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The Relationship between Online and Offline Marketing

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Abstract

The aim of this paper is to elaborate the relationship between online and offline marketing. As fundamental research problem has been taken the spread opinion that online marketing is only providing additional instruments to the traditional framework. Therefore the marketing framework itself has been analysed and connected with popular views on different online marketing aspects. Through careful studying of marketing strategies, goals and the marketing mix the question arises, whether the online marketing framework follows the same basic mechanics as the traditional framework, which would have to be a precondition in order to extend the traditional framework with the tools of the age of the internet. For the analysis, multiple marketing functions and examples of marketing instruments have been analysed on the aspects of the compatibility to each other, of the differences, of the integration in the company and of the use and results of those activities and course of actions.

Despite the opinions of famous authors, this paper shows that online marketing and offline marketing are neither the same nor completely different frameworks. In fact, they both follow the same super concept but differ in details of the mechanics. The examples made in this paper show, that a certain marketing activity performed online and offline, does not necessarily contribute to the same marketing strategy, goal or objective. In order to achieve an optimal integration of online and offline marketing, those differences have to be understood by the companies and the tactics need to be implemented with careful coordination. Thus, the challenge for companies is not to decide whether they want to deploy online marketing or not, but moreover to rethink the concept of marketing within the company and out on the market.

Keywords

E-Business, Offline Marketing, Online Marketing, Marketing Instruments, Marketing Functions, Direct Marketing, Marketing Integration

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1 Introduction

After twenty years of development of the internet as a promotional tool and high level technological and conceptual terms, the intercompany business relationships have drastically changed. These technical changes, improved not only promotional tools but also all other marketing functions by electronic means. A new form of marketing emerged, nowadays known as online marketing. After the “dot com boom” also known as “dot com bubble” (Galbraith, Hale, & Conference, 2004) in 1995 to 2000, companies and researchers took the situation more seriously by seeing online marketing not just as a promotional tool but more as whole marketing form. After those developments in marketing, researchers presented evaluations and definitions which differ from each in many aspects, regarding core and extensional functionalities.

That online marketing is just part of marketing, providing just additional promotional tools, is the most spread opinion about the online-offline marketing relation. By analysing different perceptions and opinions about online and offline marketing, this paper will elaborate the relationship between online and offline marketing. Firstly, both marketing terms have to be defined in order to create a comparable basis. Through further analysis of marketing functions and instruments, this paper will allow an insight in the mechanisms inside these elements. Despite the fact that these elements share the same names (e.g. 4P of online marketing and 4P of offline marketing), they do not have to share the same meaning as well. Only by understanding the different perspectives of different experts on this topic the question about the wide spread opinion can be answered and a practical approach of modern marketing integration in companies can be constructed.

2 Offline Marketing

Through the continuous growth of marketing and its constant development, by practitioners introducing new techniques and approaches, marketing ideas and definitions have changed as well. In the very beginning, Bartels (1976) gave a percipient definition that “marketing is much more than selling and advertising”. By the time, all the changes and tools used to push marketing improvement into “perfection” have created many misunderstandings, such as the view that marketing is about creating needs and not value (Blythe, 2006).

Different authors outline different elements of marketing as important, thus they distinguish different definitions of marketing. Kotler et al. (1999) defined marketing as “a social and managerial process, by which individuals and groups obtain what they need and want through creating and exchanging products and value with others”.

Using other ways to approach the topic, the Chartered Institute of Marketing (CIM) (2010) identified that “Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably. This process calls for management decisions on product, pricing, distribution, promotion and personal selling, and in some instances customer service.”

The Board of Directors of the American Marketing Association (2007) has approved following definition: “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

In Kotler's definition, the needs and wants are in the centre of the concept, creating incentives in the social and the managerial process. Blythe (2005) highlights terms need and want and explains that for most non-marketers a need is something which is essential to survival and a want is something which is no more than a passing fancy. Thus in Kotler's definitions, according to him, the terms need and want inherently are correct, but need to be explained. In contrast to Kotler, the CIM has put the customer and his requirements in the centre. Furthermore, the CIM considers just the customers whose needs can be satisfied profitably. The American Marketing Association has a push concept for understanding of marketing. On one hand, they mention institutions and processes which push offerings, and on the other hand they consider customers, clients, partners, and society which receive the offerings with value for them.

In the past, a lot of attempts to define and structure marketing have been made in order to create a framework, which helps businesses to plan and manage the marketing integration in the company. Moreover, many frameworks and (marketing-) plans have been developed to structure the topic. Despite the differences of all of these frameworks, they all represent similar elements in some form or another. The core elements of the marketing framework consist of a situation analysis (e. g. SWOT) which is used to set marketing objectives. In order to achieve the marketing objectives a strategy is needed. The strategy implies the use of marketing functions such as product, price, place and promotion. The carefully chosen mix of these functions, often referred as the tactics, implement the marketing strategies. The appropriate mix of tactics is then often called the marketing-mix. The implementation of these tactics then finally needs to be controlled in order to provide data for a new situation analysis (cf. e.g. Blythe, 2008, p. 262 or Chaffey, 2007, p. 299 and others). In this paper the consolidated definition of the marketing framework will be used as in Figure 2-1.

