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# Business Effective e-Relationship Marketing

Cranfield University

Cranfield

Bedford

MK43 0AL

UK

Tel: +44 (0)1234 754073 ext 2868

Fax: +44 (0)1234 750852

Professor Peter Sackett, Head of Enterprise Integration,

Email: [p.j.sackett@cranfield.ac.uk](mailto:p.j.sackett@cranfield.ac.uk)

Mike Driver, Head of Consumer Marketing, Muller Dairy UK Ltd., UK

[Driverm@muller.co.uk](mailto:Driverm@muller.co.uk)

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# Business Effective e-Relationship Marketing

**Peter Sackett, Head of Enterprise Integration, Cranfield University, UK**

[p.i.sackett@cranfield.ac.uk](mailto:p.i.sackett@cranfield.ac.uk)

**Mike Driver, Head of Consumer Marketing, Muller Dairy UK Ltd., UK**

[Driverm@muller.co.uk](mailto:Driverm@muller.co.uk)

## **Abstract**

A company web site is the most popular e-business application across all business sectors. Establishing and maintaining these sites is expensive. In many cases the business benefits deriving from the site are not clear. Despite the considerable expenditure in time and money in the creation of company websites there has been little empirical research concerning effective practice. This paper investigates why companies that do not use the web as a primary market channel to invest in web site provision.

This study is based on wide international literature review and case studies from companies operating in the Fast Moving Consumer Goods sector in the United Kingdom. The depth and reach of the sample size suggests that the results are highly representative of the sector. It is believed that these findings have significance to other industrial sectors.

The authors found that the stated intent of these web sites was to create an e-marketing presence. In practice there is little effort to gather data with regard to the consumers and their on-line behaviour. There is a mismatch between the site capabilities and the functional requirements the businesses are placing on their website. This sector is using the web to do things it could do through conventional channels. Relationship Marketing is not being widely practiced through the web by this sector. More effective models and metrics are required before the website can operate strategically within a full marketing programme. Overall the results support the need for the development of appropriate metrics which support the development of the brand rather than merely tracking performance of the website.

## Introduction

Cranfield University works with a tremendous range of international clients in technology application. Key aspects of our work typically include the development of or at least the input to and support of a business case for the investment. Some of our research programmes have focussed on this area specifically. 'RapidPDM' a European project supporting the implementation and justification of Product Data Management systems in small and medium sized enterprises developed a step-by-step justification process for this digital technology. Recently we evaluated the business case for intranet systems in various Blue Chip UK companies. It is extraordinary that in the e-business area strategic intent or business benefit analysis has not always been properly applied.

To the general population the most visible impact of e-business has been the dramatic growth of web sites. The penetration of the World Wide Web site as a business application is already far in excess of almost all even long-established information technology applications. Most companies in Western Europe and the USA consider a web site to be a prerequisite of operations. Many individuals hold the same view and maintain a personal web site. In countries that might be considered less developed in e-business, web site penetration is still highly significant. In Russia 80% of large companies and 5% of small companies have www sites (Perminov 2001). In Hungary 45 of the largest 100 companies have web sites and 34% of these give access to site visitors on product and services. Here in Poland it is projected that 81% of large companies will have web sites in 2002, up from an already significant 56% in 2001 (Cornwell, 2001).

In some cases the added value offered by the web site is clear. Based in the United Kingdom, **easyJet**, a low cost airline, offer an easy to use site, with flight availability and costs specific to each flight and an online payment service. The customer is receives a discount when booking through the site. The only alternative booking mode is by telephone. This web enabled e-business application has been supportive in developing the **easyJet** brand, communication with customers, providing channel access and the operational success of the airline. So sites offering clear customer added value and transactional capability can be justified. In many cases the business benefits offered by the sites are less well defined. This led the authors to a research programme addressing the business benefit delivered by e-business applications, particularly web enabled ones.

## Selecting the Domain

A feature of web sites is their volatile nature. Well established sites may disappear, individual sites go in and out of fashion, the lifecycle of a site is unpredictable. Many sites provided by small businesses may be ineffective and short-lived due to lack of sustained investment. Channel access sites have a clear case for their existence particularly if they provide the main or only means of interfacing with customers. In this investigation the authors were looking for web sites associated with well-established businesses with

highly developed product delivery systems operating in competitive markets. The Fast Moving Consumer Goods sector, (fmcg), in the UK satisfies these requirements. A typical product might be a national brand foodstuff. The sector is readily identified. The 'Checkout Top 100' lists the largest UK fmcg brands. These companies operate high volume, low margin businesses. Cost control in these businesses is vital to survival. They are acknowledged and longstanding experts in marketing and brand development. The primary distribution channel to customers is through supermarkets. In the UK there are a handful of national supermarket chains. So whilst there are a large number of end users, the product is supplied through a few supermarket chains. This sector is not using the web as a distribution channel. The web site is part of the marketing activity.

