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Demonstrating the Impact of E-Marketing on Industrial Sales

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Abstract

The digital world is making customer behavior visible and measurable. However, the relationship between e-marketing and sales is often elusive in businesses where transactions occur offline. The goal of this study is to describe how Web analytics can be exploited for linking e-marketing performance with industrial sales. The findings show that Web analytics (WA) enables an industrial company to link customer behavior online with the generation of sales leads that can be tracked all the way to transaction. However, building such a process successfully requires that the organizational conditions support the deployment of WA.

Keywords: Case Study, E-Marketing, Industrial Marketing, Lead Generation, Web Analytics

1 Introduction

The digital world along with new communication devices and platforms is changing consumer patterns. From a business perspective, the growing role of the digital environment in consumer behavior provides companies with exploding volumes of data and new ways to interact with customers. Not only does this transformation revolutionize consumer markets, but it also induces major changes in industrial marketing practice. This is evidenced by industrial firms' increasing investments in e-marketing, which currently account for about a quarter (26 percent) of their total marketing budgets (Gartner, 2013). Along with customer demands, e-marketing is driven by its results being more easily measured than those of traditional marketing

(Chaffey & Patron, 2012). As customers are increasingly interacting with companies through digital channels, marketers have realized the need to track these interactions and measure their effectiveness (Chaffey & Patron, 2012). For this purpose, firms must adopt Web analytics (WA) defined as “the measurement, collection, analysis and reporting of Internet data for the purposes of understanding and optimizing Web usage” (Web Analytics Association, 2008, p. 3). However, little is known about how industrial companies, characterized by a long-duration selling process and the emphasis on face-to-face interaction with customers (Webster, Malter, & Ganesan, 2005), can harness WA to demonstrate the impact of e-marketing on business performance.

This study presents a case of an industrial company that has managed to harness Web analytics (WA) to demonstrate the impact of e-marketing on offline sales. While the literature has highlighted the benefits of WA for e-commerce, the goal of this study is to describe how WA can be exploited for measuring and optimizing e-marketing performance for (sales) lead generation and subsequent increases in industrial sales revenue. By doing so, the study explores what kinds of organizational conditions are required for building the process. The study contributes to the existing knowledge by showing that when organizational conditions support the deployment of WA, industrial companies can show clear business benefits of e-marketing activities.

The remainder of the paper is structured as follows: First, we outline the existing knowledge on the use of WA for measuring e-marketing performance. Second, we justify the decision to exploit qualitative case study strategy for the purposes of this paper and detail the use of methods in the collection, analysis and reporting of the study results. After that, the main results of this study are shown and illustrated. Finally, we draw the theoretical conclusions and managerial implications on the basis of the results, and evaluate the limitations of the study.

2 Web Analytics Research

Showing the contribution of marketing actions to business performance has been a long-lasting challenge for marketing practitioners and a widely debated topic in academia (e.g., O’Sullivan & Abela, 2007; Rust et al., 2004). Fortunately, the digital world has brought revolutionary opportunities to resolve the measurement challenges by making customer behavior visible and traceable (Hennig-Thurau et al., 2010). The most commonly used tool to assess customer behaviour online is WA software that produces data to track the website traffic driven by specific activities, to understand customer behavior on the website, to measure the outcomes of the visits (e.g., brochure download, contact request, or transaction) and to optimize the customer experience to support business objectives (Nakatani & Chuang, 2011). If marketers have the means to couple this data with personal information via registration or subscription, they can follow interactions with a visitor over time, assess his/her engagement and plan further precise marketing actions directed at the visitor in question (Phippen, Sheppard, & Furnell, 2004).

Although the use of WA is limited to the digital environment, it is an important development step toward measurable marketing. As the role of the digital world expands through increased digital media consumption and the integration of the online and offline worlds, the proportion of marketing actions covered by WA is growing. Indeed, many offline marketing actions already include digital elements that can be

tracked by WA. Some examples include digital television, quick-response (QR) codes embedded in print and outdoor media, and augmented reality applications used at product demonstrations in trade shows. Also, firms can design offline campaigns to drive online traffic and measure the impact on online customer behavior.

Despite the measurement opportunities and increasing importance of WA, academic research on the deployment of WA is somewhat scarce and often draws a discouraging picture of e-marketing performance measurement practices. By interviewing 25 companies, Welling and White (2006) demonstrate that regardless of the industry, website performance measurement is largely idiosyncratic or completely ignored. Hong (2007) comes to a similar conclusion with survey data and shows that although companies consider e-marketing performance measurement important, and are somewhat satisfied with their measurement efforts, they do not use any WA metrics for strategic purposes. In the business-to-business context, the existing survey findings are even more pessimistic; the firms are not actively measuring e-marketing performance with WA, the measurement is not considered important, and the majority of firms have difficulties understanding how they could gain any measurable benefits from e-marketing (Järvinen et al., 2012).

