
Senior executives' perceptions of business-to-consumer (B2C) online marketing strategies: the case of Singapore

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Keywords

Business strategy, Customer satisfaction, Brand equity, Internet, Marketing strategy

Abstract

This paper represents one of the first few studies on Internet marketing strategies of business-to-consumer (B2C) firms in Singapore. A survey was sent to CEOs/marketing managers of 400 firms, of which 92 usable responses were obtained. The results of hierarchical regression analyses indicate that strategies to attract customers and to relate to customers have significant positive relationships to online brand equity (defined as "a set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided by a product or service to a firm and/or to its customers"). In addition, online brand equity is positively related to financial growth. Implications of the results are discussed.

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Introduction

The phenomenal expansion of computer networks, notably the Internet, has resulted in the rapid proliferation of electronic commerce (EC). According to a business-to-business (B2B) Internet report by Morgan Stanley Dean Witter (Morgan Stanley Dean Witter, 2000a), US\$200 billion in online B2B purchases was projected in 2000, growing to US\$720 billion and US\$1.4 trillion by 2001 and 2002 respectively. The Gartner group reports that the B2B market reached US\$433 billion in 2000 and predicts that the B2B market will reach US\$6 trillion (revised downwards from its original forecast of US\$7.3 million) by 2004 (McGuire, 2001).

In a similar vein, the B2C market is expected to quadruple from \$38.3 billion in 2000 to \$156 billion in 2005 (Bartlett, 2001). The International Data Corporation (IDC) expects the worldwide Internet economy to exceed the US\$1 trillion mark in 2001 and be tripled that by 2003 (Yang, 1999). The figures were later revised to US\$600 billion and US\$1 trillion in 2001 and 2002 respectively (*Straits Times*, 2002).

Raisinghani (2000) commented that many of the projections about e-commerce differ widely due to sampling errors and/or lack of a standard research methodology. Similarly, an article in *Upside.com* (2001) commented that while some projections are close to actual results, others are far off the mark.

Nevertheless, businesses, be it multi-national corporations (MNCs) or small and medium enterprises (SMEs), are realizing the potential of using the Internet as a marketing tool to raise the awareness of their products or to sell them directly over the Net. In fact, the Internet has changed the face of marketing with its instant yet personalized reach to a global audience.

Business managers face great challenges in incorporating the Internet in their marketing efforts and devising effective online marketing strategies to create a successful online brand. In fact, online retailer branding and trust play an important role in Internet markets (Smith *et al.*, 1999). Thus, it is vital for companies to establish an online brand in order to differentiate themselves and gain a foothold in cyberspace. Marketing concerns of retail



commerce on the World Wide Web involve attracting customers to the companies' Web sites and retaining them for repeat patronage. Hence, wooing and keeping customers are primary concerns of online marketers when formulating their Internet marketing strategies, in a bid to establish brand equity and contribute to their financial bottom line.

Although more and more companies are realizing the importance of leveraging the Internet to conduct their businesses, corporate leaders are finding it difficult to keep up with fast moving markets that are the hallmark of the Internet (Aldridge *et al.*, 1997). EC activities in Singapore, like most other Asian countries, are taking off as evidenced by the strong year on year growth rates. B2C EC increased from S\$0.2 billion in 1999 to S\$1.2 billion in 2000. It was projected to grow to S\$2.75 billion in 2001 (*Business Times*, 2001).

However, there are relatively few studies on online marketing strategies, especially in the Asian context. Earlier studies include that done by Soh *et al.* (1997) which is an exploratory research focussing on the early adopters of the Internet in Singapore and examining the areas of Internet usage for business. Similarly, Teo *et al.* (1997-1998) and Tan and Teo (1998) examine factors influencing Internet adoption while Teo and Too (2000) examine business use of the Internet. Noel (1998) examines retail applications of Web pages for direct selling to consumers. Other studies propose a model for monitoring Web site effectiveness (Day, 1997) as well as examine the effectiveness of Internet Web sites from the user's perspective (Bell and Tang, 1998). In addition, some studies examine Internet shopping behaviour (Lee and Turban, 2001) as well as compare Internet and conventional retailers (Brynjolfsson and Smith, 2000).

There is a general lack of research on online marketing strategies and the impact of these strategies on online branding and company performance. Hence, this study seeks to examine the online marketing strategies of B2C companies and their impact. More specifically, the study aims to investigate the adoption of the digital marketing model proposed by Kierzkowski *et al.* (1996) in the Asian context. The study also attempts to shed some light on the effectiveness of digital marketing strategies

(in the respective areas of attracting, engaging, retaining, learning about and relating to online customers) on building an online brand equity and contributing to overall growth of the company.

Note that brand equity is closely related to branding and is defined as:

... a set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided by a product or service to a firm and/or to its customers (Aaker, 1991, p. 7).

According to Winters (1991), brand equity encompasses value added to a product by consumers' associations and perceptions of a particular brand name.

It is hoped that through this study, companies will gain a more in-depth understanding of the various online marketing strategies and interactive media that appeal to consumers and which help to capture business opportunities in the digital world. Incumbent online companies as well as new entrants can then better allocate their resources to developing more effective Internet marketing plans to successfully target their Internet savvy audience.

Literature review

According to an e-Marketing report done by Morgan Stanley Dean Witter (Morgan Stanley Dean Witter, 2000b), the Internet is the perfect direct marketing tool. The Internet's interactivity and tracking ability allows custom tailored marketing at minimum costs especially for developed countries with good telecommunications infrastructure. Note that for developing countries with limited Internet access, such custom tailored marketing via the Internet may be slow and infeasible. Further, the low percentage of Internet users in some countries, e.g. 1 percent in India and 5 percent in Brazil (Chase, 2001), may restrict the use of the Internet as a marketing tool. Note that Internet access in poor countries is likely to remain well below levels now achieved in industrial countries (World Bank Group, 2001). Nevertheless, for countries with good telecommunications infrastructure, the Internet creates opportunities that are not possible in the traditional world of direct marketing.

Electronic commerce involves more than just the buying and selling of goods and services (Noel, 1998). To do business successfully on the Internet, companies have to tailor their strategies to the unique characteristics of cyberspace. The World Wide Web has become increasingly popular as a marketing communication tool with different companies setting different marketing objectives for establishing a Web presence. According to Berthon *et al.* (1996), Web sites can be used to move customers and prospects through successive phases of the buying process. In a similar vein, a digital marketing model, built around five elements, is introduced by Kierzkowski *et al.* (1996) to tap on the opportunities of interactive media. This model proposes five phases of marketing to the digital consumer and will form the basis for this study.

