

# TYPES OF WEB SITES

**In this chapter, you will learn about:**

- ◆ Determining your Web site's purpose
- ◆ The two primary categories of business Web sites
- ◆ Brochure, account management, content, and direct gain Web sites
- ◆ Differences between Web business and traditional business
- ◆ Advantages and disadvantages of integrating traditional businesses and the Web
- ◆ Target audiences and their impact on site construction

**N**ow that you are familiar with the ups and downs of the Web economy and probabilities for what lies ahead, we need to take a close look at exactly how sites differ from one another. Everything that you'll do for your site—from your site development team to the way you market it—will rely on the type of site that you are building.

Chapter 2 explores the different types of sites, emphasizing the impact that a site's content and purpose have on its development. You then will learn about target audiences and examine the factors that make a Web business different from a traditional business.

## GETTING STARTED: TAKING YOUR IDEA LIVE

It is easy to confuse a Web site for a business, but a site is not the business itself. The business *runs* the Web site, and it handles any legal issues, marketing issues, investor relations, personnel problems, and other daily chores associated with running a company. A site, especially a pure-com Web site, is rarely the product of an idea and a few hours of programming time. (Although this has happened successfully on occasion, it is not the standard operating procedure.)

There are many things that need to get done just to get the business started. Even before handling the tedious, standard-issue chores such as getting the corporation legally registered, coming up with a name (as well as a domain name for the site), setting up a bank account, and so on, you need to develop an idea, an objective, and a needs assessment, which includes a business plan. These three tasks are outlined next.

### Honing The Idea

Coming up with an idea is not as easy as it may sound. If the site being developed is for an established marketer, the idea is already there: the company's products and services will be presented on the Web. Even if the company in question is a very small company—say a five-person shop that designs and distributes its own greeting cards—it may decide that it might make more money by either adding a Web site or moving the entire business onto the Web and selling directly to end consumers instead of selling to stores. Either way, the idea was already there—it came from the already-established business.

If the business is not already established—in other words, if you are launching a pure-com—the road is a bit tougher. You need to develop an idea for the site that can both fill a need in the market and make a profit. Ordinarily, an idea for a site comes from information or talents that the developer already has. For example, if you happen to be a talented basketball player, you might develop a site that provides tips on becoming a better player, as well as in-depth looks at some of the professional players in the sport. A site that relies on your expertise makes a lot more sense than a site that offers, for example, travel tips when you have, in fact, no unique knowledge in that area.

The site subject should be one that the developer not only feels he or she knows better than most people, but also that fills a need in the market. For example, if you find that Michael Jordan already has a site that provides free information on becoming a better basketball player, there may not be a need for any more information on that topic from any other players. After all, who is better able to give advice on the subject than the greatest player of modern times?

### Defining Your Site's Objective

The obvious purpose of building any type of business site is to make money. But that's not enough in terms of a vision. There are many other goals to take into consideration.

Do you have dreams of growing the company into a huge corporation that will one day fight its way into the Fortune 500, or is the company not intended for growth at all? Are you looking for it to just bring in a steady income? Maybe the goal is simply to be the biggest or most well known within a particular niche industry, or maybe the company is to be built with a goal of earning a quick profit and sold within a couple years. Depending upon what the ultimate goal is (and the goal may change over time), the site and the company may be developed to reflect that goal. For example, a company that wants to grow and have long-term staying power may conserve its funds and grow slowly, allowing its brand to develop over time, while the company that is looking to be attractive enough to sell itself to a larger company may pour more money into marketing for a quick profit.

## Needs Assessment

What your site needs in terms of resources ultimately depends on its objective. Resources can include designers, developers, marketing, inventory, and content. And that's just for the site. That doesn't include any office space, salaries, supplies, and so on, for the business. All of this takes money.

The amount of money you will need depends on your ultimate goal as well as your ability to raise funds. You can form a company and a Web site on a **shoe-string budget** (which is a very low amount of money). For example, many small companies are formed and run right out of the owner's home. But not every site can be run out of a basement. B2C retail sites intended for growth and meant for general audiences will need warehousing, distribution, and other features, just as an online magazine, or **e-zine**, will need reporters or some other source of updated content. If that is the case, it is not unlikely that millions of dollars will be needed to get the project up and running—as stakes and goals go up, so does the price tag. Marketing alone can cost millions just to drive people to the site, with even more dollars needed to build a safe and secure site, to house the site, to hire and retain the right employees, and so on.

Companies that are seeking high levels of funding need a **business plan**, which outlines the site concept, market, anticipated revenue structure, marketing, strategy, and technology plans. Although all companies should have at least a rudimentary business plan, it is an absolute necessity for a company seeking outside funding. Typically, companies seek outside funding either from banks, in the form of loans or investments, or from venture capitalists. **Venture capitalists** provide the financing that is needed for growth. They furnish money in various phases, known as **rounds**, as needed. In return, the venture capitalists usually take a large share of stock in the company, possibly hold a seat on the board of directors, and expect to see a plan for the company to **go public** (become listed on one of the major stock indexes so that their shares can be traded on the open market) within a relatively short amount of time. By going public, venture capitalists can sell their shares on the open market for (hopefully) significantly more than they paid for them, while at the same time the company can sell some of its shares on the open market to receive additional funding from individual or institutional investors.

The business plan needs to outline and highlight the important aspects of the company and the Web site, as well as the finest details regarding the site's purpose, what it will provide or sell, what need it fills in the market, what kind of audience it can expect to gain, what competitors it expects to have, how the site intends to acquire and retain an audience, and the timeframe under which it expects to turn a profit. This latter point is the most important, culminating in a spreadsheet that (usually) shows three-year projections for expenditures (a plan of how you will spend the venture capitalist's money) compared with revenue growth. Although it's seldom admitted out loud, three-year projections for a start-up pure-com company are hardly worth the paper they are typed on. There are few ways to accurately estimate three years' worth of expenditures and revenues in a media that is still brand new and with market conditions so volatile. Considering the state of many publicly traded pure-coms, it is safe to say that few of them accurately predicted their three-year forecasts. The business plan may range from as few as 10 pages to as many as a few hundred, and typically, it is written by a business consultancy that has experience with the business plan procedure. Although there are variations, most business plans contain the following information:

- **Executive summary:** A summation or overview of what the company and its associated Web site will do and how the company anticipates growth.
- **Market overview:** A review of market conditions, including market size and the life cycle (anticipated duration of prosperous times and slow growth periods within the market).
- **Service:** A description of the Web site, including highlights of any specialized sections, explanation of how it will serve the market, what it will do, and what opportunities there may be for growth and future expansion. This area needs to detail the reasons why users would come to the site and, even more importantly, why they would come back.
- **Revenue streams:** A description of how the site intends to generate revenue, whether from B2C retail sales, banner ad sales, other means, or a combination thereof. Investors will need to know exactly how the site intends to earn money so that they can be sure of a positive return on investment. Expansion opportunities for increased revenue in the future are also explored in this section.
- **Company:** A review of the company, including its **mission statement** (a brief statement of the company's goal and what it stands for), its current status (whether the company is already in existence and is looking for funding to advance to the next level), and biographies of the executive team. Most companies, regardless of how many employees they have, live or die by the experience and decisions of a few key figures. Investors want to feel confident in their abilities.
- **Strategic plan:** An explanation of how the company intends to compete with any similar companies vying for the same market, what makes it unique, how it will position itself, and what type of phased-in development plans it has to introduce future growth.

- **Marketing plan:** Although full marketing details may not be known at the time that the business plan is drafted, many investors will want at least a few broad statements outlining how the company plans to bring the site to market. This section addresses online marketing, radio, TV or print advertising campaigns, public relations campaigns, and any other promotions. The marketing plan describes how the brand is to be built, as well as the geographic target area for the marketing launch. (Advertising does not always happen on a national level. It may first be introduced in a few key geographical areas.)
- **Technology plan:** A review of the technology—programming and equipment—that will be needed and used to make the site work, as well as the efforts that will be made for fulfillment. This includes automated systems for product tracking, packaging and delivery of product, and so on. For a content-only site, this may mean a review of how new information will be obtained and quickly posted on the site on a regular basis.
- **Financial section:** This final area provides a spreadsheet that itemizes all anticipated costs and revenues, typically over each of the next three years. Current market conditions and any relevant historical data are used as a basis for these estimations.

Once the business plan is written, you present it to people and companies who may be in the position to provide funding. You use any funding attained to get the company and the site started or grown beyond its current point.

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## GENERAL TYPES OF WEB SITES

Although there are seemingly endless ideas and products offered on the Web, nearly all sites can be grouped into just a few broad categories and subcategories. Chapter 1 focused mostly on retail, or B2C sites, with particular emphasis on cyber retailing to general consumers by pure-com sites, but there are many other types of sites. Figure 2-1 shows the breakdown of the types of sites that exist on the Web.

The three top-tier site categories are as follows:

- **Business sites:** Business sites are created either as entities unto themselves, such as a pure-com, in which the Web is the only or original source of business, or are created by an established company.
- **Information/help sites:** Some sites, usually organizations with a .org domain name suffix, simply provide relevant information to interested readers. Government sites that guide you through tax forms, nonprofit sites that give information just for the taking, and other sites that exist to provide a public service without anything expected in return can be found all over the Web. Figure 2-2 shows an employee overview page from the site for the New Jersey Job Bank. A potential employee creates the page using an online form, and the page is fairly typical for an information/help site in that it is very

simple and utilitarian. These sites typically lack complex navigation, interesting graphics, or enhanced interactivity. Black text on a white background with blue, underlined hyperlinks is the standard. Lack of budget and specific audience needs are the usual reasons for the starkness of these sites.

