E-marketing Plan and Competitive Advantage

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Learning Objectives

Electronic Marketing refers to the conduct of marketing activities – identifying the customer and creating value to satisfy the customer – via electronic communication technologies including the internet and mobile devices.

At the end of this section, students should be able to:

1. Discuss the nature and importance of an e-marketing plan and outline its 7 steps.
2. Describe the tasks that marketers complete as they create e-marketing strategies.
3. Assess how the firm can achieve competitive advantage through resource management and industry competition analysis.
Readings

• Refer to handout – section on E-marketing Plan

• Competitive Advantage
  – Porter’ Competitive Forces and Value Chain Model
  – Resource-based Theory
  Selected readings on class website
Business Model, Strategy and IS

- Business process
- Business model
- Business strategy
Business Process

Business process defines how work is to be done (organized, coordinated, and focused) to produce a particular product or service.

It is a workflow of material, information and knowledge.

Horizontal view of the business
What is **business model?**

Researchers approach this concept in *different ways*

- “Most often a business model refers to a loose conception of how a company does business and generates revenue” (Porter, 2001: 73)

- Magretta (2002): it should answer: Who is customer? What does the customer value? How do we make money? What is the economic logic that explains how we deliver value to customers at an appropriate cost?

- Business models are about value creation.
- Normally people emphasize different aspects of it!

Key Points of Definition

Business Model is a *comprehensive* concept

- Afuah and Tucci (2001): a business model is "the method by which a firm builds and uses its resources to offer customers better value than its competitors and to make money doing so"

Key points:
- a model or framework; value-focused; profit-oriented; resource-based
Business Model And Strategy

- A business model defines what an organization is all about, what it does, and how it makes money.
- **Strategy articulates how it will achieve goals and targets.**
- A business model must be complemented by strategy that takes into account competition, industry forces and the like.

These two concepts seemingly overlap but in fact differ

1. Business model emphasizes the target and the logic behind
2. Strategy stresses action
E-Marketing Planning Process

- The e-marketing plan is a blueprint for e-marketing strategy formulation and implementation.
- The plan serves as a road map to guide the firm, allocate resources, and make decisions.
Seven-Step E-Marketing Plan

1. Situation analysis
2. E-Marketing strategic planning
3. Objectives
4. E-Marketing strategy
5. Implementation plan
6. Budget
7. Evaluation plan
Step 1: Situation Analysis

1. Review the firm’s environmental and SWOT analyses.
2. Review the existing marketing plan and any other information that can be obtained about the company and its brands.
3. Review the firm’s e-business objectives, strategies, and performance metrics.
### SWOT Analysis Leading to E-Marketing Objective

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
</table>
| 1. Student markets growing and untapped in our industry.  
2. Save postage costs through e-mail marketing. | 1. Pending security breaches and viruses means costly software upgrades.  
2. Tablets are aggressively being promoted by competitors |

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| 1. Strong customer service department.  
2. Excellent Web site and database system. | 1. Low-tech corporate culture.  
2. Seasonal business: Peak is first semester months. |

**E-Marketing Objective:** GHC50,000 in revenues from e-commerce in one year.
Step 2: E-Marketing Strategic Planning

Market and product strategies, also called Tier 1 tasks or strategies, are outcomes of strategic planning.

- Segmentation
- Targeting
- Differentiation
- Positioning

Marketers conduct analyses to determine strategies.

- Market opportunity analysis
- Demand analysis
- Segment analysis
- Supply analysis

Marketing segmentation is the process of grouping individuals or businesses, according to use, consumption, or benefits of a product or service.

- Geographic location
- Demographics
- Psychographics
  - personality, values, attitudes, interests, and lifestyles
- Companies can combines bases, such as geodemographics (geography and demographics)
Step 2: E-Marketing Strategic Planning

• **Market targeting** is the process of selecting market segments that are most attractive to the firm.
  - Mass marketing
  - Multisegment marketing
  - Niche marketing
  - Micromarketing

Step 2: E-Marketing Strategic Planning

Mass marketing (or undifferentiated targeting) uses one marketing mix or strategy for the entire market.

