

THE ROLE OF PROMOTION IN SUPPLY-CHAIN MANAGEMENT {SCM}

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ABSTRACT

This paper begins with a look at marketing and how it evolved over the years. Today marketing managers strive to create lifetime customer value. A vital aspect of creating value is the synergistic blending together of the four P's of marketing. An important part of the mix is Supply-Chain Management (SCM). SCM will be looked at with an emphasis on promotion and especially how online promotion is used by those carriers specializing in the movement of small shipments throughout the supply-chain. Several package delivery carriers who are the market share leaders were selected {UPS, USPS, FedEx, and DHL} and their Web sites were evaluated. Some factors used to evaluate the carriers were: First impression upon entry; attention-grabbing aspects of the homepage; key-facts appearing on the homepage; ease with which users can shop; back office support; meaningful links; and, several more. The results are analyzed and evaluated.

MARKETING

Some of the early approaches to marketing were based on the flow of goods, e.g., how wheat moved from the fields to the grocery store. Eventually the study began to stress the managerial approach, and was formed around the *marketing concept*. The concept was based on finding out the wants and needs of the target market, and then satisfying these wants and needs. This definition was massaged to take account of the social and ethical impact on the satisfaction of consumer wants and needs. A contemporary definition of marketing is provided by Kotler and Armstrong and states that marketing is *the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.* (Kotler and Armstrong, G-6) One key part of this definition is the creation of value. The accomplishment of marketing objectives is based on the need for all members of the organization to grasp this concept. Managers in all areas need to understand and apply this marketing concept.

The major tools used to carry out marketing were structured years ago by E. Jerome McCarthy around the four P's, i.e., Product, Price Place and Promotion. (Perrault, McCarthy, Cannon) It is important for Marketing Managers to know, understand and manage these four P's. However; they need to be managed as a system which creates synergism, i.e., by managing these four P's as a system the end result is larger than the sum of each part. It is important to briefly gander at each of the P's.

Product

Once marketers choose their targets market, product and service mix decisions are called for. Strategies regarding product mix, product lines, new product development, branding, packaging and labeling, among others are called for. Product audits must be conducted using cost-benefit analysis to decide which product lines to maintain, which can grow and which to terminate. Products need to be differentiated using dimensions like product form, features, performance, conformance, durability, reliability, style, design, etc.

Warranties and guarantees offer service dimensions, which also include dimensions like ease of ordering, delivery, installation, customer training and consulting, maintenance and repair, etc.

Products have life cycles moving from introduction to growth to maturity and finally decline. Since conditions change as products move to different stages of the product life cycle, marketing needs to develop different strategies. Using a unique name, a distinct sign or a symbol or design, or some combination of these elements, helps brand the product or service. Brands are valuable intangible assets and as such offer several benefits to customers and firms. The key to branding is successful differentiation. Successful branding can lead to brand equity. Brand equity must be tracked using brand audits.

Services have several characteristics, which differentiate them from products. They are intangible and perishable, and their perceived quality depends on the participation of the customer in the provision of the service. Marketers must match the supply of services with market demand, standardize services, and offer guarantees for performance. Customers' expectations play a critical role in evaluating service performance, and thereby, value received. Just as with products, marketers can differentiate services, and try to brand them.

Place

In a developed economy, manufacturers sell their goods through one or more marketing channels, consisting of marketing intermediaries, while some companies use direct marketing. Intermediaries provide information, product pricing and promotion, negotiation, inventory management, ordering, transporting, storage; financing, risk taking, physical possession, payment, and some take ownership (title.)

Manufacturers may use both direct and indirect channels, and some use two or more channels. Effective channel management calls for supply chain management (SCM) including selection, training and motivating intermediaries. SCM is concerned with building long-term profitable relationships among channel members. There are vertical, horizontal, and multichannel marketing systems.

Channel arrangements (legal and ethical) are up to the company, and require careful consideration with regard to practices such as exclusive dealing or territories, tying agreements, and dealers' rights. Channel members often include a variety of retailers (discounters, chains, department stores, etc.) a variety of wholesalers, and different dealers, manufacturers' agents and other intermediaries.

Retailing includes all the activities involved in selling directly to final consumers, whereas wholesalers sell to retailers and others who resell the merchandise. Most products and services are sold through stores, but increasingly, direct selling and marketing appeals to more consumers. That includes e-commerce and Internet retailing; automatic vending; and other buying services. Like retailers, wholesalers must decide on target markets, product assortment and services, price, promotion, and place. The most successful wholesalers are those who adapt their services to meet suppliers' and target customers' needs.

E-commerce has grown in importance as companies have moved to a "brick-and-click" operating mode. SCM must increasingly recognize the importance of online markets including marketing through cell phones and PDA's.

Price

Pricing is the art of presenting the customer with an important element of the value proposition. Marketers can change prices through discounts faster than they can change any other element of the marketing mix. With the advent of the Internet and the ease of price-comparison shopping the role of non-price factors increased. Price nevertheless remains an important part of the marketing mix.

Companies usually set a pricing structure rather than a single price. The structure can reflect variations in geography, demand by segment, costs, seasonality, quantity levels, and others. The structure may allow for price discounts and allowances, among others.

Price determination is driven by costs, competition, or market demand. After developing a pricing strategy, firms must tie pricing to their goals. Excess capacity may drive price discounts, as might a drop in market share, or an economic downturn. The current economic conditions have a huge impact on pricing decisions as well as product, place and promotion. Inflation (increased costs) or excess demand might drive a price increase. Customer perceptions and company image also play a role in pricing decisions.

Companies must also anticipate and closely monitor competitor price changes. They must be ready to respond in terms of price or quality changes. That requires understanding the competitor's intent; the firm is products and other factors. The Internet has changed the competitive scenarios faced by brick and click competitors.

Promotion

Promotion communicates the value proposition to the customer. The promotional mix includes advertising, direct, sales promotion, public relations, publicity, and experiential contact like events, sponsorships and trade shows. Advertising is a paid-for form of non-personal communications by an identified sponsor. Business firms, politicians, non-profit, and government agencies all engage in advertising.

The public relations (PR) mix includes publications, events, news, speeches, and others. These programs are designed to promote a company's image or products. PR can affect public awareness and because of its credibility, it can often be more effective and efficient than advertising, often at a fraction of the cost of advertising. Brand publicity consists of nonpaid media messages designed to deliver information that creates a positive influence on customers and prospects. (Duncan, 528)

Direct marketing is *an interactive, database-driven IMC process that uses a range of media to motivate a response from customers and prospects*. (Duncan, p.560) Tom Duncan points out that direct marketing has drastically changed with the advent of new communication and information technology. (Duncan, 558)

Sales promotion includes incentives designed to stimulate purchasing of products or services. Coupons, free samples, cents-off, are tools used for consumer promotion. Trade shows, sales contests, specialty advertising, are tools used in business promotion.

