THE MARKETING MIX IN THE ONLINE ENVIRONMENT

Alexandra TĂLPĂU[1]

Abstract: *The introduction of the Internet into our lives has brought many opportunities that affected also marketing. With the development of the Internet, online sales (e-sales) have become more common in every day society and in a certain extend even replaced components of the traditional environment. The Internet is a new channel of communication which brings new opportunities in marketing. Nowadays, online marketing has taken over more and more of the budgets allocated for marketing, increasingly diminishing traditional marketing in favour of online promotion activities. This paper will present how the marketing mix adapts to the online environment.*

Key words: *marketing mix, 4 Ps, online environment, product policy, price policy.*

1. Introduction

Marketing is considered to be a process of exploration, creation and delivery of value to meet the needs and desires of the target market [7]. When Neil Borden introduced the concept of the "4 Ps", also called *the marketing mix* (product, price, place and promotion), marketers were given the opportunity to explore every aspect of these elements to meet customer needs and desires.

Marketing remained, in some extend, the same for many years, but together with the technological progress, there was a visible impact on the market and on marketing. In the following, there will be a presentation of the marketing mix tailored to the online market, highlighting the particularities of the 4 Ps in this environment.

2. Product Policy in the online environment

Product policy occupies a central place in the marketing mix because it constitutes the support of the other three components of the mix. Any organization must aim to produce only goods and services desired by the public to which it is addressed, both in terms of tangible features (color, size, functionality etc.), as well as in terms of the intangible ones (transport, after-sales services).

According to the explanatory dictionary of marketing, product policy refers to "the manner that a manufacturing or commercial enterprise adopts, related to the size, structure and evolution of the range of goods and services that are subject to its own activities, through permanent reporting to the ongoing requirements of the market environment in which it operates".

The product, as part of the marketing mix, comprises the combination of goods and services that a company offers the targeted market. The product is a key element of the marketing offer, including both tangible goods as well as intangible ones (services). Product policy is closely

---
[1] Dept. of Marketing, Turism, Services and International Transactions, *Transilvania* University of Braşov.

related to the other three components of the marketing mix, forming together the basic marketing tools [3].

The product is defined by Hill and Sullivan as "everything a seller offers to a buyer in the exchange process and which satisfies its needs and desires" [6].

Knowing the difference between perceived attributes for physical products and those presented in the virtual environment is essential. Depending on the specifics of each product, the marketing of products such as clothes, books and electronics can be accomplished with greater ease, while the marketing of products such as perfumes will be accomplished with greater difficulty, because the client cannot smell perfumes in order to choose [4].

On the internet products lose some important features such as tangibility, taste, smell. In order to mitigate this disadvantage, online stores must provide complex information to the potential clients, attractive pictures with very good resolution showing the product from as many angles possible, with the option to zoom in or out on the product and see all its existing varieties. The technology allows the consumer to see the product in different ways.

Currently the online environment offers the possibility to purchase any products and services. These products and services are divided into three main categories, namely:
• Physical or tangible products such as clothing, books, electronics, furniture.
• Intangible Products/Services, such as tickets, travel insurances, holidays.
• Digitized products such as electronic books, software products etc.

Through the Internet, the purchase of these products is just a click away, without requiring time consuming trips and other inconveniences. Gay, Charlesworth et al. argue that products that are bought on impulse are the most successful ones in the

online environment, as they require a low degree of interaction and low risk [4].

The fact that products cannot be touched and tested in the digital environment provides an even more important role for branding and building a high level of customer confidence in the companies' online presence. Also, consumer loyalty in the online environment plays an important role and is based more on building a relationship of trust than on the product itself.

2. Price Policy in the online environment

The second component of the marketing mix is the price policy. Due to the low cost of storage, advertising, not needing to rent a central location and other, the online environment often allows lower pricing. Thus, in many cases, the price is one of the main advantages in the online environment.

In a traditional environment, prices were established by calculating costs and finding the amount of money that those targeted were willing to pay for a particular good/service. The Internet has allowed the establishment of more competitive prices because costs such as storage, staff and locations have disappeared or diminished significantly, in the case of online shops [9].

When it comes to traditional shops, about 10-15% of the price is the cost of storage, stock control and delivery. In the online environment, this cost is present as delivery cost. The existence and development of courier companies allow online retailers to practice low delivery costs for a significantly lower delivery time, generally between 1 and 3 days.

The Internet allows the buyer instant access to a large amount of information on offer price, delivery terms, return policy, consumer reviews made by other retailers who sell the same product and others. Having all this information just a click away, the buyer will choose the best deal

for him. Internet Pricing benefits end customer because in the online environment, he is the one who decides the price. There is a continuous adjustment between supply and demand, on the internet prices being generally dynamic and varying from one date to another. Specific examples are booking flights and restricted stock promotions (such as those made by consumer electronics stores on the occasion of Black Friday).

