IS INTERNET A FRIEND OR A FOE OF TRADITIONAL MARKETERS?

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Abstract

With the recent technological advances in Internet and Internet marketing, there is an uncomfortable feeling both among marketers and marketing academicians if Internet marketing would eventually replace traditional channel and retail-outlet based marketing. In this connection this article examines and compares the essential marketing efficiencies of Internet marketing (IM) and traditional marketing (TM). Invoking the functional approach to marketing, the focus of discussion is to what extent IM fulfills the essential function of marketing, that is, to obtain and service demand, compared to TM. Specific functional services investigated include the efficiencies of information-dissemination, distribution, total-shopping experience, and their cost effectiveness. Given this methodology and theoretical focus, the paper first discusses functional areas that IM clearly surpasses TM; then examines features where TM does better than IM, and finally, explores opportunities whereby IM can do even better to surpass TM. Given this, some implications for marketers and marketing academicians are outlined.

Recently there has been a growing interest among academic researchers to examine the reasons behind the success achieved by internet marketing firms such as Amazon, Zappos, eBay many others (Ahrholdt 2011, Naseri and Elliott 2011).At a recent Association of National Advertisers' meeting, Peter Sealey, former VP of global marketing at Coca-Cola Co. and now a guru of Internet Marketing, proposed that in the near future most of the traditional marketing activities that we have developed and built expertise in will become obsolete and irrelevant. Sealey projects the tremendous success of e-commerce based on three elements – bandwidth, storage, and processing power. Internet is already penetrating into

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traditional space occupied by traditional TV channels. For instance, Borders bookstore chains went out of business because it did not take Amazon.com as a serious threat to its traditional retail outlets.

However, the internet space could be knocked down at times by cybervandals (Levy and Stone 2000). When that happens It may take users hours to connect these popular websites instead of the seconds they were used to. Given the security related issues associated with the internet and the lack of consumer associated with internet marketing we ask the following questions: Could Internet Marketing replace traditional retail-outlet based marketing? If the cyber-hackers go uncontrolled, then can Internet marketing be safe and private for buyers and sellers alike? This paper primarily addresses the former question. After defining some important technical terms, we discuss a methodology and theory to place the comparative discussion into proper perspective. We next focus on essential features of marketing wherein Internet marketing has a distinctive edge over traditional marketing. We then discuss unique features of traditional retail-outlet-based marketing that are currently beyond the scope of Internet marketing. A third section suggests what Internet Marketing could do to catch up with traditional marketing in areas currently beyond its reach.

Definitions of Some Technical Terms

First, we define some key terms and concepts involved in this discussion. The Internet, as we now understand it, is a highly decentralized system of computer networks that includes backbone networks, wide area networks (wans), and local area networks (lans) (Janal 1998; Komenar 1997). It is the physical infrastructure of an interconnected global computer network, a giant mass of computers and cables scattered across the world (Hoffman and Novak 1996). The Web (or www) is a subset of the Internet and is a hypermedia platform that rides on the Internet. It is a vast collection of interconnected documents stored on computers (called "hosts") all around the world that are connected to the Internet (Hoffman and Novak 1996). A typical homepage is like a main door that describes the chief purpose and features of the website and provides an interactive table of contents that serves as the navigation scheme for the website as a whole. The main door leads to other doors that lead to other doors that connect to documents all over the world, and so on. It is a maze, and hence its name, the worldwide web, or just, WWW. But it is a retail maze, a virtual global mall. However, the web refers to just one of many modes of data storage and transfer commonly used on the Internet. The e-mail, usenet and intranet are examples of other data storage and transfer modes. A browser software enables highlighted words or icons (called hyperlinks) to display a multitude of media, including text, video, graphics and sound on a local computer screen, regardless of the location of the source-material (Berthon et al., 1999).

Like the Internet, e-commerce is another most relevant application of the advanced computer networks. It also uses the WWW to link the worldwide business world of governments, industry groups, corporations, consortia, and services for reciprocal trading, contract negotiations, banking, information exchange, technological alliances and collaborations – it is a complex distributed system (Griffel et al. 1998). Electronic commerce systems offer support for electronically exchanging data related to accounting, control, production management, funds transfer, record keeping, purchasing, and selling activities. For instance, the Electronic Commerce WWW Resources Guide, created and maintained by Thomas Ho, is extensive, and contains links to sites, information and services; it is organized into thematic headings covering the background and development of electronic commerce (Ellsworth and Ellsworth 1997). Electronic commerce enables online business transactions between any buyer and seller firms starting from mergers and acquisitions to new product-service announcements to final purchase orders and after-purchase services. Various jump-station services within the electronic commerce field enable instantaneous capability of on-line communications for directly connecting to specific industries, companies, products and services, thus circumventing loads of unnecessary information, spamming, and blacklisted companies. The Internet focuses on the buying and selling aspects, and hence is a subset of the e-commerce system. However, both the Internet and e-commerce have severe security problems (Ghosh 1998).

All over the world, some 200 million computers are connected to the Internet, with over 250 million users, and the WWW has around 35 million websites. The monthly user rates are still growing in double digits (Schultz 1999). The user numbers are projected to reach a billion by the end of 2000 (Keller and Fay 1996). Business-to-business e-commerce accounts for an estimated 70-80% of all Internet sales. It reached $7.1 billion in 1999, and WEFA Group, Inc., a market research company based in Burlington, MA, projects it to $53.4 billion by 2004 – the fastest growth rate (49.6%) among competing sales media (Marketing News 1999). Forrester Research Inc. expects it to explode to $1.3 trillion by 2003 from $43 billion in 1998 (James 1999). The Internet Market is real, and these facts provide the context and importance for the discussion that follows.

Methodology and Theoretical Background

An objective and proper comparative discussion between the merits and demerits of Internet versus traditional marketing would require the following steps: a) Establish if the Internet is a real marketplace; b) Argue if Internet marketing is real marketing; c) Identify the essentials that define retail-based

marketing, and given (a) and (b), demonstrate to what extent Internet marketing surpasses or fails traditional marketing on these essentials.

The Internet is a Real Marketplace

A market is an economic concept. A standard book of Economics defines a market as "a group of firms and individuals in touch with each other in order to buy or sell some good" (Mansfield 1994, p.19). A market is a place or situation for exchange. An exchange involves a transfer of something tangible or intangible, actual or symbolic, between two or more social actors (Bagozzi 1986). It is an exchange that invariably leads to the concept of a market or marketplace (Houston and Gassenheimer1987). The Internet is a real market in that it can bring buyers and sellers from anywhere in the world for the exchange and satisfaction of their mutual needs and wants. The Internet market does not necessarily imply any physical retail outlets, shop floor space, inventory or salespeople like most other media. Its supply side is its global information dissemination and persuasion structure (Berthon, Pitt and Watson 1996a, 1996b). By itself the Internet, like any other market, does not do anything; it is the people in it that make it a marketplace. A market exists only when both sellers and buyers are present; that is, a market implies mutual needs and wants between parties of exchange (Kotler 1984). The Internet is a worldwide medium of information exchange, persuasive selling or buying, active distribution, and market research – all these marketing functions can be done on one-on-one basis worldwide (Hoffman and Novak 1996; Janal 1998; Komenar 1997).

The Web on the Internet has thousands of supplier firms represented by their websites – this is the supply side of the Internet market. Each product or service of the supplier firm may also be offered on the corporate or separate websites. The website is the common "retailing outlet" in Internet marketing. From this perspective, the Internet is a gigantic global mall that shelters all websites or "online retail outlets" of the world. Any company that uses the Internet Web has automatically a global supply presence. People with access to the Internet visit the websites – they form the demand side of the Internet market. This demand is growing exponentially at double-digit rates every month (Buskin 1999; Keller and Fay 1996; Schultz 1999).

Internet Marketing is Real Marketing

Marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others (Kotler 1984). Internet marketing is just

this: it is a techno-based social process whereby buyers and sellers from all over the world can communicate and interact with each other anytime, anywhere, and on any topic, or buy-sell almost anything from produce to product, precious metals to bulk commodities, from antiques to futures. Given this multi-dimensional character of the Internet and Internet marketing, it holds promise of becoming the perfect marketing tool in the near future (Benjamin and Wigand 1995; Richards 1997).