Personal selling is interpersonal, face-to-face promotion where the exposure is usually done on a voluntary basis and the feedback comes quickly. The use of personal selling is an important ingredient in promotion, but perhaps more important in the industrial goods segment. (Engle, 42)

Managing the 4 P's in the 21st century is exciting and challenging. Certainly part of that challenge relates to creating long term relationships with many consumers who have rarely if ever used anything but a cell phone. Strategies in IMC must be planned in an Interactive Era. This new and exciting era is controlled by those in the target market who are, in some ways, masters of their own fate. If nothing else, they are active participants in the IMC process. (Lane, 12)

Technology, Online Marketing, and Changes in Promotion and Place

Place-SCM: Place involves the movement, storage, handling, and other activities involved in moving goods from origin to final destination. The original focus was on the flow of commodities, and moved into the study of goods and services. There was a tendency to manage each area separately, i.e., transportation, inventory control, packaging, warehousing, order processing were not looked at as a system. Traffic Departments were managed with an emphasis on lowering the transportation costs. Some of this management structure can be seen as a result of regulation. The transportation industry was regulated from 1887 until 1980. Deregulation, in many ways, gave firms more freedom to be innovative in terms of how goods were moved. Another major factor in the movement toward a systems approach was the computer. The computer gave managers a means of looking at all elements of movement. They were now able to more precisely calculate trade-offs, manage both inbound and outbound movements, and analyze the impact on customer service. The new approach is now called Supply-Chain Management. (SCM). A growing and important part of SCM is the development and use of interactive online systems which take

care of information and processing aspects such as inventory management and monitoring, automated reordering, online tracking of orders, and arranging for pickup and delivery online, and other aspects of SCM.

Supply-Chain Management has been defined as *a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses and stores, so that merchandise is produced and distributed in the right quantities, to the right locations, and at the right time, in order to minimize system wide costs while satisfying service level constraints.* (Samchi-Levi, Kaminsky, and Samchi-Levi, 1) If long term value is going to be developed and nurtured, SCM must be efficiently managed in a systems approach. It is important for SCM to work with the other three P's, but the focus here is on the interplay between SCM and Promotion, online.

Promotion-IMC: Historically, the development of Integrated Marketing Communications (IMC) followed the same pattern of sub-optimization as was found in SCM. Advertising was a field of its own as was personal selling, direct, public relations, outdoor, etc. As global marketing became more important, and systems thinking became important, and new technology arrived and old technology changed, more and more marketing managers began to think and act in terms of IMC. This new systems approach called IMC can be defined as *A communications process that entails the planning, integration, and implementation of diverse forms of marcom {Marketing Communications, i.e., advertisements, sales promotions, publicity releases, events, etc.} that are delivered over time to a brand's targeted customers and prospects.* (Shimp, 604)

A growing and important part of IMC is the development and use of online promotion. This is a world of iPhones and Blu-Ray's; a world where newspapers are read online and tickets for the Ringling Brothers circus are purchased and delivered online. The presidential election in 2008 presents a classic example of the new IMC medium. President Obama's campaign used online promotion as never before and was extremely effective in reaching new, young target markets. Without a doubt, online marketing has become an important part of IMC. Advertising Agencies have grasped the importance of online. Clark Kokich, CEO of Razorfish.com, says, *Ten years from now, all agencies will be digital agencies.* (Kokich, 1)

Interactive promotion has become a very important ingredient in the marketing mix. As mentioned before, the world is changing and marketing and SCM managers need to be aware of this new interaction between promotion and SCM in an interactive environment. A new and significant way of building long-term customer value is through the efficient use of interactive media. Belch and Belch define interactive media as a variety of media that allows the customer to interact with the source of the message, actively receiving information and altering images, responding to questions, and so on. (Belch and Belch, 775) Interactive promotion provides an amazing opportunity for both IMC and SCM to work more smoothly as a team leading to better and more efficient marketing thus creating that sought after long-term value for all those concerned.

The Obama campaign used interactive media to reach young voters. And was a major factor in raising funds. The campaign spent lots of money on myriad media, but for the first time interactive became a significant factor. Bob Garfield, veteran media journalist wrote in *Advertising Age* that *connections between marketers and consumers will not be principally forged via display advertising, but will otherwise be cultivated online.* (Garfield, 86) In the 2008 commemorative issue of Time magazine, Mark Halprin says ten unique things occurred in 2008, and lists at number 8 as "Internet Fund-Raising Comes of Age." He points out how effective the internet was in fund raising and validates this point by saying that in September of 2008 \$150 million was collected, and 75% of that came via the Internet. (Halprin, 53)

The Obama campaign is but one example of the growth and maturity of Interactive Promotion. Chevrolet launched an IMC campaign in 2008 as part of their American Revolution campaign stressing green marketing and Chevy's attempt to save gas. The campaign draws consumers to the Chevy Web site ([Http://www.chevy.com](http://www.chevy.com)) which is designed around green colors. The Kellogg Company is another major firm that believes in the importance of Interactive Promotion. A recent piece in *Advertising Age* says that *the Battle Creek, MI cereal giant has opted to move more money from television to online.* (York, 3)

The authors take cognizance of the importance of Internet Marketing and Interactive Media and look at this relatively new SCM-IMC tool and package delivery carriers. More specifically, the Web sites of these carriers is analyzed using a model of Web site efficiency. {FAKBL} Several package delivery carriers were selected because they are major players in this market. {DHL was reviewed prior to their decision to leave the U.S. market} The carriers selected are: UPS, USPS, DHL, and FedEx. Package delivery industry invested heavily on developing technology that adapted to the new information age with many strategic and operational impacts on this industry. (Laudon & Laudon, 2007)

SMALL-PACKAGE DELIVERY INDUSTRY

The package delivery service industry is made up of four main competitors. These are UPS, FedEx, DHL, and the U.S. Postal Service. In 2001, Alan Robinson (2003) estimated that American consumers have spent more than 50 billion to ship parcels, packages, and overnight letters. New distribution patterns developed as U.S. manufacturing and other companies have changed their SCM operating processes. The Internet has expanded the reach of direct marketing, particularly at the retail level, requiring home delivery. The new technology has increased globalization which also created the need for parcel shipping and delivery carriers to expand worldwide. (Robinson, 2003)

United Parcel Service (UPS)

United Parcel Service (UPS) is the world's largest and strongest company in air and ground package-distribution. UPS was formed by Jim Casey and Claude Ryan in 1907 in Seattle. The teenage founders started the business with two bicycles and a phone, promising the "best service and lowest rates." By 2007 UPS delivers more than 14.1 million parcels and documents daily throughout the US and over 200 other countries and territories. The firm has maintained its leadership by investing heavily in advanced information technology. When competition was heating up in the mid 80's UPS started to invest billions into technology to boost customer service while keeping costs low and streamlining its overall operations. (Laudon & Laudon, 2007)

The investment in the Delivery Information Acquisition Device (DIAD) technology paid dividends early on. Using a handheld computer, UPS drivers are able to capture customers' signatures along with pickup, delivery, and time-card information. The drivers are able to then place the DIAD into their truck's vehicle adapter, an information-transmitting device that is connected to the cellular telephone network. Package tracking information is then transmitted to UPS's computer network which can be accessed worldwide to respond to customer queries and provide proof of delivery to the customer. UPS customers can access this information via the Internet from the company's Web site. (Laudon & Laudon, 2007).

