

# The “E-Literature”: A Framework for Understanding the Accumulated Knowledge about Internet Marketing

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## EXECUTIVE SUMMARY

The marketing discipline has been exposed to various changes and strong challenges with the introduction and diffusion of the Internet phenomenon into the business arena. Ever since this new multimedia environment of exchange emerged, many studies have been conducted about how it will affect the nature and future of marketing activities. This study is an attempt to organize and summarize the literature about Internet marketing and enlighten the research routes that will contribute to the advancement of the discipline.

The study has a macro perspective and provides a bird’s eye view of the Internet marketing literature. First, the general impact of technological advancements on the marketing discipline is analyzed. This discussion is extended with an examination of the studies that compare conventional marketing practices with the principles and rules of the e-marketing world. A deeper understanding is developed by reviewing the inventory of studies handling the four major components of the traditional marketing mix in an online context.

In order to capture a full understanding of the online marketing environment, studies approaching various topics about Internet marketing from the perspective of two major players in the field are examined. One group displays the consumer perspective and includes many valuable studies about individuals’ buying behavior. On the complementary side, the business perspective has also been investigated so that the discussions about the current state of online marketing are not limited to a consumer-oriented approach.

Finally, studies about popular fields of e-marketing research are investigated under the title of current issues in Internet marketing. These include ethical issues, privacy and security concerns, online marketing research, e-CRM, the competitive environment on the Internet and the anti-socializing impact of the online shopping environment.

This review serves two purposes. It identifies the major scope and content of the studies about Internet marketing and displays the current state of the discipline. It also enlightens the main avenues or niche routes for future research by clarifying underinvestigated or unsettled areas. The framework of this literature review can serve as a skeleton explaining the accumulated state of knowledge about Internet marketing and can be a useful starting point for studies aiming to expand the views about this area further.

**Keywords:** Internet marketing, electronic marketing, online marketing

## The “E-Literature”: A Framework for Understanding the Accumulated Knowledge about Internet Marketing

The last decade of the twentieth century was a revolutionary period of time for the marketing discipline. Its subject matter did not change: marketing still pertains to the exchange of value between buyers and sellers. However, the routes and dynamics of the systems accommodating these exchange processes and transactions are challenged strongly with the “Internet” phenomenon entering the world of businesses and consumers. The emergence of a common, interactive and continuously available commercial platform filled most scholars and practitioners with awe. With this excitement, many studies have been conducted to handle this innovation from various perspectives. The purpose of this study is to review the accumulated state of the Internet marketing literature. It aims to offer an overall understanding of which major titles have been examined until now and what yet remains to be done.

The birth of the Internet marketing literature can be approximated as the early 90’s. Initially, most attempts were didactic studies attempting to provide an overall idea about the phenomenon. Simultaneously, studies filled with golden rules and tactics to survive in the e-marketing age were proliferating. After the first effects of the shock have been absorbed, academics began to handle the issue from a theoretical perspective. They produced many comparative studies revealing the differences between conventional and new-age marketing. At the same time, the challenged principles and applications of marketing were tested empirically from numerous perspectives. With the addition of these theoretical and empirical academic attempts into the field, the literature took a trichotomized form categorized by Sindhav (1998) as: literature dealing with technical aspects of the Internet, studies offering advice on functional and management aspects of e-marketing, and scholarly literature providing theoretical underpinnings to the phenomenon.

Currently, there is a diminished interest in studies offering golden keys of online success. However, the need for empirical research to validate or question the shaken principles of marketing is still vast. Therefore, it is beneficial to pause and take a bird’s eye view at what the current state and future available routes of research in this area are.

This review is based mainly on a macro perspective and provides a balance sheet of the tackled and untackled issues. After this generalist examination, specific attention is directed to strategic marketing issues and current trends in the e-marketing literature. The review is based on a deductive framework depicting the major titles and subtitles observed in the Internet marketing literature (Figure 1). These can be organized around five main questions, each corresponding to a specific component of the framework.

**I. What Happened?** The review starts with an examination of studies evaluating the impact of technological advancements on the marketing discipline in general. This starting point serves as the background to understand the influence of the Internet on the marketing world as a major technology-based innovation. The discussion is flourished further by the debate about whether Internet marketing is a big and disruptive “revolution” bringing structural changes to the established theory of marketing or a natural “evolution” where the change is more superficial.

**II. How Did the Internet Change Marketing Transactions?** Evolutionary or revolutionary, tactical or structural, it cannot be denied that e-marketing practices carry important differences from conventional transactions. This review conglomerates various comparative studies and synthesizes the most outstanding points of difference between online and offline marketing activities.

**III. How is the Traditional Marketing Mix Influenced?** A widely researched area in the e-marketing literature is how the four elements of the traditional marketing mix are challenged in the context of the Internet environment. The review compiles the major issues handled and the hottest debates raised about each element in an online versus offline marketing mix context.

**IV. How are Consumers and Firms Influenced?** Issues pertaining to consumers and consumer behavior in the online environment are also very dominant in the literature about Internet marketing. How consumers have

reacted to all the hassle and what the future of online consumer behavior is going to be are critical questions that need to be answered. As the other side of the marketing exchange process, it is important to consider the firm perspective as well. Thus, studies discussing the consumer side and those that tackle the firm point-of-view are both examined in order to capture the overall picture of the Internet marketplace.

**V. What are the Current Trends and Issues?** Finally, a discussion of the most current issues and research streams are identified. Displaying these prominent themes of the e-marketing literature helps to assess which avenues in the marketing discipline are most strongly challenged by the Internet world and which new areas await interested researchers for future studies.

**FIGURE 1**  
**A FRAMEWORK FOR ORGANIZING THE INTERNET MARKETING LITERATURE**

<b>QUESTION 1: WHAT HAPPENED TO THE MARKETING DISCIPLINE WITH THE INTRODUCTION OF THE INTERNET?</b>	
The Challenges Introduced into the Marketing Discipline with the Internet Phenomenon <ul style="list-style-type: none"> <li>• The Dynamics of the Interaction Between Marketing and Technology</li> <li>• The Revolutionists and the Evolutionists: A Disruptive Revolution or a Natural Evolution?</li> </ul>	
<b>QUESTION 2: HOW DID THE INTERNET CHANGE MARKETING TRANSACTIONS?</b>	<b>QUESTION 3: HOW IS THE TRADITIONAL MARKETING MIX INFLUENCED?</b>
Major Issues of Comparison Between Online and Offline Marketing <ul style="list-style-type: none"> <li>• Customization and Personalization Opportunities</li> <li>• Lower Distance Between Producers and Consumers</li> <li>• Convenience</li> <li>• Comparative Shopping</li> <li>• Many-way Communications and Interactivity</li> <li>• Information Richness</li> </ul>	The Online Marketing Mix <ul style="list-style-type: none"> <li>• Products and Services</li> <li>• Pricing in an Online Context</li> <li>• Distribution and Intermediaries</li> <li>• Online Advertising and Communication Activities</li> </ul>
<b>QUESTION 4: HOW ARE CONSUMERS AND FIRMS INFLUENCED?</b>	<b>QUESTION 5: WHAT ARE THE CURRENT TRENDS AND ISSUES?</b>
The Two Major Parties <ul style="list-style-type: none"> <li>• The Consumer Perspective: E-Consumers and Online Consumer Behavior</li> <li>• The Business Perspective: Important Issues About Firms</li> </ul>	Current Issues in the E-Marketing Literature <ul style="list-style-type: none"> <li>• e-CRM</li> <li>• Online Competition</li> <li>• Ethical Issues, Privacy and Security Concerns</li> <li>• Online Marketing Research</li> <li>• The Anti-Socialization Debate</li> </ul>

### **QUESTION 1: WHAT HAPPENED TO THE MARKETING DISCIPLINE WITH THE INTRODUCTION OF THE INTERNET PHENOMENON?**

The Internet is not the first technological shock the marketing discipline has absorbed. Thus, understanding the dynamics of the interaction between marketing and technology in general can guide the predictions about how the discipline can re-structure itself against this major innovation. Reviewing the impact of major technological forces on marketing revives a critical question: Is Internet marketing revolutionary and structurally different from conventional marketing practices? Or is marketing going through a natural re-shaping with its established models and principles being applied under different contexts?

#### **The Dynamics of the Interaction between Marketing and Technology**

In an early study, Capon and Glazer (1987) argue that companies managing and increasing their technological asset bases successfully will gain a major competitive advantage in the market. Expected changes about the definitions of market segments and industries, product life cycles and competition will add to the importance of mastering technology. The strategic impact of technological advancements will be strongly felt in the changing nature and dynamics of communication, too. As Day and Montgomery (1999) point out, the connected knowledge economy is one of the major forces charting the new direction of marketing.

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Advancements in communication and information technology is creating a totally new world of its own whose citizens will outnumber the largest nation in a very short period of time (*The Economist*, 1995). This nation is not only a compilation of people who use a common technology; thus, understanding their culture is just as important as the technological tools they utilize to connect (Cooper et al., 1996). With increased globalization of markets, the realization of Marshall McLuhan's famous vision of "one global village" is not far away (Rao et al., 1998).

With the excitement created by the rapid changes induced by technology, Sheth and Sisodia (1999) have revisited and categorized marketing's lawlike generalizations as: location-centric ones based on the physical separation between buyers and sellers, time-centric ones modeling same or similar patterns of product and market evolution over time, market-centric ones dividing the consumer market into manageable segments and serving each one with slight variations of a common marketing mix, and competition-centric ones focusing on short-sighted, inadequate measures of competitive performance and viewing competition as a major threat. The authors' argument is that the Internet is the driving force challenging and changing most location-centric concepts. While there is no reason to disagree, it is possible to propose that it mostly invalidates the other three generalizations as well. Changing the classical time cycles of marketing, creating atomic market segments and totally personalized marketing mixes and offering an environment where competition strengthens the market are some of the arguments that can challenge the other three established principles of marketing at the same time.

### **The Revolutionists and the Evolutionists:**

#### **Is Internet Marketing a Natural Evolution of or a Disruptive Revolution in the Discipline?**

One of the most dominant themes of the Internet marketing literature is the debate about whether this innovation has an adaptive evolutionary nature or disruptive revolutionary impact on the discipline. While some argue that it is one of those abrupt changes that create great turbulence in the environment, others view it as only a new medium over which marketing activities will be carried out with the same principles, theories, and models.