By traditional marketing we primarily mean outlet-based retailing which includes various channel intermediaries such as brokers, traders, distributors, and retailers, under various functions such as warehousing, logistics, delivery, direct mailing, shelving, displaying, advertising, pricing and promoting, service and post-purchase feedback. Promotional selling could take place via any media such as telephone (telephony, telemarketing), direct mail (e.g., catalogs, door-to-door selling), newspapers, trade journals and magazines, billboards, television and radio, and currently, through the Internet. Thus, Internet marketing as a medium for advertising and distribution is a subset of traditional marketing. That is, one could search, study, buy or sell products and services along any or many media listed above: the Internet is the latest, presumably the most effective medium, and apparently, threatens to outdo others.

The Essentials of the Marketing Exchange Process

In comparing various marketing media and their relative efficiency and performance we need first to identify what are the essentials of the marketing process that define marketing, and then check if Internet marketing (IM) could deliver better than traditional marketing (TM) along these essentials. The essence of marketing is to anticipate and effectively respond to the behavior of customers and competitors. Does IM do this better than TM? The answer is not simple; we need to delve further into the essential functions of marketing.

A functional approach considers marketing as the management of markets in relation to people, place, demand and supply. According to Lewis and Erickson (1969), the only purpose-bound function of marketing is to manage demand by obtaining demand and servicing demand. Accordingly, marketing involves several activities: some obtain demand such as product planning, pricing, advertising, sales promotion and personal selling; some complementary activities service demand such as transportation, warehousing, delivery, logistics, inventory management, and retailing (i.e., order-processing and handling). There are also supplementary activities that help obtain and service demand such as market research, financing, and general administration (Lewis and Erickson 1969). Thus, obtaining and servicing demand are inherent to the marketing process (they tell us what marketing is) and clearly define the

purposes for which the various marketing activities are performed (which tell us what marketing does). All activities are connected and interdependent. Marketing or the obtaining and servicing of demand are their interactive effect, or the "dependent variable" (Hunt 1983). Obtaining and servicing demand forces companies to search for markets both home and abroad. Especially, when domestic markets are saturated or are subject to very aggressive competition, companies begin to explore, enter and target foreign markets in a series of sequential strategies such as export marketing, foreign marketing, international and multinational marketing, transnational and global marketing, and currently, Internet marketing.

Some classical definitions of marketing reflect this functional approach to marketing. "Marketing is the exchange which takes place between consuming groups and supplying groups" (Alderson 1957, p. 15). As cited earlier, Kotler (1984, p. 19) defines marketing as "a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others". The official American Marketing Association (AMA) 1985 definition of marketing states: "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives" (Marketing News 1985, p. 1). Even the formal exchange-based definition of marketing proposed by Bagozzi (1986) is basically a functional one if "exchange" is understood as "a function of demand": Marketing is a set of individual and social activities concerned with the initiation, resolution and/or avoidance of exchange relationships. Thus, marketing is basically a process, often distinct from its inputs (e.g., sellers' merchandise, and buyers money) and the outcomes (e.g., profit for the sellers, and satisfaction for the buyer), and for some people the process itself gives satisfaction (Houston and Gassenheimer 1987).

Given this functional approach, the traditional four P's of marketing (product, place, price, and promotion) proposed by McCarthy (1960) may be viewed as just four functional activities of the marketing process. However, these are neither mutually exclusive nor collectively exhaustive (Waterschoot and Bulte 1992). Nor do they inherently describe the basic function of marketing that is to obtain and service demand – that is, one may have a good product, good price, good distribution and promotion, but not sell it if there is no demand for it. According to Waterschoot and Bulte (1992), marketing has four basic components, product mix, price mix, distribution mix, and communication mix, and each of these four components has its specific promotion mix. As is clear, all these four basic promotional components of marketing are for obtaining and servicing demand. Hence, in comparing IM and TM we focus on the basic promotional process of obtaining and servicing demand.

Essential Process Efficiencies where
Internet Marketing Surpasses Traditional Marketing

Communication is fundamental to promotion. "The primary flows from sellers to buyers are communications (marketing or promotional messages, product/service information, etc.,) and delivery (including not only the transfer of products/services but also the process of interacting with customers and consumers" (Parasuraman and Grewal 2000, 12). Given a marketable product/service, what really sells is the promotional communication in relation to product/brand information, comparative quality and pricing, and distribution efficiency that the product/service is packaged with (Kotler 1984; Waterschoot and Bulte 1992). Thus, in comparing the marketing efficiency of IM versus TM, we will particularly examine their promotional process-efficiencies in relation to information-dissemination, comparison-shopping, distribution, and their cost-effectiveness. We argue that IM as practiced today surpasses retail-based TM on all these essential process factors of obtaining and servicing demand. We briefly discuss each of these promotional-communication features in the sections that follow.

Information-Dissemination Performance

As early as 1993, Vice President Gore suggested that the vision of the National Information Infrastructure (NII) was the linkage of all information users with all information providers through some form of market mechanism. "Anyone who wants to form a business to deliver information will have the means of reaching customers. And any person who wants information will be able to choose among competing information providers, at reasonable prices. That's what the future will look like – say, in ten to fifteen years" [Remarks to the National Press Club, 21 December 1993]. Among other things, we propose the following features that render information-dissemination by Internet marketing superior to traditional retail-outlet based marketing.

Internet Marketing (IM) is Highly Interactive: The Internet is an extremely efficient medium for accessing, organizing, and communicating persuasive information either by written or spoken word or by visual images (Alba et al., 1997). To make the most of this physical network, software engineers have developed programs and protocols that allow these computers to communicate with each other in different ways such as the www, e-mail, usenet, and intranet. Consumers can interact with the medium (e.g., "surf the web" using browsing software) and so can business firms (e.g., business-to-business marketing in commerceNet). The Internet allows for multi-person, multi-way communications between several buyers and sellers at the same time. For example, consider one of the latest developments in IM: the Electronic

Supply Chain Management. It is hailed also under other names: online trading, e-commerce portal, electronic supply-chain, or transactive content intermediary. All these describe an online marketplace managed by a third party, where buyers and suppliers of the world can establish relationships, conduct buying and selling of anything, or any other business. However, the portal space is getting more and more crowded as online technologies develop and react to the developing trend. There could be high "redundant connectivity" with too many suppliers searching for too many buyers. If this problem could be properly addressed, then this e-commerce portal could offer the most economical and efficient solutions for global buying and supplying among organizations of all sizes (Vigoroso 2000). In fact, Ariba Inc., (www.ariba.com) is the latest trading community solution in this regard. With its special portal and buy-side application software ORMS (Operating Resource Management System), Ariba.com brings multiple specific buyers and multiple specific suppliers from anywhere in the world together in seconds and enables seamless communications and transactions between them.

Further, through their corporate web sites and servers firms can provide content to the medium, such as provide detailed information on a firm's offerings (e.g., the web sites of Federal Express, Sun Microsystems, and Volvo), or create an image and attempt to build an ongoing relationship with the consumer (e.g., the web sites of Zima, Reebok, David Letterman). Something radically new is that even consumers can provide product-related content in the medium; for example, individuals can establish web pages for automobiles (e.g., Ford Probe, Porsche, carpoint.com, car audio equipment, solar cars), for toys (e.g., Legos, Barbie dolls), or for TV shows (e.g., Friends, the X-files, Married with Children, Rugrats). These companies can directly interact with the customers in a continuous dialogue to get them involved in their designing and manufacturing. Ariba is a perfect example of a two-way, high-level, comprehensive and value-added information and promotion communications between customers (products manufactures, services providers, and intermediaries) and consumers (Parasuraman 1988; Parasuraman and Grewal 2000). Such early customer involvement helps to build up product acceptance, brand loyalty, and post-purchase feedback. No medium can provide this ready and continuous access to the company as IM – this is real-time marketing that starts from product ideation to national launch (McKenna 1999).

Internet Marketing Speeds Comparison Shopping: This feature relates to value-added information. Homegrocer, an online grocer and competitor to Peapod, attracts customers to its website and service by providing then with value-added information. Buyers can order groceries by selecting individual items as they would in a regular grocery store. But they can also access a large collection of popular recipes maintained on the site. One click on a recipe downloads the recipe and loads all the groceries needed to make the recipe-meal into the user's virtual shopping cart. Users can even store their favorite recipes on

the Homegrocer website for similar use (Huff et al. 2000). Similarly, Amazon.com not only provides competitive and content information on the books it sells, but also provides book reviews from peer-readers for content assessment, and suggests complementary book selections to prospective buyers. This provides an "intellectual leverage" for intelligent purchasing.