UPS has also changed the number of customer service centers from 50 (one per state) to a dozen. UPS used to run its 50 service centers with UPS employees; in 2008, eight of the 12 centers are outsourced to third parties. UPS moved all contact with the customers from the phone to the Internet. (Krause, 1998)The investments in technology changed how UPS works, but also changed how customers interact and work with UPS. The UPS Website has about 11 million U.S. hits per month on their website, tracking 18.5 million packages daily (UPS, 2008).

The United States Postal Service (USPS)

The United States Postal Service (USPS) handles cards, letters, and packages sent throughout the United States and its territories. USPS delivers more than 210 billion pieces of mail a year to nearly 150 million addresses. An independent government agency, with a monopoly on delivering the mail the USPS relies on postage and fees to fund its operations. The USPS faces competition for most of its delivery services – both document shipping and package delivery. In 2000, the USPS changed its Internet address from usps.gov to usps.com ostensibly reflected the agency's decision to better deal with its challenges (including competition). The site began with business-to-business applications for traditional shipping customers and more recently evolved to include support for online communications. (Staff, 2000).

The move to compete created an outcry with critics charging USPS with overstepping its bounds by moving into online communications. The Postal Service has an unfair advantage by having a multibillion-dollar revenue base in first-class mail, from which it can fund its "New Economy" initiative. On the other hand, USPS was forced to pay its operating costs since it was recast as an independent agency in 1971. USPS must run itself like a business despite the fact that its charter still requires the USPS to provide "universal access" to mail delivery, which forces it to provide services even when these services are not economical. No other business competitor is saddled with such mandates. (Staff, 2000)

In October 2008, the Postal Service released its *Vision 2013*, a new five-year strategic plan. The plan acknowledges that postal customers are at the center of all of USPS' efforts and offers a broad perspective of what it will take for the Postal Service to succeed in the future. For example, the USPS will continue to invest in the its barcode system and other service improvement initiatives that promise new gains in service efficiency and customer value, while listening to the customers. (USPS, 2008)

Federal Express (FedExp)

FedEx Express was founded in 1973 by Frederick W. Smith, reportedly based on a paper written in business school. He believed there was a need for a system designed especially for airfreight that could accommodate time-sensitive shipments, without having to rely on airline schedules. Frederick Smith named the company Federal Express so as to have the patriotic term "Federal" to the company name, in the hope that the name would help obtain governmental contracts and attract public attention and name recognition. To achieve speed, all packages used private fleet of aircraft and a single hub. The business was launched from the Memphis International Airport, With 14 small aircrafts. FedEx is one of the leading global shippers today, handling package delivery, e-commerce, and supply chain management services. The company offers integrated transportation and logistics solutions through a network of subsidiary companies that collectively compete under the worldwide FedEx name. The family of companies includes FedEx Express, FedEx Ground, FedEx Freight, FedEx Custom Critical, FedEx Trade Networks and FedEx Services. FedEx handles 3.3 million packages nightly, employs over 200,000 people, and connects customers to 215 countries within 24 to 48 hours. (Alghalith, 2007)

One of the FedEx's focuses is to differentiate itself from the competition by offering an outstanding customer experience. In a speech given by FedEx's CEO and founder, Frederick Smith, he discussed this concept by explaining how his company creates a competitive advantage within the industry. He explained that FedEx's first focus is that the customer is at the "heart" of everything the company does and that every decision is based on how it will affect the customer. According to Smith, "FedEx measures every point of customer contact, from beginning to end of the customer experience" (Smith, 2003). The company attempts to align all of its internal processes so that they add value to the customer's experience. Moreover, FedEx measures its progress externally through recognition by outside organizations that routinely measure consumer peer and industry satisfaction. "Finally," Smith explains, "we try to deliver a positive experience not only to our customers but to our other audiences as well: our employees, our shareholders, and our communities" (Smith, 2003). With its strong commitment to customer satisfaction, FedEx has built relationships with its customers which helped FedEx to position itself in a way that was most effective for the customer.

One example of building customer relationships is the investment in Digital Automated Dispatch System (DADS) to help drive the company's daily operations. The DADS system allows FedEx to track truck locations using GPS, improve route efficiency, and provide delivery data and customer information to each truck. The DADS network is one of the world's largest private mobile data with Bluetooth-capable handheld devices, named PowerPads. That provides access to more information about customers, delivery, and package identification. Optical pens which record customers' signature and handwriting avoid mistakes caused by illegibility (Alghalith, 2007).

FedEx's recent diversification drive created different businesses that concentrate on various segments of the package delivery market. A resulting consequence involves increasing competition with competitors like USPS, DHL, and UPS who enjoy extensive financial resources. On the other hand FedEx tried to rely on information technology early on. In 1995 FedEx began to use the Internet and created a portal with few

options for customers at the time. That site expanded its choices, functionality and services over time. FedEx has been an innovator in using IT as an integral part of their businesses, and has successfully implemented and deployed IT. (Alghalith, 2007)

More recently FedEx acquired Kinko in 2004, and renamed it FedEx-Kinko. Since then Kinko's profits have fallen by more than \$100 million in 2004 to \$45 million in 2007. Revenues stagnated at \$2 billion. In 2008, FedEx announced an \$890 million write-off on the purchase, naming third CEO to head Kinko's in four years. FedEx stopped reporting Kinko's financial results separately in September 2007 and will be dropping the Kinko's brand name in favor of the new name: FedEx Office. (Palmeri, 2008)

DHL

DHL was founded in 1969 by Adrian Dalsey, Larry Hillblom, and Robert Lynn whose last name initials D, H, and L formed the DHL name. The company began as a service shuttling bills of lading between San Francisco and Honolulu. Acquired by Deutsche Post World Net, DHL now operates a global system of 4,400 local offices, 238 gateways, and more than 450 hubs, warehouses, and terminals. The company employs over 170,000 people. The company offers 4.2 million customers worldwide fast, reliable, and cost-efficient package delivery service around the world. More than 400 aircraft operate for or on behalf of DHL. Servicing over 140,000 destinations in over 220 countries with overnight and express package deliveries poses a unique problem: how do you work in very unique local environments, with different languages, cultures, and local knowledge, while at the same time deliver this service on a global, time-intense platform. Keeping track of its own operations, in addition to customer packages, was a major challenge for DHL. (Laudon & Laudon, 2007)

One way DHL used to act locally is the use of the local language for customers and employees to be able to see information on their packages on their computer screens. Databases contain important country regulations and the DHL computer systems can check on any package anywhere. To do that, DHL built over 50 data centers in each of the major country operations. The system had a messaging and communications network that kept shipment, e-mail, transit times, billing, and tracking information among countries while allowing local countries' to see only the data needed locally. (Laudon & Laudon, 2007)

This system was adequate until traffic volume pushed the existing system to its limits. DHL learned that information is more important than the package shipped, and while customers were forgiving when hurricanes or tsunamis lead to lost packages, they were intolerant when the system failed to report where their package is. The decentralized IS structure proved to be too expensive; local managers lost 20 percent of their productivity flying to regional meetings. At the same time it was too slow, requiring over a year to deploy upgrades and perform maintenance in different countries. (Laudon & Laudon, 2007).