Multisegment marketing occurs when a firm selects two or more segments and designs strategies for each.

Step 2: E-Marketing Strategic Planning

In **niche marketing**, you have to narrow your focus and you have to target on only a small segment of consumers who have unique and similar needs. This small group of people who have similar and unique needs is called niche.

For example, Ferrari car can be targeted on a small group of people who have a passion of speed and who can afford this type of costly car.

E-Marketing Strategic Planning

• **Niche marketing** occurs when a firm selects one segment and develops one or more marketing mixes for that segment.

• **Micromarketing** (individualized marketing) occurs when a firm tailors all or part of the marketing mix to a very small number of people.

Step 3: Objectives

• An **objective** in an e-marketing plan may include the following aspects:
  – Task (what is to be accomplished)
  – Measurable quantity (how much)
  – Time frame (by when)

**Long-term and short-term**
– balance long-term objectives which short-term deliverables
Step 3: Objectives

Most e-marketing plans aim to accomplish objectives such as the following:

- Increase market share
- Increase the number of comments on a blog
- Increase sales revenue
- Reduce costs
- Achieve branding goals
- Increase database size
- Achieve customer relationship management goals
- Improve supply chain management

Step 3: Objectives

- **SMART Approach** = Setting specific, measurable, achievable, realistic and time specific objectives

**Specific** - are your objectives stated in a way that is precise about what you are hoping to achieve?

**Measurable** - Can you quantify each objective, i.e. can you use a unit of measure such as market share in percentage or currency ($) or other to provide a way to check your level of success?

**Achievable** - Are your objectives reasonable in terms of what you can actually achieve or are you setting your sights too high?

Step 3: Objectives

- **SMART Approach** = Setting **specific**, **measurable**, **achievable**, **realistic** and **time specific** objectives

**Realistic** - Do you have sufficient employees and resources to achieve the objectives you have set, if you don't then they are likely to be unrealistic?

**Time specific** - When are you hoping to achieve these objectives, you need to define a timing plan with target timing for each specific objective?

Step 3: Objectives

• ABC stationary supplier sells its goods to newsagents across the country and they want to boost revenue for their product range.
  
  • To gain 30% market share for stationary by 2011.

**Specific** - need to understand the latest preferences of customers in the identified segments and appropriately target each stationary item such as pens, exercise books, rulers, and calculators to maximise sales volumes

**Measurable** - current market share is 20%, will set a target of 30% market share, meaning we need an extra 10%, market share amounts can be established based by monitoring the overall value of sales in terms of dollars

Step 3: Objectives

- ABC stationary supplier sells its goods to newsagents across the country and they want to boost revenue for their product range.
  - *To gain 30% market share for stationary by 2011.*

**Achievable** - ensuring technical competency and commitment of all personnel involved in the development and implementation of strategy. This can range from having an experienced and knowledgeable marketing team to capable sales staff. Access to funding is also necessary for the acquisition of extra stock to fulfill increased demand.

**Realistic** - the objective is realistic as the marketing resources are in place to conduct the segmenting and targeting exercise and access to the extra stock required.

Step 3: Objectives

- ABC stationary supplier sells its goods to newsagents across the country and they want to boost revenue for their product range.
- *To gain 30% market share for stationary by 2011.*

**Time Specific** - the increase in market share is to be achieved within 12 months, a regular progress update will be taken every month to track level of success.

Step 4: E-Marketing Strategies

- Tier 2 strategies include strategies related to the 4 P’s and relationship management to achieve plan objectives.
  - **The Offer: Product strategies**
    - Online or offline consumption
    - Sell merchandise, services or advertising on the Website
    - Online auctions
    - Create new brands for the online market
    - Sell selected current or enhanced products

Step 4: E-Marketing Strategies

- Tier 2 strategies include strategies related to the 4 P’s and relationship management to achieve plan objectives.