The digital marketing framework

The digital marketing framework introduced by Kierzkowski *et al.* (1996) revolves around five essential factors for success in digital marketing. The five elements in the framework are namely, attract users, engage users' interest and participation, retain users, learn about their preferences and, lastly, relate back to users to provide customised interactions. Each of the five elements entails several issues and practices that determine marketers' success in their online marketing efforts.

The impact of online marketing strategies proposed in the digital marketing framework is examined with regard to building online brand equity and achieving overall growth for the company (Figure 1).

Research hypothesis

Strategies to attract

The first element of the digital marketing framework involves how to attract customers to the companies' Web sites. According to Kierzkowski *et al.* (1996), this can be achieved by billboard advertisements, links from other sites and leveraging on existing marketing communications (such as advertisements and product packaging), termed piggy-back

advertising. Using mnemonic branding such as having a mnemonic URL or Web address, which is easy and intuitive for customers to find and remember, is also essential to attracting users. For example, Hyatt Hotels worldwide can be reached via the mnemonic URL www.hyatt.com

Several studies (e.g. Carpenter, 2000; Briggs and Hollis, 1997, etc.) have indicated a positive relationship between strategies to attract customers and brand equity. The immediate objective of all consumer brand advertising is to increase brand equity (Ambler, 1997). The value of brand equity is commonly measured by a number of components including the price premium the name commands, earning power of the brand awareness, brand identity and brand loyalty (Smart.com, 2000).

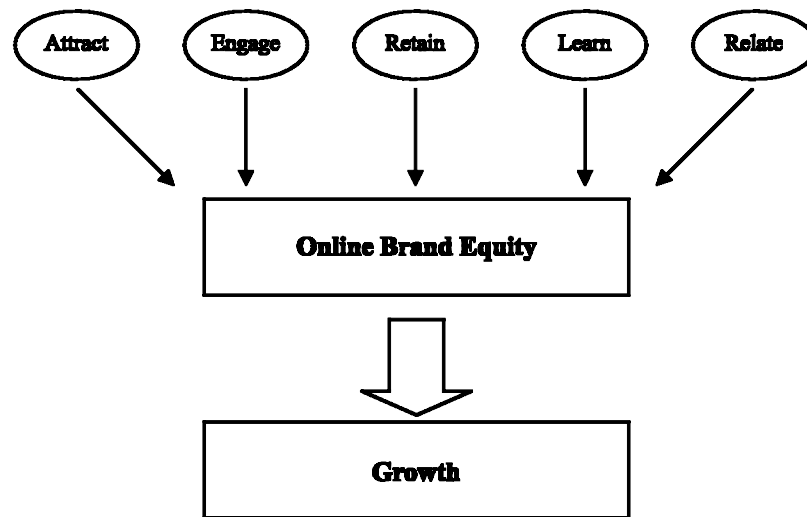
It is suggested by Puth *et al.* (1999) that attributes of products or services and, for the case of B2C companies, even the attributes of the Web sites can be used in the advertisement to position the product in the mind of consumers according to the attributes or to change the perception of the brand that consumers currently hold. Low and Mohr (2000) also reported that companies with higher budget allocations to advertising relative to sale promotions to attract customers tend to have more favorable consumer attitudes, stronger brand equity as well as higher market share increases and profits. In an experiment done by Briggs and Hollis (1997) on the effects of Web banners or "click-throughs", it is concluded that the first exposure of advertising banners used to raise awareness and attract customers to the Web sites has a strong immediate effect on the brand. In view of the above discussions, the following hypothesis is put forth:

H1. The extent to which B2C companies use strategies to *attract* users is positively related to the value of online brand equity.

Strategies to engage

The second element of the digital marketing framework relates to engaging users' interest and participation, after attracting them to the Web site, so as to achieve an interaction or a transaction. To accomplish this, companies can make use of creative programming to provide

Figure 1 Conceptual framework



interactive media as well as content that are deemed valuable to customers. Examples of such programming include Java and animations that will capture the users' attention and interest. Besides having interactive content, the Web site can solicit user-generated content by creating virtual communities of interest or forums where users can communicate with one another. Next, having transaction capabilities such as shopping carts and online ordering forms facilitate sales and enquiries.

According to Carpenter (2000), providing excellent content to engage customers is a key strategy to enhance the strength of its brand. The development of online communities to engage and bring together customers with common interests is an effective way of forging Internet brands and promoting loyalty.

Engaging customers in Internet communities, especially communities specifically related to a brand, is also mentioned by Gerbert *et al.* (2000) as a form of promotion tool to build up strong brand equity. Companies which manage to build or buy a presence in their relevant communities can expect a positive impact on their online brand equity. Leading forum discussions is also an effective way to boost credibility and visibility with a receptive audience besides engaging their attention. This will no doubt instill trust in members and help build up online brand equity for the company. According to Martin (1998), customers should be equipped with the ability and willingness to

interact in a Web site. This will develop customers' attachments to the brand and thus lead to higher brand equity for the Web sites. Hence, in line with the above literature, the second hypothesis is proposed as follows:

H2. The extent to which B2C companies use strategies to *engage* users is positively related to the value of online brand equity.

Strategies to retain

To gain a long-term profitable relationship with customers, it is imperative that companies strive to retain customers and induce them to make repeat purchases on their Web sites. Hence, the third element in the digital marketing model relates to customer retention strategies, which require constant long-term resource commitments by the companies. According to Kierzkowski, marketers must keep their sites "fresh" by continuously renewing content and/or providing dynamic content such as stock quotes and weather reports. Next, creating switching costs is an essential strategy to retain customers. This occurs when users invest their own time and energy in the interaction with a digital marketing application which creates a disincentive for them to repeat that investment with another application. Loyalty programmes and rewards for repeat purchases can also help foster customer loyalty and retain customers. To prompt customers to make repeated purchases at the site, the installation of

sufficient security features is crucial to build up the Web site's reputation for reliability. Having privacy statements also serve to guarantee the privacy of customers' personal information so that they are more inclined to revisit the Web sites and make purchases.