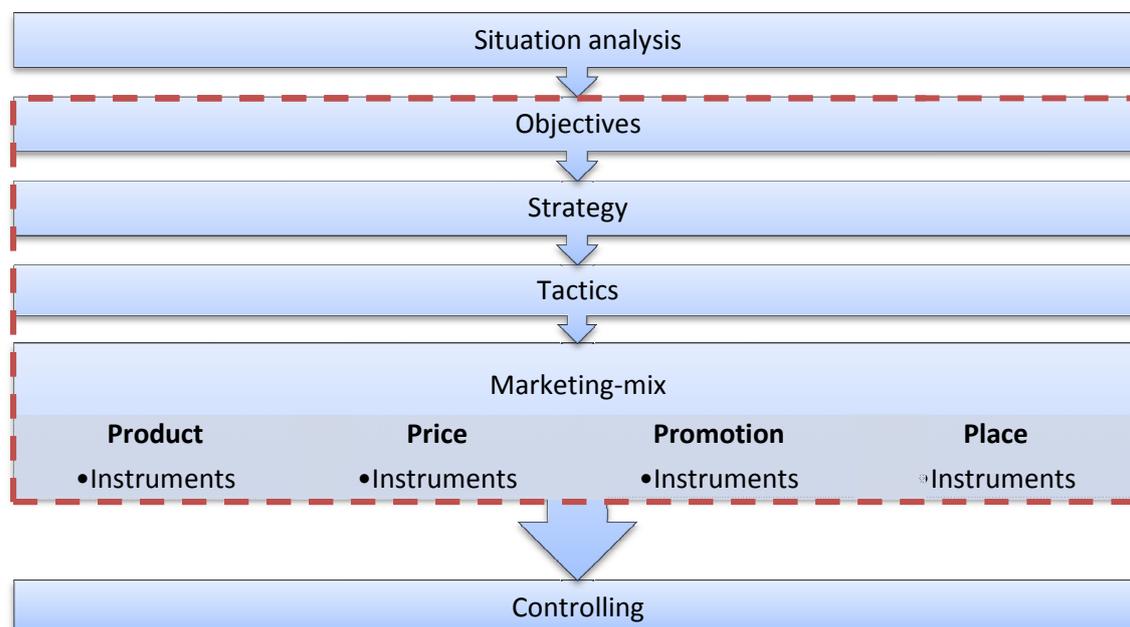


Figure 2-1: The marketing framework

For better understanding of the further conducted analysis, this paper will mainly focus on the area in the red dotted frame of Figure 2-1; the objectives, strategies and the marketing-mix (functions and instruments).

The collected definitions of marketing on the beginning of this chapter already indicate that marketing objectives and the marketing framework do not stand by themselves in the company. While explaining the marketing framework, it needs also to be outlined, that the situation analysis and the marketing objectives are part of the business strategy and objectives. The marketing framework should be understood as part of the business plan (cf. e. g. Kotler, Armstrong, Saunders, & Wong, 1999) and should therefore be at least strongly interconnected with other managerial tools in a company. Moreover, the situation analysis and the marketing objectives are at least interconnected (if not equal) with corporate objectives and strategies. Thus, the objectives of the introduced framework are very general and could include as suggested by Blythe (2008, p. 264), financial, philosophical or qualitative aspects.

In contrast to marketing objectives, the strategies are not necessarily part of the corporate strategy. The strategies as described in this framework are for the achievement of marketing specific goals. A marketing strategy could be e. g. a market penetration strategy or a promotional strategy. Tactics which implement a strategy would be between the strategy and the marketing mix. The tactics as well as the marketing functions and instruments are very marketing specific and have no direct connection to the business plan. Again, the marketing plan is part of the business plan as a whole, but those two aspects can be described as “marketing disciplines”. Therefore these parts will be described in upcoming chapters.

2.1 Functions

All marketing activities and instruments can be categorized under certain marketing functions. Literature often refers to these functions as the “4P” (e.g. Kotler, Armstrong, Saunders, & Wong, 1999). In detail, the 4P consists of the elements ‘Product’, ‘Price’, ‘Promotion’ and ‘Place’ (see Figure 2-2). Often it is also suggested to categorize the marketing instruments into even more than just these four functions (e. g. additionally ‘People’, ‘Process’, ‘Physical evidence’) (Boom and Bitner, 1981). In fact, there is no general agreement in the field of marketing about the amount of functions marketing mix consists of.

The model of the four functions ‘Product’, ‘Place’, ‘Price’ and ‘Promotion’ - introduced by McCarthy (1987)- is widely accepted and all the other functions can only be considered as extensions to the traditional model (Simistir, 2009).

Marketing functions are often thought as a certain subset of activities, which are interchangeable in some cases (cf. Kotler, Armstrong, Saunders, & Wong, 1999, p. 140). Thus, a marketing manager may assume that if he wants to increase the price of a product, he just has to increase the budget for promotion as well. According to this example it would therefore be possible to optimize the marketing-mix mathematically. In reality, this is not the case. The relationships of the marketing functions are more complex than that and despite companies offering mathematical analytics and optimization services for the marketing-mix (e. g. www.marketinganalytics.com), the effectiveness of those algorithms can hardly be proofed or measured. Marketing remains to be an art after all and not a science (Borden, 1964).



Figure 2-2: The 4P of Marketing

Nevertheless, while deciding for a marketing tactic, these four functions cannot be considered separately. Blythe states (2008, p. 9):" [...] it is important to recognize that the elements need to be combined as a mix. Like a recipe, one ingredient of the mix will not substitute for another, and each ingredient must be added in the right quantities at the right time if the mix is to prove successful in achieving consumer satisfaction". The functions have interconnections which ultimately depend on the chosen instruments.

2.2 Instruments

The marketing framework introduced in this paper defines the marketing instruments as the elements within the four marketing functions. The available marketing instruments are nearly countless and versatile and so far it can be concluded, that the job of a marketer is to use the appropriate instrument to implement a strategy and to reach goals and objectives.

As mentioned in the previous chapter, functions are interconnected to each other, thus the term marketing-mix. Those connections between the functions are not static but depend mostly on the chosen instruments. Furthermore, the list of marketing instruments is constantly growing due to new technologies, new markets and even new market sectors. The selection of the marketing-mix is not static and marketers also have to have different mixes parallel, which they constantly need to adjust in order to meet the customers' needs (cf. Chaffey, 2007, p.366).

In order to define the relation between online- and offline marketing, only a few instruments which have great impact in marketing functions and in understanding of these functions will be introduced in chapter 4.2.

The root of the discussion about the relationship between online and offline marketing starts with the marketing instruments, based on the widespread discussion whether online marketing only provides additional instruments to the marketing framework or if online marketing needs to be distinguished from offline marketing. The following chapters will analyse this discussion by elaborating, beside other factors, online marketing instruments and compare those with offline marketing instruments.

3 Online Marketing

The first online advertisement appeared in 1993 (O'Reilly Media, 2008), thirty years after the creation of the internet. Since that time the interest of companies in online business permanently grew, and that growth was reflected with the high investments in online marketing which reached over 23 billion \$ just in USA in 2008 (PricewaterhouseCoopers LLP, 2009).