## **E-marketing**

The development of e-marketing and the application of the Internet to deliver Relationship Marketing is established (McGaughey and Mason 1998; Geiger and Martin 1999; Allan and Chudry 2000). Their investigations have focused on business-to-business and service industry practices and to date no investigation has been made of the utilisation of the Internet for fmcg companies to deliver Relationship Marketing.

The need for investigation is great. The number of fmcg consumer brand websites is expanding representing considerable sums of ongoing expenditure. BrandNet, a company focusing on the development of consumer brands websites, cited that *"over 85% of leading fmcg brands have a web presence"* (Superbrands E-League Report 08/03/2001). Whilst a web presence can encompass corporate sites, consumer sites, on-line advertising and on-line promotions, a high proportion of fmcg brands have web sites. Yet to date no clear and accepted definition exists for the business purpose of these sites. We are interested to know:

- Why so many fmcg consumer brands have websites
- What they are trying to achieve
- The value to the organisation
- Do brand owners measure the business contribution.

Alternative business models have been put forward for consumer brands on the Internet however these are largely centred on transactional models. Very little study has been made of non-transactional models and of those that have none of these seems to be supported by specific evidence that quantifies the appropriateness, benefits and impact of these models. E-business theorists cite a number of potential roles for a consumer brand websites however the primary focus to date has been upon e-commerce sites and in particular the ability to disintermediate the transactions between supplier and customer (Fiore 2000). This approach has been so dominant that it has resulted in many authors arguing that the Internet represents *"a new marketing concept."* (Hoffman and Novak 1996). This approach is represented by companies either created specifically for such a purpose, e.g. Amazon or eBay (Seybold

1998) or through the adaptation or extension of an existing business to provide additional customer value, e.g. Tesco.com or Dell.com (Newell 2000 and Dell 1999). Peterson et al (1997) proposed that the Internet is primarily a communication tool.

Little analysis has been undertaken of non-transactional and non-revenue developing approaches utilising the Internet. In this sphere presence on the Internet or World Wide Web is based around “brand building” (Lindstrom and Andersen 2000), this is essentially an advertising based model of communication (Bush, Bush and Harris 1998). Recently a Relationship Marketing role has been proposed as an effective operational model for websites (Geller 1998). This fundamentally differs from the traditional mass marketing approach by focusing on the importance of ongoing relationships rather than the short-term transactional approach that drives most consumer brand organisations. In particular this has moved emphasis away from the focus on tools and techniques through which customers or consumers could be attracted to purchase brands. In Relationship Marketing the focus is on the customer experience and supply of requirements to generate continuing individual customer satisfaction. Geiger and Martin (1999) and Allan and Chudry (2000) identified that most company approaches to Relationship Marketing were ornamental or greatly limited in some way.

Research in the area of the Internet and e-marketing is flourishing yet studies directly assessing its impact on fmcg brands are rare. The general purpose of this study therefore is to illuminate current practices by fmcg companies with regard to e-marketing via the Internet and to assess the utilisation of measurement and return analysis methods.

## **Methodology**

To establish the nature of fmcg brands utilisation of consumer websites for e-marketing purposes a self-administered structured questionnaire was developed to collect quantitative data. This questionnaire was then sent to managers responsible for the website development of fmcg brand owners operating such websites. The universe for contact was produced by cross matching the Checkout Top 100 brands to identify the largest and most successful fmcg brands in the UK market with the Brandnet top 75 UK fmcg websites to identify those brands who were deemed to operate effective operational sites. This produced a universe of 56 companies to be contacted with a respondent sample of companies providing completed questionnaires (n = 24). The survey was conducted anonymously and no personal or company data was requested. This approach tested the proposition:

- fmcg brand owners are using their websites for Relationship Marketing.