Several studies suggest a positive link between customer retention strategies and brand equity. According to Ghose and Dou (1998), interactive functions are important mechanisms to increase the attractiveness of Web sites and to differentiate the Web sites from other sites of the same nature. In fact, interactive functions such as games not only serve to entertain customers but also help to reinforce their impressions about the company's products and services, positively impacting brand recognition and equity. The article also suggests that Web sites that are more oriented toward image or brand building should consider using certain interactive functions such as downloading of games and search functions. Leveraging on and balancing the interactivity and selectivity of the user interface are vital to building digital brands (Moon and Millison, 2000).

A brand is about confidence and security (Davis, 2000). Retailer branding and trust are thus closely related and play an important role in Internet markets. It is also observed that customers regularly buy from branded retailers such as Amazon.com even though these retailers do not necessarily offer the lowest prices (Smith *et al.*, 1999). To build and maintain consumer trust, it is imperative that B2C companies provide a clear and complete privacy policy (Wang *et al.*, 2000). This will overcome consumer privacy concerns and retain loyal customers, at the same time building up the companies' online brand equity in an environment of trust. Hence, the following hypothesis is put forth:

H3. The extent to which B2C companies use strategies to *retain* users is positively related to the value of online brand equity.

Strategies to learn

Interactive media opens up a host of opportunities for relationship marketing as it allows marketers to track and learn more about consumer demographics, attitudes and behavior. This invaluable information can be

captured via customer feedback, the registration process or transaction records. Cookies and Web page tracking devices are also ways to learn more about customer preferences. Holding virtual focus groups is another good way to test new product concepts or get feedback on ideas for promotional programs. Gathering new information which companies do not yet hold from customers provides them with the opportunity to cross sell new products and services.

According to Davis (2000), one of the key strategies to build a brand on the Internet is to leverage on customer insights to improve companies' Web sites, thus suggesting a positive relationship between companies' attempts to learn about customers' preferences and the value of online brand equity built. According to Carpenter (2000), developing a detailed understanding of customer needs and market dynamics has been core to the success of building ebrands. Learning about consumers' needs, wants and desires is also a form of strategy in relationship marketing which can help marketers better serve them (Grossman, 1998). It follows that:

H4. The extent to which B2C companies use strategies to *learn* about users' preferences is positively related to the value of online brand equity.

Strategies to relate

After obtaining the relevant information about customers, the last element of the digital marketing framework revolves around providing customized interactions and delivering value to customers, which represents one of the most important value creation opportunities. In fact, "the ability to launch a product, gather feedback and immediately launch it again is distinct to the Internet" (Carpenter, 2000, p. 40). Relating to users can be in the form of providing products or services tailored to customers' wants and providing personalized communications (e.g. via e-mails) about the products or services of interest to customers.

Various studies reveal a positive relationship between strategies to provide customized products/services and brand equity. Providing customized products and personalized services can instill a feeling of uniqueness in customers.

This feeling of uniqueness will differentiate the brand from the others and increase customers' involvement with the brand (Morris and Martin, 2000). According to Martin (1998), customization is one of many strategies to cement relationships with customers. This form of relationship will help to insulate the brand from competitors and thus lead to greater brand equity. Davis (2000) also postulates that using the site to foster customer relationships is one of the key factors to consider in the brand strategy. The example of Yahoo is quoted whereby the Internet portal is able to build unique relationships with its 60 million users through, for example, sending personalized electronic cards to its online users. In line with the above literature, the following hypothesis is put forth:

H5. The extent to which B2C companies use strategies to *relate* to users is positively related to the value of online brand equity.

Online brand equity and growth

For a B2C business harnessing the power of the Internet's global reach and interactive functions, it is important for companies to develop online brand equity in order to differentiate itself from the millions of Web sites on the Net. For companies whose businesses are based on the Net, forging a recognized brand name is especially important to establish credibility as online customers have little to depend on in cyberspace. For click and mortar companies, developing an online brand that is as powerful as the one established offline especially becomes a challenge.

Ambler and Styles (1996, p. 11) suggest brand equity as:

... the aggregation of all accumulated attitudes and behavior patterns in the extended minds of consumers, distribution channels and influence agents, which will enhance future profits and long term cash flow.

Powerful brands provide both consumer trust and high returns as the brands are able to command a price premium (Temporal and Lee, 2001). Brands also possess financial value in the form of assets in the balance sheets of many companies. According to Penrose (1989), much of the brand's profitability comes from economies of scale brought about by extra

volume and by stability of demand. The premium commanded by the brand also helps enhance profit growth and support the advertising investment. The long term effect of customer loyalty is that of profitability as measured by decrease in acquisition costs, base profit, revenue growth, operating cost savings, referrals and price premium as stipulated by Reichheld and Teal (1996).

In view of the linkages between the value of online brand equity and growth suggested in various literatures, the positive economic effects of a successful online brand cannot be over-emphasized. Hence, the following hypothesis is put forth:

H6. The value of online brand equity is positively related to overall growth of B2C companies.

Method

Sample and procedures

This research focuses on B2C Internet Web sites comprising companies ranging from new start-ups to established companies going online. A population of 400 Web sites is generated from three search engines Lycosasia, Yahoo Singapore and Catcha, which classify firms selling on the Internet by product categories. These categories include books/CDs, food/groceries, toys/gifts/flowers, fashion apparel, departmental stores, computer/electronics, travel-related services, home and furnishings as well as auctions.

Data for this research are obtained from a survey sent via mail to marketing managers/CEOs of companies. Interviews are conducted with respondents from 12 companies to supplement the findings from the survey. A pretest of the questionnaire was carried out with ten working adults involved in B2C-related work. Respondents were instructed to check for ambiguity of items and instructions in the questionnaire. Each respondent took an average of 20 minutes to complete the questionnaire. The questionnaire was amended by adding more explanations or definitions of certain terms deemed to be ambiguous by the respondents.

A total of 400 questionnaires were sent out. Reminder calls were made to non-respondents

after three weeks, followed by a second mailing of questionnaires. Respondents in the sample who either do not have any online marketing plans or who have terminated their businesses are disqualified and this constituted 22 of the 400 companies. Eliminating these companies, a total of 92 out of 378, or 24.34 percent of B2C companies responded.

Instrument

The questionnaire is constructed based on the digital marketing framework proposed by Kierzkowski *et al.* (1996) to test the hypotheses concerning the companies' online strategies to meet each marketing objective of attracting, engaging, retaining, learning about and relating to customers, and their impact on brand equity and growth. The bulk of the questionnaire comprises the five constructs attract, engage, retain, learn and relate.

