

EFFECTIVE MARKETING POLICY GUIDELINES FOR ROMANIAN INTERNET SERVICE PROVIDERS

Lecturer Tudor EDU, Ph.D

Romanian –American University
1B, Expoziției Avenue, Sector 1, Bucharest
tudoredu@yahoo.com

Lecturer Costel Negricea Ph.D

Romanian-American University
1B, Expoziției Avenue, Sector 1, Bucharest
negricea@yahoo.com

Associate Professor Nicoleta Rossela Dumitru, Ph.D

Romanian American University
1B, Ezpoziției Avenue, Sector 1, Bucharest
nicoletad01@yahoo.com

Abstract:

The ISP is the entity specialized in the provision of the Internet services. Usually, such an entity provides the entire range of Internet services, which can be divided into two major groups: data transmissions and web services. The ISP has a very important place in the marketing environment of the modern organization being found within the close-in environment of the organization amongst the providers of the other services. The modern company has a relationship with its ISP at least as important as the ones with its bank, transporters or insurance companies. Nowadays, the question is not whether the online technologies are necessary for the company but how these technologies are implemented by the company (Porter, 2001, pag. 62). To have a presentation web site and at least one e-mail address is something ordinary for any organization.

Key words: marketing objectives, strategies, tactics, survey

JEL Classification: M31

The coordinates of the marketing policy which can be taken into consideration by the Internet service providers can be classified in marketing objectives, strategies and tactics.

The main marketing objectives can be summarized as follows: increase of sales in comparison to a prior period of time; increase of market share; increase in number of subscribers; improvement of client loyalty.

The market strategy criteria which can be approached by the Internet service providers can be grouped as follows: market dynamics; market structure; market requirements; market changes, competition (Florescu, et al., 1992, pag. 282); company's

reaction to the physiognomy and dynamics of the business environment; evolution of demand and development strategies (Balaure, 2000).

The client is the main element of the marketing policy. The client or the client base is the engine of the activity of any company acting on the Internet market. The providers carefully pursue the loyalty of their clients, because this is the only way they can count on them for the business development.

An ISP can make use of 5 policies of the marketing mix: Product, Price, Distribution, Promotion and Network of Nodes.

1. Product Policy

With regards to the global product made up of the following partial products: communication channel, equipment, personnel and client, the Internet service provider could set up the product objectives on three directions: service quality; adaptation of the services to the technical progress encountered in the Internet field; differentiation of the provided services from the ones provided by the competition.

The product strategies could be grouped in:

- the view in which the process is performed (Olteanu, 1997, pag. 182);
- assortment dimension and structure;
- innovation and quality (Florescu, et al., 1992, pag. 324) .

The main instruments which can be used by the providers could be ranked in:

- ways in which the services can be sold;
- approaches for innovation;
- approaches for service improvement.

Product objectives, strategies and tactics for the partial products

The main objectives, strategies and tactics which can be used by the Internet service providers for the partial products can be divided in:

- communication channel: monitoring and ensuring the optimum transport capacity;
- equipment: maintaining, improvement and replacement
- personnel: recruitment and training
- client- participant in the service: encouragement of the client to participate in service provision (Olteanu, 1997, pag. 200).

2. Price Policy

The Internet services' price is influenced by a series of factors, such as:

- type of infrastructure;
- dimension of communication channel;
- equipment type;
- technical support;
- promotion.

The price objectives could be summarized in close correlation with:

- the company's attitude towards the future development;
- the target segment approached by the company;

- the company's position towards innovation.

The criteria for the price strategies and tactics can be grouped in:

- price level;
- ways in which the prices are formed;
- price variability and flexibility (Florescu, et al., 1992, pag. 348-353);
- price standardization and personalization.

3. Distribution Policy

The specificity of the distribution of the Internet services can be found in the peculiarities of services in general (perishability, variability, inseparability and intangibility) and in the peculiarities of the Internet services.

Due to the fact that most services are “consumed” when the provider meets the customer, their distribution is a lot different than the one encountered in goods with respect to the delivery process and distribution channel.