A likely explanation for the improper deployment of WA is that firms do not understand the benefits of WA or are incapable of exploiting the opportunities it provides. Clearly, the volume of data and the number of metrics in the digital world is exploding, which makes it more difficult to choose the correct WA metrics for the firm's needs and to process the data into actionable insights. In a recent survey of 1,000 U.S. marketers, three out of four believed that e-marketing performance measurement was important, but less than one-third (29 percent) thought they were doing it well (Adobe, 2013). Therefore, more research is needed to focus on organizational issues that determine the firms' ability to harness WA for measuring e-marketing performance. To our knowledge, the case study by Phippen et al. (2004) is currently the only academic investigation that discusses organizational conditions in the deployment of WA. In their study, Phippen et al. show how a multinational airline company can reap benefits from the advanced use of WA, when the organization is committed to developing the process and the deployment is tied to corporate goals.

Another important perspective is that a firm's operational environment has major implications on its ability to show the link between e-marketing and business performance; in businesses where transactions can be processed online, the link is much easier to demonstrate compared to those businesses where the selling process occurs after face-to-face negotiations. Accordingly, the success stories of WA deployment typically come from the e-commerce industry (Phippen et al., 2004; Wilson, 2010). However, Breur (2011) notes that there is nothing to suggest that WA would not be applicable in other business contexts. Nevertheless, research has yet to show how firms that sell their offerings offline can measure the impact of e-marketing activities on sales or other business benefits.

3 Methodology

Previous literature establishes case strategy as a viable approach with which to investigate the deployment of WA (Phippen et al., 2004; Wilson, 2010). Similarly, the case study approach is regarded as the most suitable research strategy to meet the

objective of this study. As Yin (1981) states, the case study approach is considered favorable when the study investigates a contemporary phenomenon in its real-life context and when the boundaries between phenomenon and context are not evident. Instead of producing aggregate-level information regarding the use of WA, the purpose of this study is to create in-depth knowledge about the use of WA in one company and to explore organizational conditions that determine the successful use of WA in the industrial setting.

This study was conducted as part of a two-year, e-marketing research project supported by seven large industrial firms and seven service-providers, such as digital marketing agencies. During preliminary discussions with the participating industrial companies, the measurability of e-marketing emerged as a top-priority research theme. However, while several companies had adopted WA for this purpose, only one of them, the target company of this study, was found to use WA for strategic purposes and have a sophisticated e-marketing performance measurement process in place. The target company is a Finnish Public Limited Company with an annual revenue of more than three billion Euros and 10,000 employees. The company operates in the metal industry, with its market reach covering Europe and China (Table 1).

Ownership	Public Limited Company
Main industry	Metal/Steel
Annual revenue (2013)	USD 3+ billion
Number of employees	ca. 10.000
Headquarters	Finland
Market reach	Europe/China
Interviewees and their positions (names have been changed)	Charles: customer data expert in digital marketing
	Joseph: digital marketing director
	Thomas: campaign manager in digital marketing
	Donna: content and SEO manager in digital marketing
	Carol: customer analyst in digital marketing

Table 1: Background information of case company and interviewees

The primary data collection method for this study was interviewing. Researchers conducted a total of five open-ended interviews with an average duration of 52 minutes. The interviewees were members of the firm's digital marketing team, the size of which was 12 employees. One of the interviewees was the director of the team, whereas the other four were digital marketing experts selected by the director on the basis of their involvement in the deployment of WA. To complement the data from interviews, two workshop sessions were organized that allowed informal group discussions about the key informants' opinions and experiences related to the use of WA.

The analysis of case data followed a three-step thematization process including data condensation, data display, and drawing and verifying conclusions (Miles, Huberman, & Saldaña, 2013, pp.12-14). First, the recorded interviews were transcribed and combined with notes from workshop discussions. Second, content analysis was performed by coding the transcribed text in two phases (Miles et al., 2013, pp. 74, 86-93). The coding process did not rely on previously developed concepts, but was data-driven in nature. In the first coding phase, we identified issues that were brought up by the interviewees with respect to the successful deployment of WA, and applied descriptive codes for those issues. In the second coding phase, we analysed the

interconnections between the descriptive codes, and grouped them under broader categories.

The content analysis was relatively straightforward in a sense that although the interviewees' comments varied in how much they put emphasis on various issues behind the deployment of WA, the process itself was described in a similar manner and the major organizational conditions and success factors were brought up by everyone without apparent contradictions. As a result, we came up with describing the WA deployment process of the case company in four phases and identified six organizational conditions that contribute to the effective deployment of WA. To verify the study results, the interpretations were presented in a meeting where the informants were invited to comment on the study findings and conclusions. Against this background, the results obtained by researchers were sound in terms of managerial relevance.