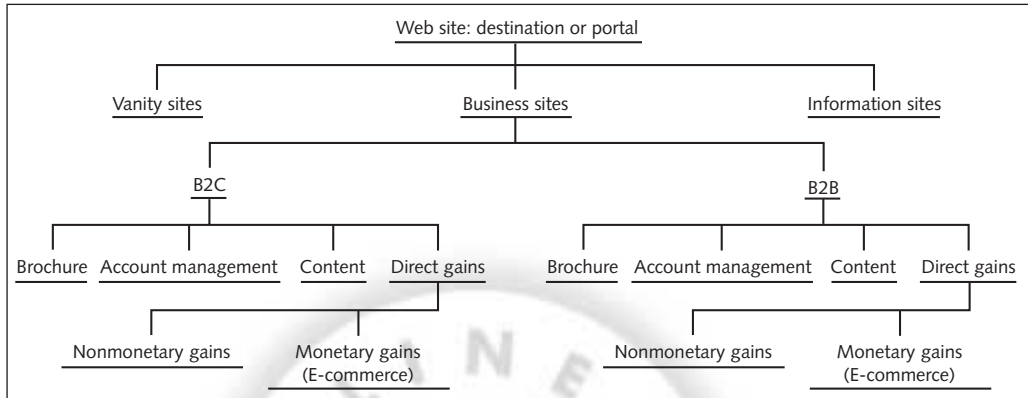


Figure 2-1 Types of Web sites

Resume View: 1 of 1

Resume ID: NJ5511799 [Display Printable Version](#)

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**Objective:**  
art director

**Desired Occupation(s):**  
ART DIRECTORS

**Employment History:**  
Employer: best equipment Title: art director  
Location: camden, NJ Duration: -  
Job Duties:  
art direction, licensing

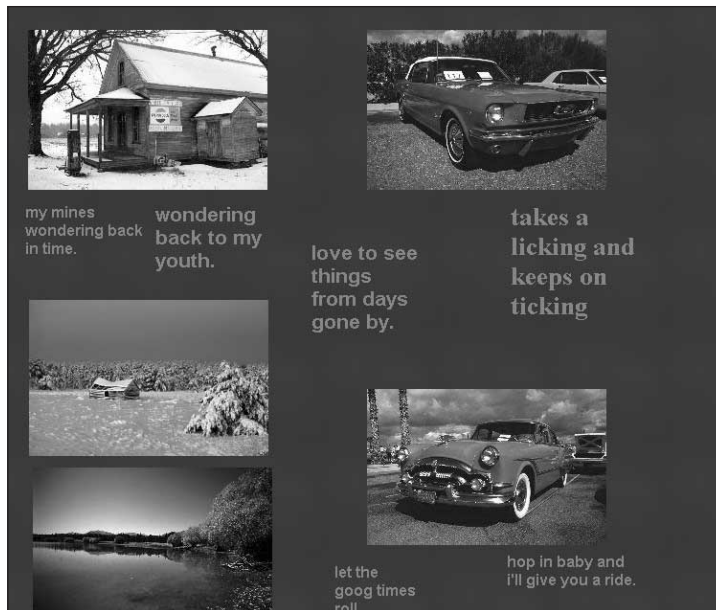
**Skills and Abilities:**  
graphic artist, director

**Desired Location:**  
Within 25 miles of zip code 08021

[View Contact Information](#) [My Resumes](#) [Back to List](#)  
[Add To My Resumes](#) [Refine Search](#) [New Search](#)

Figure 2-2 The New Jersey Job Bank information Web site

- **Vanity/hobby sites:** As the name implies, these are sites built by people who want to display pictures from their family vacation, post their resumes for potential employers, create an online chat room just for fun, and that sort of thing. Figure 2-3 shows a vanity site from AOL's personal home page area that includes poetic musings and pictures of the site owner's cars. This type of site has no business purpose and is almost always set up by a novice programmer. The spelling errors on the page are evidence of the amateur nature of the site. These sites typically have an excess of graphics and animations, poor layout, and a lack of refinement.



**Figure 2-3** A vanity Web site

Because this text focuses on the business of Web sites, this chapter will cover only the business Web site category.

## BUSINESS SITES

If you study Figure 2-1, you will notice that the B2B and B2C categories have identical subcategories. The content, layout, and the audience may differ within each category. The next section explains the B2B and B2C categories and some of the differences between them.

Unlike the dot-com sites of established marketers, pure-com Web sites have a virtually blank canvas upon which to create. You create a pure-com's brand around its site design and

structure, as it would appeal to the target market (covered later in this chapter). Traditional, established marketers, however, do not have such a luxury. To remain consistent with their established brand image, they need to create their site in such a way as to remain true to their existing brand. For example, a fine art gallery known for its use of white space and sophistication would damage its overall brand with a bright yellow Web site with big green letters and a link to some cool interactive games. Similarly, a company known online for its impeccable service would hurt its reputation if the site were not implicitly easy to navigate and had poor customer service attributes (examined in detail in Chapter 12). The pure-com companies don't have established brand awareness, but they also don't have the limitations that traditional marketers face when designing and developing a site.

## Business-To-Business Web Sites

B2Bs are one of the fastest growing segments on the Web. Recall from Chapter 1 that among the predictions for the future was that the Web will be dominated by B2B sites. This is not a particularly tough prediction to make, when you consider that:

- Web users spend significantly more time online at work (on average, 21 hours per month) than they spend online at home (on average, 10 hours per month).<sup>1</sup>
- Internet connectivity is significantly faster in the workplace than it is in the home.
- 90 percent of electronic commerce conducted in 1999 involved B2B sites. In 2000, B2B sites generated revenues of \$433 billion,<sup>2</sup> whereas B2C electronic commerce generated \$38 billion in revenue that year.<sup>3</sup>

Figure 2-4 shows the revenue generated by B2B sites and B2C sites for 2000, alongside predictions for 2005.

The chart projects a dramatic rise for B2B earnings. While the overall revenue generated from B2B sites is vastly outpacing that of their B2C counterparts, the average sale price in a B2B transaction is much higher than the average sale price of a B2C purchase, because businesses are purchasing networks, steel, and other high-ticket items—not the latest Stephen King novel. Still, we can't ignore the significance and potential in the B2C sector.

Companies have started to realize that far from being an artistic canvas, the Web is a tool that can be used for time and money savings and for corporate benefits. e-STEEL.com, shown in Figure 2-5, is a Web site that caters to corporations buying large quantities of raw steel.

Businesses such as Ford Motor Company can use this site as a resource to check prices, read industry news, or place large orders to realize price reductions. Because it's on the Web, anybody can get to the site (although access is limited without registration), but there is little for the casual Web surfer to do there.

<sup>1</sup>Source: Nielsen/NetRatings.

<sup>2</sup>Source: *E-Commerce Times*, June 22, 2001.

<sup>3</sup>Source: *PC World*, Sept. 25, 2001.

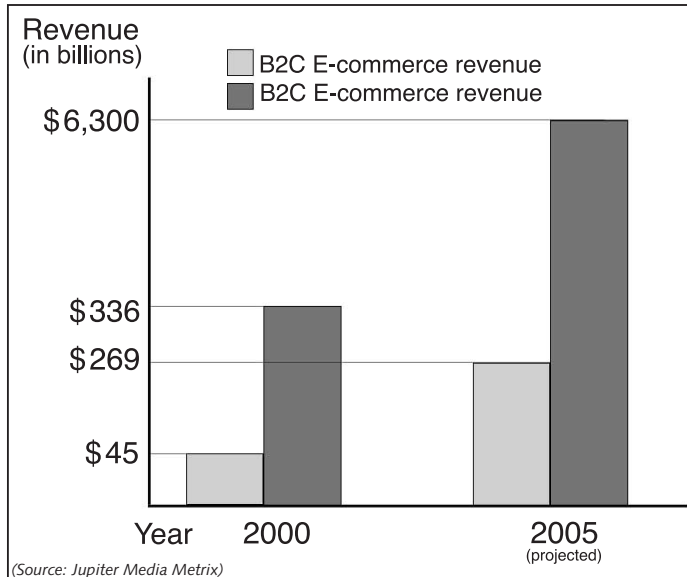


Figure 2-4 Disparity between B2B and B2C electronic commerce revenue

**e-STEEL** Collaborative Commerce for Direct Materials

March 18, 2001

HOME  
ABOUT e-STEEL  
SOLUTIONS  
NEWS & EVENTS  
e-STEEL EXCHANGE  
CONTACT US  
JOBS @ e-STEEL

**Collaborative Commerce for Direct Materials**

Whether you buy, sell or process direct materials, e-STEEL is your one source for collaborative commerce solutions. We build and operate applications that enable you to step across enterprise boundaries and manage the material, information and financial flows before, during and after the transaction.

Built specifically for the direct material supply chain, e-STEEL technologies will enable you to reduce direct material costs, enhance customer relationships, improve employee productivity and make smarter decisions faster through multi-enterprise supply chain visibility and collaboration.

©1998 - 2001, e-STEEL Corporation

**e-STEEL Exchange**  
Member Login . . . GO  
New Members . . . GO

**Highlights**

- e-STEEL Launches Initial Phase of Major e-Commerce Private Marketplace for BHP Steel In 90 Days
- e-STEEL And DOVERID™ In Marketplace Alliance

**e-Flash**  
**e-STEEL Exchange**  
version **5.2** has arrived!  
Click here to learn more

Figure 2-5 e-STEEL.com corporate business-to-business Web site

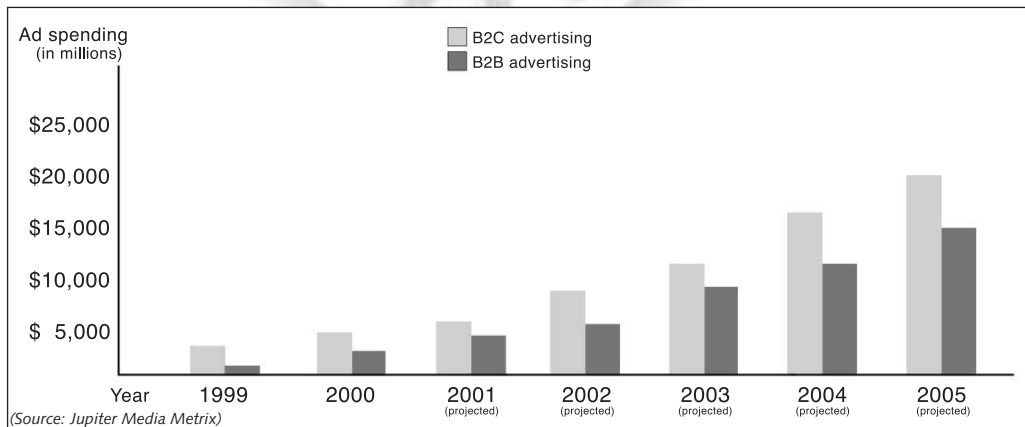
Because most B2B sites deal with corporate decision makers who race through life at the speed of the modern world, many of these sites have led the way in the recent design revolution toward simplicity and understatement. Although these sites are not completely

devoid of design and art, aesthetics play a less important role than do navigation and ease of information gathering. In terms of design, however, most B2B sites, especially those with operations outside the cyber world, take special care to keep the site consistent with their existing brand identities. B2B sites usually offer fewer opportunities for the visitor to be sidetracked, because the company behind the site is respectful of its customers and their time. The sites, however, often go out of their way to provide information that would be useful to their visitors, even if that information has nothing to do with the message of the site itself. A corporate architectural firm, for example, might provide timely stock updates or weather reports on the home page of the site. This type of information is fairly cheap to include, although sites have to be careful not to overdo it.

From a sales perspective, a B2B site faces specific challenges. Depending on what it is selling, and to whom it is selling (other businesses, distributors, or retailers), the B2B site must be prepared to accept and fill orders ranging from small shipments to huge crates to complete an order. Increased business from the site may require more and better distribution equipment and a specialized staff to help fill orders.

## Business-to-Consumer Web Sites

B2C sites seem to be in the limelight more often than their B2B cousins. B2C sites sell directly to the end consumer—you, me, and the masses who spend money on products, services, information, and entertainment. These sites typically have larger audiences than B2B sites due to a broader market appeal. Although the revenue generated from B2B sites is significantly greater than what B2C sites generate, B2C sites spend more in terms of overall marketing. This trend is expected to continue, as illustrated in Figure 2-6. Although the spending gap will narrow, real dollars spent will continue to be greater for B2C sites as they struggle to claim a portion of Web users' shopping dollars.



**Figure 2-6** Total ad spending by category

The next sections describe the four site categories that are common to B2B and B2C Web sites.