By 2006, DHL completed a major consolidation and resulting in 40 percent cost reduction while increasing efficiency. Beginning in 2000, DHL concentrated its global infrastructure into three regional global centers located in low cost areas: Cyberjaya (Malaysia), Prague, and Scottsdale, Arizona. Design work is now done in the U.S. while implementation and execution work is done in India. New applications are built and deployed to customers in hours rather than months.

DHL acquired Airborne Express in 2003, and lost an aggregate \$3 billion in the past five years, dragging down the rest of the DHL Express global network results. DHL Express reported that excluding the U.S., earnings before interest and taxes rose 11 percent year over year in the first nine months of 2008. Revenues outside of the United States grew 7.3 percent, and shipment volumes over four percent. DHL Express decided to pull out of the U.S. domestic express delivery market with ground services to be terminated in early 2009. All of the express carrier's 18 U.S. ground hubs and about 80 percent of its U.S. stations will close. DHL will continue to offer international service to and from the United States, maintaining a network of 103 service centers and local ground services to shuttle airfreight from airports to customers. The company currently is in talks with rival UPS Inc. to fly DHL's shipments within the United States. (Solomon, 2008)

DHL Express had been operating more than 20,000 delivery and line haul vehicles, plus 450 ground hubs, service centers, and other facilities in the United States. The company has dismissed over 5,000 employees and begun shutting down some stations. DHL Express expects to lay off another 9,500 people retaining some 3,500 to serve international customers. Over a million domestic daily shipments will be up for grabs. With DHL abandoning its domestic U.S. business, rivals such as UPS, FedEx Corp., the U.S. Postal Service, and expedited truckers are gearing up for market-share gains. Based on 2007 estimates, DHL generated about \$2.8 billion in domestic air express revenue and controlled 12 percent of the overnight air delivery market. UPS and FedEx are expected to divide about 80 percent of DHL's U.S. domestic air business, 70 percent of its ground business, and 5 percent of its U.S. import and export traffic thereby expecting UPS and FedEx to "...benefit materially over the long term." (Solomon, 2008)

MARKETING AND SMALL-PACKAGE DELIVERY INDUSTRY

Rating the Marketing Mix: Product (services,) Place (SCM,) Promotion, Price and

Service and SCM: Consumer Reports tried to rate the best shipping company. Consumer Reports mailed 48 packages from Yonkers, N.Y., to 16 consumers in 12 states, using regular next-day delivery (Standard Overnight for FedEx, Express Mail for the Postal Service, and Next Day Air Saver for UPS.) All of the packages got there the next day.

Price: The Report determined that the Postal Service was the least expensive by far for local and long-distance deliveries; letter-size envelopes, and ones used for sending the books USPS charges a flat rate of \$16.50. Flat rates for slower delivery times are lower. The other two shippers base their prices on weight and distance traveled. UPS charged \$62.87 to send a book next-day to Oregon and \$29.55 to Manhattan. FedEx charged \$54.57 and \$27.48, respectively. When asked how the Postal Service, an independent part of the U.S. government's executive branch, can deliver overnight shipping for less, a spokeswoman, said: "We have an infrastructure in place and letter carriers everywhere. We're simply adding package delivery to a network that already exists." (Marco, 2008)

Rating the Marketing Mix: Promotion:

Name Recognition, Logo Identification, Brand Awareness, and Message Retention are all very important elements in the constant cycle of advertising by today's top companies. We see ads on television and cable, in newspapers, magazines, listen to them on the radio, see them on billboards and even "experience" them in the theatres. In the Parcel Shipping industry that advertising holds as much weight as any other competitive market.

With the United States Postal Service, one could argue that they don't need to advertise because of their monopoly on letter mail and is a highly recognizable name brand. However, they do, the most notable advertisement is the sponsorship of Lance Armstrong in his Tour de France run. The debate is not about the money, since the amount spent on Lance Armstrong is a tiny fraction of the agency's \$66 billion annual budget. Nor should it be about the need to advertise since they face stiff competition from Federal Express and the United Parcel Service, among others in the parcel industry. Moreover, an Office of the Inspector General report revealed that the agency spent \$48 million over six years (1997-2003) on its sponsorships, which included not only the cycling team but also a baseball team (about \$3.5 million for the New York Yankees), a few football teams (among them the New York Giants) and two golf tournaments. (Goldway, 2003)

UPS has a rich history of advertisement, with an overhaul of sponsorships and advertising it no wonder that UPS is the leading company in the shipping industry. After the award winning slogan "What can brown do for you?" UPS invested \$35 million in its new advertising campaign called "Whiteboard" that was launched in 2007. The new UPS ad campaign by The Martin Agency, in Richmond, VA has a great concept, quality execution, energizing music. The ad displays a whiteboard that has drawn images come to life to display UPS logistics at work. (Fresh, 2008)

For almost 30 years ago, FedEx has continued to drive their core business message of “delivering peace of mind to its customers” by using entertaining sketches of humorous office situations and caricatures of the business world in their advertising. Since, 2003 FedEx has used “Relax, its FedEx.” The slogan was evolved from previous advertising, but remains true to both the humorous tone and core message that the FedEx brand represents “peace of mind”. The advertisements were created by BBDO New York, show how FedEx solves problems for businesses, both large and small, using the full range of FedEx air, ground, freight and international delivery services. (Editors, 2003) In 2007, FedEx again paired up with BBDO and launched a new global advertising campaign “ACCESS – SUCCESS – GROWTH.” These concepts are the creative force behind a new advertising campaign launched by FedEx today in key markets around the world, including. The new ads take you “behind the scenes,” communicating some of the ways FedEx helps customers’ access opportunities in the marketplace, whether those prospects are in their local communities or around the globe. (FedEx news, 2008)

In 2007, DHL Express launched their “Capabilities” advertising campaign. With new placements in print, television and on-line, DHL aim was to steps toe-to-toe with UPS and their popular 2007 “white board” campaign as well as ongoing advertisement by FedEx. FedEx has taken major positions especially in sports marketing with launch of the US PGA FedEx Cup in professional golf. DHL's ad focus was on products, international services, Major League Baseball and services in the Fashion vertical. (Joiner Jr, 2007)

With the constant bombardment of traditional advertising messages, many companies are often underestimating the power that alternative methods like search engine marketing can have. With the internet being a key component in the Parcel Shipping industry, companies are looking for innovating techniques to give them market edge. As it stands, search engine marketing is quite possibly the most affordable and dependable form of marketing a company could put in place (see Appendix 3). Appendix three shows a closer look into cost, reach and effectiveness of traditional marketing methods in comparison with search engine marketing.

Rating the Marketing Mix: Website Analysis

As the Internet grew after the creation of its first search directory Yahoo, thousands of similar services developed allowing users to “search” the Internet on any imaginable topic. As key terms are entered and the results returned, a certain science determines just how the results are presented. Obviously, the closer a site is to the top of the listings, the more likely it is to receive a new visitors/costumers.