The delivery process comprises all the stages involved in the sale of the services:

- the contact between the client and the provider,
- negotiation,
- signing of contract,
- installation and delivery of service.

Distribution objectives, strategies and tactics

The objectives, strategies and tactics will be approached on three directions:

- venue of service provision,
- delivery conditions
- distribution channel.

Regarding the venue of service provision, the sales process must be adapted to the market changes, beginning with the initial contact with the client, continuing with negotiation, contract signing, service delivery and after sale monitoring of the service.

Regarding the delivery conditions, the provider must be careful with the aspects perceivable by the client which can affect the service quality: the way in which the service is sold (prepaid or subscription), the technical support and the type and dimension of the infrastructure.

Regarding the distribution channel, the provider can sell through direct channels and/or through intermediaries.

Regarding the venue of service provision, an attention should be paid to the flexibility strategy of the distribution (Florescu, et al., 1992, pag. 378), with the following strategic options: high, average and low flexibility.

Regarding the delivery conditions, the provider should approach the strategy of logistics (Florescu, et al., 1992, pag. 378) from goods adapted to the specificity of the Internet services, meaning:

- *ways of selling*- with two major strategic options: prepaid and subscription;
- *technical support*- with three options: performed by the company, outsourcing and both;
- *infrastructure type and dimension*- here we talk of the Internet infrastructures available for the client.

The distribution channel should be approached considering the following dimensions:

- distribution channel dimension
- degree of participation of the provider in distribution (Florescu, et al., 1992, pag. 378).

4. Promotion Policy

The online environment- an alternative to the classic marketing communication or its future? The online technologies, online applications and electronic communication led to the creation of a new business way, a new meeting and communication environment or even a new lifestyle.

The online marketing communication instruments can be grouped in:

- web sites,
- forums,
- blogs,
- banners,
- pop-ups
- search engines.

The promotional approaches of the Internet service providers must be correlated with the promotional endeavours of the companies which use online instruments. The Internet providers are the companies ensuring the necessary support for the online advertising.

Promotion objectives, strategies and tactics for the Internet service providers

The promotion objectives can be classified in:

- company's image
- promotion of products and services.

The promotion strategies can be split into:

- *image improvement or preservation and service promotion*;
- *target market approach*, with three strategic options: concentrated, differentiated and undifferentiated strategy (Balaure, et al., 2000, pag. 457);
- *role of promotion*, with two strategic options: offensive and defensive strategy;
- *planning and executing of the promotion*, with three strategic options: planning and executing of the promotion by the company, through outsourcing and both;
- *duration*, with two strategic options: permanent promotion activity and intermittent promotion activity (Florescu, et al., 1992, pag. 409).

The instruments used by the Internet providers can be grouped in: instruments provided by the online environment: forum, blog, podcasting and banner advertising and instruments borrowed from goods and other services: advertising, sales promotion, events, public relations, sales force, brand and direct marketing.

5. Network of Nodes or electronic communication Policy

A network is comprised of computers and network equipment and it is considered to be more important and complex as it has a greater number of computers.

Concepts and technologies found in the electronic communication with implications on the quality of the delivered services are many. Amongst the many norms, concepts and technologies which influence the consistency of the electronic communication, the most important are probably the BGP and the „peer-to-peer” technology.

BGP- Border Gateway Protocol- is an Internet protocol which facilitates (www.cisco.ro) to the groups of equipment to place at the disposal of everyone routing information allowing for direct routes.

The „peer-to-peer” technology refers to the creation of Internet connections in which the computers should have an equal status. Each computer will host information which will be accessed as quickly as other information found on the other computers.

Objectives, Strategies and Tactics which can be used in the Policy of the Network of Nodes

The main objective is the facilitation of the interconnection of the provider with other providers. The interconnection is the engine of the business development of any Internet provider. We can also include other two objectives which are found also in the Product Policy: connection speed and consistency.

