In this chapter, we discuss product marketing using the Internet, particularly the use of Internet for product promotion and new consumer processes. Internet advertising, virtual storefronts, and virtual communities are explained with examples and our views. We then present new consumer processes on the Internet and show how they enhance the fulfillment of the consumer purchase needs and also support interactive marketing. We discuss the challenges of measuring Web advertisements and close the chapter with a summary of our views on Internet and marketing.

Keywords: Product marketing; Product promotion; Web Advertisements; Virtual Communities; Increasing Returns; Consumer Processes; Interactive Marketing

1 Introduction

Marketing, whether to consumers or to business, has a well defined purpose in most organizations. That purpose is to create exchanges that satisfy consumer and organizational goals (AMA, 1985). As marketing strategy is constructed to address a particular product/market, two tasks must be performed by elements of the marketing mix: the communications task and the operating task (Park et al., 1987).

The communication task can be thought of as "information" primarily conveyed through promotion, price, the product label and package. This information is used to position the product in the market and to inform and/or persuade present or potential customers. The operating task "is to remove barriers to transactions or exchanges so that customers who perceive the product as being capable of satisfying their needs and preferences can engage in a transaction with minimum effort" (Park et al., 1987). These barriers center around a) product accessibility, b) product availability, c) owning/using the product, d) correct perception and recall, and e) differential utility. The operating task has traditionally been implemented so that the transaction is enhanced by having the right product or service at the right place at the right time.
with the right service and the customer can take possession. A marketer, to execute these communication and operating tasks, uses one or more channels.

In this chapter, we examine the emergence of a new channel, the Internet, particularly its impact on consumer marketing and how it affects some of the marketing tasks. We discuss two important aspects of consumer marketing that the Internet is capable of transforming; (1) the communication process, and (2) the consumer need fulfillment through new consumer processes. We start with explaining the marketing functions and the effect of Internet on these functions. In section 3, we discuss the Internet communication model and advertising on the Internet. This is followed by a discussion on the use of virtual store-front and virtual communities as marketing channels. Section 6 introduces the new consumer processes on the Internet and the implications for marketing. We close the chapter by looking at the challenges of measuring the marketing efforts on the Internet.

2 The Marketing Functions and the Internet

The domain of marketing will, with rare exceptions, include at a minimum the following functions. These are the activities that need to take place to create exchanges that satisfy consumer and organizational goals. While there is no universal agreement on the exact designation of these activities, there is general agreement on the following as necessary (Churchill et al., 1995).

1. **buying** - ensuring that enough units of product are available to meet consumer demand
2. **selling** - using advertising, personal selling, and sales promotion to match goods and services to customer needs
3. **transporting** - moving goods from point of production to a location convenient to customers
4. **storing** - warehousing products until needed for sale
5. **standardization and grading** - ensuring that products meet established quality- and quantity-control standards or size, weight, and other variables
6. **financing** - providing credit for customers
7. **risk taking** - assuming the uncertainties that result from developing and distributing goods and services customers may purchase in the future
8. **information gathering** - collecting information about customers, competitors, and resellers to use in making marketing decisions.