Technology is changing the way products and services are brought to market and how they are purchased. Thanks to the Internet, consumers who have an easy access to the Internet are exposed to loads of comparative information on companies and their products, substitutes, brands, prices, options, and distribution channels than ever before. Consequently, consumers are more discerning and selective, more likely to shop and less likely to be swayed by advertising and sales propaganda (Nelson 1999). The Internet can provide instant information on one's all previous product or brand purchases on the Internet, with respective prices, quantity purchased, brands considered, brands finally selected, and even post-purchase user experience and satisfaction (Alba et al. 1997).

Satisfaction is determined more than by just the consumption experience with the product; it is also affected by the belief that one has exhaustively searched the set of acceptable alternatives such that there is no regret regarding a missed opportunity (Gilovich and Medvec 1995). Internet marketing can provide that exhaustive search experience better than competing retail formats. Well- organized Websites can provide unimpeded search across several stores and brands. Moreover, the internet can build a detailed, constantly updated and revised consumer profile of the Internet customer, based on past web site click streams, sites visited and shunned, times spent in each, purchases made and not made, personal specifications deduced from purchases (e.g., age, gender, family status, residence, occupation, income, body measurements, habits, hobbies, recreation and entertainment patterns, favorite movies and books). Specific parts of such profiles are fed to the customer on each web visit to aid further search and purchases (Anders 1998).

The Web can tangibilize the Intangible. When Internet customers cannot see what they are buying, they look for cues. For instance, the very popular travel-service related Website in Europe www.strollling.com allows its visitors to become virtual tourists. The site provides details maps of each city the customer intends to visit. By clicking on each location the customer can view a 360-degree surround picture or video of the city at that particular point. This site provides a preview of the intended tour (Berthon et al., 1999). Eclipse Entertainment Inc., Austin, TX, a game company, is working on virtual real-estate and clothing demonstrations, so that companies selling such products can possibly offer tours of houses online, or create virtual mannequins that had a visitor's measurements. In relation to the latter, a

customer could enter specifications, and a model would be created on-screen with a body that resembled the customer. The customer could then drag pictures of clothes onto the mannequin and see roughly how they would look on the customer. This is closer to the actual shopping experience than a size chart in a catalog, online or otherwise (Takahashi 1998).

Microsoft Corp.'s Carpoint website (http://www.carpoint.com) has car dealers show their wares, and users can look at about 100 new car models checking out the exterior and interior through 3-D images that can be rotated to view the car from different angles. Using Microsoft's activex- technology (each "surround video" image of the car is patched together from actual photos of the car from different angles), one could see the car sitting on a turntable. One could click on any part of the car and drag the mouse to turn it around, allowing the viewer, for example, to check the tires, bumper or headlights, or zoom on the dashboard to look at the stereo, or get a feel for the spaciousness of the car. The Carpoint website is so successful (about 1.8 million visitors in 1998) that it now plans to use its 3-D technology on used cars as well (Takahashi 1998).

At the Professional Golfers Association's website (http://www.pga.com) one can watch a golf pro take a swing and then dissect the fine points by stopping the video and rewinding it. Hollywood online (www.hollywoodonline.com) in Santa Monica, CA, has a carousel of videos that users can spin and browse through. San Francisco "giants" website lets baseball fans check out of the field from any seat before they buy baseball tickets online. Roughly 5,000 people visit Sony Corp.'s website to download virtual-reality players to get a 3-D view of Vaio 505-Notebook computer [Sony used Apple's Quicktime virtual reality (VR) technology to create the image].

Internet Marketing's Superior Distribution-Efficiency

Among other things, we propose the following features that render Internet marketing distribution system superior to traditional retail-outlet based marketing.

The Internet is an Open and Comprehensive Market System: The web represents a phenomenal open system marketing distribution opportunity. Anybody with a computer, modem, and access to Internet can actively participate in the Internet world (Hagel and Rayport 1997). The Internet is a type of global information structure consisting of computer hardware and software that is characterized as both "general" and "open" (Peterson, Balasubramaniam, and Bronnenberg 1997). Open access web results in

lower entry barriers so that virtually anyone can access and provide content to the Internet. In essence, the web levels the playing field between producers and consumers.

The Internet is a comprehensive open market system. Currently, the Internet offers, even though in an embryonic form, most of the services and technologies that the retailing world delivers. One can buy anything on the Internet from anywhere in the world, at any time, and at any price available. One can make a telephone call on the Internet, watch a video, video-on-demand, video games, listen to an audio broadcast, or broadcast yourself, publish anything one wants, be a publisher, do home shopping, interactive learning, and multi-way interactive communications with anybody in the networks (Alba et al. 1997). For businesses, the Internet can serve as a printing press, radio station and billboard, all in one. Every day the Internet is delivering newer features of the fabled superhighway Burke 1996). For hard core marketers the Internet can be a medium for advertising, ready access to product catalogs, a forum for direct sales, a market research tool, an opportunity for improved and instantaneous consumer feedback, and more rapid response to consumer complaints. For instance, Yahoo, the flagship Internet directory, now offers e-mail, stock quotes, news, and even horoscopes in addition to other search-engine offerings (Huff et al., 2000). Given this multidimensional character of Internet marketing, it holds promise of becoming the perfect marketing tool (Richards 1997).

In this regard, Ariba electronic supply chain addresses one of the major challenges in today's e-commerce systems – discordant supplier catalogs that lack standardization and sophistication. Ariba.com works on suppliers' own electronic catalogs and renders them transactionally more robust and functionally more efficient. Buyers receive order confirmations, transaction histories, and audit trails. Both buyers and sellers can check order status online at every stage. Regardless of where suppliers' content is housed, the buying organizations can control, track and execute their requisition-spending through ORMS with considerably shortened turnaround times. The participants are also electronically updated with industry news and events, interactive forums, supplier evaluation ratings, and informational libraries from Dun & Bradstreet and Hoovers. Hewlett-Packard, Dell, Chevron, Cisco, Ford, and General Motors are already Ariba customers, and more are joining in (Geller and Hecht 2000; Jones 2000). These organizations have ORMS deployed within their company. Presently, Ariba is most economic for large-scale buyers, but its future development will include small to medium size buyers or sellers. Further developments include vertical industry buying consortiums, auctions for surplus materials, and pre-negotiated supplier contracts (Vigoroso 1999). With its new EDS subsidiary, Ariba.com plans to be the most open, most comprehensive and most flexible large-scale buyer-seller system in the world (Farmer 2000). January 2000, Ariba Inc. announced two more partners: it will integrate its cXML language into

both the eSales product from Siebel Systems Inc. and the Commerce Exchange product from InterWorld Corporation. Both arrangements will give newly developed vendor, manufacturer and distributor websites nearly instant access to Ariba's purchasing Marketplace (Geller and Hecht 2000).

Internet Marketing is User-Friendly and Convenient**:** Apart from a reasonable level of computer and Internet literacy required of users, Internet buying or selling can be lot of fun, easy to use, and user-friendly (Janal 1998; Komenar 1997; Levinson and Rubin 1997).Companies like Peapod, the online grocer, have built their online business around convenience, not price. Peapod's target customer is the busy executive who does not have time to shop. Peapod delivers groceries by courier to the customer's front door, seven days a week, at the time pre-specified. Peapod's customers are willing to pay a little more than other retail outlet buyers for the greater convenience offered (Huff et al. 2000). Similarly, travel planning websites such as Travelocity.com, Priceline.com, and Expedia.com can round-the-clock search, reserve, book and confirm the lowest prices on air tickets on any airline, lowest car rentals and hotel accommodations in any city of destination, and even provide visible images of your airline seat, car rental, hotel, and the room, with just a couple of mouse clicks. Investors can easily trade stocks, bonds, and mutual funds on a host of e-brokerages like e-Bay, e-Trade, and Datek. New or used car buyers can check out, compare, bargain, and e-test-drive cars in cyberspace easily and leisurely on several websites like AutoSite, AutoConnect, AutoVantage, Autoweb.com, CarPoint, Kelley Blue Book, Carfax, and Car and Driver. Avid readers can easily locate, check content, compare prices, pre-review, and buy any book in print, by author, year, publisher, and price Amazon.com. Hard core music lovers can search, locate, preview, and buy any audiocassette, videotape, CDs, or DVDs, by any past or present artist, as long as it is available in the world market, by accessing websites like CDNow.com, CDUniverse, Bestbuy.com, My.MP3.com, and Amazon.com.

