○ 4   ○ 5 - Detailed

9.Which of the next statements best describes your marketing practices?

○ Our product and marketing is appealing for all segments in the market
○ Our product and marketing is aimed at two or more market segments
○ Our product and marketing is tailored for individual needs of segment(s)
○ Our product and marketing is aimed at a narrowly defined niche

10. In your case, what factors do you consider critical in strategy/objectives formulation?

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11. Which of these factors have been the most important in building customer web experience?

You can choose up to five (5) factors.

- ☐ Site navigation

- ☐ Search facilities and process on the website

- ☐ Ordering / payment process

- ☐ Site speed

- ☐ Findability / Accessibility of the site

- ☐ Customer service / Sales

- ☐ Interaction with site personnel

- ☐ Site customization

- ☐ Transaction security

- ☐ Customer data safety

- ☐ Guarantees / return policies

- ☐ Website design and design elements

- ☐ Website atmosphere

- ☐ Information about products

- ☐ Information about selling conditions and delivey terms

- ☐ Product presentation

- ☐ Pricing policies

- ☐ None of the above

- ☐ Other (Please Specify)

[   ]

12. Think about the marketing tools used in your previous campaigns: On scale 1-5, how well would you say these marketing activities helped

you to achieve your objectives?

	1 - Poorly	2	3	4	5 - Excellently	Don't know	We have not used this form of marketing
Search Engine Marketing	○	○	○	○	○	○	○
Search Engine Optimization	○	○	○	○	○	○	○
Online ads (banners, pop-ups)	○	○	○	○	○	○	○
Blogs	○	○	○	○	○	○	○
Social Networks	○	○	○	○	○	○	○
Video Sharing	○	○	○	○	○	○	○
Photo Sharing	○	○	○	○	○	○	○
Micro-blogs, (Tumblr, Twitter)	○	○	○	○	○	○	○
Forums / Communities	○	○	○	○	○	○	○
Viral marketing	○	○	○	○	○	○	○
Rating and Review sites	○	○	○	○	○	○	○
Affiliate marketing	○	○	○	○	○	○	○
Content marketing	○	○	○	○	○	○	○
Email marketing	○	○	○	○	○	○	○
Press releases	○	○	○	○	○	○	○
Mobile marketing	○	○	○	○	○	○	○
TV ads	○	○	○	○	○	○	○
Print	○	○	○	○	○	○	○

Billboards	◯	◯	◯	◯	◯	◯	◯
Radio	◯	◯	◯	◯	◯	◯	◯
Newspapers	◯	◯	◯	◯	◯	◯	◯

13. Why did you choose these tactics in particular?

If you have used some additional marketing activities, please specify.

14. How would you evaluate the OVERALL performance of your marketing strategy?

◯ Poor   ◯ Below Average   ◯ Average   ◯ Good   ◯ Excellent

15. Looking back at your marketing strategy, is there something you would do differently?

16. What would you estimate was the primary success factor in your marketing strategy?

End of the survey

Thank you!

You have successfully completed the survey. The data will be kept confidential and completely anonymous.

If you would like to receive a report of the findings or copy of the final thesis, please type in your email address below. Your email address will not be connected to your answers.

Please press submit to finish the survey.

Please send me the report to this email address:

APPENDIX 3. Theoretical Framework Behind Survey Questions

Question #	Literature Review behind the question
1-3	Background question
4	Market place analysis & environmental scanning
5	Segmentation, Targeting, Positioning, Marketing mix, communications strategy
6	Segmentation
7	Targeting
8	Positioning
9	Target marketing strategies
10	Strategy/ objective formulation
11	Consumer behaviour, online buying process, Web experience, marketing mix
12	Online Marketing communication, promotion
13	Online Marketing communication, promotion
14	Marketing strategy
15	Failure factors, marketing strategy
16	Success factors, marketing strategy