

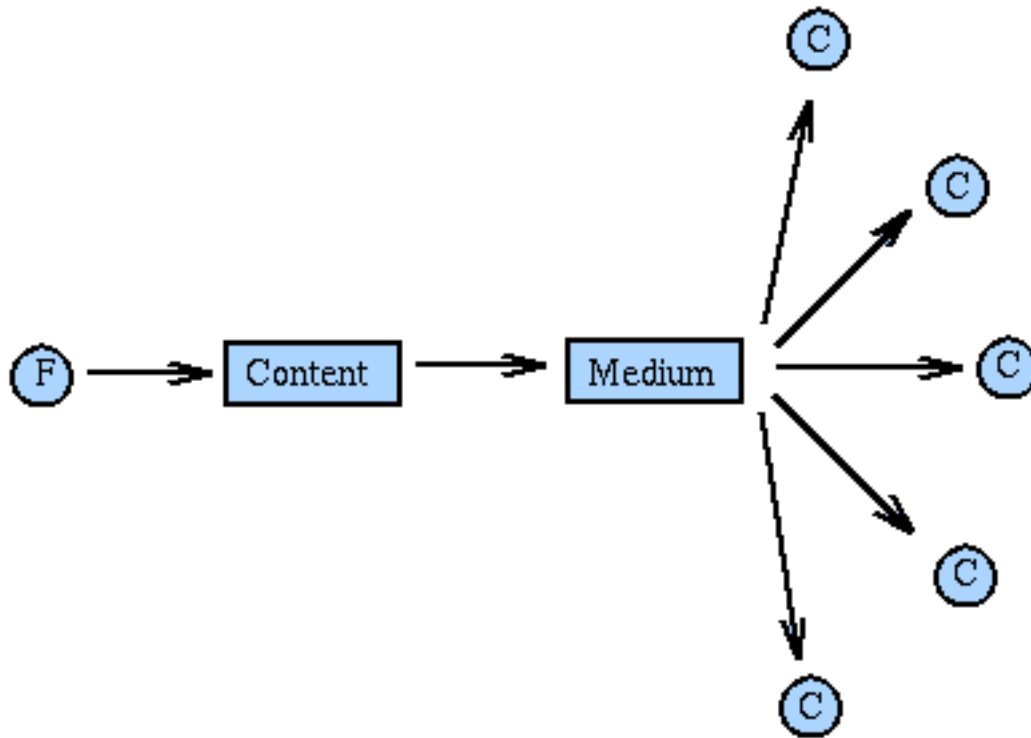


The Challenges of Electronic Commerce

By [Donna Hoffman](#) and [Thomas Novak](#)

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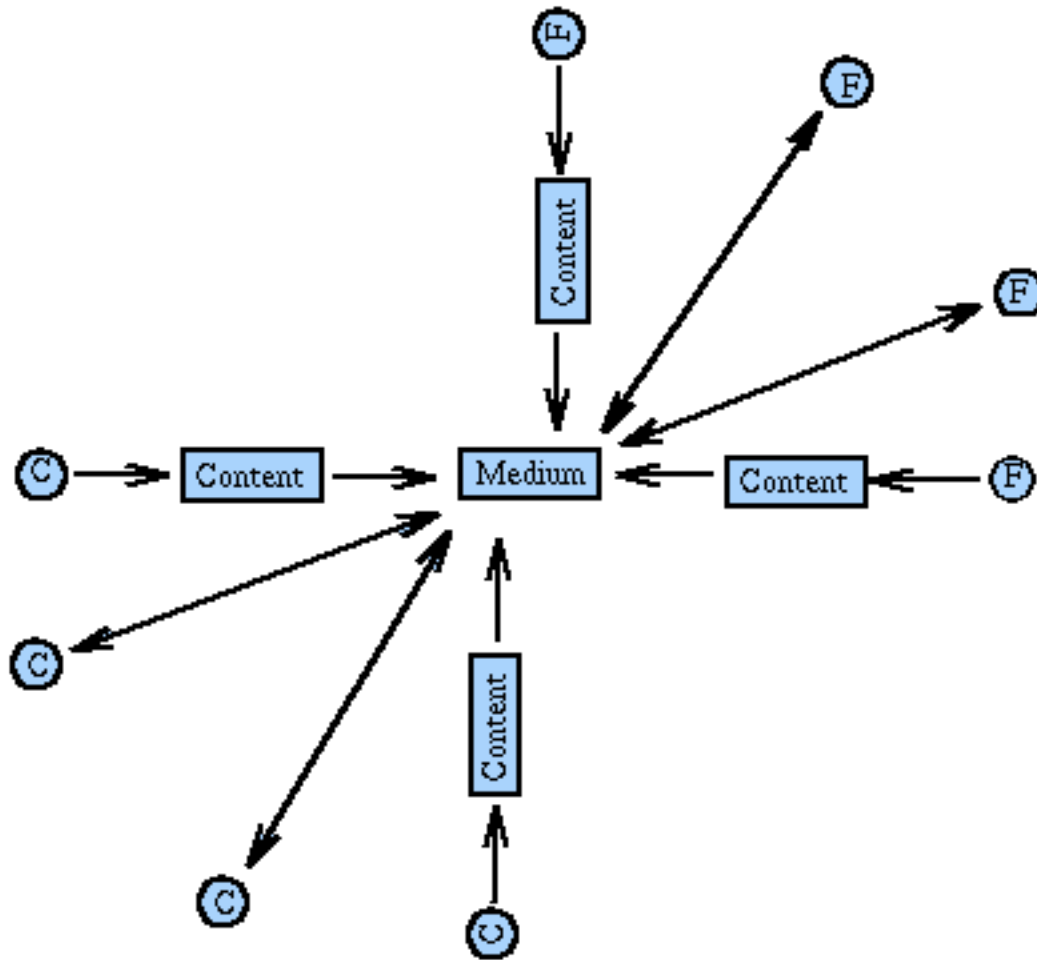
The increasing popularity of the [Internet](#), as a [business vehicle](#) in general and an advertising medium in particular, is due to its [current size](#) and future growth prospects, its attractive [demographics](#), and its potential to provide an [efficient channel](#) for advertising, marketing, and even direct distribution of certain goods and information services. Indeed, one recent estimate ([Verity and Hof, 1994](#)) puts marketing through conventional channels at four times more expensive than marketing over the Internet. Along with these suspected increases in efficiency, the anecdotal evidence mounts that net.marketing may also be more *effective* than marketing through traditional media. For example, one source ([Potter, 1994](#)) suggests that marketing on that portion of the Internet known as the World Wide Web results in "Ten times as many units sold with one-tenth the advertising budget."