*The Revolutionists: Advocates of the Structural Impact* - Since Quelch and Takeuchi (1981) first introduced the question of whether non-store marketing will become a revolution in retailing, many studies took on an affirmative approach, especially after the appearance of the electronic marketing environment. An overview of the terminology used for Internet marketing in the literature shows the strength of the winds of revolution. Examples of such significant phrases are "super diffusion innovation" (Dickson, 2000), "the fourth disruptive event in the history of retailing" (Christensen and Tedlow, 2000), "an exogenous shock in marketing" that will displace other tools and the relevant disciplinary knowledge (Deighton, 1997), and a frenetic movement whose impact is "transformational" rather than additive (Harari, 1999). There are many studies that handle how different and innovative this form of commerce is (Pyle, 1996). Actually, some studies claim it is so different from traditional forms that it may have the capacity to eliminate retailers and wholesalers entirely (Benjamin and Wigand, 1995). According to such revolutionist views, even if the basic blocks of marketing will not be totally shattered, many of the assumptions on which traditional marketing organizations are built should be questioned now (Berthon et al., 2000).

*The Evolutionary Perspective – Tactical Changes Based on the Same Principles* - Balancing the hype created by the revolutionists, some studies assert that the expectations about the likely impact of electronic marketing are being exaggerated. Inconsistent and diverse statistical figures may be misleading us about how large the change is. According to this more cautious approach, retail sales through electronic channels currently form a minuscule part of the trade through all possible avenues; thus, the figures are not impressive enough to advocate a marketing revolution yet (Burke, 1997; Sindhav, 1998). Besides, it is impossible to make accurate predictions about how the Internet market will evolve based on the conflicting views and statistics coming from different sources (Umbaugh, 1996). Actually, Miller (2000) states that figures that were considered to be too optimistic growth expectations in the past have now started to become reality. Still, evolutionists' major argument remains unchanged: regardless of how much the Web market grows, this will only be an expansion of the ways a company can market its goods but will not replace traditional methods (Romano, 1995) and that retailing in physical space will not disappear (Wadsworth, 1997). Conventional shopping habits will not change and retail stores will be the most convenient and pleasurable places to make purchases (Achenbaum, 1999).

This debate confirms the argument Rosenberg and Hirschman (1980) had made in a very early study about non-store retailing: “People will continue to shop in different ways and consumers will choose different locations along a continuum of store and non-store retailing environments but they will never become exclusively concentrated at one end.”

## **QUESTION 2: HOW DID THE INTERNET CHANGE MARKETING TRANSACTIONS? WHAT ARE THE MAJOR ISSUES OF COMPARISON BETWEEN ONLINE AND OFFLINE MARKETING?**

The power of the change triggered with the emergence of the e-marketing world can be assessed by studying the specific contextual differences between online and offline markets. This part of the review aims to offer an understanding of how traditional commercial activities and communication processes between businesses and consumers are challenged by the alternative nature of the virtual marketplace.

### **Customization and Personalization Opportunities**

The Internet marketing environment offers extensive customization and personalization opportunities. The evolution from marketing on the averages to marketing on the differences (Reitman, 1994) is a very prominent theme and a major advantage of the Web market compared to real environments. Computer-based information and flexible manufacturing systems, commonly called mass customization, make it possible to serve finely segmented molecular markets with tailor-made products at low costs (Kara and Kaynak, 1997; Elofson and Robinson, 1998).

However, personalization does not happen at the production level only. The flexibility of the Web makes it possible to modify all elements of the marketing mix to a certain extent. As for advertising, consumers are given the chance of voluntary access and, in some cases, even content alteration, which makes them feel partial ownership of the result (The Economist, 1995; Schlosser and Shavitt c.f. Schlosser, 1999). Similarly, promotions and organization interfaces can be personalized based on the channel fragmentation opportunities provided by the Web (Kambil, 1995). Distribution is totally personal by the very nature of online shopping unless goods are digitally transferable. Prices are also much more flexible compared to the real marketing environment. Both online businesses and experienced e-consumers are willing to make use of personal price offerings.

Studies about personalization and customization opportunities rest on the assumption that consumers are willing to accept and adopt modified offerings. However, Nunes and Kambil (2001) show that individuals have a much more positive attitude toward Web sites that give consumers the chance to customize it themselves in comparison with those that personalize content automatically. This interesting result puts a condition of voluntariness on the value of customization and personalization. In other words, personalization of offerings are valuable to a certain extent if they are consumer-initiated, but marketer-initiated modifications of the marketing mix do not influence consumers a lot.

This raises a question that can be a very interesting research avenue about this topic: Would all customers be willing to participate in a market where a different product, advertising message or price can be offered to each customer? From the consumer’s perspective, all products or purchasing experiences may not be suitable for customization or personalization. Actually, in many instances, they could be much more comfortable if they knew that the product they are purchasing is a standard and homogenous one with a defined price or narrow price range, at least. Otherwise, the Web could become a very difficult marketplace where the consumer continuously takes personal risks and has the responsibility to make the most educated and correct decision in each purchase. A possible research stream awaiting attention, then, is: For which types of products or purchasing processes and experiences would personalization opportunities be more suitable? It is critical to identify the encounters, product categories or purchase situations when the investment made in modifying the marketing mix will provide reasonable returns to online businesses.

### **Producers and Consumers Come Closer**

Another important difference between traditional and Internet marketing is the reduced or eliminated distance between producers and consumers providing a medium of direct contact between originally distant parties.

The Web is a market in which the customer goes to the marketer rather than vice versa, thus, the usage of brokers by buyers is reduced extensively (Berthon, 1996; Choudhury et al., 1998). Store location loses importance and firms do not have to spend money on developing stylish stores in convenient locations with a comfortable interior environment (Burke, 1997). However, the issue of reduced or eliminated intermediation is not always cited as an advantage. The fact that it is not possible to distribute goods physically and immediately on the Internet turns this comparison point into a major disadvantage. In other words, while the Web can transfer title of ownership, it cannot perform physical movement (Walter, 1977 c.f. Wang et al., 2002). Besides, many of the valuable functions of intermediaries cannot be replaced in the online market creating the question of how advantageous or disadvantageous dis-intermediation really is (Alba et al., 1997).

While the pros and cons of dis-intermediation were being evaluated, the Web market took on such a form that it could not really be called dis-intermediated anymore. This led to a set of discussions about how disintermediation turned into re-intermediation and how the control of different elements in the value chain moved to different players (Hawkins et al., 1999). New intermediaries are emerging and creating opportunities arising from the new ways of interacting between consumers and producers (Sheth and Sisodia, 1999). The major point here is that intermediation need not necessarily be about carrying goods from one location to another. The Web market has such an intricate structure that information management becomes just as critical as inventory management and many new forms of intermediaries supplementing the existence of online companies emerges (Quelch and Klein, 1996). Actually, these Web-specific intermediaries perform such unique tasks that it is nearly impossible for an e-business to eliminate them and take on the job itself. Price search engines, comparison services, electronic malls that include many suppliers' offerings are those that directly hit the consumer's eye (Malone et al., 1989; Emerick, 1996). The picture behind the scenes is much more crowded. Search engine optimizers, research intermediaries, brand monitoring agents, affiliate program builders, Web hosts, community builders and managers, advertising and promotion intermediaries are only a few of the many different types of value-providers that electronic businesses have to work with for online survival in an intensely competitive environment. In short, while the Internet was initially considered to be a dis-intermediated environment where producers and consumers could interact directly, a totally opposite picture of "hypermediation" (Carr, 2000) appeared so fast that online companies began to invest much more in intermediation or facilitating services compared to real market participants.

### **Convenience of the Web Market**

The convenience of shopping online is one of the most commonly mentioned transactional advantages of the Web market. Consumers can economize on time and effort by easily locating merchants, finding items, and procuring offerings on this environment, thus maximizing their utility (Szymanski and Hise, 2000; Becker, 1975 c.f. Bhatnagar et al., 2000). This makes online shopping a hassle-free and time-economic activity since no shopping time constraints are imposed on the consumer (Peterson et al., 1997; O'Connor, 1999).

Discussions about the convenience of e-shopping converge around a common expectation: Ultimately, the transactional advantages of the Web market will increase so much that they will surpass most of the benefits of real shopping experiences. However, for many products or services the social, experimental or situational value of the purchasing experience becomes the sole dominant factor in shopping. For such purchases, the convenience advantage must be insignificant. This could lead to an interesting and needed stream of research where offerings could be classified according to the social or experimental value of the purchase versus the more functional or transactional value of acquiring the offering. This could enlighten online marketers in terms of evaluating the potential various products carry for being sold online. Furthermore, a supplementary stream of research could focus on how the social or experimental value of offline shopping can be replaced online such that Web-based convenience is enriched with memorable e-shopping experiences enlarging the portfolio of offerings that can be purchased from the Internet.

### **High Variety Versus Too Much Variety: Comparative Shopping on the Web**

There are many studies that emphasize the comparative shopping advantage of the Web market. The common view is that the Internet lowers the search costs of acquiring information about products as well as the transaction costs of purchasing them (Elofson and Robinson, 1998; Bakos, 1997). In this environment, consumers can personally make price comparisons at different e-tailers. Besides, there are many Web sites that specifically extract comparative information on behalf of consumers (Bellman, 2001).

At first sight, being able to compare so many alternatives seems to be very advantageous. However, as the number of choices increases to an unmanageable level, consumers might begin to become overwhelmed and comparative shopping might turn into a very stressful experience because of information overload (Li and Gery, 2000). The consumer might confront a very complicated decision making task carrying a high risk of incorrect or unprofitable choices.

This discussion brings up the importance of developing effective decision support systems that facilitate consumers' online purchasing processes. Creating consumer-oriented e-tailing environments that lead online shoppers to the optimum choice in less time with minimum effort is essential. However, this requires an extensive investigation of consumers' decision making processes rather than singular transactions which can be a very important research route available for contribution. If such systems can be developed and implemented effectively, informed, wise, and easy comparative shopping can become an equally available opportunity for all online consumers rather than the wizards or experienced ones only.