Items measuring each construct are derived from Kierzkowski *et al.* (1996) as well as from related research in the marketing and Internet literature. A summary of the items is given in the Appendix. The online marketing strategies of attract, engage, retain, learn and relate are rated on a five-point Likert scale ranging from 1 = not used at all to 5 = extensively used. The impact of the five digital marketing strategies on building online brand equity is measured with five items (brand awareness, brand identity, brand loyalty, price premium and earning power) scored on a five-point Likert scale ranging from 1 = extremely little to 5 = extremely much. The effect of online brand equity on overall growth of the company is measured in terms of financial measures such as market share, return on investment and revenue ranked on a five-point Likert scale ranging from 1 = extremely little to 5 = extremely much. The demographic profile of respondents and their companies are captured in the last section of the questionnaire.

After preliminary findings are obtained, interviews with 12 companies surveyed are carried out to gain more insights in the research findings. The results of the interview are used to aid in the discussion of the survey findings.

Results

Profile of respondents

Table I summarizes the demographic characteristics of the 92 respondents. A majority of respondents belong to the upper

Table I Demographic profile of respondents

Demographics	Number	Percent
<i>Job designation</i>		
CEO/director/vice president	24	27.0
Sales/marketing manager	21	23.6
Other managers	17	19.1
Marketing/customer service executives	17	19.1
Business development manager	7	7.9
Others	3	3.4
<i>Online business product category</i>		
Home and furnishings	16	17.4
Computer/electronics	14	15.2
Fashion apparel	13	14.1
Food/groceries	12	13.0
Toys/gifts/flowers	11	12.0
Travel-related services	11	12.0
Books/CDs	8	8.7
Departmental stores	5	5.4
Auctions	1	1.1
Others	1	1.1
<i>Modes of payment</i>		
Credit cards	28	30.8
Not applicable	23	25.3
Cash, cheques and credit cards	12	13.2
Cash on delivery	6	6.6
Cheques and credit cards	6	6.6
Cash and cheques	5	5.5
Cash and credit cards	4	4.4
Cash, cheques, credit cards and others	3	3.3
Cheques	2	2.2
Others	2	2.2
<i>Presence of physical stores</i>		
Yes	65	70.7
No	27	29.3
<i>Average annual revenue</i>		
< S\$100,000	47	51.1
Others	15	16.3
S\$100,000 to < S\$500,000	12	13.0
S\$1 million to < S\$50 million	8	8.7
S\$500,000 to < S\$1 million	6	6.5
S\$50 million to < S\$100 million	2	2.2
> S\$100 million	2	2.2

Note: $n = 92$ and missing values have been excluded

management level, with 50.6 percent of respondents being CEOs or marketing managers. Of the respondents, 27 percent hold business development and other managerial positions while the remaining 22.5 percent of the respondents are marketing and customer service executives or other personnel.

The respondents have stayed in their present companies for a mean of 4.08 years and in the industry for a mean of 5.37 years. A high proportion of the respondents' companies are involved in the retailing of consumer products such as food/CDs, food/groceries, fashion apparel, computers and electronics, departmental stores as well as flowers and gifts, accounting for 68.4 percent. The most popular mode of payment accepted is by credit cards which forms 30.8 percent of respondents; 13.2 percent of respondents also accept cash and cheques besides credit cards, while the rest only accept one or two other modes of payment. A majority of 70.7 percent of the respondents have physical stores. As mentioned, these are "click and mortar" companies, which are engaged in both the physical and online retailing of goods.

More than half of the companies (51.1 percent) have an average annual revenue of less than S\$100,000 followed by 13 percent of the companies which have turnover of between S\$100,000 to S\$500,000. The rest enjoy a turnover of more than S\$500,000 while 16.3 percent of the respondents are unwilling to disclose the figures. The average set up cost of Web sites reported by the respondents is S\$42,225 while the mean annual maintenance cost is S\$10,231.18.

Factor analysis

To establish construct validity, principal component analysis with varimax rotation is carried out. Items are retained based on the value of factor loadings. The cut-off value of 0.50 (King and Teo, 1996) is assigned such that only items with loadings of at least 0.50 are retained and items with loadings exceeding 0.50 on two or more dimensions are removed. In addition, reliability analysis is carried out to eliminate items that are not strongly related to other items in the construct.

The final results of the factor analysis are presented in Table II which shows the factor

structure with the subjective labeling of the factors inferred from the nature of the grouped items, as commonly done with such results (King and Teo, 1996). Factor analysis is performed for the dependent variables representing brand equity and financial growth but the analysis is done separately for each independent variable in order to achieve better stability of parameter estimates, due to the small sample size. From the table, it is observed that items in each factor analysis load highly on a distinct factor(s). In the dimensions engage, learn and relate, all the items load on two factors. Instead of force fitting the items into a single factor, two sub-factors for each dimension are meaningfully interpreted based on significant loadings. However, the dependent variables (factor analysis 1) have to be force fitted into two factors to yield a meaningful interpretation of the underlying variables.

The first underlying dimension of the variables (F1.1) in factor analysis 1 is labeled as "Online brand equity". The factor comprises items like retailer brand awareness, brand identity and brand loyalty, all of which are components of brand equity. The second dimension (F1.2) consists of items that relate to measures of "financial growth". Financial measures like market share, ROI, revenue growths as well as acquisition costs are reflective of how well the brand is generating returns and growth potential in the long run.

The dimension (F2) in factor analysis 2 comprises items relating to strategies to "attract" customers to the Web sites. Listing the company Web sites in search engines and having mnemonic branding allow customers to locate Web sites easily. Marketing tools such as piggyback advertising, alliances with other sites via affiliate programs and promotions will help to raise the awareness of customers and attract them to visit the Web sites for the first time. To avoid turning off any first time visitors, Web sites have to ensure adequate bandwidth to handle more concurrent visits.