## Brochure Sites

Brochure sites are typically **static**, meaning they do not change on a regular basis and do not allow visitors to make direct purchases. Reading a static site is much like reading the electronic version of a printed brochure, with levels of interactivity ranging from none at all to a complex searchable catalog or sales office locator. The content on the site is not likely to change much or often, and regular repeat traffic is unlikely and usually unnecessary. Typically, the main purpose of the brochure site is one of the following:

- To generate an e-mail or a phone call from the site visitor so that a sales or service representative can follow up with him or her
- To maintain the comfort level of existing customers through online offerings, such as product specifications, warnings, uses, guarantees, or account status
- To alleviate some of the time constraints on human employees by answering common questions online

### B2B Brochure Sites

Figure 2-7 shows the Web site for **ASCO** ([www.ascovalve.com/home/main\\_frameset.htm](http://www.ascovalve.com/home/main_frameset.htm)). Although the site is relatively large in terms of pages and searchable catalogs, it exists primarily to generate interest in its products. In addition, it relies on human interaction to close the sale. In the future, this site will add a bulletin board system for engineer support and an online chat area for daily customer service. It's unlikely, however, that this site will ever offer the ability for end users to make direct purchases, although it is conceivable that the company may eventually allow its distributors to order inventory through the site. (Allowing the end-users of ASCO's products to make direct purchases would undermine its network of independent distributors, which could be financially disastrous, not to mention contractually illegal.)

Figure 2-8 shows another brochure site, this time for **Yukon Graphics** ([www.yukon-graphics.com](http://www.yukon-graphics.com)), a small but successful print shop in northern New Jersey. A much smaller company than ASCO, this site is a bit more typical of what you'd expect from a small local or regional company that doesn't rely on the Web as a main component of business development. The design is relatively simple, as is typical of brochure sites. Brochure sites also usually include a guest book in which site visitors can fill out a form.

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valves  
position indicators  
pneumatic cylinders  
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ASCO offers a broad range of industry leading products for both Fluid Control and Fluid Power applications.

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Nuclear Valves

ASCO Worldwide Headquarters  
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Tel. (973) 966-2000 - Fax. (973) 966-2628  
[LEGAL](#)

links to product information

Figure 2-7 An interior page from ASCO's brochure Web site

**YUKON GRAPHICS** *We Can Color Your World*

Equipment | Services | Request Proposal | Project Review Checklist | Monthly Feature | FAQ | Join Our Mail List | Contact Us

the impact of color

Portfolio

Lucent Technologies  
Ventiv Health Communications  
Communities in Schools of NJ  
Conde Nast Publications  
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Crimson red. Goldenrod yellow. Burnt Orange. The brilliant colors of autumn don't just have to last through fall. With one - six color offset printing technology from Yukon Graphics, the colors of your world can be captured on paper - for a timeless, visual impact that lasts - no matter what the season. The silver icicles of winter. The lilac blossoms of spring. The bright green grass of summer. Or a stylized brown for an antique image. Metallic gold for richness. A surreal blue for a high tech edge. The color combinations and printing possibilities are endless.

For all of your offset printing needs, let Yukon Graphics enhance your images. With the impact of color.

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phone 973-575-5700 fax 973-575-5795

NSFRE

For more information:  
[info@yukongraphics.com](mailto:info@yukongraphics.com)

**YUKON GRAPHICS**

Figure 2-8 A relatively simple but attractive brochure Web site

## B2C Brochure Sites

It might seem odd for larger, more retail-oriented companies like **BMW** or **Post** to invest in brochure sites. These companies eagerly promote their sites through advertising, yet many of the sites have nothing to sell, don't support outside advertisements, and even go out of their way to develop games and interactivity to keep users on the site longer. Why?

Web sites for companies such as **Coke**, **Pepsi**, **Burger King**, and others fall into the brochure category because although they are not selling anything directly, their sites have a higher purpose. Unlike Yukon Graphics, discussed earlier, which wants companies who visit the site to pick up the phone and retain them for upcoming printing needs, Pepsi doesn't expect you to drop the mouse, run to the refrigerator, and grab a can of soda as soon as you land on its site. In fact, much of the Pepsi site is centered around online games, movie trailers, music news, and other fun stuff that is unrelated to soda.

For these companies, the Web acts as an additional branding vehicle. Pepsi is the "choice of the new generation," and so you are invited to come onto the site, play the games, and stay as long as you want. In fact, Pepsi doesn't care if you don't read any of the well-hidden information about the products. What really matters to the company is that while you're reading about the upcoming Tom Hanks film, you'll still see the Pepsi logo in the corner and subliminally make the connection between Pepsi and the fun things you enjoy in life. That connection builds brand value that ideally leads to increased sales.

## Account Management Sites

**Account management sites** let people supervise their personal financial, utility, and other types of accounts. Banking on the convenience factor (pun intended), online banking is a rapidly growing component of electronic commerce. People can check their accounts, transfer money from one account to another, order checks, and conduct other banking chores from their computers. Using password-encrypted information, general consumers can manage their lives on the Web. They can pay utility bills, order groceries, check their credit card balance, or execute stock trades. The ability to manage their private accounts with a vendor is a win-win situation for businesses and consumers; consumers see their lives as being made easier, and businesses create a marriage with their customers, making it that much harder for the customer to jump ship and find another seller.

Within the account management category of electronic commerce is a subcategory of particular interest. Online auctions, dominated by **eBay** and shown in Figure 2-9, are really what the Web is all about: giving people the ability to conduct product or information transactions among themselves with relative ease and enjoyment. Although (for the most part) individuals who post products or offerings on an auction site (sellers) don't usually have actual dollars invested in maintaining significant inventory, they are still managing an account. Sellers supply a product and coordinate the final transaction, including payment and shipping. The site, for bringing the buyer and seller together, typically charges a percentage of the sale price.

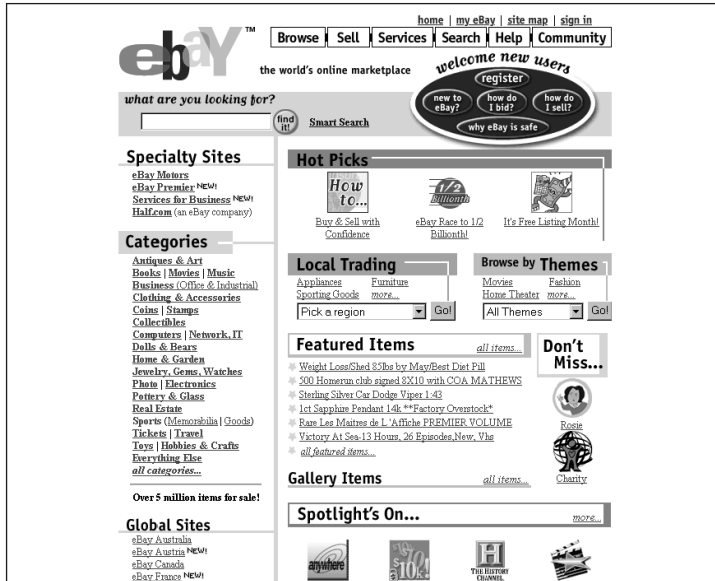


Figure 2-9 eBay, the runaway Web success story

## Unique Challenges for Account Management Sites

Two obvious challenges face account management sites: the issues of privacy and the minimal risk of computer error. Site managers need to implement technology that keeps customer accounts away from prying eyes and ensures that mistakes won't occur during transactions. A more difficult task for the site is convincing users that the site is actually safe to use.

The Web, although no longer a novelty, is still new enough to be outside many people's comfort zones when it comes to managing an entire account. Making a credit card purchase online is not too far of a stretch for most shoppers, because many people are accustomed to using their cards over the phone. But considering the difficulty online banks and other entities have had recruiting new users, it's safe to say that even if the technology exists and is shown to be safe, the concept of electronic account management will continue to be a hard sell, and only time will change the way people feel about these sites.

## Content Sites

To attract and maintain traffic, **content sites** try to offer something unique in terms of information, or content, which is usually updated on a regular basis. Specialty e-zines may offer timely news content updated frequently, while sweepstakes and game sites offer ongoing contests to keep visitors coming back. Web search engine sites, such as **Google** (www.google.com), which is shown in Figure 2-10, give users information and links to other sites on the Web.

Advanced Search Preferences Search Tips

Google™ marketing Google Search I'm Feeling Lucky

Searched the web for marketing Results 1 - 10 of about 16,100,000. Search took 0.26 seconds

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www.MarkettRight.com Step-by-Step Guides - Launch Your Campaign! - Free - Click Here Sponsored Link

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... Marketing Management Benchmarking Association Mission Objective Membership Members  
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... CyberAtlas, CyberAtlas The Web marketer's guide to online facts. E-Commerce/Marketing  
Newsletters, E-Commerce/Marketing Newsletters Sign up for free E-Commerce ...  
www.internet.com/sections/marketing.html - 61k - Cached - Similar pages

The Direct Marketing Association Home  
... User Name: Password: How To Get Password First Time Sign On. Contact Us. Business  
and Consumer Mailing Lists. DMA Marketing Opportunities. consumer assistance. ...  
Description: Provides information and services to direct marketers and consumers. The site offers a market research.  
Category: Business > Marketing > Direct Marketing  
www.the-dma.org/ - 31k - Cached - Similar pages

American Marketing Association Home Page  
... Click here to View Brochure Select from over 20 four and two hour marketing research  
tutorials at our bi-annual Applied Research Methods All-Tutorial Event ...  
Description: Dedicated to serving the educational and professional needs of marketing executives.  
Category: Business > Marketing > ... > Associations > American Marketing Association  
www.amsa.org/ - 13k - Cached - Similar pages

Sponsored Links  
Marketing  
Looking for Fast Results?  
adwords and more!  
adwords.google.com  
Interest:   
See your message here ...

search team

number of results

top results for search

2

Figure 2-10 Search engine Web site

Figure 2-11 shows **OnlineBoardwalk.com**, a site that builds revenue through online advertising, yet has no updated information at all. Instead, this site offers prizes for accumulated high scores on 3-D animated boardwalk games. The site requires visitors to click banner ads and directory listings to earn credits. These credits can be used by visitors to play the games and add to their accumulated score. Advertisers pay a premium to be seen on the site because there is a built-in incentive for user click-through and a high level of return visits.

Both B2C and B2B content sites generate revenue primarily by selling advertising space on the site. Advertising space usually includes standard banner ads, but is not limited to them. Page or channel sponsorships, directory listings, affiliate programs, and similar strategies provide content sites with a variety of ways to increase their bottom line. In addition, these sites may gain revenue through subscription sales or paid memberships for access to certain content. Revenue sources are explored in more depth in Chapter 4.

Although some sites have tried to earn revenue through subscriptions or paid memberships, few, if any, have succeeded. However, the idea is currently popular—sites are withholding some information for access only by priority users (translate: people who pay for it). To make their advertisers happy, these types of sites have to deliver high and increasing traffic amounts on a regular basis. More traffic means more eyeballs viewing advertisements.