One of the most underrated online marketing efforts today is quickly gaining credibility among America’s premier companies as a vital component for brand awareness, traffic building and increased revenues. Search engine optimization (SEO) is the hottest buzz phrase since CRM (Customer Relationship Marketing) and is yielding serious results among major online players. Also known as search engine positioning among other names, SEO is a service that “optimizes” your Web site in order for it to be indexed and favorably positioned by the major search engines on the Internet. With nearly 90% of all Internet users accessing a search engine during any given online session, big businesses are realizing that if they are not positioned well within the engines, they may never be found. Companies must deal with the reality that they are losing customers to their competitors whether they are a business to business or business to consumer site.

To analyze what each web site is doing in terms of SEO data were collected from two industry leading sources on website analysis, domiantools.com and alexa.com. With that data, a table was composed that matches up the SEO characteristics of UPS, USPS, FedEx, and DHL. After doing an analysis of the Website data, a comparison of the Web sites was conducted using several characteristics (see Appendix 1). Some of the key characteristics come to our attention. These characteristics (Ledford, 2007; Rognerud, 2008) and the main findings are explained below.

Website Title: The website title or title tag is the most important overall component of search engine optimization since it is given great consideration by all the search engines. The title is also important because it is usually the hyperlinked sentence that leads to the site from the search engine results pages

(SERPs), and users must be enticed to click on it. It is crucial to include your company's top key terms within the title tag. The title appears on top on the browser. Keywords should be used in this title because the search engine will use the words in the title to help it index your page. By adding a good meta title to your Web page will help raise its ranking in the search engines. Meta-element included in a given web page's HTML code to aid in the page's indexing. A keyword meta-element may include several comma-separated keywords (or keyword phrases, each of which may contain several individual words).

Keyword: On the web, a keyword is defined with reference to the content and/or the words used by searchers. Like title, keywords are important because they lead to the site. The search engine brings up results of the search by the keywords by bringing in the pages from the search engine results pages (SERPs). It is crucial to include the company's top key terms within the title tag.

Load Speed: The time it takes to load up the web page. Other than mass data, videos, and high graphics could affect the load time to be longer. A user would like their load time to be about 1 second on a standard Internet connection, which is considered fast according to this analysis data

Title Relevancy: Title relevancy refers to the relation to the keywords. If your key word is music and your website title is "David's House of Blues" the relevancy will be low due to the only relevant thing is blues. If "Blues" was to be replaced with "Music" the relevancy would jump much higher.

Meta Description: Meta tags are the descriptive terms used within the HTML code of a web page. They act as a summary of the content a search engine spider might find on that page and were once one of the controlling factors behind great search engine positioning. Current algorithmic studies have shown that the meta tag is responsible for little or no part of a site's position and therefore is not as important as once thought. Although most engines don't use meta tags in their positioning algorithms, they do display them in the results which can help with click throughs. Overall, the engines are unpredictable so keeping the meta descriptions strong, relevant and descriptive of the content it represents is too important to forego.

Description Relevancy: Works on the same principals as the title relevancy except the keywords are matched up with the description

SEO Score: Score based on their recommended Search Engine Optimization (SEO) techniques this domiantools.com. SEO is the process of choosing targeted and relevant keywords and keyword phrases related to a site and driving traffic to that site based upon those keywords and keyword phrases is known as search engine optimization. Search engine optimization methods provide a conduit through which businesses and potential clients are able to become aware of each other. Search engine optimization involves making the pages of a site more easily accessible to search engines spiders and emphasizing the key topics relating to a specific site. Search engine optimization is also often referred to as SEO, search engine positioning, search engine placement and search engine promotion.

Terms: This adds up the text terms on the page. Some search bots search through the text on a main page to match a users search criteria.

Images: This adds up the images on you main page. If a user is looking for a image that has been indexed by the search bots of you website, they will be able to view it.

Links: This is the collection of links (connections to other pages) on you main page. You can have internal and outbound links. Internal take you to a distention inside you web page while outbound export you to a different website.

Related Sites: Related site are site that users use/click on that relate to product or service. This includes competitors and compliments to the widget in mind.

DMOZ: The Open Directory Project (ODP), also known as Dmoz (from *directory.mozilla.org*, its original domain name), is a multilingual open content directory of World Wide Web links owned by Netscape that is constructed and maintained by a community of volunteer editors. ODP uses a hierarchical ontology

scheme for organizing site listings. Listings on a similar topic are grouped into categories, which can then include smaller categories.

Directory is a server or a collection of servers dedicated to indexing Internet web pages and returning lists of pages, which match particular queries. Directories (also known as Indexes) are normally compiled manually, by user submission and often involve an editorial selection and/or categorization process (directories include DMOZ and Yahoo). The more you are listed on a directory the higher your page is ranked, thus customer see your web site first over your competitors.

Y! Directory: The Yahoo! Directory is a web directory, which rivals the Open Directory Project in size. The directory was Yahoo!'s first offering. When Yahoo! changed to crawler-based listings for its main results in October 2002, the human-edited directory's significance dropped, but it is still being updated. The Yahoo! Directory offers two options for suggesting websites for possible listing: "Standard", which is free, and a paid submission process that offers expedited review. Payment is required when suggesting a commercial site. Yahoo! provides both a search engine and a directory service, and the directory is searchable separately from the rest of their search engine results.

Visitors by Country: This is the top 6 countries that visit your site. The percent is the breakdown from the total vaster to you site.

Visitors by City: Much like Visitors by Country except this is the top 6 cities.

Alexa Trend/Rank: This is Alexa's page rank system. Each system has its own formulas and qualification criteria for page ranking lists.

Compete Rank: Compete.com page rank system.

Quantcast Rank: Quantcast.com page rank system.

Wikipedia: This is the number of displays that you webpage is cited or talked about. Works very similar to a directory listing which increases you page ranking.

ICANN Registrar: An organization that manages Internet domain names. Any person or company that wants a presence on the Internet must register a unique name with one of the more than thousand registrars around the world. In the U.S., registrars such as Network Solutions www.networksolutions.com and Go Daddy www.godaddy.com are very popular. The Internet Corporation for Assigned Names and Numbers (ICANN) maintains a list of accredited registrars.

Finally, there are the dates in which the Web site was **created:** Date the website was created; **expires:** Current date of expiration, which could be updated for a small fee any time before it expires, and **updated:** Last date of an update in service.

Server Type: The type of platform you are hosting on. Each platform has its own programming language and a different set of pros and cons.

IP Address: IP address is an identifier required for any machine to communicate on the Internet. The IP address looks something like this: 123.123.123.123 for numerical segments separated by dots. Any computer is reachable through its IP address. Moreover, to make it easier for user to remember websites the web community decided to assigned names to the IP address.

IP Location: This is where the IP is physically located. If you use the Internet from you house, then the physical location is you home address.

The table in Appendix 1, shows that the industry leader UPS had the second fastest load speed with 1.5 seconds, most likely due to the fact that the site does not need to load any internal or external links. The top

three countries who visited UPS were United States (69.1%), Great Britain (12.9%), and Germany (5.5%). Which shows its global reach is very high compared to other U.S. based companies (FedEx and USPS) whose visitors from the U.S. counted for over 80%. Overall, UPS had the 2nd most U.S. visitors with about 12 million per month, but since that amount is only 69.1% of its total users we therefore calculate that UPS is the clear leader in total world wide visitors.

