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Goods retailers and service providers: comparative analysis of web site marketing communications

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Abstract

Retailers may engage in a range of marketing communications on their web sites. Our content analysis of web sites for 152 Fortune 500 retailers showed that more profitable retailers were more likely to use company specific, shareholder, web specific and customer service elements. We also found differences in the use of advertising, shareholder, company specific and web specific elements among goods, financial and services retailers.

Keywords: Marketing; Web sites; Communications

1. Introduction

Rapidly increasing household Internet penetration underscores the potential for using corporate web sites to communicate with new and existing customers. Via their web sites, retailers of goods and services may engage in a range of marketing communications, such as advertising, sales promotion, public relations and direct marketing.

Retailers can communicate directly with potential customers on-line (and vice versa). Since consumers perceive advertisers with web addresses as more customer-oriented, responsive and sophisticated (Maddox et al., 1997), retailers may be convinced of the need for a web site, but unclear about how to utilize the web site in terms of marketing communications (Budman, 1998). The opportunities to use web sites as a new marketing communication medium increase as more and more consumers access the Internet. At the heart of these opportunities are advances in new technologies that have provided retailers competitive advantages. As new technologies were incorporated into web site designs retailers were quick to adapt their on-line marketing communication strategies to meet the needs of the new market. But as these new technologies become diffused across the retailing industry what can we expect? Currently, we observe some differences in how service, financial, and goods retailers utilize marketing communications in the physical marketplace, but do differences also persist across retail affiliation in the on-line environment? If so, what do these differences indicate about the development of norms in the on-line environment?

The specific research questions we address in this study are: (1) Are differences in web site marketing strategies associated with firm characteristics such as net income? and (2) Are differences in web site marketing strategies associated with industry affiliation (goods retailers versus financial institutions versus service providers)? While we will hypothesize web site marketing strategy differences based on industry affiliation, we do so by extending the concepts of firm size, industry norms and organizational inertia in the physical marketplace to the Internet channel.

2. Literature review and conceptual definitions

We incorporate the relevant literature addressing off-line marketing communications, firm size, industry norms and organizational inertia with the emerging literature on web sites. The traditional marketing communication mix includes: (1) advertising, (2) sales

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promotions, (3) public relations and (4) direct marketing (Bennett, 1995).

Advertising plays the same role on-line as it does in the physical marketplace, that is to create awareness, communicate benefits, promote trial and urge customers into action (Gardener and Trivedi, 1998; van Waterschoot and Van den Botte's, 1992). As in the marketplace, advertising can communicate company information as well as information about the retailer mix such as products, prices, and/or location (for our purposes we separated typical advertising messages, such as logos and tag lines, from corporate messages that focus on specific company information).

While advertising is an important strategy for retailers, so is sales promotion. Retailers make frequent use of a variety of types of sales promotions in the physical marketplace and sales promotions have been given an increasing portion of the total communications budget (Gardener and Trivedi, 1998). The major sales promotion tools relevant to retailer web sites include refunds/rebates, premium and specialty offers, sampling, on-line demonstrations, and contests and sweepstakes.

The third promotional tool, public relations, includes news (e.g., press releases), speeches, educational programs, public-service activities, and lobbying or cause-related information. The final type of marketing communication is direct marketing. Direct marketing takes two forms, selling on-line and customer service. Customer service involves auxiliary services, such as checking order/product availability, purchases/account activity, billing and returns, product use, delivery or problems (Innis and LaLonde, 1994). Whether on-line or off-line, customer service is often the most important influence on customers' evaluation of a seller (Perrault and Russ, 1976; Sheth, 1973).

2.1. Unique aspects of web sites

To fully leverage a web site a retailer must understand and be able to use the unique characteristics of web sites as a communication channel. The highly interactive nature of web sites means that web site users have the potential to be more active acquirers of information (Ghose and Dou, 1998). Thus we can categorize corporate web sites based on the use of web specific elements, such as on-line privacy policy, email, customizing the information acquisition process, and screen specialization and multimedia capabilities such as visuals.

3. Hypothesis development

Our hypotheses involve two classes of comparisons. First we develop hypotheses comparing high and low income retailers. Subsequently, we develop hypotheses comparing goods, financial, and services retailers.

Comparisons based on various aspects of firm size have for the most part established the existence of significant differences in how firms of different sizes react to changes and opportunities in the environment. Although not central to their hypothesis, Asthana and Mishra (2001) found that firms that announced their earnings results were larger (based on capitalization value) than those that did not announce earnings. Presumably, investors seek and expect company financial information from larger firms more so than from smaller firms. By extension, we would expect more profitable firms to be more likely than less profitable firms to highlight or disclose their positive financial results via their web sites.

Similarly, more profitable firms may be more motivated to provide on-line company specific and public relations information. Research conducted for the Council For Public Relations Firms and Thomas Harris/Impulse Research (2002) validated a correlation between spending on traditional public relations (e.g., media and investor relations, annual reports) and a company's Fortune 500 ranking. The increased motivation to provide on-line information may result from the enhanced ability to invest in extensive public relations activities, such as support of various causes and other general company activities. Being more active at the corporate level and in public relations activities, these retailers would have more to communicate on their web sites than less active retailers. Thus:

H1a: High income retailers use company specific information more frequently on their web sites than low income retailers.
H1b: High income retailers use shareholder information more frequently on their web sites than low income retailers.
H1c: High income retailers use public relations information more frequently on their web sites than low income retailers.

While more profitable firms have a much greater incentive (motivation) to provide company and financial information they also have greater financial resources (ability) to spend on particular marketing strategies. More profitable firms would have greater wherewithal to consistently compete on a price basis. Competing on the basis of price is difficult for firms lacking "deep pockets" relative to the competition. One example can be found in the discount retailing industry. In summer 2001 K-mart Corporation initiated their "BlueLight Always" every day low pricing strategy to compete against Wal-mart, but without the "deep pockets" to sustain the strategy they have decided to focus more on branding (Cuneo, 2002). Similarly, more profitable firms have a greater