During this time of dynamic changes of the online environment, and same time improvements of online marketing instruments, many authors were trying to find the right words to define online marketing. Some of the definitions lost their meaning because of the changes in marketing during the time and others influenced the overall understanding of online marketing, its importance and its role in overall company marketing strategy.

3.1 Online Marketing Defined

One of the best-known authors for online marketing, Dave Chaffey, defined online marketing as: "Applying digital technologies which form online channels (Web, e-mail, databases, plus mobile/wireless & digital TV) to contribute to marketing activities aimed at achieving profitable acquisition and retention of customers (within a multi-channel buying process and customer lifecycle) through improving our customer knowledge (of their profiles, behaviour, value and loyalty drivers), then delivering integrated targeted communications and online services that match their individual needs." (2007b). Chaffey summarizes the definition as: "Online marketing is achieving marketing objectives through applying digital technologies." Earlier, cooperating with Smith and Chaffey (2005), based on the definition of traditional marketing of the UK Chartered Institute pointed out that "e-Marketing can identify, anticipate and satisfy customer needs efficiently".

P.R. Smith (2003) stated that online marketing is "simply marketing on-line – keeping very close to customers forming relationship with them, keeping them happy and delighted online. E-marketing involves a dynamic dialogue, constant feedback and an array of new e-tools [...]"

Others (e.g. Strauss, Ansary, El-Ansary, & Frost, 2005) defined online marketing as "the use of information technology in the processes of creating communicating and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders. Or simply as the result of information technology applied to traditional marketing."

On the other hand Michie (2007) specified that: "Internet marketing is essentially everything what you do, both online and offline, to influence people to buy your product or service from an online medium such a website."

To summarize, all the authors with same or other words agree that online marketing is built on electronic means. Some of them, such as Michie, consider the offline acts to push the success of online marketing as part of online marketing acts (2007). Chaffey as bases of online marketing defines digital technologies which form online channels. For P.R. Smith the customer is in the center which should be kept close, happy and in a dynamic dialog. Other authors highlight the creation of values from customers using information technologies, and all tools which are used to push this value creation, regardless of online or offline, are seen as part of online marketing.

3.2 Online Marketing Understanding

Online marketing is still in development, because the online environment is constantly in development, and as this development continues, different definitions about online marketing will continue emerging.

Despite all these differences, authors agree that online marketing is living and evolving alongside the developments of information technology. The Internet tools are crucial and indispensable in forming the online marketing concept and its understanding. Technically, improvements of online tools are improving online marketing. The discovery of new tools is changing online marketing understanding and its impact on overall company marketing.

According to this kind of understanding the authors can be grouped in three main groups:

- Ones who see online marketing as part of offline marketing
- Ones who see online and offline marketing as part of overall company marketing
- Ones who see offline marketing as part of online marketing

This kind of grouping is a result of the online marketing development, its place in company structure and its part in the overall marketing improvement and success. For companies which have low investment rate in online marketing, online marketing is just part of the offline marketing strategy, and in overall marketing, online marketing is considered as part of offline marketing. Other ones, such as pure online companies, consider offline marketing as part of online marketing in the overall company marketing. Beside these, there are some companies which consider overall company marketing as a composition of offline and online marketing, both valued as very important for overall successful company marketing.

Implementation and analysing of marketing frameworks practically are very important, but not sufficient in explaining the relation between online and offline marketing, therefore analysing core elements of marketing, functions and instruments, and their relations is necessary.

4 Online-Offline Marketing Relation

“The key question is not whether to deploy Internet technologies – companies have no choice if they want to stay competitive – but how to deploy it.” (Chaffey, Ellis-Chadwick, Mayer, & Johnston, 2009, p. xiii). After considering how to deploy these technologies, the next question will need to be answered:

- How the companies consider online marketing and its relationship to offline marketing?

Many authors, such as Allen (2006), state that online marketing is not different. It is a direct extension of offline marketing and the concept of direct marketing and mail order apply on online marketing as well. Some companies have developed environments where online marketing and offline marketing are running independently in two different departments. Others, like new internet oriented companies conclude that traditional marketing is more like an extension of online marketing strategy, rather than a strategy in itself (West, 2010).

As we see, the relation of online and offline marketing has been defined differently depending on the importance of online marketing and overall electronic business in the company’s value creation. The new technologies have great impact in further development of online marketing, therefore, as Chaffey et al. conclude, the results delivered by technologies should determine investment in online marketing not the adoption of the technologies (2009). Therefore, the investments and the development of marketing strategies should be done according to the evaluated relationship of online and offline marketing and its impact in the company.

However, this is not giving a clear definition of the online and offline marketing relationship. In order to understand and see if online marketing provides nothing more than new marketing instruments, on the one hand the 4Ps and selected instruments from both online and offline marketing have to be considered, and on the other hand the marketing integration in companies has to be analysed. Therefore, crucial in identifying the right relationship are answers of questions such as:

- Are online marketing functions the same as offline marketing functions?
- How deep is the difference between online and offline marketing instruments?
- Can the company achieve new objectives and goals with these instruments and functions?
- Does the company need new strategies in implementing selected instruments to achieve same or different goals?
- Does the company need to use different tools to achieve same goals with same instruments?

To answer these questions, we need to understand that online marketing instruments and functions directly depend from the overall e-business integration in all points of view. Therefore, we need to research what is the impact of online marketing on overall marketing plan and overall marketing framework.

4.1 The Relation Between Online- and Offline Marketing Functions

The 4P marketing functions are core elements of marketing mix both in online and offline marketing (see chapter 2.1). In order to understand the relation of online and offline marketing, the common points and the differences of these marketing functions have to be analysed. Therefore the specific strategies and goals of each function in both marketing forms have to be elaborated.

This paper analyzes just the relations between 4Ps, because other marketing functions are considered as additional and authors describe just superficially.

4.1.1 Product

Offline product is defined as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (Kotler & Armstrong, 2008). Online product is defined by the LSE (2010) as an entity which can be digitally encoded then transmitted rapidly, accurately and cheaply. It is the understanding of the product which is differing in online- and offline marketing not the supporting.