### **Interactivity**

The Internet marketing environment has an interactive nature facilitating many-way communications between marketers and consumers. This is commonly mentioned as a major opportunity that enhances the value and quality of the relationships between these parties. While one-way messages that characterize broadcast marketing usually produce very little timely and meaningful feedback, the interactive marketing environment hosted by the Internet creates a continuous circle of communication and immediate response opportunity (Alba et al., 1997; Deighton, 1996).

However, as Wang et al. (2002) mention, the Web can be a simplex (one-way), duplex (two-way) and multiplex (many-way) communication medium at the same time. Thus, many consumers are still reluctant or indifferent toward interacting with companies in the online environment. On the contrary, the popularity of consumer-to-consumer interaction in the online marketing environment is increasing. Although consumers are not very willing to interact with companies in the cyber-environment, they have a very positive tendency to share opinions and comments with other customers over virtual communities or message boards.

This is explained as an "intentional social action" related with concepts like compliance or social identity (Bagozzi and Dhalokia, 2002). One study shows that desire for social interaction, concern for other consumers and enhancing self-worth are some of the motives behind the tendency to participate in electronic communities and word-of-mouth communication (Hennig-Thurau et al., 2004). This suggests the necessity of finding out the value and benefit of interactivity for consumers and companies and determining the reasons of consumers' willingness or reluctance to utilize online interactivity under different contexts.

While the concept of interactivity is generally used to describe continuous, immediate and contingent communications, there are numerous meanings attached to it in the literature. Some researchers assert that it requires physical action or reaction (Heeter c.f. Lombard and Snyder-Duch, 2001) whereas others argue that the required condition is being able to influence the form or content of the mediated presentation or experience at different levels (Steuer, 1995 c.f. Lombard and Snyder-Duch, 2001). The concept of telepresence and the conditions surrounding virtual experiences are also commonly used themes to explain the nature of interactivity (Klein, 2003). Operationalizing these abstract concepts and making online interactivity a measurable construct is another area that researchers can work on.

When interactivity is viewed from the perspective of the physical nature of the encounter between the buyer and the seller, it is possible to talk about two forms of this relationship as conceptualized by Hoffman and Novak (1996) as person interactivity versus machine interactivity. It is true that all lines are open for continuous communication in the online environment but the machine-based interactivity offered through the Web cannot replace the value and taste of personal interactivity experienced in real shopping experiences. This could be another possible explanation of why individuals are not so willing to speak up in the online environment which is an issue that can be investigated further.

It seems companies need some patience before they can communicate with their customers as effectively as they wish to in the online environment. E-marketing is the marketing model that is most suitable for changing the whole nature of relationships between companies and customers (Coviello et al., 2001). However, utiliza-

tion of this benefit requires the acculturation of consumers to engage in online relationships with virtual companies which is obviously going to take some more time.

### **The Information Advantage**

The richness and the quality of the information that can be presented to consumers through Web sites is another very dominant and frequently mentioned benefit of the online marketing environment. The information advantage transfers a great deal of power to consumers, forces e-tailers to continuously update themselves about customer wants and needs and, consequently, increases consumers' levels of e-satisfaction to a great extent (Bellman, 2001; Szymanski and Hise, 2000).

Currently, there is some evidence that consumers are substituting Internet-based information search for traditional search and that this substitution effect will increase further over time (Klein and Ford, 2003). However, the type of information provided is just as important as the amount and level of detail presented to consumers. Few studies have focused on the nature of online information and how its value can be increased. According to one finding, factual information about products is more important than stressing visual cues (Degeratu et al., 2000). Further attempts would contribute greatly to discover the type, content, and style of information consumers would prefer for different product and service types.

Just like the real marketing world, the Internet accommodates interactive environments (i.e. online communities and chat rooms) carrying informal information as well as formal sources (i.e. company Web sites) transferring factual information. This posits another area researchers can work on. It can be very beneficial to evaluate the comparative role of each online information channel. If such advanced studies are not conducted, marketers may not be able to utilize the Web as a valuable information panacea and this environment can easily become a data junkyard or an unwieldy collection of electronic catalogs (Peterson and Merino, 2003; Kannan et al., 1998; Katz, 1998).

It should not be forgotten that the information advantage is not peculiar to consumers. As Evans and Wurster (1999) discuss in their seminal work about this issue, for businesses, the traditional economics of information are eliminated on the Internet. Cyber marketplaces provide online companies with reach (being able to access and connect with many customers), richness (the depth and detail of information that can be given to the consumer), and affiliation (whose interests the business represents) all at the same time and abolishes the payoff companies have to put up with between the number of consumers they can reach and the amount of information that can be conveyed to them (Evans and Wurster, 1997). Completing the research avenues that await attention about consumers' usage of the Web as an information bank will guide businesses about how to appeal to their audience as well.

### **QUESTION 3: HOW IS EACH ELEMENT OF THE TRADITIONAL MARKETING MIX INFLUENCED FROM THE DYNAMICS OF THE E-MARKETING ENVIRONMENT?**

In the Internet marketing literature, there are many studies that examine how the elements of the traditional marketing mix are influenced from the dynamics and unique characteristics of the online marketing environment. In this section, valuable attempts discussing the dominant differences for each element are compiled and research routes available for future studies about the e-marketing mix are identified.

#### **Products and Services**

The literature about products and services is quite fruitful and includes many research opportunities. An overview of the major topics observed under this general heading shows that the focus is more on the suitability of various product types to the online market but less on services. Brand management and loyalty is also a dominant research avenue.

*Online Selling Potentials of Various Product Categories* - Most discussions about the current and future state of online marketing converge around one main question: What can/cannot sell online? Therefore, a lot of researchers have examined the online selling potentials of various product groups. Different approaches have been taken for this purpose. In some attempts, product classifications used for conventional marketing envi-

ronments are carried to an online context and the e-tailing suitability of each product type is assessed such as Peterson et al.'s (1997) or Li and Gery's (2000) studies. In others, the variables that delineate the differences between the potential selling success of various product categories are explored. Some of the most widely used variables for this purpose are the homogeneity or standardization level of the product, how experimental the purchase of the product is, the niche value of the offering, and the risk inherent in the purchase of the product (Wadsworth, 1997; Alba et al., 1997, Quelch and Klein, 1996; Poon and Joseph, 2001, Bhatnagar, 2000).

An overview of the findings of such studies shows that homogenous shopping goods are currently the best performers in online marketplaces. Standardized products or search goods for which online retailers contribute little value added are the ones that are most suitable for the Web market. The perceived risks associated with making more sophisticated choices through the Internet is a barrier currently hindering the sales of other types of products.

However, consumers are expected to become more accustomed to the online shopping environment in the near future as most studies commonly project. The risks they currently perceive are likely to decline and this will increase the variety of goods being purchased from the Web market. One very profitable and useful research stream would be to identify which products will make a leap in terms of the online selling potential they carry for the near future. As customers usually lack foresight about their own needs and cannot make accurate long-run forecasts of their own behavior (Harari, 1999), it is the task of researchers to find this out and open the road for marketers who want to invest in the future B2C market on the Web.

*Online Brand Management and Brand Loyalty*- There are many valuable studies that have examined some of the important aspects of brand management in an online context. One such group of studies question how to manage and strengthen brands in the online environment. McWilliam (2000) has focused on the utilization of online communities for this purpose while Chiagouris (2000) advocates the criticality of successful relationship-building activities. The common finding of similar studies is that the personalization value and community-like environment of a Web site and the level of customer participation encouraged by the online business are essential components of creating brand loyalty in the online environment (Holland and Baker, 2001). Actually, customer participation and C2C interaction can be so important that the number and tone of messages on a discussion forum may have a significant impact on the evaluation of the relevant brand and attitude toward the online business (Chiou and Cheng, 2003). This instigates an interesting point: In the offline environment, there are a higher number of cues a consumer can use to evaluate a brand. When the same consumer goes online, most of the visual or tangible cues that assist that person to make brand evaluations disappear – leading him/her to rely on what others have to say about the company or the brand.

The major functions of brands for Internet businesses have also been studied and the ones that are most commonly referred to are: lowering search costs, building trust, and communicating quality (Gallaugh, 1999). Although most studies praise these advantages, there are arguments about the questionable value and usefulness of brand-based differentiation in an online context. According to this view, alternative competitive advantages such as cost reduction through commoditizing products (Mathwick et al., 2001) might be much more meaningful. However, studies showing the importance of brand evaluations on people's attitudes toward Web sites or the importance of the branding potential of Web sites have received more acceptance and deserve even further attention (Balabanis and Reynolds, 2001; Simeon, 2001).

Two research streams can be identified for this area. One of them is the importance of managing brands and creating brand loyalty for pure click companies. As traditional brand management is based heavily on the integration of multiple marketing communication media in the offline environment, it is important to identify how brands can be effectively managed for purely online companies. The other research avenue is the transfer of brand value from an offline context to the online environment. Researchers who focus on the ways of creating a consistent brand image and effectively using the Web as a part of the integrated communications plan of a brick-and-click company will contribute greatly to the online advancement of originally offline businesses.

*Services* - Services is a relatively ignored area of the Internet marketing literature. Although service industries represent very promising markets for the online environment, little has been done to identify service classifications and assess the online potential of various service types. Similarly, online service quality has been han-

dled in very few studies. There have been rare attempts to identify the differences between online and offline service levels or to determine which dimensions of service quality are more important for Internet purchasers versus non-purchasers (Koch and Cebula, 2002; Yang and Jun, 2002). However, many further studies are needed to understand the various aspects of service industries in an online context. Still another very important research topic is the e-scapes which has been studied by Koernig (2003). It is essential to understand the dynamics of the online service encounter and how the value of the service can be developed in the cyber environment just like it is done in the real world of marketing.

### **Pricing in an Online Context**

Pricing is a rapidly emerging topic of interest in the e-marketing literature. This can be attributed to this element's adaptability to the dynamic nature of the Web. Commonly handled subtitles relevant to online pricing emphasize the competitive power of price, price changes and dispersions on the Web market, auctions, and price expectations and value perceptions in the online market.