MP3.com Inc., a digital music start-up, is a Web storage locker that people with CDs can use to listen to their recordings from any connected computer. Incorporated in 1997, the company began as a kind of self-service music distribution service. By September 1998, MP3.com began helping little known artists store and share computerized copies of their music. Artists filled out simple forms and uploaded their recordings and information about them directly into links MP3.com provided them to connect to their database. MP3.com also creates CDs, stamping small quantities of compressed discs as they are ordered and splits proceedings 50-50 with the artists or bands. Artists share revenues based on user traffic to their pages and CD sales. Users build collection by inserting CDs into their computers or buying new ones. The system doesn't physically transfer music from users' PCs to the MP3 website, but rather provides them free access to any music in its database of compressed CD quality it uses for its digital audio

broadcasting. The system checks for the existence of a valid CD before authorizing access to its database. It also plays the music to consumers using a process called streaming, making it harder for users to transfer pirated copies around. However, the system's security does not stop people from using borrowed CDs to create accounts.

Early January, 2000 MP3.com announced a radical new service, called My.MP3.com, offering owners of popular compact discs the equivalent of a digital storage locker to listen to their tunes from any device connected to the Web without having to lug around a bunch of CDs. Ever since the announcement of this offering, hundreds of world-renowned artists have downloaded their CD albums to the company's servers. The compressed CD bank now (March 2000) claims over 80,000 CDs, up from 45,000 in January 2000. An ordinary CD carries just about 30 minutes of music since normally one needs a ten-megabyte computer space for about one minute of music audio or ten minutes of spoken word. The MP3.com compressed storage device needs one megabyte per music minute. Users can hook up My.MP3.com devices to headphones, car or home stereo and thus can store and listen to 1-3 hours of CD-quality music or up to 32 hours of spoken word of MP3.com music anywhere they desire. In principle, MY.MP3.com represents a marvelous cost-effective massive worldwide music distribution system: the sites offer searching by song title, artist, album, and link to other sites where the song one is looking for could be downloaded. However, 9 days after the new service was launched, 10 big labels of the Recording Industry Association of America sued MP3.com in a federal court in New York for creating its database of recordings without seeking licenses from affected parties. The recording companies, and some recording artists, call MP3.com's reproduction process a flagrant violation of their copyrights (Clark and Peers 2000).

In the world of industrial sales, droves of business-to-business companies are moving the most routine aspects of the sales process to the Internet, selling commodity and repeat-purchase products via e-commerce programs, putting catalogs and product information online, tracking orders and even negotiating prices for some deals. As a consequence, business-to-business sales teams spend significantly less time setting up their own sales-presentations, or handling and maintaining customer or prospect accounts, and instead spend more time delivering high-level strategic services to customers. Consequently, closing rates and sales-force commissions have increased dramatically (James 1999).

Thecommunications-equipment company 3 Com Corp., Santa Clara, CA in 1998 was ordering 50% of its supplies through the web, up from almost nothing a few years ago. The company hopes to raise this to 100% in the next 5 years. Among the many benefits of Internet is the ease-of-use: employees and

customers can do business with a few mouse clicks rather than have to undergo weeks of specialized computer training (Anders 1998). The biggest lure for Internet shopping is customer convenience. People can browse the corporate web sites round the clock, get comparative information quickly and efficiently, and decide and execute purchases round the clock – all this without getting out of their homes or workplaces! The Web can play an important role in providing customers with accurate information for comparison pricing and for comparing brands and stores. They can use web-based pricing to get local dealers to slash prices. Hence, recently, seniors have found online marketing user-friendly. According to online shopping research conducted by the Redwood City, California-based Zona Research Inc., age 55+ seniors spent $1,819 in 1998 on Internet purchases, a 547% increase over 1997. According to other online shopping researchers, 40% of Americans age 50 and older own computers, 70% of that group have home online access, and at an average spend 130 minutes daily online – 47% higher than an average of other groups. Besides being empty nesters and retirees, seniors (who don't like to be called and targeted as "seniors") are attracted to online venues because they have nothing to with their age (Cleaver 1999).

Companies such as Amazon.com Inc. and Barnes and Noble Inc. ring up millions of dollars in sales each day by operating vast web sites that provide high levels of customer convenience. Amazon.com, the online bookstore that grew from scratch in 1994, has become currently a mighty rival to traditional book chains. The company offers customers the best and fastest book search, the best of reader reviews, the best price, the best of follow-up information regarding sequels or complementary books, and the best of book updates in one's field of interest. Nordstrom, the fashion specialty retailer known for customer pampering, opened (October 1998) an on-line store on the Internet with 53,000 items for customers who prefer a virtual Nordstrom experience to the real thing. The on-line store features casual-wear, outerwear, shows and accessories for men and women. It displays all goods in full color and complete with information about idiosyncrasies of fit and fabric. The site also provides general and financial information about the company (Marketing News, November 23, 1998, p. 2).

Internet Marketing is also Cost-Effective

Internet marketing's superiority over traditional marketing [TM] in relation to both information-dissemination and distribution system is real and meaningful only if it is cost-effective. The combined features of interactivity and openness, ease and speed of comparison, comprehensiveness, user-friendliness and convenience make IM more cost-effective than other TM modes of retailing to both retailers and consumers. For businesses, online commerce is enticing mainly because of its intense efficiency. The Internet is an extremely efficient medium for accessing, organizing, and communicating

persuasive information either by written or spoken word or by visual images (Levinson and Rubin 1997). The Web enables marketers to make available full-color virtual product and service catalogs, provide on-screen order forms, offer online customer support, announce and even distribute certain products and services easily, and elicit customer feedback. Once a corporate web site is built, it can take orders round-the-clock and field countless customer-service queries. Electronic product catalogs can be updated constantly, and up-to-the-minute new product offerings and prices can be posted. Switching to the Internet avoids the inefficiencies and high costs of paper records. For instance, 800-Flowers is doing 10% of its $200 million in annual sales through on-line services and has more than 15 electronic partners. The company got into the Internet because it provides a new channel to reach new and existing customers in a cost-effective way and to build brand awareness and loyalty among them (Wilensky 1995).

Precisely because of significantly extra cost-effectiveness offered by IM, profit margins in many retail industries might get squeezed. That is, many of the cost savings of online commerce will come at the expense of traditional distributors (e.g., warehousers, brokers, retailers) and sales representatives. This phenomenon called disintermediation- removal of unnecessary elements in the supply chain, and sell directly to the consumers (Alba et al., 1997), can often result in reduced cost for the customer. To the extent it eliminates players in a supply chain and thus changes the existing structure of the market, it may be called "deconstruction" after Jaworski, Kohli and Sahay (2000). For instance, MegaDepot.com, an online office supplies reseller, sells directly to customers thus saving warehousing, consolidating, and retailing markups. Dell Computer, besides offering disintermediation-savings to the customer, also provides customers immediate access to the newest technologies, usually much sooner than they appear in local stores (Huff et al. 2000). By shipping directly from the nursery, 800-Flowers.com can get fresh flowers into the hands of customers 2-3 days earlier than if the flowers were brought to the local florist – hence they last longer. Thus, unless and until intermediary channels galvanize their services to compete those of online marketers, the former may soon experience survival crisis.

The web also provides an efficient channel for advertising, promoting, and even direct distribution of certain goods and services that may reduce costs up to 25% to producers and customers (Verity and Hoff 1994). A recent (1995) study by IBM Co. suggests that on-line catalogs on the Internet can save firms up to 25% in processing costs and reduce cycle time by up to 62% (Vassos 1996). Internet may offer better marketing atmosphere: one vendor estimates that his web-based marketing efforts resulted in 10 times more sales in units with 1/10th advertising budget (Dellecave 1996).

IBM Corp., Armonk, NY purchases annually $4 billion worth of goods and services over the Internet because it enables significant cost savings and enables it to connect better with customers and business partners (Anders 1998). For similar reasons, Dell Computer Corp., Round Rock, TX rings up $2.2 billion a year (14% of its annual sales revenues) in online sales. Beamscope Canada Inc., a Toronto-based software and consumer electronics distributor, rakes 23% of its C$ 535 million annual sales from the Internet. Beamscope claims being online brings down costs considerably: C$ 0.75 to service an order on the Internet compared C$ 12.0 a piece to handle retail phone or orders (Anders 1998).

Areas the Internet may not Surpass Traditional Marketing

Thus, unlike any existing marketing channel, the Internet possesses several unusual process features at the same time. They are succinctly summarized by Peterson, Subramaniam, and Bronnenberg (1997, p. 333): a) the ability to share vast amounts of information at different virtual locations; b) the availability of powerful and relatively inexpensive means of searching, organizing, and disseminating such information; c) interactivity and the ability to provide information on demand; d) the ability to simulate real products and product experiences, almost identical to those of personal inspection; e) the ability to be a transaction medium; f) the ability to serve as a physical distribution medium for certain goods and services (e.g., software, test marketing); and g) relatively low entry and establishment costs for sellers. However, the Internet may not substitute certain retailer functions so easily or so soon. Not everything can be sold via e-commerce, and delivered over wires or through a satellite uplink (Schultz 1999). We discuss below some distribution areas where IM may be inappropriate, efficient or inadequate.