The strategies and tactics used here should include three distinct areas:

- number of Internet connections,
- data traffic improvement
- data traffic optimization.

In order to test the above-mentioned marketing coordinates, a random marketing research was performed amongst the Internet Service Providers. The objectives were to identify the strategic criteria taken into consideration by these companies when planning their marketing policies.

The sample was made up of 42 Romanian Internet service providers and the data was collected through a field questionnaire subsequent to a telephone appointment or through an e-mail questionnaire, case in which the respondent was assisted through a chat program in order to clear any misunderstandings.

The objectives of this research were met and the projected hypotheses were mostly confirmed. Anyway, not all the strategic options for each criterion were selected by the respondents. For example, in the case of the market dynamics criterion, the option of business shrinking was not selected at all. This situation is completely understandable because the Internet services field is undergoing a steady development.

The conclusions for each strategic criterion:

1. Market strategy

a. market dynamics- most of the companies (32 out of 42) mentioned that their business grew in comparison to the previous year, while 10 providers mentioned that their business stayed at the same level. Also, 41 companies consider that the market will continue to grow, while only one considered otherwise.

b. market structure- all three strategic options were selected: concentrated (10 companies), differentiated (22 companies), undifferentiated (10 companies). The Internet

Service Providers segment the Internet market in almost all cases in companies and individuals.

c. market changes- all three strategic options were selected: active (9 companies), adaptive (27 companies), passive (11 companies). As it can be observed, most companies adopted their decisions so they would face the best possible way the changes occurred in the environment. Also, a few providers chose more than one option according to different categories of services in their portfolios.

d. market requirements- the three possible options were considered by the companies: high requirements, medium requirements, low requirements. Also, the scores obtained through the use of the semantic differentials show different degrees of concern from the companies with regards to the requirements which indicate a deeper segmentation of the Romanian Internet services market. Interesting is the fact that the score for the three scales is "Favourable". The highest score (4,2) and the biggest number of answers were counted for the option "high requirements".

e. market competition- both strategic options (offensive and defensive) were selected by the respondents. Anyway, the offensive strategy was chosen by most of the companies (31 providers). This score is connected to the one obtained for the market dynamics.

2. Product strategy

a. product assortment- considering the Internet services to be a global product made up of four partial products: communication channel, equipment, personnel and client, the objective was to find out the opinions of the respondents towards the improvement, maintaining and reduction of these products or relationships with these partial products. The scores show that most options went towards the improvement (62%), 36% towards maintaining them and only 2% towards their reduction.

b. innovation- the score obtained through the use of the semantic differential- 4,40- between "Favourable" and "Extremely Favourable" reflects the significant interest of the providers for innovation. From the total number of options, 49% of the respondents mentioned their interest for the "Assimilation of the new products/services/actions", 42% for the "Improvement of the existing products/services/actions" and 9% for the "Preservation of the existing products/services/actions".

c. quality- 55% of the options were directed to the personalization of the services for each different client or group of clients; almost 34% of the options refer to the standardization of the services on one or more levels of quality and 11% of the answers mentioned the use of only one standard of quality for all services and clients. Some of the respondents mentioned more than one option according to the peculiarities of the services in their portfolio.

3. Price strategy

a. price level- 34 respondents out of the 42 mentioned that their prices are "moderate"; 6 said "high" and 2 "low".

b. price diversification- the scores show that the providers are inclined to use different prices for the same service (29 "YES" answers and 13 "NO" answers).

c. price mobility- the score- 0,785/ AGREE- obtained through the use of a Likert scale shows that providers are inclined to change their prices at certain intervals.

Interesting is the distribution of the answers: “Totally Agree”- 9; “Agree”- 20; “Indifferent”- 9; “Disagree”- 3 and 1 for “Totally Disagree”.

d. Also here, another objective was to find out the criteria taken into consideration when setting up the price. The scores were the following: 271 points for setting the price according to the “costs”; 250 points for setting the price according to the “demand”; 302 points for setting the price according to the “competition” and 20 points for setting the price according to other criteria.

e. A question referring to- “A better quality requires a higher price” was introduced for a better understanding of the way the respondents evaluate the price level. The score shows that 76% consider the assertion to be correct which means that $\frac{3}{4}$ of the respondents associate a higher quality with a higher price.