*The Competitive Power of Price* - Among the various routes marketers take to differentiate themselves on the Internet market, economic pricing is receiving heightened attention. With the increasing use of price search services, price wars are becoming bloodier than they are in the retail arena (McCune, 1999). On the other hand, some businesses still prefer to differentiate themselves based on other factors like product quality or support services such that offerings are not directly price comparable (Dickson, 2000). Actually, many studies about the factors determining online consumer behavior also show that e-companies should focus more on competing through "process-based" advantages rather than "product-based" ones. Cyber consumers are ready to pay more for more satisfying and less risky purchasing processes. As such, although there are many advocates of the idea that price is the major or even the sole factor differentiating products and services in the online market, other studies show that perfect price competition cannot be achieved on the Web (O'Rourke, 2000). Thus, determining the comparative value of economic prices versus process-based benefits is an interesting research avenue that awaits further attention.

*Price Changes and Price Dispersion* - The Web market hosts a very flexible platform to offer frequently changing prices as well as a widely dispersed range of prices for similar, even identical products. Technological opportunities such as data mining and resulting market segmentation practices facilitate these dispersions further (Koch and Cebula, 2002). Therefore, it is very common to observe highly deviant prices, even in totally homogenous product categories such as music CDs (Lee and Gosain, 2001). Besides, pricing strategies are determined as a result of the power distribution between buyers and sellers (Pitt et al., 2001), which marketers proudly call "dynamic pricing". Different strategies are created when buyers are stronger than sellers whereas alternative strategies are preferred when the reverse is true.

This might raise a very critical discussion. Consumers already perceive quite high levels of risk in online shopping activities. While many studies show that security problems constitute a considerable part of this risk, an equally important question mark on the buyer's mind is whether he/she will make the correct choice in a borderless market with endless product and price variety. Therefore, research attempts to discover the situational disadvantages of dynamic pricing applications and how much consumers favor this opportunity are highly needed.

*Auctions* - The topic of auctions, a special pricing application, is open for research from various perspectives. It has an economic value, a psychological dimension, and a strategic side. The studies encountered about this popular commercial mechanism focus less on the economic value, which is mostly questionable. While consumers can be offered surprisingly low prices in the case of reverse auctions where they make prices rather than take them (Pitt et al., 2001), auction types in which the company is more powerful may not be very profitable for consumers. An automobile, for example, can be priced higher in an auction compared to the real marketing environment (Lee, 1998). In other words, the major issue about auctions is not who wins and who beats. It is more about the surprising popularity of a dynamic purchasing mechanism like this, which is its psychological dimension rather than economic value.

Actually, there are many difficulties to succeed in this way of doing business and it accommodates many pitfalls for companies as well as consumers (Kwak, 2002) but the popularity of sites running these businesses is worth attention. Auction businesses should be managed very carefully since they include many dynamics dif-

ferent from traditional businesses and other online retailers. A notable study has been performed by Becherer and Halstead (2004) to discuss the creation of strategically correct marketing mixes for online auction companies. This is an initial attempt waiting to be supplemented by many other researchers.

*Price Expectations and Value Perceptions in the Online Market* - Most of the studies about online pricing emphasize the quantitative value of price and the arithmetic games played on this element. However, it is important to study the antecedents of price expectations and value perceptions in an online context. Certain factors in the electronic retailing environment facilitate the formulation of price expectations (Grewal et al., 2003). Researchers need to investigate the value of price as a “quality positioner” in the online environment and find out how the same price can mean different things to different consumers on the Web market. The literature about the abstract value of online prices determined according to the conditions surrounding it is an area that needs to be researched.

### **Distribution and Intermediaries**

The changing structure of intermediation is one of the most important dilemmas facing firms after the emergence of the Web market. While there are studies that point out how the number of intermediaries will decrease and how their functions will become outdated, others discuss the possible problems that will arise out of this development.

A very common discussion in the e-marketing literature is that disintermediation will be widespread and electronic markets will automatically reduce the need for brokers (Gallaughier, 1999; Choudhury et al., 1998). It is possible to argue that the Web market can really fulfill most of the four specific missions of retailers: bringing the right product, at the right place, at the right price, and at the right time (Christensen and Tedlow, 2000) with the time function remaining as an exception for physical offerings. With this point of view, the number and functions of intermediaries may be expected to decrease substantially in this revolutionary medium.

Contrary to the excitement that intermediation will be reduced or totally abandoned, many studies have concentrated on the importance and variety of the functions performed by different types of intermediaries and the manufacturers’ possible incompetence in performing these functions. There are many logistical and inventory-based functions conducted by middlemen. They also play the essential roles of adding value, providing information to various parties, creating a convenient shopping environment, and reducing uncertainty. Designing the systems that can perform all of these activities digitally is both very difficult and very costly especially since this logistical system must allow firms to deliver products efficiently and inexpensively at an international level (Alba et al., 1997; Palumbo and Herbig, 1998; Anderson and Anderson, 2002). Thus, the Internet should not be expected to rebuild the established supply chains of companies totally. Although most companies perceive this environment as having a positive supplementary impact on supply chain relationships, it does not re-structure their systems totally but may add to the value created by the system with its unique advantages (Zank and Vokurka, 2003). Berghel (2000) summarizes this point by saying that predatory disintermediation that migrates away from the concept of adding value and establishing closer links with customers is a big threat signaling the destruction of another value-added industry.

### **Online Advertising and Communication Activities**

The information-based, technological and continuous communication opportunities hosted by the Web make it a fruitful environment for advertising and marketing communications. Many notable studies about this topic can be encountered in the e-marketing literature.

*Comparison Between Traditional Advertising and Communication Media and the Internet* - There are significant differences between online and offline environments as marketing communication media. The Web hosts many advantages such as huge amounts and unlimited delivery of information, the ability to target specific groups or individuals, and interactivity (Yoon and Kim, 2001). However, the effectiveness of this communication environment is not an adequate condition for profitability. Therefore, some researchers have rightfully questioned whether the traditional connections between advertising, store visits and sales are valid for the Internet environment (Ilfeld and Winer, 2002). This field of research can be advanced by analyzing how the unique contextual elements surrounding the Web market such as interactivity, perceptual or social realism can challenge the existing models of communication (Lombard and Snyder-Duch, 2001). This will assist greatly in adapting real-life models to the cyber environment.

*Attitudes Toward Online Advertising* - Attitude toward advertising is a frequently visited and widely investigated topic in the marketing literature. However, traditional models measuring this construct have not been adapted to the online context to measure attitudes toward Internet advertising. One study replaces attitude toward the Web site for the classical attitude toward the ad construct and measures the effect of various site features on individuals' attitudes toward the Web site (McMillan et al., 2003). At a deeper level, studies aiming to determine the precedents of advertising value and conceptual models that delineate the consumer-controlled and advertiser-controlled effects on the outcomes and responses of consumers can be observed (Ducoffe, 1996; Brackett and Carr, 2001; Rodgers and Thorson, 2000).

An issue that yet remains uninvestigated is the comparison between consumers' attitudes toward online and offline advertising. Such attempts will shed a light on a very important question: Are individuals' attitudes toward online advertising formulated based on their overall attitudes toward marketing communication activities or do people's attitudes toward ads differ in online and offline contexts?

*Online Advertising and Communication Tools* - Various studies examine the use and effectiveness of specific online advertising and communication tools but there are many conflicting results in this research area. While banner ads, for example, are found to be highly effective even without click-through (Briggs and Hollis, 1997) in some studies, they seem to be losing their effectiveness due to the absence of adequate and relevant content and information in others (Philport and Arbittier, 1997).

Recent examples really show that Net users have become resistant to banner ads and that click-through rates are dropping (Lefton, 2001 c.f. Koch and Cebula, 2002). This leads researchers to consider the reasons of what can be called "banner ad blindness" and investigate the effectiveness of alternative communication tools. Marinova's (2002) study about how permission e-mail marketing can be used as a means of targeted promotion in the hospitality industry or Prior's (2000) statement about the targeting power and cost-effectiveness of e-catalogs are examples of some of the tools whose effectiveness can be tested. One other online promotional activity that is also attracting attention is coupons. Fortin (2000) performed a study about coupons testing the applicability of classical attitude-behavior models to the utilization of this tool in the online market. A research study covering the comparative effectiveness of such promotional tools in general will contribute greatly to the literature.

*Online Visibility and Traffic Building* - For an effective online presence, creating visibility and building meaningful traffic is just as important as advertising and promotion activities. Especially, affiliate marketing is a very efficient tool to increase the number of visitors to a Web site. Studies about this topic have mentioned the importance of building a successful affiliate marketing network and selecting the correct partners for effective traffic (Hoffman and Novak, 1996; Papatla and Bhatnagar, 2002).

Analyzing the determinants of online visibility and the ways to supplement it with offline tools and media is also a very important issue raised in the literature (Dreze and Zufryden, 2004). It might be much more effective and efficient to invest in online visibility by supporting a company's cyber existence with offline communication tools that have a higher reach. This might contribute to increasing the interest of the resistant offline consumer group toward the online market in general, and thus, might serve a larger purpose with a higher impact. Therefore, studying the integration of offline and online communications and its effectiveness is a very crucial topic of investigation in the e-marketing literature.

*Advertising Effectiveness in an Online Context* - It is difficult to determine a consistent and accurate measure of the effectiveness of online campaigns. Sometimes, conceptual measures are preferred and the success of online campaigns are assessed according to how much information could be conveyed or how much marketers have made use of the advantages or limitations of the electronic medium in mind (Shepherd and Fell, 1995). In other studies, the effectiveness of interactive advertising has been measured with partly qualitative outcomes such as satisfaction, trust, persuasion, quality of decisions, decision efficiency, sales and return reduction, brand equity and benefits to the consumer (Pavlou and Stewart, 2000).

On the other hand, more technical and concrete measures are also required to assess the effectiveness of online advertising activities. Web visitor tracking, time spent at each page, the link through which each Web

visitor enters a site, click-through rates, cost per click, cost per impression, return on investment, contact efficiency, conversion efficiency, retention efficiency, overall Web site efficiency are some of the criteria proposed and used to evaluate Web site and advertising effectiveness as compiled from many studies (Quelch and Klein, 1996; Goodwin, 1999; Berthon, 1996). There are further attempts that dive deeper into different methods of tracking the responses of Internet audiences and explain the process of measuring as well as the different methods used and the importance of metric figures (Coffey, 2001).

Conceptual, qualitative, or quantitative – all measures of effectiveness currently considered aim to reach a conclusion by observing immediate short-term effects. However, online advertising is a very novel communication medium and it might be too early to assess its effectiveness and reach dead-end conclusions at this stage. If a long-run perspective could be developed, studies might produce much more promising results for the future. This is an issue that needs to be investigated by researchers further on.

