UNIVERSITY OF TARTU VILJANDI CULTURE ACADEMY
Design and Development of Virtual Environments

Annely Allik
Roman Borissov

COMBINING REAL-LIFE AND INTERNET MARKETING METHODS IN CONSTRUCTION FIELD TO MARKET RENTSOS.
Master's Thesis

Supervisor: Heleen Maibak
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ABSTRACT

The purpose of this thesis is to provide some ideas as to whether it is possible and effective for a new IT product to create value for construction companies via relationship marketing and internet marketing within the construction industry. As well as to provide a modified marketing mix for RentSOS, combined by relationship marketing and internet marketing methods, that can be applied at the same time.

The motivation of the thesis is to look inside on an area, which gets very little attention in marketing literature, which is the B2B relationships on construction industry and effective internet marketing in B2B and B2C methods taking into account the specificities of the construction rental sector. The following hypothesis have been set: H1: Construction companies in Estonia are not using all the possible real-life marketing methods. H2: Construction companies in Estonia are not using all the possible internet marketing methods.

The companies studied for relation marketing are Ramirent, Cramo and Storent. They have the ambition to be a big player in whole Estonian construction rental market.

The companies studied for internet marketing are Ramirent, Cramo and Storent. These companies are considered an interesting and rewarding object for a research due to author's goal to investigate their marketing methods in order to find out the best marketing mix for new IT product-RentSOS.

The areas of literature which are considered are:
- Marketing researches
- Relationship marketing (RM)
- Construction marketing
- Search engine guidelines
- Set of internet marketing tools
- SEO, SMO, SEM, SMM professional opinions

It is concluded that a lot of the literature supports relationships and customer oriented marketing strategies on construction area. Theories correspond well with further research actions. It seems theoretically possible for the authors to create value for construction market, granted that the RentSOS builds up the right context including the right network (in real-life and internet marketing strategy B2B clients) and, particularly, trust with other partners and customers and a good reputation.

1. INTRODUCTION

This part provides an overview of the thesis and also research problem and hypothesis have been set within this part.

The total construction rental market in Estonia is approximately 51 500 000 €. The biggest players currently in Estonian rental market are Cramo, Ramirent and Storent.

The authors have an opinion that the marketing strategies that are practiced by Storent, Cramo and Ramirent are not oriented to build strong relationship with customers and they are missing some part of their market share because they are not following modern marketing trends. Many businesses today are growing into the Internet and construction is one of the few fields remaining that have stayed away from these modern tendencies.

Regarding to the named points, the following research problem is formulated:

Construction companies do very little to attract new customers and emphasize their current clients?

Hypothesis have been set:
H1: Construction companies in Estonia are not using all the possible real-life marketing methods.

H2: Construction companies in Estonia are not using all the possible internet marketing methods.

Hence the authors choose to do a thesis and research on real-life and internet marketing methods based on literature and on example of Estonian biggest construction rental companies.

For real- life marketing methods the authors have studied:

- Storent
- Cramo
- Ramirent

For Internet marketing the authors have studied:

- Storent
- Cramo
- Ramirent

No studies of this type have been carried out, and there is clearly a gap in the literature when it comes to analyzing a construction rental sector best marketing mix within B2B in real-life and B2C and B2B internet marketing mix that in the way done in this thesis.

The main focus of the thesis is to look at how these companies have marketed themselves in construction industry so far and to measure these methods effectiveness. This will be viewed through the following theoretical approaches:

- Relationship marketing methods

- Internet marketing methods

Following this it is postulated that by using RM, construction companies are able to establish and maintain trust and commitment with clients/partners. Clients are likely to procure additional services and, importantly, they are unlikely to switch to competition. They will stay with the company longer due the embedded satisfaction with the process and product success received. Additionally, by following RM principles, construction clients will provide referrals to others as a result of their satisfaction, and they may be willing to pay a premium price for quality service (Davis 2005: 2)

Current thesis has been divided into five different chapters. On the first chapter the authors give an overview about what is the current situation in construction market and also the characteristics of construction companies have been explained. The first chapter ends with the description of European Construction market situation description and with the opportunities on that area.

On the second chapter marketing and relationship marketing nature is explained and the essential components that has to take under account when applying RM methods are described. This chapter ends with the measuring methods, that can be used to find out companies marketing strategies effectiveness and these methods will be used also on the RM research part.

Chapter three is about Internet marketing basics. On that chapter the authors will give an overview about internet marketing and the comparison with real-marketing methods. A deeper analysis according to literature, have been done to understand how internet marketing has changed the marketing world.

On the fourth chapter the authors are providing two different analysis about Estonian biggest construction rental companies. The first research has been done to see the marketing strategies behind Ramirent, Cramo and Storent and if they are using RM methods. To understand their marketing strategies the first analysis is done based on these companies' annual reports online available materials. The second research part has been done to estimate these companies Internet marketing methods and to understand their Internet marketing strategies. The second research is based on open data that is available on publicity.

Fifth chapter is combined from conclusion about research findings, proposals for marketing RentSOS and a new marketing mix for IT product focused to the construction area.

The aim of the thesis is to make clear statement about the best marketing mix for RentSOS in order to be successful in construction sector because construction market itself has a character to be low in relational marketing and low at IT field in terms of marketing web-based products.

1.1. Introduction to Chapter one

On the first chapter the current situation in construction marketing area is being described and the characteristics on construction area are been taken under observation. On the last part of this chapter the situation in European rental market is being observed.

1.2. Construction companies today

Construction companies can be applied into discrete projects that do very little to emphasize client service even though the industry itself is highly reliable on face-to face integration. But these discrete projects are not as Coca-Cola commercials that may bring in a client when it feels thirsty. Construction companies operate in an environment of low commitment and limited interaction and contact.

It is widely acknowledged that traditional construction relationships are poor and characterized by their adversarial nature that encourages misalignments of objectives and indifferent attitudes to long-term relationships (Pascale & Sanders 1997). This leads to client/ client representative dissatisfaction, process inefficiencies and budget blow-outs in project cost, time and scope (Latham 1994).

1.2.1. Characteristics of construction companies

The construction industry is a very broad one. It contains many different stages where different companies can specialize. This also means that there are many different approaches as to how this industry can be segmented. In this part of thesis the characteristics of construction companies are explained.

Unlike other industries, construction industry comes with a unique specific feature that companies need to sell "products" through relationships established with recipients. The effort to obtain contracts is a collective, not individual. The work of construction companies was, is and will always be founded on direct relationships, face to face with customers. In other economic branches can happen that sales representatives of some companies do not have to meet customers face to face - but not in the construction industry. Regardless of financial instruments and technologies, construction industry will remain "a world of concrete and glass", an area that is concrete, tangible. (Dinu 2009; 1059)

To survive in the construction industry it is essential to be a knowledgeable problem solver. It's a must. The more aggressive to be in solving other peoples problems the more it is possible to create a serious problem for company itself- getting paid a fair profit for giving the customer exactly what it wants and needs. To assure a reasonable profit for company they must become effective marketers.

Construction projects often experience delays, cost overruns and non- conformance to quality, all of which lead to poor performance and dissatisfied parties (see, e.g., Latham, 1994; Egan, 1998).

B2B environment like that of construction companies offering products and services, customers are few (and hence individually important), large, small and medium and demanding. Typical exchanges are thought standard products or a combined of standard products. Very rarely are products developed for particular construction projects (Dubois and Gaddle 2002).

In terms of relationships there have been attitudes in construction that could simply be described as "Them and us attitudes". The size (scope) of the project is determinant of the type of relationship realized through the project. (Davis 2005:118)

There is a tendency for relationship to become weakened if interaction thought projects does not continue on a regular basis. (Davis 2005:119)

Customers demand information and often also specifically customized products (Kotler & Keller, 2006, p. 211) cooperation often emerges in several areas including logistics, R&D and long-term deals. Often companies buy from the same companies as they are selling to (ibid). All of these things mean that relationships must be developed and maintained.

RM is relatively unknown in construction, but is widely researched in non project disciplines and applied similarly. RM as a sub-component of marketing that provides valuable and reliable tools that a manager can use to enhance a service that is being provided to a range of clients. It provides a better solution to client interaction than traditional marketing due to its focus on

mutual attainment of common goals. The purpose of RM is to attract new clients and ensure that existing clients are looked after in collaborative engagement where objectives are identified and mutual goals set.

Despite the fact that successful sustainable relationships rely on relational forms of exchange characterized by a high level of trust, however, it is generally accepted that the construction industry has a stronger preference for distrust rather than the full benefits of cooperation (Wood and McDermott, 1999).

Construction market relationships have an extremely significant influence on construction innovation (Anderson and Manseau, 1999; Miozzo and Dewick, 2002; Dubois and Gadde, 2002). The importance of relationships lies in their capacity to facilitate knowledge flows through interactions and transactions between individuals and companies. These interactions and transactions can include processes related to product integration, processes related to project organization and coordination, diffusion of technologies and practices, flow of labor, and information flow from various sources (Anderson and Manseau, 1999).

The construction industry is characterized by a high degree of fragmentation as well as flexibility (Fellows et al 1998). Although competition can be intense, the market is divided into tiered, contractor size acting as a barrier to tiers. In addition, companies on one project can form a consortium to bid on another. These factors can render detailed knowledge of companies for any project difficult, even for those with sophisticated management information systems (Hillebrandt 2000:152; Raftery 1991:139).

Successful sustainable relationships rely on relational forms of exchange characterized by high levels of trust. However, the construction industry has a stronger preference for distrust rather than the full benefits of cooperation (Wood and McDermott, 1999).

With relational contracting, based on the sustainable relationship and trust, a win-win situation can be created for both the client and contractor. The development of trust between companies is seen as a function of the length of the relationship between them (Bresnen and Marshall, 2000).

Constructions focus on price, a trait that is widely documented as part of traditional procurement, fails to recognize interrelationships between important elements that are presented by relationship marketing (RM). Some of these important elements are realized as communication and the customer concept of value.

For example, construction rental companies are not always seen as highly professional. European Rental Association (ERA, www.era.com) have stated, that „It is in companies own interests of the rental industry and Europe's contractors that the relationship becomes more mature"

All the named aspects are the characteristics of construction industry although there are many more aspects that can have influence on construction field for example market forces typically have an impact on relationships and the strength of RM.

1.2.2. RentSOS

„The rental market has changed over the past five years, says Vesa Koivula, president

of the European Rental Association (ERA, ibid), and it is now up to rental companies to see opportunities in this new environment". (Davis 2004; p.37)

In todays economy most of the businesses and their comanies have moved into the Internet. Construction sector is probably on of few fields that have not come along with this trend and they rather like to keep thing as simple as it always has been and that has been working for them so far.

Association (ERA) have stated, that „It is in companies own interests of the rental industry and Europe's contractors that the relationship becomes more mature"

This is the reason that encourages us to create RentSOS and since there are no similar products in that market right now the authors see a an opportunity in that area.

Renting machinery through web service is quite new idea, and it will re-segment current market. It will allow construction companies to rent machinery from each other.

There are construction companies who are loosing a lot of money, because they have invested into machinery or rented it and it is not working full-time. There are also these companies, who are looking for reasonable and cheaper options to use that specific machinery.

RentSOS is a web application (currently under development)where both sides can exchange information about machinery or tools availability and prices. Later they can negotiate about terms, prices and delivery of some particular machinery, and make a deal online through RentSOS system.

1.2.3. European construction rental market

According to International Rental the current situation in construction rental area is: growing slightly faster than construction. In April 2013, the European Rental Association has made some small revisions to its European rental growth estimates for 2015, increasing the current year estimate from 2,0% and growth for 2015 3,0% (see figure 1).
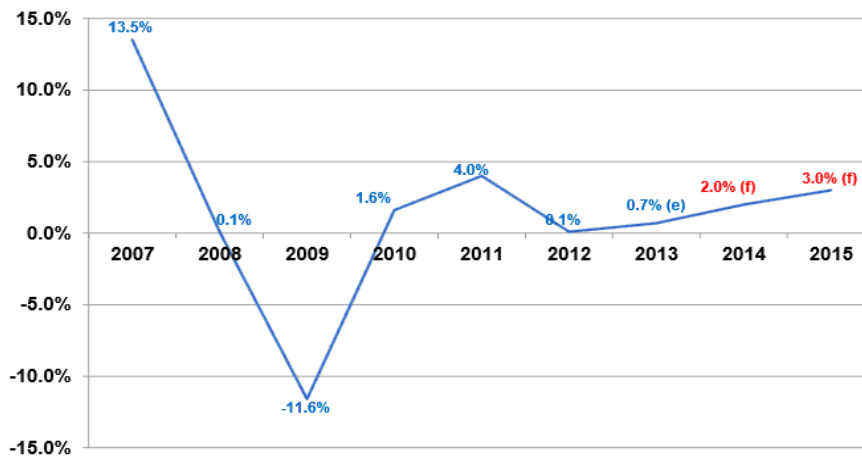
Figure 1. Estimated growth in construction rental for 2015. (European Rental Association: Annual Report 2013; www.erarental.org: 29.04.2014)

Since the summer of 2013, economic uncertainty has given way to more stable development in Europe. The economies in the eurozone are estimated to take an upward turn in 2014. Growth is expected particularly in the second half of the year (Cramo: http://edg1.precisionir.com/companyspotlight/EU014699/Cramo_Q4%202013%20English.pdf ; 10.05.2014)

The current situation:

- Rental consolidation and rapid growth taking back seat as European renters focus on efficiency/cost savings.
- Rental being promoted as way for contractors to reduce risk, reduce investment, during uncertain times.
- Nordic renters successful in negotiating outsourcing deals with contractors.
- Minimize complications of new engine regulations (offload to rental).
- Management of fleets outsourced to rental companies.
- Rental companies focusing on major accounts, looking for genuine partnership beyond simple renting of machines

(Equipment Rental in Europe: http://www.khl-group.com/events/icef/assets/mp-icef-presentation.pdf; 29.04.2014: p14.)

International rental news in magazine „First Global Construction Information", about strategic partnering with rental companies:

- Partnership implies expanded role beyond simple rental of machines.
- Off rent notifications (new relationship based on trust).
- Online management of rental contracts (transparency, visibility of spending, status of equipment).
- Fleet tracking technology (theft issues, billing, breakdowns).
- Smart cards linked to operator training.
- Safety training (workshops, new equipment etc).
- Low emission machines

(Equipment Rental in Europe: http://www.khl-group.com/events/icef/assets/mp-icef-presentation.pdf; 29.04.2014: p16.)

On that part the current situation in European construction rental market was observed. And the estimations for the future were given.

1.3. Conceptual framework

Current thesis is being conducted to investigate the marketing strategies that construction rental companies in Estonia have been using so far in order to provide a perfect marketing mix for RentSOS. To find the best combination of real life marketing methods combined with Internet marketing methods, by creating a new marketing mix for a new IT product on construction rental field.

There are currently two primary marketing paradigms, the marketing mix (Borden 1964) and relationship marketing (Berry 1983). The marketing mix (MM) was developed for in mass market consumer goods. It is based upon, utilizing the so- called 4Ps of product, place, promotion and price (McCarthy 1964) and subsequent variants.

Relationship marketing (RM) was developed with for business-to-business (B2B) relationships in mind, especially for in tangible services (see Grönroos 2000; Gummesson2001; Ford 2003).

Construction industry must replace competitive tendering with long term relationships based on clear measurement of performance and sustained improvements in quality and efficiency(Egan 1998; p.5).

Conceptually, the marketing mix MM does not fit construction. Traditionally, contractors do not design the end 'product' and therefore service is the only primary aspect that contractors can configure. Most contractors do not offer undifferentiated or standardize their services, organizing themselves into divisions mirroring procurement routes originally developed by clients (Smyth, 2006).

1.3.1 Marketing

Marketing means different things to different people. Typically, people perceive marketing as advertising, which is only a part of the marketing activities. Marketing is frequently simplified to selling. Marketing is also adversely associated with such distorted phrases as 'marketing tricks' and 'marketing ploys'. In the field of marketing, however, marketing is seen as a business function, an orientation, and business philosophy (Davis 2005).

Marketing's role within a marketing-oriented firm is to provide direction for the firm. The marketing concept stresses that the company's efforts should focus on satisfying some target customers at a profit.

According to Drucker (1968), the fundamental purpose of business is 'to create customers'. This provides first piece of evidence that marketing is concerned with customer orientation. Furthermore, Drucker (1968) believed that marketing is the basic function of any business. This concept of 'marketing as a business function' is important because it demonstrates the importance of marketing in any business environment.

Kotler (2003) has classified his definition of marketing into two categories, as social and managerial definitions. For a social definition, marketing is the societal process by which individuals and groups obtain what their wants through marketing activities. A managerial definition, on the other hand, places the emphasis on marketing as a business function, a concept or business philosophy that governs the direction of any business.

There are several businesses in the market competing for the same business opportunities, forcing that the appointment of one business over the other be based over and above just pricing. This makes it necessary for the customer to understand why one service is better than another one (competitors). Marketing is a part of overall business strategy which should be actively used to promote companies products and services. It is imperative that marketing strategies are clearly established and defined. If a company lacks the marketing skills to properly promote the business, then it becomes difficult for the business to survive and recap profits.

Marketing is a part of every business and is essential in order to have customers and sell companies products.

1.3.2. Traditional marketing strategy

Planning a marketing strategy means finding attractive opportunities and developing profitable marketing strategies. In following part the art of marketing strategies building is being described.

A marketing strategy specifies a target market and a related marketing mix. It is a big picture of what a firm will do in some market. Two interrelated parts are needed:

- Target Market— group of customers to whom a company wishes to appeal.
- Marketing Mix (MM)—the controllable variables the company puts together to satisfy this target group

Marketing strategy specifies some particular target customers. This approach is called "target marketing" to distinguish it from "mass marketing." Target marketing says that a marketing mix is tailored to fit some specific target customers. (McCarthy 2002; p. 47: Skitmore and Smyth 2006: p. 10-11)

1.3.3. The 4Ps

The 4 Ps marketing mix was created in the early days of the marketing concept when physical products, physical distribution and mass communication were dominant. (Dominici 2009: p. 18)

Marketing is company centered, and is according to E. Jerome McCarthy divided into four general sets of activities, namely product, price, promotion and place. E. Jerome McCarthy defined his four P theory in his Basic Marketing: A Managerial Approach (McCarthy 1960).

Each of the activities can be further divided into different categories. There are many possible ways to satisfy the needs of target customers. A product might have many different features. Customer service levels before or after the sale can be adjusted. The package, brand name, and warranty can be changed. Various advertising media- newspapers, magazines, cable, the Internet-may be used. A company's own sales force or other sales specialists can be used. The price can be changed; discounts can be given, and so on. It is useful to reduce all the variables in the marketing mix to four basic ones:
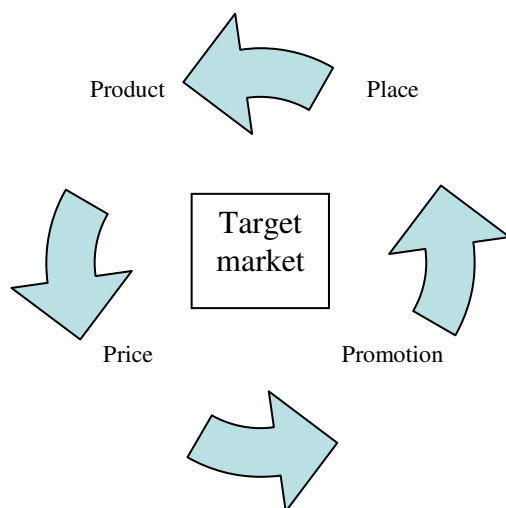
Figure 2. A Marketing Strategy-The Four Ps of a MM (McCarthy 2002: p.48)

The target market is shown surrounded by the four Ps (see figure 2.). That should be the target of all marketing efforts. The target market is placed in the center of the diagram to show this. The C stands for some specific target market. (McCarthy, 2002 p.49)

This is a producer-orientated oriented approach, in which producers aggregates consumers into segments that are then supplied by products derived from using the mix of ingredients from the 4Ps. The objective is to maximize sales, and hence profit. The producer accepts the market as it is and the consumer is viewed as passive (Skitmore and Smyth 2006: p10:11).

