

Chapter 62

Business-to-Consumers eCommerce:

How Companies Use the Internet in Marketing Products and Services to Consumers

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ABSTRACT

This chapter focuses on the effective use of the Internet for marketing products and services. The chapter starts by presenting statistics about Internet usage and online sales in the USA and around the world. It then examines the evolution of web sites from a static format to an interactive format with the start of Web 2.0. As a plus to small businesses, the chapter also briefly outlines the steps involved in starting an online business and the advantages and disadvantages of having one. Special emphasis is placed on developing an eMarketing strategy, drawing on the marketing mix, online marketing research, and search engine optimization, as well as social media marketing. The chapter ends by showcasing Amazon.com's marketing tools as excellent examples of effective eBusiness.

INTRODUCTION

The number of Internet users and the volume of purchases on the Internet have both increased dramatically during the last decade. After several consecutive years of modest but consistent growth,

broadband adoption did slow; but despite of the slowdown, there was steady increase in the use of the Internet over the past few years. The number of Internet users in the US is forecasted to reach 205 million by the end of 2010, accounting for 66% of the total population (Aarkstore Enterprise,

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2010). Even during a recession, online buyers spent \$29 billion during the 2009 holiday season.

The Obama Administration has devoted considerable time and effort to promote broadband adoption, expanding government efforts to bring broadband to non-user populations. Some \$7.2 billion of the \$787 billion federal stimulus program approved in February, 2009 was set aside for grants and mapping efforts designed to target underserved groups.

Internet World Stats (2010a) indicates that the increase is not just in the U.S., but also around the world. The Internet penetration (percentage of population using the Internet) is 77.4% in North America, compared to 58.4% in Europe, translating into an overall growth of 146% over a decade. The world average penetration rate is 28.7%, meaning Internet usage will continue to grow around the world, especially in the developing countries. In most developed countries, Internet usage is daily habit, and although the growth of the online population has slowed in the US, US Internet users spend 15.3 hours a week online.

By 2012, 217 million Americans, or 71% of the projected population, will be online (Internet-worldstats.com 2010a). There is also an increase in the US use of the Mobile Web. A survey conducted by Pew Internet (www.pewinternet.org) in 2010 suggests that 59% of the US population access the Internet from a laptop or cell phone. The number of Internet users around the world is shown in Table 1 (Internetworldstats.com 2010b).

Table 1. Internet users around the world

Asia	825 million
Europe	475 million
North America	266 million
Latin America	205 million
Africa	111 million
Middle East	63 million
Australia / Oceania	21 million

As the number of Internet users continues to grow worldwide, so do sales. The ComScore report (ComScore, 2010) on “State of the U.S. Online Retail Economy in Q1 2010” indicates a consistent increase in eCommerce dollar sales. In year 2002, total eCommerce sales (including travel) were \$72 billion. By the end of 2009 they had increased to \$209 billion. Total retail sales for the second quarter of 2010 were estimated at \$971.4 billion, an increase of 1.1 percent ($\pm 0.5\%$) from the first quarter of 2010 (U.S. Department of Commerce). According to Forrester Research Inc.’s titled report “U.S. eCommerce Forecast: 2008 to 2012,” online retail sales will reach \$204 billion in 2008, \$235.4 billion in 2009, \$267.8 billion in 2010, \$301 billion in 2011, and \$334.7 billion in 2012.

Business executives and academics expect that eCommerce will leave no industry or region untouched during the next decade. The rapid growth of eCommerce has already made it necessary for many to “unlearn” some of the basic principles that have been unique to their business practices (Hutchinson, 1997) and converted many to the new ways of doing business in the Internet age (McDonald, 1999; Pyun, et al., 2002).

Companies started to exhibit a presence on the Internet around 1991, but this presence was in the form of a static web site online that provided information, like a brochure. As the technology evolved, web sites became more dynamic and interactive. The most important development was securing online transactions. Businesses could now accept orders and payments online and then ship their products to customers. Although security of online transactions is still a concern, consumers and businesses now feel more comfortable and secure in conducting online transaction compared to ten years ago. As a result, more and more companies have opened up their web sites to customers outside of their home countries.

According to Erdem & Karakaya (2005), eCommerce has followed an evolutionary process that is composed of three stages. First, web sites

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