The nature of the measurement practices currently undertaken was assessed. The method draws on the benefit of the Positivists paradigm. This will maximise population generalisability but it will be low on realism of context and precision of measurement, (Scandura and Williams 2000). To address

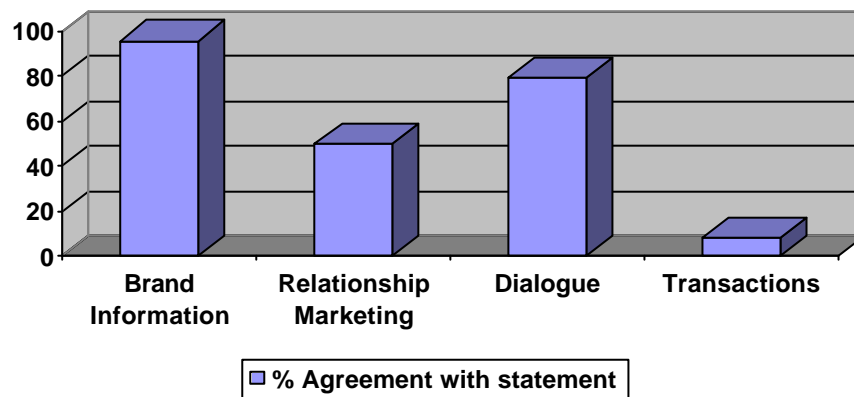
this we employed a descriptive survey design (Oppenheim 1992) consisting of both closed questions and a Likert-type scale.

The questionnaire was pre-tested with a set of managers who were asked to assess the questions for clarity, practical understanding and ease of answering as well as ease of completion of the total survey. A further pilot was then conducted amongst the target sample to ensure that the instrument captured the aspects of the practices required. Minor modifications were made at each stage to improve clarity and structure. Construct validity of the instrument is justified on the basis that the measures were developed from an extensive literature review.

## Results and Discussion

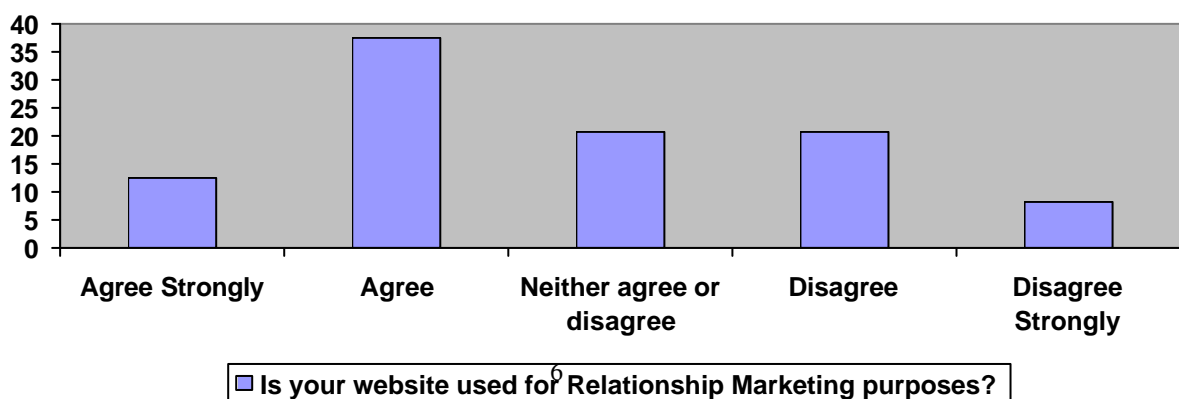
We found that the primary purpose of fmcg company websites is to provide information about the brand (96%). This information-providing role is closely followed by the ability to facilitate dialogue (79%). A specific Relationship Marketing purpose is cited by 50% of respondents whilst transactional requirements are mentioned by 8% of the sample.

**Figure 1:** Main purposes in having a consumer brand website



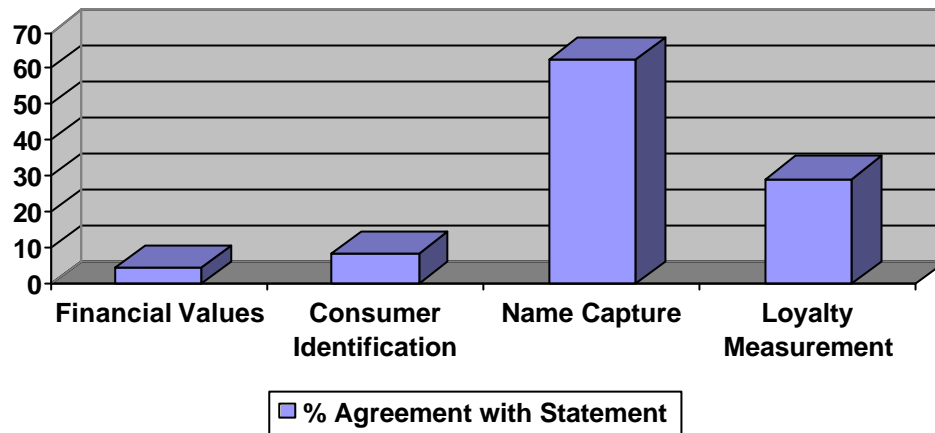
Investigation of attitudes towards Relationship Marketing also suggests that it is not of primary importance for 30% of the sample.