Lacking Classic Retailing Service: The classic functions undertaken by distributors or retailers include (Alba et al. 1997): a) breaking bulk (convert caseload shipments to individual items); b) providing assortments that permit one-stop shopping; c) holding inventory to make merchandise available when customers want it; d) providing a variety of transaction features and services that include alteration and assembly of merchandise, attractive display, dressing rooms, personal assistance in selecting merchandise, repair services, apparel-alteration services, return services, and handling warranties. Although some of these services could be eventually provided over the Internet, modern retailers are more efficient and cost-effective in performing these functions (Reda 1977; Schultz 1999).

Limited to Certain Type of Merchandise: Internet commerce works best when the merchandise is easy to brand and label, and does not vary meaningfully within each category. In such cases, personal inspection and testing is not important; customers can freely order from the web site without worrying what will

arrive (Peterson, Balasubramaniam, and Bronnenberg 1997). But Internet is not practical when customers care about subtle issues such as the quality of an oil painting, the fabric-feel of a dress or upholstery, the experience of a real fit, or the real look of a furniture ensemble. Saks Inc. learnt this the hard way. It set up an online store in 1997, but closed it within months because traffic was minimal. It emerged from research that Saks' customers regarded the company's elegant stores and attentive salespeople an essential part of the shopping experience that Internet could not duplicate (Anders 1998). Robert Davis, strategy manager for advanced technology at Wal-Mart Stores, projects Internet consumer retail sales at $16 billion in the year 2000. Internet markets will not steal market shares from Discount Stores, but mainly from catalog retailers, since electronic print catalogs are less costly (Fox 1995;Reda 1997). However, Wal-Mart's www site, while mainly informational, does offer executive gifts including some 100 gift-packages like fruit baskets, steaks, and wines (Wilensky 1995).

Further, certain products or services may not yet be suitable for the Internet. Even though theoretically, it is now possible to get a mortgage, shop for insurance, trade stocks, and pay bills online, yet the psychology of money is tricky, and some people may not feel that comfortable to shuffle cash on a screen, and may need face-to-face interaction with financial service providers (Anders 1998). For something as big and emotionally complex as a home mortgage, customers may still want to sit down and walk through all their choices with someone knowledgeable and helpful. Thus, only about 0.5% of all mortgages currently are originated online, and that number may not rise dramatically in the next few years. Other mortgage specialists say it could rise to 20% to 30% of all loans. But online lending may not easily displace traditional financial services (Wall Street Journal, 12/08/98, R4). In general, big-ticket items are tougher for the web to move. First, there is the trust issue. If one uses the credit card online there is always the fear that some teen hacker may empty one's credit line. Further, the Internet may not be that effective in completing complex transactions that demand complicated input (Buskin 1998).

Another area is health care, especially surgical and hospitalized health care, where safety, security and privacy concerns about the Internet are most intense, and where a lot of key decisions are in the hands of doctors, who aren't always eager users of new computer systems (Bredenberg 1995). Services like childcare, hospice care, dentistry, and surgery need so much human interaction and traditional expertise that these could hardly be sold via e-commerce (Schultz 1999). Health care information is highly complex, and much of it is derived from physicians' experience on the one hand, and personal interaction with, inspection and diagnosis of patients, both before, during, and after treatment (Shepherd and Fell 1996). However, sites like Web.MD.com or Healthcare.com are currently establishing portals to do the

needful. Secure links are maintained on a day-by-day basis between patients, doctors, insurance companies, X-ray diagnosticians, and prescription pharmacies.

Also, the Internet may not be practical for everyday fresh supplies such as oven-hot bread and fresh milk, fresh meats and vegetables. It may never replace a quick trip to the neighborhood convenience store (Cleland 1997). When Prodigy, launched in the 1980s, teamed with a New York supermarket chain, and one could order a quart of milk and have it delivered the same day, the relationship proved too expensive, and the service was dropped. Ten years later, milk is still a haphazard commodity on the Internet (Buskin 1998). However, world's exotic sauces, gourmet foods, and special meat cuts that do not make it to the local supermarket, are best bought on the Internet (Buskin 1998).

LimitedInternet user market: According to Jupiter Communications Inc., NY some 34.9 million U. S. households are currently online, while Nielsen Media Research reports 92 out of 273 million people (33.7%) online. Further, just about 10% of all online people do active Internet shopping. Hence, in building digital brands or brand awareness online, marketers have to do much offline advertising. For example, the New York based Web career site HotJObs.com is spending $12 million of the $16 million venture capital it raised in 1999 on advertising, primarily broadcast and outdoor. Amazon.com reported $294 million revenues in the first quarter of 1999 of which it spent $61 million on offline marketing and sales. Similarly, San Francisco-based E*Trade Group spent $60 million in marketing out of $126 million first quarter revenue of 1999 (Freeman 1999). Thus, the dot.coms are allocating anywhere from 20 to 60% of their revenues on offline media in order to reach mass audience that Internet does not provide access to. In this connection, network television has been a major beneficiary of the dot.coms entry into offline advertising. Note also that major sponsors of Super Bowl advertising in 1999 and 2000 have been dot.com companies. Thus, online companies will still need the support of offline traditional advertising and marketing to develop digital brands, especially in the U. S.

Lack of Total Shopping Experience: While the Internet may continue to attract consumers primarily because of its novelty and convenience, by and large, consumers will still want to shop - interact with salespeople and shoppers in malls, see and feel the fabric and the furniture, wear and fit shoes and dresses, and jostle and push in crowded shopping centers (Alba et al. 1997). The laptop or one's PC den can hardly replace the shopping excitement and experience from a mall or department store over the Christmas or Hanaka holidays. Moreover, upscale stores that have a strong national and global reputation for décor, service, quality, and unique merchandise [e.g., Gucci, Gumps, Harrod's, Nieman-Marcus, and Saks] will be still preferred by the discerning customer. These upscale stores may, however soon open

Internet outlets, especially for attracting customers from cities and villages they have not yet penetrated or do not prefer to.

Questionable Security and Privacy: Some of the Internet's security problems stem from its architecture. When it was originally launched 30 years ago, the Internet (then called Arpanet) was meant for trusted users and not the public. Its openness has become its current most threatening problem. Many security measures are simply patches on an older system, and the system is getting worse faster than the patching system (Sandberg 2000). Even the giant megaservers (only 17 of them worldwide) that carry master lists of Internet addresses and direct data traffic can be hit. While most of the holes in these megaservers have been largely plugged, experts fear other still remain. If all the megaservers become unreachable, most of what we call Internet and IM can grind to a halt. We had almost a rehearsal of this debacle on February 10-12, 2000, as reported earlier.

Many of the Internet's current vulnerabilities are arise from inherent weaknesses in software. These programs contain millions of lines of instructions and there are no effective ways currently to debug or de-infest them before releasing them to the marketplace. Hackers most often exploit the bugs. The latter employ easy-to-use software to scan the network so that they can find weaknesses that site operators have not yet plugged. Hackers can do many wrong things: approach your child in a chat room, steal your credit number, spy your private e-mail, wreck your business system and interest, or plague your computer with a virus. On a larger scale, they can infect the nation's defense and political network or our business transaction systems with crippling effects. For instance, 11 of the "shopping cart" programs used on e-commerce Web sites could allow hackers to rewrite item-prices. The computers that were breached on February 10-12, 2000 had well-known bugs (Sandberg 2000). A 1996 presidential commission found that the nation's power grids, airports, rail systems, hospitals and even space programs are all vulnerable to attack; these systems that are generally less protected than military or law-enforcement computers are attractive targets to cyber-warriors (Vistica 2000).