The dimensions in factor analysis 3 relate to strategies to "engage" customers' attention in the Web sites. F3.1 relates to strategies for "engaging" customers via community groups. It consists of marketing tools in which virtual interest groups are established where users can hold discussions freely and which satisfy the

Table II Key dimensions, variables and loadings

Key dimensions and variables	Loadings
Factor analysis 1	
<i>F1.1 Online brand equity (eigenvalue = 0.98, variance = 12.23%, alpha = 0.79)</i>	
Retailer brand awareness	0.78
Retailer brand identity	0.86
Retailer brand loyalty	0.72
<i>F1.2 Financial growth (eigenvalue = 5.20, variance = 64.96%, alpha = 0.94)</i>	
Increase in market share	0.83
Increase in ROI	0.91
Increase in annual total revenue	0.90
Increase in per customer revenue growth	0.86
Decrease in acquisition costs	0.71
Factor analysis 2	
<i>F2 Attract (eigenvalue = 2.80, variance = 46.72%, alpha = 0.77)</i>	
Listing in search engines	0.51
Mnemonic branding	0.59
Piggyback advertising	0.78
Adequate bandwidth	0.68
Promotions	0.72
Affiliate program	0.78
Factor analysis 3	
<i>F3.1 Engaging customers via community groups (eigenvalue = 2.42, variance = 34.52%, alpha = 0.61)</i>	
Creating virtual communities of interest	0.68
Lucky draws/contests	0.65
Forums/discussion groups	0.80
Multilingual Web site	0.53
<i>F3.2 Engaging customers via Web content (eigenvalue = 1.18, variance = 16.78%, alpha = 0.55)</i>	
Creative programming	0.55
Informative and useful content	0.89
Transaction capabilities	0.70
Factor analysis 4	
<i>F4 Retain (eigenvalue = 3.53, variance = 50.37%, alpha = 0.86)</i>	
Dynamic content	0.74
Hyperlinks to related sites	0.56
Loyalty programmes/rewards	0.69
Security features	0.83
Privacy statements	0.84
Rapid information loading time	0.70
Interactive functions	0.57
Factor analysis 5	
<i>F5.1 Learning about customers via data capture (eigenvalue = 3.03, variance = 50.41%, alpha = 0.79)</i>	
Information capture	0.80
Gather information about new potential customers	0.77
Cookies	0.72
Web page tracking devices	0.74
<i>F5.2 Learning about customers via interest groups (eigenvalue = 1.08, variance = 17.92%, alpha = 0.76)</i>	
Holding virtual focus groups	0.85
Supporting chat groups	0.90
Factor analysis 6	
<i>F6.1 Relating to customers via integrating customers with core business (eigenvalue = 2.32, variance = 38.68%, alpha = 0.58)</i>	
E-mails to update about new products	0.78
Real time interactions	0.57
Linkages to core business	0.79
<i>F6.2 Relating to customers via customization/personalization (eigenvalue = 1.05, variance = 17.42%, alpha = 0.63)</i>	
Customized product/service	0.85
Personalized communications about product/service	0.62
Customized Web pages	0.66

company's aim of engaging customers' attention. A multilingual Web site will also facilitate communication among users and lucky draws or contests will further induce them to stay on in the Web sites. F3.2 relates to strategies, which employ a different means to engage customers' attention, primarily via Web content. The dimension involves adopting creative programming, informative and useful content and transaction capabilities to engage customers in the Web sites. Further, flash multimedia incorporating graphics, useful content and sound can be used. These strategies are based on utilizing Web features and content to engage customers' attention and even induce purchase, all of which are important in building up an online brand.

The dimension (F4) in factor analysis 4 includes items relating to strategies to "retain" customers. Customer retention is vital to ensure the success of online brand equity as companies enjoy constant profits from loyal customers. To win the loyalty of customers, the content of the Web site has to be dynamic and links to other sites updated regularly. Besides, loyalty programmes and rewards will retain customers by creating switching costs for them. For Web sites with transaction capabilities, security features and privacy statements need to be in place to encourage repeated purchases. Rapid information loading time is essential to avoid putting off impatient customers and this can be accomplished with fewer graphics in the Web pages. Last, installing interactive functions such as games and e-cards serve to retain customers by inducing repeated visits to the Web sites.

The dimensions in factor analysis 5 revolve round "learning about customers". F5.1 relates to strategies to "learn about customers via data capture" and include items which are used to gather data and information from customers such as information capture during the registration process from new and existing customers, cookies and Web page tracking devices. F5.2 comprises strategies to "learn about customers via interest groups" which relate to holding virtual focus groups and supporting chat groups. Using chat groups and focus groups helps to provide invaluable feedback about customers' preferences about products. Both methods to learn about customers will help the company tailor their

products and services to satisfy customer wants, provide more customer value and ultimately enhance online brand equity.

The last two dimensions in factor analysis 6 consist of strategies to "relate to customers". The first way (F6.1) is to "relate to customers via integrating customers with core business". This is accomplished by regularly updating customers on the company's products and services via e-mails. Besides, providing real time interactions by having customer service officers online to attend to customers "live" will add value to the Web site. Last, linking digital marketing initiatives such as marketing programs and information systems with existing core business systems so that business operations become closely linked to market developments and customer interactions represents the highest level of integrating and relating to customers. F6.2 consists of strategies to "relate to customers via customization/personalization". These strategies involve customizing products and services and even Web pages to cater to customers' needs and wants. Personalized communications with customers about the products and services, which are of interest to them, is another way to relate to customers with a personal touch. The above-mentioned strategies to relate to customers are useful for Web sites to differentiate themselves from the masses and establish a high value of online brand equity.

After factor analysis is performed, correlation analysis is carried out as shown in Table III. All the correlations are below 0.8 indicating that multicollinearity is not a serious problem (Gujarati, 1985).

Hierarchical multiple regression analysis

The hierarchical multiple regression analysis is performed in five steps to test empirically the hypotheses postulated in the study. It enables us to better assess the contribution of each independent variable to online brand equity. The results of the analysis for both dependent variables Y1 (online brand equity) and Y2 (growth) are presented in Table IV.