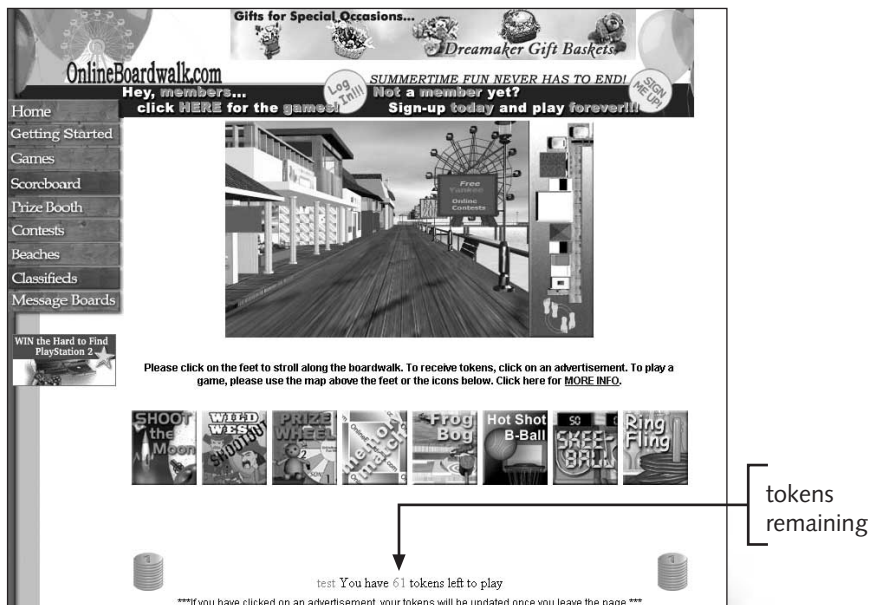


Figure 2-11 OnlineBoardwalk.com uses games and prizes to keep visitors coming back

## Unique Challenges for Content Sites

To be worthwhile, your content site must display changes with considerable frequency. This is especially true for news-oriented sites, which surfers visit to receive updated information. Take **ESPN.com** ([www.espn.com](http://www.espn.com)), for example. Because it offers frequent updates of scores, players, teams, and so on, the site often changes its content two or three times a day by updating the scoreboards and articles. To a Web surfer, the frequency of updated information equals a greater incentive to visit more often, which means that the site can charge more for advertising space.

That's all well and good for ESPN.com, which is in the center of the sports world and has easy access to information. ESPN.com, with its affiliation to the ESPN television network, print magazine, restaurants, and merchandising, probably has deep enough pockets to hire a room full of data entry workers and can afford to lose some money on the site—for a little while, anyway.

What about smaller sites that don't have the kind of properties or resources that ESPN.com has? How do smaller content sites manage? Well, to begin with, content on most sites doesn't need to change twice per day. However, the unfortunate reality is that for a shot at success, content will need to change at least once per day, or the site will look stale. Weekly publications might work for print magazines, but regular, daily updates are the rule on the Web for a steady audience.

Nonfunded start-ups (those that have not been funded through venture capitalists, banks, or other business-related sources) with limited capital may have to break the rules and accept

weekly content updates as the standard. Growth of these sites will be significantly slower, and repeat traffic will be much tougher to retain. Similarly, niche publications (the kind that deal with very specific segments of an industry, such as an e-zine dedicated to model train enthusiasts or a humor e-zine such as TheOnion.com) may also enjoy the privilege of updating on a weekly basis while experiencing overall growth.

Thus, the most important and dire need for a content site is the content itself. Where does it come from? Content can be gathered by employees or developers of the site, purchased, or acquired through an affiliate program.

Another unique hurdle for content sites is the *quantity* of content: there has to be enough content spread over enough pages within the site to make the site profitable. A one-page content site that displays all of its content on one page, for example, only has that one page on which to sell advertising. Ad banners are typically placed only at the top or bottom of a page and sometimes down one of the sides. There isn't much demand for ads in the middle of a page, and it wouldn't make your site very attractive if they were placed there, anyway. As you can guess, a one-page site is not a very profitable venture.

So here's the catch: more content can equal more pages, which can equal more advertising dollars. But more pages also calls for a more sophisticated database from which to mine the information and a reliable navigation system. Suddenly your simple little content site has gotten a lot more sophisticated and complex. Site navigation now comes into play. You will learn about navigation in Chapter 6. Navigation on a content site will often deliberately direct visitors to a specific page or area of the site to accommodate certain advertisers or fetch higher banner ad prices.

Lastly, content sites have a particular challenge in that more than any other type of site, they need to keep very close track of traffic for each page. Understanding where the audience goes on a site, which paths they take, where they enter and exit, how long they spend on any particular page, and other traffic facts are required to set ad rates for the site and to keep advertisers happy. Powerful **ad serving programs** (programs that place and track banner and other types of ads on specific pages within a site) also need to be developed to ensure that the advertising is handled properly. You will learn more about this technology in Chapter 11.

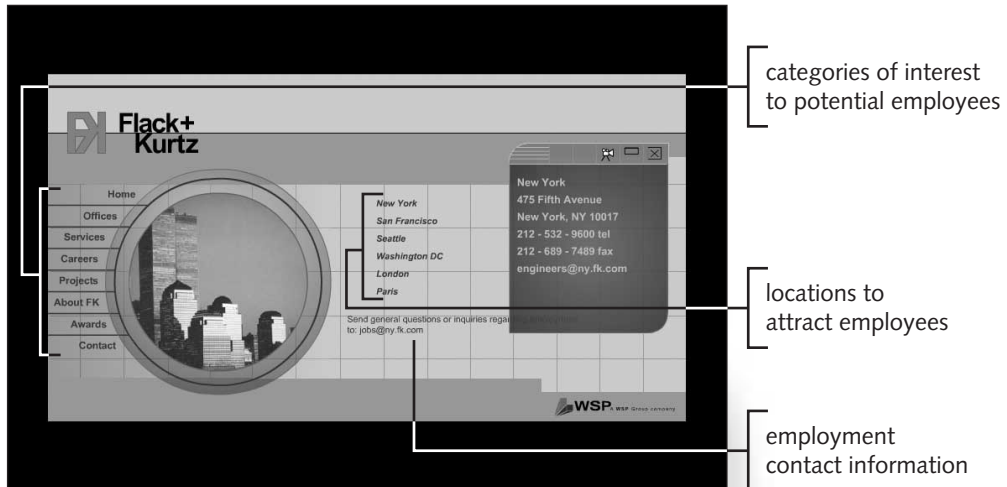
## Direct Gain Sites

**Direct gain sites** seek to earn something directly from the user. This type of site can be either nonmonetary or monetary, depending on what the site is trying to gain.

### Nonmonetary Gain Sites

Although everything in business at some point boils down to money, not all companies use their site to gain revenue. **Flack + Kurtz** (www.fk.com), for example, seeks to make direct gains from its Web site (shown in Figure 2-12), but it is not selling anything directly over the Web. Instead, this global engineering firm uses its Web site to show off its portfolio and specific attributes of the company. Although the site does not offer electronic commerce features and does not update itself to feed updated newsworthy information to its industry,

Flack + Kurtz's site is only a cousin to the standard brochure site. What separates it into a different category is the purpose of its existence: it seeks to make a direct gain—not money, but new employees. Engineering students have a lot of options when it comes to choosing a company to work for, and Flack + Kurtz needs to do what it can to convince graduating engineers to work for the firm. This is the objective of the site.



**Figure 2-12** Flack + Kurtz's direct gain Web site

To make the company appealing to potential employees, the site not only targets students, but allows them to search for available positions at Flack + Kurtz and submit a resume online. In addition to its intended direct gains, the company realizes indirect gains because the site saves the costs of other, more traditional recruitment methods.

The particular audience (college students) was a main factor in determining the look and feel of the site, as well as how the job search and resume posting areas were developed.

## Monetary Gain Sites

**Monetary gain sites**, better known as retail or electronic commerce sites, offer visitors products or services to purchase online. These types of sites have gained the most media attention in recent years, with players like Amazon.com, Drugstore.com, and others offering wide, specialized catalogs of products. Updated offerings, sales, and promotions keep visitors coming back, while customer service programs become a vital component in the success of an electronic commerce site.

The size of an electronic commerce site can range from very large, like Amazon.com or Walmart.com, to very small, like the antique soda bottle seller with a small store hosted by Yahoo!. Just like in the real world, specialized products have far less competition for customers than do more general-use items, but they also have a much smaller market of people finding their site. General products such as electronics and books appeal to a large market, but face massive competition.

More and more companies are expected to engage in electronic commerce transactions, and the number of companies capable of selling online is expected to grow significantly as well. In fact, while only 14 percent of companies had the technology to allow transactions from their sites in 1999, that number is expected to jump to between 30 percent and 40 percent, with an incredible 80 percent to 90 percent of companies expected to buy online. Small firms will most notably experience a difference in commerce habits, jumping from a relatively low share of 8 percent engaging in electronic commerce to an anticipated 72 percent doing so by 2003.<sup>3</sup>

Online vendors have learned that while it may be technically *possible* to sell most anything online, it's not yet all that practical. Nontangible offerings, such as travel services, have pulled in large electronic commerce dollars and continue to gain momentum. Certain durable goods, including clothes, books, toys, and electronics, have also proven to be big sellers, as have flower and gift delivery services. Larger products, such as cars, have not had as much luck, although not from a lack of effort. (Although direct sales of new vehicles over the Web haven't exactly broken any records, the Web has been a formidable ally to dealerships, as many shoppers will research a vehicle online before traveling to a dealership.) Perishable goods like food have also been weak sellers, with the noted exception of Boston Market's online turkey dinner orders during Thanksgiving 2000. Even sites that allow users to make purchases of perishable goods at a discount (like Priceline.com's "name your own price for groceries" campaign) failed to generate interest among shoppers. Apparently, few shoppers really wanted to use the site for relatively small savings each time they went grocery shopping.

### Unique Challenges for Monetary Gain Sites

Retail sites probably face the toughest challenges on the Web because of their need to keep inventory and because of the potentially heavy competition they face, but, if successful, these sites can reap the greatest rewards. As with account management sites, retail sites need to promise and deliver privacy and security for buyers' personal information. Convincing the buying public of this has become easier for retail sites than for account management sites, as buying online has slowly permeated into our collective comfort zone.

Retail sites face fierce price competition. The Web makes comparison shopping easier, creating competitive pressure on retailers. As you learned in Chapter 1, this competitiveness has hurt some sites. Some Web retailers, attempting to attract users with low product prices, set the prices lower than was profitable. To make up for this loss, many sites compensated by charging higher-than-normal shipping costs, which were not figured into the total purchase price until close to the end of an order. Nearly half of all Web shoppers have reported abandoning their shopping carts at the last possible minute due to high shipping fees.<sup>4</sup>

In addition, like the content sites, retail sites have to keep their catalogs updated with new product lines, specials, and sales to retain consumer interest. This is not always an easy task, and it involves maintaining an inventory and frequently rearranging site content.

<sup>3</sup>Source: *eMarketer*, July 19, 2000.

<sup>4</sup>Source: *CyberAtlas*.

## BEYOND PROFITS: ADDITIONAL MOTIVATIONS

Beyond the primary reasons that companies create Web sites are a few secondary drivers, including file distribution, improved customer service, public relations, media relations, and even competitive pressure, which is the publishing of a site because the competition has one.