While shoplifting in traditional retail outlets still poses a problem, cyberfraud among both online merchants and Internet customers is a nightmare. Online two-way, one-on-one communication between marketers and consumers can create enormous consumer databases that marketers may be tempted to sell to third parties, thus jeopardizing consumer privacy (Bloom, Milne and Adler 1994). All the personal, sensitive information that gets online leaves the Web open to the worst kind of privacy violations if the data are not properly protected. MP3.com, with its recent copyright infringement suits theoretically generating liabilities exceeding its market value, is now planning charging subscription fees for

My.Mp3.com users and sell data about consumers' music usage – an important revenue for a company racking up big losses (Clark and Peers 2000). Currently, online sweepstakes are luring households with attractive prizes in lieu of personal information (Heckman 1999). Security of children and teenagers exposed to online pornography and violence are additional concerns of Internet marketing (Briones 1998; Heckman 1998). Internet users, both merchants and consumers, are at the mercy of Web sites administrators and Internet service providers to keep current with well-known bug insecticides and security patches (Sandberg 2000). While, the nature of the Web – decentralized, quirky, and largely free of government supervision – makes it vulnerable to attack (Sloan 2000), both governments and giant businesses that depend upon e-commerce consider beefing hacker surveillance a top priority (Vistica 2000). The latter are well geared to invest heavy capital and brain- power to do the needful (Sloan 2000).

A related question: Internet marketing gray marketing? That is, if the Internet is considered by traditional wholesalers and retailers as an unauthorized channel within their own sales territory, then selling trademarked products through such an unauthorized channel may be dubbed as gray marketing. Internet-related gray marketing can occur both within a market where authorized dealers also sell (also called "diverting"), and across markets in different national and international areas (also called "parallel importing"). For instance, Proctor & Gamble's men's perfume "boss" was sold on the Internet, and its regular distributors objected. Currently, Boss is sold on the Internet only in rural areas where stores do not normally stock it. Gray marketing involves ethical issues (Smith and Quelch 1993).

What Internet Marketing could do Better?

Based on the discussion above, Table 1 summarizes the comparative efficiencies of Internet marketing and traditional marketing. There are areas where Internet marketing, as we know now, definitely surpasses traditional marketing; there are areas where traditional marketing is doing better; and finally, there are some gray areas where, given the level of technology in both, Internet and traditional marketing are equivalently efficient. For instance, in buyer-seller interactivity Internet marketing clearly outdoes traditional marketing in dissemination and customization of information required by a customer together with some persuasion, and in establishing interactive relations between various buyers and sellers. Modern technological advances in Internet marketing enhance this interactivity via interactive Webbots, artificially intelligent mannequins and "avatars"- all of which may further "personalize" information exchange, and bring it closer to that offered by traditional marketing. But IM can never replace or substitute the real persons-to-persons interactivity of fellow shoppers and competitive sellers that actual shopping malls and outlets facilitate.

Similarly, in the realm of comparison-shopping, IM may offer exhaustive and unimpeded search across products, brands, outlets and prices, and may even feed and update their customers on their previous purchase experiences. In the years to come, IM may equal TM in matching strategies by offering quality and price that customers claim they find in other competing outlets. However, as far as sharing of search and thrill-of-hunt experiences of peers, friends, fellow shoppers, and even competitors, IM can never catch up with TM.

The innovative and expansive future of broadband-based e-commerce and Internet marketing is very bright. Hence we foresee some "gray areas" where currently IM either equals or threatens to surpass TM. For instance, a superfast broadband connection to the Web – at 300 kilobytes per second – can transform the customer's Web experience into something that goes well beyond a flat, 15-inch screen (James 2000). Broadband is more than 50 times faster than a 56K modem, and this means that an audio-video file that requires an hour to download via a 56K modem gets on the screen in a matter of minutes using broadband. Presently, just over 2 million households in the U. S. have broadband access. But this number will reach 5 million by the end of 2000, and to at least 25% of U. S. homes by 2003 (James 2000). Broadband could be provided through cable modem, telephone lines (called DSL or digital subscriber lines with 400 to 1500 mega bytes per second bandwidth), a satellite, wireless or high-bandwidth Cable TV, and will offer a lightning-fast connection to the Internet. It will also enable users to download huge files within seconds. AOL's recent acquisition of Time Warner Co.'s cable system will help hasten broadband proliferation – especially given the fact that AOL currently commands 70% of the Internet traffic. As broadband becomes widely adopted in homes and workplaces and consumers demand a multimedia-rich Internet shopping experience, mass marketers will have to respond.

Add to broadband newer related technologies like the VRML (virtual reality modeling language), XML (enabler of e-commerce and supply-chain portals), intelligent agents or Webbots (released by Java, Microsoft), high personalization via "avatars" (personified users), - and Internet marketing could easily surpass traditional marketing in areas where it is still behind. Now that text, color, image, sound and animation are digitized, it may not take too long when the more personalized senses of smell, fragrance, taste, touch and feel could be digitized and transmitted through higher bandwidth transmission devices. Basically, high-tech spawns high-touch. In which case, Internet marketing may begin to deliver the total shopping experience that covers all the five senses and more. However, current difficulty in Internet search, access, downloading, and transacting – possibly because of narrow bandwidth, redundant connectivity, and heavy traffic – has discouraged site-switching and encouraged brand loyalty among

Internet customers. But with new high-speed and broad bandwidth communications established nationwide, this difficulty may be minimized, and customers may be encouraged to site-switch oftener, and accordingly, change brand loyalties too – something that Internet marketers will have to reckon with in the future.

Providing Better Information Formats for Internet Shopping:

Consumer behavior researchers argue that information-dissemination efficiency is primarily a function of the information-format marketers present to prospective customers. Researches prescribe several format features for dissemination efficiency, such as: a) Flexibility: Information-formats provided by the media should promote maximum flexibility for both attribute- and/or brand-alternative- based information processing (Bettman and Zins 1979). The format flexibility could be stronger for novices in a product class than for experts (Bettman and Park 1980). b) Compactness: A single screen-format could compress attribute by alternative by store information efficiently; this enables smooth transition from memory-based to stimulus- (info) based consumer decision-making (Alba, Marmorstein, and Chattopadhyay 1992). c) Efficiency: The combination of search, screen, and comparison features should encourage consumers to learn and use more information for avoiding missed opportunities [Kardes and Kalyanaraman 1992], as well as help them to make choice-decisions more rapidly [Greenleaf and Lehman 1995]. d) Effectiveness: The visually rich info-presentation should not distort the decision process by diverting consumer attention to peripheral cues [Jarvenpaa 1990]. Both price and quality information should unambiguously discriminate between brands.

All four requirements deal with quantity or quality of information, or both. Retail formats differ in the information quantity and quality they offer. Discounter stores and catalogs offer least; department stores offer more; and specialty stores with trained sales associates offer most. Both department and specialty stores can offer interactivity. Direct mail catalogs offer both quality and quality of information but no interaction, unless they are electronic catalogs used also in Internet marketing. Other advertising media such as television, radio, newspapers, and magazines can offer more quality than quantity of information, but no interaction. The phone via telephony or telemarketing offer some interaction, but the quantity and quality of information would be a function of time spent on phone conversations. Direct marketing offers only one-way information flow from the marketer to the target customer with not much interaction (Hanson 2000). IM can be most cost-effective if its interactive information-format presentation efficiency can be improved along all the above four prescriptions prescribed of consumer researchers. When quality is difficulty to assess, a strong brand or store name serves as a surrogate.

Theoretically, Internet websites could use text, data, sound, color, imaging, and animation to create brand and store name impressions on consumers better than retail outlets.

Similarly, Internet can excel in imparting quality information better than other retail formats. For instance, an electronic merchant of custom oriental rugs can display patterns and materials used for rug construction to describe quality; an electronic grocery service such as Peapod can describe cereals by nutritional content (Alba et al. 1997). Internet marketers can do better database marketing than other retail formats since they can feed Internet customers their own past behavior on browsing, what they inspected, how long and when, what they previously bought for what price – these can enhance Internet customer's shopping experience. The longer the customer shops at a given Internet vendor, the more the purchase data can be collected and fed back, and this may generate consumer loyalty – and thus a chain effect (Alba et al. 1997).

Providing Better Internet Information Formats for Comparison Shopping:

The Internet should use efficient means of screening the offerings to find the most appealing options for more detailed consideration. The attractiveness of the expanded set of alternatives is how well the consumer can screen a potentially daunting amount of information in focusing on alternatives to form one's consideration set and then select the alternative that best matches prior beliefs and consumer preferences. The screening software should provide trade-off between consumer search effort-reduction versus accuracy and utility maximization (Alba et al. 1997). Economic search theory states that if there are N alternative brands or sellers available in a market, and the consumer considers only a subset $n < N$, the utility of the chosen best alternative increases with n. However, in terms of the benefits of search, there are strong diminishing returns. For every additional alternative added to n, there is also the added cost of searching and evaluating. Hence Internet marketers should come up with efficient searching and screening software packages for customers (Alba et al. 1997).