USPS, has the most US visitors, with 14 million per month, before this analysis one could have predicted it would have been the parcel leader UPS. Overall, it seems to be favored by users thus constantly ranked higher by page ranking organizations like compete.com. However, some negatives like USPS had the slowest time out of the four websites with 2.5 seconds; this must be because the front page has to load 88 links and 52 images. Being a U.S. based company that has a government monopoly in mail delivery meant that 87.7% of the customers that visit USPS.com are from the U.S. not to be out of the norm. But what was fascinating was the fact that 1.6% came from China, this is probably due to the fact that there is a lot of government related business with China and a government related business would most likely use a government shipping service.

FedEx data did not reveal anything out of the norm. Having a strong U.S. base of visitors this 3rd place company shows that with more resources and some luck it could one day become a major factor in challenging UPS. Currently, FedEx gets about half as many users as UPS, and in our professional opinion if that gap would narrow UPS would certainly need to rethink its SEO strategy. Our data finding that FedEx second largest visitor base is from India (2.1%), shows that while the other companies are placing a stronger emphasis on expanding to China, FedEx is choosing to have a greater appeal to India rather than battling its competitors head to head on in China where it hold a respectable 1.7 percent of their total visitors.

With no images and only one internal link, DHL had the fastest load time with 1.1 seconds. Due to its purchase by Deutsche Post, DHL became more of a worldwide company rather than the U.S. base that it originally began with. This was clearly displayed with only 27.2% of their visitors coming from the US. Judging by the data, DHL will focus its efforts on the two most emerging markets China (14.6%) and India (8.5%). As DHL slowly pulls out of the U.S. market, we expect the numbers to rise. Despite putting emphasis on SEO, DHL's website is a ghost town in comparison to their competition; with only 500,000 visitors and poor page ratings should be a great concern to DHL since the world population is slowly becoming less inept to using the internet.

The analysis suggests some notable overall correlations. Specifically, a company with fewer users per month and ranking the more effort was placed in SEO. Another finding was the higher percent U.S. visitors companies had more Directory and Wikipedia listings. A possible explanation is that this correlation is due to the fact these services are American owned and visited, thus giving a higher probability to be listed. We also found that the four industry leaders shared a common set of top three cities by visitors. While the ranking order differed, New York, Los Angeles, and San Francisco drew the most people to the shipping industry leader's websites.

Overall, the findings illustrate one main point. That if a firm had a strong enough market share and brand name like UPS, it is not that necessary to focus a great deal of effort on SEO to drive customers to ones web page. This is most likely due to different type of media advertising geared to driving traffic toward you web page. However, by using the many advantages and the great returns on investment that SEO offers companies could catapult itself into a greater market share. If given a long-term commitment, other media cannot beat SEO in its delivery of targeted traffic, level of exposure or ease of use for the consumer (Appendix 3).

Discussion

In conclusion, the industry is constantly adding and improving features of current products/services. Companies need to strive to continuously harvest the possibilities for e-commerce options. Moreover, companies need to search out competitors' weaknesses and exploit them to gain market share. For example, FedEx is continually competing for customers with UPS. In the past, UPS was known for its poor service,

and thus anyone looking for guaranteed package delivery was sure to use FedEx. However, UPS quickly stopped the leak and has implemented large-scale improvements on its service offerings. FedEx must respond with its own service enhancement. If a specific service is currently very successful, that does not mean that it will be so in the future. Increasingly demanding customers and aggressive competitors are a continual threat to this industry and thus it needs to focus on enhancing all of its products and not just the less profitable or less successful ones. Further enhancement could be achieved by finding better ways to leverage current technology. Companies need to adopt cost-cutting techniques before it begins to implement new projects.

There is still a lot of room for to expand in this industry. The industry has only just begun entering geographic markets outside of the U.S. and there are still many possibilities for foreign growth. Once a company has established brand recognition and customer loyalty, it is definitely primed to continue and expand upon its international involvement. Transportation and supply-chain management services are currently in high demand as the beauty of ecommerce is being discovered across the globe. Supply-chain management is a perfect candidate for expansion because it generates such high customer loyalty. To effectively manage the growth of its international presence, a company should enter new markets where it believes it can benefit from economies of scope. With the help on the Internet companies need to expand to new markets before has the opportunity to secure initial foreign presence is gone.

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APPENDIX

APPENDIX 1-WEBSITE DATA TABLE

	United Parcel Service	U.S. Postal Service	FedEx	DHL
Front Page Information				
Website Title:	UPS Global Home	USPS - The United States Postal Service (U.S. Postal Service)	Shipping, Logistics Management and Supply Chain Management from FedEx	DHL Global
Load Speed:	Fast (72% of sites are slower), Avg. Load Time: 1.5 Seconds	Average (50% of sites are slower), Avg. Load Time: 2.5 Seconds	Fast (71% of sites are slower), Avg. Load Time: 1.6 Seconds	Very Fast (81% of sites are slower), Avg. Load Time: 1.1 Seconds
Title Relevancy:	0%	57%	87%	100%
Meta Description:	n/a	Get shipping rates, buy stamps, print postage, track a package, and look up a ZIP Code? - Find the mailing products and services you need at USPS.com.	Shipping - Logistics Management - Supply Chain Management from FedEx Corporation: FedEx.com offers a complete suite of online services for shipment preparation, package tracking, shipment rates and tools tailored to the needs of international shippers and small businesses.	n/a
Description Relevancy:	n/a	75% relevant.	37% relevant.	n/a
SEO Score:	65%	71%	88%	76%
Terms:	621 (Unique: 289, Linked: 0)	475 (Unique: 237, Linked: 197)	345 (Unique: 297, Linked: 19)	25 (Unique: 24, Linked: 3)
Images:	20 (Alt tags missing: 17)	52 (Alt tags missing: 23)	9 (Alt tags missing: 9)	0 (Alt tags missing: 0)
Links:	0 (Internal: 0, Outbound: 0)	88 (Internal: 86, Outbound: 0)	9 (Internal: 9, Outbound: 0)	1 (Internal: 1, Outbound: 0)
Related Sites:	dhl-usa.com , tnt.com , theupsstore.com , purolator.com , paypal.com , iship.com , fedex.com , egghead.com , ebay.com , dhl.com	aol.com , switchboard.com , stamps.com , prc.gov , pb.com , mbe.com , hongkongpost.com , fedex.com , ebay.com , dhl.com	dhl-usa.com , usps.com , ups.com , tnt.com , shareholder.com , paypal.com , mbe.com , kinkos.com , dhl.com , westernunion.com	dhl-usa.com , dhl.fr , tnt.com , ups.com