A quick glance at the structure laid out in Figure 2-1 might suggest that Web sites are restricted to one category or another, but that's far from reality. Many sites have mixed purposes and are an amalgamation of several categories, offering multiple ways of generating revenue.

Figure 2-13 shows a page from the **Discovery.com** Web site ([www.discovery.com](http://www.discovery.com)). A complete hybrid, this site offers visitors up-to-date information, drawing target audiences to the site on a regular basis. This regular traffic allows the site to earn revenue by selling ad space throughout the content pages. At the same time, Discovery.com has leveraged its audience even further by building a retail section to increase earnings. The difficulties that face both content and retail sites are grouped to make this site more difficult to maintain than a site with only a single objective, but the potential gains are much greater. Discovery.com enjoys one additional (major) benefit in that it can and does cross-promote itself with its non-Web entities, such as the Discovery Channel (available on cable television) and its chain of brick-and-mortar Discovery stores. Each of these areas alerts customers to the other affiliated areas, and that helps generate interest in alternative Discovery properties.

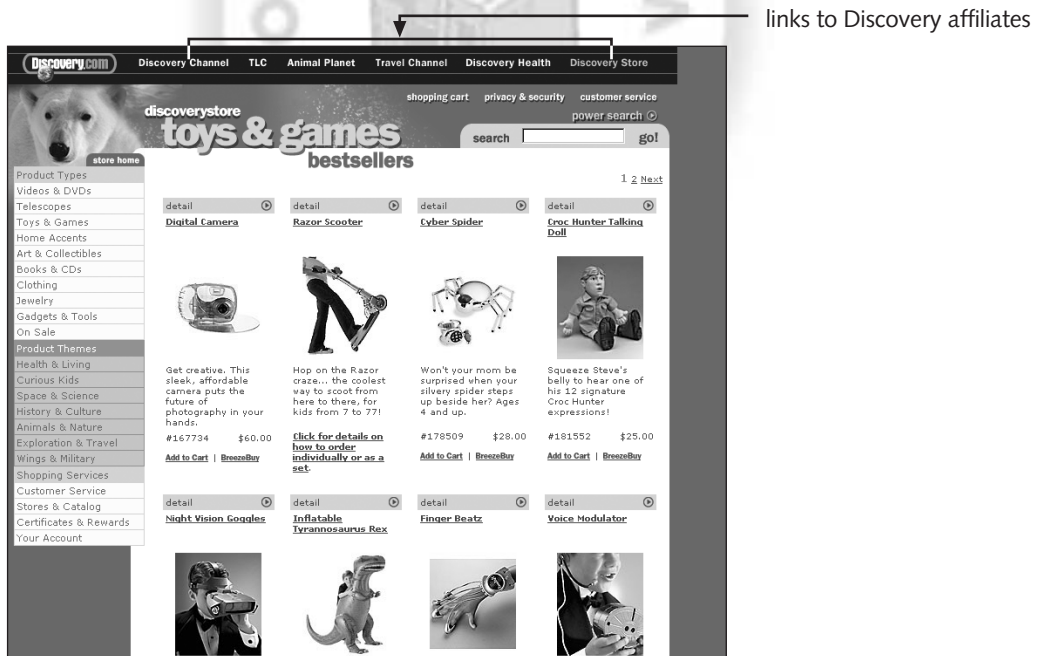


Figure 2-13 The Discovery.com hybrid Web site

## HOW WEB BUSINESS DIFFERS FROM TRADITIONAL BUSINESS

Given a choice between ordering a book from the comfort of your chair or getting out of that chair, driving to the mall, parking, finding the book on the bookstore shelf, standing in line to pay for the book, and then returning home, how would you prefer to make your purchase? For most people, the primary reason for shopping on the Web is convenience.

There are many factors beyond advertising and convenience that influence people to make purchasing decisions. The following tables list some of the factors that make up the shopping experience and describe how business on the Web can differ from traditional business. We'll examine these tables for both retail buying and for content-oriented sites.

**Table 2-1** Comparison of Web and traditional retail shopping factors

	Web	Brick & Mortar
Accessibility	Very accessible. Users can compare one store against another with the click of a button.	Relatively inaccessible. Users have to travel to store using cars or other means. Comparison shopping is not as easy and more time consuming.
Selection	Seemingly unlimited. For any given product, the Web can provide a far wider selection than can ever be looked at. Could be a benefit to some, but most shoppers report that it is too much.	Limited to what any particular retail outlet puts on its shelves. Stores act as a filter for poor products.
Immediate satisfaction	Except in cases of downloads (MP3s, software, and so on), immediate satisfaction is nonexistent.	Except in cases where things need to be shipped or delivered (like furniture), shoppers receive the immediate satisfaction of leaving with their purchases.
Price	The initial impression was that price shoppers could go to the Web for bargains. Actually, shipping costs often erase any savings and prices are often higher after shipping is factored in.	Shipping costs for most products don't exist, because buyers simply walk away carrying their purchases.
Privacy	Buyers need to provide information ranging from name and address to credit card numbers and sometimes telephone numbers. Customer lists may be sold, resulting in excess junk mail and e-mail.	Shoppers typically don't have to divulge private information about themselves to make a purchase.
Social interaction	Virtually no social interaction, except through chat rooms.	Buyers get to be around actual people, although crowds can be irritating and cause delays.

**Table 2-1** Comparison of Web and traditional retail shopping factors (continued)

	Web	Brick & Mortar
Service	Help menus and intuitive interface are the only assistance. Otherwise, you're on your own.	Salespeople are on hand to help you with your purchase. Service can be spotty, though.
Pressure	Virtually none. If you don't want to buy, you simply click off the site.	High-pressure sales people sometimes become a nuisance or make shoppers feel uncomfortable.
Waiting time	Go straight to the head of the line. If a site's shopping cart and checkout areas are good, making the final purchase should be easy.	Possibility of having to wait in line behind slow or bothersome shoppers.
Returning items	Usually have to send any returns back through the mail, sometimes at the shopper's expense. This is slowly changing with Web sites run by traditional stores.	Can make returns simply by going back to the store from which a product was purchased.
Business expense	For the e-tailer, unique costs include creation of the site itself. Pure-coms have the additional expense of building the initial customer base through expensive advertising.	Unique costs include building or renting retail location. Although advertising is needed, existence is promoted by visible location.

**Table 2-2** Comparison of Web and traditional magazine/news distribution aspects

	Web	Brick & Mortar
Accessibility	Information is very easy to find.	If specific information is not delivered, it must be sought out (at the book store, newsstand, and so on).
Price	Information can usually be found for free.	Pay per publication.
Convenience	Unless it's printed, information needs to be read on screen, wherever the computer is.	The news goes where you go.
Readability	Text on a monitor can be hard on the eyes.	It's easier to read words on paper than on screen.
Access to related data	Just a click away, either to a new page within the publication or to a new publication altogether.	Turn the page, but you must stay within the pages of the publication you are reading.
Multimedia	News may contain audio or video clips to support the text.	Sorry, no multimedia.

In addition to the factors outlined in the tables, there are other aspects that are unique to Web sites. Some of these include the less obvious issues that many pure-coms didn't

take into consideration when estimating the costs in their initial business models. For example, early beliefs that Web sites were inexpensive to build and that inventory could be kept to a minimum turned out to be false.

## The Traditional Retailer

Consider a typical retail clothing store at a mall (for the purposes of this example, it doesn't matter whether the store is independently owned or part of a chain). The store needs to make sure that the products it offers are new and that the clothes in the window change often enough to keep shoppers interested. Store management also must stay on top of the latest fashions. The store keeps on hand as many units of each product as it can comfortably hold, and when the product is sold, it is not restocked. As for the store's physical environment, the interior design might change occasionally, but that change is usually little more than lights, new pictures on the walls, or very rarely, a fresh coat of paint. It's extremely unusual for the entire architecture to be rebuilt. Salespeople are on site to help customers, and because you don't find too many clothing stores standing by themselves in the middle of a forest, the store can rely in part on walk-in traffic.

## The Web Retailer

The early commercial developers of the Web thought that they'd have it easy in comparison to traditional retailers. The storefront in the mall was expensive—a cost that could be avoided on the Web. Early Web retailers believed that inventory could be kept to a minimum. The site would keep some products on hand, but most Web shoppers wouldn't mind waiting a couple of weeks for their product to be delivered.

It looked good on paper, but the reality was entirely different.

Surprisingly, Web businesses face many of the same challenges that the traditional retailers do, but often to an exaggerated extent. Like the traditional clothing store, the Web retailer needs to keep its product offerings fresh as well. But while this means changing the window displays every few weeks for the traditional retailer, it could mean freshening the site once every day or two for the Web retailer. Web shoppers can visit a site with far more frequency than they can a mall store, and they get bored quickly if the site is not kept updated.

The traditional store does not need photographic representations of its products, either; salespeople just open the boxes of products, put the items on the shelf or hangers, and that's it. It's a simple job for the part-time high school employee. The Web retailer, on the other hand, must acquire images of the clothes (if they are not provided by the manufacturer, then photos have to be taken) and download the images along with all other vital product information (price, size, and so on) into a database appearing on the site.

The architecture of the site is also a challenge. Design trends seem to change faster in the virtual world than they do in the real world, and sites may frequently need to undergo design changes to keep the pages looking fresh and modern. General design concepts for

sites have changed from colorful and confusing to overburdened to minimalist, all in about 18 months. These changes take time, money, and headaches to implement.

Technology also changes rapidly. Online retailers often find that as their sites finish one phase of development using a technology such as Flash (described in detail in Appendix A of this text), the next evolution of site design calls for the incorporation of more modern programming languages.

Web space is not cheap, either, especially as a site grows and needs to feed an expanding client base faster without collapsing. In many cases, maintaining a large, commercial B2C site can be just as expensive as paying rent in a mall. While the cost for a simple brochure site that uses less than 20 MB of space is usually under \$50 per month (paid to the Web hosting company if the site is not self-hosted), the costs are dramatically steeper for larger, more public retail sites. Fully secured servers (secured both technologically from hackers and literally behind locked cages for protection) at hosts that have enough power to handle heavy traffic, never go down, and maintain high delivery speeds may cost tens of thousands of dollars per month. Other costs include **mirrors**, which are exact duplicates of a site located on separate servers that can take the site's place in case of power failure or other problems that may cause the site to be down or lose valuable information. Costs also include regular equipment upgrades, maintenance fees, and surcharges for traffic overages.

Inventory for early Web retailers turned out to be a problem as well. Items that were sold out did not automatically disappear from a Web site's page. Users continued ordering them. At the same time, the novelty of Web buying wore off fast, and shoppers expected quick delivery of their purchases. Shoppers had, after all, been lured to the Web initially by the promise of convenience that included having 24 x 7 access to goods. This raised expectations of fast turnaround times. So, unlike the traditional retailer who just holds inventory until stock runs out, the Web retailer needs to maintain a far larger inventory (which creates a cost for warehouse space, warehouse equipment, and employees to manage inventories) than it likely intended, with more advanced distribution systems to move products quickly.