4. Distribution Strategy

a. distribution channel dimension and involvement of the company in distribution- all the 42 respondents sell their services directly; 7 sell through intermediaries owned by them; 13 sell also through intermediaries not owned by them.

b. distribution size- out of the 20 providers which sell their services through intermediaries, 2 sell through intermediaries from the same field with the provider and other fields; 15 sell through intermediaries from other fields and 3 sell through intermediaries from the same field with the provider. The conclusion is that the providers selling through intermediaries from the same field use a selective strategy and the ones selling through companies from other fields use a selective and an extensive strategy. Exclusivity is very seldom encountered in this field, because intermediaries like to have more options for their clients not being very willing to work with only one provider.

c. distribution control- the 18 respondents selected as follows: “Total control”- 2; “High control”- 4; “Average control”- 3; “Low control”- 5; “No control”- 4.

d. distribution control- 40 providers consider that their sales are adapted to the market change. “High flexibility” was selected by 15 companies; “Average flexibility” was selected by 26 companies and “Low flexibility” just by 1.

e. logistics- were considered 3 criteria: type of infrastructure- dial-up: 16 companies; cable: 17 companies; fiber optic- 31; wireless- 26; XDSL- 8; UTP- 27; Mobile networks- 2; satellite- 1; type of sale- subscription- 41 companies; prepaid- 1 company; provision of technical support- by the company- 35 providers; through outsourcing- 1 provider; by the company and through outsourcing- 8 providers.

5. Promotion strategy

a. global objectives of promotion- 35 providers mentioned “image promotion”; 23 mentioned “product promotion”; 4 mentioned market penetration using an existing well-known brand.

b. duration- the score- 0,64- obtained through the use of a Likert Scale shows an opinion close to “AGREE” with regards to a permanent promotion activity. Anyway, 8 companies did not agree with the permanent promotion and 7 were indifferent.

c. role of promotion- 36 respondents selected the “offensive” strategy and just 6 the “defensive” strategy. The scores are very close to those registered for question 10, where 31 providers mentioned the “offensive” strategy.

d. market structure- the options were split as follows: “concentrated” strategy- 8 providers; “undifferentiated” strategy- 10 providers and “differentiated” strategy- 24 providers.

e. which entity runs the campaign- none of the providers mentioned just outsourcing; 23 mentioned running the campaigns by themselves and 19 by themselves and through outsourcing.

f. The most frequent used promotional instruments are: press, web site, sales force, price reductions, posters, flyers.

6. Network of Nodes or electronic communication strategy

a. number of Internet connections- 71% of the providers use more than one connection (between 2 and 5) and 29% use only one Internet connection.

b. data traffic improvement- 61,9% of the providers use “bgp” protocol (between 2 and 5 connections) (meaning alternative routes for data) and 38,2% do not use “bgp” protocol.

c. data traffic optimization- 16 respondents use the “peer-to-peer” protocol (meaning straight connections between providers).

6. Conclusions

The marketing coordinates presented in this paper can be successfully implemented by the IPSs . They cover the entire marketing approach, comprising strategic and tactical options and they are the outcome of the tailoring of marketing aspects used in other services to the peculiarities of the Internet services and of the development of marketing approaches especially for this type of business, such as the network of nodes.

Bibliography:

- [1]. Balaure, V. et al., 2004. *Marketing*. Bucuresti: Ed. Uranus
- [2]. Florescu, C. et al., 1992, *Marketing*, Bucuresti: Ed Expert
- [3]. Olteanu, V., 1992, *Marketingul Serviciilor*, Bucuresti: Ed. Uranus
- [4]. Porter, M., 2001, *Strategy and the Internet*, Harvard Business Review
- [5]. www.cisco.ro