The overall product, as marketing function, cannot be easily defined as online or offline. The understanding of the product on the one side and the product environment on the other side clarify the range of products which exist between pure offline and pure online products (Figure 4-1). Depending in which place of the Figure 4-1 the product is, it has a direct impact on the product conception, defining goals and objectives and driving product strategies.

Not only online products are affected by the new environment but offline products as well. This impact on the product is also reflecting on product instruments and other online and offline marketing functions and their instruments. Moreover, the offline product is behaving differently in the offline- and in the online environment. Characteristics of placing the product in a store, such as physical evidence, time and place are not the same as “placing” the product in an online store. The product characteristics are not in the foreground anymore and are replaced by information. Consequently this is having direct impact over product transaction phases, production strategies, price and many other aspects.

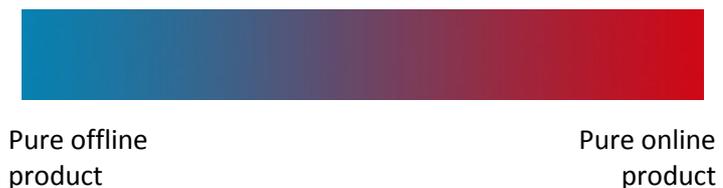


Figure 4-1: Marketing product

The product in the integrated marketing, is more complicated and in many cases bonded on both online and offline marketing frameworks. Having a product combining both online and offline features requires new strategies based on integrated marketing mix. Consequently, integrating all the functions, instruments and tools enables to reach new objectives and goals, and requires the formulation of new strategies.

To conclude, online products are different from offline products and behave differently on the market. Moreover, offline products itself are behaving differently on the online environment. Finally, the overall marketing environment enables integrated products which require an integrated marketing approach. This differentiation of products is requiring different strategies to develop them, to fulfill the requirements of the existing customers and to know the needs of potential ones.

4.1.2 Price

In setting the price, traditionally, the company should consider the six step procedure: (1) selecting the pricing objective; (2) determining demand; (3) estimating costs; (4) analyzing competitors' costs, prices and offers; (5) selecting and pricing method; and (6) selecting the final price (Kotler, Keller, Brady, Goodman, & Hansen, 2009).

In electronic commerce price setting is different. Prices have not been driven to marginal cost—indeed, the “law of one price” does not hold in online markets (R. Baye, Morgan, & Scholten, 2007). Internet is a global market with high ease of access and ease of use. In this global market, on the one side retailers quite easily can penetrate and on the other side customers quite easily can find price information. Moreover, some portals support price comparison in particular. While customer access to price information tends to sharpen price competition, firms’ access to this information creates opportunities for innovative pricing strategies that are not generally feasible (or even necessary) in offline markets (Baye, Kattuman, & Morgan, 2007).

While the focus of this chapter is on innovative pricing strategies for online markets, the prerequisites for competitive advantage in offline markets are still important in online markets. According to Baye et al. (2007), there are unique features of online markets that necessitate innovations relative to traditional offline markets, and it is important to assess how these features impact successful online pricing strategies.

Usually online customers search for products and compare on different platforms rather than focusing on a specific store. Because the focus of customers in searching products online is differing from offline, the nature of competition faced by electronic retailers is also changing. Thus, in contrast to offline markets, pricing and yield management strategies in online markets must be product specific (Baye, Kattuman, & Morgan, 2007).

Moreover, Baye et al. (2007) consider that the optimal mark-up factor will be lower on items for which customers are more price-sensitive and higher for products where customers are less price-sensitive. Thus, the calculation of the optimal mark-up factor and the calculation of price-sensitivity are a base for the calculation of the optimal cost and price elasticity. The tempo of price changes of online competitors is very high therefore daily price changes and price-sensitivity measurements are necessary. Therefore price management requires a dashboard (Baye, Kattuman, & Morgan, 2007) to monitor and respond to the dynamic nature of online markets.

To summarize, online markets are very dynamic places in which customers and competitors can find and use information to make decisions. In this dynamic environment the prices are very flexible and the price-sensitivity of the customers is very high. To reach customers on the one side and to surpass or stay competitive on the other side, innovative online pricing strategies are required to allow price points to respond rapidly to the dynamically changing competitive environment at the individual product level while maintaining margins (Baye, Kattuman, & Morgan, 2007).

4.1.3 Promotion

Many authors consider that online marketing is the fastest-growing form of direct marketing (Kotler & Armstrong, 2010). Furthermore, the same authors, as well as Kotler, consider that the promotional mix consists of direct marketing and other tools (M. Trehan & R. Trehan, 2007, p. 17) that the company uses to pursue its advertising and marketing objectives (Armstrong, Harker, Kotler, & Brennan, 2009). Therefore, online marketing is considered as a part of the promotional mix.

Consequently, when these authors state that online marketing provides just additional marketing instruments, the meaning is that online marketing provides just additional promotional instruments.

Other authors, such as Chaffey (e. g. 2008b), consider that online promotion uses communication via the Internet itself to raise awareness about a site and drive traffic to it. This promotion may take the form of links from other sites, banner advertisements or targeted e-mail messages. Thus, in the centre of this perception are the web site and its traffic. Therefore, the whole potential of companies in online marketing, according to those authors, is focused in raising the web site traffic.

Other authors define online promotion as a key component of Internet marketing, as an organized activity aimed to promote the company, product or idea, using the Internet (Spasić et al., 2010). Furthermore, online promotion is considered to be a collection of all online promotional techniques such as search marketing, social marketing, e-mail marketing, viral marketing and so forth.

It is very clear that authors agree that online promotion differs from offline promotion. Basically it is the first function accepted as different, providing easy to understand additional online instruments which can be implemented just in an online environment. Furthermore, authors more and more bring arguments which not just show the difference of online and offline promotion but also show the great impact and importance in the overall marketing strategy. Therefore, online promotion is not just making the web site popular and gaining traffic; it is a more complex online marketing function.