Finally, Web businesses incur all of the costs associated with maintaining customer support services to compensate for the lack of real-life sales people. Other unanticipated expenses include the high price of marketing efforts to drive people to the site in the first place. Marketing will be covered in detail in Chapter 10.

## Hope for Web Retailers

All of these conditions paint a pretty bleak picture of the Web, at least as far as starting a business goes. Are there any differences that make a Web business worthwhile? The truth is that starting a new site without a major brand affiliation will continue to be extremely difficult. Even being affiliated with major brands might not always help when technology changes so fast. Take **Listen.com** ([www.listen.com](http://www.listen.com)), for example.

The site made headlines as the first pure-com Web site for downloading MP3 music files (for a price). It had the support and funding of every major label in the recording industry. Then along came Napster. All the money in the world wasn't going to help Listen.com get customers when Napster was giving music away for free. Listen.com had to change its business plan, and, as you read this, it may already be defunct. In 2001, Napster lost its highly publicized court battle, which saw metal band Metallica and other musicians pleading the case before Congress that Napster basically allowed people to steal their music by downloading copyrighted songs without paying for them. Napster was forced to block hundreds of thousands of copywrited song files from being downloaded, but the damage to Listen.com was already done. All this happened in an environment in which online sales of music grew 233 percent from 1999 to 2000.<sup>5</sup>

Despite the initial obstacles, there are some major factors that play in the Web's favor. The number of Web users continues to rise, and expenditures by online shoppers are growing faster than expenditures by traditional shoppers. In addition, during 2000, Web shoppers spent more on average per purchase than did traditional shoppers.<sup>6</sup>

Besides better rates and statistics, the Web enjoys benefits that traditional retailers do not. These include the ability to do business 24 hours a day and reduced risk of liability. A Web retailer never has to worry about a customer slipping in Aisle 4 and suing for millions of dollars.

One of the popular benefits that marketers like to mention—the fact that their products or services are available to a global audience—is misleading, though. While it's true that regional marketers can more easily access a larger audience throughout the United States and into Europe, expecting a truly global audience is unrealistic; in fact, of the 300 million Internet users worldwide, approximately 56 percent of those are in the United States.<sup>7</sup> That doesn't comprise a truly global audience, although an extended reach is certainly a benefit.

Business on the Web is still in its infancy. As technology starts to plateau following the dramatic ups and downs of the latter half of the 1990s into the early 2000s, and after the initial problems described in this chapter are reduced or eliminated, the Web will be a smoother place for businesses to exist and thrive.

The next section investigates the differences between online shopping and shopping in the “real world.” Although individual preferences vary, the deciding factors in shopping overwhelmingly come down to price and convenience. As you will learn, shoppers have different expectations for electronic and brick-and-mortar shopping experiences, and Web shopping can become a complex game of give-and-take.

<sup>5</sup>Source: *eMarketer*, 2000 summary.

<sup>6</sup>Source: *eMarketer*, 2000 summary.

<sup>7</sup>Source: *E-Commerce Times*, Sept. 19, 2001.

## MERGING BRICK-AND-MORTAR FIRMS WITH DOT-COMS

The early days of the Web pitted the New Economy against the Old Economy. The pure-coms of the New Economy burst onto the business scene with energy and enthusiasm, and the Old Economy didn't know what hit it. But after the dust settled, the Old Economy marketers persevered, showing the brightest sparks of promise for Web profitability.

Old-school businesses have been picking up some new tricks. The traditional marketers are beginning to construct a **click-and-mortar landscape**, which is a retail environment that combines the best of what the New Economy has to offer with the trust and security that the Old Economy has already established.

Combining a brick-and-mortar site with a Web business is not as popular as marketers might expect. The initial integration is an obvious one. Shoppers who make purchases over the Web from a site run and owned by a traditional marketer could be assisted at any of the brick-and-mortar outlets. For example, shoppers could return or exchange products if necessary. This is an amazing advantage over the alternative, which is returning products to the electronic commerce site through the mail at the shoppers' own expense.

Although survey after survey shows that consumers want more integration between brick-and-mortar stores and their associated Web sites, consumers are not yet taking advantage of those businesses offering this integration. However, this will likely change as more traditional marketers make their presence felt on the Web.

Marketing integration opens up the field to more creativity, such as in the case of Ben & Jerry's ice cream. Each container of Ben & Jerry's uses valuable real estate to promote a special voting section of the company's Web site. This section allows consumers to rate specific fringe flavors on a scale of 1 to 5 and then vote on whether the flavor should be continued.

This type of integration works on multiple levels. It allows Ben & Jerry's to test how closely its customers read the containers, to determine how many will actually go to the Web site, and to gather important insight into which flavors are resonating with its audience. Will Ben & Jerry's sell more ice cream because of this effort? Maybe, but it's unlikely that gaining new customers is even the point. Rather, the effort helps Ben & Jerry's to further expose customers to the brand in an interactive, communal atmosphere.

The click-and-mortar models have great potential for retailers, allowing marketers to leverage both their existing brands and the power of the Web. Of total marketing dollars spent on Web advertising, companies that have integrated their brick-and-mortar existence with their dot-com entities have not only spent more money on banner advertising and other Web-based advertising, but also will continue to far outpace traditional marketers and pure-coms for years to come. Figure 2-14 shows a chart indicating that click-and-mortar retailers are willing to spend ad dollars to promote their efforts because of their strong potential for success.

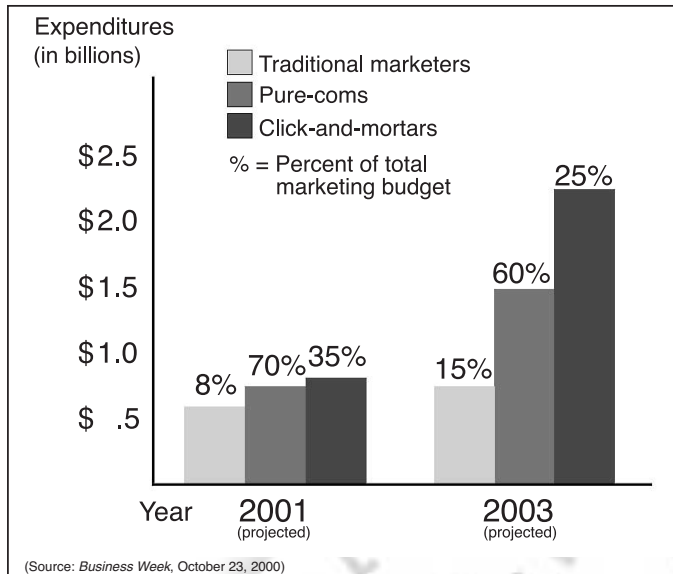


Figure 2-14 Web advertising expense comparison

## THE WEB USER'S PERSPECTIVE: UNDERSTANDING VISITOR NEEDS

As Web surfers become more sophisticated and using the Web becomes an everyday function instead of an infrequent novelty, it is becoming clear to researchers and marketers that consumers have distinct and universal reasons for doing business, seeking information, and engaging in transactions over the Web. While the Web was originally shaped by the creative vision of designers and programmers, it now reflects the needs of those who use it, rather than those who create its content.

Although there are a number of reasons why consumers use the Web, convenience is by far the leading factor. Online shoppers give up the ability to hold the product in their hand or use a product at the time of purchase for the convenience of shopping from the comfort of their home or office. People who visit news sites sacrifice the ability to read the news anywhere as they would with a paper source. What they expect in return is access to more timely updates, more vibrancy in images, or multimedia enhancements that would be impossible to deliver on paper.

The convenience factor created by the advent of the Web in turn creates an impetus for further Web growth. This snowball effect is based on the following general principles:

- Making purchases or doing research by computer in your home or office is more convenient than driving to a store, mall, agency, library, or other location.

- Immediate physical results of Web shopping are nonexistent. Electronic shoppers forego the ability to hold, wear, feel, or test a product before purchasing it. They also don't have physical possession of a product at the time of purchase. Software purchases are the exception to this rule. In addition, the ability to "carry" a content-related item such as a magazine, while technically possible in the digital domain due to wireless features, PDA downloads, and e-books, is not, as of 2001, very popular. This will change as those features become more streamlined and generally accepted.
- Special Web value pricing is negated either by widely advertised sales in traditional brick-and-mortar locations or undesirably high shipping costs.

On average, retail sales grow over time. However, offline retailers will gradually lose market share to online retailers because convenience will become increasingly important to shoppers, and they will spend more dollars online rather than offline. However, the importance of convenience will grow incrementally because of other Web factors coming into play. For example, as more people get faster connections, the convenience that the Web offers them becomes greater. Similarly, as fewer people fear the Web (and become more comfortable entering their credit card numbers into Web forms), Web retail growth will increase. At the same time, as sites improve customer service and navigation, charge less for shipping, and ensure quick delivery of products, more people will find the Web a convenient place to shop and research information. As long as more people realize the convenience of the Web, and the Web continues to make improvements in what it offers, Web business will continue to grow, and dollars channeled to electronic commerce will continue to cut into overall retail spending. It is inevitable, however, that this growth will eventually plateau, with Web retail growth rising or falling along with overall retail growth. The leveling off of Web e-tailing growth is inevitable as long as the immediate results of traditional retailing still holds value to the consumer.

Site planners must take into consideration the convenience factors that will make their own Web sites grow.

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## DETERMINING THE TARGET MARKET

Very few Web sites can expect to be online and attract *everyone* to their site. It is impossible to have universal appeal to every potential shopper. Instead, each site, depending on its offerings or the information that it provides, caters to a specific group of people that shares common traits. Some of these traits, called **demographics**, may be geographic location, age group, career choice, or income. Other traits, called **psychographics**, are based more on personalities, hobbies, and desires. The group that a Web site tries to attract is its **target market**. To be appealing to a target market, a site must have a good idea of the preferences of potential customers so that it can develop appropriate promotions. For example, the personalities and lifestyle similarities of people that would surf a NASCAR-oriented site are likely very different from those of people who would visit a site about opera. Knowledge of the market translates into a site's ability to devise an

effective **marketing strategy** (the strategy that a site or company employs for gaining more customers and revenue) for increasing product sales.

Because hyperlinks make it far easier for potential clients to check out competition in the cyber world than they might otherwise do in the brick-and-mortar world, **customer retention** (the measure of how long a customer remains on your site and how often he or she returns) is a vital component in the long-term success of any Web site. This retention can only come through an intimate understanding of both the market demographics (including age, income, and geography) and the psychographics (such as favorite places to travel, favorite activities, hobbies, and interests).

## Research Data: Demographics

Market research companies know that determining the composition of any audience can be difficult, time-consuming, and expensive. Companies analyze their potential audiences using a generally accepted set of characteristics, or variables. These variables tend to be general and depend on whether the site is geared toward consumers or businesses.