To conclude this part it can be said that the 4P-s are not as specific to market RentSOS successfully and a deeper investigation about marketing is needed.

1.3.4. Marketing mix

To go step by step a bit deeper into marketing essence in order to create the best marketing mix for RentSOS, the authors need to explain the essence of marketing mix.

A typical MM includes some product, offered at a price, with some promotion to tell potential customers about the product, and a way to reach the customer's place. The marketing concept means that an organization aims all its efforts at satisfying its customers-at a profit. The marketing concept is a simple but very important idea. Three basic ideas are included in the definition of the marketing concept:

- customer satisfaction,
- a total company effort, and
- Profit-not just sales-as an objective.

The marketing concept (see figure 3.) means that a company aims all its efforts at satisfying its customers at a profit. The marketing concept is a simple but very important idea.
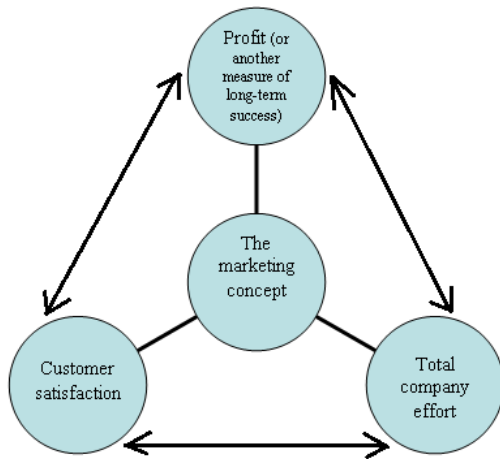
Figure 3. Marketing concept. (The authors adopted from McCarthy 2002: p.34)

There is no doubt that the changes in the social and economic environment, and the consequent transformation of the competitive arena, have a strong impact on the marketing mix. The digital context, in particular, is where the original version of marketing mix shows major limitations (Dominici 2009).

For a company applying a relationship strategy, the MM often becomes too restrictive. The most important customer contacts from a marketing success point of view are the ones outside the realm of the MM and the marketing specialists. The marketing impact of the customer's contacts with people, technology and systems of operations and other non-marketing functions determines whether he or she (or the organizational buyer as a unit) will continue doing business with a given firm or not. All these customer contacts are more or less interactive (Grönroos 1994: p 321).

The MM t is based upon, utilizing the so- called 4Ps of product, place, promotion and price (McCarthy 1964) and subsequent variants. Conceptually, the MM does not fit construction. Traditionally, contractors do not design the end 'product' and therefore service is the only primary aspect that contractors can configure. Most contractors do not offer undifferentiated or standardize their services, organizing themselves into divisions mirroring procurement routes originally developed by clients (Smyth, 2006).

2. INTRODUCTION TO RELATIONSHIP MARKETING

As companies increasingly recognize the importance of interaction with customers, relationship marketing (RM) is a central place in both marketing theory and practice.

RM is customer or client focused, whereby agile production and tailor-made services are configured for "segments of one" (Gummesson 2001). The objectives are to add product and service value to provide client satisfaction, engage loyalty, and hence, increase repeat business and secure premium profit for the producer from satisfied customers. The consumer or client is viewed as active and the producer is a proactive market creator and market manager of their market.

RM seeks changes in the exchange processes and in the management of product and service delivery. Such aggregated organizational behavior can be aggregated to change the market at sector level, for example investment in relationship marketing can increase switching costs and create barriers of entry. (Skitmore and Smyth 2006: p.10:11)

A recent Google search showed close to 122 000 000 hits for the search term "relationship marketing". (google.com 05.05.2014)

2.1. Relationship Marketing

In this chapter a deeper view into relationship marketing will be made. The authors will give an overview about the literature and the definitions about RM.

RM shares many commonalities with services marketing, business-to-business marketing, channels marketing, brand management, and customer relationship management. (Palmatier R. 2008; 3)

RM has emerged as one of the major marketing issues in the 1980s and 1990. Many marketers (see table 1. on appendix 2.). have considered relationship marketing as a necessary and effective way of achieving competitive advantage- though the creation of relationships, networks and interactions that are long term. RM has also constituted a major focus of academic research within different disciplines, including marketing and management (Buttle 1996; Collins, 1999; De Jong 1998; Möller and Halinen-Kaila, 1998; Rexha, 1998)

Despite the fact that term „relationship marketing" was introduced by Berry (1983) more than twenty years ago, there is still a lot of debate about what is meant by relationship marketing For example, Brodie et al (1997), Cooper et al (1997), Eiriz and Wilson (1999), Gummesson (1994), Harker (1999), Lindgreen and Crawford (1999), Palmer (1998), Brodie 1997, Mattson 1997, Möller and Halinen 2000 and Morgan and Hunt 1994 and Stone and Woodcock (1995) have noted that relationship marketing means different things to different researchers and there is actually no consistent story on how RM fits into the gender of RM (Sheth, Parvatiyar, Shainesh, 2000).

Based on the conceptual origins (see figure 4.) of RM there can be found essentially three areas: distribution channels, industrial marketing and services marketing. (Brito 2011: p.67)
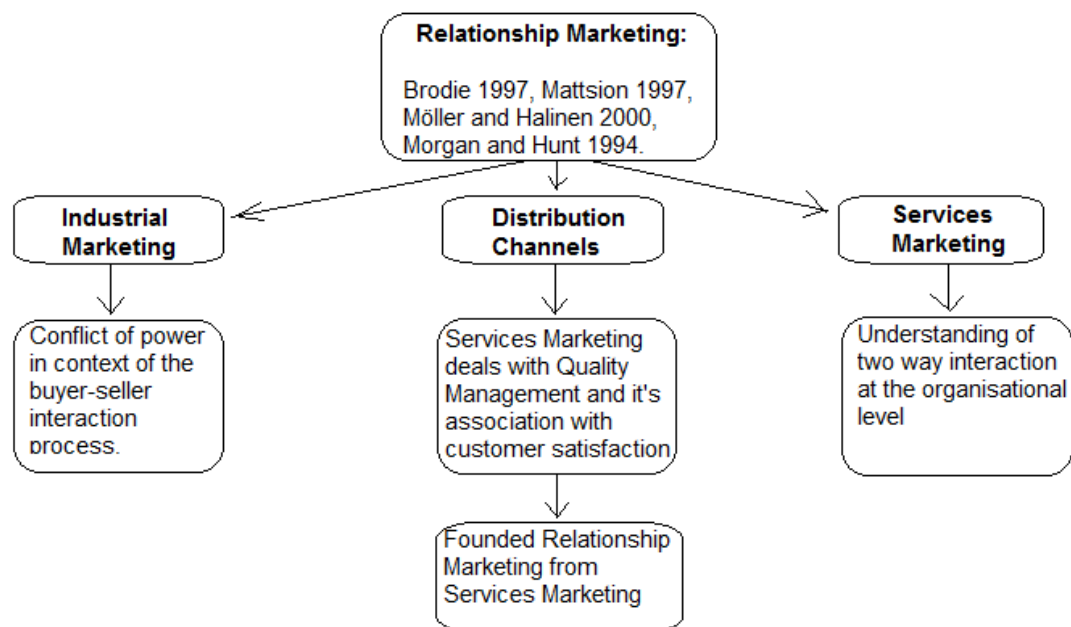
Figure 4. Relationship marketing history and development. (Author)

Gummerson defined RM as "relationships, networks and interaction" (Gummesson, 2002; 1997, p. 267). It emphasized customer retention, value in interaction, operational and practical, linkage to organizational structure and management, and collaboration to compete (Gummerson E. 1990, pg 2).

Grönroos (1994; 1996) accentuated the strategy continuum with marketing focus, customer perceived quality, customer satisfaction, inter-organizational collaboration, and internal marketing.

Coviello (1997) classified marketing into transactional marketing (TM) and RM, with RM incorporating database marketing, interaction marketing and network marketing.

Mattsson (1997) perceived RM as a development within TM. Moller & Halinen (2000) argued that RM did not form a general theory but viewed the relational theory in a consumer, market-based theme and internal organizational, network-based theme. Grönroos (2004) conceived RM as a process and proposed the framework of interaction process as the core, a planned marketing communication process, and the outcome from a customer value process. (Gummerson E. 1990, pg. 2). A deeper overview about different authors definitions is given is Appendix 2.

RM and customer relationship management have taken a central position in marketing strategy in the past two decades. A confluence of factors, including the transition to service-based economies; advances in communication, logistics, and computing technologies; increased global competition; and faster product communization have enhanced the salience of "relationship-based loyalty" to sellers compared with other marketing mix factors (Palmatier R. 2008;1)

Building strong relationships is more effective for improving performance among services than among product offerings, in business-to business versus business-to-consumer markets, and for channel partners rather than direct customers (Palmatier et al 2006)

The caracteristics of RM are:
- Focus on client retention
- Orientation on benefits
- Long time scale
- High client service emphasis
- High client commitment
- High client contact
- Quality is the concern of all

RM is founded from services marketing. RM deals with relationships with the customer and is based on three ground points within relationships and based on successful relational exchanges:

- Establish
- Develop
- Maintain

In the business world, there are various factors that have increased the importance of RM. Several authors (Grönroos, 2007; Lara and Casado, 2002; Little and Marandi, 2003; Sheth and Parvatiyar, 1995; 2000) have shown which changes, both on the supply and demand side, have increased the strategic importance of more relationship-oriented approaches.

- The tendency for lesser effectiveness of mass-market approaches
- The advances in the field of new technologies, not only in terms of communication and information but also in production and logistics
- The high level of competition seen in the increasing number of available brands, ones often viewed as having little that distinguishes one from another
- The growing importance of services
- The emergence of new business models based on partnerships and networks, fostered by the process of globalization.

Author, Source: Brito 2011)

Berry and Parasuraman (1991) defined RM as concerns attracting, developing, and retaining customer relationships. Sheth (1994) refers explicitly to suppliers and customers.

According to Berry (1983), there are five strategies of relationship marketing (see figure 5.) that need to be sufficiently developed to create effectiveness in the marketing scheme as shown in Figure 5.
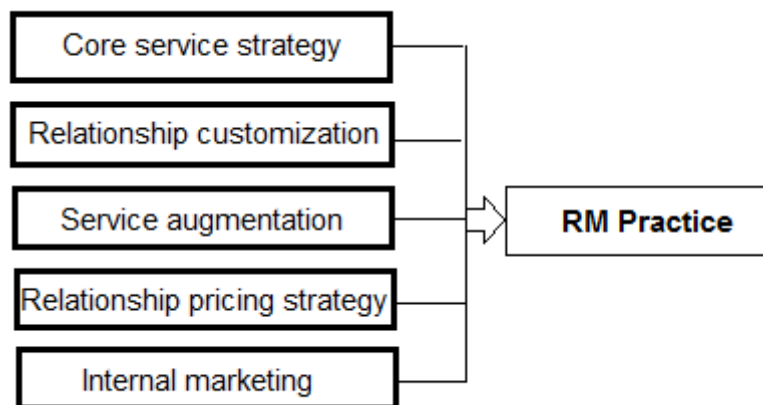
Figure 5. Strategies of relationship marketing, (The authors adopted from Berry 1983)

Relationship marketing strategy, therefore, suggests that a service provider should know the characteristics and requirements of the individual customer and then should provide the services accordingly (Berry, 1983). (Rahman and Masoom 2012: p. 97)

Appropriate interrelationships of the theoretical concepts of RM are vital to its success. Customer retention and competitive advantage are emphasized in this study which is the basic

components of RM achievement. The theoretical framework is presented as below (Rahman and Masoon 2012: p. 98)

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                      ┌─────────────────────────┐
                      │  Relationship marketing │
                      └─────────────────────────┘
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Objectives,	Defining constructs,	Instruments,
• customer satisfaction	• trust	• direct marketing
• customer delight	• commitment	• database marketing
• share of customer	• co-operation	• quality management
• customer retention	• communication	• services marketing
• loyalty	• shared values	• customer partnering
	• conflict	• catch-all phrases
	• power	
	• non-opportunistic behaviour	
	• interdependence	

Figure 6. Framework of Relationship marketing. (Davis 2005)

Some main benefits of applied relationship marketing have proven to be increased client retention (see figure 6.) and value-adding product benefit. In order to successfully build a relationship, the company is required to possess 4 attributes: a desire to continue a business relationship in the long run, a belief that the partner is trustworthy as well as an effective performer, an understanding of each other's problems and a belief that the committed relationship will add value to the end product (Davis 2005: p. 4).

Last but not least, the Internet has also played a big role, to take the idea of relationship and loyalty more seriously as the switching costs are very low in the Internet channel and keeping customers loyal is very important. The technology gave the means to identify and start relating with the customer. (Brito 2011: p. 67)

To conclude this part it has to be said that construction companies today focuses essentially on transactional marketing. They apply themselves to discrete projects; process features, short time scales and do little to emphasize client service. (Davis 2005: p.2) Since RM has a tendency to have lesser effectiveness in mass-market approach and is about the importance of the emergence of new business models based on partnerships and networks (B2B) it can be said that RM approach is highly suitable for RentSOS. In real-life the product has to be marketed into the biggest Estonian construction companies who would continuously start using RentSOS.

In order to achieve that, the advantages of the usage of new IT product in construction rental area, have to be clearly explained after relationship building process in terms of mutual trust and commitment, because RM is about relationships, networks and interaction and so is RentSOS.

2.1.1. Transactional marketing vs. Relationship Marketing

To make sure that RM approach is totally suitable for RentSOS concept there has to be made a comparison between transactional marketing and relationship marketing.

Transactional marketing (TM) focuses on price and fails to recognize the interrelationships between key elements of MM (see table 2.). RM focuses primarily on client service enhances the transactional model (Kotler 1998).

TM addresses the classical threesome of segmentation, targeting and positioning as well as the management of the 4 Ps, i.e. marketing mix variables.

Although the literature distinguishes TM from RM, there is some consensus on the fact that the two approaches do not constitute extreme points or alternative opposites, and that they should be viewed as a continuum (Grönroos, 2007; Gummesson, 2002). This means that a company can adopt a more transaction-oriented marketing or a more relationship-based approach (Figure 1). Gummesson (2002), quoting Jackson (1985), states that "RM can be extremely successful, where it is appropriate, but it can also be costly and ineffective if it is not. Conversely, TM can be profitable and successful, where it is appropriate, but a serious mistake where it is not" (Jackson 1985:p. 18; Brito 2011: p. 69)

Table 2.Comparison between TM vs. RM (The authors adopted from Palmatier 2007; Barnes 1995:112)

	Transactional Marketing	Relationship Marketing
Focus	Standard customer	Individual customer
Time perspective	Short-term focus	Long-term focus
Action	Managing resources	Managing relationships
Dominating marketing function	Marketing mix	Interactive marketing supported by marketing mix activities
Strategic tools	Standardized product mass promotion and distribution	Customized product, individualized promotion and distribution
Dominating quality dimension	Quality of output(technical quality dimension)	Quality of interactions(functional quality dimensions) growth is important and dominant
Measurement of customer satisfaction	Monitoring market share(indirect approach)	Managing the customer base(direct approach)
Customer information system	Need to add customer surveys	Real-time customer feedback
Outcomes	Sales, Economies of scale and scope market share	Customer loyalty, lifetime value, customer portfolio

The comparison on this part was conducted to be on relationship marketing over traditional marketing theory. This is because as shown on the table above the relationship marketing theory has a focus on commitment to long term relationships, trust and satisfaction; which are all things that the RentSOS has as key factors in the business in construction rental area.

2.1.2. Trust and Commitment

Trust is presented by several authors as the most important factor for the creation and development of a fruitful collaboration (Gummesson, 1990, 1991; Håkansson & IMP Group,1982; Ring Smith& Van de Ven, 1994) and a key ingredient to engage in a

Partnership (Boersma, Buckley & Ghauri, 2003; Bresnen &Marshall, 2002; Scott, 2001). Trust reduces uncertainty as to the way problems emerging in the relationship are solved. It concerns the relationships between the customer and the supplier, and between the parties in the network (Gummesson, 1990). In the construction specific literature, trust is emphasized as a critical success factor in partnering projects (Crane, Thompson & Sanders, 1997).

Trust is a current conviction that another party is willing to take individual and organizational interests into account within the context and under possible events. Trust is intuitively, sometimes part-cognitively, assessed concerning the other party from recent past performance and longer term reputation through the lens of personal history hence experiential disposition to trust, coupled with organizational capability (cultural, systemic and procedural path dependency) to accommodate trusting relations.

The presence of a trusted party:
- reduces perceived (interpreted or 'subjective') risk;
- renders the relationship, organizational and project context more conducive to further (real or 'objective') risk reduction;
- creates organizational and project opportunities to improve the service and content quality

(Smyth, Gustafsson, Ganskau 2010; 121)

Kadefors (2004) underlines that three qualities are considered tore required for trust to arise in construction projects:
- ability, and
- benevolence and
- integrity

Several authors have highlighted the importance of commitment in the development of cooperative behaviors between parties (Brennan & Turnbull, 1999; Garbarino & Johnson, 1999; Häkansson & Snehota, 1995; Sai-On et al., 2003). The notion of commitment expresses the desire of parties to develop the necessary resources, efforts and investments to develop a successful relationship (Grönroos, 2000). The commitments are shown and proved "credible" by the specificity of the assets or investments made by the parties to develop the relationship (Crespin-Mazet, Ghauri, 2007; p 160).

The creation of a cooperative relationship between two parties relies on a minimum level of shared goals and expectations (Kadefors, 2004; Ring Smith & Van de Ven, 1994). The cooperation process is described as a process of meaning creation enabling the parties with initially different views of the potential purposes and expectations of a relationship to achieve congruence in their relationship (Ring Smith & Van de Ven, 1994). (Crespin-Mazet, Ghauri, 2007, p 160-161)

Trust and commitment are imperative to a relationship (Morgan & Hunt, 1994). In an exchange process, they form the basis for a reliable and enduring relationship. With higher costs in creating new customers than retaining existing ones, economic benefit exists in building and maintaining relationship with customers (Grönroos, 1995; Storbacka, Strandvik & Grönroos, 1994). (Gummerson E. 1990, pg 2).

To place RM in a construction context the concept of relationship contracting (RC) needs to be viewed, as there are many concepts that exist in RC that can be explained given an understanding of RM. (Davis 2004; 4)

To conclude, today most of construction companies use more real life marketing, such as word of mouth, calling friends etc.- the most important in construction area is to have trusted parties to be working with them and trust in that area comes from „reputation" that is being forwarded from mouth to mouth.

2.1.3. Relationship Lifecycle Stages

Many marketing researchers assume relationships operate according to a lifecycle process (see figure 7.), during which they develop and ultimately dissolve by progressing through path-dependent stages (Palmatier 2008: p. 46)

1. **Exploratory or identifying stage**- trust and commitment are calculative in nature, such that expectations of trustworthy behavior rely on the expectation that a partner will act in a manner that protects its reputation, enables it to avoid punishment from institutional enforcement mechanisms such as laws and regulations, and allows it to protect its bilateral investments (Jap and Ganesan 2000).

2. **Expansion or developing stage**- includes an escalation of reciprocated transactions and increased affective attachment, as demonstrated in variables such as trust, commitment, and satisfaction.

