

IS and Marketing: How The Internet Reinvents Communication Management

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Abstract

Relationship management between organizations and their stakeholders is seen today as an increasingly critical priority. At the heart of this management of relationships is communication, for it is by communication with these stakeholders that the organization shapes and forms its relationships with them. The advent of the Internet is changing the nature of an organization's communication with its stakeholders in ways that are unprecedented. Stakeholder communication will no longer be unidirectional, and as stakeholders increasingly communicate with each other this communication becomes infinitely more complex. IS and marketing departments must forge strategic alliances to enable organizations to maximise the opportunities provided by technology.

Keywords

Internet; Communication; Stakeholder; Marketing; Relationship management

INTRODUCTION

Technology has impacted the way in which we communicate. This is especially apparent today with the World Wide Web. In the past, communicators were limited by the traditional media available to them, today they are limited by a lack of understanding of the new technologies' capabilities. It is in this area that a strong alliance between IS and marketing departments would produce a competitive advantage for the organization. The management of relationships between organizations and their stakeholders is seen today as an increasingly critical priority. At the heart of this management of relationships is communication. Organizations inform customers of new products and prices, remind them of their existing offerings, and attempt to favourably influence their perceptions using various communication tools. Likewise, organizations communicate with various other stakeholders, such as employees, government, suppliers, intermediaries and investors, in their attempts to manage these relationships for mutual benefit. Until recently the nature of this communication has tended mostly to be:

- unidirectional (i.e. the organization generally communicates to, rather than with a stakeholder), and
- simple - the organization is at the centre of the communication structure, and communicates to stakeholders at the periphery, with little communication between stakeholder groups occurring.

The advent of the Internet is changing the nature of an organization's communication with its stakeholders in ways that are unprecedented. Stakeholder communication will no longer be unidirectional, and as stakeholders increasingly communicate with each other (either about or not about the organization, as the case may be) this communication becomes infinitely more complex. The issue becomes more than management of communication with stakeholders – it evolves to become the management of communication between stakeholders as well. Unfortunately many of the tools and models of communication were developed and refined in a pre-Internet world, and are of little assistance in dealing with stakeholder communication that is increasingly more complex and multi-directional. These are the issues we address in this paper.

We proceed as follows: first, we expand on the effects of the Internet on communication with and between stakeholders and the need for collaboration between IS and marketing. Then, we introduce an Integrated Internet Stakeholder Communication Matrix (I²SCM), and explain its use for the identification of issues that need to be managed with regard to the Internet and stakeholder management. We illustrate the use of the matrix by means of a number of cases of organizations using the Internet to successfully manage stakeholder communication. Finally we conclude by speculating on how these issues may evolve, and how organizations will need to change their management processes in order to deal with this evolution. This paper is reporting on research in-progress, hence the model is a suggested one and will require future empirical testing.

RELATIONSHIP MARKETING IN STAKEHOLDER MANAGEMENT

A major current trend in marketing has enormous implications for organisational relationships with customer publics/stakeholders - relationship marketing. For the last four decades, the marketing mix management paradigm has dominated marketing thought, research and practice. Although significant developments have been taking place, the basic premise of packaging, pricing, promoting and distributing products to the market has, for the most part, gone unchallenged. The focus has steadfastly remained on the 'transaction' with the goal of attracting new customers and thereby increasing market share. Today, as Gronroos observes, this paradigm is beginning to lose its position. New approaches continue to emerge in marketing research, businesses are globalising, and there is an evolving recognition of the importance of customer retention and market economies, and of customer relationship economics. These recognitions reinforce the changes in mainstream marketing. Gronroos describes relationship marketing as involving the establishment, maintenance and enhancement of relationships with customers and other partners at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises. Such relationships with stakeholders are usually, but not necessarily always, long-term.

Today, the objective of marketing is the management of mutually beneficial relationships (cf. Morgan and Hunt, 1994).