*Ad Spendings* - If the cyberspace provides such a fertile ground to plant company communications in, e-businesses can be expected to spend a lot of money for advertising and promoting in this medium. The high and rapidly increasing amounts of money spent for Web advertising confirm this expectation. Although some researchers argue that figures will show a sudden drop as investments will be re-directed toward traditional media (Dumiak, 2000), others disagree and assert that the cost of promoting and marketing products and services on the Internet are still very low compared with the costs of traditional media (Corbitt, 1996 c.f. Palumbo and Herbig, 1998).

Maybe more important than the increase and decrease in the amount and rates of advertising is the returns produced by these attempts which can be assessed with measures like attraction, reaction, interaction, transaction, and sales (Ephron, 1997). In short, the efficiency of ad spendings can be determined only if the return on the investment can be correctly measured.

*Web Sites as Advertising and Communication Environments* - The mere presence of the company and the address of its presence, called “the Web site”, is one of the most effective and critically important communication tools it can utilize. Web sites are frequently mentioned as the online marketers of a company serving important roles like image creation or image enhancement (McCune, 1998; Sullivan, 1999; Schultz, 1997). Actually, the Web site of a company is such a powerful tool that it conveys huge amounts of information cost-effectively, creates attitudes and action, triggers brand and product awareness and communicates company and brand image all at the same time (Leong et al., 1998), which is a portfolio of benefits that cannot be expected easily from any offline advertising or promotion tool.

One increasingly popular issue deserves special attention. The visual appeal, creativity and attractiveness of Web sites are very important characteristics that influence product choices and purchases for both novice and expert users (Mandel and Johnson, 2002). Thus, it is possible to say that “store atmospherics”, a concept that seems to be totally specific to the real marketing environment finds an alternative application in an online context, too. As a matter of fact, the entertainment value and the interactivity of a Web site’s content has already proven to be strongly influential on consumer attitudes toward and behavior on the Web site (Raney et al., 2003). This necessitates further studies to find out how to design memorable online store experiences.

*The Importance of Making the Web a Part of Integrated Marketing Communications* - The ongoing interest in topics about online advertising and communications is very beneficial for the advancement of our knowledge about e-marketing. However, there is a critical underinvestigated point that should receive rapid attention. Web-based advertising and promotion attempts cannot carry companies very far if they are not integrated into the overall marketing communication plans of firms (Sinden, 2001). Marketers need to see beyond the Web site and build an “integrated” online marketing strategy of which Web sites and interactive advertising are only tools. Messages, media and delivery routes all need to be synchronized in correspondence with each other so that Internet advertising serves its critical role of facilitating integrated marketing communication plans and strategies (Schumann et al., 2001). Although advertisers recognize the Web as a valuable addition to their toolbox of advertising media (Sheehan and Doherty, 2001), this synthesis has not yet been achieved and current attempts to make this integration are at an inadequate level.

#### **QUESTION 4: HOW ARE THE MAJOR PLAYERS OF THE MARKETING FIELD, CONSUMERS AND FIRMS, INFLUENCED FROM THESE DEVELOPMENTS?**

All marketing transactions require the existence of at least two parties. Thus, the discussions about the changes introduced by the emergence of the online marketing environment will remain incomplete with a uni-perspective approach. It is essential to examine the state of events from the consumer and firm perspectives at the same time in order to fully understand the impact of this major development on the marketing world.

##### **Online Consumers and Consumer Behavior**

The number of studies handling consumer-related aspects of the e-marketing medium is unmentionably high. One group of studies concentrate on identifying the characteristics of online consumers. Individuals' shopping behavior and purchasing processes have also received much attention from researchers. Since selling products is not the only goal of e-marketers, consumer satisfaction and loyalty have also been studied in the literature. Finally, attempts toward model building studies attempting to explain online consumer behavior are briefly reviewed.

*Major Characteristics of Online Consumers* - Drawing the profile of the current and potential online consumer community is a major concern both for researchers and online marketers. Similar studies have been done in the past, too, to identify the common characteristics of consumers interested in non-store retailing. Some quite far-dated studies of the marketing literature enlighten the major differences between consumers who adopt and those who avoid non-store shopping. The results achieved by various studies were not always consistent though. Some researchers found that in-home shoppers are characterized by high income, high education, and high status occupations but are not significantly different from others in terms of age and family size (Berkowitz et al., 1979) while others have shown that at-home shoppers tend to be young, better educated, innovators and heavy users of technology in general (Moschic et al., 1985).

Lifestyle and behavioral characteristics were also found to differentiate in-home shoppers from others in many studies. In-home shoppers are characterized as individuals or families with little leisure time, valuing convenience more than price. Entertainment-oriented shoppers attaching more importance to product quality and reliable delivery are not interested in non-store shopping formats (Berkowitz et al., 1979; Quelch and Takeuchi, 1981).

Looking at more recent work, it is easy to see that not much has changed. The typical Internet user of the 20<sup>th</sup> century is young, professional, and affluent with higher levels of income and higher education (Palumbo and Herbig, 1998). They value time more than money which automatically makes the working population and dual-income or single-parent households with time constraints better candidates to be targeted by non-store retailers (Burke, 1997). Actually, both demographics and personality variables such as opinion leadership or risk aversiveness are very important factors that are considered in studies trying to determine the antecedents of Internet purchases (Kwak et al., 2002). Confirmatory work shows that income and purchasing power have consistently been found to affect consumers' propensity to shift from brick-and-mortar to virtual shops (Comor, 2000).

Internet usage history and intensity also affect online shopping potential. Consumers with longer histories of Internet usage, educated and equipped with better skills and perceptions of the Web environment have significantly higher intensities of online shopping experiences and are better candidates to be captured in the well-known concept of flow in the cyber world (Sisk, 2000; Hoffman and Novak, 1996; Liao and Cheung, 2001). Those consumers using the Internet for a longer time from various locations and for a higher variety of services are considered to be more active users (Emmanouilides and Hammond, 2000).

As Bellman et al. (1999) mention, demographics are not so important in determining online purchasing potential. Whether the consumer has a wired lifestyle and the time constraints the person has are much more influential. Risk taking propensity is also a powerful factor. E-shoppers have higher risk taking tendencies. Consumers with high levels of privacy and security concerns have lower purchasing rates in online markets but they balance this characteristic with their quest for making use of the information advantage of the environment (Kwak et al., 2002; Miyazaki and Fernandez, 2001). These educated individuals, as more confident

decision makers, are much more demanding and have greater control over the purchasing process from initiation to completion (Rao et al., 1998).

The literature about the major characteristics of online consumers is crowded but inadequate. As Swinyard and Smith (2003) mention in their study where they attempt to determine the life style-based differences between online shoppers and non-shoppers, serious academic attempts focusing on the impact of psychographic antecedents determining online buying behavior are needed. There are rare contributions to this part of the literature such as Koyuncu and Lien's work (2003) in which they have shown that even sexual preference can play a role. Mathwick (2002) has also made a notable contribution by using communal norms (concern for the welfare of others without an expectation of repayment), exchange-oriented norms (relationships and interaction with the expectation of future benefit) and online behavioral patterns to categorize online consumers into four behavioral typologies. Such categorizations using Web-based behavioral patterns as the major dimensions of differentiation is an area requiring extensive research.

*Online Shopping Behavior* - Identifying pre-purchase intentions of consumers is the key to understand why they ultimately do or do not shop from the Web market. One stream of research under online consumer behavior consists of studies that handle the variables influencing these intentions. A compilation of some of the determinants researchers have examined are: transaction security, vendor quality, price considerations, information and service quality, system quality, privacy and security risks, trust, shopping enjoyment, valence of online shopping experience, and perceived product quality. (Liao and Cheung, 2001; Saeed et al., 2003; Miyazaki and Fernandez, 2001; Chen and Dubinsky, 2003).

The list of factors having a positive or negative impact on consumers' propensity to shop do not seem to be very different from the considerations encountered in offline environments. However, the sensitivities individuals display for each variable might be very different in online marketplaces. Factors like price sensitivity, importance attributed to brands or the choice sets considered in online and offline environments can be significantly different from each other (Andrews and Currim, 2004). Uncertainties about products and shopping processes, trustworthiness of the online seller, or the convenience and economic utility they wish to derive from electronic shopping determine the costs versus the benefits of this environment for consumers (Teo et al., 2004). Further studies aiming to complete the full set of factors influencing consumers' prepurchase intentions are still much awaited.

*The Online Purchasing Process* - Many studies frequently mention that there is a vast amount of window shopping taking place online but the number or the rate of surfers who turn into purchasers or regular buyers are very low (Mayer, 2002; Betts, 2001; Oliver, 1999). This might happen because of the lack of consumer intention to purchase an offering from the online environment at the outset. It might also happen because of various problems that arise during online shopping driving the consumer to abandon the task in the middle. Therefore, while one stream of research should identify the reasons behind the purchase-reluctance of consumers, another area of concentration should be why people abandon their shopping carts and stop the purchasing process in the middle. Such attempts can help to understand how to turn surfers into interactors, purchasers, and finally, repeat purchases by making them enter into continuous interaction with this environment (Berthon, 1996).

Common reasons for purchase reluctance are the difficulties and costs of distance shipping, inadequate amount of purchase-related information, troubles experienced after the purchase such as delivery or refund problems, general security fear, and various perceived risks such as financial, product-related or psychological risks (Mayer, 2002; Chen and He, 2003). On the other hand, the reasons of abandoning purchases are much more technical - such as unexpected shipping costs or transaction complexity (*Harvard Business Review*, 2000). In other words, some consumers accept to shop from the Internet in principle but technical complexities or ineffective systems discourage them.

Regardless of the pessimistic state of events, marketers should not be hopeless about the future. Once the risks consumers perceive about shopping through the Web are reduced, the environment still promises a high potential for selected consumer segments. Studies show that consumers who search for product-related information through the Web have stronger intentions to make purchases online (Shim et al., 2001). Therefore, building on the information advantage can be expected to pay off in the future. Constructing effective decision

support systems and assisting consumers with interactive decision tools are also successful attempts that need to be developed further (O'Keefe and McEachern, 1998; Barber, 2001). However, investing on the pre-purchase stages of the decision making process is not adequate. Developing and testing the effectiveness of specific "selling" strategies and tactics for the cyber market are also crucial. Studies that focus on currently unavailable but possible tools of cyber shopping in the future, such as the use of artificial shopping agents that work on behalf of consumers in the online market (Redmond, 2002), are also very valuable efforts enlightening the road for future studies.