3. **Maturity, commitment, or maintaining stage**- trust is replaced by knowledgebase and affective-based trust, communication and other relational norms develop and reinforce their common goals, both firms believe their partner's behaviors are predictable and mutual investments fall into place.
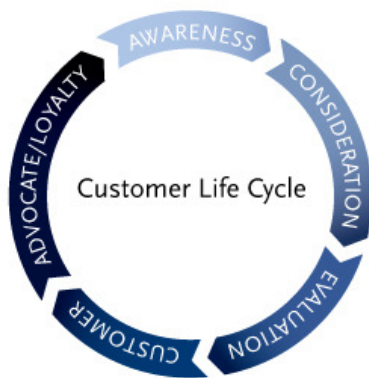
Figure 7. Customer-Company Relationships (http://ladleyandassociates.com/2011/11/customer-company-relationships/ 06.05.2014)

Relational constructs, such as trust, commitment, and relational norms, develop and grow together as the relationships proceed, thus producing positive relational outcomes. In turn, when dissatisfaction shifts a relationship toward dissolution (e.g., because of poor performance, dependence concerns, or opportunistic betrayal), the relational mediators decline (Palmatier, 2008; p 33).

2.1.4. Relational marketing benefits

The trust developed enables organizations to reduce the number of suppliers and assists in solving development and production problems in many recognized procurement scenarios (Zeithaml and Bitner 1996). Projects typically require a fast rate of learning to meet production and process requirements. By maintaining relationships the learning costs associated with switching providers is reduced (Gwinner, Gremler and Bitner 1998). Other objectives that can be better accomplished through a RM program include: the retention of the most desirable clients, the enhancement of the construction organization's image and the ability to attract desirable prospective clients (Connor and Davidson 1990).

Non-core benefits result from cultivating long-term relationships and include feelings of familiarity, recognition, friendship, rapport, and social support (Davis 2004; 4)

2.1.5. Relationship marketing drawbacks

According to RM benefits, there are drawbacks that have to be taken under consideration when applying RM method.

Ineffective RM is troublesome, in that the seller incurs additional expenses with nothing to show in return. More devastating however is the possibility that RM could be counterproductive and actually generate negative customer reactions (Palmatier,Scheer, Evans, Arnold 2008; 174)

The cost of quitting from the relationship is a significant drawback, as is the potential for lost opportunities with better relationships that might become available in the future (Tomer 1998). A further problem is the possibility of becoming over dependant on the relationship and losing flexibility. Examples of over dependency are: having no alternatives to provide occasional comparisons on the downstream side, or cushion against the loss of a key customer on the upstream side (Evans and Laskin 1994).

Becoming locked in a relationship with a partner for example; that lacks drive in technological developments may change the direction of a once mutually fruitful relationship. Das (1998) considers the opportunity for particular firms to attempt to learn a skill or steal the resources possessed by another firm through forming a relationship. Trust in the form of confidential information sharing mitigates this behavior (Das and Teng 1998)

2.1.6. Relationships and Financial Impact

Appling new marketing methods will have an impact in every business financial numbers, whether it is positive or negative. In this part the authors will explain the financial aspects regarding to RM implementation.

The primary focus of RM—building and maintaining company relational assets—relies on the belief that intangible assets generate positive financial outcomes in excess of their costs (Palmatier; 2008, p 47)

According to Palmatier (2008), there are two ways to measure the relations and financial impact in B2B relationships:

1. **Lifetime value approach** (CLV)- discounted cash flow of a customer's purchases and models the customer's value according to the margin, marketing costs, purchase frequency, expected duration, and discount rates. Marketing actions (e.g., direct mailings, reward programs) affect positively pricing, purchase frequency, loyalty, and overall CLV.

2. **Return on investments and contribution margin ROI** or returns on relationship marketing. Palmatier, Gopalakrishna, and Houston (2006) conduct an end-to-end study linking investments with three types of RM programs (social, structural, and financial) and measure the incremental profits generated to provide an indication of the ROI of RM programs. The results suggest that in the short term, social programs have the highest payoff,

The findings are consistent, in that customer–seller relationships helps to determine the seller's financial performance, and RM investments can pay off in both short- and long-term financial returns. (Palmatier, 2008, p 50)

In this part of the thesis the relationships financial impact was described: how the difference emerges and what the tools to measure that financial impact are.

2.1.7. Relationship Technology

Building strong relationships is the core key for RentSOS. As following, the authors will investigate the technology in building relationships.

Relationship technology includes direct marketing (DM). This individual attention to individual customer needs has been described as 'One-to-One' marketing. This type of marketing implies the development of long-term relationships with each customer in order to better understand that customer's needs and better deliver the 'service' that meets the individual requirements. (Chaffey 2000). One – to – One marketing leads to better interactivity of the customer and the firm. The interactivity leads to high degree of dialog that leads to better understanding on the part of the firm. This leads to superior relationships and consequently a better dialog and understanding. One-to-One Marketing (Peppers 1999), is grounded on idea of establishing a learning relationship with each customer starting with most valuable ones. Advantages accrue to the firm over competition due to process of customization, even if competitor were to offer same level of customization.

There are four steps to a one-to-one marketing program

- identifying your customers;
- differentiating among customers;
- interacting with customers;
- Customizing your product/service. One-to-One marketing results in reduced customer attrition and higher levels of customer satisfaction due to improved customer understanding. This improved customer understanding can be used in formulation of effective marketing strategy.

Both Database marketing and direct marketing use a database of customer data. In database marketing, database is analyzed to create strategies for marketing while if communication with customers is envisaged to elicit direct response then the concept of direct marketing comes into play. (Kanagal p.10; http://www.aabri.com/manuscripts/09204.pdf; 05.05.2014)

To accomplish good relationships with trust and commitment involved, individual attention to individual customer needs has be determinate and targeted as 'One-to-One' marketing in order to accomplish long-term relationships with Estonian construction companies.

2.1.8. Relational Contracting

The authors have previously described RM and the aspects related to RM. Relational contracting is a part of RM and contracting in overall is the core aspect of RentSOS income.

Relational (or relationship) contracting (RC), (see ftable 3.) is based on recognition of mutual benefits and win-win scenarios through more cooperative relationships between the parties. RC embraces and underpins various approaches, such as partnering, alliancing, joint venturing, and other collaborative working arrangements and better risk sharing mechanisms (Rahman and Kumaraswamy 2002). In addition, the contract must allow certain flexibility so as to enable necessary adjustments as appropriate (Cheung, 2001). The characteristics of relational contracts and construction contracts are summarized below:

Table 3. Characteristics of RC and construction contract (Rowlinson, Cheung 2004; 5)

	Relational Contracts	Construction Contracts
Contracting Environment	• Cooperative instead of defensive. • Proactive instead of reactive.	• Cooperative, mutual trust is the desired static of contracting
Effectuation	• Flexibility and Adjustments provisions to cater for unanticipated contingencies.	• Power to issue variations with associated time and cost adjustments
Dispute Resolution	• Relational Dispute Resolution.	• Alternative Dispute Resolution

Alliancing, partnering and RC, all have a common theme, which is to develop a long-term relationship for such to be applied successfully. It is not difficult to see that both alliancing and partnering are heading toward the concept of RC. Long-term relationship has always been a main element in RC. In order to build up a long-term relationship between two parties, trust is something one cannot miss. With the high flexibility in RC, construction time can be shortened due to less documentation passing between parties when an unexpected event has occurred during construction; solutions will be negotiated around a table. It might minimize the necessity of extensions of time for works since the contractor has a higher flexibility in the ways it may put forward the work. (Rowlinson, Cheung 2004; p. 6)

2.1.9. Calculation methods for RM

On following chapter the authors will describe the methods that can be used to measure the effectiveness of Estonian biggest construction rental companies marketing methods in order to make conclusions for RentSOS sake and add value to current thesis by providing proposals for new marketing mix creation. The real calculation part is findable on the thesis fourth chapter, witch is the research part.

2.1.9.1. CLV- Customer lifetime value

Customer lifetime value has intuitive appeal as a marketing concept, because in theory it represents exactly how much each customer is worth in monetary terms, and therefore exactly how much in marketing terms should be spent to acquire each customer. Lifetime value is typically used to judge the appropriateness of the costs of acquisition of a customer. Additionally, CLV is used to calculate customer equity.

Advantages of CLV:

- management of customer relationship as an asset
- monitoring the impact of management strategies and marketing investments on the value of customer assets, e.g.: Marketing Mix Modeling simulators can use a multi-year CLV model to show the true value (versus acquisition cost) of an additional customer, reduced churn rate, product up-sell
- determination of the optimal level of investments in marketing and sales activities
- encourages marketers to focus on the long-term value of customers instead of investing resources in acquiring "cheap" customers with low total revenue value
- implementation of sensitivity analysis in order to determinate getting impact by spending extra money on each customer
- optimal allocation of limited resources for ongoing marketing activities in order to achieve a maximum return
- a good basis for selecting customers and for decision making regarding customer specific communication strategies
- Measurement of customer loyalty (proportion of purchase, probability of purchase and repurchase, purchase frequency and sequence etc.)

The Disadvantages of CLV do not generally stem from CLV modeling per se, but from its incorrect application.

http://en.wikipedia.org/wiki/Customer_lifetime_value; 29.04.2014)

To conclude CLV part it can be proposed to be a very useful tool in order to measure Estonian construction rental companies marketing behaviors today and to make proposals for RentSOS marketing mix. But it has to be noticed, that using this method the specific demographics of a customer group do have an effect and has to be taken under consideration.

2.1.9.2.Customer Retention

Customer retention is the core aspect of long-term relationships and has been described as follows: in relationship marketing customer retention has been given more prominence than mere customer acquisition in perspective of company's benefit and reputation (Rahman, Masoom 2012).

Customer retention is the activity that a companie undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.Customer retention is more than giving the customer what they expect, it's about exceeding their expectations so that they become loyal advocates for companies.

Customer retention has a direct impact on profitability. Research by John Fleming and Jim Asplund indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm. (http://en.wikipedia.org/wiki/Customer_retention; 29.04.2014)

2.2. RM conclusion

Conceptually, RM would be expected to closely fit construction services. Intangible services for one-off 'products' largely delivered B2B seem well are suited to RM. In practice, the fragmented market of contractors supplying capital intensive services over long contracts in conditions of discontinuous workload and project uncertainty have led to transaction cost management being to the fore (Gruneberg and Ive 2000; Winch 2002). Minimizing transaction costs results in low levels of investment in marketing and the attendant management of relationships particularly RM (Smyth 2004; 200).

Consequentially, this has led to the undifferentiated services cited above, and the low service support levels from the head office to projects being consequences (Pryke and Smyth 2006; Smyth 2006). Client driven agendas for continuous improvement, such as partnering and supply chain management have led to limited changes. Contractors have responded by adopting the client procurement driven model, rather than making a marketing response. The other side of the procurement coin learning the. Contractors have also responded with collaborative 'rhetoric' and passing the agenda along the supply chain with collaborative action geared to minimum client requirements

Continuous improvement, therefore, remains is anchored within the transaction cost domain, including in the form of relational contracting (see for example cf. Kumaraswamy and Rahman 2002), which seeks reactive behavioral responses to changes in governance and market structure, whereas RM , Hence relationship management, seek proactive and aggregated behavioral change which can change the market if practices become widespread is largely reactive within the structure of the agreement or contract, rather than primarily proactive in behavioral terms organizationally and individually (Smyth 2006).

Customer lifetime value is an important number because it represents an upper limit on spending to acquire new customers. For this reason it is an important element in calculating payback of advertising spend in marketing mix modeling.

RM would seem to be conceptually the most appropriate marketing approach to marketing. (Skytmore, Smyth 2006; 34)

3. INTRODUCTION TO INTERNET MARKETING

Before wide popularization of the Internet across world, there were many different ways to advertise products and services. Marketers used TV, newspapers, magazines, telemarketing, and pamphlets. Their target was to get a company or product name known by as many people as possible for the smallest possible price.

When the Internet came to almost every home, companies got the option to advertise themselves in a different manner. Search advertising, e-commerce, social networks and video marketing.

Nowadays most of people are connected to the Internet, at home, at work and even with their mobile phones. The number of text messages via instant messaging systems and emails are beating their own records year-by-year. The Internet dating websites are connecting people from different continents. All of these points out, that people are in need of being in contact with each other and number of The Internet users will grow every year.

According to information from Wikipedia the authors combined table (see table 4 below), representing amount of people, using the Internet in 2012 year. (List of countries by number of Internet users, 2014)

Table 4. Amount of Internet users (including mobile users) (Authors)

Place	Population	% of Internet users
Estonia	1,007,000	79
European Union	504,456,000	75
United States	254,295,536	81

Modern technologies can help companies to broadcast their message to any target group (country, age, gender) and became globalized in just a few clicks.

"New technologies and broadband adoption enabled advertisers to make enormous creative leaps and create landmark campaigns. These leaps are likely to continue as marketing and advertising are increasingly peopled with individuals for whom the Internet, eBay, Amazon, Google, and YouTube were always there and which played some role in forming their worldviews, just as television, film, radio, and print did for prior generations." (Rappaport 2007)

The Internet is used in all possible industries, to brand or market, to communicate and as a start for small businesses. The Internet has given access to a large number of search options for companies and customers, where customer can find reviews of any good they are willing to buy, and companies can highlight the most important aspects and prove the necessity to buy. These

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options give opportunity even to small companies a chance to promote and brand their products, and find customers.

There is lot's of success stories, like:

Amazon - has no physical presence at the customer interface, its marketing logistics network involves movement of physical goods through warehouses much as any traditional retailer does. They are well-known in marketing world for idea to promote products via other their customers ("other buyers, who looked at this, looked and bought this"). Now it is widely used by most of the online shops.

MasterCard – that publishes lots of funny videos, doing viral marketing.

EBay - The online auction business eBay.com is a purely online enterprise. EBay facilitates the transaction of information between potential buyers and sellers entirely on the Web, even though the items people buy and sell are mostly from the physical world, and the final exchange of goods and services is affected by the buyers and sellers themselves. (Steward 2002)

3.1. What is Internet Marketing

"Internet marketing, or online marketing, refers to advertising and marketing efforts that use the Web and email to drive direct sales via electronic commerce, in addition to sales leads from Web sites or emails. Internet marketing and online advertising efforts are typically used in conjunction with traditional types of advertising like radio, television, newspapers and magazines." (Internet marketing. 2014)

 "Internet Marketing has evolved from websites with company logos and contact information, through online product catalogues to a two way communication tool (questionnaires and specific correspondence), and now, with Customer Relationship Management (CRM) a variety of new options are opening up." (Eriksen & Hemmingsen 2008, p.26)

"The Internet impacts business innovation by expanding reach and minimizing the time-lag to market. Not so long ago the goal of an Internet marketing campaign might only have been to entice the consumer to click through to a company's website, but now the objective is to create ''sustained engagement'' with the consumer. The growing popularity of websites such as YouTube and Facebook demonstrates how the Internet is changing; users are no longer simply

downloading static data, but are increasingly uploading and sharing content among themselves, leading to a proliferation of social networks and other user-generated content sites." (Harris & Rae 2009, p.1)

3.2. Influence of the Internet on Marketing

Nowadays all of the companies are trying to use the Internet in some way or another to achieve their marketing goals. The Internet marketing is an irrevocable and unstoppable trend. The Internet provides indispensable tools for any modern businesses, if company fails to use them in their marketing strategy - it will be huge disadvantage and can cause a lot of problems.

3.2.1. Influence on product and branding strategy

Internet technologies changed cost of producing and distributing goods. It is much cheaper to have online shop and sell so many products, as company wants. Comparing to real life - there are many costs of renting place to sell in, hiring people to serve customers.

It enables to customers customize their purchase, that creates more value to people. For example - music retailers can create CDs containing songs, ordered by customers. Or iTunes example - where customers can order only favorite songs and add to their playlist, without need to buy full album.

Also very widely used nowadays - is recommendation system. For example online shops (like amazon.com) use it. When a customer is searching for a specific book, can recommend other books based on the past purchases of this book by other customers. (Ansari, Essegaier, and Kohli, 2000)

Branding is very important part of Internet business. People highly trust to companies, like Amazon.com, and can easily without any fear enter their credit card data, because this company have crystal reputation, their logo is well known all over the world. Same time it is quite hard for customers to trust into some new, unknown online shop, that they haven't used before. Here goes usage of SSL (Secure Socket Layer) encryption technology that adds trust to web page. There must be a lot of data about company, phone number for immediate contact (or live chat), information about founders. That's the way to earn trust and brand online.

"Brand = Web presence (usually a web site) = Just as accompany has different brands for different market sectors, different web sites achieve a very similar effect." (Dixon 2014)

3.2.2. Influence on pricing strategy

The Internet increased availability of information, which is used by customers before order. This increased competition between companies and lowering prices. For example, customers of Autobytel.com, an Internet referral service on automobile dealer pricing, pay less for a particular car than customers who don't use this referral service (Morton, Zettelmeyer and Risso, 2001). Online book and CD prices are 9 to 15 percent lower than prices in conventional retail stores (Clay, Krishan, and Wolff, 2001).

Shopping bots

Those are special websites or services that provide comparison of prices amongst large number of shops online have huge influence on prices. (Iyer and Pazgal, 2003).

For example bizrate.com for worldwide goods comparison and hinnavaatlus.ee for Estonian market.

"(...) Today, Bizrate continues to help shoppers find the best value for all the products they are looking to buy. Bizrate remains true to its roots, allowing shoppers to provide candid opinions on their experiences with different online retailers and allowing retailers to find shoppers as well as discover insights on how to provide the best customer service to those shoppers.(...)" (Shopzilla Inc. 2014)

Worldwide community

The growth of The Internet and its users resulting growth of online retailers/shops. They provide online shoppers wide variety of products. The Internet helped to completely remove distance barrier, people now can buy directly from suppliers located in any part of world, and this caused elimination of many traditional intermediaries. All of those points led suppliers to lower their prices.

Auctions

Previously, auction houses have a problem to bring enough bidders together to sell wide variety of product. Online auctions solved this problem, bidder no longer has to present somewhere, and he can bid on a distance, sitting at home for example. This significantly increased the number of

bidders, and decreased for seller cost of participation in auctions. Modern online auctions like eBay.com provide huge amount of items for sale, from all over the world. (Hanson, 2000)

Pricing research

The Internet offered marketers excellent capabilities to research and test prices. It allows marketers to research prices in real-time based on users reaction to price, that requires less money to testing, comparing to traditional retailing. (Baker, Marn, and Zawada, 2001).

Such pricing information can help managers segment their markets in new ways and uncover profitable customer groups. For example, Zilliant, an electronics company reduced the price of its four products by 7%. Revenues from three of the four products increased by 5% to 29% but the volume increase weren't enough to offset the revenues lost due to the price reduction. However, sales of the fourth product more than doubled because it had uncovered a new segment of latent demand made up of high school and university students. This finding led the company to create a special website for these segments and offer special prices not available to other segments (Baker, Marn, and Zawada, 2001).

3.2.3. Influence on distribution strategy

Online goods, like airline ticket or software is delivered immediately after payment. Customer chooses product, enters credit card data and gets immediate access to his purchase. There is no need to go somewhere to choose and pick item bought.

With non-digital products, it is a bit harder, as there must be agreement with shipping company who have to deliver those products, that makes it sometimes much more expensive (price for product + price for shipping sometimes more, than buying in offline store). A report by Retail Forward discovered that 56% of The Internet buyers decided to make a purchase because they were offered free shipping. In addition, 70% of The Internet shoppers stated that they would shop online more if they didn't have to pay shipping and handling charges (Internet Retailer, 2002).

Traditional shops are opened within certain times during the day, and The Internet is independent of time. People who prefer online shopping value this convenience of shopping. (Yannopoulos 2011)

But for non-digital goods this could be a bit more time consuming that is the biggest disadvantage of e-commerce. Because goods must be shipped after the order is placed, and it can take some time to receive goods. This caused growth of delivery company like UPS, FedEx and others. Online shoppers can choose - pay more and receive goods purchased the next day, or pay less and wait for a week for delivery.

A major consequence of the Internet is death of distance. Location for a traditional retail store matters a great deal. It needs to be in a high traffic location with appropriate surroundings. However, location is not a key marketing decision for Internet based firms since the Internet has made location irrelevant. Death of distance implies that geographic location is no longer a crucial factor in business as the Internet has made place irrelevant. The Internet minimizes the impact of distance only for goods that can be digitized such as pictures, words, videos, and software (Pitt, Berthon, and Berthon, 1999).