Internet marketers should also provide screening packages that quickly incorporate consumer demographics, lifestyles, specific preferences (e.g., color, style, fabric, occasion, price, formal/casual, quality, price vs. quality trade offs from previous purchases. If the screening criteria are highly correlated with the customer's full utility function, the customer can be reasonably confident of the choice even though all alternatives may not have been inspected (Feinberg and Huber 1996). The seller provided screening criteria should include, for instance, a given customer's past purchase history – as in the Peapod grocery shopping service, which keeps lists of regularly purchased items for automatic rebuy. Other

search agents suggest criteria to the customer such that collectively they fall within the range of consumer's overall performance; examples: Internet search engine Alta Vista to shop for Advanced Photo System cameras; Dell's site http://dell.com for computer purchases; RackesDirect women's clothing site at http://www.rackes.html.

The Internet marketer should use consumer's database profiles to suggest complements to proposed purchases. This is a good cross-selling strategy. Land's End (http://www.landsend.com) has a specialty shopper service that coordinates outfits for a whole wardrobe, helps the customers find their correct size, keeps a file on their sizes, tastes, past purchases, addresses, and credit card numbers - some of the relevant data is fed to the customer on each purchase. Alba et al. suggest interactive home shopping (IHS) in this regard. IHS should offer better service than the best retailing format. IHS can surpass trained retail service associates on several counts: they are hard to come by, harder to retain, very costly, and often have limited knowledge databases. IHS's central constantly updated database with maximum interactivity can certainly offer both quantity and quality data more efficiently (Alba et al. 1997).

Internet marketers should aid customer memory of past selections, thus simplifying information search and purchase decisions**.** Consumers often rely on memory for the generation of alternatives for consideration. Memory plays a screening function, but is often only imperfectly correlated with one's utility function, especially when memory recall is inadequate. An efficient and dispassionate search agent should suggest appropriate brands and stores to the searching consumer so that brands or stores that otherwise would not have been recalled or considered, could be included within the consideration set. Thus, Internet marketers should be able to compete with other retailing formats such that they maximize purchase-consumption utility net of price and search costs, even though competing retail formats offer identical merchandise (Hauser, Urban, and Weinberg 1993). Retail formats differ in the information quantity and quality they offer. Discounter stores and catalogs offer least; department stores offer more; and specialty stores with trained sales associates offer most. Both department and specialty stores can offer interactivity.

Improving Internet Marketing Distribution Efficiency

Regarding distribution-efficiency, marketing scholars define marketing distribution channels as business structures of interdependent organizations, reaching from the point of product origin to the consumer, through which channel members motivate and communicate with customers and sell, ship, store, deliver, and service products (McCalley 1992). Channel members (also called intermediaries, resellers, middlemen) negotiate with one another, buy and sell products, and facilitate the change of ownership between buyers and sellers. Some intermediaries (like wholesalers and retailers) take title to products before reselling them; that is, they own the merchandise and control the terms of resale such as price and delivery date. Other intermediaries (such as manufacturers' representatives, brokers, and agents) do not take title to the goods and services they market, but do facilitate the exchange. Internet marketing currently performs the latter role. That is, Internet marketers are primarily brokers, manufacturer's representatives, or agents that facilitate exchange.

Intermediaries in marketing channels perform essentially three functions (Lamb, Hair and McDaniel 1996, pp. 375-7): 1) transactional (contacting potential customers, promoting products, soliciting orders, and negotiating terms such as price, delivery date, delivery mode, method and timing of payment); 2) logistical (physical distribution by storing (inventory building), sorting (breaking down a heterogeneous supply into separate homogenous stocks), accumulating (combining similar stocks into a larger supply), allocating (breaking a larger supply into smaller lots for consumer use; also called "breaking bulk"), and assorting (combining products into assortments for one stop-shopping); and 3) facilitating (researching about other channel members and consumers) and financing (extending credit and other financial services). Currently, Internet marketers provide transactional and facilitating functions. Wholesalers and retailers typically do all three, but specialize in logistic functions. IM bypasses logistical function of wholesalers and retailers, and directly links the customer to the producer. The customer could be a household consumer or an industrial user (as in business-to-business transactions).

For distribution-efficiency, segmentation literature requires that the target markets, intermediaries contact, whether consumers or businesses, should be clearly identifiable, measurable in terms of size, accessible, responsive and servable (McCalley 1992). Two other criteria added are: the target markets should be large enough and stable over time (with reduced demographic or geographic shifts). Additionally, for distribution-efficiency, one would add that the marketers should be able to identify, access, and transact products or services from anywhere in the world and at any time. Products could include anything from antiques to the newest products, human resources (e.g., executives, athletes,

artists) to any non-human resources (e.g., pets, livestock), from fine arts and crafts to most sophisticated technologies, in short, anything living or dead, mineral or organic, ancient or modern that is tradable. From the numerous examples provided earlier, it is obvious that IM can perform all these functions better than TM.

Providing a More Total Product Experience to Internet Buyers

Challenging as it, the Internet should devise various ways of communicating a "total shopping experience" (Tauber 1972). For example, the electronic bookseller Amazon (http://www.amazon.com) has space for customers to post their own book reviews to aid fellow purchasers – this strategy basically conveys experience of other readers. The Internet website should provide a faithful reproduction of descriptive and experiential product information. For example, most apparel is sold in department and specialty stores because these retail outlets offer faithful reproduction and experiential product information sought by customers buying clothing. In contrast, catalog apparel sales skew toward unfitted clothing items. However, catalogs are attractive when a customer cannot get a better fit in local stores, or when ordering apparel gifts for friends in a distant city.

While Internet marketers can be more successful with dominant visual attributes than with experiential attributes (such as taste, touch, feel, smell, wear, fit, …), the internet challenge is to offer direct product experience to prospect customers before purchase. For instance, flowers, wines, fragrances, and perfumes are consummate sensory products. Yet consumers who send flower arrangements via FTD must base their decisions on pictures on a florist's shop, and purchasers of wines must frequently rely on labels or advice from retail stores. The future of Internet marketing is to electronically offer experiential attribute information for flowers, fragrances and wines better than what retail stores currently offer. Similarly, comfort (protection from injury) and sizing (proper fit) are important attributes for running shoes that require direct experience with the product. The challenge of Internet marketing is to offer direct user running shoe experience to Internet customers before purchase. For instance, Road Runner Sports provides information for each shoe in its catalog, making it easy to assess suitability to under- and over- pronators, and customers can submit their old shoes for custom analysis and suggestions for suitable replacements; if comfort is a function of arch support, roominess of toe box, and consistent height – all these can be visually demonstrated to internet customers. Also, besides price, quality is an important attribute for some expensive products. By visual and 3d graphics Internet marketing may be better posed to describe quality than some retail formats. For instance, Fido the Shopping Doggie (http://www.shopfido.com/Vendors.html) is attempting to sell unique merchandise such

as arts and crafts, alternative music, hot sauces and spices, and gourmet foods and wines, emphasizing on quality.

Internet marketing of big ticket items may get better if new technology plays out as designers hope, and if enough users have multimedia capability to make a 3-D web page worthwhile. The expansion of Internet retailing may depend largely upon the ability to create realistic simulation of products. This is particularly true for non-mass produced items that the customers need to scrutinize before buying (Takahashi 1998). Speed is another problem: one may need super fast connections through cable-TV or phone lines to download the 3-D graphic, and it currently takes 6 to 10 minutes on a 28.8 modem to download a quick time graphic, and one may lose a customer meantime! However, current online technologies download smaller images and faster (Takahashi 1998].

Offering unique Merchandise that Traditional Retail Formats cannot Sell

Internet marketers' private labels, unique brand variants exclusively sold, offering assortment of complements in terms of unique bundles. For instance, with each bottle of wine offered by Virtual Vineyards (http://www.virtualvin.com), customers can get complementary recipes from noted bay-area chefs. The wine-recipe bundle has been successful. Similarly, Land's End has developed high-quality, private-brand merchandise. A typical brand variant is Sony model MA 3150 that is sold only by service merchandise. Internet marketers should be able to compensate for not being able to offer direct product experience to customers. In general, all goods have some combination of search, experience, and credence attributes. Much would depend upon the quality of information consumers look for. Consumers look for that information that can best predict purchase and use satisfaction. While Internet marketers can be more successful with dominant visual attributes than with experiential attributes (such as taste, touch, feel, smell, wear, and fit), the Internet challenge is to offer experience to prospect customers before purchase.