  - Pricing strategies
    - Complementary to offline or different
    - Online bidding – allowing customers to bid for products or services to alleviate for slow business periods.
    - Dynamic pricing is when the price the firm charges to customers is sensitive to very short run changes in demand. For example, Coca Cola is experimenting in raising the price of cans from vending machines when the average temperature increases. Changes in price to reflect certain market conditions can take advantage of variations in consumers' willingness to pay for certain items.

Step 4: E-Marketing Strategies

• Tier 2 strategies include strategies related to the 4 P’s and relationship management to achieve plan objectives.
  – **Place -Distribution strategies**
    • firms use the Internet to distribute products or create efficiencies among supply chain members
    • Direct marketing or internet marketplaces
  – **Marketing communication strategies**
    • used to draw customers to a Website and to interact with offline/brick-and-mortar customers.
      • Website, Social media, mobiles, radio et cetera
  – **Relationship management strategies**
    • CRM software – mobile or internet

Step 4: E-Marketing Strategies

• Tier 2 strategies include strategies related to the 4 P’s and relationship management to achieve plan objectives.
  – Relationship management strategies
    • CRM software – mobile or internet – website and social media
Step 5: Implementation Plan

• Tactics are used to achieve plan objectives
  – Marketing mix (4 Ps) tactics
  – Relationship management tactics
  – Marketing organization tactics
    • Staff
    • Department structure
  – Information-gathering tactics
    • Website log analysis
    • Business intelligence – collecting and mining data

What needs to be done?
Who is going to do it?
When is it going to be done – time and resources?
Step 6: Budget

• The plan must identify the expected returns from marketing investments, including:
  – Cost/benefit analysis
  – ROI calculation

Bank loans
Private funds
Angel investors
Venture capitalists

Revenue forecast
Intangible benefits, such as brand equity
Cost savings
E-Marketing costs
  Technology
  Site design
  Salaries
  Other site development expenses
  Marketing communication
  Miscellaneous
Step 7: Evaluation Plan

1. Marketing plan success depends on continuous evaluation.
   - E-marketers must have tracking systems in place to measure results.
   - Various metrics relate to specific plan goals.

2. Today’s firms are ROI driven.
   - E-marketers must show how intangible goals will lead to higher revenue.
   - Accurate and timely metrics can help justify expenditures.
Examining Business Competitiveness
By PORTER’S COMPETITIVE FORCES MODEL
Why do some firms become leaders within their industry?

- Michael Porter’s competitive forces model
  - Provides general view of firm, its competitors, and environment
  - Five competitive forces shape fate of firm
    - Traditional competitors/Intensity of rivalry
    - New market entrants
    - Substitute products and services
    - Customers
    - Suppliers

![Diagram showing the five competitive forces: Power of Customers, Power of Suppliers, Intensity of Rivalry, Threat of Market Entry, Threat from Substitutes.](image)
In Porter’s competitive forces model, the strategic position of the firm and its strategies are determined not only by competition with its traditional direct competitors but also by four forces in the industry’s environment: new market entrants, substitute products, customers, and suppliers.
Porter’s Competitive Forces Model

Using Information Systems to Achieve Competitive Advantage

• **Traditional competitors**
  • All firms share market space with competitors who are continuously devising new products, services, efficiencies, switching costs

• **New market entrants**
  • Some industries have high barriers to entry, e.g. mobile network operators – in telecom industry
  • New companies have new equipment, younger workers, but little brand recognition
Porter’s Competitive Forces Model

• Substitute products and services
  • Substitutes customers might use if your prices become too high, e.g. KASAPREKO
Porter’s Competitive Forces Model

- **Customers**
  - Can customers easily switch to competitor’s products? Can they force businesses to compete on price alone in transparent marketplace?