In the paper "Internet Pricing, A Creator of Value - Not the Destroyer", the authors from McKinsey Marketing Practice (2000) present several traditional pricing mechanisms which also apply the online environment:

2.1. Peak Prices

Peak prices refer to the high prices charged for new and innovative products that benefit from technological advantage and a good staff training, allowing the company to charge higher prices. These products are intended for fans of innovations, and their price will be reduced over time to meet the next segment of consumers.

For this method to be effective, the product must enjoy competitive advantage and be of a high quality. These peak rates will remain high as long as competitors don't place on the market a similar product. Regarding online marketing services, such prices are currently charged for applications and contests approved by Facebook, and there are currently more and more such applications starting from a price of $40/month. Development companies can charge an additional cost if the contest requires storing videos, photos or have a large number of applicants.

2.2. Penetration Prices

Penetration prices are those through which companies are trying to exploit the long term potential of a market. They use a low price to penetrate the market and to attract a baseline of clients. This was the method used in the early stage of the Internet. Yahoo started paid advertising services (ads and banners) by first offering them, even for free, to large companies.

Today we see how more and more innovative Internet marketing services are being launched with a very low price, to first create a client baseline. Such a service is now Rank Watch, an advanced monitoring tool for websites performances (whose price goes from $30/month). In general it is quite difficult to maintain such a policy in the medium term unless the purchasing policy is extremely effective.

2.3. Psychological Prices

Psychological prices are based on the consumer's emotional and subjective response and are used where buyers rather feel the need to buy without analysing rationally or through an economic perspective the process. Sometimes the ethics of pricing on this basis is questionable because there were cases in which the initial price was set at a very high level in order to give a huge discount. Electronics online stores use this type of pricing.

2.4. Prestige Prices

Prestige prices are based on psychological and emotional responses to justify the high level that is seen as an indication of product quality. This price is successfully used by online retailers of luxury goods.

2.5. Magic Prices

Magic prices – are the prices that try to create the feeling that a product is cheaper than in reality. However studies have shown that sales are higher for a product with a price of 97 than for a product with a price of 99.99.

2.6. Differentiated Prices

Differentiated prices involve the use of different prices for the same product for buyers from different locations or when buying different amounts. A concrete example of this is the price of a click on Google AdWords, which varies significantly for different sites bidding on the same keywords, taking into account a number of criteria of differentiation.

3. Placement Policy in the online environment

The Internet, in general, significantly reduces office costs and distribution costs, thus allowing significant price reductions. Companies in this environment need to understand the power that price comparing websites give to customers (as Price.ro, Ebay.com, Amazon.com, etc.). Besides these aspects, the major advantages are the possibility of rapidly changing prices to take advantage of certain opportunities in the environment.

For many organizations, the Internet is just another distribution channel. For others it is a business model that allows servicing customers on a much larger area in a more efficient manner. For companies that sell products online physical distribution, channel management and logistics are essential to customer satisfaction by delivering products on time. In this case, Internet users enjoy the convenience and speed but requires the existence of a physical distribution. Internet protocols ensure a very good exchange of information in real time. Buyers can use the Internet to obtain information about their account and track orders.

The Internet offers companies the opportunity to reach consumers directly and eliminate intermediaries. This is possible only to the extent that they are able to take over their role, to gather information necessary to market and develop their experience interacting with customers. So, before the decision to establish the composition of the distribution channel this information should be analyzed and also the opportunity to introduce some intermediaries that have emerged due to the development of the Internet [4].

In 2003, Brassinhton and Petitt stated that "part of the responsibilities of the marketing oriented organizations is to bring products to customers in the right place and time" [1].

In 2001, Glazer talked about "Marketing in an information intensive environment" and the value of the firms knowledge to help the exchange process. Glazer appoints three sources that require integration [5], namely:

• Downward flow: between companies and customers.

• Upward flow: between companies and their suppliers.

• Internal: information held internally by the company.

Glazer argues that by increase in information value, supporting role traditionally played by intermediaries becomes more important.

Distribution activities, logistics and purchasing benefited enormously from the emergence and development of the Internet. One of the tasks of marketing is to lead products at the right place and time. Decisions about distribution channels are related to the other elements of the mix. They have a major impact on the availability and storage of products, total cost, retail price and promotion activity. Furthermore they can provide an important competitive advantage and significant cost reduction opportunities. The need for product customization influenced production and caused the shift from mass production, which included a reduced term for customized production involving a longer period of time. Under these conditions the pressure in reducing time

has moved on supply and distribution, and there was now an increased need and opportunity to integrate the three types of information flows described above.

4. Promotion Policy in the online environment

Promotion is the star component of the marketing mix and refers to the means of communication used to inform the target market and convince potential customers and other stakeholders, to choose a company and/or its products. The online communication is done through a number of channels, and promotion methods that are based on the same principles of marketing and communication, but with new functionality.