3.3. IPR - Internet Marketing cornerstones

Internet marketing has three cornerstone principles:

1. Immediacy. The web changes at a blistering pace and online audiences, whose attention spans are short, expect on-the-minute updates and information. To keep the favor and attention of this group, you must respond to online messages and interact with communities as quickly as possible.

2. Personalization. Customers online are no longer faceless members of a broad target audience – they are individuals who want to be addressed personally. Use the wealth of personal information available online to your benefit by targeting the relevant people precisely and personally.

3. Relevance. Communication online must be interesting and relevant to the reader, otherwise it will simply be ignored. With all the information that is competing for your audience's attention, you must find a way to stand out and engage readers. The best way to do this is by giving them exactly what they want, when they want it. (Trengove & Malczyk & Beneke 2011)

3.2. Online equivalents of traditional marketing

Internet marketing has its roots from traditional (offline) marketing. Just have some changes. (Trengove & Malczyk & Beneke 2011)

1) Office

Previously there was a physical office that was a face of a company. Before - customers would visit office or store, to find products and information about company. Now - customers prefer research online, and website is a place, that makes customers first impression about company and products. Before - customers were using phone to reach customer support, now more and more of them prefer using email or live chat.

2) Direct postal mail

Now there is a trend to use email to reach customers. It has some benefits, according to classical postal mail. First of all - it is much easier for a client to follow the information in a letter (click on a direct link to view description of goods they are interested in). Secondly is it cheaper and quicker than postal mail (no need to pay postage fees and wait for a delivery company to deliver it). Currently emails cost nothing, whereas cheapest postal mail letter across country costs 0.45 euro. (Eesti Post 2013)

Also it is much more convenient to customer, if he wants to opt-out from this kind of advertisements. Comparing to postal mail - where customer have no easy option to opt-out from unsolicited mails, that makes negative impression about a company.

3) Advertising

Traditional advertising on radio, TV, using brochures is expensive. Their target is to reach as many people, as they can, despite that there is small percentage of real potential customers. Online advertising can be fully controlled in real time, where marketer can choose demographics, origin and lots of other descriptive elements of business potential customer. Online advertising is cheaper and more likely will generate a sell, than traditional advertising.

4) Surveys

Surveys and polls changed to web analytics (for example Google Analytics). Before companies were using different polls, surveys to try measure the effect of advertising campaign. Some of companies were trying to measure based on company's income. But those methods are very

subjective measures. Now web analytics is widely available, it can provide absolute and accurate numbers. For example - how many people came, how they used website, where they decided to make a purchase or cancelled their purchase. It allows measuring everything, starting from visitors, and ending with a purchase funnels.

"A funnel is a well-defined flow on your website - the checkout process, registration, lead generation - anything where users take a series of actions before reaching some sort of goal." (Mixpanel Inc. 2009)

"With the Google Analytics Conversion Suite you can go beyond page views and visitor counts. See how all your digital marketing channels work together to bring visitors to your site. Measure sales, downloads, video plays and other actions that are of value to you. Understand why some visitors buy from you and others don't – so that you can adjust your site and your marketing programs to meet your business goals." (Google Inc)

5) PR.

Traditional PR usually happens behind closed doors, where problems and complaints were solved in private talk with customer manager in a company. Now anyone can read what experience people had using companies goods, and write own review. It makes people to think, are they really willing to have a deal with a company, or better to choose some other.

6) Word of mouth

Word of mouth, which relies on spreading slogans or brand names amongst people, is transformed to viral marketing. It is easy to understand - if average Facebook user has approximately 130 friends. (Statistic Brain 2014). They write negative review about a company, it will be spreaded amongst all of them. From those 100 friends some of them will spread message amongst their friends, and so and so on. In traditional word of mouth it is impossible to speak about negative experience with all of you friends.

There are thousands of examples of good viral marketing campaigns, but in year 1996, when viral marketing term wasn't yet invented, Hotmail did it. Somebody call Hotmail the pioneer of viral marketing.

Short story: In December 1996 Hotmail had 500,000 of registered users. Less than a year later there were over 12 million of users. It was achieved easily, by adding to every single email small advertisement, promoting Hotmail. Hotmail's 500,000 users did their job, and Hotmail had rapid growth. (Aloft 2008)

3.2.1. Principles to be successful in Internet Marketing

According to one of the top US Internet marketing agencies "Blue Corona" there are 5 main principles to follow, to be successful.

1) Tracking everything and making decisions based on analysis data

2) Website is a virtual sales representative, not a brochure or something that just "must have"

3) Investing in web "footprint", paying to be visible in search engine results, social media, and industry directories

4) Optimizing web site usability, to increase conversion rate. (Blue Corona Inc 2012).

3.2.2. New marketing strategy

Traditional marketing mix "4 P's" was introduced in year 1960, and therefore it is not well suitable for Internet Marketing.

"The market changed from the historic "marketer in control" to "retailer in control." Today, we argue it is now "customer in control." Customers now have a wide variety of choices from a wide variety of suppliers with a multitude of retail choices among a broad set of products and services that are pretty much alike. Most products and services today are being sold at continuously declining prices or at least at continuously declining margins to the marketing organizations." (Eriksen & Hemmingsen 2008, p.48)

3.2.2.1. Customer Focus

"Many companies today have a customer focus (or customer orientation). This implies that the company focuses its activities and products on consumer demands. Generally there are three ways of doing this: the customer-driven approach, the sense of identifying market changes and the product innovation approach. In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no point spending R&D funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs." (Adams)

3.2.2.2. SIVA

In year 2005 new marketing mix was introduced to fulfill modern customer-focused marketing needs.

Siva model was proposed by Chekitan Dev and Don Schultz in the Marketing Management Journal and presented by them in Market Leader - the journal of the Marketing Society in the UK. (Chekitan & Schultz 2005)

"The SIVA model attempts to rearticulate the 4 P's in a way that is more consistent with the idea that in today's market environment brand building power has shifted from companies to communities. This is an idea at the core of the Marketing 2.0 philosophy."(RolansSmart.com 2009)

"The SIVA Model provides a demand/customer-centric alternative to the well-known four Ps marketing mix model (product, price, placement, promotion) of marketing management. The idea behind it is to restate the four P's in a way that reflects today's marketing environment where the power of building brands has shifted from corporations to communities." (White)

SIVA model is quite simple, and consists of 4 items, like traditional "4P's" and presented in figure 8.
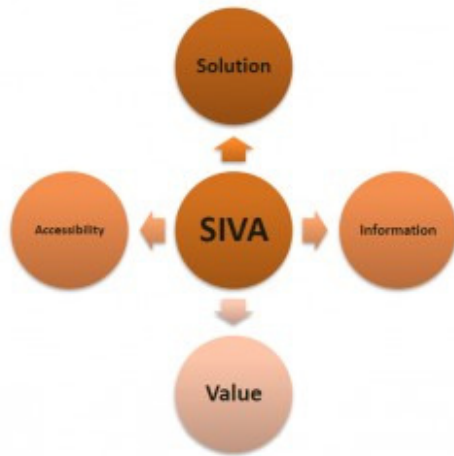
Figure 8. SIVA model. (Popovich 2012)

After researching about how SIVA model look like, it is important to compare it with traditional "4P's", to get all the differences, comparison is presented in table 5.

Table 5. Comparison table of traditional "4P's" and SIVA models (Source: Authors)

4P's	SIVA
Product	Solution
Price	Value
Placement	Access
Promotion	Information

This new perspective claims that customers are interested in:

- Solutions to their problems, rather than products. It is marketing's duty to understand what the consumer wants, and explain it in order corporations were able to produce the products that satisfy the needs of the customer.

- Information about identified solutions, rather than promotions. Rather than placing advertisements everywhere, marketers should provide users with information about product, so they can determine if it offers value for them or not.

- View the solutions in terms of value, rather than their price. Instead of using different economic theories for pricing, companies should set the price for product based on its value for end customers.

- Convenient access to their identified solutions, rather than the place (distribution). Rather than dictating customers where they can go and find a product, marketers should give customers access to product when and where customers want it.

(Thompson et al 2006 pg. 109-124)

Table 6 demonstrates basic questions, that must be answered to follow up SIVA model.

Table 6. SIVA model answers the following question in the marketing mix matrix. (Chekitan S. Dev and Don E. Schultz, (2005))

	Product	Promotion	Price	Place
Solution	Does the product help to meet the need or solve the problem?	Does the message help solve the problem?	What is the value of the price tag for the customer?	Where is the solution to be found?
Information	What does the product say about itself?	What is the official word of mouth about the company?	What can the customer learn from the products price?	What does where you get the product say about the product?
Value	How do the features lower costs or increase value?	Is the message raising the cost of worth of the product?	Is the product worth it?	Does convenience or exclusivity make it worth more?
Access	Can the consumer find the solution embedded in the product?	Who is telling the customer how and where to get the product?	What is it cost to get to the product?	Can the customer get the product where they want it?

3.2.3. Internet marketing methods

There is a lot of methods market online, depending on needs and target of a marketer.

- **SEO** – "SEO is the practice of improving and promoting a web site in order to increase the number of visitors the site receives from search engines. There are many aspects to SEO, from the words on your page to the way other sites link to you on the web. Sometimes SEO is simply a matter of making sure your site is structured in a way that search engines understand. Search Engine Optimization isn't just about "engines." It's about making your site better for people too." (Moz Inc. 2013)

- **SMM** – "Social media marketing primarily involves promoting your business via different social media channels. This is one of the highly effective methods we focus on to generate more traffic and leads, create brand awareness, and gain a huge amount of back links." (Oregon Technologies 2012)

- **SEM** – "The use of online advertising on search engine results pages to help visitors find your website. SEM often uses pay-per-click (PPC), a bidding model that charges advertisers only when someone clicks on their ad (referred to as cost-per-click, or CPC)." (Google Inc)

- **SMO** – "SMO is the onsite process we start on the initial stage to optimize the social media presence on your website so as to catch the attention of visitors and encourage them to share your web content with online social marketing platforms." (Oregon Technologies 2012)

- **E-Mail** – "email (electronic mail) has increasingly become a trend for marketers to communicate with current and prospective customers, a method that is formally called direct marketing. Marketing by email is so popular because marketers are able to send direct messages to potential customers, who mean that campaigns can be extremely targeted and more affordable than traditional channels, and the return on investment is measurable. Emails are usually sent with the intention to sell, promote, educate, inform or persuade and are most commonly packaged in the form a newsletter, flyer, competition or sales promotion." (Trengove & Malczyk & Beneke 2011)

There are some controversies about SEM and SEO, somebody includes SEO to SEM. The authors decided to follow Google's definitions, as this is the most reputable and popular search engine in the world. According to Alexa.com, company that measures online web traffic, Google is the most popular web site in the world.

3.2.4. Alexa.com

"Founded in 1996, Alexa is a global pioneer in the world of analytical insight. Our vast experience means we've dealt with all of the pitfalls and tripped over all of the landmines, and over time, developed the most robust and accurate web analytics service of any provider." (Alexa.com 2014)

Alexa was founded in 1996, as independent tool to measure web traffic. Now it is under Amazon.com Company.

"Alexa's traffic estimates are based on data from our global traffic panel, which is a sample of millions of The Internet users using one of over 25,000 different browser extensions. In addition, we gather much of our traffic data from direct sources in the form of sites that have chosen to install the Alexa script on their site and certify their metrics. However, site owners can always choose to keep their certified metrics private." (Alexa.com 2014)

It provides a lot of information about website; all the basics are available for free. Like:

1) Top Keywords that drive traffic from search engines
2) Bounce rate – percentage of users, that close website immediately after opening it
3) Daily page views – shows amount of pages, viewed by 1 visitor
4) Daily time on site – average time, that each visitor spending on website
5) Global traffic rank

"Our global traffic rank is a measure of how a website is doing relative to all other sites on the web over the past 3 months. The rank is calculated using a proprietary methodology that combines a site's estimated average of daily unique visitors and its estimated number of page views over the past 3 months. We provide a similar country-specific ranking, which is a measurement of how a website ranks in a particular country relative to other sites over the past month." (Alexa.com 2014)

3.2.5. W3C

To start with web site optimization for search engines or social networks, there is a need to clarify, what is World Wide Web, and who is behind it.

Difference between terms "Internet" and "Web".

"The Internet is a global system of interconnected computer networks that interchange data by packet switching using the standardized Internet Protocol Suite (TCP/IP)." (Internet)

So – the Internet is a network of computers, located all over the world, and it is defined by the TCP/IP standards.

"The World Wide Web (WWW or simply Web) is an information space in which the items of interest, referred to as resources, are identified by global identifiers called Uniform Resource Identifiers (URI)." (W3C 2004)

So, "Web" is an information space located in the Internet. People, who are under term "Web" – are W3C community members.

"The World Wide Web Consortium (W3C) is an international community where Member organizations, a full-time staff, and the public work together to develop Web standards. Led by Web inventor Tim Berners-Lee and CEO Jeffrey Jaffe, W3C's mission is to lead the Web to its full potential." (W3C)

Their mission is to create Web standards that are followed by everybody across Web space. Browsers (like Internet Explorer, Chrome, Firefox, etc.) can't work if they don't understand and recognize those standards. Web site owners can't create a web site, if they don't follow those standards. So standards made to bring together all of those parts, to allow people or companies to create websites that are viewable in any special software (browsers for example), and on the other hand helping people or companies to create special software, to browse thru this information space.

"W3C's primary activity is to develop protocols and guidelines that ensure long-term growth for the Web. W3C's standards define key parts of what makes the World Wide Web work". (W3C 2012)

3.3. Introduction to SEO and SEM in Estonia

Basically, SEO and SEM aim is the same - to get more visitors to a webpage. The main difference is that SEO is a set of activities to get those visitors for free from organic search engine results, and SEM is a paid method to gain the same goal - get more visitors.

To check, if it is reasonably to use those methods, there is a need to make sure that people are using search engines in a target country to search for specific business-related keywords.

Google provide information about monthly search volume for needed keywords in their ad network "AdWords".

For this purposes authors have taken keywords, related to project (Appendix 1), and analyzed approximate monthly search volume. Keywords – are only general names of machinery that is going to be offered by RentSOS, so this number is minimum of what authors can really expect from search engines.
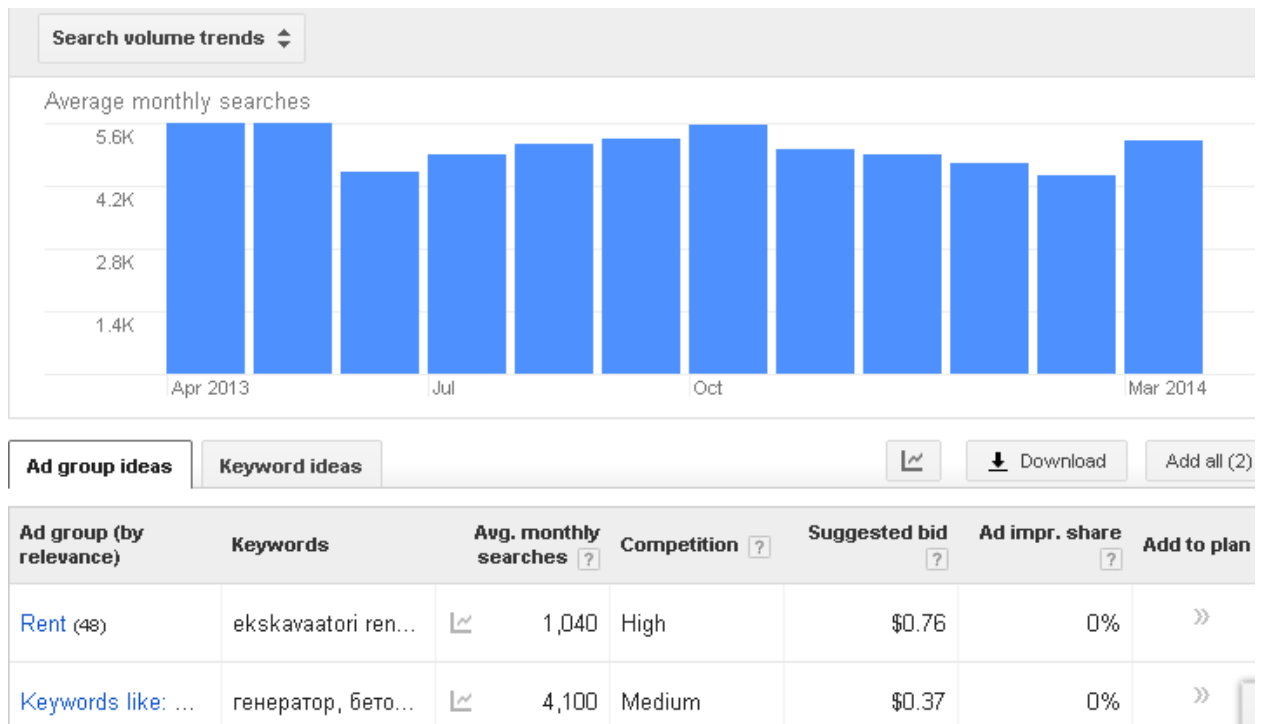
Figure 9. Google Keyword Planner tool screenshot. (Authors)

Figure 9 demonstrates that there are 5140 average monthly requests for specific keywords, related to construction machinery. So, if follow SEO rules and make some optimization – those searches could become web site visitors and company clients.

3.4. SEO

SEO or Search Engine Optimization is a set of activities, dedicated to increase web site ranking in search engines (Google, Bing, etc.). Basically SEO consists of two stages: On-Site and Off-site SEO. Whereas each of those stages can use "Black-Hat" or "White-Hat" tactics.

Black-Hat tactics

"Black Hat" search engine optimization is customarily defined as techniques that are used to get higher search rankings in an unethical manner. These black hat SEO techniques usually include one or more of the following characteristics:

- breaks search engine rules and regulations
- creates a poor user experience directly because of the SEO techniques utilized on the Web site
- Unethically presents content in a different visual or non-visual way to search engine spiders and search engine users.

  (Boswell)

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White-Hat tactics

"In search engine optimization (SEO) terminology, white hat SEO refers to the usage of optimization strategies, techniques and tactics that focus on a human audience opposed to search engines and completely follows search engine rules and policies." (Webopedia)

Author's choice

In this paper the authors is going to research usage of "White-Hat" tactics, because this tactics follows search engine rules, dedicated to create better user experience, and finally are going to give real optimization results. While "Black-Hat" methods oriented to receiving quick results, which lasts for some period of time. When search engines will recognize usage of those methods, web site is not going to receive any more visitors from search engines, because it will cause removing marketers web site from search engine results.

3.4.1.   On-Page

Those activities include everything; web site owner can do on his website to improve site's chances of showing up at the top of Google's search results. How he structures his site, how he used Meta data, and what content he included on each page of his site. Those are all examples of on-page SEO. (christinawalker.net 2012)

According to Alexa.com statistics, top search engines in the world are:

1) Google – the most popular web-site in all over the world
2) Yahoo – mostly used in United States
3) Baidu – Chinese language search engine
4) Bing – Search engine by Microsoft

Author's choice is to analyze Google and Bing because:

1) Yahoo and Bing are pretty same, because they made a deal to improve search experience together. (Microsoft Corporation 2009)
2) Baidu is for Chinese language

3.4.1.1.   Official guidelines

After analyzing official guidelines for search engine optimization by Google and Bing – the authors found following recommendations, and made some conclusions.

Search engines recommendations for content

- Make pages primarily for users, not for search engines. Don't deceive your users or present different content to search engines than you display to users, which is commonly referred to as cloaking.
- Create a useful, information-rich site, and write pages that clearly and accurately describe your content.