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<thead>
<tr>
<th>Retailer</th>
<th>Retailer message</th>
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<td><strong>samsung UE55ES8000 55” Series 8 SMART Full HD 3D LED TV</strong></td>
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<td></td>
<td>Info on Electro Centre</td>
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<td></td>
<td>Info on 1st Audio Visual</td>
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<td></td>
<td><strong>amazon.co.uk</strong></td>
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<tr>
<td></td>
<td><strong>AMSUNG 55IN LED TV ES8000</strong></td>
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<tr>
<td></td>
<td>Info on Amazon Marketplace UK</td>
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• Rivalry between Competitors

Jury Awards $1 Billion to Apple in Samsung Patent Case

After just three days of deliberation, the jury in the Apple v. Samsung patent-infringement has handed Apple a big win, finding Samsung guilty of infringing on a number of Apple patents, and recommending that Apple be awarded $1.05 billion in damages.

The jury found that the majority of Samsung smartphones and tablets violated patents held by Apple. It included features such as one that allows a user to tap their screen to zoom in and out of an image, and a scrolling "bounce back" feature.

Apple's competitors have already begun to change their new products to protect themselves.

By JOANNA STERN (@joannastern)
Aug. 24, 2012
Porter’s Competitive Forces Model

• Four generic strategies for dealing with competitive forces, enabled by using IT
  • Low-cost leadership
  • Product differentiation
  • Focus on market niche
  • Strengthen customer and supplier intimacy
Porter’s Competitive Forces Model

• **Low-cost leadership**
  • produce products and services at a lower price than competitors while enhancing quality and level of service
  • Examples: Wal-Mart, Dell

• **Product differentiation**
  • Enable new products or services, greatly change customer convenience and experience
  • Examples: Google, Land’s End, Apple iPhone
Porter’s Competitive Forces Model

• **Focus on market niche**
  - Use information systems to enable a focused strategy on a single market niche; specialize
  - Example: Hilton Hotels, Funerals in Ghana

• **Strengthen customer and supplier intimacy**
  - Use information systems to develop strong ties and loyalty with customers and suppliers; increase switching costs
  - Example: Amazon, Apple
Impact of Internet on Competitive Forces

1. Reduces barriers to entry
2. Enables new substitute products and services
3. Shifts bargaining power to customer
4. Raises firm’s bargaining power over suppliers
5. Suppliers benefit from reduced barriers to entry and from elimination of intermediaries
6. Widens geographic market, increases number of competitors, reduces differentiation among competitors
Examining Business Competitiveness
By VALUE CHAIN MODEL
• **Business value chain model**
  - Views firm as series of activities that add value to products or services
  - Highlights activities where competitive strategies can best be applied
    - Primary activities vs. support activities
  - At each stage, determine how information systems can improve operational efficiency and improve customer and supplier intimacy
The Value Chain Model

This figure provides examples of systems for both primary and support activities of a firm and of its value partners that can add a margin of value to a firm’s products or services.
Examining Business Competitiveness
By RESOURCE-BASED MODEL
Resource Based Theory

Assets and Capabilities for detecting and responding to market opportunities and threats (Wade and Hulland, 2004)

- **Assets** are considered as anything tangible or intangible which a firm uses in its processes for creating, producing, and/or offering its products (goods or services) to a market, whereas **capabilities** are repeatable patterns of actions in the use of assets to create, produce, and/or offer products to a market (Sanchez et al. 1996 cited in Wade & Hulland 2004, p. 109).

- **heterogeneous and immobile** – valuable, rare, imperfectly imitable and not strategically substitutable (Barney 1991)

Resource Based Theory

Resource Attributes and Firm Performance

Resources → Heterogeneous → Immobile → Sustained Firm Performance

**Firm assets and capabilities should have these attributes to be considered as resources**

1. Valuable
2. Rare
3. Imperfectly imitable
   a) Historical conditions
   b) Causal ambiguity
   c) Social complexity
4. Not strategically substitutable
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