**Figure 2:** Percentage agreeing that Relationship Marketing is one of the websites primary purposes



However for this statement to be validated it is necessary to provide an evaluation of company behaviour with regard to many of the expected facets of Relationship Marketing to provide a picture of actual behaviour and capability. Given that there is evidence to support consumer brand websites engaging in Relationship Marketing it is important to understand the nature of the information gained to facilitate this relationship.

**Figure 3:** Characterising Relationship Marketing

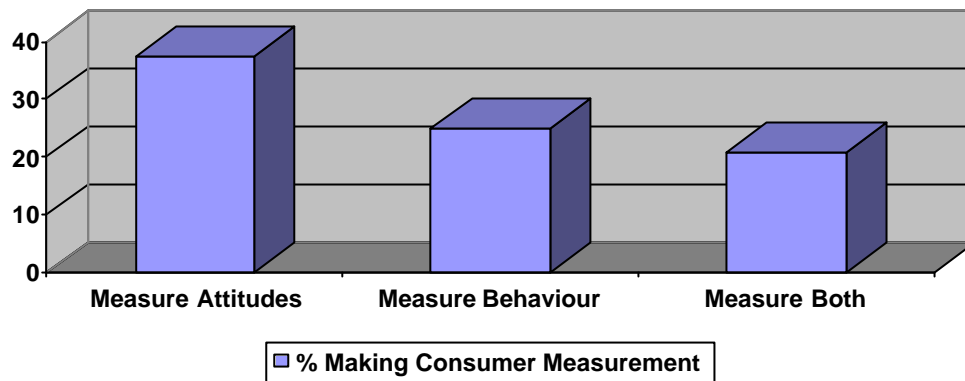


One principle of Relationship Marketing is identification and segmentation of the most valuable customers to focus upon building relationships with the greatest financial value to the company. However only 4% of companies in the survey segment website visitors by their financial value to the company, Figure 3. Whilst 63% of companies capture consumer names on their websites only 8% of companies identify by name their most important consumer on their websites. Furthermore only 29% of companies capture any measurement of consumer loyalty. This data would suggest that the majority of fmcg brand websites are either currently not capable of capturing this data or do not focus upon this as worthwhile endeavour. They are treating an identifiable audience in the same way as mass-market audience.

Whilst 79% of the sample utilise their website to maintain a dialogue with their consumers and 50% claim to engage in some form of Relationship Marketing it is interesting to see how many of these track the impact of the website upon either consumer attitudes or behaviour. More companies measure consumer attitudes (38%) than measure behaviours (25%) with only 21% of the sample measuring both. The differential may be because attitudes can be measured more easily and can be more effectively directly measured in relationship to the website. Behaviour is more difficult to capture, and harder to relate directly to the website. It is also more complex and may be influenced by a greater number of variables, such as product availability. However it is still surprising how low the figures are overall, particularly when compared to fmcg brand measurements of the same criteria in relationship to activities such as Television advertising or other major consumer campaigns. Again suggesting

that e-marketing would appear to be the poor relation of other more established marketing mix options.

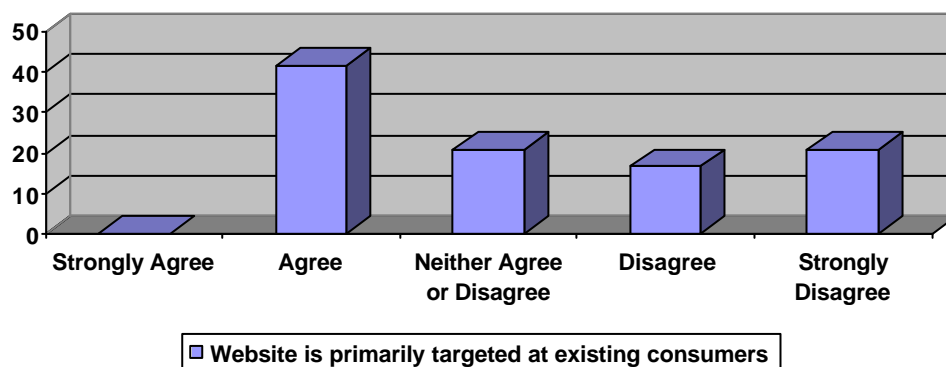
**Figure 4:** Percentage of Companies measuring consumer attitudes or behaviour