Strategies to attract

For the dependent variable online brand equity, Table IV reveals a positive coefficient of 0.26 for the variable attract, which is significant at

Table III Pearson correlations

Variables	X1	X2a	X2b	X3	X4a	X4b	X5a	X5b	Y1	Y2
Independent										
X1	1.00									
X2a	0.39*	1.00								
X2b	0.49*	0.37*	1.00							
X3	0.62*	0.51*	0.56*	1.00						
X4a	0.54*	0.52*	0.52*	0.71*	1.00					
X4b	0.14	0.57*	0.21*	0.40*	0.44*	1.00				
X5a	0.40*	0.48*	0.38*	0.52*	0.49*	0.44*	1.00			
X5b	0.22*	0.16	0.20*	0.37*	0.41*	0.19*	0.37*	1.00		
Dependent										
Y1	0.58*	0.48*	0.45*	0.62*	0.60*	0.32*	0.48*	0.40*	1.00	
Y2	0.48*	0.40*	0.37*	0.48*	0.52*	0.34*	0.50*	0.42*	0.63	1.00

Note: Pearson correlations are evaluated on a one-tailed test. * $p < 0.05$

Independent variables

- X1: Attract
- X2a: Engage via community groups
- X2b: Engage via Web content
- X3: Retain
- X4a: Learn via data capture
- X4b: Learn via interest groups
- X5a: Relate via business integration
- X5b: Relate via customization/personalization

Dependent variables

- Y1: Online brand equity
- Y2: Financial growth

Table IV Results of hierarchical multiple regression analysis

Variables	Beta (Y1)					Beta (Y2)
	Step 1	Step 2	Step 3	Step 4	Step 5	
X1: Attract	0.58***	0.40***	0.28**	0.26**	0.26*	–
X2a: Engage via community groups		0.26**	0.18	0.13	0.13	–
X2b: Engage via Web content		0.16*	0.07	0.05	0.05	–
X3: Retain			0.32**	0.21*	0.16	–
X4a: Learn via data capture				0.22*	0.16	–
X4b: Learn via interest groups				0.02	0.00	–
X5a: Relate via business integration					0.08	–
X5b: Relate via customization/personalization					0.15*	–
X6: Online brand equity						0.63*
Adjusted R ²	0.33	0.41	0.45	0.46	0.48	0.39
F-value	45.00***	21.74***	19.58***	13.94***	11.39***	51.17***

Notes:

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ (one-tail test)

Y1: Online brand equity

Y2: Growth

$p < 0.05$. Hence, $H1$ which states that the extent to which B2C companies use strategies to attract users is positively related to the value of online brand equity is supported. This result is in line with previous studies (e.g. Carpenter, 2000; Briggs and Hollis, 1997) which suggested

that attracting customers to the Web sites through the use of items such as banner ads and offline advertising promotions will help to raise awareness and build strong Internet brands.

Strategies such as offline advertising and promotions are crucial to expand the online

companies' reach beyond early Internet adopters. Roadshows during launches of Web sites are common, such as the launch of the bookstore MPH Online which aims to become the region's Amazon.com (*Straits Times*, 2000a) as well as online banks and trading firms. The various marketing campaigns aimed to raise the awareness of customers will help communicate essential attributes of the brand and lay the foundation on which online brand equity can be built subsequently. In fact, hefty spending on advertising is inevitable for companies to build a strong brand among the masses on the Net.

A business analyst of one of the companies involved in telecommunications commented:

Strategies to attract customers to the Web site are extremely crucial to raise the awareness of both the Web site and the products carried by the company. Our company makes use of various advertising media, especially piggyback advertising, to attract customers to the Web site and to promote "soft products" such as icons and ringtone downloads. This form of online marketing strategy to attract customers has proved to be effective in helping our company build up its online brand equity (business analyst).

The marketing director of a company involved in retailing women's apparel also revealed:

Forming strategic alliances with major portals like Yahoo extensively is a most effective way to channel traffic to the Web sites which is an important step to building up brand equity (marketing director).

Strategies to engage

The results for both constructs engage via community groups and engage via Web content are insignificant, indicating no relationship between strategies used to engage customers and building online brand equity. One possible reason is that strategies like creating virtual online communities such as forums and discussion groups may not be popularly used by B2C companies as tools to engage customers. Many B2C companies (such as those retailing food and groceries) may be targeting the mass market and thus do not see the benefits of establishing online communities of interest in their brand building efforts.

Similarly, there is also no significant relationship between strategies to engage customers via Web content and online brand equity. Focusing on Web content involves adopting creative programming and providing

interesting and unique information in the Web sites as well as transaction capabilities to facilitate online purchases. According to Soh *et al.* (1997), rising design and maintenance costs may deter companies from using the Internet for business. Also, as observed by Bell and Tang (1998), very few companies are going that extra mile to make their Web sites stand out by adding unique features. Our earlier analysis of the respondents' profile reveals that more than half of the companies (51.1 percent) are small enterprises with average annual revenue of less than \$100,000. Thus, these companies may view cost as a major factor when considering investing in the Web content of their Web sites.

Many companies do not see a positive link between investing in Web content and building online equity due to different objectives of setting up a Web site. According to Doren *et al.* (2000), a whole spectrum of promotional techniques are available for companies establishing their presence on the Internet and the extent of usage depends very much on the level of commitment a company wants to make. The following quotations supports this view:

The small customer base in Singapore discourages the company from making hefty investments to engage customers' attention in the Web site such as providing creative programming and unique content. The company's main objective in setting up the Web site is to offer simple, no-frills online purchase for our customers (CEO assistant).

The main focus of the company is not doing business over the Net. There is no full-time technical personnel to man the Web and the returns may not be justifiable. Our company merely aims to provide a clear simple Web site with no gimmicks (general manager).

Strategies to retain

The results of the multiple regression analysis indicate no significant relationship between strategies engaged to retain customers and the value of online brand equity. This finding runs contrary to previous studies such as Ghose and Dou (1998) and Moon and Millison (2000). To retain customers, companies need to offer dynamic content to keep their sites fresh, loyalty programmes or rewards in order to create switching costs for customers as well as installing security devices to protect their customers' privacy and interests. In this case, B2C companies may not find it affordable or worthwhile to engage such strategies to build up

online brand equity, especially smaller companies such as start ups and SMEs having an annual turnover of less than S\$100,000. According to a *Straits Times* (2000b) report, B2C companies face massive costs as they have to spend millions to get noticed and remembered by patrons who are already overwhelmed by thousands of Internet addresses.

Another possible reason could be B2C companies adopting scenario 1 for their Web presence, as mentioned earlier according to Doren *et al.* (2000). In this promotional scenario, the company merely wants a fairly inexpensive method of advertising and providing information about its business to a worldwide audience and has no intention of encouraging repeat visits to the site. This is evident in companies in the telecommunications industry whose representative commented that the company is not focussing so much on online purchases due to the nature of the product. The Web site is thus more information-based rather than transaction-based. The following statements support the explanations:

Our company relies more on word of mouth or referrals rather than the Web site for new or repeat business. Thus, we do not make use of the various Web features to encourage customers to return to the Web site since the nature of the service provided does not allow the company to rely on the Web site for sales (senior designer).