STAKEHOLDER THEORY AND ITS POTENTIAL CONTRIBUTION TO OUR UNDERSTANDING OF THE INTERNET'S IMPACT

Over the past ten to fifteen years, the term “stakeholder” has gained increasing popularity. It can be heard regularly in the scholarly debates of business academia, in boardrooms across the globe, and in the rhetoric of many a successful politician. In terms of corporate governance, the stakeholder concept implies the existence of a fiduciary duty to **all** groups and individuals with a legitimate “stake” in the activities of the firm – not merely to the shareholders and other investors who own the enterprise in the financial sense. It has been widely suggested that the adoption of the stakeholder concept is an ethical imperative for today’s corporations and that organisations with a stakeholder orientation will gain a competitive advantage over others – thereby outperforming over time companies that focus solely on delivering short-term financial returns. The term ‘stakeholder’ has been variously defined. Perhaps the most widely accepted today is the one formulated by Freeman (1984):

“A stakeholder in an organisation is any group or individual who can affect or is affected by the achievement of the organisation’s objectives,” (Freeman 1984, p.46). This wide ranging definition of a stakeholder is the one adopted in this paper for the purposes of the I²SCM.

Inevitably perhaps, the widespread interest in the stakeholder concept has lead to a diverse range of approaches and conceptualisations. There are outright critics who argue allowing stakeholders to hold corporations to account is a path to ruin that undermines decision-making (Sternberg 1994). Even among supporters, there are several strands of opinion. Donaldson and Preston (1995) argue that the concepts stakeholder, stakeholder model, stakeholder management, and stakeholder theory are explained and used by various authors in very different ways and supported (or critiqued) with diverse and often contradictory evidence and arguments. One issue is, however, clear. The advent of the Internet exponentially increases the significance of stakeholder management regardless of corporate attitudes to the validity of the stakeholder concept itself. First, the World Wide Web adds a new dimension to direct communication between organisations and their stakeholders. Second, it is creating a revolution in terms of communication *among* stakeholders - interactions of immense potential significance to organisations that were almost unheard of a few years ago are now routine. Prior to the Internet, neglect of stakeholder relationships was a perilous course but did not inevitably lead to corporate ruin in every instance. In the cyberworld of the twenty-first century, firms no longer have that luxury. The question is not whether to manage stakeholder relationships but how.

THE INTERNET's IMPACT ON STAKEHOLDER COMMUNICATION

The rapid growth and adoption of the Internet, and the World Wide Web in particular, has constituted not only a fundamental change in the nature of business, most markedly by killing physical distance (Cairncross, 1997) but also because it has revolutionized the way in which firms communicate with its stakeholders. Organizations are increasingly using the Internet to market products and services to customers, transact with suppliers and intermediaries, communicate with employees, deal with government, and inform investors. In a very short period, the Internet has emerged as an all-purpose communication medium for interacting with a wide variety of stakeholders. Organizations now need to be concerned with how they manage their corporate image (a net effect of the communication between its publics), in cyberspace (Quelch and Klein, 1996). As organizations stampede to the Internet they find that there is not a systematic way to examine communication opportunities and relate them to both available Internet tools and stakeholder communication behaviour. In particular, what is absent is an integrated approach to managing communication with, and between stakeholders, in the era of the Internet.

These issues are perhaps best conceptualised by considering the evolution implied by the diagram in Figure 1.