4 Results

About five years ago, the senior management of the case company responded to the growing role of a digital environment in customer interactions and established a digital marketing team. Recruiting new talents was a big part of building such a team, but relatively fast the firm assembled a team of e-marketing experts. From the very beginning, the new team shared the view that measurability is the key strength of e-marketing, and WA was subsequently adopted for this purpose. It was soon realized that in an industrial business where the transactions require sales negotiations, the e-marketing results could not be linked directly with sales. Instead, the role of e-marketing was to increase the interest and purchase intentions of potential customers by providing meaningful content and engaging the customers for continuous interaction in digital channels. With this mindset, WA was exploited to determine the sources and volume of website traffic and to identify the content that gained major interest among visitors and the pages that led visitors to abandon the site. However, the key to demonstrating the impact of e-marketing on business benefits was the team's decision to start collecting leads through the company website.

Today, the firm's main goal of all e-marketing activities is to generate leads. The lead is defined as a website visitor who has shown interest in company offerings and left personal contact information. WA is used to measure the traffic driven by various online and offline marketing activities, such as search engine marketing, digital newsletters, and printed brochures, and also to analyze the visitor behavior on the website. On the basis of the analysis, the website is modified to optimize online customer experiences and to maximize the number of leads generated. Integrating WA data with a customer relationship management (CRM) system has been an important part of building a system for tracking leads; all customer interactions are automatically recorded in the CRM system which identifies and directs an online lead to an appropriate salesperson. Thereafter, it is the responsibility of the salesperson to contact the lead and ultimately record in the CRM system, whether a sale resulted or not:

All customer-related data from digital surveys to campaigns goes directly into our CRM system under a specific customer profile. Leads from a certain campaign are automatically directed to the correct salesmen and we can follow the yield of such a campaign in real-time. (Charles, customer data expert in digital marketing)

With this kind of lead tracking process in place, the team can accurately calculate the revenue generated by online leads and report it to the management, which is an important way to justify the e-marketing budget. As a result, the e-marketing budget has increased every year; as has the influence of the digital marketing team within the company. Boosted by a larger e-marketing budget, the team has been reinforced with more experts and has invested in better analytics tools:

Lately, digital marketing has been systematically invested in. You can clearly see direct monetary and human resource investments as well as the top management commitment to this thing. Along with analytics, the management and sales teams have undoubtedly noticed that our digital services, Web site and all our activities have a powerful impact, and the change has been radical in the last few years. The budget is still bigger for offline marketing, but digital marketing budgets have been multiplied. Last year, I think we more or less tripled our budget. (Joseph, digital marketing director)

To sum up, through the use of WA, the case company has managed to build an effective process to link its e-marketing performance with offline sales revenue (Figure 1). However, the task is not as simple as it may appear, and further research found six organizational conditions that contributed to the effective deployment of WA. First, the senior management played a crucial role in initiating and constantly advocating the use of WA. Second, new talents with e-marketing and analytical skills were acquired to build the process. Third, organization culture promoted cooperation and the use of data in decision making. Fourth, clear goals and target levels were set for the development of e-marketing, and metrics were systematically selected to measure the achievement of those goals. Fifth, WA was integrated with the CRM database to combine WA data with an existing knowledge of customers and their previous interactions with the company. Sixth, the firm had designed a transparent process and responsibilities for measuring, analyzing, and ultimately reporting the results for the executive board, which enabled the digital marketing team to convince the board of business benefits of the system to allocate larger budgets for future e-marketing investments.