*Consumer Satisfaction and Loyalty in the Online Market* - Investing in consumer satisfaction from the online experience and creating brand or site loyalty are critically important for companies that want to have a long-run presence on the Web.

There are two approaches taken to induce loyalty into consumers in an online context. One approach is to focus on concrete factors. For example, creating a convenient and well-designed online store and offering secure transactions are the keystones of satisfying e-consumers (Szymanski and Hise, 2000). However, all satisfied consumers do not become loyal. Personalization attempts and increasing the social value of online experiences are very important to make consumers build strong brand relationships in the cyber world. Although Nunes and Kambil (2001) argue the opposite, some studies find that personalized Web sites and customer communities are highly influential on the consumer-brand relationship especially for experienced Internet consumers (Thorbjornsen, 2002). Besides, businesses that can create trust and increase the perceived value of online shopping can turn their satisfied consumers into loyal ones in the e-marketing environment, too (Anderson and Srinivasan, 2003). The online environment accommodates so many opportunities for creating loyalty that even offline offerings can be effectively facilitated with supporting after-sale services provided through the Web (van Riel et al., 2004). This title is a very fertile area to work on. Determining the factors creating and enhancing loyalty in the online market and discovering how different loyalty mechanisms or benefits might work for different types of products or Web sites could contribute greatly to this part of the literature.

*Models and Theory* - There are certain attempts to adopt classical attitude-behavior models to explain online consumer behavior. Theory of reasoned action and, consequently, theory of planned behavior are the most commonly used models aiming to determine the impact of beliefs, attitudes, and social factors on online purchase intentions. Yoh et al.'s (2003) attempt to apply theory of reasoned action (TRA) for apparel shopping on the Internet is one such successful example. Some of the other models used in similar studies include the Technology Acceptance Model (TAM) and Flow Theory which are integrated in Koufaris's (2002) study, and Social Cognitive Theory (LaRose and Eastin, 2002). Gentry and Calantone (2002) compare theory of reasoned action (TRA), theory of planned behavior (TPB) and technology acceptance model (TAM) with respect to their effectiveness in explaining consumers' shop-bot use on the Web and find technology acceptance model (TAM) to be superior to others. Further applications and adaptations can produce very fruitful results. Modification attempts that aim to explain how these traditional models can be applied to an online context can result in the creation of generally accepted frameworks that explain online consumer behavior in the future. Researchers interested in model building type of research are welcome to contribute to the literature with such attempts.

### **The Business Perspective: Important Issues About Firms**

The literature about e-marketing has quite a wide range. Just as much as the effort spent to understand the consumer perspective, significant level of attention has been directed toward the firm-side of the e-marketing world. The most conspicuous subtitles about the firm-perspective of the topic are handled in this section.

*Scope and Type of Activities Firms Can Perform in the Virtual Environment* - Significant effort has been shown toward understanding the scope and types of activities firms can perform in the virtual environment. Making use of the information-based advantages of the Web is one major transactional area. Companies can communicate continuously with their business partners and consumers, get and disseminate information, and solve business problems immediately and effectively through the use of advanced information technologies; thus exchanging sectoral information so easily becomes an important source of efficiency for any online company (Emerick, 1996; Eder and Darter, 1998).

The Web can also be used for communicating company image and philosophy. Firms can establish an online presence, give information about themselves and their offerings and promote their philosophies very effectively through the Web (Palmer and Griffith, 1998; Palumbo and Herbig, 1998).

Besides these information-based transactions, the functional advantages of the Web market are also innumerable. Companies can perform almost anything they do in the offline market in an online context. A compilation of the commonly mentioned activities include taking and placing orders, following new business opportunities, B2B marketing, consumer research, promoting and advertising offerings, increasing brand awareness, communicating with other firms, bypassing traditional channels and augmenting traditional markets, boosting service and auctions (Palmer and Griffith, 1998; Palumbo and Herbig, 1998; Senn, 1996; Emerick, 1996).

However, as firms get more experienced in their use of the Web, they have the chance to turn it into a strategic opportunity rather than keep on making use of it tactically to supplement or perform daily business activities. Thus, it is essential to shift the focus of firm-oriented research toward understanding the strategic value of the e-marketing environment rather than sticking to its short-term tactical benefits.

*The Strategic Value of E-Marketing* - As Kline and Mehta (2001) creatively state, there is a shift in the current online vision of firms from “how to get in the game” to “how to play the game”. However, many studies emphasize what firms can do online and the advantages and disadvantages they will experience, adequate effort has still not been shown toward formulating a strategic perspective of the e-marketing environment.

To determine and increase the strategic value of e-marketing, it is first essential to identify which strategic business dimensions can be carried out on the Web. This discussion is slightly different from the scope of activities firms can perform in an online context. At the tactical level, an online and offline business can run very parallel but strategically, it is not easy to argue such parallelism. There are optimistic views stating that the Web can be used to enhance companies' positions in strategic areas such as innovation, production and service management, management of market segments and niches, marketing and sales management, research and development, and inventory management (Karakaya and Karakaya, 1998; Kambil, 1995; Prakash, 1996). However, concrete performance measures have to be developed to assess the success levels of such strategic activities in an online context. Some of the proposed measures that can be used for this purpose are asset productivity, shareholder value, growth, survival, and cyberspace usage (Garbi, 2002). Developing a more comprehensive list of such measures is essential.

Although the Web is, by now, an integral part of all marketing activities already performed in a company, it is obvious that the traditional offline strategies employed by firms may not be mirrored to the online world as this medium has unique characteristics requiring special theoretical and practical consideration. However, there is a very important gap in the e-marketing literature in the area of studies aiming to develop marketing strategies specific to the online environment. For this purpose, the first step to take is identifying the traditional marketing strategies and concepts that are applicable in an online context as well as those that need to be abandoned or modified such as Merrilees's (2001) work where the applicability of generic marketing strategies and competitive market positioning in an online context is discussed. This requires the preparation of extensive, integrated and long-run online business plans rather than sketchy approaches taken to save the day (Watson et al., 2000; Bertsch et al., 2002). Actually, just like the case with real marketing activities, the success of an electronic business mainly depends on having developed a sound plan and strategic route (Golden et al., 2003).

*Advantages and Disadvantages of Going Online* - The excitement created by the unique and innovative characteristics of the Web created a tendency to focus on the advantages created by the medium at first. However, contrary points also emerged rapidly and the pros and cons of going online began to be discussed simultaneously.

The operational advantages of being online mentioned by many studies create an extensive list: becoming easily accessible from different parts and time zones of the world, being introduced to global business opportunities, decreased red tape in international operations, possibility to conduct personalized, effective and interactive advertising, the availability of marketing research and analysis tools, lower capital and overhead

costs, lower operating costs, decreasing cost of capital, tax advantages, increased efficiency in business-to-business transactions, flexible ordering, better order tracking, leveling the playing field with other firms, enhancing the firm's image by appearing to be on the cutting edge of technology, and reaching a larger audience of prospective clients (Paul, 1996; Rosen and Howard, 2000; Rozgus, 2000; Elfrink et al., 1997).

However, the disadvantages of going online are just as prevalent and, therefore, the authors of studies that discuss the pros of e-business have shown an equal effort to note the negative sides of going cyber. Privacy and security problems, various operational, strategic and cost-based disadvantages, the difficulty of controlling online transactions and measuring outcomes, high costs of entering e-business, the difficulty of setting prices at an international level, intensified competition, cultural differences, differences in international trade laws, changes between the telecommunication infrastructure and technical standards of different countries, high costs of individual delivery, the difficulty of dealing with virtual transactions, problems about disintermediation, the fear of technology most consumers experience, the lack of socialization and tactility are only some of the most commonly encountered disadvantages of becoming an online business (Paul, 1996; Rosen and Howard, 2000). Therefore, companies need to implement a strict structure to determine the costs and the financial outcomes of going online in order to be sure that the pros exceed the cons for their business and firm (Zeller and Kublank, 2002).

The list of the advantages and disadvantages of becoming an online business is quite long. For many companies, Internet-based plans are not yet a priority because of costs, system incapacities and the fact that their external partners cannot participate in the e-business environment yet (Roth, 2000). In other words, e-commerce is the sweet spot but transforming into a real electronic business is the critical and difficult part of all this excitement (Higgins, 1999).

*Comparison of B2B and B2C Markets* - Business-to-business and business-to-consumer markets carry important differences from each other in an online context. Most statistical figures comparing the volume, spendings and percent of commercial transactions show that the Web market is a more promising medium for business-to-business transactions and that B2B activities will continue to dominate the e-marketing environment (Friel, 1999; Oliver, 1999; McCune, 1999; Partick, 1999). One of the main reasons behind this dominance is the fact that the Internet reduces the cost of buying and selling and accommodates supply chain irregularities and imbalances which cannot be managed so easily in real marketplaces (Banham, 2000). Although many businesses have failed in transforming their Web sites into profitable commerce machines, they have succeeded in turning them into highly productive supply chain tools (Craig, 2000). However, system integrity is very important to be successful in managing such B2B operations and compatibility of information systems among all partners in the B2B system is the key to success (Falcioni, 1999).

Meanwhile, the similarities between the purchasing behavior of B2B and B2C buyers should not be ignored. Just like B2C purchasers, buyers in the B2B environment are also innovative and convenience-seeking companies and they prefer the Web for simple new purchases or routine reorders rather than modified reorders or complex new purchases (Kennedy and Schmelz, 2001). Similar to what has been discussed for the B2C context, the importance of adopting a strategic perspective becomes critical for being successful as a B2B player on the Web environment (Erickson and Rothberg, 2002). Without sound strategies and plans to implement, becoming a profitable B2B business is very difficult.

*Suitability of the Web for Small Businesses* - The Web carries significant advantages for small businesses and entrepreneurs. These entities may find the opportunity to expand their businesses through online channels with very low entry barriers and reach large markets that would never be accessible to them in an offline context (Hormozi et al., 1998). Gathering intelligence on the industry, competitors, their strategies, and potential markets, searching out information on possible products to offer, new suppliers or resources, expanding market access, creating immediate awareness of their offerings, gaining access to key decision makers by bypassing gatekeepers, positioning themselves on equal footing with large companies, and serving niche markets that are usually ignored by larger competitors are only some of the most important strategic advantages they gain by becoming an electronic business (Dandridge and Levenburg, 2000). Therefore, although small and medium enterprises do not have an established place in the Internet economy yet, they can be expected to become an integral part of the electronic business and marketing environment in the years to come.