4.1.4 Place

Place is usually defined as the location where a product can be purchased. Often it is, also referred to as the distribution channel. The place in offline marketing includes any physical store and in online marketing it includes any virtual store. It is the whole electronic-network-information relation, which is having the impact to differentiate online place from offline place as marketing functions.

Online place has great impact in the overall definition of online marketing. Basically, depending on how the researchers define the “online place”, the definition of the overall online marketing varies. A main question which arises during the definition of the online place is: Is the personal computer or the network the online marketing place? Marketing researchers differ in answering this question; some of them define the computer and the other the network as place.

Kotler and Armstrong (2010) dedicate one whole chapter of their book to the explanation how online marketing is one form of direct marketing. Explaining this relation, taking as example Amazon.com, they consider that customer and supplier have a direct relation. Consequently, they assume that the computer is the place and the relation between customers and suppliers is direct, since the customers are individually, directly and carefully targeted (Kotler & Armstrong, 2010, p. 512).

For other authors such as Chaffey and Smith (2008), place means the place of purchase, distribution and in some cases, consumption. Chaffey and Smith in their concept highlight three important factors to define place: purchase, distribution and consumption. Furthermore, they state (2008 p. 69) that some products exploit all three aspects of place online. Thus, they use online purchasing, online distribution and online consumption to explain how online place collaborates with online products. Finally, Chaffey (2008b) defines the online market place as a virtual marketplace such as the Internet in which no direct contact occurs between buyers and sellers. Thus, the online market place is the network (Internet) and not the personal computer and therefore the seller has not direct impact over

the buyer. This distance between supplier and customer is visualized in Figure 4-4, where the customer has a direct connection with his personal network device, computer or other electronic devices such as mobile handsets, book readers and so forth and has no direct relation with the suppliers or other kinds of online markets.

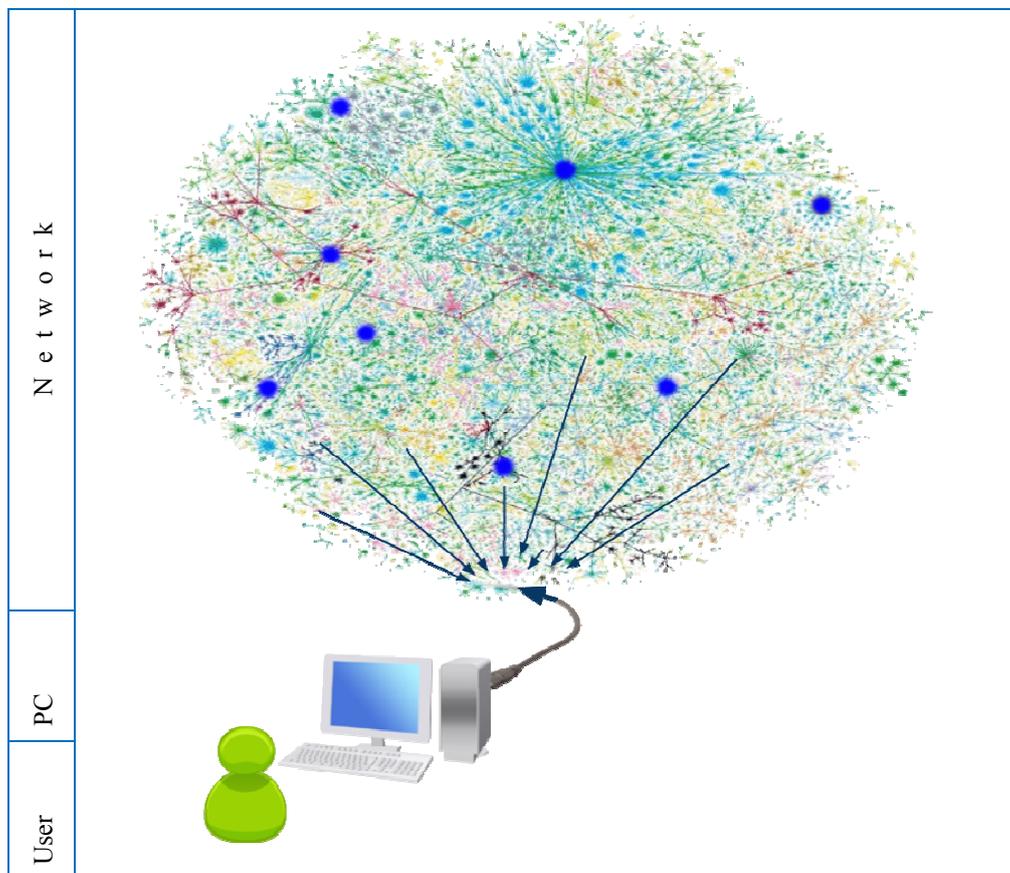


Figure 4-2: The connection between the customer and the suppliers (blue dots) through the network (network view designed by Burch & Cheswick, 2004)

Finally, to identify online marketing, it is important not just to understand the difference between online and offline place, but also understanding the online place in itself.

In the network there are over 196.3 million registered domain names (EDGAR Online Inc, 2010), over 11.9 million business and e-commerce sites (Wikipedia, 2010) . This global online environment, where each supplier is open to sell to any customer, and each customer is open to buy from any supplier, it is not possible to have a direct relation between suppliers and customers.

To have a brand like “Amazon.com” as a starting page is like having “Coca Cola” in each store, but this does not change the overall concept of marketing.

To conclude, the computer or any other network device can not represent the place as online marketing function because these devices are just tools which enable access to the overall online marketplace. This marketplace contains millions of suppliers, thousands of markets, millions of communities, other millions of personal pages and suppliers which tend to penetrate through pushing and pulling (Figure 4-4). Therefore, the direct relation between the customer and the supplier is not possible because there are millions of spaces which push the supplier against/toward reaching the customer.