Technical search engines recommendations

- Make a site with a clear hierarchy and text links. Every page should be reachable from at least one static text link.
- Create sitemaps, one for robots and one for user. For easy navigation and hierarchy understanding
- Make sure that your <title> elements and ALT attributes are descriptive and accurate.
- Usage of META description and keywords tags
- Keep the links on a given page to a reasonable number (fewer than 100).
- In the visible page text, include words users might choose as search query terms to find the information on your site.
- Limit all pages to a reasonable size. We recommend one topic per page. An HTML page with no pictures should be under 150 KB.
- Don't put text that you would like to be indexed inside images. For example, if you want your company name or address to be indexed, make sure it is not displayed inside a company logo.

(Google Inc 2010) and (Microsoft Corporation 2012)

3.4.1.2. SEO basics

Based on those recommendations, the authors made conclusions, that:

1) Search engines appreciate content. Better text and information that is written for users. Keywords must be clearly stated in content.
2) They appreciate web page hierarchy and clean URL's.
3) They follow W3C specifications, special META tags, title of webpage and descriptive attributes for images
4) Sitemap and robots – special formats for search engine robots

5) Size of web page, which is limited to 150KB. Probably oriented to mobile users, where they pay for traffic.

6) They can't recognize text inside images.

That conclusions brought authors to research more information from search engines, what exact measurements are they using, to identify is web page optimized correctly.

3.4.1.2.1. Title and Meta description

Title tag and Meta description are used by search engines to display information about web site in their organic search results.

As defined by W3C title tag is:

"The <title> tag is required in all HTML documents and it defines the title of the document.

The <title> element:

- defines a title in the browser toolbar
- provides a title for the page when it is added to favorites
- displays a title for the page in search-engine results"

(W3Schools.com, s.a.)

As defined by W3C Meta tag is:

"Metadata is data (information) about data.

The <meta> tag provides metadata about the HTML document. Metadata will not be displayed on the page, but will be machine parsable.

Meta elements are typically used to specify page description, keywords, and the authors of the document, last modified and other metadata.

The metadata can be used by browsers (how to display content or reload page), search engines (keywords), or other web services." (W3Schools.com, s.a.)

To define a description of webpage to search engines, as defined by W3C web page owner needs to use the following part of code in their web pages: <meta name="description" content="Metadata description for machines ">

During this paper, the authors will name "title tag" simply "title", and "meta tag with description" simply "meta description".

Search engines using information from "title tag" and "meta description" to generate and view snippets.

"Snippets—the few lines of text that appear under every search result—are designed to give users a sense for what's on the page and why it's relevant to their query." (Google Inc 2014)

NETI: /ÄRI/Ehitus
www.neti.ee/cgi-bin/teema/ARI/**Ehitus**/ ▾
NETI on Eesti parim kataloog ja otsingumootor. NETI igapäevanekasutajate arv ületab 350 000.

Baumann Ehitus
bau.ee/ ▾
Ettevõte Baumann **Ehitus** OÜ on 2010. aastal loodud ehitusettevõte, mis tegutseb Eestis ja Soomes. Ettevõtte tegevusalaks on mitmesugused üldehitustööd ...

Figure 10. Google organic results screenshot for keyword „ehitus". (Authors)

On example above (figure 10), web page "neti.ee" has clearly defined it's "meta description", therefore it contains 2 sentences, that are finished using dot, and give clear vision to a user what this site is about.

On example with "bau.ee" it doesn't have "meta description" tag, and search engine took a few first lines of text, it found on a web site. So it doesn't provide enough information what is web site about. Second sentence is not ended with a dot; it has three dots that mean that sentence is not shown as full, as it was originally on page. Basically it means that company hasn't spent any time for SEO.

The more clear information provided in "title" and "meta description" of each page – the more people is going to click on a web site in search engine results.

There are some limitations:

- Title tag cannot be longer, than 65 characters, otherwise it will be cut and will not look so nice, as web site owner expected.
- Meta description must be no longer, than 160 characters. Otherwise it will be cut or replaced with random text strings (as in example with web site bau.ee). And it can't be too short (less than 100 characters).

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3.4.1.2.2. Images

As already was mentioned above, search engines can't recognize text that is written on images. So there is special attribute that must be used when displaying images on a website, called "alt attribute".

As defined by W3C "alt attribute" is:

"The required alt attribute specifies an alternate text for an image, if the image cannot be displayed.

The alt attribute provides alternative information for an image if a user for some reason cannot view it (because of slow connection, an error in the src attribute, or if the user uses a screen reader)."

During this paper authors are going to use name "alt attribute" to describe or refer to this technique.

Because search engines can't recognize text on images, they recognize text in "alt" attribute that must describe what is drawn on this image. Therefore, if "alt" attributes are missing, search engines can't understand clearly what this page is about or what this image is about. That means that:

- there will be less visitors from Google Images search
- there will be no impact received from images to search engine rankings

3.4.1.2.3. Robots.txt

"A robots.txt file restricts access to your site by search engine robots that crawl the web. These bots are automated, and before they access pages of a site, they check to see if a robots.txt file exists that prevents them from accessing certain pages." (Google Inc 2014)

 "This file is a touch point for Bingbot to understand how to interact with your website and its content. You can tell Bingbot where to go, where not to go and by doing so guide its efforts to crawl your content. The best practice is to have this file placed at the root of your domain (www.yourwebsite.com/robots.txt) and maintain it to ensure it remains accurate." (Microsoft Corporation 2012)

So as stated by search engine guidelines, robots.txt file is used to manipulate search engines robots, in order to tell them what is not allowed to index. Usually it used to disallow robots from crawling administration panel of website, documents, images and the rest of data that is not allowed to be viewed in search engines. Sometimes web sites structure allows having more, than 1 URL to the same page that is not allowed by search engines (to have duplicated content). So in robots.txt web site owner can tell search engine which URL to follow and index, and which should be excluded from crawling. So it makes website to follow guidelines.

3.4.1.2.4. Sitemap

Sitemap for robots

Sitemap for search engine robots is a special formatted file that is used to notify search engine of new pages or other changes in a web site.

"Sitemaps are a way to tell Google about pages on your site we might not otherwise discover. In its simplest terms, an XML Sitemap—usually called Sitemap, with a capital S—is a list of the pages on your website. Creating and submitting a Sitemap helps make sure that Google knows about all the pages on your site, including URLs that may not be discoverable by Google's normal crawling process." (Google Inc 2014)

This sitemap URL must be pointed in robots.txt file.

Sitemap for people

Sitemap for people is recommended page that each web site must have. It includes hierarchy of links to all pages that web site have. Example of this page is shown in figure 11.

Figure 11. Sitemap for people screenshot from hse.gov.uk. (Authors)

3.4.1.2.5. Clean URLs

"Clean URLs, RESTful URLs, user-friendly URLs or SEO-friendly URLs are purely structural URLs that do not contain a query string [e.g., action=delete&id=91] and instead contain only the path of the resource (after the scheme [e.g., http] and the authority [e.g., example.org]). This is often done for aesthetic, usability, or search engine optimization (SEO) purposes. Other reasons for designing a clean URL structure for a website or web service include ensuring that individual web resources remain under the same URL for years, which makes the World Wide Web a more stable and useful system, and to make them memorable, logical, easy to type, human-centric, and long-lived." (Clean URL Wikipedia 2014)

Those types of URL's are required for good on-page SEO, because they provide additional keywords for search engines, to clearly understand what is web page about.

For example:

"http://example.com/services/index.jsp?category=legal&id=patents" URL doesn't allow to people or search engines to clearly understand, what page is going to be about. With "Clean

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URL" technique it will look like: "http://example.com/services/legal/patents" that already gives some information, that page will be about company's services, and more specifically about patents.

"If you decide to use dynamic pages (i.e., the URL contains a "?" character), be aware that not every search engine spider crawls dynamic pages as well as static pages. It helps to keep the parameters short and the number of them few." (Google Inc 2014)

"URL structure – avoid using session IDs, &, # and other characters when possible". (Microsoft Corporation 2012)

Those statements from biggest search engines also verify that "Clean URLs" are important for them to understand page content more precisely.

3.4.1.2.6. W3C validator

W3C offers validator tool, to check web page cleanness of code. The less errors web page has, the more it is understandable to web browsers and search engine robots.

"This validator checks the markup validity of Web documents in HTML, XHTML, SMIL, MathML, etc." (Markup Validation Service)

Most of web sites have some errors in their markup, it is quite impossible to lower this number to zero. Most of errors are caused by using different technologies, to make web site more responsive and beautiful.

Authors decided to check 5 most visited web sites in the world (according to alexa.com), and detect average number of errors on them, and in following work recognize this amount of errors as reasonable and acceptable by search engines. Otherwise those web sites would not have become 5 most visited web sites in the world.

Web sites:

- Google.com - 23 Errors, 4 warning(s)
- Facebook.com - 38 Errors, 4 warning(s)
- Youtube.com - 166 Errors, 14 warning(s)
- Yahoo.com - 247 Errors, 3 warning(s)
- Baidu.com - 3 Errors, 4 warning(s)

Average number of errors is: 95. So authors assumed, that web page can be recognized as a good one, if it has less, than 95 errors.

"Validity is one of the quality criteria for a Web page, but there are many others. In other words, a valid Web page is not necessarily a good web page, but an invalid Web page has little chance of being a good web page.

For that reason, the fact that the W3C Markup Validator says that one page passes validation does not mean that W3C assesses that it is a good page. It only means that a tool (not necessarily without flaws) has found the page to comply with a specific set of rules. No more, no less. This is why the "valid ..." icons should never be considered as a "W3C seal of quality"." (Help and FAQ for the Markup Validator 2012)

This is quite a tricky metrics, and means only that if there no critical errors (like on example web sites), site is going to be understood by search engine robot, and visitor's web browser. And the only problem could be – that some part of web page will not work or work as it is unexpected to. Usually it is some styling methods (appearance of web page), or tricky scripts, that make page more responsive to a user.

3.4.1.2.7. Page load speed

In 2010 year google introduced new factor that has influence on search engine rankings – page load time. It means a measurement, how much time does it take for an average user to open web page. (Google Inc 2010)

"Fast and optimized pages lead to higher visitor engagement, retention, and conversions. The Page Speed family of tools is designed to help you optimize the performance of your website. Page Speed Insights products will help you identify performance best practices that can be applied to your site, and Page Speed optimization tools can help you automate the process." (Google Inc 2013)

Google offers a tool to measure how fast web page is performing. So authors decided again to check 5 most popular websites and calculate average load time. It is called "Page Speed Insights" and located on http://developers.google.com/speed/pagespeed/insights/

- Google.com - mobile score 74, desktop score 88
- Facebook.com - mobile score 56, desktop score 82

- Youtube.com - mobile score 58, desktop score 82
- Yahoo.com - mobile score 62, desktop score 87
- Baidu.com - mobile score 100, desktop score 99

Average for mobile loading speed is 70 and for desktop is 88. So authors assumed, that web page can be recognized as a fast enough, if it has approximately same speed score or more, like averages calculated.

3.4.1.2.8. Content

As clearly stated by search engines, they can't recognize text inside images, scripts, flash elements and other "tricky" information delivery methods. So authors concluded that every page that is optimized for search engines must have text content. There are a lot of controversies about amount of text that must be included onto page.

Bing tells that "Your content should be easy to navigate, rich and engaging to the visitor, and provide them the information they seek." (Microsoft Corporation 2012)

Same time Google tells that "Try to use text instead of images to display important names, content, or links." (Google Inc 2014)

Those statements prove authors conclusion, that there must be text content on the page.

Content must provide information, that visitors are seeking and it must be "rich" (that means, it must have images or videos inside). As there is no clear statement from Google and Bing what is reasonable amount of text content, authors can't make some accurate conclusions. But authors can answer the question if content on some particular web page optimized or not, seeking some reasonable amount of text (at least few paragraphs that answers the main topic of particular analyzed web page). Authors assumed that 1000 characters of text is the minimum, which can be some logical independent piece of text.

3.4.1.3. "Bad" tactics

Basically, this is about "Black-Hat" SEO, tactics that is prohibited by search engines. They are actively fighting against those methods:

- Automatically generated content – this content is not possible to read and understand, basically it is just a set of different words.
- Content copy paste without link to source – this content already present in WEB, and probably there is no need to duplicate it
- Cloaking and Doorways – usually used to show different content for visitors, and search engine robots. That can lead to misunderstanding. Where visitors could be redirected to another non-relevant page, and search engine robots will see quality web site and rank it higher.

(Google Inc, s.a.)

3.4.2. Off-Page

Those activities include everything; web site owner can do, or try to do, on pages and sites other than his own to improve his site's chances of showing up at the top of Google's search results. Link building, submitting his products to comparison shopping engines, and listing his business in local search engines - those are all examples of off-page SEO. (christinawalker.net 2012)

Basic target of those Off-Page activities is to increase web-site's presence in web. Those techniques can include, but not limited to: link building (create links on other websites), directories (registration in local and global directories), local business registration.

3.4.2.1. Link Building

Link building is a cornerstone of SEO. This is the main metrics, how search engines can evaluate website. The more pages are linking to website, the more precious it looks for search engines. There are a lot of methods to create links to website:

3.4.2.1.1. Directories and listings

Many sites offer directories or listings of websites that are relevant to its content. There is lot's of lists of those directories, where web site owner can register, the most reputable is dmoz.org.

"DMOZ is the largest, most comprehensive human-edited directory of the Web. It is constructed and maintained by a passionate, global community of volunteer's editors. It was historically known as the Open Directory Project (ODP).

The web continues to grow at staggering rates. Automated search engines are increasingly unable to turn up useful results to search queries. The small paid editorial staffs at commercial directory sites can't keep up with submissions, and the quality and comprehensiveness of their directories has suffered. Link rot is setting in and they can't keep pace with the growth of the Internet.

Instead of fighting the explosive growth of the Internet, DMOZ provides the means for the Internet to organize itself. As the Internet grows, so do the number of net-citizens. These citizens can each organize a small portion of the web and present it back to the rest of the population, culling out the bad and useless and keeping only the best content." (Dmoz.org 2014)

It's easy to find more directories, for example searching google using keyword: "allintitle: resources directory" that gives thousands of results, where link can be left. For Estonia keyword "allintitle: kataloog" can be used as an example.

"If you start your query with allintitle: Google restricts results to those containing all the query terms you specify in the title. For example, [allintitle: detect plagiarism] will return only documents that contain the words "detect" and "plagiarism" in the title. This functionality can be obtained through the Advanced Web Search page, under Occurrences.

The title of a webpage is usually displayed at the top of the browser window and in the first line of Google's search results for a page. The authors of a website specify the title of a page with the HTML TITLE element."(Des Jardins 2012)

3.4.2.1.2. Customer and partners

Each company have some partners and clients, who probably have some web pages.

This is pretty similar to real-life marketing, when companies are giving our t-shirts, tea cups, pens to their customers and partners. While they are using these free things, they promote your company. Same situation can be repeated in Internet marketing. Marketer can ask partners or loyal customers to leave a link or put company logo that are linking to marketers website. For example: Microsoft company does this kind of marketing, by giving out special graphic badge to their certified partners.

3.4.2.1.3. Incentivizing content

Hiring professional copywriter, who can produce interesting content encourages visitors of website to share content naturally. For example copying it to their blogs, which can create viral effect, when text was copied from marketers' website to clients' blog, later copied by blog readers to emails, instant messengers, their own blogs, and so on?

3.4.2.1.4. Tactics to avoid

Before, the authors were speaking about black-hat methods. Those methods are extremely popular now across unfair marketers. Those methods must be avoided, if marketer is planning to get long lasting results, rather than quick results, that will disappear when search engines will recognize those tactics.

Spam links

Those are links that are left on a web site without owner's permission. Some examples of spammy user-generated content include:

- Spammy accounts on free hosts
- Spammy posts on forum threads
- Comment spam on blogs

(Google Inc. s.a.)

"Comments and forums are a great way for webmasters to build community and readership. Unfortunately, they're often abused by spammers and nogoodniks, many of whom use scripts or other software to generate and post spam. If you've ever received a comment that looked like an advertisement or a random link to an unrelated site, then you've encountered comment spam. Here are some ideas for reducing or preventing comment spam on your website." (Google Inc. s.a.)

3.4.2.1.5. Ahrefs.com

In further research authors are going to use service "ahrefs.com" that provides backlink metrics about websites.

"Ahrefs history dates back to 2011 when our first version of Site Explorer was introduced to public after one year of thorough preparation and data mining. With the launch of Site Explorer, Ahrefs stirred the stagnant field of backlink analysis and kick-started a new round of competition among SEO tool providers back then and quickly became one of the world's best backlink analysis tools.

From our humble beginnings, Ahrefs has steadily grown up, brick by brick. We started out with the first cluster of 6 hand-made servers, gradually moving on to our current powerful 60 TFlops system. Today, our index is updated with freshest backlinks found on the web every 15 minutes, and the crawler processes up to 6 billion pages a day. Hard to believe – it is only three times less than what Googlebot does!" (Ahrefs Pte Ltd 2014)

Service provide information about domain name, including: amount of backlinks count, referring domains count, anchors, "AR" or "Ahrefs rank", and a lot of other metrics for deep analyze.

Anchor is defined by W3C as a text, inside link. In example it looks like: "Visit W3Schools!" Where "Visit W3Schools!" is a text, that appear on a web page and after click bring to url, defined in "href" attribute. For SEO anchor is recognized as a keyword that specifies what that page is about. Sometimes it is called a "hyperlink". It is not a company name; it must be a keyword that clearly states what the page is about. For example page, that is selling a Renault car, must use anchor like: "buy Renault", "buy Renault", "Renault price" and the rest page descriptive. For main page of a company – there could be a company name as an anchor.

"**AR**" or "**Ahrefs rank**" is defined by Ahrefs.com service, as:

"Imagine billions of pages with amazingly huge amount of backlinks. If you have the possibility to register all of them together, then you have a chance to compare their mutual impact.

Ahrefs Rank measures the impact of all backlinks with different link juice to a given page. Every URL has its own AR." (Ahrefs Pte Ltd 2014)

Site wide links

Usually backlinks count is not main metrics, because there can be backlink left from other company web site. For example: company have offices in Estonia, Latvia, Lithuania – and three domain names in .ee, .lt. and .lv zone, those web sites are linked to each other. That can cause hundreds and thousands (depending on amount of pages) links, but all of them are from the same domain – and it has less impact on domain rankings.

"There are two ways Google looks at this problem. Algorithmically, and manually. The algorithm works in much the same way for site-wide backlinks as it does for keywords. For keywords, the relation between the number of keywords and the importance of each new keyword is asymptotic. This means that the first keyword will count a lot, the second not as much, the third, much lesser, and so on. So for those who are using keyword stuffing and inserting a ton of keywords in their posts, all those keywords lose their importance, and hence are rendered useless.

Site-wide backlinks are treated in a similar fashion. When Google finds a backlink on a website, that backlink counts the most. Each subsequent backlink to the same domain loses its value, so much so that even if there are a hundred backlinks to the same domain, only one or so will be actually considered as an 'important' backlink." (Zaib 2012)

3.4.2.2.   Other capabilities

Other capabilities are highly dependent on a target country and visitors. It could be social media optimization, specialized boards, and special scripts.

3.4.2.2.1. Google Local Business

This google feature provides full information about company immediately in search results. User should not even open company's website to get their location and phone, but it contains link to website and can be used by a searcher to get more information.

"If you provide products or services to local customers, a local search listing is a great way to increase your search engine exposure. When someone is looking for a localized provider, Google will often send them to their local listings.

To put your business on the map (literally), go to www.google.com/places. Select "Add New Business" to enter your 11business address, details, category, photos and more. Google will have to confirm your address with a phone call or a postcard sent to your address. Once confirmed, you'll begin appearing in local searches and your rankings will improve significantly." (InfusionSoft.com 2010)

Figure 12. Google organic search results for keyword „pizza". (Authors)

Example of companies (see figure 12), who added themselves to Google Local Business, and are related to "pizza Tallinn" search keyword.