Items like loyalty points to retain customers will not be effective as repeat purchases for certain products are not so frequent and thus convenience is more likely the reason for online purchase (marketing director).

Strategies to learn

The results indicate no significant relationship between strategies to learn about customers and the value of online brand equity. The lack of support for *H4* may be due to the lack of resources, as revealed in the following quote:

There is a lack of technical resources to implement such customer tracking devices to learn about customers. The nature of the products sold in the Web site (gifts and handicrafts) does not allow for much customization and hence the company is not investing in such devices to learn about customers (managing director).

Hence, B2C companies may not see the potential of investing in such sophisticated

mechanisms to learn about customers especially for those intending to establish their Web sites with low complexity. Another plausible explanation could be the presence of physical stores. In our analysis of the demographic profile of respondents, it is found that a whopping 70.7 percent of the respondents are “click and mortar” companies, which operate physical stores besides their online businesses. Hence, these companies may be focusing on their physical business and using past transactions as a means to obtain information about their customers.

The second method to learn about customers’ preferences is to hold virtual focus groups or support chat groups. Holding virtual focus groups is still a relatively new concept and thus may not be popularly used by B2C companies. In addition, virtual focus groups are useful especially if the company is targeting a wide geographic spread of customers. However, many B2C companies, especially the young start-ups may be focusing on the local market for a start and thus use more conventional methods such as mail surveys or feedback hotlines to learn about customers’ preferences and wants. The following comments support the above notations:

The small customer base in Singapore does not justify the investment in customer tracking devices to learn more about customers. Instead, our company finds it sufficient merely to handle customers’ enquiries and problems via e-mails (CEO assistant).

Our company attempts to learn more about customers via their call centers or customer service centers rather than online surveys. This is mainly attributable to the fact that most customers prefer a more personal contact with the customer service officers and demand immediate responses to their problems or queries. Hence the call centers become the more effective way to learn about customers’ preferences through their feedback and complaints. Also, physical contact with customer service is crucial to building brand equity for the company (business analyst).

Online surveys, especially those which promise a freebie upon completion of the survey, are highly unreliable. Hence our company prefers to seek direct feedback from offline customer service especially after purchase (marketing director).

Strategies to relate

H5 which predicted that a higher extent of usage of strategies to relate to customers would

lead to a higher value of online brand equity yields mixed results in the multiple regression analysis. The hypothesis on strategies relating to customers by integrating existing core business systems with digital marketing initiatives and implementing real time interactions to create value for customers is not supported. The lack of support could be due to the lack of commitment to Internet marketing and inability to fully utilize the Web in every aspect of the company. As mentioned, many B2C companies surveyed are “click and mortar” companies, which usually have their established businesses before venturing online. Hence, they may still be experimenting with their Web business and will reasonably exercise caution when making investments in their cyber-stores. They may tend to focus more on their physical businesses and are thus slow to integrate fully their core business systems in cyberspace, which could then account for the lack of support for the hypothesis.

However, our results suggest that higher usage of strategies to relate to customers by providing customized or personalized services is effective in building up online brand equity (*H6*), which is consistent with previous findings such as Davis (2000) and Carpenter (2000), which propose that Web sites provide customized services and cultivate personal relationships with customers in order to reinforce the company’s brand image. B2C companies, including those retailing in mass merchandise, may still be able to add a personal touch by updating customers on the arrival of new products or services that satisfy their particular needs or interests. This kind of value added services will no doubt help to enhance the Web site’s brand equity and differentiate the companies’ image from the mainstream. In fact, providing a personalized service for customers is the most basic strategy for a company as revealed in the following quotes:

Our company has even strived to customize the Web site for customers through the membership enrolment scheme so that the Web site is familiar with members’ particulars to facilitate their online transactions (marketing director).

Our company takes note of the gift preferences of our customers in their profile and shifts our target market from men to women, enabling us to come out with flowers tailored for men during Valentine’s Day (business development manager).

Online brand equity

H6 which postulated that a higher value of online brand equity has a positive relationship with overall financial growth of B2C companies is supported. The results are congruent with previous studies on brand equity (e.g. Temporal and Lee, 2001; Penrose, 1989; Seybold and Marshak, 1998), which stipulated that strong brands are able to reap high returns for the companies via high revenue and profit growths. Consumers’ perception of the online brand is extremely important as a positive brand image will help instill trust in customers and allow the company to command premium prices for its products and services. This in turn acts as a catalyst for growth in the company’s revenue streams and results in a positive impact on the company’s financial bottom line.

In fact, a successful brand will help to foster customer brand loyalty, which is vital to expand the company’s market share and to propel growth in the company’s product lines since a higher value of brand equity is synonymous with a higher level of trust and reliability. Hence, creating and maintaining a successful brand is the route to the financial well-being of B2C companies by fuelling their growth. The above notion is summarized in the following quote:

A strong online brand equity will no doubt give consumers the confidence acutely required in a virtual shopping environment. The customer loyalty fostered will in turn translate into tangible benefits for the company in terms of financial profitability and future growth prospects (business analyst).

Limitations

There are two main limitations of this study. First, the sample size may not be representative of all B2C companies in Singapore. Further, about half of the sample comprises small firms. We were unable to split the sample into small and large firms for further analysis as the sample size would be too small. However, a chi-square analysis of respondent and non-respondent firms indicated no evidence of response bias.

Second, the use of self reported data may cause systematic errors such as respondent error. However, this is mitigated by targeting the questionnaire at senior management such as CEOs and marketing managers as they are likely to be more knowledgeable about online

marketing strategies. To overcome this limitation, future research could extend the study to include other executives from each company. It would also be interesting to include the views of customers in future research.

Implications and conclusions

This research focuses on online marketing strategies of B2C companies and the effectiveness of these strategies on performance measures such as online brand equity and overall growth. The study extends past research efforts and becomes the first research to employ the digital marketing framework, proposed by Kierzkowski *et al.* (1996) as a basis for examining online marketing strategies. The study hopes to shed some light as to how online companies can better strategize and tap into the opportunities of the digital world.

Results of the study reveal that marketing tools such as mnemonic branding and listing in search engines to attract customers to the Web sites are popularly used by B2C companies and this form of marketing strategy contributes significantly to the development of the Web site's online brand equity. It is also revealed that relating to customers via providing customized or personalized products and services is crucial to build up the companies' online brand equity. Finally, the value of online brand equity has a positive impact on the financial growth of B2C companies in terms of market share returns, ROI and other growth performance measures, which is in line with past studies on the economics and performance of brand equity.