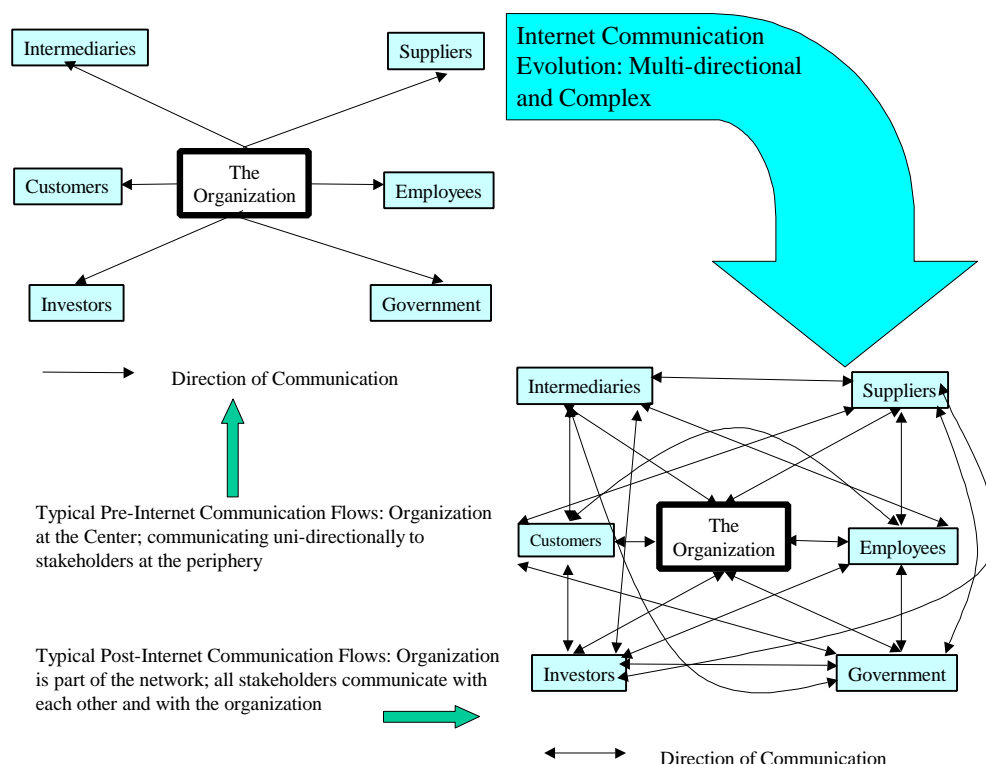


Figure 1: How Stakeholder Communication Has Evolved on the Internet

The post-Internet communication flow provides unlimited opportunities to improve communications. But to do so, communicators need to have a good understanding of, and comfort with, the technology. Holtz (1998) makes the point that when a new technology presents itself, a technology-adoption curve emerges. He suggests that new technology is first used to duplicate existing technology's functions. It can be inferred that this is the case with the Internet. Holtz (1998) purports that once communicators become comfortable with the new technology through the existing usages they will then develop innovative applications that go beyond existing technologies' capabilities.

Day and Schoemaker's (2000) examination of challenges for incumbents of emerging technologies presents another insight into the phenomenon of slow and simplistic adoption of Internet usage. The authors explain that new technologies disrupt the status quo, thus require the development of a new set of competencies. They go on to highlight the fact that, in its earliest stages of development and implementation, it is difficult to infer if the emerging technology will achieve its desired outcome and provide any advantage to existing technologies. It is in the area of overcoming the adoption-curve and developing a new set of competencies that communicators must rely on IS professionals. Once the alliance has achieved its primary goal, it must continue so as to prepare the organization for future advances, achieve desired outcomes, and maintain competitive advantage. As communicators, working with IS professionals, understand the breadth of opportunities provided by the Internet, new tools and techniques can be developed to enhance stakeholder communication. One such tool is the Integrated Internet Stakeholder Communication Matrix (I²SCM).

I²SCM IDENTIFIES OPPORTUNITIES

The I²SCM is illustrated in Figure 2, and is constructed simply by identifying all the major stakeholders an organization has, and mapping all the possible communication links between these. For the sake of completeness in defining the links, the matrix obviously includes the organization itself. In the matrix illustrated in Figure 2, we have included customers, suppliers, investors, intermediaries, government and employees as stakeholders, although an individual manager may identify others as relevant and wish to include these, for example, a local community, educational institutions, pressure groups and the like. This is not problematic, for the matrix can be expanded to incorporate these. It also becomes immediately obvious that additional stakeholders such as these can and will use the Internet for communication with the firm, each other and the already-incorporated stakeholders in the I²SCM. However, for purposes of brevity, we suffice with the stakeholders identified in Figure 2.

Talks to® :	Organiza tion	Customers	Suppliers	Employees	Intermediaries	Government	Investors
Talker™ :							
Organization			Caterpillar				
Customers		Third Voice		Ford servicing		Passengerrig hts.com	
Suppliers			GE				

<i>Employees</i>		Untied		Intranets			
<i>Intermediaries</i>							
<i>Government</i>							
<i>Investors</i>							

Figure 2: The Integrated Internet Stakeholder Communication Matrix (I²SCM)

The I²SCM can be used by organizations to search systematically for opportunities for using the Internet to support stakeholder strategies. The concept is that each cell of the matrix is a focal point for brainstorming. An interactive version of the matrix, constructed by and for an organization's strategic managers, can be used to stimulate thinking by showcasing how other organizations are using a particular cell. Thus, clicking on the cell at the intersection of Employees (the talkers) and Customers (the talked to), for example, would jump to a page containing links to situations where an organization's employees are using the Internet to communicate (either favourably or unfavourably) with that organization's customers. Similarly, clicking on the cell at the intersection of Investors (the talkers) and Investors (the talked to), would jump to a page containing links to examples of situations where potential investors in a firm are using the Internet to communicate (either favourably or unfavourably) with other potential investors. The idea is that by studying these links, and thinking carefully about them, managers should be able to identify and either exploit or manage similar situations within their own organization and its stakeholders.