4.2 The Relation Between Online- and Offline Marketing Instruments

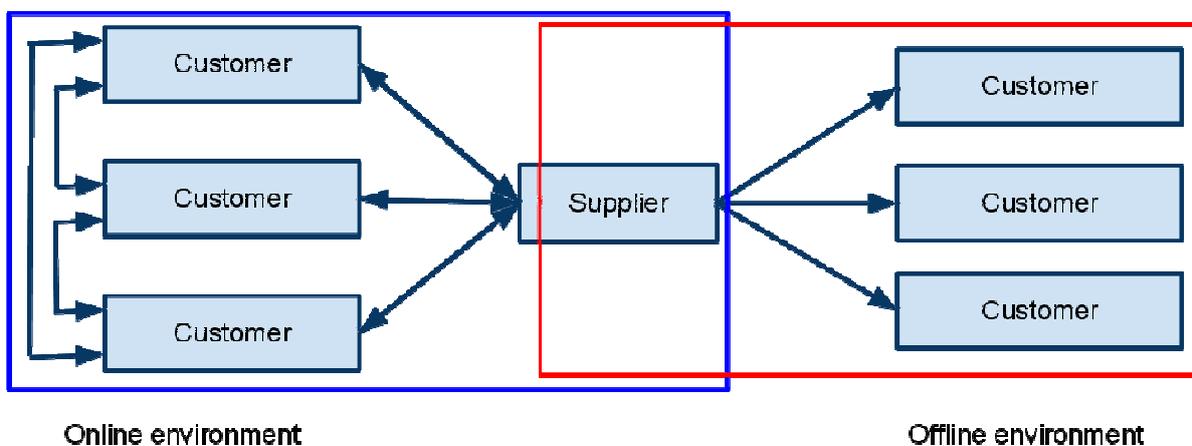
All marketing researchers agree that online marketing provides additional marketing instruments, but the overall online marketing contains more than just those additional instruments. The characteristic of online instruments is the sensitivity and the impact in all online functions. The permanent online market changes have direct impact not just over instruments, but also over objectives and goals which consequently require different tools and follow different strategies. These four factors: tools, objectives, goals and strategies can be used to divide online- from offline marketing instruments and also to explain how different these instruments are and what the impact of these factors into that differentiation is.

Not all marketing instruments can be easily divided into online and offline. Most of traditional instruments are used for both types of marketing. Instruments can have characteristics which are the same and different for both marketing types. There are online and offline marketing instruments which use the same tools and follow the same strategies to achieve the same goals. Other instruments use different tools and follow different strategies to achieve the same goals. Furthermore, there are online and offline instruments which are completely different because they use different tools and follow different strategies and achieve different goals.

The selected instruments will help to explain in more detail the difference between online and offline marketing environment which affects instruments, their functions and moreover their understanding.

4.2.1 Individualization

Individualization is a well-known product instrument that includes mass customization and personalization. Individualization, in fact, has to do with delivering individualized content to customers (Chaffey, Ellis-Chadwick, Mayer, & Johnston, 2009). These instruments mass customization and personalization, allow interactive marketing communications between suppliers and customers. As we highlighted above, communication is the most important element of this instrument, therefore the more interconnected, easy and flexible the communication is, the better the instruments. Online individualization is very flexible allowing multiple intercommunication between suppliers and customers (Figure 4-5 blue box), but this is not same on offline individualization (Figure 4-5 red box).



Personalization in an online environment can collaborate with other instruments such as online recommendation systems, collaborative filtering etc. in increasing efficiency and increasing the possibility so set several objectives and goals with similar strategies. Through these tools suppliers attempt to achieve on one side goals of personalization such as increase in sales, customer satisfaction, customer loyalty, and as a result, customer lifetime value incensement (Kwon, Cho, & Park, 2009) and at the other side mass customization goals such as low cost and short delivery times (Chandra & Kamrani, 2004). Achieving those goals increases the collaboration between customers and suppliers.

Finally, personalization cannot be treated the same online and offline. The overall online environment specifies the tools, enables drawing different strategies and achieving different goals.

4.2.2 Auctions

Auctions are well-known price instruments both in offline and online marketing. The goal of these instruments is to achieve the highest possible selling price. Auction tools for offline environment differ from the tools for online environment. Strategies are depending from the specific situation; it is possible that one strategy which can be used offline and online is being developed for both. Basically, an auction is a process whereby individuals or institutions compete for the right to purchase or sell anything of value (Webster, 2009). Offline auctions have specifications such as: Areal place, time, people and physical evidence. On the other hand online auction systems are virtual internet places where the seller sells the product or/and service to the customer who bids the highest price (Entrepreneur Media, 2010). In this definition the place is highlighted. The nature of virtual place (see Chapter 4.1.4) is changing the meaning and the concept of previously mentioned specifications. The collaboration between place, time, people and physical evidence in online auction systems is very high, thus their sensitivity is very high. Thus, auction should be treated differently in online and offline marketing, although their goals remain the same.

4.2.3 Price Bundling

Price bundling as a price instrument is business practice of marketing two or more products or/and services in a single package at a single price. Even in online environments, where the products and services are virtual, the tools, the strategies and the goals are viewed the same way as in offline marketing. In this case the online environment would provide just additional specific tools for pure-online products and services because of their virtual nature.

Price bungling is one of the instruments which is the same both for online and offline marketing which attempts to achieve same objectives following same strategies and using almost always the same tools.

4.2.4 Social-Media Marketing and Word of Mouth

Both the offline promotional instrument word of mouth and the online promotional tool social-media marketing push the community to promote their product. Word of mouth means passing information from person to person, person to group or group to group. This generalization could be true also for social-media marketing. More specifically, social-media marketing is an active form of online advertising that uses the cultural context of social communities, including social networks, virtual worlds, social news sites and social opinion sharing sites to meet branding and commercial objectives (Luten, 2008).

Social communities react differently - online and offline - following the same ideas of spreading information, on the other hand the supplier also uses different tools and strategies to achieve the same goals. Finally, it is the place and its specifications that deepen the difference between word of mouth as offline instrument and social-media marketing as online instrument.