Online environment complements traditional methods of promotion with a series of instant communication methods at low cost and with a very precise market segmentation. There are a number of online promotion methods: the site itself, paid advertising (text and image ads, banners, through videos), optimizing your site for search engines, promoting an organization through social networks, through partners and affiliates and through newsletters.

Paid advertising is a part of an actual online promotion method. By this practice the company will list ads in the paid section of search engine results or on the display network. Unlike the SEO that generates free organic traffic according to the popularity and authority of each website, paid advertising involves allocating budgets on an ongoing basis. For each click users give, the company will pay a certain price which can also vary from one minute to another depending on its intended competition and search volume.

Optimizing a site for search engines (like Google, Yahoo, Bing, etc.) play an important role because search engines are the most used method of searching for information in the online environment.

This activity requires time and effort and is structured on two main activities: optimizing the actual site (called "on site optimization") and growing the site's authority and popularity by achieving references from related high quality sites (called "off site optimization").

Social marketing is a key service that any company providing web services should use intensively. Social marketing campaigns imply creating active profiles that continuously distribute attractive information for its targeted audience, looking to maintain their attention. Along with distributing relevant information field, the firm must interact with its users requesting feedback on how they can improve their online and offline activity. From such interactions, the organization grows its online exposure and can therefore attract new customers.

Online partners represent another method to increase an organization's online presence extensively. Any company should be present in the online environment on as many virtual partner sites: directories, websites related to their business activity, media outlets etc.

Affiliate marketing is a form of promotion based strictly on results based on a Cost-Per-Action (CPA). In affiliate marketing, a merchant (called advertiser) pays the affiliate (called publisher) for each action (such as subscribing to a service, generating a sale, etc.) carried through its website [10] . Such systems are based on an affiliate network made up of several sites in which advertisements are posted, linking through the advertiser's website. Site visitors who click on such an announcement will be redirected to the website that is being promoted, and if this action entails a conversion (sale, registration or any desired objective), then the affiliate will receive a commission [2]. Sources of traffic and visitor behavior are monitored with the help of special monitoring software.

Newsletters represent a way of promoting an organization at a significantly lower cost than through the traditional mail (almost nonexistent), easily customizable, allowing a precise segmentation of the market and instant reference to the database.

Despite the fact that online marketing has different rules than the traditional marketing, the basic principles of both environments are the same: knowledge of the target market, understanding the demographic characteristics, targeting the right market segment, making the right strategic decisions and implementation etc. As a conclusion we can say that the Internet is a complementary medium of the offline environment [4].

5. Conclusions

The Internet has had a significant impact on the communication between buyers and sellers. In recent years, many new digital communication tools: email, banners, blogs, interactive television, search engines, the interstices (pop-ups), online communities, web conferencing etc.

The advantages achieved when promoting organizations through the online environment were presented to highlight the importance of this medium: lower cost, flexibility, speed, the high importance given to the client who ultimately has control in the online environment, increased interactivity and rich amount of information provided by this environment, overcoming geographical boundaries and other possible barriers and permanent access, as this environment is accessible 24 hours a day and seven days a week.

Currently, the Web is a great opportunity for any business, all industries facing dramatic changes. Web services have emerged as a natural need for expansion of information technology. The dynamics of this development made the IT services industry to become a very widespread

component in the strategy of any company, regardless of the activity. All these, together with the need of a high connectivity for any business, are the key factors that made web services become indispensable for any successful business.

References

1. Brassington, F., Petitt, S.: *Principles of Marketing*. Harlow, England. FT Prentice Hall, 2003.
2. Fill, C.: *Marketing Communications. Engagements, Strategies and Practice.* Essex. Prentice Hall FT, 2005.
3. Florescu, C., Mâlcomete, P. et al.: *Marketing – dicţionar explicativ* (*Marketing – explanatory dictionary*) Bucharest. Economică Publishing House, 2003.
4. Gay, R., Charlesworth, A. et al.: *Marketing online. O abordare orientată spre client (Online Marketing: A Customer-Led Approach)*. Bucharest. All Publishing, 2009.
5. Glazer, R.H.: *Smart vs. Dumb Service Strategies: A Framework for E-Business Intensity*. New York, Armonk. E-Service, 2001.
6. Hill, E., Sullivan, O.T.: *Marketing*. Oradea. Antet Publishing, 1997.
7. Kotler, P.: *Principii de Marketing (Principles of Marketing)*. Bucharest. Teora Publishing House, 2003.
8. Tălpău, A.: *Impactul Internetului în Logistica Mărfurilor (The impact of the Internet in Commodity Logistics)*, Revista de Logstică şi Management, Numărul 3 (8), Braşov, 2011.
9. http://www.learnmarketing.net/emarke ting.htm (Accessed: October 3, 2014)
10. http://ro.wikipedia.org/wiki/Marketing _afiliat (Accessed: October 5, 2014)