One of the key reasons for companies to engage in Relationship Marketing is that it is believed that this can be used both to create and develop consumer loyalty towards the brand (Reichheld 1996; Newell 2000). It is therefore interesting to find that just 29% of companies measure consumer loyalty in relation to their website. This suggests that loyalty is not considered important in this context or that loyalty is not an objective of most websites or that fmcg companies are uncertain how to measure loyalty in this context.

A significant percentage of website owners believe that their website is primarily targeted at consumers who already purchase their brand (42%). If this is the case then they are consciously not focusing on loyalty or more specifically the measurement of loyalty as a worthwhile endeavour. A significant proportion of fmcg websites are not targeting or do not believe they are targeting existing consumers of their brand.

**Figure 5:** Percentage on Companies agreeing that the website was primarily targeted at existing consumers of their brands

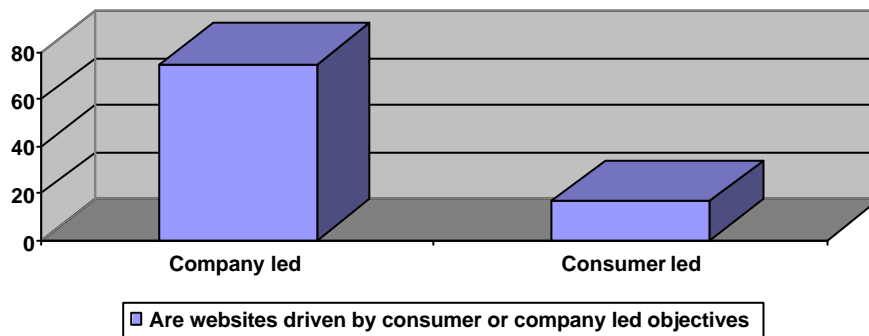




The classic principles of mass marketing (Kotler 1986) suggest that products or services are driven by the needs and wants of the consumer. It is interesting to apply this logic to fmcg consumer websites and to assess to what extent the consumer is involved in providing input into the site development and their levels of interaction and to what extent the site is driven by corporate communication objectives. A majority of websites do allow such facilities as personalisation so that the consumer feels a greater sense of belonging and control (54%). However only 25% facilitate dialogue between consumers whilst 79% target dialogue with consumers suggesting that the community aspects of most fmcg websites are limited. The clearest evidence that the needs and wants of the company primarily drive fmcg consumer brand websites is the finding that 75% percent of companies agree that their websites were driven by either corporate or brand objectives. Whilst only 17% saw their website as a means to allow the consumer to influence future brand developments.

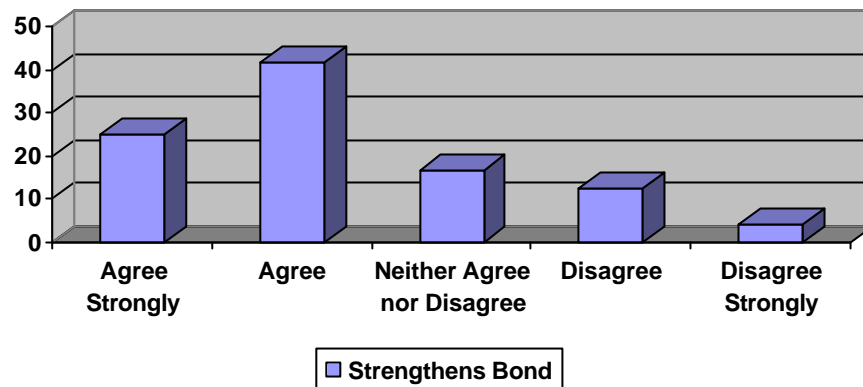
An additional element that confirms this is a tightly controlled relationship is that only 8% of websites permit a consumer to express a negative opinion about the brand on their site. This can be contrasted with service companies, such as Egg, (a web enabled financial services provider in the UK) where negative opinions and dissent have been both permitted and encouraged to obtain a more inclusive dialogue with consumers and so reduce defection.

**Figure 6** Who drives fmcg websites



Based on the findings above we can speculate on what these fmcg companies believe that their websites are delivering in business terms. Only 17% of the sample agree that the website is delivering stronger relationships with consumers that can be obtained through other media. Yet this has been proposed as one of the fundamental benefits of the Internet (Geller 1998, Bulger 1999). There is strong agreement that the website is designed primarily to develop the bond between consumers and brands (67%).