3.4.2.2.2. Tynt

"Benefit from user copy & paste activity to drive SEO, traffic, editorial insights, and more." (33Across 2014)

"Tynt" is a service that provides great opportunities for off-page promotion. Every time when visitor copies something from webpage, "Tynt" adds link to marketers' website to this copied text. When visitor pastes this text to instant messenger, forum, email – this text contain link that can drive additional traffic to web site. Figure 13 shows, how this service works.
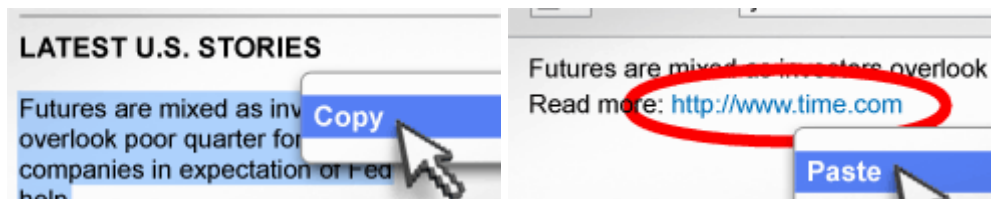
Figure 13. What Tynt.com does. (33Across 2014)

3.5. SEM

SEM activities are off-page activities, dedicated to promote web site online. It has a lot of different delivery methods (banners, text link, text advertisements, etc.). Each of delivery methods has set of different payment models.

3.5.1. Payment models

CPM. "Cost Per Mille. Usually represents the price of 1000 banner impressions in dollar currency. Payment depends on the number of impressions solely. For example, a banner is being shown 200,000 times at CPM of $0.5, means that the payment by the advertiser to the publisher would be 200,000 * 0.5 / 1000 = $100." (TLVMedia 2013)

CPC. "Cost Per Click or PPC (Pay per click) means advertisers pay each time a user clicks on the ad. CPC advertising works well when advertisers want visitors to their sites, but it's a less accurate measurement for advertisers looking to build brand awareness. CPC's market share has grown each year since its introduction, eclipsing CPM to dominate two-thirds of all online advertising compensation methods." (Online Advertising 2014)

CPL/CPA/CPS. Cost Per Lead / Cost Per Acquisition / Cost Per Sale. In this model the advertiser pays explicitly per transaction type made by the buyer that resulted from a click on a banner impression. Payment depends either on the cost of lead, cost of sale or a percentage of the sale's revenue. For example, a banner is being shown 200,000 times, and being clicked 1000 times. 10 clicks converted to a lead where the advertiser pays 5$ per lead. The total advertising cost would be $10*5 = 50\$$. (TLVMedia 2013)

3.5.2. Delivery methods

Banners

"Web banners or banner ads typically are graphical ads displayed within a web page. Many banner ads are delivered by a central ad server.

Banner ads can use rich media to incorporate video, audio, animations, buttons, forms, or other interactive elements using Java applets, HTML5, Adobe Flash, and other programs." (ADS Digital Marketing 2013)

Pop-ups/pop-unders

"A pop-up ad is displayed in a new web browser window that opens above a website visitor's initial browser window. A pop-under ad opens a new browser window under a website visitor's initial browser window." (Online Advertising 2014)

Now this kind of delivery is not so popular, like a few years ago. Most of browsers implemented features to block those advertisements automatically, because they are quite annoying. Now there are some plugins or special software that help browser to control and block such type of advertisements.

Floating ads

"A floating ad, or overlay ad, is a type of rich media advertisement that appears superimposed over the requested website's content. Floating ads may disappear or become less obtrusive after a preset time period. "(ADS Digital Marketing 2013)

Text ads

"A text ad displays text-based hyperlinks. Text-based ads may display separately from a web page's primary content, or they can be embedded by hyperlinking individual words or phrases to

advertiser's websites. Text ads may also be delivered through email marketing or text message marketing. Text-based ads often render faster than graphical ads and can be harder for ad-blocking software to block." (ADS Digital Marketing 2013)

There are many others types of advertisements, those are most popular.

3.5.3. Ad Networks

There are thousands of ad networks across the web. Each of them have own specialization basically offering 1-2 delivery methods.

For standard banners and text ads the most reputable is Google AdWords, which offers CPC model based banner and text advertisements.

Floating and other "tricky" types of advertisement are highly popular in Estonia. For example smartad.eu and adnet.ee are offering a lot of floating ads. It could be overlay banner (appears in a corner); it could be scrolling banner (like scrolling news line) and many others. (SmartAd.eu)

For text ads there are two popular companies, sape.ru (basically for Russian language websites) and text-link-ads.com for global text links ads.

For CPS, CPL and other models, Estonian network pay4results.eu can be used.

3.6. Introduction to SMM and SMO

As already being mentioned above, social networks are changing the way, how people are using The Internet. Nowadays people are more and more uploading and creating own content in The Internet, rather than downloading something. Users prefer to share their photos, videos, opinions.

Before buying something, people used The Internet to search for recommendation from somebody, whom they don't know personally, but who already tried that product. Nowadays, global Internet socializing changed this world, and people are asking recommendations from friends in social networks, whom they trust and know personally, rather than searching for somebody's opinions. Building a community around company, or just buying advertisements, it

is all up to a company owner. But social networks cannot be avoided as a marketing channel anymore.

3.7. SMM

Social media marketing, main aim of those activities is to create some community around product or company. To attract people – marketers use different tactics, starting from interesting and fresh news about product, and finishing with free give-outs of presents (t-shirts, cups, etc.).

According to Alexa.com most used social networks in Estonia are Facebook and VK.com. Table 7 provides general information about each of those social networks.

Table 7. Most used social networks in Estonia according to Alexa.com. (Authors adopted from: Vk.com 2012; List of virtual communities with more than 100 million active users; Statistic Brain 2014)

Metrics	Facebook	VK.com
Amount of users	1.11 Billion	220 million
Daily users	48% out of 1.11 Billion	60 million
Turnover	$6,15 billion	~$14 million

To check topicality of social networks in Estonia, authors checked amount of users in each of mentioned social networks. Results are:
- 480,000 Estonian people in Facebook (Facebook Inc. 2014)
- 130,254 Estonian people in VK.com. (VK.com 2014)

It is the biggest problem of marketing in Estonia, that due to low population, big companies like Facebook in this example don't offer deep enough targeting for this country. For example – it is possible to target and advertise for Russian market as deep, as per metro station.

Facebook is a global network, connecting a lot of countries and different people. But during advertisement creation it is not possible to choose to target Estonian speaking people, because of low popularity of this language. The authors can assume that there is no more than 376,000 people (total amount minus Russian language speaking people), who is speaking Estonian language and living in Estonia.

As VK.com is Russian language oriented social engine (default interface language, groups and posts), all users there know Russian language. It is not possible to advertise for people who know Estonian, because it is not possible even to create advertisement on Estonian language.

Building a community in social networks allows company to quickly notify people about promotions, discounts, make some competitions and use any other ideas to increase popularity of company among people.

As a conclusion – advertising in social networks for Estonian market is possible, both of social networks have reasonable amount of users to play with.

3.8. SMO

SMO or Social media optimization is an on-page activity. It is dedicated to encourage users share website content across friends in social networks.

This tactics is used by most of the websites across The Internet. For example entrepreneur.com website:
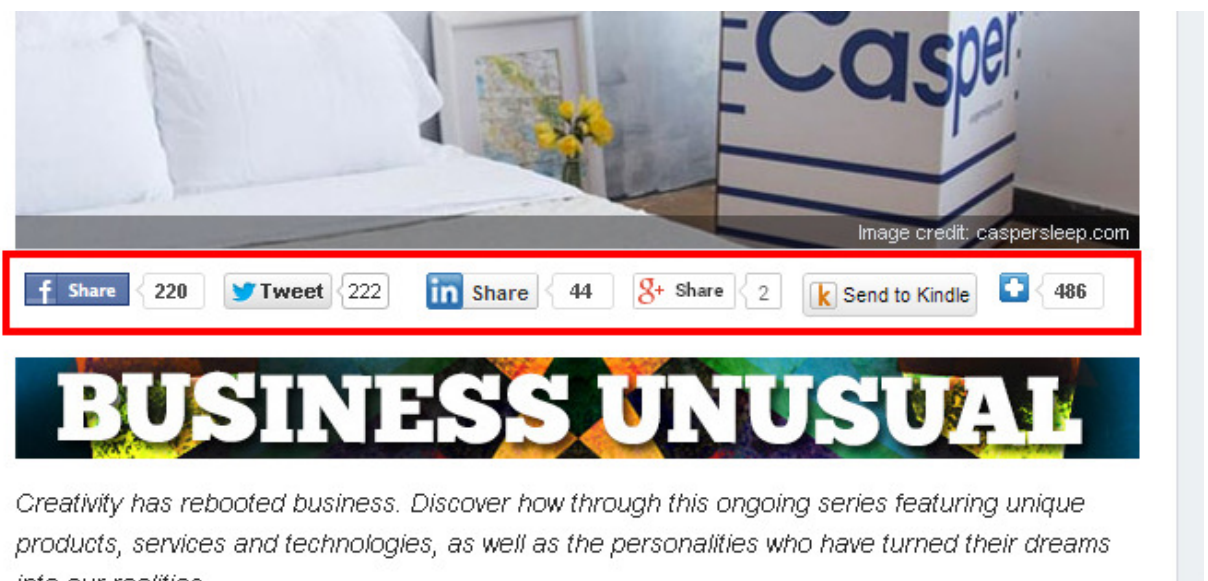
Figure 14. Screenshot showing SMO technique used by entrepreneur.com website. (Authors)

As the authors can see, entrepreneur.com (see figure 14) uses Facebook, Twitter, LinkedIn, Google+ and some more social engines sharing buttons. This allows people to easily, with one click, share content with other people across their network.

This process is dedicated to finding best place for those buttons, place where people click and share more. Usually it is beginning of an article (like on example), or the end of an article – where people can share article after reading if they liked it.

There are many services online that offer easy way to include social sharing buttons to marketers' web site. The most popular, are:

1) AddThis.com

"AddThis is the world's largest content sharing and social insights platform:

- Easy-to-use tools help users to share your content and drive viral traffic
- In-depth analytics provide insight into your audience and user activity
- Powerful APIs let you create your own UI, access analytics, and more"

(AddThis.com 2013)

2) ShareThis.com
3) Others, can easily be found in google typing "social sharing service" keyword

3.8.1. Calculate shares

There is a possibility to get amount of interactions for some specific web site.

- For Facebook http://graph.facebook.com/?id=[URL], where [URL] is a domain name. For example: http://graph.facebook.com/?id=http://example.com
- For VK.com http://vk.com/share.php?act=count&index=1&url=[URL], where [URL] is a domain name. For example http://vk.com/share.php?act=count&index=1&url=http://example.com

3.9. Conclusion to Internet Marketing theory

Most of people are connected to The Internet nowadays, in Estonia it is 79% of total population! Now more and more people search for information in The Internet, before making decision about buying. This trend cannot be avoided by marketers.

To make a company well known, marketers should follow all of the basic Internet marketing methods, to enfold maximum amount of possible clients.

If person don't know where to buy something - than he goes to search engine and start searching for companies, who produce goods or provide services than he is interested in. Later after person found a few companies, he will ask for advice in social networks, from his friends - which company from the list he found to choose.

Modern marketer must supply this person with information about marketers' company goods or services on every step, to cause a person to make the right choice!

4. RESEARCH METHODOLOGY

The objective of this part is to formulate the basic methodology that will be used in our thesis. The research approach thus is introduced firstly in order to determine appropriate research methods for our study. In any thesis the data collection is an important step to gain necessary information for the writing process. The various issues concerning data collection and data processing are presented next to the research approach. This chapter ends with the conclusions.

4.1 Quantitative research for RM and internet marketing

In quantitative studies, investigators use quantitative research questions and hypotheses, and sometimes objectives, to shape and specifically focus the purpose of the study

Quantitative hypotheses, on the other hand, are predictions the researcher makes about the expected relationships among variables. They are numeric estimates of population values based on data collected from samples. Testing of hypotheses employs statistical procedures in which the investigator draws inferences about the population

4.1.1. The companies studied

Ramirent

Ramirent Baltic AS is the biggest construction equipment rental and selling company in Baltic countries. Ramirent has 41 departments in Baltic's and 15departments all over Estonia. Ramirent Baltic AS belongs to Finnish contsern Ramirent Plc. Ramirent Plc sales turnover in 2012 was 714 000 000 Euros. With over 2700 employees, and all together 325 departments in 10 different countries in north, centre and eastern-Europe (http://www.ramirent.ee/ramirendist; 10.05.2014).

Cramo

Cramo aims to be the role model in rental. Cramo has 2,500 skilled employees and is represented in 15 markets in Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, the Czechrepublic, Slovakia and Russia (Kaliningrad). With over 200,000 equipment items for rent and over 150,000 customers, Cramo serves construction firms, manufacturers, the public sector

and private customers. On 2014 in Q1Cramo complited implementation of CRM system in Nordic countries (http://cramo.ee/upload/Corporate%20site/Sustainability/Sustainability_report_2013_final_lowres.pdf; 10.05.2014; http://www.cramo.ee/upload/Corporate%20site/Investors/Result%20presentations/2014/Cramo%20Q1%202014%20presentation.pdf; 10.05.2014).

Storent

is a Baltic success story. Established in 2008, the company now operates 23 rental outlets across three Baltic countries. From a turnover of €2.9 million in 2009 the company has seen revenues increase to €12.9 million in 2012, up 36% over 2011. EBITDA profits last year were €3.2 million. Storent has managed to grow, despite facing tough competition, and has

made a particular speciality in split-rentals, with over a quarter of its fleet operated in this way.

4.2. Introduction to RM research

The purpose of RM research is to detect on example of Estonian biggest construction rental companies like Cramo, Ramirent and Storent, their marketing methods thru available literature online and also companies annual reports (2012).

The authors have chosen for research annual reports, because interviewing these big companies won't provide better results for numbers, that is our interest since nobody won't reveal their marketing strategies that are giving them competitive advantages.

By examine company's annual reports the authors aim is to find out if somebody of these companies is using RM marketing methods and what is the effectiveness of that activity.

On the first part of research part the authors describe Cramo, Ramirent and Storent marketing strategies in Estonian market. On the second part the most important numbers from annual reports are being observed in terms of marketing effectives. On third part already an analysis of Ramirent and Cramo is being conducted using CLV measuring methods. On fourth part companies annual reports and CLV calculations findings are being analyzed.

On this part of thesis the structure of RM research was explained and the methods that have been used for measuring Ramirent Cramo and Storent marketing effectiveness have been brought out.

4.2.1. Marketing strategies of Ramirent, Cramo and Storent

In following chapter the marketing strategies that Ramirent, Cramo and Storent are using in Estonia are being described.

Ramirent markets its company thru traditional marketing channels (TV, radio, newspapers and online channels). Also one of their marketing strategies is related to sponsorships. Ramirent is sponsoring many different sports activities and sports leagues in Estonia that are targeted to men. Being seeable in sports events is their biggest marketing activities in marketing terms.

Cramo uses the same traditional marketing channels, like TV, radio, newspapers and online channels. They also focus in sponsoring. In Estonia for example thru SOS children village and all kinds of children sports activities, theaters and other sports activities, that are specifically targeted to men like BC Kalev Cramo. Since 2009 Cramo participates in the United Nations Global Compact; the largest voluntary corporate citizenship in the world.

Also other marketing tactics are being used; for example, at company's website http://www.cramo.ee there is a press release, that a certain rock band has used Cramo Group office space and other properties in order to market them since the band name is Cramones. The pressrelease says that „...you should watch their website www.cramones.com to recognize these guys. It can be seen as an obvious but effective „marketing trick". Theyr last pressrelease comes from year 2010 and the newer news start in 2013.

Storent is marketing directly to other construction companies. According to their annual report, Storent has in total 21 employees from whom 2 are salesman. Their work is to go form company to company and market to talk about Storent and describe the possibilities. They are the only company of compared ones who uses direct sales method. They are currently not providing any sponsorship. They have created to themselves a different niece in Estonian rental market that offers to Storent customers the possibility to rent out their equipment thru Storent.

4.2.2. Analysis based on Ramirent, Cramo and Storent annual reports

In that chapter the findings of Ramirent, Cramo and Storent 2012 annual reports results are being written and further also analyzed.

4.2.2.1. The overall % of turnover that is spent on marketing

Ramirent: The total turnover in Estonia in (see table 8) 2012 was 12 000 000 €. Ramirent total marketing expenses were 415 481 €. Ramirent has in Estonia 199 employees and their profit margin is 14%. Ramirent total spending on marketing expenses in 2012 of turnover was 3,5%

% of turnover spent on marketing = 415 481/12 000 000= 3,5%

Cramo: The turnover in Estonia in 2012 was 18 000 000 €. Cramo total marketing expenses were 530 000 € and they have in total 139 employees in Estonia and their profit margin was 28%. Cramo total spending on marketing expenses in 2012 of turnover was 3%.

% of turnover spent on marketing = 530 000/18 000 000= 3%

Storent: The turnover in Estonia in 2012 was 21 000 000 €. Storent total marketing expenses were 24 100 € and they have in total 21 employees. Their profit margin was 0,5% and their total spending on marketing expenses in 2012 of turnover was 1%.

% of turnover spent on marketing = 24 100/21 000 000=1 %

Table 8. Data from Ramirent, Cramo and Storent annual reports (Author).

	Ramirent	Cramo	Storent
Turnover in Estonia 2012 €	€12 000 000	€18 000 000	€2 500 000
Total marketing expenses €	€415 481	€530 000	€24 100
Employees	199	139	21
Profit margin %	14%	28%	0,5%
% of turnover that is spent on marketing	3,5%	3%	1%

The calculation shows, that Storent who has the smallest turnover in Estonia and they have spent in total the smallest amount for marketing expenses in total.

Cramo has the biggest turnover in Estonia and in total of 139 employees. To take the percentage of turnover that is being spent on marketing then it shows that Ramirent spends the most and

Storent spends the least. The overall difference between Ramirent percentage of turnover that is spent on marketing compared to Cramo ones is just 0.5%, but it shows that Cramo is able to market its company more cost efficiently than Ramirent and is targeting its marketing also more efficiently, by generating with that activity 4 000 000 € more than Ramirent. Compared to Storent and Ramirent, Cramo has the highest profit margin 28%.

4.2.2.2. Revenue per employee

This ratio is most useful when compared against other companies in the same industry.
Ramirent: 12 000 000/199= 60 301 € per employee

Cramo: 18 000 000/139= 129 496 €/ per employee

Storent: 2 500 000/21= 119 047 €/ per employee
From results it shows that Storent and Cramo have the biggest revenues per employee: Cramo 129 496 €/per employee and Storent 119 047 € per employee witch means that Cramo has the highest revenue per employee and denotes to higher productivity. According to these results it can be said that Cramo has a good financial performance and that is targeting its marketing methods in better ways than Ramirent.

4.2.2.3. ROMI

This metric is best used to determine marketing effectiveness and steer investments from less productive to more productive activities.

(Profit-marketing cost)/marketing cost

Ramirent: (4 200 000-415 481)/ 415 481=9,12
Cramo: 4 800 000-530 000)/ 530 000= 8,06
Storent: (13 000-24 100)/ 24 100= -0,46
Calculations show how much for 1€ that has been put in to marketing activities is being generated back. Ramirent generates per 1€ that has invested into marketing 8,12€ pure profit and Cramo has the number little bit smaller 7,06€ per 1€ investment. To take Storent under observation the formula shows that for every 1€ that the company spends for marketing they are paying 0,46€ extra. Storent marketing activities are not generating any profit.

4.2.2.4. The amount of customers

The find out Ramirent, Cramo and Storent amount of customers the following rough calculations are made.

Cramo

Cramo has in total in all countries150 000 customers and 2500 employees in Cramo group.

150 000/2500=60

In Estonia there are 139 employees

60*139=8340 is the number of customers in Estonia

Ramirent

Ramirent has in total 2700 employees and 200 000 customers in all countries.