	United Parcel Service	U.S. Postal Service	FedEx	DHL
Indexed Data				
DMOZ:	26 listings	56 listings	46 listings	18 listings
Y!	11 listings	22 listings	13 listings	8 listings
Visitors by Country:	United States 69.1%	United States 87.7%	United States 81.2%	United States 27.2%
	Great Britain (UK)	China 1.6%	India 2.1%	China 14.6%
	Germany 5.5%	Canada 1.5%	Canada 2%	India 8.5%
	Canada 1.8%	India 1.3%	China 1.7%	Germany 4.3%
	China 1.4%	Great Britain (UK)	Great Britain (UK) 1.5%	Pakistan 3.7%
	Italy 1%	Germany 0.5%	Germany 1.2%	Great Britain (UK)
Visitors by City:	New York 7.3%	Los Angeles 7.7%	New York 7.6%	Los Angeles 3.2%
	Los Angeles 6.9%	New York 7%	Los Angeles 7.4%	New York 3.1%
	San Francisco 4.1%	San Francisco 4.4%	San Francisco 4.4%	San Francisco 2.7%
	Chicago 2.1%	Chicago 2.1%	Chicago 2.5%	Dubai 1.8%
	Philadelphia 2%	Washington 2.1%	Philadelphia 1.8%	Hong Kong 1.4%
	Boston 1.9%	Philadelphia 2.1%	Boston 1.8%	Chicago 1.2%
Alexa Trend/Rank:	#216: Up 135 ranks over the last three months.	#285: Up 74 ranks over the last three months.	#1,223: Down 570 ranks over the last three months.	#7,716: Down 3,936 ranks over the last three months.
Compete	#74 with 11,890,239	#57 with 14,239,910	#136 with 7,201,396	#3,415 with 492,927
Quantcast	#80	#58	#149	#2,966
Wikipedia:	Listed on 68 pages	Listed on 1,213 pages	Listed on 80 pages	Listed on 32 pages
Registry Data				
ICANN Registrar:	GROUP NBT PLC AKA NETNAMES	NETWORK SOLUTIONS, LLC.	NETWORK SOLUTIONS, LLC.	MARKMONITOR INC.
Created:	4/7/1992	7/10/1997	2/26/1991	5/25/1989
Expires:	4/8/2009	7/9/2009	11/29/2011	5/24/2009
Updated:	3/10/2008	6/24/2008	6/27/2006	3/6/2007
Server Data				
Server Type:	Apache/2.0.52 (Red Hat)	Netscape-Enterprise/6.0	Sun-ONE-Web-Server/6.1	Apache/2.0.48 (Unix)
IP Address:	153.2.224.50	72.246.137.188	199.81.198.50	96.17.8.26
IP Location	- New York - New York - United Parcel Service	- Massachusetts - Cambridge - Akamai Technologies	- New York - New York - Fedex	- Massachusetts - Cambridge - Akamai Technologies

Source: Alexa.com and Whois.domaintools.com both accessed on December 7, 2008

APPENDIX 3-MARKETING COMPARISON CHART

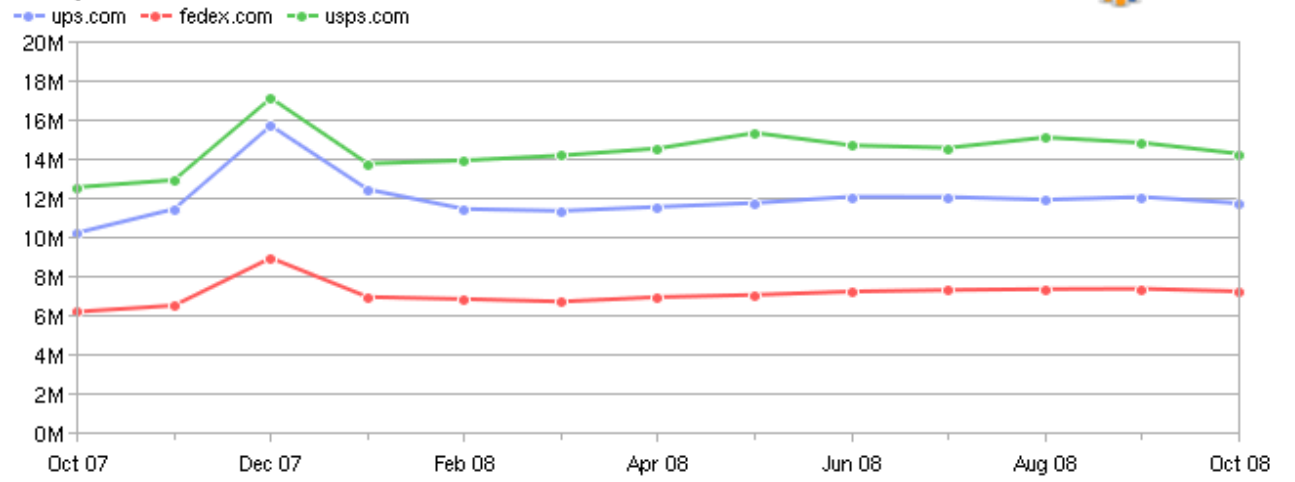
MEDIUM	COST	CAMPAIGN TERM	AUDIENCE REACH
Local Television	A 30-second commercial on a local station in a top 10 market ranges from \$4,000 to \$45,000+ during top rated shows.	Airtime can be purchased throughout the year but is often scheduled in flights that center on sales, and product introductions.	As a broadcast medium, television reaches a large number of consumers. It is extraordinarily expensive to use to reach smaller target audiences. Targeting is difficult.
Network Television	A 30-second commercial in prime time ranges from \$80,000 to \$600,000, depending on ratings, averaging from \$120,000 to \$140,000.	Network spots are also purchased in flights but can be much smaller than local and cable flights due to the high cost.	As a higher-cost solution, one can determine the best possible time and show for a spot to run in order to capture the most targeted audience for the product. Even so, the return on investment is still very low.
Cable Television	A 30-second spot in prime time runs between \$5,000 and \$8,000 depending on the network.	As a more affordable solution, the dynamic of cable television offers themed channels as an outlet for advertisers to approach target audiences.	With a larger number of channels to choose from, companies can more effectively target audience demographics in hopes of higher returns.
Radio	Commercials range from \$200 to \$1,000 for a 60-second spot and all depends on the time of day that it runs and each program's ratings.	Radio is also purchased in flights that center around specific events.	Many factors affect the effectiveness of radio advertising. Stronger stations charge premium rates to get your message to a large audience. While listeners are a captive audience, typically listening in their cars or at work, it is difficult for them to respond to an advertisement.
Magazines	Ads in regional editions of national magazines cost an average of \$50 per 1,000 issues in circulation. The average cost of an ad in a local magazine is about \$120 per 1,000.	Magazine ad sales can be sold as annuals, specific months of publication or special issues.	Magazine editorial allows advertisers the ability to target audiences more effectively than broadcast and allows for delivery of more information.
Direct Mail	The most common forms include promotional info in letter-sized envelopes costing \$15 to \$20 per 1,000. Single sheet newspaper inserts cost between \$25 and \$40 per 1,000 issues circulated.	Direct mail is limitless in its development style and delivery frequency.	From postcards to free samples, direct mail can deliver anything. Unfortunately, demographic research into neighborhoods only goes so far, often delivering your message to more people who won't respond than to those who do.
Search Engine Optimization	As a custom marketing option, search engine	Most search engine optimization	As a narrowcast medium, SEM services target those who are already seeking

MEDIUM	COST	CAMPAIGN TERM	AUDIENCE REACH
(SEO)	optimization can vary in price for specific needs and goals. Typical programs can range from \$30,000 to \$100,000 per year.	programs run for 12 months.	information about products or services in your industry. Return on investment numbers are exceptionally high as visitors to your Web site become regular customers. For the cost of a single component in other traditional marketing efforts like a Spring radio flight, companies can increase their site traffic, sales and online branding image.