*Brick-and-Clicks or Pure Clicks* - The tendency to assess the advantages and disadvantages of brick-and-click companies in comparison with pure-click ones is quite common. Although it is not wise and easy to make a generalization about this issue, brick-and-clicks are generally attributed greater chances of success compared to pure-clicks. The reason is that pure e-tailers cannot leverage the key fundamentals of retailing efficiently enough to achieve or sustain profitability over the long term (Bellman, 2001). Such fundamentals include fulfillment, service, inventory, warehousing, and distribution (Lisanti, 2000). On the other hand, some pure-clicks also achieve great customer acceptance and online market success because of the flexibility they have as totally online businesses and the full concentration they can devote to their electronic presence. Thus, if brick-and-clicks and pure-clicks can merge their competitive advantages, successful joint ventures can be created.

However, online success does not necessarily depend on owning established operational systems. Brick-and-mortar companies that are driven to make e-commerce investments out of the fear of being left behind competition cannot integrate e-operations and information systems into their traditional structure (Barnes et al., 2003). Easy adaptation to the dynamics of e-marketing and establishing the necessary systems to run an electronic business can be summarized as the two major keys of online success for all types of companies.

*Global / International Businesses in the Online Environment* - The Web opens the doors of all businesses and consumers to the entire world and creates a convenient platform to conduct international marketing activities. Homogenous customers, economies of scale, leading market customers, low communication costs, low entry barriers, low regulation barriers, and information advantages are only some of the most prominent benefits offered by the Web to conduct global operations (Globberman et al., 2001; Palumbo and Herbig, 1998; McCune, 1996; Lin, 1997). Thus, large multinationals are losing their size advantage as the same opportunities are made available to large and small companies worldwide through the cyber market (Quelch and Klein, 1996; Sterrett and Shah, 1998).

However, this should not mean that foreign market expansion is an automatic result of going online. Firms can end up at different levels of internationalization on the Internet ranging from a very limited level to a widespread global one (Petersen et al., 2002). There are many problems that companies can face during this globalization period, too. Language and political barriers, intercultural problems or the threat of not being able to run an international business because of a domestic structure and limited capabilities can be very problematic issues (Lin, 1997; Gray, 1996; Sheldon and Strader, 2002). Firms may also have difficulties handling standardization issues, financial and transportation problems, and legal factors affecting their business.

Cross-country comparison studies are also quite popular in the e-marketing literature. Researchers have tried to draw the profiles of Internet buyers in different countries. The common conclusion drawn from such attempts is that it is not possible to talk about "the typical Internet consumer". There are significant differences between the characteristics and perceptions of Internet shoppers between countries (Lynch and Beck, 2001; Lynch et al., 2001; Lee, 2001). This generates the necessity to conduct cross-cultural studies to understand the dynamics of these differences.

## CURRENT ISSUES IN INTERNET MARKETING

As the discussions until this point clearly show, Internet marketing has become a new avenue for examining many of the traditional principles, models and theories of marketing with a different perspective. However, there are many studies that tackle more current issues in an online context and cannot be grouped under the other major headings in the framework. Therefore, they are compiled in this final section as hot topics receiving research attention in recent years and deserving further contributions.

### **e-CRM: Building Successful Customer Relationships Online**

The Web market possesses the potential to collect personal information about consumers and respond to them in an individualized manner, which is the most fundamental requirement of any CRM plan. This opportunity has triggered the need to explore how customer relationships can be built and maintained in the online environment. This topic has attracted the attention of the business world just as much as marketing academia and

the interest in e-CRM has generated the production of popular publications with titles like *customers.com* (Seybold, 1998) or *loyalty.com* (Newell, 2000).

Adopting and implementing online CRM systems have innumerable advantages. Reduction in customer service costs, tightened customer relationships, personalized marketing messages, and mass customization opportunities are some of the benefits offered to customers through e-CRM applications (Johnson, 2002). Research findings show that customers attribute great importance to being satisfied during and after the sales process compared to the importance they attach to satisfaction from the purchased offering (Khalifa et al., 2002). This heightens the criticality of investing in e-CRM and managing the experience of the customer successfully (Seybold, 2000).

Just like the real marketing environment, there is an enormous difference between the costs of acquiring new customers compared to retaining current ones in the online environment (Hoffman and Novak, 2000). However, online marketers have a significant advantage with respect to the returns they get from investing in customer relationship management activities. Cyber customers are more willing to be loyal in order to reduce the risks of online shopping, thus, the probability that they stick to an online vendor is higher once they are satisfied (Khalifa et al., 2002; Reichheld et al., 2000).

This should not mean that it is easier to achieve magic results from customer relationship management systems in the online marketplace. One of the important keys to succeed is to integrate CRM systems with the other knowledge management or information technology systems that a company has (Bose and Sugumaran, 2003). It requires the intelligent application of technology and a conglomeration of different e-business systems utilized in a company (Ragins and Greco, 2003). This opens another research area for studies about the different levels, types, and strategies of CRM solutions that can be applied to different customer groups, for various types of businesses and situations.

### **The Anti-Socialization Debate**

One of the major paradoxes of technology is that major technological advancements create isolation while assimilating people with a totally new and different world (Mick and Fournier, 1998). This is exactly what happened with the diffusion of the Internet phenomenon into the lives of consumers. Past research about automated retailing systems show that, this kind of shopping is a depersonalized experience and that consumers have a negative attitude toward this effect (Forman and Sriram, 1991). Besides, this problem cannot be limited to shopping experiences. At a broader level, it is also about the weakening of social bonds because of the loyalty individuals transfer to the communities in the virtual environment (Gray, 1996).

There are counter views that find this effect minor and argue that most individuals will slowly abandon “hanging out with virtual souls” in the Web environment (McLaughlin, 2000). Thus, it is possible to claim that the Web has absorbed some of the social value of shopping experiences but has successfully replaced them with “techno-social” ones. Companies can make attempts to build relationships and create online communities to replace the social exchange consumers make in real-life shopping scenarios (McWilliam, 2000). The ease of building strong relationships between consumers and companies can be attributed to the customized communication between the parties which cannot be achieved with mass media (Chiagouris, 2000). However, this still does not resolve the question about whether the Web can fully replace the social value of online shopping. Meanwhile, it is important to remember that marketers are just as threatened from the loss of social interactivity as consumers. The benefits companies might lose as a result of less social shopping could be another very interesting issue to work on.

From the consumer behavior perspective, studies about creating virtual experiences that capture consumers and give them a different form of hedonism and taste are necessary. Marketers need to know whether an alternative social experience might replace the intangible value of real-life shopping processes. There are initially valuable attempts drawn on important constructs like telepresence or studies that examine the major characteristics of virtual experiences (Klein, 2003; Li et al., 2001) but many others are needed to clarify this issue further.

### **Competition in the Online Environment**

Competitive forces of the Web are quite different from those of the real marketing environment. Size and financial power give way to technological sophistication level and successful management of discrete and distant commercial transactions fluently and securely. Hence, a home page on the Web puts any small business in the same footing as a large corporation (Sterrett and Shah, 1998) and the entity that better manages the dynamics of this novel marketplace has a greater advantage.

Since firms cannot rest on established competitive advantages anymore, the importance of identifying competitive strategies for the online environment increases. Online companies cannot achieve a secure competitive position based on one specific strength such as price or distribution control; contemporary markets necessitate competing on a multidimensional basis (Johnson et al., 1999). Therefore, there is a great need for studies that examine what kind of competitive strategies can be utilized by online companies. It is necessary to examine how existing competitive strategies employed by offline firms can be adapted by online businesses. Novel approaches might also be offered considering the specific characteristics of the online environment. One such attempt identifies the basic dimensions of an online competitive strategy as rapid movement, flexibility, and leverage (Yoffie and Cusumano, 1999) while another study analyzes competitive strategies for Internet marketers in emerging markets where technology, target markets, marketing functions and the marketing mix are handled as the four major considerations that should guide the marketers in these markets (Bandyopadhyay, 2000). However, many other attempts are needed before overall and generally applicable competitive strategies are created for the Web market.

### **Ethical Issues, Privacy and Security Concerns**

The Internet was originally designed to be an environment accommodating a free flow of communications (Paul, 1996), thus, the legal framework for Web-based transactions are incomplete, unclear or contradictory (Wijnholds and Little, 2001). There is no governing body in this platform and handshake standards are used, which can work only as long as users have an implicit agreement to cooperate and show respect for one another (Umbaugh, 1996). Although there are many governmental and non-governmental units working to develop generally applicable legal impositions and rules for the cyber market, ethical concerns and the perceived risks about privacy and security problems remain as the single most important factor deterring consumers from engaging in commercial transactions in the online market without hesitation.

*Privacy* - One of the most commonly mentioned problems about online markets is the intrusion of privacy, which refers to the improper access, collection, monitoring, analysis, transfer and storage of confidential consumer information (Bloom et al., 1994). The power of technology might be intentionally abused by marketers for the purpose of improving their market knowledge and response mechanisms. Thus balancing beneficial use of data sources with the privacy rights of individuals is one of the most challenging public policy issues of the information age (Wang et al., 1998) since consumers have to give up some privacy in exchange for the benefits of the Web (Robertson and Sarathy, 2002).

This created a tendency to discuss how consumers could be protected as well as how firms could reduce privacy and security concerns of individuals. There are many studies offering guidelines to win the trust of consumers, discussing the importance of applying FTC principles or evaluating the current technologies that can protect people from privacy and security concerns (Kiely, 1997; Gregoire, 2002; Robertson and Sarathy, 2002). The frequently mentioned FTC principles are about forewarning consumers about information collection practices, giving them the chance to decide how their data should be used, giving them access or correction choices to make them feel more secure. Gauzente and Ranchhod (2001) add the length of time for which companies can access consumers' information and the degree of intrusiveness as additional factors. It is true that there is a long list of technological tools and methods mentioned in various studies like anonymizers and crowds giving consumers the power to disguise themselves, encryption technologies for coding confidential information, digital signatures ensuring authorship, or firewalls that prevent outsiders from tapping into unauthorized areas (Cranor, 1999; Reiter and Rubin, 1999; Gray, 1996; Meeks, 1999; Cooper et al., 1996; Paul, 1996). However, most online consumers do not have the technical knowledge to understand how these tools protect them. Therefore, it is essential to communicate this information to the consumer and educate and encourage them about using these tools to protect themselves. In this respect, research that could clarify the state of consumer knowledge and the level of voluntary usage of protection mechanisms by online consumers could be very enlightening.