**Figure 7:** Percentage of companies agreeing that the purpose of the website is to strengthen the bond between consumers and brands



If this is being achieved one possibility is that it is influencing the buying behaviour of the consumer. It has been demonstrated that a minority (25%), monitor the influence of the website on buying behaviour. Even if measurements are not in place some companies believe that this is the case.

**Figure 8:** Percentage of companies agreeing that the purpose of the website is to influence the buying behaviour of the consumer.

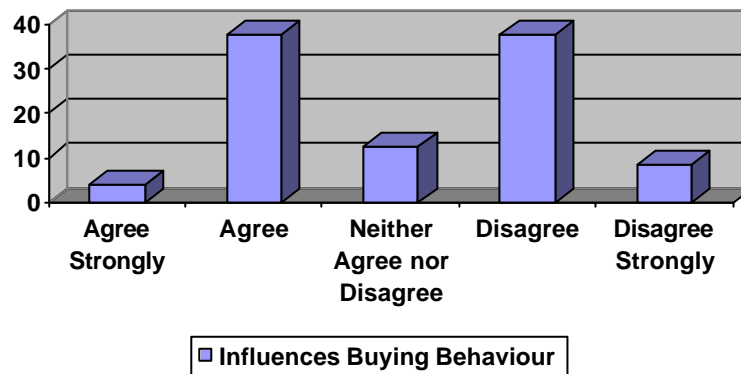


Figure 8 demonstrates that this is a polarising question, with nearly 50% of the sample agreeing in some form, and nearly 50% of the sample disagreeing. This illustrates the confusion that exists around the medium.

## Conclusion

This Fast Moving Consumer Goods sector comprises World Class practitioners in the effective use of media. Yet in the case of the Internet they are currently content to maintain high expenditure levels with limited measurement of effectiveness or contribution to impacts on consumers or strategic business intent. The main use of the Internet is to communicate brand information. The web sites are overwhelmingly company led and controlled.

Relationship Marketing is considered important but the utilisation of websites to deliver this capability and Fast Moving Consumer Goods company efforts to realise it are largely ornamental. The majority of Fast Moving Consumer Goods firms indicate their desire to conduct Relationship Marketing with their consumers and engage in dialogue with them but few practice at this level. The arguments of Hoffman and Novak (1996) that Internet enabled interactivity can bring brand owners and consumers closer together is not fully embraced by the organisations investigated in this study. The majority accept website capability at the level of providing information to consumers. This would suggest a low cost, non-interactive static model for websites with information provision at a premium. However this model has been largely denigrated within the e-marketing field (Levine et al. 2000).

We found low effort expended on data gathering with regard to consumers, the measurement of on-line behaviour, and its translation into brand attitudes and purchasing behaviour. Low levels of measurement of loyalty, attitude and behavioural influence created through the site suggest a lack of application of Relationship Marketing principles. The Internet is treated as a poor relation to other marketing practices.

The Internet potentially allows Fast Moving Consumer Goods firms to do things they could not do before but this will not be achieved if impacts are not measured. This study identifies the need for appropriate measurement models that not only look at site traffic statistics but also measure the impact of the communication upon the attitudes and behaviour of the consumer. The Internet needs to catch up with other media before it can move ahead.

One opportunity is to make an assessment of the impact a Fast Moving Consumer Goods website has upon brand equity. Whilst brand equity measurement is still a developing subject models such as those proposed by Aaker (1996) and outlined by Ambler (2000) could be used both to provide a general assessment of its applicability as a measure. This could provide an impact sensitivity analysis on the specific elements that make up brand equity influenced most greatly by the website. In this way its role and subsequent integration of websites within a marketing mix model could be developed.

The results of this study are quantitative. Qualitative research studies may provide a richer understanding. In particular case studies which focused on specific brands and their implementation of a Fast Moving Consumer Goods website for Relationship Marketing purposes would provide great insight into some areas. Longitudinal or cross sectional research could provide a means to track the nature of consumer brand relationships over time and the influence of the websites in generating and maintaining loyalty and positive attitudes towards the brand. Research is needed to find effective models for assessment of the effectiveness of consumer websites using methods from the measurement of more established marketing practices rather than the current focus on visitor numbers and traffic. It is likely that only when effective models of return and measurement have been found that websites may be able to sit comfortably within a full marketing mix programme.

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