Source: So Do It, LLC / Oneupweb. (2004). *The Guide to Search Engine Marketing*. So Do It, LLC / Oneupweb.

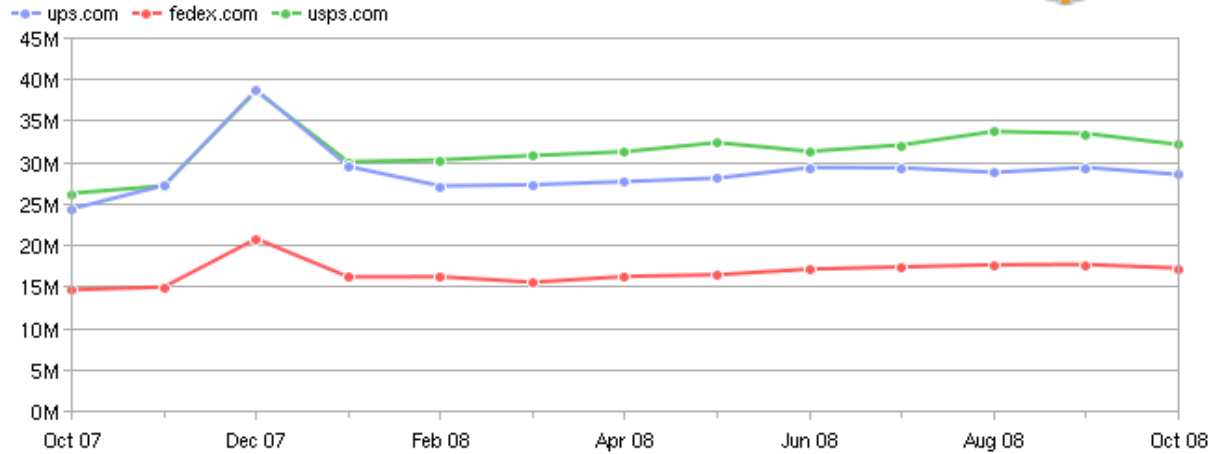
Competition. From compete.com

Unique Visitors



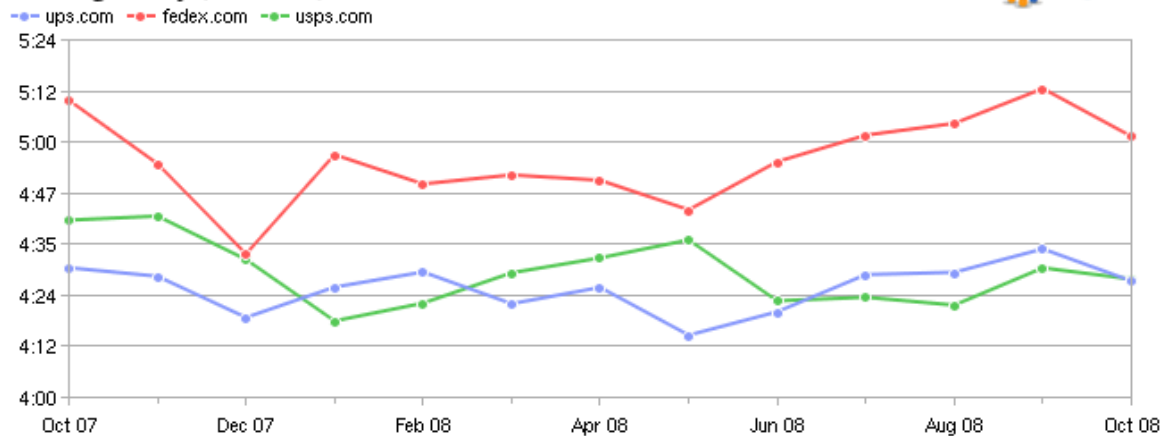
Date: 10/2008	People	Month Δ	Year Δ
ups.com	11,708,174	-2.7% ↓	14.8% ↑
fedex.com	7,201,396	-1.8% ↓	16.9% ↑
usps.com	14,239,910	-3.8% ↓	13.7% ↑

Visits



Date: 10/2008	Visits	Month Δ	Year Δ	What is this?
ups.com	28,463,829	-2.9% ↓	17.0% ↑	The number of visits made to a site. A person can only be counted as one person in a month, but can make multiple site visits.
fedex.com	17,166,540	-2.5% ↓	17.9% ↑	
usps.com	32,070,573	-4.0% ↓	22.4% ↑	

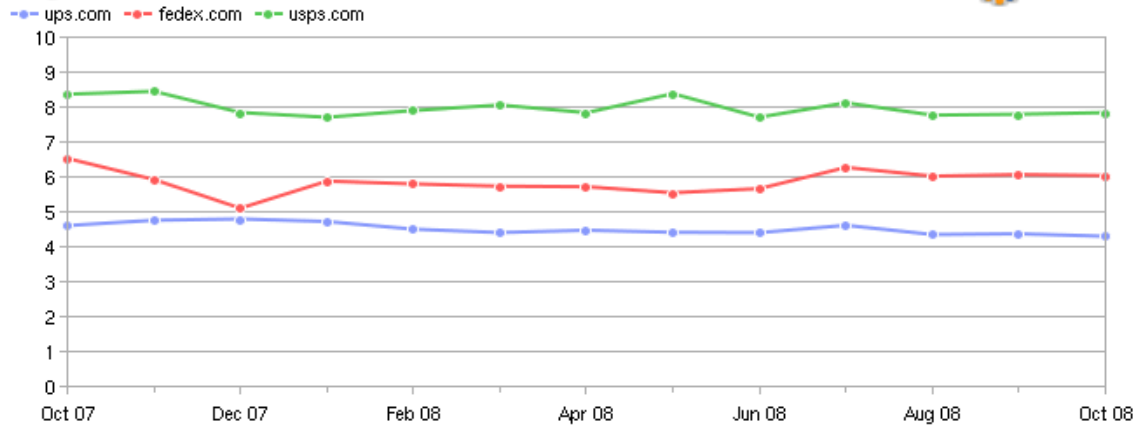
Average Stay (minutes)



Date: 10/2008	Avg. Stay	Month Δ	Year Δ	What is this?
ups.com	04:27	-2.7% ↓	-1.2% ↓	The number of minutes an average
fedex.com	05:01	-3.6% ↓	-2.7% ↓	

usps.com	04:28	-1.0% ↓	-4.9% ↓	visitor spends on a site during each
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Pages Per Visit



Date: 10/2008	Pages/Visit	Month Δ	Year Δ	What is this?
ups.com	4.3	-1.6% ↓	-6.7% ↓	The number of pages an average person views on each visit to a domain.
fedex.com	6.0	-0.5% ↓	-7.5% ↓	
usps.com	7.8	0.6% ↑	-6.3% ↓	