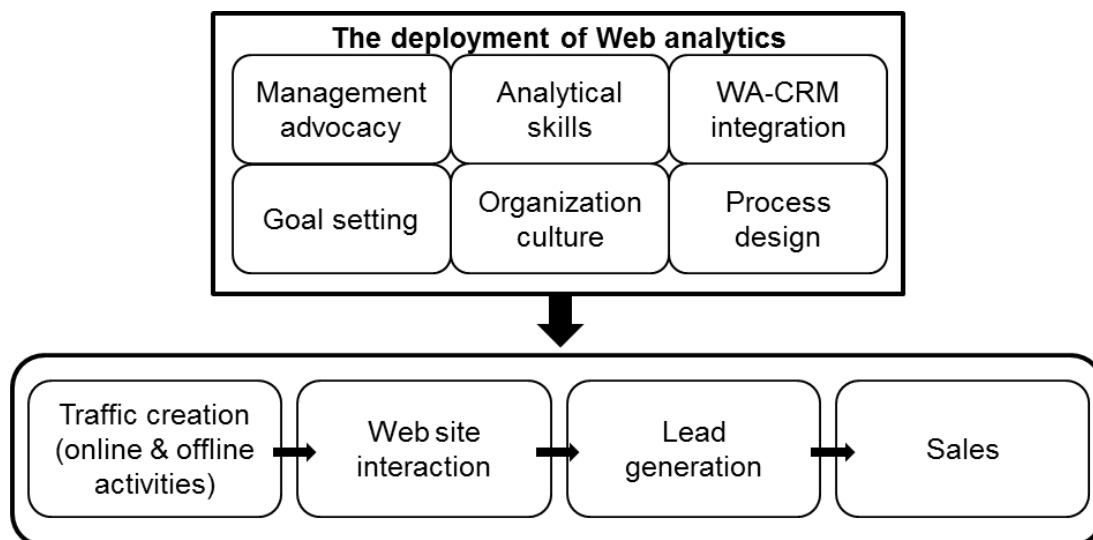


Figure 1: The case company's process of linking e-marketing performance with sales

Finally, it is noteworthy that despite the case firm's ability to demonstrate that e-marketing does influence sales, it is unable to measure the total return on e-marketing in

financial terms for several reasons. First, although the lead is generated through the website, it is not clear if the lead was generated due to e-marketing or if the customer's decision to contact the company was made beforehand, and the website was simply the easiest way to do it. Second, the selling process typically takes a long time, and the firm finds it difficult to define how much the final purchase decision is owed to e-marketing and how much the salesperson should be credited. Finally, the goal of e-marketing in the case company was to generate leads, because it was considered the easiest way to demonstrate the business benefits of e-marketing. However, the long-term impacts of e-marketing, such as brand awareness and image, had been ignored, because the team had not figured out how to link them with financial value:

I admit that it is a little bit shortsighted to measure digital marketing performance by comparing costs to produce a sales lead resulting in sales with its monetary value. Investing in brand building might yield even better results in the long run, but then again, lead generation metrics make it easy to justify the costs of a campaign and show its direct monetary value. (Thomas, campaign manager in digital marketing)

To conclude, despite the significant progress in marketing measurability in the digital world, challenges remain to demonstrate the total return on e-marketing in the industrial setting.

5 Conclusions and Evaluation of the Study

As stated, previous studies have drawn slightly discouraging pictures of the deployment of WA (Hong, 2007; Järvinen et al., 2012; Welling & White, 2006), and the few success stories have been from the field of e-commerce (Phippen, et al., 2004; Wilson, 2010). Consequently, this study makes an essential contribution to existing knowledge by showing that even an industrial company is able to harness WA for demonstrating the business benefits of e-marketing. In the industrial sector, marketers have traditionally struggled to justify their spending due to the long-duration selling process and the emphasis on face-to-face interaction with customers (Webster et al., 2005). However, this study has raised optimism by showing that the digital world offers new opportunities for industrial marketers to create a relationship between marketing actions and revenue generated. Simultaneously, the findings have implications for the discussion of measuring the synergy between online and offline marketing. The second contribution of this study is to create insights into the organizational conditions that influence the firm's ability to deploy WA. The findings imply that the effective use of WA may not primarily be a matter of a firm's industry or strategy, but rather the organization's capabilities and commitment to make the most of WA.

The managerial implications of the study encourage organizations from a variety of industries to find ways to make better use of the digital data available to them. Any organization should start from the business objectives of its e-marketing and design a measurement system that suits its needs. The study highlights that when deploying WA for building an effective measurement system, the senior management team plays a pivotal role in evaluating current capabilities and investing in skills and tools needed for the task. Moreover, the management needs to take an active role in advocating the use of analytics and driving a cultural change in the organization.

The results of this study must be examined in light of certain limitations. First, the study does not allow for generalization of the results. The qualitative investigation of one company allowed researchers to create in-depth knowledge of the study phenomenon and insights into theory development. However, the results are not transferable, and further research is needed to investigate the deployment of WA in other organizations. Second, the study was exploratory in nature and did not rely on a solid theoretical framework. The purpose of the framework used in this study was solely to illustrate the case findings and to provide a basis for theory development in future research, but its functionality may vary in different contexts and the concepts of the framework require elaboration with regard to existing theories.

Further research could strengthen theoretical and practical insights generated in this study. Two particularly important topics deserve more attention: First, as WA was found to be an effective tool to track lead generation and link it with sales, future research could focus on the use of WA for measuring other business benefits. For instance, it remains unclear if WA can be harnessed for measuring brand-related objectives that influence long-term business performance. Second, this study found six key organizational conditions determining the deployment of WA in the case company, but it is unlikely to be an all-embracing list; more research is needed to investigate if the same conditions are identified in other organizations and if there are other conditions not found in the case data.

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