### Standard Consumer Demographics

The following constitutes an abbreviated list of some demographic information a site might seek from individuals that comprise its target market. This information is used to help design and develop the Web site so that it will ultimately be more appealing to the audience that it seeks:

- Age (median age and predominant age group)
- Family size (marital status, number of siblings, number of offspring, and so on)
- Education level
- Income (median income and income range)
- Gender (percentage male versus percentage female)
- Occupation (type of work and number of years with same employer)
- Nationality
- Race
- Religion
- Geographical residence

### Standard Business Demographics

The following are some facts that a B2B Web site developer might seek about the kind of companies that would be most likely to use its site. Keep in mind, however, that a *company* itself does not surf the Web or make electronic commerce purchases. One or more individuals within the company make the decisions and do the buying, so it is

often just as important for a B2B site to gather the traditional demographic information (as in the previous list) as it is to gather information about the company:

- Size of sales
- Profitability (percentage of businesses that are profitable and range of profit)
- Publicly or privately held (percentage of each)
- Number of employees
- Type of company (products versus service and percentage breakdown of product or service type)

These broad categories provide the basic facts that any Web site developer must know about its audience to develop a successful site. The data can have a bearing on everything from the language used on the site to the colors chosen for the background.

## Taking Demographics Further

Better understanding into the psychology of the target market helps developers to streamline the design and layout of the site and to integrate marketing and advertising strategies, develop content, and determine strong potential affiliate partners for cross-promotional efforts. These psychographic variables can be minimal or extensive, depending on time and budget.

### Audience Psychographic Variables

You can use the information gathered from the following list to understand the personality of the target market and develop a site to appeal to that personality. For example, this information may help to determine whether the site should be highly interactive and charged with graphics and energy, or more staid and relaxed. It can also help determine which advertisers would most likely benefit from advertising on the site, assuming that the site accepts advertising.

- Types of hobbies
- Vacations (places traveled and number of vacations taken per year)
- Recreational sports played
- Luxury items owned
- Number of general-use items (cars, sneakers, and so on) purchased last year or over the last three years
- Minutes per day spent on the Web
- Web use location (percentage from work versus percentage from home)
- Types of sites visited
- Dollars spent on online retail over the last six months and over the last year

- Top five favorite Web sites
- Biggest Web complaint

This type of information is vital to both creating and marketing your site, and while understanding the audience should be an ongoing process in one form or another, it's particularly important at the outset of production. Without this information, you will be creating blindly, with only a random chance at targeted success. For example, consider a Web site that sells outerwear and accessories to an audience of 14- to 19-year-old females. Without doing any market research at all, the site developers may design the site using colors, text, images and content that they assume, through common sense, would appeal to girls and women in that age category. However, deeper, more organized research of the target market may reveal some startling concepts. For the category of products being sold, site developers would likely want to market and develop the site to appeal to 20- to 25-year-old women—a few years beyond their target market. The reason is that the research would probably show that 14- to 19-year-olds want to look and feel like they're 20 to 25 years old. In addition, the research might also show that the one sure way to lose the audience completely would be to focus too much on the product line. Hard sales won't work with this demographic. Instead, the research might show that a different approach should be taken, such as forecasts of next week's plot for the current "hot" TV show, gossip about music stars, and tips on dating and dealing with parents. The sales complement the broader appeal of the site.

Unfortunately, many smaller companies and sites are anxious to begin making money immediately and forego the market research aspect in favor of quicker results.

## Gathering Information

You should gather as much information about your prospective audience as you can. Typically, site developers who appreciate the value of audience profiling will not take on the responsibilities of these tasks themselves, but instead hire professionally trained and experienced agencies to do this research for them.

Even if you hire an outside agency, it's important for you to understand at least the basics of the research methods and how the results are derived. Understanding the audience is too important a task to hand over to an agency without being able to check that its information is accurate (or at least that it was gathered in such a way that the findings could be trusted).

Researchers employ various methods to collect audience data and then analyze it so that it can be useful in developing and promoting the site.

Some of the more popular methods include:

- Personal interviews
- Mail, Web, or telephone surveys
- Focus groups

Personal interviews and surveys involve the use of survey questionnaires. Focus groups are more informal and conversational in tone and will be covered later in this chapter. Each method involves determining a **sample** (a few representatives) of the target market on which to start your research.

To find the group that will best respond to your site, you should conduct research on a random group of people that includes all ages, races, genders, religious affiliations, and socioeconomic categories. You then solicit their opinions on the products, services, or information that you have to offer. Obviously this is not always possible, as budgets and time constraints often limit research. You can probably narrow down your initial audience to omit people who wouldn't be likely to need or want your Web site's offerings. For example, a site that sells expensive antique furnishings probably does not need to involve children or low- to lower-middle income individuals in the study to realize that those groups can be excluded from the target audience.



If you've ever done everything in your power to avoid taking a class in probabilities and statistics, reconsider your hesitation. This type of course is the foundation of good market research and provides an understanding of how to associate a random or selected sample of people to a larger population.

## Conducting Personal Interviews

Personal interviews can be conducted multiple ways, depending on your Web site's needs. For example, if you work for a B2B Web site that provides services to human resources (HR) professionals, you may benefit from scheduling personal interviews with HR employees from a cross-section of companies. If you work for an existing traditional company, you would conduct personal interviews with your existing clients to learn what they would desire and respond to on your site. Large general-product retail sites can conduct informal personal interviews with surveyors talking to random people outside of malls, on city streets, and so on.

The benefits of personal interviews include higher response rates (compared to surveys), the ability to answer questions that the interviewee may have, more in-depth information, and the ability to improvise questions based on respondents' previous answers. The negative aspects of personal interviews include interviewees who get bored or restless with a survey that lasts too long and interviewers who unwittingly lead their prospects by subconscious facial tics or body movements. Worst of all is high expense. Personal interviews can take a lot of time from training the interviewer, to traveling to the prospective interviewee (including renting space to conduct interviews), and to conducting each interview individually.

Most personal interviews that are arranged in advance are done for free by the interviewee. Your site may choose to provide interviewees with free benefits from the Web site when it launches or to give a small gift such as a t-shirt or hat with the Web address on it. These offerings are usually nominal and are given as a token good-will gesture. Random interviews at malls may require compensation for people who participate and can include items such as coupons to local stores, prepaid calling cards, or cash upon completion of the interview.

## Mail, Web, and Telephone Surveys

Surveys usually are more difficult to conduct than interviews or focus groups because junk mail and telephone solicitations have deterred many people from responding to these efforts. Considering that a successful rate of return for any direct response mailing is just over 2 percent, getting enough responses from a random mail sample to build a useful audience profile may be difficult. Similar situations exist for Web surveys, which require efforts by Web marketers to drive traffic to the survey to get results. Another major problem with Web surveys is that participants have more time to think over their answers than they do in live forums, possibly muddying first-impulse responses. The downside of delayed reactions is offset by the fact that participants may be more honest due to the anonymity of the method.

Other benefits of Web surveys include the ability to reach people who would be otherwise difficult to reach through more personal methods (perhaps because they live in remote areas or simply don't want to sit through an interview). Surveys also provide less chance of the interviewer biasing the participant. The overall cost and time spent on these efforts are far less than personal interviews.

## Setting up a Survey

Unfortunately, setting up a survey isn't quite as easy as jotting down a few random questions. You must follow a specific process to get meaningful results. The general steps taken for survey development include the following:

- 1. Determine the objectives:** What are you trying to learn? Is the research mostly for advertising the site or for developing the site? Is it more important to know the demographics of your audience, the psychographics, or both?
- 2. Develop the questions:** Some questions, such as age, geography, and income, will become standard for practically every survey that you use. Other questions should be more specific and targeted, depending upon both the target audience and the type of site you are developing. For example, a site that is providing information on family cars will likely write many of their survey questions to address the respondents' prior car buying and owning experience and type of information they would have liked to have known before buying their car. Their responses would likely affect the type of information that is presented on the site.
- 3. Find survey respondents:** In what is possibly the most difficult step of surveying, surveyors need to find people to answer their questions. This means not only locating the right *type* of people, but finding enough people who will be willing to take the time out of their day to answer the questions. Depending on the site and the subject matter, the people asked need to be representatives of the *perceived* target market (the market demographics that site developers most logically expect will visit their site) as well as a good cross-section of those who fall outside of the perceived target market. For

instance, in the car information site example that was used in the previous step, it might make sense for surveyors to go door-to-door in neighborhoods that have a large number of families with family-style cars or to stand at the door of certain car dealerships. Don't stop there, though. Since the site provides information about family cars, the buyers of which are the heads of households, you might not think that there would be any reason to bother questioning kids and teenagers for this market research. But there might be. It's entirely possible that the kids, especially the teenagers, have a large amount of influence on what vehicle their parents buy for the family. That influence may need to be addressed in the Web site.

- 4. Analyze the data:** Once collected, you need to organize the data and study it, tallying the percentages of responses. For example, you'll need to determine the percentage of respondents who were between 25 and 30 years old, the percentage of respondents who make purchases over the Web, and so on. Then you must cross-reference and analyze the results to highlight useful findings. You might find that 67 percent of all respondents under the age of 30 have done online vehicle research in the last month, but that only 18 percent of those were male. This information can later be used during site development to create features that take advantage of these facts.

Another important part of the survey is asking the right questions. Forming the survey questions is not an easy task. While it may seem that developing the survey should be as simple as writing a few questions down on paper, the truth is that for the results of a research effort to be meaningful, the questions need to be asked in a way that allows the user to give unbiased and relevant information. For example, consider the following two survey question examples. Each asks the same thing, but uses a different method to extract respondent information:

Q. 1: Did you find this Web site useful? (Please check one)

Yes

No

Q. 1: How useful did you find this Web site? (Please circle one of the following):

Extremely Useful

Very Useful

Moderately Useful

Not Very Useful

Not Useful At All

The second question provides more insight and information as to the Web user's experience with the site, while the first question limited the respondent to one of two

choices. The “yes” or “no” choices are vague and not very helpful. Although yes and no questions have their place in surveys, they are better off being used for factual matters (such as “Have you visited this site within the last 14 days?”) instead of subjective ones (such as “Do you like this site?”). Now consider another example:

Q. 17: Most people enjoy making purchases online and believe it is a convenient way to shop. On a scale of 1 to 5 (5 being “Yes, I completely agree”), how would you compare your agreement with these people? (Please circle one):

5   4   3   2   1

Q. 17: Compared with buying products through traditional retail outlets (such as you may find in a mall), how would you compare the convenience of online (Web) shopping? (Please circle one):

Much more convenient

A bit more convenient

About the same

A bit less convenient

Much less convenient

In this example, each question allows the respondent a wide range of responses, but the first question is far more leading. The respondent is led to believe that from the outset, other people have already responded favorably to the issue of online shopping. This phrasing creates a bias in the question that diminishes the value of the answer; the respondent may respond favorably simply because he or she does not want to feel left out or in the minority. The second question, on the other hand, allows the respondent to express an opinion without being prejudiced.

## Focus Groups

Focus groups are among the more dynamic methods of collecting data and one of the few that departs from the survey-use style of questioning. Focus groups are conducted by gathering eight to 15 people in a room around a conference table with a moderator leading them in discussion about various topics. Very often, the people in the focus groups are not told more than the basics of the subject matter (like knowing that the topic may revolve around produce, for example). This is done to make sure that they are not biased in their thoughts when entering the conversation. In fact, the moderator (an experienced professional who knows how to ask questions without leading the group’s answers) will often ask many questions that have little or nothing to do with the subject matter so that he or she does not give away the actual topic or the name of the company that is conducting the focus group. Giving even the company name away can severely prejudice people in the group (for example, Ford Mustang enthusiasts might be immediately biased and partial if they walked into a focus group they knew was being conducted by Chevrolet).