Surprisingly, the empirical findings of the study fail to validate the rest of the six hypotheses. Many phases of the digital marketing model are not being adopted by B2C Web sites. Some plausible reasons include budget limitations and the different objectives of companies setting up a Web site. The majority of the companies surveyed are "click and mortar" companies which may focus more on their physical business instead of plunging head on into the online business. In fact, e-commerce is still considered to be in its infancy stage in Asia as compared to more advanced countries like the USA. Internet shopping, despite its enormous potential, has

not really taken off yet in Singapore. Hence, many B2C companies prefer to opt for the low risk, low cost and low payoff form of Web presence at this stage.

In line with the research findings, it is proposed that companies focus on strategies to attract customers and relate to them as these are indicated to be effective in building up online brand equity and financial growth for the companies. Companies should focus on engaging strategies to raise the awareness of their Web site or products and services so as to attract customers. Companies can make innovative use of both online and offline marketing tools such as listings in major search engines and portals as well as TV ads and piggyback advertising (in posters and shopping bags) to attract customers to their Web sites. The use of offline advertising is especially relevant to "click and mortar" companies to familiarize their customers with the Web-based version of their brands.

Companies should also strive to provide customized or personalized products and services for customers to build up a successful online brand. They could do so by customizing interactions with their customers such as establishing personalized communications with them and handling their enquiries promptly and thoroughly. This is important to give a good impression to customers and cultivate the companies' online reputation for service excellence.

Finally, a successful online brand offers potential for companies to foster customer loyalty in the Web sites which can translate to higher profit growth. Hence, it is wise for companies to invest in building up their online brand equity to reap long term growth for their online businesses.

The empirical findings from the study can be validated by future research using a larger sample. Future research may also be able to identify more dimensions of the digital marketing strategies proposed by Kierzkowski *et al.* (1996) which may be adopted by companies.

A comparative analysis between B2C firms and their foreign counterparts can be carried out to elicit any differences in the extent of adoption of the digital marketing strategies as well as the effectiveness of the strategies. Different dependent variables such as customer

loyalty or customer satisfaction can be used to test the impact of each online marketing strategy so as to help companies retain customers and better utilize their online expenditure. Lastly, comparison analysis can be carried out for companies across different product categories or even between B2B and B2C companies to gain insights into the online marketing strategies tailored for different groups of customers.

The findings from this study relate to some of the many aspects of the Internet business which can contribute to a better understanding of the digital markets and thus the crafting of more successful online marketing strategies. Future research extending the current issues or exploring new dimensions of the Internet business can provide further implications for both practitioners and researchers in their search for the most effective Internet business strategy congruent with their business.

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Appendix. Questionnaire items

Online marketing strategies

(Kierzkowski *et al.*, 1996)

Scale: 1 – not used at all; 5 – used extensively.

Attracting customers

Please indicate the extent to which the following items are used to attract customers to your Web site:

- (1) Banner ads.
- (2) Listing in search engines (e.g. Yahoo, Catcha).
- (3) Mnemonic branding (reflects business or brand, e.g. www.hyatt.com).
- (4) Piggyback advertising (publish Web site in existing media, e.g. posters, TV).
- (5) Provide adequate bandwidth/connection speed (to handle more visits concurrently).
- (6) Promotions (e.g. newspaper ads, roadshows).
- (7) Affiliate programs (alliances with ISPs, portals, etc.).

Engaging customers

Please indicate the extent to which the following items are used to engage your customers attention in the Web site:

- (1) Creative programming (e.g. Java, animations).
- (2) Informative and useful content (info about product and company).
- (3) Transaction capabilities (e.g. ordering facilities).
- (4) Creating virtual communities of interest (allow users to communicate with one another).
- (5) Lucky draws/contests.
- (6) Forums/discussion groups.
- (7) Unique content.
- (8) Multilingual Web site.

Retaining customers

Please indicate the extent to which the following items are used to retain your customers:

- (1) Dynamic content (frequent updating of Web site).
- (2) Create switching costs (e.g. communities of interest).
- (3) Hyperlinks to related sites.
- (4) Loyalty programmes/rewards.
- (5) Security features.
- (6) Privacy statements (e.g. guarantee of privacy).
- (7) Rapid information loading time.
- (8) Provide online order tracking.
- (9) Interactive functions (e.g. online games, electronic postcards, etc.).

Learning about customers' preferences

Please indicate the extent to which the following items are used to learn about customers' preferences:

- (1) Feedback via online surveys.
- (2) Feedback via open-ended online forms.
- (3) Information capture (via registration process/transaction records).
- (4) Holding virtual focus groups (to test new product concepts by holding online discussions for interest group members).
- (5) Gather information about new potential customers.
- (6) Cookies (to track IP addresses/identify repeat customers).
- (7) Web page tracking devices (to track Web pages visited by customers).
- (8) Supporting chat-groups.

Customizing interactions

Please indicate the extent to which the following items are used to customize interactions with your customers:

- (1) Customised product/service.
- (2) Personalised communications about product/service.
- (3) E-mails to update about new products.
- (4) Real time interactions (users to communicate directly with salesperson online).
- (5) Linkages to core business (integrating digital marketing initiatives with existing business system).
- (6) Customised Web pages.

Retailer branding and trust

(Aaker, 1991; Kierzkowski *et al.*, 1996)

Scale: 1 – extremely little; 5 – extremely much.

Please indicate the extent to which the value of retailer brand equity is built by your Web site:

- (1) Retailer brand awareness (how well known is your Web site).
- (2) Retailer brand identity (how well is the Web site associated with a certain image).
- (3) Retailer brand loyalty (extent to which customers make repeated purchases).
- (4) Price premium (extent to which brand/Web site commands higher prices than competitors).
- (5) Earning power of retailer brand (extent to which Web site contributes to profits).

Growth

(Aaker, 1991; Kierzkowski *et al.*, 1996)

Scale: 1 – extremely little; 5 – extremely much.

Please indicate the extent to which the following economic benefits are derived from your online business:

- (1) Increase in market share.
- (2) Increase in return on investment (ROI).
- (3) Increase in annual total revenue.
- (4) Increase in per customer revenue growth.
- (5) Decrease in acquisition costs (percentage of total revenue spent on advertising).