Because we often learn by modelling the behaviour of others, or what Bandura (1977) has termed vicarious learning, linking I²SCM cells to existing Web examples should assist managers to identify opportunities for their organization. By identifying and studying case studies of the situations in other organizations, managers will be able to ask, and hopefully answer this question: How might this work in our own stakeholder environment? This would lead to other obvious strategic questions, such as how can we influence the situation, become part of it, and manage it to mutual benefit, or at least minimize the threat it poses? Furthermore, by providing a variety of examples for each cell, creative behaviour should be aroused, because each example can be a different stimulus (Watson, Pitt and Zinkhan, 2000). In the following section we present a number of brief case examples of stakeholders, including the organization, using the Internet to communicate with each other. Ideally, the organization should strive to find appropriate examples in all relevant stakeholder-exchange cells in the I²SCM, so those we provide are not meant to be exhaustive, merely illustrative. Furthermore, in the interests of brevity we do not give examples for each of the cells in the I²SCM in Figure 2, but only some illustrations. To aid the reader in tracking the examples, we have also entered each example into the appropriate cell in the I²SCM in Figure 2.

Case examples:

An organization talking to its suppliers: Caterpillar (www.caterpillar.com)

Caterpillar made its first attempt at serious on-line purchasing on 24 June 1997, when it invited pre-approved suppliers to bid on a \$2.4M order for hydraulic fittings - simple plastic parts which cost less than a dollar but which can bring a \$2m dollar bulldozer to a standstill when they go wrong. Twenty-three suppliers elected to make bids in an on-line

process on Caterpillar's website (Woolley, 1998). The first bids came in high, but by lunchtime only 9 were still left revising offers. By the time the session closed at the end of the day, the low bid was 22 cents. The previous low price paid on the component by Caterpillar had been 30 cents. Caterpillar now attains an average savings of 6% through its website supplier bidding system.

Customers talking to customers: Third Voice (www.thirdvoice.com)

Software from Third Voice (www.thirdvoice.com) allows consumers to post comments - in the form of virtual sticky notes - on any Web site. Third Voice thus empowers users to form inline public discussions that weave their opinions with existing content. Posting comments with Third Voice is in no way hacking since they are stored elsewhere and visible only to browsers with the Third Voice software. The consequence of this innovation is that individuals IN PUBLIC can comment upon the mass advertising and publicity afforded by a company's Web site. Thus for example, a claim on a company's Web site of a maximum 1-hour turn around of consumers' queries can be publicly questioned or confirmed by users who have had experience of the service. Such software will empower customers to an unprecedented degree. Suddenly the once private communications of disaffected customers will be broadcast in public to many consumers. The once asymmetrical dialogue between company and customer is set to change - in the customer's favour. Companies will be forced to become much more circumspect about their advertising and PR claims and much more proactive in the handling of consumer feedback.

Customers talking to employees: Ford Servicing

An innovative Ford dealer has installed live video cameras in its service bays, and relays a live feed to its web site. In this way customers are able to "visit" the service centre and check on the progress of their car's service. By opening up the service centre for continuous customer inspection, the dealer is not only making the quality of its service evident, it is also enabling customers to talk with employees while the job is being done (Watson, Berthon, Pitt and Zinkhan, 1999, p. 111).

Customers talking to government: Passenger Rights (www.passengerrights.com)

Travellers who experience problems with airlines, hotels, car rental companies or tour operators can now research and exert their rights at a web site called Passengerrights.com (www.passengerrights.com). This site allows consumers to research their rights online, with regard to a wide range of travel issues such as ticket refunds, airline overbooking, insurance claims and lost or damaged luggage. Consumers are guided through a comprehensive complaining process if they wish to make a complaint rather than having to formulate their own. They are also advised on whom to complain to, and passengerrights.com forwards the complaint electronically on their behalf. Passengers can use the site to communicate with government - the site assists by copying every complaint to the US Department of Transportation, as a formality. The service also enables follow-up, so that if no response is received, the consumer can complain again. The site also summarizes complaints by type and by industry, gives travel secrets, allows subscription to a newsletter, and gives prizes for the best travel horror stories. The site also permits customers to talk with each other by encouraging word-of-mouth communication between travel consumers.