4.2.5 Shops

As we know, an offline shop is a store where customers can find and physically see, buy and take away existing products or purchase specific products. On the other side web shops are virtual stores which give visitors the possibility to browse through inventories, acquire information about prices, quality and special features of each item, choose an item to buy, pay online through secure payment processors and provide the data needed so that the purchased products can be shipped to customers door (The Internet Marketing Dictionary, 2008). Summarized, in an offline shop the customer meets the product (Figure 4-4), in a web store

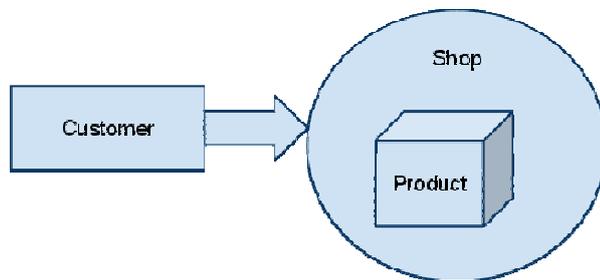


Figure 4-4: Offline shopping

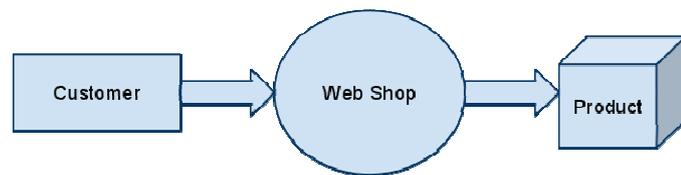


Figure 4-5: Online shopping

meets the information about the product (Figure 4-5). This broken connection between the customer and the product in the online environment opens a space for other business activities such as reselling, shipping, supplier collaboration and so on. Thus, a web shop is giving the possibility to the supplier to do other business activities in order to fulfil customer requests. Furthermore, the online environment and specific web shop features¹ have direct impact in specific interconnections between different shopping activities such as product check, information collection, price comparison and so forth.

Online business flexibility and sensitivity allows and pushes suppliers to change the interconnections between tools which have direct impact over existing company strategies and goals. The need to change all activity interconnections in online shop strategies is not fact of offline shop strategies. Tools which help online shops to be more than selling places are changing the purpose of its existence which should not be considered same as offline shops purpose, selling products.

¹ Compare with: <http://www.webthinking.co.uk/webshop/features.asp>

4.3 Online Marketing and Direct Marketing Relation

As shown in the previous chapters, online marketing does not only introduce a new marketplace but also provide an extension of the other marketing functions. There seems to be no general agreement in the literature, about which role online marketing plays in the marketing framework. It is a widespread opinion, that online marketing provides only additional instruments to the marketing functions. Other also suggest to make a distinctions of the functions in online and traditional functions and another group of authors even claim that online marketing is a completely different type of marketing, compared to the traditional framework.

Kotler et al. (1999 p.961-998) advocated that online marketing is a form of direct marketing. As the authors stated, the term “direct marketing” has changed its meaning many times in the past. The first time this term was used, was to describe the distribution without intermediaries. “Direct” was then used in the sense of direct distribution form the manufacturer to its customers or from the manufacturer via its own stores to the customer. Later on, “direct marketing” described the distribution and promotion directly to the customer. This aggregates the selling with advertising letters and catalogues which were distributed to the customers directly. This ideology has been developed even further, leading to the current definition of direct marketing as an interactive marketing system in which communication and promotion media is used to achieve measurable reactions and transactions with the customer on any place. Kotler advocates that direct marketing consists of direct connections with carefully targeted individual customers to both obtain an immediate response and cultivate lasting customer relationship (Kotler & Armstrong, 2010).

Through the relation between online marketing and direct marketing, authors such as Kotler et al. (2009), also explain the relation between online- and offline marketing. Thus, the online marketing framework (see Figure 4-6) consists of a marketing mix where the promotional mix consists of direct marketing (M. Trehan & R. Trehan, 2007) and online marketing is a form of it (Kotler & Armstrong, 2010).



Figure 4-6: Online Visualized Kotler’s marketing framework.

The idea of affiliating online marketing with direct marketing seems to make sense as a start, since online marketing indeed is an interactive system, which allows measurable activities and can be addressed directly to the customer. Moreover, the customer can choose time and place on which she/he likes to interact with the online system. But the very different definition of “place” (see chapter 4.1.4) is one of the reasons why online marketing is not always seen as a part/extension/type of direct marketing. Whereas Kotler et al. (1999 p.961-998) perceive the computer as the “place” functions, others such as Chaffey (2007, p. 369) describe the different online marketplaces as the “place”. These different views on the place function imply further problems which may have started the discussions about the role of online marketing. In addition, online marketing and e-commerce are very young possibilities of marketing and its perception of functionality, potentials and benefits was very different before the “new economy bubble” than after.

4.4 Marketing integration

Marketing as a whole is differently understood and implemented in different companies. Online marketing is a new practice for most of companies. Only few companies have understood the importance and value of online marketing (see Chapter 3.2), therefore are leading in online market.

Having two marketing environments, online and offline, companies create an overall marketing framework mostly by taking a side toward one of these which is affected by two important factors: understanding online Marketing Return of Investments (ROI) and the type of company business. The mixed marketing budget is also depending from these two factors. Understanding the online marketing ROI which is very low has direct impact on investing in online marketing, and this has direct impact in accepting and defining online marketing. As a fact (see Figure 4-7), US marketers were asked if online marketing is more profitable than offline marketing; and as a result in 2009 nearly 50% of them answered that they do not measure ROI, do not know how to measure ROI or do not apply any measurement for ROI in online marketing.

Based on this understanding different companies have mixed differently their marketing department/s. Some of the companies are concentrated almost totally in offline marketing, based on Kotler’s approach (see Chapter 4.3), In these companies online marketing is accepted as additional very helpful tool of promotional mix, as Kotler describes it during explanation of the connection between online marketing and direct marketing (Kotler & Armstrong, 2010). Just some online promotional elements are used, such as e-mail, web site [...], and the whole online marketing concept is treated as part of the offline marketing framework.

Other companies implement almost totally only online marketing. These companies usually provide virtual products and services which in most cases have low relation with offline marketing functions and instruments.