Some studies mention the importance of self-regulation and transparency policies that can be used to supplement technology-based tools of protection. Companies can emphasize the importance they give to doing ethical business, subscribe to regulation programs, abandon collecting unnecessary information, state all terms of contract and let the benefit go to the customer in case of doubt, provide all contact information, answer questions fast and personally, and stick to the basic privacy principles of FTC but, ideally, self regulation is preferred since universal legal control is not practical (Peeples, 2002).

These principles are impressive but adherence to them is not an adequate condition; they must be supported with the suitable technology. However, some firms are still not adopting new protection technologies since effective security products are so costly and hard-to-use (Lunt, 1996) regardless of how many consumers they might be losing through this ignorance.

A more current approach raises a lot of hopes in terms of securing Web sites and consumers: seals of approval. Although certifying companies with respect to how much they adhere to certain security standards seems to be a very effective solution, one interesting finding about this subject is quite disappointing. While seals of approval affect consumers positively in terms of disclosing more information, they do not significantly increase firms' adherence to privacy policy standards (Miyazaki and Krishnamurthy, 2002). Thus, seals reduce some of the concerns consumers have about online purchases, especially if the assurance company is recognized by the consumer, but they do not solve the security problem radically on the consumer's mind (Odom et al., 2002).

It is left to the shoulders of marketers to make consumers understand that too much fear of privacy and security problems makes it impossible to engage in any commercial activity online. If marketers do not use any tracking mechanism to record information about consumers such as cookies, it will be impossible to offer personalized offerings or services to them and the Web market will be stripped off its major advantages (Phillips, 2002; Cunningham, 2002). Though there is plenty of evidence showing that consumers with higher levels of Internet experience have less privacy and security concerns about online shopping (Miyazaki and Fernandez, 2001), novel or amateur users can also be triggered by communicating this understanding to them.

*Trust* - Trust is a highly contextual construct, therefore, identifying its antecedents for different environments is a challenging task. Various attempts have been made to uncover the factors determining consumer trust in Internet shopping, characteristics of trustworthy online transactions, and external manifestations of trust in offline environments that can be used to build trust in an online context (Cheung and Lee, 2001; Friedman et al., 2000; Cassell and Bickmore, 2000). However, some studies still argue the importance of one-to-one interaction to build trust among transacting parties since general wisdom is that trust needs touch (Olson and Olson, 2000). Conflicting views about how to ensure and measure trust in an online context generates a valuable research area. Studies that develop scales or sub-constructs that can be used specifically to measure trust for Web-based relationships and transactions would contribute greatly to the e-marketing literature.

*Counterfeiting / Protection of Digital Property* - Another threat hosted by the Internet is its vulnerability to counterfeiting especially through the choice of domain names that should be trademarked by an institution closely affiliated with that name (Stimson, 1998). The difficulty of applying trademark law in the online environment contributes to this problem (Simons, 2000). Similarly, the lack of copyright rules makes it difficult for companies to protect their Web site. Experience modification technologies which enable consumers to view those parts of Web sites they want and to ignore those they do not want to see is a simple example of how copyright rules and laws can be violated through such technologies (Rubin, 2001).

*Security Threats Firms Face* - There is a general tendency to think that legal, ethical, and security-related threats are directed by companies toward customers. In reality, firms are being exposed to just as many dangers as consumers by transacting with their customers online. The list of risks marketers take on by engaging in online commerce is extensive: transaction security, illegal activity, privacy, the difficulty of achieving the fundamental requirements of a safe electronic payment system, denial of service attacks, viruses and worms, eavesdropping on e-commerce communications by unauthorized persons, hackers, identity theft, repudiation (denial of electronic agreements), phantom transactions, content alteration by crackers, privacy leaks, pirating, setting up "look alike" Web sites, cookies and Web bugs, cyber terrorism, natural disasters, and counterfeiting

are only the most commonly encountered ones (Bush et al., 2000; Glassman, 1996; Bertsch and Flaherty, 2002). Few organizations have a full-fledged network security plan that can protect them against possible risks (Maloff, 1999). Therefore, it is essential that effective protection technologies are developed for firms. Both consumers and companies need to implement all available systems to protect themselves and each other from unwanted consequences.

### **Online Marketing Research**

The global and continuously interactive nature of the Internet makes it a very fertile platform for performing worldwide online marketing research and both primary and secondary research can easily be conducted through this environment (Karakaya and Karakaya, 1998; Kannan et al., 1998). It can be used for capturing personal, environmental, consumer and competitive intelligence through various online data collection techniques as well as applying more current and hi-tech methods such as virtual shop simulations (Bradley, 1999; Burke, 1996). Past research about multimedia computer representations shows that these techniques can realistically represent people, products, and situations (Urban et al., 1997) and that dynamic consumer behavior can be tracked just as successfully through computer-simulated environments as real research platforms (Burke et al., 1992), thus, increasing the confidence that can be built in collected data through the online environment.

The possible fertility of online marketing research triggers attention toward the advantages and disadvantages of various online marketing research techniques and how companies can utilize each tool for which purposes. Ethical issues about online marketing research are also very important topics that need to be investigated. The pitfalls of online research methods and the debate about the usefulness or generalizability of online research findings (Sheehan, 2002) are other titles that await interested parties for investigation. Thus, online marketing research is a productive title interested researchers can work on from various perspectives.

## CONCLUDING REMARKS

The purpose of performing this macro-review of the e-literature was to outline the borders of the topic, identify emerging research routes and see where the marketing academia stands against the rapid developments taking place in the cybermarketing environment of the 21<sup>st</sup> century. Are academic studies running head-to-head with real-life changes? Can we see the future and predict the new principles and models that will explain marketing transactions a few years from now? Is theory and research behind practice and stuck to the traditional ways of approaching and explaining marketing phenomena?

Many critical points have conspicuously emerged out of this literature review. One of the obvious facts is that Internet marketing is still approached with a “technical” perspective. In other words, it is viewed as an element of the tactical plans of a company rather than a major component of its strategic plans and a driving force requiring companies to restructure the way they think of the business and marketing environment. However, online marketing is not an addition to the promotion mix of a company and a firm does not become online by just putting up a Web site. Studies delineating useful guidelines and tactics are very useful but strategy-based work must become more common and primary for the future advancement of the marketing discipline. However, it is very difficult to construct strategies or models that can be widely accepted or utilized in the online marketing environment. Contextual changes always moderate them. Therefore, a lot of work needs to be done and vast evidence has to be collected in order to produce at least partly standardizable models, principles, and strategies for the online environment.

One of the most prominent outputs of this study is the fact that there are alternative “reaction mechanisms” to the diffusion of the Internet into the world of marketing. Some studies tear up nearly all the principles of conventional marketing and start from a new origin. On the other side, there are the traditionalists who never forget the subject matter of the discipline. After all, marketing is based on exchanging value so all the principles and theories will start from the same point and reach the same destination – only the route might differ. In that case, it is the difference in that route and how we can modify the knowledge we have accumulated that matters. There is, however, no dead-end conclusion we can reach about which scientific approach is better. Each group of studies provides very fruitful findings that contribute to the advancement of the marketing discipline which shows that a careful blend of both perspectives is the utmost solution.

Another important observation about the literature is that there are numerous studies tackling the major differences between online and offline marketing. The general tendency in these attempts is to outline and discuss the advantages and disadvantages of various comparative issues. However, we can observe a hidden assumption in these studies. The overall belief is that individuals will make use of the advantages and be bothered about or avoid the disadvantages of the e-marketing environment. It is fascinating to talk about the world of customized offerings, direct communications between companies and customers, a continuously open and trouble-free marketplace. Consumers are given more information, choice and service than they would ask for. However, two very important questions are “How much change consumers really want and what their speed of absorbing this change will be?” and “How much of the marketing task do they currently wish to take on their shoulders?”. As the current excitement about the totally atomic world of marketing shows, consumers are approaching the point of having to do just as much and take on as much responsibility as marketers themselves. Their willingness to do this yet remains as a question mark.

Studies about different elements of the marketing mix are enlightening. However, because of the innumerable number of issues falling under these titles, there are still many studies waiting to be tackled by researchers. One very important research avenue is to predict how the portfolio of products or services exchanged over the Web market will change. There are many studies that examine the suitability of different product classes for the Web market today. But who can say online consumers will remain reluctant to purchase other products that they do not consider suitable to be bought from the Web today? Still another very crucial research topic is online service quality. Can we identify and put a period to the dimensions of service quality in an online context? How will pricing applications change further and will the time when consumers and marketers determine the price of an offering together ever come? Can we identify the abstract “value” in an online context and perform value-based marketing in this environment? These are only some of the questions this literature review has produced for future research about the online marketing mix. What is so challenging about the e-

marketing mix is how flexible and contextually dependent it has become. Therefore, a lot of research is needed before we can validate the findings of the studies that have currently handled these topics.

The social, psychological, or behavioral dynamics of the e-marketing world are also essentially important and this is surely one of the less touched research avenues. The topic of machine versus person interactivity and the anti-socialization debate are especially important. Today, consumers might be resistant to any form of non-human interaction but will they feel and behave the same way 15 years from now? Is the online consumer community going to behave the same, think or feel the same way they do about consumption in general, let alone the world of e-shopping?

The issues that emerge as possible research routes have been mentioned in each relevant section. Therefore, a duplicative effort is not necessary. The important point here is that although this review shows that some headings have received more attention while some remain less touched or totally unrevealed, no topic can be accepted to be fully saturated in the context of Internet marketing. The Web market is so dynamic and the developments are so rapid that most of the studies conducted for today's market may need to be reshaped to fit into the conditions of the near future. In short, all relevant issues handled in this review are open to future or further research that might advance our knowledge about Internet marketing.

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