200 000/2700=74,1

Ramirent has in Estonia 199 employees:

199*74,1= 14 746 is the number of customers is Estonia

Storent

Storent has in total in all Baltic countries

4.2.3. Ramirent and Cramo CLV.

In this part the authors have used CLV measurement methods to provide a detailed analysis of Ramirent and Cramo marketing effectiveness thru CLV. Storent have been skipped out from this part since this company is currently in growth stage and CLV analysis about that company won't give any actual results.

The following data have been inserted into tables: time between purchases, retention rate per period (likelihood that a given customer in one period will buy again in the next period), average purchase value, profit margin and per purchase, discount rate and product inflation per year, cost of reaching a potential customer, customer return rate, customer attracting cost and customer acquisition cost. This tables are based on real numbers from annual reports and also some

assumptions have been used (based on statistics) to measure Ramirent and Cramo CLV. The authors will skip the analysis of Storent in CLV because it is a young company and is in growth stage on company's lifecycle right now and has not developed a certain market share yet.

4.2.3.1. Cramo

Firstly the CLV (see table 9) of Cramo is being observed.

Time between purchases is the time between purchases that have been made in one year. In Cramo case the time between purchases is:

365*0,03= 10,95

Cramo customers make approximately 3 purchases in a month and the purchases are made in every 10,95 days.

Table 9. An analysis of Cramo CLV

Time between purchases (years)	0,03
Retention Rate per Period	79%
Average purchase Value	€120,00
Customers in Estonia	8340
Profit Margin	28%
Profit per Purchase	€33,60
Discount Rate per year	10%
Product Inflation per year	10%
Cost of Reaching a Potential Customer	€63,40
Customer return Rate	35%
Cost of Attracting a Customer	€181,14
Total Customer Acquisition Cost	€181,14

Average purchase value is 120 €. Profit per purchase that Cramo has made in 2012 is:

120*28%= 33,60 €.

Discount rate per year is usually an average of 10%. All new clients who will rent from Cramo will get a discount of 10%. Product inflation per year is 10%: the average equipment lifetime is about 10 years and also the time with what usually the equipment amortizes. Cost of reaching potential customer:

530 000/8340= 63,4 €.

Total Estonian rental market size in 2012 according to www.stat.ee was 51 500 000 €. Cramo turnover in 2012 was 18 000 000 €. Following it is possible to generate Cramo customer return rate:

18 000 000/51 500 000= 0,35*100=35%

Cost of attracting customer

63,4/ 0,35= 181,14 €

4.2.3.2. Ramirent

The CLV (see table 10) of Ramirent is being observed following.

The average Ramirent customer purchase value is 90 €

Table 10. An analysis of Ramirent CLV

Time between purchases (years)	0,03
Retention Rate per Period	74%
Average purchase Value	€90,00
Customers in Estonia	14 746
Profit Margin	14%
Profit per Purchase	€12,60
Discount Rate per year	10%
Product Inflation per year	10%
Cost of Reaching a Potential Customer	€28,20
Customer return Rate	23%
Cost of Attracting a Customer	€122,61
Other one off costs	€-
Total Customer Acquisition Cost	€122,61

Profit per purchase:

90*14%= 12,60 €

The overall number of Ramirent customers in whole concern is 200 000 and the employees in 2700= 200 000/2700=74,1*199= 14 740 customers in Estonia.

Cost of reaching potential customer:

415 481/14 746= 28,2 €

In one year customer buys Ramirent products:

0,03 times*14 746= 442,38????????

Ramirent customer return rate is:

12 000 000/51 500 000= 0,23*100= 23% is Ramirent customer return rate.

Cost of attracting customer 28,2/ 0,23= 122, 6 €

4.2.4. Annual reports and CLV analysis findings

On the last part of RM research part the conclusions and findings from annual report analysis, CLV and also Ramirent, Cramo and Storent are bought out.

Annual reports

Analysis of Ramirent, Cramo and Storent annual reports showed that Storent have spent the least for marketing, compared to Cramo and Ramirent, but it is understandable, since Storent is currently in growth stage on its companies lifecycle and is unable to make marketing campaigns like Ramirent and Storent. Within these few years they have gained they market share quite quickly and now they are "one of the top renters" in Estonia.

Analysis also showed that Ramirent spends the most on marketing. Ramirent and Cramo have the highest marketing expenses to turnover and their difference is only 0,5% for Cramo but in total turnover it makes 4 000 000 € difference and their profit margin is 28%. Witch means, that Cramo is targeting marketing in better ways than Ramirent and Storent and has a higher productivity.

One more interesting finding was that Ramirent generates per 1 € -8,12€ profit per customer when Storent spends per 1€- 0,46 €. It shows directly marketing effectiveness (ROMI).

CLV

The analysis findings on CLV show (see table 11) that Ramirent had 14 746 customers in Estonia and Cramo had 8340 customers in 2012. Even though that Cramo had smaller number of clients they generated 33,60 € profit per purchase when Ramirent who has almost double number of clients compared to Cramo, its profit per purchase was also more than double smaller than Cramo's. These numbers show that Ramirent has smaller client base (based on the number of customers and profit per purchase) and the clients are "smaller", because the turnover is smaller than Cramo turnover. And this difference comes from different marketing channels. It can't be about sales contacts since these contacts are the same. So it has to be about marketing techniques

Table 11. Important findings from Ramirent and Cramo annual reports analysis (Source:Authors).

	Ramirent	Cramo
Customers in Estonia	14 746	8340
Profit per Purcase €	€ 12,60	€ 33,60
Cost of Reaching a Potential Customer €	€ 28,20	€ 63,40
Customer Return Rate	23%	35%
Cost of Attracting a Customer €	€ 122,61	€ 181,66

Cramo has higher cost of reaching potential customers witch is 63,40€ per customer, when Ramirent has it on 28,20€ per reaching customer, Cramo marketing channels and campaigns are more expensive than Ramirent has, but generates more profit in overall.

The customer return rate shows that 35% of Cramo customers are coming back to make a second purchase and Ramirent has the percentage on 23%.

The Cost of attracting customer shows the total input (in money terms) that has been invested to attract one costumer. Cramo invested into getting one customer 181,66€ and Ramirent made expenses for getting one customer 122,61€.

The similarities and differences between marketing strategies

Ramirent and Cramo are both using traditional marketing channels like TV and radio commercials, paper ads and banners in Estonian biggest online sites. They both are sponsoring the same kind of sports activities that are targeted to men. They both are sponsoring different TV series.

The differences between their marketing strategies are that Cramo is also providing "golden" sponsorship to SOS children village (not only in Estonia). Ramirent is sponsoring all kinds of cultural events

Storent is not doing any marketing in TV or radio, their marketing strategy is more related to with raising awareness among other construction companies about Storent by providing them with incentives with Storent logos. They have created to themselves a different niece in Estonian rental market that offers to Storent customers the possibility to rent out their equipment thru Storent.

It seems like using sponsorship as part of marketing is used only for maintaining the market share not to grow its actual market share. Bad feedback between profit and marketing expenses- not efficient)

It seems that Cramo and Ramirent are in a way stuck at their comfort zone and are confident also about their market share. RM is in a way seen as irrelevant to them because they already have the highest positions on that market. Storent on the other hand have chosen RM way and have gain in three years in Estonia their market share, as a third biggest rental company in Estonia. It might be that because of Storent approach into marketing they might get a comparable market share in some years with Ramirent and Cramo. They seem to be really motivated in

4.2.5. Conclusion

In this part of the chapter an analysis of Ramirent, Cramo and Storent according to their annual reports was done. The findings show that Ramirent and Cramo are not using RM methods and their aim is to keep their market share. Storent is actively using RM methods and has gain with that strategy to the third place on Estonian construction rental area behind Ramirent and Cramo, within three years.

4.3.   Introduction to Internet Marketing research

Aim of this research part is to detect, how strong RentSOS competitors in The Internet Marketing are. Which methods are they using to promote their services across The Internet, how do they do it exactly and are there any space left for startup company like RentSOS.

Research is going to be divided into 4 parts, similar to like it was in Internet Marketing theory part. Parts are: Search Engine Optimization, Search Engine Marketing, Social Media Marketing, and Social Media Optimization.

To analyze it, authors are going to use public and open data, like:

- their websites where authors can check for on-page SEO and SMO
- public services (like ahrefs.com, etc.) to check off-page SEO
- Google search engine to check for SEM

- Social networks (Facebook and VK.com) to check for SMM

More precise description, how authors are going to check usage of each of the methods are already described in theoretical part and will be clarified in appropriate section of this research.

4.3.1.   Top 3 Estonian construction rental companies

Authors decided to choose top 3 companies in this field to analyze their Internet Marketing strategies (if they have one). So authors selected following companies:

1) Cramo and website cramo.ee
2) Ramirent and website ramirent.ee
3) Storent and website storent.com/ee/

http://www.khl-group.com/events/icef/assets/mp-icef-presentation.pdf

4.4.   SEO analysis

To start with SEO analysis, there is a need to detect, if competitor websites are indexed by Google search engine. It can be easily checked, with special google operator "site:"

"To determine whether your site is currently included in Google's index, do a site: search for your site's URL. For example, a search for [site: google.com] returns the following results: http://www.google.com/search?q=site%3Agoogle.com ." (Google Inc 2014)

Table 12. List of google index status of top Estonian construction companies. (Authors)

Web Site	Indexed	Pages
Cramo.ee	Yes	588
Ramirent.ee	Yes	1170
Storent.com/ee	Yes	254

So authors detected (see table 12) that all sites are indexed by Google search engine, that means – that there could be some visitors from search engine.

On-Page SEO analysis

There are a lot of signals, telling that website is optimized or not for SEO. Authors are going to take the basics, described above in SEO section. Therefore authors are going to analyze:

1) Titles of webpages
2) Meta tags (description and keywords)
3) Images placement and ALT attributes
4) Sitemap (for search engine robots and visitors)
5) Robots.txt
6) Clean URLs
7) Page load speed
8) Validate for W3C rules
9) Content

Authors are going to analyze companies' web sites to detect, whether they are performing any actions for SEO, or not. During analyze, authors are going to take main page of a web site plus 1 random page, and score will be calculated based on average across those 2 pages. Each item in table is going to give 1 point if done, and follows search engine guidelines. And 0 points if not done or not follows guidelines. Those guidelines refer to "SEO Basics" paragraph above.

Those metrics have different impact on search engine rankings, but it is not possible to calculate exact impact of each metric, because search engines don't provide such information. So, authors decided to perceive them as equal, because in total all of those metrics provide well optimized web page. Tables 13, 14 and 15 shows information, that authors got during research.

Table 13. Cramo.ee on-page SEO summary table. (Authors)

#	Metric	Value	Points
1	Average Title length (maximum 65)	34	1
2	Title uniqueness across pages	Yes	1
3	Meta description uniqueness	No	0
4	Meta description length (maximum 160, minimum 100)	-	0
5	Alt attribute	50% of images	0.5
6	Sitemap for robots	No	0
7	Sitemap for people	Yes	1
8	Robots.txt	Yes	1
9	Clean URLs	No	0
10	W3C errors (less than 95)	15	1
11	Page load score mobile (more, than 70)	56	0
12	Page load score desktop (more than 88)	69	0
13	Rich content	Yes	1
14	Text content (independent piece of text, 1000 characters or more)	No	0
Total		6.5	

Table 14. Ramirent.ee on-page SEO summary table. (Authors)

#	Metric	Value	Points
1	Average Title length (maximum 65)	41	1
2	Title uniqueness across pages	Yes	1
3	Meta description uniqueness	No	0
4	Meta description length (maximum 160, minimum 100)	10	0
5	Alt attribute	Yes	1
6	Sitemap for robots	No	0
7	Sitemap for people	Yes	1
8	Robots.txt	No	0
9	Clean URLs	Yes	1
10	W3C errors (less than 95)	24	1
11	Page load score mobile (more, than 70)	64	0
12	Page load score desktop (more than 88)	61	0
13	Rich content	Yes	1
14	Text content (independent piece of text, 1000 characters or more)	No	0
Total		7	

Table 15. Storent.com/ee on-page SEO summary table. (Authors)

#	Metric	Value	Points
1	Average Title length (maximum 65)	58	1
2	Title uniqueness across pages	Yes	1
3	Meta description uniqueness	No	0
4	Meta description length (maximum 160, minimum 100)	5002	0
5	Alt attribute	50% of images	0.5
6	Sitemap for robots	No	0
7	Sitemap for people	No	0
8	Robots.txt	No	0
9	Clean URLs	No	0
10	W3C errors (less than 95)	199	0
11	Page load score mobile (more, than 70)	52	0
12	Page load score desktop (more than 88)	59	0
13	Rich content	No	0
14	Text content (independent piece of text, 1000 characters or more)	50% of pages	0.5
Total		3	

4.4.2. Off-Page SEO analysis

For off-page SEO analysis, the authors is going to use Ahrefs.com service, in order to check – are there any backlinks to website with anchors, related to their business, or anchors mostly contain company name (so probably they are located on partners websites). Summary of this analysis presented in table 16.

Table 16. Summary off-page SEO analysis. (Authors)

Competitor	Ahrefs Rank	Backlinks count	Referring Domains
Cramo.ee	17	136,000	153
Ramirent.ee	16	31,000	133
Storent.com/ee	9	886	106

As already mentioned above, in "Link Building" section, backlinks count could be very big, but actually this brings no real favor to a web site, because most of them are from the same domains, that don't bring any impact on search engine rankings. This table illustrates it very well, while cramo.ee have 136,000 backlinks, as far, as they are from 153 domains – it has "Ahrefs rank" equal to 17 only (out of 100). This table already states, that there is not too much done about off-page SEO for those companies. Now author going to perform deeper research, and check TOP 5 anchors that are used by websites, which are linking to those companies. To detect, if there are any backlinks that were placed to influence search engine rankings for appropriate keywords. As those companies main specialization is to give construction related machinery out for rent, than

anchors must contain some of those keywords to rank higher when somebody performs search for this machinery. Keyword list is located in Appendix 1.

Table 17. Cramo.ee top keywords placed on other websites. (Authors)

Anchor	Referring Domains	% of total Referring Domains
www.cramo.ee	35	28
cramo	33	27
<a>noText	31	25
cramo estonia as	9	7
cramo estonia	7	6
Total	115	93

According to this table 17 the authors made conclusion, that 93% of anchors are having company name inside. That means – no special optimization was done, to rank higher for main company specialization.

Table 18. Ramirent.ee top keywords placed on other websites. (Authors)

Anchor	Referring Domains	% of total Referring Domains
ramirent	31	22
<a>noText	25	17
www.ramirent.ee	21	15
estonia	11	8
http://www.ramirent.ee	7	5
Total	95	67

According to table 18, 67% of anchors don't contain any special keyword, related to company specialization. Conclusion – no off-page SEO was done.

Table 19. Ramirent.com/ee top keywords placed on other websites. (Authors)

Anchor	Referring Domains	% of total Referring Domains
www.storent.com	17	31
<a>noText	9	16
http://www.storent.com	9	16
storent	6	11
mājas lapa	4	7
Total	45	81

"mājas lapa" keyword on Latvian language, means "homepage". According to table 19, authors made following conclusions: 81% of anchors are not related to main service, provided by a company, that means – no optimization were done.

4.5. SEM analysis

Search engine marketing is promotional of web site, to achieve more visitors, sales and leads via website. There are a lot of different ad networks, that were mentioned in "SEM" section above, but it is hard to analyze are companies using them or not. But the biggest and most popular network is Google AdWords that offers CPC model of promotion.

It is quite tricky to analyze, if companies are using this network, but possible. There are two options to do it:

1) Manual – using google.com to research for specific keywords, and check if there are any results in paid listing.
2) Automatic by using different special services. Due to low population in Estonia, services are usually not concentrating on this market, so it makes impossible to analyze.

The authors are going to use manual method to check, if companies are using Google AdWords network or not. For manual research the authors are going to take top 5 keywords (which have most of searches according to Google AdWords stats stated in paragraph "Reasonableness of SEO in Estonia") from Appendix 1, and search for them using Google with selected Estonian locale as default. To do it there is a need to open "Advanced search" in Google, and select Estonia as a "Region".

Top keywords are:

- Tööriistarent
- ekskavaatori rent
- tõstuki rent
- kraana rent
- tööriistade rent

There will be keyword with company name; most of companies use it as a keyword also.

Table 20. SEM summary by top keywords. (Authors)

Keyword	Cramo.ee	Ramirent.ee	Storent.com
Tööriistarent	+	-	-
ekskavaatori rent	-	-	-
tõstuki rent	+	-	-
kraana rent	-	-	-
tööriistade rent	+	-	-
Cramo	-	+	-
Ramirent	-	+	-
Storent	-	-	-

As stated in table 20, there are 2 companies, who are doing search engine marketing, they are cramo.ee and ramirent.ee.

Ramirent.ee

As it is clearly visible from table – ramirent.ee use its own name and competitor's names as keywords. And are not using some specific keywords that can bring more relevant visitors, who really want to rent some specific machine right now.
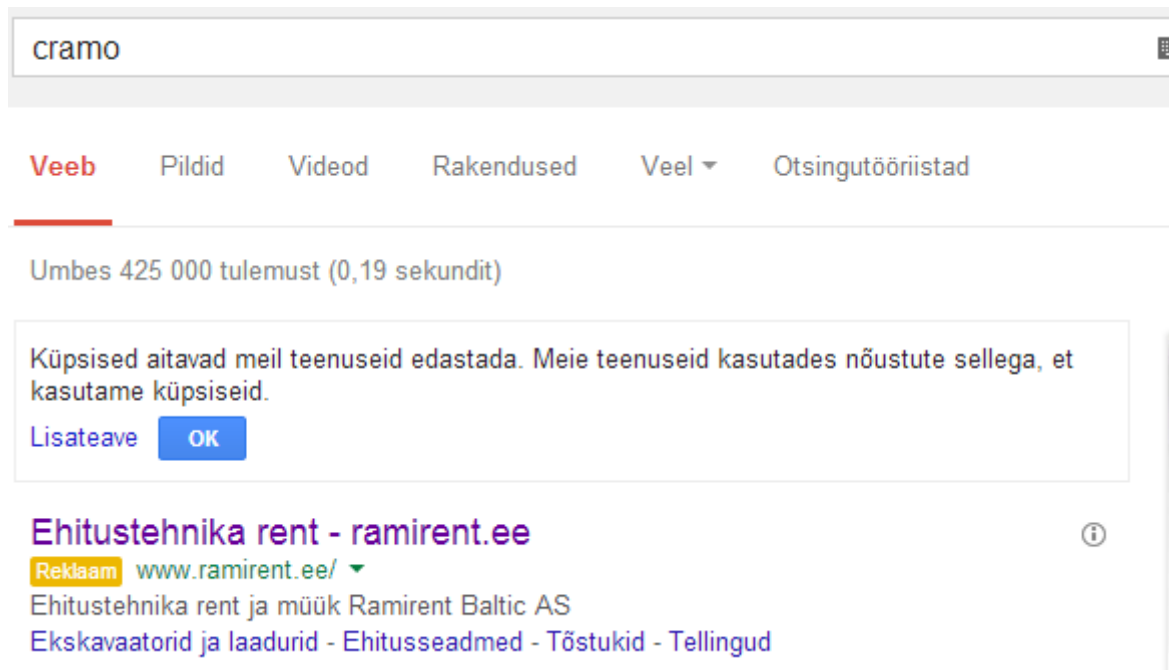

Figure 15. Google organic search results screenshot using „cramo" keyword with advertisement of Ramirent. (Authors)

As clearly visible from screenshot (in figure 15), when the authors performed search for keyword "cramo", company "Ramirent" shows as an advertisement.

Cramo.ee

Cramo.ee is using some general keywords to advertise, like: "Tööriistarent", but they don't pay attention to more specific keywords. As a conclusion they are losing potential customers, who are searching for "kraana rent" for example.

As a conclusion: 1 competitor is not promoting himself. 2 companies are doing it, but not so good, as they can. For RentSOS it means that there are lot keywords to advertise on remaining, with low competition – that means that it will be with cheaper price.