Focus groups typically run about two hours, with different demographic categories of people segregated into different groups. For example, men aged 19 to 24 might be in one group, while men aged 25 to 34 might be in another. Participants are typically paid a fee that can range between \$20 to \$100 per hour for being part of the group. It is also traditional to provide refreshments during the session.

Like in surveys, focus group questions are carefully developed beforehand by either the site developers, or, more often, an outside agency, and the moderator is typically trained to get conversations started and ensure that everyone participates. Because there is so much spontaneous information that can surface during these efforts, focus groups are usually run behind a two-way mirror. Group participants, although they are aware of the circumstances, cannot see that on the other side of the mirror is a camera recording their actions. Research professionals can review the tape to analyze the conversation, body language, and voice inflections of the participants.

## How Audience Profile Affects a Web Site

Once you have gathered data about your target audience's preferences and needs, you can use that information to shape your Web site. Knowing your audience from both a demographic and psychographic standpoint gives you insight into the types of layout, colors, images, and content to which your visitors would best respond. Most importantly, understanding your audience will help shape the core message and personality of the brand for long-term market penetration. In the final analysis, it's the brand's job to sell the product or service, and it's the site's job to help build the brand.

**Pepsi's** Web site is a good example of a site that reaches out to its audience in a way that plays on the likes and interests of the "new generation" that the company targets. Although it is a well-branded site with the logo on every page, Pepsi knows that it's unlikely to retain visitors for very long or keep them coming back if the main feature of its site is the calorie count for a 12-ounce can of Diet Pepsi. In fact, it's almost difficult to find specific information relating to Pepsi products—but, then again, providing information about the products isn't really the point of the site. Instead, the site's main purpose is to simply reinforce the brand. What *is* easy to find on the site is plenty of information on current movies and musical acts, complete with biographies and concert tour dates. Pepsi knows that to maintain its brand image and to reach its target market of young adults, it must be less self-focused and more of a resource for the content in which its audience is interested.

ASCO, whose site is shown in Figure 2-7, features a site with streamlined, no-frills information. The company opted for this style because its customers are mainly engineers who want to gather information quickly without distractions. However, ASCO realizes that its audience is human and does have interests outside of the site topic, and thus the site has sponsored online contests for concert tickets, appealing to another aspect of its audience profile.

Although earlier you learned about the hazards of venturing too far outside the core message (such as having stock quotes on a site that assists gardeners), understanding your audience as well as your reasons for site development and the core message of your brand will help you know where these boundaries exist. What, one may ask, do movies and music have to do with cola? Technically, nothing. The site helps establish the essence of the brand, largely based on the personalities of the target market (as determined by extensive research), and that brand is what keeps consumers trusting enough in the company to continue purchasing its products.

Not all sites are or should be strictly brand-building sites. As you learned earlier, there are many reasons for a site to exist, although regardless of that reason, you should never ignore the brand.

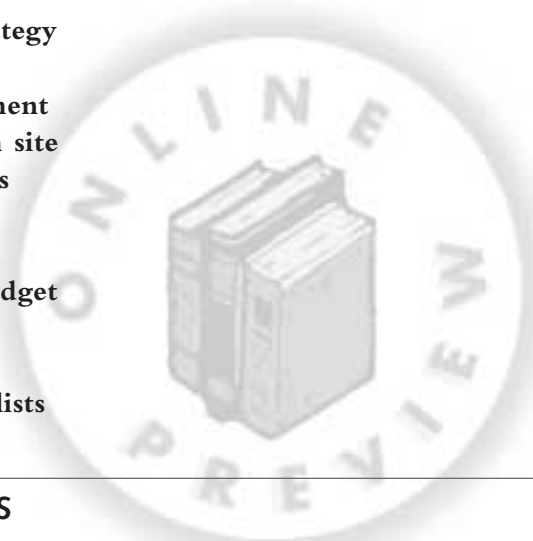
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## CHAPTER SUMMARY

- Taking an idea from concept to live site requires specific planning. Online businesses face a frontier that in many ways is similar to the traditional business environment, with its requisite brand building and consumer retention considerations, but in many other ways, Web business is quite unique. Despite original beliefs that Web businesses were relatively cheap to run, it turned out that the benefits to the consumer (convenience and selection) do not offset some of the negative aspects (including increased competition, a need to build a brand practically overnight, and unforeseen business costs). However, the increased savvy of both retailers and shoppers and the pace of technology advances signal good things for online business.
- The two main categories of business Web sites, business-to-business (B2B) and business-to-consumer (B2C), each have four subcategories: brochure, account management, content, and direct gains. All of these types of sites have unique hurdles and benefits that need to be understood by site managers. Brochure-style sites help in branding and customer acquisition while still relying on basic human interaction to generate revenue. Account management sites rely on visitors feeling safe with their online account data to help marry them to the company and keep them retained for a long period of time. Content-oriented sites rely on visitor traffic to gain revenue through advertising sales. Retail, or direct gain, sites face an uphill battle in maintaining inventory and distributing products on time and at low cost while battling fierce competition. However, they are buoyed by the fact that online shopping continues to grow even in hard times.
- Traditional merchants endeavor to provide a best-of-both worlds experience to their customers by integrating online shopping with traditional service in click-and-mortar sites.
- Sites gather information about their audiences using interviews, surveys, and focus groups, and then shape the site to appeal to those audiences. Understanding your site's characteristics and audience and acknowledging how it differs from a traditional business are key factors in achieving Web success.

## KEY TERMS

account management site  
ad serving program  
business plan  
click-and-mortar landscape  
content site  
customer retention  
demographics  
direct gain site  
e-zine  
go public  
marketing strategy  
mirror  
mission statement  
monetary gain site  
psychographics  
round  
sample  
shoe-string budget  
static  
target market  
venture capitalists



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## REVIEW QUESTIONS

1. Maintaining inventory is an expense that \_\_\_\_\_.
  - a. retail sites don't have to worry about because they are Web based
  - b. retail sites didn't originally believe they would have to worry about, but now spend money to manage
  - c. traditional retailers can only afford if they integrate their business with a Web site
  - d. brochure sites are dealing with on an increasing basis
2. Three of the benefits of Web shopping are \_\_\_\_\_.
3. In general, which of these statements about prices for products on the Web is true?
  - a. Prices found on the Web are typically the same as prices found offline.
  - b. People originally thought that prices for products would be higher on the Web, but found that they were actually lower.

- c. People originally expected that prices for products on the Web would be lower, but found they were actually higher due to shipping costs.
  - d. People had no expectations about Web prices and don't really factor cost into their decisions.
4. Web marketers looking to reach consumers in Asia in the beginning of 2001 could expect to reach \_\_\_\_\_ percentage of the population.
5. The term B2C means \_\_\_\_\_.
6. \_\_\_\_\_ rely most heavily on basic human interaction to generate revenue.
  - a. Vanity sites
  - b. Brochure sites
  - c. Retail sites
  - d. Content sites
7. Between 2001 and 2003, traditional marketers expect to change their Web ad expenditures as a percentage of their overall marketing budget by \_\_\_\_\_ percent.
8. According to the graph in Figure 2-14, the \_\_\_\_\_ segment typically spends the greatest percentage of its marketing budget on Web advertising.
9. Although B2B sites generate significantly more revenue than B2C sites, it's important to remember that \_\_\_\_\_.
  - a. there are a lot more B2B than B2C sites on the Web
  - b. B2B sites get more media attention than B2C sites
  - c. businesses have better Web connectivity than most homes
  - d. the average price for a B2B electronic commerce purchase is far greater than the average price for a B2C electronic commerce purchase
10. Why do large, traditional marketers like Pepsi create brochure sites?
11. Name two specific challenges faced by most account management sites.
12. Sites that generate revenue through advertising rely on \_\_\_\_\_ to raise prices and retain more advertisers.
  - a. heavy traffic levels
  - b. targeted traffic of specific demographics
  - c. neither a nor b
  - d. both a and b

13. \_\_\_\_\_ is an example of a nonmonetary direct gain from a Web site.
- A college getting more student applications through its site
  - A bank receiving letters to the Webmaster, complimenting the site
  - A museum winning multiple “Best Web Site” awards from various institutions
  - A toy store selling more products online than offline
14. Between 2000 and 2003, the percentage of small companies that provide retail services on their sites is expected to \_\_\_\_\_.
- increase by 16 percent to about half of all small companies
  - drop by 12.5 percent to about half of all small companies
  - increase by 20 percent to about a third of all small companies
  - increase by 36 percent to about half of all small companies
15. Total ad spending by B2B sites is consistently \_\_\_\_\_.
- greater than total ad spending by B2C sites
  - less than total ad spending by B2C sites
  - roughly the same as total ad spending by B2C sites
  - increasing

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## HANDS-ON PROJECTS



1. You and two classmates want to start a pure-com business with the hope of creating a large nationally recognized brand. Among the three of you, you have some basic programming capabilities and some design talent, but not enough upon which to build a thriving corporation. Even worse, you have very little start-up money to fund any sort of venture. It seems that all you have is an idea. There's no question that you and your two partners will need to get some investment money to get the company off the ground. Team up with two classmates to develop the business plan. What kind of an idea can you come up with for a Web site? Will it be a content-based site or deal in B2C electronic commerce? What will be the topic, and what kind of services will it offer? (For example, it could be a site that helps high school students find out more about various colleges, a dating Web site, or something else.) Outline and describe what the site will do, and explain why you have collectively decided on that idea. Come up with a name for your company. Develop a plan that addresses the following issues:
- Who is your target market? Using the criteria described in chapter, create a mock demographic analysis of what you believe your audience would look like, statistically. Using this information, how would you propose that you create or develop your site in order to reach that market? In other words, what type of content or features would you have in your site that would attract this particular audience?

- b. Go on the Web, and check out three sites that would be competitors of your particular site. What does each of them have in common? What does each offer that the other doesn't? Based on your idea and your anticipated market, which site would you expect to be your primary competitor? How will your site differ from the sites you have found on the Web? What advantages or disadvantages will your site have?

This information will be the basis of a business plan. In future chapters of this book, you will refer to this “company” and build upon the business plan.



2. Categorize the following sites based on the types outlined in the chapter. What is the main purpose of each Web site?

- [www.nabisco.com](http://www.nabisco.com)
- [www.pfsmarketwyse.com](http://www.pfsmarketwyse.com)
- [www.rockwell.com](http://www.rockwell.com)
- [www.slate.com](http://www.slate.com)
- [www.webtrends.com](http://www.webtrends.com)
- [www.redken.com](http://www.redken.com)
- [www.buy.com](http://www.buy.com)
- [www.efloralz.com](http://www.efloralz.com)

Write an explanation of the purpose of each of these sites and print out pages from each site to support your determination.



3. Looking at the packaging on different products that you buy on a regular basis or the direct mail ads that arrive at your home, find a company that integrates its traditional business with its online presence. Answer the following questions about the company:
- a. What are the advantages of the integration for the consumer?
  - b. Would this method influence you to visit the site or purchase more products?
  - c. What does the integration tell you about the brand?