Suppliers talking to suppliers: General Electric (www.GE.com)

GE was one of the first major companies to exploit the web's potential in purchasing, purchasing \$1Bn over the net as far back as 1996 (Pitt, Berthon and Berthon, 1999). The company encourages suppliers to put their web pages on the GE web site, so that they can "see" each other, and more importantly, talk to each other. While there is obviously some danger of collusion by suppliers, GE obviously believes that it is ultimately in the firm's interest if suppliers can communicate with each other, and hopefully solve some of GE's problems and identify some mutually beneficial opportunities.

Employees talking to customers: Untied (www.untied.com)

A site set up by disgruntled United Airlines passenger, Jeremy R. Cooperstock, called, not unsurprisingly, Untied.com (www.untied.com) has been described as "the place that allows frustrated former United Airlines passengers a chance to speak out". The site includes many hundreds of passenger complaints, and there is a complaints form for irate passengers to fill out which automatically puts the complaint on the web site and copies it to United's director of customer relations and president. The site keeps a daily tally of complaints submitted (many) and responses received from United (very few). There is also a round up of employee lawsuits against the airline and links to any stories in the general media that show United in a less than favourable light. Many disgruntled United employees use the site to talk anonymously with each other, but more importantly, the firm's customers. Some merely sound off against the company on the site, but others take the opportunity to explain things to customers, including giving useful tips on how to deal more effectively with the giant airline.

Employees talking to employees: Intranets

A number of companies are now using internal Internets, or "intranets" to facilitate communication between employees. Cisco is the world's largest manufacturer and distributor of routers and switches. In order to achieve this position, it has adopted an aggressive growth strategy, acquiring companies, their employees, and new employees at a rate of 250 to 300 employees per month. Obviously, it is important that these new employees are able to communicate not only with each other but also with those who have had a longer tenure with the firm. The Cisco Employee Connection (CEC), a corporate intranet, is the primary means by which new employees are absorbed and acculturated. The CEC is also the principal means of interaction for the multi-functional work team approach Cisco employs.

Similarly, Nortel Networks, a Canadian firm which employs over 70 000 people worldwide, uses an intranet to serve as an "agent of disruption", push critical information to individual desktops and to build feedback loops (Raffoni, 2000). The intranet uses chat rooms to discuss topics, and the forum enables employees in different business units and business functions to engage in a free exchange of ideas and issues. These chats are then used to create newspaper articles. Nortel's PR department used to print a monthly newsletter for the whole company (an old style of organization communicating to employees), but now issues are published only periodically, and focused on a particular topic, as the company relies instead on the intranet for employees to communicate with each other.

CONCLUSION

As communications are increasingly conducted electronically, an organization's Web sites (both external and internal) will be its defining image and the main point of interaction with its stakeholders. Consequently, organizations must ensure that they take full advantage of the technology available to maximize their impact. A close working relationship between IS and marketing will provide the foundation necessary for maximising the return of this technology. A systematic approach, using the I²SCM and modelling the behaviour of others through cases, provides a framework for designing and implementing effective Web sites that take full advantage of the Internet tools. Integrated use of this technology, however, is not enough. An enterprise with a jumble of different page layouts and icons communicates disorganization. The collective image of the Web sites must communicate the overall integration and message of the organization, as an aggregation of the communication with and between its stakeholders. Not only must use of Internet tools be integrated, but a corporation's entire Web presence must be cohesive in order to communicate a consistent message to stakeholders.

In another sense, the I²SCM might even be a precursor of a new form of publication. If advertising and PR are succumbing to the problems of traditional media, then maybe the same fate awaits paper journals because we cannot adequately represent some ideas in a purely print medium. The concepts of integrated communication apply to all forms of communication, not just that between communicator and audience. Viewing the I²SCM as an electronic publication will enable the organization to communicate in an integrative fashion with its stakeholders, and further enable the identification of opportunities.

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