Traditional One-To-Many Marketing Communications Model for Mass Media. In this passive model, firms (F's) provide content through a medium to a mass market of consumers (C's).

As heady as these initial triumphs are, long-run commercial success on the Net requires a deep understanding of this unique environment, both as medium *and* market. The Web presents a fundamentally different environment for marketing activities than traditional media, dooming to failure the old one-to-many advertising approaches which assume a passive, captive audience. Virtually every aspect of Internet-based marketing strategy - including advertising, [pricing](#), word-of-mouth influence, distribution channels, and product development - differs from the manner in which firms are used to doing business and from what MBA students are taught about marketing.

Through the Web, consumers can interact with the medium (Net surfing), as can firms (business-to-business marketing as in [CommerceNet](#)). Businesses and consumers can provide content to the medium, even to the point of setting up their own Web servers. Finally - perhaps the most radical departure from traditional marketing environments - consumers can provide product-related content to the medium. For example, individual consumers have established Web pages for [automobiles](#), [toys](#), and [television shows](#). Thus, developers and marketers must reconstruct the advertising function for the interactive, many-to-many medium in which consumers not only actively choose whether or not to approach firms, but also exercise unprecedented control over the management of the content they interact with.



New Many-To-Many Marketing Communications Model for the Web

Compare this idea to the by now well-known "Green Card lawyer" approach to net advertising. In essence, [Canter and Siegel](#) shot a crudely and offensively implemented mass marketing missile out to a highly fragmented and dramatically varied group of individuals. But are netizens really upset because Canter and Siegel advertised on the Net? [We don't think so](#). More likely, the agitation is due to Canter and Siegel's take-no-prisoners advertising techniques, which violate the many-to-many interactive norm underlying expected and acceptable net communication behavior. Can it be any wonder then, that their actions were met with [hostility and rage](#)? It's a classic example of what happens when a one-to-many mentality clashes with a many-to-many mentality.

Firms should be working with consumers to identify new models for [electronic commerce](#) before more time and money is wasted applying useless marketing paradigms and duplicating physical-world storefronts in electronic settings. The "marketing concept" gives some clues on how to begin. In its simplest form, the marketing concept states that to be [successful](#), a firm must satisfy consumer

needs and wants. In the [rush to set up shop](#) on the Internet, we see very few firms expending the effort to *identify* these needs and wants. To be fair, we must add that at this point in time, Web-based commerce is so new that the majority of consumers don't really have a clear idea of what they need or want. For these reasons, the marketing concept is no longer enough for the emerging and increasingly diverse, complex, and interdependent virtual society underlying the commercial Net. Instead, we argue that at this stage in the evolution of the Net as a commercial medium, developers and marketers must come together in an unprecedented alliance to develop new standards for facilitating commerce.

This means that in the long term, effective net.marketers will not be the ones who attempt to infiltrate existing, primitive Net structures, for example by posting advertisements (politically correct or not) on Usenet newsgroups. Rather, they will be actively involved in marketing activities that: 1) further the development of the medium itself, and 2) work with consumers to develop a shared understanding of the consumer benefits of [Net-based commerce](#).

It is too soon to predict the form these efforts might take. Nevertheless, it seems clear that the development of new systems to permit [virtual transactions](#) directly over the network rather than through parallel traditional channels, [marketing innovations](#) that take advantage of the medium's inherent interactivity and "play value," and attempts to develop stimulating and exciting content-rich sponsored environments, hold tremendous promise toward these goals. Only in this way do we believe the medium will grow, achieve critical mass, and serve as a vehicle for profit-making by diverse firms satisfying varied customer interests.

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