4.6. SMM analysis

To check, if company is using social networks to build a community – there must be just a search performed in social network with company name. As those companies are global, and have representative offices in several countries, the authors are going to find special community for Estonia.

Table 21. SMM analysis summary. (Authors)

Competitor	Facebook presence	VK presence
Cramo.ee	No	No
Ramirent.ee	Yes	No
Storent.com/ee	Yes	No

As stated in table 21, only 2 companies were trying to build a community around their company.

Ramirent.ee

Have a page in Facebook (https://www.facebook.com/ramirentestonia), but they have never posted anything there. It is empty page, the authors can't get an idea what for they created page, if they are not using it? So, the authors can assume, that even if they have page, they don't do any SMM.

Storent.com/ee

Storent Estonian page in Facebook (https://www.facebook.com/pages/Storent-Tartu/419218021490902) a bit more alive, than Ramirent. They have no information about company, only some photos of their construction sites – where their machinery were working. But, page is called "Storent Tartu"; their main aim was for Tartu people? So, the authors assume

that even if they have page, they don't do it properly (no information about company, no visitor's engagement, no dialog with customers, etc…).

4.7. SMO analysis

SMO is a set of activities, to engage users to share content of a web site within their network in social networks. Mostly it is done via special share buttons that are shown in "SMO" section above. Sometimes sharing can be done manually, for example if some user inserts link to a web page manually to social network.

So to analyze if companies are doing social marketing optimization, the authors are going to check following parameters:

1) If there are share buttons placed somewhere on site
2) How many shares does web site have in major social networks

Table 22. SMO analysis summary. (Authors)

Competitor	Share buttons on site	Facebook shares	VK shares
Cramo.ee	No	0	0
Ramirent.ee	No	7	0
Storent.com/ee	No	0	0

This table 22 shows that there is no social media optimization done by companies.

4.8. Analysis findings

Table 23. Findings summary table. (Authors)

	SEO (on-page)	SEO (off-page)	SEM	SMM	SMO
Cramo.ee	-	-	+	-	-
Ramirent.ee	-	-	+	+	-
Storent.com/ee	-	-	-	+	-

This table 23 demonstrates overall information about companies that were analyzed by authors.

Cramo.ee

This company, that only Internet marketing activity is search engine marketing. So basically they are paying for each visitor that came to their website. It doesn't matter even this visitor became a client or not, payment is done on CPC basis. Company is trying to attract visitors based on base keywords, like "tööriistade rent", which is general keyword for construction machinery. If they would pay more attention to exact keywords, like "eskavatori rent" they can increase amount of visitors, gained by this tactics.

This company doesn't cares about social networks, where they can build a community of customers. That brings the authors to idea that this company are not trying to build long relationship to their clients.

Ramirent.ee

This company is using 2 out of 4 analyzed methods. SEM and SMM. SEM is done even more badly, than by cramo.ee, because basic keywords that they are using to attract visitors are "Ramirent" and "Cramo". So that basically means that they want to attract visitors from search engines who are searching exactly for their company name. But it is pointless, if person knows company name – he probably knows website, or can "google" it. Typing keyword "Ramirent" in google search, company website can be found twice, in both – first place of organic results, and first place of paid results. That makes it useless for company to pay for this keyword, as they are on the first place, and everyone who types this keyword can easily find them. Company doesn't use any construction rental field related keyword, like Cramo does, that makes this company getting low amount of visitors by using SEM tactics. What about SMM – Ramirent have company pages presented in Facebook, but page that is dedicated for Estonian market have no posts inside it. So page is created, but there is no activity to attract customers or build a community around company, that makes clear vision that someday they tried to create a page and did it, but finally decided not to use this tactics at all, without even starting to try it out. So SMM tactics can be considered as not done at all.

Storent.com/ee

Storent tried to use SMM tactics, but like Ramirent have not done too much to make this tactics successful. According to analysis – Storent page in Facebook called "Storent Tartu", as it is understandable from the name, page oriented for Tartu clients. Also most of the posts and photos are about their presence in Tartu. Page is updated approximately once per 3 weeks, that is much

better than Ramirent does, but not enough. So their SMM tactics targeted to Tartu, and they doing it. But they are limited themselves to Tartu, and it is not so good. They must provide more posts and information from all over Estonia, than it will make their SMM more successful.

4.9. Conclusion to Internet Marketing research part

After deep analyzing of 3 companies, who are top companies (by their yearly turnover) in renting machinery market in Estonia, the authors can state, that:

- SEO is not done by any of them

- SEM is used by 2 out of 3 analyzed companies, but it is not seems to be done professionally, and they still are losing potential customers

- SMM is done by 1 company, but again, it is done very poorly. Page created in social media is not being updated for months, and in fact they did a page, but didn't create a value out of it. Community is not created; no likes and shares for their posts (as no posts are done).

- SMO is not done by any of companies. They don't offer any possibility to easily share content from their web page with social networks.

That brings a clear vision, that there are a lot of opportunities for RentSOS startup to be promoted using Internet Marketing techniques, and get customers via this marketing channel.

SEO, SEM, SMM, and SMO – all of the directions are still not used, and free for modern newcomer companies, giving a lot of opportunities to quickly gain customers in this market.

4.10. Conclusion to research part

In following chapter the conclusion about research is written in three different parts, firstly the authors confirm the research question to be right and secondly the explanations to the hypothesis that have been set at the introduction of the thesis will be explained.

Research question that was set at the beginning of the work was:

Construction companies do very little to attract new customers and emphasize their current clients?

The authors have confirmed that Ramirent and Cramo do very little to attract new customers and emphasize the new ones, except Storent who is actively using RM and one-to-one marketing approach in customer communication and marketing, but is lack of Internet marketing.

To prove or disprove hypothesis that were set at the beginning of the thesis the authors have made a research about Ramirent, Cramo and Storent, based on their annual reports and Internet marketing activities.

H1: Construction companies in Estonia are not using all the possible real -life marketing opportunities including RM methods.

The first hypotheses have been proved to be right in some points with Ramirent and Cramo. These companies are doing some sort of RM marketing, but it is related to the existing clients. They do have project managers and client specialists who are dealing with existing customers and their problems but they are not doing any actual RM, since their goal is just to keep their market share.

Storent on the other hand, is the only construction rental company who is using RM methods and has gain within few years quite magnificent market share because of that approach and now they are "one of the top three renting companies" in Estonia. But they are lack of Internet marketing.

Here are the conclusions that prove the explanation that was given to the H1, based on the research:

- Storent has spent the least for marketing, compared to Cramo and Ramirent. Storent is currently in growth stage.

- Compared to Ramirent and Cramo, Storent is generating -0,46€ per every € earned per customer.

- Cramo and Ramirent are using traditional marketing strategies and their goal is to maintain their market share

- Cramo and Ramirent both are using sponsorships to market themselves but in different area, witch is strategy.

- Storent is not marketing via traditional channels, they use one-to-one marketing strategy on real-life marketing

- Storent has created a new market niece in construction area that supports RM and one-to-one marketing method for them.

- Ramirent has the biggest client base in Estonia. Their clients are "smaller" than Cramo clients, because Ramirent has different marketing strategy.

- Cramo has fewer clients than Ramirent but a bigger turnover and "bigger" clients.

- Cramo has the highest cost of reaching and attracting new customer

The second hypothesis has been confirmed fully:

H2: Construction companies are not using all the possible Internet marketing methods.

- Cramo and Ramirent are spending money to Internet marketing method, called SEM. Paying for ads, but not doing it efficiently.

- Cramo and Ramirent are not using SEO to gain visitors to their website for free from organic results.

- Storent is trying to use SMM tactics, but for some reasons limited itself to Tartu, and this tactics is not performed as good, as it can.

- Ramirent was thinking about SMM tactics, but only registered a page in Facebook, without any further actions. For some reason they are not doing it at all.

- Storent is not using any methods to gain visitors from search engines (SEO or SEM)

- Cramo is not however presented in social media, they are not doing SMM.

- SMO is not done by any of analyzed companies.

5. PROPOSALS FOR NEW MARKETING MIX TO MARKET RENTSOS AND FOR FURTHER RESEARCH

According to the findings from literature and research where three of Estonian biggest construction rental companies were studied the following proposals were made:

- Before we start marketing RentSOS thru RM, SEM, SMM we need to apply SEO marketing tactics so that SEO marketing results can start having an influence on our client database=it takes months for search engines to start respect website and to start sending visitors to RentSOS site.

- While marketing RentSOS, both in real-life and in Internet it is essential to follow RM marketing methods to accomplish success like Storent in real-life marketing.= Association (ERA) have stated, that „It is in companies own interests of the rental industry and Europe's contractors that the relationship becomes more mature"

- Before the RM activities we have to give some opportunities to our potential customers to build easily relationship with our company online, and it will be done using SMO and SMM tactics= building customers loyalty by giving them updates and special offers.

- It is easier to build customer profile based on the people who are following RentSOS community in social networks.= customers will get unique offers and RentSOS can always be "on map" for them.

- Database of customers and their background need to be created and analyzed to create strategies for marketing already before communicating with customers and envisaged to elicit direct response, then the concept of direct marketing comes into play= planned marketing communication plan with each client.

- Using SEM and SMM tactics it is good to build awareness about RentSOS by using different graphical delivery methods= clients will get an initial insight about RentSOS and company logo and name will be declared.

- The first real-life marketing should be done with high focus on establishing relationships with customers and partners and to develop them= to increase repeat business in the future and secure premium profit from satisfied customers.

- With help of our first clients we can know (thru SMO and SMM and RM) what customers think about RentSOS and make improvements according to the first users feedback= thru established relationships it is better to understand the clients actual needs.

- A strategic customizing of RentSOS as one-to-One marketing results= understanding customer can be used in formulation of effective marketing strategy.

- A high level of interaction= mutual attainment of common goals.

- Look after clients new and old ones.= Trust and commitment.

The authors have created also a timetable (see figure 16.) of marketing activities that has to be applied at the same time for marketing an online product that needs to be marketed in real-life and online at the same time.
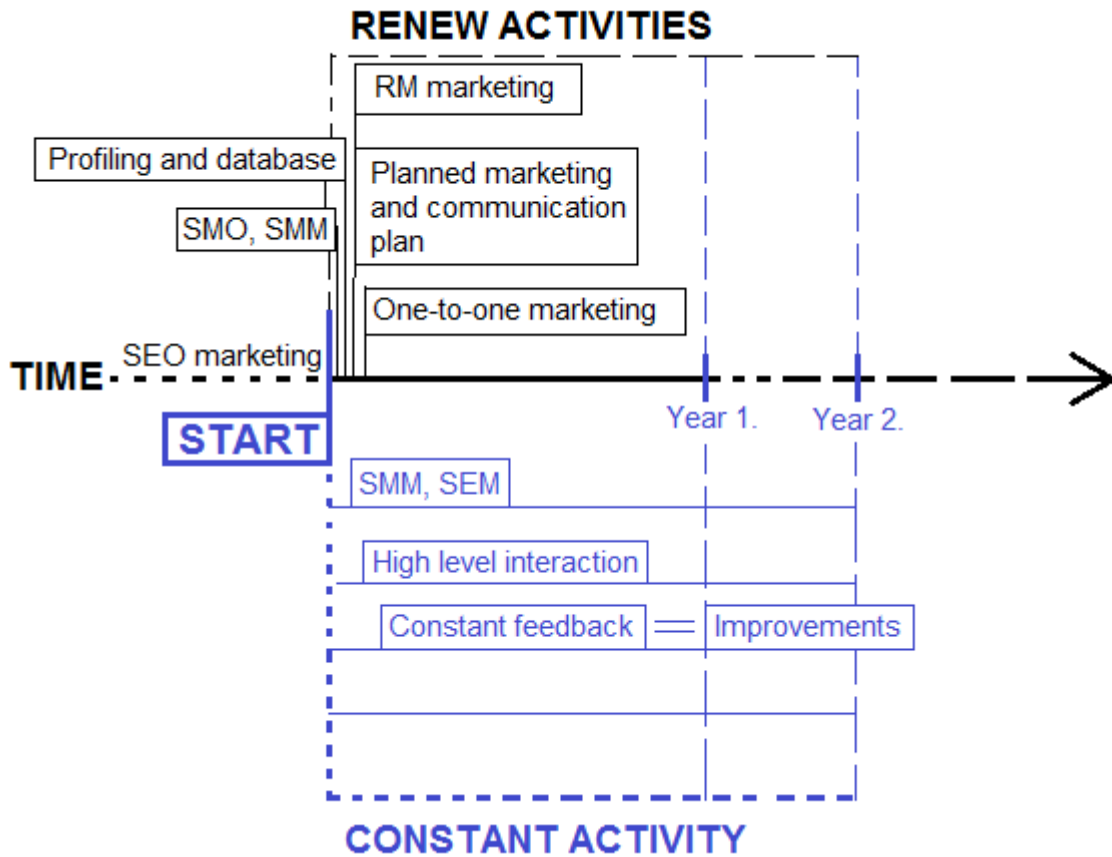
Figure 16. RM marketing methods combined with Internet marketing methods at the same time (Authors).

The same timetable and suggestions in will be used as RentSOS marketing strategy. The authors do believe that the marketing mix that have developed for RentSOS- a marketing mix of traditional and Internet marketing methods and its combination at the same time, can be used by other newcomers. The authors also purpose this subject for a further research in order to prove this method effectiveness.

CONCLUSION

The purpose of this thesis was to provide an overview of how rental companies in construction industry deal with marketing and to provide a new angle for marketing IT product in construction rental area.

The authors reviewed different theories in areas of relationship marketing (RM) and online marketing. Some areas of literature have been very applicable to create a marketing strategy for RentSOS.

The hypotheses that were set at the beginning of the thesis: H1: Construction companies in Estonia are not using all the possible real-life marketing methods. The research findings show that only Storent is using relationship marketing methods. Ramirent and Cramo are not doing that. H2: Construction companies in Estonia are not using all the possible internet marketing methods. This hypothesis was confirmed.

The companies studied were Ramirent, Cramo and Storent. The biggest construction rental companies in Estonian in construction industry. A research was done in order to link the literature with companies' performance. The confirmation for RM marketing strategy behalf came from the research findings. In the research part, the success story that is behind Storent is mainly related to real-life marketing, but Internet marketing that have been done by them so far is very poor.

RM is suitable for construction due to factors that include; input from the clients throughout the project, integration between clients and contractors and the fact that complex project processes require close cooperation and continuous communication. RM will be shown to be a sub-set of marketing that provides significant benefits to transactional marketing that is largely considered 'construction marketing.' RM offers new thinking for construction business-to-business marketing as delivery of a 'service' rather than a 'product'. It has enabled many industries in finance, automotive and industrial contexts to achieve best practice status because it has 'customer focuses at its core. A RM approach goes to the heart of business dealings and allows construction companies to develop long term relationships in the uncertainty of competitive project environments (Davis, 2004)

Convincing customers in construction area to prefer a new IT product into traditional methods that have been used until today will be a very hard challenge. This ambitious and difficult goal

requires long-run commitment, trust, information sharing, research and development and reputation building to achieve.

At the end of the thesis the authors purpose a new marketing mix that is combined by RM and different Internet marketing methods and that has to be applied at the same time as a marketing mix and list of activities, as a RentSOS marketing strategy.

APPENDICES

Appendix 1, List of machinery rental related keywords used for analysis.

- piikvasar rent
- piik rent
- piigi rent
- meisel and krentsa
- lihvimismasina rent tartu
- lihvimismasin rent
- lihvimismasina rent
- pinnasetihendaja rent
- saag differential diagnosis
- soojendusseadmete rent
- koristusseadmete rent
- pump rental
- aiatööriistade rent
- tööriistarent
- ehitusseadmete rent
- cramo ehitusseadmete rent
- kraana rent tartus
- tööriistade rent
- kraanaga autorent
- kraanade rent
- tõstuki rent
- kraana rent ida virumaa
- ekskavaatori rent
- ekskavaatorite rent
- ekskavaatori rent tartu
- maz kraana rent
- kraana rent
- kraana rent tartu
- kraana rent pärnu
- kraana rent võru
- kraana rent pärnus
- kraana rent tallinnas
- kraana rent tallinn
- ekskavaatorlaadur rent
- ekskavaatorlaaduri rent
- tõstuk rent
- tõstuki rent tartu
- tõstuki rent tallinn
- tõstukid rent
- tõstuki rent pärnu

- kraanaga veoauto rent
- ekskavaator rent
- ekskavaatori rent tartus
- ekskavaatori rent pärnus
- ekskavaatori rent rakvere
- ekskavaatori rent tallinn
- tõstukiga veoauto rent
- ekskavaatori rent ilma juhita
- generaator rent
- generaatori rent
- generaatorite rent
- tööriistarent
- pump rental
- kraanaga autorent
- puurimisseade
- puurimisseadmed
- performeerimisseade
- perforeerimisseadmed
- suruõhuseade
- suruõhuseadmed
- puur
- Puurid
- piik
- piigid
- meisel
- meislid
- lihvimismasin
- Lihvimismasinad
- frees
- freesid
- pinnasetihendaja
- Pinnasetihendajad
- betooniseade
- Betooniseadmed
- Armatuuri painutamise seadmed
- Armatuuri painutamise seade
- Armatuuri lõikamise seadmed
- Armatuuri lõikamise seade
- Naelutamise seadmed
- Naelutamise seade
- soojendusseade
- Soojendusseadmed
- saag

- Saed
- lõikur
- lõikurid
- koristusseade
- Koristusseadmed
- keevitusseade
- Keevitusseadmed
- pump
- Pumbad
- mõõtmisseade
- Mõõtmisseadmed
- aiatööriist
- Aiatooriistad
- ehitus seadme rent
- ehitus seadmete rent
- ehitus seadme müük
- ehitus seadmete müük
- kraana
- kraanad
- tõstuk
- tõstukid
- ekskavaator
- ekskavaatorid
- generaator
- generaatorid
- бур
- перфоратор
- дрель
- сверла
- долото
- шлифовальный станок
- фрезы
- каток
- катки
- бетономешалка
- пилы
- нагреватели
- сварка
- насос
- эскаватор
- трактор

- генератор

Appendix 2 , **Different authors definition about RM** (Authors adopted Brito 2011; Constantinides 2006 **;**

http://kchui.com/articles/Relationship_Marketing_Paradigm_Shift.pdf (05.05.2014)).

Author	Year	Defination
Berry	**1983**	Relationship marketing is attracting, maintaining and – in multi service organizations – enhancing customer relationships
Gummerson	**1990; 1997; 2002**	RM is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by a mutual exchange and fulfilment of promises(op. cit., p. 11).
Berry and Parasuraman	**1991**	RM concerns attracting, developing, and retaining customer relationships (adopted Hunt et al., 2006, p. 73).
Sheth	**1994**	RM is the understanding, explanation, and management of the ongoing collaborative business relationships between suppliers and customers (adopted Hunt et al., 2006, p. 73).
Grönroos	**1994; 1996**	RM is marketing based on interaction within networks of relationship (op. cit., p. 3).
Doyle	**1994**	One-to-one communication and relationship building are also fundamental elements of the services marketing.
Buttle	**1996**	RM retention strategies that are given, are more prominence
Pravatiyar and Sheth	**1997**	They emphasise the shift from transaction-oriented exchanges to relation building, from acquisition-oriented to retention-oriented marketing
Coviello	**1997**	RM incorporates database marketing, interaction marketing and network marketing.
Mattson	**1997**	RM is development within TM
Buttle	**1996**	RM is the development of mutually beneficial long-term relationships between suppliers and customers
De jong	**1998**	RM is in focus within different disciplines, including marketing and management
Möller and Halinen-Kaila	**1998**	business networks is to gain efficiency, growth opportunity and access to resources or a wider customer base.
Rexha,	**1998**	RM is long-term policy in winning and keeping customers.
Collins	**1999**	RM is characterised by more rhetoric than publication effort
Palmatier	**2008**	RM is the process of identifying, developing, maintaining and terminating relational exchanges to enhance perfofmance

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