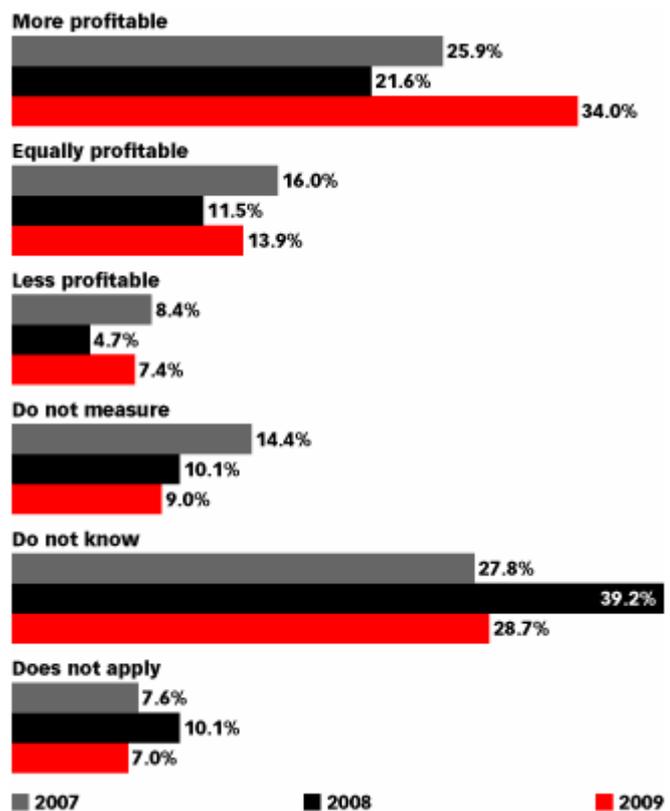


Figure 4-7: Part of the graphic: Interactive vs. Traditional Marketing ROI According to US Marketers, 2007-2009 (% of respondents) (eMarketer Inc., 2009)

One of the most important approaches of companies who are reaching higher and higher level of online marketing understanding is the implementation of reasonable proportion of both marketing strategies. Companies which run mixed marketing strategies, also have different

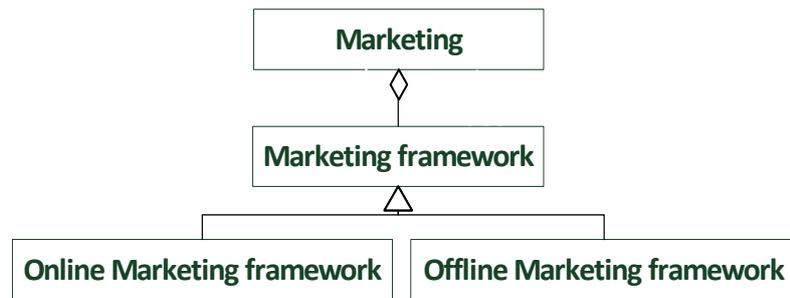


Figure 4-8: Visualized Chaffey's et al. marketing framework

structures. Some of the companies have two independent departments, others have two departments which collaborate and third companies concentrate all the marketing power in one department. Theoretically, authors like Chaffey et al. (2009) advocate that companies should implement two marketing frameworks (see Figure 4-8), an online marketing framework and an offline marketing framework under the concept of an overall marketing framework. Thus, the marketing framework is just a theoretical concept which brings these two frameworks together. Practically this approach complies with the function of two marketing departments within a company.

Finally, both Kotler and Chaffey are reaching some theoretical level and then turn into practical view. Kotler underestimates online marketing in a time when advertisers invest billions (Brownlee, 2010) on online marketing. On the other side, Chaffey underestimates the company structure and process integration in a time when companies invest millions in process centralization and automation. Thus, companies which try to penetrate

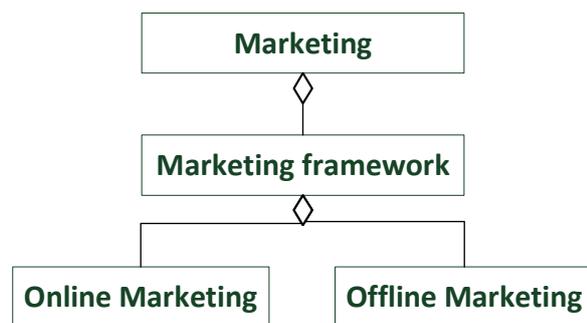


Figure 4-9: Overall company marketing framework

proportionally in online- and offline markets need to integrate both marketing strategies, online and offline, into one overall marketing strategy. Therefore, it is necessary to develop one marketing framework which contains online marketing and offline marketing as equal elements (see Figure 4-9). This approach on the one side gives the right value to online marketing and possible higher penetration in online markets, on the other side reaches the highest level of collaboration between functions and instruments of both marketing strategies.

5 Conclusion

Marketing, regardless of whether it is online or offline should be considered in two aspects: practical implementation and theoretical interpretation.

This paper analyses three approaches of relation between online and offline marketing, online marketing as part of offline marketing - Kotler's approach (Figure 4-6) - online marketing having a separate framework from offline marketing - Chaffey's approach (Figure 4-8) - and online marketing sharing the same framework with offline marketing, but differing inside the framework (Figure 4-9). The three approaches are considered as practically implementable, in which case the implementation of one specific framework strategy is depending from many factors such as a companies' business, structure, the overall online marketing understanding and the necessity for marketing integration.

In the theoretical interpretation, online marketing functions and instruments are different from offline ones. Online markets are dynamic places where customers and suppliers are open to each other, easily share information and are highly influenced in making decisions. The high level of sensitivity of the online environment is deepening the difference between online- and offline marketing functions and their instruments, and is creating needs possibilities for new objectives and goals which require new strategies also.

Based on conclusions and explanations drawn from researching practical situations we came to understand that online marketing is developing very fast. Marketing functions and instruments are being more and more flexible with great impact not just only on online products and services, but also over offline ones. This new form of marketing, online marketing, has started as an online promotional tool, and has been developed and with the time separated in one theoretically independent one.

According to the new situation, based on marketing functions and instruments, online marketing is not part of offline marketing. Even offline marketing is not traditional anymore, because the situation analysis and controlling (see Figure 2-1) which have been seen as part of traditional marketing are also part of online marketing. Both offline and online marketing are parts of an overall marketing framework which should be analysed as a mix of these two forms of marketing. Finally, seeing and accepting online marketing just as a online promotional toolset is not enough, because online marketing returns value not just from online promotion but also from other functions and their instruments as well.

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