Historically, media organizations (TV, radio, magazines, newspaper ads) delivered messages and incentives to customers and prospects. The Internet has taken over this function for free and made it much easier for comparison-shopping. This shifts the cost of information-dissemination from the producer and media organizations to the Internet and the accessing consumer. There is a shift in the locus of communication activity from marketing as distribution of information to marketing in response to consumer's discerning demand (Schultz 1999). That is, marketers may have to stop "selling" products; instead they may have to help people "buy" them. That is, company, product and brand loyalties can no

longer be bought; they must be earned via customer service excellence (Nelson 1999; Parasuraman 1998). IM is posed to do it better than TM.

Concluding Remarks:

Thus, in relation to process and functional features of marketing, Internet marketing has a definite edge over selling via the telephone, direct mail, television, radio, newspaper, magazines, or through traditional retail outlets. The significant advantage is over essential process features of obtaining and servicing market demand such as buyer-seller interactivity, open and comprehensive buyer-seller transaction systems, speed of extensive comparison shopping, user-friendliness and convenience, tangibilizing the intangible, and all these with buyer-seller cost-effectiveness. However, certain retail-based marketing functions are still beyond the reach of Internet marketing, especially in relation to classical retailing functions such as breaking and stocking bulk, clothes-fitting experience and alteration, unique personalized service and elegance of certain upscale stores, delivering surgical and hospitalized health care, everyday fresh groceries, and reproducing the exciting fun and flamboyance of holiday shopping. Moreover, system security, customer privacy, merchant and customer fraud are other major problems that Internet and Internet marketing must speedily resolve in order to make further advances on traditional marketing.

Internet marketing is getting to be overwhelmed by non-Internet competitors. The Internet start-ups are sharp but not insurmountable. Competition is entering their turf too, and traditional marketers understand how to compete. For example, challenged by the recent success of e-Bay (market capitalization at $18.1 billion in October 1999), Microsoft, Dell and Lycos teamed up to establish FairMarket Inc., another competitive auction site, and within a day e-Bay lost 7.1% of its market capitalization (Krauss 1999). Two Stanford Ph.D. dropouts disappointed with job-interviews at Alta Vista, returned to the University to found Yahoo, and virtually killed Alta Vista market power among search engines. "Whereas the hot Internet start-ups once looked invincible, they are now facing the same competitive challenges that have plagued companies since commerce was invented" (Krauss 1999, p.10). If Internet companies continue to use Internet technology only to sell faster, better or cheaper, and not to innovate and create whole new e-ventures, then Internet marketing has already peaked.

In conclusion, will Internet marketing replace traditional marketing? It is already doing this in several key promotional process factors discussed above, while in few others it may not. But regardless of the level and content of replacement-possibility, traditional marketing concepts and cases, theories and models, strategies and tactics may need to be redefined to capture and match e-commerce and e-

marketing phenomena. For instance, given the thrust and potential for individual customized marketing of IM (Hanson 2000), traditional theories and strategies of segmentation, mass production, standardization, and globalization will have to be redefined. Marketing academicians and practitioners may need to retrain themselves to understand and analyze e-commerce phenomena. Now that information provision and persuasion are efficiently taken over by Internet marketing, marketers may have to spend less time in information-persuasion selling but devote more time in understanding and developing models and strategies that people use in buying (Berthon, Pitt, and Watson 1996a,b; Jarvenpaa and Todd 1997). The traditional single channel, one-way communication models of media may not be really effective; instead, we have to develop multi-channel, multi-way, multi-person (several sellers and buyers together) communication strategies (Hoffman and Novak 1996). This is the challenge, and not a threat, of Internet marketing to traditional marketing. The future of Internet marketing and traditional marketing is their capacity of customizing customization (Lampel and Mintzberg 1996).

The marketing function has undergone dramatic shifts in the past 50 years from mass-production and mass-marketing, to differentiated-production and segmented marketing, to specialized products and niche-marketing, to personalized products and individual marketing (Sheth, Sisodia and Sharma 2000). Internet and Web marketing can facilitate one-to-one marketing (Pepers, Rogers and Dorf 1999) or custom-centric marketing (Sheth, Sisodia and Sharma 2000) or customizing customization ((Lampel and Mintzberg 1996) much more than any channel of TM. Reaching and serving customers individually will become cost-effective only through the Internet as we have it today. The essence of marketing then is to reach the customers, anticipate their behavior, and help them to make satisfying purchase decisions, win their sustaining loyalty, and thus stay ahead of the competitor. The future of IM is the innovative and imaginative way it fulfills this essential function of marketing.

In this regard, Personalization is the key to customer interactivity on the Internet. "Personalization is a special form of product differentiation. It transforms a standard product or service into a specialized solution for an individual" (Hanson 2000, p. 186). Personalization is "customizing customization" (Lampel and Mintzberg 1996). The concept of personalization has been extensively used in almost 75 percent of the websites today. Yahoo.com has a MyYahoo Page to personalize content for a specific customer. Travelocity.com has customer specific information that can be stored and retrieved for a specified period of time. MyMP3.com stores personal music preferences by each customer and downloads them almost instantaneously. Personalization, obviously, increases the chance of site-revisits by customers as also the length of visits, both of which are critical in generating digital brand loyalty.

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Table 1: Areas where Internet Marketing (IM) Surpasses Traditional Marketing (TM) and Vice Versa

RETAILING FACTORS	AREAS IM SURPASSES TM	GRAY AREAS IM EQUALS TM	AREAS TM SURPASSES IM
Customer Interactivity	Interactive information dissemination and customization, and adding buyer-seller content to the medium. Multi-person, multi-way communications between buyers and sellers.	Modern broadband-based advances in virtual shopping "partners" such as Webbots, avatars, and artificially intelligent mannequins may further "personalize" information exchange as TM does.	Real experience of persons-to-persons communications and interactions in actual shopping outlets. Redundant connectivity in IM may switch customers to TM.
Comparison Shopping	Exhaustive search experience. Unimpeded search across products, brands, outlets, and prices. Customers may be fed-back and updated on previous choices, prices paid, and purchase experiences.	Both IM and TM may equivalently match: prices, quality, financing terms, delivery, and customer satisfaction that buyers claim or want.	Search and purchase experience of peers, friends, and competitors on products, brands, stores, and prices. People may comparison-shop on the Internet to facilitate retail shopping.
Tangibilizing the Intangible	IM can provide virtual preview of tours, homes, cars, travel accommodations, formal dresses and other purchases.	Like TM, IM can provide view of foods, smells, fragrances, décor, ambience, elegance, and personalized service if some of these can be digitized.	Experience of the sense of touch, feel, taste, and shared customer sentiments.
Open and Comprehensive Market System	Anyone can access and provide content to the Internet. Can access all the buyers-sellers of the world.	Open and comprehensiveness can generate insurmountable problems of safety, security, privacy, and fraud for both IM and TM.	It will be long before IM can completely control hackers and their destructive cyber-vandalism. TM does not have to contend with this.
User-friendly and convenient	Can easily access, compare, buy, and sell anything, any time, anywhere, any price, … in the world.	Webbots, mannequins & "avatars" may eventually simulate personalized experience of fit and feel, color and match, sizing and alteration that TM currently offers. But the virtual experience may not replace the real.	IM may not provide a total shopping experience in relation to thrill, fun and frolic of holiday shopping, group shopping, mall hangouts, clearance sales, and window-shopping that TM provides.
Cost-effective	IM is cost-effective for information-dissemination, advertising, promotion, and for distribution of almost all commodities and manufactured goods, books, travel and vacation plans at	Currently, certain catalog items could be equally cost-effective on IM and TM: e.g., nonperishable groceries, pre-prepared foods, frozen meats, casual shoes, apparel	Even though certain items like fresh produce, fresh meats, hot baked goods, and fresh dairy products can be supplied via the Internet, the distribution

	costs decidedly lower than other channels.	and jewelry, children's outfit and toys, and used cars.	may not be as cost-effective and aesthetic as via TM.
Type of merchandise	Mostly branded, standardized, manufactured products; all travel and vacation bookings. Stocks and bonds, books and magazines, arts and antiques are easily traded on IM.	Selling big-ticket items like homes, furniture, cars, houseboats, weddings, banquets, … that need much buyer-seller personal & emotional interaction may be just possible via current IM technology.	Highly personalized and individualized services like surgical healthcare, clinical counseling, eye and dental care, hair-dressing, massage, outdoor-dining, vacationing, … still need TM.
User market	Restricted to those Internet literates who have access to the websites – presently, about 25% of US households.	Cooperation between IM and TM is needed for developing digital brands and Internet consciousness, and for accessing target segments like children, seniors, the elderly, and the disabled.	The dot.comsspend 20-60% of their revenues on traditional advertising and promotion channels to reach the other 75% mass audience that IM cannot currently access.